COAL of AFRICA LIMITED

A B N 98 008 905 388

FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2011

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) Wayne Koonin (Financial Director) Professor Alfred Nevhutanda
COMPANY SECRETARY	Shannon Coates

	AUSTRALIA	**UNITED KINGDOM**	**SOUTH AFRICA**
AUDITORS	**Deloitte Touche Tohmatsu** 240 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	**NAB Limited** Level 1, 1238 Hay Street West Perth WA 6005 Australia	**Investec Bank plc** 2 Gresham Street London EC2V 7QP United Kingdom	**ABSA Bank** Palazzo Towers West Monte Casino Boulevard 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	**J.P. Morgan Cazenove** 10 Aldermanbury London EC2V 7RF United Kingdom	**J.P.Morgan Equities Limited** 1 Fricker Road Illovo, Johannesburg 2196 South Africa
		Investec Bank 5 Gresham Street London, EC2V 7QP United Kingdom	
		Mirabaud 21 St James' Street London SW1Y 4JP United Kingdom	
LAWYERS	**Gilbert + Tobin** 1202 Hay Street West Perth WA 6005 Australia	**Hogan Lovells International LLP** Atlantic House Holborn Viaduct London EC1A 2FG United Kingdom	**Webber Wentzel** 10 Fricker Road Illovo Boulevard Johannesburg 2196 South Africa
	Corrs Chambers Westgarth Bourke Place 600 Bourke Place Melbourne Victoria 3000 Australia		
NOMAD/ CORPORATE SPONSOR	**N/A**	**Investec Bank** 5 Gresham Street London, EC2V 7QP United Kingdom	**JP Morgan Equities Limited** 10 Fricker Road Illovo Johannesburg 2196 South Africa

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

The Directors present their report on the consolidated entity comprising Coal of Africa Limited ("CoAL" or "the Company" or "the Group" or "the Consolidated Entity") and the entities it controlled for the six months ended 31 December 2011 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)*
Simon Farrell (Deputy Chairman)**
John Wallington (Chief Executive Officer)**
Wayne Koonin (Financial Director)**
Professor Alfred Nevhutanda **
Peter Cordin*
Steve Bywater*
Khomotso Mosehla*
David Murray*
Rudolph Torlage*
Mikki Xayiya*

* Non-executive director
** Executive director

Review of Operations

Principal activity and nature of operations

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

The Group's principal assets and projects include:

- two coking coal projects, the Vele Colliery and the Makhado Complex, in the development stage;
- two exploration and development stage coking and thermal coal complexes, the Chapudi Complex and the Soutpansberg Complex, each comprising three large scale coal projects;
- two operational thermal coal collieries, the Mooiplaats Colliery and the Woestalleen Colliery; and
- in excess of three million tonnes per annum port and rail capacity, with the option to secure additional capacity at the Matola Terminal in Maputo, Mozambique.

The Group also has a half interest in an analytical coal laboratory, located in close proximity to the projects in the Limpopo Province.

Highlights

Highlights for the six months under review include:

- Environmental Authorisation ("EA") for the Vele coking coal colliery ("Vele Colliery") granted and suspension of the Vele Colliery Integrated Water Use Licence ("IWUL") lifted allowing for the commencement of full operations from October 2011.
- Memorandum of Agreement ("MOA") signed with the South African Department of Environmental Affairs ("DEA") and South African National Parks ("SANParks") to ensure the conservation and integrity of the globally significant natural and cultural heritage site and to maintain and strengthen co-operation between the parties.
- Memorandum of Understanding ("MOU") signed with the Save Mapungubwe Coalition ("the Coalition") committing the parties to work together and strengthen co-operation ensuring the sustainable development of the Mapungubwe cultural landscape.
- Extraction of coal at the Vele Colliery commenced in December 2011 with approximately 16 800 tonnes of run of mine ("ROM") coal mined to end January 2012. Wet commissioning of the plant and

related infrastructure completed in December 2011 and hot commissioning completed in February 2012.

- Makhado coking coal project ("Makhado Project") bulk sample results for the 10%, 11% and 12% ash being finalised by Arcelor Mittal South Africa ("AMSA"). Discussions to progress the letter of intent into an off-take agreement have commenced.
- 2 283 298 tonnes (H2 FY2011: 2 263 417 tonnes) of ROM and 1 183 566 tonnes (H2 FY2011: 1 381 275 tonnes) of export quality coal produced at the Woestalleen thermal colliery ("Woestalleen") and the Mooiplaats thermal colliery ("Mooiplaats").
- Sales of export coal increased by 15.5% from 691 128 tonnes in the previous six months to 798 311 tonnes in the reporting period as a result of improved rail and port efficiencies.
- Transfer of the management of mining operations at the Mooiplaats Colliery together with the commissioning of a fifth underground section resulting in improved production and product yields.
- Signing of irrevocable undertakings by vendor shareholders and extension of the time period to obtain regulatory approvals for the acquisition of the Chapudi Coal Project from Rio Tinto Minerals Development Limited ("Rio Tinto")/ Kwezi Mining (Proprietary) Limited ("Kwezi").
- Full Mineral Experts Report published and the placement of 130,000,000 shares raising approximately US$106 million together with the securing of a new US$40 million working capital facility with J.P. Morgan Chase Limited("New Bank Facility").
- Further progress on disposal of the non-core assets including NiMag (Proprietary) Limited and Metalloy Resources Investments (Proprietary) Limited (together "the NiMag Group") by way of a Management Buy Out ("MBO") and the Holfontein thermal coal project.
- Total cash balance, available and undrawn facilities (excluding the New Bank Facility of US$40 million) as at the end of December 2011 of US$100.1 million.

Woestalleen Complex – (Vuna Colliery & Woestallen Wash Plant) - Witbank Coal field

Vuna Colliery ("Vuna") continued its outstanding safety record with no lost time injury recorded during the six month period ended 31 December 2011. The colliery has not recorded a single lost time injury since start-up in 2008. Two lost time injuries were recorded at the Woestalleen processing plant during the reporting period.

Total ROM production from Vuna of 1 719 506 tonnes was 2.6% lower than the comparative six month period of 1 764 830 tonnes primarily due to limited pit room and a shorter month in December. Operational performance is expected to improve during the second half of H2 FY 2012, with a projection of 1.62Mt ROM for the six months to 30 June and full year production outlook of approximately 3.3Mt ROM

The Woestalleen wash plant produced 823 877 tonnes (H2 FY2011: 1 009 519 tonnes) of export quality coal and a further 334 123 tonnes (H2 FY2011: 161 346 tonnes) of lower grade product for Eskom Limited ("Eskom"), the South African electricity utility. Management is actively identifying and assessing potential feedstock options for the Woestalleen plant with an objective to increase the economic life of the asset.

