



ANNOUNCEMENT

29 JANUARY 2010

REPORT FOR THE QUARTER ENDED 31 DECEMBER 2009

Coal of Africa Limited (“CoAL” or “the Company”) provides its operational report for the quarter ended 31 December 2009. A full copy of this report is available on the Company's website, www.coalofafrica.com.

Highlights

- Placement of 59,867,731 ordinary shares at 95 pence per share raising approximately GBP56.9 million to fund the acquisition of Nucoal Mining (Pty) Ltd (“NuCoal”).
- Execution of agreements with subsidiaries of the Rio Tinto Group to formalise the Farm Swap memorandum of understanding (as previously announced).
- Execution of formal agreements with Broad Based Black Economic Empowerment (“BBBEE”) partners as part of efforts to ensure compliance with South African legislative requirements for empowerment groups to hold at least 26% of mining companies by 2014.
- Completion of the acquisition of 6% of the Vele coking coal project (“Vele Project”) and extension of the Agreement to acquire the remaining 20% of the Vele Project.
- Granting of a New Order Prospecting Right (“NOPR”) for coal bed methane over an area measuring 564 km² in the Limpopo Province which includes the Makhado coking coal project (“Makhado Project”) as well as neighbouring areas.
- Renewal of the employment contracts of the Managing Director and Finance Director.
- Cash balance at the end of the quarter of A\$94 million - the Company has no debt.

Post Period Highlights

- Completion of the acquisition of NuCoal, a company producing 4.2 million tonnes per annum (“Mtpa”) run of mine (“ROM”) coal, transforming CoAL into a multiple product producer.

Commenting on the results today, Simon Farrell, Managing Director of CoAL said: “The acquisition of NuCoal will transform the Company into a multiple producing mine entity and allows us to take advantage of the positive trend in international thermal coal prices. It also ensures that we fully utilise our port allocation at the Maputo Terminal, while our Vele mining application awaits approval, which will increase to 3 million tonnes per annum in the third quarter of this calendar year.”

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DISCUSSION OF RESULTS

Mooiplaats Project – Ermelo Coalfield (100%)

Following the reconfiguration of the Mooiplaats mining layout as a result of geological conditions, the Company is still on track to commence production of export quality coal during the first quarter of 2010. During the December quarter, 2,381 metres were mined with mining targets exceeded in both November and December, resulting in the production of 26,000 tonnes of lean coal.

The second module of the wash plant was commissioned during the quarter, allowing for the processing of 200 tonnes per hour of ROM coal. At the end of the quarter, over 47,000 tonnes of lean coal had been railed from the Umlabo siding to the Matola Terminal in Maputo, Mozambique (“Matola Terminal”), with the first shipment of lean coal due to be loaded and depart by the end of January 2010.

The Environmental Management Plan for the extension of the New Order Mining Right (“NOMR”) to include the farms Klipbank and Adrianople was submitted to the Department of Mineral Resources (“DMR”) during the quarter, completing the documents required by the Department for approval of the extension to the Mooiplaats Project, facilitating the regulatory approval for the development of the south decline.

Safety management continues to be a key focus at CoAL’s projects and no reportable safety issues occurred at the Mooiplaats Project during the quarter.

Vele Project – Tuli Coal Field (80% - will be 100% on granting of the NOMR)

On 23 October 2009, the Company issued 1,990,000 fully paid ordinary CoAL shares to Shangoni Bezwe Management Services (Pty) Ltd to acquire 6% of Limpopo Coal Company (Pty) Ltd (“Limpopo Coal”), the company that owns the Vele Project, taking the Company’s interest to 80%. As announced on 14 July 2009, the Company executed an agreement with Tranter Holdings (Pty) Ltd (“Tranter”) to acquire the remaining 20% of Limpopo Coal for 5,625,750 ordinary shares subject to, amongst other things, the granting of a NOMR by 31 December 2009. The NOMR Application is currently under review by the DMR and the suspensive condition requiring NOMR approval by the end of the period was extended to 31 March 2010.

A further 34 exploration holes totalling over 2,060 metres, were drilled on the mine area during the quarter. The exploration holes drilled improved the drilling density and the results thereof will be used to confirm the structure and composition of the coal. All cores have been geophysically logged and core samples sent to the Company’s laboratory in Polokwane for analysis.

