

CZA - Coal of Africa Limited - Half-Year Financial Report: 31 December 2007

Coal of Africa Limited
(previously "GVM Metals Limited")
(Incorporated and registered in Australia)
(Registration number ABN 008 905 388)
Share code on the JSE Limited: GVM
ISIN AU000000CZA6
Share code on the Australian Stock Exchange Limited: CZA
ISIN AU000000CZA6

HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2007

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2007 and the auditor's review report thereon:

1. Directors

The directors of the Company in office during or since the end of the half-year are:

Name	Period of directorship
Mr Richard Linnell Chairman	Director since 1 August 2001
Mr Simon J Farrell Managing Director	Director since 21 December 2000
Mrs Nonkqubela Mazwai Deputy Managing Director	Resigned 22 January 2008
Mr Blair Sergeant Financial Director	Non-Executive Director since 30 June 2004 Financial Director since 1 January 2008 Resigned as Company Secretary 14 December 2007
Mr Peter G Cordin Non-Executive Director	Director since 1 December 1997
Mr Steve Bywater Non-Executive Director	Appointed 8 February 2007
Mr Graham Taggart Non- Executive Director	Resigned 21 December 2007
Mr Nchakha Moloi Non- Executive Director	Resigned 22 January 2008
Mrs Shannon Coates	Company Secretary since 14 December 2007

2. Results

The results of the consolidated entity for the half-year ended 31 December 2007 after income tax was a loss of A\$2,237,709 (2006: profit of A\$433,626) primarily attributable to a foreign exchange adjustment of A\$2.98 million on cash on hand at the end of the period (contained within 'Other expenses from ordinary activities' in the P&L statement).

The cash balance at the end of December was A\$113,587,201.

3. Review of Activities

Highlights

- * Shareholder approval obtained for the change of name from GVM Metals Limited to Coal of Africa Limited ('CoAL').
- * Issue of 80,000,000 shares raising more than A\$115 million to fund acquisitions and development of CoAL's projects.
- * Payment of an additional £17 million thereby increasing the Company's stake in the Mooiplaats Coal Project to 46.3%.
- * Coal of Africa Limited granted New Order Mining Rights for portions 1 and 9 of the Mooiplaats Coal Project.
- * Over 37,000 metres of drilling were completed during the six months on the Mooiplaats Coal Project, increasing the total amount drilled on the project to over 65,000 metres. The results of the drilling are in line with management expectations and mine planning has commenced.
- * Exploration expenditure included the payment of ZAR20 million to Exxaro Resources Limited for drilling information on 1,200 boreholes pertaining to the Baobab Coal Project.
- * An agreement was concluded to acquire six farms comprising 7,000Ha located in the vicinity of the Baobab Coal Project from Sekoko Coal (Pty) Ltd.
- * Conclusion of an agreement to acquire 60% of the Tshikunda Coal Project. Tshikunda is contiguous with Exxaro Limited's Tshikondeni coal project and consists of 32,000 hectares located in the Pafuri coal field in South Africa.
- * JORC / SAMREC compliant 'Inferred' status at Thuli Coal Project expected Q2 2008.
- * Finalised an agreement to explore, with the option to acquire,- an area comprising 552Ha consisting of a remaining portion of the farm Holfontein and portions of the neighboring farm Wildebeesfontein.
- * Cash on hand at the end of the period of more than A\$113 million.

Post period highlights

- * Section 11(1) approval granted by the South African Department of Minerals and Energy satisfying the last condition precedent for the acquisition of 70% of the Mooiplaats Coal Project.
- * Agreement reached and payment made (save for the issue of 4.75 million CoAL shares which is subject to shareholder approval at a Shareholder's meeting to be held on the 8th of April 2008) to acquire the remaining 30% interest in the Mooiplaats Coal project.
- * Signing of a Co-operation Agreement with Transnet Freight Rail ('TFR') whereby CoAL will be assisted by TFR to acquire coal freight rights to the Richards Bay and Maputo ports. CoAL has indicated that it will require rail capacity of 1 to 1.5 Mt in 2009 increasing to 10Mt by 2012.
- * Motjoli Resources disposes of its shares in CoAL to Signet Mining (Pty) Ltd, a broad based Black Economic Empowerment company linked to Mvelaphanda Holdings Limited.

