COAL of AFRICA LIMITED

A B N 98 008 905 388

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2009

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2009 and the auditor's review report thereon:

Directors

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

Name	***Period of directorship***
Richard Linnell *Chairman*	Appointed 1 August 2001
Simon J Farrell *Managing Director*	Appointed 21 December 2000
Blair Sergeant *Finance Director*	Appointed 30 June 2004
Peter Cordin *Non-Executive Director*	Appointed 1 December 1997
Steve Bywater *Non-Executive Director*	Appointed 8 February 2007
Professor Alfred Nevhutanda *Executive Director*	Appointed 6 February 2009
Pierre Leonard *Non-Executive Director*	Resigned 27 August 2009
Kobus Verster *Non-Executive Director*	Appointed 27 August 2009
Shannon Coates *Company Secretary*	Appointed 14 December 2007

Results

For the half-year ended 31 December 2009, the consolidated entity reported an after tax loss of A$35,183,457 (2008: loss of A$1,294,334) which included an impairment to the Holfontein thermal coal project ("Holfontein Project") of A$8,692,665 (2008: A$0). Other financial investments were impaired by A$6,223,000 (2008: A$1,993,855) primarily attributable to the A$5,000,000 (2008: A$0) revaluation of the Company's Zimbabwean investment. The depreciation charge for the period was A$6,917,706 (2008: A$124,676) and the Company also incurred Take or Pay obligations of A$3,392,587 (2008: A$0) at the Matola Terminal in Maputo, Mozambique ("Matola Terminal"). Foreign exchange losses totalled A$3,615,491.

The cash balance at the end of December 2009 was A$94,042,058.

Review of Activities

Highlights

- Placement of 59,867,731 ordinary shares on 29 October 2009 at 95 pence per share raising approximately GBP56.9 million, to fund the acquisition of Nucoal Mining (Pty) Limited ("NuCoal"), with the remainder being applied for, amongst other things, accelerated capital expenditure at CoAL's Vele coking coal project ("Vele Project") and general working capital requirements.

- Execution of an agreement with subsidiaries of the Rio Tinto Group to formalise the Farm Swap Memorandum of Understanding, as announced on 29 October 2009.

- Execution of formal agreements with Broad Based Black Economic Empowerment ("BBBEE") partners as part of commitments to ensure compliance with South African legislative requirements for empowerment groups to hold at least 26% of mining companies by 2014, as announced on 11 December 2009.

- Completion of the acquisition of a further 6% interest in Limpopo Coal Company (Pty) Limited ("Limpopo Coal"), the owner of the Vele Project, as announced on 23 October 2009, and extension of the agreement to acquire the remaining 20% of Limpopo Coal.

- Completion of construction of the Company's laboratory in Polokwane, expected to reduce time delays for thermal and coking coal sample analysis.

- Receipt of a New Order Prospecting Right ("NOPR") for coal bed methane over an area measuring 564 km^2 in the Limpopo Province which includes the Makhado coking coal project ("Makhado Project") as well as neighbouring areas.

- Appointment of Hendrik ("Kobus") Verster to the CoAL Board of Directors as ArcelorMittal South Africa Limited's ("ArcelorMittal") nominee non-executive Director and renewal of the employment contracts of the Managing Director and Finance Director.

- Announcement of intention to de-list from AIM and the ASX and to seek admission to the Official List of the Financial Services Authority and to trade on the Main Market of the London Stock Exchange.

- Cash balance at the end of the period of A$94 million - the Company had no debt as at balance date.

Post-Period Highlights

- Completion of the acquisition of NuCoal for ZAR467million, following the fulfillment of the suspensive conditions of the Share Sale Agreement signed in October 2009. The NuCoal assets and liabilities will be consolidated as part of the CoAL Group from 1 January 2010 and do not form part of the balances included in this report.

- In February 2010, the Company was granted an unconditional New Order Mining Right ("NOMR") for the Vele Project. The NOMR granted for the Holfontein Project is conditional upon the Company delivering certain documents to the South African Department of Mineral Resources ("DMR").

- The granting of the Vele Project NOMR satisfied the remaining suspensive condition for the acquisition of 20% of Limpopo Coal and the Company issued 5,625,750 ordinary shares as consideration.

