COAL of AFRICA LIMITED

ANNOUNCEMENT 31 July 2013

REPORT FOR THE QUARTER ENDED 30 JUNE 2013

Makhado Project DFS indicates robust returns

Coal of Africa Limited ("CoAL" or "the Company") the coal exploration, development and mining company operating in South Africa, together with its subsidiaries, hereby provides its operational report for the quarter ended 30 June 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

- Three lost time injuries recorded during the quarter (FY2013 Q3: one) and an increased focus on safety is underway.
- Regrettably a fatality was recorded at the Vuna colliery when an employee working for the rehabilitation contractor drowned in a pollution control dam.
- Makhado Project Definitive Feasibility Study results confirmed that the project has the ability to produce 2.3Mtpa of world class quality hard coking coal and 3.2Mtpa of thermal coal and indicates robust returns.
- The damage caused by a derailment resulting in the closure of the Matola rail corridor during the March 2013 quarter was repaired and the railway line re-opened in April 2013, with the Company re-commencing the export of coal during May 2013.
- Run of mine coal production decreased from 911,563 tonnes in the previous quarter to 188,921 tonnes mainly due to the depletion of the Vuna colliery resource and the closure of the Matola rail corridor, resulting in a slow-down or suspension of export coal mining activities at the Company's operations.
- Export coal sales from the Matola Terminal decreased by 49% to 136,172 tonnes (FY2013 Q3: 271,069 tonnes) due to the reduced rail capacity following the derailment on the Matola line.

Corporate and Financial Features

- The Company embarked on a regulatory Section 189 consultation process regarding the future of the Mooiplaats Colliery.

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- Expiry of Chief Executive Officer John Wallington's contract during the quarter and Non-Executive Chairman David Brown assumed the role of Executive Chairman.
- Appointment of Michael Meeser as Chief Financial Officer and Executive Director during the quarter.
- Appointment of Cobus Bronn as Chief Operating Officer during the period.
- Repayment of $11.5 million of the Deutsche Bank facility with $12.5 million outstanding at the end of June 2013; Company to be debt-free by the end of November 2013.
- Positive progress on the Company's strategic path with the review of the Company's operations and implementation of cost cutting measures, sale of non-core assets and project funding activities.
- Available cash at period end of $28.9 million.

Commenting today, Mr David Brown, Executive Chairman said: "The release of the Makhado Project DFS is an important milestone for the Company as it progresses its significant Soutpansberg coalfield coking coal resources. The Makhado Project is the first step in the development of the Soutpansberg coalfield and in addition the submission of mining right applications for the Mopane, Chapudi and Generaal areas, indicates the Company's long term development plans for the Limpopo Province. Management will now focus on securing the required funding to develop CoAL's flagship Makhado Project.

The rebuilding of a bridge on the Matola rail corridor facilitated the recommencement of export coal sales in May 2013 and the lifting of the force majeure later in the month. Trading conditions remained challenging during the quarter with coal prices continuing their decline, placing further strain on the Company resulting in the commencement of Section 189 processes at CoAL's collieries and head office to rationalise costs."

QUARTERLY COMMENTARY

Operational Summary

On 18 February 2013, a bridge on the railway line to the Matola Terminal in Maputo Mozambique ("Matola") collapsed as a result of a train derailment and the Company declared force majeure at the Mooiplaats, Woestalleen and Vele collieries. CoAL implemented measures at these operations to mitigate the commercial and operational impact of the force majeure.

The force majeure resulted in sales of export quality coal decreasing from the previous quarter's 271,069 tonnes to 136,372 tonnes during the June 2013 period. Coal sales to the domestic market declined by 22.3% to 87,338 tonnes (FY2013 Q3:112,440 tonnes) and sales of middlings coal to Eskom, the state power utility, decreased to 202,581 tonnes (FY2013 Q3: 288,967 tonnes) as a result of depletion of the Vuna resource that subsequently reduced availability of coal at Woestalleen.

