



COAL OF AFRICA LIMITED

ABN 98 008 905 388

ANNUAL FINANCIAL REPORT

for the Year Ended 30 June 2008

CONTACT DETAILS

Directors

Richard Linnell – Chairman
 Simon Farrell – Managing Director
 Blair Sergeant – Financial Director
 Steve Bywater – Non-Executive Director
 Peter Cordin – Non-Executive Director

Principal & Registered Office

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Company Secretary

Shannon Coates

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Incorporation & Operation

Country of Incorporation: Australia
 AUS Company Number (ACN): 008 905 388
 Main Country of Operation: South Africa

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CORPORATE DIRECTORY

	AUSTRALIA	UNITED KINGDOM	SOUTH AFRICA
AUDITORS	MooreStephens 12 St Georges Tce Perth WA 6000 Australia	N/A	MooreStephens MWN 7 West Street Houghton 2198 South Africa
BANKERS	NAB Limited Level 1, 1238 Hay Street West Perth WA 6005 Australia	N/A	ABSA Bank Palazzo Towers West Monte Casino Boulevard South Africa
BROKERS	Euroz Securities Limited Level 14, The Quadrant 1 William Street Perth Western Australia	BlueOar Securities Plc 30 Old Broad Street London EC2N 1HT United Kingdom Mirabaud 21 St James' Street London SW1Y 4JP United Kingdom	N/A
LAWYERS	Blakiston & Crabb 1202 Hay Street West Perth WA 6005 Australia	Watson Farley Williams 15 Appold Street London EC2A 2HB United Kingdom	Cliffe Dekker 1 Protea Place Sandown Sandton 2196 South Africa
NOMAD/ CORPORATE SPONSOR	N/A	BlueOar Securities Plc 30 Old Broad Street London EC2N 1HT United Kingdom	PWC 2 Eglon Road Sunninghill 2157
SHARE REGISTRIES	Computershare Investor Services Level 2, Reserve Bank Building 45 St Georges Terrace Perth WA 6000 Australia	Computershare Investor Services PO Box 82 The Pavillions Bridgewater Road Bristol BS99 7NH United Kingdom	Computershare Investor Services Ground Floor 70 Marshall Street Johannesburg 2001 South Africa
STOCK EXCHANGES	ASX Limited Exchange Plaza 2 The Esplanade Perth WA 6000 Australia	Alternative Investment Market (AIM) London Stock Exchange 10 Paternoster Square London EC4M 7LS United Kingdom	Johannesburg Stock Exchange (JSE) 1 Exchange Square Gwen Lane Sandown 2196 South Africa

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Resource Estimation:

Resource estimations in this report have been compiled by Mr John Sparrow (Member of the South African Council of Natural Science Professions SACNASP) 400109/03, an independent geological and technical consultant with 26 years experience in the Southern African and Australian regions. Mr Sparrow has sufficient experience relevant to the assessment of this style of mineralization to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves - the JORC Code - and has compiled a number of Competent Person's reports for various organizations for the JSE, ASX and TSE. Mr Sparrow consents to the inclusion of the information in this report in the form and context in which it appears.

The Directors submit their report together with the financial statement of Coal of Africa Limited ("CoAL" or the "Company") and the consolidated accounts of the Company and its controlled entities (the "Consolidated Entity" or "Group") for the year ended 30 June 2008 and the Auditors' Report thereon.

Directors

The names of Directors in office at the date of this report are:

Richard Linnell

Non-Executive Chairman

Mr Linnell has been active in the resources and metals fields for over forty years and has significant global experience in the development and marketing of resources and commodities. He was the originator of the Bakubang Initiative, a Forum designed to revive the South African Mining Industry and which led to the establishment of the New Africa Mining Fund, of which he is Chairman of Trustees. He holds a number of other Directorships.

Simon Farrell

Managing Director

Mr Farrell has a Bachelor of Commerce from the University of Western Australia and an MBA from the Wharton School of the University of Pennsylvania. He has held a number of senior management and Board positions, principally in the resources sector over the last twenty years. He is currently a Director of LSE listed Kenmare Resources plc.

Blair Sergeant

Financial Director

Mr Sergeant graduated with a Bachelor of Business and a Post Graduate Diploma in Corporate Administration, both from Curtin University, WA. He is a member of the Chartered Institute of Company Secretaries and an Associate of the Australian Society of Certified Practising Accountants. Mr Sergeant's experience includes senior management and executive positions with numerous listed public companies across a broad spectrum of industry internationally and he is currently a Non-executive Director of ASX listed Contact Uranium Limited and Vmoto Limited.

Peter Cordin

Non-Executive Director

Mr Cordin has a Bachelor of Engineering from the University of Western Australia and is well experienced in the evaluation, development and operation of resource projects within Australia and overseas. He is the Managing Director of ASX listed Dragon Mining Limited.

Steve Bywater

Non-Executive Director

Mr Bywater has a distinguished career in the resources industry developing and operating a total of 14 large-scale open pit mining operations. When working for Rio Tinto Coal Australia, he was Chief Operating Officer, and in this position oversaw seven mining operations, producing 60 million tonnes of saleable coal a year. Steve has a B.Sc. in Engineering Geology and Geotechnics from Portsmouth University and a M.Sc. in Rock Mechanics and Excavation Engineering from Newcastle-upon-Tyne. He is also Chief Executive of GCM Resources Plc.

Directorships in other listed entities

Directorships of other listed entities held by Directors of the Company during the last 3 years immediately before the end of the year are as follows:

Director	Company	Period of Directorship	
		From	To
Mr Richard Linnell	Namakwa Diamond Company NL	2003	Present
	GRD Minproc Ltd	2004	Present
	Chrome Corporation Limited	2005	Present
	GMA Resources plc	2003	Present
	Kalahari Diamonds Plc	2004	2006
	Kalahari Diamond Resources Plc	2004	2006
	Falkland Gold and Minerals plc	2004	Present
	SA Minerals Corporation Limited	2002	Present
Mr Simon Farrell	GMA Resources plc	2004	2007
	Kenmare Resources plc	2002	Present
	SA Minerals Corporation Ltd	2003	2007
Mr Peter Cordin	Dragon Mining Limited	2006	Present
Mr Steve Bywater	GCM Resources Plc	2006	Present
Mr Blair Sergeant	Vmoto Limited	2004	Present
	Millepede International Limited	2002	2008
	Contact Uranium Limited	2008	Present

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2008 that each Director was eligible to attend and the number of meetings attended by each Director:–

Director	Board Meetings	
	Held	Attended
Mr R Linnell	7	7
Mr S Farrell	7	7
Ms N Mazwai (resigned)	4	4
Mr P Cordin	7	5
Mr S Bywater	7	5
Mr G Taggart (resigned)	4	4
Mr N Moloi (resigned)	4	4
Mr B Sergeant	7	6

Principal Activities

The principal activity of the Consolidated Entity is the exploration and development of its coal interests in South Africa. The manufacture and distribution of nickel and magnesium alloys is no longer considered to be the primary focus of the Company. During the June 2008 financial year the Company completed the acquisition of significant coal interests, namely:

- Acquisition of a 70% interest in the Mooiplaats coal project in February 2008.
- Acquisition of the remaining 30% of the Mooiplaats coal project in April 2008.
- Replacement of Motjoli Resources (Pty) Ltd by companies associated with the Mvelaphanda Group as a significant shareholder and CoAL's Black Economic Empowerment partner in South Africa. The change enables the Company to comply with the BEE ownership as stipulated in the South African Minerals and Petroleum Resources Development Act.
- ArcelorMittal, currently CoAL's second largest shareholder and the world's largest steel producer, agreed to purchase between 2.5 and 5 million tonnes p.a. of hard coking coal from the Company's Makhado and Vele projects located in the Limpopo province.

Results

The loss of the Consolidated Entity for the 2008 financial year after income tax and minority interests was \$11,243,563 (2007: loss of \$4,026,048).

Dividends Paid or Recommended

No amounts were paid or declared by way of dividend by the Company. The Directors do not recommend payment of a dividend in respect of the financial year ended 30 June 2008.

Share Issues

The Company raised over \$331 million during the year through share placements for the acquisition and development of projects. At the November 2007 Annual General Meeting of shareholders, a resolution was approved providing for the issue of up to 50 million CoAL shares to raise working capital. Pursuant to this, the Company placed 65 million shares with clients of Blue Oar Securities Plc and Mirabaud Securities Limited raising GBP42.25 million before costs. A further 15 million shares were issued to predominantly sophisticated retail investor clients of Euroz Securities Limited. The funds will be used to finance the acquisition, exploration, working capital and development costs of CoAL projects.

Approval at the November 2007 Annual General Meeting was also obtained for the issue of up to 13,333,33 shares to be used in part satisfaction of the completion of the Mooiplaats acquisition. 8,888,888 of the shares approved were issued in 2007 with the remaining 4,444,445 issued in February 2008 for the acquisition of 70% of the Mooiplaats coal project.

On 22 January 2008, Signet Mining Services (Pty) Ltd, a broad based Black Economic Empowerment company acquired 5,282,117 shares belonging to the Company's former Directors, Nchakha Moloi and Nonkqubela Mazwai and Motjoli Resources (Pty) Ltd, the private company owned and controlled by Mr Moloi and Ms Mazwai. Further to this announcement and the satisfaction of conditions, Signet Mining Services (Pty) Ltd through African Global Capital LP I exercised its option to acquire 28,528,395 shares representing 9.59% of the issued capital of the Company. The option formed tranche 2 of the agreement pertaining to the disposal of shares by the Company's former Directors.

On the 8 April 2008, shareholders ratified the shares already issued during the June 2008 financial year and approved the issue of additional shares for the acquisition of the remaining 30% of the Mooiplaats project as well as the issue of 100 million shares for working capital should the company require. Five million shares were issued finalising the acquisition of the 30% portion of the Mooiplaats coal project.

On the 23 April 2008, the Company issued 46,365,000 shares to ArcelorMittal raising gross proceeds of GBP51,465,150 and increasing ArcelorMittal's shareholding in the Company to 52,659,419 shares. The placement of the second tranche of 13,635,000 shares to ArcelorMittal was subject to approval from the Australian Foreign Investment Review Board which was obtained in June 2008, raising an additional GBP15.1 million.

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CoAL announced on the 13 June 2008 that it had reached agreement securing long term Black Economic Empowerment status. Coal Investment Limited ("CIL") will subscribe for shares and options which if exercised will result in African Global Capital I LP, CIL and their affiliates holding in excess of 26% of the Company. The agreement consists of CoAL issuing 37,500,000 to CIL, of which 25,500,000 were issued in June 2008. AGC is the first fund managed by the recently formed private equity initiative involving Mvelaphanda Holdings (Pty) Ltd, OZ Management LP, an operating entity of Och-Ziff Capital Management Group LLC and Palladino Holdings Ltd (CIL is owned by affiliated investment funds of Och-Ziff).

Disposal of the Holfontein Coal Project

An agreement has been concluded to sell the Holfontein coal project to Lachlan Star Limited and as a result of the intended disposal, the Holfontein investment has been reclassified as a Non-Current Investment Held for Sale. The total consideration for the project is \$25 million payable in a mix of cash and shares and staged at key milestones. The transaction also includes an option agreement covering the neighbouring Holfontein farm. The transaction will include an upfront payment on transfer of the project and a series of milestone payments relating to the granting of a New Order Mining Right and certain production targets. The payment terms are as follows:

- Payment of \$15 million consisting of \$9 million cash upon transfer of the project tenements to a subsidiary of Lachlan Star Limited;
- A cash payment of \$1 million and a share payment \$2 million (prices at Lachlan Star's VWAP 30 days prior to the payment) upon grant of the New Order Mining Right;
- Cash payment of \$2 million and a share payment of \$3 million (priced at Lachlan Star's 30 day VWAP prior to the payment) upon production of an aggregate of 500,000 tonnes of saleable coal; and
- A cash payment of \$1 million and a share payment of \$1 million (priced at Lachlan Star's 30 day VWAP prior to the payment) upon production of an aggregate of 1,500,000 tonnes of saleable coal.

The transaction is conditional upon the following:

- Approval from all relevant regulatory bodies in South Africa for the transfer of title in the project to Lachlan Star's nominated subsidiary;
- Assignment of CoAL's rights under the Wildebeesfontein agreement dated 3 December 2007, to Lachlan Star;
- Approval by Lachlan Star's shareholders of the transaction; and
- Legal due diligence.

Following the conclusion of the sale, CoAL will be the largest shareholder in Lachlan Star.

Disposal of interest in SA Mineral Resources Corporation Limited ('Samroc')

Samroc is a Johannesburg Stock Exchange listed company which produces manganese sulphate chemicals. During the financial year, CoAL disposed of its remaining investment in Samroc.

Operations

During the year the operations of the Consolidated Entity included:

Mooiplaats coal project - based in the Mpumalanga province;
Makhado (previously Baobab) coal project - based in the Limpopo province;
Vele (previously Thuli) coal project - based in the Limpopo province.
Holfontein coal project - based in the Mpumalanga province;
NiMag Group - manufacturing and distribution of nickel and magnesium alloys;
Master Alloy Traders Limited - trading of minerals from South Africa.

Mooiplaats Thermal Coal Project (100%)

During the year CoAL acquired 70% of the Mooiplaats coal project in February and the remaining 30% in April 2008 which included the Mining Rights for portions one and nine of the farm Mooiplaats as well as Prospecting Rights for various neighbouring farms. New Order Prospecting Rights for the farms De Emigratie, Willemsdal and Klipfontein encompassing an area of 9,260 Ha were secured and the Directors believe that these farms have the potential to add significant additional coal resources to the project.

The Mooiplaats coal project currently has coal resources of 113 million tonnes of which 88.2 million tonnes are 'Measured' in terms of the JORC/ SAMREC codes consisting of mainly bituminous (thermal) and lean coal. The Mooiplaats coal project is situated less than two kilometres from the recently re-commissioned Camden power station near Ermelo in the Mpumalanga province of South Africa. An in-fill drilling programme of over 37,000 metres was completed during the financial year taking the exploration metres drilled on the project to over 65,000 metres. Additional holes were drilled to enable water monitoring and production holes were drilled to confirm production expectations. Results of the production related drilling were included in the geological model, allowing for the finalisation of production scheduling and the mining contract. The Company re-built the geological model internally to verify the model presented by the potential contract miner. This model has been submitted to independent mine planners who are generating life-of-mine schedules.

Negotiations with the surface rights owner were concluded allowing access to the mine site as well as de-watering and rehabilitation of the existing decline shaft and preparation of the surrounding areas for mining activity. Mining is expected to commence towards the end of 2008 followed soon thereafter by production. Negotiations with the contract miner have been finalised and the supply of mining equipment and infrastructure have been secured with delivery of the first Continuous Mining machine scheduled for October 2008. The supply of the wash plant has been secured with commissioning of the plant expected by the end of February 2009. Additional production related drilling and drilling to identify the site for the second decline shaft has commenced on the neighbouring farms, Klipbank and Adrianople.

Discussions with potential off-take customers progressed during the period under review and included the potential export of lean coal to Europe. The Company signed a non-exclusive marketing agreement for the project with Oreport (Pty) Ltd and secured long term port allocation through the Richards Bay dry bulk terminal operated by subsidiaries of Grindrod Limited. The throughput agreement provides CoAL with an allocation of 900,000 tonnes of coal per annum commencing in 2009 and the ability to secure 50% of any increased capacity at the terminal. The increased capacity will require pro rata funding by CoAL but gives the Company the potential to increase its export capacity to 3 million tonnes per annum once the terminal expansion has been completed.

