COAL of AFRICA LIMITED

A B N 98 008 905 388

FINANCIAL REPORT
FOR THE HALF YEAR-ENDED
31 DECEMBER 2013

CORPORATE DIRECTORY

REGISTERED OFFICE	Suite 8, 7 The Esplanade Mt Pleasant, Perth, WA 6153 Telephone: +61 8 9316 9100 Facsimile: +61 8 9316 5475 Email: perth@coalofafrica.com
SOUTH AFRICAN OFFICE	South Block Summercon Office Park Cnr Rockery Lane and Sunset Avenue Lonehill Telephone: +27 10 003 8000 Facsimile: +27 11 388 8333
BOARD OF DIRECTORS	Non-executive Bernard Pryor (Appointed to role of Chairman on 1 February 2014) Peter Cordin David Murray Khomotso Mosehla Rudolph Torlage Executive David Brown (Appointed to role of CEO on 1 February 2014) Michael Meeser
COMPANY SECRETARY	Tony Bevan

	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	National Australia Bank Limited Level 1, 1238 Hay Street West Perth WA 6005 Australia	Investec Bank plc 2 Gresham Street London EC2V 7QP United Kingdom	ABSA Bank The Podium Norton Rose Building 15 Alice Lane Sandton South Africa

CORPORATE DIRECTORY (CONTINUED)

	AUSTRALIA	UNITED KINGDOM	SOUTH AFRICA
BROKERS	Euroz Securities Limited Level 18, Alluvion 58 Mounts Bay Road Perth WA 6000 Australia	Investec Bank plc 2 Gresham Street London EC2V 7QP United Kingdom Mirabaud 21 St James' Street London SW1Y 4JP United Kingdom	N/A
LAWYERS	Corrs Chambers Westgarth Governor Phillip Tower 1 Farrer Place Sydney, New South Wales 2000 Australia	Hogan Lovells International LLP Atlantic House Holborn Viaduct London EC1A 2FG United Kingdom	Edward Nathan Sonnenbergs 150 West Street Sandton Johannesburg 2196 South Africa
NOMAD/ CORPORATE SPONSOR	N/A	Investec Bank plc 2 Gresham Street London EC2V 7QP United Kingdom	Investec Bank Limited 100 Grayston Drive Sandown 2196 Johannesburg South Africa

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

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The Directors of Coal of Africa Limited ("CoAL" or "the Company") submit herewith the financial report of Coal of Africa Limited and its subsidiaries ("the Group") for the half-year ended 31 December 2013. All amounts expressed in US Dollars unless stated otherwise.

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

Directors

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

Name

Bernard Pryor* (Chairman)
Peter Cordin*
David Murray*
Khomotso Mosehla*
Rudolph Torlage*
David Brown**
Michael Meeser**

* Non-executive director
** Executive director

The above named directors held office during and since the end of the half-year.

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

- The near-term development project, the Vele Colliery;
- The Makhado Project and the Greater Soutpansberg Project ("GSP") comprising three exploration stage coking and thermal coal projects, namely The Chapudi, Mopane and Generaal Projects; and
- Two non-core thermal assets, the Woestalleen and Mooiplaats collieries which are classified as 'Operations held for sale'.

Operations

The Company's focus on safety continued and no lost time incidents ("LTIs") were recorded during the six months (FY2013 H1: 10 LTIs).

The restructuring of CoAL continued during the period and resulted in the disposal of the Woestalleen Complex near Middelburg in Mpumalanga. The Company satisfied suspensive conditions of the transaction and by the end of December 2013, only the conditions requiring regulatory approval were outstanding. This was received at the end of January 2014 with the flow of funds in March 2014. The Opgoedenhoop New Order Mining Right ("NOMR") previously formed part of the Woestalleen Complex and was subject to a separate disposal process. The Company is awaiting regulatory approval for the transaction, expected in Q1 CY2014.

The Mooiplaats Colliery (near Ermelo) in Mpumalanga was placed on care and maintenance in August 2013, at which time it was producing Eskom quality coal only. The colliery is undergoing a formal disposal process which is expected to be completed during CY2014. During December 2013 the Company agreed to sell the Holfontein thermal coal project near Secunda, also in Mpumalanga, and received an option fee of ZAR5 million (US$0.5 million) for a one year option, extendable for further periods on the payment of additional option fees. The Company expects the buyer to exercise its option in CY2014 and once legislative approval for the transaction is granted, the purchase price of ZAR50 million (US$4.8 million) will become payable to CoAL.

During the six months ended December 2013, CoAL converted its interest in ASX listed Lemur Resources Limited into Bushveld Minerals Limited ("Bushveld") shares. Bushveld is listed on AIM (London) and CoAL is in the process of disposing of these shares, expected to be completed in CY2014.

As well as the restructuring of its various non-core assets, CoAL undertook processes to decrease overhead costs which included a reduction in staff numbers at its corporate office as well as its projects. These processes were completed by July 2013 and together with the relocation of the corporate office in Johannesburg, resulted in significant cost savings.

