



ANNOUNCEMENT

29 NOVEMBER 2010

ACQUISITION OF RIO TINTO'S SOUTH AFRICAN COAL ASSETS

Highlights

- CoAL, via one of its black empowered subsidiaries, has entered into an agreement to pay a total consideration of US\$75 million for the Chapudi Coal Project and several other coal exploration properties ("Related Exploration Properties")
- The Chapudi Coal Project has an estimated 1,040Mt JORC resource and is contiguous with CoAL's Makhado Coking Coal Project
- The Soutpansberg Basin is the only coal basin in South Africa that hosts significant premium hard coking coal and this acquisition establishes CoAL as the dominant landholder in the Soutpansberg Basin

The Acquisition

Coal of Africa Limited ("CoAL" or "the Company") is pleased to announce that it has entered into a Sale and Purchase Agreement ("SPA") for the acquisition of the Chapudi Coal Project and Related Exploration Properties (collectively, the "Coal Assets") in the Limpopo Province of South Africa, from joint venture companies held by Rio Tinto Minerals Development Limited and Kwezi Mining (Proprietary) Limited (collectively, the "Vendors"). The Coal Assets comprise both thermal and coking coal development projects.

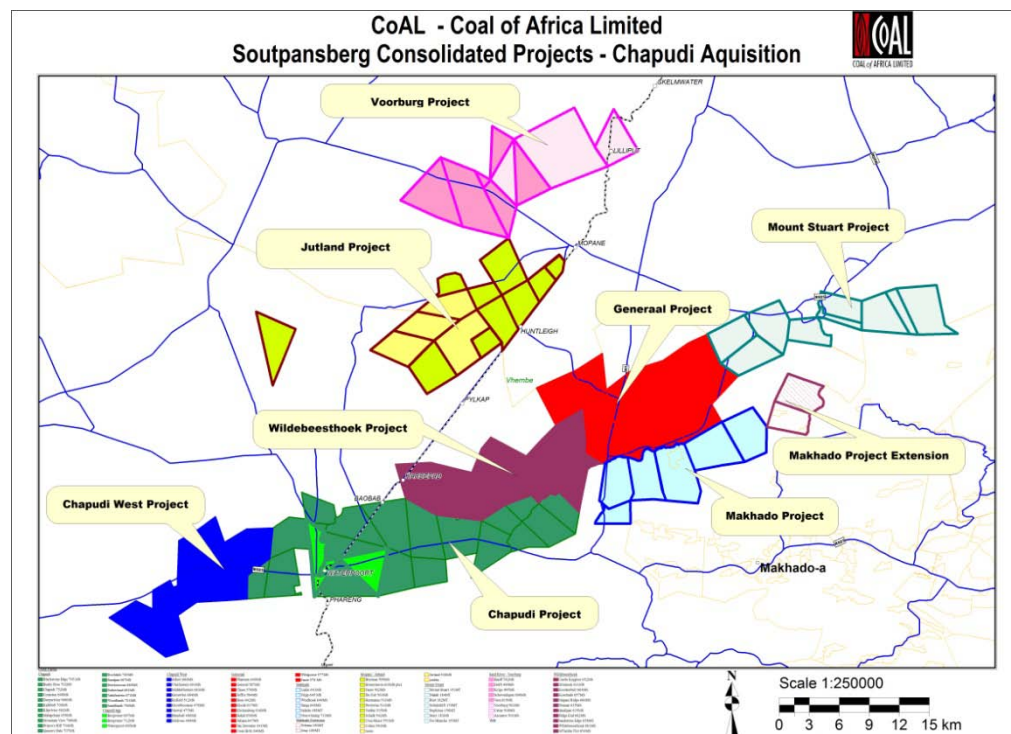
The acquisition of the Chapudi Coal Project provides CoAL with an additional estimated 1,040Mt JORC resource (of which 90Mt is Measured, 220Mt Indicated and 730Mt Inferred, as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' ("JORC Code")), which is contiguous with its Makhado Coking Coal Project ("Makhado Project"). In addition, CoAL will retain properties that were to be exchanged with the Vendors in accordance with the Rio Farm Swap Agreement, the section 102 approval for which was announced on 13 September 2010.

