



## **INTEGRATED REPORT 2012**

*A year of progress*

# SCOPE OF THE REPORT

Coal of Africa Limited (CoAL or the Company) is pleased to present our annual report for the year ended 30 June 2012. In keeping with international trends and the way in which we run our business, CoAL has embarked on a journey towards integrated reporting.

This integrated report covers the activities and performance of CoAL's collieries and projects, in respect of both financial and non-financial performance. In determining the contents of this report we have been informed by our regulatory obligations, our risk management processes and the stated interests of our stakeholders.

The Company operates only in South Africa. Our primary listing remains on the Australian Stock Exchange (ASX), with secondary listings on both the Alternative Investment Market (AIM) of the London Stock Exchange (LSE) and the Johannesburg Stock Exchange Limited (JSE). This report complies, in the first instance, with Australian Accounting Standards, the Corporations Act 2001 and the International Financial Reporting Standards (IFRS). The compilation of the reserves and resources is according to the Australasian Joint Ore Resources Committee (JORC) guidelines, carried out by the Company's independent competent persons, Venmyn Rand (Pty) Limited.

The Code of and Report on Governance Principles for South Africa (King III) has been considered in compiling this report, as have the requirements of the Global Reporting Initiative (GRI) guidelines. In line with our commitment to responsible mining, we have reported on our sustainability performance with the aim of incrementally improving both our performance and reporting in this area and, in this respect, our reporting is aligned with the Principles of the International Council on Mining and Metals (ICMM).

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We are committed to the responsible development and management of our collieries and projects.

MAKHADO PROJECT

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COAL of AFRICA LIMITED

**INTEGRATED REPORT 2012**

# ABOUT COAL OF AFRICA

We have three operating collieries, including one in the build-up phase, and a valuable suite of exploration and development projects.





VELE COLLIERY

## KEY FEATURES OF 2012

- **Improved safety performance:** 33% decrease in lost time injuries year-on-year
- **Equity raised:** US\$159.5 million raised through issue of new equity – US\$106 million during the year and US\$53.5 subsequent to year-end

### Vele Colliery

- **All regulatory approvals received** and mine fully operational since October 2011
- **Environmental Management Committee**, chaired by SANParks, created to monitor environmental compliance at the colliery
- **Start of production** and delivery of first thermal coal; testing of coking coal underway

### Makhado Project

- **Definitive Feasibility Study** at an advanced stage
- **Application for new order mining right** submitted and **all regulatory approvals** and processes at an advanced stage
- **Project's ability to produce hard or semi-hard coking coal** and high-quality thermal by-product confirmed

### Greater Soutpansberg Project

- **Consolidation of prospecting rights in the Soutpansberg coalfield** following the acquisition of Chapudi coal assets from Rio Tinto Minerals Development Limited and Kwezi Mining Exploration
- **Fourfold increase in Company's resource** base to approximately 8 billion tonnes in the Soutpansberg and Limpopo coalfields

### Post year-end

- **Binding offer** from a subsidiary of Beijing Haohua Energy Resource Co. Limited to subscribe for US\$100 million CoAL shares at GBPO.25 per share
- **David Brown** appointed as Non-executive Chairman

# CORPORATE PROFILE

CoAL is an emerging developer and producer of high-quality thermal and coking coal. Based in South Africa, we have three operating collieries, including one in the build-up phase, as well as a valuable suite of exploration and development projects, enabling us to grow well into the future.

## OPERATIONS AND PROJECTS

Our operations are:

- Vele Colliery, in the Limpopo province, commenced production of thermal coal in January 2012 with testing of coking coal underway. Vele is currently ramping up to 2.7 million tonnes per annum (Mtpa) run-of-mine (ROM) production targeting 1.0 Mtpa saleable coking coal product.
- Mooiplaats Colliery, Vuna Colliery and Woestalleen Complex, in Mpumalanga province. Vuna is scheduled to close in April 2013 but the Woestalleen wash plant and rapid load out facility will remain operational for several years. Mooiplaats has approximately 12 years of resource at current production rates. Strategic discussions with parties in the area are underway to optimise the potential synergies at Mooiplaats.
- Makhado Project, in Limpopo province, for which a Definitive Feasibility Study (DFS) was prepared for review during FY2012.
- GSP, whose assets were acquired from Rio Tinto and Kwezi Mining in April 2012. Permitting application processes for this project have begun, following a significant resource upgrade in May 2012.

## TRANSPORT LOGISTICS

As one of the most critical constraints faced by the coal sector is securing access to markets in terms of logistics, CoAL's position provides us with a clear competitive advantage. Transnet Freight Rail (TFR) continues to increase the rail capacity to align with CoAL's 3 Mtpa port allocation realised since the completion of the Phase 3 upgrade of the Matola terminal in Mozambique in early 2011. The Company has secured an option to participate in future expansions at the terminal of up to 100% of the potential increased capacity of an additional 10 to 20 Mtpa. CoAL is also engaging extensively with TFR on the current tariff structure on the corridor, with the aim of securing favourable long-term commercial rates. With good access to rail and port infrastructure, CoAL can effectively service

both domestic and international markets, providing a much-needed resource for economic growth and development for the provinces in which we operate and South Africa.

## STRATEGIC INVESTMENT

Post year-end, CoAL entered into a binding offer letter with a subsidiary of Beijing Haohua Energy Resource Co. Limited (BHE) to subscribe for US\$100 million in CoAL shares at GBP0.25 per share subject to certain terms and conditions.

## RESPONSIBLE DEVELOPMENT

We are committed to the responsible development and management of our collieries and projects. We seek to support and comply with environmental, social and all other legislation, and to engage regularly and transparently with all our stakeholders. While we acknowledge that mining has an environmental impact, we will seek to mitigate this impact and ensure we leave an enduring, positive social and economic legacy, particularly for those communities surrounding our operations. See pages 34 to 38 for further details.

## SHAREHOLDERS

CoAL's primary listing is on the ASX; the Company has secondary listings on both AIM and the JSE. The Company's shareholders are based largely in the United Kingdom, Europe, North America, South Africa and Australia.

Shareholders by geography (30 June 2012)





**LOCATION OF OPERATIONS**

Legend	
●	Limpopo assets
●	Mpumalanga assets
■	Cities
■	Towns
○	Ports

- |   |                                       |   |
|---|---------------------------------------|---|
| 1 | Vele Colliery                         | ● |
| 2 | Makhado Project*                      | ● |
| 3 | Great Soutpansberg Project*           | ● |
| 4 | Tshipise Project**                    | ● |
| 5 | Woestalleen Complex and Vuna Colliery | ● |
| 6 | Mooiplaats Colliery                   | ● |

\*Coal exploration and development projects  
 \*\*Coal bed methane exploration project

# STAKEHOLDER ENGAGEMENT

Transparent, frequent and accountable engagement with interested and affected parties (I&APs) continues to be a major focus at CoAL's operations and projects. The Company is in the process of developing a corporate stakeholder engagement strategy, which is aligned with our Sustainable Development Policy, and is based on a five-year approach and one-year implementation plan. Implementation of the policy will commence upon finalisation of the strategy. This Group-level strategy will overlay, but not replace the mine and project stakeholder engagement processes.

As an initial part of this process, CoAL identified and classified its stakeholders into three broad categories as follows:

<b>INTERNAL</b>	<ul style="list-style-type: none"><li>• Business partners</li><li>• Employees and contractors</li><li>• Funders</li></ul>	<ul style="list-style-type: none"><li>• Organised labour</li><li>• Shareholders</li></ul>
<b>MARKET</b>	<ul style="list-style-type: none"><li>• Customers</li><li>• Suppliers</li></ul>	
<b>EXTERNAL</b>	<ul style="list-style-type: none"><li>• Directly affected and impacted groups</li><li>• Government</li><li>• Labour-sending communities</li><li>• Media</li><li>• Mining sector</li></ul>	<ul style="list-style-type: none"><li>• Neighbouring communities</li><li>• NGOs</li><li>• Regulators</li><li>• Surface rights owners and residents</li><li>• Traditional authorities</li></ul>



The issues listed below were identified as main areas of concern. This will inform the ongoing strategy development and provide an analytical framework.

<b>ISSUES</b>	<b>EXAMPLES</b>	<b>STAKEHOLDERS</b>	<b>RISKS</b>
<b>Compliance and securing licence to operate</b>	<ul style="list-style-type: none"> <li>• Closure</li> <li>• Compliance orders</li> <li>• Fines for non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Government</li> <li>• Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Impact on profit</li> <li>• Shareholder loss of confidence</li> </ul>
<b>Reputation management</b>	<ul style="list-style-type: none"> <li>• Negative media coverage</li> </ul>	<ul style="list-style-type: none"> <li>• All</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholder loss of confidence</li> </ul>
<b>Commodity prices and market fluctuations</b>	<ul style="list-style-type: none"> <li>• Changes in coal prices</li> <li>• Changes in market cycles</li> </ul>	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Impact on profit</li> </ul>
<b>Environmental management</b>	<ul style="list-style-type: none"> <li>• Environmental impacts <ul style="list-style-type: none"> <li>– Water</li> <li>– Dust</li> <li>– Soil, flora and fauna</li> </ul> </li> <li>• Heritage and visual impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Land owners</li> <li>• Licencing authorities</li> <li>• Neighbouring communities</li> <li>• NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• Non-compliance compromises formal and social licence to operate</li> </ul>
<b>Health and safety</b>	<ul style="list-style-type: none"> <li>• Fatal risk protocol</li> <li>• Safety at closed sites</li> <li>• Trackless mining machinery</li> </ul>	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Neighbouring communities</li> </ul>	<ul style="list-style-type: none"> <li>• Reputational risk</li> </ul>
<b>Local economic development</b>	<ul style="list-style-type: none"> <li>• Corporate social investment (CSI)</li> <li>• Employment</li> <li>• Local procurement</li> <li>• Stakeholder engagement</li> <li>• Training and development</li> </ul>	<ul style="list-style-type: none"> <li>• Labour sending communities</li> <li>• Licencing authorities</li> <li>• Neighbouring communities</li> </ul>	<ul style="list-style-type: none"> <li>• Non-compliance compromises formal and social licence to operate</li> </ul>
<b>Sustainability and closure</b>	<ul style="list-style-type: none"> <li>• Rehabilitation</li> <li>• Social impacts of closure</li> </ul>	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Government</li> <li>• Neighbouring communities</li> <li>• NGOs</li> <li>• Trade unions</li> </ul>	<ul style="list-style-type: none"> <li>• Financial risk and the non-receipt of closure certificate</li> <li>• Reputational risk</li> </ul>

During the year under review, a memorandum of understanding (MoU) was signed by the Company and the Save Mapungubwe Coalition in respect of the Vele Colliery, committing the parties to work together and strengthen co-operation while ensuring the sustainable development of the Mapungubwe cultural landscape.

For the Makhado Project, the public participation consultation process was concluded, with a significant achievement being the election of a 35-member Makhado Colliery Community Consultative Forum (MCCCCF), representing seven communities in the local area. In addition, local land owners agreed, in principle, for CoAL to evaluate 'new water' options for the mine's use through infrastructural and technological upgrades as part of the joint approach for mining and farming to co-exist in the area.

# YEAR IN REVIEW

We made substantial progress with the start-up of the Vele Colliery and export of its first coal, as well as the preparation of the Makhado Project Definitive Feasibility Study.





VELE COLLIERY

# OUTGOING CHAIRMAN'S STATEMENT



**Richard Linnell**  
Outgoing Chairman

**The overriding and inescapable feature of the past financial year was the continued uncertainty in global financial markets.**

In presenting to shareholders an account of this Company's fortunes over the past year, I must commend CoAL's management, who demonstrated extraordinary commitment, competence and ability to manage our significantly enhanced asset portfolio in an increasingly complex business environment and against the background of the sustained difficult global economic conditions.

Operationally, we have continued to benefit from the success of John Wallington's philosophy of working together in partnership with NGOs, environmental groupings and with governmental authorities to create the new-look Vele Colliery and to develop the significant potential

at Makhado. Our financial team deserves credit too, for successfully raising funds in this environment, thereby providing the wherewithal for the team to do their jobs.

Nationally the decision-making debate over state participation in the mining industry is not yet resolved and, if anything, has become more vocal, albeit less focused. Recent tragic events in the platinum sector have heightened tensions and have resulted in even greater international scrutiny of the South African resources sector. Investors will need to be patient for a while longer and take into account the prevailing political sparring ahead of landmark political events

scheduled for the second half of the calendar year. Nevertheless, we have not been mere spectators and are fully supportive of a series of initiatives led initially by the South African Chamber of Mines, the South African Institute of Mining and Metallurgy (SAIMM) and a number of industry champions to establish a platform for developing common ground among the various stakeholders. I remain optimistic that sanity will prevail and that we will have more clarity going forward, thereby easing our investors' concerns.

We have always made it clear that CoAL is not yet a major mining group, but that we are still in the developmental stages. At this early stage of the producing lives of our assets, funding is still required to bring these projects to fruition and the Company is exploring several options at present. On the operational front, our geologists, engineers and miners constantly strive to be at the cutting edge of technical prowess on the one hand, while we have also raised the bar in terms of getting to grips with the complexities of the MPRDA and the continuously evolving environmental and social requirements of the associated legislation. In this latter respect I believe we continue to surprise even our largest detractors.

From the authorities' perspective, I am optimistic that there appears to be a growing alignment between the Department of Mineral Resources (DMR) and the Department of Environmental Affairs (DEA), and that those issues which bedevilled us in the last year with the execution of National Environmental Management Act (NEMA), and our seeking compliance with a host of other legislative requirements, will be finalised in the near future.

I alluded previously to the state of the global economy and the financial markets. We are obviously concerned about the state of the coking coal and thermal coal markets and we will no doubt be placed under more pressure for as long as these conditions persist. Nonetheless, we are fortunate that our significant coking coal assets at Vele and Makhado will be producing premium products and should therefore be able to maintain their market position through this cycle.

As urbanisation and industrialisation took hold in China, that country appeared to be immune from the economic woes in the developed world. This is no longer the case, however, and the likelihood of China continuing to maintain a cumulative growth rate in excess of 10% into the future for an indefinite period is becoming more and more remote. Even in absolute terms we are going to see growth rates diminish, albeit off a larger base. It is impossible for China to escape the economic realities of Europe and North America and they too will have to start tightening their belts. We will, therefore, see a softening in the prices as a result.

As a producer of a raw commodity, we have to be alive constantly to the opening up of new markets and opportunities. This hiatus period in our traditional markets provides us with some time to assess these opportunities, specifically those presented in India. We would hope to see India as a longer term market opportunity – particularly taking into account India's affinity for trade with the east coast of Africa, and its geographical proximity to our ports. We will be watching with interest India's efforts to re-stimulate and energise its economy.

Post year-end, on 6 August 2012, I announced my departure from the Board of CoAL, having served as both a director and Chairman since 1 August 2001. I have indeed been privileged to be able to see this Company's genesis from a speculative exploration company to the developer and operator it has now become. I wish David Brown, incoming Chairman, and incoming director Bernard Pryor much success in the coming years. At the same time I extend my thanks to fellow retiring Board members, Simon Farrell, Steve Bywater and Mikki Xayiya, for their contribution to the Company.

Despite a very difficult environment, we managed to achieve much success in the year under review, and I trust that in the next financial year there will be significantly more good news to communicate to shareholders.



**Richard Linnell**  
**Outgoing Chairman**

Coal of Africa  
28 September 2012

# INCOMING CHAIRMAN'S STATEMENT



**David Brown**  
Incoming Chairman

While I cannot take credit for the events of the 2012 financial year, I am very pleased to report to shareholders that CoAL has embarked on an exciting new phase of development.

Coinciding with my appointment as Chairman on 6 August 2012, the Company announced the successful equity placement to the value of US\$44.8 million, a substantial sum raised amidst the current market conditions, from both existing cornerstone investors and several new ones too.

I am looking forward to working with CoAL's management to realise the Company's potential and the responsible exploitation of the Company's significant project pipeline. Our key focus is to re-establish shareholder value and to facilitate this, all strategic options are being assessed. We have started this process with a fundamental review of the Company's assets. The Company has a stated vision of developing into a significant Southern African metallurgical coal producer over the next five years. In addition, the future project pipeline indicates that we will be able to produce a quality co-product of thermal coal for export and domestic consumption which will enhance returns for shareholders.

Although the Company has a significant pipeline of quality projects, the major impediment remains the ability to raise funds for the exploitation of these assets. The strengthening of our capital structure remains a top priority and the Company is exploring several options.

To this end, CoAL raised US\$159.5 million of new equity and subsequent to year-end entered into a binding offer letter with a subsidiary of Beijing Haohua Energy Resource Co. Limited (BHE) to subscribe for US\$100 million CoAL shares at GBP0.25 per share subject to certain terms and conditions.

My thanks are extended to Richard Linnell and the retiring directors. They have contributed enormously to CoAL's development through a challenging time in South Africa's mining legislative history. We now need to consolidate these developments and steer the Company through its operational and growth phases with support from our major shareholders.

My thanks go to the Company's Board, management and employees. The Company is at the critical stage of moving beyond being a junior miner into a major producer and I look forward to leading all stakeholders into this crucial stage of development.

A handwritten signature in black ink that reads "David Brown". The signature is written in a cursive, slightly slanted style.

**David Brown**  
Incoming Chairman

Coal of Africa  
28 September 2012



Employing staff with appropriate skills and experience to bring projects on line safely, responsibly and cost-effectively.

MAKHADO PROJECT

# CHIEF EXECUTIVE OFFICER'S REVIEW



**John Wallington**  
Chief Executive Officer

In the year under review, we continued to systematically address the various regulatory challenges and public opposition in advancing the development of our extensive coking and thermal coal assets in South Africa's Limpopo province.

## INTRODUCTION

The year under review has been a challenging one for the Company but nevertheless did result in the achievement of significant milestones. The environmental and water use licence use approvals finally received in October 2011 enabled the Vele Colliery to resume operations. This marked the end to a particularly difficult period in which the Company, the state and NGOs had grappled with the task of finding the optimal balance between mining and economic development on the one hand, and conservation of environmentally sensitive areas and important heritage sites on the other hand.

As a Company, we have committed ourselves to the spirit and intent of the MoA with the DEA and South African National Parks (SANParks) ensuring that the conservation and maintenance of the integrity of

the Mapungubwe National Park. Similarly CoAL is fully committed to converting the MoU with the Save Mapungubwe Coalition (Coalition) into an effective agreement.

The experience at Vele during the past two years highlights the need for South Africa to establish effective mechanisms that will enable all role players to work together and achieve an appropriate balance in the mining industry. The experiences have contributed to the development of a Sustainable Development Policy and Framework that will enable us to set and meet its objectives. This is covered in more detail later in the report on page 31.

The rapid decline in the coal and commodities markets during the second half of the year has continued to place both the industry and the Company, under severe pressure. CoAL is in the early stages of

transition into a mining company and these adverse market conditions are proving to be particularly challenging.

## **SAFETY, HEALTH AND ENVIRONMENT**

I am pleased to advise that for the second consecutive year, CoAL experienced no fatal accidents. In addition, lost time injuries (LTIs) reduced by 33% to a total of 10 for the year.

- Vele and Makhado recorded zero LTIs compared to one each in the previous year;
- Mooiplaats recorded six LTIs compared with the previous year's nine; while
- Woestalleen (including the Vuna Colliery) had three LTIs compared with the previous year's four.

Safety continues to be a key focus area at the Company's operations and safety programmes have been intensified to address identified shortcomings. Detailed commentary on our safety and health performance in FY2012 appears on pages 22 to 23 and on our environmental compliance on pages 34 to 38.

## **VELE COLLIERY**

A key development following the lifting of the suspension of the Integrated Water Use Licence (IWULA) and the commissioning of the wash plant at the end of February 2012, Vele's first trainload of thermal coal was railed to the Matola terminal in Maputo, Mozambique (Matola) on 25 April 2012. The build-up of production continues at the colliery with a total of 161,107 ROM tonnes mined and 46,066 tonnes of export thermal coal produced. During this initial period of mining, based on a more detailed understanding of the in-pit geology, the mine plan has been revised to take into account these conditions and the need to complete the plant upgrade before increasing the mining rate to 2.7Mtpa of ROM.

The detailed technical work required for the plant modifications has been completed and construction of phase 1 of this project will commence before calendar year-end and the second phase early in 2013. The modifications and additions to the plant are required to:

- increase the product yield by capturing the fine fraction currently not recovered;
- enable the simultaneous production of semi-soft coking and thermal coal products; and
- replace the temporary front end coal handling and preparation plant with a permanent facility designed to improve operating efficiency and increase capacity to some 2.7Mtpa.

The detailed technical product testing has been focused on the ability of the Vele resource to produce a number of products, namely a semi-soft coking coal and various grades of thermal coal suitable for both the export and domestic markets. In addition to the commitments

made to the MoA and MoU with the DEA, SANParks and the Coalition respectively, as part of the Environmental Authorisation granted by the DEA, an Environmental Management Committee (EMC) and its subcommittees have been established with the main objective of monitoring and overseeing environmental compliance at Vele. The EMC, chaired by SANParks, involves relevant government departments, CoAL, NGOs, municipalities, farming communities and other stakeholders, is operating effectively and co-operatively. Hopefully this collaborative approach will prove to be a successful method for all stakeholders to adopt in similar future circumstances.

## **WOESTALLEEN COMPLEX – VUNA COLLIERY**

Coal processed at the Woestalleen facility decreased by 6% from (FY2011: 2,324,972 tonnes) of saleable coal was produced. The product mix consisted of 1,568,745 tonnes (FY2011: 2,021,770 tonnes) of export quality coal, and 527,189 tonnes (FY2011: 303,202 tonnes) of middlings product for Eskom, the South African power utility.

The variation of the ROM coal processed and product mix was due to the transition from the South to the North Block selective mining practices undertaken and blending of lower grade stockpile material at the Vuna Colliery. This led to a variation in both the yield and mix of saleable coal produced with the overall plant yield decreasing to 63.2% (FY2011: 65.9%).

In anticipation of the depletion of available ROM coal from the Vuna Colliery by April 2013, the Company continues to evaluate various options to extend the life of the Woestalleen Complex including:

- securing new sources of ROM coal in the vicinity for processing at the plant;
- reprocessing the Woestalleen discard dumps to produce a middlings product suitable for Eskom by rail;
- utilising the complex's siding facility for rail transport of third party coal to be delivered to Eskom; and
- identifying potential partnerships or disposal opportunities.

## **MOOIPLAATS COLLIERY**

ROM coal production at Mooiplaats increased by 39% in FY2012 to 1,226,155 tonnes attributable to the transition from contract mining to an owner-managed mine, implementation of optimisation programmes and the expansion from four to five underground sections. Total saleable coal produced decreased slightly to 986,144 tonnes compared to the 991,237 tonnes in FY2011 mainly due to a reduction in the availability of purchased ROM coal for additional processing volumes.

From 1 July 2011, Mooiplaats transitioned from a contractor to owner-managed mine, facilitating the direct management of the operation. As a consequence of difficult mining conditions, the operational performance at Mooiplaats remains challenging and several

## CHIEF EXECUTIVE OFFICER'S REVIEW continued

initiatives are underway to improve productivity and efficiency of the production sections.

Post year-end and in relation to annual wage negotiations, the National Union of Mineworkers (NUM) embarked on protected strike action at Mooiplaats. The Company proposed a fair wage and benefit offer amounting to an average increase across all categories of 22% (all inclusive), which NUM unfortunately rejected. Following the union being granted a certificate to strike, management sought an intervention by the Council for Conciliation, Mediation and Arbitration (CCMA) to facilitate a discussion with NUM in an effort to resolve the impasse without the need for strike action. Regrettably the strike proceeded and operations at Mooiplaats have consequently ceased.

CoAL is in discussions to resolve a double-granting over a portion of Mooiplaats covering approximately 128ha of the mining area.

The current weak market conditions have accelerated the need to fundamentally restructure the Mooiplaats operation to ensure viability. This process is likely to result in the evaluation of partnerships to enhance synergistic value.

### MAKHADO PROJECT

The Makhado Project in the Soutpansberg coalfield of South Africa's Limpopo province is CoAL's most advanced exploration-stage project. The resource will initially be mined on an open-cast basis over 16 years with the potential for further expansion into underground. The potential consolidation of the Generaal property located immediately

to the north of Makhado provides further upside potential for both the open-cast and underground resource well beyond the initial 16-year period. The project will produce a hard coking coal as well as a thermal middlings product for export and domestic markets.