Makhado (previously Baobab) Coking Coal Project (100%)

Extensive exploration activities and infrastructure studies were undertaken on the 100% owned Makhado coal project near Louis Trichardt in South Africa's Limpopo province. A detailed Aeromagnetic survey covering over 60,000 ha was completed and included the Makhado, Vele and Tshikunda project areas and the results of the survey were used to compile an in-depth geophysical analysis. The acquisition and digitisation of historical drilling data relating to 1,200 boreholes from Exxaro Resources Limited, aided in the upgrade of the Makhado resource to over 1.3 billion tonnes of which over 230 million tonnes are in the 'Measured' category. The upgraded models using the acquired data have been submitted to independent mine planners who are in the process of completing life-of-mine schedules.

Large diameter (123 mm) core drilling commenced to obtain coal samples for detailed coking coal laboratory analysis as well as other coal parameter testing. The initial results of this analysis yielded high quality coking coal samples with a low phosphorous content. A further 5,000 metre smaller diameter drilling programme is underway to define the coal outcrop zones and identify any dolerite intrusions. Detailed analysis of the exploration data was relating to the selection of mineable coal horizons within the 35 metre thick coal seam was completed and will be used to optimise the coal horizon being mined leading to higher coking coal yields.

The Company agreed to acquire several New Order Prospecting Rights in the proximity of the Makhado coal project. CoAL signed an agreement to purchase of 60% of Tshikunda Mining (Pty) Ltd which holds the prospecting rights to 32,000 Ha contiguous to Exxaro Resources Ltd's Tshikondeni coking coal mine. Section 11 approval for the transfer of 60% of Tshikunda prospect to CoAL was secured in June 2008. Furthermore, CoAL agreed to buy 74% of six prospects located in the Makhado coal project area, from Sekoko Coal (Pty) Ltd. The acquisition of the six prospects increases the Makhado project area by over 7,000 Ha.

Initial marketing of the coking coal fraction will be finalised on completion of a formal off-take agreement with ArcelorMittal who have signed a Letter of Intent which includes an off-take of between 2.5 and 5 million tonnes "free on rail" Musina but paying "free on board" Kestrel (east coast of Australia) coking coal prices. Other major consumers have already expressed strong interest in securing a supply of hard coking coal from the Makhado project and discussions in this respect are ongoing.

East Coast Maritime (Pty) Ltd were appointed to assess railway, road and port infrastructure required for the Makhado and Vele projects. During the year, two phases of the project were completed - the assessment of infrastructure in place and, the development of understandings and relationships with the various infrastructure stakeholders. A Rail Cooperation

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Agreement was signed with Transnet Freight Rail ('TFR') the largest division of Transnet, the South African Government owned rail and freight organisation. The agreement formalises the interaction between TRF and CoAL whereby TFR will assist CoAL in securing the correct rail slots, appropriate rolling stock as well as commercially competitive freight rates for the transport of its export coal to the Richards Bay and Maputo ports. CoAL has indicated that it will need rail capacity for the following export tonnages:

- 2009 - 1 to 1.5 million tonnes
- 2010 - 4 to 5 million tonnes
- 2011 - 4 to 5 million tonnes
- 2012 - 10 million tonnes

Vele (previously Thuli) Coking Coal Project (74%)

Exploration on the Vele coal project west of Musina in the Limpopo province included a 65 hole geological programme as well as a 31 large diameter cored hole programme. CoAL acquired the original drilling data from the exploration undertaken by Southern Sphere (Utah Mining) in the early 1980's and converted the data to digital format. The completed drilling programmes together with the historical data, resulted in an upgrade of the previously reported JORC/ SAMREC compliant 'Indicated' resource. The 65 hole programme covered approximately 80% of the project area and delivered a resource of 447.47 million gross in situ tonnes, of which 133.84 million tonnes occur in the Measured status while 76.58 million tonnes are in the Indicated status with the majority of coal being open-castable.

Holfontein Coal Project (100%)

An agreement has been concluded to sell the Holfontein coal project to Lachlan Star Limited and as a result of the intended disposal, the Holfontein investment has been reclassified as a Non-Current Investment Held for Sale.

Nimag Group ("NiMag") (100%)

Nimag Group is engaged principally in the manufacture and distribution of nickel magnesium alloys, ferro silicon magnesium alloys and metal fibres, having begun producing alloys in 1962, and currently manufactures specialised master alloys of nickel and magnesium for the specialised foundry industry including aerospace, aeronautical, motor, steel mill roll and associated industries.

Ductile iron (also called spheroidal graphite iron or nodular cast iron) was discovered in the 1940s. The introduction of magnesium into the melt results in nodular rather than flaky graphite in the resultant cast iron, giving the cast iron properties approaching those of steel, while maintaining the advantages of the casting process. The magnesium is usually added as a nickel alloy, making it easier to add and contribute to product quality. NiMag supplies the ductile iron market as a specialist supplier with a world market share of about 35% in its core product line. 95% of sales are exported through 35 distributors world wide. Demand for NiMag's alloys is proportional with world demand for ductile iron, principally for automotive parts and industrial machinery. Demand for NiMag products has grown gradually to meet current capacity of 287 tonnes per month (all products). Potential for expansion of the core nickel-magnesium alloy product is presently limited by the size of end markets. NiMag is increasing the penetration of a variety of other products developed for alternative markets. NiMag produces approximately 300 tonnes of cast and slit fibres which are used in reinforced concrete by domestic mining and tunnelling operations.

NiMag's competitive advantages include low electricity and labour costs. The main input cost is locally sourced nickel raw material, which is matched with sales to minimise nickel price exposure.

Depreciation of global nickel prices in the 2007/08 financial year reduced NiMag's margins resulting in the company generating lower operational cash flows than those recorded in the previous year. NiMag traded profitably, contributing approximately A\$2.5m in surplus funds to the Group and at the end of June 2008, CoAL's acquisition loans comprised \$187,629 to the NiMag vendors.

Magberg Manufacturing

A specialised producer of ferro silicon magnesium alloys used to manufacture Ductile Iron. Capacity is limited and the production is split equally between local and export markets. This is a commodity product and almost all costs are Rand denominated.

Metalloy Fibres (Pty) Ltd

The only specialised cast fibre reinforcing manufacturer in Africa. A weakening of the Rand and the construction of the Gautrain rail project and other large infrastructure projects in South Africa promises to substantially improve this business both in terms of volumes and margins. A new furnace has been constructed to ensure that manufacturing capacity is on hand to satisfy the expected increase in demand.

Metal Alloy Traders Limited ("MATs")

MATs is incorporated in Jersey in the Channel Islands and it trades various metals purchased from Nimag in South Africa.

Review of Financial Position

Liquidity and funding

The net assets of the Consolidated Entity increased from \$151 million in June 2007 to over \$490 million in June 2008. This was primarily due to cash on hand at year end of \$252 million (2007: \$61.5 million) and the acquisition of the Mooiplaats coal project. The Group incurred \$4.1 million in expenses related to share based payments and \$10,503,875 in foreign currency losses. Excluding the previously mentioned accounting entries converts the loss of \$11,243,563 recorded for the year ended June 2008 to an 'operational' loss of \$1,159,640 (2007: 'operational' profit of \$4,994,231). The reduction of the 'operational' loss is primarily due to interest earned of \$5,787,101 and NiMag's profit contribution of \$2,512,274.

EBIT Reconstruction

	2008	2007
	\$	\$
Profit/ (loss) after tax for the year	(11,243,563)	(3,547,306)
Tax	919,603	2,216,264
Interest paid	146,174	800,799
Interest received	(5,787,101)	(555,353)
EBIT/ (LBIT)	(15,964,887)	(1,085,596)
'Non-ordinary' items recognised		
Options granted	4,099,000	3,294,600
Diminution in value of investments	-	1,666,792
Currency adjustment	10,503,875	629,033
Depreciation	202,372	175,532
JSE listing expenses	-	313,870
'Operating' profit/ (loss)	(1,159,640)	4,994,231

The Group raised over \$331 million during the year through the placing of shares. The funds raised were used to fund the Mooiplaats project acquisition, the development of the Mooiplaats project and the exploration and development of the Makhado and Vele projects.

Impact of legislation and other external requirements

There were no changes in environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Consolidated Entity.

Future Developments, Prospects and Business Strategies

Strategic direction

CoAL is primarily focused on the acquisition, exploration and development of thermal and metallurgical coal projects in South Africa. The Company currently has four coal projects in various stages of exploration as well as Nimag, CoAL's interim cash producing asset which manufactures nickel magnesium alloys. Nimag's growth strategy will be via the acquisition of similar alloy or foundry supply manufacturing enterprises.

The exploration and development of three coal projects, namely Mooiplaats, Makhado and Vele during the short and medium term will qualify CoAL as a significant coal producer, supplying millions of tonnes of thermal and metallurgical coal annually to South African and export customers.

Exploration on CoAL's projects located in the Limpopo province – Makhado and Vele – has yielded significant coal resources. Recent resource updates have Makhado at 1.33 billion tonnes and Vele at 447.47 million tonnes. Consultants have undertaken detailed feasibility studies on the transport infrastructure from these coal projects to the Matola (Maputo) and Richards Bay export coal terminals.

The Company's Mooiplaats coal project is 2km from the recently re-commissioned Camden Power Station - near Ermelo in Mpumalanga - and is expected to start producing thermal and lean coal in late 2008.

Changes in State of Affairs

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

Shares Date	Number of shares issued	Purpose	Issued shares
1 July 2007		Opening balance	207,768,703
1 July 2007	181,818	Payment for services rendered by Equity for Growth at 11 pence per share	207,950,521
29 October 2007	8,888,888	Part acquisition of 70% of Mooiplaats coal project at 30 cents per share	216,839,409
28 November 2007	80,000,000	Capital raising for working capital at 65 pence and \$1.50 per share	296,839,409
19 December 2007	590,063	Exercise of Class C options at 34 pence per share	297,429,472
18 February 2008	4,444,445	Part acquisition of the Mooiplaats coal project at 30 pence per share	301,873,917
10 April 2008	5,200,000	Part acquisition of the Mooiplaats coal project at \$1.60 per share and professional service fees	307,073,917
21 April 2008	46,365,000	Issue of shares to ArcelorMittal (Tranche 1)	353,438,917
7 May 2008	500,000	Payment for services rendered by Blue Oar Securities plc at 12 pence per share	353,938,917
7 May 2008	555,575	Exercise of Class B options at 54 pence per share	354,494,492
23 May 2008	4,250,000	Exercise of Class A options at 50 cents per share	358,744,492
5 June 2008	375,000	Exercise of Class F options at \$1.50 per share	359,119,492
5 June 2008	13,635,000	Issue of shares to ArcelorMittal (Tranche 2)	372,754,492
19 June 2008	25,500,000	Placement to Coal Investments Limited	398,254,492

Options issued Date	Purpose	Issued	Expiry Date	Exercise Price
28 November 2007	Part payment of brokerage fees in relation to recent placements.	1,625,000	30 November 2009	GBP0.65
28 November 2007	Part payment of brokerage fees in relation to recent placements.	375,000	30 November 2009	\$1.50
10 April 2008	Granted as remuneration to the CoAL Financial Director in accordance with shareholder approval granted at the Company's 2007 AGM.	1,000,000	30 September 2012	\$1.90
19 May 2008	Granted to employees in South Africa as an incentive for performance and in accordance with shareholder approval granted at the Company's 2007 AGM.	600,000	1 May 2012	\$1.25
19 May 2008	Granted to employees in South Africa as an incentive for performance and in accordance with shareholder approval granted at the Company's 2007 AGM.	250,000	1 May 2012	\$2.05

The Company acquired the Mooiplaats coal project during the year and over \$331 million was raised through the issue of equity. The funds will be used for the acquisition, exploration and development of the coal projects.

Likely Developments

CoAL will continue to expand its coal interests in Southern Africa and is in the process of establishing its first operating coal mine in South Africa, namely the Mooiplaats coal project. The Company will also pursue potential investment opportunities in the mining and metal processing industries during the forthcoming year.

Events Subsequent to Balance Date

Rio Tinto Joint Venture and Farm Swap

CoAL announced in early July that it has entered a Memorandum of Understanding with Rio Tinto ('Chapudi Coal') and its joint venture partner, the Kwezi Group of South Africa, which the parties intend to formalise into an agreement resulting in the transfer of Prospecting Rights to each other or a separate joint venture initiative. The Prospects to be transferred are coal interests in and around the Company's Makhado hard coking coal project in the Limpopo province. The Prospects to be transferred to a new joint venture between Rio Tinto and CoAL will be managed by Chapudi Coal. Transfer of the Prospects will add significant, highly prospective acreage to the current Makhado project area improving the economics of the project.

Makhado coking coal project Resource Upgrade

In July 2008, CoAL announced a resource upgrade to the Makhado coal project from the previously reported 713mt to 1.335 billion gross in situ tonnes. The resource upgrade is a result of further analysis of the borehole data acquired from Exxaro Resources Limited as well as the drilling of boreholes by CoAL. The 1.335 billion tonnes are situated on six farms representing approximately 40% of the Makhado project area and can be summarized as follows:

	In Situ Resource Million metric tonnes	Rel Tonnes %	Opencast Million metric tonnes	Rel Tonnes %
Measured	230.067	17.233%	208.364	37.847%
Indicated	548.642	41.095%	201.797	36.690%
Inferred	250.690	18.777%	25.445	4.613%
Reconnaissance	305.660	22.895%	114.771	20.853%
	1,335,06	100.00%	550.377	100.00%

Vele semi-soft coking coal project Resource Upgrade

As a result of analysis of exploration data, the Company issued a Resource upgrade for its Vele coal project increasing the resource from 441 gross in situ tonnes to 721 total in situ tonnes which incorporates 641 gross in situ tonnes. The table below details the upgrade:

Total In Situ	Gross In Situ	In Situ Mineable
721 million tonnes	641 million tonnes (Gross in situ incorporates open castable coal)	593 million tonnes – includes 158 million tonnes Measured and 324 million tonnes Indicated (In situ Mineable incorporates potential geological losses)

Black Empowerment Transaction

Coal Investments Limited, a company forming part of the Company's current Black Empowerment Enterprise Investors increased its shareholding in the Company to approximately 17.3% after receiving FIRB approval to increase its stake beyond 15%. During August, CoAL issued the additional 12,000,000 shares at GBP1.30 per share raising an additional GBP15.6 million.

Port Allocation

Coal of Africa Limited secured long term export coal port allocation at the Grindrod operated Richards Bay and Maputo dry bulk terminals. The export of metallurgical coal mined at its Makhado and Vele projects is expected to take place via the Maputo terminal and CoAL has secured the rights to up to 100% of the capacity resulting from expansion to the Maputo terminal enabling CoAL to potentially export up to 7mtpa. The export of thermal coal mined at the Company's Mooiplaats project will be exported at the Richards Bay terminals with an allocation of 900,000 tonnes commencing in 2009 which could increase to 3 million tonnes per annum if port capacity is increased. The Company will contribute capital on a pro rata basis to development at both the Richards Bay and Maputo terminals.

Other than that stated above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

Options

Options granted during the year

The Company granted a total of 3,850,000 options over unissued ordinary shares to employees and as payment for services rendered during the financial year. No options over unissued shares were granted between the end of the financial year and the date of this report.

Unissued shares under option

The following options remain outstanding at the date of this report:

	Number	Exercise Price	Expiry Date
Class C Unlisted Options	196,688	GBP 0.34	17 May 2009
Class E Unlisted Options	934,114*	GBP 0.65	30 November 2009
Class A Unlisted Options	9,250,000	A\$ 0.50	30 September 2011
Class B Unlisted Options	250,000	A\$ 2.05	1 May 2012
Class H Unlisted Options	600,000	A\$ 1.25	1 May 2012
Class D Unlisted Options	7,000,000	A\$ 1.25	30 September 2012
Class G Unlisted Options	1,000,000	A\$ 1.90	30 September 2012

* 690,886 Class E Options were exercised on 3 July 2008

These options do not entitle the holder to participate in any share issue of any other body corporate.

