



ANNOUNCEMENT

6 FEBRUARY 2012

COAL OF AFRICA ANNOUNCES BEE OWNERSHIP STRUCTURE FOR CHAPUDI PROJECT

Broad-based transaction includes local communities

Coal of Africa Limited ("CoAL" or "the Company") is pleased to advise that it has entered into definitive agreements with Rothe Investment Proprietary Limited ("Rothe"), a newly established company owned by Terracotta Processing (Pty) Ltd (reg. no. 2009/016422/07) ("Terracotta") and Vibrant Veterans Minerals Resources (Pty) Ltd (Reg. no. 2007/013039/07) ("Vibrant Veterans"), both Black Economic Empowerment ("BEE") companies, and King Makhado Holdings (Pty) Limited, (reg. No. 2009/016422/07) ("King Makhado") a company representing all the local communities in close proximity to the project, ("the Communities"), to acquire a 26% shareholding in the wholly-owned CoAL subsidiary, Keynote Trading & Investment 108 Proprietary Limited ("Keynote"). Keynote is expected to hold the Chapudi Coal Project and related exploration properties (collectively, the "Chapudi Coal Project") upon completion of its acquisition from Rio Tinto Minerals Development Limited and Kwezi Mining Proprietary Limited (the "Vendors").

Terracotta and Vibrant Veterans each own 30% of the entire issued share capital of Rothe with the remaining 40% being held by King Makhado. The directors of Rothe are Tirhan Joseph Mathebula, Vhutshilo Theopilos Muthurana and Mashudu Ramano.

In line with CoAL's strategy, the transaction with Rothe is aligned with the requirements of the Mining Charter and the Minerals Resource and Petroleum Development Act ("MPRDA"), to ensure that participation through a wider grouping of stakeholders in terms of the principles of Broad-Based Black Economic Empowerment is achieved and that historically disadvantaged South Africans hold 26% of the issued shares in Keynote, which is a legislated requirement for 2014. The conclusion of this transaction at an operational level ensures closer alignment with important stakeholders, including the communities that live in the immediate proximity of the project area, and avoids any dilution typical of a BEE shareholding held at the parent company level.

The Company's Chief Executive Officer, Mr John Wallington, commented: "We are very pleased to have made further progress towards the development of our asset portfolio in the Limpopo region. We recognise that the development of our projects needs to generate real and meaningful benefits for the local communities, the local economy and socio-economic transformation in general. We welcome our new partners in the transaction and look forward to working with them and the communities in the development of the various projects in the years to come."

Speaking on behalf of Rothe, Mr Mashudu Ramano, said: "We are delighted to be working with Coal of Africa in the Limpopo Province and look forward to developing our project whilst being mindful of our commitment to environmental and resource stewardship, economic and social responsibilities and, more importantly, that we mine with the consent of the public and the communities in which we will be operating."

Background

On 26 November 2010, CoAL confirmed the conclusion of a Sale and Purchase Agreement for the acquisition of the Chapudi Coal Project from joint venture companies held by the Vendors for US\$75 million.

At the time of entering into the Sale and Purchase Agreement, CoAL confirmed that it intended to use the acquisition to continue and further build upon its broad based BEE partnerships at the operational level. Specifically, CoAL noted that it planned to develop the Chapudi Coal Project and potential independent power producer arrangements in collaboration with its proposed BEE partners, the local constituents of the Communities, together with Terracotta and Vibrant Veterans.

Completion of the Chapudi Coal Project acquisition remains subject to the fulfillment of the conditions precedent by 30 April 2012, including section 11 approval of the transfer in terms of the MPRDA and South African Reserve Bank exchange control approval for, *inter alia*, payment of the purchase price. The application for the section 11 approval is required to be supplemented by Keynote's BEE credentials which can now occur following the signature of the agreements with Rothe. CoAL is required to arrange for the Vendors to be released from their guarantees in relation to existing rehabilitation guarantees posted as part of the original prospecting rights and related exploration program. The replacement guarantees, to be established on an insurance guarantee basis, are in the process of being finalised and will only be implemented when the section 11 approval is granted.

Chapudi comprises both thermal and coking coal development projects and 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").

Transaction Structures

The Company has entered into a Subscription Agreement with Rothe and Keynote pursuant to which Rothe and the Company will subscribe for shares in Keynote such that following implementation thereof, Rothe will hold 26% of the ordinary shares in Keynote. The subscription is at par value as Keynote does not currently hold the Chapudi Coal Project.

The Company, Keynote and Rothe have also entered into a Shareholders Agreement to regulate their relationship. The material terms of the Shareholders Agreement are set out in Annexure A.

