ABN 98 008 905 388

FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2016

CORPORATE DIRECTORY

REGISTERED OFFICE	Suite 8, 7 The Esplanade Mt Pleasant, Perth, WA 6153 Telephone: +61 8 9316 9100 Facsimile: +61 8 9316 5475 Email: perth@coalofafrica.com
SOUTH AFRICAN OFFICE	South Block Summercon Office Park Cnr Rockery Lane and Sunset Avenue Lonehill Telephone: +27 10 003 8000 Facsimile: +27 11 388 8333
BOARD OF DIRECTORS	**Non-executive** Bernard Pryor (Chairman) Andrew Mifflin Khomotso Mosehla Peter Cordin Rudolph Torlage Thabo Mosololi Shangren Ding **Executive** David Brown De Wet Schutte
COMPANY SECRETARY	Tony Bevan

	AUSTRALIA	UNITED KINGDOM	SOUTH AFRICA
AUDITORS	**Deloitte Touche Tohmatsu** Tower 2 Brookfield Place 123 St Georges Terrace Perth WA 6000 Australia	N/A	**Deloitte & Touche** Deloitte Place Building 1 The Woodlands 20 Woodlands Drive Woodmead 2052 South Africa
BANKERS	**National Australia Bank Limited** Level 1, 1238 Hay Street West Perth WA 6005 Australia	**Investec Bank plc** 2 Gresham Street London EC2V 7QP United Kingdom	**ABSA Bank** The Podium Norton Rose Building 15 Alice Lane Sandton South Africa

CORPORATE DIRECTORY (CONTINUED)

	AUSTRALIA	UNITED KINGDOM	SOUTH AFRICA
BROKERS	Euroz Securities Limited Level 18, Alluvion 58 Mounts Bay Road Perth WA 6000 Australia	Mirabaud 21 St James' Street London SW1Y 4JP United Kingdom	N/A
LAWYERS	Squire Patton Boggs (AU) Level 21 300 Murray Street Perth WA 6000 Australia	Squire Patton Boggs (UK) LLP 2 Park Lane Leeds LS3 1 ES United Kingdom	Edward Nathan Sonnenbergs 150 West Street Sandton Johannesburg 2196 South Africa
NOMAD/ CORPORATE SPONSOR	N/A	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET United Kingdom	Investec Bank Limited 100 Grayston Drive Sandown 2196 Johannesburg South Africa

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The reports and statements set out below comprise the half-year report presented to shareholders:

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The Directors of Coal of Africa Limited ("CoAL" or "the Company") submit herewith the financial report of Coal of Africa Limited and its subsidiaries ("the Group") for the half-year ended 31 December 2016. All amounts are expressed in US Dollars unless stated otherwise.

In order to comply with the provision of the Corporations Act 2001, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the half-year are:

Bernard Pryor* (Chairman)
Andrew Mifflin*
Rudolph Torlage*
Peter Cordin*
Khomotso Mosehla*
Thabo Mosololi*
Shangren Ding*
David Brown**
De Wet Schutte**

* - Non-executive director
** - Executive director

Shangren Ding was appointed in October 2016. All other directors held office during and since the end of the previous financial year.

Review of Operations

Principal activity and nature of operations

The principal activity of the Company and its subsidiaries is the exploration and development of coking and thermal coal properties in South Africa.

The Company's principal coking and thermal coal assets and projects include:

- The Vele Colliery, on care and maintenance, a coking and thermal colliery;
- The Makhado Project, a coking and thermal coal project;
- Four exploration stage coking and thermal coal projects, namely Chapudi, Generaal, Telema & Gray and Mopane, in the Soutpansberg Coalfield (the GSP project); and
- The Mooiplaats Colliery currently on care and maintenance and subject to a formal sale process.

The Company's focus on safety continued and no lost time incidents ("LTIs") were recorded during the six months (FY2016 H1: nil).

Vele Colliery - Limpopo (Tuli) Coalfield (100% owned)

The Vele coking and thermal coal colliery ("Vele Colliery") recorded no LTIs during the period.

The original Vele Colliery Integrated Water Usage Licence ("IWUL") was renewed in January 2016 for a further 20 years, and also amended in line with the requirements for the Plant Modification Project (PMP) at the Colliery.

In January 2017, the South African Department of Mineral Resources ("DMR") granted an Environmental Authorisation in terms of the National Environmental Management Act ("NEMA") (Act 107 of 1998) and the Environmental Impact Assessment Regulations (2014) for Vele Colliery for stream diversion and associated infrastructural activities.

CoAL awaits the approval of an IWUL from the Department of Water and Sanitation ("DWS") which is the final regulatory approval required for the stream diversion in respect of the future mine work plan.

Makhado Coking Coal Project (100% owned)

As required under South African mining legislation, a minimum 26% black economic empowerment ("BEE") shareholding is required for mining and exploration projects. CoAL previously signed a Memorandum of Agreement to enable a Broad Based Black Economic Empowerment consortium comprising seven local communities to acquire a 20% interest in the Makhado Project and the Company has identified suitable BEE shareholders to acquire a further 6% interest in the project. These transactions were formalised in the prior year and will ensure that the Makhado Project has the requisite ownership structure.

