COAL of AFRICA LIMITED

ANNOUNCEMENT **29 July 2011**

VELE INTEGRATED WATER USE LICENCE SUSPENDED

Coal of Africa Limited ("CoAL" or the "Company") advises that the Integrated Water Use Licence ("IWUL") for the Company's Vele Colliery has been suspended in terms of Section 148(2) (b) of the South Africa National Water Act, No, 36 of 1998, due to an appeal to the Water Tribunal submitted by an NGO coalition on 28 July 2011.

The appeal automatically suspends the IWUL unless the Minister of Environmental and Water Affairs ("the Minister") directs otherwise. CoAL has the right to and is in the process of preparing an urgent appeal to the Minister requesting that the IWUL remains in full force and effect in this interim period and until the final conclusion of the appeal. If the Company is successful in its representation to the Minister the Company will be able to continue all activities, including the water uses per the IWUL.

In the interim, the Company is therefore unable to continue with activities at the Vele Colliery that require water use, however in anticipation of recommencing operations, the planning in relation to other construction and mining activities that do not require the use of water are ongoing.

CoAL CEO John Wallington said: "Whilst we acknowledge the coalition's right to appeal against the granting of the IWUL, we are equally aware of our right to make representations to the Minister to lift the suspension. The NGO coalition has publicly indicated their intention to file an appeal. The Company is actively engaging with the Minister to resolve this appeal process as soon as possible. Although the appeal limits our use of water at Vele, mobilisation continues towards bringing the mine into production. We are pursuing our right with the firm conviction that the responsible development of the Vele Colliery is in the interests of the broadest cross-section of our stakeholders and of South Africa as a whole."

JOHN WALLINGTON

Chief Executive Officer

For more information contact:

John Wallington	Chief Executive Officer	Coal of Africa	+27 11 575 7423
Wayne Koonin	Finance Director	Coal of Africa	+27 11 575 4363
Shannon Coates	Company Secretary	Coal of Africa	+61 893 226 776
Chris Sim/Romil Patel	Nominated Adviser	Evolution Securities	+44 20 7071 4300
Jos Simson/Emily Fenton	Financial PR	Tavistock	+44 207 920 3150
Melanie de Nysschen/ Annerie Britz/ Yvette Labuschagne	JSE Sponsor	Macquarie	+27 11 583 2000

www.coalofafrica.com
AU: Level 1 Old Swan Brewery 173 Mounts Bay Road Perth WA 6000 Australia Telephone: +61 8 9322 6776 Facsimile: +61 8 9322 6778 Email: perth@coalofafrica.com ACN 008 905 388
ZA: 2nd Floor, Gabba Building, The Campus, 57 Sloane Street, Bryanston, Johannesburg, South Africa 2021 Tel: +27 11 575 4363 Fax: +27 11 576 4363 Email: adminza@coalofafrica.co.za

About CoAL:

CoAL is an AIM/ASX/JSE listed coal mining and development company operating in South Africa. CoAL's key projects include the Vele Colliery (coking coal), the Makhado Project (coking coal) and the Mooiplaats and Woestalleen Collieries (both thermal coal).

The Mooiplaats Colliery commenced production in 2008 and is currently ramping up to produce 2 million tonnes per annum ("Mtpa"). CoAL's Vele Colliery and Makhado Project are expected to start production in the first half of 2012 and the first half of 2013 respectively. These operations are targeted to collectively produce an initial 1Mtpa ramping up to a combined annual output of 10Mtpa 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 Colliery. 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. The Woestalleen Colliery also incorporates two beneficiation plants with a total processing capacity of 350,000 run of mine feed tonnes per month.

In November 2010, CoAL agreed to acquire the Chapudi coal project and several other coal exploration properties in the Soutpansberg coal basin in South Africa from the previous owners, including Rio Tinto. When completed, the acquisition of these projects will significantly extend the scale and scope of certain of CoAL's existing projects in the region and will more than double the resource of the existing Makhado Project.

AU: Level 1 Old Swan Brewery 173 Mounts Bay Road Perth WA 6000 Australia Telephone: +61 8 9322 6776 Facsimile: +61 8 9322 6778 Email: perth@coalofafrica.com ACN 008 905 388