



ANNOUNCEMENT

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REPORT FOR THE QUARTER ENDED 30 JUNE 2012

**Completion of the Chapudi equity transaction provides additional resource for
CoAL's growth into a significant coking coal producer**

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, for the quarter ended 30 June 2012. A copy of this report is available on the Company's website, www.coalofafrica.com.

Operational Highlights

- ☐ Improved safety performance - two lost time injuries ("LTI's") were recorded during the quarter (FY2012 Q3: two); 33% reduction year on year from 15 LTI's in FY2011 to 10 LTI's in FY2012.
- ☐ Pressure on index linked coal prices continued during the quarter declining from US\$103/tonne in March 2012 to US\$87/tonne at the end of June 2012. As a consequence the Company's thermal coal mines reported losses during the quarter under review.
- ☐ Record monthly production of 140,996 ROM tonnes at the Mooiplaats thermal coal colliery ("Mooiplaats Colliery") in May 2012.
- ☐ 1,315,849 tonnes (FY2012 Q3: 1,170,223 tonnes) of ROM coal and 578,868 tonnes (FY2012 Q3: 601,491 tonnes) of export quality coal produced at the Woestalleen thermal coal complex ("Woestalleen") and the Mooiplaats Colliery.
- ☐ Export coal sales during the period of 411,005 tonnes (FY2012 Q3: 452,888 tonnes) was 9.3% lower quarter on quarter partly due to changes in the quality of ROM coal supply resulting from the transition from the South to North block at the Vuna Colliery and, no available third party supplementary free on rail export coal.
- ☐ Extraction of 126,199 tonnes (FY2012 Q3: 34,908 tonnes) of run of mine ("ROM") coal at the Vele coking and thermal coal colliery ("Vele Colliery") during the period, utilised for coal quality test work and ramp-up of the recently commissioned processing plant.
- ☐ Railing of first thermal coal produced at the Vele Colliery from the Musina siding for export via the Matola Terminal in Maputo, Mozambique ("Matola Terminal").

Project Highlights

- ☐ Gross tonnes in situ in the Greater Soutpansberg area increased by 429% from 1.5 billion tonnes to 8.0 billion tonnes.
- ☐ On-going review of the Makhado coking coal project ("Makhado Project") Definitive Feasibility Study ("DFS") and definition of the scope of work by the joint Exxaro Coal Proprietary Limited ("Exxaro") and CoAL technical teams.
- ☐ Extension to 30 September 2012 of Exxaro's right to participate in up to 30% of the equity of the Makhado Project.

Financial Highlights

- ☐ Completion of the disposal of the non-core NiMag Proprietary Limited and Metalloy Resources Investments Proprietary Limited (together "the NiMag Group") by way of a Management Buy Out ("MBO") for ZAR54 million (approximately US\$7.0 million).
- ☐ Post quarter end, the Company entered into a financing package ("the Financing Package") with Investec Bank Limited ("Investec"), pursuant to which Investec will make approximately US\$58.7 million available to CoAL through a combination of debt and equity funding to replace the existing US\$40.0 million J.P. Morgan 364 day loan facility ("J.P. Morgan Facility").
- ☐ Extension of the date of fulfilment of the remaining condition precedent for the sale of shareholder claims with Rio Tinto Minerals Development Limited ("RTMD") to 1 October 2012 and for payment of US\$13.6 million, net of the US\$2.0 million deposit previously paid.
- ☐ Available cash at period end of US\$19.3 million.
- ☐ Company continuing discussions with various parties regarding potential future equity and debt fundraising alternatives.

Regulatory Highlights

- ☐ Section 11 consent received in terms of the Mineral & Petroleum Resources Development Act ("MPRDA") for the acquisition by Keynote Trading & Investment 108 Proprietary Limited ("Keynote") of the entire issued share capital of Chapudi Coal Proprietary Limited ("Chapudi") and Kwezi Mining Exploration Proprietary Limited ("KME") from RTMD and Kwezi Mining Proprietary Limited ("Kwezi").
- ☐ Successful elections held for the appointment of the Makhado Colliery Community Consultative Forum ("MCCCF") in June 2012, enabling finalisation of the public consultations required for the New Order Mining Right ("NOMR") application process.
- ☐ The conclusion of the Heritage Impact Assessment report ("HIA") that the Vele Colliery will have minimal impact on the outstanding universal value of the Mapungubwe National Park and World Heritage Site was accepted at the 36th session of the United Nations Educational Scientific and Cultural Organization ("UNESCO") World Heritage Committee held in Russia in late June.

Commenting today, Mr John Wallington, Chief Executive Officer of CoAL said: “During the quarter, we achieved a number of strategic milestones in our coking coal assets including the granting of Ministerial consent to complete the equity acquisition of Rio Tinto’s Chapudi coal assets. This development led to the Company’s consolidated coking and thermal gross tonnes in situ resources in the Soutpansberg coalfield increasing significantly from 1.5 billion tonnes to approximately 8.0 billion tonnes. This increase in resource is a further important development in CoAL’s evolution towards creating a world class coking coal business which we expect to be capable of producing in excess of 10.0 million tonnes per annum of saleable coking coal over the next ten years and, provides further upside potential for both a high grade export thermal coal or a domestic middlings feed for Eskom.

