



ABN 98 008 905 388

**FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2012**

CORPORATE DIRECTORY

REGISTERED OFFICE

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SOUTH AFRICAN OFFICE

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BOARD OF DIRECTORS

Non-executive

David Brown (Chairman) (appointed 6 August 2012)
Bernard Pryor (appointed 6 August 2012)
Peter Cordin
David Murray
Khomotso Mosehla
Rudolph Torlage
Richard Linnell (resigned 6 August 2012)
Steve Bywater (resigned 6 August 2012)
Mikki Xayiya (resigned 6 August 2012)

Executive

John Wallington (Chief Executive Officer)
Professor Alfred Nevhutanda
Simon Farrell (resigned 6 August 2012)
Wayne Koonin (resigned 29 November 2012)

COMPANY SECRETARY

Tony Bevan (appointed 12 December 2012)
Shannon Coates (resigned 12 December 2012)

AUDITORS

AUSTRALIA

Deloitte Touche Tohmatsu
240 St Georges Terrace
Perth WA 6000
Australia

UNITED KINGDOM

SOUTH AFRICA

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

BANKERS

NAB Limited

Level 1, 1238 Hay Street
West Perth WA 6005
Australia

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)

BROKERS	AUSTRALIA Euroz Securities Limited Level 18, Alluvion 58 Mounts Bay Road Perth WA 6000 Australia	UNITED KINGDOM Investec Bank plc 2 Gresham Street London EC2V 7QP United Kingdom	SOUTH AFRICA N/A
		Mirabaud 21 St James' Street London SW1Y 4JP United Kingdom	
LAWYERS	Corrs Chambers Westgrath 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	Webber Wentzel 10 Fricker Road Illovo Boulevard 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

Index

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

Contents	Page
Directors' Report	4
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Statement of Changes in Equity	13
Condensed Consolidated Statement of Cash Flows	14
Notes to the Condensed Consolidated Half-year Report	15
Directors' Declaration	30
Auditor's Independence Declaration	31
Independent Auditor's Review Report	32

The Directors present their report on the consolidated entity comprising Coal of Africa Limited ("CoAL" or "the Company" or "the Group") and the entities it controlled for the six months ended 31 December 2012 together with the auditor's review report thereon:

Directors

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

David Brown* (Chairman)(appointed 6 August 2012)

Bernard Pryor* (appointed 6 August 2012)

Peter Cordin*

David Murray*

Khomotso Mosehla*

Rudolph Torlage*

John Wallington (Chief Executive Officer)**

Professor Alfred Nevhutanda **

Richard Linnell* (Chairman)(resigned 6 August 2012)

Simon Farrell** (Deputy Chairman) (resigned 6 August 2012)

Steve Bywater* (resigned 6 August 2012)

Mikki Xayiya* (resigned 6 August 2012)

Wayne Koonin** (Finance Director)(resigned 29 November 2012)

* Non-executive director

** Executive director

Review of Operations

Principal activity and nature of operations

The principal activity of the Company and its subsidiaries (the "Group" or the "Consolidated Entity") 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 and thermal coal projects, the Vele colliery and the Makhado project, 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 thermal coal collieries, the Mooiplaats Colliery and the Woestalleen Colliery; and
- approximately three million tonnes per annum port and rail capacity at the Matola Terminal in Maputo, Mozambique.

The Group also has an interest in an analytical coal laboratory.

Operational summary

Operational summary for the six months under review, reported unless otherwise stated in United States Dollars, include:

- Ten lost time injuries ("LTI's") during the period (FY2012 H2: five) including a vehicle incident at the Mooiplaats thermal coal colliery ("Mooiplaats Colliery") in July 2012 where four employees were injured.
- 2,676,821 tonnes (FY2012 H2: 2,647,179 tonnes) of run of mine ("ROM") coal and 1,050,045 tonnes (FY2012 H2: 1,214,539 tonnes) of export quality coal produced during the six months.
- Reduction in export coal sales to 636,264 tonnes (FY2012 H2: 863,893 tonnes) due to the reduction in production volumes after the strike action that lasted for six weeks at the Mooiplaats Colliery, and the impact of tippler upgrades at the Matola Terminal in Maputo, Mozambique ("Matola Terminal").
- On-going pressure on index linked RB1 export quality thermal coal prices which declined from an average of \$100/tonne during the six months ended 30 June 2012 to an average of \$87/tonne for the period ended 31 December 2012.
- Sales of export quality coal on the domestic market during the six months decreased 13.0% to 341,685 tonnes (FY2012 H2: 392,932 tonnes).

- Sales of middling coal increased 25.9% from 375,768 tonnes in the six months ended June 2012 to 473,154 tonnes for the December 2012 period. A new one year supply agreement was concluded with Eskom Holdings Limited (“Eskom”), the South African state owned electricity utility, for the supply of coal on improved terms.
- Agreement concluded with Beijing Haohua Energy Resource Company Limited’s (“BHE”) wholly-owned subsidiary, Haohua Energy International (Hong Kong) Company Limited (“HEI”), to subscribe for \$100 million of CoAL shares at GBP0.25 per share. \$20 million was received during the period and \$80 million was received post period end.
- Total gross equity capital raise of \$53.5 million through a placing of \$44.8 million with institutional investors and an equity derivative facility of \$8.7million with Investec Bank Limited.

Woestalleen Complex – (Vuna colliery & Woestalleen processing facility) - Witbank coal field (100%)

The Woestalleen processing facility recorded no LTI’s (FY2012 H2: one LTI) and the Vuna colliery one LTI during the six months (FY2012 H2: one LTI).

ROM coal produced by the Vuna colliery increased marginally in the December 2012 period from 1,823,709 tonnes to 1,839,466 tonnes. A portion of the #1 seam ROM coal mined at the colliery was delivered to Eskom as raw coal and the remaining ROM coal processed to an export grade and middlings product.