5,770,638 shares have been issued during the year as a result of parties exercising their options.

Lapse of options

No options lapsed during the financial year.

Environmental Regulation

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation but are subject to numerous environmental regulations in South Africa, including the Atmospheric Pollution Prevention Act (No. 45 of 1965), Environment Conservation Act (No. 73 of 1989), National Water Act (No. 45 of 1965) and National Environmental Management Act (No. 107 of 1998). The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.

Directors' Interests

The relevant interest of each Director of the Company in shares and options of the Company at the date of this report is:—

Director	Coal of Africa Limited		
	Ordinary shares	Listed Options	Unlisted Options
Mr S Farrell ⁽¹⁾	3,221,791	-	9,000,000
Mr R Linnell ⁽²⁾	801,550	-	4,000,000
Ms N Mazwai – resigned	-	-	-
Mr P Cordin ⁽³⁾	412,759	-	1,000,000
Mr S Bywater	-	-	-
Mr G Taggart – resigned	-	-	-
Mr N Moloi - resigned	-	-	-
Mr B Sergeant ⁽⁴⁾	-	-	2,000,000

1. The 9,000,000 options and shares are held by Mr Farrell directly.
2. 751,550 shares held by Ord Group Pty Ltd <No 2 Account> as trustee for Terra Africa Investments Ltd of which Mr Linnell is a beneficiary. The 4,000,000 options and balance of shares are held by Mr Linnell directly.
3. All shares and options are held by Cordin Pty Ltd, of which Mr Cordin is a Director.

COAL OF AFRICA LIMITED

Directors' Report

4. The 2,000,000 options are held by various Trustees for the Rio Grande Do Norte Superannuation Fund of which Mr Sergeant is a member and Trustee.

Remuneration Report

The Board is responsible for establishing remuneration packages applicable to the Board members of the Company. The policy adopted by the Board is to ensure that remuneration properly reflects an individual's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest calibre.

Directors' remuneration packages are also assessed in the light of the condition of markets within which the Company operates, the Company's financial condition and the individual's contribution to the achievement of corporate objectives. Executive Directors are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Total remuneration for all non-executive Directors, approved by shareholders at the June 2007 General Meeting, is not to exceed \$300,000 per annum.

The Board has nominated a Remuneration Committee which is made up as follows: Steve Bywater (Chairman), Richard Linnell, and Peter Cordin. The Company does not have any scheme relating to retirement benefits for non-executive Directors.

The remuneration packages applicable to the Board and executive officers of Nimag are reviewed annually by the Board of Nimag and terms and conditions documented in formal employment contracts.

Details of the nature and amount of each major element of the remuneration of each Director and other key management personnel of the Company and the Consolidated Entity for the year are:

Remuneration of Directors and Key Management Personnel

		SHORT TERM BENEFITS		POST-EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	
		Salary & fees \$	Non-monetary benefits \$	Super-annuation benefits \$	Options \$	Total \$
Non Executive Directors						
Mr R Linnell	2008	55,247	-	-	-	55,247
	2007	58,599	-	-	894,000	952,599
Mr P Cordin	2008	36,000	-	3,240	-	39,240
	2007	36,000	-	3,240	-	39,240
Mr S Bywater	2008	50,000	-	-	-	50,000
	2007	19,583	-	-	-	19,583
Mr G Taggart – resigned	2008	20,000	-	-	-	11,750
	2007	11,750	-	-	-	11,750
Mr N Moloi - resigned	2008	31,944	-	-	-	31,944
	2007	31,944	-	-	-	31,944
Executive Directors						
Mr S Farrell	2008	240,000	-	-	-	240,000
	2007	360,000	-	-	2,235,000	2,595,000
Mr B Sergeant	2008	116,167	-	1,080	1,540,000	1,657,247
	2007	22,018	-	1,982	-	24,000
Ms N Mazwai – resigned	2008	31,944	-	-	-	31,944
	2007	31,944	-	-	-	31,944
Total: All Directors	2008	581,302	-	4,320	2,235,000	2,820,622
	2007	571,838	-	5,222	3,129,000	3,706,060
Other Key Management Personnel						
Mr T Sinclair ⁽¹⁾	2008	255,190	-	-	-	255,190
	2007	346,784	-	-	-	346,784
Mr B Sinclair ⁽²⁾	2008	54,828	-	-	-	54,828
	2007	62,128	-	-	-	62,128
Total: All Named Key Management	2008	310,018	-	-	-	310,018

COAL OF AFRICA LIMITED

Directors' Report

Personnel					
	2007	408,912	-	-	-
					408,912

Employment Contracts of Directors and Key Management Personnel

The Company has entered into a formal contractual agreement with the Managing Director and the Financial Director only and not with any member of the Board, including the Managing Director.

The employment conditions of the following specified executives have been formalised in contracts of employment:

1. Mr T Sinclair is employed by Nimag (Proprietary) Limited in the capacity of Managing Director. The agreement commenced on 12 December 2003 for a minimum of 3 years and a maximum of 5 years. The agreement may be terminated by written notice of 12 months;
2. Mr B Sinclair is employed by Nimag (Proprietary) Limited in the capacity of Financial Director and is entitled to receive R29,250 per month. The agreement commenced on 12 December 2003 for an initial term of 12 months. The agreement may be terminated by written notice of 3 months.

Share-Based Compensation - Options Granted to Directors and Officers of the Company

The following options were granted during the year pursuant to shareholder approval:

Names of Directors	Number	Exercise Price	Expiry Date	Value per option at Grant Date	Date Exercisable
Mr B Sergeant	1,000,000	190.0 cents	30 September 2012	10 April 2008	Exercisable from grant date

All options are granted for no consideration and carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share.

The names of all persons who currently hold options granted under the Employee Option Plan are entered into a register kept by the Company pursuant to Section 216C of the Corporations Act 2001 and the register may be inspected free of charge.

Directors' Insurances

During the financial year the Company paid \$21,050 for insurance premiums in respect of Directors' and Officers' Liability insurance. The Company did not pay legal expense insurance contracts for current Directors and Secretaries of the Company and its controlled entities.

Non-Audit Services

During the prior year, the auditor of the Company's South African based subsidiaries (Moore Stephens MWM) performed certain services in addition to their statutory duties in relation to CoAL's South African operations. The taxation services supplied by the auditors was terminated during the 2008 financial year with the appointment of an alternate advisor, and the Company's auditors commenced their appointment fulfilling secretarial and audit functions only.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services during the prior year by the auditor is compatible with, and did not compromise the audit independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included with the Independent Audit Report.

COAL OF AFRICA LIMITED***Directors' Report***

The following fees for non-audit services were paid/ payable to the external auditors during the year ended 30 June 2007:

	Consolidated 2008 \$	Consolidated 2007 \$
Taxation and secretarial services	434	9,225

Auditors' Independence Declaration to the Directors

Refer to page 71 of the Financial Report.

Signed on this 30th day of September 2008 in accordance with a resolution of the Directors.



Simon Farrell
Managing Director

Coal of Africa Limited has adopted systems of control and accountability as the basis for the administration of corporate governance. This statement summarises some of these policies and procedures.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.coalofafrica.com:

- Corporate governance disclosures and explanations;
- Statement of Board and Management Functions;
- Nomination Committee Charter;
- policy and procedure for selection and appointment of new Directors;
- summary of code of conduct for Directors and key executives;
- summary of policy on securities trading;
- Audit Committee Charter;
- policy and procedure for selection of external auditor and rotation of audit engagement partners;
- summary of policy and procedure for compliance with continuous disclosure requirements;
- summary of arrangements regarding communication with and participation of shareholders;
- summary of Company's risk management policy and internal compliance and control system;
- process for performance evaluation of the Board, Board committees, individual Directors and key executives;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

ASX Best Practice Recommendations

The ASX requires listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where the Company considered it was not appropriate to presently comply with a particular recommendation the reasons are set out in this statement.

Role of the Board

The role of the Board is to provide leadership for and supervision over the Company's affairs. The Board is collectively responsible for promoting the success of the Company by:

- (a) supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed, which includes but is not limited to:
- (b) ensuring the Company is properly managed, for example by:
 - (i) appointing and removing the Managing Director of the Company;
 - (ii) ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company Secretary;
 - (iii) input into and final approval of management's development of corporate strategy and performance objectives;
 - (iv) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
 - (v) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- (c) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (d) approval of the annual budget;
- (e) monitoring the financial performance of the Company;
- (f) approving and monitoring financial and other reporting;

COAL OF AFRICA LIMITED

Corporate Governance Statement

- (g) overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- (h) liaising with the Company's external auditors and Audit Committee; and
- (i) monitoring and ensuring compliance with all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

Board Composition

The Board comprises five Directors including two executive Directors, Managing Director, Simon Farrell and Finance Director, Blair Sergeant, and three non-executive, independent Directors, Chairman Richard Linnell, Steve Bywater and Peter Cordin. The Directors are subject to election by shareholders. All Directors, apart from the Managing Director, are subject to re-election by rotation within every three years. The Company's Constitution provides that one-third of the Directors retire by rotation at each AGM. Those Directors who are retiring may submit themselves for re-election by shareholders, including any Director appointed to fill a casual vacancy since the date of the previous AGM.

The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The Directors have a broad range of qualifications, experience and expertise in the mining, processing and finance industries. The skills, experience and expertise of Directors are set out in the Directors' Report. The names of the Directors in office at the date of this report, the year they were first appointed, their status as non-executive, executive or independent Directors, are set out in the Directors' Report.

The Board has not established a Nomination Committee. The full Board carries out the functions of a Nomination Committee in accordance with the Nomination Committee Charter, available on the Company's website.

Independence of Non-Executive Directors

The Board considers an independent Director to be a non-executive Director who satisfies the test for independence as set out in the ASX Best Practice Recommendations ("Independence Test"). The Board considers that Messrs Richard Linnell, Steve Bywater, and Peter Cordin meet these criteria. Messrs Linnell, Bywater, and Cordin have no material business or contractual relationship with the Company, other than in their capacity as a Director of the company, and no conflicts of interest which could interfere with the exercise of independent judgment. Accordingly, they are considered to be independent.

Independent Professional Advice

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The Company will pay the reasonable expenses associated with obtaining such advice, subject to the prior approval of the Chairman.

Meetings

The Board held 7 scheduled meetings during the reporting year and no unscheduled meetings were held during that year. Senior management attended and made presentations at the Board Meetings as considered appropriate and was available for questioning by Directors.

Evaluation of Board Performance

During the reporting period an evaluation of the Board and its members was carried out on an informal basis. The evaluation process comprised of an ongoing assessment of each member of the Board and the Board as a whole at each meeting by the Chairman. Further, an informal evaluation of key executives was carried out by the Board. The Company is currently reviewing and determining measurable milestones and performance criteria for evaluation of Board performance. This includes the intention to establish more formal evaluation procedures, including quantitative measures of performance.

COAL OF AFRICA LIMITED

Corporate Governance Statement

Remuneration Policies

The Remuneration Committee operated in accordance with the Company's Remuneration Committee Charter required under ASX Best Practice Recommendation 9.2. Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors however receive a fixed monthly fee for their services, in accordance with the guidelines summarised by Best Practice Recommendation 9.3. Non-executive Directors' fees are capped at \$300,000 per annum, as approved by shareholders.

Any equity based remuneration is made in accordance with shareholder approval. During the year, 1,000,000 options exercisable at \$1.90 on or before 30 September 2012 were issued to Blair Sergeant as part of his remuneration package when appointed as Finance Director. This issue was approved by shareholders at the Company's general meeting on 8 April 2008.

Retirement benefits for Non-Executive Directors

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

Board Committees

During the year, the following committees operated in accordance with their nominated charters as required by ASX Best Practice Recommendation 9.2:

Audit Committee	Remuneration Committee	Welfare, Health & Safety Committee
Richard Linnell (Chairman)	Steve Bywater (Chairman)	Peter Cordin (Chairman)
Steve Bywater	Richard Linnell	Richard Linnell
Peter Cordin	Peter Cordin	Steve Bywater

Arrangements Regarding Communications with and Participation of Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders through:

- continuous disclosure in the form of public announcements on ASX;
- annual and quarterly reports to shareholders;
- investor briefings;
- the meeting chairman's address delivered at the Annual General Meeting; and
- notices of all meetings of shareholders and explanatory notes of proposed resolutions.

In addition, information for shareholders is available on the Company's website: www.coalofafrica.com including recent announcements, presentations, past and current reports to shareholders, biographical information on Directors and information relating to operations.

Shareholders are encouraged to attend general meetings and to ask questions of Directors and senior management and also the Company's external auditors, who are requested to attend the Company's annual general meetings.

Risk Management Policy and Internal Compliance Control System

The Company has a detailed risk management policy and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs and includes the following:

- Financial reporting – there is a comprehensive budgeting and forecasting system with updates provided to the Board at each Board meeting. Periodic reports are provided to the Board. Quarterly, half yearly and annual reports are prepared in accordance with the Corporations Act and ASX Listing Rules.
- The Managing Director and the Chief Financial Officer are required to confirm in writing that:

COAL OF AFRICA LIMITED

Corporate Governance Statement

- the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.
 - the above confirmation is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board;
 - the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
- The Company has written policies covering health, safety and the environment.

The Board appoints the Managing Director as being responsible for ensuring the systems are maintained and complied with.

Ethical Standards and Code of Conduct

The Board is committed to promoting the practice of high ethical standards. A formal Code of Conduct has been developed to require all Directors and employees to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company, in the following areas:

- professional conduct;
- dealings with suppliers, advisers and regulators;
- dealings with the community; and
- dealings with other employees.

Policy on Securities Trading

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, officer and employees which prohibits dealing in the Company's securities when those persons possess inside information. It also requires the Chairman of the Company to be notified when trading of securities in the Company occurs.

Information Disclosure

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with the continuous disclosure requirements under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner and that all information provided to the ASX is immediately available to shareholders and the market on the Company's website.

Analysts and press briefings are conducted following the release of half-year results, full-year results and major announcements and, from time to time, briefings with major shareholders are conducted in order to promote a better understanding of the Company. In conducting briefings, the Company takes care to ensure that any price sensitive information included in the content of briefings has already been made available to all shareholders and the market.