Current pressure on thermal coal markets affected revenues to the extent that the Company’s thermal coal mines are currently reporting losses, a trend that is expected to persist into the first quarter of FY2013. The anticipated negative cash flow from our thermal mines combined with the litigation payment in the June quarter and increases in other capital expenditure means that the Company is forecasting a funding shortfall of approximately US\$15.7 million for the September 2013 quarter. In addition to the Investec Financing Package, the Company is in continuing discussions with various parties with regards to providing further funding for the Group.

Priorities for the second half of this calendar year include progressing potential strategic restructuring alternatives at the Mooiplaats Colliery, identifying additional options to extend the life of the Woestalleen Complex and completing the coking coal product tests, finalising arrangements with Exxaro at Makhado and building up production and securing off-take agreements for the Vele Colliery.

CoAL made good progress in its negotiations with Exxaro through identifying the remaining work required to finalise the review of the DFS and valuation of the Makhado Project. The development of high quality metallurgical coal assets is in line with Exxaro's strategic growth objectives. The Company looks forward to finalising the review and the negotiations for Exxaro’s potential participation as an equity partner in the Makhado Project. Equally so, good progress has been made on the remaining aspects required for finalising the application for the Makhado Project New Order Mining Right. We remain of the view that the licence and various regulatory approvals should be granted by the end of the calendar year, or early in 2013.”

QUARTERLY COMMENTARY

Market Backdrop

South African export thermal coal spot prices remained under pressure during the quarter, reducing by 15.5% from US\$103 per tonne at the end of March 2012 to US\$87 per tonne at the end of June 2012. Over the six month period, international thermal coal prices have declined from US\$106 per

tonne at the beginning of January 2012 and remain at current levels of approximately US\$88 per tonne.

The South African rand has traded in a wide range against the US dollar over the past six months, offsetting in part the steep decline in the dollar based coal prices. Quarter on quarter, the average exchange rate weakened by 4.7% from ZAR7.74=US\$1.00 in the third quarter to ZAR8.10=US\$1.00 in the fourth quarter. Over the six month period, the South African rand traded between ZAR7.46 and ZAR8.56 against the US Dollar, a range of 14.7%.

During the last quarter, the decrease in price, change in sales mix with a lower proportion of export coal sold and higher port and rail charges had a negative effect on the two thermal coal producing operations. Steps have been taken to reduce the impact at the Mooiplaats Colliery and Woestalleen to sustain the weak market conditions over the foreseeable future and to consider various options for both operations.

Operational Summary (tonnes)

Export sales from the Matola Terminal, decreased from the previous quarter by 9.3% to 411,005 tonnes (FY2012 Q3: 452,888 tonnes) and coal sold into the inland market decreased by 8.7% from 205,432 tonnes to 187,500 tonnes primarily as a result of the transition from the South to North block at the Vuna Colliery. Sales of lower quality coal to Eskom Holdings Limited ("Eskom"), the South African state owned electricity utility, increased from 103,456 tonnes in the March 2012 quarter to 272,312 tonnes as a result of the delivery of crushed #1 seam raw coal from the Vuna Colliery North Block.

	Woestalleen	Mooiplaats	Vele	Total
<i>June 2012 quarter</i>				
ROM production	971,017	344,832	126,199	1,442,048
ROM coal purchased	-	78,167	-	78,167
Total coal processed	808,613	420,446	113,272	1,342,331
Overall Yield	64.1%	69.9%	*	-
Total coal produced	518,307	293,890	42,299	854,496
Export coal	362,845	216,023	42,299	621,167
Middlings coal	155,462	77,867	-	233,329
Total coal sales	326,964	132,848	-	870,817
Export**	-	-	-	411,005
Inland	132,214	55,286	-	187,500
Eskom	194,750	77,562	-	272,312

*Vele Colliery yields will be included once production reaches steady state

**Export sales include thermal coal sales from Woestalleen, Mooiplaats and Vele

	Woestalleen	Mooiplaats	Vele	Total
12 months year to date				
ROM production	3,543,215	1,226,155	161,107	4,930,477
ROM coal purchased	-	191,608	-	191,608
Total coal processed	3,318,386	1,425,941	162,289	4,906,616
Overall Yield	63.2%	69.1%	*	-
Total coal produced	2,095,934	986,144	46,066	3,128,144
Export coal	1,568,745	783,294	46,066	2,398,105
Middlings coal	527,189	202,850		730,039
Total coal sales	1,310,230	401,347	-	3,373,781
Export**	-	-	-	1,662,204
Inland	718,335	204,825	-	923,160
Eskom	591,895	196,522	-	788,417

* Vele Colliery yields will be included once production reaches steady state

**Export sales include thermal coal sales from Woestalleen, Mooiplaats and Vele

Financial Update

US\$50 million pre-export trade finance facility – Deutsche Bank

The Company has a US\$50.0 million pre-export trade finance facility with Deutsche Bank secured over the thermal coal assets and production. As at 30 June 2012 and the date of this report, US\$32.5 million (FY2012 Q3: US\$32.5 million) had been drawn against this facility.

The facility was concluded in March 2010 and runs for thirty months to September 2013. The gross amount of US\$50.0 million will reduce by one twelfth each month, commencing in September 2012. In anticipation thereof, discussions are underway to restructure and extend this facility by calendar year end.

US\$40 million 364 day revolving credit finance facility – J.P. Morgan Facility

The Company has a US\$40.0 million 364 day senior unsecured revolving credit finance facility with J.P. Morgan. Expiry of the facility is scheduled to take place on 3 November 2012. This loan is expected to be replaced prior to this date with a loan facility from Investec.

As at 30 June 2012 and the date of this report the Company has been unable to draw down against this facility due to its restrictive covenants, principally as a result of the losses incurred at its thermal coal operations during the quarter under review.