The change in ROM coal mix combined with the selective mining initiative resulted in the overall plant yield marginally increasing to 64.8% (H2 FY2011: 64.3%).

Mooiplaats Colliery – Ermelo Coalfield (100%)

Safety at Mooiplaats continues to be a focus area. Four lost time injuries were reported at the mine during the six months (H2 FY2011: four lost time injuries).

The transition to an owner-managed mine at the end of June 2011 has facilitated the direct management of the operation resulting in an improvement in overall performance. The commissioning of a fifth underground section in September 2011 boosted production from 498 587 ROM tonnes in the previous six months to 563 792 ROM tonnes despite challenging mining conditions and infrastructure availability issues. The challenging geological conditions are anticipated to continue for the remainder of the financial year, resulting in a reduction in the full year forecast to 30 June 2012 from 1.67Mt to approximately 1.3Mt.

Coal processed during the six months decreased to 621 816 ROM tonnes from 731 766 ROM tonnes during the previous six month period. This reduction was due to ROM coal purchases declining from 152 699 tonnes to 44 862 tonnes during the reporting period and subsequently returning to normal levels from the start of the second half of FY2012.

The ROM coal processed yielded a total of 359 689 tonnes (H2 FY2011: 371 756 tonnes) of export quality coal and a further 69 654 tonnes (H2 FY2011: 110 948 tonnes) of the lower grade product supplied to Eskom. With improved mining controls, ROM contamination was reduced, resulting in yields improving from 66.0% to 69.0% during the six months.

A strategic review of the colliery is in progress with the objective of increasing the value of the installed capacity at the mine through exploiting synergies in potential partnerships with other parties. From an operational perspective an initiative to identify potential improvements in the mining process in order to target sustainable levels of higher production has commenced. This process includes the introduction of a support contract with equipment supplier JOY Mining to ensure a more effective approach for the maintenance of underground machinery.

Vele Colliery

Significant progress has been made on the various regulatory matters affecting the Vele Colliery allowing for the re-commencement of construction activities, extraction of first ROM coal, completion of the plant commissioning and the commencement of detailed testing of washed coking coal to confirm coal performance based on a battery of tests with various potential customers. The sale of first coal expected to commence in Q4 FY2012.

Following the receipt of the EA for the Vele Colliery on 5 July 2011, Non-Governmental Organisations appealed against the granting of the IWUL resulting in the immediate suspension of the IWUL. This resulted in the commencement only of operations not requiring the use of water including the grading of all the access roads onto site, undertaking some repairs to the coal handling and processing plant, completing the construction of certain remaining infrastructure and the remaining aspects of the coal handling and processing plant.

On 8 August 2011, CoAL lodged an urgent petition requesting the Minister of Water and Environmental Affairs ("the Minister"), in terms of the National Water Act No 36 of 1998 ("the Act"), to exercise her discretion to allow the IWUL to remain in full force and effect pending the final conclusion of the appeal to be heard by the Water Tribunal. After taking into consideration all relevant facts including the appeal to the Water Tribunal, in terms of Section 148 (2)(b) of the Act, the Minister lifted the suspension on 18 October 2011.

All on-mine activities resumed in full on 19 October 2011. The lifting of the IWUL suspension enabled the re-commencement of construction activities required to complete the remaining infrastructure and plant development at the mine. Based on the authorisation received, the IWUL remains in full force and effect pending an appeal to be heard by the Water Tribunal. This appeal is expected to be withdrawn following the pending signing of a MOA with the Coalition.

On 1 September 2011, the Company, DEA and SANParks unveiled a historical MOA with the Mapungubwe Cultural Landscape World Heritage Site ("Heritage Site"). The MOA was concluded pursuant to conditions set out as part of the EA and seeks to ensure the conservation and integrity of the natural and cultural Heritage Site and to maintain and strengthen co-operation between CoAL, SANParks and the DEA.

The additional Heritage Impact Assessment as required by United Nations Educational Scientific and Cultural Organization (UNESCO) and the DEA was completed during December 2011 and thereafter, presented during a five day visit to the Vele Colliery in January 2012 and surrounding area by a delegation of representatives from UNESCO.

On 24 November 2011 the Company signed a MOU with the Coalition comprising the Endangered Wildlife Trust, Birdlife South Africa, Wilderness Foundation South Africa, World Wide Fund for Nature South Africa, Mapungubwe Action Group and the Association for Southern African Professional Archaeologists. The partners to the MOU share a commitment to work together and strengthen co-operation in the interest of sustainable development and the preservation and protection of the Mapungubwe cultural landscape. This innovative approach aims to set a benchmark for best practice in relation to managing and mitigating the impacts of Vele Colliery mining and related activities, specifically the impact on water and heritage resources.

The process of converting the MoU into an MoA is progressing satisfactorily for both parties. The past few weeks have seen parties engage in information sharing, site visits and meetings and workshops to discuss findings. Once the review of key technical studies has been concluded, the parties will be in a position to conclude the MoA. The targeted date for the MOA is the middle of April 2012 to allow the appropriate work to be concluded.

The Vele Colliery commenced extraction of ROM material in December 2011 and had produced 618 000 m^3 of overburden and 16 800 ROM tonnes of coal by the end of February 2012. Progress continued with the plant and related infrastructure, with wet commissioning completed in December. The commissioning process included process adjustments and some equipment repairs caused by the extended outage of the plant. Hot commissioning of the processing plant was completed by the construction contractor on 23 February 2012. Samples of 10, 11 and 12% ash for products are being prepared for further evaluation at Arcelor Mittal and potential international customers.

Current testwork being conducted at the Vele plant is also aimed at confirming the design of processing infrastructure which will enable the recovery of additional coking coal product from the slimes portion of the coal, as well as the production of a thermal middlings product. Early results are very encouraging.

Makhado Coking Coal Project

The Makhado Project Definitive Feasibility Study ("DFS") was completed during the reporting period and is in the final stages of review with all phases of design work and reporting complete. Independent experts progressed the baseline social and environmental studies required for the Makhado Project NOMR application. The consultation process with interested and affected parties continued and included the involvement of various Government departments. Additional comments from various interested and affected parties on the Environmental Impact Assessment, EMP and IWUL submissions were received and the IWUL Technical and Engineering report is expected to be submitted to the DWA during H2 FY2012.