A further step in the turnaround strategy required the confirmation of the Vele Colliery coal quality. During the period the Company supplied samples of semi-soft coking coal to ArcelorMittal South Africa Limited ("AMSA") for tests in their coke batteries. The semi-soft coking coal test results were favourable, (meeting all of AMSA's technical requirements) and in January 2014 the Company received a Letter of Intent ("LoI") for the supply of coal. Both AMSA and CoAL wish to convert the LoI into a formal off-take agreement dependent on agreement on pricing parameters. Furthermore Eskom, the state power utility, successfully undertook combustion tests on Vele thermal coal and the parties are to hold further discussions with regards to a potential off-take agreement.

In terms of South African mining legislation, the Company requires a 26% Black Economic Empowerment ("BEE") shareholding for its mining and exploration projects. The Company is at an advanced stage of finalising agreements to enable a broad based BEE consortium (including communities and future employees) to acquire 26% of the Makhado Project. The Company estimates the Makhado Project Net Present Value to be in excess of ZAR6.9 billion (US$ 656.9 million) and is planned to produce over two million tonnes per annum ("Mtpa") of hard coking coal and over three Mtpa of Eskom quality thermal coal. The construction of the project, including ramp-up, is expected to take 26 months commencing in CY2015 and has an initial life of mine of 16 years. The inclusion of a BEE shareholder ensures that the project has the requisite corporate structure for the granting of the NOMR and in time, the Makhado Project will benefit one of the poorest areas in South Africa.

Vele Colliery Plant Modification

The confirmation of the Vele coal's semi-soft coking coal characteristics by AMSA during the reporting period resulted in the scaling down of operations in anticipation of the processing plant modifications. The Company approached potential contractors for the detailed design and construction of the modification and in February 2014, appointed Sedgman South Africa ("Sedgman") to complete the three month front-end engineering and design ("FEED"). The FEED will enable CoAL to arrive at a class 1 EPC estimate and once complete, will increase the processing capacity to 2.7 Mtpa of run of mine ("ROM") coal and the simultaneous production of three products, namely:

- Semi-soft coking coal;
- Sized thermal coal for the regional market; and
- Thermal coal for Eskom.

The Vele Colliery has a life of mine in excess of 50 years. The Company estimates that it will cost approximately ZAR450.0 million (US$42.8 million) to complete the plant modification (including mine development and ramp up costs), funded by a combination of debt and equity, and has commenced discussions with South African financing institutions which is expected to be agreed by the end of Q1 CY2014. Plant modifications will be completed in H1 CY2015, followed by a three month ramp-up period.

Current and future funding

During the reporting period the balances outstanding under the Deutsche Bank trade finance facility and the Investec Bank Limited ("Investec") derivative facility were repaid. Furthermore the Company secured a ZAR210.0 million (US$20.0 million) facility from Investec in October 2013 and has drawn ZAR107.0 million (US$10.2 million) of this for general working capital requirements. The Investec facility will be repaid using the proceeds from the disposal of non-core assets.

The Company has a long term project pipeline and the modification of the Vele plant and the development of the Makhado Project will be followed by the development of the GSP project areas. The development of the Company's significant coking and thermal coal resources is expected to be funded by a combination of debt and equity.

Financial review

The loss for the six months under review amounted to US$46.3 million, or 4.42 cents per share compared to a loss of US$111.7 million, or 14.39 cents per share for the prior corresponding period.

The loss for the period under review of US$46.3 million (H12012: US$111.7 million) includes non-cash charges of US$30.3 million (H12012: US$96.1 million) as follows:

- Mooiplaats impairment loss of US$16.5 million (US$50.0 million in the six months ended 31 December 2012);
- net foreign exchange losses of US$12.6 million (2012: US$19.9 million) arising from the translation of inter-group loan balances, borrowings and cash due to changes in the ZAR:AUD exchange rate during the period;
- depreciation of US$0.7 million (2012: US$9.8 million) and amortisation of US$0.5 million (2012: US$9.4 million) contributed further to the non-cash charges;
- loss of nil due to the discount on early settlement of the Grindrod receivable (2012: US$2.7 million); and
- loss of nil (2012: US$4.3 million) on the fair value adjustment of the Investec equity derivative financing package.

As a result of the exclusion of impairment losses from the headline earnings calculations, the headline loss per share (as explained in Note 12 to the financial report) reduced from 7.95 cents in the prior corresponding period, to 2.85 cents per share during the six months under review.

As at 31 December 2013, the Company had cash and cash equivalents of US$4.2 million compared to cash and cash equivalents of US$29.9 million at 30 June 2013.

Authorised and issued share capital

CoAL had 1,048,368,613 fully paid ordinary shares in issue as at 31 December 2013. 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 31 January 2014, the Department of Mineral Resources ("DMR") granted Section 11 approval in terms of the Mineral and Petroleum Resources Development Act ("MPRDA") for the disposal of the Woestalleen Complex. The sale consideration of ZAR80 million (US$7.6million) was received on 6 March 2014.

- David Brown was appointed as Chief Executive Officer ("CEO") and Executive Director and Bernard Pryor was appointed Chairman, effective 1 February 2014.

- Appointment of Sedgman as the engineer for the FEED of the Vele Colliery plant modification.