The NOMR for the Makhado Project was granted in May 2015 as well as a section 11 approval for the transfer of the right to CoAL's subsidiary, Baobab Mining. The Company was granted the IWUL in January 2016 for the period equal to life of mine. The Company completed a Definitive Feasibility Study ("DFS") for Makhado during FY2013 which indicates that the project has 344.8 million mineable tonnes in situ and a 16 year life of mine. The opencast project is expected to produce 12.6Mtpa of ROM coal yielding 2.3Mtpa of hard coking coal and 3.2Mtpa of thermal coal for domestic and export markets. The Makhado project finalised the FEED during the prior financial year.

An interim court interdict seeking to halt any mining or construction activity was issued against CoAL during the second quarter of the 2014 financial year. The condition compelling CoAL to conduct a Strategic Regional Impact Assessment has been set aside. The interim interdict against the Environmental Authorisation remains in place pending the review of the authorisation.

The Company was granted an IWUL for a period of 20 years but was automatically suspended following an appeal to the DWS submitted by the Vhembe Mineral Resources forum and other parties.

Once regulatory approvals and funding is in place, the company will seek to commence construction in calendar year 2018, subject to board approval.

Greater Soutpansberg Project (MbeuYashu) (74% owned)

The MbeuYashu Project recorded no LTIs during the period.

Mooiplaats Colliery - Ermelo Coalfield (74% owned)

The Mooiplaats thermal coal colliery was placed on care and maintenance during the September 2013 quarter and recorded no LTIs during the period (FY2016 H1: nil).

During the period the Company continued discussions with potential purchasers and is assessing options regarding a transaction at the colliery.

Corporate

Baobab Mining and Exploration (Proprietary) Limited ("Baobab")

The Company entered into a non-binding Memorandum of Understanding ("MOU"), in the prior period, with Qingdao Hengshun Zhongsheng Group Co Ltd ("Hengshun") with respect to a proposed equity investment in Baobab, a subsidiary of CoAL. Baobab is the legal owner of the mining right for the Makhado Project. Hengshun is an industrial conglomerate incorporated in Qingdao, Shandong Province, China and listed on the Shenzen Stock Exchange.

As the Company has been focusing on the acquisition of a cash generating asset and the repayment of the final legacy issues, there has been no progression of the MOU.

Yishun Brightrise Investment PTE Limited ("Yishun")

In September 2015, the Company and Yishun entered into a Loan Agreement in terms of which Yishun has agreed to lend the Company $10 million. The loan bears no interest and is repayable in certain circumstances.

During May 2016, the Company and Yishun amended the terms of the Loan to specify the conditions that would trigger the repayment of the Loan. The long stop date for the conditions was agreed as 31 December 2016 and if none of these trigger events occurred prior to the long stop date then the Loan would become convertible to equity. None of the trigger events have occurred and the Company will now convert the Loan to equity at the agreed price of $0.04081 per share.

The total amount of Conversion Shares will amount to 245,037,980 and the conversion into equity will occur in two tranches. The first tranche of 240,042,603 shares has taken place under the general placement authority according to the ASX Listing rule 7.1 and the second tranche of 4,995,378 shares will be converted into equity once the general placement authority has been replenished by shareholders at the Annual General Meeting ("AGM"). Post the issue of both tranches of the Conversion Shares Yishun will have a shareholding of 428,269,241 ordinary shares equating to a 19.28% shareholding of the Company. Yishun will have the right to nominate an independent director to the Board of CoAL.

Financial review

The loss for the six months under review was $12.97 million or 0.68 cents per share compared to a loss of $14.3 million, or 0.77 cents per share for the prior corresponding period.

The loss for the period under review of $12.97 million (H1 2015: $14.3 million) includes:

- net foreign exchange gain of $2.9 million (2015: loss of $9.4 million) arising from the translation of inter-group loan balances, borrowings and cash due to changes in the ZAR:USD and AUD:USD exchange rates during the period;
- employee benefit expense of $2.5 million (2015 expense: $2.0 million)
- other expenses of $2.3 million (2015: $3.2 million)
- an impairment of $10.6 million was recognized on the intangible asset due to the Company deciding not to renew its agreement with Terminal de Carvao da Matola ("TCM") which granted the Company port capacity through the Matola terminal until 2028.
- depreciation of $0.2 million (2015: $0.2 million) and amortisation of NIL (2015: $0.4 million).

As at 31 December 2016, the Company had cash and cash equivalents of $7.0 million compared to cash and cash equivalents of $19.5 million at 30 June 2016.

Authorised and issued share capital

CoAL had 1,927,001,328 fully paid ordinary shares in issue as at 31 December 2016. The holders of ordinary shares are entitled to one vote per share and are entitled to receive dividends when declared.

Dividends

No dividends were declared or paid during the six months.

Highlights and events after the reporting period

M&G INVESTMENT MANAGEMENT LIMITED SHARE PLACEMENT

On 8 February 2017, 49,007,596 CoAL shares were issued to the company's shareholder M&G Investment Management Limited at a price of $4.081 cents per share in terms of the subscription agreement entered into between the Company and M&G to raise $2 million for working capital purposes.