The six months ended 31 December 2009 marked the transformation of the Company into a multiple product mining company. The progress of the Mooiplaats Project, acquisition of NuCoal and the recent granting of the Vele NOMR in early 2010 will result in the Company producing significant amounts of blending coking coal and thermal coal for the international and domestic markets. CoAL's mining assets and guaranteed access to long term port infrastructure ensure the Company is ideally positioned to take advantage of expected rising international coal prices.

Discussion of the Results

Mooiplaats Thermal Coal Project – Ermelo Coalfield (100%)

During the early part of the period, the Company undertook and finalised an extensive reassessment of the Mooiplaats thermal coal project ("Mooiplaats Project") mine plan and prevailing geological conditions. The re-assessment process resulted in a revised mining layout and the completion of vertical as well as horizontal drilling programmes to re-affirm the amended mine layout. This did not result in any material amendments to the anticipated tonnage schedules of the Mooiplaats Project's life of mine. The Company is reviewing the run of mine ("ROM") schedule for the Mooiplaats Project and will inform the market of any amendments.

During the 6 month reporting period, the remaining road and conveyor infrastructure development of the Mooiplaats Project's north shaft was completed and the lease of the Umlabo siding was finalised from where the coal will be railed to the Matola Terminal.

Mining operations at the Mooiplaats Project commenced with approximately 30,000 ROM tonnes per month of a high calorific value (>27MJ/kg), mid volatile "lean" coal. In September 2009, the Company commenced trucking the coal from the Mooiplaats Project to the Umlabo siding, with the first train loaded and railed to the Matola Terminal on 11 September 2009.

Following the reconfiguration of the mining layout as a result of geological conditions, the Company is still on track to commence production of export quality coal from the Mooiplaats Project towards the end of Q1 2010. The second module of the wash plant was commissioned during the period allowing for the processing of 200 tonnes per hour of ROM coal. As at 31 December 2009, over 47,000 tonnes of lean coal had been railed from the Umlabo siding to the Matola Terminal, with the first shipment of lean coal departing at the end of January 2010.

The Company has signed off-take agreements with Traxys Europe SA, a global mineral marketing company, and with Macquarie Bank Limited, each of whom will be entitled to market or acquire 35% of the export quality thermal coal mined at the Mooiplaats Project. The terms of these agreements offer upside over what CoAL considers standard terms in the industry. The Company will dispose of the remaining 30% of coal produced at the Mooiplaats Project on the international spot coal markets.

An application (together with an Environmental Management Plan ("EMP")) to extend the current NOMR to include the farms Klipbank and Adrianople was lodged with the DMR during the period. The extension will enable the development of the south decline shaft. The DMR is currently processing the application and the Company expects approval in Q2 2010.

Vele Coking Coal Project – Tuli Coalfield (80%as at 31 December 2009, increased to 100% in February 2010)

CoAL has determined that it will develop its Vele Project in two phases. Phase 1 will initially comprise the establishment of a modular coal treatment plant with the ability to deliver an estimated 1 million saleable tonnes (yield dependant) of coking coal per annum and expects to attain this annualised production target rate within 7 months of execution of the NOMR. The Company undertook a significant amount of preparation in anticipation of the granting of a NOMR and is ready to launch Phase 1 of the Vele Project immediately upon execution of the NOMR (which was unconditionally granted by the DMR subsequent to the reporting period in February 2010).

The preparation already completed for Phase 1 will allow for production of saleable coal within 4 months of execution of the NOMR. Wet and dry commissioning of the modular plant has been concluded and work on the supporting infrastructure is progressing according to schedule. Pending the execution of the NOMR by the DMR, it is expected the wash plant and associated infrastructure will be commissioned in Q2 of 2010. Work has commenced on the upgrading of the rail siding in Musina and is expected to be concluded by the end of Q1 of 2010.

The total capital expenditure to complete Phase 1 of the Vele Project is estimated at ZAR350 million, of which over ZAR210 million has been spent by the end of the period, with a further ZAR200 million required to double the Phase 1 capacity. An additional ZAR2.65 billion will be required to complete Phase 2 of the Vele Project, which is expected to deliver 5 million tonnes per annum ("mtpa") of saleable coking coal. The implementation of Phase 2 will be dictated by market conditions. The Letter of Intent signed with ArcelorMittal in principle provides for the potential off-take from the Company's coking coal properties priced at free on rail delivery in return for a free on board indexed price.

