



ANNOUNCEMENT

2 AUGUST 2010

RESPONSE TO MEDIA ARTICLE REGARDING VELE COLLIERY

Coal of Africa Limited ("CoAL" or "the Company"), the coal mining and development company operating in South Africa (ticker: CZA) and listed on the AIM, ASX and JSE, notes the recent press article published by Reuters on 30 July 2010 regarding comments made by the South African Minister of Water and Environmental Affairs, Ms Buyelwa Sonjica, relating to CoAL's Vele Colliery in the Limpopo Province.

CoAL would like to take this opportunity to state that to date, all activities undertaken at the Vele Colliery have been carried out in accordance with the new order mining right ("NOMR") granted for the Vele Colliery and the Company has not undertaken any activities for which authorisation has not been given. The NOMR, which was executed on 19 March 2010, together with the approved Environmental Management Programme ("EMP") in respect of the Vele Colliery as well as the rights afforded the Company under the South African Mineral and Petroleum Resources Development Act, Act No. 28 of 2002 permit it to start development activities on site.

The Company is unaware of the alleged "illegal activities" referred to in the press article and is therefore seeking an immediate meeting with the Minister to identify and address any issues and concerns.

The execution of the NOMR and approval of the EMP was the result of an extensive and exhaustive process spanning a period of more than 18 months, including public and government participation (including the Departments of Water Affairs and Environmental Affairs) and the engagement of over 12 independent experts who contributed to a comprehensive Environmental Impact Assessment.

The Company acknowledges that on 7 April 2010, the Department of Environmental Affairs ("DEA") refused CoAL authorisation to build an access road on one of the CoAL owned Vele farms, Erfrust 123 MS, adjoining the Vele Colliery mining right area and to construct above ground bulk fuel storage facilities. CoAL is currently appealing these decisions and clarifies that the Company **has not and will not** start construction of this access road on Erfrust or storage facilities until the required approvals have been received. Although the proposed access road does not prevent the Vele Colliery from operating it would considerably shorten the distance from the mine site to the main road.

CoAL sought these additional authorisations in accordance with the requirements of the South African National Environmental Management Act, Act No. 107 of 1998 ("NEMA"). The requirement to approve these additional activities are listed under NEMA, but not directly related to the authorised mining operations. The Company has been served with two pre-

compliance notices from the DEA alleging various matters, including that the Vele Colliery has proceeded with the construction of the access road and storage facilities. As stated above, the Company has not undertaken any activities for which authority has not been granted.

The Company still awaits approval of its application for an integrated water use licence ("IWUL") for the Vele Colliery which was submitted to the Department of Water Affairs on 10 November 2009. CoAL is liaising with the relevant authorities on an ongoing basis to enable the granting of the IWUL, which is required before the Company can commence any mining or processing activities at the Vele Colliery. However the IWUL is not required for the development activities which have been carried out to date.

The Company is currently seeking clarification from the Minister with regards to her comments and a further announcement will be made in due course.

Yours sincerely



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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 Vele and Makhado coking coal projects are expected to start production in Q3 2010 and 2012 respectively, collectively producing an initial 2 Mtpa rising to a combined annual output of 10 Mtpa of coking coal.

In 2010, CoAL completed the ZAR650m 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.