The quantity of coal processed decreased 17.4% to 1,306,009 tonnes compared to 1,581,896 tonnes during the previous six-month period due to ROM coal sales to Eskom and scheduled December shutdowns. Woestalleen produced 1,276,772 tonnes of saleable coal (FY2012 H2: 937,934), up 36.1%, comprising:

- 697,008 tonnes (FY2012 H2: 744,868 tonnes) of export quality coal, and
- 579,764 tonnes (FY2012 H2: 193,066 tonnes) of middlings product.

The Vuna colliery’s coal reserve is expected to be depleted by the end of March 2013, at which time the supply of ROM coal to the Woestalleen complex will cease. The Company continues to assess various options to restructure the Woestalleen processing complex. In the interim, the Company has engaged all stakeholders in a section 189(A) process notifying the 274 affected employees of the pending closure of the Vuna colliery and its impact on the Woestalleen complex.

The Company also commenced a tender process for the sale of this asset. Various offers have been received by the Company and are being evaluated.

Mooiplaats Colliery – Ermelo coal field (100%)

Four of the eight LTI’s recorded at the Mooiplaats Colliery during the six months (FY2012 H2: two LTI’s) resulted from an incident involving a mine vehicle transporting employees. The focus on improving safety management at the mine has intensified.

Operations at the Mooiplaats Colliery were temporarily suspended at the end of September 2012 when the 176 National Union of Mineworkers (“NUM”) members, of the 368 people employed at the colliery, embarked on a protected wage related strike. A wage agreement was subsequently reached resulting in employees returning to work on 1 November 2012. Access and operational capabilities at the colliery were limited during the strike period resulting in the flooding of two of the underground sections and production delays. The Company commenced a section 189(A) process in relation to the restructuring of the Mooiplaats Colliery on 6 November 2012.

On 3 December 2012, NUM-affiliated employees at the colliery embarked on an unprotected strike protesting against the suspension of four of their colleagues who had breached picketing rules and the terms of a court interdict during the October strike. The colliery’s remaining 190 employees re-commenced work on 7 December 2012 and, on 11 December 2012 the NUM affiliated employees returned to work.

The strike action at Mooiplaats was primarily responsible for ROM production decreasing by 41.4% to 388,100 tonnes (FY2012 H2: 662,363 tonnes) while coal processed declined from 804,125 tonnes in H2 FY2012 (including 146,746 tonnes of purchased ROM coal) to 387,767 tonnes. The colliery produced a total of 270,234 saleable tonnes (FY2012 H2: 556,801 tonnes) during the period, comprising:

- 226,719 tonnes (FY2012 H2: 423,605 tonnes) of export quality coal; and
- 43,515 tonnes (FY2012 H2: 133,196 tonnes) of middlings product for Eskom.

As part of the initiative to address the long term viability of the operation, the Company is assessing various strategic restructuring alternatives which may include disposal.

Following the derailment on the Matola Corridor ("the derailment") on 18 February 2013, production at Mooiplaats will continue until stockpile capacity is reached.

Vele Colliery – Tuli coal field (100%)

The Vele coking and thermal coal colliery ("Vele Colliery") recorded one LTI during the six months (FY2012 H2: nil LTI's) and achieved 1,000 fatality-free production shifts during the reporting period.

During the period, Vele continued to produce export grade thermal coal to offset costs while the test trials on potential metallurgical coal are being concluded. Vele produced 449,255 tonnes (FY2012 H2: 161,107 tonnes) of ROM coal and 438,501 tonnes (FY2012 H2: 162,289 tonnes) of coal was processed during the period yielding 126,318 tonnes (FY2012 H2: 46,066 tonnes) of saleable export quality thermal coal.

The intended plant expansion at Vele will result in improved yields and operational efficiencies.

The plant expansion has been divided into two phases:

- Phase 1 will allow for the de-watering of the ultra-fines product by installing filter presses eliminating the need for the temporary slurry pond and is scheduled for completion early in the second quarter of CY2013.
- Phase 2 construction is expected to commence in CY2013 and be completed in the second half of CY2014. The approval of Vele Phase 2 by the board is subject to the completion of product testing currently underway. This phase includes the installation of a permanent ROM tip and crushing facility, primary & middlings coal wash plant modules as well as a fines recovery plant.

The Vele Colliery Environmental Management Committee ("EMC") and sub-committees are operating effectively and comprise representatives from the relevant government departments, non-governmental organisations, municipalities, farming communities and other stakeholders. During the period the Save Mapungubwe Coalition joined the EMC as full members.

Production at Vele Colliery has been temporarily suspended following the derailment primarily to reduce operating cash costs during this period and the lack of stockpile capacity.

Makhado Coking Coal Project – Soutpansberg coal field (100%)

On 15 March 2013 the Company confirmed that the Makhado coking and thermal coal project ("Makhado Project") has the potential to produce a hard coking coal. The Company engaged Wood Mackenzie who are leading independent experts in coal sale to verify the expected product quality and marketability of the coal and has assessed the typical quality of the coal at Makhado to be hard coking coal based on its specifications relative to other international coking coal producers. The consideration was based on the global outlook for coking coal and the coal quality parameters that contribute to Makhado's value-in-use in order to estimate the attractiveness of the coal in selected target markets. These markets are closely aligned to the key growth destinations for seaborne coking coal.

During the interim period the Makhado Project Definitive Feasibility Study ("DFS") on the opencast mining area, which includes both hard coking coal and a thermal coal fraction, was upgraded to provide greater operational certainty and reduced project risk. The Company expects that the additional work on the DFS will be completed and released during Q2 CY2013.