Outlook

Good progress has been made on all elements of the turnaround strategy. The placement of the loss making Mooiplaats Colliery on care and maintenance and the commencement of a formal sales process, as well as the disposals of the Woestalleen Complex, Holfontein project and Bushveld investment are at various stages of completion and are all expected to be completed during CY2014. The confirmation of the Vele Colliery semi-soft coking coal qualities by AMSA could, subject to the requisite funds being raised, result in the commencement of the project's processing plant modifications, expected to be completed in H1 CY2015. The granting of the Makhado Project NOMR is expected to occur in CY2014 with the 26 month construction period commencing in CY2015, again subject to the required funding being available.

Rounding off of amounts

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 28.

The half-year report set out on pages 8 to 27, which has been approved on the going concern basis, was approved by the board on 9 March 2014 and was signed on its behalf by:

David Brown
Director

Dated at Johannesburg, South Africa, this 9th day of March 2014.

COAL OF AFRICA LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Six months ended 31 Dec 2013 $'000	Six months ended 31 Dec 2012 $'000
Continuing operations			
Revenue		60	516
Cost of sales		(76)	(898)
Gross loss		(16)	(382)
Depreciation and amortisation		(1,286)	(498)
Foreign exchange losses		(12,564)	(19,857)
Employee benefits expense		(4,116)	(7,477)
Other expenses		(5,759)	(10,448)
Take or pay port obligation		(1,549)	(1,626)
Operating lease expenses		(174)	(545)
Other (loss) and gain		-	(4,299)
Other income		388	-
Operating loss		(25,076)	(45,132)
Interest income		371	353
Finance costs		(285)	(8)
Loss before tax		(24,990)	(44,787)
Income tax credit / (charge)		-	-
Net loss for the period from continuing operations		(24,990)	(44,787)
Operations held for sale			
Loss for the period from operations held for sale	11	(21,306)	(66,883)
LOSS FOR THE PERIOD		(46,296)	(111,670)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(3,672)	18,933
Total comprehensive loss for the period		(49,968)	(92,737)
Loss for the period attributable to:			
Owners of the parent		(46,296)	(111,670)
Non-controlling interests		-	-
		(46,296)	(111,670)
Total comprehensive loss attributable to:			
Owners of the parent		(49,968)	(92,737)
Non-controlling interests		-	-
		(49,968)	(92,737)
Loss per share	12		
From continuing operations and operations held for sale			
Basic and diluted (cents per share)		4.42	14.39
From continuing operations			
Basic and diluted (cents per share)		2.38	5.77

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

COAL OF AFRICA LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	31 Dec 2013 $'000	30 June 2013 $'000
ASSETS			
Non-current assets			
Development, exploration and evaluation assets	6	274,190	279,078
Property, plant and equipment	7	17,019	18,846
Intangible assets		15,087	16,078
Other receivables		3,358	3,567
Other financial assets		2,678	2,989
Restricted cash		3,939	4,187
Deferred tax assets		2,714	2,885
Total non-current assets		318,985	327,630
Current assets			
Inventories		544	1,096
Trade and other receivables		4,645	3,267
Other financial assets		-	3,318
Cash and cash equivalents		4,067	20,995
		9,256	28,676
Assets classified as held for sale	8	32,232	71,093
Total current assets		41,488	99,769
Total assets		360,473	427,399
LIABILITIES			
Non-current liabilities			
Deferred consideration		-	30,000
Provisions		4,647	4,903
Total non-current liabilities		4,647	34,903
Current liabilities			
Deferred consideration	9	30,000	-
Trade and other payables		5,582	10,837
Borrowings	10	9,160	2,088
Provisions		343	398
Current tax liabilities		1,489	1,534
		46,574	14,857
Liabilities associated with assets held for sale	8	14,724	35,171
Total current liabilities		61,298	50,028
Total liabilities		65,945	84,931
NET ASSETS		294,528	342,468
EQUITY			
Issued capital		935,891	935,891
Accumulated deficit		(753,831)	(707,535)
Reserves		111,893	113,537
Equity attributable to owners of the parent		293,953	341,893
Non-controlling interests		575	575
TOTAL EQUITY		294,528	342,468

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

COAL OF AFRICA LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Issued capital	Accumulated deficit	Share based payment reserve	Capital profits reserve	Foreign currency translation reserve	Attributable to owners of the parent	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2013	935,891	(707,535)	82,438	91	31,008	341,893	575	342,468
Total comprehensive loss for the period	-	(46,296)	-	-	(3,672)	(49,968)	-	(49,968)
Loss for the period – continuing operations	-	(24,990)	-	-	-	(24,990)	-	(24,990)
Loss for the period – operations held for sale	-	(21,306)	-	-	-	(21,306)	-	(21,306)
Other comprehensive loss, net of tax	-	-	-	-	(3,672)	(3,672)	-	(3,672)
	935,891	(753,831)	82,438	91	27,336	291,925	575	292,500
Share based payments	-	-	2,028	-	-	2,028	-	2,028
Balance at 31 December 2013	935,891	(753,831)	84,466	91	27,336	293,953	575	294,528
Balance at 1 July 2012	791,102	(564,800)	87,180	91	63,119	376,692	575	377,267
Total comprehensive loss for the period	-	(111,670)	-	-	18,933	(92,737)	-	(92,737)
Loss for the period – continuing operations	-	(44,787)	-	-	-	(44,787)	-	(44,787)
Loss for the period – operations held for sale	-	(66,883)	-	-	-	(66,883)	-	(66,883)
Other comprehensive loss, net of tax	-	-	-	-	18,933	18,933	-	18,933
	791,102	(676,470)	87,180	91	82,052	283,955	575	284,530
Shares issued for capital raising	54,250	-	-	-	-	54,250	-	54,250
Share issue costs	(2,211)	-	-	-	-	(2,211)	-	(2,211)
Share based payments	-	-	481		-	481	-	481
Share options expired	-	4,554	(4,554)	-	-	-	-	-
Balance at 31 December 2012	843,141	(671,916)	83,107	91	82,052	336,475	575	337,050