CoAL is set to launch Phase 1 of the Vele Project upon the granting of a NOMR, approval of which is expected in early 2010. The total capital expenditure to complete Phase 1 of the Vele Project is estimated at ZAR350 million and comprises the establishment of a modular coal treatment plant with the ability to deliver 1 million saleable tonnes (yield dependant) of coking coal per annum. A substantial amount of preparation for Phase 1 has been completed and a significant portion of the capital required for Phase 1 has already been committed. Dry and wet commissioning of the

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modular plant has been successfully completed and construction of the supporting infrastructure is progressing according to schedule. Work has commenced on the upgrading of the rail siding in Musina and is expected to be concluded in Q1 of 2010.

The capacity of the modular plant can be doubled should ArcelorMittal SA ("Mittal") wish to increase its off-take from the Vele Project. In principle, the Letter of Intent with Mittal signed in April 2008 ("Mittal LOI") provides for the potential off-take from the Company's coking coal properties of 2.5 – 5Mtpa. An additional ZAR200 million is required to double the Phase 1 capacity and a further ZAR2.65 billion will be required to complete Phase 2 of the Vele Project, which will have capacity to deliver 5Mtpa of saleable coking coal. The Mittal LOI in principle, provides for a free on rail ("FOR") delivery in return for a free on board ("FOB") indexed price, delivering a significantly better margin than would have otherwise been enjoyed through exporting the coal.

Initial mining will utilise opencast methods, which also contributes to lower initial mine establishment costs. Phase 2 of the Project will deliver the planned full capacity of 5Mtpa of saleable coking coal from the Vele Project and the implementation thereof will be dictated by market conditions. A Memorandum of Understanding for the mining contract was previously signed with MCC Contracts, the appointed open-cast mining contractor, and discussions between the two parties continued during the current quarter. The mining contract is expected to be signed in early 2010.

Makhado Coking Coal Project – Soutpansberg Coal Field (100%)

During the quarter, the Company completed an additional 20 exploration holes bringing the total metres drilled on the Makhado Project to over 9,000 metres. The exploration boreholes provided additional information for the revised geological model, which will include both sedimentology as well as geological structure and will be used to update the mine model. A high level study on the processing plant required for the project has commenced and a modular wash plant similar to that built for the Vele Project is being considered.

As announced on 29 October 2009, CoAL entered into an Exchange of Prospecting Rights Agreement ("Farm Swap") with Kwezi Mining and Exploration (Pty) Ltd ("Kwezi") and Chapudi Coal (Pty) Ltd ("Chapudi"), joint venture companies held by the Rio Tinto Group and the Kwezi Group of South Africa. The Farm Swap cedes ownership of certain Chapudi and Kwezi NOPR that are contiguous to the Company's Makhado Project to CoAL. In return, the Company will cede certain NOPR and interests therein to Chapudi. In addition, and on satisfaction of conditions precedent, Regulus Investments (Pty) Limited, a subsidiary of CoAL, will pay Chapudi a premium of ZAR12.5m.

During the December quarter, the Company submitted an application to the DMR for the extraction of a bulk sample from the Makhado Project. Approval of the application is expected in Q1 of 2010 and the sample extracted will yield 1,000 tonnes of coal for analysis by ArcelorMittal SA in their coking ovens.

The Company has commenced preparing the documentation required for the NOMR Application. The application is based on the planned 5Mtpa production profile of the Makhado Project and will be submitted once approval has been granted by the DMR for the Rio Tinto Farm Swap.

Holfontein Coal Project (100%)

The Company continues to classify Holfontein as an asset available for sale while it awaits the grant of a NOMR, applied for in February 2008.

Acquisition of NuCoal Mining (Pty) Ltd and Share Placement

During the quarter, the Company agreed to acquire 100% of NuCoal, a thermal coal producer with assets located close to CoAL's Mooiplaats Project, for ZAR650m. NuCoal's Woestalleen Colliery produces 2.5Mtpa of saleable coal for domestic and export markets and has a number of off-take contracts in place. NuCoal has two beneficiation plants and a fully operational mine producing 350,000 tonnes per month of ROM coal. Furthermore, NuCoal has a number of potential open cast and underground projects suitable for the local and export markets which CoAL will evaluate in the context of the Company's overall corporate strategy.

