COAL of AFRICA LIMITED

ANNOUNCEMENT **15 March 2013**

REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2012

Commenting on Coal of Africa's performance for the six months ended December 2012, Mr John Wallington, Chief Executive Officer of Coal of Africa Limited (CoAL), said: "The key development of this period was the strategic partnership agreement signed with Beijing Haohua Energy Resource Company Limited ("BHE") through the equity placement of $100 million. The partnership with BHE has significantly strengthened the financial structure of the company which will aid in the development of CoAL's projects. The exchange of technical and operational expertise will facilitate the growth and development of CoAL and the coking coal industry in South Africa."

Summary for the six months under review, reported unless otherwise stated in United States Dollars, include:

- Ten lost time injuries ("LTI's") during the period (FY2012 H2: five) including a vehicle incident at the Mooiplaats thermal coal colliery ("Mooiplaats Colliery") in July 2012 where four employees were injured.
- 2,676,821 tonnes (FY2012 H2: 2,647,179 tonnes) of run of mine ("ROM") coal and 1,050,045 tonnes (FY2012 H2: 1,214,539 tonnes) of export quality coal produced during the six months.
- Reduction in export coal sales to 636,264 tonnes (FY2012 H2: 863,893 tonnes) due to the reduction in production volumes after the strike action that lasted for six weeks at the Mooiplaats Colliery, and the impact of tippler upgrades at the Matola Terminal in Maputo, Mozambique ("Matola Terminal").
- On-going pressure on index linked RB1 export quality thermal coal prices which declined from an average of $100/tonne during the six months ended 30 June 2012 to an average of $87/tonne for the period ended 31 December 2012.
- Sales of export quality coal on the domestic market during the six months decreased 13.0% to 341,685 tonnes (FY2012 H2: 392,932 tonnes).
- Sales of middling coal increased 25.9% from 375,768 tonnes in the six months ended June 2012 to 473,154 tonnes for the December 2012 period. A new one year supply agreement was concluded with Eskom Holdings Limited ("Eskom"), the South African state owned electricity utility, for the supply of coal on improved terms.
- Agreement concluded with Beijing Haohua Energy Resource Company Limited's ("BHE") wholly-owned subsidiary, Haohua Energy International (Hong Kong) Company Limited ("HEI"), to subscribe for $100 million of CoAL shares at GBP0.25 per share. $20 million was received during the period and $80 million was received post period end.
- Total gross equity capital raise of $53.5 million through a placing of $44.8 million with institutional investors and an equity derivative facility of $8.7million with Investec Bank Limited.

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Woestalleen Complex – (Vuna colliery & Woestalleen processing facility) - Witbank coal field (100%)

The Woestalleen processing facility recorded no LTI's (FY2012 H2: one LTI) and the Vuna colliery one LTI during the six months (FY2012 H2: one LTI).

ROM coal produced by the Vuna colliery increased marginally in the December 2012 period from 1,823,709 tonnes to 1,839,466 tonnes. A portion of the #1 seam ROM coal mined at the colliery was delivered to Eskom as raw coal and the remaining ROM coal processed to an export grade and middlings product.

The quantity of coal processed decreased 17.4% to 1,306,009 tonnes compared to 1,581,896 tonnes during the previous six-month period due to ROM coal sales to Eskom and scheduled December shutdowns. Woestalleen produced 1,276,772 tonnes of saleable coal (FY2012 H2: 937,934), up 36.1%, comprising:

- 697,008 tonnes (FY2012 H2: 744,868 tonnes) of export quality coal, and
- 579,764 tonnes (FY2012 H2: 193,066 tonnes) of middlings product.

The Vuna colliery's coal reserve is expected to be depleted by the end of March 2013, at which time the supply of ROM coal to the Woestalleen complex will cease. The Company continues to assess various options to restructure the Woestalleen processing complex. In the interim, the Company has engaged all stakeholders in a section 189(A) process notifying the 274 affected employees of the pending closure of the Vuna colliery and its impact on the Woestalleen complex.

The Company also commenced a tender process for the sale of this asset. Various offers have been received by the Company and are being evaluated.

Mooiplaats Colliery – Ermelo coal field (100%)

Four of the eight LTI's recorded at the Mooiplaats Colliery during the six months (FY2012 H2: two LTI's) resulted from an incident involving a mine vehicle transporting employees. The focus on improving safety management at the mine has intensified.

Operations at the Mooiplaats Colliery were temporarily suspended at the end of September 2012 when the 176 National Union of Mineworkers ("NUM") members, of the 368 people employed at the colliery, embarked on a protected wage related strike. A wage agreement was subsequently reached resulting in employees returning to work on 1 November 2012. Access and operational capabilities at the colliery were limited during the strike period resulting in the flooding of two of the underground sections and production delays. The Company commenced a section 189(A) process in relation to the restructuring of the Mooiplaats Colliery on 6 November 2012.

