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Company Coal of Africa Limited
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ANNOUNCEMENT**7 MAY 2008****COAL OF AFRICA LIMITED****SALE OF HOLFONTEIN COAL PROJECT FOR A\$25m**

Coal of Africa Limited ("CoAL") (ticker "CZA"), the AIM/ASX/JSE listed coal development company operating in South Africa, is pleased to announce that it has reached agreement with Lachlan Star Limited ("Lachlan Star") whereby Lachlan Star will acquire 100% of the Holfontein Coal Project ("Project") in South Africa. Total consideration for the Project is A\$25 million, payable in a mix of cash and shares and staged at key milestones.

The transaction also includes an option agreement covering the adjoining Wildebeestfontein Farm.

Transaction Summary

The proposed transaction will include an upfront payment upon transfer of the Project and a series of milestone payments related to the granting of a New Order Mining Right ("NOMR") for the Project and certain production targets. The payment terms are as follows:

- A payment of A\$15 million, with minimum cash consideration of A\$9 million upon transfer of the Project tenements to Lachlan Star's nominated subsidiary;
- A cash payment of A\$1 million and a share payment of A\$2 million (to be priced at Lachlan Star's 30 day VWAP prior to payment) upon grant of the NOMR;
- A cash payment of A\$2 million and a share payment of A\$3 million (to be priced at Lachlan Star's 30 day VWAP prior to payment) upon the production of an aggregate of 500,000 tonnes of saleable coal; and
- A cash payment of A\$1 million and a share payment of A\$1 million (to be priced at Lachlan Star's 30 day VWAP prior to payment) upon the production of an aggregate of 1,500,000 tonnes of saleable coal.

The transaction is conditional upon:

- Approval from all relevant regulatory bodies in South Africa for the transfer of title in the Project to Lachlan Star's nominated subsidiary;
- Assignment of CoAL's rights under the Wildebeestfontein Agreement dated 3 December 2007 to Lachlan Star;
- Approval by Lachlan Star's shareholders of the transaction; and
- Legal due diligence.

Following the conclusion of the sale, CoAL will be the largest shareholder in Lachlan Star.

A further detailed announcement will be made by the Company upon satisfaction of the applicable conditions.

Managing Director of CoAL, Simon Farrell, commented 'We are pleased to reach this agreement with Lachlan Star for the sale of the Holfontein Coal Project. This agreement allows CoAL to concentrate on our larger Mooiplaats and Limpopo coal projects, while taking an interest in Lachlan Star Limited.'

SIMON J FARRELL
 Managing Director

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About CoAL:

Coal of Africa Limited ("CoAL"), formerly GVM Metals Limited, is primarily focused on the acquisition, exploration and development of thermal and metallurgical coal projects. The Company's key projects, along with its leading metals processing comp NiMag Group (Pty) Ltd are in South Africa. The Company was incorporated in Western Australia and listed in 1980. Since 2005, the Company has also listed on both the AIM and JSE markets, allowing further growth in the Company's coal assets.

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