CoAL continued to make progress on the acquisition of various properties required for the Makhado Project rail infrastructure and operations. The Company purchased or has an option to acquire the remaining properties required for the rail load-out and rail spur for the Makhado project with the exception of the properties discussed below. Negotiations to acquire the two properties where the planned processing plant and initial opencast mining is to commence have not been concluded. The granting of the Makhado Project New Order Mining Right ("NOMR") will result in CoAL having legislated rights in terms of the Mineral and Petroleum Resources Act (2002) allowing the construction of the mine and related infrastructure to commence.

During the period, the Company and the Nzhelele Farmers signed a Memorandum of Agreement ("MOA") in respect of the more efficient use of water in the Nzhelele River catchment area of Limpopo Province, South Africa. The signing of the MOA enabled the submission of the Makhado Project Integrated Water Use Licence Application. Under the terms of the MOA, the Nzhelele Farmers relinquished portions of their water-use entitlements facilitating a bulk water supply for the Makhado Project. The parties have undertaken to form a technical working group with the aim of identifying projects which would replenish the allocation relinquished by the farmers.

The Company has made significant progress on the regulatory requirements relating to the NOMR Application. The BEE shareholding, required under South African mining legislation is work in progress as the Company needs to ensure that funding is a requirement in order to progress the project. It is envisaged a BEE partner will provide a pro rata share of funding required to develop the project.

Greater Soutpansberg Project – Soutpansberg Coalfield (74%)

The Company has commenced with the work necessary to submit NOMR Applications for the Chapudi, Mopane and Makhado Extension projects. During the period under review CoAL continued with the process of compiling the exploration and technical data on these projects. The Company initiated exploration programmes on the properties in early CY2013 and a total of 39 small and 42 large diameter holes are planned to be drilled over the next six months, with further updates on the technical results to follow in due course.

Rio Tinto Chapudi coal asset acquisition

The share purchase agreement to acquire the Rio Tinto Chapudi coal assets was amended to enable the sale of equity and of shareholders' claims, totalling \$75.0 million, to close separately. The Company was able to restructure the payment terms and paid \$9,634,740 of the shareholder claims portion during the reporting period and the outstanding \$4 million for these claims was paid in February 2013. The \$30.0 million balance of the total purchase price will become payable on the earlier of the receipt of a NOMR on any of the properties that form part of the transaction or, two years from 11 May 2012, the date upon which the conditions precedent for the equity sale were fulfilled.

Strategic Partner – Beijing Haohua Energy Resource Co. Limited

At the end of September 2012, BHE through its subsidiary HEI submitted a binding offer to provide the Company with \$100.0 million of equity funding with the transaction to be executed in two stages:

- an initial placement of \$20.0 million, completed during the reporting period; and
- a conditional placement of \$80.0 million ("Conditional Placement").

All necessary Peoples Republic of China ("PRC"), CoAL shareholder, regulatory and statutory approvals required for the Conditional Placement were satisfied in January 2013 and HEI subscribed for a further \$80.0 million of shares in CoAL at GBP0.25 per share. The parties have commenced discussions regarding co-operation on commercial, technical and operational matters enabling the Company to draw on BHE's expertise during the development of the Makhado Project as well as the Chapudi, Mopane and Makhado Extension projects.

Equity Issue

During the period the Company raised a total amount of \$53.5 million (before costs) of which 115,478,798 shares were placed with institutional investors at GBP0.25 per share raising \$44.8 million and Investec Bank Limited subscribed for 19,148,408 million CoAL shares under an equity derivative financing package raising approximately \$8.7 million. At the end of the period, approximately \$4.3 million of this facility was outstanding.

Financial review (all amounts expressed in US Dollars unless stated otherwise)

Revenue from the sale of coal for the six months totaled \$87.3 million compared to \$125.8 million for the comparative period due to lower coal prices and reduced production as a result of the strike action and subsequently, lower sales volumes.

The loss for the six months under review amounted to \$111.7 million, or 14.39 cents per share compared to a loss of \$74.7 million or 13.36 cents per share for the prior corresponding period.

The loss for the period under review of \$111.7 million (2011: \$74.7 million) includes non-cash charges of \$98.3 million (2011: \$70.3 million) as follows:

- impairment loss of \$50.0 million (\$1.9 million in the six months ended 31 December 2011);
- net foreign exchange losses of \$21.6 million (2011: \$42.6 million) of which \$22.1 million (2011: \$39.9 million) represent unrealised losses arising from the translation of inter-group loan balances, borrowings and cash due to change in the South African Rand:United States Dollar exchange rate period on period;
- depreciation of \$9.8 million (2011: \$8.5 million) and amortisation of \$9.4 million (2011: \$20 million) contributed further to the non-cash charges;
- loss of \$2.7 million due to the discount on early settlement of the Grindrod receivable (2011: nil);
- loss of \$4.3 million (2011: nil) on the fair value adjustment of the Investec equity derivative financing package.

The increase in the loss for the six months when compared to the prior corresponding period is as a result of a \$50.0 million impairment loss recognized on Mooiplaats (\$1.9 million in the six months ended 31 December 2011 on assets held for sale). The impairment loss arose from the following factors:

- continued losses suffered at the operation on a monthly basis due to lower coal prices and production targets not met;
- strike action during the month of September 2012 resulting in lower production volumes; and
- relatively higher logistics cost applicable to this colliery.

The above mentioned resulted in headline loss per share (as explained in note 11 to the financial report) improving to 7.95 cents per share during the six months under review from 13.02 cents per share in the prior corresponding period, due to the exclusion of impairment losses from the calculation on a headline basis.

As at 31 December 2012, the Company had cash and cash equivalents of \$18.3 million compared to cash and cash equivalents of \$19.5 million at 30 June 2012.

