



**ANNOUNCEMENT**

**11 DECEMBER 2009**

## **BLACK ECONOMIC EMPOWERMENT AGREEMENT EXECUTED**

Further to its announcement on 30 September 2009, Coal of Africa Limited ("CoAL" or the "Company"), the AIM/ASX/JSE listed coal mining and development company operating in South Africa (ticker: CZA), is pleased to confirm that it has now executed formal agreements with Firefly Investments 163 (Proprietary) Limited ("Firefly"), its Broad-Based Black Economic Empowerment ("BBBEE") partner ("BBBEE Agreements"), as part of CoAL's efforts to ensure compliance with South African legislative requirements for black empowered groups to hold at least a 26% participation in mining companies by 2014 and to pave the way for the Company's long term future in South Africa ("BEE Transaction").

Firefly, which is wholly owned and controlled by historically disadvantaged South Africans, will lead the BBBEE consortium. Firefly's current shareholders include Mosomo Investment Holdings (Proprietary) Limited and Mtungwa Resources (Proprietary) Limited, companies lead by Kgomoetso Brian Mosehla and Patrick Ntshalishali.

The BBBEE agreements, which have been entered into by CoAL, Coal Investments Limited ("CIL") and Firefly, provide the BBBEE partners with the option to subscribe for a total of 50 million CoAL shares for 60 pence each ("Option") between 1 November 2010 and 1 November 2014. Firefly cannot exercise the Option prior to 1 November 2010, except in certain limited circumstances such as a change in control of the Company. The number of CoAL shares to be issued pursuant to the BBBEE Agreements will be adjusted if CoAL undertakes a bonus or pro rata issue of shares, as described in the attached schedule. The agreement to enter into the BBBEE Agreements was made pursuant to Listing Rule 7.1 of the ASX Listing Rules, under CoAL's existing 15% capacity. In addition, the Option will be subject to certain regulatory approvals, including the approval of the Australian Foreign Investment Review Board. The 50 million CoAL shares to be issued in the event the Option is exercised represent approximately 9.53% of CoAL's current issued capital on a diluted basis.

Firefly will have the right to nominate two persons to the CoAL board and has undertaken to procure that the King of the VhaVenda from the Limpopo province, His Majesty Khosi Khulu Toni Mphephu Ramabulana (the "King"), holds a shareholding and beneficial interest in Firefly within a period of three months from satisfaction of the conditions precedent to the BBBEE Agreements. The King represents his constituents of the Mudimeli, Musekwa, Makushu-Musholombi and Tshivhula communities, relevant female empowerment and youth groups, as well as a special purpose vehicle to promote and develop entrepreneurs and other specific community groups in the Limpopo province.

As previously advised, to facilitate the BEE Transaction the Company's second largest shareholder, African Global Capital I, LP, an entity associated with Mvelaphanda Holdings (Proprietary) Limited, Palladino Holdings Limited and OZ Management LP, and its affiliate CIL, which currently hold in aggregate 15.03% of the issued capital of CoAL, have entered into an agreement with Firefly in terms of which amongst other things, they will cede their voting rights over the ordinary shares of CoAL to Firefly.

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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 bn tonne Makhado coking coal project.

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 Q4 2011 respectively producing an initial 2 mtpa rising to a combined annual output of 10 mtpa of coking coal.



## SCHEDULE

### Bonus Issues

- 1.1** If the Company makes a bonus issue of Shares or other securities pro rata to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and not all of the Option Shares have been allotted in respect of the Option before the record date for determining entitlements to the bonus issue then the rights attaching to the Option will be altered as follows:

- 1.1.1** the number of Option Shares (S) is determined by the formula:

$$S = N + (N \times R)$$

- 1.1.2** the Option Price is the greater of the par value (if any) of the Share and the sum (EP) determined by the formula:

$$EP = \frac{N \times OP}{N + (N \times R)}$$

(fractions are to be rounded up to the nearest penny)

where:

N = The Outstanding Option Shares on the record date to determine Firefly's entitlements to the bonus issue.

R = The number of Shares (including fractions) offered under the bonus issue for each Share held.

OP = The Option Price which applies on the record date to determine entitlements to the bonus issue.

### Pro rata issue

- 1.2** If the Company makes an offer of Shares pro rata to all or substantially all holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) for a subscription price and not all of the Option Shares have been allotted in respect of the Option before the record date for determining entitlements to the rights issue then the Option Price will be reduced according to the following formula:

$$O' = O - \frac{E [P - (S + D)]}{N + 1}$$

(fractions are to be rounded up to the nearest penny)

where:

O' = The new Option Price.

O = The old Option Price.

E = 1

P = The weighted average market price of fully paid Shares sold in the ordinary course of trading on ASX during the five trading days ending on the day before the ex rights or ex entitlements date.

S = The subscription price of new Shares issued under the pro rata issue.

D = Any dividends due but not yet paid on existing Shares which will not be payable in respect of new Shares issued under the pro rata issue.

N = The number of Shares with rights or entitlements that must be held to receive a right to one new Share.

The number of Option Shares will not change.

### **Reconstruction**

**1.3** If, at any time there is a reconstruction of the capital of the Company ("**Reconstruction**"), the Option under this Agreement, to the extent it has not been exercised, will be reconstructed in the manner specified below:

- 1.3.1** in a consolidation of capital, the number of Option Shares must be consolidated in the same ratio as the Shares and the Option Price must be amended in inverse proportion to that ratio;
- 1.3.2** in a sub-division of capital, the number of Option Shares must be sub-divided in the same ratio as the Shares and the Option Price must be amended in inverse proportion to that ratio;
- 1.3.3** in a return of capital or other distribution (whether in cash or in specie), the number of Option Shares must remain the same, and the Option Price must be reduced by the same amount as the amount returned or the amount of the distribution in relation to each ordinary security;
- 1.3.4** in a reduction of capital by cancellation of capital paid up on Shares that is lost or not represented by available assets where no Shares are cancelled, the number of Option Shares and the Option Price of the Option must remain unaltered;
- 1.3.5** in a pro rata cancellation of Shares, the number of Option Shares must be reduced in the same ratio as the Shares and the Option Price of the Option must be amended in inverse proportion to that ratio; and
- 1.3.6** in any other case, the number of Option Shares, or the Option Price, or both, must be reorganised so that Firefly does not receive a benefit that holders of Shares do not receive.

Nothing in sub-clause 1.3.6 prevents a rounding up of the number of Option Shares to be received on exercise of the Option if the rounding up is approved at the shareholders' meeting that approves the Reconstruction, and the terms of the Option will be construed accordingly.