COAL of AFRICA LIMITED

ANNOUNCEMENT **31 JANUARY 2013**

REPORT FOR THE QUARTER ENDED 31 DECEMBER 2012

On-going execution of strategy and balance sheet strengthened following the US$100 million equity investment by Beijing Haohua Energy Resource Co. Limited

Coal of Africa Limited ("CoAL" or "the Company") the coal exploration, development and mining company operating in South Africa, together with its subsidiaries, is pleased to provide its operational report for the quarter ended 31 December 2012. A copy of this report is available on the Company's website, www.coalofafrica.com.

Commenting today, Mr John Wallington, Chief Executive Officer of CoAL said: "Haohua Energy International's US$100 million investment is a significant milestone for the Company and provides us with the capital base to continue developing our coking coal projects. It is anticipated that a portion of the funds will be used to complete the modifications to the Vele Colliery processing plant to enable the simultaneous production of semi-soft coking and thermal middlings coal products. We expect the co-operation agreement with Haohua Energy International to be finalised during the current quarter. This will enable us to start collaborating with them to benefit from their extensive technical expertise and financial resources as we develop the Greater Soutpansberg Projects, including the Makhado Project.

The South African mining sector continues to be affected by labour relations unrest and production at the Mooiplaats Colliery was affected by strike action during the quarter. As previously communicated, the coal deposit at the Vuna Colliery will be depleted by March 2013 and coupled with the restructuring process at the Mooiplaats Colliery, our management is engaging closely with the key stakeholders to mitigate the related impacts."

Suite 8,7 The Esplanade, Mt Pleasant, Perth WA 6153, Australia, **Tel:** +61 8 9316 9100, **Fax:** +61 8 9315 5475, **Email:** perth@coalofafrica.com
ZA: 2nd Floor, Gabba Building, The Campus, 57 Sloane Street, Bryanston, Johannesburg, South Africa 2021, **Tel:** +27 11 575 4363, **Fax:** +27 11 576 7484, **Email:** adminza@coalofafrica.co.za
Company Registration: ACN 008 905388

Key Highlights

- Improved safety statistics with three lost time injuries (“LTIs”) recorded during the quarter (FY2013 Q1: six).
- Run of mine (“ROM”) coal production decreased from 1,523,335 tonnes in the previous quarter to 1,153,486 tonnes as a result of scheduled shutdown over the festive season and wage related strike action at Mooiplaats.
- Export coal sales from the Matola Terminal (“Matola”) increased by 83% to 411,292 tonnes (FY2013 Q1: 224,972 tonnes) due to improved demand, availability of rail capacity and the reduction of inventory build-up in the previous quarter.

Financial Highlights

- Approval by the Australian Foreign Investment Review Board (“FIRB”), regulatory authorities in the People’s Republic of China (“PRC”) and CoAL shareholders for the US$100.0 million direct investment in the Company by Beijing Haohua Energy Resource Co. Limited’s (“BHE”) wholly-owned subsidiary Haohua Energy International (Hong Kong) Company Limited (“HEI”).
- Payments totalling US$9.6 million for the acquisition of the Chapudi Project shareholder claims from Rio Tinto Minerals Development Limited (“RTMD”) with the balance of US$4.0 million (plus $0.2 million in interest) due on 28 February 2013.
- Disposal of the Company’s US$11.2 million loan to Grindrod Trading & Shipping Limited (“Grindrod”) raising US$8.5 million, being the discounted present value over the remaining six year term.
- Available cash at period end of US$18.7 million and at the date of this report, US$100.8 million including the proceeds from the US$80.0 million placement.

Corporate Highlights

- Appointment of Mr Tony Bevan as Company Secretary and closure of the Company’s Australian and London offices.

Post Period Highlights

- Signing of Memorandum of Understanding (“MOU”) with Vitol as the Company's exclusive marketing agent for all export thermal and coking coal for eight years, except for the Makhado product for which the marketing period is five years from the start of production. The MOU excludes all current agreements and potential coal off-take arrangements with the Company's strategic equity partners.
- Agreement with Grindrod to eliminate CoAL’s funding obligation for the Phase 4 expansion of the Matola Terminal. Additional throughput volumes will be contracted for on a take-or-pay basis.
- PRC regulatory approval for HEI’s US$100.0 million investment in the Company on 9 January 2013 and CoAL shareholder approval of the transaction at the Extraordinary General Meeting ("EGM") held on 25 January 2013.

