COAL of AFRICA LIMITED

ANNOUNCEMENT **13 SEPTEMBER 2010**

RIO TINTO FARM SWAP APPROVAL RECEIVED FOR MAKHADO COKING COAL PROJECT

- Section 102 application for Rio Tinto farm swap approved by the South African Department of Mineral Resources.
- Approval permits CoAL to lodge the New Order Mining Right application for its Makhado coking coal project.
- Agreement extends the Makhado project and creates an additional three significant coal projects, considerably enlarging CoAL's coking coal portfolio.

Coal of Africa Limited ("CoAL" or "the Company") is pleased to advise it has now received confirmation from the South African Department of Mineral Resources ("DMR") that the application for Ministerial consent in terms of section 102 of the South African Minerals and Petroleum Resources Development Act, 2002 ("MPRD") to effect the Exchange of Prospecting Rights Agreement ("Rio Farm Swap 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 ("Section 201 Application"), as announced on 29 October 2009, has been granted by the DMR.

This rationalisation of the farms owned by Chapudi, Kwezi and CoAL provides significant benefits to all parties in terms of creating numerous contiguous, well defined and economic coal projects.

Importantly, the approval of the Rio Farm Swap Agreement allows CoAL to lodge a New Order Mining Right ("NOMR") application for the Company's flagship Makhado coking coal project ("Makhado"). It is anticipated that the NOMR application will be lodged before the end of the calendar year, followed closely by an application for an Integrated Water Use Licence and further relevant approvals, as required.

Furthermore, as can be seen from the attached map (also viewable at the Company's website www.coalofafrica.com), the Rio Farm Swap Agreement creates another three significant coal projects around Makhado, namely the Mount Stuart coking coal project, the Voorburg coking coal project and the Jutland coking coal project, together with an additional two farms which will form a natural extension to Makhado.

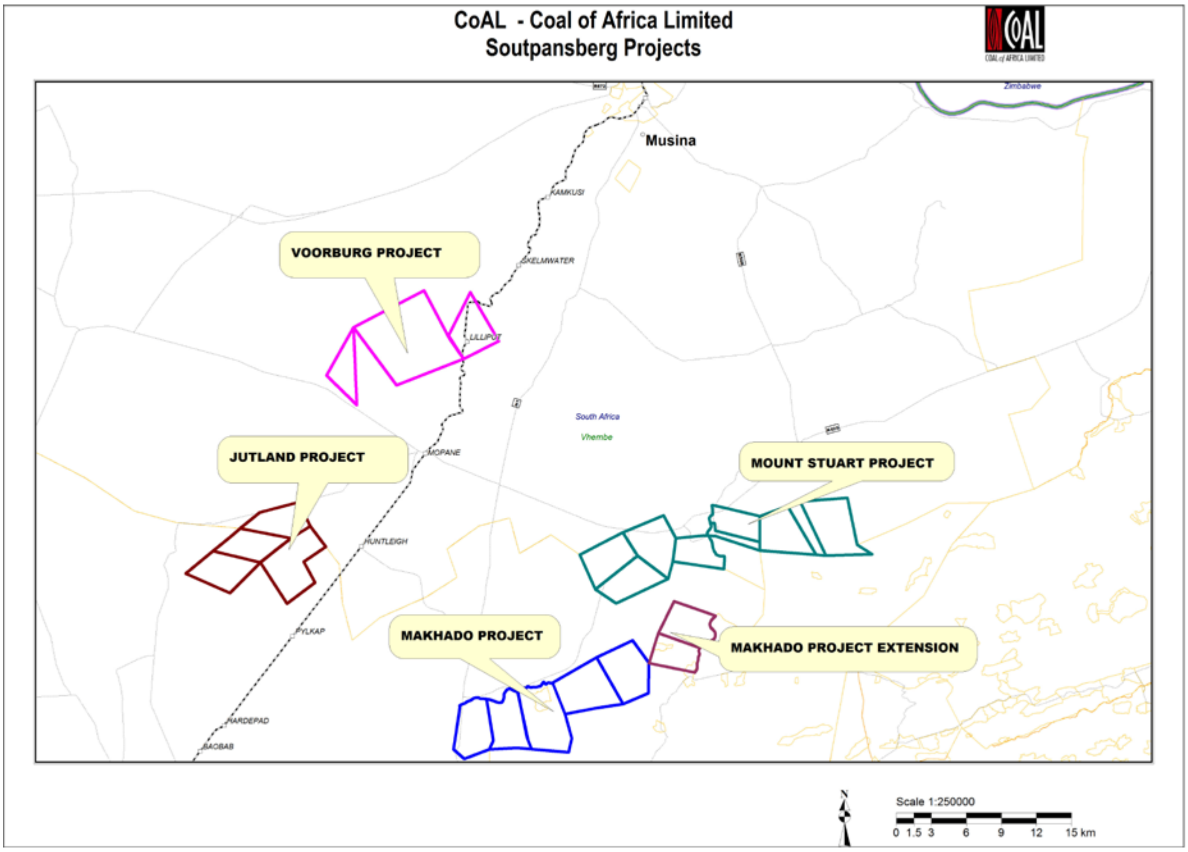
Commenting today, John Wallington, Chief Executive Officer of CoAL, said: "This farm swap agreement between Rio Tinto and CoAL gives both companies the potential to develop significantly larger scale contiguous and economic coal projects. The approval for the Section 102 Application enables the Company to lodge the NOMR application for Makhado and progress the DFS process with greater confidence. In addition we have gained three new potential coking coal projects, namely Mount Stuart, Voorburg and Jutland which were extensively explored by Iscor in the 1980's.