- * New Order Mining Rights application for the Holfontein Coal Project lodged.

Commenting on the results, Simon Farrell, Managing Director of CoAL, said, "We are pleased to report strong development across the Company's coal projects as well as the acquisition of further farms in the Limpopo region. Discussions with mining contractors and potential off take partners are near conclusion at the Mooiplaats Coal Project with production in line to commence Q3 this year. Post period highlights include reaching an agreement to take our stake in the project to 100% as well as the signing of a Co-operation Agreement with Transnet Freight Rail for coal freight rights to the Richards Bay and Maputo ports. "

Discussion of the Results

Mooiplaats Coal Project

(100% on completion of the Coal of Africa Limited transaction)

During the period, CoAL was granted Mining Rights for portions 1 and 9 in terms of Section 23 of the Mineral and Petroleum Resources Development Act, encompassing some 940 hectares of the 22,000 hectare project. Mining on these portions is expected to commence in the second half of the 2008 calendar year.

The infill drilling programme at Mooiplaats was completed during the period and over 37,000 metres were drilled, bringing the total metres drilled on the project to over 65,000. On completion of the exploratory drilling phases, additional holes were drilled to enable water monitoring. The independent consultants' project reports on phases 1 and 2 of the drilling, together with a report on mining floor and roof support requirements, is expected shortly.

A further £17 million was paid and 8,888,888 shares issued as purchase consideration to acquire up to 46.3% of the Mooiplaats Coal Project. The balance payable of £10 million in cash and 4,444,445 shares will deliver the remaining 23.7% of the initial 70% stake in the project which was completed subsequent to balance sheet date. An Environmental Rehabilitation deposit of ZAR11 million was invested in a Trust in compliance with South African Department of Minerals and Energy requirements. The funds will be used for future rehabilitation expenses incurred on completion of mining on the Mooiplaats Coal Project.

Discussions with mining contractors are near conclusion and those with potential off take partners - including Eskom - continued during the period under review. As a result of the substantial increase in the price of export thermal coal, the Company is reviewing its earlier plans of supplying largely unwashed thermal coal to the domestic market and is now focusing on the possibility of concentrating on producing washed coals for the export market.

Baobab Coal Project (100%)

CoAL acquired drilling information from Exxaro Resources Limited on 1,200 boreholes for ZAR 20 million. Gemecs (Pty) Ltd completed an initial geological evaluation of the Fripp and Tanga properties based on the Exxaro data and the evaluation yielded potential resources of over 346 million tonnes of coal in 'Measured', 'Indicated' and 'Inferred' resource categories. Total resources at Fripp and Tanga stand at 713 million tonnes.

East Coast Maritime (Pty) Ltd were appointed to assess railway, road and port infrastructure required for CoAL's Baobab and Thuli coal projects and their mandate has been extended to Phase 2 of the project. Phase 1 of the study was finalized in early 2008 and details the infrastructure in place while Phase 2 will develop the infrastructure and relationships identified in Phase 1.

A co-operation agreement was signed with Transnet Freight Rail ('TFR') whereby CoAL will be able to acquire coal transport capacity from TFR. The agreement formalised the interaction between CoAL and TFR whereby TFR will assist CoAL in acquiring the following freight tonnages for the export of coking coal through the Richards Bay and Maputo ports:

- * 2009 - 1 to 1.5 Mt pa
- * 2010 - 4 to 5 Mt pa
- * 2011 - 4 to 5 Mt pa
- * 2012 - 10 Mt pa

CoAL and TFR plan to complete the pre-feasibility study on the rail capacity by the end of May 2008.