June 2013 quarter (tonnes)	**Woestalleen**	**Mooiplaats**	**Vele**	**Total**
ROM production	*-	179,603	9,318	**188,921**
Total coal processed	260,433	178,856	473	**439,762**

Overall yield**	35.0%	74.9%	***	**-**
Total coal produced	91,546	134,020	89	**225,655**
Export coal	10,598	-	89	**10,687**
Middlings coal	80,948	134,020	-	**214,968**
Total coal sales	156,559	133,360	-	**426,291**
Export****	-	-	-	**136,372**
Inland	84,740	2,598	-	**87,338**
Eskom	71,819	130,762	-	**202,581**

March 2013 quarter (tonnes)	**Woestalleen**	**Mooiplaats**	**Vele**	**Total**
ROM production	645,742	187,548	78,273	**911,563**
Total coal processed	522,153	195,663	80,744	**798,560**
Overall yield**	64.0%	67.0%	***	**-**
Total coal produced	553,831	131,731	23,283	**708,845**
Export coal	257,867	86,854	23,283	**368,004**
Middlings coal	295,964	44,877	-	**340,841**
Total coal sales	337,135	64,272	-	**672,476**
Export****	-	-	-	**271,069**
Inland	89,251	23,189	-	**112,440**
Eskom	247,884	41,083	-	**288,967**

*** Decline in ROM coal processed at Woestalleen is due to depletion of the Vuna colliery resource**
**** Overall yield is calculated using plant feed**
***** Vele Colliery yields will be included when production reaches steady state**
****** Export sales include thermal coal sales from Woestalleen, Mooiplaats Colliery and the Vele Colliery**

Woestalleen Complex – Witbank Coalfield (100%)

The Woestalleen processing facility recorded one lost time injury during the quarter (FY2013 Q3 nil LTIs) and the Vuna colliery documented no LTIs during the quarter (FY2013 Q3: nil LTIs). Regrettably a fatality was recorded at the Vuna colliery when an employee working for the rehabilitation contractor drowned in a pollution control dam. The incident was investigated by the Company and the Department of Mineral Resources ("DMR") and has resulted in the implementation of additional preventative measures at the site.

As a result of the depletion of the Vuna colliery's coal reserve during March 2013, no run of mine ("ROM") coal was mined during the quarter (FY2013 Q3: 645,742 tonnes). The remaining ROM coal stockpile of 28,329 tonnes was processed during the period producing 10,598 tonnes of export quality coal (FY2013 Q3: 257,867 tonnes). The Company reprocessed discard dumps at the Woestalleen site to produce middlings quality coal and together with the discard from the export quality coal, produced 80,498 tonnes for sale to Eskom (FY2013 Q3: 295,964 tonnes).

CoAL is at an advanced stage of negotiations regarding the disposal of the Woestalleen processing complex. Agreements have been finalised and funding for the purchase consideration is at an advanced stage. The potential transaction includes operating the site as a ROM coal processing facility while satisfying regulatory suspensive conditions and updates will be issued in due course.

Mooiplaats Colliery – Ermelo Coalfield (100%)

The Mooiplaats thermal coal colliery ("Mooiplaats Colliery") recorded two LTIs during the period (FY2013 Q3: nil LTIs).

The declaration of force majeure during the previous quarter resulted in the colliery continuing to produce Eskom middlings coal only. The Company continues its assessment of restructuring alternatives for Mooiplaats and commenced with the regulatory Section 189 process during the period to propose placing the operation on care and maintenance and is expected to be completed by the end of August 2013. Continued challenging geological conditions and lower than expected productivity at the mine resulted in ROM coal produced decreasing marginally to 179,603 tonnes (FY2013 Q3: 187,548 tonnes). Coal processed decreased from 195,663 tonnes to 178,856 tonnes and the colliery produced a total of 134,020 tonnes of middlings coal for Eskom (FY2013 Q3: 44,877 tonnes of middlings coal and 86,854 tonnes of export coal).

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

The Vele coking and thermal coal colliery ("Vele Colliery") recorded no LTIs during the quarter (FY2013 Q3: nil LTIs) reflecting the continued positive focus on health and safety.

The declaration of force majeure in February 2013 occurred when the stockpiles at the colliery and Musina railway siding were full, resulting in the temporary suspension of mining and processing activities at Vele. The continued force majeure status during the period adversely affected operations as limited stockpile area at the site prevented the production and processing of ROM coal. Consequently ROM production decreased from 78,273 tonnes in the March 2013 quarter to 9,318 tonnes in the June 2013 quarter.

