



ANNOUNCEMENT

31 July 2014

REPORT FOR THE QUARTER ENDED 30 JUNE 2014

Repositioning Coal of Africa

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 30 June 2014. 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. The Company will provide a further update on the release of its Annual Report in September 2014.

Salient Features

- No lost-time injuries recorded during the quarter (FY2014 Q3: one).
- Sedgman continued with the Front End Engineering and Design (“FEED”) process for the Vele Colliery plant modification.
- Independent consultants Snowden appointed to undertake a Technical Review of the Vele Colliery, expected to be completed during Q3 CY2014.
- Work continued on the applications for regulatory amendments required for the Vele Colliery plant modifications.

Corporate and Financial Features

- Settlement of the business interruption insurance claim relating to the February 2013 train derailment on the Maputo corridor and receipt of R15.96 million (\$1.5 million).
- Receipt of the R5 million (\$0.5 million) deposit for the sale of the Opgoedenhooop mining right with the balance of the R20.8 million (\$2 million) purchase price due by March 2015.
- Continued interaction with potential funders of the BEE structure which will facilitate the finalisation of their acquisition of a 26% interest in the Makhado Project.
- Discussions on both the outstanding \$30 million payment to Rio Tinto and on the Grindrod take or pay liability continued with good progress made during the quarter.
- Available cash at period end of \$2 million and restricted cash of \$6.7 million.

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

Post period highlights

- Signature of a term sheet in July 2014 for rehabilitation guarantees facilitating the release of R12 million (\$1.1 million) of restricted cash.

Commenting today, Mr David Brown, Chief Executive Officer said: "Significant progress on the disposal of the Mooiplaats Colliery was made during the period with potential purchasers' due diligence processes at an advanced stage. The proceeds from the disposal of Mooiplaats will be used to reduce the Investec working capital facility and partially settle outstanding liabilities and, will complete the disposal process of the thermal coal portfolio. The Company is assessing various additional funding mechanisms which are expected to be finalised during Q3 CY2014, including the replacement of cash-backed rehabilitation guarantees with longer-term insurance facilities. This action and the replacement of the Woestalleen guarantees by the purchaser (which is expected imminently) will facilitate the release of \$2.8 million of restricted cash, and ensures that the Company has sufficient funds for the next quarter prior to any of the other initiatives being successful.

The Sedgman FEED, Snowden Technical Review and legislative compliance work undertaken on the Vele Colliery during the quarter will enable the construction of the plant modifications to commence towards the end of CY2014, subject to the project delivering an acceptable return supported by off-take agreements and the requisite funding."

QUARTERLY COMMENTARY

Mooiplaats Colliery – Ermelo Coalfield (74% owned)

The Mooiplaats thermal coal colliery ("Mooiplaats Colliery") was placed on care and maintenance during the September 2013 quarter and recorded no lost time injuries ("LTIs") during the period (FY2014 Q3: nil LTIs).

The Mooiplaats Colliery disposal process continued during the period and the Company is awaiting signed offers and proof of funding from prospective purchasers with a view to completing a transaction during H2 CY2014.

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

The Vele coking and thermal coal colliery ("Vele Colliery") recorded no LTIs during the quarter (FY2014 Q3: nil LTIs).

As a result of reduced activity at site pending finalisation of various processes underway relating to the anticipated plant modification, the colliery did not produce or process coal during the quarter. During the period the Snowden Group ("Snowden") commenced with a Technical Review of the Vele Colliery plant modification and Sedgman South Africa ("Sedgman") continued with the FEED process for the plant modification project. Both processes are expected to be completed during Q3 CY2014 and improvements to the existing plant will result in the simultaneous production of semi-soft coking coal and export quality thermal

coal. The construction of the plant modification is expected to commence in Q4 CY2014 and be completed by the end of CY2015 with the production ramp-up phase complete in early CY2016.

During the quarter the Company received stakeholder input for the application to amend the Environmental Authorisation in terms of the National Environmental Management Act relating to the Vele plant modification project. No material issues were raised and the Company is confident that the record of decision from the Department of Environmental Affairs will be received during Q3 CY2014. Extensive work on the application to amend the colliery's Integrated Water Use Licence ("IWUL") to include the plant modifications was undertaken during the quarter and this application is expected to be submitted during August 2014. CoAL does not expect that the IWUL application will result in any delays to the construction of the plant modifications or subsequent production as the existing IWUL remains valid.

Discussions with potential customers for the Vele Colliery coal continued during the quarter and the Company expects to convert these into formal off-take agreements in H2 CY2014.

Makhado Coking Coal Project – Soutpansberg Coalfield (100% owned)

The Makhado coking coal project ("Makhado Project") recorded no LTIs (FY2014 Q3: no LTIs) during the quarter.

