COAL of AFRICA LIMITED

ANNOUNCEMENT **6 AUGUST 2012**

PLACEMENT TO RAISE $44.8 MILLION

New Board to support the Company in next phase of development

Coal of Africa Limited (Coal of Africa) today announced the successful equity placement of $44.8 million, and the appointment of Mr David Brown as Chairman of the Board, among other Board changes, with immediate effect. This follows a Board review by the board of directors of its composition in consultation with the Company's major shareholders.

David Brown, newly appointed Chairman of the Company, commented, "I am looking forward to working with the management of Coal of Africa to realise the Company's potential. Raising capital despite the current commodity pricing difficulties has been a significant achievement for the Company. Coal of Africa's shareholder base has continued to be highly supportive of the expeditious and responsible exploitation of the Company's significant project pipeline. Our key focus will be to re-establish shareholder value and, to facilitate this, all strategic options will be assessed. The Company is at the critical stage of moving beyond being a junior miner and I look forward to leading all stakeholders into its next crucial stage of development."

Placement of equity

The proceeds of the placement are intended to be used to finance the continuing ramp-up at the Vele Colliery, pre-mining right capital expenditure at the Makhado Project (including technical drilling and analysis for final thermal coal and fines test work), and additional drilling activities at Coal of Africa's Generaal, Voorburg and Jutland tenements. The placing price represents a discount of 1.96% to the closing middle market price of 25.5p per ordinary share on AIM on 3 August 2012. The placement of 115,478,798 new shares, when combined with the 685,472,236 shares already in issue, will result in a total of 800,951,034 ordinary shares in issue, which will represent 16.85% of the Company's existing issued share capital.

Of the 115,478,798 total new shares, 80,570,166 ordinary shares have been placed firm and will be issued by Coal of Africa further to the Company's capacity to allot ordinary shares for cash pursuant to ASX Listing Rule 7.1. A further 34,908,632 ordinary shares will be placed with investors conditional on obtaining shareholder approval at a general meeting of the Company to be convened on or around 11 September 2012.

The Company intends to use the net proceeds of both the firm placing and the conditional placing to supplement the existing cash balance of US$11.6 million, to finance:

- the flotation, ultra fines and middlings plant and related design fees at Vele – US$15 million;
- the final payment of the first tranche of US$43 million for the Chapudi acquisition as announced on 10 May 2012 – US$ 14 million;
- additional drilling, technical studies and related work to accelerate the Generaal, Voorburg and Jutland definitive feasibility studies and project management, environmental impact assessment and stakeholder engagement for the Greater Soutpansberg Project - US$11 million;
- pre-mining right capital expenditure including land purchases, regulatory and permitting fees, the construction of power lines, consultancy fees on detailed front-end engineering design as well as technical drilling and analysis for thermal coal and fines test work at Makhado – US$11 million; and
- general working capital – US$3.2 million.

Coal of Africa expects to complete the definitive feasibility study on its Makhado project in the September quarter and the Company is targeting Phase 1 run-of-mine (ROM) of 10 to 14Mtpa to produce around 2.2 to 2.5Mtpa of hard coking coal and 0.5 to 1Mtpa of export grade thermal coal for a period of at least 16 years. The Company continues to evaluate multiple funding options for the project.

The date for the formal exercise of Exxaro's right to a 30% participation in the Makhado Project has been extended to 30 September 2012 to allow for the completion of additional studies. The Company is considering a number of options to fund the project net of any potential Exarro investment and co-funding of the project development costs.

John Wallington, Coal of Africa CEO, welcomed the fund raising, adding that the Company had received good support from both existing and new investors, despite trying market circumstances. "Coal of Africa is a long-term player with a long-term vision. And step-by-step, we are making that vision a reality."

Appointments

David Brown's appointment as Chairman of Coal of Africa's Board comes at an opportune time, as the Company moves into a new phase of development. This appointment follows the resignation of

Mr Richard Linnell who has stepped down from the Board, having served as both a director and Chairman since 1 August 2001. Mr Bernard Pryor has been appointed a non-executive director.

Mr Brown joins Coal of Africa following a tenure of almost 14 years at Impala Platinum Holdings Limited (Implats) where he served until recently as Chief Executive (September 2006 to June 2012). He joined the Implats group in January 1999 as Chief Financial Officer. He was also Chairman of Impala Platinum Limited, Implats' major operating arm, and served as a non-executive director of Zimplats Holdings Limited, an ASX-listed platinum producer, having served as that company's chairman from March 2010 to June 2012. Mr Brown is currently an independent non-executive director of Vodacom Group Limited.

Bernard Robert Pryor was until recently Chief Executive of Q Resources plc and is a non-executive director of African Minerals Limited. Between 2006 and 2010, he held senior executive positions within Anglo American Plc as Head of Business Development and as CEO of Anglo Ferrous Brazil Inc.

Other changes to the Board include the resignations of Simon Farrell, Steve Bywater and Mikki Xayiya, all non-executive directors of the Company who are also stepping down from the Board with immediate effect.

John Wallington paid tribute to the outgoing Board members: "They have contributed enormously to Coal of Africa's development through a challenging time in South Africa's mining legislative history. We now need to consolidate these developments and steer the Company through its operational and growth phases with support from our major shareholders."

Following these changes, the Board will consist of nine directors, of whom six are non-executive directors.

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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 1.6Mtpa. 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 2.7Mtpa ROM production to produce 1.0Mtpa of saleable coking coal. The Makhado Project, CoAL's flagship project in the Soutpansberg coalfield, is well into 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, which included 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.