As at 31 December 2012, the available facility with Deutsche Bank totalled \$37.5 million. The actual utilisation of the facility as at this date was \$37.5 million. The facility is subject to certain covenants associated with a facility of this nature. As a result of the strike action in October 2012 at the Mooiplaats Colliery and the subsequent loss in production together with the unrealised loss associated with the loan in the books of Langcarel (Pty) Ltd (a wholly owned subsidiary of the Company), the total equity measure fell below the set equity covenant threshold. Notice of this breach was communicated to Deutsche Bank and the Company considers that this breach has not resulted in any change to the ability of the Company to meet its repayment obligations.

Authorised and issued share capital

At 31 December 2012, Coal of Africa Limited had 800,951,034 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

- Confirmation of Makhado coal as a world class hard coking coal with good coke strength. Wood Mackenzie who were engaged to review the coal to be produced at the Makhado Project have confirmed that it has the potential to be a world class hard coking coal. Memorandum of Understanding ("MOU") signed appointing Vitol as the Company's marketing agent for all export thermal and coking coal for eight years, except for Makhado product where the marketing period is five years from start of production. The MOU excludes all current agreements and potential coal off-take arrangements with the Company's strategic equity partners.
- Agreement with Grindrod to remove CoAL's funding obligation for the Phase 4 expansion of the Matola Terminal. Additional throughput volumes will be contracted for on a take-or-pay basis.
- PRC regulatory approval for HEI's \$100.0 million investment in the Company and CoAL shareholder approval of the transaction resulting in the Company receiving \$80.0 million on 31 January 2013 from HEI and the issuance of 247,417,599 CoAL shares.
- Heavy rainfall and resultant flooding resulted in the stoppage of operations at the Vele Colliery. Limited operations re-commenced with production returning to normal levels during the first week of February 2013.
- The derailment of 10 wagons on the Maputo rail corridor on 18 February 2013 led to the damage of a rail bridge resulting in the suspension of all traffic between Komatipoort and Maputo, until approximately the end of March 2013. Transnet Freight Rail has been unsuccessful in establishing alternative routes to the Port of Matola. Accordingly Vele, Mooiplaats and Woestalleen collieries issued force majeure notices to their customers, contractors and affected stakeholders. The Company has implemented measures at all operations to mitigate the commercial and operational impact of the force majeure. Although Vele operations were temporarily suspended due to existing stockpiles and limited remaining capacity at both the plant and siding, production at Mooiplaats and Woestalleen will continue until the stockpile capacity has been fully utilized.

Outlook

The Company is considerably better placed following the strategic investment by BHE however certain elements of the turnaround strategy remain work in progress. These include possible restructuring or sale of Mooiplaats colliery, Woestalleen colliery and related assets. The Company is also continuing discussions with various financial institutions to secure new short and long term debt facilities. In addition finalisation of the Vele coal product trials is required in order to complete the phase two capital programme.

Corporate Activity

As part of the Company's drive to reduce overhead costs and the closure of its Perth and London offices, Mr Tony Bevan was appointed Company Secretary of CoAL. Mr Bevan works for Endeavour Corporate Pty Ltd based in Perth, Australia, which has been engaged to provide company secretarial services to CoAL. Mr Bevan is a Chartered Accountant with over 25 years' experience and is an experienced company secretary.

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 31.

The half-year report set out on pages 11 to 30, which has been approved on the going concern basis, was approved by the board on 14 March 2013 and was signed on its behalf by:



John Wallington
Chief Executive Officer

Dated at Johannesburg, South Africa, this 14th day of March 2013.

COAL OF AFRICA LIMITED
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

		6 months ended 31 December 2012 \$'000	6 months ended 31 December 2011 \$'000
Revenue	9	87,771	143,855
Cost of sales – direct		(86,901)	(124,386)
Gross profit		870	19,469
Other operating expenses		(119,892)	(96,866)
Operating loss	10	(119,022)	(77,397)
Finance income		415	560
Finance costs		(914)	(1,687)
Loss before tax		(119,521)	(78,524)
Income tax credit		7,851	3,830
Loss after income tax		(111,670)	(74,694)
Other Comprehensive Income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		18,933	(15,843)
Total comprehensive loss for the period		(92,737)	(90,537)
Loss attributable to:			
Owners of the Company		(111,670)	(74,694)
		(111,670)	(74,694)
Total comprehensive loss attributable to:			
Owners of the Company		(92,737)	(90,537)
		(92,737)	(90,537)
Loss per share			
Basic and diluted (cents per share)	11	14.39	13.36

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 2012

		31 December 2012 \$'000	30 June 2012 \$'000
	Note		
ASSETS			
Non-current assets			
Exploration and evaluation expenditure		161,735	156,270
Development expenditure		140,769	127,216
Property, plant and equipment	6	72,205	141,641
Intangible assets		18,846	18,757
Other receivables	7	4,154	13,811
Other financial assets		16,839	13,173
Restricted cash		13,161	11,976
Deferred tax assets		3,361	3,444
<i>Total non-current assets</i>		<u>431,070</u>	<u>486,288</u>
Current assets			
Inventories		23,112	22,058
Trade and other receivables		27,270	25,968
Cash and cash equivalents		18,292	19,523
<i>Total current assets</i>		<u>68,674</u>	<u>67,549</u>
TOTAL ASSETS		<u>499,744</u>	<u>553,837</u>
LIABILITIES			
Non-current liabilities			
Contingent consideration		30,000	30,000
Borrowings	8	55	66
Provisions		16,214	16,916
Deferred tax liabilities		-	6,454
<i>Total non-current liabilities</i>		<u>46,269</u>	<u>53,436</u>
Current liabilities			
Trade and other payables		68,550	72,441
Borrowings	8	43,961	49,063
Provisions		3,829	1,475
Current tax liabilities		85	155
<i>Total current liabilities</i>		<u>116,425</u>	<u>123,134</u>
TOTAL LIABILITIES		<u>162,694</u>	<u>176,570</u>
NET ASSETS		<u>337,050</u>	<u>377,267</u>
EQUITY			
Issued capital	5	843,141	791,102
Accumulated deficit		(671,916)	(564,800)
Reserves		165,250	150,390
Equity attributable to owners of the Company		<u>336,475</u>	<u>376,692</u>
Non-controlling interests		575	575
TOTAL EQUITY		<u>337,050</u>	<u>377,267</u>

