



**ANNOUNCEMENT**

**29 OCTOBER 2009**

## **RIO TINTO AND COAL OF AFRICA FARM SWAP AGREEMENT**

("CoAL" or "the Company")

### **HIGHLIGHTS**

- Agreement for exchange of prospecting rights signed
- Creation of contiguous Makhado project of more than 20km strike length opencast coking coal mining
- Considerable mining synergies and uplift in operational economics
- Joint venture with the Rio Tinto Group over other Limpopo farms in negotiation

### **Farm Swap Agreement**

Further to its announcement on 8 July 2008, Coal of Africa Limited, the AIM/ASX/JSE listed coal development company operating in South Africa (ticker: CZA), is pleased to announce that, together with its wholly owned subsidiary Regulus Investment (Proprietary) Limited ("Regulus"), it has entered into an Exchange of Prospecting Rights Agreement ("Agreement") with Kwezi Mining and Exploration (Proprietary) Limited ("Kwezi") and Chapudi Coal (Proprietary) Limited ("Chapudi"), joint venture companies held by the Rio Tinto Group and the Kwezi Group of South Africa, (CoAL, Regulus, Kwezi and Chapudi are hereinafter collectively referred to as the "Parties"), formalising the Memorandum of Understanding signed between the Parties on 5 July 2008.

Pursuant to the Agreement:

1. Chapudi and Kwezi will grant access to and cede to CoAL ownership in certain prospecting rights and interests over certain project areas ("Farms") that are contiguous to CoAL's Makhado hard coking coal project ("Makhado Project") located in the Limpopo Province;
2. In return for the prospecting rights and interests over the Farms that will be ceded to CoAL as described in section 1 above, the Company will cede to Chapudi prospecting rights and interests over certain other Farms, also located in the Limpopo Province.
3. In addition to the prospecting rights and interests acquired by the Parties, the consideration payable by Regulus to Chapudi will include a premium of R12,500,000, to be paid on fulfilment of the suspensive conditions, including those set out in the section headed "Suspensive Conditions" below.

The terms of a Joint Venture Agreement ("JV Agreement") between CoAL and Chapudi in respect of prospecting rights over certain Farms owned by CoAL and Chapudi in the northern part of the

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Limpopo Province ("JV"), are yet to be finalised and will be announced in due course. It is proposed that Chapudi will be the operator of the JV.

The map attached shows the Farms on which Prospecting Rights will be held by each of CoAL in blue, Chapudi in pink and the proposed JV in green post the completion of the proposed transactions as described above. (For London RNS readers, the map may be found on the Company's website, [www.coalofafrica.com](http://www.coalofafrica.com))

This rationalisation of the Farms owned by Chapudi, Kwezi and CoAL provides significant benefits to the companies in terms of bringing the collective properties into commercial production.

Managing Director of CoAL, Simon Farrell, commenting on the Agreement stated, "The rationalisation of Rio Tinto and CoAL's prospecting rights in Limpopo removes a significant commercial hurdle to the establishment of the Company's Makhado hard coking coal project. The farm swap, when completed, would result in the creation of a substantial open cast hard coking coal mining asset. Once production commences, the Makhado Project has a two year ramp up period resulting in annual output of 5 million tonnes of saleable hard coking coal. The intended off-take of coking coal by ArcelorMittal South Africa and our strategic decision to seek to participate in the development of the Matola Terminal in Mozambique would guarantee the Company's ability to deliver hard coking coal to the lucrative local and international markets. The Company anticipates that the application for a New Order Mining Right for the project will be submitted early in 2010 once certain suspensive conditions have been fulfilled and legislative approval for the farm swap has been granted."

#### **Suspensive Conditions**

The Agreement remains subject to a number of suspensive conditions which remain to be fulfilled, including:

1. Regulus entering into a sale agreement with Sekoko Coal (Proprietary) Limited in respect of certain additional rights, the agreement becoming unconditional in accordance with its terms and being assigned to Chapudi by no later than 1 July 2010;
2. the Parties, acting jointly, applying for the consent of the Minister of the South African Department of Mineral Resources, pursuant to the provisions of sections 102 and/or 11 of the South African Minerals and Petroleum Resources Development Act, 2002, to amend and subdivide the relevant prospecting rights to create the sale rights, to the extent necessary, and to transfer and cede the sale rights to the relevant Parties as per the Agreement, and obtaining such consent by no later than 1 July 2010;
3. the obtaining of all consents or approvals required in terms of the South African Competition Act, 1998 for the implementation of the Agreement, by no later than 1 July 2010; and
4. the obtaining in writing of all consents or approvals required in terms of the Exchange Control Regulations ("Regulations") in terms of section 9 of the South African Currency and Exchanges Act, 1933 required to enter into and implement the Agreement, by no later than 28 February 2010 in accordance with the requirements of the Regulations.

Yours sincerely,



**SIMON J FARRELL**

*Managing Director*

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**About CoAL:**

Coal of Africa Limited ("CoAL") is an AIM/ASX/JSE listed coal mining and development company operating in South Africa. CoAL has three key projects including the 113 million tonne ('mt') Mooiplaats thermal coal mine, the 656 mt Vele coking coal project and the 1.3 bn tonne Makhado coking coal project (including the Rio farm swap).