The Makhado Project's DFS is in the process of being updated for the additional work completed on the thermal middlings product. The initial DFS defined the resource, processing methodology, product logistics, supporting surface infrastructure and services, as well as life-cycle financials. The DFS was provided to Exxaro Coal (Pty) Limited (Exxaro) in terms of the Option Agreement signed by Coal and Exxaro in 2009, whereby Exxaro could acquire a 30% interest in the project. At the end of September 2012, Exxaro elected not to exercise its right to acquire an interest and participate in the development of the Makhado Project.

Consultation with interested and affected parties (I&APs) was a major focus point over the past year and a significant achievement was the election of the 35-member Makhado Colliery Community Consultative Forum (MCCCF), representing seven affected communities located in close proximity to the project.

During the year under review, progress was made on:

- several environmental and regulatory processes required for the approval of Makhado's NOMR by the DMR;
- the integrated water use licence (IWUL) by the DWA; and
- relevant NEMA approvals by the DEA.



Final regulatory approvals for Makhado are expected by late CY2012/early CY2013. In the interim, CoAL continues to evaluate various long-term debt and equity financing options for the construction and development of the project.

### **Greater Soutpansberg Project (GSP) – MbeuYashu**

In April 2012, the Company completed the acquisition of the Chapudi coal assets and related exploration properties in the Soutpansberg coalfield from Rio Tinto Minerals Development Limited (RTMD) and Kwezi Mining and Exploration (Pty) Limited (KME). Following the acquisition, the Company's resource and reserve statement was updated on 31 May 2012. With total resource for the GSP at 8.0 billion gross tonnes in situ (GTIS) and 2.4 billion mineable tonnes in-situ (MTIS), this represents a significant increase of previous volumes of 2.4 billion and 1.1 billion tonnes respectively.

As part of our strategy to develop and retain our interests in the Soutpansberg coalfield and provide the platform for the future growth of our coking coal mines in the northern part of the country, consolidation of the various prospecting rights and regulatory requirements is in the process of being compiled for submission in CY2013.

As part of the acquisition of the Chapudi coal project, a broad-based empowerment transaction was concluded with Rothe Investment (Pty) Limited to acquire a 26% interest in the assets. The combined entity, with CoAL's 74% interest has been renamed MbeuYashu which means 'our seed'. It has been encouraging to see the development of a constructive and co-operative relationship with our partners in this project.

### **Soutpansberg Coal Bed Methane (CBM) Project – Tshipise Energy**

During the year, the Tshipise CBM Project – in which CoAL has a 50% interest – was registered with the United Nations' internationally accredited carbon credit programme and work subsequently has been directed towards completion of a technical review by UN-designated verifiers. The Clean Development Mechanism (CDM) Programme of Activities is in the process of submission to the UNFCCC. In September 2012, a letter of support and acceptance of the project was received from the designated national authority, the South African Department of Energy.

The initial phase of the CBM project involves the establishment of a test well and flaring facility, enabling us to comply with the requirements of the UN programme and to sell carbon credits. In the final quarter of this reporting period, technical work continued on the permeability and porosity of the trial site identified for initial exploration.

Planning is under way for a JORC-compliant exploration programme covering more than 50% of the project area. Subject to Board approval, this is expected to begin in the second half of CY2013.

## **INFRASTRUCTURE AND LOGISTICS**

The railing of first coal from the Vele Colliery to the Matola terminal facilitated the testing of axle load capacity of the Transnet Freight Rail (TFR) line between Groenbult and Hoedspruit, confirming TFR's capacity to run regular trains from the Musina siding to the port. Both objectives were successfully achieved and this will allow the further build-up of volumes on this line.

Currently, CoAL has 3Mtpa throughput capacity at the Matola terminal, with the option to subscribe for up to 100% (20Mtpa) of the Phase IV expansion. In addition, CoAL has a 207,000tpa allocation at Richards Bay Coal Terminal (RBCT).

## **RESOURCE AND RESERVE STATEMENT**

Our JORC-compliant resource and reserve statement, published on 31 May 2012, reflects an increase in our resource (inclusive of reserves) of 9.2 billion gross tonnes in-situ (GTIS). The key driver of this is the afore-mentioned increase in the GSP resource from 5 billion tonnes to 8 billion GTIS. The GTIS resource (inclusive of reserve) for our other operations, namely Vele, Makhado, Mooiplaats and Woestalleen is at 803.8 million, 795 million, 92.3 million and 6.8 million tonnes respectively.

The detailed resource and reserve statement is available on our website, [www.coalofafrica.com](http://www.coalofafrica.com).

## **MARKETS**

South African export coal prices were under pressure during the period, declining by 27% from US\$119/t in June 2011 to US\$87/t in June 2012, accompanied by softer global coal market fundamentals requiring producers to identify alternative markets for their coal. Weak ocean freight rates enabled coal flows away from their traditional markets and, combined with weak global macroeconomics, intensified downward pressure on global coal prices. Subsequent to the financial year-end, the continued weakness in the global thermal and coking coal markets has resulted in a number of capital projects around the world being suspended and mining operations, particularly in the United States and Australia, being closed or downsized.

While markets for South African thermal coal are established in Europe and Asia, domestic demand from Eskom for low-grade thermal coal is strong, and there is potential to also supply a lower grade product to India. Importantly, the cost of marginal production is expected to support the price over the medium term.

Longer term, we believe market fundamentals for thermal coal remain robust. World energy demand is predicted to grow by almost 50% by

# CHIEF EXECUTIVE OFFICER'S REVIEW continued

2030, with non-OECD countries – led by China and India – driving thermal coal demand. Coal is expected to remain the key component in power supply growth given the adverse pressure on nuclear energy generation and limited new, low-cost gas opportunities.

Global demand for seaborne coking coal is largely dependent on supply from Australia and North America, while Mozambique is emerging as a major new source of supply. Per capita steel consumption in India and China is low compared to OECD countries, indicating potential for increased demand for coking coal, while the anticipated economic growth in South East Asia and Brazil should provide further stimulus to this market as these economies industrialise.

## EMPLOYMENT AND SKILLS DEVELOPMENT

In FY2012, the number of people employed permanently by CoAL increased by 61% from 456 to 735, while those employed permanently by contractors rose by 36% to 1,415 people. The major contributing factors being the conversion of Mooiplaats to an owner-managed operation and the resumption of operations at Vele. These actions resulted in the early stage modest delivery on the Company's commitment to create jobs and downstream value in the communities in which we operate. Within the next five years, we expect to create more than 2,000 direct and contractor jobs.

Escalating strike activity in the South African mining sector is threatening the country's growth prospects and has led to lost production across a number of mines, particularly in the gold and platinum sector. Costly wage deals are likely to lead to cost inflation, placing further pressure on unsustainably low margins in the mining industry and increasing the risk of further downsizing of mining projects.

Representation of historically disadvantaged South Africans (HDSAs) in junior and senior management positions at year-end stood at a creditable 37.5%, just shy of the Mining Charter's 2014 target of 40%. At both Mooiplaats and Woestalleen, women in mining exceed the Mining Charter's 2014 target of 10%, by 1% and by 0.5% respectively.

It is enormously encouraging to report that our Thovhele Toni Mphephu Bursary fund, established in 2009, has already provided 44 bursaries valued at R10.5 million since inception, with R1.7 million spent in FY2012 to students from under-privileged backgrounds – 35 from Limpopo and nine from Mpumalanga.

## SUSTAINABLE DEVELOPMENT

We are committed to responsible practices and leveraging our innovative approach to sustainable development. We respect and uphold the diversity of humanity, especially our employees and the communities in which we operate. We recognise that an enduring,

positive legacy will only be possible if the ecosystems and landscapes within which we operate retain their integrity and functionality.

To deliver on our sustainability strategic objectives, we commit to delivering in terms of each of these pillars: people, planet, profit and governance. Our actions, we believe, will enable us to:

- gain and retain our 'licence to operate';
- deliver our project pipeline; and
- leave a positive legacy and drive operational excellence.

A significant achievement during the year under review has been the development of our Sustainable Development Policy and Sustainable Development Framework, which will enable CoAL to set and meet our objectives. This framework will be used to track our sustainability journey and to map our specific roles and responsibilities that will become an integral part of performance management and capacity building by defining key performance indicators and targets in each area of operation. The framework has been aligned with the principles of the ICMM and the United Nations Global Compact (UNGC).

## EQUITY CAPITAL AND STRATEGIC INVESTMENT

During the course of the financial year and subsequent to year-end, the Company raised a total of US\$159.5 million of which US\$106 million was raised during the financial year. The ongoing support from our key and new shareholders has provided the Company the financial resources to continue to develop the underlying projects and to create future value for all stakeholders.

In addition, on 1 October 2012, the Company announced that it had entered into a binding letter of offer with a subsidiary of Beijing Haohua Energy Resource Co. Limited (BHE) to subscribe for US\$100 million CoAL shares at GBP0.25 per share, subject to certain terms and conditions. BHE and CoAL have agreed to discussions regarding co-operation on commercial, technical and operational matters enabling CoAL to draw on BHE's technical expertise in the development of the Makhado and GSP Projects.

## OBJECTIVES AND PROSPECTS

The rapid decline in the coal and commodities markets during the second half of the financial year has placed the industry under considerable pressure. The medium- to long-term potential of the Limpopo assets remains attractive given that the longer-term fundamentals for coking coal remain fairly robust.

The key milestones to be achieved in the short-term include:

- Achieving the regulatory approvals for the Makhado Project.

- Completion of the terms contained in the binding letter of offer entered into with strategic partner, BHE and finalisation of the US\$100 million investment into the Company.
- Completion of all product testing and construction required to increase Vele's annual ROM coal output to 2.7 Mtpa to produce both a semi-soft coking coal and secondary thermal coal product.
- Progressing the detailed exploration programme on the GSP/ MbeuYashu assets to substantially increase the indicative resource base that will enable the appropriate prioritisation and planning of potential future projects.
- Restructuring the thermal assets in Mpumalanga to ensure longer term financial viability of these assets, including the possibility of strategic partnerships.

## THANKS

CoAL has received outstanding support from the Board of directors, executive committee, employees at all levels, contractors, suppliers and consultants in the year under review. Invaluable support also flowed from the regulators and numerous I&APs with whom relationships were previously often difficult to establish and maintain. I am personally extremely grateful to you all.

It is essential, in closing, that I pay a particular debt of gratitude to CoAL's outgoing Chairman, Richard Linnell. Richard has been a tower of strength to CoAL at every level during his tenure, providing sage advice and guidance internally and never flinching from taking a strong, supportive yet diplomatic public platform on contentious issues when necessary. We wish him well for the future.

Our thanks too are extended to Simon Farrell, Steve Bywater and Mikki Xayiya, all Non-executive Directors of the Company who stepped down from the Board. They contributed enormously to CoAL's development through a challenging time in South Africa's mining legislative history. We now need to consolidate these developments and steer the Company through the next exciting phases of operational development and growth.

We look forward to the continued support and counsel from incoming Chairman, David Brown, and incoming Board member Bernard Pryor with whom we have been working closely during the last two months.



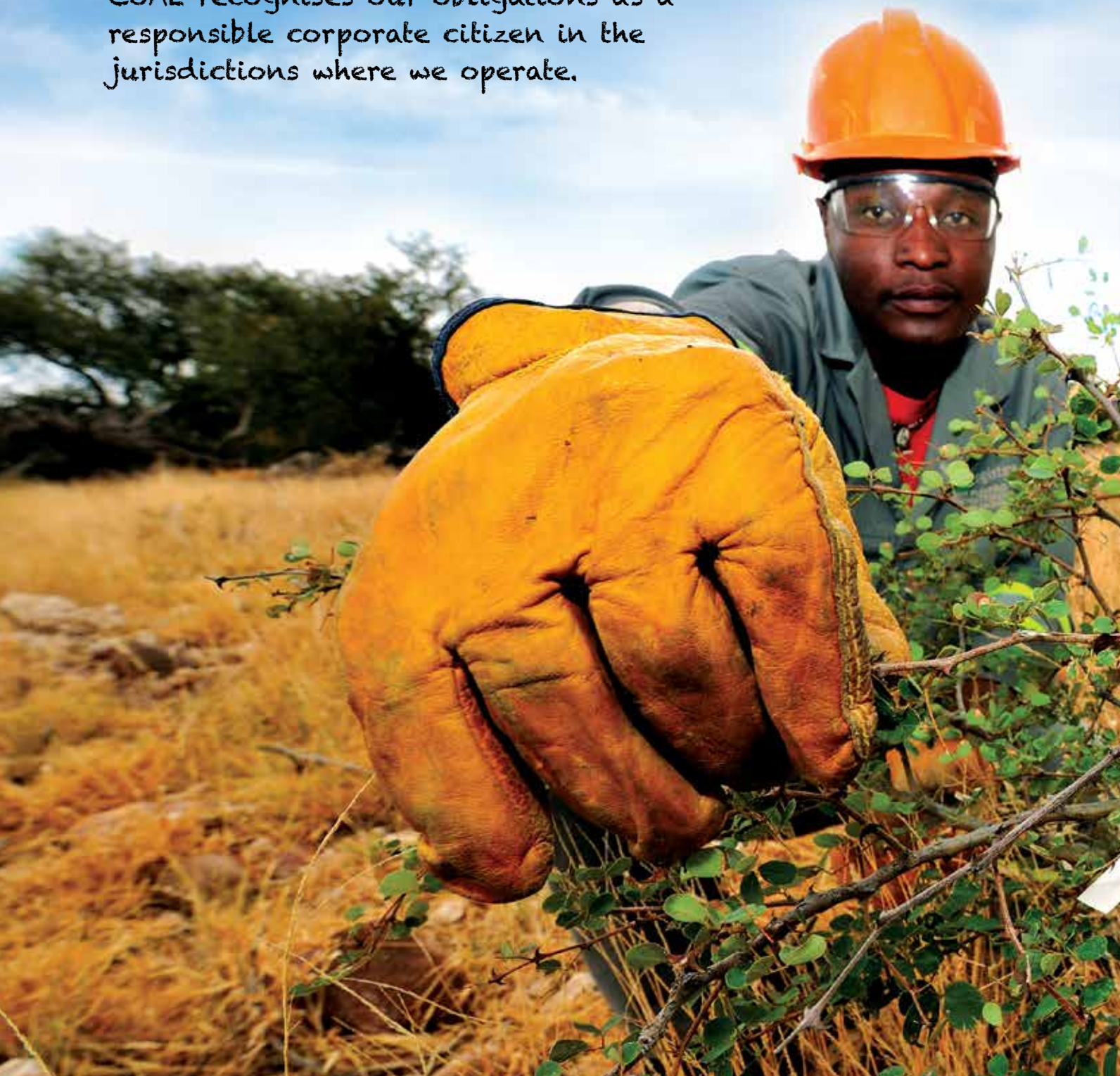
**John Wallington**  
Chief Executive Officer

Coal of Africa  
28 September 2012



# REVIEW OF OPERATIONS AND PROJECTS

*CoAL recognises our obligations as a responsible corporate citizen in the jurisdictions where we operate.*





MAKHADO PROJECT

# SAFETY AND HEALTH

## CoAL's safety and health policy is premised on the principle of 'zero harm'.

The Company has established and maintains a safety and health management structure that:

- is in compliance with legislated requirements;
- is in accordance with accepted industry practice; and
- seeks to extend beyond employees to include contractors, communities, customers and visitors in terms of its positive influence and impacts.

The key bodies of legislation requiring compliance are the Mine Health and Safety Act (MHSA) and the Occupational Health and Safety Act (OHSA).

CoAL's safety and health management system is based on OHSAS 18001, an international occupational health and safety management system specification. OHSAS accreditation is planned.

At board level, the Company's legislative compliance in respect of safety and health is monitored, its targets set and performance assessed by the Safety, Health and Environment Committee. This committee is chaired by Peter Cordin and its members include Khomotso Mosehla and David Murray. It meets at least quarterly.

At each operation, overall accountability for safety and health rests with management. Besides accountability, requirements of management are:

- ensuring workforce competence through selection, retention, education, training and awareness;
- identifying risks and hazards, and implementing control measures;
- setting operation-level safety and health targets, and evaluating performance through internal and external auditing;
- promoting and maintaining open and constructive dialogue in matters of safety and health with all stakeholders;
- encouraging a culture of continuous safety and health improvement; and
- driving the CoAL vision of 'zero harm'.

Each operation, as required by the MHSA, has a safety and health committee and full-time safety and health representatives.

## SAFETY PERFORMANCE

Safety performance at the Company's operations improved during the year with 10 LTIs recorded (FY2011: 15). The outstanding safety record of Vuna Colliery was marred by its first LTI, which occurred during the last quarter of FY2012.

Three LTIs (FY2011: 4) were recorded at Woestalleen Colliery during the year, in spite of an increased focus on safety. A safety audit to identify shortcomings in the existing safety system, was initiated and completed by an accredited third party.

Mooiplaats Colliery reported six LTIs during the year (FY2011: 9), prompting intensification of safety programmes to address shortcomings identified.

Vele had no LTIs during the year (FY2011: 1) and neither did Makhado (FY2011: 1).

### Lost time injuries in FY2012

OPERATION	FY2012	FY2011
Vuna	1	–
Woestalleen	3	4
Mooiplaats	6	9
Vele	–	1
Makhado	–	1

### Lost time injury frequency rate in FY2012

OPERATION	FY2012	FY2011
Vuna	0.31	–
Woestalleen	0.31	0.40
Mooiplaats	0.91	0.51
Vele	–	0.45
Makhado	–	0.88

During the year under review, materials handling was the primary contributor to LTIs in the Company, followed by mobile machinery then slips and falls. Particular remedial steps are being taken across all operations and projects to address these causal factors.

Acknowledging that this pattern is likely to be replicated at projects during construction phases, and that there is likely to be higher overall risk at projects under construction, the Company applies appropriate emphasis on safety policy, procedures and practice at such sites, ensuring the inclusion and compliance of contractors and other third parties involved. A good example of the benefits of this approach is the excellent safety record achieved at Vele Colliery where the plant construction was completed over a six-month period and the open-cast mine recommissioned without a single LTI.

Prior to the start of construction at the Makhado Project, a baseline risk assessment will be conducted, and issues-based risk assessments will be done on a continuous basis throughout the construction period. The Company's health and safety management system will be applied during the period, with all contractors managed accordingly.

## AWARDS

In FY2012, CoAL received awards for achieving 3,000 fatality-free production shifts at Woestalleen, Vuna and Mooiplaats (FY2011: 2,000 at all three operations).

## HEALTH PERFORMANCE

There were no instances of reportable, compensable occupational disease in the Company's operations or projects during the year under review.

Noise and dust pose the greatest work-related health risk to employees in CoAL's workplaces, the former in terms of noise-induced hearing loss (NIHL) and the latter in terms of various respiratory diseases specified by statute – both reportable and compensable. In common with the rest of the mining sector, tuberculosis (TB) and HIV/AIDS are two other health priorities for the Company.

In respect of both NIHL and respiratory diseases arising from exposure to dust, CoAL's management focuses on prevention, surveillance, access to treatment, and compliance in terms of reporting and compensation. Key to prevention are technical engineering interventions to suppress noise and dust in the workplace, employee education and provision of protective equipment. Surveillance, a requirement of the MHSa, is currently outsourced to third parties but it is the Company's intention, going forward, to appoint its own, suitably qualified medical practitioner to meet this obligation.

In respect of TB, CoAL's policy – applicable to all full-time employees and contractors – provides guidelines for management of:

- employee awareness of the disease, its causes and treatment; and
- employees who have contracted the disease or who are suspected of having contracted the disease.

Employees who are diagnosed with TB may continue to work in their normal positions, if they are declared medically fit to do so by a certified medical practitioner, and are able to meet acceptable performance standards. Those who are declared unfit to work in their normal positions may, in terms of the Company's Medical Disability and Incapacity Policy, be redeployed to another position or their services may be terminated.

In respect of HIV/AIDS, CoAL's policy provides management guidelines on:

- education, training and counselling;
- confidentiality;
- promotion of a safe working places;
- sick leave;
- recruitment;
- testing;
- incapacity and dismissal;
- discrimination;
- compensation;
- employee benefits; and
- grievance procedures.

Company policy requires that workplace HIV/AIDS programmes are implemented to:

- promote awareness;
- encourage voluntary testing;
- provide for education and training;
- promote condom distribution and use;
- encourage behaviour conducive to the prevention of sexually transmitted diseases;
- enforce the use of universal infection control measures;
- create a staff environment conducive to openness, disclosure and acceptance;
- establish wellness programmes for employees affected by HIV/AIDS; and
- provide access to counselling and other forms of social support.

Of these, a voluntary counselling and testing (VCT) programme has been prioritised and piloted at the Company's Mooiplaats Colliery and is being rolled out to other operations and projects.

# OPERATIONAL STATISTICS AND PERFORMANCE SUMMARY

## PERFORMANCE SUMMARY

as at 30 June 2012

	WOESTALLEEN/VUNA	MOOIPLAATS	VELE	TOTAL
No of employees	289	368	17	674
No of contractors	737	272	360	1,369
Labour turnover	<1%	<1%	<1%	<1%
HDSAs in management	33%	60%	59%	37.5%
Women in mining	11%	11%	19%	13.7%
Fatal injury frequency rate (FIFR)	–	–	–	–
Lost time injury frequency rate (LTIFR)	0.31	0.91	–	0.4
Learnerships	–	7	2	9
Water usage (m <sup>3</sup> )	2,753,594	385,140	134,863	3,138,734
ROM production (t)	3,543,215	1,226,155	161,107	4,930,477
ROM coal purchased (t)	–	191,608	–	191,608
Total coal processed (t)	3,318,386	1,425,941	162,289	4,906,616
Overall yield	63.2%	69.1%	*	–
Total coal produced (t)	2,095,934	986,064	46,066	3,128,064
Export coal (t)	1,568,745	783,294	46,066	2,398,105
Middlings coal (t)	527,189	202,850	–	730,039
Total coal sales (t)	1,310,230	401,347	–	3,373,781
Export (t)**	–	–	–	1,662,204
Inland (t)	718,335	204,825	–	923,160
Eskom (t)	591,895	196,522	–	788,417

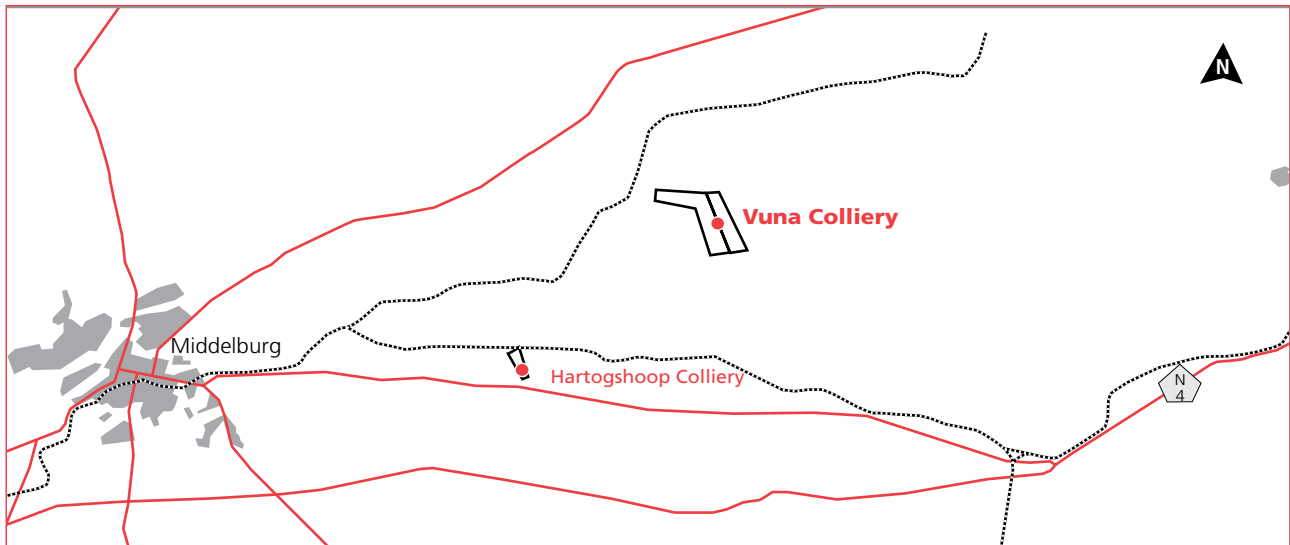
\* Vele Colliery yields will be included once production reaches steady state

\*\* Export sales include thermal coal sales from Woestalleen, Mooiplaats and Vele