Investec Financing Package

In July 2012, the Company entered into the Financing Package whereby Investec will make approximately US\$58.7 million available to CoAL through a combination of debt and equity funding. As part of the Financing Package, Investec subscribed for 19,148,408 million CoAL shares in July 2012, raising approximately US\$8.7 million. The Financing Package also provides the Company, subject to certain conditions, with the right to require Investec to subscribe for up to a further 80,570,166 CoAL shares in tranches over a 12 month period and a credit approved term sheet to provide the Company with a US\$50.0 million two-year loan facility (the "Investec Loan").

The Investec Loan is primarily intended to provide the Company with the ability to replace the existing short term US\$40.0 million J.P. Morgan Facility due to expire on 3 November 2012, with a longer tenure of two years and on more favourable terms. The Investec Loan may, at CoAL's election, be settled in cash or shares over a two year term. The availability of the Investec Loan is subject to a number of conditions precedent, including the parties entering into formal loan financing and security documents and the expiry or cancellation of the J.P. Morgan Facility.

The Financing Package also includes equity funding arrangements comprising a derivative agreement benchmarked on the CoAL share price. The derivative agreement has a maximum term of 12 months from the date the relevant shares are issued.

As at 30 June 2012 and the date of this report, no amount had been drawn down against the Investec Loan.

Further funding for Makhado Project

CoAL is also continuing to evaluate various long term debt and equity financing options in relation to the expected construction and development costs for the Makhado Project to be implemented following the granting of the NOMR, and has involved three international investment banks in this process.

This funding would be net of the potential equity investment in and the pro-rata co-funding of the project development costs of the Makhado Project by Exxaro, in the event that Exxaro's elects to exercise its option to acquire an interest of up to 30% of the Makhado Project.

Cash and Available Facilities

Production, logistics, administration expenditure at the thermal operations and corporate expenses were funded from operational cash flows and existing cash on hand during the June quarter.

At 30 June 2012, total available cash on hand and call deposits was US\$19.3 million (FY2012 Q3: US\$55.8 million), and total available loan facilities and standby credit arrangements under existing facilities was US\$19.0 million (FY2012 Q3: US\$19.0 million). The total available cash balance, available and undrawn facilities as at 30 June 2012 was US\$38.3 million (FY2012 Q3: US\$74.8 million). The J.P. Morgan Facility has been excluded from the available facilities due to its restrictive covenants as a result of the thermal coal losses. This facility is due to expire on 3 November 2012 and is intended to be replaced by the US\$50.0 million Investec Loan.

Projected exploration and development expenditure for the next quarter includes drilling and detailed analysis on additional thermal coal samples from the Makhado Project, technical and exploration work on the various tenements in the Greater Soutpansberg Project ("Greater Soutpansberg") and Soutpansberg coalfield coal bed methane gas project ("CBM Project"), and certain pre-Makhado Project NOMR capital expenditure.

The Company intends to utilise any funds made available through the Financing Package and potential further fundraising, when signed, for continuing pre-Makhado Project NOMR development expenditure, additional funding for the ramp-up of production at the Vele Colliery, operational expenditure at the thermal coal assets, corporate costs and for general working capital purposes.

Operational update

Woestalleen Complex – Witbank Coalfield (100%)

The Woestalleen processing facility recorded no LTI's during the quarter (FY2012 Q3: one LTI) while one LTI was recorded at the Vuna Colliery (FY2012 Q3: nil LTI).

The mining of the Vuna Colliery South Block was completed during the quarter and ROM coal production increased by 13.9% as mining commenced in the North Pit and production ramped-up to 971,017 tonnes of ROM coal (FY2012 Q3: 852,692 tonnes). A portion of the #1 seam ROM coal mined at the Vuna Colliery was crushed on site and delivered as raw coal directly to Eskom. The remaining ROM coal mined at the Vuna Colliery is transported by road to Woestalleen for processing to an export grade product and a middlings product for Eskom.

Coal processed at the Woestalleen facility increased to 808,613 tonnes (FY2012 Q3: 773,283 tonnes) producing a total of 518,307 tonnes of saleable coal (FY2012 Q3: 415,146), up 24.9% quarter on quarter, consisting of:

- ☐ 362,845 tonnes (FY2012 Q3: 395,112 tonnes) of export quality coal, and
- ☐ 155,462 tonnes (FY2012 Q3: 20,034 tonnes) of middlings product and raw coal supplied to Eskom.

The transition from the South to North Block at the Vuna Colliery contributed to the increase in overall yield to 64.1% (FY2012 Q3: 57.8%) and the Vuna Colliery North block returned to normal production rates and in-pit sampling resulted in selective mining of the #1 seam leading to increased quantities of raw coal being delivered directly to Eskom.

In anticipation of the depletion of the available ROM from the Vuna Colliery North Block by April 2013, the Company continues to evaluate potential options to extend the life of the Woestalleen complex. The options under review include:

- ☐ securing potential sources of ROM coal in the vicinity to be mined and processed to ensure the continued production of export grade thermal coal and Eskom middlings coal;

- the reprocessing of Woestalleen discard dumps to produce an Eskom middlings product;
- processing third party ROM to utilise excess plant capacity; and
- utilising the siding facility to load trains with third party Eskom coal.

Sampling of the Woestalleen discard dumps to determine the quantity, quality and potential yields to produce an Eskom middlings was completed during the quarter and delivered positive results. An assessment of the total resource available for processing from the discard dumps is currently underway.

