



ABN 98 008 905 388

**HALF-YEAR FINANCIAL REPORT FOR
PERIOD ENDED 31 DECEMBER 2010**

CORPORATE DIRECTORY

REGISTERED OFFICE

Level 1, 173 Mounts Bay Road
Perth
Western Australia 6000
Telephone: +61 8 9322 6776
Facsimile: +61 8 9322 6778
Email: perth@coalofafrica.com

SOUTH AFRICAN OFFICE

2nd Floor, Gabba Building
Dimension Data Campus
57 Sloane Street
Bryanston
Telephone: +27 11 575 4363
Facsimile: +27 11 576 4363

BOARD OF DIRECTORS

Non-executive

Richard Linnell (Chairman)
Peter Cordin
Steve Bywater
David Murray
Khomotso Mosehla
Mikki Xayiya
Rudolph Torlage

Executive

Simon Farrell (Executive Deputy Chairman)
John Wallington (Chief Executive Officer)
Blair Sergeant (Finance Director)
Professor Alfred Nevhutanda

COMPANY SECRETARY

Shannon Coates

AUDITORS

AUSTRALIA

Deloitte Touche Tohmatsu
240 St Georges Terrace
Perth WA 6000
Australia

UNITED KINGDOM

N/A

SOUTH AFRICA

Deloitte & Touche
Deloitte Place
Building 1
The Woodlands
20 Woodlands Drive
Woodmead 2052
South Africa

BANKERS

NAB Limited

Level 1, 1238 Hay Street
West Perth WA 6005
Australia

N/A

ABSA Bank

Palazzo Towers West
Monte Casino Boulevard
South Africa

CORPORATE DIRECTORY (CONTINUED)

BROKERS	AUSTRALIA Euroz Securities Limited Level 14, The Quadrant 1 William Street Perth WA 6000 Australia	UNITED KINGDOM Morgan Stanley 25 Cabot Square London E14 4QA United Kingdom	SOUTH AFRICA N/A
		Mirabaud 21 St James' Street London SW1Y 4JP United Kingdom	
LAWYERS	Blakiston&Crabb 1202 Hay Street West Perth WA 6005 Australia	Watson Farley Williams 15 Appold Street London EC2A 2HB United Kingdom	Bowman Gilfillan 165 West Street Sandton 2196 South Africa
NOMAD/ CORPORATE SPONSOR	N/A	Evolution Securities Limited 100 Wood Street London EC2V 7AN United Kingdom	Macquarie First South Advisers (Pty) Limited The Place, South Wing 1 Sandton Drive Sandown 2146 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 present their report on the consolidated entity comprising Coal of Africa Limited ("CoAL" or "the Company" or "the Group") and the entities it controlled for the six months ended 31 December 2010 together with the auditor's review report thereon:

1. Directors

The Directors of the Company in office during the six months and to the date of this report are:

Richard Linnell (Chairman)*
Peter Cordin*
Steve Bywater*
Khomotso Mosehla*
David Murray*
Rudolph Torlage*
Mikki Xayiya*
John Wallington (Chief Executive Officer)**
Simon Farrell (Deputy Chairman)**
Professor Alfred Nevhutanda **
Blair Sergeant (Finance Director)**

* Non-executive director
** Executive director

Review of Operations

Principal activity and nature of operations

The principal activity of the Consolidated Entity is the exploration, development and mining of its coal interests in South Africa.

During the 2010 financial year, the Company commenced production of export quality thermal coal from its Mooiplaats thermal coal project ("Mooiplaats Colliery") in Mpumalanga, South Africa. The acquisition of the NuCoal group of companies, also in Mpumalanga, added to the Company's production profile. CoAL exports the coal through the Matola Terminal in Maputo, Mozambique ("Matola Terminal").

CoAL also owns the Vele coking coal project ("Vele Colliery") and the Makhado coking coal project ("Makhado Project"), situated in Limpopo, South Africa. These are coking coal projects that the Company expects will supply both domestic and export markets. The construction of Vele Colliery was almost complete by the end of December 2010 and will be commissioned once the necessary regulatory approvals have been obtained. The Company has undertaken extensive exploration activities on the Makhado Project and has agreed to acquire coal prospects in the vicinity, which will substantially increase the project's coal resource.

These interim financial statements report the results of the consolidated entity for the six months ended 31 December 2010 and its financial position at that date. The financial statements have been prepared for the Australian Stock Exchange ("ASX"), the Alternative Investment Market ("AIM") of the London Stock Exchange and these Limited("JSE").

The period under review has been characterised by:

- The achievement of 1,000 fatality free production shifts at the Mooiplaats Colliery.
- Total coal sales of \$93m for the period compared to Nil during the corresponding period last year;
- Vele Compliance Notice resulting in the closure of the colliery on 5 August 2010. The Company is well advanced in meeting regulatory and mitigation requirements.
- Increasing production profile at Mooiplaats - up 59% to 375,000 run of mine ("ROM") tonnes for the period.