MAKHADO PROJECT

## Woestalleen Complex: Vuna Colliery\*



<b>Ownership</b>	Joint venture between CoAL (49%) and Vuna Coal Holdings (51%). CoAL is the technical partner
<b>Location</b>	Witbank coalfield, 18km from Middelburg, Mpumalanga province
<b>Access and infrastructure</b>	<ul style="list-style-type: none"> <li>• Well-established road, rail network</li> <li>• Electricity and water supply secured close to Eskom's Hendrina Power Station</li> <li>• Quattro allocation at RBCT</li> </ul>
<b>Reserves</b>	2.5Mt mineable tonnes in-situ (Proven)
<b>Resources</b>	2.5Mt mineable tonnes in-situ (Measured)
<b>Mining method</b>	Open-cast
<b>Carrying value at 30 June 2012</b>	US\$ 16.8 million
<b>Employment</b>	Total: 1,026 including contractors
<b>Permitting</b>	<ul style="list-style-type: none"> <li>• IWUL received in the third quarter of FY2012 allowing for mining of the North Block</li> </ul>
<b>Life-of-mine</b>	<ul style="list-style-type: none"> <li>• Ends April 2013</li> <li>• The Company is evaluating alternative options to secure additional coal rights in the vicinity to ensure the ongoing utilisation of the beneficiation plant</li> </ul>

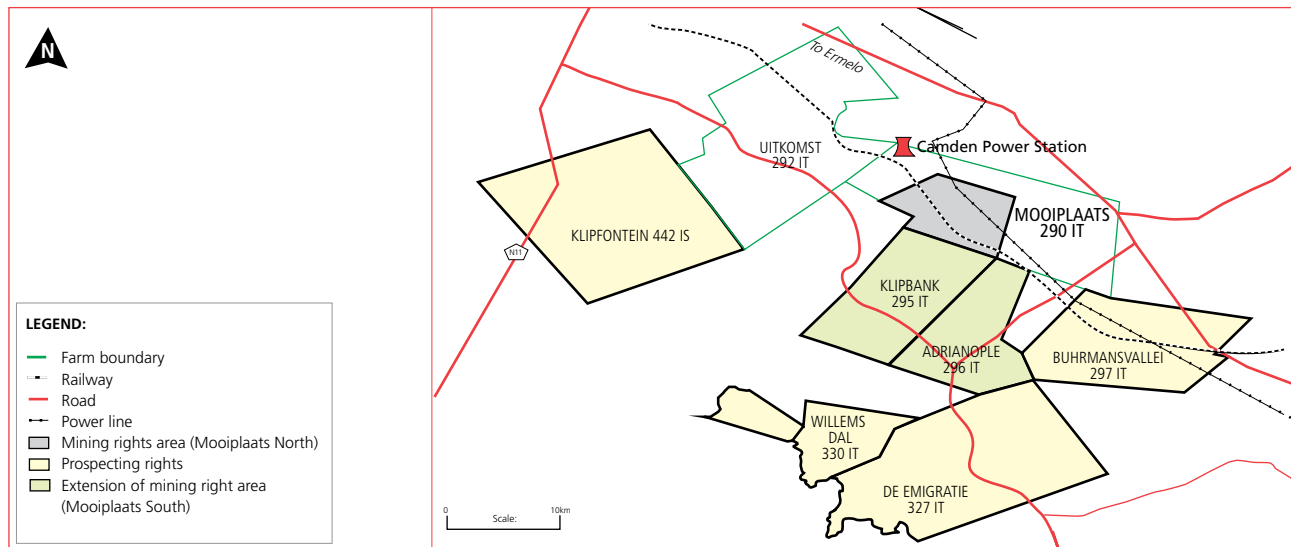
\* The Woestalleen Complex comprises the Vuna Colliery and three coal beneficiation plants with combined total nameplate capacity of 350,000 ROM feed tonnes per month



# OPERATIONAL STATISTICS AND PERFORMANCE SUMMARY

## continued

### Mooiplaats Colliery

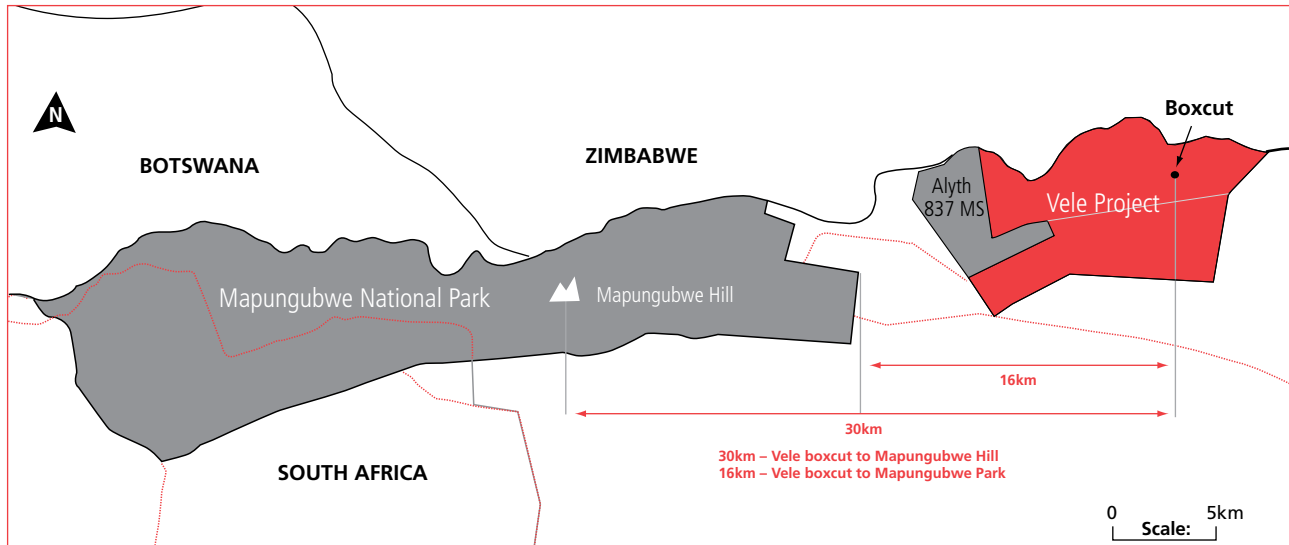


<b>Ownership</b>	Wholly-owned by CoAL
<b>Location</b>	Ermelo coalfields, Mpumalanga province
<b>Access and infrastructure</b>	<ul style="list-style-type: none"> <li>• Good road and rail network</li> <li>• Secure electricity and water supply close to Camden Power Station</li> </ul>
<b>Reserves</b>	35.4Mt mineable tonnes in-situ (Measured and Indicated)
<b>Resources</b>	15.5Mt mineable tonnes in-situ (Proven and Probable)
<b>Mining method</b>	Underground single seam
<b>Carrying value at 30 June 2012</b>	US\$98.6 million
<b>Employment</b>	Total: 640 including contractors
<b>Permitting</b>	<ul style="list-style-type: none"> <li>• The environmental management plan for Mooiplaats South was submitted in September 2009 for the extension of the current NOMR to include additional farms</li> <li>• Double-granting over portion 2 of the farm Klipbank 295 IT is in the process of being resolved</li> <li>• IWULA for Mooiplaats North submitted for processing</li> </ul>
<b>Life-of-mine</b>	12 years, subject to resolution on the double-granting of rights



## OPERATIONAL STATISTICS

### Vele Colliery



<b>Ownership</b>	Wholly-owned by CoAL
<b>Location</b>	Tuli Coalfield, 48km west of Musina, Limpopo province
<b>Access and infrastructure</b>	<ul style="list-style-type: none"> <li>• Electricity supply secured from Eskom but current supply from diesel generator on site until mid 2013</li> <li>• Host properties have existing water allocations which have been transferred to the mining operation</li> <li>• Accessible via existing tarred road network</li> <li>• Extensive engagement with TFR to create sufficient capacity for domestic and export capacity</li> </ul>
<b>Reserves</b>	333Mt mineable tonnes in-situ
<b>Resources*</b>	370Mt mineable tonnes in-situ
<b>Mining method</b>	Open-cast and underground workings suitable for modular, staged development
<b>Carrying value at 30 June 2012</b>	US\$127.2 million
<b>Employment</b>	Current: 377 including contractors Projected total: 600
<b>Target production</b>	<ul style="list-style-type: none"> <li>• FY2013: 1.4Mtpa</li> <li>• FY2014: 2.7Mtpa (Phase 2)</li> <li>• FY2018/19: 5.4Mtpa (including underground)</li> </ul>
<b>Permitting</b>	<ul style="list-style-type: none"> <li>• NOMR awarded in February 2010 and environmental management plan approved in March 2010</li> <li>• IWUL awarded in March 2011</li> <li>• Environmental authorisation granted in July 2011</li> </ul>
<b>Life-of-mine</b>	Approximately 32 years

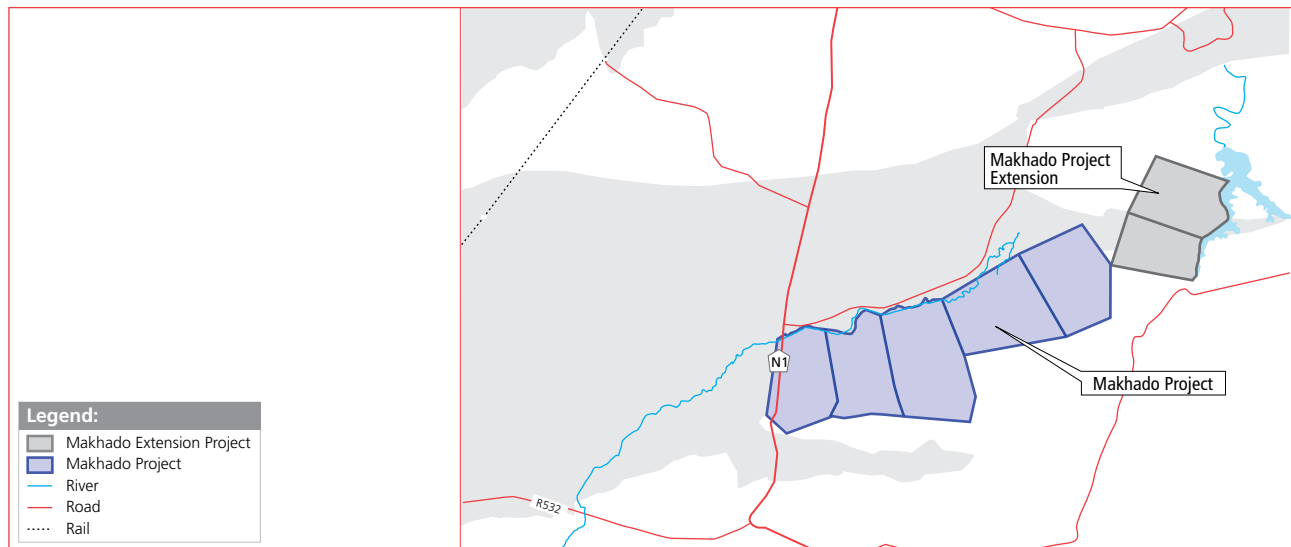
\* Inclusive of reserves



# OPERATIONAL STATISTICS AND PERFORMANCE SUMMARY

## continued

### Makhado Project

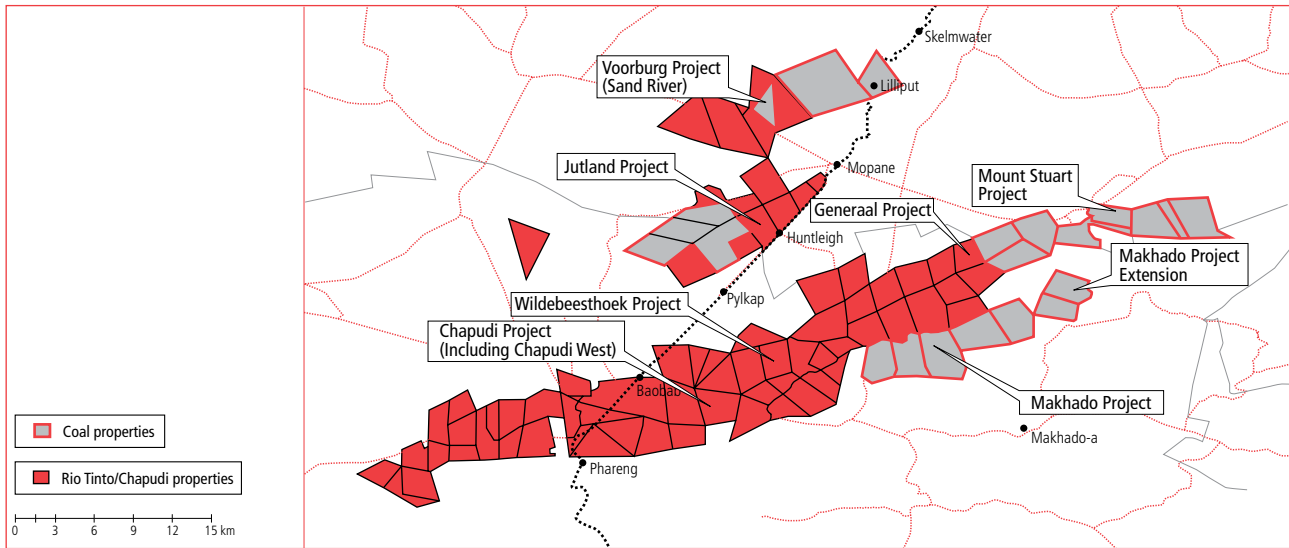


<b>Ownership</b>	Wholly-owned by CoAL
<b>Location</b>	Soutpansberg coalfield, 65km southwest of Musina and 80km southeast of Vele, Limpopo province
<b>Access and infrastructure</b>	<ul style="list-style-type: none"> <li>Electricity supply to be secured from existing Eskom infrastructure</li> <li>Close to the railway line which runs from Musina via Hoedspruit as the link to the Richards Bay and Matola coal terminals</li> </ul>
<b>Resource*</b>	344Mt mineable tonnes in-situ
<b>Mining method</b>	Open-cast mining during Phase 1 with steady-state production at 10 – 14Mtpa ROM and 2.2 – 2.5Mtpa saleable coal, with Phase 2 of an underground section to come
<b>Carrying value at 30 June 2012</b>	<ul style="list-style-type: none"> <li>US\$80 million expenditure to date</li> <li>Approximately US\$550 million projected expenditure for Phase 1, excluding mobile equipment</li> </ul>
<b>Employment</b>	<ul style="list-style-type: none"> <li>Current: 72 including contractors</li> <li>Projected: 1,106</li> <li>Construction phase: 2,500</li> </ul>
<b>Target production*</b>	<ul style="list-style-type: none"> <li>Phase 1: 10 – 12.64Mtpa</li> <li>Other: Consolidate with farm Generaal for additional underground and open-cast section</li> </ul>
<b>Permitting</b>	<ul style="list-style-type: none"> <li>NOMR application submitted in January 2011, and formally accepted</li> <li>Revised EMP and IWUL submissions targeted for the first quarter of FY2013</li> </ul>
<b>Life-of-mine*</b>	Approximately 16 years from open-cast mining (based on the five farms); potential increase with the consolidation of the Generaal Project to the north and expansion into the underground sections

\* Subject to DFS review



## Greater Soutpansberg Project – MbeuYashu



### Ownership

74% owned by CoAL

Empowerment at 26% through Rothe Investments, a newly-established venture owned by Terracotta Resources (Pty) Ltd and Vibrant Veterans Minerals Resources (Pty) Ltd, both BEE companies, as well as King Makhado Holdings (Pty) Ltd, representing communities in close proximity to the Chapudi Coal Project

### Location

Contiguous to the Makhado Project, Limpopo province

### Access and infrastructure

- Good road and rail network
- Exploration phase: Infrastructure requirements currently being established through scoping studies in line with mining rights requirements

### Resources

1,318Mt mineable tonnes in-situ

### Carrying value at 30 June 2012

US\$75 million to date\*

### Employment

- Projected: 3,000
- Construction phase: 2,500

### Permitting

- Prospecting rights acquired from Rio Tinto/Kwezi Mining and transferred by way of Section 11 approval
- Exploration and technical data is in the process of being compiled, NOMR applications to be lodged in FY2013
- Amendment of the associated prospecting environmental management plans is under way

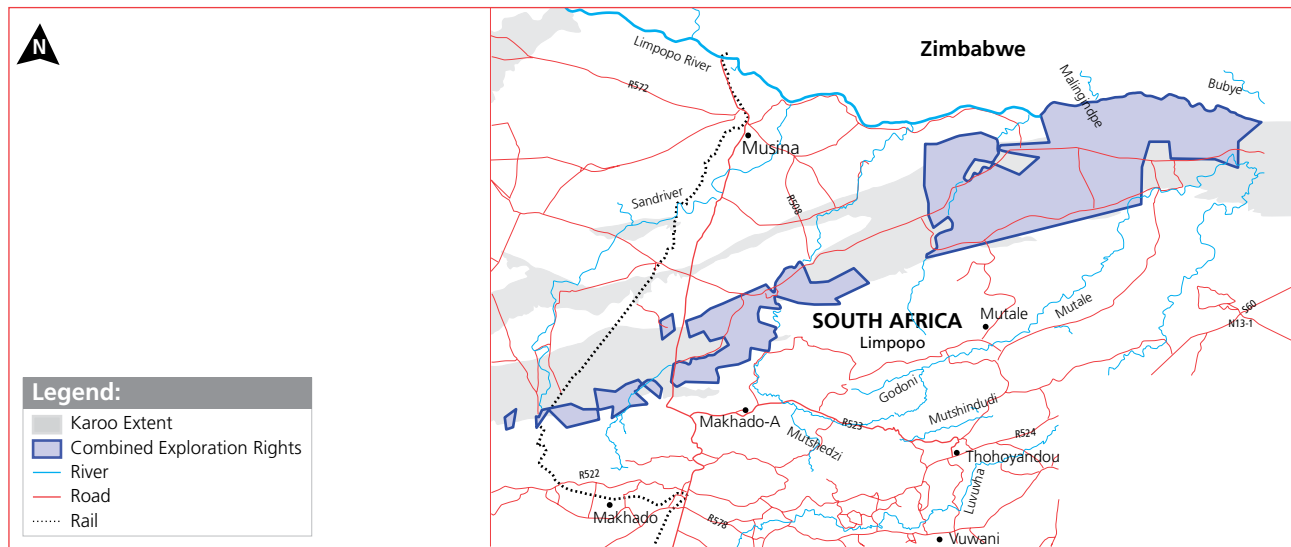
\* Includes US\$43 million in future payment tranches due in terms of the acquisition of these properties from Rio Tinto Minerals Development and Kwezi Mining and Exploration (Pty) Limited



# OPERATIONAL STATISTICS AND PERFORMANCE SUMMARY

## continued

### Tshipise Energy Project



<b>Ownership</b>	Tshipise Energy (Pty) Ltd is a 50:50 joint venture between CoAL and BEE partner Vibrant Veterans (Pty) Ltd
<b>Location</b>	Contiguous to the Makhado Project, Limpopo province
<b>Resource</b>	1,674km <sup>2</sup> gas exploration rights area, predominantly over Makhado Project
<b>Investment</b>	<ul style="list-style-type: none"> <li>• ZAR1.8 million projected expenditure per site on seismic survey and exploration with ZAR10 million short-term investment for exploration</li> <li>• Tshipise has completed the collation of desktop studies undertaken by Australian-based Geogas (Pty) Ltd on the coal bed methane potential of the properties located in the Soutpansberg coalfields</li> </ul>
<b>Employment</b>	Projected: 1,000
<b>Permitting</b>	<ul style="list-style-type: none"> <li>• Short-term exploration right – will be renewed in the first quarter of CY2013</li> <li>• Electro-seismic survey to determine exploration borehole site</li> <li>• More sites will be targeted at similar cost if results prove to be positive</li> </ul>



# SUSTAINABLE DEVELOPMENT REVIEW

CoAL is committed to responsible practices and leveraging our innovative approach to sustainable development (SD). CoAL's new SD policy commits the Company to:

- the responsible development and management of our mines and projects;
- compliance with all applicable legislation as a matter of course;
- engaging regularly and transparently with our stakeholders;
- seeking to mitigate any negative impacts that our operations may have on the environment and surrounding communities; and
- leaving a lasting, positive social, environmental and economic legacy, particularly for those communities and people living in close proximity to our operations.

To deliver on our sustainability strategic objectives we commit to delivering in terms of each of these pillars:

- **PEOPLE** – We respect and value the diversity of humanity, especially our employees and the communities in which we operate.
- **PLANET** – We are aware of the impact of our activities on the environment and are committed to retaining the integrity and functionality of the ecosystems and landscapes surrounding our operations.
- **PROFIT** – We are focused on the delivery of SD through our activities and are committed to providing superior returns for all our stakeholders in a socially and environmentally responsible manner.
- **GOVERNANCE** – We act ethically and are committed to good corporate governance, risk management and a culture of accountability.

These strategic objectives will enable us to:

- gain and retain our 'licence to operate';
- deliver into our project pipeline;
- leave a positive legacy; and
- drive operational excellence.





We recognise that an enduring, positive legacy will only be possible if the ecosystems and landscapes within which we operate retain their integrity and functionality. The CoAL LEGACY policy is being developed to support this. CoAL is furthermore developing the closure with PRIDE mine closure policy, aimed at leaving behind sustainable communities when mining activities cease. This is supported by the RESPECT water policy, which is being developed to ensure protection and responsible utilisation of this scarce resource.

We respect and uphold best practice principles in all aspects of our business, and support the principles of the ICMM and the United Nations Global Compact.

A key milestone achieved during the year under review was the development and sign-off of an integrated SD policy and framework for the Company. The next critical step is giving effect to this SD framework. This framework will be used to track our sustainability journey and to map our specific roles and responsibilities. It will become an integral part of performance management and capacity-building by:

- defining key performance indicators and targets in each area of operation and impact; and
- mapping the tools and systems we need in support of each commitment.

**As a next step we have unbundled our commitments in each pillar – People, Planet, Profit and Governance – as follows:**

CoAL SD commitments			
 PEOPLE	 PLANET	 PROFIT	 GOVERNANCE
<ul style="list-style-type: none"> <li>• Ensure the health and safety of our employees</li> <li>• Foster a diverse and respectful working environment</li> <li>• Invest in the development of our people</li> <li>• Respect and add value to the communities in which we operate</li> </ul>	<ul style="list-style-type: none"> <li>• Continuously minimise our use of resources</li> <li>• Understand and mitigate our environmental impacts</li> <li>• Demonstrate active stewardship of land and biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>• Contribute to the development of local enterprise</li> <li>• Provide adequately for the future</li> <li>• Re-invest in our host communities to leave a legacy</li> <li>• Sustainable profits</li> </ul>	<ul style="list-style-type: none"> <li>• Engage meaningfully with our stakeholders</li> <li>• Report transparently and consistently</li> <li>• Assess and manage risks and compliance continuously</li> </ul>

# SUSTAINABLE DEVELOPMENT REVIEW continued

## PEOPLE

### EMPLOYMENT

CoAL is fast becoming a significant employer at its various operations.

In FY2012, the Company and its mining subsidiaries directly employed 735 people. A further 1,415 people were permanently employed by contractor miners and plant operators.

The Company's objective is to ensure that equal opportunities, non-discriminatory practices and a safe and healthy working environment are maintained for all employees.

CoAL will ensure that all contractors performing core functions at its operations comply with the provisions of the Company's social and labour plans (SLPs), the Mining Charter Scorecard and the Mineral and Petroleum Resources Development Act (MPRDA) and all related legislation.

CoAL aims to recruit the majority of its workforce from local communities surrounding its operations.

#### Employment statistics as at 30 June 2012

OPERATION	EMPLOYEES	CONTRACTORS
Woestalleen	289	737
Mooiplaats	368	272
Vele	17	360
Makhado	4	46
Corporate office (South Africa)	53	–
Registered offices (Australia and UK)	4	–
<b>Total</b>	<b>735</b>	<b>1,415</b>

The Company expects to provide more than 2,000 job opportunities, directly and indirectly, within the next five years.

#### Employment equity

Transformation is a strategic business objective within CoAL and employment equity is a key driver of this. The Company is committed to creating an equitable environment that supports organisational effectiveness through the attraction, development and retention of HDSAs in management and core mining positions.

In respect of employment equity, the 2010 Mining Charter requires that mining companies achieve a minimum of 40% HDSAs in management at both junior and senior level by 2014, and 10% women in mining occupations.

CoAL fully subscribes to the principles of the Mining Charter and strives to achieve the minimum requirements. The representation of HDSAs in management at the Company as at 30 June 2012 was 37.5%.