Eskom recently announced an initiative to redirect approximately 20.0 million tonnes per annum (“Mtpa”) of coal currently transported to the power stations by road, to be transported by rail, reducing the cost of transport. Management are evaluating ways to assist Eskom in meeting this target through the potential use of the existing rail siding infrastructure and load-out facility at Woestalleen to load Eskom coal produced as well as coal produced by third parties located in the nearby vicinity.

Mooiplaats Colliery – Ermelo Coalfield (100%)

The Mooiplaats Colliery recorded one LTI during the quarter (FY2012 Q3: one LTI). Management remains focused on maintaining high levels of safety and continually evaluating systems, procedures and work place behaviour to ensure that potential risks are proactively identified and addressed.

The Mooiplaats Colliery continues to be exposed to challenging geological conditions. Increased long-hole drilling cover and an expansion of the underground mining footprint allows for more flexibility to contend with these conditions. These measures, improved maintenance practices and the benefits resulting from the production improvement intervention project initiated in the previous quarter, resulted in the colliery achieving a new monthly record output of 140,996 ROM tonnes in May 2012, or in excess of 1.6Mtpa (ROM) on an annualised basis.

The improvement in performance at the Mooiplaats Colliery follows a 12-month period commencing 1 July 2011 when the Company assumed direct control of the mining operations. As part of the review process undertaken during the March 2012 quarter, management continues to implement the strategies identified to improve operational performance at the colliery.

ROM production for the period increased by 8.6% to 344,832 tonnes compared with 317,531 tonnes in the third quarter. A further 78,167 tonnes (FY2012 Q3: 68,755 tonnes) of ROM coal was purchased during the quarter, resulting in 420,446 tonnes being processed, an increase of 9.6% compared with 383,679 tonnes during the previous quarter. A total of 293,890 of saleable tonnes (FY2012 Q3: 263,977) were produced during the quarter, 11.3% higher than the previous quarter, consisting of:

- 216,023 tonnes (FY2012 Q3: 206,379 tonnes) of export quality coal, and
- 77,867 tonnes (FY2012 Q3: 57,598 tonnes) of middlings product for Eskom.

CoAL is in discussions with Vunene Proprietary Limited (“Vunene”) in relation to the resolution of a double granting over potentially 128 ha of the mining area which is included in both the NOMR for the Mooiplaats Colliery and Vunene. This could potentially have an impact on the mining plan if unresolved. The directors are confident that this matter will be resolved with Vunene and thereafter rectified by the Department of Mineral Resources (“DMR”).

Management continues to explore various strategic restructuring alternatives to increase the value of the Mooiplaats Colliery to the Company including, but not limited to, potential partnerships or mergers that may create synergistic value.

Vele Colliery – Limpopo (Tuli) Coalfield (100%)

Vele Colliery recorded no LTI’s during the quarter (FY2012 Q3: nil LTI). In conjunction with the ramp up of production, the process of implementing and monitoring the various safety, health and environmental policies and procedures, remains a key focus area for management.

During the quarter, 1.419 million cubic metres of overburden was removed compared with 2.590 million cubic metres during the previous three months, producing 126,199 tonnes (FY2012 Q3: 39,135 tonnes) of ROM coal. Overburden volumes removed during the quarter were lower than the previous quarter as the opencast pit advanced beyond the initial pre-strip stage, characterised by weathered coal and higher stripping ratios, to the zone where the coal is considered to be more suitable for processing and the production of semi-soft coking coal and export grade thermal coal.

A total of 113,272 tonnes of coal was processed during the quarter, producing 42,299 tonnes of saleable export quality thermal coal at an indicative yield of approximately 33.5% to 37.3%. Thermal coal yields are expected to improve during the following quarter and thereafter as the opencast pit advances and the proportion of weathered coal decreases. During the product testing phase, the mine will continue to produce an export thermal coal product to offset costs and avoid the build-up of semi-soft coking coal product stockpiles not washed to a market specification.

Product testing

Sufficient coal has been exposed and processed through the Vele plant to produce samples for product testing. Initial test results have confirmed that the Vele Colliery will be capable of producing a 10% ash semi-soft coking coal in conjunction with a 6,000kcal export grade thermal coal product as a secondary product. The addition of the thermal coal product is a further enhancement to the economics of the mine as this was not envisaged during the original modelling, when a 12% ash semi-soft coking coal was the target product.

Initial testing has also confirmed that the semi-soft coal has a number of significant hard coking coal characteristics but, due to higher volatiles, is likely to be classified as a semi-soft coking coal. Further detailed bulk tests on the 10% ash coking coal product will be completed at ArcelorMittal South Africa Limited’s (“AMSA”) Vanderbijlpark and Newcastle facilities and are expected to be completed during the next quarter. Mining of a 3,000 ROM tonne block of coal has commenced that will be suitable for the large scale product testing to be undertaken by AMSA.

Based on the revised flow sheet, the discard product from the semi-soft coking coal will be processed through a second stage wash plant, to produce an export grade thermal coal product. The additional processing costs are considered to be minimal, thereby enhancing the overall margin from the export product and the overall economics of the mine. This coal is intended to be transported to the Musina siding, and exported via the Matola Terminal either on a Free on Board or Free on Rail basis, indexed against the API#4 coal prices adjusted for the Matola Terminal.

Further test work has also confirmed that as an alternative to producing an export grade coal, the discard product can also be washed at a higher yield to produce an Eskom grade middlings product with potentially similar economics net of transport costs.

