



ANNOUNCEMENT

4 NOVEMBER 2010

RESPONSE TO MEDIA ARTICLE REGARDING MOOIPLAATS

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 recent press articles published by media in South Africa on 3 November 2010 regarding the Company's activities at the Mooiplaats Colliery in Mpumalanga, together with the Company's recent announcement of 3 November 2010.

Coal would like to emphasise the following:

1. Mooiplaats has complied fully with all the DMR requirements
2. The Pre-compliance Notice is based on the Department of Environmental Affairs' NEMA requirements. If the principles of applying this ruling are consistently applied across the mining industry nearly every mine in this country would be forced to close.
3. Mooiplaats, in good faith, is in the process of complying with NEMA and a Compliance Notice is therefore unnecessary
4. Lack of clarity and consistency in the application of regulatory compliance negatively impacts on investment in SA and can cause significant job losses.
5. Mooiplaats will comply fully with the Pre-compliance notice.

The Colliery Environmental Management Plan (EMP) was approved on 25 September 2007 by the Department of Mineral Resources (DMR). Development of the mining area commenced in August 2008 and the financial liability provision and assessment plan was submitted for 2009 and updated in 2010.

Application was not initially made in terms of NEMA for authorization as these activities were authorized by the EMP and the general understanding within the mining industry is that as this involves a full EIA process and the environmental authorities are involved in that process no separate EIA is required for activities directly related to mining.

The Company acknowledges that it has received a pre-compliance notice (Notice) from the Mpumalanga Department of Economic Development, Environment and Tourism ("MDEDET") noting its intention to issue a Compliance Notice in terms of section 31L of the National Environmental Management Act in relation to activities undertaken by the Company on portions 1 and 9 Farm Mooiplaats 219 IT in Ermelo ("Compliance Notice"). However CoAL would like to take this opportunity to state that, contrary to the media reports, it has not been instructed nor is required by law to stop activities at the mine and only in the event that a Compliance Notice is received, will mining activities need to cease.

Pursuant to the terms of the Notice, CoAL may make an application for rectification within 10 days of receipt of (11 November 2010), following which the Department has stated that it may decide **not** to issue the Company with a Compliance Notice.

The activities referred to in the Notice include the construction of facilities or infrastructure, including associated structures or infrastructures:

- for the storage of more than 250 tonnes but less than 100,000 tonnes of coal;
- in the one in ten year flood line of a river or stream or within 32 metres from the bank of a river or a stream where the floodline is unknown;
- for any process or activity which requires a permit or licence in terms of legislation governing the generation or release of emissions, pollution, effluent or waste and which is not identified in Government Notice No. R386 of 2006; and
- for the manufacturing or storage or testing of explosives, including ammunition, but excluding licensed retail outlets and the legal end use of such explosives.

Other interactions with the environmental authorities include;

- 25 March 2009; meeting with Mpumalanga Department of Agriculture & Land Affairs was held to finalise approvals required for the construction phase to start;
- 27 March 2009; meeting was held with the Department of Water Affairs ("DWA") to discuss the Integrated Water Use License Application ("IWULA"). The DWA recommended that the colliery submit an IWULA for both Mooiplaats North and South as a single entity. Mooiplaats South is scheduled to commence production in 2012; and
- 10 June 2009 the Colliery management had a site meeting with MDEDET and the following activities were listed as requiring a Section 24 G application;
 - o The construction of the road and the stream crossing;
 - o Diesel storage tanks;
 - o Sewage Treatment Plant; and

- o The excavation and in-filling of soil in a river/stream

The S24G applications were submitted on 15 June 2010 for all activities identified. The acknowledgement of the S24G applications was received from MDEDET on 23 June 2010. **On 10 June 2009 the Processing Plant, coal stockpiles and explosives store were not identified by the MDEDET officers as activities that needed rectification.**

Regional Interactions

Mooiplaats Colliery actively participates in the Grootdraai Dam Catchment Forum where regular feedback is given on activities and water qualities at Mooiplaats Colliery in the presence of DWA and MDEDET officials. Regular testing at two DWA sampling points revealed that the Colliery is within acceptable levels at the downstream sampling point situated at the Vaal River the sulphate concentration is below 200mg/l. Therefore the recent allegation that the Colliery is polluting the Witpuntspruit which feeds into the Vaal River is incorrect.

When mine management at the Colliery enquired from the relevant officials the motivation for the Notice in view of the on-going interactions and rectification processes already being implemented, the responses were that of surprise and uncertainty from the officials actually dealing with these matters.

The delivery of a Pre-compliance notice with threats of closure for activities that commenced in 2008 is inconsistent with all prior Departmental interactions and, in the Company's view, totally unjustified. **If the principles of applying this ruling are consistently applied across the mining industry, the Company is of the opinion that the majority of mines in this country would be forced to close.** Mining related activities are specifically approved under the MPRDA at the time the Company executes a NOMR with the simultaneous approval of the EMP.

Since my appointment to Coal of Africa in July 2010, we have acknowledged the shortfalls that have manifested during the rapid growth of the Company over the past 2 years. I have also repeatedly emphasized that CoAL is moving into a new era as a mining production company with a commitment made to comply fully with all legislation. This position is supported by its ambition to graduate to the Main Stock Exchange in London which expects corporate governance of the highest level.

The Company has to date, in a short space of time, attracted well in excess of R2billion of direct foreign investment into South Africa and already employs over 1000 people. There is support from our major shareholders to increase this substantially when required to develop the economically transformative projects near Makhado.

The Company is now left with no choice but to explore all legal and constitutional options to ensure that the rights of the Company, its employees and shareholders are protected as much as possible.

The Company's intention in relation to the pre-compliance notice is to seek rectification as specified for the activities commenced, but it does not believe this is a circumstance in

which closure, pending consideration of the application, is warranted and will pursue all its available options in this regard.



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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 to commence Q1 2011. 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.