- Approval from the Department of Mineral Resources (“DMR”) for the exchange of New Order Prospecting Rights (“NOPR”) between CoAL and Rio Tinto controlled entities (“Rio Farm Swap”) allowing for the submission of the Makhado Project New Order Mining Right (“NOMR”) Application.
- Makhado Project Definitive Feasibility Study (“DFS”) near completion.
- Makhado bulk sample on schedule for testing by ArcelorMittal - extraction of over 350,000 bank cubic metres (“bcm”) of material during the six months.
- Agreement reached with Rio Tinto to acquire the Chapudi Coal Project and several other coal exploration properties (collectively “the Rio Coal Assets”) for US\$75 million, increasing resources by an estimated 1.040 million tonnes.

Woestalleen Colliery – Witbank Coal field (100%)

The Zonnebloem Colliery continued its impressive safety record during the period, and has not recorded a single lost time injury since start-up in 2008.

Woestalleen produced 948,057 tonnes of export coal and 201,450 tonnes of domestic coal between July and December 2010. This was generated from 1,692,233 tonnes of ROM coal from the Zonnebloem, Klipbank and Hartogshoop collieries. The ROM production was lower than the previous six-month period as a result of seasonal rainfall and the near completion of the Klipbank and Hartogshoop collieries’ life of mine. The production lost as a result of the closure of Hartogshoop and Klipbank will be made up by an increase in production from the Zonnebloem Colliery.

Mooiplaats Colliery – Ermelo Coalfield (100%)

The Mooiplaats Colliery achieved the significant milestone of 1,000 fatality free production shifts during September 2010 that had increased to over 1,200 shifts by the end of December 2010.

Production from the initial three sections increased during the six-month period with the fourth added in October 2010. The colliery increased production by 59% compared to the previous six months generating 375,752 tonnes of ROM coal compared to 236,798 tonnes in the corresponding period. ROM purchases to supplement the plant feed totaled 317,103 tonnes compared to 262,248 tonnes in the prior comparative period. During the half-year, 716,810 tonnes (H1 2010: 448,192) of ROM coal was processed yielding 383,153 tonnes of export quality coal (H1 2010: 150,457) and 123,628 tonnes of middlings coal (H1 2010: 39,652).

The deployment of a fifth section at the Mooiplaats Colliery is planned for mid-2011. A review of the Colliery is currently under way with the objective of maximising value. This will involve restructuring where appropriate and revision of mine planning based on the improved geological information as a consequence of targeted exploration work.

Despite upgrade and expansion related delays at the Matola Terminal and train derailment in December 2010, the Company railed 364,967 tonnes (H1 2010: 169,404) of Mooiplaats and Woestalleen coal to the port, a 115% increase over the previous six months. Export sales totaled 352,268 tonnes (H1 2010: 263,681) and domestic sales were 141,697 tonnes (H1 2010: 51,909).

At the end of October 2010, a Pre-Compliance Notice (“the Notice”) was issued to the Mooiplaats Colliery. Company representatives met with the Mpumalanga Department of Economic Development, Environment and Tourism shortly thereafter and subsequently the Notice was withdrawn. The Company continues to work with the relevant state departments to ensure full compliance.

Vele Colliery – Tuli Coalfield (100%)

Vele Colliery recorded one lost time injury during the construction and development phases of the project.

Project development included the construction of the open cast pit, processing plant and related mining infrastructure.

As a consequence of significant opposition to the Colliery, due primarily to a purported proximity to the Mapungubwe Heritage Site and ambitions for the creation of a Trans-Frontier park, in August 2010, the Department of Environmental Affairs ("DEA") issued a Compliance Notice for specific activities under taken during the construction of the Vele Colliery requiring the cessation of all activities on site. The Company has subsequently submitted rectification papers in terms of section 24G of the South African National Environmental Management Amendment Act, 1998 (Act No. 107 of 1998) ("NEMA") requesting permission to continue with the activities relevant to the Compliance Notice. CoAL has fully adhered to the instructions contained within the Compliance Notice and is complying with all relevant legislation. The Company expects clarity soon on the appropriate approvals enabling it to recommence activities. With reference to the Integrated Water Use License ("IWUL"), the Company has cooperated fully with the Department and complied with the legal requirements. The Company is expectant therefore that a decision in this regard should be imminent.

During November 2010, representatives of the United Nations Educational, Scientific and Cultural Organisation ("UNESCO") and senior government officials from the DMR and DEA visited the site to assess the co-existence of the Vele Colliery with the Mapungubwe World Heritage site. The Company is confident that it has addressed the concerns and designed sufficient mitigation into the mining layout and processes to ensure co-existence with eco-tourism and agriculture.