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

COAL OF AFRICA LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Six months ended 31 December 2013 $'000	Six months ended 31 December 2012 $'000
Cash Flows from Operating Activities			
Receipts from customers		23,490	90,279
Payments to employees and suppliers		(45,573)	(121,802)
Cash used in operations		(22,083)	(31,523)
Interest received		495	342
Interest paid		(177)	(676)
Income taxes paid		-	-
Net cash used in operating activities		(21,765)	(31,857)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		-	(2,395)
Increase in restricted cash		-	(1,475)
Proceeds from the sale of property, plant and equipment		-	-
Purchase of mineral properties		-	(9,802)
Payments for exploration and evaluation assets		(1,624)	(11,749)
Increase in other financial assets		3,428	(724)
Payments for development assets		(4,038)	(17,993)
Net cash used in investing activities		(2,234)	(44,138)
Cash Flows from Financing Activities			
Proceeds from the issue of shares and options, net of costs		-	53,631
Share issuance costs		-	(2,221)
Proceeds received from BHE		-	20,000
Repayment of borrowings		(12,355)	(157)
Proceeds from borrowings		10,664	4,897
Finance lease repayments		(54)	(911)
Net cash (used in) / generated by financing activities		(1,745)	75,239
NET DECREASE IN CASH AND CASH EQUIVALENTS		(25,744)	(756)
Cash and cash equivalents at the beginning of the half-year		29,938	19,523
Foreign exchange differences		30	(475)
Cash and cash equivalents at the end of the half-year	13	4,224	18,292

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

1. CORPORATE INFORMATION

The financial report of Coal of Africa Limited ("CoAL" or the "Company") for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 9 March 2014. CoAL is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange ("ASX"), the AIM market of the London Stock Exchange ("AIM") and the Johannesburg Stock Exchange ("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 Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The half-year condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of 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 2013 annual financial report for the financial year ended 30 June 2013, 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 condensed consolidated financial statements from those reported as at and for the half-year ended 31 December 2012 to take into account the decision to classify its thermal assets as operations held for sale. 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.

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

- AASB 10 *'Consolidated Financial Statements'*
- AASB 11 '*Joint Arrangements'*
- AASB 12 '*Disclosure of Interests in Other Entities'*
- AASB 127 '*Separate Financial Statements'*
- AASB 13 '*Fair value Measurement'*

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 half-years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 12 requires the extensive disclosure of information that enables users of financial statement to evaluate the nature of, and risks associated with, interest in other entities and the effects of those interests on its financial position, financial performance and cash flows.

AASB 13 Fair value measurement, which has been issued and is effective for accounting periods beginning on or after 1 January 2013, establishes a single source of guidance under accounting standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under AASBs when fair value is required or permitted. The application of AASB 13 did not have a material impact on the amounts recognised in the Consolidated Interim Financial Statements.

3. GOING CONCERN

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

The Consolidated Entity has incurred a reduced net loss after tax for the period ended 31 December 2013 of US$46.3 million (31 December 2012: loss of US$111.7 million), including a non-cash impairment of US$16.5 million on the Mooiplaats Colliery, realised and unrealised foreign exchange losses of US$12.6 million and depreciation and amortisation charges of US$1.3 million. During the period ended 31 December 2013, net cash outflows from operating activities were US$21.8 million (31 December 2012 net outflow: US$31.9 million) and net cash outflows from investing activities were US$2.2 million (31 December 2012 net outflow: US$44.1 million). As at 31 December 2013 the Consolidated Entity had a net current liability position of US$37.3 million (30 June 2013: net current assets of US$13.8 million), excluding assets and liabilities classified as held for sale.

As part of the process to raise additional funding for the business during the reporting period, the Company has performed the following fundraising activities:

- In October 2013, the Consolidated Entity secured a working capital facility with Investec Bank Limited for ZAR210 million (US$20.0 million) of which ZAR107 million (US$10.2 million) was drawn down on 30 October 2013. Refer to Note 10 for further details of the facility.