A review of the DFS was undertaken by the CoAL Board with a further detailed review scheduled during the following quarter. Additional options under consideration as part of the overall finalization of the DFS include the optionality to include an underground component in the overall mine design and further planning and plant design work relating to a potential middlings (thermal coal) product, not previously included in the scope of the original DFS.

Work required to be undertaken in preparation of the granting of the NOMR later this year continues as follows:

- commencement of the installation of overhead powerlines to the mine site initially providing 5MVA feed during the construction phase of the mine and thereafter upgrading to 10MVA for the operation of the mine;

- front end detailed design work for the mine, plant and rail infrastructure;

- further assessments relating to rock mechanics and geotechnical work;

- finalization of land acquisitions for rail and other infrastructure linking the plant to the main railway line for the transport of export coal to the Matola Port in Mozambique;
- establishment of rehabilitation guarantees required to be posted on granting of the NOMR and
- finalizing discussions with various suppliers of mining equipment for the open cast truck and shovel operation in order to secure delivery times on long lead items.

The detailed testing of the Makhado Project bulk sample by AMSA at the Vanderbijlpark and Newcastle plants in South Africa are complete and the final results from further tests undertaken at its Newcastle plant in South Africa have been received by the company. Coal samples have been prepared based on a 10%, 11% and 12% ash levels to accommodate a range of tests at different ash levels.

The outcome of the individual and blended tests performed by AMSA and additional independent analysis, confirmed that the 10% ash product performs well relative to other hard coking coals.

The results are in line with the initial technical assessment and confirm the expected performance of the coke derived from the coal.

In addition various independent tests have been commissioned for corroboration of the AMSA results. The independent analysis of the Makhado bulk sample, by an international specialist consulting firm specializing in the analysis of the application of specialist coals in the iron and steel industry globally, further confirms that Makhado coal will be classified as a hard coking coal. The individual and blended test results confirm the coal's higher than average fluidity, dilation and high vitrinite content will more than likely be regarded as the strongest characteristics of this coal. This will to a large extent balance the lower maximum reflectance and volatiles for potential customers. The coking strength reaction results compares favourably with the minimum criteria for hard coking coal.

A product road show to potential international customers for both the Makhado Project and Vele Colliery products is planned in March and April 2012.

Discussions to finalise an off-take agreement with AMSA have commenced and are expected to be concluded in the second half of 2012 and prior to the granting of the NOMR. Equally, discussions with Exxaro are progressing with a view to negotiating the shareholders agreement in anticipation of the exercising of the option to acquire a 30% interest in the project. The process for the detailed review of the DFS by Exxaro has commenced as part of the process to finalize the exercising of the option.

Acquisition of Rio Tinto's South African Assets

The Company secured irrevocable undertakings from the vendor shareholders in terms of the Sale and Purchase Agreement ("SPA") for the acquisition of Rio Tinto's Chapudi Coal Project ("Chapudi") and related exploration properties (collectively, the "Coal Assets") in the Soutpansberg coal basin in the Limpopo Province. The date for the fulfilment of the suspensive conditions in the SPA was extended from 12 August 2011 to 30 April 2012, to allow for obtaining the remaining regulatory approvals required. The conclusion and the submission of the BEE shareholders agreement to the Department of Mineral Resources ("DMR") in February 2012 is a further step in the transaction that consolidates various tenements and once completed, will make CoAL a substantial holder of coking coal New Order Prospecting Rights in the Soutpansberg Coalfield.

The Company is in the process of finalising the exploration programme and mobilising the exploration teams for the work programs to be undertaken on the various properties. This will for part of the process to finalize the NOMR applications, provide further data to increase the resource base and unlock the potential value from these assets.

Soutpansberg Coal Bed Methane Project

During the December quarter, Tshipise Energy (Pty) Ltd ("Tshipise") a joint venture between CoAL and BEE partner Vibrant Veterans (Pty) Ltd, completed the exercise to collate desktop studies undertaken by Australian based Geogas (Pty) Ltd ("Geogas") on the coal bed methane potential of the properties located in the Soutpansberg coalfields, substantially in the same proximity as the various coking coal projects the Group is currently involved in.

Geogas compiled desktop studies of the total area granted under Tshipise's 1,578 km2 Exploration Right and the Company will move into the next phase of the exploration based on recommendations detailed in the Geogas reports. This will include the drilling of additional holes and completing further technical studies in order to prove up a potential coal bed methane resource in accordance with the JORC code.

Further planning on this work program is underway and is expected to commence in the following H2 FY2012.

Disposal of the NiMag Group

CoAL entered into a Sale and Purchase Agreement for the disposal of its 100% interest in the non-core NiMag Group by way of a MBO. The Company will dispose of its shares in the NiMag Group companies for a total of ZAR54 million (approximately US$6.6 million) of which 60% is being funded by a combination of equity contributions and bank debt. The remaining 40% will be financed by an interest bearing loan provided by CoAL that is repayable over four years.

The closing of the transaction is subject to certain conditions precedent normal with a transaction of this nature, expected to be satisfied by the end of April 2012.

Disposal of the Holfontein Project

On 30 January 2012, the Company agreed to sell the Holfontein Project for ZAR100 million (approximately US$12.7 million) and a continuing payment to CoAL of ZAR2.00 (approximately US$0.25) per tonne of saleable coal produced by the project.

CoAL received an initial non-refundable deposit of ZAR4.0 million (approximately US$0.5 million) to conduct a detailed review of the project and a further ZAR5.0 million (approximately US$0.6 million) upon signature of the agreement enabling the proposed purchaser to finalize the DFS in order to complete the acquisition of the project. Upon completion of the transaction, the total purchase consideration will be reduced by ZAR9.0 million (approximately US$1.1 million) with the remaining ZAR91.0 million (approximately US$9.9 million) payable at that time.

Conditions precedent to closing the transaction include completing the DFS and obtaining the remaining funding for the project and approval of the transaction by the Department of Mineral Resources, all of which are required to be fulfilled by 30 June 2012.

Corporate Activity

As previously announced, the Group is committed to moving to the Main Market of the London Stock Exchange ("LSE") in conjunction with a restructuring of the Group to redomicile the holding company.

CoAL has a continuous need for capital for the exploration, development and continuing operation of its projects, including completion of the Chapudi acquisition and advancement of the Makhado Project. In connection with these requirements a Registration Document, prepared in accordance with the Prospectus Rules of the Financial Services Act (United Kingdom) made under section 73A of the Financial Services Management Act, was published and the Company issued 130,000,000 shares in November 2011 raising

US$106 million (excluding expenses). The raising of US$106 million satisfied a significant condition precedent to secure the US$40 million New Bank Facility.

