



ANNOUNCEMENT

29 JULY 2011

REPORT FOR THE QUARTER ENDED 30 JUNE 2011

Coal of Africa Limited ("CoAL" or "the Company") provides its operational report for the quarter ended 30 June 2011. A copy of this report is available on the Company's website, www.coalofafrica.com.

Highlights

- Washing of the Makhado coking coal project ("Makhado Project") bulk sample completed at Exxaro Resources Limited's ("Exxaro") Tshikondeni Colliery.
- 1,256,825 tonnes (Q3: 1,229,584 tonnes) of run of mine ("ROM") and 664,865 tonnes (Q3: 717,367 tonnes) of export quality coal produced at the Woestalleen and Mooiplaats thermal collieries.
- Sales of Export coal increased to 492,781 tonnes in the June 2011 quarter from 198,347 tonnes in the March 2011 quarter, due to increased operational performance on the Maputo Rail Corridor and additional throughput capacity at the Matola Terminal in Maputo, Mozambique.
- Transitioning the Group's Mooiplaats thermal coal colliery ("Mooiplaats Colliery") from a contract mining operation to an owner-managed operation.
- Appointment of Mr Wayne Koonin as Financial Director.
- Total cash balance and available facilities at the end of the quarter of A\$34.88 million.

Post quarter highlights

In early July 2011, the South African Department of Environmental Affairs ("DEA") granted authorisation for rectification at the Vele Colliery in terms of Section 24G of the National Environmental Management Act (Act No. 107 of 1998) as amended ("NEMA"). The authorisation contains specific conditions which the Company will be required to fulfil due to the uniqueness of the area. Completion of the construction and commissioning phase of the plant and mine is expected to take place within six to nine months from the restart in August 2011 and is ultimately intended to ramp up to an initial production profile of 1 million tonnes per annum.

Commenting today, Mr John Wallington, Chief Executive Officer of CoAL said: "The increased throughput at the Matola Terminal combined with mining and rail improvements, resulted in a significant increase in export coal sales during the quarter."

"At the Mooiplaats Colliery, we have taken an important step in the development cycle of the mine by transitioning from an outsource contractor to an owner operated mine. As a result of this change, approximately 300 employees previously employed by the contractor are now employed directly by Mooiplaats. The handover process has gone extremely well and we are confident that the expected operational and cost efficiencies will be realized."

“During the quarter, significant progress was made on issues relating to the Vele Colliery. Importantly, following several months of intensive interaction and work with the various government departments, the Integrated Water Use Licence (“IWUL”) was granted on 4 April 2011 and the Environmental Authorisation on 5 July 2011. However, as anticipated and with reference to the announcement released earlier today, on 28 July 2011, the NGO coalition has filed an appeal with the Minister of Environmental and Water Affairs against the granting of the IWUL. The Company has the right to file an appeal with the Minister to apply discretion in the matter to allow mining to continue and for the appeal to be heard in the normal course of events. We are in the process of assessing the appeal by the action groups and preparing the necessary submission to the Minister on an urgent basis.”

“CoAL is committed to continue working closely with the various government departments, ensuring compliance with legislation as well as specific requirements stipulated by government in granting authorisation to recommence operations. Further announcements in this regard will be made in due course.”

QUARTERLY COMMENTARY

Woestalleen Colliery – Witbank Coalfield (100%)

The outstanding safety record at the Zonnebloem colliery was sustained during the quarter with the site not recording a single lost time injury since its start-up in 2008. One lost time injury was recorded at the Woestalleen mines and processing plant (“Woestalleen Colliery”) during the quarter and Management’s focus on safety remains a priority.

Production of ROM coal at Woestalleen’s open cast mines increased by 7% compared to the previous quarter, yielding 970,220 tonnes (Q3: 909,994 tonnes) of coal. Quarter on quarter production at the Zonnebloem colliery was up 30% with 955,872 ROM tonnes mined (Q3: 735,674 ROM tonnes). The Hartogshoop North colliery was mined out in the quarter yielding 14,348 ROM tonnes (Q3: 161,027 ROM tonnes) and the Klipbank colliery, mined out in the previous quarter yielded zero ROM tonnes (Q3: 13,293 ROM tonnes).

