COAL of AFRICA LIMITED

ANNOUNCEMENT **29 APRIL 2013**

REPORT FOR THE QUARTER ENDED 31 MARCH 2013

Positive outcome of Makhado Project's product quality assessment augurs well for project

Coal of Africa Limited ("CoAL" or "the Company") the coal exploration, development and mining company operating in South Africa, together with its subsidiaries, is pleased to provide its operational report for the quarter ended 31 March 2013. A copy of this report is available on the Company's website, www.coalofafrica.com.

Salient Features

- Improved safety statistics with one lost time injury recorded during the quarter (FY2013 Q2: three).
- Market report from international research firm Wood Mackenzie confirms that the Makhado Project has the potential to produce world class hard coking coal.
- Derailment on the Matola rail corridor operated by Transnet Freight Rail in February 2013 led to the suspension of all rail traffic to the port and declaration of force majeure by the Company.
- Heavy rainfall in the Limpopo Province results in flooding at the Vele Colliery stopping operations for three weeks.
- Run of mine coal production decreased from 1,153,486 tonnes in the previous quarter to 911,563 tonnes due to depletion of the Vuna colliery resource, flooding at Vele and the derailment on the Matola rail corridor and the resultant force majeure that caused a slow-down or suspension of mining activities at the Company's three collieries.
- Export coal sales from the Matola Terminal decreased by 34% to 271,069 tonnes (FY2013 Q2: 411,292 tonnes) due to the force majeure and the reduced rail capacity during the reporting period.

Corporate and Financial Features

- Approval by the regulatory authorities in the People's Republic of China and CoAL shareholders for the $100.0 million direct investment in the Company by Haohua Energy International (Hong Kong) Company Limited ("HEI").

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- Co-operation agreement signed formalising CoAL's strategic relationship with HEI a wholly owned subsidiary of Beijing Haohua Energy Resource Co. Limited ("BHE").
- Completion of payment for the acquisition of the Chapudi Project shareholder claims from Rio Tinto Minerals Development Limited.
- Repayment of $12.5 million of the Deutsche Bank facility (balance remaining of $25.0 million).
- Available cash at period end of US$67.4 million.

Post Period End Events

- Transnet Freight Rail confirmed that the Matola railway line was re-opened on 19 April 2013 and the Company expects to re-commence the export of coal in May 2013.
- A fatality was recorded at the Vuna colliery during April 2013 when an employee working for the rehabilitation contractor drowned in a pollution control dam. The Company is investigating the incident in conjunction with the Department of Mineral Resources.
- Resignation of Executive Director Professor Alfred Nevhutanda effective 30 April 2013.
- John Wallington and the Company, by mutual consent, announced that he will not be renewing his contract as Chief Executive Officer and he will leave the Company on 31 May 2013.
- Appointment of Michael Meeser as Chief Financial Officer and Executive Director with effect from 1 June 2013.

Commenting today, Mr John Wallington, Chief Executive Officer of CoAL said: "The third party confirmation of the Makhado Project's product quality as a hard coking coal supports management's technical assessment and augurs well for the development of the project and placing the product into the market. The US$100 million investment and co-operation agreement with HEI, are significant milestones for the Company, providing the capital base and technical know-how to continue developing the Company's coking coal projects.

During the quarter, conditions remained challenging with a number of issues affecting production and furthermore commodity prices remained depressed. The Vele Colliery received over 500mm of rainfall in four days resulting in the flooding of the pit that caused delays in production and product testing. The reported derailment and subsequent collapse of a bridge on the Matola railway line on 18 February 2013 prevented the export of thermal coal for the balance of the quarter. The bridge has been repaired and the commissioning has been completed, with rail operations expected to return to normal levels in May 2013."

QUARTERLY COMMENTARY

Operational Summary

The floods in the Limpopo province prevented production at the Vele coking and thermal coal colliery ("Vele Colliery") for three weeks. 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, resulting in all rail traffic between Komatipoort and Matola being suspended. Consequently, the Company declared force majeure at the

Mooiplaats, Woestalleen and Vele collieries. CoAL has implemented measures at these operations to mitigate the commercial and operational impact of the force majeure and is in the process of compiling a business interruption insurance claim.

The Limpopo floods and force majeure resulted in sales of export quality coal decreasing from the previous quarter's 411,292 tonnes to 271,069 tonnes during the March 2013 period. Coal sales to the domestic market declined by 27.1% to 112,440 tonnes (FY2013 Q2:154,186 tonnes) as a result of reduced availability of coal at Woestalleen. Sales of middlings coal to Eskom increased from the previous quarter's 264,169 tonnes to 288,967 tonnes.

