



ANNOUNCEMENT

30 APRIL 2012

REPORT FOR THE QUARTER ENDED 31 MARCH 2012

Production at Vele Colliery commences and Makhado Project Definitive Feasibility Study progressing well

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 31 March 2012. A copy of this report is available on the Company's website, www.coalofafrica.com.

Highlights

- ☐ Commissioning of processing plant at the Vele coking coal colliery ("Vele Colliery") and delivery of trial thermal coal to the Musina siding.
- ☐ Extraction of over 39,000 tonnes of run of mine ("ROM") coal and 2,59 million cubic meters of overburden at Vele Colliery during the three months.
- ☐ Further progress with the Save Mapungubwe Coalition ("the Coalition") with signature of the Memorandum of Agreement ("MOA") expected by 31 May 2012.
- ☐ Preliminary review of the Makhado coking coal project ("Makhado Project") Definitive Feasibility Study ("DFS") conducted by the CoAL Board of Directors ("Coal Board") in the March quarter with a further review and update to the DFS scheduled in the June quarter.
- ☐ Independent tests commissioned by the Company confirmed the outcome of detailed tests conducted by ArcelorMittal South Africa ("AMSA") confirming the hard coking coal classification for Makhado Project product.
- ☐ 1,170,223 tonnes (FY2012 Q2: 1,083,396 tonnes) ROM and 601,491 tonnes (FY2012 Q2: 531,506 tonnes) of export quality coal produced at the Woestalleen thermal coal complex ("Woestalleen") and the Mooiplaats thermal coal colliery ("Mooiplaats").
- ☐ Sales of export coal during the period of 452,888 tonnes (FY2012 Q2: 520,812 tonnes) lower due to reduced production output as a result of the establishment of the new North Block at the Vuna thermal coal colliery ("Vuna Colliery").
- ☐ Granting of an Integrated Water Use Licence ("IWUL") for the North Block of the Vuna Colliery and the commencement of mining operations.
- ☐ Good safety performance. Two lost time injuries recorded (FY2012 Q2: nil lost time injuries) during the quarter.

- Satisfaction of all conditions precedent for the disposal of the non-core NiMag (Pty) Ltd and Metalloy Resources Investments (Pty) Ltd (together “the NiMag Group”) by way of a Management Buy Out (“MBO”) for ZAR54 million (approximately US\$7.0 million).
- Further progress on the disposal of the Holfontein thermal coal project (“Holfontein Project”).
- Finalization of the remaining conditions precedent to the new US\$40 million Revolving Credit Facility with JP Morgan Australia Limited (“New Bank Facility”), post period-end.
- Total cash balance, available and undrawn facilities as at 31 March 2012 (including on a pro forma basis the US\$40 million New Bank Facility) of US\$114.8 million.

Commenting today, Mr John Wallington, Chief Executive Officer of CoAL said: “The Company achieved significant milestones during the March quarter with progress on a number of fronts. These include the completion of the commissioning of the plant at Vele Colliery, a preliminary review of the Makhado Project Definitive Feasibility Study by the CoAL Board and near completion of the Rio-Tinto/Kwezi transaction over the Chapudi assets. In addition, the disposal of the NiMag Group and further progress made on the disposal of the Holfontein Project is in line with our strategy to focus on the development and operation of our coal assets. Post period end, the Company was also pleased to finalize the US\$40 million financing facility with JP Morgan Australia.

Construction of the Vele Colliery’s first phase was completed, allowing for the final commissioning of the processing plant and delivery of an initial batch of thermal coal product to the Musina siding with the first sales expected in the June quarter. Moving forward, we remain fully focused on improving operational performance at the two thermal mines, ramping up Vele to full production and continuing with our development activities on the Makhado, Greater Soutpansberg and Coal Bed Methane Projects. Collectively, these events beckon an exciting new chapter for CoAL, as the Company proceeds towards its goal of becoming a significant Southern African coal producer.”

QUARTERLY COMMENTARY

Woestalleen Complex – Witbank Coalfield (100%)

The Woestalleen processing facility recorded one lost time injury during the quarter (FY2012 Q2: nil lost time injuries) while no lost time injuries were recorded at the Vuna Colliery (FY2012 Q2: nil lost time injuries).