As required under South African mining legislation, a minimum 26% Black Economic Empowerment ("BEE") shareholding is required for mining and exploration projects. The Company signed a Memorandum of Agreement during the March 2014 quarter to enable a BEE consortium comprising seven local communities to acquire an interest ensuring that the Makhado Project has the requisite corporate structure for the granting of the New Order Mining Right ("NOMR"). Discussions continued with potential funders to facilitate the BEE consortium's acquisition of its interest and the Company anticipates that these will be finalised during H2 CY2014, expediting the granting of the NOMR.

Greater Soutpansberg Project (MbeuYashu) (74% owned)

The MbeuYashu Project recorded no LTIs (FY2014 Q3: no LTIs) during the period.

During the quarter the Company finalised the public participation programmes in relation to the Environmental Impact Assessment phase for the Generaal, Chapudi and Mopane projects, all forming the Greater Soutpansberg Project.

Cash Position

The scaling down of activities at the Company's projects earlier in FY2014 resulted in no cash being received from operating activities during the period (Q3 FY2014: \$3.5 million). Cash outflows included production expenses (care and maintenance expenses) of \$0.6 million (FY2014 Q3: \$0.5 million), spend on Vele of \$0.7

million (FY2014 Q3: \$0.6 million) and \$0.4 million (FY2014 Q3: \$0.5 million) paid as a result of the Company's take of pay obligations net of the recovery of logistics costs from third party users at the Matola Terminal in Mozambique. During the period the Company received the first tranche of R5 million (\$0.5 million) for the sale of the Opgoedehoop NOMR, with the balance of the R20.8 million (\$2 million) purchase price payable on the earlier of the granting of the water use licence or the one year anniversary of the Section 11 approval, being 27 March 2015.

The estimated cash outflow for the quarter ending September 2014 included in the 5B report (attached to this commentary) is expected to be \$4.7 million of which a total of \$0.6 million will be spent on development and production, while administration expenses of \$3.7 million will be required to cover all other overhead costs. These will be paid from cash balances, proceeds from the sale of non-core assets and the release of restricted cash utilised for rehabilitation guarantees.

Strategic and Corporate Update

During the quarter the Company assessed various interim funding mechanisms which will fund the Vele Colliery plant modifications, settle outstanding liabilities and provide general working capital. The Company is evaluating a number of options that include potential debt funding, potential equity funding, and receipts from the sale of non-core assets. The Company expects the process to be completed during Q3 CY2014.

The Company made significant progress finalising the Turnaround Strategy during the reporting period, including:

1. *Sale of Non-Core Assets:* Mooiplaats is the only remaining non-core asset available for sale and potential buyers' due diligence processes are at an advanced stage with a successful sale due to be finalised before the end of CY2014. The Company also expects to finalise the previously announced R50 million (\$4.8 million) disposal of Holfontein during CY2014, having received an option fee of R5 million (\$0.5 million) during December 2013, and will dispose of the remaining shares it holds in AIM listed Bushveld Minerals Ltd, depending on market conditions.
2. *Arbitration:* The Envicoal arbitration progressed during the quarter and is expected to be completed during the quarter ending September 2014, resolving all material legal claims.
3. *Outstanding Rio Tinto and Grindrod liabilities:* The Company continued negotiations with Rio Tinto in order to reach an agreement on payment terms for the outstanding \$30 million of the Greater Soutpansberg purchase price, acquired during CY2012. This process is expected to be finalised during the September 2014 quarter together with the agreement on the Grindrod take or pay liability.

4. *Vele plant modification and off-take agreements*: The FEED process for the planned Vele Colliery plant modification continued during the quarter and is scheduled to coincide with the finalisation of the Technical Review and off-take agreements during H2 CY2014.