CoAL has a demographically representative talent pool and aims to ensure effective career and succession planning to retain talent. This will be supported through the development and implementation of a sound mentorship programme in order to create a workplace that is conducive to diversity.

The Company is reviewing a number of strategies to enhance its performance in respect of women in mining. CoAL recognises the strength in diversity from employing women in the mining industry and seeks to exceed the target of 10% women in core mining activities. This position is reinforced through identifying positions in mining which will suit recruited women's physical strength and skills, and ensuring the availability of the necessary facilities, such as change houses and ablution facilities, for female employees.

CoAL's employment equity strategy is designed to provide an equitable environment where individuals can have meaningful careers.

#### Training and development

CoAL recognises that our employees are the most important element in the success of our Company and the source of sustainable competitive advantage.

CoAL is committed to and invests in the training and development of its current and potential employees with a focus on HDSAs in line with Mining Charter requirements. In FY2012, ZAR2.28 million was spent on training the workforce. The Company has committed to spending a total of 4.5% of payroll on training in FY2013.

#### Bursaries

CoAL launched the Thovhele Toni Mphephu Ramabulana Bursary Fund in July 2009, which has already provided 44 bursaries valued at ZAR10.5 million, with ZAR1.9 million spent in FY2012. The initial intake was 35 students from Limpopo and nine from Mpumalanga from 2010, with some graduates already employed by the Company. This bursary fund makes a significant difference to students from under-privileged backgrounds who may not have otherwise had the opportunity to pursue a tertiary education. The fund focuses on supporting science-based qualifications, which will improve the national technical skills capacity, but without ignoring the commercial and social courses. The Company's senior staff members play a major role in offering mentorship support to the students to ensure maximum

pass rates, as well as when they do their practical or vocational work. Currently, there are eight students doing their annual training at the Company's operations. The 2012 calendar year is expected to produce the highest number of graduates – 13 – in various fields.

### **Skills training and learnership plans**

The Company's skills development and learnership programmes also contribute substantially to the improvement of education levels for both employees and communities as required by the Mine Qualifications Authority (MQA), employment equity and women in mining. The learnerships culminate in a qualification registered on the National Qualifications Framework.

The main challenge the Company experienced during the year was students' inability to cope with tertiary education level, resulting in high failure and drop-out rates. CoAL aims to address this through its school development programme.

### **Labour relations**

At CoAL, employee relations are governed by legislation and industry agreements covering the prescribed minimum levels of compensation and benefits such as trade union access and membership, the right to strike, mandatory compensation in the case of termination for operational cause, employment equity practices, compensation for occupational illness or injury while on duty, and the provision of training.

CoAL encourages collective bargaining with recognised employee representatives. The major unions recognised by the Company are the NUM, the Association of Mineworkers and Construction Union (AMCU) and Solidarity. Approximately 62% of the Company's workforce is currently unionised.

During the year under review, annual wage agreements were concluded at both Woestalleen and Vele. In addition to the basic wage, medical aid, housing and other allowances have become a key focus of negotiations and the Company is moving towards increased benefits on an annual basis.

The Woestalleen operation experienced industrial action by AMCU-affiliated members in 2011, during which there were sporadic incidents of violence. An employee died and a case of murder is currently before the courts.

The Mooiplaats operation has experienced both community-related protests and inter-union rivalry over union membership in the past year.

In addition, there was a protected strike by the NUM at Mooiplaats in relation to annual wage negotiations post year-end, at the end

of September 2012. The Company had proposed a fair wage and benefit offer which amounted to an increase of 22% (all inclusive) which was not accepted by the workers. The NUM then applied for and was awarded a certificate to embark on a legal strike subject to the provision of 48 hours' notice to the Company. CoAL immediately countered this through a Section 150 application to the Council for Conciliation, Mediation and Arbitration to facilitate a discussion between management and the union to resolve negotiations without the need for strike action. Unfortunately the mediation process was not successful and resulted in the workers proceeding with strike action. At the time of publication of this report, operations at the colliery have consequently stopped and CoAL is applying the no work no pay rule in relation to this strike.

### **Human rights**

As a company operating in South Africa, CoAL is governed by the South African Constitution which promotes the preservation of human rights. The Company prohibits and prevents child, forced or compulsory labour as well as discrimination on any grounds at all its operations.

There were no incidents of discrimination or corrective action taken in FY2012 at the Company operations.

## **COMMUNITY ENGAGEMENT AND SUPPORT**

Our biggest challenge in progressing our community engagement initiatives is our ability to adequately address the legacies of the past within the rural communities in which we operate. CoAL's objective is to play a key role in transforming these communities by addressing challenges such as poverty, unemployment and poor education levels through employment and our employment equity policy, our local preferential procurement policy, small to medium enterprises (SME) and enterprise development.

Within the Makhado Project footprint, a Skills Development Centre located on the farm Tanga, provides some opportunities for local people to further their abilities. In addition, various school and educational infrastructure development initiatives in Musina are under way which will further the Company's objectives.

As meeting community expectations is a recurring theme across the mining industry, the Company's approach is to go beyond information-sharing to consistently and collaboratively engage with communities. The aim is to empower these communities for meaningful participation, ensuring that they are a part of the decision-making process on matters directly affecting them.

# SUSTAINABLE DEVELOPMENT REVIEW continued

During the year under review, one of the community engagement highlights was the successful election of the MCCCCF. The MCCCCF comprises 35 members who represent seven affected communities. The creation of the MCCCCF allowed for the finalisation of the public consultations required in accordance with the MPRDA for Makhado's NOMR application process.

At Mooiplaats, the Company continuously engages with the surrounding communities. The local authorities such as the mayor are consulted on issues or conflicts with communities which include employment.

CoAL's approach to community engagement is governed by compliance with South African legislation. This approach is inclusive and encourages capacity-building and participation in the decision-making processes.

The Company identifies the communities with which to engage using a combination of the DMR guidelines' definition of a community and the environmental specialist studies that demarcate zones of environmental and social influence. CoAL communicates with communities through established representative forums, public meetings, working groups and focus group meetings.

The communities' needs and local economic development projects are identified by:

- reviewing existing studies, needs assessments and planning documents for the area;
- consulting and interviewing key municipal staff, community leaders and organisations; and
- reviewing sample or community surveys.

CoAL's corporate affairs director and stakeholder manager are responsible for the Company's community engagement and ensure its continuity.

There have been community land concerns during the year under review stemming primarily from land claims yet to be resolved by the Department of Rural Development and Land Reform, representatives of which engage continuously with claimants while conducting research as required.

During the year under review, ZAR1.7 million was spent on SLP local economic development projects at Mooiplaats, while a commitment of ZAR1.6 million has been made to build additional classrooms for a school in Musina, near the Vele Colliery.

It is notable that the latter expenditure commitment has been made despite the operation not yet being profitable.

## PLANET

### ENVIRONMENTAL PERFORMANCE

CoAL recognises that its activities have the potential to have short- and long-term impacts on the environment – fauna and flora, natural resources and systems, land, air and water – in the areas surrounding its operations. The Company understands that, to be a sustainable business, environmental considerations need to be factored into every activity, from exploration and development to mining, rehabilitation and closure. In line with CoAL's Safety Health and Environment Policy, we strive to prevent or minimise adverse impacts arising from our activities, demonstrate active stewardship of land and biodiversity, while respecting the various cultures and heritage of the affected communities.

The Company's Witbank operations are located in an established mining area and Woestalleen has been in operation for 32 years. This has had certain challenges from an ongoing management perspective, and also has implications for their closure.

Although CoAL's new projects – Vele and Makhado – are located in new mining territories in Limpopo province, they are not located in environmentally pristine areas. This land has been intensively farmed in the past, bringing its own challenges. Importantly, as these areas are likely to attract many new investors, CoAL needs to set a standard for newcomers and will seek to do so – see page 38.

The Vele Colliery only began production in December 2011 while the plant started operating in March 2012. As the colliery is in the build-up phase, there are no meaningful statistics yet and these will be reported on in the next financial year.

### MANAGEMENT APPROACH

CoAL's first principle is compliance with legislation, combined with the development and application of good practice and innovations.

The CEO currently provides oversight of environmental issues at CoAL, while management and operational responsibility falls under the Chief Operating Officer (COO). The Company uses advisors and consultants for the following activities:

- compiling EMPs, EIAs and water use licence applications;
- water monitoring and analysis;
- fallout dust monitoring;
- fauna and flora management;
- legal compliance audits; and
- biomonitoring.



MAKHADO PROJECT

## SUSTAINABLE DEVELOPMENT REVIEW continued

CoAL is committed to complying with environmental legislation, which is comprehensive in the South African context. The most significant laws which guide environmental compliance are the MPRDA, the NEMA, the National Water Act and the Air Quality Control Act.

As is required by legislation, CoAL has compiled EMPs which guide environmental management during the operation of a mine, and its eventual rehabilitation and closure. Specifically, EMPs identify impacts, mitigation measures as well as rehabilitation and closure plans. EMPs are legally binding and form part of the Company's submission for and receipt of mining rights conversions.

Some significant developments during the year:

- The Holfontein NOMR was granted and the EMP approved in February 2010.
- The Vele EMP was executed in March 2010 and the NEMA environmental authorisation awarded in July 2011.
- Vele's IWUL suspension was lifted in October 2011.
- The EMP for Mooiplaats South was submitted in September 2009 for the extension of a NOMR to include additional farms. There is a double granting of rights with Anker and the DMR therefore alerted us that they were not going to process this EMP application. The mining plan has also been amended. The submitted EMP application will be withdrawn in the next financial year and a replacement submitted.
- Good progress has been made with Makhado's environmental scoping report, EIA and EMP.
- The EMP and EIA for the Makhado Project were submitted post year-end in September 2012.

CoAL has a system in place to deal with significant environmental incidents which need to be reported within 48 hours. This is in line with environmental legislation.

There were no significant environmental incidents during the year.

### WATER MANAGEMENT

CoAL is cognisant of the fact that water is a critical natural resource in scarce supply. Mining companies in South Africa require IWULs in order to operate. However, there is currently a backlog of these applications at the Department of Water Affairs.

The Woestalleen IWUL was granted in September 2009, while Vuna Colliery received an IWUL in November 2009 – the amended IWUL, to include an additional coal block, was granted in February 2012. The Mooiplaats Colliery's IWUL was submitted in May 2010. The Company follows up on this regularly and according to the DWA the licence is currently with the Reserve Determination Department, which indicates that it is in the final stages.

Vele Colliery's IWUL was granted by the DWA in March 2011. The IWUL was suspended in terms of Section 148(2) (b) of the South Africa National Water Act due to an appeal to the Water Tribunal by an NGO coalition in July 2011. The Company made an urgent counter-appeal to the Minister of Water Affairs, requesting that the IWUL remain in full force and effect in this interim period and until the final conclusion of the appeal. This IWUL suspension was lifted in the second quarter of FY2012, enabling the use of water at the colliery and its construction to continue.

At Woestalleen/Vuna water is sourced from the following:

- the Woestalleenspruit;
- old underground operations; and
- decant water from old open-cast areas.

The water used is recycled, while potable water is transported in trucks from the nearby town.

At Mooiplaats water is sourced from old and current underground operations. Water used is recycled through the system, while potable water is obtained from boreholes.

The main uses of water at Woestalleen/Vuna and Mooiplaats are for dust suppression and the coal washing plant.

### Water usage in FY2012\*

<b>WOESTALLEEN</b>	<b>QUANTITY (m<sup>3</sup>)</b>
Potable water (purchased)	2,803
Recycled water used in the coal washing plant	1,693,567
Water from the spruit	455,639
Water from old underground workings	601,467
<b>VUNA</b>	
Water from open-cast pits used for dust suppression	118
Potable water	Not measured
<b>MOOIPLAATS</b>	
Potable water from borehole	246,600
Water from old underground workings	138,540
Water from current underground workings	Not measured
Recycled water	Not measured
<b>VELE</b>	
Mine water consumption	119,157
Dust suppression	14,026
Dewatering	1,680
Potable water from external sources	–
Fissure water used	–
Water recycled in process	10,400

\*Statistics for FY2011 were not available but systems are now in place to collate this information.

All CoAL's mines strive towards a closed water management system to ensure zero discharge. However, Woestalleen and Mooiplaats do not have closed water management systems in place yet as none of the pollution control dams and trenches are lined. Both operations have submitted environmental authorisation applications to be able to construct properly lined pollution control systems. Once these applications have been approved, construction will start and Woestalleen and Mooiplaats will be able to contain all polluted water on site.

### Vele

A detailed water-balance has been compiled by specialists for the Vele Colliery, and is inclusive of the water demand for processing, potable use on site, irrigation of rehabilitated areas, dust suppression and provision for livestock and game.

A study to determine the aquifer's ability to provide for existing and future water use, has confirmed that there will be no further pressure on the catchment's water resources, given that the mine's host properties have existing associated water uses.

### Makhado

Makhado is due to be licensed as a zero discharge mine and at steady-state will use approximately 4.6ML of water per day. Negotiations are currently in the final stages with the Nzhelele dam downstream irrigation farmers for the purchase of a percentage of their water rights. The majority of the water is to be used for dust control measures as well as in the coal washing plant. Concurrently, CoAL is embarking on a feasibility study which will evaluate options at creating 'replacement or new water' by addressing leakage, reducing evaporative losses and raising the Nzhelele dam wall among others.

## ENERGY MANAGEMENT

As a coal explorer and producer as well as a consumer of energy, the Company recognises that energy management is critical. During F2012, our largest source of energy was diesel/fossil fuels followed by electricity consumption.

CoAL recognises its legal and social responsibility to conserve energy and keep its carbon footprint as low as possible at all its operations.

The Company requires its consultants and contractors to meet the requirements of South Africa's energy-efficiency strategy, with the objective of all operations adhering to the relevant South African energy-efficiency codes and standards of best practice.

At Makhado, CoAL will appoint an independent auditor in FY2013 to review the design, as well as the completed installation, prior to commissioning and to issue an energy efficiency compliance certificate (EECC). The auditor will be an ECSA-registered Professional Engineer or a Certified Energy Manager, accredited by the South African Association for Energy Efficiency. Various energy conservation and carbon footprint reduction measures are to be established and implemented at this project, including the following:

- applying the appropriate fuel or energy source for end-use applications. Alternative energy sources or technologies like solar energy, liquid or solid fuels shall be deployed in preference to grid electricity from Eskom; and
- using electricity as conservatively and effectively as possible.

Energy conservation measures being considered at Makhado include: use of natural light, power factor correction equipment; the design of buildings and solar power for all smaller applications such as heating water.

Energy conservation initiatives at Mooiplaats for FY2012/2013 are:

- power factor correction, expected to lead to a 30% saving on electricity; and
- discontinuation of the use of both generators, leading to a saving on diesel usage. One generator was discontinued post year-end and major savings are already being identified.

At Woestalleen, energy-saving initiatives in FY2012 were:

- power factor correction;
- replacement of light bulbs with energy-saving variants;
- installation of heat pumps instead of geysers; and
- termination of the use of generators on site.

At Vuna, no Eskom power is currently available and therefore only generators can be used. Solar panel lights have been installed at security check points while smaller generators are used on site for

### Energy usage in FY2012

ENERGY USAGE	WOESTALLEEN/VUNA	MOOPLAATS	VELE
Diesel (litres)	8,505,963	–	3,405,911
Petrol (litres)	36,036	–	–
Electricity demand (KVA)	32,355	–	–
Electricity energy charge (kWh)	13,324,443	12,181,872	–

# SUSTAINABLE DEVELOPMENT REVIEW continued

greater energy efficiency. All light bulbs have been replaced with energy saving variants.

## CLIMATE CHANGE AND EMISSIONS

CoAL realises that climate change is a threat to the stability of the global economy and, as a coal producer, the Company must play a responsible role by developing initiatives to mitigate and absorb greenhouse gases (GHGs) as well as reduce the use of fossil fuels.

The Company's operations are subject to South African legislation, regulations, policies and treaties aimed at limiting or reducing GHG emissions.

CoAL's operations have the potential to impact on climate change in three ways: firstly, through energy used during the mining process – diesel/fossil fuel and electrical; secondly, through the release of GHGs during the coal production process. Coal contains impurities, including sulphur, mercury, chlorine and other elements, many of which are released into the air when coal is burned. The extraction, processing and transportation of coal generate methane and carbon dioxide, both GHGs; and thirdly, the final products – thermal and coking coal – are used in combustion processes that generate more GHGs.

CoAL will be considering initiatives to alleviate and reduce GHG emissions from its operations and will also be developing a climate change policy in this regard.

The Tshipise Energy Project is exploring the CBM potential of the Soutpansberg coalfield with a view to harnessing the benefits of fugitive gas, which may otherwise escape into the environment during coal mining. As one of the cleanest fossil fuels, generating up to 50% fewer greenhouse gases than conventional coal-fired electricity generation, CBM is competitive with conventional gas, and development and production costs are expected to reduce further into the future.

Tshipise Energy is applying global best practice in the prevention of methane escape into the atmosphere; ensuring that management and control are accountable to the highest standards of the UNFCCC by applying the Clean Development Mechanism (CDM). The CDM allows emission-reduction projects in developing countries to earn Certified Emission Reduction (CER) credits – each equivalent to one tonne of carbon dioxide. These CERs can be traded and sold, and used by industrialised countries to realise some of their emission-reduction targets under the Kyoto Protocol to the UNFCCC.

## LAND MANAGEMENT, REHABILITATION, BIODIVERSITY AND CLOSURE

During the year under review, 176ha of land were under management at Vuna; this comprised the surface structures – railway siding,

washplant, stockpiles and offices. The area will not increase as the mine reaches the end of its economic life in April 2013.

Some 200ha were under CoAL's management at Mooiplaats in FY2012, comprising the washplant and offices. This is also likely to remain unchanged in view of Mooiplaats being an underground mine.

Wetland delineation and flora and fauna studies have been carried out on all the Company's sites. These are monitored on an ongoing basis to determine impact of mining activities, if any.

Mooiplaats Colliery is situated in an area with high floral diversity and is surrounded by wetlands. Access to these areas is restricted and no vehicle movement is allowed. Firebreaks are maintained to prevent annual burning of vegetation in the area which is detrimental to species.

A prominent wetland system occurs along the boundary of Vuna Colliery and no activities are allowed within a 100m boundary of this wetland. Bio-monitoring is conducted every six months to ensure no impact on the wetland system.

Woestalleen Colliery is situated in an area where agricultural activities are the main land use, adjacent to Woestalleenspruit. Wetland delineation has been done and six-monthly monitoring is carried out to monitor the impact of Woestalleen on the Woestalleenspruit.

CoAL has made significant financial provision for mine and site rehabilitation in respect of its mining operations and has mine closure plans for all its operating and former mining sites.

The Company also realises the impact its operations have on the environment and aims to rehabilitate land disturbed by its mining processes on an ongoing basis, ensuring its restoration for appropriate and sustainable use in line with each mine's EMP.

Provision for closure is made during the LOM in line with estimated rehabilitation liabilities.

In working to minimise the surface impact at Vele, CoAL amended its original mine plan to include an underground component, from where 40% of the colliery's coal will be sourced. Plans are in place to rehabilitate the surface mine simultaneously with mining activities; at no time is the open pit expected to be larger than 50ha.

### Rehabilitation and closure provisions

MINE	AMOUNT (R)
Mooiplaats	25,772,918
Vuna	25,647,117
Woestalleen	16,332,400*

\* This has not yet been submitted to the DMR.



*MOOIPLAATS COLLIERY*

# GOVERNANCE

Our objective is to achieve best practice in corporate governance and the Company's Board, senior executives and employees are committed to realising this.





VELE COLLIERY

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Coal of Africa Limited is responsible for the establishment of a corporate governance framework that has regard to the best practice recommendations set by the ASX Corporate Governance Council. CoAL's objective is to achieve best practice in corporate governance and the Company's Board, senior executives and employees are committed to achieving this objective.

This statement summarises the corporate governance practices that have been adopted by the Board. In addition to the information contained in this statement, the Company's website at [www.coalofafrica.com](http://www.coalofafrica.com) contains additional details of its corporate governance procedures and practices.

## ASX BEST PRACTICE RECOMMENDATIONS

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

The Board has adopted a Corporate Governance policy that (except where expressly noted below) complies with the Corporate Governance Principles and Recommendations with 2010 Amendments (ASX Principles), established by the ASX Corporate Governance Council. This Corporate Governance policy has been in effect for the entire reporting period.

## BOARD OF DIRECTORS

### Role and responsibilities of the Board

The role of the Board is to provide leadership for and supervision of the Company's senior management. The Board provides the strategic direction of the Company and regularly measures the progression by senior management of that strategic direction.

The key responsibilities of the Board include:

- (a) overseeing the Company, including its control and accountability systems;
- (b) appointing the CEO, or equivalent, for a period and on terms as the Directors see fit and, where appropriate, removing the CEO, or equivalent;
- (c) ratifying the appointment and, where appropriate, the removal of senior executives, including the FD and the company secretary;
- (d) ensuring the Company's Policy and Procedure for Selection and (Re)Appointment of Directors is reviewed in accordance with the Company's Nomination Committee Charter;
- (e) approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance;
- (f) satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;
- (g) assessing the effectiveness of senior management's implementation of systems for managing material business risk, including the making of additional enquiries, and to request assurances regarding the management of material business risk, as appropriate;
- (h) monitoring, reviewing and challenging senior management's performance and implementation of strategy;
- (i) ensuring appropriate resources are available to senior management;
- (j) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (k) monitoring the financial performance of the Company;
- (l) ensuring the integrity of the Company's financial (with the assistance of the Audit and Risk Committee, if applicable) and other reporting through approval and monitoring;
- (m) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- (n) appointing the external auditor (where applicable, based on recommendations of the Audit and Risk Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company;
- (o) engaging with the Company's external auditors and Audit and Risk Committee (where there is a separate Audit and Risk Committee);

- (p) monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, native title, cultural heritage and occupational health and safety; and
- (q) making regular assessment of whether each Non-executive Director is independent in accordance with the Company's Policy on Assessing the Independence of Directors.

In accordance with ASX Principle 1, the Board has established a Board Charter which sets out functions reserved to Board and those delegated to senior executives. This Charter is available on the Company's website. The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

### **Board composition**

The Board comprises three executive Directors and six Non-executive Directors.

The Company's website contains details on the procedures for the selection and appointment of new Directors and the re-election of incumbent Directors, together with the Board's policy for the nomination and appointment of Directors.

ASX Principle 2 recommends the Board establish a Nomination Committee to focus on the selection and appointment practices of the Company. It is further recommended that the Nomination Committee have a formal Charter.

The Company has a Nomination and Remuneration Committee which is comprised of three independent Non-executive Directors and which undertakes the nomination functions for the Company. The Nomination and Remuneration Committee has adopted a formal Nomination and Remuneration Committee Charter, available on the Company's website, which includes information on the Company's approach to selection and appointment of Directors.

The composition of the Board is reviewed, at least annually, to ensure the balance of skills and experience is appropriate. The current Directors have a broad range of qualifications, experience and expertise in mining exploration and production and in the corporate and finance industries. The Board is of the view that the current composition comprises the mix of skill sets and experience it is looking to achieve in membership of the Board. The skills, experience and expertise of Directors are set out in the Directors' Report.

The names of the Directors in office at the date of this Report, the date they were appointed if appointed during the year, their status as Executive, Non-executive and/or independent Directors and whether they are retiring by rotation and seeking re-election by shareholders at the 2012 Annual General Meeting, are set out in the Directors' Report.

### **Independence of Non-executive Directors**

The Board considers an independent Director to be a Non-executive Director who meets the criteria for independence set out in Principle 2 of the ASX Corporate Governance Principles and Recommendations. In determining a Director's independence, the Board considers the relationships that may affect independence, as set out in Box 2.1 of the ASX Principles.

Materiality for these purposes is based on quantitative and qualitative thresholds, set out in the Board Charter available from the Company's website. In summary, the Board has agreed on the following guidelines for assessing the materiality of matters:

## **MATERIALITY – QUANTITATIVE**

### **Balance sheet items**

Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.

### **Profit and loss items**

Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.

# CORPORATE GOVERNANCE STATEMENT continued

## MATERIALITY – QUALITATIVE

Items are also material if:

- (a) they impact on the reputation of the Company;
- (b) they involve a breach of legislation;
- (c) they are outside the ordinary course of business;
- (d) they could affect the Company's rights to its assets;
- (e) if accumulated they would trigger the quantitative tests;
- (f) they involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items; or
- (g) they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

## MATERIAL CONTRACTS

Contracts will be considered material if:

- (a) they are outside the ordinary course of business;
- (b) they contain exceptionally onerous provisions in the opinion of the Board;
- (c) they impact on income or distribution in excess of the quantitative tests;
- (d) there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests;
- (e) they are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests;
- (f) they contain or trigger change of control provisions;
- (g) they are between or for the benefit of related parties; or
- (h) they otherwise trigger the quantitative tests.

