



ANNOUNCEMENT

31 January 2014

REPORT FOR THE QUARTER ENDED 31 DECEMBER 2013

Repositioning of CoAL progressing well

Coal of Africa Limited (“CoAL” or “the Company”) which operates in South Africa, together with its subsidiaries, hereby provides its operational report for the quarter ended 31 December 2013. All figures are denominated in United States dollars unless otherwise stated. A copy of this report is available on the Company's website, www.coalofafrica.com.

Salient Features

- The focus on safety continued during the period and no lost time injuries were recorded during the quarter (FY2014 Q1: nil).
- Positive results from the coking coal tests undertaken by ArcelorMittal on coal supplied from Vele during the September 2013 quarter.
- Board approval for a R220 million (\$21 million) plant modification at the Vele Colliery and the suspension of operations in anticipation of the commencement of construction.
- Request for proposal distributed to potential bidders for the design and construction of the plant modification at Vele.
- Run of mine coal production decreased from the previous quarter's 202,910 tonnes to 7,068 tonnes as a result of the scaling down of the Company's loss-making operating collieries.

Corporate and Financial Features

- R210 million (\$20 million) 18-month working capital facility secured from Investec Bank Limited and drawdown of the first R107.5 million.
- Repayment of the remaining \$1.1 million Investec derivative facility during the quarter.
- The Company's cost-cutting and non-core asset disposal processes continued during the period.

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David H. Brown – Executive Chairman, Michael G. Meeser – Chief Financial Officer
Non-executive directors: Peter G. Cordin, Khomotso B. Mosehla, David J. K. Murray, Bernard R. Pryor, Rudolph H. Tortage

- Progress made on the satisfaction of outstanding suspensive conditions for the \$9.6 million sale of the Woestalleen Complex and the Opgoedenhoop mining right.
- Receipt of a R5 million (\$0.5 million) payment for a one-year option to acquire the Holfontein project for R55 million (\$5.2 million) (including the R5 million option fee) expected to be completed during CY2014.
- Conversion of the Company's shareholding in ASX listed Lemur Resources Limited to AIM listed Bushveld Minerals Limited, facilitating the monetising of this asset in H2 FY2014.
- Available cash at period end of \$4.2 million.

Post period highlights

- Letter of Intent being negotiated with AMSA for the purchase of semi-soft coking coal to be produced by the Vele Colliery post the completion of the plant modifications.

Commenting today, Mr David Brown, Executive Chairman said: "The Company has made significant progress on its strategic turnaround strategy. This includes the disposal of its non-core assets and the first drawdown against the Investec facility which has provided the funding required during this period. The sale of Woestalleen and Opgoedenhoop is progressing well and we only await regulatory approval for these transactions.

The Vele Colliery plant modifications are due to commence in H1 CY2014 and will enable the colliery to simultaneously produce semi-soft coking coal, sized thermal coal or export quality thermal coal and middlings coal for Eskom from 2015. ArcelorMittal undertook successful trials on a sample of semi-soft coking coal from Vele and the negotiation of a Letter of Intent indicates both parties' intention to conclude an off-take agreement for the colliery's metallurgical coal."

QUARTERLY COMMENTARY

Operational Summary and Market Update

As a result of the Mooiplaats Colliery being placed on care and maintenance in the September 2013 quarter no middlings coal was sold to Eskom, the state power utility (FY2014 Q1: 141,798 tonnes). Sales of export quality coal decreased from the previous quarter's 56,799 tonnes to 7,677 tonnes as a result of the scaling down of operations at the Company's collieries.

Woestalleen Complex – Witbank Coalfield (100%)

The Woestalleen processing facility recorded no lost time injuries during the quarter (FY2014 Q1: nil LTIs).

CoAL had agreed to sell the Woestalleen processing complex and the undeveloped Opgoedenhoop mining right. During the December 2013 quarter the Company made good progress in satisfying the suspensive conditions for the disposals and at the end of the period, only the conditions requiring ministerial consent in

terms of Section 11 of the Mineral and Petroleum Resources Development Act remained outstanding. The Company expects to receive the Section 11 approvals for the transactions in the near-term as well as the proceeds of R100.8 million (\$9.6 million) for Woestalleen and Opgoedenhoop.

In terms of an interim agreement with the purchaser the Company continued to process third party run of mine ("ROM") coal on a cost recovery plus margin basis at the Woestalleen site.

Mooiplaats Colliery – Ermelo Coalfield (74%)

The Mooiplaats thermal coal colliery ("Mooiplaats Colliery") recorded no LTIs during the period (FY2014 Q1: nil LTIs).

The colliery was placed on care and maintenance during the September 2013 quarter and produced no ROM coal (FY2014 Q1: 75,146 tonnes) or Eskom quality coal (FY2014 Q1: 61,057 tonnes) during the reporting period.