COAL OF AFRICA LIMITED
Income Statements
For the Year Ended 30 June 2008

		Consolidated Entity		Parent Entity	
	Note	2008	2007	2008	2007
		\$	\$	\$	\$
REVENUE	2	<u>53,774,119</u>	<u>62,595,362</u>	<u>6,030,020</u>	<u>1,105,766</u>
Raw materials and consumables used		(37,846,682)	(48,078,842)	-	-
Consulting expenses		(1,216,068)	(328,744)	(720,823)	(328,744)
Employee expenses		(7,830,254)	(6,410,948)	(4,992,443)	(4,026,233)
Borrowing costs	3	(146,174)	(800,799)	-	-
Depreciation expenses	3	(202,372)	(175,532)	(27,430)	(12,923)
Office rental , outgoings and parking		(477,272)	(425,164)	(112,104)	(5,380)
Decrease/(increase) diminution in value of investments		-	(1,666,792)	-	(1,666,792)
Loss on investments disposed of		-	-	(7,919)	-
Bad debt expense		-	(306,066)	-	-
Provision for non-recoverability of loans/debtors		-	(664,067)	-	(375,000)
Diminution in value of control entities		-	(6,488)	-	(6,488)
Realised foreign exchange profit/(loss)		(10,503,875)	(629,033)	(10,503,875)	(629,033)
Other expenses from ordinary activities		(5,875,381)	(4,433,929)	(555,355)	(533,861)
Share of net profit/(losses) of associate accounted for using the equity method	8	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(Loss) before income tax (expense)/benefit	3	(10,323,959)	(1,331,042)	(10,889,929)	(6,478,688)
Income tax (expense) / benefit	4	(919,604)	(2,216,264)	-	-
Profit/(Loss) after tax		(11,243,563)	(3,547,306)	(10,889,929)	(6,478,688)
Outside equity interest	20	<u>-</u>	<u>(478,742)</u>	<u>-</u>	<u>-</u>
Net profit/(loss) attributable to members of the parent entity		(11,243,563)	(4,026,048)	(10,889,929)	(6,478,688)
Basic earnings/(loss) per share (in cents)	5	(4.08)	(4.72)		
Headline earnings/(loss) per share (in cents)	5	(4.12)	(1.96)		

The accompanying notes form part of these financial statements

COAL OF AFRICA LIMITED**Balance Sheets****as at 30 June 2008**

		Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
	Note	\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	27(a)	252,004,859	61,530,490	251,347,737	52,909,170
Receivables	7	11,751,597	8,984,168	1,288,245	4,809,348
Inventory	9	4,885,106	5,519,744	-	-
Current tax liability		-	-	20,572	7,776
TOTAL CURRENT ASSETS		268,641,562	76,034,402	252,656,554	57,726,294
NON CURRENT ASSETS					
Receivables	7	-	-	53,152,477	12,097,685
Assets held for sale	8	25,207,997	94,596	23,649,738	-
Intangibles	12	3,169,660	3,964,042	-	-
Other financial assets	10	8,099,845	12,928,598	173,019,725	82,942,434
Property, plant and equipment	11	3,075,970	1,648,834	10,964	29,134
Deferred tax assets	4	187,475	239,686	-	-
Mining assets	13	174,932,316	67,852,973	-	-
Exploration expenditure	13	18,203,831	1,123,850	8,992,517	-
TOTAL NON CURRENT ASSETS		232,877,094	87,852,579	258,825,421	95,069,253
TOTAL ASSETS		501,518,656	163,886,981	511,481,975	152,795,547
CURRENT LIABILITIES					
Payables	14	6,179,806	9,319,361	308,946	218,856
Interest bearing liabilities	15	-	-	-	-
Provisions	16	111,738	95,355	2,734	232
Current tax liability		581,338	1,711,840	-	-
TOTAL CURRENT LIABILITIES		6,872,882	11,126,555	311,680	219,088
NON CURRENT LIABILITIES					
Payables	14	-	1,375,608	19,022,676	7,046,990
Interest bearing liabilities	15	187,626	506,261	-	-
TOTAL NON CURRENT LIABILITIES		187,626	1,881,869	19,022,676	7,046,990
TOTAL LIABILITIES		7,060,508	13,008,424	19,334,356	7,266,078
NET ASSETS		494,458,148	150,878,557	492,147,619	145,529,468
EQUITY					
Contributed equity	17	533,053,005	177,189,359	533,053,006	177,189,359
Reserves	18	4,270,160	5,310,652	9,660,550	8,016,118
Accumulated losses	19	(45,936,267)	(34,692,704)	(50,565,937)	(39,676,009)
TOTAL PARENT EQUITY INTEREST		491,386,898	147,807,306	492,147,619	145,529,468
OUTSIDE EQUITY INTEREST	20	3,071,250	3,071,250	-	-
TOTAL EQUITY		494,458,148	150,878,557	492,147,619	145,529,468

The accompanying notes form part of these financial statements

COAL OF AFRICA LIMITED
Cash Flow Statements
For the year ended 30 June 2008

		Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
	Note	\$	\$	\$	\$
Cash flows from operating activities					
Interest received		4,502,639	555,353	3,971,998	474,576
Cash receipts in the course of operations		49,252,248	59,382,997	-	241,337
Interest paid		(146,174)	(800,799)	-	-
Payments to suppliers and employees		(56,618,474)	(56,475,498)	(2,212,535)	(1,717,433)
Net cash generated by /(used in) operating activities	27(b)	<u>(3,009,761)</u>	<u>2,662,053</u>	<u>1,759,461</u>	<u>(1,001,520)</u>
Cash flows from investing activities					
Payments for property, plant and equipment		(1,951,879)	(198,163)	(9,260)	(14,212)
Proceeds from the sale of property, plant and equipment		-	3,350	-	-
Mineral assets acquired		(85,341,442)	(10,516,450)	(85,341,442)	-
Proceeds from sale of associate		501,634	-	501,634	-
Payments for equity investments		(9,427,131)	-	(2,836,444)	(10,516,450)
Loans (made to)/from other entities		-	-	-	-
Net cash received/ (paid) on acquisition of subsidiary	25(b)	-	(75,000)	-	-
Exploration costs		(18,491,719)	(477,667)	(3,752,291)	-
Net cash generated by / (used in) investing activities		<u>(114,710,537)</u>	<u>(11,263,930)</u>	<u>(91,437,803)</u>	<u>(10,530,662)</u>
Cash flows from financing activities					
Loans from controlled entities		-	-	-	-
Proceeds from issue of shares		331,294,448	78,334,038	331,294,448	78,334,038
Transaction costs from issue of shares		(9,134,738)	(2,778,509)	(9,134,738)	(2,778,509)
Loans to controlled entities		-	-	(27,703,497)	(10,563,335)
Loans repaid to other entities		(318,636)	(4,647,628)	-	-
Other loans repaid		(1,375,608)	-	-	-
Loans from other entities		-	34,831	-	-
Net cash generated by financing activities		<u>320,465,466</u>	<u>70,942,732</u>	<u>294,456,212</u>	<u>64,992,194</u>
Net increase/(decrease) in cash held		202,745,168	62,340,855	204,777,871	53,460,012
Effect of exchange rates of cash holdings in foreign currencies		(12,270,799)	(820,129)	(6,339,304)	(629,033)
Cash at beginning of financial year		61,530,490	49,764	52,909,170	78,191
Cash at end of financial year	27(a)	<u>252,004,859</u>	<u>61,530,490</u>	<u>251,347,737</u>	<u>52,909,170</u>

The accompanying notes form part of these financial statements

COAL OF AFRICA LIMITED
Statements of Changes in Equity
as at 30 June 2008

	Ordinary share capital \$	Capital profits reserve \$	Foreign currency translation reserve \$	Share options reserve \$	Accumulated losses \$	Total \$	Outside Equity interests \$
Consolidated entity							
Balance at 1 July 2007	177,189,359	136,445	(2,705,466)	7,879,673	(34,692,704)	147,807,306	3,071,251
Shares issued during the year	331,294,448	-	-	-	-	331,294,448	-
Capital raising costs incurred	(10,742,413)	-	-	-	-	(10,742,413)	-
Adjustments from translation of foreign controlled entities	-	-	(2,684,923)	-	-	(2,684,923)	-
Transfer from Option Reserve	4,062,243	-	-	(4,062,243)	-	-	-
Options issued during the year	-	-	-	5,706,674	-	5,706,675	-
Share based payments	31,249,369	-	-	-	-	31,249,369	-
Loss attributable to members of parent entity	-	-	-	-	(11,243,563)	(11,243,563)	-
Balance at 30 June 2008	533,053,006	136,445	(5,390,389)	9,524,104	(45,936,267)	491,386,898	3,071,251
Parent entity							
Balance at 1 July 2007	177,189,359	136,445	-	7,879,673	(39,676,008)	145,529,468	-
Shares issued during the year	331,294,448	-	-	-	-	331,294,448	-
Transaction costs	(10,742,413)	-	-	-	-	(10,742,413)	-
Transfer from Option Reserve	4,062,243	-	-	(4,062,243)	-	-	-
Options issued during the year	-	-	-	5,706,674	-	5,706,675	-
Share based payments	31,249,369	-	-	-	-	31,249,369	-
Loss attributable to members of parent entity	-	-	-	-	(10,889,929)	(10,889,929)	-
Balance at 30 June 2008	533,053,006	136,445	-	9,524,104	(50,565,937)	492,147,619	-

COAL OF AFRICA LIMITED
Statements of Changes in Equity
as at 30 June 2008

	Ordinary share capital	Capital profits reserve	Foreign currency translation reserve	Share options	Accumulated losses	Total	Outside Equity interests
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2006	35,396,353	136,445	(261,124)	551,200	(30,666,656)	5,156,218	2,505,136
Shares issued during the year	144,571,514	-	-	-	-	144,571,514	-
Capital raising costs incurred	(2,778,509)	-	-	-	-	(2,778,509)	-
Adjustments from translation of foreign controlled entities	-	-	(2,444,342)	-	-	(2,444,342)	-
Share based payments	-	-	-	7,328,473	-	7,328,473	-
Loss attributable to members of parent entity	-	-	-	-	(4,026,048)	(4,026,048)	-
Profit attributable to minority shareholders	-	-	-	-	-	-	478,742
Minority interest in reserves	-	-	-	-	-	-	(31,133)
100% acquisition of a controlled entity	-	-	-	-	-	-	(2,952,745)
Minority interest in a controlled entity	-	-	-	-	-	-	3,071,251
Balance at 30 June 2007	177,189,359	136,445	(2,705,466)	7,879,673	(34,692,704)	147,807,306	3,071,251

Parent entity

Balance at 1 July 2006	35,396,353	136,445	-	551,200	(33,197,320)	2,886,678	-
Shares issued during the year	144,571,514	-	-	-	-	144,571,514	-
Transaction costs	(2,778,509)	-	-	-	-	(2,778,509)	-
Share based payments	-	-	-	7,328,473	-	7,328,473	-
Loss attributable to members of parent entity	-	-	-	-	(6,478,688)	(6,478,688)	-
Balance at 30 June 2007	177,189,359	136,445	-	7,879,673	(39,676,008)	145,529,468	-

COAL OF AFRICA LIMITED

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of Coal of Africa Limited and controlled entities, and Coal of Africa Limited as an individual parent entity. Coal of Africa Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Coal of Africa Limited and controlled entities, and Coal of Africa Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Principles of Consolidation

A controlled entity is any entity Coal of Africa Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in note 26 the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(c) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax ("GST"). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sale of goods

Revenue from the sale of nickel magnesium alloys (NiMag), ferro-nickel magnesium alloys (FeNiMag), ferro-silicon magnesium alloys (FeSiMag) and other master alloys are recognised when control of the goods passes to the customer. For local sales this is usually when the customer receives the goods. For export sales it is determined based on individual sales agreements, however, control usually passes when the goods are received by the shipping agent and the bill of lading is sighted by the customer.

Interest Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield of the financial asset.

COAL OF AFRICA LIMITED

***Notes to and forming part of the Financial Statements
for the year ended 30 June 2008***

Sale of non-current assets

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(d) Mining Tenements and Exploration and Development Expenditure

Mining tenements are carried at cost, less accumulated impairment losses.

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(f) Acquisition of Assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of the acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of the acquisition is used as fair value except where the notional price at which they could be placed in the market is a better indication of fair value.

COAL OF AFRICA LIMITED***Notes to and forming part of the Financial Statements
for the year ended 30 June 2008*****(g) Property, Plant & Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at cost. The carrying amount of freehold and buildings are reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings and property plant and equipment are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

(h) Depreciation and Amortisation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on the straight line and reducing balance methods over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation and amortisation rates used for each class of assets are as follows:

	Range – 2008	Range – 2007
• Furniture, fittings and office equipment	13% - 50%	13% - 50%
• Motor vehicles	20% - 33%	20% - 33%
• Plant & equipment	20%	20%
• Leasehold Improvements	25%	25%
• Buildings	20%	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

COAL OF AFRICA LIMITED

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

(i) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

During the 2002/03 financial year, legislation was enacted to allow groups, comprising of a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes. The legislation, which includes both elective and mandatory elements, is applicable to the Consolidated Entity. As at 30 June 2008, the Directors of the Company have not made a decision to elect to be taxed as a single entity. The financial effect of the legislation has not been brought to account in the financial statements for the year 30 June 2008.

COAL OF AFRICA LIMITED

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

(k) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(l) Receivables

Amounts receivable from third parties are carried at amounts due. The recoverability of the debts is assessed at balance date and specific provision is made for any doubtful accounts.

(m) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

1. Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
2. Income and expenses are translated at average exchange rates for the period; and
3. Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

COAL OF AFRICA LIMITED

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

(n) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(o) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which include transaction costs, when the related contractual rights and obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Financial Instruments - Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains or losses arising from changes in fair value are taken directly to equity.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative Instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to income statement unless they are designated as hedges.

Coal of Africa Limited and Controlled Entities designate certain derivatives as either;

1. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
2. hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

COAL OF AFRICA LIMITED

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(p) Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(q) Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or Consolidated Entity. Trade accounts payable are normally settled within 45 days.

(r) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the Group's share of post-acquisition reserves of its associates.

(s) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

COAL OF AFRICA LIMITED
Notes to and forming part of the Financial Statements
for the year ended 30 June 2008

Equity-settled compensation

Share-based compensation benefits are provided to employees via an Executive Share Option Scheme.

Share options granted before 7 November 2002 and/or vested before 1 July 2006

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and/or vested after 1 July 2006

The fair value of options under the Executive Share Option Scheme is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial option valuation model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(t) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(u) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(v) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(w) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

(x) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

(y) Critical Accounting Estimates and Judgements

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The resulting accounting estimates and judgements may differ from the related actual results and may have a significant effect on the carrying amounts of assets and liabilities within the next financial year and on the amounts recognised in the financial statements. Information on such estimates and judgements are contained in the accounting policies and/or notes to the financial statements.

Key accounting estimates include:

- Asset carrying value and impairment charges;
- Capitalisation and impairment of exploration and evaluation expenditure.
- Critical judgements in applying the entity's accounting policies include determining:
- The effectiveness of forward foreign exchange contracts (Note 1(o)).

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
2. REVENUE				
Revenue from operating activities				
Sale of goods	46,802,052	61,738,646	-	-
Interest income	5,787,101	555,353	5,256,460	474,576
Other revenue	1,070,246	298,013	-	241,337
Revenue from outside operating activities				
Dividends received	-	-	773,560	389,853
Profit from sale of equity investments	-	-	-	-
Profit from sale of property, plant and equipment	114,719	3,350	-	-
Total revenue from ordinary activities	53,774,119	62,595,362	6,030,020	1,105,766

3. PROFIT/ (LOSS) FROM ORDINARY ACTIVITIES

(a) Profit/(Loss) from ordinary activities before tax has been arrived at after charging/(crediting) the following items:

Depreciation of:				
- office furniture, fittings & equipment	74,824	21,065	27,430	12,923
- leasehold improvements	2,341	6,394	-	-
- buildings	6,852	9,720	-	-
- motor vehicle	70,049	45,392	-	-
- plant & equipment	48,305	92,961	-	-
	202,372	175,532	27,430	12,923
Profit/(loss) on sale of property plant and equipment	114,719	3,350	-	-
Net foreign exchange gain/(loss)	(10,503,875)	(629,033)	(10,503,875)	(629,033)
Amount set aside to/(reversed from) provisions for:				
- employee entitlements	-	-	-	-
Borrowing costs - other	146,174	800,799	-	-
- related parties	-	-	-	-
Operating lease expenses	84,803	68,207	-	-

COAL OF AFRICA LIMITED
**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(b) Individually significant items included in profit/(loss) from ordinary activities before income tax				
Profit/(loss) on disposal of equity investments	-	-	(7,919)	-
Provision for diminution in value of Investments	-	(1,666,792)	-	(4,325)
Share-based payments to Directors/Employees	(4,099,000)	(3,294,600)	(4,099,000)	(3,294,600)
Provision for non-recoverability of loans	-	(375,000)	-	(375,000)
4. INCOME TAX EXPENSE AND DEFERRED TAX				
a) Income tax expense				
Current tax	867,392	2,419,281	-	-
Deferred tax	52,211	(203,017)	-	-
Over provision in prior year	-	-	-	-
Aggregate income tax expense	919,603	2,216,264	-	-
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit /(loss) before income tax expense	(10,323,959)	(1,331,042)	(10,889,929)	(6,478,688)
Tax at the Australian rate of 30% (2007: 30%)	(3,097,188)	(399,313)	(3,266,979)	(1,943,607)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Net loss / (gain) on sale of shares	-	-	-	-
Provision for diminution in value	-	500,038	-	500,038
Provision for non-recovery of loans	-	112,500	-	112,500
Share based payments	1,229,700	988,380	1,229,700	988,380
Sundry items	-	-	-	116,955
Other temporary differences not brought to account	2,787,092	1,014,659	2,037,279	225,734
Income tax expense	919,604	2,216,264	-	-
c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax – debited/ (credited) directly to equity	-	-	-	-
	-	-	-	-

Deferred tax assets

The balance comprises temporary differences attributable to:

COAL OF AFRICA LIMITED
**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Amounts recognised in profit or loss</i>				
Employee benefits/ accruals	132,055	182,121	-	-
Doubtful debts provision	55,420	57,565	-	-
Amounts recognised directly in equity	-	-	-	-
Net deferred tax assets	187,475	239,686	-	-

Movements

Opening balance at 1 July	239,686	36,669	-	-
Charged to the income statement	-	218,795	-	-
Exchange rate movement	(52,211)	(15,778)	-	-
Closing balance at 30 June	187,475	239,686	-	-

The Company has approximately \$14 million and \$5.3 million in revenue and capital losses respectively not brought to account as deferred tax benefits because the Directors do not believe it is appropriate to regard the utilisation of the tax benefits as probable.

