



ANNOUNCEMENT

8 JULY 2008

RIO TINTO AND COAL ENTER INTO JV AND FARM SWAP AGREEMENT

(‘CoAL’ or ‘the Company’)

Coal of Africa Limited, the AIM/ASX/JSE listed coal development company operating in South Africa (ticker: CZA), is pleased to announce that it has entered into a Memorandum of Understanding (“MOU”) with Kwezi Mining and Chapudi Coal (“Chapudi”), joint venture companies held by the Rio Tinto Group and the Kwezi Group of South Africa, pursuant to which the parties intend to formalise agreements for:

1. Chapudi to 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 located in the Limpopo Province. This is expected to add significant highly prospective acreage to the current project area and improve the economics of the proposed 5mtpa mining operation planned to commence in June 2009;
2. Chapudi and CoAL to enter into a Joint Venture Agreement (“JV”) in respect of prospecting rights over certain Farms owned by CoAL and Chapudi in the northern part of the Limpopo Province. It has been agreed that Chapudi will be the operator of the JV and both companies believe that the area is likely to contain a significant coal resource; and
3. In return for the prospecting rights over Farms that Chapudi will cede to CoAL as described in 1 above, the Company will cede to Chapudi prospecting rights and interests over certain other Farms, also located in the Limpopo Province.

Map 1 attached shows the Farms over which prospecting rights are currently held by Chapudi (shown in Red) and CoAL (shown in Blue).

Map 2, also attached, shows the Farms on which Prospecting Rights will be held by each of CoAL in Blue, Chapudi in Red and the proposed JV in Purple, post the completion of the proposed transactions as described above.

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

Managing Director of CoAL, Simon Farrell, commenting on the MOU stated, “It is very pleasing to bring these discussions to finalisation. CoAL is committed to bringing its Limpopo properties into production in the second half of next year and this agreement certainly contributes to achieving that goal in a very major way.”

Conditions Precedent

The proposed transactions for the exchange of prospecting rights and JV agreement described above ("Transactions") require formal documentation and are subject to the following conditions precedent:

1. the completion of due diligence by CoAL and Chapudi ("the Parties");
2. the passing by directors and shareholders of any resolutions required in approving the Transactions;
3. CoAL obtaining any necessary consents to the Transactions required from joint holders or parties with participatory interests in applicable prospecting rights;
4. the waiver of certain confidentiality obligations and all other consents and authorisations as may be required by the Parties; and
5. the Minister of Minerals and Energy granting approval for the transfer and cession of relevant prospecting rights and interests in such prospecting rights in terms of Section 11 of the Mineral and Petroleum Resources Development Act, 2002.

The Company will provide further updates on the progress of discussions and formalisation of the Transactions in due course.

Yours sincerely,



SIMON J FARRELL
Managing Director

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About CoAL:

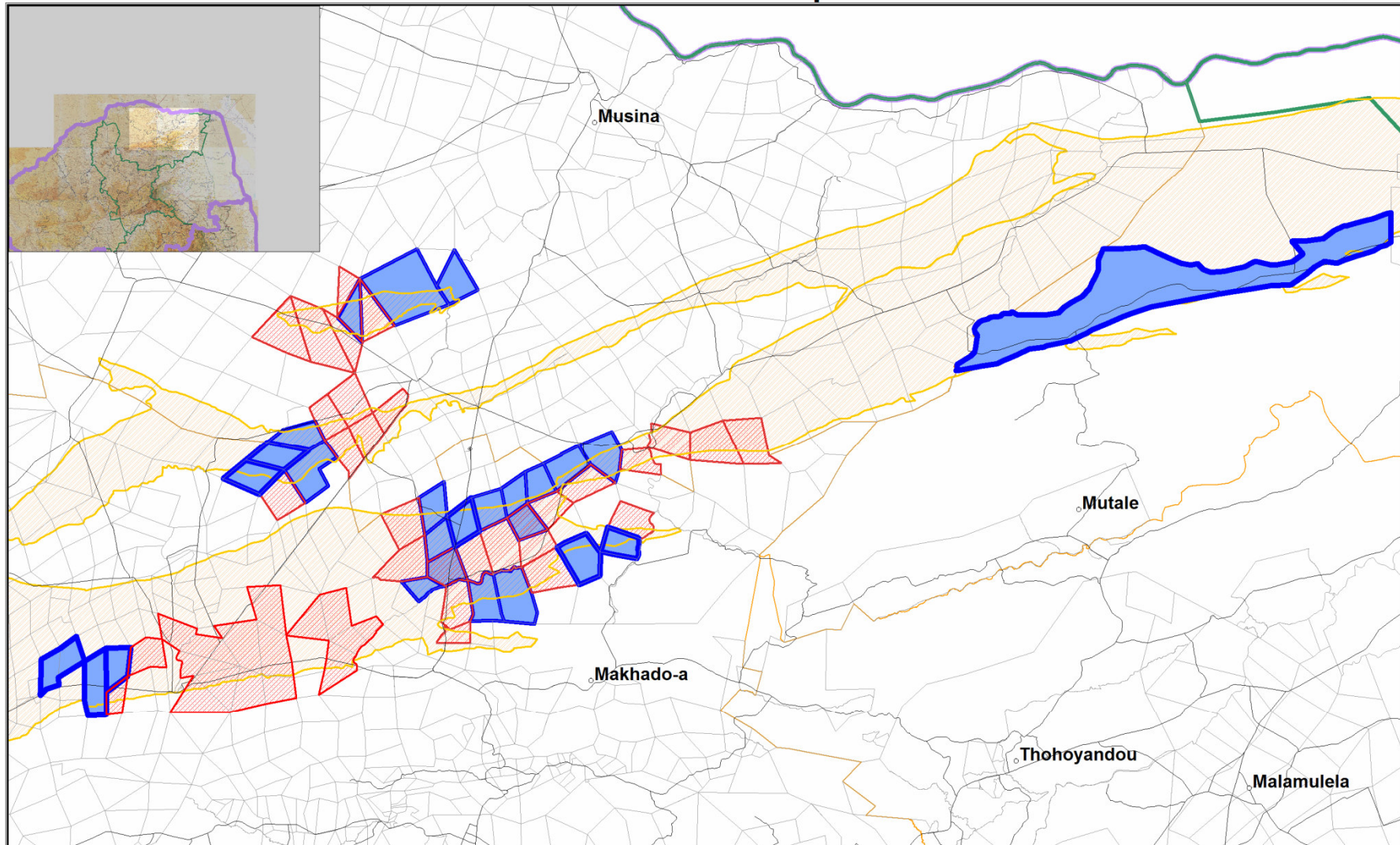
Coal of Africa Limited ("CoAL") is primarily focused on the acquisition, exploration and development of thermal and metallurgical coal projects. The Company's key projects, along with its leading metals processing company NiMag Group (Pty) Ltd are in South Africa. The Company was incorporated in Western 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.

About Rio Tinto

Rio Tinto is a leading international mining group headquartered in the UK, combining Rio Tinto plc, a London listed company, and Rio Tinto Limited, which is listed on the Australian Securities Exchange. Rio Tinto's business is finding, mining, and processing mineral resources. Major products are aluminium, copper, diamonds, energy (coal and uranium), gold, industrial minerals (borax, titanium dioxide, salt, talc) and iron ore. Activities span the world but are strongly represented in Australia and North America with significant businesses in South America, Asia, Europe and southern Africa.