The Woestalleen wash plant produced 503,625 saleable tonnes (Q3: 505,894 saleable tonnes) of export quality coal. The plant produced a further 73,265 saleable tonnes (Q3: 88,081 saleable tonnes) of lower grade product for Eskom, the South African electricity utility.

An overall yield of 64.5% (Q3 : 64.2%) was marginally lower than the previous quarter.

Mooiplaats Colliery – Ermelo Coalfield (100%)

Safety continues to be a focus at the Mooiplaats Colliery, where four lost time injuries were reported at the mine during the June 2011 quarter.

Coal production for the three months decreased by 10.3%, from 319,590 ROM tonnes in the previous quarter, to 286,605 ROM tonnes in the June quarter. The decrease was primarily due to the transfer of mining operations from a contractor miner to CoAL as the operator. The transition to an owner managed mine will enable direct management of the operation and improve the overall

performance of the mine. As part of this process, employees previously employed by the contractor, were transferred to the direct employ of the mine. All mining equipment was previously purchased and remains the property of the mine, thereby minimising disruptions during the transitional phase. Steps are underway to open the fifth underground section during the last quarter of this year, with all the necessary capital expenditure having already been incurred.

Coal processed during the three months declined from 413,111 ROM tonnes in the March quarter, including 121,426 purchased ROM tonnes, to 321,105 ROM tonnes in the June quarter, including 31,274 purchased ROM tonnes. A total of 161,240 tonnes (Q3 : 211,473 tonnes) of export quality coal was produced and 44,348 tonnes (Q3: 66,907 tonnes) of the lower grade product for Eskom.

The overall yield of 64.0% (Q3: 67.4%) was lower quarter on quarter due to the high level of contamination mined by the contractor.

Subsequent to quarter end, following the switch from contract mining, the decline in production has been reversed along with an improvement in the contamination levels. Management continue to monitor the situation closely to ensure that the improvement in operational performance continues.

Marketing and Logistics

Additional rail capacity created by Transnet Freight Rail earlier in the year supported the significant increase of export sales through the Matola Terminal. The purchase of 42,774 tonnes of third party coal and the completion of the port expansion contributed in the increase of export sales by 148% from 198,347 tonnes in the March 2011 quarter to 492,781 tonnes in the June 2011 quarter.

In the June 2011 quarter, Woestalleen sold 264,813 tonnes (Q3: 356,986 tonnes) and Mooiplaats Colliery sold 63,233 tonnes (Q3: 61,155 tonnes) to domestic customers and Woestalleen Colliery sold 39,460 tonnes (Q3: 66,543) and Mooiplaats Colliery sold 69,242 tonnes (Q3: 52,649 tonnes) of lower grade coal to Eskom.

Summary tables (tonnes)

	Woestalleen	Mooiplaats	Total
June 2011 quarter			
ROM production	970,220	286,605	1,256,825
ROM coal purchased	-	31,274	31,274
Total coal processed	894,605	321,105	1,215,710
Overall Yield	64.5%	64.0%	64.4%
Total coal produced	576,890	205,588	782,478
Export coal	503,625	161,240	664,865
Middlings coal	73,265	44,348	117,613
Saleable coal purchased	-	40,298	40,298
Total coal sales	304,273	625,256	929,529
Export	-	492,781	492,781
Inland	264,813	63,233	328,046
Eskom	39,460	69,242	108,702

Vele Coking Coal Project

As announced previously, the development phase of the Vele Colliery is near completion. No activity was undertaken at the colliery during the quarter as a result of the Compliance Notice served on the Company by the DEA in August 2010.

CoAL applied for an Integrated Water Use Licence ("IWUL") in November 2009 and had been liaising with the Department of Water Affairs ("DWA") to progress the application. During the quarter the DWA granted the IWUL, completing a significant outstanding requirement for commencement of operations at the colliery.