Completion of the product test trials on potential metallurgical coal, delayed by the January 2013 floods and force majeure, re-commenced at the end of the period and are expected to be finalised in the September 2013 quarter.

Expenditure on Phase 1 of the Vele plant expansion, including the installation and commissioning of filter presses to de-water the ultra-fines product, were completed in June 2013. This equipment reduces the requirement for an additional slurry dam and is expected to result in increased yields of semi-soft coking and thermal coal once the next phase of the Vele processing plant has been constructed. The Company is finalising optimisation studies for the construction of the next phase of the plant and the Company will revert to the market by the end of August 2013.

Makhado Coking Coal Project – Soutpansberg Coalfield (100%)

The Company released the Makhado coking coal project ("Makhado Project") Definitive Feasibility Study ("DFS") results during the quarter. The study was prepared with the assistance of independent experts and indicates that the project has 344.8 million mineable tonnes in situ and a 16 year life of mine. The opencast Makhado Project is expected to have an overall yield of 44.6% producing 12.6 million tonnes per annum (“Mtpa”) of ROM coal yielding 2.3Mtpa of hard coking coal and 3.2Mtpa of thermal coal for the domestic and or export markets.

The Makhado Project will cost R3.96 billion ($406 million) (including contingency) to build and will generate an Internal Rate of Return (“IRR”) of 30.1% and has a Net Present Value (“NPV”) of R6.79 billion ($697 million). The estimated costs of the project were completed on an accuracy range of +15% to -10% with average on-mine operating costs of R865 per tonne of hard coking coal. The IRR and NPV of the project were calculated using average hard coking coal prices over the life of the mine.

The Company is working on finalising the Black Economic Empowerment aspects of the project as the next phase in the development of the project.

Greater Soutpansberg Project (MbeuYashu)

The MbeuYashu Project recorded no LTIs (FY2013 Q3: one LTI) during the period.

During the quarter the Company submitted NOMR applications for the Mopane, Generaal and Chapudi projects which form part of the MbeuYashu Project. These applications were all accepted by the DMR and CoAL commenced with the Environmental Impact public participation programmes for the Mopane project with similar processes on the Generaal and Chapudi projects expected to commence in the September 2013 quarter.

The Company completed drilling the final 42 holes of the 57-hole exploration programme during the quarter and has commenced compiling the technical data. This information is expected to assist in the finalisation of the NOMR applications submitted for the projects.

Coal Market Update

Index-linked RB1 export quality thermal coal prices remain under pressure, declining from $87 per tonne in July 2012 to $77 per tonne at the end of June 2013. The South African rand remained volatile during the period with average exchange rate weakening from ZAR8.94 in the March 2013 quarter to ZAR9.47 in the June 2013 quarter, partially offsetting lower coal prices.

Cash Position

Cash outflow from operations for the period was $18.4 million (FY2013 Q3: $12.1 million outflow) due to the continued force majeure which resulted in reduced export revenue and increased sales to the lower priced domestic middlings market. During the quarter the Company continued paying the Deutsche Bank facility and including foreign exchange movements, repaid $11.5 million (FY2013 Q3: $12.9 million) of this facility and $1.1 million (FY2013 Q3: $0.6 million) of the Investec derivative-backed finance facility.

Expenditure on exploration and evaluation in the September 2013 quarter is expected to be $2.7 million and includes drilling and analysis as well as expenditure for public participation programmes for the Soutpansberg MbeuYashu Projects. Approximately $2.7 million will be spent on development and includes costs associated with Vele. Estimated production costs for the three months of $3.6 million relate to expenses incurred at the Mooiplaats and Woestalleen operations while administration expenses of $2.8 million for the period relates primarily to head office costs.

The estimated September 2013 quarter cash outflows included in the 5B report attached to this commentary, should be seen in the context that no revenue from potential sales has been taken into account.

Strategic Update

Good progress is being made on all elements of the turnaround strategy and the release of the Company's final results will include further updates. This includes the resolution of the losses from the thermal assets, detail on the Vele Colliery coal quality and expansion, an update on the Makhado Project and overhead reduction measures.

Authorised by

David Brown

Executive Chairman

31 July 2013

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