

CZA - CoAL - Rail allocation secured and Coal Project updates

Coal of Africa Limited

(previously, "GVM Metals Limited")

(Incorporated and registered in Australia)

(Registration number ABN 008 905 388)

Share code on the JSE Limited: CZA

ISIN AU000000CZA6

Share code on the Australian Stock Exchange Limited: CZA

ISIN AU000000CZA6

('CoAL' or 'the Company')

10 December 2008

RAIL ALLOCATION SECURED AND COAL PROJECT UPDATES

- * Rail allocation secured with Transnet Freight Rail ("TFR") for the Mooiplaats Thermal Coal Project to meet Company's 3 million tonne port allocation at Richards Bay
- * Current cash of A\$ 225 million, no debt
- * First coal cut at Mooiplaats and development of underground access portals progressing according to schedule
- * Vele Project mining plan revised to include both opencast and underground mining, generating better yields, lower operating costs and an extended mine life
- * Independent Power Producer ("IPP") submissions relating to both the Vele and Makhado Projects shortlisted by Eskom
- * Reviewing the potential of a Main Board listing on the London Stock Exchange

Coal of Africa Limited ("CoAL" or "the Company"), the AIM/ASX/JSE listed coal development company operating in South Africa (ticker: CZA), is pleased to announce that significant progress continues to be made toward the development of the Company's coal projects in South Africa. An update of work in progress and of that planned on each project is set out below:

MOOIPLAATS THERMAL COAL PROJECT - ERMELO COALFIELD (100%)

LOGISTICS

The Company is pleased to advise that it has completed formal negotiations with Transnet Freight Rail ("TFR") for rail services to facilitate the export of coal produced at its Mooiplaats thermal coal project ("Mooiplaats") via the Richard's Bay dry bulk export terminal ("Richard's Bay"). The coal will initially be railed from an interim third party siding, then later via the Overvaal Coal of Africa siding, which is currently being developed.

CoAL offered TFR a 5 year agreement with minimum 75% take or pay commitments, which are assignable by CoAL.

The rail allocation follows the previously announced (25 August 2008) port allocation of 900,000 tonnes (potentially rising to 3 mtpa on future expansion of the terminal), commencing in 2009, secured at Richards Bay pursuant to a throughput agreement with the operator of the terminal, Grindrod Limited.

TFR have allocated CoAL the current empty wagons returning from ArcelorMittal's Vanderbilj Park steel works and have allocated further wagons to enable the total targeted 3 million tonnes of coal exports to be handled through Grindrod's facility at Richards Bay.

MINING

Mining at Mooiplaats commenced on time as the Company began cutting coal with its first continuous miner during the latter half of November 2008, whilst also taking delivery of its second continuous miner and associated shuttle cars on 24 November 2008. The second miner is on track to be cutting coal by year end. Four portals to a depth of 12 metres have now been cut and supported. Highwall support is progressing well and additional areas in the ramp have to be included to prevent scaling of loose material. Cable support is also being extended into portals and attached to long anchors installed in the portals to support brows. Concreting of the ramp floor is now complete, following an initial delay due to heavy rains, construction of the incline conveyor has commenced with an expected commissioning date of 17 January 2009. All these activities are in accordance with the development schedule.

PLANT

Work is progressing well, with the first steel sections having been delivered to site. Steel erection is planned for the first Quarter 2009 and again the program is on schedule.

GENERAL INFRASTRUCTURE

Four boreholes have been drilled and equipped to supply water to site. This will most likely be supplemented with water from the nearby defunct Usutu mine underground workings.

Full permission has been received for the main access road servitudes, and construction is expected to be completed by mid-January 2009.

OFF-TAKE AGREEMENTS

Negotiations with various parties continue and the Company remains confident of securing in the coming months, long term off-take agreements for the export thermal coal fraction produced at Mooiplaats.

Further, CoAL is preparing an initial letter of offer to Eskom, which will be submitted in December 2008, for the lower quality thermal coal.

Successful discussions have been held with a local coal producer operating in the area regarding interim access to a coal loading rail siding, as well as to process initial bulk coal samples in their coal processing facility. The latter is intended to take place early in January 2009.

VELE COKING COAL PROJECT- TULI COALFIELD (74%)

Following the recent upgrade in coal resource at the Company's Vele coking coal project ("Vele Project") to 721mt (as announced on 24 September 2008), the mine and production scheduling has been revised to include both underground and open cast sections. Although still preliminary, the revised scheduling delivers significantly better yields of coking coal, a substantial reduction in mining costs and an extended mine life beyond 2040. The Company will advise the market of its revised operating costs once the exercise and associated geotechnical work has been completed.

As announced on 15 October 2008, a New Order Mining Right Application has been lodged for the Vele Project and an acceptance letter has since been received from the Department of Minerals and Energy. The Environmental Scoping Report has also been completed. Specialist studies required for the Environmental Impact Assessment and Environmental Management Plans are well underway and these reports will be submitted in the first Quarter 2009.