On 3 December 2012, NUM-affiliated employees at the colliery embarked on an unprotected strike protesting against the suspension of four of their colleagues who had breached picketing rules and the terms of a court interdict during the October strike. The colliery's remaining 190 employees re-commenced work on 7 December 2012 and, on 11 December 2012 the NUM affiliated employees returned to work.

The strike action at Mooiplaats was primarily responsible for ROM production decreasing by 41.4% to 388,100 tonnes (FY2012 H2: 662,363 tonnes) while coal processed declined from 804,125 tonnes in H2 FY2012 (including 146,746 tonnes of purchased ROM coal) to 387,767 tonnes. The colliery produced a total of 270,234 saleable tonnes (FY2012 H2: 556,801 tonnes) during the period, comprising:

- 226,719 tonnes (FY2012 H2: 423,605 tonnes) of export quality coal; and
- 43,515 tonnes (FY2012 H2: 133,196 tonnes) of middlings product for Eskom.

As part of the initiative to address the long term viability of the operation, the Company is assessing various strategic restructuring alternatives which may include disposal.

Following the derailment on the Matola Corridor (“the derailment”) on 18 February 2013, production at Mooiplaats will continue until stockpile capacity is reached.

Vele Colliery – Tuli coal field (100%)

The Vele coking and thermal coal colliery (“Vele Colliery”) recorded one LTI during the six months (FY2012 H2: nil LTI’s) and achieved 1,000 fatality-free production shifts during the reporting period.

During the period, Vele continued to produce export grade thermal coal to offset costs while the test trials on potential metallurgical coal are being concluded. Vele produced 449,255 tonnes (FY2012 H2: 161,107 tonnes) of ROM coal and 438,501 tonnes (FY2012 H2: 162,289 tonnes) of coal was processed during the period yielding 126,318 tonnes (FY2012 H2: 46,066 tonnes) of saleable export quality thermal coal.

The intended plant expansion at Vele will result in improved yields and operational efficiencies.

The plant expansion has been divided into two phases:

- Phase 1 will allow for the de-watering of the ultra-fines product by installing filter presses eliminating the need for the temporary slurry pond and is scheduled for completion early in the second quarter of CY2013.
- Phase 2 construction is expected to commence in CY2013 and be completed in the second half of CY2014. The approval of Vele Phase 2 by the board is subject to the completion of product testing currently underway. This phase includes the installation of a permanent ROM tip and crushing facility, primary & middlings coal wash plant modules as well as a fines recovery plant.

The Vele Colliery Environmental Management Committee (“EMC”) and sub-committees are operating effectively and comprise representatives from the relevant government departments, non-governmental organisations, municipalities, farming communities and other stakeholders. During the period the Save Mapungubwe Coalition joined the EMC as full members.

Production at Vele Colliery has been temporarily suspended following the derailment primarily to reduce operating cash costs during this period and the lack of stockpile capacity.

Makhado Coking Coal Project – Soutpansberg coal field (100%)

On 15 March 2013 the Company confirmed that the Makhado coking and thermal coal project (“Makhado Project”) has the potential to produce a hard coking coal. The Company engaged Wood Mackenzie, who are leading independent experts in coal sales to verify the expected product quality and marketability of the coal. Following completion of their work Wood Mackenzie confirmed the typical quality of the coal at Makhado to be hard coking coal based on its specifications relative to other international coking coal producers. The consideration was based on the global outlook for coking coal and the coal quality parameters that contribute to Makhado’s value-in-use in order to estimate the attractiveness of the coal in selected target markets. These markets are closely aligned to the key growth destinations for seaborne coking coal.

During the interim period the Makhado Project Definitive Feasibility Study (“DFS”) on the opencast mining area, which includes both hard coking coal and a thermal coal fraction, was upgraded to provide greater operational certainty and reduced project risk. The Company expects that the additional work on the DFS will be completed and released during Q2 CY2013.

CoAL continued to make progress on the acquisition of various properties required for the Makhado Project rail infrastructure and operations. The Company purchased or has an option to acquire the remaining properties required for the rail load-out and rail spur for the Makhado project. Negotiations to acquire the two properties where the planned processing plant and initial opencast mining is to commence have not been concluded. The granting of the Makhado Project New Order Mining Right ("NOMR") will result in CoAL having legislated rights in terms of the Mineral and Petroleum Resources Act (2002) allowing the construction of the mine and related infrastructure to commence.