Makhado Project – Soutpansberg coal field (100%)

The extraction of the bulk sample at the Makhado Project commenced during the reporting period and by the end of December 2010, over 350,000 bcm's of material had been removed allowing for the extraction of the 19,100 tonne sample bulk sample to be sent to Exxaro Resources Limited's ("Exxaro") Tshikondeni mine for processing. The coking coal produced will be sent to ArcelorMittal's works for testing. The results of these tests are required for the completion of the DFS and to facilitate the finalisation of terms and conditions for the proposed off-take agreement between CoAL and ArcelorMittal.

By the end of the December 2010, CoAL had largely completed the DFS for the Makhado Project and is currently undergoing a review process, expected to be completed by end March 2011. This will be followed by the detailed design phase of the Project when approved by the CoAL Board, anticipated to be early in the third quarter of the calendar year.

Significant progress was made during the period towards completing the NOMR application for the Makhado Project which included baseline social and environmental studies conducted by independent experts. Consultation with interested and affected parties continued with the communities and land claimants affected by the Project. The NOMR was lodged subsequent to the end of the period. Extensive economic, social and environmental impact studies will be prepared as part of the process in formulating a detailed Environmental Management Programme ("EMP").

During the period, CoAL received confirmation from the DMR that the application for Ministerial consent in terms of the Mineral and Petroleum Resources Development Act (no. 28 of 2002) ("MPRDA") to effect the Rio Farm Swap had been approved. The rationalisation of the farms allowed CoAL to lodge the NOMR application for this Project. The Rio Farm Swap rationalizes the NOPR into well defined, economic coal projects and creates a further three significant coal projects around the Makhado Project.

During November 2010, the Company announced that it had entered into an agreement to acquire certain coal assets from Rio Tinto group companies. These assets are situated in the Soutpansberg Basin comprising both thermal and coking coal resources and are for the most part, contiguous to CoAL's existing holdings in the area. One of these projects, the Chapudi Coal Project, provides an estimated additional 1.040 million tonne JORC resource and is contiguous with the Company's Makhado Project. CoAL will retain properties that were to be exchanged in accordance with the Rio Farm Swap.

CoAL intends to use the acquisition of the Rio Coal Assets to continue and further build upon its extensive Broad Based Black Economic Empowerment ("BBBEE") initiatives. Specifically, CoAL intends to develop the Chapudi Coal Project and a potential Independent Power Producer project in collaboration with its proposed BBBEE partners, including the local communities and other broad based groupings.

The acquisition consideration payable by CoAL for the Rio Coal Assets is US\$75million and CoAL provided the Vendors with a US\$2 million cash deposit. The remainder of the consideration comprises US\$45 million payable on completion of the sale, including approval in accordance with Section 11 of the MPRDA. The remaining US\$30 million deferred cash consideration is not payable until either the granting of a NOMR covering one or more of the projects, or 2 years, whichever is the earlier.

Educational Trust

The Company established an educational trust in 2008 that provides bursaries to students from the areas surrounding CoAL's projects in the Limpopo and Mpumalanga provinces. Students sponsored by the trust have been provided with the opportunity to study mining and associated fields at academic and technical tertiary institutions in South Africa.

In 2010, the educational trust sponsored 39 students and the Company is proud to announce that at the end of the period, a bursary student graduated from Pretoria University with a Bachelor of Science in Metallurgical Engineering. A further two students completed their academic studies and have undertaken their in-service training prior to graduating later in 2011. The remaining students are supported and mentored by the trustees as well as CoAL staff.

Financial Results

Revenue from the sale of coal for the six months totalled \$93,386,039. No sales of coal were reported for the corresponding period last year. Revenue from the sale of coal arising from the acquisition of NuCoal only accrued to the Group with effect from January 2010.

The loss for the six months under review amounted to \$57,371,902, or 11.25 cents per share compared to a loss of \$41,421,106 or 12.30 cents per share for the prior corresponding period. This result is characterised by the high level of non-cash charges to the statement of comprehensive income.

CoAL's decision to restate the results for the year ended 30 June 2010, following a review of the accounting treatment for the option issued in terms of its Broad Based Black Economic Empowerment transaction, has had no effect on the current period's operating result. Shareholders are referred to Note 6 of the half-year report.

Depreciation and amortisation of \$30,287,571 was the biggest contributor to the loss. Further impairments of \$11,907,600 were recorded to the carrying value of assets held for sale, following the decision to dispose of Holfontein and NiMag. The Company also recorded an unrealised exchange loss of \$9,774,201 that arose from the translation of inter-group loan balances. Share option expenses contributed a further \$1,442,242 in non-cash expenditure.

As at 31 December 2010, the Company had cash of \$23,304,834 and working capital of \$ 11,930,635 compared to cash of \$101,062,757 and working capital of \$73,275,992 in June 2010. The Company has embarked on a number of initiatives to improve control of its working capital and to ensure the flow of operational capital is more efficient. These include a review of the existing operating structures and costs.

CoAL continues to work on a number of new debt facilities and remains confident of securing one or more currently under negotiation, which if finalised, will ensure that the Company has the ability to repay the US\$20 million facility to JP Morgan.