The IWUL for the Vuna Colliery was received during the quarter allowing for the commencement of mining of the North Block that consists of the #1 and #2 thermal coal seam typical of the Witbank/Middelburg coalfields. The Company expects to complete mining of the adjacent South Block during the June 2012 quarter. A large portion of the #1 seam ROM coal, typically sold as a low grade power station coal, is crushed on site at the Vuna Colliery to reduce costs and delivered directly from site to Eskom Limited (“Eskom”), the South African electricity utility. All #2 seam coal mined at the Vuna Colliery is transported by roadhaul to Woestalleen for processing, producing an export grade product and a further thermal coal middlings product for Eskom.

During the quarter, the Vuna Colliery produced 852,692 tonnes of ROM coal compared with 821,392 tonnes during the previous three months. Establishment of North Block mining operations at the Vuna Colliery and modification to the Woestalleen plant temporarily reduced available processing capacity resulting in coal processed during the three months reducing from 860,974 ROM tonnes to 773,283 ROM tonnes, producing 395,112 tonnes (FY2012 Q2: 353,395 tonnes) of export quality coal and further 20,034 tonnes (FY2012 Q2: 225,475 tonnes) of Eskom middlings product. The December 2011 quarter included additional Eskom product from the processing and blending of stockpile material with additional #1 seam material mined from a portion of the South Block in the final stages of production. The yield for the March quarter decreased from 67.2% to 57.8% due to the mining out of the remaining lower grade area in the South Block before commencing full operations in the North Block and the additional processing of #1 seam and lower grade stockpile material.

The Company previously commenced identifying potential resources in the vicinity of Woestalleen to extend the life of the operation and has expanded the process to include the potential of processing coal on behalf of third parties, to ensure full utilization of the total plant processing capacity.

Mooiplaats Colliery – Ermelo Coalfield (100%)

Mooiplaats recorded one lost time injury during the quarter compared with no lost time injuries during the previous three months. Management remains focused on safety issues at all levels and continue to evaluate systems, procedures and work place behaviour to ensure that potential risks are appropriately identified and addressed.

ROM production at Mooiplaats increased from 262,004 tonnes in the December 2011 quarter to 317,531 tonnes in the March quarter due to a variety of operational interventions and the full three months' production from the fifth section commissioned during the previous quarter. The increase in ROM coal production during the quarter is also attributable to improved maintenance scheduling and increased equipment availability, following the introduction of the third party maintenance contract with equipment supplier JOY Mining in the December 2011 quarter.

Overall yield decreased marginally quarter on quarter from 70.8% to 68.8% due to product mix from the five underground sections at the mine and ROM coal bought in. Coal processed during the three months increased from 304,107 ROM tonnes to 383,679 ROM tonnes in the March quarter as a result of increased production and ROM coal purchased. A total of 206,379 tonnes (FY2012 Q2: 178,111 tonnes) of export quality coal was produced and 57,598 tonnes (FY2012 Q2: 37,234 tonnes) of the lower grade middlings product for sale to Eskom.

Further initiatives to identify improvements in the mining processes are underway with the objective of meeting higher levels of sustainable production. A strategic review of this asset has resulted in the identification of various options to unlock potential value from the installed infrastructure and processing plant which are being actively pursued.

Marketing and Logistics

South African export coal spot prices were under pressure during the March quarter reducing from US\$106 per tonne at the beginning of January to US\$103 per tonne at the end of March. Over the

same period, the South African rand strengthened against the US dollar from ZAR8.20 at the beginning of the quarter to ZAR7.70 at the end of the quarter.

Export sales from the Matola Terminal in Maputo, Mozambique ("Matola Terminal"), decreased from the previous quarter by 13% to 452,888 tonnes while coal sold into the inland market decreased by 3% from 212,803 to 205,432 tonnes. Sales of lower quality coal to Eskom normalised from 291,467 tonnes in the December 2011 quarter to 103,456 tonnes as a result of the once off depletion of excess stockpiles suitable for this market and changes in the mining mix from the Vuna Colliery with the depletion of the South Block and the establishment of mining operations at the North Block. Going forward, the sales mix is anticipated to normalize due to a higher level of available #2 seam thermal coal from the new area.