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**

December 2012 quarter (tonnes)	Woestalleen	Mooiplaats	Vele	Total
ROM production	845,834	113,157	194,495	**1,153,486**
Total coal processed	586,871	101,628	186,478	**874,977**
Overall yield*	73.1%	69.5%	**	**-**
Total coal produced	593,799	70,656	53,993	**718,448**
Export coal	316,102	58,827	53,993	**428,922**
Middlings coal***	277,697	11,829	-	**289,526**
Total coal sales	393,288	25,067	-	**829,647**
Export****	-	-	-	**411,292**
Inland	141,204	12,982	-	**154,186**
Eskom***	252,084	12,085	-	**264,169**

*** Overall yield is calculated using ROM feed**
**** Vele Colliery yields will be included when production reaches steady state**
***** Woestalleen's total includes ROM coal sold to Eskom as well as B-grade thermal coal**
****** Export sales include thermal coal sales from Woestalleen, Mooiplaats Colliery and the Vele Colliery**

Woestalleen Complex – Witbank Coalfield (100%)

The Woestalleen processing facility and Vuna Colliery both recorded no LTIs during the quarter (FY2013 Q2: nil LTIs).

As a result of the Vuna colliery's coal reserve being depleted during March 2013, ROM coal production decreased by 23.7% from 845,834 tonnes in the December 2012 quarter to 645,742 tonnes in the current period. A portion of the ROM coal mined at the colliery was delivered to Eskom and the balance was processed to both an export grade product and a middlings product for Eskom.

The depletion of the Vuna colliery coal reserve adversely affected the product yield and during the period 522,153 tonnes (FY2013 Q2: 586,871 tonnes) of ROM coal were processed producing:

- 257,867 tonnes (FY2013 Q2: 316,102 tonnes) of export quality coal of which 126,538 tonnes has been stockpiled pending re-opening of the Matola line; and
- 295,964 tonnes (FY2013 Q2: 277,697 tonnes) of middlings product and raw coal supplied to Eskom.

Subsequent to the cessation of supply from the Vuna colliery, the Company has engaged stakeholders in a section 189(A) process notifying the 274 affected employees of the pending closure of the Woestalleen complex in April 2013. CoAL is assessing options for the Woestalleen processing complex including but not limited to operating as a ROM coal processing facility or, possible disposal or closure and updates will be issued in due course.

Mooiplaats Colliery – Ermelo Coalfield (100%)

Safety improved during the quarter with no LTIs recorded at the Mooiplaats thermal coal colliery ("Mooiplaats Colliery") (FY2013 Q2: two LTIs).

ROM coal mined at Mooiplaats increased to 187,548 tonnes during the March 2013 quarter from 113,157 tonnes during the December 2012 period where strike action at Mooiplaats negatively affected production. Coal processed increased from 101,628 tonnes to 195,663 tonnes and the colliery produced a total of 131,731 saleable tonnes (FY2013 Q2: 70,656 tonnes) during the quarter. The declaration of force majeure in February resulted in the product-mix generated by the processing plant being adjusted to 100% Eskom quality and during the quarter the colliery produced:

- 86,854 tonnes (FY2013 Q2: 58,827 tonnes) of export quality coal; and
- 44,877 tonnes (FY2013 Q2: 11,829 tonnes) of middlings product for Eskom.

The Company continues the assessment of the long term viability and strategic restructuring alternatives for Mooiplaats.

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

Vele recorded no LTIs during the quarter (FY2013 Q2: one LTI) reflecting the intensified emphasis on health and safety.

While Vele continued to produce saleable export quality thermal coal for part of the reporting period the flooding of the pit in January 2013 and force majeure declared in February 2013 adversely affected operations. ROM production decreased from 194,495 tonnes in the December 2012 period to 78,273 tonnes in the March 2013 quarter. The declaration of force majeure occurred when the stockpiles at the colliery and Musina railway siding were full, resulting in temporary suspension of mining and processing activities at Vele. Completion of the test trials on potential metallurgical coal have been delayed by the floods and force majeure and will re-commence once the stockpiles at the colliery and railway siding have been reduced. A total of 80,744 tonnes (FY2013 Q2: 186,478 tonnes) of coal was processed during the quarter, producing 23,283 tonnes (FY2013 Q2: 53,993 tonnes).

Expenditure on Phase 1 of the Vele plant expansion, which includes the installation of filter presses to de-water the ultra-fines product, commenced during the period and are due to be completed in May 2013.