- US$80.0 million received from HEI on 31 January 2013 as part of the total transaction of $100.0 million, in respect of which 197,934,063 CoAL shares at 25 pence (40.4175 United States cents per share) will be issued, with admission to trading on the AIM market of the London Stock Exchange ("AIM") on or around 7 February 2013.
- Total of 1,048,368,613 shares in issue following admission to trading on or around 7 February 2013.
- Following heavy rainfall which resulted in flooding in the Limpopo Province, the Company announced on 21 January 2013 that operations at the Vele Colliery had been forced to stop. Rainfall has subsequently ceased enabling mine management to return to site and establish access to the pit and other mine facilities. Limited operations have re-commenced at the colliery and production is targeted for the first week of February 2013.

QUARTERLY COMMENTARY

Operational Summary

Increased demand coupled with higher than normal levels of export quality coal inventory at the Matola Terminal at the September 2012 quarter end, led to increased sales of 411,292 tonnes compared to the previous quarter's 224,972 tonnes. Coal sales to the domestic market declined by 17.8% to 154,186 tonnes (FY2013 Q1:187,499 tonnes) as a result of lower production owing to strike action at the Mooiplaats thermal coal colliery ("Mooiplaats Colliery"). Sales of middlings coal to Eskom increased by 26.0% to 264,169 tonnes (FY2013 Q1: 208,985 tonnes) as deliveries of coal in the previous quarter were held in abeyance pending conclusion of the new off-take agreement post quarter end.

December 2012 quarter (tonnes)	**Woestalleen**	**Mooiplaats**	**Vele**	**Total**
ROM production	845,834	113,157	194,495	**1,153,486**
Total coal processed	586,871	101,628	186,478	**874,977**
Overall yield*	73.1%	69.5%	**	**-**
Total coal produced	593,799	70,656	53,993	**718,448**
Export coal	316,102	58,827	53,993	**428,922**
Middlings coal***	277,697	11,829	-	**289,526**
Total coal sales	393,288	25,067	-	**829,647**
Export****	-	-	-	**411,292**
Inland	141,204	12,982	-	**154,186**
Eskom***	252,084	12,085	-	**264,169**

September 2012 quarter (tonnes)	Woestalleen	Mooiplaats	Vele	Total
ROM production	993,632	274,943	254,760	**1,523,335**
Total coal processed	719,138	286,139	252,023	**1,257,300**
Overall yield*	70.4%	69.7%	**	**-**
Total coal produced	682,973	199,578	72,325	**954,876**
Export coal	380,906	167,892	72,325	**621,123**
Middlings coal***	302,067	31,686	-	**333,753**
Total coal sales	320,766	75,718	-	**621,456**
Export****	-	-	-	**224,972**
Inland	144,311	43,188	-	**187,499**
Eskom***	176,455	32,530	-	**208,985**

* Overall yield is calculated using ROM feed
** Vele Colliery yields will be included when production reaches steady state
*** Woestalleen's total includes ROM coal sold to Eskom
**** Export sales include thermal coal sales from Woestalleen, Mooiplaats Colliery and the Vele Colliery

Woestalleen Complex – Witbank Coalfield (100%)

The Woestalleen processing facility and Vuna Colliery recorded no LTIs during the quarter as compared to (FY2013 Q1: nil LTIs) and (FY2013 Q1: one LTI) respectively.

As a result of the scheduled shutdowns during the holiday season, ROM coal produced by the Vuna Colliery decreased by 14.9% from 993,632 tonnes in the September 2012 quarter to 845,834 tonnes in the current period. A portion of the ROM coal mined at the colliery was delivered to Eskom and the balance was processed to both an export grade product and a middlings product for Eskom.

December scheduled shutdowns also affected the Woestalleen complex resulting in 586,871 tonnes (FY2013 Q1: 719,138 tonnes) of ROM coal being processed during the quarter. The 593,799 tonnes (FY2013 Q1: 682,973) of saleable coal produced by the Vuna colliery and Woestalleen complex during the quarter comprised:

- 316,102 tonnes (FY2013 Q1: 380,906 tonnes) of export quality coal; and
- 277,697 tonnes (FY2013 Q1: 302,067 tonnes) of middlings product and raw coal supplied to Eskom.