Work continues with the group restructuring and preparation for the migration of the primary listing from the Australian Stock Exchange to the main market of the LSE. In preparation for this change and achieving further alignment of corporate advisors, as part of its existing relationship with J.P. Morgan Cazenove (London) as corporate sponsor, CoAL appointed J.P. Morgan Equities Limited as JSE sponsor with effect from 30 January 2012.

Financial Results

Revenue from the sale of coal for the six months totalled US$143.8 million compared to US$88.3 million for the comparative period.

The loss for the six months under review amounted to US$74.7 million, including various non-cash charges of US$68.8 million, or 13.36 cents per share compared to a loss of US$66.5 million, including various non-cash charges of US$30.6m, or 12.30 cents per share for the prior corresponding period.

Foreign exchange losses total US$42.6 million of which US$37.7 million represent unrealised losses arising from the translation of inter-group loan balances, borrowings and cash. Depreciation of US$8.5 million and amortisation of US$19.5 million contributed further to the non-cash charges. The Company recorded a further impairment to the carrying value of the assets classified as held for sale, as the result of the exchange rate related adjustment in the carrying value of the NiMag Group due to the depreciation of the South African Rand against the United States dollar.

As at 31 December 2011, the Company had cash and available facilities of US$100.1 million, excluding the US$40 million facility arranged with JP Morgan Limited, compared to cash and available facilities of US$40.3 million at 30 June 2011.

Marketing and Logistics

International demand for South African coal, specifically from Asia and Europe, remained subdued during the period and is attributable to continued concerns regarding the European economy, larger than normal stockpiles in India and increased availability of lower grade Indonesian coal. The demand for South African coal increased towards the end of the six months, mainly from Asia, and this trend has continued in the second half of FY2012.

Index-linked international coal prices for coal from Richards Bay were under pressure during the six months with sales recorded at discounts to these indices. South African export coal spot prices declined from just over US$118 per ton at the beginning of the July to approximately US$102 at the end of November/early December but were offset to some extent in South African rand terms by the decline in the value of the currency against the US dollar.

Sales of export quality coal on international markets increased by 15.5% to 798 311 tonnes. The increase is attributable to improved rail performance, a slight recovery of market conditions and increased capacity at the Matola Terminal in Maputo, Mozambique compared to the previous six month period.

During the six months under review Woestalleen sold 449 237 tonnes (H2 FY2011: 621 799 tonnes) and Mooiplaats sold 80 991 tonnes of export quality coal (H2 FY2011: 124 388 tonnes) to domestic customers. Eskom purchased 344 390 tonnes (H2 FY2011: 106 003) of middlings coal from Woestalleen and 68 259 tonnes (H2 FY2011: 121 891 tonnes) from Mooiplaats.

Authorised and issued share capital

At 31 December 2011, Coal of Africa Limited had 662 284 573 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

On 6 February 2012, CoAL advised that it has entered into definitive agreements with Rothe a Black Economic Empowerment ("BEE") company which will also represent all the local communities in close proximity to the project, to acquire a 26% shareholding in the wholly-owned CoAL subsidiary, expected to hold the Chapudi Coal Project and related exploration properties upon completion of its acquisition from Rio Tinto Minerals Development Limited and Kwezi Mining Proprietary Limited.

The Company reported previously that in terms of a Share Sale Agreement ("SSA") concluded with Troy Holdings and Investments Inc, Kusile Mining (Pty) Ltd and NuCoal Holdings (Pty) Ltd, (together "the Vendors") to acquire 100% of NuCoal Mining (Pty) Ltd, an amount of approximately US$9.5 million (R65.0 million) was withheld in respect of claims under the SSA general warranty provisions. The parties have entered into a settlement agreement whereby an amount of £3.0 million (US$4.5 million), approximating 50% of the amount withheld, was paid to the Vendors in full and final settlement of the matter.

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"). Further announcements will follow in due course.

Rounding off of amounts

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.

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 30.

The half-year report set out on pages 12 to 29 was approved by the board on 12 March 2012 and was signed on its behalf by:

John Wallington
Chief Executive Officer

Dated at Johannesburg, South Africa, this 12th day of March 2012.

COAL OF AFRICA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Note	6 months ended 31 December 2011 $'000	6 months ended 31 December 2010 $'000
Revenue		143 835	88 256
Cost of sales – direct		(124 386)	(86 019)
Gross profit		**19 449**	**2 237**
Employee benefits expense	6	(6 257)	(6 788)
Depreciation and amortisation	6	(28 541)	(28 624)
Impairment losses	6	(1 927)	-
Foreign exchange losses	6	(42 565)	(9 238)
Other expenses		(17 556)	(27 225)
Operating loss		**(77 397)**	**(69 638)**
Finance income		560	1 366
Finance costs		(1 687)	(631)
Loss before tax		**(78 524)**	**(68 903)**
Income tax credit		3 830	2 364
Loss after income tax		**(74 694)**	**(66 539)**
Other Comprehensive Income			
Exchange differences on translating foreign operations		(15 843)	103 347
Total comprehensive (loss)/income for the period		**(90 537)**	**36 808**
Loss attributable to:			
Owners of the Company		(74 694)	(66 539)
Non-controlling interests		-	-
		(74 694)	(66 539)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(90 537)	36 808
Non-controlling interests		-	-
		(90 537)	36 808
Loss per share			
Basic and diluted (cents per share)	7	13.36	12.30

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 2011

	Note	31 December 2011 $'000	30 June 2011 $'000
ASSETS			
Non-current assets			
Exploration and evaluation expenditure		184 611	195 848
Property, plant and equipment		166 182	218 258
Intangible assets		19 376	20 800
Other receivables		12 800	12 800
Other financial assets		13 025	13 594
Restricted cash		11 336	13 323
Deferred tax assets		3 506	4 171
Total non-current assets		410 836	478 794
Current assets			
Inventories		26 173	23 122
Trade and other receivables		25 613	44 734
Cash and cash equivalents		90 136	22 761
Total current assets		141 922	90 617
Assets classified as held for sale	4	19 265	22 268
Total assets		572 023	591 679
LIABILITIES			
Non-current liabilities			
Borrowings		1 445	1 720
Provisions		17 143	18 714
Deferred tax liabilities		14 099	19 435
Total non-current liabilities		32 687	39 869
Current liabilities			
Trade and other payables		50 193	73 590
Borrowings	5	43 743	38 631
Provisions		1 380	2 481
Current tax liabilities		135	3 474
Total current liabilities		95 451	118 176
Liabilities classified as held for sale	4	993	2 843
Total liabilities		129 131	160 888
NET ASSETS		442 892	430 791
EQUITY			
Issued capital	3	788 592	686 577
Accumulated deficit		(504 283)	(429 589)
Reserves		158 008	173 228
Equity attributable to owners of the Company		442 317	430 216
Non-controlling interests		575	575
TOTAL EQUITY		442 892	430 791