The properties being acquired significantly extend the scale and scope of CoAL's existing Voorburg and Jutland coal projects, together with adding new project areas including the Generaal, Wilderbeesthoek, Chapudi and Chapudi West coal projects. CoAL's working knowledge of this acreage, which has been established during its period of ownership, exploration and resource delineation of Makhado, will aid in further exploring the contiguous acreage which it has now acquired.

John Wallington, CoAL's Chief Executive Officer, today commented: "The acquisition of the Chapudi Coal Project and the Related Exploration Properties bolsters our existing coking coal projects with the Chapudi Coal Project alone doubling our Makhado Project's 947Mt resource, thereby cementing CoAL's position as the dominant landholder in one of South Africa's most prospective coal basins. The acquisition also comes at a critical time with the results from the Makhado Project definitive feasibility study ("DFS") due in early 2011 and we believe that the acquisition will strengthen our application for New Order Mining Rights for the Makhado Project."

Related Exploration Properties

Separately from the 1,040Mt Chapudi Coal Project, all of the farms comprising the Related Exploration Properties are contiguous to one or more of CoAL's existing Voorburg, Jutland, Mt Stuart and Makhado Coal Projects, significantly expanding both the scale and scope of each of these project areas, as shown on the map overleaf. Solid shaded areas denote the acquired properties.



Coal Assets Highlights and Acquisition Rationale

Scale Resource Base and Significant Exploration Potential

The Chapudi Coal Project's estimated 1,040Mt resource more than doubles the Makhado Project's current 947Mt resource (of which 387 Mt is Measured and 542 Mt is Indicated). Further potential is available from the Related Exploration Properties for which there is no current resource, notwithstanding that the Voorburg and Jutland blocks have been the subject of extensive historical exploration. These properties comprise approximately two thirds of the Coal Assets acquired by area.

Establishment of a dominant rights holder in the Soutpansberg Basin

The Soutpansberg Basin is one of South Africa's most prospective coal basins, particularly for coking coal, with significant undeveloped resources. CoAL's early presence through the Makhado Project and subsequent expansion through both the Rio Tinto Farm Swap and acquisition of the Coal Assets has cemented its position as the dominant rights holder in the region.

Dual thermal and coking coal development potential

The Coal Asset's resources are suitable for development of thermal and coking coal operations. The Chapudi Coal Project's estimated 1,040Mt resource is more suitable as a thermal coal project, whilst the Related Exploration Properties which are contiguous with CoAL's Makhado, Mt Stuart, Voorburg and Jutland Projects exhibit coking coal properties and are more likely to be developed as such. CoAL intends to develop the coking coal properties and will seek either a domestic or export market for the thermal coal. Strong potential exists for development of an Independent Power Producer ("IPP") project in the region, bolstering the domestic market together with international markets being developed given the ready access to the export market through the Maputo logistics corridor.

Ability to leverage logistics capacity and expertise

Grindrod, as port sub-concession holder, is currently expanding the export capacity at the Matola Terminal in Maputo, Mozambique, to 6Mtpa by Q1 2011, of which CoAL's allocation will increase from 1Mtpa to 3Mtpa upon completion. Further, CoAL also has the option to participate in further expansion at the Matola Terminal, which is expected to increase the capacity at the terminal by an additional 10-17Mtpa. CoAL's Matola Terminal capacity and scale presence in the Soutpansberg Basin will allow it to develop the Maputo logistics corridor and leverage its future production into the export market.

Acceleration of Makhado New Order Mining Right

The Directors believe that the increase in scale of CoAL's presence in the Soutpansberg Basin following the acquisition of the Coal Assets will likely enhance the prospects of its Makhado New Order Mining Right application with the Department of Mineral Resources. It is anticipated that the New Order Mining Right application will be lodged before the end of the calendar year, followed closely by an application for an Integrated Water Use Licence and further relevant approvals, as required.

