



## ANNOUNCEMENT

1 September 2010

### VELE COLLIERY UPDATE

Coal of Africa Limited ("CoAL" or "the Company") provides the following update with regard to the ongoing discussions with the South African Department of Environmental Affairs ("DEA") around the Compliance Notice issued, as announced on 11 August 2010 and the Department of Water Affairs ("DWA") regarding an Integrated Water Use License application ("IWULA") affecting the Company's Vele Colliery ("Vele").

#### **Department of Environmental Affairs**

CoAL wishes to advise that it has held several constructive meetings with various members of the DEA, including the Director General.

The Company has adhered to the Compliance Notice in full and is in the process of submitting rectification applications in terms of section 24G of the South African National Environmental Management Amendment Act, 1998 (ACT NO. 107 OF 1998), as amended ("NEMA") to continue with the activities, the subject of the Compliance Notice referred to above. The Company has also applied to the Minister for the suspension of the Compliance Notice during this process.

#### **Department of Water Affairs**

The Company has also complied with a DWA directive requesting a cessation of related specific activities pending the issue of the IWULA. As required by the directive, an Independent Environmental Assessment Practitioner ("EAP") is being appointed to assess the current and proposed activities in conjunction with the IWULA process with respect to the impact on the risks to the water resource.

Significant progress has been made between the DWA and the Company in satisfying the technical requirements as raised by the Department.

The Company remains confident that the processes between the Company, DEA and DWA will be satisfactorily addressed. The timelines required to complete these processes has unfortunately left the Company with no choice but to reduce the workforce at the Vele Colliery by 596 people to date.

Production is now likely to re-commence in Q4 2010.

The Company will continue to keep the market informed of relevant progress.



JOHN WALLINGTON

Chief Executive Officer

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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 still to be confirmed. 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