ANNOUNCEMENT 31 October 2013

REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2013

Repositioning of CoAL on track

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 September 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

- No lost time injuries recorded during the quarter (FY2013 Q4: three) with increased focus on safety during repositioning processes and lower activity.
- Makhado Project received Environmental Authorisation in terms of NEMA and Environmental Impact Assessment Regulations from LEDET.
- Run of mine coal production increased slightly to 202,910 tonnes from the previous quarter's 188,921 tonnes.
- Export coal sales from the Matola Terminal decreased from the previous quarter's 136,372 tonnes to 56,799 tonnes due to the exhaustion of export quality coal stockpiles during the June 2013 period.

Corporate and Financial Features

- Repayment of the remaining $12.5 million of the Deutsche Bank facility with only $1.1 million of the Investec derivative facility outstanding at the end of the quarter.
- Completion of the regulatory Section 189 consultation process resulting in the placement of the Mooiplaats Colliery on care and maintenance and the reduction of corporate expenses.
- The Company's cost cutting processes have been completed and formal processes for the disposal of non-core assets continued during the period.
- Settlement of litigation brought against CoAL by Coria (Pkf) Investments, Motjoli Resources Proprietary Limited & Motjoli Resources Advisory Services cc and Ferret Mining & Environmental Services.
- Available cash of $9.6 million at end of period.

Suite 8, 7 The Esplanade, Mt Pleasant, Perth WA 6153, Australia, **Tel:** +61 8 9316 9100, **Fax:** +61 8 9315 5475, **Email:** perth@coalofafrica.com ACN 008 905388
ZA: 2nd Floor, Gabba Building, The Campus, 57 Sloane Street, Bryanston, Johannesburg, South Africa 2021, **Tel:** +27 11 575 4363, **Fax:** +27 11 576 4363, **Email:** admin@coalofafrica.com

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

Post period highlights

- R210 million (approximately US$21.4 million) 18 month credit facility secured from Investec Bank Limited.
- Operations at the Vele Colliery wound down in anticipation of the plant modification in 2014.

Commenting today, Mr David Brown, Executive Chairman said: “The Company has made significant progress in the execution of its enhanced turnaround strategy which will allow it to concentrate on the next phase of the process. This entails the construction of the modified plant at Vele and the move to full production.

The repayment of the Deutsche Bank facility during September 2013 and the conclusion of the Investec loan in October 2013 ensures CoAL is well placed to complete its restructuring programme. Management is confident that the overall strategy adopted will see the development of the Company’s significant Limpopo coking coal assets, for the benefit of all stakeholders. In addition the company has made excellent progress in resolving various legacy issues”.

QUARTERLY COMMENTARY

Operational Summary and Market Update

As a result of the Mooiplaats Colliery being placed on care and maintenance sales of middlings coal to Eskom, the state power utility decreased from 202,581 in the June 2013 quarter to 141,798 tonnes in the current period. Sales of export quality coal decreased from the previous quarter’s 136,372 tonnes to 56,799 tonnes during the September 2013 quarter as a result of the run of mine (“ROM”) stockpiles at Woestalleen being exhausted during the previous quarter and decreased production from Mooiplaats.

Pressure on index-linked RB1 export quality thermal coal prices continued, declining from $77 per tonne at the end of June 2013 to $73 at the end of September 2013. Lower coal prices were partially offset by the weakening of the South African rand with average exchange rates declining from ZAR9.47 in the June 2013 quarter to ZAR9.98 in the September 2013 quarter.

Woestalleen Complex – Witbank Coalfield (100%)

The Woestalleen processing facility recorded no lost time injury during the quarter (FY2013 Q4: one LTI).

During the quarter CoAL progressed the sale of the Woestalleen processing complex and the undeveloped Opgoedenhoop New Order Mining Right (“NOMR”) and both transactions require Ministerial consent in terms of Section 11 of the Mineral and Petroleum Resources Development Act (“MPRDA”). The Company made good progress in satisfying the suspensive conditions for the disposals including lodging the consent applications.

The Company continued to reprocess discard dumps at the Woestalleen site during the quarter, producing 99,257 tonnes for sale to Eskom (FY2013 Q4: 80,498 tonnes). In terms of an interim agreement with the purchaser, Woestalleen processed 71,565 tonnes of third party ROM coal on a cost recovery plus margin basis.

Mooiplaats Colliery – Ermelo Coalfield (100%)

The Mooiplaats thermal coal colliery ("Mooiplaats Colliery") recorded no LTIs during the period (FY2013 Q4: two LTIs).

The colliery continued to produce Eskom middlings coal until the Section 189 restructuring process was completed in early September 2013, resulting in agreement with stakeholders that the mine be placed on care and maintenance. The shorter production period resulted in ROM coal production decreasing to 75,146 tonnes (FY2013 Q4: 179,603 tonnes). Coal processed decreased from 178,856 tonnes to 80,037 tonnes and the colliery produced a total of 61,057 tonnes of middlings coal for Eskom (FY2013 Q4: 134,020 tonnes).

The Company commenced with a formal disposal process in September 2013 and will aim to complete this process prior to the end of the calendar year.

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

The Vele coking and thermal coal colliery ("Vele Colliery") recorded no LTIs during the quarter (FY2013 Q4: nil LTIs).