Summary tables (tonnes)

	Woestalleen	Mooiplaats	Total
March 2012 quarter			
ROM production	852,692	317,531	1,170,223
ROM coal purchased	-	68,755	68,755
Total coal processed	773,283	383,679	1,156,962
Overall Yield	57.8%	68.8%	
Total coal produced	415,146	263,977	679,123
Export coal	395,112	206,379	601,491
Middlings coal	20,034	57,598	77,632
Total coal sales	189,639	119,249	761,776
Export*	-	-	452,888
Inland	136,884	68,548	205,432
Eskom	52,755	50,701	103,456

*Export sales include both Woestalleen and Mooiplaats coal

	Woestalleen	Mooiplaats	Total
9 months year to date to March 2012			
ROM production	2,572,198	881,323	3,453,521
ROM coal purchased	-	113,617	113,617
Total coal processed	2,548,153	1,005,495	3,553,648
Overall Yield	61.7%	69.0%	
Total coal produced	1,573,146	693,320	2,266,466

Export coal	1,218,989	566,068	1,785,057
Middlings coal	354,157	127,252	481,409
Total coal sales	983,266	268,499	2,502,964
Export*	-	-	1,251,199
Inland	586,121	149,539	735,660
Eskom	397,145	118,960	516,105

*Export sales include coal from Woestalleen and Mooiplaats

Vele Colliery

Production during the quarter continued to ramp-up in line with the mine plan, with 2,589,567m³ (FY2012 Q2: 180,000m³) of overburden and 39,135 tonnes (FY2012 Q2: 3,200 tonnes) of ROM coal produced from the opencast pit. Construction of the plant and related infrastructure was completed in early January allowing for the final hot commissioning of the plant completed at the end of February. During the quarter, mining of the initial lower quality weathered coal located closer to surface continued and was used to commission the plant, establish the stockpile floor area and enable the production of 2,454 tonnes (FY 2012: nil tonnes) of coking and thermal coal.

Following the production of the first batch of thermal product as per the previous announcement on 24 April 2012, the first shipment of approximately 1,500 tonnes of thermal coal was trucked to the Musina siding located 55km from the mine, and loaded onto 30 rail wagons for onward transport by rail to the Matola Terminal. Total transfer time from siding to the port, located approximately 750km away, was on schedule at close to 16 hours. The test train run was also used to determine axle load capacity of the Transnet Freight Services ("TFR") line between Groenbult and Hoedspruit and is expected to confirm TFR's capacity to commence regular trains from the Musina siding on the existing line. The shipment coincided with the official delivery of the plant from the project engineering consultants ELB Engineering Services to Vele mine management.

With mining and plant operations underway, a permanent access ramp into the opencast pit required to accommodate higher production rates, was completed by quarter end. The detailed mine plan is based on mining the overburden in 15m benches and the four coal seams in succession. The overall coal horizon is generally flat with a modest 2 (two) degree dip, and ROM coal is currently being mined from the Bottom-Upper (BU) and Bottom-Lower (BL) coal seam horizons with a combined average seam thickness of 5.5 m. The upper coal seams are either not present or weathered in nature in the first few mining cuts, but are expected to become more prominent as mining progresses in a southerly direction. This provides favourable conditions to increase production over a short period of time to the planned level of approximately of 225,000 ROM tonnes per month. Management remain confident of achieving an annualized production rate of 2.7 million tonnes per annum ("Mtpa") (ROM) by the end of January 2013, which will enable full utilization of the designed plant processing capacity.

The impact of in-pit blasting operations is minimised with the use of a full electronic blast initiation system along with effective stemming and blast monitoring systems while in-pit contamination and potential coal losses are managed through a robust grade control system, including the application of appropriate equipment to mine the coal seams efficiently.

The plant commissioning has enabled detailed product test work and technical input on future enhancements required to the plant. Results from the product evaluation and washability tests are very encouraging and indicate that both a coking coal and export grade thermal coal can be produced at the Vele Colliery. Coking coal at 10%, 11% and 12% ash has been produced to enable AMSA to undertake detailed product testing similar to that undertaken on Makhado. Current indications seem most favourable for the 10% ash product. The production of thermal coal as a middlings is looking favourable with the first trial cargo described above having a relatively high 18% ash, but importantly with a high calorific value and volatile content important for an export grade product. The future enhancements to the plant include the addition of a flotation section to capture the ultra-fines from the washed coking coal; a permanent ROM coal handling section to replace the temporary facility planned only for the initial phase of mining operations; and with the recent confirmation of a thermal middlings component, the second stage washing facility required for the generation of an export grade thermal coal product. The timetable to complete the technical work for the next phase remains on track for completion by end July with construction and commissioning of various modules expected to be completed in phases with the total project completed by mid-2013.