Initial mining will utilise opencast methods, which will contribute to lower initial mine establishment costs. A Memorandum of Understanding for the mining contract was previously signed with MCC Contracts, the appointed open-cast mining contractor, and discussions between the two parties continued during the current period. The mining contract is expected to be signed in Q2 2010.

During the period, a further 63 exploration holes, totaling over 5,200 metres, were drilled on the mine area. The exploration holes improved the drilling density and results thereof will be used to confirm the structure and composition of the coal. All cores have been geophysically logged and core samples sent to the Company's laboratory in Polokwane for analysis. The updated results of this exploration work will be released to the market in due course.

As part of its NOMR application, CoAL submitted comprehensive EMP and Environmental Impact Assessment ("EIA") documents to the DMR in which the Company committed itself to the highest level of environmental and social performance. Dust monitors have been erected on the Vele Project area, as well as on neighbouring farms, and the water monitoring boreholes have been drilled for the Integrated Water and Waste Management Plan for the Vele Project, which is being compiled by independent consulting engineers.

In October 2009, 1,990,000 fully paid ordinary CoAL shares were issued for 6% of Limpopo Coal and in February 2010, the Company issued a further 5,625,750 new fully paid ordinary shares in CoAL to acquire the remaining 20% interest in the Vele Project. The Company now holds a 100% interest in the Vele Project.

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

During the period, the Company completed an additional 65 exploration holes bringing the total drilled on the Makhado coking coal project ("Makhado Project") to over 9,000 metres. The exploration boreholes of the large diameter drilling programme provided additional cores for bulk sample analysis and assisted in delineating the southern and northern limits of the coal. The boreholes also provided additional information for the revised geological model, which will include both sedimentology as well as geological structure and will be used to update the mine model. A high level study on the processing plant required for the project has commenced and a modular wash plant similar to that built for the Vele Project is being considered.

The Company has prepared the documentation required for the NOMR application for submission to the DMR, based on the planned 5 mtpa production profile of the Makhado Project. This application will be submitted once section 102 approval in terms of the South African Minerals and Petroleum Resources Development Act, 2002, has been granted by the DMR for the exchange of NOPR with Rio Tinto ("Farm Swap"). The Farm Swap involves the cession of ownership of certain Rio Tinto controlled NOPR that are contiguous to the Makhado Project to CoAL. In return, the Company will cede certain NOPR and interests therein to Rio Tinto controlled entities and, on satisfaction of all conditions precedent, CoAL will pay a premium of ZAR12.5million.

In July 2009, the Company submitted an application to the DMR for the extraction of a bulk sample from the Makhado Project. Approval of the application was received from the DMR in March 2010 and the sample extracted will yield 1,000 tonnes of coal for analysis by ArcelorMittal in their coking ovens. The Company expects to commence extraction of the bulk sample in Q2 of 2010.

During March 2009, CoAL reached agreement with Exxaro Coal (Pty) Limited a wholly owned subsidiary of Exxaro Resources Limited ("Exxaro"), whereby the Company granted Exxaro an option subject to certain conditions, to acquire up to 30% of the Makhado Project for cash consideration equal to the net present value of the Makhado Project less a 20% discount. Exxaro is South Africa's largest black-controlled, diversified mining company and the fourth largest South African coal producer. At the end of December 2009, Exxaro retained its option to participate in the Makhado Project.

Holfontein Thermal Coal Project (100%)

A NOMR for the Holfontein Project was granted in February 2010, conditional upon the delivery of certain documents to the DMR. The Company continues to classify the Holfontein Project as an asset held for sale and intends to pursue a sale process on receipt of the unconditional NOMR. During the period, the Company obtained an independent valuation of the Holfontein Project which resulted in an A$8,692,665 impairment.

Nimag Group of Companies (100%)

The combined effect of cost cutting measures, an improvement in nickel prices, together with increased demand for the Nimag Group's products resulted in a net profit after tax of A$747,283 for the six months compared to a loss of A$2.4million for the same period last year. In August 2009, Paul Holmes was appointed Managing Director of the Nimag Group and has been tasked with growing the Group via the acquisition of companies with similar production profiles and the identification of new clients and products.