YISHUN LOAN CONVERSION TO EQUITY

Refer above for details of the Yishun loan conversion.

TEN MILLION DOLLAR INVESTMENT

The Company entered into an agreement with an external party to raise $10 million via the issuance of new equity, which is subject to shareholder approval. The use of these funds is restricted until 31 March 2017. However if certain conditions precedent are not met by this date the funds can be used at the Company's discretion subsequent to receipt of shareholder approval, and become unrestricted.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, date 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 25 of the half-year report.

The half-year report set out on pages 8 to 23, which has been approved on the going concern basis, was approved by the board on 14 March 2017 and was signed on its behalf by:

Bernard Robert Pryor	**David Hugh Brown**
Chairman	Chief Executive Officer
14 March 2017	14 March 2017

Dated at Johannesburg, South Africa, this 14th day of March 2017.

COAL OF AFRICA LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Six months ended 31 Dec 2016 $'000	Six months ended 31 Dec 2015 $'000
Continuing operations			
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Depreciation and amortisation		(168)	(614)
Foreign exchange profit /(loss)	4	2,912	(9,369)
Impairment of intangible asset	8	(10,620)	-
Employee benefits expense		(2,541)	(2,036)
Other expenses	4	(2,250)	(3,168)
Operating lease expenses		(97)	(97)
Other income		254	335
Operating loss		(12,510)	(14,949)
Interest income		149	327
Finance costs		(595)	(384)
Loss before tax		(12,956)	(15,006)
Income tax credit		148	1,067
Net loss for the period from continuing operations		(12,808)	(13,939)
Operations held for sale			
Loss for the period from operations held for sale	5	(159)	(386)
LOSS AFTER TAX		(12,967)	(14,325)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		8,422	(39,693)
Total comprehensive loss for the period		(4,545)	(54,018)
Loss for the period attributable to:			
Owners of the parent		(12,967)	(14,325)
Non-controlling interests		-	-
		(12,967)	(14,325)
Total comprehensive loss attributable to:			
Owners of the parent		(4,545)	(54,018)
Non-controlling interests		-	-
		(4,545)	(54,018)
Loss per share	13		
From continuing operations and operations held for sale			
Basic (cents per share)		0.68	0.77
Diluted (cents per share)		N/A	0.76
From continuing operations			
Basic (cents per share)		0.67	0.75
Diluted (cents per share		N/A	0.74

The accompanying notes are an integral part of these condensed consolidated financial statements

COAL OF AFRICA LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 Dec 2016 $'000	30 June 2016 $'000
ASSETS			
Non-current assets			
Development, exploration and evaluation assets	7	219,193	207,923
Property, plant and equipment		7,229	6,755
Intangible assets	8	-	10,489
Other receivables		773	1,013
Other financial assets		8,224	7,033
Restricted cash	9	267	249
Deferred tax assets		5,275	4,773
Total non-current assets		240,961	238,235
Current assets			
Inventories		3	5
Trade and other receivables		1,011	666
Other financial assets		187	188
Cash and cash equivalents	9	7,012	19,502
		8,213	20,361
Assets classified as held for sale	5	15,637	14,567
Total current assets		23,850	34,928
Total assets		264,811	273,163
LIABILITIES			
Non-current liabilities			
Deferred consideration	10	-	-
Provisions		6,179	4,003
Total non-current liabilities		6,179	4,003
Current liabilities			
Deferred consideration	10	10,309	16,016
Trade and other payables		2,129	2,323
Borrowings	11	10,000	10,000
Provisions		419	398
Current tax liabilities		1,208	1,249
		24,065	29,986
Liabilities associated with assets held for sale	8	2,613	2,732
Total current liabilities		26,678	32,718
Total liabilities		32,857	36,721
NET ASSETS		231,954	236,442
EQUITY			
Issued capital	12	1,006,435	1,006,435
Accumulated deficit		(749,370)	(736,403)
Reserves		(25,686)	(34,165)
Equity attributable to owners of the parent		231,379	235,867
Non-controlling interests		575	575
TOTAL EQUITY		231,954	236,442

The accompanying notes are an integral part of these condensed consolidated financial statements