Marketing

The seaborne traded export thermal coal prices have steadily increased during the six months and peaked at approximately US\$130 per tonne for Free On Board sales from the Richards Bay Coal Terminal. These coal prices were underpinned by substantial demand for South African coal in Asia, specifically India and China, while the European market remained relatively subdued. The US dollar weakness has resulted in strong Australian and South African currencies that in turn increased the cost base for the coal produced in these territories.

The international thermal coal market remains volatile and intra-day movements of several dollars on the paper and physical markets are not uncommon. Sustained demand from India and China as well as supply side

constraints from countries exporting coal and a colder than expected European winter has further supported thermal coal prices in late 2010. The domestic thermal coal market has remained relatively stable to firm due to the demand for export thermal coal.

Australian supply disruptions as a result of severe flooding and an extreme wet season has impacted global hard coking coal prices which have steadily increased, peaking above US\$330 per tonne from a low of just above US\$200 per tonne.

Authorised and issued share capital

At 31 December 2010, Coal of Africa Limited had 530,514,663 fully paid ordinary shares in issue. 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

- The NOMR application for the Makhado Project was lodged with the DMR during January 2011 and accepted in February 2011 thus enabling the Company to commence with the extensive economic, social and environmental impact studies required for the completion of the EMP.
- During January 2011, the DMR executed the NOPR for the Rio Farm Swap, completing the final administrative step required for completion of the transaction.
- The Company completed the extraction of the Makhado Project bulk sample, which will now be processed at Exxaro's Tshikondeni Colliery to produce some 5,000 tonnes of coking coal.
- Commissioning of the Phase 3 expansion at the Matola Terminal providing CoAL with 3 million tonnes per annum allocation at the port.

Outlook

Expected developments during the next reporting period include:

- Clarity and resolution of the situation at Vele.
- Completion of the Makhado bulk sample tests at ArcelorMittal followed by the DFS.
- Commissioning of Phase 3 of the Matola Terminals upgrade during March 2011, thereby increasing CoAL's export allocation from one to three million tonnes per annum.
- Increasing the production profile at the Mooiplaats Colliery to assist in meeting the port allocation referred to above.
- Progress the Rio Coal Asset acquisition, including finalizing terms with potential partners.

Additional disclosures

The additional information can be found in the notes to the half-year financial statements. These disclosures have been included to give a true and fair view of the Company's financial performance and position as required by the Corporations Act 2001.

Corporate Activity

The Company previously announced that it intends transferring its primary listing from the ASX and would seek approval for admission to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Main Market ("LSE"). As a result of the delay in the commencement of the Vele Colliery, the CoAL Board considered it prudent that the transfer to the LSE be delayed.

Auditors

The change in the Company's auditors to Deloitte was approved by shareholders on 17 November 2010.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 23.

The half-year report set out on pages 10 to 21, which has been approved on the going concern basis, was approved by the board on 16 March 2011 and was signed on its behalf by:



John Wallington
Chief Executive Officer

Dated at Johannesburg, South Africa, this 16th day of March 2011

Resource Estimation:

The information in this report that relates to the Chapudi Coal Project's estimated 1,040Mt JORC Resource is based on information compiled by Steen Kristensen, who is a member of the Australian Institute of Mining and Metallurgy and who qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' ("JORC Code"). Steen is a full-time employee of Rio Tinto Energy and has experience that is relevant to the style of mineralisation and type of deposits under consideration. Steen Kristensen consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration results, mineral resources or ore reserves in respect of the Makhado coking coal project is based on information compiled by Mark Craig Stewardson, who is registered as a Professional Natural Scientist (PrSci Nat, Reg. No. 400119/93) with the South African Council for Natural Scientific Professions ("SACNASP"), which is a Recognised Overseas Professional Organisation ("ROPO") in terms of the JORC Code. Mark Craig Stewardson is employed by Mineral Corporation Consultancy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the JORC Code. Mark Craig Stewardson consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

COAL OF AFRICA LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	6 months ended 31 December 2010 A\$	6 months ended 31 December 2009 A\$
Sale of goods	93,386,039	-
Cost of sales (excluding distribution costs)	(74,797,040)	(1,421,219)
Gross Profit	18,588,999	(1,421,219)
Interest and other income	1,445,775	2,000,571
Distribution costs	(14,528,097)	(4,124)
Take or Pay obligations	(103,595)	(3,392,587)
Total distribution costs	(14,631,692)	(3,396,711)
Consulting, accounting & professional expenses	(2,700,045)	(1,856,334)
Employee benefits expenses	(7,182,528)	(3,055,371)
Depreciation and amortisation expenses	(30,287,571)	(6,801,171)
Foreign exchange losses	(9,774,201)	(6,110,165)
Diminution in investments	(138,644)	(6,223,000)
Diminution in value of assets held for sale	(11,907,600)	(8,692,665)
Environmental provision	(1,694,201)	-
Finance costs	(668,263)	(144,106)
Other expenses	(14,529,063)	(3,822,072)
Total administration and other expenses	(78,882,116)	(36,704,884)
Loss before tax	(73,479,034)	(39,522,243)
Income tax benefit	13,214,808	3,474,376
Loss from continuing operations	(60,264,226)	(36,047,867)
Discontinued operation		
Profit from discontinued operations	568,975	864,410
Loss after income tax	(59,695,251)	(35,183,457)
Other Comprehensive Income		
Exchange differences on translating foreign operations	2,323,349	(6,237,649)
Total comprehensive loss for the period	(57,371,902)	(41,421,106)
Basic loss per share	(11.25) cents	(12.30) cents

The Consolidated Entity's potential ordinary shares were not considered dilutive as the Entity is in a loss position.