During the test period and until such time that the product testing for the semi-soft coking coal has been completed and the estimated timeline for markets to be established by the end of calendar 2012, the Vele Colliery will continue to process all ROM coal to produce an export grade thermal coal. The first shipment of approximately 1,500 tonnes of thermal coal from the Vele Colliery was loaded at the Musina siding and railed to the Matola Terminal on 24 April 2012. A key objective of the shipment was to determine the axle load capacity of the Transnet Freight Services ("TFR") line between Groenbult and Hoedspruit and to confirm TFR's capacity to commence regular trains from the Musina siding. The successful testing of the TFR line allowed the loading of additional trains resulting in a total of 28,533 tonnes (FY2012 Q3: nil tonnes) of export quality thermal coal railed and exported from the Vele Colliery during the period.

Capital expenditure

With the commencement of coal processing and the product test work, further additions to the existing processing plant will be required to produce a middlings/thermal coal product and enhance the recovery of the coking coal fine fraction due to the friable nature of the coal. The technical work required to complete the design and tender phase for the two stage addition to the plant has been completed. This is intended to enable the Vele Colliery to produce both a semi-soft coking coal and thermal coal products, and to achieve the full ramp up to the targeted processing capacity of 2.7 Mtpa.

These two capital projects will further enhance the operational and financial performance of the mine by creating additional value through higher yields of the coking coal products, improve revenue from the production of export grade thermal coal, lower operational costs from upgraded processing efficiencies, reduce discard volumes and boost overall economies of scale. Various financing options for these projects are under consideration, including the use of bank debt.

The project has been divided into two stages as follows:

- **Stage 1** – to simultaneously produce a middlings/thermal coal product along with the semi-soft coking coal and upgrade the coking coal yields. Scheduled to be completed by late 2012 at a capital cost of approximately US\$15.2 million (ZAR121.5 million based on a project planning rate of ZAR8.00=US\$1.00) consisting of the following:

- Ultra-fines beneficiation plant consisting of a flotation and filtration section to capture and upgrade the ultra-fines from the washed semi soft coking coal product;
 - Second stage washing facility required for the separate processing and generation of an export grade thermal coal product or Eskom middlings product.
- **Stage 2** – to convert the ROM front end of the plant from a temporary to permanent facility. Scheduled to be completed during the second half of calendar year 2013, subject to approval by the board, at a capital cost of approximately US\$25.7 million (ZAR205.5 million based on a project planning rate of ZAR8.00=US\$1.00) and consisting of a permanent ROM coal handling section to replace the current temporary facility originally planned only for the initial phase of mining operations.

Environmental and regulatory compliance

During the quarter, the Company and the Save Mapungubwe Coalition (“the Coalition”) continued to work together to finalise the various aspects required to complete the conversion of the Memorandum of Understanding (“MOU”) to the Memorandum of Agreement (“MOA”). The timetable for completion was extended by mutual agreement and will enable the final review of technical information and conclusion of the MOA with the Coalition.

As part of the Environmental Authorisation (“EA”) granted by the Department of Environment Affairs (“DEA”), the Environmental Management Committee (“EMC”) and its subcommittees have been established with the main objective to monitor and oversee environmental compliance at the Vele Colliery. The main and sub-committees are operating effectively, and since inception, the EMC has met six times and conducted two site visits.

The EMC is chaired by the South African National Parks (“SANParks”) and included as representatives, are the relevant government departments, non-governmental organisations, municipalities, farming communities and other stakeholders. The Coalition participates as observers in these structures pending the conclusion of the final MOA and the Company provides administrative support.

In compliance with the EA, an independent Environmental Compliance Officer (“ECO”) and an Environmental Manager have been appointed to monitor and oversee environmental compliance at the Vele Colliery and are required to submit quarterly environmental compliance reports to the DEA.

To date, three environmental compliance reports have been prepared by the ECO and submitted to the DEA, with an average compliance performance of 97% achieved and no major transgressions noted. Where appropriate, additional steps have been taken to address the issues identified thereby enabling the mine to function appropriately with issues of concern being channelled in a responsible fashion through the EMC.

The Company has committed to achieving best practice in the operation of the Vele Colliery, working closely with interested and affected parties as described above.

UNESCO Heritage Impact Assessment Report

In January 2012, UNESCO and the relevant South African government departments, including the DEA, South African Heritage Resources Agency and SANParks, conducted a two day site visit to the Vele Colliery and Mapungubwe Park and World Heritage Site. A detailed HIA report was prepared for UNESCO evaluating the potential impact of the Vele Colliery on the outstanding universal value of the Mapungubwe World Heritage Site. Current mining operations at the Vele Colliery are located some 32kms from the Mapungubwe National Park and 16kms away from the eastern boundary of the park.

The HIA report and findings by the UNESCO Mission World Heritage Committee were tabled at the 36th session of UNESCO held in St Petersburg, Russia on 25-28 June 2012. The meeting accepted the conclusion of the HIA report that the Vele Colliery mining activities will have a minimal impact on the outstanding universal value of the heritage property.

Makhado Coking Coal Project – Soutpansberg Coalfield (100%)

Exxaro Option

In 2009, the Company and Exxaro signed the Option to Participate Agreement (the “Option Agreement”) to enable CoAL to acquire detailed exploration information previously compiled by Iscor. As part of the Option Agreement, Exxaro retained the right to a 30% equity participation (the “Option”) in any future Makhado Project. The draft Makhado Project DFS was provided to Exxaro in the March 2012 quarter to facilitate an initial evaluation of the Makhado Project with a view to agreeing the valuation for Exxaro’s equity participation in the Makhado Project.