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 2011

	Issued capital $'000	Accumulated deficit $'000	Share-Based Payment Reserve $'000	Capital Profits Reserve $'000	Foreign Currency Translation Reserve $'000	Attributable to owners of the company $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2011	686 577	(429 589)	88 967	91	84 170	430 216	575	430 791
Total comprehensive loss for the period	-	(74 694)	-	-	(15 843)	(90 537)	-	(90 537)
Loss for the period	-	(74 694)	-	-	-	(74 694)	-	(74 694)
Other comprehensive income, net of tax	-	-	-	-	(15 843)	(15 843)	-	(15 843)
Shares issued for capital raising	104 914	-	-	-	-	104 914	-	104 914
Share issue costs	(3 544)	-	-	-	-	(3 544)	-	(3 544)
Shares issued on exercise of options	509	-	-	-	-	509	-	509
Share based payments	-	-	623	-	-	623	-	623
Shares issued as part of bonus	136	-	-	-	-	136	-	136
Balance at 31 December 2011	788 592	(504 283)	89 590	91	68 327	442 317	575	442 892

	Issued capital $'000	Accumulated deficit $'000	Share-Based Payment Reserve $'000	Capital Profits Reserve $'000	Foreign Currency Translation Reserve $'000	Attributable to owners of the company $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2010	685 740	(210 586)	86 451	91	(35 300)	526 396	4 278	530 674
Total comprehensive (loss)/income for the period	-	(66 539)	-	-	103 347	36 808	-	36 808
Loss for the period	-	(66 539)	-	-	-	(66 539)	-	(66 539)
Other comprehensive income, net of tax	-	-	-	-	103 347	103 347	-	103 347
Share options issued during the period	-	-	1 363	-	-	1 363	-	1 363
Balance at 31 December 2010	685 740	(277 125)	87 814	91	68 047	564 567	4 278	568 845

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 2011

	31 December 2011 $'000	31 December 2010 $'000
Cash Flows from Operating Activities		
Receipts from customers	138 477	120 124
Payments to employees and suppliers	(156 253)	(144 746)
Cash used in operations	(17 774)	(24 622)
Interest received	-	1 072
Interest paid	(598)	(632)
Income taxes paid	(3 212)	(7 563)
Net cash used in operating activities	**(21 584)**	**(31 745)**
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(4 819)	(10 900)
Increase in restricted cash	(142)	-
Proceeds from the sale of property, plant and equipment	-	2 619
Capitalised exploration and evaluation expenditure	(12 452)	(3 993)
Increase in other financial assets	(335)	(3 748)
Payments for development assets	-	(22 929)
Cash classified as held for sale	-	(1 000)
Net cash used in investing activities	**(17 748)**	**(39 951)**
Cash Flows from Financing Activities		
Proceeds from the issue of shares and options, net of costs	103 032	-
Other loans raised / (repaid)	2 074	(928)
Increase in export trade finance facility	8 089	-
Finance lease repayments	(1 819)	(1 727)
Net cash provided by/(used in) by financing activities	**111 376**	**(2 655)**
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**72 044**	**(74 351)**
Cash and cash equivalents at the beginning of the half-year	**22 761**	**72 054**
Foreign exchange differences	(4 669)	8 767
Cash and cash equivalents at the end of the half-year	**90 136**	**6 470**

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

1. CORPORATE INFORMATION

The financial report of Coal of Africa Limited ("CoAL" or the "Company") for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 12th March 2012. 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 Company and its subsidiaries (the "Group" or the "Consolidated Entity") 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 134 ensures compliance with International Accounting Standard 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.

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity 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 2011 of $74.7 million, (31 December 2010: loss of $66.5 million) and experienced net cash outflows from operating activities of $21.6 million (2010 net outflow: $31.7 million) and net cash outflows from investing activities of $17.7 million (2010 net outflow: $39.9 million). As at 31 December 2011 the Consolidated Entity had a net current asset position of $46.5 million (30 June 2011: net current liabilities of $27.6 million), excluding assets and liabilities classified as held for sale.

During the half year to 31 December 2011 and the period to the date of this report, the Directors have taken steps to ensure the Consolidated Entity continues as a going concern. These steps have included:

(i) The Directors have reviewed the quantum and timing of all discretionary expenditures including exploration and development costs, and wherever necessary, these costs will be minimised or deferred to suit the Consolidated Entity's cash flow from operations. This includes the active management of working capital commitments. Based on this review the Directors are satisfied non-discretionary expenditures and existing liabilities can be met from current cash resources, forecast cash flows from operations, existing facilities and proceeds from the sale of assets currently classified as held for sale.

(ii) CoAL continues to work on renewing existing debt facilities and securing new debt facilities. CoAL remains confident of renewing and/or securing one or more of these facilities.

(iii) The Directors are also considering various strategies to raise funds through additional capital. The form and content of this strategy, although advanced, has not yet been finalised. The funds raised from additional capital raisings and new debt facilities as mentioned in (ii) above, will allow the Consolidated Entity to fund non-discretionary expenditures.

(iv) As disclosed in Note 5 to the half year financial report the Consolidated Entity entered into a new 364 day US$40 million revolving credit facility with JP Morgan Limited. The draw down on the facility is conditional upon the satisfaction of conditions precedent, the primary condition being the Company raise minimum gross proceeds of $75 million from a share placement. This was achieved on 4 November 2011. Other conditions precedent remain outstanding at the date of signing this report, as a result this facility is not able to be drawn upon by the Company. Management believes the outstanding conditions precedent will be satisfied by 31 March 2012.

(v) As disclosed in Note 5 to the half year financial report the Consolidated Entity breached certain financial covenants with respect to the thermal coal export finance facility with Deutsche Bank Amsterdam ("DBA"). Notice of this breach was communicated to DBA during the period. CoAL considers that under the facility agreement the breach has not resulted in any change to the terms of the facility. At the date of signing this report DBA has not confirmed this position. If DBA do not agree with CoAL regarding the breach, the facility will become due and payable immediately.

(vi) CoAL has reached conditional agreement to dispose of Holfontein Investments (Pty) Ltd and the NiMag Group. These disposals are expected to occur within the next twelve months.

