COAL of AFRICA LIMITED

**ANNOUNCEMENT** **06 June 2012**

# Good progress made with MoA for the Vele Colliery between Coal of Africa and the Save Mapungubwe Coalition

Coal of Africa Limited (CoAL) and the Save Mapungubwe Coalition ('the Coalition'), are pleased to advise that the process of concluding a Memorandum of Agreement (MoA) continues to advance and agreement has been reached to extend the completion date for the MoA between the parties. This follows the continuing and significant progress on the MoA with regard to Coal of Africa's Vele Colliery in Limpopo province. The aim is to conclude the MoA within the next few months thereby allowing for additional time for the final review of technical information and conclusion of the definitive agreement with the various Coalition members. The conclusion of the MoA will follow on the historic Memorandum of Understanding (MoU) between the parties on 24 November 2011. Following the update in CoAL's most recent quarterly report published on 30 April 2012, both parties have continued to work together to finalise details and conclude the process.

Coal of Africa Chief Executive Officer, John Wallington, noted that the engagement thus far has been both extensive and valuable. "Much work has been undertaken by both parties, and by independent consultants to reach a sustainable solution that is in the best interests of all stakeholders. Our aim of setting a new best practice benchmark for managing and mitigating the impacts of mining and related activities at the Vele Colliery on the environment is a tall order, and a responsibility that both CoAL and the Coalition take very seriously. While the plan has always been to convert the MoU to the MoA in the shortest possible time, this cannot be rushed, and it is with this in mind that we have decided to take the time that is needed to conclude our agreement."

Members of the Coalition recently attended the fourth environmental management committee meeting as observers. In a statement to the media, Mapungubwe Action Group Chairperson Nick Hiltermann stated, "The overall aim of these negotiations is to set a benchmark for best practice in relation to managing and mitigating the impacts of coal mining and related activities on the environment, specifically the impact on water and heritage resources – not only for the Vele Colliery but for all future coal mines".

In terms of the MoU, the parties committed to working together to strengthen cooperation in the interest of sustainable development and the preservation and protection of the Mapungubwe cultural landscape. CoAL undertook to share all information relevant to the impacts of the Vele Colliery on the environment, including water and heritage resources.

The discussions between the parties have addressed, amongst other matters, further research, monitoring and modelling of the potential impacts of mining at the Vele Colliery and requisite amendments and improvements to Limpopo Coal's approved environmental management plan and water use licence, and participation in the environmental management committee and principles for heritage management and participation in the biodiversity negotiations. In particular, a preliminary report by an independent wetland and riparian expert commissioned by CoAL and the Coalition has identified additional water use activities which were not applicable at the time that the general authorisation was issued, but which may require further licencing, and the company is seeking clarification from the Department of Water Affairs in this regard. Coal of Africa will continue to monitor, manage and mitigate the impacts of its activities on water resources.


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**About the Coalition:**

The Coalition consists of the Endangered Wildlife Trust, BirdLife South Africa, Wilderness Foundation South Africa, World Wide Fund for Nature South Africa, Mapungubwe Action Group and the Association of Southern African Professional Archaeologists.

**About CoAL:**

CoAL is an AIM/ASX/JSE listed coal exploration, development and mining company operating in South Africa. CoAL's key projects include the Vele Colliery (coking and thermal 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 Mtpa. The Woestalleen Colliery, acquired through the acquisition of NuCoal Mining (Pty) Limited in January 2010, currently processes approximately 2.5Mtpa of saleable coal for domestic and export markets. The Woestalleen Complex also incorporates three beneficiation plants with a total processing capacity of 350,000 run-of-mine (ROM) feed tonnes per month.

CoAL's Vele Colliery started commercial production in Q1 2012. During the initial phase, the operation is targeting 2.7 Mtpa ROM production to produce 1.0Mtpa of saleable coking coal. The Makhado Project, CoAL's flagship project in the Soutpansberg coalfield, is well into the feasibility stage, with a Definitive Feasibility Study having been reviewed by the CoAL Board in March 2012. An application for a New Order Mining Right for the Makhado Project was submitted in January 2011.

In May 2012, CoAL acquired 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. The acquisition of the Chapudi Coal Assets strengthens Coal of Africa's position as one of the most substantial holders of prospecting and mining rights for coking coal in South Africa's Soutpansberg coalfield.