	Consolidated Entity	
	2008	2007
	\$	\$
5. (LOSS) / EARNINGS PER SHARE		
Basic (loss) / profit per share		
(cents per share)	(4.08)	(4.72)
Headline (loss)/earnings per share (cents per share)	(4.12)	(1.96)
Weighted average number of ordinary shares used as the denominator	275,781,951	85,261,608

As at 30 June 2008, there were 19,921,688 (2007: 21,842,326) options outstanding over unissued capital exercisable at amounts ranging between \$0.50 and \$2.05 (2007: \$0.50 and \$1.275). Diluted EPS was not calculated for 2008 as the company incurred a loss per share.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
6. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors of the Company:				
Moore Stephens				
- audit and review of financial reports	55,383	55,727	3,182	55,727
- other services	-	-	-	-
	55,383	55,727	3,182	55,727
Amounts received or due and receivable by the auditors of the subsidiaries				
- audit and review of financial reports	47,505	70,451	-	-

COAL OF AFRICA LIMITED
**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
- other services	434	9,225	-	-
	<u>47,939</u>	<u>79,676</u>	<u>-</u>	<u>-</u>
7. RECEIVABLES				
CURRENT				
Receivable – associates	-	620,311	-	620,312
Provision for doubtful receivables – associate	-	(303,924)	-	(303,924)
Trade debtors	3,339,890	4,524,156	-	-
Other debtors	9,254,867	5,220,432	2,075,985	5,280,700
Provision for bad debts	(843,160)	(1,076,807)	(787,740)	(787,740)
	<u>11,751,597</u>	<u>8,984,168</u>	<u>1,288,245</u>	<u>4,809,348</u>
NON CURRENT				
Amounts receivable from controlled entities	-	-	53,751,025	12,696,233
Provision for doubtful receivables	-	-	(598,548)	(598,548)
	<u>-</u>	<u>-</u>	<u>53,152,477</u>	<u>12,097,685</u>

Amounts receivable from controlled entities are interest free, unsecured and with no fixed term for repayment.

8. ASSETS HELD FOR SALE (INVESTMENT)
2008 – HOLFONTEIN INVESTMENTS (PTY) LTD

Carrying value of investment at beginning of year	24,328,181	681,528	23,529,228	
Acquisition of 100% owned subsidiary	-	22,813,265	-	-
Acquisition of Wildebeesfontein option	120,510	-	120,510	-
Capitalised expenditure – at cost	1,291,228	955,458	-	-
Exchange differences	(531,922)	(122,070)	-	-
Disposal of shares during the year	-	-	-	-
Share of subsidiaries' net (loss) / profit	-	-	-	-
Carrying value at end of year	<u>25,207,997</u>	<u>24,328,181</u>	<u>23,649,738</u>	<u>-</u>

The Company announced in May 2008 that it has reached an agreement to dispose of its stake in Holfontein Investments (Pty) Ltd to Lachlan Star Limited for \$25 million. The acquisition consideration will be payable in a combination of cash and shares staged at key milestones and on the satisfaction of key milestones and conditions precedent. The acquirer will reimburse CoAL for a proportion of the exploration expenditure incurred. The sale milestones and conditions have not been met at 30 June 2008.

2007 - INVESTMENT IN ASSOCIATE

Carrying value of investment at beginning of year	94,596	94,596		
Disposal of shares during the year	(94,596)	-	-	-
Share of associate's net (loss) / profit	-	-	-	-
Carrying value at end of year	<u>-</u>	<u>94,596</u>	<u>-</u>	<u>-</u>

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

The Company disposed of its 26.18% interest in SA Mineral Resources Corporation Ltd ("SAMROC"), a resource company whose particular focus is the manufacture of manganese chemicals. It owns the rights to a manganese deposit near Graskop, Mpumalanga, South Africa and operates the Greenhills manganese chemical plant, which is located adjacent to the mineral deposit.

SAMROC is listed on JSE Securities Exchange South Africa ("JSE"). The closing price of SAMROC on JSE as at 30 June 2007 was ZAR0.06, or A\$0.01. The investment was previously disclosed as an Investment in Associate. CoAL previously announced its intention to dispose of the investment and, therefore, the investment was reclassified as Assets Held for Sale.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
9. INVENTORY				
Raw Materials	1,762,388	938,711	-	-
Consumable Stores	39,235	45,002	-	-
Work in progress	56,018	-	-	-
Finished Goods	899,792	1,099,327	-	-
Residue Stock (Nickel)	2,127,673	3,436,704	-	-
	4,885,106	5,519,744	-	-

Inventory is stated at the lower of cost and net realisable value. Cost is determined according to the weighted average method. Finished products and work-in-progress include direct manufacturing costs.

10. OTHER FINANCIAL ASSETS**Available for Sale Financial Assets:**

Investments:

Shares in other corporations listed on

Stock exchange at cost	1,153,598	89,150	1,153,598	1,694,703
Provision for diminution in value	(76,176)	(76,175)	(76,176)	(1,488,502)
At fair value	1,077,422	12,975	1,077,422	206,201
Shares in controlled entities at cost	-	-	178,462,846	79,759,836
Provision for diminution in value	-	-	(8,292,540)	(8,292,540)
Impairment write down	-	-	-	(1,666,792)
	-	-	170,170,306	69,800,504
Shares in other corporations – at cost	7,022,423	12,915,623	1,771,997	12,935,729
	8,099,845	12,928,598	173,019,725	82,942,434

Market value of above investments listed on a stock exchange as at 30 June 2008

	1,613,228	12,975	1,613,228	206,201
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Shares in controlled entities are carried at cost. Refer to Note 26(a)

11. PROPERTY, PLANT & EQUIPMENT

Furniture, fittings and office equipment at cost	490,000	275,987	106,877	97,616
Less: Accumulated depreciation	(235,677)	(210,039)	(95,912)	(68,482)
	254,323	65,948	10,965	29,134
Motor vehicle at cost	493,633	247,318	-	-
Less: Accumulated depreciation	(165,105)	(146,013)	-	-
	328,528	101,305	-	-

COAL OF AFRICA LIMITED
**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
11. PROPERTY, PLANT & EQUIPMENT (cont)				
Plant and equipment at cost	2,426,376	1,536,472	-	-
Less: Accumulated depreciation	(1,029,063)	(1,404,124)	-	-
	<u>1,397,313</u>	<u>132,348</u>	<u>-</u>	<u>-</u>
Leasehold Improvements at cost	119,500	45,702	37,784	37,784
Less: Accumulated amortisation	(41,744)	(45,702)	(37,784)	(37,784)
	<u>77,756</u>	<u>-</u>	<u>-</u>	<u>-</u>
Land and Buildings at cost	1,122,448	1,491,119	-	-
Less: Accumulated amortisation	(104,399)	(141,886)	-	-
	<u>1,018,049</u>	<u>1,349,233</u>	<u>-</u>	<u>-</u>
Total property, plant & equipment	<u>3,075,969</u>	<u>1,648,834</u>	<u>10,965</u>	<u>29,314</u>

Reconciliations of the carrying amount of each class of property, plant and equipment are set out below:

Furniture, fitting and office equipment

Carrying amount at the beginning of the year	65,948	52,561	29,134	27,845
Depreciation	(74,824)	(21,065)	(27,430)	(12,923)
Additions	264,488	47,503	9,261	14,212
Foreign exchange movements	(1,289)	(13,051)	-	-
Carrying amount at end of year	<u>254,323</u>	<u>65,948</u>	<u>10,965</u>	<u>29,134</u>

Motor Vehicles

Carrying amount at the beginning of the year	101,305	81,111	-	-
Depreciation	(70,049)	(45,392)	-	-
Additions	310,887	75,446	-	-
Disposals	(23,324)	-	-	-
Foreign exchange movements	9,709	(9,860)	-	-
Carrying amount at end of year	<u>328,528</u>	<u>101,305</u>	<u>-</u>	<u>-</u>

COAL OF AFRICA LIMITED
**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
11. PROPERTY, PLANT & EQUIPMENT (cont)				
Plant & equipment				
Carrying amount at the beginning of the year	132,348	170,801	-	-
Depreciation	(48,305)	(92,961)	-	-
Additions	1,295,508	71,546	-	-
Foreign exchange movements	17,763	(17,038)	-	-
Carrying amount at end of year	1,397,313	132,348	-	-
Leasehold improvements				
Carrying amount at the beginning of the year	-	6,394	-	37,784
Depreciation	(2,341)	(6,394)	-	(37,784)
Additions	73,798	-	-	-
Foreign exchange movements	6,299	-	-	-
Carrying amount at end of year	77,756	-	-	-
Land and Buildings				
Carrying amount at the beginning of the year	1,349,233	1,492,445	-	-
Depreciation	(6,852)	(9,720)	-	-
Additions	17,229	3,668	-	-
Disposals	(210,952)	(3,256)	-	-
Foreign exchange movements	(130,609)	(133,904)	-	-
Carrying amount at end of year	1,018,049	1,349,233	-	-
TOTAL PROPERTY, PLANT & EQUIPMENT	3,075,969	1,648,834	10,965	29,134

The land and buildings referred to above were subject to an independent valuation in 2003 by the Capgrow Business Group, at R7,993,593 (approximately \$1,043,963), on the basis of continued use.

12. INTANGIBLES

Goodwill on consolidation	3,169,660	3,964,042	-	-
Reconciliation:				
Goodwill on consolidation – Beginning of year	3,964,042	7,441,280	-	-
Discount on acquisition of 26% of Nimag	-	(1,029,522)	-	-
Impairment write down	-	(1,666,792)	-	-
Exchange rate movement	(794,382)	(780,924)	-	-
Carrying value at end of year	3,169,660	3,964,042	-	-

Impairment Disclosures

Goodwill is allocated to cash-generating units which are based on the group's reporting segments.

	2008	2007
	\$	\$
Manufacture & distribution of nickel & magnesium alloys	3,169,660	3,964,042
	3,169,660	3,964,042

COAL OF AFRICA LIMITED

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

The recoverable amount of the cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period. The cash flows are discounted using the yield of 5-year government bonds at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Manufacture & distribution of nickel & magnesium alloys	10%	5.64%

Management has based the value-in-use calculations on budgets for this reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the periods which are consistent with inflation rates applicable to the locations in which the segment operates. Discounts are pre-tax and are adjusted to incorporate risks associated with the segment.

	Consolidated Entity	
	2008	2007
	\$	\$
13. COAL PROJECT INVESTMENT AND EXPLORATION EXPENDITURE		
Exploration and evaluation expenditures in respect of mining areas of interest		
Makhado (previously Baobab)		
Prior acquisition of tenements of the Makhado coal project – fair value	33,130,647	33,130,547
Current year acquisition of Makhado tenements – fair value	1,340,096	-
Exchange differences	(214,576)	(384,750)
At fair value	34,256,167	32,745,797
Capitalised exploration expenditure – at cost	5,174,833	84,196
	39,431,000	32,829,993
Vele (previously Thuli)		
Acquisition of tenements of the Vele coal project – fair value	11,828,787	11,828,787
Exchange differences	(76,039)	(94,334)
At fair value	11,752,748	11,734,453
Capitalised exploration expenditure – at cost	2,770,780	84,196
	14,523,528	11,818,649
Holfontein		
Acquisition of tenements of the Holfontein coal project – fair value	-	23,494,793
Exchange differences	-	(122,070)
At fair value	-	23,372,723
Capitalised exploration expenditure – at cost	-	955,458
	-	24,328,181
Mooiplaats		
Acquisition of tenements of the Mooiplaats coal project – fair value	129,723,620	-
Exchange differences	(800,218)	-
At fair value	128,923,402	-

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

	Consolidated Entity	
	2008	2007
	\$	\$
Capitalised exploration expenditure – at cost	10,258,218	-
	139,181,620	-
Total Mining Assets	174,932,316	67,852,973
Total capitalised exploration expenditure	18,203,831	1,123,850

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependant on the discovery of commercially viable resource deposits and their successful development and commercial exploitation or sale of the respective mining areas. The Holfontein coal project is disclosed as an asset available for sale as at 30 June 2008.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
14. PAYABLES				
CURRENT				
Trade creditors	5,118,470	7,098,669	282,865	123,282
Sundry creditors and accruals	28,865	186,605	26,081	95,574
Other	1,032,471	2,034,087	-	-
	6,179,806	9,319,361	308,946	218,856
NON CURRENT				
Payables – controlled entities	-	-	19,022,676	5,671,382
Payables – other	-	1,375,608	-	1,375,608
	-	1,375,608	19,022,676	7,046,990

Amounts owing to controlled entities are interest free, unsecured and with no fixed term for repayment.

COAL OF AFRICA LIMITED
**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
15. INTEREST BEARING LIABILITIES				
CURRENT LIABILITIES				
Bank Overdraft	-	-	-	-
Secured Loans	-	-	-	-
Unsecured Loans	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NON-CURRENT LIABILITIES				
Secured Loans	-	-	-	-
Unsecured Loans	187,628	506,261	-	-
	<u>187,628</u>	<u>506,261</u>	<u>-</u>	<u>-</u>
Financial arrangements				
The Consolidated Entity has the access to the following lines of credit:				
General banking facility/bank overdraft	2,612,000	1,165,500	-	-
Term loan facility	1,959,000	3,330,000	-	-
Forward exchange contract facility	3,526,200	3,330,000	-	-
	<u>8,097,200</u>	<u>7,825,500</u>	<u>-</u>	<u>-</u>
Facilities utilised at reporting date				
Bank Overdraft	-	-	-	-
Forward exchange contract facility	-	-	-	-
Secured Loans	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Facilities not utilised at reporting date				
Bank overdraft	2,612,000	1,165,500	-	-
Forward exchange contract facility	1,959,000	3,330,000	-	-
Term loan facility	3,526,200	3,330,000	-	-
	<u>8,097,200</u>	<u>7,825,500</u>	<u>-</u>	<u>-</u>

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008****15. INTEREST BEARING LIABILITIES (cont)****Bank overdrafts, term facility and forward exchange contract facility**

The various facilities described above are secured by:

- Unlimited cession of debtors;
- Cession of fire and SASRIA policy over the farm Steenkoppies Magaliesburg for an amount of \$653,000 (ZAR5,000,000);
- Registration of a general and special notarial bond over stock, plant and equipment for an amount of \$1,959,000 (ZAR15,000,000) supported by a cession of fire and SASRIA policy;
- Unlimited suretyship by Coal of Africa Ltd;
- Unlimited suretyship by Metalloy Fibres (Pty) Ltd supported by:
 - Cession of its loan account in the Borrower;
 - Unlimited cession of debtors;
- Limitation on Metalloy Fibres (Pty) Ltd encumbering its assets;
- Cession of offshore debtors; and
- Assets financed under the AVAF Instalment finance facility of \$20,244 (ZAR155,006).