The Board has reviewed and considered the positions and associations of each of the Directors in office at the date of this report and consider that a majority of the Directors are not independent. Messrs David Brown, Bernard Pryor, Peter Cordin and David Murray are considered independent. Executive Directors Messrs John Wallington and Wayne Koonin and Alfred Nevhutanda and Non-executive Directors Khomotso Mosehla and Rudolph Torlage are not considered independent.

Notwithstanding that the current composition of the Board does not meet the requirements of ASX Principle 2 as a majority of the Directors are not independent, the Board considers that the composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. The Board has formed the view that the individuals on the Board can and do make quality judgments in the best interests of the Company on all relevant issues.

## INDEPENDENT PROFESSIONAL ADVICE

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Company's expense and advice so obtained is to be made available to all Directors.

## MEETINGS

The Board held 5 scheduled and 3 unscheduled meetings during the reporting year. Senior management attended and made presentations at the Board Meetings as considered appropriate and were available for questioning by Directors.

The attendance of Directors at Board meetings during the year ended 30 June 2012 is detailed in the Directors' Report.

## EVALUATION OF BOARD AND SENIOR EXECUTIVE PERFORMANCE

A process has been established to review and evaluate the performance of the Board, individual Directors and senior executives. The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing the performance of the Board and individual Directors over the previous 12 months and examining ways in which the Board can better perform its duties. Membership of the Board has recently been refreshed

and as a result, the Company has deferred its annual Board review to enable the new Board the opportunity to work together as a group prior to such review.

The CEO is responsible for assessing the performance of the key executives within the Company. This is performed through a formal process involving a formal meeting with each senior executive.

## REMUNERATION

ASX Principle 8 recommends the Board establish a Remuneration Committee to focus on appropriate remuneration policies. It is further recommended that the Remuneration Committee have a formal Charter.

The Company has a Nomination and Remuneration Committee which is comprised of three independent Non-executive Directors and which undertakes the remuneration functions for the Company. The Nomination and Remuneration Committee has adopted a formal Remuneration Committee Charter, available on the Company's website, which includes information on the Company's approach to remuneration of Directors (executive and non-executive) and senior executives.

In accordance with Principle 8, executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Total aggregated Non-executive Directors' fees are currently capped at A\$1,000,000 per annum.

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

See the Remuneration Report for details of remuneration paid to Directors and key executives during the year on pages 58 to 63.

## RISK MANAGEMENT

In accordance with ASX Principle 7, the Company has a policy for the oversight and management of material business risks, which is available on the Company's website.

The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the CEO, with the assistance of senior management, as required.

The CEO has responsibility for identifying, assessing, monitoring and managing risks. The CEO is also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company is updated to reflect any material change.

The CEO is required to report on the progress of, and on all matters associated with, risk management on a regular basis, and at least annually. During the reporting period, the CEO regularly reported to the Board as to the effectiveness of the Company's management of its material business risks.

Further, in accordance with Principle 7, the CEO and FD have confirmed in writing to the Board that:

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

## FINANCIAL REPORTING

ASX Principle 4 recommends the Board establish an Audit Committee to focus on issues relevant to the integrity of the Company's financial reporting. It is further recommended the Audit Committee have a formal Charter.

The Company has established an Audit and Risk Committee which is comprised of a majority of independent Non-executive Directors.

## CORPORATE GOVERNANCE STATEMENT continued

The role of the Audit and Risk Committee is to:

- (a) monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments;
- (b) review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems;
- (c) monitor, review and oversee the external audit function including matters concerning appointment and remuneration, independence and non-audit services;
- (d) monitor and review compliance with the Company's Code of Conduct; and
- (e) perform such other functions as assigned by law, the Company's Constitution, or the Board.

The Audit and Risk Committee has adopted a formal Audit and Risk Committee Charter, available from the Company's website, which promotes an environment consistent with best practice financial reporting.

### SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

The role of the Safety, Health and Environment Committee is to assist the Board in the effective discharge of its responsibilities in relation to safety, health and environmental issues for CoAL, and the oversight of risks relating to these issues. The Committee's responsibilities include to:

- (a) Understand the risks of this committee's issues involving CoAL's activities;
- (b) Ensure that the systems and processes for identifying, assessing and managing HSE risks of CoAL are adequately monitored;
- (c) Regularly review and ensure compliance with the HSE strategies and policies of CoAL's and the supporting Management systems and processes; and
- (d) Monitor developments in relevant HSE related legislation and regulations and monitor CoAL's compliance with relevant legislation, including through audits.

### CODE OF CONDUCT

The Board encourages appropriate standards of conduct and behaviour from Directors, officers, employees and contractors of the Company.

The Board has adopted a Code of Conduct in relation to Directors and employees, available from the Company's website. This Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

A fundamental theme is that all business affairs are conducted legally, ethically and with strict observance of the highest standards of integrity and propriety.

### SECURITIES TRADING

As required by Listing Rule 12.12, the Board has adopted a Securities Trading Policy which regulates dealings by Directors, offices and employees in securities issued by the Company.

Under the policy, which is available on the Company's website, Directors, officers and employees of the Company must not, whether in their own capacity or as an agent for another, subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any securities (ie. shares or options) in the Company, or procure another person to do so:

- (a) if that Director, officer or employee possesses information that a reasonable person would expect to have a material effect on the price or value of the securities if the information was generally available;
- (b) if the Director, officer or employee knows or ought reasonably to know, that:
  - the information is not generally available; and
  - if it were generally available, it might have a material effect on the price or value of the securities in the Company; and
- (c) without the written acknowledgement of the Chair.

Further, Directors, officers and employees must not either directly or indirectly pass on this kind of information to another person if they know, or ought reasonably to know, that this other person is likely to deal in the securities of the Company or procure another person to do so.

The policy regulates trading by key management personnel within defined closed periods, as well as providing details of trading not subject to the policy, exceptional circumstances in which key management personnel may be permitted to trade during a prohibited period with prior written clearance and the procedure for obtaining written clearance.

Directors, officers and employees must not enter into transactions or arrangements which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written acknowledgement from the Chair.

Executives are also prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

## **PRIVACY**

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of CoAL.

## **CONTINUOUS DISCLOSURE**

In accordance with ASX Principle 5, the Board has an established Continuous Disclosure Policy which is available from the Company's website.

The Company promotes timely and balanced disclosure of all material matters concerning the Company and recognises that all investors should have equal and timely access to material information. The Company has adopted certain procedures to ensure that it complies with its continuous disclosure obligations and has appointed a Responsible Officer who is responsible for ensuring the procedures are complied with.

## **SHAREHOLDER COMMUNICATION**

In accordance with ASX Principle 6, the Board has established a communications strategy which is available from the Company's website.

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company. All shareholders receive the Company's annual report, and may also request copies of the Company's half-yearly and quarterly reports.

The Company maintains a website at [www.coalofafrica.com](http://www.coalofafrica.com) and makes comprehensive information available on a regular and up to date basis. The Company provides shareholder materials directly to shareholders through electronic means. A shareholder may request a hard copy of the Company's annual report to be posted to them.

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

## **DIVERSITY**

On 30 June 2010, the ASX Corporate Governance Council introduced a number of new recommendations in respect of diversity. These changes apply for financial years commencing on or after 1 January 2011, being the financial year ending 30 June 2012 for CoAL.

The Company is committed to developing a diverse workforce and providing a work environment in which all employees are treated fairly and with respect. To this end, the Company has in place an Employment Equity Policy which details its commitment to being an equal opportunity employer and is in line with the South African Mining Charter and Employment Equity legislation in South Africa. A copy of the Employment Equity Policy is available on the Company's website.

The Mining Charter requires that a company establish measurable objectives for achieving gender diversity and assess such objectives and progress toward achieving them. The targets set for CoAL include 10% female representation in core mining positions. Employment Equity targets, as these relate to designated groups (one of which is women), are included as part of the business key performance areas which are included in all management performance contracts.

As at the date of this report, the proportion of women employees in the organisation is:

Employees	17%
Senior Executive	16%
Board	0%

# DIRECTORS' REPORT

The directors of Coal of Africa Limited (CoAL or the Company) submit herewith the annual report of the Company and the entities controlled by the Company (its subsidiaries), collectively referred to as 'the Group' or 'the Consolidated Entity', for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

## INFORMATION ABOUT THE DIRECTORS AND SENIOR MANAGEMENT

The names and particulars of the Directors of the Company during or since the end of the financial year are set out below. Unless otherwise stated, the directors held office during the whole of the financial year:

### BOARD

#### **David Brown**

##### **Independent Non-executive Chairman**

(Appointed 6 August 2012)

Mr Brown joins Coal of Africa following a tenure of 14 years at Impala Platinum Holdings Limited (Implats). He joined the Impala Group in 1999 and served as CFO and financial director (FD) of Impala Platinum Holdings Ltd before being appointed chief executive officer in 2006. He is currently an independent non-executive director of Vodacom Group Limited and has in the past served as a non-executive director of Simmer & Jack Limited. Mr Brown is a Chartered Accountant and completed his articles with Ernst & Young, graduating from the University of Cape Town.

#### **John Nicholas Wallington**

##### **Chief Executive Officer**

##### **Executive Director**

Mr Wallington holds a BSc in Mining Engineering from the University of the Witwatersrand in Johannesburg, South Africa and has participated in executive programmes with both the London Business School and the Harvard Business School. He joined the Coal Division of Anglo American in 1981 and was CEO of the South African Region before being appointed as CEO of Anglo Coal globally. Mr Wallington held the position of CEO for the Anglo Coal Division between 2005 and 2008 and has 30 years experience in the coal exploration and mining industry.

#### **Wayne Gregory Koonin**

##### **Financial Director**

Over the past 13 years, Mr Koonin has gained extensive international experience working in senior financial roles for Canadian, South African, British and Swiss based exploration, development and operating mining companies, covering a variety of commodities, including coal. As a result, he has had exposure to various international accounting standards, taxation and regulatory environments, as well as responsibility for entities listed on the JSE Limited (JSE), ASX, AIM market of the London Stock Exchange (AIM) and National Association of Securities Dealers Automated Quotations (NASDAQ).

#### **Professor Ntshengedzeni Alfred Nevhutanda**

##### **Executive Director**

Professor Alfred Nevhutanda has two PhD's (in Education Environment and Arts Culture), a diploma in Management Studies and an MBA, and has been involved in a number of diversified businesses and served as a leader in various academic fields, as well as held various political appointments. He has acted as an advisor to the King of the Vhavenda, Ministers and Members of the Executive Council of the ruling party.

### **Dave John Keir Murray**

#### **Independent Non-executive Director**

Mr Murray has held a number of senior positions in the global coal industry, including managing director of Ingwe Coal Corporation (formerly Trans-Natal Coal Corporation Limited), chief executive of BHP Billiton Mitsubishi Alliance and President of Energy Coal Sector Group at BHP Billiton Limited, a position he held until December 2009. Mr Murray holds a Bachelor of Science Degree (Civil Engineering) from the University of KwaZulu-Natal and a Post Graduate Diploma in Mining Engineering from the University of Pretoria. He has also completed the Advanced Executive Program from the University of South Africa.

### **Bernard Robert Pryor**

#### **Independent Non-executive Director**

(Appointed 6 August 2012)

Mr Pryor was, until recently, chief executive of Q Resources plc and is a non-executive director of African Minerals Limited. Between 2006 and 2010 he held senior executive positions within Anglo American Plc as head of business development, and CEO of Anglo Ferrous Brazil Inc.

### **Peter George Cordin**

#### **Independent Non-executive Director**

Mr Cordin has a Bachelor of Engineering from the University of Western Australia and is well experienced in the evaluation, development and operation of resource projects within Australia and overseas. He is the chairman of ASX listed Dragon Mining Limited and non-executive director of Vital Metals Limited.

### **Khomotso Brian Mosehla**

#### **Non-executive Director**

After serving articles at KPMG, Mr Mosehla worked for five years at African Merchant Bank Limited, where he gained a broad range of experience, including Management Buy-Out (MBO), Leveraged Buy-Out (LBO) and capital restructuring/raising transactions. In 2003, he established Mvelaphanda Corporate Finance, for the development of Mvelaphanda's mining and non-mining interests. Mr Mosehla served as a director on the boards of several companies, including Mvelaphanda Resources Limited, and he is currently the CEO of Mosomo Investment Holdings Proprietary Limited.

### **Rudolph Henry Torlage**

#### **Non-executive Director**

Mr Torlage is a Chartered Accountant and has over twenty years' experience with ArcelorMittal South Africa. He is currently executive director of finance and a board member of various unlisted ArcelorMittal Group companies.

### **Richard John Linnell**

#### **Independent Non-executive Chairman**

(Resigned 6 August 2012)

Mr Linnell has been active in the resources and metals fields for over 40 years and has significant global experience in the development and marketing of resources and commodities. He was the originator of the Bakubang Initiative, a forum designed to revive the South African mining industry and which led to the establishment of the New Africa Mining Fund, of which he is Chairman of Trustees. He holds a number of other Directorships.

# DIRECTORS' REPORT continued

## BOARD continued

### Simon James Farrell

#### Independent Executive Deputy Chairman

(Resigned 6 August 2012)

Mr Farrell has a Bachelor of Commerce from the University of Western Australia and an MBA from the Wharton School of the University of Pennsylvania. He is a Fellow of the Australian Society of CPA's and the Institute of Company Directors. He has held a number of senior management and board positions, principally in the resources sector, over the last twenty years. He is currently a director of LSE listed Kenmare Resources plc.

### Stephen Bywater

#### Independent Non-executive Director

(Resigned 6 August 2012)

Mr Bywater has a distinguished career in the resources industry, developing and operating a total of 14 large-scale open pit and underground mining operations and their associated services, logistics and infrastructure. When working for Rio Tinto Coal Australia, he was COO, and in this position oversaw seven mining operations, producing 60 million tonnes of saleable coal a year. Mr Bywater has a BSc in Engineering Geology and Geotechnics from Portsmouth University and a MSc in Rock Mechanics and Excavation Engineering from Newcastle-upon-Tyne.

### Mikki Sivuyile Macmillan Xayiya

#### Non-executive Director

(Resigned 6 August 2012)

Mr Xayiya has served in various capacities in the African National Congress since 1977. In 1995, he was appointed as a Policy Advisor – Office of the Premier, Gauteng Provincial Government. He left public office and joined Mawenzi Asset Managers as managing director. In 1998 he co-founded Mvelaphanda Holdings. Mr Xayiya was appointed as executive chairman of Mvelaphanda Holdings with effect from 9 June 2009.

## MANAGEMENT

### Riaan van der Merwe

#### Chief Operating Officer

Mr van der Merwe, a mining engineering graduate from the University of Pretoria, began his career in South Africa's deep-level gold mining industry, with the last 19 years of his career spent in the South African coal industry with the Anglo American group. He has held senior management positions in both open-cast and underground mines and headed up Anglo Coal South Africa's Eskom and later export operations, responsible for delivering some 32 million and 19 million tonnes per annum respectively into those markets. His most recent role was to lead that company's growth projects and mining services, involving a project pipeline in excess of ZAR15 billion.

In addition to his Mining Engineering qualification, Mr van der Merwe holds an MBA degree from the North-West University (formerly Potchefstroom University) and attended the Senior Executive Programme at Columbia Business School.

### Willem Johannes Hattingh

#### General Manager: Business Development

Mr Hattingh graduated with a Bachelor of Commerce degree from the University of Pretoria. He has been awarded a CTA and is a qualified Chartered Accountant (South Africa). He has a diverse range of experience in accounting, financial management, business planning and marketing, and has spent the last 10 years working for companies operating in the international mining sector. Mr Hattingh previously held the position of marketing manager – Atlantic Thermal Coal for Xstrata Coal South Africa, a role that demands extensive knowledge of both the South African and international coal and energy markets.

## DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by the directors in the 3 years immediately before the end of the financial year are as follows:

DIRECTOR	COMPANY	PERIOD OF DIRECTORSHIP
<b>Richard Linnell</b>	GRD Minproc Ltd	2004 – 2009
	Chrome Corporation Limited	2005 – 2009
	GMA Resources plc	2003 – 2009
	SacOil Holdings Limited	2008 – Present
	Maghreb Minerals plc	2010 – Present
	IPSA Group plc	2007 – 2009
	Brinkley Mining plc	2002 – Present
	Mag Industries Corp Incorporated	2009 – 2011
	Rockwell Diamonds Incorporated	2010 – Present
<b>Bernard Pryor</b>	African Minerals Limited	2011 – Present
	Adastra Minerals Inc.	2000 – 2006
<b>David Brown</b>	Vodacom Group Limited	2012 - Present
	Zimplats Holdings Limited	2010 – 2012
	Impala Platinum Holdings Limited	1999 – 2012
<b>Simon Farrell</b>	Kenmare Resources plc	2002 – Present
	Bellzone Mining plc	2010 – 2011
<b>John Wallington</b>	Firestone Resources Limited	2009 – Present
	Keaton Energy Limited	2008 – 2010
<b>Wayne Gregory Koonin</b>	Platmin Limited	2009 – 2011
<b>Professor Alfred Nevhutanda</b>	None	None
<b>Peter Cordin</b>	Dragon Mining Limited	2006 – Present
	Vital Metals Limited	2009 – Present
<b>Stephen Bywater</b>	GCM Resources plc	2006 – 2012
	Caledon Resources plc	2006 – 2011
<b>Dave Murray</b>	Meridien Resources Limited	2012 – Present
	Billiton Coal	1999 – 2001
	BHP Billiton Coal Mitsubishi Alliance	2001 – 2004
	BHP Billiton Metallurgical Coal	2005 – 2008
	BHP Billiton Energy Coal	2008 – 2009
<b>Khomotso Mosehla</b>	None	None
<b>Mikki Xayiya</b>	Avusa Limited	2008 – Present
	Mvelaphanda Group Limited	2005 – Present
	Mvelaphanda Resources Limited	2001 – Present
	Northam Platinum Limited	2009 – Present
	Ophir Energy plc	2006 – Present
<b>Rudolph Torlage</b>	ArcelorMittal South Africa Ltd	2010 – Present

## DIRECTORS' REPORT continued

### DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares or options in shares or debentures of the Company as at the date of this report.

DIRECTOR	ORDINARY SHARES	LISTED OPTIONS	UNLISTED OPTIONS
D Brown <sup>(1)</sup>	–	–	–
J Wallington <sup>(2)</sup>	250,000	–	–
W Koonin <sup>(3)</sup>	230,000	–	–
A Nevhutanda <sup>(4)</sup>	55,000	–	–
D Murray <sup>(5)</sup>	–	–	–
B Pryor <sup>(6)</sup>	–	–	–
P Cordin <sup>(7)</sup>	871,059	–	–
K Mosehla	–	–	–
R Torlage	–	–	–
R Linnell <sup>(8)</sup>	1,704,125	–	2,000,000
S Farrell <sup>(9)</sup>	4,704,941	–	8,000,000
S Bywater	–	–	–
M Xayiya	–	–	–
	7,815,125	–	10,000,000

(1) Pending shareholder approval, Mr Brown will be issued with 2,500,000 share options with an exercise price of GBP0.25 and expiring three years from date of issue, vesting immediately and a further 2,500,000 share options with an exercise price GBP0.375 and expiring three years from date of issue, to be issued on 6 August 2015.

(2) All shares are held by Mr Wallington directly.

(3) All shares are held by Mr Koonin directly.

(4) All shares are held by Professor Nevhutanda directly.

(5) Mr Murray was issued a total of 2,500,000 options in the prior year (each option having an exercise price equal to the volume weighted average price of the Company's Shares 10 trading days prior to the issue date and an expiry date five years from the issue date, 1,000,000 of which will vest 12 months after the date of issue, 750,000 of which will vest 24 months after the date of issue and the remaining 750,000 vesting 36 months from the date of issue).

(6) Pending shareholder approval, Mr Pryor will be issued with 1,000,000 share options with an exercise price of GBP0.25 and expiring three years from date of issue, vesting immediately and a further 1,000,000 share options with an exercise price GBP0.375, and expiring three years from date of issue, to be issued on 6 August 2015.

(7) 415,759 shares are held by Cordin Pty Ltd <No 1 Account> and 458,300 shares are held by Cordin Pty Ltd as trustee for the Cordin Superannuation Fund. Mr Cordin is a director of Cordin Pty Ltd and a beneficiary of the trust and Superannuation Fund.

(8) As at date of resignation, 751,550 shares held by Terra Africa Investments Limited of which Mr Linnell is a beneficiary. The remaining 952,575 shares and the 2,000,000 options are held by Mr Linnell directly.

(9) As at date of resignation, 4,704,941 shares are held by Newcove International Inc of which Mr Farrell is a director and shareholder. The 8,000,000 options are held by Mr Farrell directly.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on pages 58 to 63.

## SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During and since the end of the financial year, an aggregate 7,572,000 share options were granted to the following directors and senior management of the Company as part of their remuneration:

DIRECTORS AND SENIOR MANAGEMENT	NUMBER OF OPTIONS	ISSUING ENTITY	NUMBER OF ORDINARY SHARES UNDER OPTION
S Farrell	–	Coal of Africa Limited	–
R Linnell	–	Coal of Africa Limited	–
P Cordin	–	Coal of Africa Limited	–
S Bywater	–	Coal of Africa Limited	–
A Nevhutanda	–	Coal of Africa Limited	–
J Wallington	–	Coal of Africa Limited	–
D Murray	–	Coal of Africa Limited	–
K Mosehla	–	Coal of Africa Limited	–
M Xayiya	–	Coal of Africa Limited	–
R Torlage	–	Coal of Africa Limited	–
W Koonin	–	Coal of Africa Limited	–
D Brown <sup>(1)</sup>	5,000,000	Coal of Africa Limited	5,000,000
B Pryor <sup>(2)</sup>	2,000,000	Coal of Africa Limited	2,000,000
R van der Merwe	286,000	Coal of Africa Limited	286,000
W Hattingh	286,000	Coal of Africa Limited	286,000

(1) The options granted to Mr Brown on 6 August 2012 are subject to shareholder approval.

(2) The options granted to Mr Pryor on 6 August 2012 are subject to shareholder approval.

## COMPANY SECRETARY

Ms Shannon Coates held the position of Company Secretary for the financial year and is a qualified lawyer with over 19 years of experience in corporate law and compliance.

## PRINCIPAL ACTIVITIES

Coal of Africa Limited (CoAL or the Company) is a limited company incorporated in Australia. Its common shares are listed on the ASX, the AIM Market of the LSE and the JSE. The principal activities of the Company and its subsidiaries (the Group or the Consolidated Entity) are the acquisition, exploration, development and operation of thermal and metallurgical coal projects in South Africa.

# DIRECTORS' REPORT continued

## CHANGES IN STATE OF AFFAIRS

During the year the Company:

### Operational highlights

- Greatly improved safety performance – 10 LTI's recorded during the year compared to 15 in FY2011.
- 4.930 million ROM tonnes (FY2011: 4.409 million ROM tonnes) of coal produced from the Vuna, Mooiplaats and Vele collieries, up 12% year on year.
- 4.906 million ROM tonnes (FY2011: 4.997 million ROM tonnes) processed, producing 3.128 million saleable tonnes (FY2011: 3.316 million saleable tonnes) of saleable thermal coal at an overall average yield of 63.7% (FY2011: 66.4%).
- The start of mining operations in October 2011 and plant operations in February 2012 at the Vele coking coal colliery (Vele Colliery) with the extraction of 161,107 tonnes of ROM coal during the build-up phase, producing 46,066 tonnes of export quality thermal coal to be railed from the Musina siding for export via the Matola Terminal in Maputo, Mozambique (Matola Terminal).
- Transfer of mining operations from a contract mining to owner management basis at the Mooiplaats thermal coal colliery (Mooiplaats Colliery) and the commissioning of a fifth underground section resulted in improved production yielding 1.226 million tonnes of ROM coal, up 39% from 0.883 million tonnes during the previous financial year.
- Granting of an Integrated Water Use Licence (IWUL) for the North Block of the Vuna colliery (Vuna) and the start of mining operations in the new pit resulted in 3.543 million tonnes of ROM coal (FY 2011: 3.526 million tonnes).
- Total Group coal sales decreased by 2% year-on-year from 3,448,563 tonnes in FY2011 to 3,373,781 tonnes in FY2012, due primarily to the reduction of third party ROM and saleable coal available for purchase in the second half of the financial year, which augmented the prior year sales volumes.
- MoA signed with the South African DEA and SANParks to ensure the conservation and integrity of the globally significant natural and cultural Mapungubwe National Park and World Heritage Site (Mapungubwe), and to maintain and strengthen co-operation between the parties at the Vele Colliery.
- MoU signed with the Save Mapungubwe Coalition (the Coalition), committing the parties to work together and strengthen co-operation, ensuring the sustainable development of the Mapungubwe cultural landscape.
- Preliminary review of the Makhado coking coal project (Makhado Project) DFS conducted by the CoAL Board of Directors.
- Completion of the full battery of independent tests commissioned by the Company, including full scale coking tests at ArcelorMittal South Africa's (AMSA) local facilities, confirming the quality and technical feasibility for AMSA (and potentially other customers) of the hard coking coal to be produced at the Makhado Project.
- Gross tonnes in situ in the Greater Soutpansberg area increased by 433% from 1.5 billion tonnes to 8.0 billion tonnes.