The accompanying notes form part of these half-year financial statements.

COAL OF AFRICA LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	Consolidated 31 December 2010 A\$	Consolidated 30 June 2010 A\$
CURRENT ASSETS			
Cash and cash equivalents		23,304,834	101,062,757
Trade and other receivables		18,109,172	31,812,006
Inventories		25,837,439	28,874,316
Assets held for sale		15,381,454	17,428,303
Other assets		365,635	396,602
Total Current Assets		82,998,534	179,753,984
NON CURRENT ASSETS			
Mining Assets		240,168,179	266,316,598
Exploration Expenditure		33,485,961	29,374,946
Property, plant and equipment		174,737,732	182,928,437
Development Expenditure		73,153,973	45,557,064
Logistics assets		34,082,673	37,897,472
Deferred tax assets		25,017,402	12,208,693
Other financial assets		21,366,716	21,373,986
Other intangible assets		-	3,540,213
Total Non Current Assets		602,012,636	599,197,409
TOTAL ASSETS		685,011,170	778,771,393
CURRENT LIABILITIES			
Trade and other payables		50,308,724	80,726,868
Borrowings		19,679,200	24,352,867
Provisions		366,774	1,023,228
Current tax liability		713,201	375,029
Total Current Liabilities		71,067,899	106,477,992
NON CURRENT LIABILITIES			
Borrowings		1,783,386	1,758,055
Provisions		16,027,772	10,790,064
Deferred tax liabilities		25,643,512	33,327,021
TOTAL NON CURRENT LIABILITIES		43,454,670	45,875,140
TOTAL LIABILITIES		114,522,569	152,353,132
NET ASSETS		570,488,601	626,418,261
EQUITY			
Contributed equity	3	778,046,671	778,046,671
Reserves		97,781,170	94,015,579
Retained earnings		(310,592,787)	(250,897,536)
TOTAL PARENT EQUITY INTEREST		565,235,054	621,164,714
Non Controlling Interests		5,253,547	5,253,547
TOTAL EQUITY		570,488,601	626,418,261

The accompanying notes form part of these half-year financial statements.

COAL OF AFRICA LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR
THE HALF YEAR ENDED 31 DECEMBER 2010**

	Contributed equity	Capital Profit Reserve	Foreign Currency Translation Reserve	Share Options Reserve	Retained earnings	Total	Non controlling Interest
	A\$	A\$	A\$	A\$	A\$	A\$	A\$
Balance at 30.6.2010 previously reported	778,046,671	136,445	(4,875,339)	9,754,473	(161,897,536)	621,164,714	5,253,547
Effect of prior period error for Firefly options (note 6)	-	-	-	89,000,000	(89,000,000)	-	-
As Re-stated	778,046,671	136,445	(4,875,339)	98,754,473	(250,897,536)	621,164,714	5,253,547
Balance at 1.7.2010	778,046,671	136,445	(4,875,339)	98,754,473	(250,897,536)	621,164,714	5,253,547
Options exercised during the period	-	-	-	-	-	-	-
Capital raising	-	-	-	-	-	-	-
Share based payments	-	-	-	1,442,242	-	1,442,242	-
Share issue costs	-	-	-	-	-	-	-
Profit/ (Loss) attributable to members of parent entity	-	-	-	-	(59,695,251)	(59,695,251)	-
Minority interests in investments	-	-	-	-	-	-	-
Foreign currency translation adjustments of foreign controlled operations	-	-	2,323,349	-	-	2,323,349	-
Balance at 31.12.2010	778,046,671	136,445	(2,551,990)	100,196,715	(310,592,787)	565,235,054	5,253,547

The accompanying notes form part of these half-year financial statements.