As part of the Option Agreement, the submission of the draft DFS triggered the start of the evaluation process by Exxaro. This was initially extended to 15 June 2012 to enable Exxaro to complete the evaluation process, including the evaluation of the additional thermal and ultrafine coking coal components. Detailed product testing by AMSA confirmed that a 10% ash hard coking coal product is the most appropriate product and these results, together with the additional thermal and ultrafine coking coal components, necessitated further technical analysis to finalise the project valuation.

Subsequent to the initial review of the draft DFS by Exxaro, the parties agreed to continue the DFS assessment process as well as negotiations to finalise the valuation of the Makhado Project. This resulted in the deadline for a formal decision regarding the exercise of Exxaro's Option being further extended to 30 September 2012 allowing for the joint technical teams to finalise the scope of work as well as to conduct further detailed analysis of several key aspects of the Makhado Project, and the finalisation of the Makhado Project valuation.

The agreed scope of work to be completed by 30 September 2012 includes:

- ☐ Further technical work to be conducted on the upside potential of thermal coal production;
- ☐ Additional large diameter drilling and related additional test work to confirm the coking and thermal coal yield assumptions over the total mining area;

- Progressing commercial discussions with AMSA regarding future off-take volumes for the Makhado Project;
- Finalisation of the Makhado Project valuation as calculated in accordance with the DFS, after taking into account the additional work to be completed; and
- Finalisation of a definitive shareholders agreement between CoAL and Exxaro, should Exxaro decide to exercise the Option.

Project Developments

The Makhado Project represents CoAL's most advanced exploration stage development project in the Soutpansberg coalfield with New Order Prospecting Rights ("NOPR") over five farms, namely Lukin, Salaita, Fripp, Tanga and Windhoek covering an area of 8,190 hectares. Based on the latest reserve and resource update announcement published in June 2012, the JORC compliant resource for the Makhado Project, drilled over a 16.5km strike length was:

□ Gross tonnes in site ("GTIS")	-	795.6 million tonnes
□ Total tonnes in situ ("TTIS")	-	691.7 million tonnes
□ Mineable tonnes in situ ("MTIS")	-	344.4 million tonnes

The Makhado Project draft DFS completed earlier in 2012 defined the resource base, exploitation of the resource, processing methodology, product logistics, supporting surface infrastructure and bulk services as well as the life-cycle financials. Studies indicate that the resource base can be exploited by open-pit mining methods for approximately 16 years producing a hard coking coal and a thermal middlings product for the export, domestic and Eskom markets.

Progress continued to be made on the various environmental and regulatory processes required for the approval of the Makhado Project NOMR application submitted in January 2011. The finalisation of the remaining aspects of the application process includes consultations with the various interested and effected parties. These consultations continued during the quarter and the detailed technical studies remain on track with all final regulatory approvals for the project expected by late 2012/early 2013.

During the quarter, the Makhado Project NOMR consultation process achieved a milestone with the completion of elections for the MCCCCF, overseen by an independent company specialising in arranging and monitoring election processes. The elections were successfully conducted in the affected communities in early June 2012, resulting in the election of the 35 member MCCCCF representing seven affected communities and/or villages. This development enabled the recommencement of consultations between the parties to meet the regulatory requirements regarding consultation in accordance with the requirements of the MPRDA.

Studies to evaluate the various options to ensure the long term supply and adequate availability of water for the Makhado Project are on-going, including a further detailed assessment of the infrastructure required to supply the water to the project. During the quarter, consultations in the region to determine both alternate and joint solutions for the longer-term water requirements of

the colliery and farming operations continued. Through this process there was broad acceptance in principle of creating 'new' water required by the Makhado Project through infrastructure upgrades as well as the application of technological improvements to enhance the utilisation and availability of water.

Product testing

The detailed testing of the Makhado Project bulk sample by AMSA was completed during the March 2012 quarter confirming that the 10% ash product performs well relative to other hard coking coals based on Coke Strength Reaction, Coke Reactivity Index and Reflectance. Further independent tests suggested that the coal will be classified as a hard coking coal corroborate the coal's higher than average fluidity, dilatation and high vitrinite content, regarded as the strongest characteristics of the coal.

In accordance with the Letter of Intent signed with AMSA's majority shareholder, ArcelorMittal Limited on 16 April 2008, CoAL may sell between 2.5 and 5.0 Mtpa of Vele Colliery and Makhado Project coking coal on an indexed linked FOR price. An independent consulting firm has been retained by the Company to provide technical assistance and support in negotiations with AMSA and further road shows to essential key customers and markets are planned.

Greater Soutpansberg Project (including the Chapudi transaction)

During the quarter CoAL received the consent required under the Section 11 of the MPRDA, from the Minister of the DMR, in respect of the sale of shares by RTMD and Kwezi (collectively "the Vendors") in both Chapudi and KME to CoAL's subsidiary Keynote. The Section 11 consent was for the transfer of the entire share capital in Chapudi and KME, the holders of the NOPR's for the Chapudi Coal Project and related exploration properties in South Africa's Soutpansberg coalfield in the Limpopo Province, to Keynote.