### Regulatory highlights

- Vele Colliery began full operations in October 2011, following the granting of the Environmental Authorisation (EA) and lifting of the suspension of the IWUL.
- Effective implementation of the EMC chaired by SANParks to monitor environmental compliance at the Vele Colliery.
- Successful elections held for the appointment of the MCCCCF in June 2012, enabling finalisation of the public consultations required for the NOMR application process.
- Section 11 consent received in terms of the MPRDA for the acquisition by Keynote Trading & Investment 108 Proprietary Limited (Keynote) of the entire issued share capital of Chapudi Coal Proprietary Limited (Chapudi) and KME from Rio Tinto Minerals Development Limited (RTMD) and Kwezi.
- Approval for the substitution of creditor (CoAL for RTMD) in relation to the shareholder claims closing in respect of the acquisition of claims in Chapudi and KME by CoAL on 27 September 2012.

### Funding highlights

- US\$159.5 million new equity capital raised, including US\$106.0 million during the financial year and US\$53.5 million subsequent to year-end.
- Discussions ongoing regarding restructuring of debt facility with Deutsche Bank and potential discussions with other financial institutions on additional debt facilities.
- Completion of the disposal of the non-core NiMag Proprietary Limited and Metalloy Resources Investments Proprietary Limited (together the NiMag Group) by way of a MBO for ZAR54.0 million (approximately US\$6.5 million).

- Ongoing review of levels of expenditures, active management of working capital requirements and options to restructure or disposal of other interests, specifically the thermal coal assets.

Other than the above, there was no significant change in the state of affairs of the Consolidated Entity during the financial year.

## Subsequent events

Post year-end, the following significant operational events took place:

- Entering into a financing package with Investec Bank Limited (Investec), pursuant to which Investec will make approximately US\$58.7 million available to CoAL through a combination of debt and equity funding to replace the existing US\$40.0 million J.P. Morgan 364 day loan facility. Under the equity funding arrangement, Investec subscribed for a total of 19,148,408 million CoAL shares, 16,850,599 shares at a subscription price of GBP0.29 per share and 2,297,809 shares at A\$0.437 per share raising approximately US\$8.7 million.
- The Company will also have a right, for a 12 month period, to require Investec to subscribe for additional CoAL shares in tranches, in each case at a time and in an amount to be agreed between CoAL and Investec, at a 5% discount to the closing price of a CoAL share on the trading day prior to the issue of a subscription notice by Investec.
- Appointment of Mr David Brown as Chairman and Mr Bernard Pryor as an Independent Non-executive Director on 6 August 2012.
- Resignation of Mr Richard Linnell as Non-executive Chairman and Mr Simon Farrell as Executive Deputy Chairman on 6 August 2012.
- Mr Steve Bywater and Mr Mikki Xayiya, both Non-executive Directors of the Company, resigned on 6 August 2012.
- Placement of 115,478,798 new shares with institutional investors at a price of GBP0.25 per share to raise gross proceeds of US\$44.8 million. 80,570,166 were firmly placed 34,908,632 shares conditionally placed requiring CoAL shareholder approval which was received at a Shareholder General Meeting in September 2012.
- Binding offer letter entered into with BHE to subscribe for US\$100 million CoAL shares at GBP0.25 per share in respect of the Makhado Project.

There have been no other events between 30 June 2012 and the date of this report which necessitate adjustment to the statements of comprehensive income or statements of financial position at that date.

## Financial review

- US\$243.8 million (FY2011: US\$261.4 million) in revenue generated for the year. Revenue from coal sales of US\$242.5 million (FY2011: US\$229.2 million) was 6% higher year on year. With the disposal of the NiMag operation during the year, US\$nil million (FY2011: US\$31.2 million) was reported in the current year and the profit on disposal of US\$1.1 million is reported as part of Other Income.
- Sales of thermal coal decreased by 2% from 3,448,563 tonnes in FY2011 to 3,373,781 in FY2012 and included a change in the sales mix. The variation in sales mix resulted in revenue increasing by 6% and was offset by a 27% decline in export coal spot prices from approximately US\$119 per tonne in June 2011, to approximately US\$87 per tonne in June 2012.
- Total gross profit for the year of US\$33.4 million (FY2011: US\$37.9 million) and the gross margin percentage of 14% (FY2011: 14.5%) was lower year on year due to:
  - the gross margin from coal sales increasing by 4% to US\$33.6 million (FY2011: US\$32.4 million) as a result of the change in sales prices and mix, offset by higher logistics costs;
  - the exclusion of the NiMag profit margin in the current financial year US\$nil (FY2011: US\$5.7 million) following the disposal of this non-core asset.
- Once off costs of US\$5.7 million (FY2011: US\$nil) in the current year relating to additional legal, technical and regulatory work associated with the equity placement undertaken in November 2011.
- Non-cash charges of US\$116.0 million (FY2011: US\$208.7 million) including:
  - depreciation and amortisation of US\$70.0 million (FY2011: US\$79.5 million);
  - unrealised foreign exchange losses of US\$47.0 million (FY2011: US\$28.8 million);
  - share-based payment expense of US\$5.0 million (FY2011: US\$3.0 million);
  - goodwill written off of US\$1.2 million (FY2011: US\$nil)
  - other income of US\$6.9 million (FY2011: US\$nil) relating to the reversal of warranty and other provisions in respect of the NuCoal acquisition; and
  - net reversal of impairment losses of US\$0.3 million (FY2011: US\$97.4 million impairment loss). Impairment losses on assets held for sale totalled US\$11.6 million in the current year. This was off-set by a partial reversal of US\$11.9 million of the impairment loss recognized on mining assets in the prior year resulting in a net reversal of US\$0.3 million.
- Net loss after tax for the year, including non-cash items, of US\$138.9 million (FY2011: US\$219.0 million) was US\$80.1 million lower largely due to no impairment of assets in FY2012 compared to US\$97.4 million in the prior year.

## DIRECTORS' REPORT continued

### Environmental regulations

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation and there has consequently been no breach. The Group is subject to numerous environmental regulations in South Africa, including the Atmospheric Pollution Prevention Act (No. 45 of 1965), Environment Conservation Act (No. 73 of 1989), National Water Act (No. 45 of 1965), National Environmental Management Act (No. 107 of 1998), the National Environmental Management Air Quality Act (No. 39 of 2004) and the environmental provisions in the Mineral and Petroleum Resources Development Act (No 28 of 2002). There is uncertainty regarding the interrelationship between these statutes in the mining context and, as such, complete compliance with all simultaneously is often difficult. The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental impacts but, from time to time statutory non-compliances may occur. The Board takes these seriously and the Board has undertaken a thorough review of all its activities to seek to bring them into compliance.

### DIVIDENDS

No dividend has been paid or proposed for the financial year ended 30 June 2012 (2011 – none).

### SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

Details of unissued shares under option as at the date of this report are:

	NUMBER OF SHARES UNDER OPTION	CLASS OF SHARES	EXERCISE PRICE	EXPIRY DATE
Class D Unlisted Options	7,000,000	Ordinary	A\$1.25	30 September 2012
Class G Unlisted Options	1,000,000	Ordinary	A\$1.90	30 September 2012
Class I Unlisted Options	1,650,000	Ordinary	A\$3.25	31 July 2012
Class J Unlisted Options	5,000,000	Ordinary	A\$2.74	30 November 2014
Class K Unlisted Options	818,500	Ordinary	A\$1.90	30 June 2014
Class C Unlisted Options	2,500,000	Ordinary	A\$1.20	9 November 2015
1 Option <sup>(1)</sup>	50,000,000	Ordinary	GBP0.60	1 November 2014
ESOP Unlisted Options	1,441,061	Ordinary	A\$1.40	30 September 2015
ESOP Unlisted Options	2,670,000	Ordinary	ZAR7.60	14 February 2017

(1) Option to subscribe for 50 million ordinary shares for GBP0.60 each between 1 November 2010 and 1 November 2014, as approved by shareholders on 22 April 2010, and granted to Firefly Investments Proprietary Limited, a Broad Based Black Economic Empowerment (BBBEE) entity.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue of the Company or of any other body corporate or registered scheme.

Details of shares or interests issued during or since the end of the financial year as a result of exercise of an option are:

	NUMBER OF SHARES UNDER OPTION	CLASS OF SHARES	EXERCISE PRICE	AMOUNT PAID UPON EXERCISE OF OPTIONS	EXPIRY DATE
Exercise of Class A options	1,000,000	Ordinary	A\$0.50	A\$500,000	30 September 2011

### INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium of US\$76,881 (FY2011: US\$35,292) in respect of a contract insuring the directors of the Company as named above, the Company Secretary, all executive officers of the Company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by such an officer or auditor.

## DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, a total of eight board meetings were held, five scheduled and three unscheduled, four placing committee meetings, two nomination and remuneration committee meeting, three audit committee meetings and two safety and health committee meeting were held.

DIRECTOR	BOARD MEETINGS		PLACING COMMITTEE MEETINGS		AUDIT COMMITTEE MEETINGS		NOMINATION AND REMUNERATION COMMITTEE MEETINGS		SAFETY, HEALTH AND ENVIRONMENT COMMITTEE MEETINGS	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
R Linnell	8	8	4	4	–	–	–	–	–	1*
S Farrell	8	7	–	–	–	–	–	–	–	–
J Wallington	8	8	4	4	–	1*	–	1*	–	2*
W Koonin	8	8	4	4	–	1*	–	1*	–	–
A Nevhutanda	8	8	–	–	–	–	–	–	–	–
D Murray	8	8	–	–	–	–	2	2	2	2
S Bywater	8	7	–	–	3	3	2	2	–	–
K Mosehla	8	6	–	–	3	1	–	–	2	1
M Xayiya	8	5	–	–	–	–	2	1	–	–
R Torlage	8	8	–	–	3	3	–	–	–	–
P Cordin	8	8	–	–	–	–	–	–	2	2
D Brown**	–	–	–	–	–	–	–	–	–	–
B Pryor**	–	–	–	–	–	–	–	–	–	–

\* Attended by invitation only

\*\* Appointed on 6 August 2012

## NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 7 to the consolidated financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 7 to the consolidated financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

# DIRECTORS' REPORT continued

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 64 of this report.

## REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of CoAL's directors and its senior management for the financial year ended 30 June 2012. The prescribed details for each person covered by this report are detailed below under the following headings:

- director and senior management details
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of directors and senior management
- key terms of employment contracts

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

Directors' remuneration packages are also assessed in the light of the condition of markets within which the Company operates, the Company's financial condition and the individual's contribution to the achievement of corporate objectives. Executive Directors are remunerated by way of a salary or consultancy fees, commensurate with their required level of service.

Total remuneration for all Non-executive Directors, excluding share-based payments, as approved by shareholders at the November 2010 General Meeting, is not to exceed A\$1,000,000 per annum (US\$1,015,900).

The Board has nominated a Nomination and Remuneration Committee which, during the year and to 6 August was made up as follows: Mr Steve Bywater (Chairman), Mr Mikki Xayiya and Mr Dave Murray. The Company does not have any scheme relating to retirement benefits for Non-executive Directors. Mr Steve Bywater and Mr Mikki Xayiya resigned as directors on 6 August 2012 and were replaced on the Committee by Mr Bernard Pryor (Chairman) and Mr David Brown.

### Director and senior management details

The following persons acted as directors of the Company during or since the end of the financial year:

- D Brown – Independent Non-executive Chairman, appointed 6 August 2012
- J Wallington – Chief Executive Officer
- W Koonin – Financial Director
- Professor A Nevhutanda – Executive Director
- D Murray – Senior Independent Non-executive Director,
- P Cordin – Independent Non-executive Director
- K Mosehla – Non-executive Director
- R Torlage – Non-executive Director
- B Pryor – Independent Non-executive Director, appointed 6 August 2012
- R Linnell – Non-executive Chairman, resigned 6 August 2012
- S Farrell – Executive Deputy Chairman, resigned 6 August 2012
- S Bywater – Non-executive Director, resigned 6 August 2012
- M Xayiya – Non-executive Director, resigned 6 August 2012

The term 'key management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- R van der Merwe – Chief Operating Officer
- W Hattingh – General Manager: Business Development

## REMUNERATION POLICY

The remuneration policy of CoAL has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated Group's financial results. The Board of CoAL believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated Group, as well as create goal congruence between Directors, key management and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated Group is as follows:

- The remuneration structure is developed by the Nomination and Remuneration Committee and approved by the Board after professional advice is periodically sought from independent external consultants.
- All key management personnel receive a base salary (based on factors such as length of service and experience), options and performance incentives.
- Incentives paid in the form of cash and options are intended to align the interests of the Directors, key management and the Company with those of the shareholders.

The Nomination and Remuneration Committee reviews key management personnel packages annually by reference to the consolidated Group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each executive and bonuses and incentives are linked to predetermined performance criteria. The performance criteria vary and are determined in line with each individual's performance contract. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Nomination and Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

The Board's policy is to remunerate Non-executive Directors at market rates for time, commitment and responsibilities. The Nomination and Remuneration Committee determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees, excluding share-based payments, that can be paid to Non-executive Directors is A\$1,000,000.

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chairman for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Options granted under the arrangement do not carry dividend or voting rights. Options are valued using the Black-Scholes methodology.

### Performance – based remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved.

### Relationship between remuneration policy and Company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and key management. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to the majority of Directors and key management to encourage the alignment of personal and shareholder interests.

## DIRECTORS' REPORT continued

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2012.

	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010	YEAR ENDED 30 JUNE 2009	YEAR ENDED 30 JUNE 2008
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	243,842	261,425	98,376	17,120	53,774
Net loss before tax	150,551	218,106	178,656	9,613	10,324
Net loss after tax	138,908	219,003	167,758	9,849	11,244
	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010	YEAR ENDED 30 JUNE 2009	YEAR ENDED 30 JUNE 2008
Share price at start of year	A\$1.08	A\$1.68	A\$1.57	A\$4.14	A\$1.07
Share price at end of year	A\$0.24	A\$1.08	A\$1.68	A\$1.60	A\$4.18
Basic and diluted loss per share (US\$ cents)	0.23	0.41	0.37	0.02	4.08

### Remuneration of directors and key management personnel

Details of the nature and amount of each major element of the remuneration of each director and senior management personnel for the year are:

	SHORT TERM EMPLOYEE BENEFITS		POST-EM- PLOYMENT BENEFITS	OTHER LONG TERM BENEFITS	SHARE- BASED PAY- MENTS	TOTAL	SHARE BASED % OF TOTAL
2012	SALARY AND FEES US\$	BONUS <sup>(5)</sup> US\$	NON- MONETARY BENEFITS US\$	SUPER-AN- NUATION US\$	OPTIONS/ SHARES US\$	US\$	%
<b>Non-executive Directors</b>							
R Linnell <sup>(1)</sup>	124,997	–	–	–	567,816	692,813	82
P Cordin	112,538	–	–	10,128	283,916	406,582	70
S Bywater <sup>(2)</sup>	119,774	–	–	–	–	119,774	–
D Murray	103,064	–	–	9,276	–	112,340	–
M Xayiya <sup>(3)</sup>	45,529	–	–	–	–	45,529	–
K Mosehla	60,706	–	–	–	–	60,706	–
R Torlage	60,706	–	–	–	–	60,706	–
<b>Executive Directors</b>							
S Farrell <sup>(4)</sup>	567,872	–	–	–	1,135,632	1,703,505	67
J Wallington	692,334	378,885	–	–	154,874	1,226,093	13
W Koonin	428,848	379,567	–	–	108,412	916,827	12
A Nevhutanda	155,202	21,778	–	–	–	176,980	–
	2,471,571	780,230	–	19,404	2,250,651	5,521,855	41
<b>Key management</b>							
R van der Merwe	469,878	154,335	–	–	178,500	802,712	22
W Hattingh	302,416	104,950	–	–	133,431	540,797	25
	772,294	259,284	–	–	311,931	1,343,509	23
	3,243,864	1,039,514	–	19,404	2,562,581	6,865,364	37

**Remuneration of directors and key management personnel** *continued*

	SHORT TERM EMPLOYEE BENEFITS			POST-EM- PLOYMENT BENEFITS	OTHER LONG TERM BENEFITS	SHARE- BASED PAY- MENTS	TOTAL	SHARE BASED % OF TOTAL
	SALARY AND FEES	BONUS <sup>(2)</sup>	NON -MONETARY BENEFITS	SUPER-AN- NUATION		OPTIONS / SHARES		
2011	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
<b>Non-executive Directors</b>								
R Linnell	89,025	–	–	–	–	–	89,025	–
P Cordin	56,383	–	–	5,074	–	–	61,457	–
S Bywater	56,383	–	–	–	–	–	56,383	–
H Verster	5,850	–	–	–	–	–	5,850	–
D Murray	82,702	–	–	7,443	–	472,951	563,096	84
K Mosehla	–	–	–	–	–	–	–	–
M Xayiya	–	–	–	–	–	–	–	–
R Torlage	–	–	–	–	–	–	–	–
<b>Executive Directors</b>								
S Farrell	544,046	173,105	–	–	–	482,152	1,191,303	40
J Wallington	636,160	–	–	–	–	–	636,160	–
B Sergeant	400,900	129,582	–	–	–	241,076	771,558	31
W Koonin	95,424	–	–	–	–	–	95,424	–
A Nevhutanda	160,532	35,960	–	–	–	–	196,491	–
	2,127,405	338,647	–	12,517	–	1,196,179	3,666,747	33
<b>Key management</b>								
R van der Merwe	451,417	118,128	–	–	–	411,468	981,013	42
W Hattingh	301,426	43,060	–	–	–	150,156	494,642	30
	752,843	161,188	–	–	–	561,624	1,475,655	38
	2,880,248	499,835	–	12,517	–	1,757,803	5,142,402	34

(1) Mr Linnell resigned as Non-executive Chairman on 6 August 2012.

(2) Mr Bywater resigned as Non-executive Director on 6 August 2012.

(3) Mr Xayiya resigned as Non-executive Director on 6 August 2012.

(4) Mr Farrell resigned as Executive Deputy Chairman on 6 August 2012.

(5) Discretionary bonuses awarded to the executive directors and key management were approved by the Board.

No director or key management appointed during the period received a payment as part of his consideration for agreeing to hold the position.

## DIRECTORS' REPORT continued

### Share-based payments granted as compensation for the current financial year

During the financial year, the following share-based payment arrangements were in existence:

OPTION SERIES	NUMBER	GRANT DATE	EXPIRY DATE	GRANT DATE	VESTING DATE
				VALUE	
Class A unlisted options	7,000,000	28/06/2006	30/09/2011	A\$0.13	28 June 2006
Class D unlisted options	7,000,000	05/06/2007	30/09/2012	A\$0.45	5 June 2007
Class G unlisted options	1,000,000	10/04/2008	30/09/2012	A\$1.54	10/04/2008
Class I unlisted options	1,650,000	01/12/2008	31/07/2012	A\$0.49	(1)
Class J unlisted options	3,000,000	08/12/2009	30/11/2014	A\$0.58	30/11/2009 (2)
Class K unlisted options	482,500	25/02/2010	30/06/2014	A\$0.92	(3)
Class C unlisted options	2,500,000	09/11/2010	09/11/2015	A\$0.59	(4)
ESOP unlisted options	288,000	04/02/2011	30/09/2015	A\$0.91	(5)
ESOP unlisted options	572,000	16/09/2011	14/02/2017	ZAR3.46	(6)
	23,492,500				

(1) The options were granted to Mr van der Merwe on 1 December 2008 and all expired on 31 July 2012. 560,000 options vested on 1 December 2008, 500,000 options vested on 1 December 2009 and the remaining 590,000 options vested on 1 December 2010.

(2) The 3,000,000 share options were granted to Mr Farrell on 8 December 2009. 2,000,000 of the options vested on 29 January 2011 and the remaining 1,000,000 options vest one year after the granting of the Makhado Project New Order Mining Right.

(3) These options were issued to employees and one third vested immediately on granting, 25 February 2010, one third on 1 July 2010 and the remaining third on 1 July 2011.

(4) Mr Murray was issued a total of 2,500,000 options with an expiry date 5 years from the issue date, 1,000,000 of which will vest 12 months after the date of issue, 750,000 of which will vest 24 months after the date of issue and the remaining 750,000 vesting 36 months from the date of issue.

(5) These options were issued to employees and one third vested immediately on granting, 4 February 2011, one third on 30 September 2011 and the remaining third on 30 September 2012.

(6) These options were issued to employees and one third vested on 1 July 2012, one third on 1 July 2013 and the remaining third on 1 July 2014.

The following grants of share-based payment compensation to key management personnel relate to the current financial year:

#### DURING THE FINANCIAL YEAR

NAME	OPTION SERIES	NUMBER GRANTED	NUMBER VESTED	% OF GRANT VESTED	% OF GRANT FORFEITED	% OF COMPENSATION
						FOR THE YEAR CONSISTING OF OPTIONS
R van der Merwe	ESOP unlisted options	286,000	–	n/a	n/a	22
W Hattingh	ESOP unlisted options	286,000	–	n/a	n/a	25

During the year, none of the key management personnel exercised options that were granted to them as part of their compensation.

The following table summarises the value of options to key management personnel granted, exercised or lapsed during the year:

NAME	VALUE OF OPTIONS GRANTED AT GRANT DATE	VALUE OF OPTIONS AT EXERCISE DATE	VALUE OF OPTIONS LAPSED AT THE DATE OF LAPSE
R van der Merwe	ZAR989,560	–	–
W Hattingh	ZAR989,560	–	–
R Linnell	A\$260,000	–	A\$260,000
P Cordin	A\$130,000	–	A\$130,000
S Farrell	A\$520,000	–	A\$520,000

## Key terms of employment contracts

The Company has entered into formal contractual employment agreements with the Non-executive Deputy Chairman, the CEO and the FD only and not with any other member of the Board. The employment conditions of the Non-executive Deputy Chairman, the CEO and FD are:

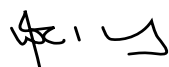
1. Mr Farrell's agreement commenced on 1 July 2009 and is for a 3.5 year fixed term, at an annual remuneration of A\$550,000. The agreement may be terminated on one month written notice and in the event of termination by the Company, the remaining term of the agreement must be paid out. Mr Farrell's agreement was terminated on 6 August 2012 and A\$240,259 was paid to Mr Farrell in terms of his employment agreement.
2. Mr Wallington's agreement commenced on 31 May 2010 and is for a three-year fixed term, at an annual remuneration of GBP400,000. Subject to shareholder approval and the satisfaction of certain capital performance conditions, Mr Wallington is also entitled to receive up to 250,000 shares following 12 months service, up to 500,000 shares following 24 months service and up to 500,000 shares following 36 months service. The agreement may be terminated on three month's written notice.
3. Mr Koonin's agreement commenced on 1 April 2011 and is for a five-year fixed term, at an annual remuneration of GBP300,000 (2011: GBP240,000). Subject to shareholder approval and the satisfaction of certain capital performance conditions, Mr Koonin is also entitled to receive up to 175,000 shares following 12 months service, up to 350,000 shares following 24 months service, up to 350,000 shares following 36 months service, up to 350,000 shares following 48 months service and up to 350,000 shares following 60 months service. The agreement may be terminated on three month's written notice.