Makhado Coking Coal Project – Soutpansberg Coalfield (100%)

The Makhado coking coal project ("Makhado Project") represents CoAL's initial project within the greater Soutpansberg Coalfield area and has the potential to produce approximately 2 million tonnes per annum ("Mtpa") of hard coking coal and 3 Mtpa of thermal coal.

The scope of the Definitive Feasibility Study ("DFS") for the Makhado Project was expanded and upgraded in CY2012 to reduce project risk and include the thermal coal fraction and potential underground mining portions. The additional work is on track for release to shareholders in the second quarter CY2013. The Company is currently awaiting the granting of the New Order Mining Right ("NOMR"), subject to completing a black economic empowerment transaction for the project.

Wood Mackenzie, a renowned energy and metals industry research firm, were engaged by the Company to verify the expected product quality and marketability of the coal to be produced at the Makhado Project. The report confirmed that the Makhado Project has the potential to produce a hard coking coal product. The Makhado coal is comparable with Indonesian, Mongolian and Mozambican products with respect to a high vitrinite content indicating an enhanced coking ability with a rank in the mid to high volatile matter coking range which implies that it would be a good primary coal in a coking coal blend. Potential markets identified include South Africa, India, Brazil, Turkey, Japan, Taiwan and South Korea.

Greater Soutpansberg Project (Mbeu Yashu)

The Greater Soutpansberg Project ("GSP") recorded one LTI (FY2013 Q2: nil LTIs) during the quarter when an exploration sub-contractor's employee was injured. Management have emphasised and re-assessed the safety standards to be maintained by all those on site.

During the quarter CoAL continued compiling the exploration and technical data on the GSP incorporating the Chapudi, Mopane and Makhado Extension projects, now known as MbeuYashu which means "our seed" in the local Venda language. An exploration programme comprising 57-hole large and small diameter exploration holes commenced during the quarter facilitating the commencement of preparation of the NOMR Applications for these projects.

Strategic Partner – Beijing Haohua Energy Resource Co. Limited

During the quarter, BHE through its subsidiary HEI completed its $100.0 million investment in the Company resulting in HEI owning approximately 23.6% of CoAL's issued share capital. The Company and HEI signed a co-operation agreement formalising their strategic relationship and facilitating the formation of a long term and mutually beneficial strategic partnership. The agreement includes details on commercial, technical, financial and operational issues pursuant to which CoAL will be able to draw on HEI's technical expertise. HEI has undertaken to use its best endeavours to arrange further funding in the development of CoAL's substantial project pipeline, unlocking the intrinsic value inherent in the Company's operations and projects.

Coal Market Update

Index-linked RB1 export quality thermal coal prices remain under pressure, and declined from $87 per tonne in July 2012 to US$85 per tonne at the end of March 2013. The South African rand remained volatile during the quarter, trading between ZAR8.47 and ZAR9.31 against the US dollar. During the period the average exchange rate weakened from ZAR8.69 in the December 2012 quarter to ZAR8.94 in the March 2013 quarter, partially offsetting lower coal prices.

Cash Position

Cash outflow from operations for the period was $12.1 million (FY2013 Q2: $17.6 million outflow) as a result of the flooding at Vele and force majeure which reduced sales volumes of export quality coal. These events also resulted in inventories of export quality coal increasing 25.6% from 154,835 tonnes at the end of December 2012 to 194,486 tonnes at the end of March 2013.

Cash inflows of $4.0 million from investing activities is the net affect of amongst others, a payment of $4.2 million for Rio Tinto's Chapudi coal and receipts of $4.7 million for the Grindrod loan and $5.4 million from the replacement of the Vele Colliery cash-backed guarantee with an insurance product. During the quarter the Company commenced paying the Deutsche Bank facility and repaid $12.5 million of this facility during the period while $72.7 million (net of professional fees and commissions) was received from HEI.

Expenditure on exploration and development projects for the June 2013 quarter is expected to be in the order of $10.0 million to $15.0 million, and includes costs associated with phase 1 of the Vele plant upgrade, completion of the Makhado Project DFS and, MbeuYashu drilling and analysis expenses.

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

Settlement of legal action

During the quarter the Company settled proceedings against former Finance Director, Mr Blair Sergeant, in the Federal Court of Australia. The proceedings involved alleged breaches of various duties owed by Mr Sergeant to CoAL as Finance Director in the course of overseeing the acquisition of NuCoal Mining (Proprietary) Limited in 2009. In consenting to judgment against him, Mr Sergeant acknowledged errors of judgment on his part in discharging his duties as Finance Director and that he put himself in a position of conflict.

Authorised by

JOHN WALLINGTON

Chief Executive Officer

26 April 2013

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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).