COAL OF AFRICA LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued capital	Accumulated deficit	Share based payment reserve	Capital profits reserve	Foreign currency translation reserve	Attributable to owners of the parent	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016	1,006,435	(736,403)	2,274	91	(36,530)	235,867	575	236,442
Total comprehensive loss for the period	-	(12,967)	-	-	8,422	(4,545)	-	(4,545)
Loss for the period – continuing operations	-	(12,808)	-	-	-	(12,808)	-	(12,808)
Loss for the period – operations held for sale	-	(159)	-	-	-	(159)	-	(159)
Other comprehensive loss, net of tax	-	-	-	-	8,422	8,422	-	8,422
Share based payments	-	-	174	-	-	174	-	174
Share options cancelled or forfeited	-	-	(117)	-	-	(117)	-	(117)
Share options expired	-	-	-	-	-	-	-	-
Balance at 31 December 2016	1,006,435	(749,370)	2,331	91	(28,108)	231,379	575	231,954
Balance at 1 July 2015	992,374	(718,081)	7,205	91	(7,609)	273,980	575	274,555
Total comprehensive loss for the period	-	(14,325)	-	-	(39,693)	(54,018)	-	(54,018)
Loss for the period – continuing operations	-	(13,939)	-	-	-	(13,939)	-	(13,939)
Loss for the period – operations held for sale	-	(386)	-	-	-	(386)	-	(386)
Other comprehensive loss, net of tax	-	-	-	-	(39,693)	(39,693)	-	(39,693)
Shares issued for capital raising	14,895	-	-	-	-	14,895	-	14,895
Share issue costs	(832)	-	-	-	-	(832)	-	(832)
Share based payments	-	-	154	-	-	154	-	154
Share options cancelled or lapsed	-	-	(82)	-	-	(82)	-	(82)
Share options expired	-	2,448	(2,448)	-	-	-	-	-
Balance at 31 December 2015	1,006,437	(729,958)	4,829	91	(47,302)	234,097	575	234,672

The accompanying notes are an integral part of these condensed consolidated financial statements

COAL OF AFRICA LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Six months ended 31 Dec 2016 $'000	Six months ended 31 Dec 2015 $'000
Cash Flows from Operating Activities			
Receipts from customers		73	124
Payments to employees and suppliers		(5,300)	(5,565)
Cash used in operations		(5,227)	(5,441)
Interest received		214	327
Interest paid		(14)	(384)
Net cash used in operating activities		(5,027)	(5,498)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(179)	(75)
Proceeds on disposal of property plant and equipment		-	32
Payments for exploration and evaluation assets		(314)	(143)
Increase in other financial assets		(703)	(3,000)
Payments for development assets		-	(14)
Net cash used in investing activities		(1,196)	(3,200)
Cash Flows from Financing Activities			
Proceeds from the issue of shares and options		-	14,541
Share issuance costs		-	(832)
Repayment of deferred consideration		(6,274)	(992)
Proceeds from borrowings		-	10,000
Net cash (used in)/generated from financing activities		(6,274)	22,717
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(12,497)	14,019
Cash and cash equivalents at the beginning of the half-year		19,742	17,759
Foreign exchange differences		39	(1,753)
Cash and cash equivalents at the end of the half-year	9	7,284	30,025

The accompanying notes are an integral part of these condensed consolidated financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134: '*Interim Financial Reporting'*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting'*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of financial instruments and assets held for sale. Cost is based on the fair values of the consideration given in exchange for assets.

All amounts are presented in United States dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2016 annual financial report for the financial year ended 30 June 2016, except for the impact of the Standard and Interpretations described below. These accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards ("IFRS").

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2014-3 *Amendments to Australian Accounting Standards –Accounting for Acquisitions of Interest in Joint operations*
- AASB 2014-4 Amendments to Australian Accounting Standards -Clarification of Acceptable Methods of *Depreciation and Amortisation*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

2. GOING CONCERN

The half year financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net loss after tax for the half year ended 31 December 2016 of $12.97 million (31 December 2015: loss of $14.3 million), which included a foreign exchange gain of $2.9 million, depreciation charges of $0.2 million and an impairment charge of $10.6 million relating to intangible assets.

During the six month period ended 31 December 2016 net cash outflows from operating activities were $5.0 million (31 December 2015 net outflow: $5.5 million), net cash outflows from investing activities were $1.2 million (31 December 2015 net outflow: $3.2 million) and net cash outflows from financing activities were $6.3 million (31 December 2015 net inflow: $22.7 million). As at 31 December 2016 the Consolidated Entity had a net current liability position of $15.9 million (30 June 2016: net current liability of $9.6 million), excluding assets and liabilities associated with assets held for sale.

2. GOING CONCERN (continued)

The current liability position as at 31 December 2016 is primarily a result of deferred consideration payment totalling $10.3 million due by the Company to Rio Tinto Minerals Development Limited agreed upon monthly repayments of $0.65 million, an additional payment of $0.25 million in March 2017, an additional payment of $0.15 million in April 2017 and a final payment of $6.95 million (refer note 10) by 15 June 2017, combined with borrowings of $10 million due to Yishun Brightrise Investment PTE Limited ("Yishun"), which was only due for repayment under limited circumstances.