Drilling has been completed on three bulk sample sites, which included 35 large diameter drill holes. Washability analysis has been completed and further detailed analysis is progressing, including sizing and liberation testing. Again, CoAL will advise the market once all testing is completed and the results have been received.

As part of the process of selecting a Mining Contractor, the Company has held several meetings with the largest contractors in South Africa, culminating in letters being forwarded to six contractors requesting formal capability statements and seeking expressions of interest.

As previously advised, the Company's joint submission with Independent Power Producer ("IPP") Mulilo Power and China Railway and Construction Company successfully pre-qualified under the recently released Eskom tender for base load power. The consortium, in which CoAL has the right of up to 25% participation, continues to make progress with the formal submission, together with advanced discussions with investment banks to finance the project. Success in this regard provides further upside to the Vele Project, as well as the option of equity participation within the IPP which may also provide substantial returns.

Extensive discussions and negotiations are continuing with several private and public parties with a view to ensuring long term rail capacity in the region matches that of the Matola Port in Mozambique.

The Company anticipates that a feasibility study on the Vele Project will be completed in mid 2009.

Makhado Coking Coal Project - Soutpansberg Coalfield (100%)

Bulk sample drilling has commenced on one of the three identified sites at the Makhado coking coal project ("Makhado Project"). To date, only limited laboratory analysis has been completed, including washabilities, although results have indicated a good quality hard coking coal.

The New Order Mining Right Application is close to completion and good progress is being made with regard to the required Environmental Scoping Report, Environmental Impact Assessment and Environmental Management Plan. It should be noted that the New Order Mining Right Application will not be lodged until the Section 11 approval from the Department of Minerals and Energy for the Rio Tinto farm swap (see note below) has been received.

As announced on 12 November 2008, CoAL's proposal, submitted jointly with IPP AES Energy Developments, one of the world's largest power companies, in response to South African utility, Eskom's tender for the independent generation of base load power, has been unconditionally pre-qualified. The submission was made on the basis CoAL would supply coal to the proposed IPP, which would be located close to the Company's Makhado Project. The coal supplied would be a "middlings" product, as opposed to the primary coking coal product on which the project has been modelled.

Importantly, the successful economics of both the Vele and Makhado Projects are in no way dependent upon CoAL's ability

to sell the middlings fraction, but it does represent substantial upside in the event that the IPP's are ultimately successful.

COKING COAL OFF-TAKE DISCUSSIONS

As previously announced, the Company has a signed Letter of Intent with ArcelorMittal for the off-take of 2.5mtpa of coking coal, with an option for this to be increased to 5mtpa. It has been agreed between both parties that the formal off-take agreement reflecting the above mentioned intention be completed as soon as possible. This requires the completion of all the outstanding laboratory analysis on the various qualities and parameters of the coking coal.

In addition to the discussions with ArcelorMittal, the Company continues to hold discussions with other major coking coal buyers and is hopeful that these discussions will also result in further off-take agreements being secured.

HOLFONTEIN THERMAL COAL PROJECT (100%)

As announced on 28 November 2008, ASX listed Lachlan Star Limited failed to obtain shareholder approval to issue shares to CoAL as part consideration for the sale of the Holfontein thermal coal project ("Holfontein"). The Company and Lachlan Star have agreed to discuss various options and will advise the market in due course. It should be noted that CoAL has already lodged a New Order Mining Right Application for this project, so despite the non completion of the sale setback, progress continues to be made in terms of advancing Holfontein's project status.

RIO TINTO JV AND FARM SWAP AGREEMENTS

Due diligence regarding the proposed farm swap and joint venture with Rio Tinto is largely complete, as is the Section 11 application. The Company is hopeful that a formal sale agreement reflecting the transaction will be completed in the near term, followed by the Section 11 submission to the Department of Minerals and Energy. As previously advised, the formal joint venture terms and conditions will be addressed after receipt of the Section 11 approvals.

CORPORATE

The Company remains in a strong financial position with over A\$225 million cash at bank and no debt. Further, the Company intends on taking full advantage of the Australian Federal Governments recently introduced deposit guarantee program, by

ensuring that all the Company's deposit funds currently held with Australian banks come with the 100% Government Guarantee.

The Board is also currently reviewing the potential of a Main Board listing on the London Stock Exchange, as requested by a number of current and potential institutional investors. Further information on any developments will be provided to the market as and when a decision in this regard is made.

AUTHORISED BY

Simon Farrell
Managing Director

For more information contact:
Simon Farrell, Managing Director
Coal of Africa
+61 417 985 383 or +61 8 9322 6776

Jos Simson / Gareth Tredway
Conduit PR
+44(0) 20 7429 6603

Olly Cairns / Romil Patel
Blue Oar Securities Plc
+61 8 6430 1631/ +44(0) 20 7448 4400

About CoAL:

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

www.coalofafrica.com