Acquisition of NuCoal (100%)

During October 2009, CoAL agreed to acquire 100% of NuCoal, a thermal coal producer in close proximity to CoAL's Mooiplaats Project for ZAR650 million, subject to adjustment on completion of the acquisition. On 26 January 2010, the acquisition was completed with a final adjusted price of ZAR467m. A retention of ZAR65m is currently withheld in relation to certain warranties and in accordance with the terms of the NuCoal acquisition agreement. NuCoal's Woestalleen Colliery, which is forecast to produce 2.5 mtpa of saleable coal for domestic and export markets, has a number of off-take contracts in place. At the time the acquisition was entered into, NuCoal had two beneficiation plants, and one fully operational mine producing 350,000 tonnes per month of ROM coal and in November 2009 it commenced production at a second mine. NuCoal also owns the Woestalleen Colliery which is in close proximity to Eskom's Camden power station, to which it supplies 360,000 mtpa.

NuCoal has secured a general freight rail siding used to supply its allocation at the Richards Bay Coal Terminal. The acquisition of NuCoal will realise rail and port synergies in the export of NuCoal product whilst utilising CoAL's existing port and logistic arrangements at the Matola Terminal. In addition, NuCoal has a number of other development projects which CoAL will evaluate in the context of the Company's overall corporate strategy.

The acquisition of NuCoal was funded using part of the proceeds of the share placement completed at the end of October 2009, which raised GBP56.9 million (ZAR731 million) and will be consolidated as part of the Company from 1 January 2010.

Black Empowerment Transaction

During the period the Company reached agreement with its BBBEE partners, ensuring CoAL takes a significant step towards compliance with South African Black Economic Empowerment ("BEE") legislation. The arrangement replaces the previous agreement, announced on 13 June 2008, with Coal Investments Limited ("CIL") pursuant to which CIL subscribed for shares and was granted an option to subscribe for 50 million CoAL shares.

The BBBEE consortium is led by Firefly Investments 163 (Pty) Limited ("Firefly") which is wholly owned and controlled by historically disadvantaged South Africans. Under the transaction, CoAL is to issue an option to Firefly to subscribe for a total of 50 million shares at 60 pence per share, representing approximately 9.53% of the Company's issued capital, exercisable between 1 November 2010 and 1 November 2014. Any shares issued on exercise of the option will be subject to a 12 month "lock-in period".

Firefly will undertake to, within a period of three months, distribute the rights under the agreement to subscribe for shares to the King of the VhaVenda, His Majesty Khosi Khulu Toni Mphephu Ramabulana, representing his constituents of the Mudimeli, Musekwa, Makushu-Musholombi and Tshivhula communities, relevant female empowerment and youth groups as well as a special purpose vehicle to promote and develop entrepreneurs and other specific community groups in the Limpopo province.

The agreement with Firefly is subject to certain regulatory approvals, including consent of the Australian Foreign Investments Review. Firefly also has the right to nominate two persons to the CoAL Board. To facilitate the BBBEE transaction, the Company's second largest shareholder, African Global Capital I, L.P., an entity associated with Mvelaphanda Holdings (Pty) Limited, Palladino Holdings Limited and OZ Management LP, and its affiliate CIL, which currently own in the aggregate 15.03% of the issued share capital of CoAL, have entered into an agreement with Firefly in terms of which amongst other provisions, they will cede their voting rights over their ordinary shares in CoAL to Firefly for a period of time.

Construction of Polokwane Analytical Laboratory

The construction of a world class analytical laboratory in Polokwane in the Limpopo Province was completed during the half year. Since coming on line, the facility has performed petrographic and thermal coal tests on samples from the Company's Vele and Makhado Projects.

By the end of the period, the Company had invested over ZAR 19 million into the Coal of Africa & ArcelorMittal Analytical Laboratory (Pty) Limited, the incorporated 50:50 laboratory joint venture with ArcelorMittal. CoAL and ArcelorMittal have reached in principle agreement regarding the joint venture and expect to conclude formal contracts in early 2010.

Safety

The Company has expended significant effort in developing and implementing an extensive and comprehensive safety and worksafe environment at all of its workplaces.

Safety management is a key focus at CoAL's projects but sadly, in July 2009, two employees of a contractor to CoAL were fatally injured in an accident resulting from the unlawful access to and use of a vehicle by an unlicensed contractor. Immediately following the accident, operations were halted for three days whilst investigations were conducted by inspectors and mine officials of the DMR. The results of the official inquiry indicated no material breaches by the Company, but suggested legal prosecution of the driver and several of the contractors' officials.