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 2012

	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 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	-	(111,670)	-	-	-	(111,670)	-	(111,670)
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
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 loss, net of tax	-	-	-	-	(15,843)	(15,843)	-	(15,843)
	686,577	(504,283)	88,967	91	68,327	339,679	575	340,254
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

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 2012

	6 months ended 31 December 2012 \$'000	6 months ended 31 December 2011 \$'000
Cash Flows from Operating Activities		
Receipts from customers	90,279	138,477
Payments to employees and suppliers	(121,802)	(156,251)
<i>Cash used in operations</i>	(31,523)	(17,774)
Interest received	342	-
Interest paid	(676)	(598)
Income taxes paid	-	(3,212)
Net cash used in operating activities	(31,857)	(21,584)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(2,395)	(4,819)
Increase in restricted cash	(1,475)	(142)
Proceeds from the sale of property, plant and equipment	-	-
Purchase of mineral properties	(9,802)	-
Capitalised exploration and evaluation expenditure	(11,749)	(12,452)
Increase in other financial assets	(724)	(335)
Payments for development assets	(17,993)	-
Net cash used in investing activities	(44,138)	(17,748)
Cash Flows from Financing Activities		
Proceeds from the issue of shares and options, net of costs	53,631	106,576
Share issuance costs	(2,221)	(3,544)
Proceeds received from BHE	20,000	-
Repayment of borrowings	(157)	-
Proceeds from borrowings	4,897	10,163
Finance lease repayments	(911)	(1,819)
Net cash generated by financing activities	75,239	111,376
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(756)	72,044
Cash and cash equivalents at the beginning of the half-year	19,523	22,761
Foreign exchange differences	(475)	(4,669)
Cash and cash equivalents at the end of the half-year	18,292	90,136

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

COAL OF AFRICA LIMITED
**NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

1. CORPORATE INFORMATION

The financial report of Coal of Africa Limited (“CoAL” or the “Company”) for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 14 March 2013. 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 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.

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 2012 annual financial report for the financial year ended 30 June 2012, 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 2012 and those reported as at and for the half-year ended 31 December 2011. 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:

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 ‘Amendments to Australian Accounting Standards – Presentation of items of Other Comprehensive Income’

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. However, the application of AASB 2011-9 has resulted in changes to the Group’s presentation of, or disclosure in, its half-year financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. GOING CONCERN

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

The Consolidated Entity has incurred a net loss after tax for the half-year ended 31 December 2012 of \$111.7 million (31 Dec 2011: loss of \$74.7 million), including a non-cash impairment of \$50.0 million on the Mooiplaats Colliery, realised and unrealised foreign exchange losses of \$21.6 million and depreciation and amortisation charges of \$19.2 million. During the six month period under review, net cash outflows from operating activities were \$31.8 million (31 Dec 2011 net outflow: \$21.6 million) and net cash outflows from investing activities were \$44.1 million (31 Dec 2011 net outflow: \$17.7 million). As at 31 December 2012 the Consolidated Entity had a net current liability position of \$47.7 million (31 Dec 2011: net current liabilities of \$55.6 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 and subsequent period, the Company has performed the following fundraising activities:

- In July 2012, CoAL entered an equity derivative based funding arrangement with Investec Bank Limited to subscribe for a total of 19,148,408 CoAL shares, comprising 16,850,599 shares at a subscription price of £0.29 per share and 2,297,809 shares at A\$0.437 per share, raising approximately \$8.7 million.
- On 6 August 2012, CoAL placed 115,478,798 new shares with institutional investors at a price of £0.25 per share (ZAR3.25) to raise gross proceeds of \$44.8 million (£28.9 million/ ZAR375.5 million).
- On 30 September 2012, an agreement was concluded with Beijing Haohua Energy Resource Company Limited's ("BHE") wholly-owned subsidiary, Haohua Energy International (Hong Kong) Company Limited ("HEI"), to subscribe for \$100.0 million of CoAL shares at £0.25 per share. The Company received \$20.0 million on 29 November 2012 and \$80.0 million on 31 January 2013, completing the total transaction.

3. GOING CONCERN (continued)

The Company had a \$50 million thermal coal export finance facility with Deutsche Bank Amsterdam (“DBA facility”), of which \$37.5 million was drawn down at 31 December 2012. No further drawdowns can be made under this facility. The repayment of the outstanding balance at \$4.15 million per month commenced on 23 January 2013 and at the date of this report, the Company has repaid \$8.3 million while \$29.2 million remained outstanding. Repayments will continue on a monthly basis until fully repaid by 23 September 2013.

As disclosed in Note 8 to the financial report, certain financial covenants with respect to the DBA facility were breached. In terms of the facility agreement, a breach of this nature may constitute an event of default and could result in the outstanding balance becoming due and payable. Notice of this breach was communicated to Deutsche Bank Amsterdam during the current and previous reporting periods and as a result of these ongoing breaches, there continues to be regular dialogue between CoAL and Deutsche Bank Amsterdam on the overall management of the facility. Meanwhile the repayment of the outstanding balance continues in the ordinary course.