The rectification papers previously submitted in terms of Section 24G of NEMA resulted in the Company being required to pay a ZAR9.25 million (A\$1.26 million) administrative fine to the DEA. The payment of the fine was a pre-condition to enable the DEA to adjudicate the application for rectification relating to the environmental authorisation for the Vele Colliery.

This authorisation was granted on 5 July 2011, and contractors are being mobilised to recommence with the completion of the construction of mining and coal processing infrastructure at the mine site. As previously announced, the Company expects to bring Vele into production within six to nine months of the restart date. The construction activities, commissioning of the plant and recommencing production are being planned and implemented. At the time operations were halted in August 2010, work was 95% complete.

Due to the temperate climate and that no wet commissioning of the plant had taken place, there has been limited degradation to the plant and infrastructure whilst the mine was dormant. Upon recommencing activities, a full assessment will take place and the necessary steps implemented to address any issues that require remediation. The natural ingress of water into the pit over the past year requires dewatering prior to the recommencement of mining activities.

On 28 July 2011, the Integrated Water Use Licence ("IWUL") for the Vele Colliery has been suspended in terms of Section 148(2) (b) of the South Africa National Water Act, No, 36 of 1998, due to an appeal to the Water Tribunal submitted by an NGO coalition. The appeal automatically suspends the licence unless the Minister of Water Affairs directs otherwise. In the interim, the Company is therefore unable to continue with activities at the Vele Colliery that require water use, however in anticipation of recommencing operations, the planning in relation to other construction and mining activities that do not require the use of water are ongoing.

CoAL has the right to and is in the process of preparing an urgent appeal to the Minister requesting that the IWUL remains in full force and effect in this interim period and until the final conclusion of the appeal. If the Company is successful in its representation to the Minister the Company will be able to continue all activities, including the water uses per the IWUL.

Makhado Coking Coal Project

During the quarter, independent experts continued with the baseline social and environmental studies required for the Makhado Project New Order Mining Right ("NOMR") application that was lodged with the DMR in January 2011. Consultation processes with interested and affected parties continued during the period. These will form part of the extensive economic, social and environmental impact studies required for the NOMR. The studies will result in the formulation of a detailed Environmental Management Programme for the Makhado Project.

The processing of the Makhado Project bulk sample at Exxaro's Tshikondeni Colliery was completed during the quarter. Samples of the washed product have been sent to ArcelorMittal South Africa's ("AMSA") Vanderbijlpark facility for testing.

The results of the tests are expected to facilitate the finalisation of the terms and conditions related to volumes and pricing for the proposed off-take agreement between CoAL and AMSA, as well as the finalisation of the Makhado Project Definitive Feasibility Study. Additional coking coal samples are being analysed at the Company's Polokwane laboratory and further trial samples are being sent to potential export customers.

The Definitive Feasibility Study is at an advanced stage and is expected to be tabled for consideration by the Board before calendar year end. Construction is anticipated to commence in mid 2012.

Corporate Activity

Financial Director Appointment

During the quarter, CoAL announced the appointment of Mr Wayne Koonin as Financial Director. Mr Koonin has extensive international experience working in the financial role at Board level in exploration, development and operating mining companies, including coal. Mr Koonin has most

recently been the Chief Financial Officer of Platmin Limited, a platinum mining company listed on the Toronto Stock Exchange, AIM and the JSE.

Cash and Available Facilities

At 30 June 2011, total cash on hand and call deposits was A\$34.88 million (31 March 2011 : A\$25.113 million) and undrawn loan facilities and standby credit arrangements was A\$26.41 million (31 March 2011 : A\$36.913 million). Quarter on quarter, total cash and available facilities remained in line with management expectations.

Authorised by

JOHN WALLINGTON

Chief Executive Officer

29 July 2011

For more information contact

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About CoAL:

CoAL is an AIM/ASX/JSE listed coal mining and development company operating in South Africa. CoAL's key projects include the Vele Colliery (coking 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 million tonnes per annum ("Mtpa"). CoAL's Vele Colliery and Makhado Project are expected to start production in the first half of 2012 and the first half of 2013 respectively. These operations are targeted to collectively produce an initial 1Mtpa ramping up to a combined annual output of 10Mtpa of coking coal.

