COAL of AFRICA LIMITED

ANNOUNCEMENT **19 October 2011**

VELE INTEGRATED WATER USE LICENCE SUSPENSION LIFTED

Coal of Africa Limited (“CoAL” or “the Company”) is pleased to announce that the suspension of the Integrated Water Use Licence (“IWUL”) for the Vele Colliery (“Vele”) in the Limpopo Province has been lifted by South African Minister of Water and Environmental Affairs, Ms Edna Molewa, following representation made by the Company on 8 August 2011.

After taking into consideration all relevant facts including the appeal lodged by the non-governmental organisations to the Water Tribunal against the decision to grant an IWUL to CoAL under Section 41 of the South African National Water Act 1998 (Act No. 36 of 1998) (“the Act”) and a subsequent petition filed by the Company, the Minister exercised her discretion and has removed the suspension in terms of Section 148 (2)(b) of the Act, pending finalisation of the appeal lodged to the Water Tribunal.

The lifting of the suspension enables Coal of Africa to commence with full operations at Vele and to mobilise without delay, all remaining operational activities to complete the remaining construction at the Vele mine. The process to mobilise contractors and re-employ staff will commence immediately. The mine will create around 500 jobs during the initial phase of operation.

CoAL Chief Executive Officer, John Wallington said; “I am delighted that lifting of the suspension to bring Vele into production has been achieved. We are now well placed to produce first coking coal in Q1 2012, ramping up to an initial target of one million tonnes per annum. We look forward to providing further updates to the market in due course.”

JOHN WALLINGTON

Chief Executive Officer

For more information contact:

John Wallington	Chief Executive Officer	Coal of Africa	+27 11 575 7423
Wayne Koonin	Financial Director	Coal of Africa	+27 11 575 4363
Shannon Coates	Company Secretary	Coal of Africa	+61 893 226 776
Chris Sim/Romil Patel/Jeremy Ellis	Nominated Adviser	Evolution Securities	+44 20 7071 4300
Jos Simson/Emily Fenton	Financial PR (United Kingdom)	Tavistock	+44 207 920 3150
Melanie de Nysschen/ Annerie Britz/ Yvette Labuschagne	JSE Sponsor	Macquarie	+27 11 583 2000
Charmane Russell/James Duncan	Financial PR (South Africa)	Russell & Associates	+27 11 880 3924 +27 82 372 5816

www.coalofafrica.com

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 feed tonnes per month.

CoAL's Vele Colliery is expected to start 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 nearing completion. An application for a New Order Mining Right for the Makhado Project was submitted in January 2011.

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. Upon completion, 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.