During the period, the Company and the Nzhelele Farmers signed a Memorandum of Agreement ("MOA") in respect of the more efficient use of water in the Nzhelele River catchment area of Limpopo Province, South Africa. The signing of the MOA enabled the submission of the Makhado Project Integrated Water Use Licence Application. Under the terms of the MOA, the Nzhelele Farmers relinquished portions of their water-use entitlements facilitating a bulk water supply for the Makhado Project. The parties have undertaken to form a technical working group with the aim of identifying projects which would replenish the allocation relinquished by the farmers.

The Company has made significant progress on the regulatory requirements relating to the NOMR Application. The BEE shareholding, required under South African mining legislation is work in progress as the Company needs to ensure that funding is a requirement in order to progress the project. It is envisaged a BEE partner will provide a pro rata share of funding required to develop the project.

Greater Soutpansberg Project – Soutpansberg Coalfield (74%)

The Company has commenced with the work necessary to submit NOMR Applications for the Chapudi, Mopane and Makhado Extension projects. During the period under review CoAL continued with the process of compiling the exploration and technical data on these projects. The Company initiated exploration programmes on the properties in early CY2013 and a total of 39 small and 42 large diameter holes are planned to be drilled over the next six months, with further updates on the technical results to follow in due course.

Rio Tinto Chapudi coal asset acquisition

The share purchase agreement to acquire the Rio Tinto Chapudi coal assets was amended to enable the sale of equity and of shareholders' claims, totalling $75.0 million, to close separately. The Company was able to restructure the payment terms and paid $9,634,740 of the shareholder claims portion during the reporting period and the outstanding $4 million for these claims was paid in February 2013. The $30.0 million balance of the total purchase price will become payable on the earlier of the receipt of a NOMR on any of the properties that form part of the transaction or, two years from 11 May 2012, the date upon which the conditions precedent for the equity sale were fulfilled.

Strategic Partner – Beijing Haohua Energy Resource Co. Limited

At the end of September 2012, BHE through its subsidiary HEI submitted a binding offer to provide the Company with $100.0 million of equity funding with the transaction to be executed in two stages:

- an initial placement of $20.0 million, completed during the reporting period; and
- a conditional placement of $80.0 million ("Conditional Placement").

All necessary Peoples Republic of China ("PRC"), CoAL shareholder, regulatory and statutory approvals required for the Conditional Placement were satisfied in January 2013 and HEI subscribed for a further $80.0 million of shares in CoAL at GBP0.25 per share. The parties have commenced discussions regarding co-operation on commercial, technical and operational matters enabling the Company to draw on BHE's expertise during the development of the Makhado Project as well as the Chapudi, Mopane and Makhado Extension projects.

Equity Issue

During the period the Company raised a total amount of $53.5 million (before costs) of which 115,478,798 shares were placed with institutional investors at GBP0.25 per share raising $44.8 million and Investec Bank Limited subscribed for 19,148,408 million CoAL shares under an equity derivative financing package raising approximately $8.7 million. At the end of the period, approximately $4.3 million of this facility was outstanding.

Financial review (all amounts expressed in US Dollars unless stated otherwise)

Revenue from the sale of coal for the six months totaled $87.3 million compared to $125.8 million for the comparative period due to lower coal prices and reduced production as a result of the strike action and subsequently, lower sales volumes.

The loss for the six months under review amounted to $111.7 million, or 14.39 cents per share compared to a loss of $74.7 million or 13.36 cents per share for the prior corresponding period.

The loss for the period under review of $111.7 million (2011: $74.7 million) includes non-cash charges of $98.3 million (2011: $70.3 million) as follows:

- impairment loss of $50.0 million ($1.9 million in the six months ended 31 December 2011);
- net foreign exchange losses of $21.6 million (2011: $42.6 million) of which $22.1 million (2011: $39.9 million) represent unrealised losses arising from the translation of inter-group loan balances, borrowings and cash due to change in the South African Rand:United States Dollar exchange rate period on period;
- depreciation of $9.8 million (2011: $8.5 million) and amortisation of $9.4 million (2011: $20 million) contributed further to the non-cash charges;
- loss of $2.7 million due to the discount on early settlement of the Grindrod receivable (2011: nil);
- loss of $4.3 million (2011: nil) on the fair value adjustment of the Investec equity derivative financing package.

The increase in the loss for the six months when compared to the prior corresponding period is as a result of a $50.0 million impairment loss recognized on Mooiplaats ($1.9 million in the six months ended 31 December 2011 on assets held for sale).The impairment loss arose from the following factors:

- continued losses suffered at the operation on a monthly basis due to lower coal prices and production targets not met;
- strike action during the month of September 2012 resulting in lower production volumes; and
- relatively higher logistics cost applicable to this colliery.