The acquisition was funded by proceeds of the share placement completed at the end of October 2009 which raised GBP56.9m (ZAR731m).

On 26 January 2010, CoAL confirmed the completion of the acquisition of NuCoal. The final adjusted purchase price due to NuCoal is ZAR467m after a 10% retention and adjustments to reflect the working capital position (including certain non-current liabilities) as at 31 December 2009. A retention of ZAR65m will be withheld in relation to certain warranties and in accordance with the terms of the Nucoal acquisition agreement. CoAL will apply the remaining proceeds of the placement to, amongst other things, accelerating capital expenditure at its Vele Project and general working capital requirements.

Black Empowerment Transaction

As announced on 11 December 2009, the Company has executed formal agreements with Firefly Investments 163 (Pty) Ltd ("Firefly"), its Broad Based Black Economic Empowerment ("BBBEE") partners, ensuring CoAL takes a significant step towards compliance with South African legislation which requires black empowered groups to hold at least 26% in mining companies by 2014. The arrangement replaces the previous agreement announced on 13 June 2008 with Coal Investments Limited ("CIL") pursuant to which CIL subscribed for shares and was granted an option to subscribe for 50 million CoAL shares.

The BBBEE consortium will be led by Firefly which is wholly owned and controlled by historically disadvantaged South Africans. Firefly's current shareholders include Mosomo Investment Holdings (Pty) Ltd and Mtungwa Resources (Pty) Ltd which are led by Kgomotso Brian Mosehla and Patrick Ntshalishali.

The BBBEE agreements which have been entered into by CoAL, CIL- and Firefly provide BBBEE partners with the option to subscribe for a total of 50 million CoAL shares for 60 pence each between 1 November 2010 and 1 November 2014 ("the Option"). Firefly cannot exercise the Option prior to 1 November 2010 except in limited circumstances such as a change in control of the

Company. The Option will be subject to certain regulatory approvals including the Australian Foreign Investment Review Board.

Firefly will have the right to nominate two persons to the CoAL Board and has undertaken to procure that the King of the VhaVenda, His Majesty Khosi Khulu Toni Mphephu Ramabulana (“the King”) holds a shareholding and beneficial interest in Firefly within a period of three months of satisfaction of the conditions precedent to the BBBEE Agreements. The King represents his constituents of the Mudimeli, Musekwa, Makushu-Musholombi and Tshivhula communities, relevant female empowerment and youth groups as well as a special purpose vehicle to promote and develop entrepreneurs and other specific community groups in the Limpopo province.

To facilitate the BBBEE transaction, the Company’s second largest shareholder, African Global Capital I, L.P., an entity associated with Mvelaphanda Holdings (Pty) Ltd, Palladino Holdings Limited and OZ Management LP, and its affiliate CIL, which currently own in the aggregate 15.03% of the issued share capital of CoAL, has entered into an agreement with Firefly in terms of which amongst other provisions, they will cede their voting rights over their ordinary shares in CoAL to Firefly.

Polokwane Analytical Laboratory

The Company’s analytical laboratory in Polokwane in the Limpopo Province continued performing petrographic and thermal coal tests on samples from the Company’s Vele and Makhado Projects. Initial results from the tests undertaken during the quarter will be released once all of the results have been received.

Nimag Group of Companies (100%)

The implementation of cost cutting measures and improved nickel prices, together with increased demand for the Nimag Group’s products, resulted in an unaudited EBIT of ZAR5m for the first half of the year. Nimag’s management has been tasked with growing the NiMag Group through acquisitions and the identification of new clients and products.

Authorised by



SIMON J FARRELL
Managing Director
27 January 2010

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About CoAL:

Coal of Africa Limited ("CoAL") is an AIM/ASX/JSE listed coal mining and development company operating in South Africa. CoAL's key projects include the Woestalleen Colliery, the 113 million tonne ('mt') Mooiplaats thermal coal mine, the 656 mt Vele coking coal project and the 1 billion tonne Makhado coking coal project.

The Mooiplaats coal mine commenced production in 2008 and is currently ramping up to produce 2 mtpa. CoAL's Vele and Makhado coking coal projects are expected to start production in H1 2010 and Q4 2011 respectively producing an initial 2 mtpa rising to a combined annual output of 10 mtpa of coking coal.