During the period ended 31 December 2013 and up to the date of this report the Company also identified certain key deliverables to ensure that the Consolidated Entity continues as a going concern. These include:

- The sale of the Woestalleen Complex was finalised following receipt of Section 11 approval from the Department of Mineral Resources on 31 January 2014. The sale consideration of ZAR80 million (US$7.6 million) was received on 6 March 2014;
- The Company commenced a process for the sale of the Mooiplaats Colliery; and
- The Company commenced negotiations with Rio Tinto with regard to the payment of US$30.0 million (refer Note 9) that will become due within the next 12 months.

Over the next three to twelve months, the Directors have identified certain key deliverables to ensure that the Consolidated Entity continues as a going concern. 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 successful conclusion of additional funding from either financial institutions or the equity markets to meet planned commitments;
- The successful conclusion of negotiations with Rio Tinto with respect to the timing of the settlement of the US$30.0 million liability in order to match the Company’s available cash resources; and
- The sale of other non-core assets during the next twelve months (as contemplated in Note 11) including the release of the associated cash backed rehabilitation guarantees for these assets and the receipt of proceeds from the sale of other financial assets.

3. GOING CONCERN (continued)

At the date of this report and having considered the above factors, the Directors are confident that the Consolidated Entity will achieve the matters set out above and accordingly will be able to continue as a going concern.

In the event that the Consolidated Entity does not achieve successful outcomes in relation to the matters set out above, significant uncertainty would exist as to the ability of the Consolidated Entity to continue as a going concern and, therefore, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

The half-year financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

4. DIVIDENDS

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2013 (2012: None).

5. ISSUED CAPITAL

	31 Dec 2013 $'000
1,048,368,613 (2012: 800,951,043) fully paid ordinary shares	935,891

There were no changes to the issued capital during the half-year.

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

Options

The following unlisted options to subscribe for ordinary fully paid shares are outstanding at 31 December 2013:

Number Issued	Exercise Price	Expiry Date
3,000,000	A$2.74	30 November 2014
818,500	A$1.90	30 June 2014
2,500,000	A$1.20	9 November 2015
1*	GBP0.60	1 November 2014
1,441,061	A$1.40	30 September 2015
2,670,000	ZAR7.60	30 June 2016
3,500,000	GBP0.25	30 November 2015
20,000,000**	ZAR1.32	21 October 2018

* 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.

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

6. DEVELOPMENT, EXPLORATION AND EVALUATION ASSETS

	31 Dec 2013 $'000
Development, exploration and evaluation assets comprise:	
Exploration and evaluation assets	144,148
Development assets	130,042
Balance at end of period	274,190

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

Exploration and evaluation assets

Balance at beginning of period	148,131
Additions	1,806
Foreign exchange differences	(5,789)
Balance at end of period	144,148

Development assets

Balance at beginning of period	130,947
Additions	6,302
Foreign exchange differences	(7,207)
Balance at end of period	130,042

The development asset, comprising the Vele project, has been assessed for impairment by comparing the carrying value against the value-in-use calculations of the project.

Value-in-use is calculated based on the present value of cash flow projections over the expected life of the development project. The discount rate applied in the value-in-use is 10.33% (30 June 2013 - 10%).

Based on the value-in-use projection, no impairment has been recognised on the Vele development asset.

Recoverability of the carrying value of interests in exploration and development assets is subject to the successful development and exploitation of the exploration and development properties or alternatively, the sale of these tenements at amounts at least equal to the book values. The ability of the Consolidated Entity to fund the successful development and exploitation of the exploration and development properties is dependent on the going concern assumptions set out in Note 3 'Going Concern'.

7. PROPERTY, PLANT AND EQUIPMENT

	Mining property, plant and equipment $'000	Land and buildings $'000	Leasehold improve-ments $'000	Motor vehicles $'000	Other $'000	Total $'000
December 2013						
Cost						
At beginning of period	465	17,481	572	888	2,178	21,584
Additions	-	9	5	-	1	15
Foreign exchange	(28)	(1,036)	(32)	(53)	(156)	(1,305)
At end of period	437	16,454	545	835	2,023	20,294
Accumulated depreciation						
At beginning of period	166	406	517	269	1,380	2,738
Depreciation charge	23	252	52	132	266	725
Exchange differences	(12)	(34)	(32)	(21)	(89)	(188)
At end of period	177	624	537	380	1,557	3,275
Net carrying value at end of period	260	15,830	8	455	466	17,019
June 2013						
Cost						
At beginning of year	427,898	24,348	678	1,839	2,817	457,580
Additions	3,626	449	-	340	428	4,843
Transfers	-	(929)	-	-	-	(929)
Assets held for sale	(376,955)	(2,608)	-	(956)	(573)	(381,092)
Exchange differences	(54,104)	(3,779)	(106)	(335)	(494)	(58,818)
At end of year	465	17,481	572	888	2,178	21,584
Accumulated depreciation						
At beginning of year	188,777	1,325	462	694	1,445	192,703
Amortisation	13,577	-	-	-	-	13,577
Depreciation charge	11,968	1,135	142	244	666	14,155
Assets held for sale	(176,290)	(1,741)	-	(530)	(432)	(178,993)
Exchange differences	(37,866)	(313)	(87)	(139)	(299)	(38,704)
At end of year	166	406	517	269	1,380	2,738
Accumulated Impairment						
At beginning of year	123,236	-	-	-	-	123,236
Impairment charge	48,545	-	-	-	-	48,545
Assets held for sale	(166,399)	-	-	-	-	(166,399)
Exchange differences	(5,382)	-	-	-	-	(5,382)
At end of year	-	-	-	-	-	-
Net carrying value at end of year	299	17,075	55	619	798	18,846