Take or Pay obligations

The Company's contractually agreed annual export allocation of 1 mtpa at the Matola Terminal is on a Take or Pay basis. As a result of the early difficulties experienced in establishing the mining operations at the Mooiplaats Project, CoAL did not meet the terms of the agreement resulting in an expense of A$3,392,587 (2008:A$0). The Company commenced meeting its Take or Pay obligations during Q1 2010.

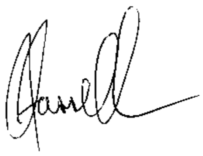
Corporate Activity

During the period, the Company announced its intention to transfer its London listing from the AIM market to a primary listing on the Main Market. Advisers have been appointed in this regard and a further announcement will be made in due course. CoAL will look to have in place an appropriate mix of debt and equity to accelerate the development of the Company's coal and infrastructure projects. As such, the Company is currently reviewing several secured and unsecured debt opportunities.

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 22.

Signed in accordance with a resolution of the Directors:



S.J. Farrell
Managing Director

Dated at Perth, Western Australia, this 15th day of March 2010.

Resource Estimation:
Resource estimations in this Half Year Financial 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.

COAL OF AFRICA LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated 31.12.2009 A$	Consolidated 31.12.2008 A$
Sale of goods	11,276,036	14,880,476
Interest earned	1,828,547	8,947,176
Other	308,276	136,756
Total revenue	**13,412,859**	**23,964,408**
Changes in inventory, raw materials and consumables used	(8,696,137)	(12,831,516)
Consulting, accounting & professional expenses	(1,798,522)	(701,786)
Employee expenses	(4,459,662)	(3,487,980)
Depreciation and amortisation expenses	(6,917,706)	(124,676)
Foreign exchange losses	(3,615,491)	-
Diminution in investments	(6,223,000)	(1,993,855)
Diminution in value of asset held for sale	(8,692,665)	-
Office rent and outgoings	(495,041)	(538,074)
Borrowing costs	(185,001)	(93,566)
Take or Pay obligations	(3,392,587)	-
Nickel inventory revaluation	130,253	(2,106,820)
Other expenses from ordinary activities	(7,727,176)	(3,380,469)
Profit / (Loss) from continuing operations before income tax	**(38,659,876)**	**(1,294,334)**
Income tax (expense)/revenue	3,476,419	-
Profit / (Loss) after income tax for the half year	**(35,183,457)**	**(1,294,334)**
Profit attributable to noncontrolling interest	-	-
Net profit / (loss) attributable to members of the parent entity	**(35,183,457)**	**(1,294,334)**
Other Comprehensive Income		
Foreign currency translation differences	(6,237,649)	5,380,512
Total comprehensive income/(loss) for the period	**(41,421,106)**	**4,086,178**
Basic earnings/ (loss) per share for Coal of Africa Limited	(8.13) cents	(0.32) cents
Diluted earnings/ (loss) per share	(8.13) cents	(0.32) cents
Headline earnings/ (loss) per share	(4.48) cents	(0.32) cents
Headline Earnings Reconciliation		
Profit / (Loss) after income tax for the half year attributable to ordinary shareholders	(35,183,457)	(1,294,334)
Diminution in value of assets and investments	15,773,641	-
Profit / (Loss) after income tax for the half year attributable to ordinary shareholders	(19,409,816)	(1,294,334)

The Company's potential ordinary shares were not considered dilutive as the Company is in a loss position.

The accompanying notes form part of these financial statements.