Thuli Coal Project (Limpopo) (74%)

LudikCore (Pty) Ltd and GeoMechanics (Pty) Ltd commenced drilling on the Thuli Coal Project and are expected to deliver a JORC / SAMREC compliant 'Inferred' status on the Prospect area by the end of April 2008. An Aeromagnetic study of the Baobab, Thuli and Tshikunda Coal Projects has been contracted for February 2008 with results expected by the end of the first quarter of the 2008 calendar year.

Holfontein Coal Project (100%)

During the December quarter, consultants continued to prepare the Mining Work Programme as well as the Social and Labour Plan and Environmental Impact Study. The application for the New Order Mining Right for the Holfontein Coal Project was submitted to the South African Department of Minerals and Energy in early 2008. Drilling on the new portion of Holfontein and the portions of Wildebeesfontein acquired in the previous quarter commenced in February 2008.

Nimag Group of Companies (100%)

The Nimag Group's profit before interest and tax for the six months was ZAR5.5 million (A\$913k). The nickel magnesium business continued to experience tougher trading conditions in the form of thinner margins and increased working capital requirements due to depressed global nickel demand combined with slow movement of goods at Durban harbour. The smaller

Ferro Silicon business operated well ahead of expectations contributing to the Nimag Group's profitability.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 16.

Signed in accordance with a resolution of the directors:

S.J. Farrell
Director

Dated at Perth, Western Australia, this 14th day of March 2008.

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated 31.12.2007 A\$	Consolidated 31.12.2006 A\$
Sale of goods		23,874,760	26,018,773
Other		1,258,453	435,140
Total revenue		25,133,213	26,453,913
Changes in inventory, raw materials and consumables used		(20,113,062)	(19,908,344)
Consulting, accounting & professional expenses		(285,763)	(181,156)
Employee expenses		(2,169,059)	(1,779,542)
Depreciation and amortisation expenses		(83,570)	(80,257)
Loss on disposal of asset held for sale		(7,919)	-
Diminution in investments		-	(6,488)
Doubtful / Bad debt expense		-	(375,000)
Exploration expense		-	(179,355)
Office rent and outgoings		(150,980)	(334,504)
Borrowing costs		(87,216)	(266,423)
Other expenses from ordinary activities		(4,228,877)	(1,515,691)
Profit / (Loss) from continuing operations before income tax		(1,993,233)	1,827,153
Income tax expense		(244,476)	(914,785)
Profit / (Loss) after income tax for the half year		(2,237,709)	912,368
Profit attributable to minority equity interest		-	(478,742)
Net profit / (loss) attributable to			433,626

members of the parent entity	(2,237,709)
------------------------------	-------------

Basic earnings/ (loss) per share for Coal of Africa Limited	(0.75) cents	0.73 cents
--	--------------	------------

Diluted earnings/ (loss) per share	(0.70) cents	0.64 cents
------------------------------------	--------------	------------

Headline earnings/ (loss) per share	(0.75) cents	0.74 cents
--	--------------	------------

There are no dilutive potential ordinary shares therefore diluted earnings or loss per share has not been calculated or disclosed.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	Consolidated 31 December 2007 A\$	Consolidated 30 June 2007 A\$
CURRENT ASSETS			
Cash assets		113,587,201	61,530,490
Receivables		6,231,455	8,984,168
Inventory		5,612,005	5,519,744
Total Current Assets		125,430,661	76,034,402
NON CURRENT ASSETS			
Assets held for sale		-	94,596
Intangibles		4,045,835	3,964,042
Mineral interests		68,907,289	67,852,973
Exploration Expenditure		13,027,279	1,123,850
Other financial assets		68,584,343	12,928,598
Property, plant and equipment		2,249,737	1,648,834
Deferred tax		242,771	239,686
Total Non Current Assets		157,057,254	87,852,579
TOTAL ASSETS		282,487,915	163,886,981
CURRENT LIABILITIES			
Payables		2,419,525	9,319,361
Provisions		119,048	95,355
Current tax liability		15,077	1,711,840
Total Current Liabilities		2,553,650	11,126,555
NON CURRENT LIABILITIES			
Payables		1,375,608	1,375,608