The ability of the Consolidated Entity to continue as a going concern and to pay its debts as and when they fall due is dependent on the on-going and active management of the expenditure incurred by the Consolidated Entity to protect the current cash levels. In particular, the Consolidated Entity's existing cash reserves are sufficient to meet all non-discretionary expenditure for a period of at least 12 months from the date of signing this half year financial report and non-discretionary expenditure will only be incurred where the Consolidated Entity is successful in raising funds from additional capital raisings and new debt facilities.

The Directors have reviewed the Consolidated Entity's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances.

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 presented in United States dollars, unless otherwise noted.

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 2011 annual financial report for the financial year ended 30 June 2011, 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 revised the presentation of its consolidated financial statements from those reported as at and for the year ended 30 June 2011 and those reported as at and for the half year ended 31 December 2010. These revisions had no impact on net loss, total assets or total equity.

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.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in its half year financial statements.

Dividends

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2011 (2010: None).

3. ISSUED CAPITAL

	31 December 2011 $'000
662 284 573 (30 June 2011: 531 139 651) fully paid ordinary shares	788 592
Movements in issued capital	
Opening balance	686 577
Shares issued on exercise of options	509
Shares issued as part of bonus	136
Shares issued for capital raising, net of costs	101 370
	788 592

The holders of ordinary shares are entitled to one vote per share and are entitled to receive dividends when declared.

On 3 November 2011, CoAL successfully placed 130,000,000 new ordinary shares in CoAL to institutional and other investors.

The placing price was set at 51 pence per share or 6.50 South African Rand. The placing price is equivalent to a 10.5% discount to the closing mid-market price on the AIM market of the London Stock Exchange ("AIM") on 2 November 2011. Accordingly, the placing raised gross proceeds of US$104.9 million. The placing shares represent approximately 24.4% of CoAL's issued share capital prior to the placing.

3. ISSUED CAPITAL (continued)

Options

The following unlisted options to subscribe for ordinary fully paid shares are outstanding at 31 December 2011:

Number Issued	Exercise Price	Expiry Date
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
818 500	A$1.90	30 June 2014
2 500 000	A$1.20	9 November 2015
1*	GB£0.60	1 November 2014
1 441 061	A$1.40	30 September 2015

A total of 1 000 000 Class A options were exercised during the six months ended 31 December 2011.

*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.

	31 December 2011 $'000	30 June 2011 $'000
4. ASSETS CLASSIFIED AS HELD FOR SALE		
Holfontein Investments (Pty) Ltd	11 631	11 721
NiMag Group	6 641	7 704
	18 272	19 425
Assets classified as held for sale		
Holfontein Investments (Pty) Ltd	11 633	11 724
NiMag Group	7 632	10 544
	19 265	22 268
Liabilities classified as held for sale		
Holfontein Investments (Pty) Ltd	2	3
NiMag Group	991	2 840
	993	2 843
	18 272	19 425
4.1 Holfontein Investments (Pty) Ltd		
Assets classified as held for sale		
Exploration and evaluation assets	11 633	11 724
Liabilities classified as held for sale		
Trade payables and accrued expenses	2	3
Net assets of Holfontein Investments (Pty) Ltd	11 631	11 721

On 30 January 2012, the Company agreed with an external third party, to acquire from CoAL an exclusive right to acquire by 30 June 2012, the Holfontein thermal coal project for a total consideration of ZAR100.0 million (approximately US$12.7 million) and a continuing payment to CoAL of ZAR2.00 (approximately US$0.25) per tonne of saleable coal produced by the project.

The potential acquirer paid an initial non-refundable deposit of ZAR4.0 million (approximately US$0.5 million) to conduct a detailed review of the project and a further amount upon signature of this agreement of ZAR5.0 million (approximately US$0.6 million), to finalise the Definitive Feasibility Study ("DFS") in order to complete the acquisition of the project. Upon completion of the transaction, the total purchase consideration will be reduced by ZAR9.0 million (approximately US$1.1 million) with the remaining ZAR91.0 million (approximately US$9.9 million) payable at that time.

Conditions precedent to closing the transaction include, the potential acquirer completing the DFS and obtaining the remaining funding for the project and approval of the transaction by the Department of Mineral Resources.

4. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

	31 December 2011 $'000	30 June 2011 $'000
4.2 NiMag Group		
Assets classified as held for sale		
Property, plant and equipment	2 342	2 622
Goodwill	-	4 409
Other financial assets	3	5
Deferred tax asset	38	45
Inventories	2 873	3 279
Trade and other receivables	2 960	3 761
Cash and cash equivalents	1 343	1 528
	9 559	15 649
Liabilities classified as held for sale		
Interest bearing liabilities	168	285
Provisions	142	381
Trade payables and accrued expenses	696	2 277
Current tax liabilities	(15)	(103)
	991	2 840
Net assets of NiMag Group	8 568	12 809
Impairment	(1 927)	(5 105)
	6 641	7 704

On 23 December 2011, CoAL entered into a definitive sale and purchase agreement for the disposal of its 100% interest in NiMag (Pty) Ltd and Metalloy Resources Investment (Pty) Ltd (together the "NiMag Group") by way of a Management Buy-Out ("MBO"). The Company will dispose of its shares in the NiMag Group companies for a total purchase consideration of ZAR54 million (approximately US$6.6 million) of which 60% is being funded by a combination of equity contributions and bank debt. The remaining 40% will be financed by an interest bearing loan provided by CoAL that is repayable over four years. The closing of the transaction is subject to certain conditions precedent normal with a transaction of this nature, including finalisation of bank loan financing agreements and, to the extent necessary, exchange control approval from the South African Reserve Bank, expected to be satisfied by 30 April 2012.

5. BORROWINGS

The Company, through its wholly owned subsidiary Langcarel (Pty) Ltd has a revolving thermal coal export finance facility for up to US$50 million with Deutsche Bank Amsterdam ("DB").

The facility is subject to certain covenants associated with a facility of this nature. As a result of the unrealised foreign exchange loss associated with the loan in the books of Langcarel (Pty) Ltd, the total equity measure fell below the set threshold. Notice of this breach was communicated to DB during the period.

5. BORROWINGS (continued)

The Company considers that under the facility agreement the breach has not resulted in any change to the terms of the facility. At the date of signing this report DB has not confirmed this position. If DB do not agree with the Company regarding the breach, the facility will become due and payable immediately. The Directors have assessed the likelihood of the loan being called and consider the probability to be low.