COAL OF AFRICA LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Note	Consolidated 31 December 2009 A$	Consolidated 30 June 2009 A$
CURRENT ASSETS			
Cash assets		94,042,058	87,032,875
Receivables		11,710,081	21,525,145
Inventory		5,974,519	8,614,773
Deposits		15,423,674	4,423,964
Total Current Assets		127,150,332	121,596,757
NON CURRENT ASSETS			
Assets held for sale		16,754,601	25,540,957
Intangibles		3,487,023	3,706,781
Mineral interests		195,594,166	186,120,103
Exploration Expenditure		20,184,499	15,540,310
Other financial assets		20,226,689	23,598,640
Property, plant and equipment		134,267,786	98,894,360
Development Expenditure		41,620,663	19,432,007
Logistics assets		21,665,696	23,296,448
Long term receivables		17,918,500	19,887,993
Deferred tax		3,164,823	53,526
Total Non Current Assets		474,884,446	416,071,125
TOTAL ASSETS		602,034,778	537,667,882
CURRENT LIABILITIES			
Payables		12,159,043	11,031,549
Provisions		275,849	262,081
Current tax liability		330,924	350,416
Total Current Liabilities		12,765,816	11,644,046
NON CURRENT LIABILITIES			
Provisions		2,972,807	2,383,801
TOTAL NON CURRENT LIABILITIES		2,972,807	2,383,801
TOTAL LIABILITIES		15,738,623	14,027,847
NET ASSETS		**586,296,155**	**523,640,035**
EQUITY			
Contributed equity	2	673,877,166	569,267,119
Reserves		442,642	7,189,525
Accumulated losses		(95,639,700)	(60,456,243)
TOTAL PARENT EQUITY INTEREST		578,680,108	516,000,401
Non Controlling Interests		7,616,047	7,639,634
TOTAL EQUITY		**586,296,155**	**523,640,035**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	A$ Ordinary Share Capital	A$ Capital Profit Reserves	A$ Foreign Currency Translation Reserves	A$ Share Options Reserve	A$ Retained profits/ (losses)	A$ Non controlling Interests	A$ Total
Balance at 1.7.2009	**569,267,119**	**136,445**	**(1,823,690)**	**8,876,771**	**(60,456,243)**	**7,639,634**	**523,640,036**
Options exercised during the period	1,255,747			(509,235)			746,512
Capital raising	102,601,864						102,601,864
Share based payments	4,139,200						4,139,200
Share issue costs	(3,386,764)						(3,386,764)
Profit/ (Loss) attributable to members of parent entity					(35,183,457)		(35,183,457)
Minority interests in investments						(23,587)	(23,587)
Foreign currency translation adjustments of foreign controlled operations			(6,237,649)				(6,237,649)
Balance at 31.12.2009	**673,877,166**	**136,445**	**(8,061,339)**	**8,367,536**	**(95,639,700)**	**7,616,047**	**586,296,155**

COAL OF AFRICA LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	A$ Ordinary Share Capital	A$ Capital Profit Reserves	A$ Foreign Currency Translation Reserves	A$ Share Options Reserve	A$ Retained profits/ (losses)	A$ Minority Equity Interests	A$ Total
Balance at 1.7.2008	**533,053,006**	**136,445**	**(5,390,389)**	**9,524,104**	**(45,936,267)**	**3,071,250**	**494,458,148**
Shares issued during the period	36,000,000						36,000,000
Options exercised during the period	1,469,752			(552,709)			917,043
Share based payments	1,125,000			273,729			1,398,729
Options issued for capital raising	165,000						165,000
Share issue costs	(3,465,984)						(3,465,984)
Profit/ (Loss) attributable to members of parent entity					(1,294,334)		(1,294,334)
Foreign currency translation adjustments attributable to members of parent entity			5,380,512				5,380,512
Balance at 31.12.2008	**568,346,774**	**136,445**	**(9,877)**	**9,245,124**	**(47,230,601)**	**3,071,250**	**533,559,115**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated 31.12.2009 A$	**Consolidated 31.12.2008 A$**
Cash Flows used in Operating Activities		
Cash receipts in the course of operations	11,234,131	16,194,689
Interest received	1,828,547	9,015,723
Cash payments in the course of operations	(11,419,938)	(29,482,253)
Interest paid	(185,001)	(93,566)
Tax paid	(19,492)	(513,484)
Net cash generated by/(used in) operating activities	**1,438,247**	**(4,878,891)**
Cash Flows used in Investing Activities		
Deposits paid on investments	(11,802,283)	(5,824,112)
Proceeds from sale of equity investments	1,446,416	-
Exploration expenditure	(4,644,188)	(5,171,424)
Payments for investments	(10,271,719)	(27,893,308)
Payments for property, plant and equipment	(68,059,625)	(37,406,098)
Net cash provided by investing activities	**(93,331,399)**	**(76,294,942)**
Cash Flows from Financing Activities		
Proceeds from issues of shares and options (net of transaction costs)	99,961,612	34,003,641
Net cash provided by financing activities	**99,961,612**	**34,003,641**
NET INCREASE/ (DECREASE) IN CASH HELD	**8,068,460**	**(47,170,192)**
Cash at the beginning of the half-year	**87,032,875**	**252,004,859**
Exchange rate adjustment	(1,059,277)	(152,878)
Cash at the end of the half-year	**94,042,058**	**204,681,789**

The accompanying notes form part of these financial statements.