The directors have prepared a cash flow forecast for the period ending 30 June 2018, which indicates that the consolidated entity will have sufficient cash flow to fund its operations for at least the twelve month period from the date of signing this report, which has been based on the following assumptions:

a) Conversion of the $10 million loan from Yishun Brightrise Investment PTE Limited ("YBI") into equity. As announced on 17 February 2017, the Company has received notice from YBI requesting the conversion of the loan into ordinary share capital, and therefore no cash settlement will occur.

b) On 8 February 2017, 49,007,596 CoAL shares were issued to the company's shareholder M&G Investment Management Limited at a price of $4.081 cents per share in terms of the subscription agreement entered into between the Company and M&G to raise $2 million for working capital purposes.

c) The Company has entered into an agreement with an external party to raise $10 million via the issuance of new equity, which is subject to shareholder approval. The use of these funds is restricted until 31 March 2017. However if certain conditions precedent are not met by this date the funds can be used at the Company's discretion subsequent to receipt of shareholder approval, and become unrestricted.

d) Excluding the funding related matters noted in points (a) – (c) above, at the date of approval of the financial statements, the Consolidated Entity has received commitments for funding in excess of $18 million, which it is considering as part of an overall analysis of funding options.

e) Conclusion of the sale of the Mooiplaats Colliery and Holfontein Thermal Coal Project, which are classified as held for sale at 31 December 2016, and are expected to complete within 12 months of the reporting date (refer to note 5 for further details).

The Directors believe that at the date of signing the financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the Consolidated Entity will have sufficient funds to meet its obligations as and when they fall due, and are of the opinion that the use of the going concern basis remains appropriate.

3. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Chief Executive Officer ("CEO") for the purposes of resource allocation and assessment of performance is more specifically focused on the stage within the mining pipeline that the operation finds itself in. During the period, the CEO determined that it was more appropriate to review the operating results of the identified segments and make decisions about resources to be allocated to the segment and assess its performance from an entity perspective rather than a consolidated perspective. Accordingly, the presentation of the information has changed from the prior period for total assets. The prior period total assets have been restated to reflect the change.

The Group's reportable segments under AASB 8 are therefore as follows:

- Exploration;
- Development;
- Mining (operations held for sale)

3. SEGMENT INFORMATION (continued)

The Exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As at 31 December 2016, projects within this reportable segment include exploration stage coking and thermal coal complexes, namely:

- four exploration stage coking and thermal coal projects, namely Chapudi, Generaal, Mopane and Telema & Gray;
- the Makhado Project.

The Development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As at 31 December 2016 projects included within this reportable segment include the Vele Colliery, in the early operational and development stage.

The Mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale and consists of the Mooiplaats Colliery. As of 30 June 2014, the Mooiplaats Colliery has been classified as operations held for sale.

The Group evaluates performance on the basis of segment profitability, which represents net operating (loss) / profit earned by each reportable segment.

Each reportable segment is managed separately because, amongst other things, each reportable segment has substantially different risks.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

The Group's reportable segments focus on the stage of project development and the product offerings of coal mines in production.

In order to reconcile the segment results with the consolidated statement of profit or loss and other comprehensive income the operations held for sale should be deducted from the segment total and the corporate results (as per the reconciliation later in the note should be included).

The following is an analysis of the Group's results by reportable operating segment for the period under review:

For the six months ended 31 December 2016

	Continuing operations		Operations held for sale	
	Exploration	Development	Mining	Total
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross loss	-	-	-	-
Depreciation and amortisation	(33)	(19)	-	(52)
Foreign exchange gain	1,076	-	-	1,076
Employee benefits expense	(60)	(160)	(144)	(364)
Other expenses	(90)	(384)	(84)	(558)
Operating lease expenses	(3)	-	(8)	(11)
Other income	-	33	12	45
Operating profit / (loss)	890	(530)	(224)	136
Interest income	-	7	65	72
Finance costs	(534)	(59)	-	(593)
Profit/(loss) before tax	356	(582)	(159)	(385)

3. SEGMENT INFORMATION (continued)

For the six months ended 31 December 2015

	Continuing operations		Operations held for sale	
	Exploration	Development	Mining	Total
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross loss	-	-	-	-
Depreciation and amortisation	(34)	(24)	-	(58)
Foreign exchange loss	(4,635)	-	2	(4,633)
Employee benefits expense	(53)	(174)	(142)	(369)
Other expenses	(188)	(530)	(271)	(989)
Operating lease expenses	(8)	-	(8)	(16)
Other income	-	1	2	3
Operating loss	(4,918)	(727)	(417)	(6,062)
Interest income	-	-	32	32
Finance costs	(383)	-	(1)	(384)
Loss before tax	(5,301)	(727)	(386)	(6,414)

The following is an analysis of the Group's assets by reportable operating segment:

	31 Dec 2016 $'000	30 June 2016 $'000
Exploration	116,899	112,242
Development	116,038	105,941
Total assets – continuing operations	232,937	218,183
Mining – operations held for sale	15,637	14,567
Total segment assets	248,574	232,750

Reconciliation of segment information to the consolidated financial statements:

	31 Dec 2016 $'000	31 Dec 2015 $'000
Total loss for reportable segments	(385)	(6,414)
Depreciation and amortisation	(117)	(556)
Impairment of intangible asset	(10,620)	-
Foreign exchange profit/(loss)	1,836	(4,734)
Employee benefits expense	(2,321)	(1,809)
Other expenses	(1,775)	(2,450)
Operating lease expenses	(94)	29
Other income	221	215
Interest income	143	327
Finance costs	(3)	-
Loss for the period from operations held for sale	159	386
Loss before tax	(12,956)	(15,006)

3. SEGMENT INFORMATION (continued)

	31 Dec 2016 $'000	30 June 2016 $'000
Total segment assets	248,574	232,750
Unallocated property, plant and equipment	1,361	3,379
Intangible assets	-	10,489
Other financial assets	6,670	5,611
Other receivables	1,279	1,013
Unallocated current assets	6,927	19,921
Total assets	264,811	273,163

The reconciling items relate to corporate assets.