8. ASSETS HELD FOR SALE

	31 Dec 2013 $'000	30 June 2013 $'000
Carrying amounts of		
Holfontein Investments Proprietary Limited ('Holfontein')	-	-
Langcarel Proprietary Limited ('Mooiplaats')	19,040	34,934
NuCoal Mining Proprietary Limited ('Woestalleen')	(1,532)	988
	17,508	35,922
Assets classified as held for sale		
Holfontein	-	-
Mooiplaats	22,802	55,996
Woestalleen	9,430	15,097
	32,232	71,093
Liabilities associated with assets held for sale		
Holfontein	-	-
Mooiplaats	(3,762)	(21,062)
Woestalleen	(10,962)	(14,109)
	(14,724)	(35,171)
	17,508	35,922

Holfontein

The Company has signed an Option Agreement to dispose of the asset. The option holder paid ZAR5.0 million (US$0.5 million) in December 2013. The option grants the holder an exclusive right to purchase the Holfontein equity and claims for ZAR50.0 million (US$4.8 million) for one year which can be extended on payment of further option fees.

Mooiplaats

As described in Note 11, the Company is seeking to dispose of its thermal assets which include the Mooiplaats Colliery. The Company expects to recover the carrying value through the disposal of the project.

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

	31 Dec 2013 $'000	30 June 2013 $'000
Assets classified as held for sale		
Property, plant and equipment	17,369	35,100
Other financial assets	2,112	2,043
Restricted cash	1,486	1,580
Inventories	1,555	2,021
Trade and other receivables	123	9,267
Cash and cash equivalents	157	5,985
	22,802	55,996
Liabilities classified as held for sale		
Interest bearing liabilities	-	12,769
Provisions	2,943	3,414
Trade payables and accrued expenses	819	4,879
	3,762	21,062
Net assets of Mooiplaats	19,040	34,934

8. ASSETS HELD FOR SALE (continued)

	31 Dec 2013 $'000	30 June 2013 $'000

Woestalleen

CoAL had agreed to sell the Woestalleen processing complex and the undeveloped Opgoedenhoop mining right. During the six months ended December 2013, the Company made good progress in satisfying the suspensive conditions for the disposals and at the end of the period, only the conditions requiring ministerial consent in terms of Section 11 of the Mineral and Petroleum Resources Development Act remained outstanding. The Section 11 with respect to the Woestalleen processing complex was received subsequent to the period (refer Note 15).

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

	31 Dec 2013 $'000	30 June 2013 $'000
Assets classified as held for sale		
Property, plant and equipment	565	600
Other financial assets	2,947	3,133
Restricted cash	556	578
Inventories	2,745	3,412
Trade and other receivables	2,617	4,416
Cash and cash equivalents	-	2,958
	9,430	15,097
Liabilities classified as held for sale		
Interest bearing liabilities	866	921
Provisions	8,576	7,422
Trade payables and accrued expenses	1,520	5,766
	10,962	14,109
Net (liabilities) / assets of Woestalleen	(1,532)	988

9. DEFERRED CONSIDERATION

Notwithstanding that the Company is currently in negotiations with Rio Tinto to defer the payments with respect to the US$30.0 million that is due in October 2014, the payable has been reflected as current in the balance sheet as at 31 December 2013, as no formal agreement to defer the payment has been reached yet.

The Company is confident that they will be successful in negotiating the deferment of the payment.

10. BORROWINGS

Borrowings are made up as follows:

	31 Dec 2013 $'000	30 Jun 2013 $'000
Investec Bank facility	8,954	-
Other	206	2,088
	9,160	2,088

The Company, through its wholly owned subsidiary GVM Metals Administration (South Africa) (Pty) Ltd has secured an 18-month, ZAR210 million (approximately US$20.0 million) working capital facility from Investec.

The principal terms of the loan include a margin of 500 basis points, pledge and cession of the shares and loan accounts in the major operating subsidiaries of the Group. In addition, CoAL will issue 20 million options to Investec which are exercisable at ZAR1.32 before October 2018.

The effective interest rate is 21.02% based on the expected payments.

The fair value of the option component was determined using the following assumptions:

- a risk-free rate of 6.6%
- a volatility index of 55.0%
- a dividend yield of 0%
- the options vest on 21 April 2014.

	31 Dec 2013 $'000
Investec facility received	10,234
Transaction costs - Option component accounted for in equity	(1,430)
	8,804
Adjustment for effective interest	150
	8,954

The facility is subject to certain covenants associated with a facility of this nature. The covenants include amongst others, maintaining a certain minimum cash level. As at the date of this report, there have been no breaches of covenants applicable to the loan.