Interest bearing liabilities		414,032	506,261
TOTAL NON CURRENT LIABILITIES		1,789,640	1,881,869
TOTAL LIABILITIES		4,343,290	13,008,424
NET ASSETS		278,144,625	150,878,557
EQUITY			
Contributed equity	2	304,917,749	177,189,359
Reserves		7,086,039	5,310,652
Accumulated losses		(36,930,413)	(34,692,704)
TOTAL PARENT EQUITY INTEREST		275,073,375	147,807,306
Minority Equity Interests		3,071,250	3,071,250
TOTAL EQUITY		278,144,625	150,878,557

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	A\$	A\$	A\$
	Ordinary Share Capital	Capital Profit Reserves	Foreign Currency Translation Reserves
Balance at 1.7.2007	177,189,359	136,445	(2,705,466)
Shares issued during the period	121,763,054		
Options exercised during the period	741,960		
Share based payments	12,126,257		
Options issued for capital raising	(1,607,675)		
Share issue costs	(5,295,206)		
Profit/ (Loss) attributable to members of parent entity			
Foreign currency translation adjustments attributable to members of parent entity			438,551
Balance at 31.12.2007	304,917,749	136,445	(2,266,915)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 (Continued)

	A\$	A\$	A\$	A\$
	Share Options Reserve	Retained profits/ (losses)	Minority Equity Interests	Total
Balance at 1.7.2007	7,879,673	(34,692,704)	3,071,250	150,878,557
Shares issued during the period				121,763,054
Options exercised during the period	(270,839)			471,121
Share based payments				12,126,257
Options issued for capital raising	1,607,675			-
Share issue costs				(5,295,206)
Profit/ (Loss) attributable to members of parent entity		(2,237,709)		(2,237,709)
Foreign currency translation adjustments attributable to members of parent entity				438,551
Balance at 31.12.2007	9,216,509	(36,930,413)	3,071,250	278,144,625

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	A\$	A\$	A\$
	Ordinary Share Capital	Capital Profit Reserves	Foreign Currency Translation Reserves
Balance at 1.7.2006	35,396,353	136,445	(261,124)
Shares issued during the period	24,460,590		
Profit/ (Loss) attributable to members of parent entity			
Profit attributable to minority interests			
Reserves attributable to minority interests			
Reversal of minority interests following 100% acquisition of a controlled entity			
Minority interest in a controlled entity			

Share based payment			
Share issue costs	(288,390)		
Foreign currency translation adjustments attributable to members of parent entity			(454,633)
Balance at 31.12.2006	59,568,553	136,445	(715,757)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007 (Continued)

	A\$	A\$	A\$	A\$
	Share Options Reserve	Retained profits/ (losses)	Minority Equity Interests	Total
Balance at 1.7.2006	551,200	(30,666,656)	2,505,136	7,661,354
Shares issued during the period				24,460,590
Profit/ (Loss) attributable to members of parent entity		433,626		433,626
Profit attributable to minority interests			478,742	478,742
Reserves attributable to minority interests			(31,133)	(31,133)
Reversal of minority interests following 100% acquisition of a controlled entity			(2,952,745)	(2,952,745)
Minority interest in a controlled entity			3,071,250	3,071,250
Share based payment	165,600			165,600
Share issue costs				(288,390)
Foreign currency translation adjustments attributable to members of parent entity				(454,633)
Balance at 31.12.2006	716,800	(30,233,030)	3,071,250	32,544,261