These initiatives will further enhance the operational and financial performance of the mine, creating additional value through higher yields on the coking coal products, additional revenue from the export grade thermal coal and lower operational costs from improved processing efficiencies, reduced discard volumes and overall economies of scale.

The Coalition and the Company have made steady progress over the past few months with the objective to convert the current Memorandum of Understanding into a MOA by 31 May 2012 and the revised schedule has been agreed to by all parties. Upon completion thereof, the Coalition has agreed to withdraw all legal proceedings and administrative appeals against the Vele Colliery's New Order Mining Right ("NOMR"), Environmental Management Plan ("EMP"), IWUL and Section 24G authorisation which will be a further positive step in stabilizing the future operation of the Vele Colliery. In the interim, the Coalition have participated as observers in meetings of the Environmental Management Committee, established in terms of the Environmental Authorisation. Compliance with the EMP is also monitored by an independent third party appointed by the Department of Environmental Affairs ("DEA").

During January, the second United Nations Educational Scientific and Cultural Organization Reactive Monitoring Mission ("UNESCO RMM") visit took place, hosted by the DEA. The UNESCO RMM visit assessed progress made in implementing their November 2010 recommendations. As part of this process, the Vele Colliery Heritage Impact Assessment report was revised during the quarter and submitted to the DEA in early April.

Makhado Coking Coal Project

As announced in the Interim Financial Commentary published on 12 March 2012, the Makhado Project DFS was completed in H1 FY2012 and a preliminary review was undertaken by the CoAL Board during the quarter. The DFS and mine design, based on five farms originally acquired by the Company namely Lukin, Salaita, Fripp, Tanga and Windhoek, includes capital and operating cost

estimates for the envisaged coal handling and processing plant facility and associated infrastructure to an accuracy of $\pm 15\%$.

Between August 2010 and April 2011, CoAL excavated a box cut on the farm Tanga to extract a 19,000 ton bulk sample to confirm the coal and coking product properties and to facilitate the additional test work on the viability of the thermal coal middlings product. Following detailed product test work undertaken as part of the preliminary review, various options not included in the scope of the original DFS have been identified, including the potential for an underground mining component in the overall mine design, the mining and processing of a medium to high grade thermal coal middlings product as well as further planning and processing plant design work to improve overall efficiencies and potentially reduce costs.

At the time the DFS commenced approximately two years ago, the conclusion of the Rio Tinto/Kwezi transaction over the Chapudi properties was not sufficiently advanced to include in the overall mine design plan any properties arising out of this transaction. The refinement of the initial mine plan and DFS and the near dated completion of the transaction has provided further optionality for the overall development of the project with particular reference to the properties immediately to the north of the current mining area. This potential upside includes increased scale of future mining operations, extended life of mine of the overall project and alternative sequencing of mining areas not previously included in the plan. The contiguous nature and locality of these properties in close proximity to the planned infrastructure complex, provides significant synergies and further economies of scale in the overall future mining operations.

A further detailed review to evaluate the options available in the initial plan and where appropriate, those arising out of the Chapudi properties, is scheduled for completion by mid-2012. Thereafter, a comprehensive report will be issued on the Makhado Project, including the DFS, along with an updated reserve and resource statement over the enlarged area including the newly acquired Chapudi properties.

Makhado Coking Coal Project Definitive Feasibility Study

The draft Makhado Project DFS details the defined 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 and beneficiated to produce hard coking coal for the domestic and export markets.

The supporting surface infrastructure identified in the draft DFS is designed to facilitate the mining of the resource and is situated at the East Pit in order to minimise materials handling and haulage costs in the early stages of operation. The infrastructure will include a coal-washing plant, personnel support facilities, vehicle support structures, water-management infrastructure as well as management and monitoring systems commensurate with a modern, world-class mine.