Authorised by

David Brown

Chief Executive Officer

31 July 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).

Tenements held by CoAL and its Controlled Entities

Project Name	Tenement Number	Location	Interest	Change in quarter
Chapudi Project*	Albert 686 MS-	Limpopo~	74%	
	Bergwater 712 MS--		74%	
	Remaining Extent and Portion 2 of Bergwater 697 MS--		74%	
	Blackstone Edge 705 MS		74%	
	Remaining Extent & Portion 1 of Bluebell 480 MS-		74%	
	Remaining Extent & Portion 1 of Bushy Rise 702 MS--		74%	
	Castle Koppies 652 MS--		74%	
	Chapudi 752 MS --		74%	
	Remaining Extent, Portions 1, 3 & 4 of Coniston 699 MS--		74%	
	Driehoek 631 MS--		74%	
	Remaining Extent of Dorps-rivier 696 MS--		74%	
	Enfield 512 MS (consolidation of Remaining Extent of Enfield 474 MS, Brosdoorn 682 MS & Remaining Extent of Grootvlei 684 MS)--		74%	
	Remaining Extent and Portion 1 of Grootboomen 476 MS-		74%	
	Grootvlei 684 MS--		74%	
	Kalkbult 709 MS		74%	
	Remaining Extent, Remaining Extent of Portion 2, Remaining Extent of Portion 3, Portions 1, 4, 5, 6, 7 & 8 of Kliprivier 692 MS-		74%	
	Remaining Extent of Koodoobult 664 MS-		74%	
	Koschade 657 MS (Was Mapani Kop 656 MS)-		74%	
	Malapchani 659 MS-		74%	
	Mapani Ridge 660 MS-		74%	
	Melrose 469 MS-		74%	
	Middelfontein 683 MS-		74%	
	Mountain View 706 MS-		74%	
	M'tamba Vlei 654 MS		74%	
	Remaining Extent & Portion 1 of Pienaar 635 MS-		74%	
	Remaining Extent & Portion 1 of Prince's Hill 704 MS-		74%	
	Qualipan 655 MS-		74%	
	Queensdale 707 MS-		74%	
	Remaining Extent & Portion 1 of Ridge End 662 MS-		74%	
	Remaining Extent & Portion 1 of Rochdale 700 MS-		74%	
Sandilands 708 MS-	74%			
Portions 1 & 2 of Sandpan 687 MS--	74%			
Sandstone Edge 658 MS-	74%			

Project Name	Tenement Number	Location	Interest	Change in quarter
	Remaining Extent of Portions 2 & 3 of Sterkstroom 689 MS--		74%	
	Sutherland 693 MS-		74%	
	Remaining Extent & Portion 1 of Varkfontein 671 MS--		74%	
	Remaining Extent, Portion 2, Remaining Extent of Portion 1 of Vastval 477 MS-		74%	
	Vleifontein 691 MS-		74%	
	Ptn 3, 4, 5 & 6 of Waterpoort 695 MS--		74%	
	Wildebeesthoek 661 MS-		74%	
	Woodlands 701 MS-		74%	
Kanowna West and Kalbara	M27/41	Coolgardie^	23.68%	
	M27/47		23.68%	
	M27/59		23.68%	
	M27/72,27/73		23.68%	
	M27/114		23.68%	
	M27/181		21.31%	
	M27/196		23.68%	
	M27/414,27/415		23.68%	
	P27/1826-1829		23.68%	
	P27/1830-1842		23.68%	
	P27/1887		23.68%	
Abbotshall Royalty	ML63/409,410	Norseman^	Royalty	
Kookynie Royalty	ML40/061	Leonora^	Royalty	
	ML40/135,136		Royalty	
Holfontein	Remaining extent, Remaining Extent of portions 1, 5 and 11 and portions 4, 6, 9, 10, 12 and 13 of the farm Holfontein 138 IS	Mpumalanga~	100%	
Makhado Project	Fripp 645 MS	Limpopo~	100%	
	Lukin 643 MS		100%	
	Remaining Extent and Portion 1 of Overwinning 713 MS		100%	
	Salaita 188 MT		100%	
	Tanga 648 MS		100%	
	Remaining Extent, Portion 1 and Portion 2 of the farm Windhoek 649 MS		100%	
Generaal Project	Beck 568 MS--	Limpopo~	74%	
	Bekaf 650 MS-		74%	
	Remaining Extent & Portion 1 of Boas 642 MS-		74%	
	Chase 576 MS-		74%	
	Coen Britz 646 MS-		74%	
	Fanie 578 MS-		74%	

Project Name	Tenement Number	Location	Interest	Change in quarter
	Gray 189 MT		100%	
	Portions 1, 2 and Remaining Extent of Generaal 587 MS-		74%	
	Joffre 584 MS-		74%	
	Juliana 647 MS		74%	
	Kleinenberg 636 MS-		74%	
	Remaining Extent of Maseri Pan 520 MS-		74%	
	Remaining Extent and Portion 2 of Mount Stuart 153 MT--		100%	
	Nakab 184 MT--		100%	
	Phantom 640 MS--		74%	
	Riet 182 MT--		100%	
	Rissik 637 MS-		100%	
	Salaita 188 MS-		74%	
	Schuitdrift 179 MT-		100%	
	Septimus 156 MT--		100%	
	Solitude 111 MT-		74%	
	Stayt 183 MT--		100%	
	Telema 190 MT		100%	
	Remaining Extent & Portion 1 of Terblanche 155 MT--		100%	
	Van Deventer 641 MS-		74%	
	Wildgoose 577 MS-		74%	
Mopane Project*	Ancaster 501 MS--	Limpopo~	100%	
	Banff 502 MS-		74%	
	Bierman 599 MS-		74%	
	Cavan 508 MS		100%	
	Cohen 591 MS--		100%	
	Remaining Extent, Portions 1 & 2 of Delft 499 MS-		74%	
	Dreyer 526 MS--		74%	
	Remaining Extent of Du Toit 563 MS-		74%	
	Faure 562 MS		74%	
	Remaining Extent and Portion 1 of Goosen 530 MS --		74%	
	Hermanus 533 MS-		74%	
	Jutland 536 MS--		100%	
	Krige 495 MS-		74%	
	Mons 557 MS-		100%	
	Remaining Extent of Otto 560 MS (Now Honeymoon)-		74%	
	Remaining Extent & Portion 1 of Pretorius 531 MS-		74%	
	Schalk 542 MS-		74%	
	Stubbs 558 MS-		100%	
	Ursa Minor 551 MS--		74%	
	Van Heerden 519 MS--		74%	