The disposal process continued during the period and formal offers from prospective buyers are expected by the end of the March 2014 quarter, with disposal agreements thereafter. The Company expects to complete this transaction during H2 FY2014.

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

The Vele coking and thermal coal colliery ("Vele Colliery") recorded no LTIs during the quarter (FY2014 Q1: nil LTIs).

The Vele Colliery produced 7,068 tonnes of ROM coal during the December 2013 quarter (FY2014 Q1: 127,764 tonnes) as a result of operations being scaled down pending the completion of the plant modifications in H1 CY2015. The colliery processed 3,957 tonnes (FY2014 Q1: 136,864 tonnes) of ROM coal during the quarter producing 907 tonnes (FY2014 Q1: 32,399 tonnes) of export quality thermal coal as well as a sample of semi-soft coking coal for testing at AMSA.

During the quarter the CoAL board approved the modification of the Vele Colliery processing plant. The construction of the R220 million (\$21 million) plant modification is expected to be completed by the end of H1 CY2015 followed by a production ramp-up resulting in the simultaneous production of three products, namely:

- semi-soft coking coal;
- export quality thermal coal or sized thermal coal for the domestic market; and
- Eskom quality thermal coal.

During the December 2013 quarter the Company commenced with project level fund raising activities and the formal process to appoint a contractor to undertake the detailed design and construction of the plant modification. Tenders were received in early January 2014 and the Company expects to appoint the engineering design contractor in February 2014.

A sample of semi-soft coking coal was sent to ArcelorMittal South Africa Limited (“AMSA”) in September 2013 for metallurgical coal trials. This coal was tested in AMSA’s coke batteries and yielded positive results and the parties are negotiating a Letter of Intent.

Makhado Coking Coal Project – Soutpansberg Coalfield (100%)

The Makhado coking coal project (“Makhado Project”) recorded no LTIs (FY2014 Q1: no LTIs) during the quarter.

During the period the Company continued to engage the relevant government departments in relation to its New Order Mining Right and Integrated Water Use Licence applications and, is working towards finalising the Black Economic Empowerment aspects required prior to the granting of the mining right.

Greater Soutpansberg Project (MbeuYashu) (74%)

The MbeuYashu Project recorded no LTIs (FY2014 Q1: no LTIs) during the period.

The Company continued the public participation programmes in relation to the Environmental Impact Assessment phase for the Generaal, Chapudi and Mopane projects. The Environmental Management Programmes for the three project areas were finalised and were distributed for public comment during the December 2013 quarter.

Cash Position

As a result of the scaling down of operations, receipts from coal sales for the three months decreased to \$1.9 million (FY2014 Q1: \$22.7 million). The cessation of activities at the Company’s operating collieries during the previous quarter resulted in production expenses declining to \$3.9 million (FY2014 Q1: 15.9 million) which includes the costs to process discard dumps at Woestalleen (\$1.6 million) and, \$2.2 million for care and maintenance costs at Mooiplaats. During the three months to December 2013 the Company spent \$5.3 million (FY2014 Q1: 5.0 million) at the Vele Colliery and a further \$1.8 million (FY2014 Q1: 2.1 million) on exploration in the Soutpansberg coalfield.

During the quarter CoAL repaid the outstanding \$1.1 million (FY2014 Q1: \$0.7 million) of the Investec Bank Limited (“Investec”) derivative-backed finance facility and drew down \$10.0 million under the Investec working capital facility. These funds were used to fund on-going operating and administration costs.

The estimated March 2014 quarter cash outflows included in the 5B report (attached to this commentary) should be seen in the context that revenue of \$9.6 million from the sale of non-core assets has not been included. Expenditure on exploration and evaluation in the March 2014 quarter is expected to be \$1.0 million and \$1.1 million will be spent on development, which includes costs associated with the detailed design of the Vele plant modification. Estimated production costs for the three months of \$0.4 million relate to net expenses at the Mooiplaats and Woestalleen operations, while administration expenses of \$2.3 million will be incurred to cover head office costs. These will all be paid from the proceeds of non-core assets.

Strategic and Corporate Update

Good progress has been made on all elements of the turnaround strategy. The closure of the loss making Mooiplaats Colliery, disposal of the Woestalleen Complex, Holfontein project and Lemur/ Bushveld investment are at various stages of completion and are all expected to be completed during CY2014. The R210 million (\$20 million) Investec facility is expected to cover interim working capital requirements until the proceeds of the disposal of the non-core assets are received.

Authorised by

David Brown

Executive Chairman

31 January 2014

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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 /MbeuYashu, including CoAL's Makhado Project (coking and thermal coal).