We are currently validating the data that has the potential to significantly increase our coking coal portfolio. ”

Mount Stuart coking coal project

This project comprises the farms Mount Stuart, Ter Blanche, Septimus, Schuitdrift, Riet, Stayt and Nakab.

The project area was subject to an intensive drilling program by Iscor in the early 1980’s with some 318 boreholes drilled on the three farms, Mount Stuart, Ter Blanche and Septimus; and 13 boreholes on the remaining farms. The historical borehole information is currently undergoing a validation process with the information having been sourced from the South African Council for Geoscience. This compares to the 351 boreholes that were drilled by Iscor on the seven Makhado farms, including the two farm extension to the east.



The historical data indicates that there is a substantial area of open castable coal with a general dip at less than 8^{o} to the North, North-West and of a size and quality similar to that at Makhado. Interestingly, the yields of coking coal appear to be significantly higher than those at Makhado, thereby providing an exciting opportunity to create a meaningful addition to CoAL's coking coal portfolio. The Company intends on undertaking an extensive drilling program in order to validate the historical borehole information and in the process, generate a Australasian Joint Ore Reserves Committee ("JORC")/ South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("SAMREC") compliant resource.

Voorburg coking coal project

The project comprises the farms Voorburg, Cavan and Ancaster. The area has 44 historical boreholes drilled by Iscor in the early 1980's and was the subject of a detailed internal pre-feasibility study. CoAL is currently assessing this historical data and will provide to the market in due course, where material. CoAL has drilled 10 additional boreholes on the farm Voorburg to validate some of the older boreholes and to confirm the coal horizon correlations with success. The coal dips to the North, North-West at approximately 4^{o}. The old Fuel Research Institute performed detailed work on the coal in 1942, on the old Lilliput mine shaft (established 1910) on the farm Cavan. The conclusions indicated that "The very strongly developed coking propensity is an outstanding characteristic of this coal". CoAL is having the 10 boreholes analysed with a view to providing a JORC/SAMREC complaint resource in due course.

Jutland coking coal project

The project comprises the farms Jutland, Cohen, Stubbs and Mons. This area was drilled by Iscor in the early 1980's and was the subject of a detailed internal pre-feasibility study. Some 80 boreholes were drilled in the area and this historical borehole information is currently being sourced from the South African Council for Geoscience. The internal report studied different mining methods and targeted the middle lower and bottom upper coal seams. The coal dips to the North, North-West at 5^{o} and suggested reasonable yields from the two seams and a potential life span of greater than 20 years. As with the Mount Stuart and Voorburg coking coal projects, CoAL intends to formulate a drilling program aimed at both validating the historical borehole information and defining a JORC/SAMREC compliant resource.

Please refer to the map above, also viewable at the Company's website www.coalofafrica.com, which outlines CoAL's holding in the Soutpansberg following the execution of the aforementioned rights resulting from the ministerial approval of the section 102 application.

JOHN WALLINGTON

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About CoAL

CoAL is an AIM/ASX/JSE listed coal mining and development company operating in South Africa. CoAL's key projects include the Woestalleen Colliery, the Mooiplaats thermal coal mine, the Vele coking coal project and the Makhado coking coal project.

The Mooiplaats coal mine commenced production in 2008 and is currently ramping up to produce 2 million tonnes per annum ("**Mtpa**"). CoAL's Makhado coking coal project is expected to start production in 2012 and timing for Vele to reach production is expected tp commence Q4 2010. These operations are targeted to collectively produce an initial 2 Mtpa ramping up to a combined annual output of 10 Mtpa of coking coal.

In 2010, CoAL completed the ZAR467m acquisition of NuCoal Mining (Pty) Limited ("**NuCoal**"), a thermal coal producer with assets in South Africa in close proximity to CoAL's Mooiplaats mine. NuCoal owns the Woestalleen Colliery, which has a number of off-take contracts in place and processes approximately 2.5Mtpa of saleable coal for domestic and export markets. NuCoal also owns two beneficiation plants, one fully operational mine producing approximately 300kt per month of ROM coal and has recently commenced production at a second mine.

CoAL currently has 1 Mtpa export capacity at the Matola Terminal in Maputo, Mozambique, increasing to 3 Mtpa on completion of the next phase of expansion at the terminal. CoAL also has the option to participate in further expansion at the Matola Terminal, which is expected to increase the capacity at the terminal by an additional 10 Mtpa