The original share purchase agreement ("the Original SPA") was amended to allow for the sale of equity and the sale of shareholders' claims to close separately (the "Amended SPA"). This amendment facilitated the application by the Vendors for South African Reserve Bank ("SARB") exchange control approval for the sale of the equity and shareholder claims. In anticipation of a longer period to obtain approval for the settlement of the shareholder loans, the date for the fulfilment of the last remaining condition precedent for the sale of the shareholder claims has been extended to 30 September 2012, and may be extended further by agreement if necessary. Following SARB exchange control approval for the sale of the equity which was received during the quarter, payment of the first tranche of US\$29,357,545 was made to the Vendors enabling Keynote to acquire ownership of the equity of Chapudi and KME.

The second tranche of US\$30.0 million for the sale of the equity will become payable on the earlier of the receipt of a NOMR on any of the properties that form part of the transaction or, two years from the date upon which the conditions precedent for the equity sale were fulfilled, whichever transpires earlier.

Upon granting of exchange control approval by the SARB for the substitution of creditor in respect of the shareholder claims, the sale of the shareholder claims will close. The purchase price of US\$15,642,455 less the US\$2.0 million deposit, namely US\$13,642,455 is payable by the Company to RTMD. An extension to 1 October 2012 for payment of this amount has been agreed between RTMD and the Company.

Updated reserve and resource estimate – 31 May 2012

The completion of the equity transaction facilitated the consolidation of various contiguous tenements forming part of the Greater Soutpansberg and the expansion makes CoAL a substantial holder of coking and thermal coal NOPR in the Soutpansberg coalfield, providing significant optionality and flexibility in the planning of future mining projects. The Company updated its reserve and resource calculations during the quarter to include the newly acquired properties.

The highlights of the updated resource estimates for Greater Soutpansberg include:

- ☐ GTIS increased by 429% to 7.957 billion tonnes from 1.505 billion tonnes;
- ☐ TTIS increased by 404% to 6.443 billion tonnes from 1.279 billion tonnes;
- ☐ MTIS increased by 209% to 2.004 billion tonnes from 0.648 billion tonnes;
- ☐ Total licenced area of 99,719 hectares;
- ☐ Acquisition cost of US\$0.055 per MTIS tonne;
- ☐ Estimated valuation of US\$0.74 and US\$2.51 per share based on the Venmyn cost curves to value the MTIS resource tonnes.

Following the acquisition of Chapudi and KME (“the Acquisition”), the total strike drilled to the extent sufficient to enable declaration of resources under the JORC Code, increased by 106.1% from 33km to 68km. A further 66km of strike remains to be drilled on the Jutland, Generaal and Wildebeesthoek properties, representing a substantial opportunity for further increases in the overall resource measured in terms of GTIS, TTIS and MTIS and delineation of these coal horizons.

The Generaal property lies immediately to the north of the Makhado Project and provides the first opportunity to consolidate those properties over which CoAL and its subsidiaries hold NOPRs, with the additional properties acquired in the Acquisition process. Planning for the Makhado Project has taken into consideration the potential additional resource from the Generaal property.

During the quarter, the Company commenced with stakeholder consultation for the Greater Soutpansberg resulting in the signing of a common access agreement with various land owners allowing access to their farms for exploration drilling purposes. Additional exploration drilling and delineation of the resources is underway with further increases in the estimated coal resources anticipated upon completion. During the quarter, exploration drilling was completed on the farm Jutland, which forms part of the Mopane region. The full Greater Soutpansberg exploration programme includes the drilling of some 160 holes to facilitate the submission of NOMR for the three project areas.

The Soutpansberg coal field NOPR have been grouped into three proximate regions, namely Mopane, Makhado and Chapudi and contain more than 1.3 billion MTIS across the measured, indicated and inferred resource categories.

	Chapudi Region	Makhado Region	Mopane Region*	Total
Area (hectares)	40,792	32,922	26,005	99,719
GTIS (billion tonnes)	6.399	1.286	0.272	7.957
TTIS (billion tonnes)	5.119	1.090	0.234	6.443
MTIS (billion tonnes)	1.318	0.467	0.219	2.004

*Figures stated for the Mopane Region resource refer only to the Voorburg area.

Chapudi Region

The Chapudi area is situated to the west and along strike of the Makhado Project in the Makhado Valley of the Soutpansberg coalfield and represents the most significant portion of the overall resource in the Greater Soutpansberg, consisting of the Chapudi, Chapudi West and Wildebeesthoek areas.

CoAL's resource estimate for the Chapudi area of 6.399 billion tonnes (GTIS) is significantly higher than the estimate for this area previously prepared by Rio Tinto (1.039 billion tonnes). The Rio Tinto GTIS estimate for the Chapudi Project is more directly comparable to the current CoAL MTIS estimate of 1.318 billion tonnes, which was also prepared to a maximum depth of 200 metres. Technical work has commenced to refine the delineation of the resource providing further clarity on the extent of the coking coal, high grade thermal and middling products available in the Chapudi area.

Makhado Region

The Makhado Region includes the Makhado Project comprising 8,190 hectares and represents the most advanced exploration project in the Greater Soutpansberg. The Makhado Region consists of the Telema and Gray combined area (previously referred to as the Makhado Extension), Mount Stuart area to the east and, the Generaal area to the north.

The Generaal area is the largest within the Makhado Region, covering 13,470 hectares immediately north of the Makhado Project and provides the greatest synergy with the project. Further analysis of the potential of this area is under review following the Acquisition and the Iscor borehole database acquired by CoAL, together with Rio Tinto drilling data, indicates that the resource has good potential for both coking coal, and a middlings thermal product.