The Vuna colliery's coal reserve will be depleted by March 2013 from which time the supply of ROM coal to the Woestalleen complex will cease. The Company is assessing various options for the Woestalleen processing complex to either continue operating the processing facility, possible disposal or closure thereof, with a further update to be issued in due course. In the interim, the Company has engaged all stakeholders in a section 189(A) process notifying the 274 affected employees of the pending closure of the Vuna colliery and its impact on the Woestalleen complex.

Mooiplaats Colliery – Ermelo Coalfield (100%)

Two LTIs were recorded at the Mooiplaats Colliery during the quarter (FY2013 Q1: six LTIs) and management continues the focus on safety management at the mine.

Operations at the Mooiplaats Colliery were temporarily suspended at the end of September 2012 when the 176 NUM members, of the 368 people employed at the colliery, embarked on a protected wage related strike. A wage agreement was reached with the National Union of Mineworkers ("NUM") on 31 October 2012 resulting in employees returning to work on 1 November 2012. Access to the colliery was limited during the strike period resulting in the flooding of two of the underground sections delaying production from these areas for more than a week after employees returned to work. The Company commenced a section 189(A) process in relation to the restructuring of the Mooiplaats Colliery on 6 November 2012, and further updates will be issued in due course.

On 3 December 2012, NUM-affiliated Mooiplaats Colliery employees embarked on an unprotected strike protesting against the suspension of four of their colleagues who had breached picketing rules and the terms of a court interdict during the September/October 2012 strike, demanding that the suspensions be lifted. All striking employees were dismissed on 6 December 2012 following a disciplinary process and were given one week to appeal against their dismissal. The colliery's remaining 190 employees returned to work on 7 December 2012 and operations resumed in two of the five underground sections, as well as coal processing and administrative functions. On 11 December 2012, the Company and the NUM signed a MOU re-instating 178 dismissed employees pending further disciplinary procedures.

The strike action at Mooiplaats during the quarter resulted in ROM production decreasing quarter on quarter by 58.8% to 113,384 tonnes (FY2013 Q1: 274,943 tonnes) and coal processed declined from 286,139 tonnes to 101,628 tonnes. The colliery produced a total of 70,656 saleable tonnes (FY2013 Q1: 199,578 tonnes) during the quarter, comprising:

- 58,827 tonnes (FY2013 Q1: 167,892 tonnes) of export quality coal; and
- 11,829 tonnes (FY2013 Q1: 31,686 tonnes) of middlings product for Eskom.

The Company continued its discussions with Vunene Proprietary Limited to resolve the double granting over approximately 128 hectares of the mining area which is included in the Mooiplaats Colliery and Vunene New Order Mining Right ("NOMR"). As part of the initiative to address the long term viability of the operation, various strategic restructuring alternatives including, but not limited to partnerships or disposal, are being assessed.

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

Vele coking and thermal coal colliery ("Vele") recorded one LTI during the quarter (FY2013 Q1: nil LTIs) and management has intensified its emphasis on health and safety. The mine reached an important milestone, achieving 1,000 fatality-free production shifts at the beginning of December 2012.

The anticipated closure of Vele over the festive season resulted in ROM production during the quarter decreasing by 23.7% to 194,495 tonnes (FY2013 Q1: 254,760 tonnes). A total of 186,478 tonnes (FY2013 Q1: 252,023 tonnes) of coal was processed during the quarter, producing 53,993 tonnes (FY2013 Q1: 72,325 tonnes) of saleable export quality thermal coal. During the period, Vele continued to produce an export grade thermal coal product to offset costs while the test trials on potential metallurgical coal are being completed.

During the December 2012 quarter the Save Mapungubwe Coalition joined the Vele Colliery Environmental Management Committee ("EMC") as full members and formally withdrew from the MOU previously signed with CoAL. The EMC includes representatives from relevant government departments, non-governmental organisations, municipalities, farming communities and other stakeholders. The EMC continues to operate effectively with the objective of sharing environmental monitoring information and strengthening cooperation in the interest of sustainable development and the preservation and protection of the Mapungubwe Cultural Landscape.

Capital expenditure

A plant expansion at Vele is planned to process the discard from the semi-soft coking coal product through a second stage wash process to produce either an export grade thermal coal or an Eskom middlings. This expansion will enable the simultaneous production of both products, increased qualities and yields through the improvement of recoveries.

The expansion project has been divided into two phases. Phase 1 is scheduled for completion in the first quarter of CY2013 while Phase 2 is expected to commence in CY2013 for completion in the second half of CY2013. Phase 1 will allow for the de-watering of the ultra-fines product by installing filter presses eliminating the need for the temporary slurry pond and phase 2 incudes the installation of a permanent front end crushing facility and dual-product thermal and coking coal plant module.