11. OPERATIONS HELD FOR SALE

11.1 Holfontein (Pty) Ltd ('Holfontein')

The Company has signed an Option Agreement to dispose of the asset. The option holder paid ZAR5.0 million (US$0.5 million) in December 2013. The option grants the holder an exclusive right to purchase the Holfontein equity and claims for ZAR50.0 million (US$4.8 million) for one year which can be extended on payment of further option fees.

11.2 Disposal of NuCoal Mining (Pty) Ltd ('Woestalleen')

CoAL had agreed to sell the Woestalleen processing complex and the undeveloped Opgoedenhoop mining right. During the six months ended December 2013, the Company made good progress in satisfying the suspensive conditions for the disposals and at the end of the period, only the conditions requiring ministerial consent in terms of Section 11 of the Mineral and Petroleum Resources Development Act remained outstanding. The Section 11 with respect to the Woestalleen processing complex was received subsequent to the period (refer Note 15).

Details of the assets and liabilities held for sale are disclosed in Note 8.

11.3 Plan to dispose of Langcarel (Pty) Ltd ('Mooiplaats')

The disposal process continued during the period and formal offers from prospective buyers are expected by the end of the March 2014 quarter, with disposal agreements thereafter. The Company expects to complete this transaction during the 2014 calendar year.

11.4 Analysis of loss for the year from operations classified as held for sale

The combined results of the operations held for sale included in the loss for the period are set out below. The comparative losses and cash flows from operations held for sale have been re-presented to include those operations classified as held for sale in the current period.

	Six months ended 31 Dec 2013 $'000	Six months ended 31 Dec 2012 $'000
Loss for the period from operations held for sale		
Revenue	1,778	87,255
Other gains	1,501	549
	3,279	87,804
Expenses	(24,585)	(162,538)
Loss before tax	(21,306)	(74,734)
Attributable income tax credit	-	7,851
Loss for the period from operations held for sale (attributable to owners of the parent)	(21,306)	(66,883)
Cash flows from operations held for sale		
Net cash outflows from operating activities	(3,479)	(20,425)
Net cash outflows from investing activities	329	(4,222)
Net cash outflows from financing activities	(12,409)	3,829
Net cash outflows	(15,559)	(20,818)

These operations have been classified and accounted for as a disposal group held for sale since 30 June 2013 (see Note 8).

12. LOSS PER SHARE

	Six months ended 31 Dec 2013	Six months ended 31 Dec 2012
	Cents per share	Cents per share
Basic loss per share		
From continuing operations	2.38	5.77
From operations held for sale	2.04	8.62
	4.42	14.39

12.1 Basic loss per share

	$'000	$'000
Loss for the period attributable to owners of the parent	(46,296)	(111,670)
Loss for the period from operations held for sale	21,306	66,883
Loss used in the calculation of basic loss per share from continuing operations	(24,990)	(44,787)

	'000 shares	'000 shares
Weighted number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	1,048,368	775,886

12.2 Diluted loss per share

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

As at 31 December 2013, 21,987,489 options (31 December 2012 – 15,929,562 options) and the 20 million options issued to Investec were excluded from the computation of the loss per share as their impact is anti-dilutive. Furthermore at 31 December 2013 and 2012 one option issued to Firefly to acquire 50 million shares (see Note 5) was also excluded from the computation of the loss per share as the impact is anti-dilutive.

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

The calculation of headline loss per share at 31 December 2013 was based on the headline loss attributable to ordinary equity holders of the Company of US$29.8 million (2012: US$61.7 million) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2013 of 1,048,368,613 (2012: 775,886,462).

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

	Six months ended 31 Dec 2013 $'000	Six months ended 31 Dec 2012 $'000
Loss for the period attributable to ordinary shareholders	46,296	111,670
Adjust for:		
Impairment losses	(16,453)	(50,000)
Headline earnings	29,843	61,670
Headline loss per share (cents per share)	2.85	7.95

13. CASH AND CASH EQUIVALENTS

	31 Dec 2013 $'000	30 Jun 2013 $'000
Bank balances	4,067	20,995
Bank balances included in a disposal group held for sale (refer Note 8)	157	8,943
	4,224	29,938
Restricted cash	3,939	4,187
Restricted cash included in a disposal group held for sale (refer Note 8)	2,042	2,158
	5,981	6,345

14. CONTINGENT LIABILITIES

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 2013 unless otherwise stated):

Envicoal Proprietary Limited / NuCoal Mining Proprietary Limited

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 has claimed damages to the value of ZAR115.7 million (US$11.0 million), alternatively ZAR50.6 million (US$4.8 million). Both amounts exclude VAT and interest. The arbitration proceedings have commenced but were postponed until April 2014.

The Group has contingent liabilities as listed below:

Ferret Mining Proprietary Limited

During the period, Ferret's 26% shareholding in Mooiplaats Mining Limited was re-instated. Although they are not entitled to any assets or claims in the Mooiplaats group, they are entitled to receive ZAR10.0 million (US$1.0 million) upon the successful disposal of the Mooiplaats Colliery.

There are no other significant contingent liabilities as at 31 December 2013.

