ANNOUNCEMENT **1 October 2012**

Coal of Africa engages with potential strategic partners for the development of its attractive project pipeline

Coal of Africa (“CoAL or the Company”) announces an update on discussions with Exxaro Coal Proprietary Limited ("Exxaro") and other strategic partners for the development of the Company’s Makhado coking coal Project, South Africa.

Following an extensive exchange of information and evaluation of the project by the technical teams from CoAL and Exxaro Coal Proprietary Limited ("Exxaro"), Exxaro has decided not to exercise its right to participate in the development of the Makhado coal project. Consequently Exxaro will not use its pre-emptive right to a 30 percent interest in the project. Coal of Africa had considered this potential outcome and in parallel, embarked on the process outlined above to increase the number of options available to the Company.

CoAL CEO, John Wallington, said, “CoAL has had extensive engagements for the past four months with several potential strategic partners, including Exxaro to participate in the development of the Makhado Project. Although current global markets are weak, we remain confident in the long term fundamentals of the metallurgical markets and the potential value creation of the Makhado Project.”

Further details of the outcome of this process are set out in a separate announcement released today.

Sipho Nkosi, Exxaro CEO commented, “It is after serious consideration that we decided not to take up the Makhado option. We have had to consider the various alternative projects currently in our growth pipeline and also the current negative sentiments regarding the global and local macro-economic growth outlook, and will therefore need to focus on our top priorities. We thank CoAL for the excellent co-operation of the past number of months and wish them all the best in their endeavours.”

In a statement released today, Exxaro confirmed that the Makhado project represents a significant developmental hard coking coal asset in Limpopo.

John Wallington said, “While we are disappointed that Exxaro has decided not to pursue its option, we are encouraged that we have concluded a transaction with a strategic partner that will provide the financial and technical resources to develop the Makhado and other projects in the group”.

The Makhado Project is CoAL's most advanced exploration stage development project with the results from detailed product tests confirming a 10% hard coking coal product with a high quality thermal coal by-product. The project, located in the Soutpansberg coalfield, has an approximate life of 16 years and is at an advanced stage in the application for a New Order Mining Right. Finalisation of the various regulatory approvals is expected by late CY2013 to early CY2014.Further details on the project are available at the Company’s website, www.coalofafrica.com.

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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 Greater Soutpansberg Project, including CoAL’s Makhado Project (coking coal) and the Mooiplaats and Woestalleen Collieries (both thermal coal).

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 and iron ore 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.