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 2009 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 15th March 2010.

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 2009, except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of ‘other comprehensive income’;
- the adoption of the single income statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2009. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be re-measured to fair value at the date that control is lost.

Revenue Recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

(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 2009 (2008: None).

2. CONTRIBUTED EQUITY

	Consolidated 31 Dec 2009 A$
474,413,911 (30.6.2009: 411,919,636) fully paid ordinary shares	673,877,166
Movements in contributed equity	
Opening balance at beginning of the half-year	569,267,119
- 465,239 options exercised on 1 October 2009	923,912
-1,990,000 ordinary shares issued on 23 October 2009 for acquisition of 6% of the Vele Project	4,139,200
- 59,867,731 ordinary shares issued on 30 October 2009	102,601,864
- 79,488 options exercised on 13 November 2009	156,267
- 91,817 options exercised on 26 November 2009	175,568
Less: share issue costs	(3,386,764)
Total equity at the end of the half-year	673,877,166

Options

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

Number Issued	Number Quoted	Exercise Price	Expiry Date
9,200,000	-	A$0.50	30 September 2011
250,000	-	A$2.05	1 May 2012
7,000,000	-	A$1.25	30 September 2012
1,000,000	-	A$1.90	30 September 2012
600,000	-	A$1.25	1 May 2012
1,650,000	-	A$3.25	31 July 2012
5,000,000	-	A$2.74	30 November 2014

636,544 options were exercised at GBP0.65 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:

Coal exploration and mining	Mining of coal at the Mooiplaats Project and exploration activities across other coal related interests
Manufacturing	Mineral processing by the Nimag Group in South Africa
Investing	Equity investments in South Africa, Australia and United Kingdom

Segment performance for the six months ended 31 December 2009

Primary reporting industry	**Coal Mining & Exploration**	**Manufacturing**	**Investing**	**Consolidated**
	A$	A$	A$	A$
Revenue				
External sales	-	11,276,036	-	11,276,036
Interest revenue	57,465	10,923	1,760,159	1,828,547
Unallocated revenue	-	34,563	273,713	308,276
Total group revenue	57,465	11,321,522	2,033,872	**13,412,859**
Segment net profit/ (loss) before income tax	(8,678,084)	1,111,879	(5,644,809)	**(13,211,014)**
Amounts not included in segment result but reviewed by the board				
Impairment of financial assets	-	-	(6,223,000)	(6,223,000)
Depreciation and amortisation	(5,168,159)	(116,535)	(1,633,012)	(6,917,706)
Foreign exchange losses	(212,648)	(248,061)	(3,154,782)	(3,615,491)
Impairment of assets held for sale	-	-	(8,692,665)	(8,692,665)
Net profit/ (loss) before tax from continuing operations	(14,058,891)	747,283	(25,348,268)	**(38,659,876)**
Assets as at 31 December 2009				
Segment assets	377,248,489	6,524,572	211,609,871	595,382,932
Segment asset increases for the period:				
- Capital expenditure	68,059,625	-	-	68,059,625
- Acquisitions	6,256,613	-	4,006,106	10,262,719
	74,316,238	**-**	**4,006,106**	**78,322,344**
Reconciliation of segment assets to group assets				
Unallocated assets:				
- Deferred tax assets				3,164,823
- Intangibles				3,487,023
Total assets from continuing operations				**602,034,778**
Assets as at 30 June 2009				
Segment assets	311,172,800	6,446,064	216,288,711	533,907,575
Segment asset increases for the period:				
- Capital expenditure	92,436,383	-	-	92,436,383
- Acquisitions	7,743,534	-	11,704,052	19,447,586
	100,179,917	**-**	**11,704,052**	**111,883,969**