4. RESULTS FOR THE PERIOD

Loss for the period from continuing operations has been arrived at after charging or (crediting):

	31 Dec 2016 $'000	31 Dec 2015 $'000
Foreign exchange profit/(loss)		
Unrealised	3,009	(9,291)
Realised	(97)	(78)
	2,912	(9,369)

Other expenses

Other expenses for the six months ended 31 December 2016 includes, $0.2 million (2015: $0.3 million) for environmental expenses, $0.4 million (2015: $0.5 million) relating to transaction costs and social labour plan costs of $0.01 million (2015: $0.1million).

5. OPERATIONS HELD FOR SALE

	31 Dec 2016 $'000	30 June 2016 $'000
Carrying amounts of		
Holfontein Investments Proprietary Limited ('Holfontein')	-	-
Langcarel Proprietary Limited ('Mooiplaats')	13,024	11,835
	13,024	11,835
Assets associated with operations held for sale		
Holfontein	-	-
Mooiplaats	15,637	14,567
	15,637	14,567
Liabilities associated with operations held for sale		
Holfontein	-	-
Mooiplaats	2,613	2,732
	2,613	2,732
	13,024	11,835

5. OPERATIONS HELD FOR SALE (continued)

Holfontein

The Company is in the process of finalising agreements for the disposal of the Holfontein Thermal Coal Project near Secunda in Mpumalanga. The Company has received non-refundable option fees until the sale is concluded.

Mooiplaats

The Company has announced a long term strategy to dispose of its thermal assets in order to focus on the development of the coking coal assets. The Company is actively seeking a buyer for this business and expects to complete a sale during the next financial year. An offer has been received by the Company providing an indicative price for the disposal of Mooiplaats and the Company has accepted the offer. The Group has not recognised any impairment on the Mooiplaats Colliery during the period.

The major classes of assets and liabilities of Mooiplaats at the end of the reporting period are as follows:

	31 Dec 2016 $'000	30 June 2016 $'000
Assets classified as held for sale		
Property, plant and equipment	15,129	14,069
Other financial assets	217	202
Restricted cash	-	219
Inventories	1	-
Trade and other receivables	18	56
Cash and cash equivalents	272	21
	15,637	14,567
Liabilities classified as held for sale		
Provisions	2,184	2,332
Trade payables and accrued expenses	429	400
	2,613	2,732
Net assets of Mooiplaats	13,024	11,835

The loss for the half-year from the discontinued operations is analysed as follows:

	Six months ended 31 Dec 2016 $'000	Six months ended 31 Dec 2015 $'000
Revenue	-	-
Other gains	-	-
	-	-
Expenses	(159)	(386)
Loss before tax	(159)	(386)
Loss for the period from operations held for sale (attributable to owners of the parent)	(159)	(386)
Cash flows from discontinued operations held for sale		
Net cash outflows from operating activities	(426)	(410)
Net cash outflows from investing activities	(72)	(274)
Net cash inflows from financing activities	513	638
Net cash outflows	15	(46)

6. DIVIDENDS

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2016 (2015: Nil).

7. DEVELOPMENT, EXPLORATION AND EVALUATION ASSETS

	31 Dec 2016 $'000	30 June 2016 $'000
Development, exploration and evaluation assets comprise:		
Exploration and evaluation assets	108,998	104,893
Development expenditure	110,195	103,030
Balance at end of period	219,193	207,923

A reconciliation of development, exploration and evaluation assets is presented below:

Exploration and evaluation assets

	31 Dec 2016 $'000	30 June 2016 $'000
Balance at beginning of period	104,893	118,498
Additions	312	1,187
Adjustment to rehabilitation asset	(35)	(18)
Foreign exchange differences	3,828	(14,774)
Balance at end of period	108,998	104,893

Development assets

Balance at beginning of period	103,030	114,315
Additions	4	-
Transfer from property, plant and equipment	-	6,501
Adjustment to rehabilitation asset	1,867	(167)
Deferred tax asset	-	(1,488)
Foreign exchange differences	5,294	(16,131)
Balance at end of period	110,195	103,030

As of 31 December 2016 the net book value of the following project assets were included in Development assets:

- Vele Colliery: $110.2 million

In terms of AASB 136 – Impairment of Assets management have identified no indicators that the Vele assets may be impaired and have not performed a formal impairment assessment as at 31 December 2016.

8. INTANGIBLE ASSETS

In August 2008 the Company entered into a throughput agreement with Terminal de Carvao da Matola ("TCM"), a subsidiary of Grindrod, the operator of the Matola Terminal, and CMR Engineers & Project Managers Proprietary Limited.