COAL OF AFRICA LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Contributed equity	Capital Profit Reserve	Foreign Currency Translation Reserve	Share Options Reserve	Retained earnings	Total	Non- Controlling interest
	A\$	A\$	A\$	A\$	A\$	A\$	A\$
Balance at 1.7.2009	569,267,119	136,445	(1,823,690)	8,876,771	(60,456,243)	523,640,036	7,679,634
Options exercised during the period	1,255,747	-	-	(509,235)	-	746,512	-
Capital raising	102,601,864	-	-	-	-	102,601,864	-
Share based payments	4,139,200	-	-	-	-	4,139,200	-
Share issue costs	(3,386,764)	-	-	-	-	(3,386,764)	-
Profit/ (Loss) attributable to members of parent entity	-	-	-	-	(35,183,457)	(35,183,457)	-
Minority interests in investments	-	-	-	-	-	(23,587)	(23,587)
Foreign currency translation adjustments of foreign controlled operations	-	-	(6,237,649)	-	-	(6,237,649)	-
Balance at 31.12.2009	673,877,166	136,445	(8,061,339)	8,367,536	(95,639,700)	586,296,155	7,656,047

The accompanying notes form part of these half-year financial statements.

COAL OF AFRICA LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated 31 December 2010 A\$	Consolidated 31 December 2009 A\$
Cash Flows used in Operating Activities		
Cash receipts in the course of operations	127,107,072	11,234,131
Interest received	1,134,982	1,828,547
Cash payments in the course of operations	(154,987,532)	(11,419,938)
Interest paid	(668,263)	(185,001)
Tax paid	(8,003,269)	(19,492)
Net cash (used in)/ generated by operating activities	(35,417,010)	1,438,247
Cash Flows used in Investing Activities		
Deposits paid on investments	-	(11,802,283)
Receipts from investments	-	1,446,416
Payments for development assets	(25,319,911)	-
Exploration expenditure	(4,225,363)	(4,644,188)
Proceeds on disposal of assets	2,772,173	-
Payments for investments	(3,965,885)	(10,271,719)
Payments for property, plant and equipment	(11,533,742)	(68,059,625)
Net cash used in investing activities	(42,272,728)	(93,331,399)
Cash Flows from Financing Activities		
Other loans repaid	(982,140)	-
Proceeds from issues of shares and options	-	99,961,612
Net cash (used in)/provided by financing activities	(982,140)	99,961,612
NET (DECREASE)/ INCREASE IN CASH HELD	(78,671,878)	8,068,460
Cash at the beginning of the half-year	101,062,757	87,032,875
Exchange rate adjustment	913,955	(1,059,277)
Cash at the end of the half-year	23,304,834	94,042,058

The accompanying notes form part of these half-year financial statements.

COAL OF AFRICA LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

1. Corporate information

The financial report of CoAL for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 16 March 2011. CoAL is a company incorporated in Australia and limited by shares, which are publicly traded on the ASX, AIM and the JSE.

The nature of the operations and principal activities of the group are described in the Directors' Report.

2. Summary of significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*. Compliance with AASB 1334 ensures compliance with International Financial Reporting Standard 134 *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.

Going Concern

The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Company will fund its future strategic and working capital requirements through capital raisings or debt, as it has successfully transacted in the past.

CoAL continues to work on a number of new debt facilities and remains confident of securing one or more currently under advanced negotiation, which if finalised, will ensure that the Company has the ability to repay the US\$20 million facility to JP Morgan which is due and payable on 24 March 2011 without affecting other planned cash flows.

Should the new debt facilities not be secured as planned the Directors are comfortable that the payment of the US\$20 million facility will be settled using existing cash reserves. The quantum and timing of all discretionary expenditures will be minimized or deferred to suit the Company's cash flow requirements from operations

Basis of preparation

The half-year condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are given in Australian dollars, unless otherwise noted.

The Directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances.

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 2010 annual financial report for the financial year ended 30 June 2010, 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.

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New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-5 Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no effect on the amounts reported for the current or prior periods.

(a) Dividends

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2010 (2009: None).

	Consolidated 31 December 2010 A\$
3. CONTRIBUTED EQUITY	
530,514,663 fully paid ordinary shares	<u>778,046,671</u>
Movements in contributed equity	
Opening balance at beginning of the period	778,046,671
Total equity at the end of the period	<u>778,046,671</u>

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

Options

The following options to subscribe for ordinary fully paid shares are outstanding at balance date:

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Number Issued	Number Quoted	Exercise Price	Expiry Date
9,074,998	-	A\$0.50	30 September 2011
250,000	-	A\$2.05	1 May 2012
7,000,000	-	A\$1.25	30 September 2012
1,000,000	-	A\$1.90	30 September 2012
600,000	-	A\$1.25	1 May 2012
1,650,000	-	A\$3.25	31 July 2012
5,000,000	-	A\$2.74	30 November 2014
912,500	-	A\$1.90	30 June 2014
2,500,000	-	A\$1.20	9 November 2015
1*	-	GBp0.60	1 November 2014

No options were exercised during the six months under review.

*1 Option to subscribe for 50 million ordinary shares for 60 pence each between 1 November 2010 and 1 November 2014 as approved by shareholders on 22 April 2010.

4. 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.