Whittle software has been used for mine planning and scheduling to determine the optimal pit shell based on various input parameters appropriate for the project. Detailed reviews and optimisation studies have been based on the outputs generated by the software, including a series of nested pit shells to determine the optimal financial return in each case. Based on the coal horizons and the

inherent dip, various mining methods have also been considered for the open cast operation. Initial studies indicate similar characteristics to a number of coal deposits in the Hunter Valley coalfield of New South Wales, Australia and further afield in Indonesia, giving rise to further detailed technical input on the mining method to be refined in the next phase of the DFS process.

In terms of potential underground mining, various methods have been considered including high-wall, longwall, shortwall, bord and pillar, and road and yielding rib pillar methodologies as options to mine this section of the resource. A process to evaluate the various options has commenced and will form part of the updated DFS.

The further enhancement to the mine plan includes the potential expansion of production output rising from the plan in the first phase of 2.2 to 2.5 Mtpa of saleable coking coal to approximately 5.0 Mtpa in the second phase, before considering the potential additional volume from the high grade thermal middlings coal.

Based on the geographical location of the mine and the product characteristics, coking coal produced at the Makhado Project has the potential to be sold most profitably in the South African domestic market as well as to the export market, particularly to India. The further potential of a high grade thermal coal middlings provides opportunity to sell product both domestically and into the export markets.

CoAL is proposing construction of a 22.5-kilometre railway 'spur', linking the Makhado Project to the existing TFR line between Musina and town of Makhado, at the existing Huntleigh siding. The anticipated cost of the spur is ZAR330 million (approximately US\$42.8 million). Investment in this strategic infrastructure will unlock value and facilitate the economic development in the Limpopo province. CoAL believes this to a significant contribution towards the geographically-focused infrastructure plan mentioned by President Jacob Zuma in his 2012 State of the Nation Address, to be driven and overseen by the Presidential Infrastructure Co-ordinating Commission (PICC). The plan targets, amongst other issues, rail infrastructure development in Limpopo to unlock the province's mineral wealth. Engagement with interested and affected parties and regulatory authorities to secure the approximately 80 hectares of land needed, and the necessary permitting is underway.

Further detailed front end design work required to complete the tender specifications documents continues in order to maintain the timetable to commence construction of the mine following the granting of the NOMR. Capital expenditure of various key aspects of infrastructure continues at a modest pace to ensure the timetable to commence construction remains on track. Construction of the overhead power lines to provide permanent electrical supply to the site during the construction phase and the sub-station terrace for electrical transmission equipment and related infrastructure is expected to commence shortly. Eskom has confirmed supply of the initial 5MVA of power required during the construction phase of the mine with the application for the remaining 5MVA on track for delivery with the commencement of mining operations. Various options to ensure the long term supply of water and to ensure adequate availability for each phase of the mining project are under consideration, including a detailed assessment of the related infrastructure required to supply the water to the project.

Progress continues to be made on the various environmental and regulatory processes required for the approval of the Makhado Project NOMR. Following the submission of the Mining Right application in January 2011, finalisation of the remaining aspects of this process including all consultations with the various interested and effected parties continues and detailed technical studies remain on track. Management anticipate obtaining all final regulatory approvals necessary to commence with the construction of the mine by the end of calendar 2012.

Makhado Coking Coal Project Commercial Issues

In 2009, the Option to Participate Agreement (the "Option Agreement") was signed between the Company and Exxaro Coal (Pty) Ltd ("Exxaro"), a wholly owned subsidiary of Exxaro Limited. As part of the Option Agreement, the draft DFS has been provided to Exxaro to undertake an initial evaluation of the project in order to facilitate further discussion, with a view to agreeing the valuation for Exxaro's equity participation.

Various properties previously owned by Iscor, were acquired by CoAL, including the five farms which constitute the Makhado Project. In order for CoAL to acquire detailed exploration information previously compiled by Iscor, Exxaro retained the right to a 30% equity participation in any future project as part of the transaction. Furthermore, Exxaro's majority 51% ownership by Historically Disadvantaged South Africans ("HDSA") will enable CoAL to utilize their Black Economic Empowerment ("BEE") credentials to achieve the minimum required level of 26% BEE ownership in the project by May 2014. Ownership will be at the project level and on this basis and assuming that Exxaro exercise their option in full, CoAL will achieve 30% BEE ownership in the project.