	Coal Mining & Exploration	Manufacturing	Investing	Consolidated
Reconciliation of segment assets to group assets:				
Unallocated assets:				
	A$	A$	A$	A$
- Deferred tax assets				53,526
- Intangibles				3,706,781
Total assets from continuing operations				**537,667,882**
Segment liabilities				
Segment liabilities as at 31 December 2009	11,105,047	1,671,936	2,961,640	15,738,623
Reconciliation of segment liabilities to group liabilities				
Unallocated liabilities:				
- Deferred tax liabilities				-
- Other liabilities				-
Total liabilities from continuing operations				**15,738,623**
Segment liabilities				
Segment liabilities as at 30 June 2009	7,289,273	2,152,484	4,586,091	14,027,848
Reconciliation of segment liabilities to group liabilities				
Unallocated liabilities:				
- Deferred tax liabilities				-
- Other liabilities				-
Total liabilities from continuing operations				**14,027,848**

Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer.

	For the six months ended 31 December 2009	For the six months ended 31 December 2008
	A$	**A$**
North America	3,833,852	2,227,616
Europe	3,721,092	6,682,848
South East Asia and Australasia	1,691,405	3,898,328
Africa and other areas	2,029,687	2,071,684
Total revenue	**11,276,036**	**14,880,476**

Assets by geographical region

The location of segment assets is disclosed below, based on the geographical location of the assets.

	Balance as at ended 31 December 2009	Balance as at ended 30 June 2009
	A$	A$
North America	-	
Europe	2,135,028	30,560
South East Asia and Australasia	135,384,840	204,900,764
Africa and other areas	464,514,910	332,736558
Total assets	**602,034,778**	**537,667,882**

4. BUSINESS COMBINATION (ACQUISITION OF CONTROLLED ENTITIES)

The consolidated entity acquired control over the following South African entities during the period ended 31 December 2009:

1. Acquisition of 100% Silkwood Trading (Pty) Limited which holds the NOPR to the 850 hectare farm Alyth located on the western border of the Company's Vele Project.
   Cash consideration paid A$6,256,613

2. Acquisition of 74% of a shelf company Freewheel Trade & Invest 34 (Pty) Limited which owns the exploration rights for coal bed methane for a 564km^2 area in and around CoAL's Makhado Project.
   Cash consideration paid A$1,950,078

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 2009.

6. CONTINGENT LIABILITIES

In accordance with normal industry practice, the Company has agreed to provide financial support to its controlled entities. There are no other contingent liabilities as at 31 December 2009.

7. EVENTS SUBSEQUENT TO REPORTING DATE

- **Completion of the Acquisition of NuCoal Mining (Pty) Limited**
  At the end of January 2010, following the fulfillment of the suspensive conditions to the SSA signed in October 2009, the Company acquired 100% of NuCoal for ZAR467million after a 10% reduction to reflect the working capital position at 31 December 2009. A retention of ZAR65 million was withheld in relation to certain warranties and in accordance with the terms of the NuCoal acquisition agreement.

  The acquisition was funded by proceeds of the share placement completed in October which raised GBP56.9million (ZAR731million). In accordance with the terms of the SSA, CoAL's economic interest in NuCoal commenced on 1 January 2010.

- **Granting of NOMR for Vele and Holfontein**
  In early February 2009 the Company announced the granting of an unconditional NOMR for its Vele Project and a conditional granting of a NOMR for the Holfontein Project. The Holfontein Project NOMR is conditional upon the Company delivering certain documents to the DMR.

- **Acquisition of remaining 20% of Limpopo Coal**
  The granting of the Vele NOMR satisfied the remaining suspensive condition for the acquisition of 20% of the Vele Project. During February 2009, the Company issued 5,625,750 ordinary shares as consideration for the 20% of Limpopo Coal.

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 2009 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 15th day of March 2010.

MOORE STEPHENS

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF COALOF AFRICA LIMITED

As lead auditor for the review of Coal of Africa Limited and its controlled entities for the half year ended 31 December 2009, 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.

Suan-Lee Tan | Moore Stephens

Suan-Lee Tan
Partner

Moore Stephens
Chartered Accountants

Dated in Perth, this 15th day of March 2010.

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MOORE STEPHENS

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF COAL OF AFRICA LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Coal of Africa Limited and controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Coal of Africa Limited 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 establishing 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 2009 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.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2009 included on the website of Coal of Africa Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website

Independence

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

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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 2009 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.

Suan-Lee Tan	**Moore Stephens**
Partner	Chartered Accountants

Dated in Perth, this 15th day of March 2010.

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