Unsecured Loans (Loans from minority interests in controlled entity)

The loans are unsecured and bore interest at a rate of 8.5% during the year under review. The balance will be repaid when funds are available and can be delayed to a maximum of 5 years.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
16. PROVISIONS				
CURRENT				
Employee entitlements	111,738	95,355	2,734	232
Number of employees				
Number of employees at year end	128	113	4	2

17. CONTRIBUTED EQUITY**(a) Issued and paid up capital**

398 254 492 ordinary fully paid shares (2007:
207,768,703) ordinary fully paid shares –
adjusted for share consolidation)

533,053,005	177,189,359	533,053,005	177,189,359
533,053,005	177,189,359	533,053,005	177,189,359

COAL OF AFRICA LIMITED
**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**
17. CONTRIBUTED EQUITY (cont)

	2008 Number	2008 \$	2007 Number	2007 \$
(b) Movements in contributed equity				
Opening Balance	207,768,703	177,189,359	31,310,887	35,396,353
Capital raising for working capital at 32 cents per share	-	-	24,615,384	7,795,600
Capital raising for working capital at 40 cents per share	-	-	4,620,557	1,848,231
Capital raising for working capital at 25 cents per share	-	-	20,812,500	8,741,250
Part payment for working capital at 20 pence per share	-	-	12,200,000	6,075,509
Capital raising for working capital at 34 pence per share	-	-	37,352,941	30,030,292
Acquisition of Africa acquisition at 30 pence per share	-	-	8,333,333	5,991,085
Capital raising for working capital at 54 pence per share	-	-	22,223,000	28,573,881
Acquisition of 51% of Africa Investments at 30 cents per share	-	-	14,868,283	18,228,143
Acquisition of 50% of Baobab Exploration Investments at 30 cents per share	-	-	20,000,000	24,519,500
Part acquisition of Coal of Africa Investments at 30 pence per share	-	-	10,000,000	11,306,980
Acquisition of 50% of Africa Investments at 30 cents per share	-	-	1,250,000	1,413,374
Part acquisition of Coal of Africa Investments at 30 pence per share	-	-	181,818	47,670
Payment for services rendered by Equity for Growth at 11 pence per share	181,818	-	-	-
Part acquisition of 70% of Coal of Africa Investments at 30 cents per share	8,888,888	12,126,257	-	-
Capital raising for working capital at 65 pence and \$1.50 per share	80,000,000	121,716,044	-	-
Exercise of Class C options at 34 pence per share	590,063	741,960	-	-
Part acquisition of Coal of Africa Investments at 30 pence per share	4,444,445	7,111,112	-	-
Part acquisition of Coal of Africa Investments at \$1.60 per share	5,200,000	12,012,000	-	-
Issue of shares to ArcelorMittal (Tranche 1)	46,365,000	106,796,327	-	-
Payment for services rendered at 12 pence per share	500,000	126,382	-	-
Exercise of Class B options at 54 pence per share	555,575	745,204	-	-
Exercise of Class A options at 50 cents per share	4,250,000	5,456,634	-	-
Exercise of Class F options at \$1.50 per share	375,000	867,900	-	-
Issue of shares to Coal Investments Limited at GBP1.30 per share	25,500,000	68,181,818	-	-
Issue of shares to ArcelorMittal (Tranche 2)	13,635,000	30,724,421	-	-
Capital raising costs incurred	-	(9,134,738)	-	(2,778,509)
Share Option costs	-	(1,607,675)	-	-
	398,254,492	533,053,005	207,768,703	177,189,359

Non-cash share issues disclosed above are recognised at fair value.

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008****(c) Terms and conditions**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

(d) Options

Unissued ordinary shares of the Company under option at balance date are:-

	Number	Exercise Price	Expiry Date
Class C Unlisted Options	196,688	GBP 0.34	17 May 2009
Class E Unlisted Options	1,625,000	GBP 0.65	30 November 2009
Class A Unlisted Options	9,250,000	A\$ 0.50	30 September 2011
Class B Unlisted Options	250,000	A\$ 2.05	1 May 2012
Class H Unlisted Options	600,000	A\$ 1.25	1 May 2012
Class D Unlisted Options	7,000,000	A\$ 1.25	30 September 2012
Class G Unlisted Options	1,000,000	A\$ 1.90	30 September 2012

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
18. RESERVES				
Capital profits reserve	136,445	136,445	136,445	136,445
Share option reserve	9,524,105	7,879,673	9,524,105	7,879,673
Foreign currency translation reserve	(5,390,389)	(2,705,466)	-	-
	4,270,161	5,310,652	9,660,550	8,016,118
<i>Movement during the year</i>				
Foreign Currency Translation Reserve				
Opening balance	(2,705,466)	(261,124)	-	-
Foreign currency translation	(2,684,923)	(2,444,342)	-	-
Closing balance at year end	(5,390,389)	(2,705,466)	-	-
<i>Movement during the year</i>				
Share option reserve				
Opening balance	7,879,673	551,200	7,879,673	551,200
Options granted	5,706,675	7,328,473	5,706,675	7,328,473
Options redeemed	(4,062,243)	-	(4,062,243)	-
Closing balance at year end	9,524,105	7,879,673	9,524,105	7,879,673

Nature & Purpose of Reserves**Foreign currency translation reserve**

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations.

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008****Capital profits reserve**

The capital profits reserve contains capital profits derived during previous financial years.

Share option reserve

Share based payments represent the value of unexercised share options to Directors and employees.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
19. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	(34,692,704)	(30,666,656)	(39,676,009)	(33,197,320)
Net profit/(loss) attributed to members of parent entity.	(11,243,563)	(4,026,048)	(10,889,929)	(6,478,689)
Accumulated losses at the end of the financial year	<u>(45,936,267)</u>	<u>(34,692,704)</u>	<u>(50,565,937)</u>	<u>(39,676,009)</u>

20. OUTSIDE EQUITY INTERESTS

Outside equity interests in consolidated entities comprise:

	2008	2007
	\$	\$
Interest in retained profits at the beginning of the year	3,071,250	2,505,136
Interest in profits from operating activities after income tax	-	478,742
Interests in reserves	-	(31,133)
Interests in profits/reserves at the end of the financial year	<u>3,071,250</u>	<u>2,952,745</u>
100% acquisition of Nimag	-	(2,952,745)
Acquisition of 74% of Thuli coal project	-	3,071,250
Total Outside Equity Interests	<u>3,071,250</u>	<u>3,071,250</u>
 Minority interest in a controlled entity (Limpopo)	 <u>3,071,250</u>	 <u>3,071,250</u>

At balance date, the details of the outstanding forward exchange contracts are:

21. FINANCIAL RISK MANAGEMENT**a. Financial Risk Management Policies**

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, leases, preference shares, and forward exchange contracts.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

Derivatives are used by the Group for hedging purposes. Such instruments include forward exchange and currency option contracts. The group does not speculate in the trading of derivative instruments.

i. Treasury Risk Management

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

A finance committee consisting of senior executives of the group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

ii. **Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

Interest rate risk has been reduced by the Company repaying its outstanding long term debt.

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from having deposits in various currencies as well as the sale and purchase of goods and services in currencies other than the group's measurement currency.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The group's current policy is to ensure no more than 10% of borrowings should mature in any 12 month period. This is expected to alter in the 2009 financial period as debt is incurred to finance the acquisition of assets with varying expected rates of return.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is managed on a group basis and reviewed regularly by the finance committee. It arises from exposures to customers as well as through certain derivative financial instruments and deposits with financial institutions.

The finance committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the Group's strict credit policies may only purchase in cash.

The Group only invests in listed available-for-sale financial assets that have a minimum 'A' credit rating. Unlisted available-for-sale financial assets are not rated by external credit agencies. These are reviewed regularly by the Group to ensure that credit exposure is minimised.

The credit risk for counterparties included in trade and other receivables at 30 June 2008 is detailed below:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade and other receivables				
AA rated counterparties	4,733,193	-	-	-
B rated counterparties	-	-	-	-
Counterparties not rated	7,018,404	8,984,168	1,288,245	4,903,348

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

Total	11,751,597	8,984,168	1,288,245	4,903,348
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Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts as disclosed below.

The consolidated Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated Group.

Concentration of credit risk on trade and term debtors has reduced during the year in respect of the business undertaken by Nimag. As at 30 June 2008, 32% (2007: 94%) of the Consolidated Entity's trade debtors were owed by United States and European customers, 29% by South African debtors and 20% by customers in Asia.

Other than the concentration of credit risk described above, the Consolidated Entity is not materially exposed to any individual overseas country or individual customer.

The aging of the Group's trade receivables at the reporting date was:

	Gross 2008 \$	Impairment 2008 \$	Gross 2007 \$	Impairment 2007 \$
Not past due	2,610,812	-	4,162,224	-
Past due 0-30 days	680,666	-	294,070	-
Past due 31-120 days	48,413	-	67,862	-
Past due 121 days to one year	-	-	-	-
More than one year	-	-	-	-
	-			
	3,339,890	-	4,524,156	-

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables.

Price risk

The Group is exposed to commodity price risk through its Nimag Group of subsidiaries. Nickel prices have been volatile on the London Metals Exchange over the past three years but the company is able to hedge a significant amount of the Nickel price risk in its pricing agreement with customers, therefore the Nimag Group does not currently hedge the price it sells its Nickel products at. Nickel as well as base metal futures markets and economic forecasts are constantly monitored to determine whether to implement a hedging policy. CoAL Management also monitor the price of coal on global markets with the expected sale of coal mined from the Company's Mooiplaats coal project in the 2009 financial year.

b. Financial Instruments**i. Derivative Financial Instruments**

Derivative financial instruments are used by the consolidated group to hedge exposure to exchange rate risk associated with foreign currency borrowings and interest rate risk associated with

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

movements in interest rates which impact on the borrowings of the consolidated group. Transactions for hedging purposes are undertaken with the use of minimum collateral as only reputable institutions with sound financial positions are dealt with.

Forward Exchange Contracts

The consolidated Group enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the consolidated group against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

The accounting policy in regard to forward exchange contracts is detailed in Note 1(o).

At balance date, the details of outstanding forward exchange contracts are:

Settlement	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Less than 6 months	901,000	2,350,000	-	-
6 months to one year	-	-	-	-
Buy South African Rands		Sell Euro Dollars		
Settlement				
Less than 6 months	-	70,000	-	-
6 months to one year	-	-	-	-

Settlement	Average Exchange Rate		Parent Entity	
	2008	2007	2008	2007
	ZAR	ZAR	\$	\$
Sell United States Dollars				
Settlement				
Less than 6 months	7.31	7.22	-	-
Sell Euro Dollars				
Settlement				
Less than 6 months	-	9.41	-	-

ii. **Financial instrument composition and maturity analysis:**

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

COAL OF AFRICA LIMITED
**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**
**Financial Instrument Composition and Maturity
Analysis**

The table below reflects the undisclosed contractual settlement terms for financial instruments of a fixed period or maturity as well as Management's expectations of the settlement period for all other financial instruments.

		Fixed Interest Rate Maturing													
		Weighted average effective interest rate		Floating Interest rate		Within 1 year		1 to 5 years		Over 5 years		Non Interest Bearing		Total	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Consolidated entity		%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets															
Cash and Cash equivalents		7.83%	3%	-	84,443,256	252,004,859	-	-	-	-	-	-	-	252,004,859	84,443,256
Forward exchange contracts (notional principle amounts)				-	-	938,031	2,880,407	-	-	-	-	-	-	938,031	2,880,407
Trade and other receivables		12.1%	-	4,733,193	-	-	-	-	-	-	-	7,018,404	8,894,168	11,751,597	8,894,168
Other financial assets				-	-	-	-	-	-	-	-		12,928,598	-	12,928,598
				4,733,193	84,443,256	252,942,890	2,880,407	-	-	-	-	7,018,404	21,822,766	264,694,487	109,146,429
Financial Liabilities															
Trade and other payables												6,179,806	10,694,969	6,179,806	10,694,969
Borrowings		11%	11%	187,626	506,261	-	-	-	-	-	-	-	-	187,626	506,261
				187,626	506,261	-	-	-	-	-	-	6,179,806	10,694,969	6,367,432	11,201,230

COAL OF AFRICA LIMITED

***Notes to and forming part of the Financial Statements
for the year ended 30 June 2008***

		Fixed Interest Rate Maturing											
Weighted average effective interest rate		Floating Interest rate		Within 1 year		1 to 5 years		Over 5 years		Non Interest Bearing		Total	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Parent Entity													
Financial Assets													
Cash and Cash equivalents	7.84%	3%	-	52,909,170	251,347,737	-	-	-	-	-	-	251,347,737	52,909,170
Trade and other receivables			-	-	-	-	-	-	-	1,288,245	4,809,348	1,288,245	4,809,348
			-	52,909,170	251,347,737	-	-	-	-	1,288,245	4,809,348	252,635,982	57,718,518
Financial Liabilities													
Trade and other payables			-	-	-	-	-	-	-	308,946	218,856	308,946	218,856
Lease liabilities	-	-	-	-	75,621	-	-	-	-	-	-	75,621	-
			-	-	75,621	-	-	-	-	308,946	218,856	384,567	218,856

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008****iii. Net Fair Values**

The net fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.
- Forward exchange contracts are the recognised unrealised gain or loss at balance date determined from the current forward exchange rates for contracts with similar maturities.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments and forward exchange contracts.

No financial assets have been identified where the carrying amount exceeds net fair values. Controlled financial assets are carried at cost (refer note 10).

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date.

	2008		2007	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
Financial Assets				
Available-for-sale financial assets at fair value	25,207,997	25,207,997	94,596	94,596
Loans and receivables	11,751,597	11,751,597	8,984,168	8,984,168
	36,959,594	36,959,594	9,078,764	9,078,764
Financial Liabilities				
Payables	6,179,806	6,179,806	9,319,361	9,319,361
Other liabilities	187,626	187,626	505,261	505,261
	6,367,432	6,367,432	9,824,622	9,824,622

Fair values are materially in line with carrying values. A discount rate of 0% (2007: 0%) has been applied to all non-current borrowings to determine fair value.

iv. Sensitivity Analysis**Interest Rate Risk, Foreign Currency Risk and Price Risk**

The Group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Change in profit				
— Increase in interest rate by 5%	6,098,506	1,480,941	5,787,101	1,265,536
— Decrease in interest rate by 5%	(5,139,683)	11,268	(5,256,460)	-

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

Change in Equity

—	Increase in interest rate by 5%	6,098,506	1,480,941	5,787,101	1,265,536
—	Decrease in interest rate by 5%	(5,139,683)	11,268	(5,256,460)	-

Foreign Currency Risk Sensitivity Analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the US Dollar, with all other variables remaining constant is as follows:

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Change in profit					
—	Improvement in AUD to USD by 10%	22,835	117,259	-	-
—	Decline in AUD to USD by 10%	(22,835)	(117,259)	-	-
Change in Equity					
—	Improvement in AUD to USD by 10%	22,835	117,259	-	-
—	Decline in AUD to USD by 10%	(22,835)	(117,259)	-	-

Price Risk Sensitivity Analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the price risk, with all other variables remaining constant would be as follows:

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Change in profit					
—	Increase in average nickel price by 10%/tonne	4,680,205	6,173,865	-	-
—	Decrease in average nickel price by 10%/tonne	(4,680,205)	(6,173,865)	-	-
Change in Equity					
—	Increase in average nickel price by 10%/tonne	4,680,205	6,173,865	-	-
—	Decrease in average nickel price by 10%/tonne	(4,680,205)	(6,173,865)	-	-

The above interest rate, foreign exchange rate and price risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

22. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2008:

On the 28 June 2006, 8,000,000 share options to accept ordinary shares in Coal of Africa Limited were granted to CoAL Directors. The options allow the Directors to take up ordinary shares at an exercise price of \$0.50 each. The options are exercisable on or before 30 September 2011. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

COAL OF AFRICA LIMITED

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

On 24 November 2006, 1,000,000 share options to accept ordinary shares in Coal of Africa Limited were granted to employees in South Africa as an incentive for performance. The options have an exercise price of \$0.50 each and are exercisable on or before 30 September 2011. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

On 29 May 2007, 555,575 share options at GBP0.54 (to Mirabaud Securities Limited and Blue Oar Securities Plc) exercisable before 31 May 2009, 786,751 share options at GBP0.34 exercisable before 17 May 2009 (to Mirabaud Securities Limited and Blue Oar Securities Plc) and 250,000 share options exercisable at \$0.50 (to Jonathan Colville of Mirabaud Securities Limited) before 30 September 2011 were granted to accept ordinary shares in Coal of Africa Limited. The options were part payment of brokerage fees in relation to recent placements. The options hold no voting or dividend rights and are not transferable. All of the options were exercised on 7 May 2008 converting the options to shares ranking equally with existing shares.