The Vele Colliery produced 127,764 tonnes of ROM coal during the September 2013 quarter, an increase from the previous quarter's 9,318 tonnes which was affected by the suspension of operations due to the train derailment previously reported. The colliery processed 136,864 tonnes (FY2013 Q4: nil tonnes) of ROM coal during the quarter producing 32,399 tonnes (FY2013 Q4: 89 tonnes) of export quality thermal coal.

Production of semi-soft coking coal for metallurgical coal trials was completed during the September 2013 quarter and over 300 tonnes were sent to ArcelorMittal South Africa Limited ("AMSA"). This coal will be tested in AMSA's coke batteries and the results thereof are expected in the December 2013 quarter.

Optimisation studies for the Vele Colliery were completed during the quarter and in October 2013 the Company announced that operations at the Vele Colliery will temporarily cease pending the modification of the plant during CY2014.

Makhado Coking Coal Project – Soutpansberg Coalfield (100%)

The Makhado coking coal project ("Makhado Project") recorded no LTIs (FY2013 Q4: no LTIs) during the quarter.

During the quarter the Company received Environmental Authorisation in terms of the National Environmental Management Act ("NEMA") and Environmental Impact Assessment Regulations from the Limpopo Department of Economic Development, Environment and Tourism ("LEDET") for the Makhado Project. This is a significant milestone towards achieving full regulatory compliance for the project and the

Company is working on finalising the Black Economic Empowerment ("BEE") aspects required in terms of the South African legislation prior to the granting of a NOMR.

Greater Soutpansberg Project (MbeuYashu) (74%)

The MbeuYashu Project recorded no LTIs (FY2013 Q4: no LTIs) during the period.

During the period the Company commenced the Environmental Impact Assessment and Environmental Management Programme processes for the Generaal and Chapudi projects and continued with the process for the Mopane project. These processes are expected to be completed in early 2014.

Cash Position

Cash outflow from operations for the period reduced from $18.4 million in the June 2013 quarter to $8.1 million in the current quarter due to the reduction in activity at the Company's collieries. During the quarter CoAL repaid the outstanding Deutsche Bank facility liability $12.4 million (FY2013 Q4: $11.5 million) and $0.7 million (FY2013 Q4: $1.1 million) of the Investec derivative-backed finance facility.

Expenditure on exploration and evaluation in the December 2013 quarter is expected to be $2.7 million and includes expenditure for public participation programmes for the MbeuYashu projects. Approximately $2.4 million will be spent on development and includes costs associated with Vele. Estimated production costs for the three months of $41k relate to net expenses at the Mooiplaats and Woestalleen operations while administration expenses of $2.5 million will be incurred to cover head office costs.

The estimated December 2013 quarter cash outflows included in the 5B report attached to this commentary, should be seen in the context that revenue from the sale of coal or non-core projects has not been taken into account neither has the ability to draw down on the announced Investec funding

Strategic and Corporate Update

Good progress is being made on all elements of the turnaround strategy and includes the closure of the loss making Mooiplaats Colliery, advancement of the disposal of the Woestalleen complex and the completion of studies on the potential expansion of the Vele Colliery. The Company also successfully completed cost saving measures at its corporate head office and settled the following litigation matters:

- Withdrawal of the legal action instituted by Motjoli Resources Proprietary Limited & Motjoli Resources Advisory Services cc suing the Company for 4,750,000 fully paid up ordinary shares in CoAL or, R95.5 million ($9.7 million) with interest.
- Settlement of the action instituted by Coria (Pkf) Investments 14 Proprietary Limited who claimed damages of R4.3 million ($0.4 million) from wholly owned NuCoal Mining (Pty) Ltd. In terms of the settlement, NuCoal will pay Coria R0.9 million ($0.1 million).
- Settlement of the litigation instituted by Ferret Mining & Environmental Services (Pty) Ltd in relation to their historic shareholding in Mooiplaats Mining Limited, the intermediate holding company of the Mooiplaats Colliery. In terms of the settlement, Ferret will be reinstated as 26% shareholders in Mooiplaats Mining and will dispose of their interest should the colliery be sold. Ferret will receive a maximum of R10.1 million ($1.1 million) should Mooiplaats be sold in the next 18 months or, a

maximum of R15.0 million ($1.6 million) if it is sold thereafter. The reinstatement of Ferret ensures that the Mooiplaats Colliery complies with the BEE requirements stipulated in the MPRDA.

Authorised by

David Brown

Executive Chairman

31 October 2013

For more information contact:

David Brown	Executive Chairman	Coal of Africa	+27 11 575 4363
Michael Meeser	Chief Financial Officer	Coal of Africa	+27 11 575 4363
Celeste Harris	Investor Relations	Coal of Africa	+27 11 575 4363
Tony Bevan	Company Secretary	Endeavour Corporate Services	+61 8 9316 9100

Company advisors:

Jos Simson/Emily Fenton	Financial PR (United Kingdom)	Tavistock	+44 20 7920 3150
Chris Sim/George Price/Jeremy Ellis	Nominated Adviser	Investec Bank plc	+44 20 7597 5970
Charmane Russell	Financial PR (South Africa)	Russell & Associates	+27 11 880 3924 or +27 82 372 5816

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).