Operating segments

The Group comprises the following main operating segments:

Coal exploration and mining:	Mining of coal at the Mooiplaats and Woestalleen collieries and exploration activities across other coal related interests
Investing:	Equity investments in South Africa, Australia and United Kingdom

Segment performance for the six months ended 31 December 2010:

	Revenue		Segment profit/ (loss)	
	Half-year ended		Half-year ended	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	A\$	A\$	A\$	A\$
Continuing operations				
Coal mining and exploration	93,386,039	28,237	18,588,999	(1,421,219)
Investing	1,134,982	1,826,898	-	-
Other	309,293	145,436	-	-
	94,830,314	2,000,571	18,588,999	(1,421,219)

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	Revenue Half-year ended		Segment profit/ (loss) Half-year ended	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
SEGMENT INFORMATION (CONTINUED)				
Interest and other income			1,445,775	2,000,571
Distribution costs			(14,631,692)	(3,396,711)
Consulting, accounting & professional fees			(2,700,045)	(1,856,334)
Foreign exchange losses			(9,774,201)	(6,110,165)
Employee expenses			(7,182,528)	(3,055,371)
Depreciation and amortisation expenses			(30,287,571)	(6,801,171)
Diminution in investments			(138,644)	(6,223,000)
Environmental provisions			(1,694,201)	-
Impairment of assets held for sale			(11,907,600)	(8,692,665)
Finance costs			(668,263)	(144,106)
Other expenses from ordinary activities			(14,529,063)	(31,822,072)
Net loss before tax from continuing operations			(73,479,034)	(40,097,471)
Discontinued operations				
Alloy manufacturing	14,899,659	11,247,799	568,975	864,410
Loss before tax			(72,910,059)	(39,522,243)
Income tax expenses (continuing and discontinuing operations)			13,214,808	3,474,376
Consolidated segment revenue and loss for the period	109,729,973	13,248,370	(59,695,251)	(35,183,457)

The revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period.

Segment profit represents the profit earned by each segment without allocation of administration costs and directors' salaries, finance costs, income tax expense, depreciation or amortisation expenses.

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

	Segment Half-year ended	
	31 December 2010 A\$	30 June 2010 A\$
Coal mining and exploration	629,883,774	111,048,913
Investing	33,829,755	596,202,841
Other	21,297,641	71,519,639
	685,011,170	778,771,393

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5. ASSETS HELD FOR SALE

	31 December 2010	30 June 2010
	A\$	A\$
HOLFONTEIN INVESTMENTS (PTY) LTD		
Carrying value of investment at beginning of the year	17,428,303	25,540,957
Diminution in value of asset held for sale	(8,317,942)	(8,386,435)
Capitalised expenditure – at cost	-	136,705
Exchange differences	(63,927)	137,076
Carrying value at end of year	<u>9,046,434</u>	<u>17,428,303</u>

The Company's investment in the Holfontein Project continues to be available for sale. CoAL has entered into a formal sale process to dispose of the investment.

NIMAG (PTY) LTD

Carrying value of investment at beginning of the year	10,575,137	-
Diminution in value of asset held for sale	(3,589,658)	-
Exchange differences	(352,956)	-
Share of subsidiaries' net (loss) / profit	589,131	-
Carrying value at end of year	<u>7,221,654</u>	<u>-</u>

CoAL considers NiMag a non-core asset and has commenced with a formal disposal process.

6. PRIOR YEAR ADJUSTMENT

The Annual Report for the year ended 30 June 2010 disclosed the basis of an agreement entered into with respect to BBEE. CoAL reported that the option granted on 22 April 2010 to give effect to the transaction had not been issued at the reporting date and that, based on the advice received – the transaction did not meet the requirements of AASB 2 – Share Based Payment – did not record the transaction in accordance with AASB 2.

The Board has reviewed the advice given and consulted further on this matter and has, regrettably, concluded that the provisions of AASB 2 do apply to the transaction. It is therefore necessary to restate the financial statements.

This has resulted in a non-cash charge of \$89,000,000 to the Statement of Comprehensive Income and a corresponding credit to Equity in the Statement of Financial Position. The effect of this adjustment has been to increase the loss per share for the year ended 30 June by 19.48 cents per share to 41.69 cents per share. The accounting treatment has no effect on the result for the current reporting period nor has it any effect on shareholder value as at 30 June 2010.

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PRIOR YEAR ADJUSTMENT (CONTINUED)

The effect of the misstatement is reflected below:

	June 2010 Re-stated balances A\$	June 2010 Disclosed previously A\$
STATEMENT OF COMPREHENSIVE INCOME		
Net loss attributable to members of the parent entity	(190,441,293)	(101,441,293)
Other comprehensive income		
Foreign currency translation differences	(3,051,649)	(3,051,649)
Total comprehensive loss for the period	(193,492,942)	(104,492,942)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
EQUITY		
Contributed equity	778,046,671	778,046,671
Reserves	94,015,579	5,015,579
Retained earnings	(250,897,536)	(161,897,536)
Total parent equity interest	621,164,714	621,164,714