The above mentioned resulted in a headline loss per share of (as explained in note 10 to the financial report) to 7.95 cents per share during the six months under review from 13.02 cents per share in the prior corresponding period, due to the exclusion of impairment losses from the calculation on a headline basis.

As at 31 December 2012, the Company had cash and cash equivalents of $18.3 million compared to cash and cash equivalents of $19.5 million at 30 June 2012.

As at 31 December 2012, the available facility with Deutsche Bank totalled $37.5 million The actual utilisation of the facility as at this date was $37.5 million. The facility is subject to certain covenants associated with a facility of this nature. As a result of the strike action in October 2012 at the Mooiplaats Colliery and the subsequent loss in production together with the unrealised loss associated with the loan in the books of Langcarel (Pty) Ltd (a wholly owned subsidiary of the Company), the total equity measure fell below the set equity covenant threshold. Notice of this breach was communicated to Deutsche Bank and the Company considers that this breach has not resulted in any change to the ability of the Company to meet its repayment obligations.

Highlights and events after the reporting period

- Confirmation of Makhado coal as a world class hard coking coal with good coke strength. Wood Mackenzie who were engaged to review the coal to be produced at the Makhado Project have confirmed that it has the potential to be a world class hard coking coal.
- Memorandum of Understanding ("MOU") signed appointing Vitol as the Company's marketing agent for all export thermal and coking coal for eight years, except for Makhado product where the marketing period is five years from start of production. The MOU excludes all current agreements and potential coal off-take arrangements with the Company's strategic equity partners.
- Agreement with Grindrod to remove CoAL's funding obligation for the Phase 4 expansion of the Matola Terminal. Additional throughput volumes will be contracted for on a take-or-pay basis.
- PRC regulatory approval for HEI's $100.0 million investment in the Company and CoAL shareholder approval of the transaction resulting in the Company receiving $80.0 million on 31 January 2013 from HEI and the issuance of 247,417,599 CoAL shares.
- Heavy rainfall and resultant flooding resulted in the stoppage of operations at the Vele Colliery. Limited operations re-commenced with production returning to normal levels during the first week of February 2013.
- The derailment of 10 wagons on the Maputo rail corridor on 18 February 2013 led to the damage of a rail bridge resulting in the suspension of all traffic between Komatipoort and Maputo, until approximately the end of March 2013.Transnet Freight Rail has been unsuccessful in establishing alternative routes to the Port of Matola. Accordingly Vele, Mooiplaats and Woestalleen collieries issued force majeure notices to their customers, contractors and affected stakeholders. The Company has implemented measures at all operations to mitigate the commercial and operational impact of the force majeure. Although Vele operations were temporarily suspended primarily to reduce operating cash costs during this period and the lack of stockpile capacity production at Mooiplaats and Woestalleen will continue until the stockpile capacity has been fully utilized.
- Repayments to Deutsche Bank continues in the normal course of business with $8.3 million being repaid during January and February 2013, bringing the total outstanding facility to $29.2 million and the cash balance as at 28 February 2013 to $72.6 million.

Outlook

The Company is considerably better placed following the strategic investment by BHE however certain elements of the turnaround strategy remain work in progress. These include possible restructuring or sale of Mooiplaats colliery, Woestalleen colliery and related assets. The Company is also continuing discussions with various financial institutions to secure new short and long term debt facilities. In addition finalisation of the Vele coal product trials is required in order to complete the phase two capital programme.

Corporate Activity

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

Webcast

Management will provide further insight on the Interim Results via a simultaneous webcast and conference call at 11h00(CAT) on 15 March 2013.

The simultaneous webcast and conference call will be accessible on http://themediaframe.eu/links/coalofafrica130315.html or CoAL's website at www.coalofafrica.com.

Teleconference

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Other countries (Alternative)		+27 10 201 6616
South Africa (Toll-free)		0800 200 648
South Africa (Johannesburg)		011 535 3600
South Africa (Johannesburg Alternative)		010 201 6800
UK (Toll-free)		0808 162 4061
USA and Canada (Toll-free)	*0 for operator	1 800 921 0864

PLAYBACK

A playback of the teleconference will be available for 48 hours afterwards on the following telephone numbers:

South Africa (Telkom)	011 305 2030	Code: 23654
USA and Canada (Toll)	412 317 0088	Code: 23654
Other countries (Toll-free)	0808 234 6771	Code: 23654

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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, including CoAL's Makhado Project (coking coal) and the Mooiplaats and Woestalleen Collieries (both thermal coal).