CONSOLIDATED CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Consolidated 31.12.2007 A\$	Consolidated 31.12.2006 A\$
Cash Flows used in Operating Activities		
Cash receipts in the course of operations	21,280,449	22,297,704
Interest received	1,123,623	157,124
Cash payments in the course of operations	(30,539,045)	(20,100,088)
Interest paid	(74,993)	(266,423)
Tax paid	(12,512)	(296,993)
Net cash generated by/(used in) operating activities	(8,222,478)	1,791,324
Cash Flows used in Investing Activities		
Deposits paid on investments	-	(2,866,364)
Proceeds from sale of equity investments	496,618	-
Exploration expenditure	(10,086,067)	-
Payments for investments	(46,505,343)	(449,555)
Payments for property, plant and equipment	(667,834)	(59,951)
Net cash provided by investing activities	(56,762,626)	(3,375,870)
Cash Flows from Financing Activities		
Proceeds from issues of shares and options	116,938,970	13,582,719
Repayment of borrowings	(100,152)	(1,341,231)
Net cash provided by financing activities	116,838,818	12,241,488
NET INCREASE IN CASH HELD	51,853,714	10,656,942
Cash at the beginning of the half-year	61,530,490	49,764
Exchange rate adjustment	202,997	(1,903)
Cash at the end of the half-year	113,587,201	10,704,803

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2007

NOTE 1

(a) Basis of preparation of Half Year Report

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, and other authoritative pronouncements of the Australian Accounting Standards Board.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. It is recommended that this half-year financial report be read in conjunction with the 30 June 2007 annual financial report and any public announcements made by the company and its controlled entities during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

These half year consolidated financial statements were approved by the Board of Directors on 14th March 2008.

These consolidated half-year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007, except for the adoption of amending mandatory standards for annual reporting periods beginning on or after 1 January 2007, as described in Note 1(d).

(b) Principles of consolidation

The consolidated half year financial statements comprise the financial statements of Coal of Africa Limited and its controlled entities.

A controlled entity is any entity controlled by Coal of Africa Limited. Control exists where Coal of Africa Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Coal of Africa Limited to achieve the objectives of Coal of Africa Limited.

All intercompany balances and transactions between entities in the economic entity, including any unrealised profits have been eliminated on consolidation. Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceases.

(c) Dividends

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2007 (2006: None).

(d) Changes in accounting policies

New/revised standards and interpretations applicable for the years commencing 1 July 2007 have been reviewed and it was determined that changes were not required to the existing accounting policies adopted

by Coal of Africa Limited. The major new standards are AASB 7 and AASB 2007-4 which will have an effect on year end disclosures only. Certain Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been adopted by the group for the interim reporting period. The directors have not yet assessed the impact of these new or amended standards (to the extent relevant to the group) and interpretations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated 31 Dec 2007 A\$
2. CONTRIBUTED EQUITY	
Issued and Paid-Up Capital	
297,429,472 (2006: 93,599,328) fully paid ordinary shares	<u>304,917,749</u>
Movements in contributed equity	
Opening balance at beginning of the half-year	177,189,359
- 181,818 ordinary shares issued on 6 July 2007	47,010
- 8,888,888 ordinary shares issued on 29 Oct 2007	12,126,257
- 80,000,000 ordinary shares issued on 28 Nov 2007	121,716,044
- 590,063 options exercised on 21 Dec 2007	741,960
- 2,000,000 options issued on 21 Dec 2007 in lieu of capital raising fees	(1,607,675)
Less: share issue costs	(5,295,206)
Total equity at the end of the half-year	<u>304,917,749</u>

Options

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

Number Issued	Number Quoted	Exercise Price	Expiry Date
13,500,000	-	A\$0.50	30 September 2011
555,575	-	GBP0.54	31 May 2009
196,688	-	GBP0.34	17 May 2009
7,000,000	-	A\$1.25	30 September 2012
1,625,000	-	GBP0.65	30 November 2009
375,000	-	A\$1.50	30 November 2009

590,063 options at GBP0.34 each were exercised during the six months under review.

