COAL of AFRICA LIMITED

ANNOUNCEMENT **1 October 2012**

US$100 million placement with the Beijing Haohua Energy Resource Group to form a strategic partnership to facilitate the development of Coal of Africa Limited's operations and development projects

Coal of Africa Limited (**"CoAL"**) is pleased to announced that it has entered in to a binding offer letter from Haohua Energy International (Hong Kong) Co. Limited (**"HEI"**), a wholly owned subsidiary of Beijing Haohua Energy Resource Co. Limited ("**BHE**"), to subscribe for US$100 million of CoAL shares at a price of £0.25 per share, subject to, inter alia, the terms and conditions set out below ("**Placement**").

The Placement has been structured in two tranches:

- An initial US$20 million tranche (**"Initial Placement"**), which, given that HEI is a Chinese State-owned Entity, is conditional upon HEI receiving approval from the Australian Foreign Investment Review Board (**"FIRB"**), which would provide HEI with an interest in CoAL of between 4.8% to 5.2% in the issued share capital of CoAL; and
- A second subscription of US$80 million (**"Conditional Placement"**) conditional upon receiving the requisite approvals, including those required from the relevant authorities in the People's Republic of China ("**PRC**").

Profile of BHE and formation of a long term strategic partnership

BHE is a coal producer, based in Beijing, and engaged in mining, washing, export and sales of coal products and the largest exporter of anthracite coal from China. BHE is listed on the Shanghai Stock Exchange and one of the constituent stocks of the SSE 130 and the SSE Composite Index. BHE was founded in 2002 by Jingmei Group, the only Chinese coal producer under the authorisation of the Beijing Municipal Government; Minmetals, a leading diversified mining company; Shougang, one of the largest steel producers in China; China Coal, one of China's top 3 coal producers; and CCRI, the only coal research institute servicing the coal industry in China.

The Placement would be the first investment by HEI outside of the PRC and serves to facilitate the formation of a long term and mutually beneficial strategic partnership between CoAL and HEI, with a vision to unlock the intrinsic value inherent in CoAL's operations and projects.

Commenting on the Placement, John Wallington, CEO of CoAL, said: "*The placement would expedite the development of CoAL's projects and lead to the formation of a strategic partnership and provide direct exposure to the world's largest coking coal market. The exchange of financial, technical and operational expertise will facilitate the growth and development of CoAL and the coking coal industry in South Africa*."

In this context, and subject to the implementation of the Initial and Conditional Placement, CoAL has undertaken to facilitate the appointment of two HEI nominees to the board of directors of CoAL and engage in discussions to formalize the strategic partnership. The engagement would include consultation on commercial, technical, financial and operational issues pursuant to which CoAL will be able to draw on HEI's technical expertise. Furthermore, HEI has undertaken to use its best endeavours to arrange further financing, on the most favourable terms available, in the development of the CoAL's substantial project pipeline.

David Brown, Chairman of CoAL, said: "*I am pleased to have had the privilege of seeking to formalise a partnership with HEI in pursuit of a company-transforming transaction through capital investment. The introduction of HEI as a cornerstone shareholder will position CoAL to* unlock its intrinsic value."

Initial Placement

The Initial Placement will be for a consideration of US$20 million at a price of £0.25 per CoAL share.

The Initial Placement is only subject to FIRB approval as HEI have advised CoAL that PRC approval is not required. Accordingly, should HEI obtain FIRB approval, HEI will subscribe for the Initial Placement on the earlier of 31 January 2013 and the date on which HEI receives all approvals from the applicable PRC provincial regulatory authorities required by HEI for the Conditional Placement.

To demonstrate and secure its commitment to subscribe for the Initial Placement, HEI has agreed to provide CoAL with a US$20 million deposit to be applied to the settlement of the Initial Placement by 31 October 2012. The deposit will be held in an escrow account until HEI receives FIRB approval for the Initial Placement and will only be repayable to HEI if FIRB approval is not obtained.

If HEI has not obtained the required PRC provisional regulatory approvals for the Conditional Placement by 31 January 2013, the Initial Placement will still proceed but will be adjusted so that HEI pays a subscription price of £0.35 per CoAL share.

Conditional Placement

In addition to the Initial Placement, HEI has agreed to subscribe for an additional US$80 million of CoAL shares at a price of £0.25 per share, subject to the fulfilment of the following conditions:

- all approvals from the applicable PRC provincial regulatory authorities required by HEI;

- CoAL shareholders approving the Conditional Placement as required by the ASX Listing Rules and by section 611, item 7 of the Corporations Act; and

- CoAL and HEI obtaining all other necessary regulatory and statutory approvals and consents.

If for any reason these conditions cannot be fulfilled before 31 January 2013, CoAL and HEI have agreed to cooperate to consider other options for HEI to provide the requisite funding support to CoAL.

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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).

The Mooiplaats Colliery commenced production in 2008 and is currently ramping up to produce 1.6 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 draft 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 Soutpansberg 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.

The updated resource estimates are presented in detail in the "Independent Technical Statement for Greater Soutpansberg Projects for Coal of Africa Limited, 31st May 2012" ("Technical Statement") prepared by Venmyn Rand (Pty) Ltd ("Venmyn"), which is available on the Coal of Africa website, www.coalofafrica.com.