During the period ended 31 December 2012 the Company identified certain key deliverables to ensure that the Consolidated Entity continues as a going concern and the following were achieved at the date of signing this report:

- The payment terms of the \$13.6 million due on 8 October 2012 for Rio Tinto’s Chapudi assets were successfully restructured into three separate tranches, with the last instalment of \$4.2 million paid on 28 February 2013.
- The replacement of certain cash backed environmental rehabilitation guarantees with insurance backed guarantees was completed by 31 January 2013, generating a net cash inflow of \$6.2 million.
- The settlement of the Grindrod loan receivable of \$11.2 million (which was to be repaid over seven years) was successfully re-negotiated by 31 December 2012, with a net cash inflow of \$8.75 million received subsequent to the reporting period.
- The Company commenced a tender process for the sale of the Mooiplaats Colliery and related assets. Various offers for these assets have been received by the Company and are being evaluated.

Over the next six 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 sale or restructuring of the Mooiplaats Colliery and related assets by September 2013;
- continued discussions with various financial institutions to secure new short and long term debt facilities;
- The Company is also reviewing all discretionary expenditures including administration, exploration and development costs, and where 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;
- management of the repayment of the existing DBA facility in the ordinary course; and
- continued discussions with BHE as a strategic partner, in particular on the future development of the Makhado and Greater Soutpansberg projects
- future capital raisings where required.

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 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, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

The 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 2012 (2011: None).

COAL OF AFRICA LIMITED
**NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

5. ISSUED CAPITAL

	31 December 2012 \$'000
800,951,034 (2011: 666,323,828) fully paid ordinary shares	843,141
Movements in issued capital	
Opening balance – 1 July 2012	791,102
Shares issued on exercise of options	-
Shares issued as part of bonus	-
Shares issued for capital raising, net of costs	52,039
	<u>843,141</u>

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

On 18 July 2012, CoAL successfully completed an equity funding arrangement whereby 19,148,408 new ordinary shares in CoAL were issued to Investec Bank Limited (“Investec”). Investec subscribed for 16,850,599 shares at 29.21 pence per share and 2,297,809 shares at 43.70 cents (Australian), representing a 5% discount to the closing price of CoAL shares on AIM of 30.75 pence and the closing price on the ASX of 46.00 cents, respectively,

On 6 August 2012, CoAL successfully placed 115,478,798 new shares with institutional investors. The placing price was set at 25 pence per share. The placing price represented a discount of 1.96% to the closing mid-market price on AIM and was done in two tranches. The first tranche of 80,570,166 was issued on 6 August 2012.

On 11 September 2012, the second tranche of 34,908,632 new shares were placed with institutional investors at 25 pence per share as part of the capital raising that commenced on 6 August 2012.

Options

The following unlisted options to subscribe for ordinary fully paid shares are outstanding at 31 December 2012:

Number Issued	Exercise Price	Expiry Date
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*	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

* 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.

**NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

6. 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 2012						
Cost						
At beginning of period	427,898	24,348	678	1,839	2,817	457,580
Additions	1,984	20	-	220	237	2,461
Foreign exchange	1,150	(555)	(13)	(45)	(62)	475
At end of period	431,032	23,813	665	2,014	2,992	460,516
Accumulated depreciation						
At beginning of period	188,777	1,325	462	694	1,445	192,703
Amortisation	9,129	-	-	-	-	9,129
Depreciation charge	8,767	462	72	152	342	9,795
Exchange differences	2,767	(3)	(9)	(17)	(30)	2,708
At end of period	209,440	1,784	525	829	1,757	214,335
Accumulated Impairment						
At beginning of period	123,236	-	-	-	-	123,236
Impairment	50,000	-	-	-	-	50,000
Exchange differences	740	-	-	-	-	740
At end of period	173,976	-	-	-	-	173,976
Net carrying value at end of period	47,616	22,029	140	1,185	1,235	72,205
				31 Dec 2012	30 June 2012	
				\$'000	\$'000	

The carrying amounts of the respective collieries included in property, plant and equipment at period end are:

Mooiplaats	42,332	98,597
Woestalleen	4,909	16,875
	<u>47,241</u>	<u>115,472</u>

Impairment disclosures

The above mining assets have been assessed for impairment by comparing the carrying value against the lower of the fair value less cost to sell, or the value-in-use calculations of each coal project (which represents individual cash generating units).

Due to the continued losses suffered at Mooiplaats, the value-in-use calculation was not deemed appropriate. In order to assess impairment, the carrying value of the project was compared to the realisable value. The realisable value is based on the fair value less cost to sell. The Directors' determined the fair value of Mooiplaats based on the valuation of tangible assets with the help of external consultants.

Based on the realisable value, the Mooiplaats Colliery was impaired as a result of:

- Continued losses suffered at the operation on a monthly basis due to lower coal prices and production targets not met;
- Strike action during the month of September 2012 resulting in lower production volumes; and
- Relatively higher logistics cost applicable to this colliery.

The value-in-use calculation for Woestalleen did not indicate any impairment as this asset is reaching the end of its useful life.

7. OTHER RECEIVABLES

The Company entered into an agreement with Grindrod Trading & Shipping Limited (“Grindrod”) on 12 January 2009 whereby the Company exercised its option under the Grindrod option agreement and advanced loan funding of \$16.0 million, with a stated rate of interest of zero percent, to Grindrod (the ‘Grindrod Loan’) The Grindrod Loan was used for the phase three expansion to increase the annual throughput capacity at the Maputo Terminal and CoAL received access to an additional approximately two mtpa of throughput capacity from March 2011 and will continue as per the throughput agreement.

On 31 December 2012, the Grindrod Loan was settled early for an amount of \$8.5 million, being the discounted present value over the remaining six year term. As at 31 December 2012, the \$8.5 million was not received and is included in Trade and Other Receivables.