On 5 June 2007, 7,000,000 share options to accept ordinary shares in Coal of Africa Limited were granted to Simon Farrell (Managing Director – 5,000,000 options) and Richard Linnell (Chairman – 2,000,000 options). The options allow the Directors to take up ordinary shares at an exercise price of \$1.25 each. The options are exercisable on or before 30 September 2012. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

On 5 June 2007, 4,250,000 share options to accept ordinary shares in Coal of Africa Limited were granted to Motjoli Resources (Pty) Ltd for 51% of the Holfontein coal project and the remaining 50% of the Baobab coal project. The options allow Motjoli Resources to take up ordinary shares at an exercise price of \$0.50 each. The options were exercisable on or before 30 September 2011. The options hold no voting or dividend rights and are not transferable. All of the options were exercised on 23 May 2008 converting the options to shares ranking equally with existing shares.

On 28 November 2007, 1,625,000 share options at GBP0.65 (to Mirabaud Securities Limited and Blue Oar Securities Plc) exercisable before 30 November 2009 and 375,000 share options at \$1.50 exercisable before 30 November 2009 (to Euroz Limited) were granted to accept ordinary shares in Coal of Africa Limited. The options were part payment of brokerage fees in relation to recent placements. The options hold no voting or dividend rights and are not transferable. On 5 June 2008, 375,000 options were exercised at \$1.50 converting the options to shares ranking equally with existing shares.

On 20 December 2007, 590,063 share options at GBP0.34 issued to Mirabaud Securities Limited on 29 May 2007 and exercisable before 30 September 2011 were exercised. The options exercised converting the options to shares rank equally with existing shares.

On 10 April 2008, 1,000,000 share options to accept ordinary shares in Coal of Africa Limited were granted to Blair Sergeant (Financial Director). The options allow the Financial Director to take up ordinary shares at an exercise price of \$1.90 each. The options are exercisable on or before 30 September 2012. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

On 19 May 2008, 600,000 share options at an exercise price of \$1.25 and 250,000 share options at an exercise price of \$2.05 to accept ordinary shares in Coal of Africa Limited were granted to employees in South Africa as an incentive for performance. The options are exercisable on or before 1 May 2012 and hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

All options granted are ordinary shares in Coal of Africa Limited, which confer a right of one ordinary share for every option held.

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

	Consolidated Group				Parent entity			
	2008		2007		2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$		\$		\$
Outstanding at beginning of year	21,842,326	0.77	8,075,000	0.50	21,842,326	0.77	8,000,000	0.50
Granted	3,850,000	1.62	13,842,326	0.93	3,850,000	1.62	13,842,326	0.93
Forfeited	-	-	-	-	-	-	-	-
Exercised	(5,770,638)	0.68	-	-	(5,770,638)	0.68	-	-
Expired	-	-	75,000	-	-	-	-	-
Outstanding at year end	19,921,688	0.95	21,842,326	0.77	19,921,688	0.95	21,842,326	0.77
Exercisable at year end	19,171,688	0.91	21,842,326	0.77	19,171,688	0.91	21,842,326	0.77

No options expired during the year ended 30 June 2008. The following options were exercised during the year:

Class	Date Exercised	Exercise price	Number of options exercised
Class C options	20 December 2007	GBP 0.34	590,063
Class B options	7 May 2008	GBP 0.54	555,575
Class A options	23 May 2008	\$ 0.50	4,250,000
Class F options	5 June 2008	\$ 1.50	375,000
			5,770,638

The options outstanding at 30 June 2008 had a weighted average exercise price of \$0.95 and weighted average remaining contractual life of 3.51 years. Exercise prices range from \$0.50 to \$2.05 in respect of options outstanding at 30 June 2008.

The weighted average fair value of the options granted during the year was \$1.48.

This option prices were calculated using the Binomial Option Valuation pricing model applying the following inputs:

Weighted average exercise price	\$0.96
Weighted average life of the option	3.51 years
Underlying share price	\$1.70-\$3.84
Expected share price volatility	75%
Risk free interest rate	6.5%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of an option is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement is \$4,099,000 (2007: \$3,294,600), and relates, in full, to equity-settled share-based payment transactions.

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
23. COMMITMENTS				
Non-cancellable operating lease expense commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
Within 1 year	226,291	59,983	75,621	-
After 1 year but no later than 5 years	686,211	-	-	-
	912,502	59,983	75,621	-

The Consolidated Entity leases property under non-cancellable operating leases expiring within the next five years. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated.

Contractual Commitments*Holfontein*

CoAL has undertaken that it will first mine all saleable seam 5 and thereafter seams 4 and 2 coal reserves in the Holfontein coal project in accordance with the prospecting work programme previously submitted to the Department of Minerals and Energy. Deviation from this can be made provided it is supported by a report prepared by an independent person appointed by the parties. In the event of the other seams other than seam 5 being mined, a development fee will be payable to the vendor - the development fee will be five million tonnes at a minimum of ZAR4.00 per tonne FOT. CoAL has entered an agreement to dispose of the Holfontein coal project and this development fee will be transferred to the acquirer on the successful sale of the Holfontein project.

Tshikunda

The Company has entered an agreement to purchase 60% of Tshikunda Mining (Pty) Ltd, which holds the New Prospecting Rights over an area of 32,000 hectares in the Limpopo province. Section 11 approval for the transaction was obtained in June 2008 and the Company has paid ZAR15 million of the ZAR20 million with the balance purchase price payable in CoAL equity. CoAL has undertaken to spend up to ZAR50 million (\$6.53 million) to explore the project to a bankable stage.

Sekoko

CoAL has entered an agreement to acquire 74% of the New Order Prospecting Rights on six farms belonging to Sekoko Coal (Pty) Ltd. The farms will be transferred to a newly acquired shelf company (Regulus Investment Holdings (Pty) Ltd) upon obtaining Section 11 approval from the DME which was applied for in May 2008. ZAR20 million (\$2.6 million) of the purchase price has been paid with the remaining ZAR35 million (\$4.57 million) of the purchase price held as a bank guarantee payable on Section 11 approval of the transaction. The Section 11 application to transfer 74% of the New Order Prospecting Rights was lodged with the Department of Minerals and Energy in May 2008. The Company has committed to spending up to ZAR55 million (\$7.18 million) on exploration work to determine whether the project is feasible.

24. CONTINGENT LIABILITIES

In accordance with normal industry practice the Company has agreed to provide financial support to its 100% controlled entities. There are no other contingent liabilities as at 30 June 2008.

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008****25. RELATED PARTY DISCLOSURES**

The names and positions held by key management personnel in office at any time during the financial year are:

Mr R Linnell	Non-Executive Chairman & Director
Mr S Farrell	Managing Director
Ms N Mazwai	Deputy Managing Director & Executive Director (resigned 22 January 2008)
Mr P Cordin	Non-Executive Director
Mr S Bywater	Non-Executive Director
Mr G Taggart	Non-Executive Director (resigned 21 December 2007)
Mr N Moloi	Non-Executive Director (resigned 22 January 2008)
Mr B Sergeant	Finance Director

Key management personnel compensation is included in the Directors' Report as part of the Remuneration Report.

Equity instruments**Option holdings****Unlisted Options**

The movement during the reporting period in the number of options over ordinary shares exercisable at 50 cents on or before 30 September 2011 held, directly, indirectly or beneficially by each key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2007	Granted as remuneration	Exercised	Other changes	Held at 30 June 2008
Directors					
Mr R Linnell	2,000,000	-	-	-	2,000,000
Mr S Farrell	4,000,000	-	-	-	4,000,000
Ms N Mazwai – resigned	4,250,000	-	-	-	-
Mr P Cordin	1,000,000	-	-	-	1,000,000
Mr S Bywater	-	-	-	-	-
Mr G Taggart – resigned	-	-	-	-	-
Mr N Moloi - resigned	4,250,000	-	-	-	-
Mr B Sergeant	1,000,000	-	-	-	1,000,000

The 4,250,000 options reflected for Ms N Mazwai and Mr N Moloi are options granted to Motjoli Resources (Pty) Ltd, of which the above members are Directors were exercised on 23 May 2008. Both Ms N Mazwai and Mr N Moloi resigned as Directors of the Company on 22 January 2008.

The movement during the reporting period in the number of options over ordinary shares exercisable at \$1.25 cents on or before 30 September 2012 held, directly, indirectly or beneficially by each key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2007	Granted as remuneration	Exercised	Other changes	Held at 30 June 2008
Directors					
Mr R Linnell	2,000,000	-	-	-	2,000,000
Mr S Farrell	5,000,000	-	-	-	5,000,000
Ms N Mazwai	-	-	-	-	-
Mr P Cordin	-	-	-	-	-
Mr S Bywater	-	-	-	-	-
Mr G Taggart	-	-	-	-	-
Mr N Moloi	-	-	-	-	-
Mr B Sergeant	-	-	-	-	-

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
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The movement during the reporting period in the number of options over ordinary shares exercisable at \$1.90 cents on or before 30 September 2012 held, directly, indirectly or beneficially by each key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2007	Granted as remuneration	Exercised	Other changes	Held at 30 June 2008
Directors					
Mr R Linnell	-	-	-	-	-
Mr S Farrell	-	-	-	-	-
Ms N Mazwai	-	-	-	-	-
Mr P Cordin	-	-	-	-	-
Mr S Bywater	-	-	-	-	-
Mr G Taggart	-	-	-	-	-
Mr N Moloi	-	-	-	-	-
Mr B Sergeant	-	1,000,000	-	-	1,000,000

All options vested on the date of issue. No options held by specified Directors are vested but not exercisable.

Equity holdings and transactions of key management personnel

The movement during the reporting period in the number of ordinary shares held, directly, indirectly or beneficially by each key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2007	Purchases	Received on exercise of options	Sales	Held at 30 June 2008
Directors					
Mr R Linnell	801,550	-	-	-	801,550
Mr S Farrell	3,221,791	-	-	-	3,221,791
Ms N Mazwai (1)	26,499,895	-	-	-	-
Mr P Cordin	412,759	-	-	-	412,759
Mr S Bywater	-	-	-	-	-
Mr G Taggart	-	-	-	-	-
Mr N Moloi (1)	29,289,538	-	-	-	-
Mr B Sergeant	-	-	-	-	-

(1) Ms N Mazwai and Mr N Moloi are Directors and shareholders of Motjoli Resources (Pty) Ltd which owns 20,920,970 shares. These shares have been included in each of their holdings. Both Ms N Mazwai and Mr N Moloi resigned as Directors on 22 January 2008.

Loans and Other Transactions with Directors and other Key Management Personnel

Details regarding loans outstanding at the reporting date from Directors and other key management personnel are as follows:

- (1) Certain key management personnel have provided unsecured loans in the amount of ZAR1,436,833 (2007: ZAR3,040,710), bearing interest at 9.5% per annum. Repayments of the balance will occur when funds are available and can be delayed for a maximum of 5 years.

Other Transactions with the Company or its Controlled Entities

A number of Directors or their personally-related entities hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

The aggregate expense recognised during the year relating to specified Directors or their personally-related entities were \$27,083. Details of the transactions are as follows:

Specified Directors	Transaction	Note	2008 \$	2007 \$
Mr B Sergeant	Company secretarial fees	(i)	27,083	72,750

(i) The Company engaged Evolution Capital Partners to provide certain company secretarial, accounting and administrative services to the Consolidated Entity. Mr Sergeant is Managing Director of Evolution Capital Partners.

26. CONTROLLED ENTITIES**(a) Particulars in Relation to Controlled Entities**

	Country of Incorporation	Owned %	
		2008	2007
Coal of Africa Limited	Australia		
<i>Controlled Entities:</i>			
Baobab Exploration (Pty) Ltd	South Africa	100	100
Chromet (Pty) Ltd*	South Africa	100	100
Cove Mining NL	Australia	100	100
Evoc Mining NL	Australia	100	100
Golden Valley Services Pty Ltd	Australia	100	100
Greenstone Gold Mines NL	Australia	100	100
GVM Metals (Administration) South Africa (Pty) Ltd	South Africa	100	100
Holfontein Investments (Pty) Ltd	South Africa	100	100
Limpopo Exploration (Pty) Ltd	South Africa	74	74
Magberg Manufacturing (Pty) Ltd*	South Africa	100	100
Magnimount Properties (Pty) Ltd*	South Africa	Deregistered	50
Master Alloy Traders Ltd	Jersey	100	100
Metalloy Fibres (Pty) Ltd*	South Africa	100	100
NiMag Limited*	South Africa	Deregistered	100
NiMag (Pty) Ltd	South Africa	100	100
Coal of Africa Ltd	South Africa	100	-
Langcarel (Pty) Ltd**	South Africa	100	-
Index Mining and Management (Pty) Ltd**	South Africa	100	-
Regulus Investment Holdings (Pty) Ltd	South Africa	100	-

* Subsidiary companies of NiMag (Proprietary) Limited

** Subsidiary companies of Coal of Africa Limited (South African registered subsidiary company)

Petro Asia NL was disposed of during the year for a nominal amount of A\$1.00 to reduce administration costs. The company had no assets or liabilities.

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008****(b) Acquisition of Controlled Entities****2008**

The Company acquired the following controlled entities during the year under review:

	Country of Incorporation	Parent entity's investment		Percentage owned (%)	
		2008 \$	2007 \$	2008	2007
Coal of Africa Limited	South Africa	124,610,065	12,900,353	100	49

On 28 February 2008, the Company acquired 70% of Coal of Africa Limited and its two wholly owned subsidiaries Langcarel (Pty) Ltd and Index Mining and Management (Pty) Ltd. Langcarel (Pty) Ltd holds the New Order Prospecting Rights and New Order Mining Rights comprising the Mooiplaats coal project. The remaining 30% of the project was acquired on 10 April 2008 with the total consideration paid to acquire the Mooiplaats project being \$124,610,065.