7. (LOSS)/ EARNINGS PER SHARE

	December 2010 A\$	December 2009 A\$
Basic loss per share (cents per share)	(11.25)	(12.30)
Weighted average number of ordinary shares used as the denominator	530,514,663	456,817,409

Headline Earnings Reconciliation

Profit / (Loss) after income tax for the period attributable to ordinary shareholders	(59,695,251)	(35,183,457)
Diminution in value of assets and investments	12,046,244	15,773,641
Profit / (Loss) after income tax for the period attributable to ordinary shareholders	(47,649,007)	(19,409,816)
Headline loss per share (cents per share)	(8.98)	(6.79)

As at 31 December 2010, there were 25,487,498 (June 2010: 25,487,498) options outstanding over unissued capital exercisable at amounts ranging between \$0.50 and \$3.25 (June 2010: \$0.50 and \$3.25). The Consolidated Entity's potential ordinary shares were not considered dilutive as the Entity is in a loss position.

8. CONTINGENT LIABILITIES

In accordance with normal industry practice, the Company has agreed to provide financial support to its controlled entities.

Contingent liabilities relate to legal proceedings instituted by Envicoal (Pty) Ltd in South Africa. The claimant, Envicoal (Pty) Limited, has claimed the sum of ZAR188,808,550 (\$28,038,070), alternatively ZAR157,098,650 (\$23,329,150), further alternatively ZAR139,670,450 (\$20,741,062) from CoAL's wholly owned subsidiary,

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NuCoal (Pty) Ltd in terms of a written Coal Supply Agreement concluded by the parties in August 2007. NuCoal has defended the matter and it has been referred to arbitration. The Directors are of the opinion that the action currently holds insufficient certainty of the outcome of the proceedings for provision to be made in the financial statements.

CoAL is currently involved in a dispute with Ferret Mining (Pty) Ltd ("Ferret Mining") who has claimed restitution of 26% of the issued share capital of Mooiplaats Mining Limited, on the basis of a fraud which has allegedly been perpetrated between two individuals who are not related to Mooiplaats Mining Limited or the Group. The Company anticipates that the claim will in all likelihood be heard later in 2011, although this depends upon how actively Ferret Mining, as the applicant, pursues the matter going forward. If Ferret Mining is successful in its claim, the Company has received legal advice that Ferret Mining will in any event be obliged to compensate the Company for the fact that the shares, which are the subject of the restitution claim, are now significantly more valuable than they were when previously owned by Ferret Mining. The Company will apply for a conditional counter-relief to that effect and will do so when its response papers are filed.

A further matter relates to Motjoli Resources (Proprietary) Limited ("Motjoli") and Motjoli Resources Advisory Services CC ("Motjoli Advisory") (together the "Plaintiffs") who have instituted an action in the South Gauteng High Court, citing, amongst others, CoAL and Mooiplaats Mining Limited as defendants. The Plaintiffs are claiming a contractual entitlement to be issued with a further 4,750,000 shares in connection with the acquisition of the Mooiplaats Colliery. In addition, Motjoli is claiming payment from the defendants of ZAR95,475,000 (\$14,178,038). Mooiplaats Mining Limited and the Company have defended this claim and filed an appeal. The Plaintiffs have taken no further steps since the filing of the appeal.

There are no other contingent liabilities as at 31 December 2010.

9. EVENTS SUBSEQUENT TO REPORTING DATE

Lodging and Acceptance of the Makhado Project NOMR

The NOMR for the Makhado Project was lodged with the DMR during January 2011. The DMR approved the Makhado Project NOMR application in February 2011 enabling the Company to commence with extensive economic, social and environmental impact studies allowing for the completion of an extensive EMP.

Execution of the Rio Farm Swap

During January 2011, the DMR executed the NOPR for the Rio Farm Swap, completing the final administrative step required to complete the transaction.

Makhado Bulk Sample Progress

The Company completed the extraction of the Makhado bulk sample allowing for the transport of the sample to Exxaro's Tshikondeni Colliery where the sample will be beneficiated into approximately 4,400 tonnes of coking coal. The coking coal will be tested by ArcelorMittal's Vanderbijlpark operations facilitating the finalisation of terms relating to the proposed off-take agreement between CoAL and ArcelorMittal.

There are no other matters or events which have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Funding

CoAL continues to work on a number of new debt facilities and remains confident of securing one or more currently under negotiation, which if finalised, will ensure that the Company has the ability to repay the US\$20 million facility to JP Morgan due on 24 March 2011.

DIRECTORS' DECLARATION

In the opinion of the Directors,

1. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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.



John Wallington
Director

Dated at Johannesburg, South Africa, this 16th day of March 2011

The Board of Directors
Coal of Africa Limited
Level 1, 173 Mounts Bay Road
Perth WA 6000

16 March 2011

Dear Board Members

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 2010, 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



Ross Jerrard
Partner
Chartered Accountants

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 2010, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes 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 10 to 22.

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 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 2010 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.

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 2010 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



Ross Jerrard
Partner
Chartered Accountants
Perth, 16 March 2011