During the period the Company entered into a new 364 day US$40 million revolving credit facility with JP Morgan Limited. Drawdown on the facility was conditional upon the Company raising minimum gross proceeds of US$75 million from a share placement. This condition was satisfied on 4 November 2011. Other conditions precedent remain outstanding at the date of signing this report, as a result this facility is not able to be drawn upon by the Company.

The Company believe the outstanding conditions precedent will be satisfied by around 31 March 2012.

	31 December 2011 $	31 December 2010 $
6. OPERATING LOSS		
Loss for the period has been arrived at after charging /(crediting):		
Employee benefit expenses		
Share-based payments	623	1 363
Other employee benefits	5 634	5 425
Total employee benefits	6 257	6 788
Depreciation and amortisation		
Depreciation on property, plant and equipment	8 455	9 016
Amortisation of mining properties	19 480	19 053
Amortisation of intangible assets	606	555
Total depreciation and amortisation	28 541	28 624
Foreign exchange losses		
Unrealised foreign exchange losses	37 704	651
Realised foreign exchange losses	4 861	8 587
Total foreign exchange losses	42 565	9 238
Impairment losses		
Impairment loss on assets held for sale	1 927	-
Total impairment losses	1 927	-

7. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share at 31 December 2011 was based on the loss attributable to ordinary equity holders of the Company of $74.69 million (2010: $66.54 million) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2011 of 558 969 237 (2010: 530 514 663), calculated as follows:

Loss for the period attributable to ordinary shareholders		
Loss attributable to owners of the Company ($'000)	74 694	66 539
Weighted number of ordinary shares		
Weighted number of ordinary shares ('000)	558 969	530 515

Diluted loss per share

Due to the loss incurred, there is no dilutive effect from share options.

8. CONTINGENT LIABILITIES AND COMMITMENTS

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

The Group is currently involved in litigation as outlined below (US$ amounts presented within have been computed using the exchange rate as at 31 December 2011 unless otherwise stated):

Ferret Mining and Environmental Services (Pty) Ltd ('Ferret') / RH Boer, JA Nel, Coal Of Africa Limited And GVM Metals Limited

Ferret alleges that the previous owner (Johannes Nel) of Mooiplaats sold 100% of the shares in Mooiplaats Mining Limited to the Company, however, in doing so lacked ownership to 26% of the shareholding as those belonged to Ferret. Ferret 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. If Ferret is successful in its claim and becomes entitled to the shares in Mooiplaats Mining Limited, the Company has received legal advice that Johannes Nel (the second respondent in the Ferret claim) will in any event be obliged to compensate the Company due to the fact that he lacked legal ownership of the shares at the time when the Company purchased them from him. In this regard, the Company has delivered its conditional counterclaim on Johannes Nel. Ferret as the applicant has not yet applied for a date for the hearing of its application, and it is unlikely that a date will be heard by the court before Q3 of 2012.

The Company is evaluating the details of the case and will defend the case and any subsequent claims on their merits. As the Company does not currently believe that a loss is probable no provision for any liability has been recorded.

Motjoli Resources (Pty) Ltd & Motjoli Resources Advisory Services cc / Coal of Africa, Mooiplaats Mining Ltd and JA Nel

Motjoli Resources (Pty) Ltd and Motjoli Resources Advisory Services CC (together, 'Motjoli') were appointed as consultants to Mooiplaats in order to obtain the granting of a mining right of Mooiplaats for Langcarel (Pty) Ltd and in order to obtain Section 11 approval for the transaction between the Company and Mooiplaats. The fees to be paid were US$0.6 million (ZAR4.0 million), computed using the exchange rate on the date of settlement of the obligation) plus the issue of 4,750,000 paid up ordinary shares in the Company to Motjoli.

Motjoli contends that it complied with its obligations and whilst it received cash of US$0.6 million (ZAR4.0 million), the Company did not settle its obligation to issue 4,750,000 paid up ordinary shares to Motjoli. In addition, Motjoli claims that in the event that the shares are not issued, it should be awarded an amount of US$13.9 million (ZAR95.5 million) with interest by the defendants jointly and severally.

The trial was initially set down for hearing on 7 November 2011. The parties subsequently agreed to refer the matter to arbitration which arbitration is scheduled to take place in June 2012.

As the Company does not currently believe that a loss is probable, no provision for any liability has been recorded.

Envicoal (Pty) Ltd ('Envicoal') / Nucoal Mining (Pty) Ltd

In 2010 Envicoal launched arbitration proceedings against Nucoal claiming that Nucoal failed to deliver coal as prescribed in terms of the agreement concluded between the parties. As a result, Envicoal claims damages to the value of a minimum US$20.3 million (ZAR139.0 million) and maximum of US$27.6 million (ZAR189.0 million). The arbitration proceedings are scheduled to be heard in October 2012. On 20 February 2012 Envicoal filed a notice of intention to amended its statement of claim mainly in respect of the quantum of loss to either ZAR 1087 million or ZAR 32.4 million.

The Company is evaluating the details of the case and will defend the case and any subsequent claims on their merits. As the Company does not currently believe that a loss is probable no provision for any liability has been recorded.

AMCI International AG ("AMCI") / NuCoal Mining (Pty) Ltd

On 14 July 2009 NuCoal issued a letter of demand against AMCI and Polmaise Colliery (Pty) Ltd ("Polmaise"). NuCoal claimed that in terms of a coal supply agreement AMCI had undertaken that, in the event of the parties failing to agree on a coal production budget, it would off-take 50 000 tons of coal per month from NuCoal. AMCI failed to take delivery of the full 50 000 tons per month and NuCoal estimated that it had suffered damages to the amount of ZAR42.5 million.

NuCoal also claimed that it had, on the instructions of AMCI, directly supplied coal to Polmaise. NuCoal and AMCI agreed that AMCI would be invoiced. NuCoal duly invoiced AMCI for an amount of ZAR1.591million and ZAR3.7 million, which amount AMCI failed to pay. It appears that the matter was settled during 2009. The provision of the settlement appear to be that: the coal supply agreement would be suspended until AMCI decided to take further deliveries of coal; NuCoal undertook to pay the amount owing by Polmaise if Polmaise failed to pay.

Coal of Africa / Troy Holdings and Investments Inc ('Troy'), Kusile Mining (Pty) Ltd ('Kusile') and Nucoal Holdings (Pty) Ltd ('Nucoal')

In terms of a share sale agreement concluded with Troy, Kusile and Nucoal and in order to acquire Nucoal Mining (Pty) Ltd, the sellers agreed to certain withholding warranties and warranty claims in terms of the agreement. IN accordance with the agreement, an amount of US$9.5 million (R65.0 million) was withheld in respect of claims under the general warranty provision. The parties have entered into a settlement agreement whereby an amount of £3.0 million (US$4.5 million), approximating 50% of the amount withheld, was paid to the vendors in full and final settlement of the matter.