Mopane Region

The Mopane Region is approximately 10km north of the main Soutpansberg Coalfield and following the Acquisition, was consolidated with various additional NOPR's already held by CoAL within the

Voorburg and Jutland areas. The region has been identified as a source of coking coal with further potential to produce domestic and export thermal coal products.

Iscor, Rio Tinto and CoAL have explored the area however the Iscor drilling results for the Jutland area do not conform to JORC standards and accordingly have not been included in the resource estimates. However, further increases in the resources are anticipated on completion of the additional exploration work planned for the second half of 2012. The Jutland area has the potential to contribute significant additional coking coal production and additional testing is required to determine the extent of thermal coal products.

Soutpansberg Coal Bed Methane Project

During the March 2012 quarter the CBM Project, in which the Company has a 50% interest, was registered with the United Nations ("UN") internationally accredited carbon credit programme. Work on the carbon credit programme continued during the period and CoAL compiled additional information for UN designated verifiers facilitating the review of technical and financial documentation regarding the gas utilisation and greenhouse reduction required for the disposal of methane gas. The results of the technical review are expected in H1 FY2013.

As part of the first phase of this project a test well and flaring facility will be established, enabling the Company to comply with the requirements of the UN program and sell carbon credits. Technical work continued during the quarter on the permeability and porosity of the trial site identified for initial exploration. Planning for a JORC compliant exploration program covering over 50% of the project area is underway and drilling is scheduled to commence in the second half of calendar year 2013, subject to board approval.

Disposal of the NiMag Group

The conditions precedent for the disposal, by way of an MBO, of CoAL's 100% in the non-core NiMag Group were fulfilled during the quarter. Following this, payment of ZAR32.4 million (approximately US\$4.2 million) of the total of ZAR54 million (approximately US\$7.0 million) sale price was received with the remaining 40% of the sale price financed by way of an interest bearing loan provided by CoAL, repayable over four years.

Disposal of the Holfontein Project

During the March 2012 quarter, the Company granted Govhani Consulting Proprietary Limited ("Govhani"), a company which is majority owned by HDSAs, an exclusive right to acquire the Holfontein thermal coal project ("Holfontein Project") for a total consideration of ZAR100 million (approximately US\$13.0 million) plus a continuing payment to CoAL of ZAR2.00 (approximately US\$0.26) per tonne of saleable coal produced by the project. Govhani previously paid CoAL a total of ZAR9.0 million (approximately US\$1.2 million) to conduct a detailed review of the project and conclude the exclusivity agreement. Upon completion of the transaction, the total purchase consideration will be reduced by this amount.

Govhani has completed a bankable feasibility study for the Holfontein Project and its exclusivity period expired at the end of the quarter. Discussions between the parties are on-going to extend the exclusivity period and to reinstate the agreement to allow for the finalisation of Govhani's funding commitments.

Corporate Activity

Following completion of the acquisition of the Evolution Group Plc by Investec Plc in early 2012, the Company appointed Investec Bank plc as Nominated Adviser and Joint Broker during the quarter. Aligned to this change in ownership, the Company also appointed Investec Bank Limited (South Africa) as JSE Sponsor with effect from 27 July 2012.

The group restructuring and preparation for the migration of the Group's primary listing from the Australian Securities Exchange to the main market of the London Stock Exchange continued during the period. The CoAL Board of Directors has approved the project and steps are well advanced to migrate the listing.

Authorised by
JOHN WALLINGTON
 Chief Executive Officer
 31 July 2012

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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 Greater Soutpansberg Project, including CoAL's 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 1.6 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 (ROM) feed tonnes per month.

CoAL's Vele Colliery commenced 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 draft Definitive Feasibility Study having been reviewed by the CoAL Board in March 2012. An application for a New Order Mining Right for the Makhado Project was submitted in January 2011.

In May 2012, CoAL acquired the Chapudi coal project and several other coal exploration properties in the Soutpansberg coal basin in South Africa, subsequently renamed the Greater Soutpansberg Project, from the previous owners, including Rio Tinto. The Greater Soutpansberg Project is a consolidation of nine potential coking and thermal coal assets grouped into three proximate regions, namely Mopane,

Makhado and Chapudi. The acquisition of these assets strengthens Coal of Africa's position as one of the most substantial holders of prospecting and mining rights for coking coal in South Africa's Soutpansberg coalfield.

The updated resource estimates are presented in detail in the "Independent Technical Statement for Greater Soutpansberg Projects for Coal of Africa Limited, 31st May 2012" ("Technical Statement") prepared by Venmyn Rand (Pty) Ltd ("Venmyn"), which is available on the Coal of Africa website, www.coalofafrica.com.

Competent Person

The information in this announcement that relates to mineral resources or ore reserves has been compiled by Ms C Telfer (B.Sc. Hons. (Geol.), (DMS) Dip Bus Man Pr. Sci. Nat., FGSSA, MAusIMM, M.Inst.D) and Mr G Njowa (M.Sc. (Min. Eng), MRM, B.Sc.Hons. (Min. Eng), Grad CIS, MSAIMM, Pr Eng, MIAS), both full time employees of Venmyn Rand (Pty) Ltd, who both have relevant and appropriate experience and independence to appraise the coal assets. Both Ms C Telfer and Mr G Njowa are considered "Competent Persons", and each have more than five years relevant experience in the assessment and evaluation of the types of coal exploration and mining properties presented in this announcement. Both Ms C Telfer and Mr G Njowa consent to the inclusion of the resource information in these Presentation Materials in the form and context in which it appears.