Submission of the draft DFS triggered the start of the evaluation process by Exxaro who have requested an extension of the original time period of 30 days to complete the evaluation process and, to allow sufficient time for Exxaro's formal internal approval processes to be completed. As a result, Exxaro has been granted an extension to 15 June 2012 by which date, a formal decision regarding the exercise of their option will be made. Thereafter, the shareholders agreement will be finalised and the formal binding agreement relating to the option concluded. Initial feedback has been positive and interaction between the two companies has increased appropriately to ensure completion of the evaluation process by the revised date.

The detailed testing of the Makhado Project bulk sample by AMSA at the Vanderbijlpark and Newcastle plants in South Africa was completed during the quarter and final results received by the Company. These results are in line with the initial technical assessment of the coal and confirm the performance of the coke derived from the coal. Coal samples were tested on 10%, 11% and 12% ash levels to accommodate a range of different tests in the plants. The complex series of tests undertaken by AMSA over a four month period covered a range of alternate product mixes and tests on a wide range of processing parameters to understand how the coking coal performs under difference scenarios. The outcome of the test confirmed that the 10% ash product performs well relative to other hard coking coals based on Coke Strength Reaction, Coke Reactivity Index and Reflectance.

Independent tests commissioned to confirm the AMSA results further suggest that the coal will be classified as a hard coking coal. The individual and blended test results corroborate the coal's higher than average fluidity, dilatation and high vitrinite content can be regarded as the strongest characteristics of the coal. The Company expects that these characteristics will to a large extent balance the lower maximum reflectance and higher volatiles for potential customers.

In accordance with the Letter of Intent signed with ArcelorMittal Limited on 16 April 2008, CoAL may sell between 2.5 and 5.0 Mtpa of Limpopo coking coal from Musina on an indexed linked free on rail (FOR) price, with CoAL sharing in the savings achieved by ArcelorMittal on freight and inland transports costs not incurred based on the replacement of imported. The detailed testing by AMSA of the Vele product has also commenced on a similar basis to that undertaken for the Makhado Project and once completed, will facilitate the start of discussions regarding a potential commercial arrangement to supply coal from both the Vele Colliery and Makhado Project.

An independent consulting firm has been retained by the Company to provide technical assistance and support in negotiations with AMSA and other potential off-take customers. A product road show to potential Indian customers of coal mined at both Makhado Project and Vele Colliery was undertaken in March and further road shows are planned for the June quarter.

Disposal of the NiMag Group

The disposal of the 100% interest in the non-core NiMag Group by way of a MBO for a total of ZAR54 million (approximately US\$7.0 million) was completed during the March quarter. 60% of the purchase price will be funded by a combination of equity contributions and bank debt and the remaining 40% financed by an interest bearing loan provided by CoAL, repayable over four years. The transaction was subject to certain conditions precedent, including finalisation of loan financing agreements and South African Reserve Bank exchange control approval, all of which were satisfied during the March 2012 quarter. Payment of 60% of the purchase consideration or ZAR32.4 million (approximately US\$4.2 million), was received subsequent to the quarter end.

Disposal of the Holfontein Project

During the quarter, the Company granted Govhani Consulting (Pty) Ltd ("Govhani" or "the Purchaser"), a company with is majority owned by HDSA's, an exclusive right to acquire the Holfontein Project for a total consideration of ZAR100 million (approximately US\$13.0 million). The exclusive right extends to 30 June 2012 and provides for a continuing payment to CoAL of ZAR2.00 (approximately US\$0.26) per tonne of saleable coal produced by the project. The conditions precedent to the transaction includes Govhani completing the DFS and obtaining the remaining funding for the project as well as approval of the transaction by the Department of Mineral Resources ("DMR").

Govhani paid an initial non-refundable deposit of ZAR4.0 million (approximately US\$0.5 million) to conduct a detailed review of the project and a further ZAR5.0 million (approximately US\$0.7 million) on signature of the exclusivity agreement enabling them to finalize the DFS in order to complete the acquisition of the project. Upon completion of the transaction, the total purchase consideration will be reduced by ZAR9.0 million (approximately US\$1.2 million).