Apex Forex Trading Limited ('Apex') / Coal of Africa Limited

On 31 January 2011, Van Huyssteens attorneys alleged in writing that Apex was provisionally liquidated in 2000 but purchased a 30% interest in Mooiplaats Mining (Pty) Ltd. This shareholding was according to Van Huyssteens transferred to the Company without payment of any money due to the liquidated estate. Van Huyssteens have failed to respond to the Company's written request regarding proof of their allegations.

There are no other significant contingent liabilities as at 31 December 2011.

In November 2010 Coal of Africa, through one of its subsidiaries, entered into an agreement to acquire all the Chapudi assets for a total of US$75 million. Of the original purchase consideration of US$75 million for the Chapudi Acquisition, US$73 million remains payable in two separate tranches of US$43 million and US$30 million. The US$43 million is anticipated to be paid by April 2012, with the remainder due one year from this payment.

Vuna Mining Enterprises (Pty) Ltd

NuCoal Mining has committed to mine at least 1 200 000 tonnes from the Vuna colliery annually.

There are no other significant commitments as at 31 December 2011.

9. EVENTS SUBSEQUENT TO REPORTING DATE

On 6 February 2012, CoAL advised that it has entered into definitive agreements with Black Economic Empowerment ("BEE") companies and a company representing all the local communities in close proximity to the project, to acquire a 26% shareholding in the wholly-owned CoAL subsidiary, expected to hold the Chapudi Coal Project and related exploration properties upon completion of its acquisition from Rio Tinto Minerals Development Limited and Kwezi Mining Proprietary Limited.

The Company reported previously that in terms of a Share Sale Agreement concluded with Troy Holdings and Investments Inc, Kusile Mining (Pty) Ltd and NuCoal Holdings (Pty) Ltd, the vendors (“the vendors”) to acquire 100% of NuCoal Mining (Pty) Ltd, an amount of US$9.5 million (R65.0 million) was withheld in respect of claims under the general warranty provision. The parties have entered into a settlement agreement whereby an amount of £3.0 million (US$4.5 million), approximating 50% of the amount withheld, was paid to the vendors in full and final settlement of the matter.

10. SEGMENTAL INFORMATION

The Group has three reportable segments: Exploration, Development and Mining. 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, 2011, projects within this reportable segment include two exploration and development stage coking and thermal coal complexes, namely the Chapudi Complex (which comprises the Chapudi project, the Chapudi West project and the Wildebeesthoek project), and the Soutpansberg Complex (which comprises the Voorburg project, the Mt Stuart project and the Jutland 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, 2011 projects included within this reportable segment include two coking coal projects, namely the Vele Colliery and the Makhado Complex (comprising the Makhado project, the Makhado Extension project and the Generaal project), both in the early operational and development stage, respectively. The Mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale. As of 31 December 2011 the Group had two operational thermal collieries included in this segment, namely the Mooiplaats Colliery and the Woestalleen Colliery.

The Group evaluates performance on the basis of segment profitability, which represents net operating (loss) / profit earned by each reportable segment before impairment of financial assets, impairment of mining assets, depreciation, amortisation, foreign exchange gains, and impairment of assets held for sale.

They are 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, ie at current market prices.

10. SEGMENTAL INFORMATION (continued)

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

	For the 6 months ended 31 December 2011			
	Exploration $'000	**Development $'000**	**Mining $'000**	**Total $'000**
Revenue				
Revenue from external customers	-	-	125 887	125 887
Inter-segment revenue	-	-	34 007	34 007
Revenue	-	-	159 894	159 894
Segment loss	**8**	**352**	**20 216**	**20 576**
Items included within Group's measure of segment loss:				
- Depreciation and amortisation	-	21	27 293	27 314
	As at 31 December 2011			
Segment assets	**65 950**	**117 247**	**217 790**	**400 987**
Items included within the Group's measure of segment assets				
- Additions to non-current assets	5 434	7 018	2 096	14 548
Segment liabilities	**4 582**	**8 501**	**110 510**	**123 593**

10. SEGMENTAL INFORMATION (continued)

	For the 6 months ended 31 December 2010			
	Exploration $'000	**Development $'000**	**Mining $'000**	**Total $'000**
Revenue				
Revenue from external customers	-	-	87 874	87 874
Inter-segment revenue	-	-	20 687	20 687
Revenue	-	-	108 561	108 561
Segment loss	**1 223**	**3 698**	**26 368**	**31 289**
Items included within Group's measure of segment loss:				
- Depreciation and amortisation	-	23	14 598	14 621
		As at 30 June 2011		
Segment assets	**75 156**	**125 449**	**294 364**	**494 969**
Items included within the Group's measure of segment assets				
- Additions to non-current assets	19 350	7 981	59 584	86 915
Segment liabilities	**4 289**	**7 009**	**142 172**	**153 470**

Reconciliations of the total segment amounts to respective items included in the consolidated financial statements are as follows:

	Half Year ended 31 December 2011 $'000	**Half Year ended 31 December 2010 $'000**
Total loss for reportable segments	20 576	31 289
Reconciling items:		
Unallocated corporate (income) / costs	20 459	16 994
Depreciation	641	-
Impairment of assets held for sale	1 926	11 253
Diminution in investments	-	131
Foreign exchange loss	34 922	9 236
Loss before taxation	78 524	68 903

10. SEGMENTAL INFORMATION (continued)

	31 December 2011	30 June 2011
Total segment assets	400 987	494 969
Reconciling items:		
Unallocated property, plant and equipment	21 877	24 035
Assets classified as held for sale	19 265	22 268
Intangible assets	19 376	20 800
Other financial assets	13 024	7 948
Other receivables	12 800	12 800
Unallocated current assets	84 694	8 859
Total assets	572 023	591 679
Total segment liabilities	123 593	153 470
Reconciling items:		
Liabilities held for sale	993	2 843
Unallocated liabilities	4 544	4 575
Total liabilities	129 131	160 888

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 2011 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

____

John Wallington

Director

Dated at Johannesburg, South Africa, this 12th day of March 2012.

Deloitte.

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Perth WA 6000

12 March 2012

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 2011, 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

Ross Jerrard
Partner
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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 2011, 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 12 to 29.

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 2011 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 2011 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, 12 March 2012