



ABN 98 008 905 388

**HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2007**

COAL OF AFRICA LIMITED

DIRECTORS' REPORT

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:

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

COAL OF AFRICA LIMITED

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 members of the parent entity | | (2,237,709) | 433,626 |
| 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.

COAL OF AFRICA LIMITED

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.

COAL OF AFRICA LIMITED

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

| | 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 |
|---|-------------------------------------|--------------------------------------|---|------------------------------------|---|--|--------------------|
| <i>Balance at 1.7.2007</i> | 177,189,359 | 136,445 | (2,705,466) | 7,879,673 | (34,692,704) | 3,071,250 | 150,878,557 |
| Shares issued during the period | 121,763,054 | | | | | | 121,763,054 |
| Options exercised during the period | 741,960 | | | (270,839) | | | 471,121 |
| Share based payments | 12,126,257 | | | | | | 12,126,257 |
| Options issued for capital raising | (1,607,675) | | | 1,607,675 | | | - |
| Share issue costs | (5,295,206) | | | | | | (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 | | | | 438,551 |
| <i>Balance at 31.12.2007</i> | 304,917,749 | 136,445 | (2,266,915) | 9,216,509 | (36,930,413) | 3,071,250 | 278,144,625 |

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

| | 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 1.7.2006 | 35,396,353 | 136,445 | (261,124) | 551,200 | (30,666,656) | 2,505,136 | 7,661,354 |
| Shares issued during the period | 24,460,590 | | | | | | 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) | | | | | | (288,390) |
| Foreign currency translation adjustments attributable to members of parent entity | | | (454,633) | | | | (454,633) |
| Balance at 31.12.2006 | 59,568,553 | 136,445 | (715,757) | 716,800 | (30,233,030) | 3,071,250 | 32,544,261 |

COAL OF AFRICA LIMITED

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.

COAL OF AFRICA LIMITED

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.

COAL OF AFRICA LIMITED

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 | 304,917,749 |
| 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 | 304,917,749 |

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 |

| 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 | | | 25,133,213 |

COAL OF AFRICA LIMITED

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\$ |
|---------------------------------------|----------------------|------------------|---------------------|
| Results | | | |
| Segment results | 912,940 | (2,906,173) | (1,993,233) |
| Net profit before income tax | | | (1,993,233) |
| Depreciation and amortisation | 50,695 | 32,875 | 83,570 |
| Assets | | | |
| Segment assets | 13,803,524 | 268,684,391 | 282,487,915 |
| Consolidated total assets | | | 282,487,915 |
| Liabilities | | | |
| Segment liabilities | 2,785,169 | 1,558,121 | 4,343,290 |
| Consolidated total liabilities | | | 4,343,290 |

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.

COAL OF AFRICA LIMITED

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

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.

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.

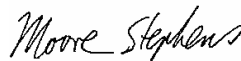
Conclusion

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.

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Partners

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

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

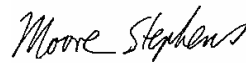
As lead auditor for the review of Coal of Africa Limited and its controlled entities for the half year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (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.