Acquisition of Rio Tinto's South African Coal Assets

The Company continued to make progress on the fulfilment of the conditions precedent in terms of the Sale and Purchase Agreement ("SPA") for the acquisition of the Chapudi Coal Project and Related Exploration Properties in South Africa's Soutpansberg Coalfield in the Limpopo Province, (collectively, the "Chapudi Coal Assets") from joint venture companies held by Rio Tinto Minerals Development Limited and Kwezi Mining (Proprietary) Limited, (collectively, "the Vendors"). In accordance with the SPA, following payment of the initial deposit of US\$2 million, the balance of the US\$75 million purchase consideration is payable in two tranches, the first of \$43 million payable upon fulfilment of all the conditions precedent of the SPA and the remaining amount of US\$30 million payable on the earlier of the granting of a NOMR on any of the properties or two years from the date upon with the conditions precedent were fulfilled.

During the quarter, the Company applied for South African Reserve Bank ("SARB") approval for acquisition of the shares in the Companies holding the Chapudi Coal Assets. The approval was received in early April, satisfying a significant suspensive condition of the SPA. The application for SARB approval for the acquisition of the shareholder claims by CoAL from the Vendors, was deferred pending the approval and closure of the equity transaction.

On 30 April 2012, the parties agreed to an extension of the deadline for the completion of the transaction to 31 May 2012, to enable the remaining conditions precedent, including *inter alia*, the granting of the section 11 approval from the DMR, to be fulfilled. The Company remains confident of that the necessary approvals for the equity closing will be obtained very shortly, at which time the transaction will close.

In order for the Vendors to complete certain outstanding administrative requirements with the SARB in respect of the transaction, the basis of settlement of the purchase consideration has been restructured into an equity and shareholder loan component. Accordingly, of the first tranche payable of US\$43 million, the equity component of US\$29.4 million is payable on fulfilment of the conditions precedent of the SPA resulting in the completion of the transaction and the balance of US\$13.6 million, in respect of the balance on the shareholders loan accounts, has been deferred pending finalization by the Vendors of the outstanding issues with the SARB in relation to the closing of the loan transaction.

Upon completion of the equity transaction, this will enable the consolidation of various contiguous tenements making CoAL a substantial holder of prospecting and mining rights for coking coal in the Soutpansberg coalfield. This provides significant optionality and flexibility in the planning of future mining projects. The detailed planning and technical work required as part of this process is well advanced along with updating the reserve and resource calculations of these newly acquired properties.

BEE ownership structure for Chapudi Coal Project

As previously announced on 6 February 2012, the Company entered into a BEE ownership structure with Rothe Investments Proprietary Limited ("Rothe"), to acquire a 26% shareholding in the wholly - owned CoAL subsidiary, Keynote Trading & Investment 108 Proprietary Limited ("Keynote"). Keynote

is expected to hold the Chapudi Coal Project and related exploration properties (collectively, the "Chapudi Coal Project") upon completion of its acquisition from the Vendors.

Rothe is a newly established company owned by Terracotta Processing (Pty) Ltd ("Terracotta"), Vibrant Veterans Minerals Resources (Pty) Ltd ("Vibrant"), both BEE companies, and King Makhado Holdings (Pty) Ltd ("King Makhado"), representing all communities in close proximity to the Chapudi Project. Terracotta and Vibrant each own 30% of the entire issued share capital of Rothe with the remaining 40% being held by King Makhado. The directors of Rothe are Tirhan Joseph Mathebula, Vhutshilo Theopilos Muthurana and Mashudu Ramano.

Soutpansberg Coal Bed Methane Project

As previously reported, CoAL continues to advance its programme on the development of the Coal Bed Methane Gas Project in the Soutpansberg coalfield.

Following completion of the registration in January 2012 of the Soutpansberg Coal Bed Methane Gas Project with the United Nations ("UN") to participate in the internationally accredited carbon credit program, in March 2012 a Project Information Note (PIN) providing further details on the project was registered with the Department of Energy. The UN designated verifiers have been contracted to review all technical documentation regarding the gas utilization and greenhouse reduction as part of the requirements for the disposal of methane gas as part of the carbon credit program.

A trial site to initiate exploration has been identified and further technical work on permeability and porosity has been commissioned. Planning for an exploration program required to compile a JORC compliant resource over at least 50% of the property area is underway and is scheduled to commence in the second half of 2012.