Makhado Coking Coal Project – Soutpansberg Coalfield (100%)

The scope of the Definitive Feasibility Study ("DFS") for the Makhado coking coal project ("Makhado Project") was expanded and upgraded in CY2012 to include the thermal coal fraction and the underground mining portions of the Makhado Project. During the December 2012 quarter, the DFS on the opencast mining area, which includes both hard coking coal and a thermal coal fraction, was upgraded to provide greater certainty on the operational plan and reducing project risk. The Company expects that the additional work on the DFS will be completed in the first quarter CY2013 for release to shareholders in the second quarter CY2013.

The Company has made significant progress on the regulatory requirements relating to the NOMR Application. During the quarter, the Company continued to make progress on the acquisition of various properties required for rail infrastructure and operations and discussions to acquire the remaining properties for the Makhado Project are on-going. CoAL is also assessing various Black Economic Empowerment structures that in conjunction with the regulatory requirements, will also provide a pro rata share of funding into the project.

Water Requirements

During the December 2012 quarter, the Company and the Nzhelele Farmers signed a Memorandum of Agreement ("MOA") in respect of the more efficient use of water in the Nzhelele River catchment area of Limpopo Province, South Africa. The key objectives of the MOA are to:

- improve the assurance of water supply to the Makhado Project and other water users;
- prevent the loss of jobs in the agricultural sector in the vicinity of the Makhado Project as a result of water use at the mine; and
- facilitate the Makhado Project obtaining a bulk water allocation without negatively affecting the availability of water for agricultural purposes.

Under the terms of the MOA, the Nzhelele Farmers surrendered portions of their water-use entitlements facilitating a bulk water supply for the Makhado Project. The parties have undertaken to form a technical working group with the aim of identifying projects which would create "new water" to, at a minimum, replenish the allocation surrendered by the farmers. The MOA also strives to establish the co-existence of mining, local communities and agriculture maximising socio-economic development in the region.

The signing of the MOA enabled the submission in December 2012 of the Makhado Project Integrated Water Use Licence Application. The application process includes the requirement for the Company to respond to queries from the Department and Water Affairs and other Interested and Affected Parties, which is underway.

Greater Soutpansberg Project

During the quarter CoAL continued compiling the exploration and technical data on the Greater Soutpansberg Project ("GSP") incorporating the Chapudi, Mopane and Makhado Extension projects and in March 2013 quarter, will commence preparation of NOMR Applications for these projects. The analysis of this information has resulted in the compilation of an exploration programme comprising 57-hole large and small diameter exploration holes, commencing in the first quarter of CY2013. The Company is currently consulting with all stakeholders that will be affected by prospecting activities.

Strategic Partner – Beijing Haohua Energy Resource Co. Limited

On 30 September 2012, BHE through its subsidiary HEI submitted a binding offer to subscribe for US$100.0 million of equity funding at £0.25 per share with the transaction to be executed in two stages. The initial placement of US$20.0 million was completed during the December 2012 quarter following receipt of the Australian FIRB approval for the foreign direct investment into the Company. During the period, HEI applied for the relevant PRC approvals to complete the conditional placement of US$80.0 million, which was received on 9 January 2013. The CoAL shareholder approval of the placement and to waive the requirement for a mandatory offer following HEI's interest in the Company exceeding 19.9% was received on 25 January 2013. The Company has subsequently received the US$80.0 million for the conditional placement and will proceed to issue 197,934,063 shares on or around 4 February 2013 resulting in HEI owning approximately 23.6% of CoAL's issued share capital.

Market context

Index-linked RB1 export quality thermal coal prices remain under pressure, and have declined by 16.0% during the 12 month period from US$106 per tonne on 1 January 2012 to US$89 per tonne on 31 December 2012. During the quarter under review, prices decreased marginally to US$86 per tonne compared to US$87 per tonne in the previous quarter.

The South African rand remained volatile during the 12 month period to 31 December 2012, trading between ZAR7.46 and ZAR8.95 against the US dollar. During the December 2012 quarter the average exchange rate weakened by 5.3% from ZAR8.25 in the September 2012 quarter to ZAR8.69, alleviating in part the decline in coal prices.

