



ANNOUNCEMENT

11 AUGUST 2010

MEETING WITH DEPARTMENT OF ENVIRONMENTAL AFFAIRS

Further to the announcement of 6 August 2010, Coal of Africa Limited (“CoAL” or “the Company”) confirms that a meeting took place between the Company and the senior representatives of the Department of Environmental Affairs (“DEA”) on Tuesday 10 August 2010, during which discussion centred on the alleged “illegal activities” that had been identified by the DEA in the form of a Compliance Notice served in relation to the Company’s Vele Colliery.

The Company maintains that all activities are within the rights of its New Order Mining Right, issued to CoAL by the Department of Mineral Resources on 19 March 2010. The Company is nonetheless complying with that Notice as required and confirms it has ceased certain activities at Vele.

CoAL confirms that both parties are continuing to work together in good faith and the Company remains confident that an outcome satisfactory to both parties will be achieved.

CoAL will update the market on progress in due course.

Separately, the Company reiterates that it has not received its Integrated Water Use Licence (“IWUL”) as applied for in November 2009. Critically, mining and processing of the coal cannot commence without the benefit of the IWUL. The Company continues to work closely with the Department of Water Affairs in order to facilitate the processing of the IWUL application.

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 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.