US\$40 million New Bank Facility – JP Morgan Australia Limited

The remaining condition precedent for the previously announced US\$40 million New Bank Facility, was fulfilled post period end on 27 April 2012. The 364 day senior unsecured revolving credit facility entered into with JP Morgan Australia Limited, bears interest at the London Interbank Offer Rate (LIBOR) plus 300 basis points. No amount has been drawn down against the New Bank Facility at the date of this report.

This facility is in addition to the US\$50 million pre-export trade finance facility concluded with Deutsche Bank in March 2010 and secured over the thermal coal assets and production. As at 31 March 2012, US\$32.5 million has been drawn against this facility.

Litigation

The Share Sale Agreement ("SSA") dated 29 October 2009, whereby CoAL acquired NuCoal Mining (Pty) Ltd, the company owning Woestalleen, included certain withholding warranties and general warranties. In accordance with the SSA, 10% of the purchase price (R65.0 million or approximately US\$9.5 million) was withheld in respect of potential claims under the withholding warranty provisions. During the quarter, the Company entered into a settlement agreement with the vendors

whereby an amount of £3.0 million (approximately US\$4.5 million), approximating 50% of the amount withheld, was paid to the vendors in full and final settlement of the matter.

Corporate Activity

Work continues with the group restructuring and preparation for the migration of the primary listing from the Australian Stock Exchange to the main market of the London Stock Exchange. Further details will be provided to shareholders in due course.

Cash and Available Facilities

At 31 March 2012, total available cash on hand and call deposits was US\$55.8 million (FY2012 Q2: US\$89.2 million), and total available loan facilities and standby credit arrangements under existing facilities was US\$19.0 million (FY2012 Q2: US\$12.0 million). The total cash balance, available and undrawn facilities as at 31 March 2012 was US\$74.8 million.

On a pro forma basis at 31 March 2012, taking into account the additional undrawn US\$40 million New Bank Facility, the total funding available to the business was US\$114.8 million.

Quarter on quarter, the amount drawn under the existing US\$50 million Deutsche Bank facility decreased from US\$40 million at 31 December 2011 to US\$32.5 million at 31 March 2011, with the repayment of US\$7.5 million from funds on hand. In addition, a one off payment of £3.0m (approximately US\$4.5 million), in relation to the settlement of the NuCoal litigation, was settled during the quarter. Overall, this accounted for US\$12.0 million of the total of US\$33.4 million reduction in cash quarter on quarter

The Company's funding requirements, excluding the funding of the Makhado Project and the second phase expansion of the Vele Colliery, remains in line with its original projections against which the US\$106 million and US\$40 million New Bank Facility were raised in late 2011. Evaluation of alternative funding options for the future development of the Makhado Project, net of the potential amounts to be paid by Exxaro upon exercise of the option and co-funding of the project, and the phase two capital expenditure and expansion of the Vele Colliery, are ongoing.

Production, logistics and administration expenditure at the thermal operations and corporate, will continue to be funded from cashflow generated by the operations during the June quarter. Ongoing expenditure to ramp up Vele to full production will be funded substantially in line with the capital raising projections for the operation. Plans to accelerate the production of a thermal coal product at Vele over the short term to generate cashflow to offset these costs has commenced with the delivery of the first train for sale into the export markets.

Projected exploration and development expenditure for the next quarter includes drilling and analysis on samples from the Makhado Project, Greater Soutpansberg Projects and Chapudi Properties and certain pre-Mining Right capital expenditure required to be incurred on the Makhado Project to ensure the project timetable remains on track. All exploration, evaluation and development capital expenditure to be undertaken during the June quarter is anticipated to be funded from available cash resources and undrawn facilities.

Authorised by
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Chief Executive Officer
30 April 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 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 2 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 feed tonnes per month.

CoAL's Vele Colliery started commercial 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 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 November 2010, CoAL agreed to acquire the Chapudi coal project and several other coal exploration properties in the Soutpansberg coal basin in South Africa from the previous owners, including Rio Tinto. Upon completion, the acquisition of these projects will significantly extend the scale and scope of certain of CoAL's existing projects in the region and will more than double the resource of the existing Makhado Project.