In 2010, CoAL completed the ZAR467m acquisition of NuCoal Mining (Pty) Limited ("NuCoal"), a thermal coal producer with assets in South Africa in close proximity to CoAL's Mooiplaats Colliery. NuCoal owns the Woestalleen Colliery, which has a number of off-take contracts in place and processes approximately 2.5Mtpa of saleable coal for domestic and export markets. The Woestalleen Colliery also incorporates two beneficiation plants with a total processing capacity of 350,000 run of mine feed tonnes per month.

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. When completed, 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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Coal of Africa Limited

ABN

98 008 905 388

Quarter ended ("current quarter")

30 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	111,286	306,357
1.2	Payments for (a) exploration & evaluation	-	(1,628)
	(b) development	-	-
	(c) production	(64,338)	(229,224)
	(d) logistics	(12,978)	(32,617)
	(e) administration	(6,816)	(42,231)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	448	1,767
1.5	Interest and other costs of finance paid	(621)	(1,517)
1.6	Income taxes paid	-	(8,155)
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		26,981	(7,248)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	(1,856)
	(b) equity investments	-	(4,849)
	(c) other fixed assets	(15,131)	(55,649)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	2,943
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(15,131)	(59,411)
1.13	Total operating and investing cash flows (carried forward)	11,850	(66,659)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	11,850	(66,659)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	250	312
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	10,953	31,876
1.17	Repayment of borrowings	(8,018)	(28,679)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	3,185	3,509
	Net increase (decrease) in cash held	15,035	(63,150)
1.20	Cash at beginning of quarter/year to date	25,113	101,063
1.21	Exchange rate adjustments to item 1.20	(5,268)	(3,033)
1.22	Cash at end of quarter	34,880	34,880

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	337
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	16,434	30,753
3.2 Credit standby arrangements	9,976	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	617
4.2 Development	4,894
4.3 Production	45,215
4.4 Logistics	25,864
4.5 Administration	3,016
Total	79,606

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	19,257	23,475
5.2 Deposits at call	15,623	1,638
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	34,880	25,113

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

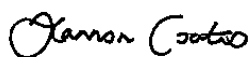
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)	Nil			
7.2 Changes during quarter				
7.3 +Ordinary securities	531,139,661	531,139,661		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)	Nil			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	28,903,062	Nil	Exercise price See Note 6	Expiry date See Note 6
7.8 Issued during quarter	Nil	Nil	See Note 6	See Note 6
7.9 Exercised during quarter	500,000	Nil	See Note 6	See Note 6
7.10 Expired during quarter	Nil	Nil		

+ See chapter 19 for defined terms.

7.11	Debentures (totals only)	Nil	
7.12	Unsecured notes (totals only)	Nil	

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



29 July 2011

Sign here: Date:
(Company secretary)

Print name: SHANNON COATES
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Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.

6 Issued and Quoted Options as at 31 December 2010:

Number Issued	Number Quoted	Exercise Price	Expiry Date	Lapsed Since End of quarter
8,450,000	-	A\$0.50	30 September 2011	-
7,000,000	-	A\$1.25	30 September 2012	-
250,000	-	A\$2.05	1 May 2012	-
1,000,000	-	A\$1.90	30 September 2012	-
600,000	-	A\$1.25	1 May 2012	-
1,650,000	-	A\$3.25	31 July 2012	-
912,500	-	A\$1.90	30 June 2014	-
5,000,000	-	A\$2.74	30 November 2014	-
2,500,000	-	A\$1.20	9 November 2015	-
1*	-	GBP0.60	1 November 2014	-
1,540,561	-	A\$1.40	30 September 2015	-

*1 Option to subscribe for 50 million ordinary shares for 60 pence each between 1 November 2010 and 1 November 2014 as approved by shareholders on 22 April 2010

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