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

1. Mr Van der Merwe is employed by CoAL in the capacity of Chief Operations Officer, at an annual remuneration of ZAR3.2 million. The permanent employment contract commenced on 1 August 2008 and may be terminated by written notice of one month.
2. Mr Hattingh is employed by CoAL in the capacity of General Manager: Business Development, at an annual remuneration of ZAR2.1 million. The permanent employment contract commenced on 1 January 2010 and can be terminated by written notice of one month.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



**John Wallington**  
**Chief Executive Officer**

28 September 2012

# AUDITOR'S INDEPENDENCE DECLARATION

## Deloitte.

Deloitte Touche Tohmatsu  
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The Board of Directors  
Coal of Africa Limited  
173 Mounts Bay Road  
Perth WA 6000  
28 September 2012

Dear Board Members

### COAL OF AFRICA LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Coal of Africa Limited.

As lead audit partner for the audit of the financial statements of Coal of Africa Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU



**Ross Jerrard**

**Partner**

Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation  
Member of Deloitte Touche Tohmatsu Limited

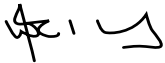
# DIRECTORS' DECLARATION

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2.1 to the financial statements;
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity; and
- d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



**John Wallington**  
**Chief Executive Officer**

28 September 2012

# ANNUAL FINANCIAL STATEMENTS

Our revenue from coal sales during the year under review was 6% higher year-on-year at US\$242.5 million.





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COAL of AFRICA LIMITED

**INTEGRATED REPORT 2012**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

		YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011
	NOTE	US\$'000	US\$'000
<b>REVENUE</b>	5	243,842	261,425
Cost of sales – direct		(210,429)	(223,483)
<b>Gross profit</b>		33,413	37,942
Depreciation and amortisation	6	(70,000)	(79,521)
Foreign exchange losses	6	(48,871)	(29,923)
Employee benefits expense	6	(35,690)	(21,362)
Other expenses		(32,067)	(26,134)
Take or pay port obligation		(1,570)	–
Operating lease expenses		(1,449)	(1,874)
Goodwill written off		(1,191)	–
Impairment reversals/(losses)	6	324	(97,400)
Other gains and losses	6	412	(498)
Other income		7,984	–
Operating loss		(148,705)	(218,770)
Finance income	8	1,128	2,486
Finance costs	8	(2,974)	(1,822)
<b>Loss before tax</b>		(150,551)	(218,106)
Income tax credit/(charge)	9	11,643	(897)
<b>Net loss for the year</b>		(138,908)	(219,003)
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		(21,051)	119,470
<b>Total comprehensive loss for the year</b>		(159,959)	(99,533)
Loss attributable to:			
Owners of the Company		(138,908)	(219,003)
Non-controlling interests		–	–
		(138,908)	(219,003)
Total comprehensive loss attributable to:			
Owners of the Company		(159,959)	(99,533)
Non-controlling interests		–	–
		(159,959)	(99,533)
<b>Loss per share</b>			
Basic and diluted (cents per share)	10	0.23	0.41

The accompanying notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	NOTE	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Development, exploration and evaluation expenditure	11	283,486	195,848
Property, plant and equipment	12	141,641	218,258
Intangible assets	13	18,757	20,800
Other receivables	14	13,811	12,800
Other financial assets	15	13,173	13,594
Goodwill	16	–	–
Restricted cash	19	11,976	13,323
Deferred tax assets	23	3,444	4,171
<b>Total non-current assets</b>		<b>486,288</b>	<b>478,794</b>
<b>Current assets</b>			
Inventories	17	22,058	23,122
Trade and other receivables	18	25,968	44,734
Cash and cash equivalents	19	19,523	22,761
<b>Total current assets</b>		<b>67,549</b>	<b>90,617</b>
<b>Assets classified as held-for-sale</b>	20	–	22,268
<b>Total assets</b>		<b>553,837</b>	<b>591,679</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Contingent consideration	33	30,000	–
Borrowings	21	66	1,720
Provisions	22	16,916	18,714
Deferred tax liabilities	23	6,454	19,435
<b>Total non-current liabilities</b>		<b>53,436</b>	<b>39,869</b>
<b>Current liabilities</b>			
Trade and other payables	24	72,441	73,590
Borrowings	21	49,063	38,631
Provisions	22	1,475	2,481
Current tax liabilities		155	3,474
<b>Total current liabilities</b>		<b>123,134</b>	<b>118,176</b>
<b>Liabilities classified as held-for-sale</b>	20	–	2,843
<b>Total liabilities</b>		<b>176,570</b>	<b>160,888</b>
<b>NET ASSETS</b>		<b>377,267</b>	<b>430,791</b>
<b>EQUITY</b>			
Issued capital	25	791,102	686,577
Accumulated deficit	26	(564,800)	(429,589)
Reserves	27	150,390	173,228
Equity attributable to owners of the Company		<b>376,692</b>	<b>430,216</b>
Non-controlling interests	29	575	575
<b>TOTAL EQUITY</b>		<b>377,267</b>	<b>430,791</b>

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

	ISSUED CAPITAL US\$'000	ACCUMU- LATED DEFICIT US\$'000	SHARE- BASED PAYMENT RESERVE US\$'000	CAPITAL PROFITS RESERVE US\$'000	FOREIGN CURRENCY TRANS- LATION RESERVE US\$'000	ATTRIBU- ABLE TO OWNERS OF THE PARENT US\$'000	NON-CON- TROLLING INTERESTS US\$'000	TOTAL EQUITY US\$'000
<b>Balance at 1 July 2011</b>	686,577	(429,589)	88,967	91	84,170	430,216	575	<b>430,791</b>
Total comprehensive loss for the year	–	(138,908)	–	–	(21,051)	(159,959)	–	<b>(159,959)</b>
Loss for the year	–	(138,908)	–	–	–	(138,908)	–	<b>(138,908)</b>
Other comprehensive loss, net of tax	–	–	–	–	(21,051)	(21,051)	–	<b>(21,051)</b>
	686,577	(568,497)	88,967	91	63,119	270,257	575	<b>270,832</b>
Shares issued for capital raising	104,914	–	–	–	–	104,914	–	<b>104,914</b>
Shares issued on exercise of options	337	–	–	–	–	337	–	<b>337</b>
Shares issued in lieu of bonus	135	–	–	–	–	135	–	<b>135</b>
Shares issued to employees	2,511	–	–	–	–	2,511	–	<b>2,511</b>
Share-based payments	–	–	2,082	–	–	2,082	–	<b>2,082</b>
Share options exercised	172	–	(172)	–	–	–	–	<b>–</b>
Share options cancelled	–	3,697	(3,697)	–	–	–	–	<b>–</b>
Share issued costs	(3,544)	–	–	–	–	(3,544)	–	<b>(3,544)</b>
<b>Balance at 30 June 2012</b>	<b>791,102</b>	<b>(564,800)</b>	<b>87,180</b>	<b>91</b>	<b>63,119</b>	<b>376,692</b>	<b>575</b>	<b>377,267</b>
<b>Balance at 1 July 2010</b>	685,740	(210,586)	86,451	91	(35,300)	526,396	4,278	530,674
Total comprehensive loss for the year	–	(219,003)	–	–	119,470	(99,533)	–	(99,533)
Loss for the year	–	(219,003)	–	–	–	(219,003)	–	(219,003)
Other comprehensive loss, net of tax	–	–	–	–	119,470	119,470	–	119,470
	685,740	(429,589)	86,451	91	84,170	426,863	4,278	431,141
Shares issued on exercise of options	349	–	–	–	–	349	–	349
Share-based payments	–	–	3,004	–	–	3,004	–	3,004
Deconsolidation of Coal of Madagascar	–	–	–	–	–	–	(3,703)	(3,703)
Share options exercised	488	–	(488)	–	–	–	–	–
<b>Balance at 30 June 2011</b>	<b>686,577</b>	<b>(429,589)</b>	<b>88,967</b>	<b>91</b>	<b>84,170</b>	<b>430,216</b>	<b>575</b>	<b>430,791</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

	NOTE	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		247,312	302,885
Payments to suppliers and employees		(264,024)	(305,412)
Cash generated from operations	31	(16,712)	(2,527)
Interest received		1,119	2,486
Interest paid		(1,684)	(1,822)
Income taxes paid		(3,139)	(374)
<b>Net cash used in operating activities</b>		<b>(20,416)</b>	<b>(2,237)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(10,129)	(34,975)
Proceeds from the sale of property, plant and equipment		–	1,679
Increase in development assets		(24,775)	(21,320)
Increase in exploration assets		(16,003)	(19,350)
Acquisitions through business combinations		(33,169)	–
Cash acquired on business acquisition		227	–
(Increase)/decrease in other financial assets		(2,308)	5,058
Sale of NiMag		3,935	–
Decrease in other receivables		1,600	1,600
Increase in restricted cash		(1,040)	(1,188)
Cash classified as held-for-sale		–	(1,528)
<b>Net cash used in investing activities</b>		<b>(81,662)</b>	<b>(70,024)</b>
<b>Cash flows from financing activities</b>			
Repayment of working capital facility		–	(20,000)
Increase in export trade finance facility		–	32,500
Finance lease repayments		(2,973)	(4,545)
(Decrease)/increase in loans payable		(670)	2,644
Proceeds from the issue of shares (net of issuing costs)		106,234	309
<b>Net cash generated by financing activities</b>		<b>102,591</b>	<b>10,908</b>
Net decrease in cash and cash equivalents		513	(61,353)
Net foreign exchange differences		(3,751)	12,060
Cash and cash equivalents at beginning of the year		22,761	72,054
<b>Cash and cash equivalents at the end of the year</b>	31	<b>19,523</b>	<b>22,761</b>

The accompanying notes are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

## 1. GENERAL INFORMATION

Coal of Africa Limited (CoAL or the Company) is a limited company incorporated in Australia. Its common shares are listed on the Australian Securities Exchange (ASX), the Alternative Investment Market of the London Stock Exchange (AIM) and the Johannesburg Securities Exchange (JSE). The addresses of its registered office and principal places of business is Level 1, 173 Mounts Bay Road, Perth, Western Australia 6000.

The principal activities of the Company and its subsidiaries (the Group or the Consolidated Entity) are the acquisition, exploration and development of thermal and metallurgical coal projects in South Africa.

The Group's principal assets and projects include:

- The Mooiplaats Colliery commenced production in 2008 and is currently ramping up to produce 1.6 million tonnes per annum (Mtpa) of run-of-mine (RoM) coal.
- The Woestalleen Colliery incorporates the Vuna colliery and three beneficiation plants with a total processing capacity of 350,000 ROM feed tonnes per month.
- The Vele Colliery commenced production in Q1 FY2012. During the initial phase, the operation is targeting 2.7Mtpa ROM production to produce 1.0Mtpa of saleable coking coal and as well as thermal coal for export and/or domestic sale.
- The Makhado Project, CoAL's flagship project in the Soutpansberg coalfield, is well into the feasibility stage, with a draft Definitive Feasibility Study having been reviewed by the CoAL Board in March 2012. An application for a new order mining right (NOMR) for the Makhado Project was submitted in January 2011.
- In May 2012, CoAL acquired the Chapudi coal project and several other coal exploration properties in the Soutpansberg coal basin in South Africa, subsequently renamed the Greater Soutpansberg Project, from the previous owners, including Rio Tinto. The Greater Soutpansberg Project is a consolidation of nine potential coking and thermal coal assets grouped into three proximate regions, namely Mopane, Makhado and Chapudi.

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

### Going concern

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

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2012 of US\$138.9 million, (30 June 2011: loss of US\$219.0 million) and experienced net cash outflows from operating activities of US\$20.4 million (2011 net outflow: US\$2.2 million) and net cash outflows from investing activities of US\$81.6 million (2011 net outflow: US\$70.0 million). As at 30 June 2012 the Consolidated Entity had a net current liability position of US\$41.8 million (30 June 2011: net current liabilities of US\$27.6 million), excluding assets and liabilities classified as held-for-sale.

As disclosed in Note 21 to the financial report the Consolidated Entity breached certain financial covenants with respect to the thermal coal export finance facility with Deutsche Bank Amsterdam (DBA). Notice of this breach was communicated to DBA during the period. CoAL considers that under the facility agreement the breach has not resulted in any change to the terms of the facility. There continues to be positive dialogue between CoAL and DBA, both are working together to reach a resolution. At the date of signing this report DBA has not confirmed this position. If DBA do not agree with CoAL regarding the breach, the facility (drawn balance of US\$37.5 million as at 28 September 2012) will become due and payable immediately.

These conditions indicate that there is a material uncertainty relating to the ability of the Company and Consolidated Entity to continue as going concerns.

During the year to 30 June 2012 and the period to the date of this report, the Directors have performed the following fundraising activities:

- (i) In November 2011, CoAL raised gross proceeds of approximately GBP66.3 million (approximately US\$106 million/ZAR845 million) through the issue of 130,000,000 new ordinary shares (Ordinary Shares) at 51 pence per share (or 6.50 South African Rand).

- (ii) In April 2012, CoAL completed the disposal of the non-core NiMag Proprietary Limited and Metalloy Resources Investments Proprietary Limited (together the NiMag Group) by way of a Management Buy Out (MBO) for ZAR54 million (approximately US\$6.5 million). The Company continues to advance discussions relating to the disposal of Holfontein Investments Proprietary Limited.
- (iii) In July 2012, CoAL entered an equity funding arrangement with Investec Bank Limited (Investec) to subscribe for a total of 19,148,408 CoAL shares, 16,850,599 shares at a subscription price of GBP0.29 per share and 2,297,809 shares at A\$0.437 per share raising approximately US\$8.7 million.
- (iv) On 6 August 2012, CoAL successfully placed 115,478,798 new shares (Placing Shares) with institutional investors at a price of GBP0.25 per share (ZAR3.25) to raise gross proceeds of US\$44.8 million (GBP28.9 million/ZAR375.5 million).

Importantly the Directors have to perform a number of steps to ensure that the Company and Consolidated Entity continue as going concerns, these include:

- (i) CoAL is currently negotiating a financing package with Investec, pursuant to which Investec will make approximately US\$50 million available to CoAL to replace the existing US\$40.0 million JP Morgan 364-day loan facility.
- (ii) Discussions are in progress with Rio Tinto to restructure the payment terms of the US\$13.6 million which is currently due to be paid on 8 October 2012, to be repaid equally over a period to be determined rather than one lump sum payment. At the date of signing this report Rio Tinto had not confirmed this position.
- (iii) The Directors are negotiating the replacement of the existing cash backed rehabilitation guarantees with insurance backed guarantees, generating a cash inflow of US\$6 million by December 2012 and anticipate this will be achieved by December 2012.
- (iv) The Directors are negotiating the disposal of the Grinrod Note receivable of US\$11.2 million. Discussions with various banks and potential buyers of the note are underway, with an expectation of settlement no later than Q1 2013 calendar year.
- (v) CoAL continues to work on both renewing existing debt facilities and securing new debt facilities. CoAL remains confident of renewing and/or securing one or more of these facilities.
- (vi) Discussions on the Makhado Project are at an advanced stage of negotiation with an assumption of concluding a transaction to dispose of an interest in the project to a strategic partner, with an upfront payment expected followed by a final settlement, after the granting of the NOMR. The directors anticipate this to be achieved by Q2 2013 calendar year.
- (vii) The Directors are also considering various strategies to raise funds through restructure or disposal of other interests, specifically its thermal coal assets.
- (viii) The Directors have also reviewed the quantum and timing of all discretionary expenditures including exploration and development costs, and wherever necessary, these costs will be minimised or deferred to suit the Consolidated Entity's cash flow from operations. This includes the active management of working capital commitments.

The ability of the Company and the Consolidated Entity to continue as going concerns and to pay their debts as and when they fall due is dependent on:

- (i) the ongoing support of the bankers, specifically Investec and DBA;
- (ii) successful completion of points (i) through (viii) above; and
- (iii) the on-going and active management of the expenditure incurred by the Consolidated Entity in line with the available funding.

In the event that the Consolidated Entity does not achieve some or all of the steps outlined above, the Consolidated Entity will need to undertake a capital raising by no later than December 2012. The quantum of any capital raising is subject to both the timing and the resolution of the above steps and in certain scenarios there would not be any need for a further raising. If, however, none of the steps were achieved by calendar year-end, then a capital raising in the region of US\$40 million to US\$60 million would be needed.

At the date of this report and having considered the above factors, the Directors are confident that the Company and Consolidated Entity will be able to continue as going concerns. Notwithstanding this, there is material uncertainty whether the Company and Consolidated Entity will achieve the matters set out above and therefore whether they will continue as going concerns and realise their assets and discharge their liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Company and Consolidated Entity not continue as going concerns.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2012

## 2. BASIS OF PRESENTATION

### 2.1. Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the company and the Group comply with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorised for issue by the Directors on 28 September 2012.

### 2.2. Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

The consolidated financial statements are presented in the United States dollar.

## 3. ACCOUNTING POLICIES

### 3.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through its subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of actual and potential voting rights are also considered. A list of controlled entities is contained in note 35 to the consolidated financial statements.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive loss of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost, is regarded as the fair value on initial recognition for subsequent accounting under Accounting Standard AASB 139

'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

### **3.2. Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities are recognised and measured in accordance with AASB 112 'Income Taxes';
- assets related to employee benefit arrangements are recognised and measured in accordance with AASB 119 'Employee Benefits';
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held-for-sale in accordance with AASB 5 'Non-current Assets Held-for-sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date, that have previously been recognised in other comprehensive income, are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 3. ACCOUNTING POLICIES *continued*

### 3.2. Business combinations *continued*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### 3.3. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.2 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 3.4. Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States dollars (US\$), which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign

operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired, arising on the acquisition of a foreign operation, are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

### **3.5. Non-current assets held-for-sale**

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan, involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### **3.6. Exploration and evaluation expenditure**

Exploration and evaluation expenditure related to an area of interest is written off as incurred, except where the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest, or alternatively by its sale.

Capitalised expenditure includes costs directly related to exploration and evaluation activities in the relevant area of interest, including materials and fuel used, surveying costs, drilling costs and payments made to contractors. General and administrative costs are allocated to an exploration or evaluation area of interest and capitalised as an asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Identifiable exploration assets acquired in a business combination are initially recognised as assets at their fair value. Subsequent to acquisition they are accounted for in accordance with the policy outlined above.

All capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied, and assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 3.12.

Exploration and evaluation expenditure, that has been capitalised, is reclassified to property, plant and equipment – development assets, when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Prior to such reclassification, exploration and evaluation expenditure capitalised is tested for impairment.

### **3.7. Property, plant and equipment – Development assets**

Development expenditure incurred by or on behalf of the Group, is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure.

No depreciation is recognised in respect of development assets.

Development assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 3.12.

A development asset is reclassified as a “mining property” at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. Immediately prior to such reclassification, development assets are tested for impairment.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 3. ACCOUNTING POLICIES *continued*

### 3.8. Property, plant and equipment – Mining property

Mining property includes expenditure that has been incurred through the exploration and development phases, and, in addition, further development expenditure that is incurred in respect of a mining property after the commencement of production, provided that, in all instances, it is probable that additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is classified as cost of sales.

Mining property includes plant and equipment associated with the mining property.

Depreciation on plant and equipment, included within mining property, is computed on a straight-line basis over five years.

Depreciation on other components of mining property, including plant and equipment, is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

Mining property is assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 3.12.

### 3.9. Deferred stripping costs

Stripping costs comprise the removal of overburden and other waste products from a mine. Stripping costs incurred in the development of a mine, before production commences, are capitalised as part of the cost of constructing the mine (initially within development assets) and are subsequently depreciated over the life of the operation.

Stripping costs incurred during the production stage of a mine are deferred when this is considered the most appropriate basis for matching the costs against the related economic benefits. The amount deferred is based on the waste-to-ore ratio (stripping ratio), which is calculated by dividing the tonnage of waste mined by the quantity of ore mined. Stripping costs incurred in a period are deferred to the extent that the current period ratio exceeds the expected life-of-mine (LOM)-ratio. Such deferred costs are then charged to the statement of comprehensive loss to the extent that, in subsequent periods, the current period ratio falls below the LOM-ratio. The LOM stripping ratio is calculated based on proved and probable reserves. Any changes to the LOM ratio are accounted for prospectively.

Where a mine operates more than one open pit that is regarded as a separate operation for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e. overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

Deferred stripping costs are included in the cost base of assets when determining a cash generating unit for impairment assessment purposes.

### 3.10. Property, plant and equipment (excluding development assets and mining property)

Freehold land is stated at cost and is not depreciated.

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where items of property, plant and equipment contain components that have different useful lives to the main item of plant and equipment, these are capitalised separately to the plant and equipment to which the component can be logically assigned.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The depreciation rates applicable to each category of property, plant and equipment are as follows:

- Furniture, fittings and office equipment 13% - 50%
- Buildings 20%
- Plant and equipment 20%
- Motor vehicles 20% - 33%
- Leasehold improvements 25%
- Computer equipment 33%
- Leased assets Lease period

### **3.11. Intangible assets, excluding goodwill**

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the Group and the cost can be reliably measured.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The amortisation method used and the estimated remaining useful lives are reviewed at least annually.

Intangible assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 3.12.

### **3.12. Impairment of tangible and intangible assets other than goodwill**

The carrying amounts of the Group's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **3.13. Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer, substantially, all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 3. ACCOUNTING POLICIES *continued*

### 3.13. Leasing *continued*

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 3.24 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on the straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### 3.14. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Costs of inventories are determined using the weighted average method.

Net realisable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

### 3.15. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive loss.

### 3.16. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management system and are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

### 3.17. Restricted cash

Restricted cash comprises cash balances which are encumbered and the Group does therefore not have access to these funds.

### 3.18. Financial instruments

#### Recognition

Financial assets and financial liabilities are recognised when a Group entity becomes a party to a contract which entitles it to receive contractually agreed cash flows on the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs

directly attributable to the acquisition of financial assets or financial liabilities at fair value, through profit or loss, are recognised immediately in profit or loss.

### **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) and payments through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### **Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame, established by regulation or convention, in the marketplace.

### **Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

The Group designates financial assets at FVTPL when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the assets or liabilities contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract and has to be separately disclosed and fair-valued through profit or loss.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item in the statement of comprehensive loss.

### **Held to maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that management has the intent and ability to hold to maturity are classified as held to maturity. These investments are included in non-current assets, except for maturities within 12 months from the financial year-end date, which are classified as current assets. Held to maturity investments are carried at amortised cost using the effective interest rate method.

### **Loans and receivables**

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### **AFS investments**

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 3. ACCOUNTING POLICIES *continued*

### 3.18. Financial instruments *continued*

#### AFS investments *continued*

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the equity is reclassified to profit or loss.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, are measured at cost less any identified impairment losses at the end of each reporting period.

#### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed or unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

### **Derecognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Any interest in financial assets transferred that is created or retained by the Group is recognised as a separate asset or liability.

The Group may enter into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all, or substantially all, risks and rewards are retained, then the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income, is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

### **Financial liabilities**

Financial liabilities are initially measured at fair value. Financial liabilities comprise short-term and long-term interest-bearing borrowings and trade and other payables (excluding income received in advance).

The Group classifies financial liabilities as other financial liabilities. Subsequent to initial measurement, such liabilities are carried at amortised cost using the effective interest method.

### **Borrowings**

Borrowings comprise short-term and long-term interest-bearing borrowings. Premiums or discounts arising from the difference between the fair value of borrowings raised and the amount repayable at maturity date are recognised in the income statement as borrowing costs based on the effective interest rate method.

### **Derecognition**

Financial liabilities are derecognised when the associated obligation has been discharged, cancelled or has expired.

### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities, and includes ordinary share capital. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

## **3.19. Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 3. ACCOUNTING POLICIES *continued*

### 3.20. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The increase in provisions due to the passage of time is included in the finance cost line item in the statement of comprehensive loss.

#### Rehabilitation provision

A provision for rehabilitation is recognised when there is a present obligation as a result of exploration, development or production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the rehabilitation obligation at the reporting date, based on current legal and other requirements and technology. Future rehabilitation costs are reviewed annually and any changes in the estimate are reflected in the present value of the rehabilitation provision at each reporting date.

The initial estimate of the rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated or amortised on the same basis as the related asset. Changes in the estimate of the provision are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

### 3.21. Share-based payments transactions of the Company

#### Equity-settled

Equity-settled share-based payments to employees and others providing similar services, are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 28.

The fair value determined at the grant date of the equity-settled share-based payments, is expensed on the straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

No amounts have been recognised in the consolidated financial statements in respect of other equity-settled share-based payments.

Equity-settled share-based payment transactions, with parties other than employees, are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

#### Cash-settled

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

### **Accounting for BEE transactions**

Where equity instruments are issued to a broad based black economic empowerment (BEE) party at less than fair value, these are accounted for as share-based payments. Any difference between the fair value of the equity instrument issued and the consideration received is accounted for as an expense in the consolidated statement of comprehensive loss.