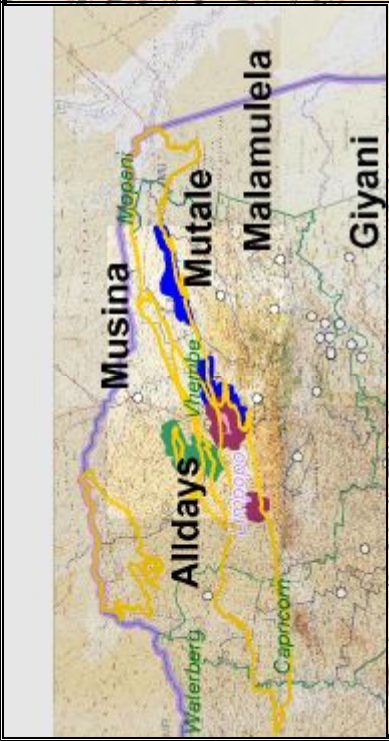
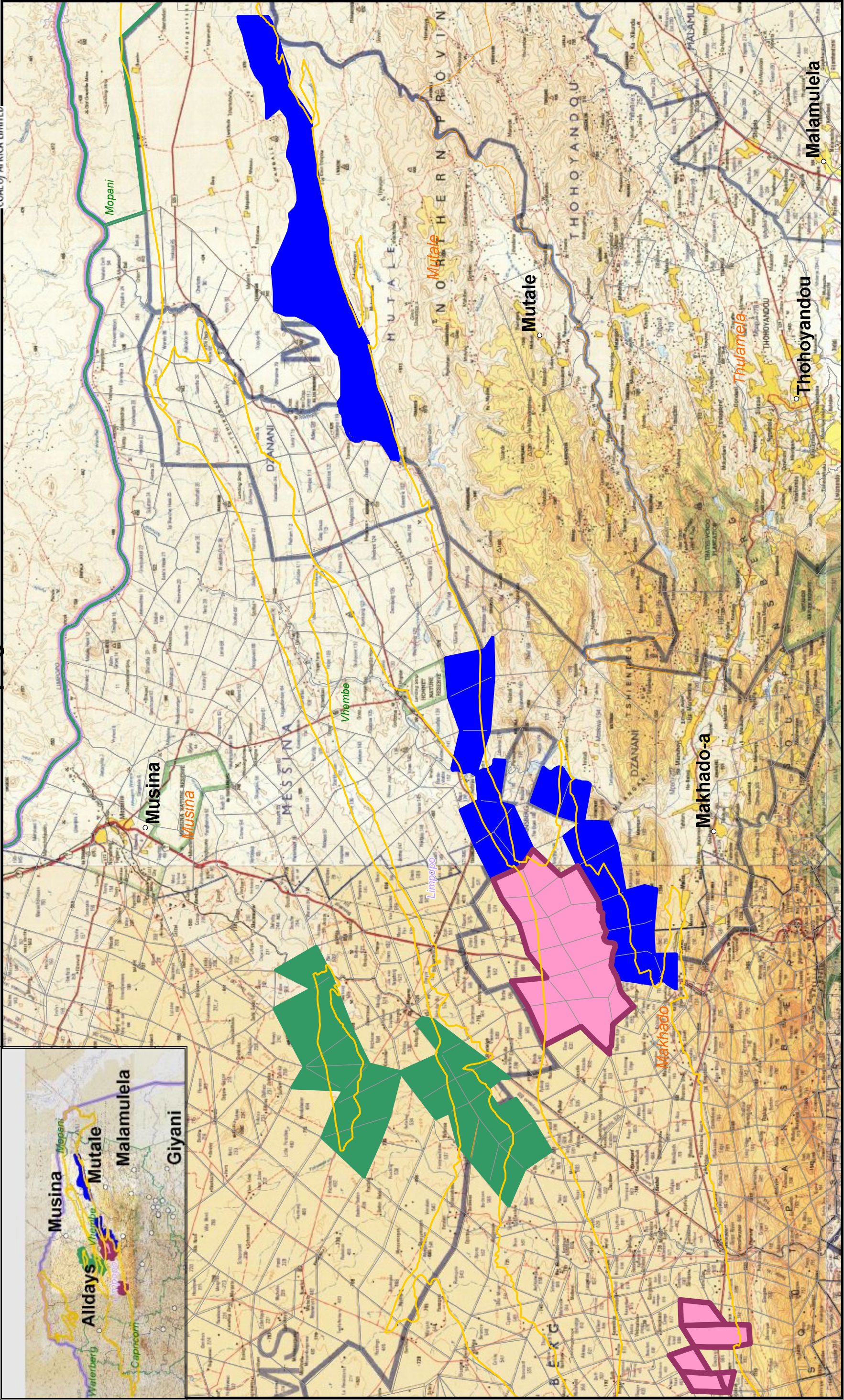
The Mooiplaats coal mine commenced production in 2008 and is currently ramping up to produce 2 mtpa. CoAL's Vele and Makhado coking coal projects are expected to start production in H1 2010 and 2011 respectively producing an initial 2 mtpa rising to a combined annual output of 10 mtpa of coking coal.



CoAL - Coal of Africa Limited

Coal - Rio Tinto Explotration and Mining

Post Coal swap agreement



Potential JV

BLOCK1

BLOCK2

CoAL Blocks

BLOCK3

BLOCK4

Block 6

Legend

Rio Blocks

BLOCK3

vleifontein

Enfield 474MS

Enfield 521MS

Albert 686MS

Karoo Extent

Reference plan

..\\Coal Base Maps.map

Survey system:

WGS84 Hartebeeshoek 94 Geographic

Date:

August 2009

N

Scale 1:369450

0

5

10

15

20

25 km