3. 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. Unallocated items mainly comprise 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 South Africa, Australia and United Kingdom

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2007

31 December 2007

Primary reporting industry	Manufacturing A\$	Investing A\$	Consolidated A\$
Revenue			
Total segment revenue	23,975,437	-	23,975,437
Unallocated revenue	106,309	1,051,467	1,157,776
Total revenue			<u>25,133,213</u>

31 December 2007

Primary reporting industry	Manufacturing A\$	Investing A\$	Consolidated A\$
Results			
Segment results	912,940	(2,906,173)	(1,993,233)
Net profit before income tax			<u>(1,993,233)</u>
Depreciation and amortisation	50,695	32,875	83,570

Assets

Segment assets	13,803,524	268,684,391	282,487,915
Consolidated total assets			<u>282,487,915</u>

Liabilities

Segment liabilities	2,785,169	1,558,121	4,343,290
Consolidated total liabilities			<u>4,343,290</u>

4. BUSINESS COMBINATION (ACQUISITION OF CONTROLLED ENTITIES)

The Company did not acquire control of any entities during the period.

5. DISPOSAL OF CONTROLLED ENTITIES

The consolidated entity did not lose control over any entities during the half year period or the half year ended 31 December 2007.

6. CONTINGENT LIABILITIES

The Company has a potential contingent liability of GBP10 million and the issue of 4,444,445 shares in CoAL if the remaining conditions precedent of the Mooiplaats transaction are satisfied. The consolidated entity has an additional potential contingent liability not exceeding A\$ 9.3 million (ZAR 55 million) on exploration if the conditions precedent to purchase the 60% shareholding in Tshikunda Mining (Pty) Ltd are fulfilled. The purchase of 74% of Sekoko Coal (Pty) Ltd will require exploration expenditure of up to A\$ 9.3 million if the remaining conditions precedent are satisfied. 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 31 December 2007.

7. EVENTS SUBSEQUENT TO REPORTING DATE

- * On 18 February 2008, the Company announced that the Deputy Director General: Mineral Regulation Department of Minerals and Energy granted approval for the transaction in terms of Section 11(1) of the Minerals and Petroleum Resources Development Act 2002, satisfying the last condition precedent for CoAL to complete its acquisition of 70% of the issued capital of the South African company that owns the Mooiplaats Coal Project. CoAL made the final GBP 10 million cash payment and will seek shareholder approval for issue the remaining 4,444,445 shares in the Company to take its interest in the project to 70%.
- * On 18 February 2008, CoAL announced that it had also reached agreement to acquire the remaining 30% interest in the Mooiplaats Coal Project. The consideration paid for the remaining 30% was ZAR 130 million (A\$ 21,905,000) together with the issue of 4.75 million shares in CoAL, the issue of which is subject to Shareholder approval.

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

In the opinion of the directors,

1. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date.

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

S. J. Farrell
Director

Dated at Perth, Western Australia, this 14th day of March 2008.

MOORE STEPHENS

Liability limited by a scheme approved
under Professional Standards Legislation

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF COAL OF AFRICA LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Coal of Africa Limited and its controlled entities ("the consolidated entity"), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and the cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at half year's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that it 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporation Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001. As the auditor of Coal of Africa

Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the financial report.

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

Independence

In conducting our review, we have complied with the applicable independence requirements of the Corporations Act 2001.

Conclusion

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001.

NEIL PACE
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 14th day of March 2008.

Moore Stephens ABN 75 368 525 284
Level 3, 12 St Georges Terrace, Perth, Western Australia, 6000
Telephone: +61 8 9225 5355 Facsimile: +61 8 9225 6181
Email: perth@moorestephens.com.au Web: www.moorestephens.com.au

An independent member of Moore Stephens International Limited - members in principal cities throughout the world
Partners

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

MOORE STEPHENS
Liability limited by a scheme approved
under Professional Standards Legislation

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

As lead auditor for the review of Coal of Africa Limited and its controlled entities for the half year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Coal of Africa Limited and its controlled entities during the period.

NEIL PACE
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 14th day of March 2008.

Moore Stephens ABN 75 368 525 284
Level 3, 12 St Georges Terrace, Perth, Western Australia, 6000
Telephone: +61 8 9225 5355 Facsimile: +61 8 9225 6181
Email: perth@moorestephens.com.au Web: www.moorestephens.com.au

An independent member of Moore Stephens International Limited - members in principal cities throughout the world

Partners

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

14 March 2007

Sponsor
PricewaterhouseCoopers Corporate Finance (Pty) Limited