Project Name	Tenement Number	Location	Interest	Change in quarter
	Portions 1, 3, 4, 5, 6, 7, 8, 9, Remaining Extent of Portion 10, Portions 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 35, 36, 37, 38, 39, 40, 41, 44, 45, 46, 48, 49, 50, 51, 52 & 54 of Vera 815 MS		74%	
	Remaining Extent of Verdun 535 MS-		74%	
	Voorburg 503 MS--		100%	
Mooiplaats Colliery and prospects	Portions 1, 9,14,17,18,19,20 & Remaining Extent of Mooiplaats 290 IT	Mpumalanga~	74%	
	Portion 2, 3 and Remaining Extent of Klipbank 295 IT		74%	
	Portions 1, 2 and Remaining Extent of Adrianople 296 IT		74%	
	Portions 2 & 3 of Willemsdal 330 IT		74%	
	Portions 2, 3, 4 & Remaining Extent) of De Emigratie 327 IT		74%	
	Remaining Extent and Portions 2, 5, 8,10 & 13 of Buhrmansvallei 297 IT		74%	
	Klipfontein 442 IT		74%	
Vele Colliery and prospect	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	Limpopo~	100%	
	Bergen Op Zoom 124 MS		100%	
	Semple 155 MS		100%	
	Voorspoed 836 MS		100%	
	Alyth 837 MS		100%	
	Lizzuela 62 MS		100%	
	Patracia 65 MS		100%	
	Hacyon 69 MS		100%	
Tshikunda	Certain portions of Unsurveyed State Land known as Mutale	Limpopo~	60%	
Coal bed methane	Adelaide 91 MT	Limpopo~	50%	
	Adieu 118 MT		50%	
	Alicedale 138 MT		50%	
	Armstice 120 MT		50%	
	Bergwater 697 MS		50%	
	Bergwater 712 MS		50%	
	Blackstone Edge 705 MS		50%	
	Bushy Rise 702 MS		50%	
	Chapudi 752 MS		50%	
	Charlotte 90 MT		50%	
	Chase 576 MS		50%	
	Cross 117 MT		50%	
	Doppie 95 MT		50%	
	Ettie 33 MT		50%	
	Fanie 578 MS		50%	
	Feskraal 85 MT		50%	

Project Name	Tenement Number	Location	Interest	Change in quarter
	Folorodwe 79 MT		50%	
	Fripp 645 MS		50%	
	Gray 189 MT		50%	
	Hetty 93 MT		50%	
	Jeannette 77 MT		50%	
	Joffre 584 MS		50%	
	Kalkbult 709 MS		50%	
	Laura 115 MT		50%	
	Lukin 643 MS		50%	
	Magazasand 123 MT		50%	
	Malapchani 659 MS		50%	
	Mountainview 706 MS		50%	
	Mount Stuart 153 MT		50%	
	Nakab 184 MT		50%	
	Naus 178 MT		50%	
	Neltox 92 MT		50%	
	Phantom 640 MS		50%	
	Prince's Hill 704 MS		50%	
	Queensdale 707 MS		50%	
	Riet 182 MT		50%	
	Rochdale 700 MS		50%	
	Rynie 158 MT		50%	
	Salaita 188 MT		50%	
	Schuitdrift 179 MT		50%	
	Septimus 156 MT		50%	
	Stayt 183 MT		50%	
	Suzette 32 MT		50%	
	Tanga 648 MS		50%	
	Telema 190 MT		50%	
	Terblanche 155 MT		50%	
	Trevenna 119 MT		50%	
	The Duel 186 MT		50%	
	Truida 76 MT		50%	
	Van Deventer 641 MS		50%	
	Wendy 86 MT		50%	
	Wildgoose 577 MS		50%	
	Windhoek 649 MS		50%	
	Zisaan 31 MT		50%	
	Ziska 122 MT		50%	
	Portion of Unsurveyed state land		50%	

- * Form part of the Greater Soutpansberg Project
- Lapsed – Mining Right Application Lodged
- Valid – Mining Right Application Lodged
- ~ Tenement located in the Republic of South Africa
- ^ Tenement located in Western Australia