COAL of AFRICA LIMITED

MEMORANDUM OF AGREEMENT SIGNED BETWEEN COAL, SANPARKS AND THE DEPARTMENT OF ENVIRONMENT

ANNOUNCEMENT **1 September 2011**

Coal of Africa Limited ("CoAL" or the "Company") is pleased to advise that on 1 September 2011 the Company, the South African Department of Environmental Affairs ("DEA") and the South African National Parks ("SanParks") unveiled an historical Memorandum of Agreement ("MOA") in respect to the Mapungubwe Cultural Landscape World Heritage Site ("Heritage Site"). The MOU is pursuant to conditions set out as part of the Vele Colliery Environmental Authorisation ("EA").

The MOA seeks to ensure the conservation and integrity of the globally significant natural and cultural Heritage Site and to maintain and strengthen co-operation between CoAL, SanParks and the DEA.

In the MOA, the parties commit themselves to ten joint undertakings, key amongst which are:

- developing means by which local communities and other stakeholders can participate in and tangibly benefit from the management and sustainable use of the Heritage Site's natural and cultural resources;
- developing detailed biodiversity offset programs and action plans;
- monitoring the implementation of these through a steering or environmental management committee;
- providing adequate financial, human and other resources for their effective implementation.

Speaking at the signing event in Pretoria, Coal of Africa Chief Executive Officer John Wallington said: "This agreement is a declaration of intent with the goal of creating and developing a sustainable model of co-existence which should set new and more inclusive standards to be aspired to. With the help of the DEA and SanParks, we are seeking to be pioneers in finding the right balance between conservation and economic development. We have a responsibility to protect the natural and cultural richness of the Heritage Site, whilst substantially increasing the size of the economy and thereby creating jobs that our country desperately requires".

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 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.