This agreement granted the Company one mtpa of port capacity through the Matola terminal commencing 1 January 2009, for an initial term of five years. This capacity was increased to approximately three mtpa in March 2011 and the Company had the right to renew the agreement (subject to certain conditions) at the end of the initial term, for further periods of 3 successive periods of 5 years each for a total of 15 years.

8. INTANGIBLE ASSETS (continued)

During the 2015 financial year the Company reached an agreement with Grindrod to settle the current liabilities to date as well as cover all future take or pay obligations until 31 December 2016. CoAL decided not to renew the take or pay obligation beyond 31 December 2016 to avoid any further liabilities until production can be forecast with certainty, and as a result impaired the intangible asset.

New terms can be negotiated if required to facilitate any production by its Vele Colliery and Makhado Project.

9. CASH AND CASH EQUIVALENTS

	31 Dec 2016 $'000	30 Jun 2016 $'000
Bank balances	7,012	19,502
Bank balances associated with discontinued operations (refer Note 5)	272	21
	7,284	19,523
Restricted cash	267	249
Restricted cash associated with discontinued operations (refer Note 5)	-	219
	267	468

10. DEFERRED CONSIDERATION

The deferred consideration relates to the second tranche (part of the total acquisition price of $75 million for Chapudi and Kwezi) of $30 million payable to Rio Tinto. The Company is required to make a minimum payment of $650,000 plus interest per month as well as additional committed money on the sale of non-core assets. The interest on the arrangement is 4%. Post 31 December 2016, it was agreed with Rio Tinto to pay an additional $0.25 million in March 2017 and an additional $0.15 million in April 2017. Full and final settlement of the outstanding balance plus all accrued interest is payable by 15 June 2017.

11. BORROWINGS

During the previous period, a loan for $10 million was provided to the Company by its shareholder Yishun. The loan bears no interest and is only repayable in limited circumstances. Subsequent to 31 December 2016, the Company received notice from Yishun requesting the conversion of the loan to CoAL ordinary shares. Refer to note 15 for details of the conversion.

12. ISSUED CAPITAL

During the reporting period, there were no shares issued.

	31 Dec 2016 $'000	30 June 2016 $'000
1,927,001,328 (2015: 1,743,568,613) fully paid ordinary shares	1,006,435	1,006,435
Movements in issued capital		
Opening balance	1,006,435	992,374
Shares issued, net of costs	-	14,061
	1,006,435	1,006,435

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

12. ISSUED CAPITAL (continued)

Options

The following unlisted options to subscribe for ordinary fully paid shares are outstanding at 31 December 2016:

Number Issued	Exercise Price	Expiry Date
2,670,000	ZAR7.60	14 February 2017
3,932,928	ZAR1.75	30 June 2017
20,000,000*	ZAR1.32	21 October 2018
5,000,000	GBP0.055	26 November 2018

* Issued to Investec as part of the short term bridging facility and vest six months after granting.

During the period 10,575,000 options were cancelled.

Performance Rights

Number Issued	Issue Date	Expiry Date
32,373,419	27 November 2015	1 December 2018
35,409,403	30 November 2016	29 November 2019

On 30 November 2016, 35,409,403 Performance Rights were issued to senior management. During the period, 1,075,705 Performance Rights were forfeited from the 27 November 2015 issue.

13. LOSS PER SHARE

	Six months ended 31 Dec 2016	Six months ended 31 Dec 2015
13.1 Basic loss per share	Cents per share	Cents per share
Basic loss per share		
From continuing operations	0.67	0.75
From discontinued operations	0.01	0.02
	0.68	0.77
	$'000	$'000
Loss for the period attributable to owners of the parent	(12,967)	(14,325)
Loss for the period from operations held for sale	159	386
Loss used in the calculation of basic loss per share from continuing operations	(12,808)	(13,939)

	Six months ended 31 Dec 2016	Six months ended 31 Dec 2015
	'000 shares	'000 shares
Weighted number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	1,896,412	1,865,824

13. LOSS PER SHARE (continued)

13.2 Diluted loss per share

Diluted loss per share is calculated by dividing loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of diluted ordinary share that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

As at 31 December 2016, 99,385,850 options (2015 – 78,170,637 options) were excluded from the computation of the loss per share as their impact is anti-dilutive. Furthermore at 30 June 2016, the TMM options had expired and is not included in the calculation.

13.3 Headline loss per share (In line with JSE listing requirements)

The calculation of headline loss per share at 31 December 2016 was based on the headline loss attributable to ordinary equity holders of the Company of $5.4 million (2015: $14 million) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2016 of 1,896,412,421 (2015: 1,865,823,514).

The adjustments made to arrive at the headline loss are as follows:

	Six months ended 31 Dec 2016 $'000	Six months ended 31 Dec 2015 $'000
Loss for the period attributable to ordinary shareholders	12,967	14,325
Adjust for:		
Impairment losses	(10,620)	(358)
Headline earnings	2,347	13,967
Headline loss per share (cents per share)	0.12	0.75

14. CONTINGENCIES AND COMMITTMENTS

The Group has contingent liabilities as listed below:

Ferret Mining Proprietary Limited

During the 2015 financial year, Ferret's 26% shareholding in Mooiplaats Mining Limited was re-instated. Although they are not entitled to any assets or claims in the Mooiplaats group, they are entitled to receive ZAR15.0 million ($1.1 million) upon the successful disposal of the Mooiplaats Colliery. This has been taken into account in determining the fair value less costs to sell of the Mooiplaats Colliery.