CoAL bears the funding risk for the acquisition of the Chapudi Coal Project from the Vendors for US\$75 million and the initial costs up to bankable feasibility study on the Chapudi Coal Project. Such funding will be advanced by CoAL on an interest free basis for an initial three year period. Thereafter, this amount bears interest at the publicly quoted prime rate of interest levied by The Standard Bank of South Africa Limited from time to time. Any other amounts loaned to Keynote by the Company for other projects undertaken by Keynote, shall be interest bearing.

Upon successful completion of the bankable feasibility study, Rothe will undertake to fund its *pro rata* portion of the funding costs and acquisition cost of US\$75 million (such portion being twenty six percent thereof) at its face value from CoAL and will be required to arrange financing for its pro-rata

portion of the Chapudi Coal Project, post bankable feasibility, either through equity or debt (which would be on a project basis with CoAL). The loans will be repaid as and when Keynote has available funds and shall rank behind funding from external third parties and post bankable feasibility loans. Should Rothe be unable to raise the necessary financing, the Shareholders Agreement will facilitate the introduction of a new BEE shareholder/s in Keynote.

Authorised by
SHANNON COATES
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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 Makhado Project (coking coal) and the Mooiplaats and Woestalleen Collieries (both thermal coal).

The Mooiplaats Colliery commenced production in 2008 and is currently ramping up to produce 2 Mtpa. The Woestalleen Colliery, acquired through the acquisition of NuCoal Mining (Pty) Limited in January 2010, currently processes approximately 2.5Mtpa of saleable coal for domestic and export markets. The Woestalleen Complex also incorporates three beneficiation plants with a total processing capacity of 350,000 run of mine feed tonnes per month.

CoAL's Vele Colliery is expected to start production in Q1 2012. During the initial phase, the operation is targeting 2.7 Mtpa ROM production to produce 1.0Mtpa of saleable coking coal. The Makhado Project, CoAL's flagship project in the Soutpansberg coalfield, is well into the feasibility stage, with a Definitive Feasibility Study nearing completion. An application for a New Order Mining Right for the Makhado Project was submitted in January 2011.

In November 2010, CoAL agreed to acquire the Chapudi coal project and several other coal exploration properties in the Soutpansberg coal basin in South Africa from the previous owners, including Rio Tinto. Upon completion, the acquisition of these projects will significantly extend the scale and scope of certain of CoAL's existing projects in the region and will more than double the resource of the existing Makhado Project.

ANNEXURE A

Material terms of Shareholders Agreement

Condition precedent: The provisions of the Shareholders Agreement are subject to the simultaneous execution of the Subscription Agreement.

Appointment of Directors: CoAL has the right to appoint a director for each 15% of the issued share capital held by it and Rothe has the right to appoint 3 directors for every 26% of the issued share capital held by it, or 1 director for every completed 7 percent if its holding falls below 26% provided that Keynote is not in breach of the Empowerment Criteria.

BEE status: Rothe is to retain its BEE status for so long as Empowerment Criteria are applied by the DMR and in the event of a default CoAL can call on Rothe's share at fair market value as agreed or as determined by an independent expert on the basis as set out in the Shareholders Agreement.

Chairman: The first chairman will be appointed for a period of one year and thereafter there will be an annual rotation.

Financing:

CoAL undertakes to finance the Chapudi Acquisition costs of US\$75 million and the pre-feasibility cost which shall be credited as a loan account from CoAL to Keynote ("the Initial Costs"). The loan portion which relates to the Chapudi Project only shall not attract interest for the first 3 year period (being the time period that it is estimated may be required to get to bankable feasibility).

On bankable feasibility, CoAL shall dispose of 26% of the Initial Costs to Rothe at its face value. Rothe will then have a claim against Keynote for 26% of the Initial Costs ("the Rothe claim") and a corresponding obligation to CoAL for the acquisition of the claim. CoAL's loan account vis-à-vis Keynote will be for 76% of the Initial Costs ("the Coal claim"). The Rothe claim, the CoAL claim and CoAL's claim against Rothe for the acquisition of its portion of the Initial Costs, will all be interest bearing. Rothe is obliged to settle CoAL when Keynote settles it.

After bankable feasibility, Keynote will endeavour to find third party funding. If funding cannot be raised, externally, the shareholders are required to fund *pro rata* to their shareholding. The shareholder loans are repaid after all third party funding has been repaid and after the post bankable feasibility loans have been repaid.

Dividend Policy: the Shareholders Agreement provides that dividends are only payable once the loans to Shareholders have been repaid in full and having regard to the Company's cash requirements. The policy shall be agreed unanimously by CoAL and Rothe. In the event that agreement cannot be reached, the Auditors shall determine same acting as an expert.

The Shareholders Agreement contains other provisions common for these types of agreements.