Details of this transaction are:

Acquisition of 70%

Purchase consideration:

Opening balance	12,900,353	-
10,000,000 CoAL shares at 30 pence per share	-	11,306,980
1,250,000 CoAL shares at 40 pence per share	-	1,593,373
8,888,888 CoAL shares at 30 pence per share	12,126,257	-
4,444,445 CoAL shares at 30 pence per share	7,111,112	-
Cash consideration paid	62,038,453	-
	94,176,175	12,900,353

Fair value of assets held at acquisition date:

Mineral exploration tenements in the exploration phase	129,723,620	-
Capitalised exploration costs	2,859,334	-
Current assets	680,583	-
Non-Current assets	1,273,856	-
Outside Equity interest	(40,361,218)	-
	94,176,175	12,900,353

Cash flow on acquisition of the Controlled entity:

Purchase consideration paid with CoAL equity	32,137,722	12,900,353
Cash consideration paid	62,038,453	-
	94,176,175	12,900,353

Acquisition of 30%

Purchase consideration:

5,000,000 CoAL shares at 30 pence per share	11,550,000	-
Cash consideration paid	18,883,890	-
	30,433,890	-

Fair value of assets held at acquisition date:

Outside Equity interest	40,361,218	-
Mineral exploration tenements in the exploration phase	(9,927,328)	-
	30,433,890	-

Cash flow on acquisition of the Controlled entity:

Purchase consideration paid with CoAL equity	11,550,000	-
Cash consideration paid	18,883,890	-
	30,433,890	-

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008****Regulus Investment Holdings****(Pty) Ltd**

South Africa

959

-

100

-

Shelf company acquired to hold the New Order Prospecting Rights acquired in the Sekoko coal project transaction.

2007

The Company acquired the following controlled entities during the year under review:

	Country of Incorporation	Parent entity's investment		Percentage owned (%)	
		2008 \$	2007 \$	2008	2007
Limpopo Mining & Exploration (Pty) Ltd	South Africa	-	8,741,250	74	74

On 30 November 2006, the Company acquired 74% of Limpopo Mining & Exploration (Pty) Ltd for a consideration of \$8,741,250. Details of this transaction are:

Purchase consideration:

20,812,500 CoAL shares at 42 cents per share

- 8,741,250

Fair value of assets held at acquisition date:

Mineral exploration tenements in the exploration phase

- 11,828,787

Loans payable

- (16,287)

Outside Equity interest

- (3,071,250)

- **8,741,250**

Cash flow on acquisition of the Controlled entity:

Purchase consideration paid with CoAL equity

- 8,741,250

Cash consideration paid

- -

Holfontein Investments (Pty) Ltd

South Africa

-

23,494,885

100

100

On 5 June 2007 the Company acquired 100% of Holfontein Investments (Pty) Ltd for a consideration of \$23,494,885. The equity and options were the consideration paid for 51% and the cash consideration for the remaining 49%. Details of this transaction are:

Purchase consideration:

14,868,283 CoAL shares at \$1.23 cents per share

- 18,228,143

1,812,254 CoAL share options

- 1,435,306

Cash consideration

- 3,831,436

- **23,494,885**

Fair value of assets held at acquisition date:

Mineral exploration tenements in the exploration phase

- 23,494,793

Preliminary expenses

- 92

- **23,494,885**

Cash flow on acquisition of the Controlled entity:

Purchase consideration paid with CoAL equity

- 19,663,449

Cash consideration paid

- 3,831,436

- **23,494,885**

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008****Baobab Exploration (Pty) Ltd**

South	-	33,135,208	100	100
Africa				

On 5 June 2007 the Company acquired 100% of Baobab Exploration (Pty) Ltd for a consideration of \$33,135,208. Details of this transaction are:

Purchase consideration:

20,000,000 CoAL shares at \$1.23 cents per share	-	24,519,500
2,437,746 CoAL share options	-	1,930,694
Cash consideration	-	6,685,014
	-	33,135,208

Fair value of assets held at acquisition date:

Mineral exploration tenements in the exploration phase	-	33,130,547
Accounts receivable	-	4,661
	-	33,135,208

Cash flow on acquisition of the Controlled entity:

Purchase consideration paid with CoAL equity	-	26,450,194
Cash consideration paid	-	6,685,014
	-	33,135,208

Nimag (Pty) Ltd

South	-	3,811,579
Africa		

On 30 November 2006 the Company acquired the remaining 26% of Nimag (Pty) Ltd for a consideration of \$75,000 and 4,620,557 CoAL shares. Details of this transaction are:

Purchase consideration:

4,620,557 CoAL shares at \$0.40 cents per share	-	1,848,223
Cash consideration	-	75,000
	-	1,923,223

Fair value of assets held at acquisition date:

Assets on hand	-	2,952,745
Discount on acquisition – adjusted against Goodwill on consolidation	-	(1,029,522)
	-	1,923,223

Cash flow on acquisition of the Controlled entity:

Purchase consideration paid with CoAL equity	-	1,848,223
Cash consideration paid	-	75,000
	-	1,923,223

COAL OF AFRICA LIMITED
**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
27. NOTES TO THE STATEMENT OF CASHFLOWS				
(a) Reconciliation of cash				
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position.				
Cash at Bank	252,004,859	61,530,490	251,347,737	52,909,170
Bank Overdraft	-	-	-	-
	252,004,859	61,530,490	251,347,737	52,909,170
(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities				
Profit/(Loss) from ordinary activities after income tax	(11,243,563)	(3,547,306)	(10,889,929)	(6,478,688)
<i>Add/(less) non- cash items:</i>				
Amounts set aside (reversed from) provisions	16,383	375,000	2,502	375,000
Bad debt expense	-	306,066	-	-
Depreciation/amortisation of property, plant and equipment	202,372	175,532	27,430	12,923
(Profit)/loss on disposal of property, plant and equipment	-	(3,350)	-	-
(Profit)/loss on disposal of associate	134,590	-	134,590	-
Dividends	(831,782)	-	(773,560)	(389,853)
Diminution in value of investments	-	1,673,280	-	1,673,280
Provision for non-recoverability of loans	-	-	-	-
Share of associates (profit) / loss	-	-	-	-
Share based payments	4,559,000	3,294,600	4,559,000	3,294,600
Net gain on intercompany loans forgiven	-	-	(602,048)	-
Foreign exchange loss – unrealised	10,503,875	629,033	10,503,875	629,033
<i>Change in assets and liabilities:</i>				
(Increase) in trade debtors and other receivables	(1,482,967)	(2,653,662)	4,769	(7,775)
(Increase)/Decrease in inventory	634,639	(2,274,094)	-	-
Increase/(Decrease) in creditors	(3,139,555)	3,637,717	90,090	(110,039)
Increase/(Decrease) in accrued interest	(1,284,462)	-	(1,284,462)	-
Increase/(Decrease) in deferred tax assets	52,211	-	-	-
Increase/(Decrease) in Tax Payable, FITB, PDIT	(1,130,502)	1,049,237	(12,796)	-
Net cash provided by / (used in) operating activities	(3,099,761)	2,662,053	1,759,461	(1,001,520)

COAL OF AFRICA LIMITED
**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**
(c) Cash and non-cash investing and financing activities

The Parent entity acquired the following interests during the year:

	Interest obtained	Cash paid for acquisition	Fair value of Equity issued for the acquisition	Fair value of Options issued for the acquisition
Coal of Africa Ltd	70%	\$62,038,453	\$32,137,722	-
Coal of Africa Ltd	30%	\$18,883,890	\$11,550,000	-
Index Mining and Management (Pty) Ltd*	100%	-	-	-
Langcarel (Pty) Ltd*	100%	-	-	-
Regulus Investment Holdings (Pty) Ltd	100%	\$959	-	-

*Wholly owned subsidiaries of Coal of Africa Ltd

28. SEGMENT INFORMATION

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment results, asset and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprises interest or dividend-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The Consolidated Entity comprises the following main business segments:

Manufacturing	Mineral processing by NiMag in South Africa
Investing	Equity investments in Australia, South Africa & United Kingdom
Coal exploration	Coal projects in South Africa

Primary reporting

Industry	Manufacturing \$		Investing \$		Coal exploration \$		Consolidated \$	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue								
Total segment revenue	47,208,316	61,895,491	6,050,366	699,871	515,437	-	53,774,119	62,595,362
Unallocated revenue		-		-		-		-
Total Revenue							53,774,119	62,595,362
Result								
Segment result	2,441,612	4,823,494	(4,716,774)	(6,667,583)	(8,968,401)	(1,703,217)	(11,243,563)	(3,547,306)
Share of net profit/(loss) of equity accounted investments		-		-		-		-
Unallocated items		-		-		-		-
Net Profit/(Loss)							(11,243,563)	(3,547,306)
Depreciation and amortisation	(104,827)	(162,237)	(27,826)	(13,295)	(69,719)	-	(202,372)	(175,532)
Provision for diminution in investment	-	-	-	(1,673,280)	-	-	-	(1,673,280)

COAL OF AFRICA LIMITED**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008****Assets**

Segment assets	15,763,017	20,780,334	295,599,370	74,035,228	166,239,343	68,976,823	477,601,730	163,792,385
Unallocated corporate assets	-	-	-	-	-	-	-	-
Assets held for sale	-	94,596	-	-	23,916,926	-	23,916,926	94,596
Consolidated total assets							501,518,656	163,886,981

Liabilities

Segment liabilities	5,768,988	10,949,438	314,283	1,716,909	977,237	342,078	7,060,508	13,008,424
Unallocated liabilities		-		-			-	-
Consolidated total liabilities							7,060,508	13,008,424

Secondary reporting**Geographical segments**

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of income generated from equity investments. Segment assets are based on the geographical location of the assets.

The Consolidated Entity has equity interests in an exploration and mining company listed in the United Kingdom, an unlisted trading company in Jersey, one listed and one unlisted manufacturing company and three unlisted exploration companies in South Africa and a biotechnology company listed in Australia.

Geographical segments	North America \$	Europe \$	Africa & other areas \$	South-East Asia & Australasia \$	Consolidated \$
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	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue by location of customers	7,427,774	15,267,420	24,231,430	32,983,795	6,800,559	6,100,018	15,314,352	8,244,129	53,774,119	62,595,362

Europe \$	Africa \$	Australia \$	Consolidated \$
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Segment assets by location of assets	250,481	447,760	205,943,068	84,313,746	295,325,107	79,125,475	501,518,656	163,886,981
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29. SUBSEQUENT EVENTS**Rio Tinto Joint Venture and Farm Swap**

CoAL announced in early July 2008 that it has entered a Memorandum of Understanding with Rio Tinto ('Chapudi Coal') and its joint venture partner, the Kwezi Group of South Africa, which the parties intend to formalise into an agreement resulting in the transfer of Prospecting Rights to each other or a separate joint venture initiative. The Prospects to be transferred are coal interests in and around the Company's Makhado hard coking coal project in the Limpopo province. The Prospects to be transferred to a new joint venture between Rio Tinto and CoAL will be managed by Chapudi Coal. Transfer of the Prospects will add significant, highly prospective acreage to the current Makhado project area improving the economics of the project.

COAL OF AFRICA LIMITED

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Makhado coking coal project Resource Upgrade

In July 2008, CoAL announced a resource upgrade to the Makhado coal project from the previously reported 713mt to 1.335 billion gross in situ tonnes. The resource upgrade is a result of further analysis of the borehole data acquired from Exxaro Resources Limited as well as the drilling of boreholes by CoAL. The 1.335 billion tonnes are situated on six farms representing approximately 40% of the Makhado project area and can be summarized as follows:

	In Situ Resource Million metric tonnes	Rel Tonnes %	Opencast Million metric tonnes	Rel Tonnes %
Measured	230.067	17.233%	208.364	37.847%
Indicated	548.642	41.095%	201.797	36.690%
Inferred	250.690	18.777%	25.445	4.613%
Reconnaissance	305.660	22.895%	114.771	20.853%
	1,335.06	100.00%	550.377	100.00%

Vele semi-soft coking coal project Resource Upgrade

As a result of analysis of exploration data, the Company issued a Resource upgrade for its Vele coal project increasing the resource from 441 gross in situ tonnes to 721 total in situ tonnes which incorporates 641 gross in situ tonnes. The table below details the upgrade:

Total In Situ	Gross In Situ	In Situ Mineable
721 million tonnes	641 million tonnes (Gross in situ incorporates open castable coal)	593 million tonnes – includes 158 million tonnes Measured and 324 million tonnes Indicated (In situ Mineable incorporates potential geological losses)

Black Empowerment Transaction

Coal Investments Limited, a company forming part of the Company's current Black Empowerment Enterprise Investors increased its shareholding in the Company to approximately 17.3% after receiving FIRB approval to increase its stake beyond 15%. During August, CoAL issued the additional 12,000,000 shares at GBP1.30 per share raising an additional GBP15.6 million.

Port Allocation

Coal of Africa Limited secured long term export coal port allocation at the Grindrod operated Richards Bay and Maputo dry bulk terminals. The export of metallurgical coal mined at its Makhado and Vele projects is expected to take place via the Maputo terminal and CoAL has secured the rights to up to 100% of the capacity resulting from expansion to the Maputo terminal enabling CoAL to potentially export up to 7mtpa. The export of thermal coal mined at the Company's Mooiplaats project will be exported at the Richards Bay terminals with an allocation of 900,000 tonnes commencing in 2009 which could increase to 3 million tonnes per annum if port capacity is increased. The Company will contribute capital on a pro rata basis to development at both the Richards Bay and Maputo terminals.

Other than that stated above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

COAL OF AFRICA LIMITED***Notes to and forming part of the Financial Statements
for the year ended 30 June 2008*****30. CHANGE IN ACCOUNTING POLICY**

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment		Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report	1.1.2009	1.7.2009
	AASB 6	Exploration for and Evaluation of Mineral			
	AASB 102	Inventories			
	AASB 107	Cash Flow Statements			
	AASB 119	Employee Benefits			
	AASB 127	Consolidated and Separate Financial Statements			
	AASB 134	Interim Financial Reporting			
	AASB 136	Impairment of Assets			
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above	1.1.2009	1.7.2009
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1.1.2009	1.7.2009
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 111	Construction Contracts			
	AASB 116	Property, Plant and Equipment			
	AASB 138	Intangible Assets			
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101	Presentation of Financial Statements	As above	1.1.2009	1.7.2009

COAL OF AFRICA LIMITED

***Notes to and forming part of the Financial Statements
for the year ended 30 June 2008***

31. COMPANY DETAILS

The registered office of the Company is:

Coal of Africa Limited
Level 1, 173 Mounts Bay Road
Perth WA 6000
Australia

The principal places of business are:

Coal of Africa Limited
CoAL House
Pinewood Office Park
33 Riley Street
Woodmead 2191
South Africa

Portion 33
Farm Steenkoppies
Rustenburg road
Magaliesburg
Gauteng
South Africa

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 21 to 69, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company and consolidated Group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. in the Directors' opinion 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.

Dated at Perth, Australia this 30th day of September 2008.



Simon Farrell
Managing Director

Partners

Syd Jenkins
Neil Pace
Dino Travaglini
Ray Simpson
Suan-Lee Tan
Ennio Tavani

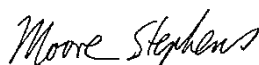
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION
307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS
OF COAL OF AFRICA LIMITED**

I declare that, to the best of my knowledge and belief, during the financial year ended 30 June 2008, there have been:

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



**NEIL PACE
PARTNER**



**MOORE STEPHENS
CHARTERED ACCOUNTANTS**

Signed at Perth this 30th day of September 2008.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
COAL OF AFRICA LIMITED****Report on the Financial Report**

We have audited the accompanying financial report of Coal of Africa Limited (the company) and Coal of Africa Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Coal of Africa Limited on 30 September 2008, would be in the same terms if provided to the directors as at the date of this auditor's report

Auditor's Opinion

In our opinion:

- a. the financial report of Coal of Africa Limited and Coal of Africa Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

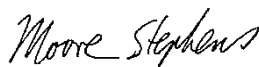
We have audited the Remuneration Report included in pages 14 to 15 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Coal of Africa Limited for the year ended 30 June 2008 complies with Section 300A of the *Corporations Act 2001*.



NEIL PACE
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 30th day of September 2008.