In 2010, CoAL completed the ZAR650m acquisition of NuCoal Mining (Pty) Limited ("NuCoal"), a thermal coal producer with assets in South Africa in close proximity to CoAL's Mooiplaats mine. NuCoal owns the Woestalleen Colliery, which has a number of off-take contracts in place and produces 2.5Mtpa of saleable coal for domestic and export markets. NuCoal also owns two beneficiation plants, one fully operational mine producing 350kt per month of run of mine ("ROM") coal and has recently commenced production at a second mine.

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Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

Coal of Africa Limited

ABN

98 008 905 388

Quarter ended ("current quarter")

31 December 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	9,188	17,881
1.2 Payments for (a) exploration and evaluation	(1,858)	(3,985)
(b) development	(41,359)	(63,188)
(c) production	(1,562)	(5,191)
(d) administration	(5,057)	(11,632)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	593	1,151
1.5 Interest and other costs of finance paid	(12)	(40)
1.6 Income taxes paid	-	(18)
1.7 Other	-	-
Net Operating Cash Flows	(40,067)	(65,022)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	(1,998)	(10,170)
(c) other fixed assets	(8,655)	(15,542)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material – Note 6)	-	-
Net investing cash flows	(10,653)	(25,712)
1.13 Total operating and investing cash flows (carried forward)	(50,720)	(90,734)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(50,720)	(90,734)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.(net) <i>see note 7.4 below</i>	98,058	98,058
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Exchange rate related movements in foreign borrowings and reserves)	-	-
	Net financing cash flows	98,058	98,058
	Net increase (decrease) in cash held	47,338	7,324
1.20	Cash at beginning of quarter/year to date	47,030	87,033
1.21	Exchange rate adjustments to item 1.20	19	30
1.22	Cash at end of quarter	94,387	94,387

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	581
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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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

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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

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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	-	-
3.2 Credit standby arrangements	4,529	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(2,500)
4.2 Development	(10,000)
Total	(12,500)

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	1,423	7,135
5.2 Deposits at call	92,964	40,101
5.3 Bank overdraft	-	(206)
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	94,387	47,030

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			

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Appendix 5B
Mining exploration entity quarterly report

6.2 Interests in mining tenements acquired or increased

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
<ul style="list-style-type: none"> • Stayt 183 MT • Riet 182 MT • Portions 3, 4, 5, 6, 13, 14 & Remaining Extent of Overvlakte 125 MS • Bergen Op Zoom 124 MS • Semple 155 MS • Voorspoed 836 MS 	Coal New Order Prospecting Rights	74%	80%
<ul style="list-style-type: none"> • Windhoek 649 MT • Tanga 648 MT • Fripp 645 MT • Lukin 643 MT • Salaita 188 MT • The Duel 186 MT • Telema 190 MT • Gray 189 MT • Martha 185 MT • Joffre 584 MS • Fanie 578 MS • Phantom 640 MS • Wildgoose 577 MS • Van Deventer 641 MS • Chase 576 MS • Stayt 183 MT • Nakab 184 MT • Riet 182 MT • Schuitdrift 179 MT • Mount Stuart 153 MT • Terblanche 155 MT • Meteor 141 MT • Naus 178 MT • Alicedale 138 MT • Septimus 156 MT • Martin 157 MT • Rynie 157 MT • That part/ portion of the Unsurveyed State Land which is bounded by the co-ordinates detailed in the sketch plan submitted in respect of which no rights, permissions and permits have been granted in terms of the MPRDA. 	Coal bed methane exploration rights	-	74%

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.

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Appendix 5B
Mining exploration entity quarterly report

		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 <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	474,413,911	474,413,911		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	24,700,000	Nil	<i>Exercise price</i> See Note 7	<i>Expiry date</i> See Note 7
7.8	Issued during quarter	5,000,000	Nil	<i>Exercise price</i> See Note 7	<i>Expiry date</i> See Note 7
7.9	Exercised during quarter	636,544	Nil		
7.10	Expired during quarter	Nil	Nil		
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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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.



Sign here:
Managing Director

Date: 29 January 2010

Print name: Simon Farrell

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.
- 7 Issued and Quoted Options as at 31 December 2009:

Number Issued	Number Quoted	Exercise Price	Expiry Date	Lapsed Since End of quarter
9,200,000	-	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 2010	-
5,000,000	-	A\$2.74	30 November 2014	-

+ See chapter 19 for defined terms.