Makhado Water Commitment

CoAL has agreed to acquire water allocation for the Makhado Project from water users situated near the proposed colliery and the Company has undertaken to increase supply assurance without impacting negatively on the water available for agriculture. The parties have in principle agreed to avoid endangering local agriculture by creating new water, primarily by reducing losses, improving distribution and countering leakages and evaporation. The creation of new water will be financed either through CoAL's funds, outside funding or a Public-Private-Partnership with one or more organs of State or other appropriate entities.

The overall objective is the co-existence of mining and agriculture and includes a feasibility study and the completion of projects identified in the study which will facilitate the creation of new water. In terms of the agreement, the Company will be required to pay a total of $7.9 million. The first payments of $1.8 million are due 90 and 180 days after the granting of the IWUL, a further $0.6 million is payable eight months after the IWUL is granted and the balance within five years of the granting.

14. CONTINGENCIES AND COMMITMENTS (continued)

Commitments

In addition to the commitments of the parent entity, subsidiary companies have financial commitments in terms of the NOMR granted by the South African DMR. The commitments are based on the revenue generated by the colliery during the financial year, and/or quantities of coal sold by the colliery during the financial year.

There are no other significant contingent liabilities as at 31 December 2016.

15. EVENTS SUBSEQUENT TO REPORTING DATE

M&G INVESTMENT MANAGEMENT LIMITED SHARE PLACEMENT

On 8 February 2017, 49,007,596 CoAL shares were issued to the company's shareholder M&G Investment Management Limited at a price of $4.081 cents per share in terms of the subscription agreement entered into between the Company and M&G to raise $2 million for working capital purposes.

YISHUN LOAN CONVERSION TO EQUITY

On 16 February 2017, the Company received notice from Yishun in terms of the amended and restated $10 million loan agreement between CoAL and Yishun to convert the outstanding amount in accordance with the loan agreement.

During September 2015 the Company entered into a loan agreement with Yishun pursuant to which Yishun advanced an amount of $10 million to the Company. The loan bore no interest and only became repayable in limited circumstances.

During May 2016 the Company and Yishun amended the terms of the Loan to specify the conditions that would trigger the repayment of the loan. The long stop date for the conditions was agreed as 31 December 2016 and if none of these trigger events occurred prior to the long stop date then the loan would become convertible to equity. None of the trigger events have been effected and the Company will now convert the loan to equity at the agreed price of $0.04081 per share.

The total amount of Conversion Shares will amount to 245,037,980 and the conversion into equity will occur in two tranches. The first tranche of 240,042,603 shares has taken place under the general placement authority according to the ASX Listing rule 7.1 and the second tranche of 4,995,378 shares will be converted into equity once the general placement authority has been replenished by shareholders at the Annual General Meeting ("AGM"). Post the issue of both tranches of the Conversion Shares YBI will have a shareholding of 428,269,241 ordinary shares equating to a 19.28% shareholding of the Company.

TEN MILLION DOLLAR INVESTMENT

The Company entered into an agreement with an external party to raise $10 million via the issuance of new equity, which is subject to shareholder approval. The use of these funds is restricted until 31 March 2017. However if certain conditions precedent are not met by this date the funds can be used at the Company's discretion subsequent to receipt of shareholder approval, and become unrestricted.

16. KEY MANAGEMENT PERSONNEL

Remuneration arrangement of key management personnel are disclosed in the annual financial report.

17. FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

16.1 Fair value of the Group's financial assets and financial liabilities that are measure at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

		31 Dec 2016	30 Jun 2016				
1.	Other financial assets – Unlisted Investments	Assets - $6.6m	Assets - $5.5m	Level 2	Value certificate obtained from investment institution	N/A	N/A
2.	Other financial assets – Listed Investments	Assets - $0.2m	Assets - $0.2m	Level 1	Quoted prices in an active market	N/A	N/A

The Directors declare that in the directors' opinion,

1. The condensed financial statements and notes of the consolidated entity are in accordance with the following:

   a. complying with accounting standards and the Corporations Act 2001; and

   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

Bernard Robert Pryor	David Hugh Brown
Chairman	Chief Executive Officer
14 March 2017	14 March 2017

Dated at Johannesburg, South Africa, this 14th day of March 2017.

Deloitte Touche Tohmatsu
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The Board of Directors
Coal of Africa Limited
Suite 8, 7 The Esplanade
Mount Pleasant WA 6153

14 March 2017

Dear Directors,

Auditor's Independence Declaration to Coal of Africa Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Coal of Africa Limited.

As lead audit partner for the review of the financial statements of Coal of Africa Limited for the half year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report to the members of Coal of Africa Limited

We have reviewed the accompanying half-year financial report of Coal of Africa Limited, which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 24.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Coal of Africa Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Coal of Africa Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Coal of Africa Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants
Perth, 14 March 2017