**ANNOUNCEMENT** **18 JUNE 2012**

# COAL OF AFRICA AND EXXARO COAL CONTINUE NEGOTIATIONS AND AGREE A DATE OF 30 SEPTEMBER 2012 FOR VALUATION OF THE MAKHADO PROJECT

- CoAL and Exxaro target completion of further studies and conclude negotiations by 30 September 2012

Coal of Africa Limited ("CoAL" or the "Company") and Exxaro Coal Proprietary Limited ("Exxaro") are pleased to announce that, subsequent to the initial review of the draft Definitive Feasibility Study ("DFS") for the Makhado Project by Exxaro, the Parties have agreed to continue negotiations and the assessment process to finalize the valuation of the Makhado Project, and that the deadline for a formal decision regarding the exercise of Exxaro's right to a 30% equity participation in the Makhado Project ("the Option") shall now be 30 September 2012. During this period, further detailed analysis of several key aspects of the Makhado Project will be conducted, in order to finalize the project valuation.

Coal of Africa chief executive, John Wallington said today, "We are pleased with the significant progress achieved to date in the discussions and negotiations with Exxaro. The decision for Exxaro to continue with this process is encouraging and will enable both parties jointly to complete the remaining work required to finalize the review of the Definitive Feasibility Study and valuation of the Makhado Project. Against the background of the detailed testing results that confirmed the ability to produce a hard coking coal product and the recently announced consolidation of the New Order Prospecting Rights ("NOPRs") over the adjacent tenements acquired in the Soutpansberg coalfield, this bodes well for the future development of the Makhado Project."

Exxaro chief executive Sipho Nkosi commented today "The development of high quality metallurgical coal assets is fully in line with Exxaro's strategic growth objectives. During the past number of months we have established an excellent working relationship with Coal of Africa and look forward to the joint effort to finalise the review of the Makhado Project and the negotiations for Exxaro's possible participation in the Project."

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COAL of AFRICA LIMITED

## Highlights

CoAL and Exxaro have agreed on the deliverables for the next phase of the evaluation process, which includes further detailed analysis of several key aspects of the Makhado Project. The mandate for the joint technical teams and the scope of work has been agreed in broad terms. The work has commenced and both parties remain committed to completing the process in the shortest possible time period, to enable Exxaro to make a final decision under the Option by 30 September 2012.

The agreed scope of work to be completed by 30 September 2012 includes:

- Further technical work to be conducted on the upside potential of thermal coal production;
- Additional large diameter drilling and related additional test work to confirm the coking and thermal coal yield assumptions over the total mining area;
- A review of the optionality of coal assets in respect of adjacent farms to the proposed Makhado Project mining area, following the update on the reserve and resources for the Greater Soutpansberg area announced on 13 June 2012;
- Progressing commercial discussions with ArcelorMittal South Africa regarding future off-take arrangements for the Makhado Project;
- Finalisation of the Makhado Project valuation as calculated in accordance with the DFS, after taking into account the additional work to be completed; and
- Finalisation of a definitive shareholders agreement between CoAL and Exxaro to be implemented, should Exxaro decide to exercise the Option.

## Makhado Project

The Makhado Project represents CoAL's most advanced exploration stage development project in the Greater Soutpansberg area with NOPRs over five farms, namely Lukin, Salaita, Fripp, Tanga and Windhoek covering an area of 8,190 hectares. Based on the reserve and resource update announcement published on 13 June 2012, the JORC compliant resource for the Makhado Project, drilled over a 16.5km strike length was reported as follows:

- Gross tonnes in situ - 795.6 million tonnes
- Total tonnes in situ - 691.7 million tonnes
- Mineable tonnes in situ - 344.4 million tonnes

CoAL commenced work on the DFS in early 2010 and between August 2010 and April 2011, excavated a 19,000 tonne bulk sample from the farm Tanga. The results of the detailed product tests confirmed that the 10% ash product performs well relative to other hard coking coals based on Coke Strength Reaction, Coke Reactivity Index and Reflectance. Testing on an individual and blended basis confirms that the hard coking coal's higher than average fluidity, dilatation and high vitrinite content can be regarded as the strongest characteristics of the coal. The Company expects that these characteristics will to a large extent balance the lower maximum reflectance and higher volatiles for potential customers.

The application for a New Order Mining Right was submitted in January 2011 and the process is at an advanced stage. During the quarter ended 31 March 2012, a preliminary review of the draft DFS was undertaken by the CoAL Board of Directors. Further work is required to evaluate various options in order to finalise the DFS which is anticipated to be completed in the third quarter 2012, following the revision of the time period required for CoAL and Exxaro to finalize the project valuation. The interim report on the Makhado Project was included in the report for the quarter ended 31 March 2012, which is available on the company website at www.coalofafrica.com.

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**Competent Person**

The information in this announcement that relates to mineral resources or ore reserves has been compiled by Ms C Telfer (B.Sc. Hons. (Geol.), (DMS) Dip Bus Man Pr. Sci. Nat., FGSSA, MAusIMM, M.Inst.D) and Mr G Njowa (M.Sc. (Min. Eng), MRM, B.Sc.Hons. (Min. Eng), Grad CIS, MSAIMM, Pr Eng, MIAS), both full time employees of Venmyn Rand (Pty) Ltd, who both have relevant and appropriate experience and independence to appraise the coal assets. Both Ms C Telfer and Mr G Njowa are considered "Competent Persons", and each have more than five years relevant experience in the assessment and evaluation of the types of coal exploration and mining properties presented in this announcement. Both Ms C Telfer and Mr G Njowa consent to the inclusion of the resource information in this announcement and as presented in the Technical Statement dated 31 May 2012 and issued by the company on 13 June 2012.

**JORC Code**

All coal resources are defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australasian Institute of Geoscientists and Minerals Council of Australia.

**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).

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 (ROM) feed tonnes per month.

CoAL's Vele Colliery commenced 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 having been reviewed by the CoAL Board in March 2012. An application for a New Order Mining Right for the Makhado Project was submitted in January 2011.

In May 2012, CoAL acquired the Chapudi coal project and several other coal exploration properties in the Soutpansberg coal basin in South Africa, subsequently renamed the Greater Soutspansberg Project, from the previous owners, including Rio Tinto. The Greater Soutpansberg Project is a consolidation of nine potential coking and thermal coal assets grouped into three proximate regions, namely Mopane, Makhado and Chapudi. The acquisition of these assets strengthens Coal of Africa's position as one of the most substantial holders of prospecting and mining rights for coking coal in South Africa's Soutpansberg coalfield.

**About Exxaro**

Exxaro Coal Proprietary Limited is a subsidiary of Exxaro Resources Limited. Exxaro Resources Limited is a JSE-listed diversified resources group and a constituent of the JSE's Top 40 companies index. It has direct and indirect interests in the coal, mineral sands, iron ore and base metals commodities. The group has operations and a strong pipeline of projects in South Africa, Australia, Republic of Congo and China. At year end 2011 Exxaro had assets of R37 billion.