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

In March 2010, the Company entered into a US$50.0 million pre-export trade finance facility with Deutsche Bank A.G. (the "Facility") secured over CoAL's thermal coal assets, production and off-take agreements. The terms of the Facility result in the balance reducing by one twelfth or US$4.2 million per month, commencing in October 2012 and continuing until its expiry in September 2013.

At the end of the quarter, the reduced Facility balance was US$37.5 million and the first instalment of US$4.2 million was paid during January 2013 in the ordinary course.

Disposal of the Grindrod Loan

In January 2009, the Company granted Grindrod a US$16.0 million interest free loan to fund the Phase 3 one million tonne per annum expansion at the Matola Terminal. The loan was interest free, repayable in 10 equal annual instalments of US$1.6 million commencing in January 2010. At 31 December 2012, the outstanding loan balance was US$11.2 million.

During the quarter the Company agreed to an early settlement of the outstanding loan balance, calculated on a discounted cash flow basis over the remaining period of 6 years, at US$8.5 million. The settlement consisted of US$4.75 million in cash and the remaining US$3.75 million settling outstanding take-or-pay liabilities and the balance held as a pre-payment against FY2013 Q3's expected payment obligations for take-or-pay, loading and shipping charges.

Cash and Available Facilities

During the December 2012 quarter production, logistics and administration expenditure was funded from operational cash flows and cash on hand.

The Company had inventory of 152,362 tonnes of export quality coal at the end of the quarter (FY2013 Q1: 327,156 tonnes), including 63,706 tonnes at the Matola Terminal (FY2013 Q1: 135,916 tonnes). Projected exploration and development expenditure for the next quarter is expected to be funded from operating cash flows as well as funds made available through HEI's equity subscriptions, including:

- capital expenditure for the plant upgrade and working capital at Vele;

- finalisation of the Makhado Project DFS and limited expenditure for the acquisition of surface rights, water, power and consulting work;
- technical and exploration work on various tenements in the Chapudi, Mopane and Makhado Extension project areas;
- operational expenditure at the thermal coal assets; and
- corporate costs including debt repayments, and for general working capital.

Appendix 5B Cash flow Statement

Cash outflow from operations for the quarter of US$17.6 million was 56% lower than the previous quarter of US$40.0 million due to higher coal sales. The reduction of saleable coal inventories at mine and port reduced by 53.1% to 154,835 tonnes (FY2013 Q1: 330,239 tonnes) resulting in the US$20.1 million increase in sales quarter on quarter.

Net cash outflows from operations for the next quarter is expected to be in the order of US$15.0 million to US$20.0 million, including a portion of costs associated with phase 1 of the Vele plant upgrade, exploration costs for the GSP and the Tshipise gas project. Funding of repayment obligations under the Deutsche Bank Facility of US$12.5 million for the following quarter and the last tranche of the RTMD payment of US$4.2 million will be funded out of cash realised from the disposal of assets of a similar amount.

Cash outflow from investing activities of US$13.8 million included payments to Rio Tinto of US$9.8 million as part of the acquisition of the Chapudi coal assets while cash inflows of US$19.2 million from financing activities included the net proceeds from the US$20.0 million equity placement concluded with HEI.

Corporate Activity

As part of the Company's drive to reduce overhead costs and the closure of its Perth and London offices, Mr Tony Bevan was appointed Company Secretary of CoAL. Mr Bevan works for Endeavour Corporate Pty Ltd based in Perth, Australia, which has been engaged to provide company secretarial services to CoAL. Mr Bevan is a Chartered Accountant with over 25 years' experience and is an experienced company secretary.

Authorised by

JOHN WALLINGTON

Chief Executive Officer

31 January 2013

For more information contact:

David Brown	Chairman	Coal of Africa	+27 11 575 4363
John Wallington	Chief Executive Officer	Coal of Africa	+27 11 575 4363
Sakhile Ndlovu	Investor Relations	Coal of Africa	+27 11 575 6858
Tony Bevan	Company Secretary	Endeavour Corporate Services	+61 08 9316 9100

Company advisors:

Jos Simson/Emily Fenton	Financial PR (United Kingdom)	Tavistock	+44 20 7920 3150
Chris Sim/Neil Elliot	Nominated Adviser	Investec Bank plc	+44 20 7597 5970
Charmane Russell/James Duncan	Financial PR (South Africa)	Russell & Associates	+27 11 880 3924 or +27 82 372 5816

Investec Bank Limited is the nominated JSE Sponsor

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).