Other receivables are made up as follows:

	31 December 2012 \$'000	30 June 2012 \$'000
Grindrod loan	-	11,200
Other loans	4,154	2,611
	<u>4,154</u>	<u>13,811</u>

8. BORROWINGS

The Company, through its wholly owned subsidiary Langcarel (Pty) Ltd has a revolving thermal coal export finance facility for up to \$50.0 million with Deutsche Bank AG, Amsterdam. In terms of the repayment clause in the facility, the total amount of the facility started to decrease by one twelfth in October 2012. As at 31 December 2012, the available facility totalled \$37.5 million. The actual utilisation of the facility as at this date was \$37.5 million.

The facility is subject to certain covenants associated with a facility of this nature. As a result of the strike action in October 2012 at the Mooiplaats Colliery and the subsequent loss in production together with the unrealised foreign exchange loss associated with the loan in the books of Langcarel (Pty) Ltd, the total equity measure fell below the set equity covenant threshold.

Notice of this breach was communicated to Deutsche Bank and the Company considers that this breach has not resulted in any change to the ability of the Company to meet its repayment obligations.

Borrowings are made up as follows:

	31 December 2012 \$'000	30 June 2012 \$'000
Deutsche Bank Revolving facility	38,312	32,469
Rio Tinto	4,206	13,785
Other	1,498	2,875
	<u>44,016</u>	<u>49,129</u>

COAL OF AFRICA LIMITED
**NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

9. REVENUE

Revenue for the six months includes:

	31 December 2012 \$'000	31 December 2011 \$'000
Sale of product	87,255	125,807
Other revenue	516	1,534
Revenue from Nimag	-	16,514
	<u>87,771</u>	<u>143,855</u>

10. OPERATING LOSS

Loss for the period has been arrived at after charging / (crediting):

	6 months ended 31 December 2012 \$'000	6 months ended 31 December 2011 \$'000
Employee benefit expenses		
Share-based payments	481	623
Other employee benefits	6,992	4,871
<i>Total employee benefits</i>	<u>7,473</u>	<u>5,494</u>
Depreciation and amortisation		
Depreciation on property, plant and equipment	9,795	8,455
Amortisation of mining properties	9,129	19,480
Amortisation of intangible assets	305	606
<i>Total depreciation and amortisation</i>	<u>19,229</u>	<u>28,541</u>
Other gains and losses		
Loss due to discount on early settlement of loan	2,700	-
Fair value adjustment	4,300	-
Foreign exchange losses	21,588	42,565
	<u>28,588</u>	<u>42,565</u>
Impairment losses		
Impairment loss on mining assets	50,000	-
Impairment loss on assets held for sale	-	1,927
	<u>50,000</u>	<u>1,927</u>

COAL OF AFRICA LIMITED
**NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share at 31 December 2012 was based on the loss attributable to ordinary equity holders of the Company of \$111.67 million (2011: \$74.69 million) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2012 of 775,886,462 (2011: 558,969,237), calculated as follows:

	6 months ended 31 December 2012 \$'000	6 months ended 31 December 2011 \$'000
Loss for the period attributable to ordinary shareholders		
Loss attributable to owners of the Company (\$'000)	<u>111,670</u>	<u>74,694</u>
Weighted number of ordinary shares		
Weighted number of ordinary shares ('000)	<u>775,886</u>	<u>558,969</u>
Basic loss per share (cents per share)	14.39	13.36

Diluted loss per share

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

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

The calculation of headline loss per share at 31 December 2012 was based on the headline loss attributable to ordinary equity holders of the Company of \$61.67 million (2011: \$72.8 million) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2012 of 775,886,462 (2011: 558,969,237).

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

	6 months ended 31 December 2012 \$'000	6 months ended 31 December 2011 \$'000
Loss for the period attributable to ordinary shareholders	111,670	74,694
Adjust for:		
Impairment losses	<u>(50,000)</u>	<u>(1,927)</u>
Headline earnings	<u>61,670</u>	<u>72,767</u>
Headline loss per share (cents per share)	7.95	13.02

12. 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 (\$ amounts presented within have been computed using the exchange rate as at 31 December 2012 unless otherwise stated):

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

Ferret alleges that the previous owner (Nel) of Mooiplaats Mining Limited ("Mooiplaats Mining") lacked ownership to 26% of the shareholding in Mooiplaats Mining, sold to the Company, as those shares belonged to Ferret. Ferret has claimed restitution of 26% of the issued share capital of Mooiplaats Mining. If Ferret is successful in its claim and becomes entitled to the shares in Mooiplaats Mining, the Company has received legal advice that 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 instituted a contingent counterclaim against Nel. Ferret as the plaintiff 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 September 2013.

The Company has evaluated the details of the case and if Ferret is successful in obtaining restitution of 26% of the issued share capital in Mooiplaats Mining by means of a court order, the Company will pursue its counterclaim against Nel for approximately \$13.2 million (ZAR112.0 million) representing the purchase price of the 26%.

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

Motjoli were appointed as consultants to obtain the granting of a NOMR for Mooiplaats Mining's subsidiary, Langcarel (Pty) Ltd, and to obtain Section 11 approval for the transaction between the Company and Nel for the sale of 100% of the shareholding in Mooiplaats Mining. The fees to be paid were approximately \$0.5 million (ZAR4.0 million), plus the issue of 4,750,000 paid up ordinary shares in the Company. Nel was to transfer the 4,750,000 paid up shares in the Company, issued to him on 10 April 2008, to Motjoli.

Motjoli contends that it complied with its obligations and while it received cash of approximately \$0.5 million (ZAR4.0 million), the Company and Nel did not settle their obligation to issue and transfer 4,750,000 paid up ordinary shares in the Company to Motjoli. In addition, Motjoli claims that it should be awarded 4,750,000 paid up ordinary shares in the Company and the difference between the current value of the shares and an amount of approximately \$11.3 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 was scheduled to take place in February 2013 and has been postponed until September 2013.