CoAL - Coal of Africa Limited

Rio - CoAL Map1



Structure

Karoo Extent

Legend

Pre-Transaction Blocks

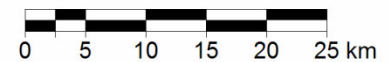
CoAL

Chapudi



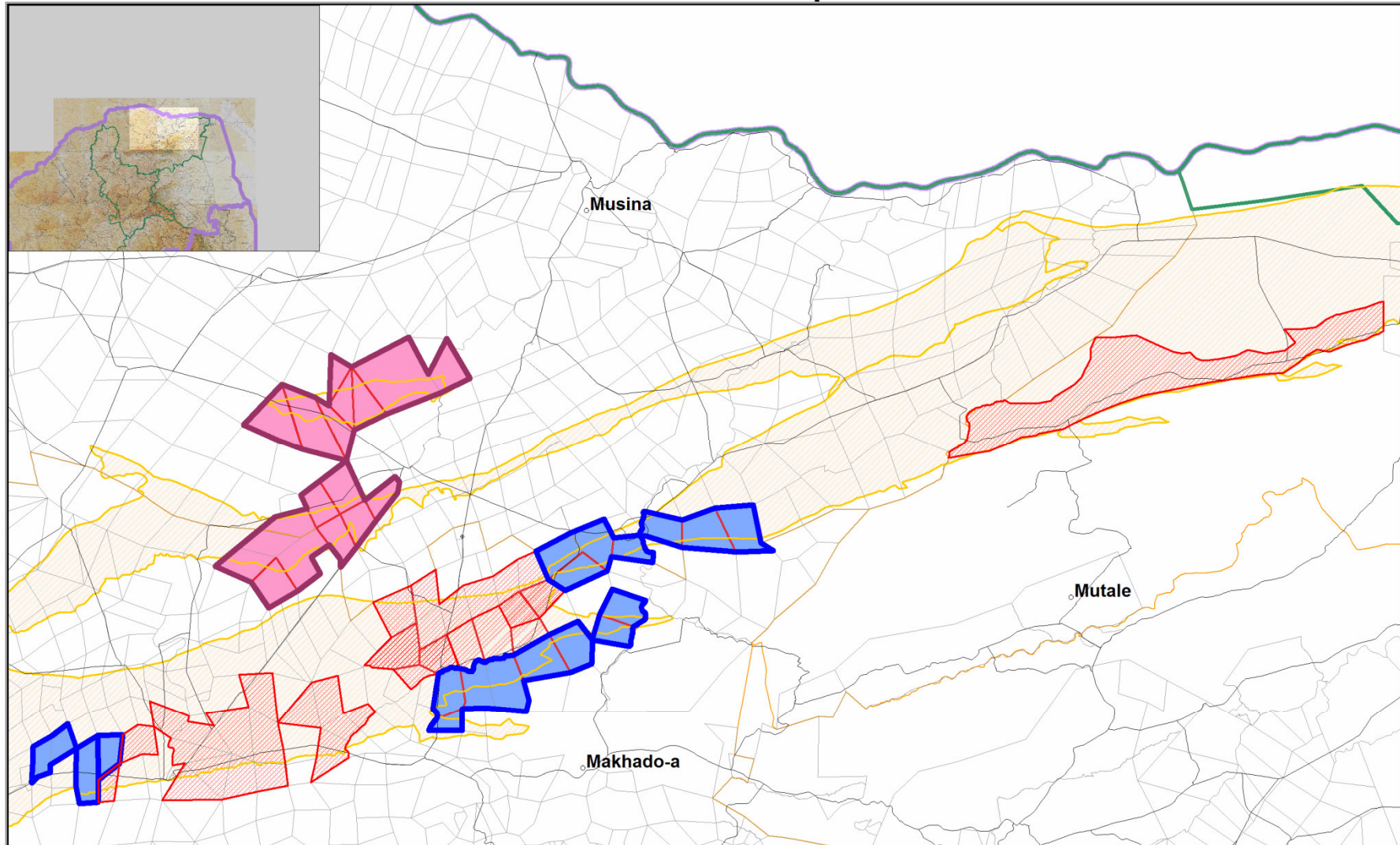
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Survey system: WGS84 L029 geographic
Date: July 2008

Scale 1:375000



CoAL - Coal of Africa Limited

Rio - CoAL Map2



Structure
Karoo Extent

Legend
Post-Transaction Blocks
CoAL
Chapudi
JV Blocks



Reference plan: ..\JVmap.map
Survey system: WGS84 L029 geographic
Date: July 2008

Scale 1:375000
0 5 10 15 20 25 km