15. EVENTS SUBSEQUENT TO REPORTING DATE

- On 31 January 2014, the Department of Mineral Resources ("DMR") granted Section 11 approval in terms of the MPRDA for the disposal of Woestalleen Complex. The sale consideration of ZAR80 million (US$7.6 million) was received on 6 March 2014.
- David Brown was appointed as CEO and Executive Director and Bernard Pryor was appointed Chairman, effective 1 February 2014.
- Appointment of Sedgman as the engineer for the FEED of the Vele Colliery plant modification.

16. 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 2013, projects within this reportable segment include three 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), the Soutpansberg Complex (which comprises the Voorburg project, the Mt Stuart project and the Jutland project) and the Makhado Complex (comprising the Makhado project, the Makhado Extension project and the Generaal 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 2013 projects included within this reportable segment include one coking coal project, namely the Vele Colliery, in the early operational and development stage.

The Mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale and included the Mooiplaats Colliery and the Woestalleen Colliery. As of 30 June 2013 the Mooiplaats Colliery and the Woestalleen Colliery has been classified as operations held for sale after a decision by the Company to dispose of its thermal assets (refer Notes 8 and 11).

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

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

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

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

16. SEGMENTAL INFORMATION (continued)

For the six months ended 31 December 2013	Continuing operations Exploration $'000	Continuing operations Development $'000	Operations held-for-sale Mining $'000	Total $'000
Revenues from external customers[(1)]	-	-	1,778	1,778
Inter-segment revenues	-	-	3,755	3,755
Revenue	-	-	5,533	5,533
Segment loss	148	1,196	21,306	22,650
Items included within the Group's measure of segment profitability				
- Depreciation and amortisation	10	33	-	43
- Impairment	-	-	16,453	16,453
- Finance cost / (income) (net)	3	34	(193)	(156)

1. Revenues represent sale of product

Segment assets	151,548	134,104	32,232	317,884
Items included within the Group's measure of segment assets				
- Additions to non-current assets	1,806	6,302	-	8,108
Segment liabilities	2,276	4,661	14,724	21,661

For the six months ended 31 December 2012	Continuing operations Exploration $'000	Continuing operations Development $'000	Operations held-for-sale Mining $'000	Continuing operations Total $'000
Revenues from external customers[(1)]	-	-	87,255	87,255
Inter-segment revenues	-	-	27,316	27,316
Revenue	-	-	114,571	114,571
Segment loss	521	761	74,732	76,014
Items included within the Group's measure of segment profitability				
- Depreciation and amortisation	6	35	18,731	18,772
- Impairment	-	-	50,000	50,000
- Finance cost (net)	-	-	844	844

1. Revenues represent sale of product

Segment assets	169,727	146,588	106,715	423,030
Items included within the Group's measure of segment assets				
- Additions to non-current assets	4,219	15,288	1,984	21,491
Segment liabilities	6,339	8,420	87,831	102,590

16. SEGMENTAL INFORMATION (continued)

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

	Six months ended 31 Dec 2013 $'000	Six months ended 31 Dec 2012 $'000
Total loss for reportable segments	22,650	76,014
Reconciling items:		
Unallocated corporate (income) / costs	9,841	15,343
Depreciation	1,243	458
Foreign exchange loss	12,562	19,855
Loss before taxation	46,296	111,670
Total segment assets	317,884	423,030
Reconciling items:		
Unallocated property, plant and equipment	12,991	19,156
Intangible assets	15,087	18,845
Other financial assets	271	6,331
Other receivables	3,358	4,154
Unallocated current assets	10,882	28,228
Total assets	360,473	499,744
Total segment liabilities	21,661	102,590
Reconciling items:		
Investec facility	8,954	-
Unallocated liabilities	35,330	60,104
Total liabilities	65,945	162,694

17. FINANCIAL INSTRUMENTS

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

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

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

	Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		31 Dec 2013	30 Jun 2013				
1.	Other financial assets – Unlisted Investments	Assets - $2.7m	Assets - $6.3m	Level 2	Value certificate obtained from investment institution	N/A	N/A
2.	Other financial assets – Listed Investments	Assets - nil	Assets - $3.4m	Level 1	Quoted prices in an active market	N/A	N/A
3.	Receivables – Listed Investments	Assets - $2.1m	Assets - nil	Level 1	Quoted prices in an active market	N/A	N/A

17.2 Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

	31 Dec 2013		30 Jun 2013	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial liabilities				
Financial liabilities held at amortised cost:				
- Loans from other entities	8,954	8,804	-	-

The Directors declare that in the directors' opinion,

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

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

    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 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

David Brown
Director

Dated at Johannesburg, South Africa, this 9th day of March 2014.

Deloitte.

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The Board of Directors
Coal of Africa Limited
7 The Esplanade
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Mt Pleasant
WA 6153

9 March 2014

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 2013, 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
Chartered Accountants

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Independent Auditor's Review Report to the Members of Coal of Africa Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Coal of Africa Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated 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 8 to 28.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Coal of Africa Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 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*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 3 in the financial report, which indicates that the Consolidated Entity incurred a net loss of $46.3 million and experienced net cash outflows from operating and investing activities of $24.0 million during the half-year ended 31 December 2013. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern and therefore, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants
Perth, 9 March 2014