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

12. CONTINGENT LIABILITIES (continued)

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

In 2010 Envicoal launched arbitration proceedings against NuCoal claiming that NuCoal failed to deliver coal as prescribed in terms of the agreement leading to the cancellation of second supply agreement concluded between the parties. In January 2013, Envicoal amended its damages claim and increased the quantum of its damages to approximately \$18.4 million (ZAR155.8 million).

The arbitration proceedings are scheduled for August 2013.

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

Investec Equity Derivative Financing Package

During the period the Company entered into an Equity Derivative Financing Package with Investec raising approximately \$8.7 million. At the end of the period, approximately \$4.3 million of this facility was outstanding. Although the outstanding balance has been accrued for, the ultimate settlement will depend on the share price.

Termination benefits

Subsequent to the announcement of the resignation of Mr Wayne Koonin on 29 November 2012 the company has entered negotiations with Mr Koonin regarding the final terms of his settlement which are informed by the 22 June 2012 shareholder approved "Termination Benefits". The Company and Mr Koonin have agreed that his last day of employment will be 30 April 2013 and he will there-after be available on a consultancy basis. The final terms of his settlement and his on-going consultancy terms will be disclosed when both have been formally concluded between Mr Koonin and the Company.

There are no other significant contingent liabilities as at 31 December 2012.

13. EVENTS SUBSEQUENT TO REPORTING DATE

- Confirmation of Makhado coal as a world class hard coking coal with good coke strength. Wood Mackenzie who were engaged to review the coal to be produced at the Makhado Project have confirmed that it has the potential to be a world class hard coking coal. Memorandum of Understanding ("MOU") signed appointing Vitol as the Company's marketing agent for all export thermal and coking coal for eight years, except for Makhado product where the marketing period is five years from start of production. The MOU excludes all current agreements and potential coal off-take arrangements with the Company's strategic equity partners.
- Agreement with Grindrod to remove CoAL's funding obligation for the Phase 4 expansion of the Matola Terminal. Additional throughput volumes will be contracted for on a take-or-pay basis.
- PRC regulatory approval for HEI's \$100.0 million investment in the Company and CoAL shareholder approval of the transaction resulting in the Company receiving \$80.0 million on 31 January 2013 from HEI and the issuance of 247,417,599 CoAL shares.
- Heavy rainfall and resultant flooding resulted in the stoppage of operations at the Vele Colliery. Limited operations re-commenced with production returning to normal levels during the first week of February 2013.
- The derailment of 10 wagons on the Maputo rail corridor on 18 February 2013 led to the damage of a rail bridge resulting in the suspension of all traffic between Komatipoort and Maputo, until approximately the end of March 2013. Transnet Freight Rail has been unsuccessful in establishing alternative routes to the Port of Matola. Accordingly Vele, Mooiplaats and Woestalleen collieries issued force majeure notices to their customers, contractors and affected stakeholders. The Company has implemented measures at all operations to mitigate the commercial and operational impact of the force majeure. Although Vele operations were temporarily suspended due to existing stockpiles and limited remaining capacity at both the plant and siding, production at Mooiplaats and Woestalleen will continue until the stockpile capacity has been fully utilized.

14. 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, 2012, 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 2012, 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 2012 the Group had two operational thermal collieries included in this segment, namely the Mooiplaats Colliery and the Woestalleen complex.

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.

COAL OF AFRICA LIMITED
**NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

13. SEGMENTAL INFORMATION (continued)

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.

For the six months ended 31 December 2012	Exploration \$'000	Development \$'000	Mining \$'000	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
For the six months ended 31 December 2011	Exploration \$'000	Development \$'000	Mining \$'000	Total \$'000
Revenues from external customers	-	-	125,887	125,887
Inter-segment revenues	-	-	34,007	34,007
Revenue	-	-	159,894	159,894
Segment loss	8	352	20,216	20,576
Items included within the Group's measure of segment profitability				
- Depreciation and amortisation	-	21	27,293	27,314
- Impairment	-	-	-	-
1. Revenues represent sale of product				
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

COAL OF AFRICA LIMITED
**NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

13. 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 2012 \$'000	Six months ended 31 Dec 2011 \$'000
Total loss for reportable segments	76,014	20,576
Reconciling items:		
Unallocated corporate (income) / costs	23,194	20,459
Depreciation	458	641
Impairment of assets held for sale	-	1,926
Foreign exchange loss	19,855	34,922
Loss before taxation	<u>119,521</u>	<u>78,524</u>
Total segment assets	423,030	400,987
Reconciling items:		
Unallocated property, plant and equipment	19,156	21,877
Assets classified as held for sale	-	19,265
Intangible assets	18,845	19,376
Other financial assets	6,331	13,024
Other receivables	4,154	12,800
Unallocated current assets	28,228	84,694
Total assets	<u>499,744</u>	<u>572,023</u>
Total segment liabilities	102,590	123,593
Reconciling items:		
Liabilities held for sale	-	993
Unallocated liabilities	60,104	4,544
Total liabilities	<u>162,694</u>	<u>129,130</u>

COAL OF AFRICA LIMITED
DIRECTORS' DECLARATION

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 2012 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 14th day of March 2013.



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The Board of Directors
Coal of Africa Limited
Suite 8, 7 The Esplanade
Mt Pleasant WA 6153

14 March 2013

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 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely


DELOITTE TOUCHE TOHMATSU



Ross Jerrard
Partner
Chartered Accountants



Deloitte Touche Tohmatsu
ABN 74 490 121 050

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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 profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, 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 11 to 30.

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.

Deloitte

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 2012 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 \$111.67 million and experienced net cash outflows from operating and investing activities of \$75.99 million during the half-year ended 31 December 2012. 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, 14 March 2013