Significant Development Optionality

CoAL's dominant presence in the region, together with its leading logistics capability coupled with the dual thermal and coking application of the Coal Assets being acquired are likely to present significant opportunities in the region as it develops, allowing CoAL to capitalise on a "first mover advantage" through consolidating, joint venturing or otherwise restructuring its presence in the Soutpansberg Basin.

Broad Based Black Economic Empowerment ("BBBEE")

CoAL intends to use the acquisition to continue and further build upon its extensive BBBEE initiatives. Specifically, CoAL intends to develop the Chapudi Coal Project and potential IPP in collaboration with its proposed BBBEE partners, the local constituents of the Mudimeli, Musekwa, Makushu-Musholombi and Tshivhula communities, together with Terracotta Resources and Vibrant Veterans Mineral Resources.

Acquisition Consideration

The consideration payable by CoAL comprises:

- US\$45 million upfront consideration in cash, payable on completion of the sale, which remains subject to a number of conditions precedent, including approval in accordance with Section 11 of the Mineral and Petroleum Resources Development Act. Completion of the sale is expected to occur within six months. CoAL has already provided the Vendors with a US\$2 million cash deposit; and
- US\$30 million deferred cash consideration, payable on the earlier of (i) the granting of a New Order Mining Right for any farm or combination of farms that form part of the Coal Assets, or (ii) 24 months from fulfillment of the conditions precedent to the sale.

Azure Capital acted as Corporate Adviser to CoAL in relation to the transaction.

Acquisition Funding

As detailed in the 15 June 2010 Company Update, CoAL continues to consider a number of funding options which include various forms of debt (such as additional working capital facilities), equipment finance leasing, self funding environmental rehabilitation guarantees, sale of non-core assets (such as Holfontein, NiMag and Madagascar) and equity. The Company also notes the potential sources of funding that would arise if either (i) the options issued to its BBBEE partners were exercised, raising some £30m, or (ii) Exxaro Coal (Proprietary) Limited exercised its option to acquire a 30% participating right in the Makhado Project.



JOHN WALLINGTON

Chief Executive Officer

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About CoAL:

CoAL is an AIM/ASX/JSE listed coal mining and development company operating in South Africa. CoAL's key projects include the Woestalleen Colliery, the Mooiplaats thermal coal mine, the Vele coking coal project and the Makhado coking coal project.

The Mooiplaats coal mine commenced production in 2008 and is currently ramping up to produce 2 million tonnes per annum ("Mtpa"). CoAL's Makhado coking coal project is expected to start production in 2013 and timing for Vele to reach production is still to be confirmed. These operations are targeted to collectively produce an initial 2Mtpa ramping up to a combined annual output of 10Mtpa of coking coal.

In 2010, CoAL completed the ZAR467m acquisition of NuCoal Mining (Pty) Limited ("NuCoal"), a thermal coal producer with assets in South Africa in close proximity to CoAL's Mooiplaats mine. NuCoal owns the Woestalleen Colliery, which has a number of off-take contracts in place and processes approximately 2.5Mtpa of saleable coal for domestic and export markets. NuCoal also owns two beneficiation plants, one fully operational mine producing approximately 300kt per month of ROM coal and has recently commenced production at a second mine.

Resource Estimation:

The information in this report that relates to the Chapudi Coal Project's estimated 1,040Mt JORC Resource is based on information compiled by Steen Kristensen, who is a member of the Australian Institute of Mining and Metallurgy and who qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' ("JORC Code"). Steen is a full-time employee of Rio Tinto Energy and has experience which is relevant to the style of mineralisation and type of deposits under consideration. Steen Kristensen consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration results, mineral resources or ore reserves in respect of the Makhado coking coal project is based on information compiled by Mark Craig Stewardson, who is registered as a Professional Natural Scientist (Pr Sci Nat, Reg. No. 400119/93) with the South African Council for Natural Scientific Professions ("SACNASP"), which is a Recognised Overseas Professional Organisation ("ROPO") in terms of the JORC Code. Mark Craig Stewardson is employed by Mineral Corporation Consultancy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code. Mark Craig Stewardson consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