A restriction on the BEE party to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

## **3.22. Taxation, including sales tax**

The income tax expense or income for the period represents the sum of the tax currently payable or recoverable and deferred tax.

### **Current taxation**

The tax currently payable or recoverable is based on taxable profit or loss for the year. Taxable profit or loss differs from profit or loss as reported in the consolidated statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in countries where the Group operates and generates taxable income.

### **Deferred taxation**

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if a taxable temporary difference arises from the initial recognition of goodwill or any temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

### **Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 3. ACCOUNTING POLICIES *continued*

### 3.22. Taxation, including sales tax *continued*

#### Sales tax

Revenues, expenses and assets are recognised net of the amount of the applicable sales tax, except:

- where the amount of sales tax incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of sales tax.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The sales tax component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

### 3.23. Revenue recognition

Revenue is recognised at fair value of the consideration received net of the amount of applicable sales tax.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Many of the Group's sales are subject to an adjustment based on inspection of the shipment by the customer. In such cases, revenue is recognised based on the Group's best estimate of the grade at the time of shipment, and any subsequent adjustments are recorded against revenue when advised. Historically, the differences between estimated and actual grade have not been significant.

#### Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate. Interest income is recognised in finance income on the consolidated statement of comprehensive loss.

### 3.24. Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 3.25. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

### 3.26. Segment information

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive committee.

Management has determined the reportable segments of the Group based on the reports reviewed by the Company's executive committee that are used to make strategic decisions. The Group has three reportable segments: Exploration, Development and Mining (see note 32).

### 3.27. Comparative amounts

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

### 3.28. Adoption of new and revised Accounting Standards and Interpretations

At the date of the authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. Management are currently assessing the impact of the Initial application of the following Standards. Initial indication is that they will not affect the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

<b>STANDARD</b>	<b>EFFECTIVE FOR THE ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER</b>	<b>EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING</b>
• AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
• AASB 9 Financial Instruments (December 2010), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
• AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.	1 July 2013	30 June 2014
• AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards	1 January 2013	30 June 2014
• AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	1 July 2012	30 June 2013
• AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012	30 June 2013
• AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 200-2011 cycle	1 January 2011	30 June 2012
• AASB 10 Consolidated Financial Statements	1 January 2013	30 June 2014
• AASB 11 Joint Arrangements	1 January 2013	30 June 2014
• AASB 12 Disclosure of Interests in Other Entities	1 January 2013	30 June 2014
• AASB 13 Fair Value Measurement	1 January 2013	30 June 2014
• AASB 27 Separate Financial Statements (2011)	1 January 2013	30 June 2014
• AASB 28 Investments in Associates and Joint Ventures (2011)	1 January 2013	30 June 2014
• AASB 119 Employee Benefits (2011)	1 January 2013	30 June 2014
• AASB 2011-10 Amendments to Australian Accounting standards arising from AASB 119	1 January 2013	30 June 2014

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 3. ACCOUNTING POLICIES *continued*

### 3.28. Adoption of new and revised Accounting Standards and Interpretations *continued*

#### Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

STANDARD/INTERPRETATIONS	EFFECTIVE FOR THE ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
• AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
• AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 January 2011	30 June 2012

At the date of authorization of the financial statements, the following IASB standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

STANDARD	EFFECTIVE FOR THE ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
• Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
• Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
• Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 July 2015	30 June 2016

## 4. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The primary areas in which estimates and judgements are applied are discussed below.

### Asset carrying values and impairment charges

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. Key assumptions include future coal prices, future operating costs, discount rates and coal reserves.

### Coal reserves

Economically recoverable coal reserves relate to the estimated quantity of coal, in an area of interest, that can be expected to be profitably extracted, processed and sold.

The Group determines and reports coal reserves under the Australasian Code of Reporting of Mineral Resources and Ore Reserves (JORC). This includes estimates and assumptions in relation to geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transport costs, exchange rates and expected coal demand and prices.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows; and
- depreciation and amortisation charges may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

Depreciation and amortisation charges in the Consolidated Statement of Comprehensive Income may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

### **Exploration and evaluation assets**

Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation or alternatively, sale of the respective areas of interest will be achieved. The Group applies the principles of AASB 6 and recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting policy, a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss. Refer to note 11.

### **Development expenditure**

Development activities commence after the commercial viability and technical feasibility of the project is established. Judgment is applied by management in determining when a project is commercially viable and technically feasible. Any judgments may change as new information becomes available. If, after having commenced the development activity, a judgment is made that a development asset is impaired, the appropriate amount will be written off to the consolidated statement of comprehensive income. Refer to note 11.

### **Rehabilitation and restoration provisions**

Certain estimates and assumptions are required to be made in determining the cost of rehabilitation and restoration of the areas disturbed during mining activities and the cost of dismantling of mining infrastructure. The amount the Group is expected to incur to settle its future obligations includes estimates regarding:

- the appropriate rate at which to discount the liability;
- the expected timing of the cash flows and the expected LOM (which is based on coal reserves noted above);
- the application of relevant environmental legislation; and
- the future expected costs of rehabilitation, restoration and dismantling.

Changes in the estimates and assumptions used could have a material impact on the carrying value of the rehabilitation provision and related asset. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time. The carrying amount of the rehabilitation provision is set out in note 22.

### **Recoverability of non-current assets**

As set out in note 12, certain assumptions are required to be made in order to assess the recoverability of non-current assets where there is an impairment indicator. Key assumptions include future coal prices, future operating costs, discount rate and estimates of coal reserves. Estimates of coal reserves in themselves are dependent on various assumptions (refer above). Changes in these assumptions could therefore affect estimates of future cash flows used in the assessment of recoverable amounts, estimates of the LOM and depreciation. Refer to note 12.

### **Contingent liabilities – litigation**

Certain claims have been made against the Group. Judgments about the validity of the claims have been made by the Directors. Further details are included in note 34.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2012

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>5. REVENUE</b>		
Sale of product	242,493	229,225
Other revenue	1,349	32,200
Total revenue	243,842	261,425
<b>6. OPERATING EXPENSES</b>		
Net loss for the year has been arrived at after charging or crediting:		
<b>Employee benefits expenses</b>		
Share-based payments	5,005	3,004
Super-annuation	38	30
Other employee benefits	30,647	18,328
Total employee benefits expense	35,690	21,362
<b>Impairment losses</b>		
Impairment loss on assets held-for-sale (note 20)	11,620	5,105
Impairment loss on mining assets reversed (note 12)	(11,944)	92,295
Total impairment loss	(324)	97,400
<b>Depreciation and amortisation</b>		
<b>Depreciation</b>		
Depreciation of property, plant and equipment	16,965	29,651
Total depreciation	16,965	29,651
<b>Amortisation</b>		
Amortisation of mining properties (note 12)	51,829	48,427
Amortisation of intangible asset (note 13)	1,206	1,443
Total amortisation	53,035	49,870
Total depreciation and amortisation	70,000	79,521
<b>Other gains and losses</b>		
Gain on disposal of property, plant and equipment	(412)	(297)
Revaluation of investments	–	795
Total other gains and losses	(412)	498
<b>Foreign exchange losses</b>		
Unrealised	46,964	28,758
Realised	1,907	1,165
Total foreign exchange losses	48,871	29,923

	YEAR ENDED 30 JUNE 2012 US\$	YEAR ENDED 30 JUNE 2011 US\$
<b>7. AUDITORS' REMUNERATION</b>		
Amounts received by the auditors of the Company as at 30 June 2012		
Deloitte – Australia		
Audit and review of financial reports	278,968	170,000
	<b>278,968</b>	170,000
Deloitte – United Kingdom		
Audit and review of financial reports	–	–
Other services – review of UK registration document	2,205,998	–
	<b>2,205,998</b>	–
Deloitte – Johannesburg		
Audit and review of financial reports	256,841	542,257
Other services	–	37,661
	<b>256,841</b>	579,918
	<b>US\$'000</b>	<b>US\$'000</b>
<b>8. FINANCE INCOME AND COST</b>		
<b>Finance income</b>		
Interest income on short term bank deposits	1,128	2,486
<b>Finance costs</b>		
Bank borrowings	(2,520)	(591)
Finance lease liabilities	(306)	(1,162)
Unwinding of discount	(148)	(69)
	<b>(2,974)</b>	<b>(1,822)</b>
<b>Net finance cost</b>	<b>(1,846)</b>	664

## NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2012

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>9. INCOME TAX EXPENSE AND DEFERRED TAX</b>		
<b>Income tax recognised in profit and loss</b>		
<b>Current tax</b>		
Current tax expense in respect of the current year	–	3,527
	–	3,527
<b>Deferred tax (note 23)</b>		
Origination and reversal of temporary differences	<b>(11,643)</b>	(2,630)
	<b>(11,643)</b>	(2,630)
Total income tax expense recognised	<b>(11,643)</b>	897
The Group's effective tax rate for the year was 8% (2011: 6%). The tax rate used for the 2012 and 2011 reconciliations below is the corporate tax rate of 28% payable by South African corporate entities on taxable profits under South African tax law. The income tax expense for the year can be reconciled to the accounting profit as follows:		
Loss before income tax expense	<b>(150,551)</b>	(218,106)
Income tax benefit calculated at 28% (2011: 28%)	<b>(42,154)</b>	(61,070)
Tax effects of:		
Expenses that are not deductible for tax purposes	<b>35,517</b>	42,980
Tax losses utilised	–	(1,883)
Benefit of losses not previously recognised	–	–
Share based payments	–	873
Other temporary differences not utilised	<b>(5,006)</b>	18,875
Tax payable on dividends	–	–
Foreign income tax allowances and rate differentials	–	1,122
Income tax (credit)/charge	<b>(11,643)</b>	897

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		
<b>Basic loss per share</b>		
The calculation of basic loss per share at 30 June 2012 was based on the loss attributable to ordinary equity holders of the Company of US\$138.908 million (2011: US\$219.003 million) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2012 of 614,596,000 (2011: 530,681,000), calculated as follows:		
<b>Loss for the year attributable to ordinary shareholders</b>		
Loss attributable to owners of the Company (US\$'000)	138,908	219,003
	'000 SHARES	'000 SHARES
<b>Weighted number of ordinary shares</b>		
Weighted number of ordinary shares at 30 June	614,596	530,681
<b>Diluted loss per share</b>		
Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.		
Diluted loss per share is calculated by dividing loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of dilutive ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.		
As at 30 June 2012, 22,079,562 options, (2011, 28,853,061) were excluded from the computation of the loss per share as their impact is anti-dilutive. Furthermore at 30 June 2012 and 2011 one option issued to Firefly to acquire 50 million shares (see note 28) was also excluded from the computation of the loss per share as the impact is anti-dilutive.		

# NOTES TO THE FINANCIAL STATEMENTS **continued**

for the year ended 30 June 2012

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>11. DEVELOPMENT, EXPLORATION AND EVALUATION EXPENDITURE</b>		
Development, exploration and evaluation expenditure comprises:		
Exploration and evaluation assets	156,270	74,881
Development expenditure	127,216	120,967
Balance at end of year	<b>283,486</b>	195,848
A reconciliation of development, exploration and evaluation expenditure is presented below:		
<b>Exploration and evaluation assets</b>		
Balance at beginning of year	74,881	45,971
Additions	16,003	19,350
Additions through business combinations	75,553	–
Foreign exchange differences	(10,167)	9,560
Balance at end of year	<b>156,270</b>	74,881
<b>Development assets</b>		
Balance at beginning of year	120,967	264,854
Additions	24,775	21,320
Transferred to Property, plant and equipment (note 12)	–	(178,776)
Foreign exchange differences	(18,526)	13,569
Balance at end of year	<b>127,216</b>	120,967
The development assets have been assessed for impairment by comparing the carrying value against the value-in-use calculations of the project.		
Value-in-use is calculated based on the present value of cash flow projections over the expected live of each development project. The discount rate applied in the value-in-use is 10% (post tax).		
Based on the value-in-use projection, no impairment is recognised on the Vele development asset.		

## 12. PROPERTY, PLANT AND EQUIPMENT

	MINING PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	LEASEHOLD IMPROVE- MENTS	MOTOR VEHICLES	OTHER	TOTAL
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>2012</b>						
<b>Cost</b>						
At beginning of year	472,035	22,681	1,409	1,227	1,841	499,193
Additions	3,036	4,841	–	884	1,368	10,129
Additions through business combinations	–	1,166	–	–	–	1,166
Disposals	–	–	(525)	–	–	(525)
Foreign exchange	(47,173)	(4,340)	(206)	(272)	(392)	(52,383)
At end of year	427,898	24,348	678	1,839	2,817	457,580
<b>Accumulated depreciation</b>						
At beginning of year	139,525	488	613	495	957	142,078
Amortisation	51,829	–	–	–	–	51,829
Depreciation charge	14,986	986	–	306	687	16,965
Accumulated depreciation on disposals	–	–	(54)	–	–	(54)
Exchange differences	(17,563)	(149)	(97)	(107)	(199)	(18,115)
At end of year	188,777	1,325	462	694	1,445	192,703
<b>Accumulated Impairment</b>						
At beginning of year	138,857	–	–	–	–	138,857
Impairment reversal	(11,944)	–	–	–	–	(11,944)
Exchange differences	(3,677)	–	–	–	–	(3,677)
At end of year	123,236	–	–	–	–	123,236
<b>Net carrying value at end of year</b>						
	115,885	23,023	216	1,145	1,372	141,641

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 12. PROPERTY, PLANT AND EQUIPMENT *continued*

	MINING PROPERTY, PLANT AND EQUIPMENT US\$'000	LAND AND BUILDINGS US\$'000	LEASEHOLD IMPROVE- MENTS US\$'000	MOTOR VEHICLES US\$'000	OTHER US\$'000	TOTAL US\$'000
<b>2011</b>						
<b>Cost</b>						
At beginning of year	134,140	21,465	1,239	848	1,536	159,228
Additions	33,932	–	20	273	750	34,975
Additions through business combinations	–	–	–	–	–	–
Transfers (note 11)	223,993	–	–	–	–	223,993
Assets held-for-sale	(1,669)	(1,257)	–	–	(655)	(3,581)
Disposals	(2,697)	–	–	–	–	(2,697)
Foreign exchange	84,336	2,473	150	106	210	87,275
At end of year	472,035	22,681	1,409	1,227	1,841	499,193
<b>Accumulated depreciation</b>						
At beginning of year	24,913	156	260	98	814	26,241
Amortisation	48,427	–	–	–	–	48,427
Depreciation charge	28,112	436	311	376	416	29,651
Accumulated depreciation on disposals	(298)	–	–	–	–	(298)
Assets held-for-sale	(1,187)	(132)	–	–	(386)	(1,705)
Exchange differences	39,558	28	42	21	113	39,762
At end of year	139,525	488	613	495	957	142,078
<b>Accumulated Impairment</b>						
At beginning of year	–	–	–	–	–	–
Transfers (note 11)	45,216	–	–	–	–	45,216
Impairment	92,295	–	–	–	–	92,295
Exchange differences	1,346	–	–	–	–	1,346
At end of year	138,857	–	–	–	–	138,857
<b>Net carrying value at end of year</b>						
	193,653	22,193	796	732	884	218,258

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>12. PROPERTY, PLANT AND EQUIPMENT <i>continued</i></b>		
The carrying amounts of the respective collieries included in property, plant and equipment at year-end are:		
Mooiplaats	98,597	119,840
Woestalleen	16,875	72,685
	<b>115,472</b>	<b>192,525</b>
<b>Impairment disclosures</b>		
The above mining assets have been assessed for impairment by comparing the carrying value against the value-in-use calculations of each coal project (which represents individual cash generating units). The carrying values have been assessed against independent valuations commissioned by the Company. Both the Mooiplaats and Woestalleen assets were assessed independently during the current and previous years.		
Value-in-use is calculated based on the present value of cash flow projections over the expected life of each coal project. The discount rates applied in the value-in-use range from 8% to 12% depending on the stage of development of the project.		
Based on the value-in-use projections, a portion of the impairment on the Mooiplaats Colliery recognised in the prior financial year was reversed as a result of the fair value and condition of the processing plant included in the cash flow projections.		
Based on the value-in-use projections, no impairment is recognised on the Woestalleen assets.		
The key inputs into the Mooiplaats valuation were:		
Total coal reserves (tonnes)	36,891,000	41,810,000
Life-of-mine (years)	12	13
Annualised ROM production during the life-of-mine (million tonnes)	1.18 – 1.70	1.18 – 1.70
The key inputs into the Woestalleen valuation were:		
Total coal reserves (tonnes)	2,331,680	6,921,374
Life-of-mine (years)	1	2

# NOTES TO THE FINANCIAL STATEMENTS **continued**

for the year ended 30 June 2012

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>13. INTANGIBLE ASSETS</b>		
Balance at beginning of year	20,800	18,066
Amortisation	(1,206)	(1,443)
Foreign exchange differences	(837)	4,117
Balance at end of year	18,757	20,800
In August 2008 the Company entered into a throughput agreement with Terminal De Carvao Da Matola Limitada (TCM), a subsidiary of Grindrod Trading & Shipping Limited (Grindrod), the operator of the Matola Terminal and CMR Engineers & Project Managers Proprietary Limited. This agreement granted the Company 1Mtpa of port capacity through the Matola terminal commencing 1 January 2009, for an initial term of five years. This capacity was increased to approximately 3Mtpa in March 2011 and the Company has the right to renew the agreement (subject to certain conditions) at the end of the initial term, for further periods of three successive periods of five years each for a total of 15 years.		
<b>14. OTHER RECEIVABLES</b>		
Carrying amount of:		
Terminal development loan	11,200	12,800
NiMag loan	2,611	–
	13,811	12,800
Balance at beginning of year	12,800	14,400
Loan repayment	(1,600)	(1,600)
Loan advanced to NiMag	2,834	–
Foreign exchange differences	(223)	–
Balance at end of year	13,811	12,800
The Company entered into an agreement with Grindrod on 12 January 2009 whereby the Company exercised its option under the Grindrod option agreement and advanced loan funding of USD16,000,000, with a stated rate of interest of 0%, to Grindrod (the 'Grindrod Loan'). The Grindrod Loan was used to expand the annual throughput capacity at the Maputo Terminal and CoAL received access to an additional approximately 2Mtpa of throughput capacity from March 2011 and will continue as per the throughput agreement.		
The Grindrod Loan is to be repaid to the Company in 10 equal instalments, commencing from the 2010 financial year.		
CoAL provided a loan as part of the NiMag disposal to settle the balance of the Purchase Consideration.		
The loan bears interest at the South African prime overdraft rate less 0.5%, payable quarterly in arrears. The capital is repayable in 12 equal quarterly instalments following the 39th month after the date of advance of the ABSA funding for the management buyout or, the date the ABSA funding is fully repaid.		

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>15. OTHER FINANCIAL ASSETS</b>		
Carrying value of financial assets at fair value through profit or loss		
Listed securities		
– Equity securities	6,061	10,794
Unlisted securities		
– Equity securities in private corporations*	4,362	2,047
	<b>10,423</b>	<b>12,841</b>
Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows.		
<i>*Determined primarily by reference to the value of recent private placements.</i>		
Deposits	2,750	753
	<b>13,173</b>	<b>13,594</b>
<b>16. GOODWILL</b>		
Balance at beginning of year	–	3,031
Foreign exchange differences	–	1,378
Reclassified as held-for-sale	–	(4,409)
Balance at end of year	–	–
Goodwill is allocated to cash-generating units which are based on the Group's reporting segments.		
<b>17. INVENTORIES</b>		
Raw materials	1,080	325
Consumable stores	2,551	1,461
Work in progress	3,317	8,200
Finished goods	13,758	12,173
Goods in transit	1,352	963
	<b>22,058</b>	<b>23,122</b>
<b>18. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	21,152	27,500
Other receivables	6,841	19,622
Allowance for doubtful debts	(2,025)	(2,565)
	<b>25,968</b>	<b>44,734</b>
The carrying amount of trade and other receivables approximate their fair value due to their short-term maturity.		
Due to the nature of the Group's activities, a substantial amount of the Group's revenues arise from a limited number of large customers. Whilst this concentration provides an increased credit risk, management does not believe that this is significant.		

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>18. TRADE AND OTHER RECEIVABLES <i>continued</i></b>		
The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed in note 30. The Group does not hold any collateral as security.		
Movements on the allowance for doubtful debts are as follows:		
Balance at beginning of year	2,565	3,098
Provision for bad debts	–	–
Receivable written off as uncollectable	(218)	(769)
Transferred to assets classified as held-for-sale	–	(206)
Foreign exchange differences	(322)	442
Balance at end of year	<b>2,025</b>	2,565
Trade receivables are exposed to the credit risk of end-user customers within the coal mining industry.		
The Group has an established credit policy under which customers are analysed for creditworthiness before the Group's payment and delivery terms and conditions are offered. Customer balances are monitored on an ongoing basis to ensure that they remain within the negotiated terms and conditions offered.		
<b>Credit quality of trade receivables</b>		
Not past due	10,185	24,537
Past due 0 to 30 days	3,543	–
Past due 31 to 60 days	6,389	1,720
Past due 61 to 90 days	1,035	1,243
	<b>21,152</b>	27,500
<b>Currency analysis of trade receivables</b>		
SA Rand	17,105	12,515
US dollar	4,047	14,985
	<b>21,152</b>	27,500
<b>19. CASH AND CASH EQUIVALENTS</b>		
Bank balances	19,523	22,761
Restricted cash	11,976	13,323
The restricted cash balance of US\$11,976,000 (2011: US\$13,323,000) was held on behalf of subsidiary companies, in respect of the rehabilitation guarantees issued to the Department of Mineral Resources, in respect of environmental rehabilitation costs of US\$18.5 million (2011: US\$18.5 million). This cash was not available for use other than for those specific purposes.		

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>19. CASH AND CASH EQUIVALENTS <i>continued</i></b>		
<b>Credit risk</b>		
Cash at bank earns interest at a floating rate based on daily bank deposit rates. Cash is deposited at highly reputable financial institutions of a high quality credit standing within Australia, the United Kingdom and the Republic of South Africa.		
The fair value of cash and cash equivalents equates to the values as disclosed in this note.		
<b>20. ASSETS CLASSIFIED AS HELD-FOR-SALE</b>		
<b>Carrying amounts of</b>		
Holfontein Investments Proprietary Limited	–	11,721
NiMag Proprietary Limited	–	7,704
	–	19,425
<b>Assets classified as held-for-sale</b>		
Holfontein Investments Proprietary Limited	–	11,724
NiMag Proprietary Limited	–	10,544
	–	22,268
<b>Liabilities classified as held-for-sale</b>		
Holfontein Investments Proprietary Limited	–	3
NiMag Proprietary Limited	–	2,840
	–	2,843
	–	19,425
<b>Holfontein Investments Proprietary Limited</b>		
<b>Assets classified as held-for-sale</b>		
Exploration and evaluation assets	11,623	11,724
	11,623	11,724
<b>Liabilities classified as held-for-sale</b>		
Trade payables and accrued expenses	3	3
	3	3
Net assets of Holfontein Investments Proprietary Limited	11,620	11,721
Impairment on assets held-for-sale	(11,620)	
	–	

During the financial year ended 30 June 2012, the Company received an offer from an interested party to purchase Holfontein Investments Proprietary Limited (Holfontein) for ZAR100 million (US\$12.092 million) plus an additional ZAR2.00 (US\$0.24) per tonne of saleable coal produced. The purchaser could not satisfy the conditions precedent preventing the closing of the transaction. As at 30 June 2012, Management assessed Holfontein's carrying value and determined the value to be US\$1.

Holfontein was independently valued in September 2012 for ZAR111.380 million (US\$13.468 million).

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>20. ASSETS CLASSIFIED AS HELD-FOR-SALE <i>continued</i></b>		
<b>NiMag Group</b>		
<b>Assets classified as held-for-sale</b>		
Property, plant and equipment	–	2,622
Goodwill	–	4,409
Other financial assets	–	5
Deferred tax asset	–	45
Inventories	–	3,279
Trade and other receivables	–	3,761
Cash and cash equivalents	–	1,528
	–	15,649
<b>Liabilities classified as held-for-sale</b>		
Interest bearing liabilities	–	285
Provisions	–	381
Trade payables and accrued expenses	–	2,277
Current tax liabilities	–	(100)
	–	2,843
Net assets of NiMag Group	–	12,806
Impairment on asset held-for-sale	–	(5,105)
	–	7,701
The conditions precedent for the sale of the NiMag Group were fulfilled in April 2012.		
<b>21. BORROWINGS</b>		
<b>Non-current</b>		
<b>Unsecured – at amortised cost</b>		
Unsecured loans	–	–
Other	–	–
	–	–
<b>Secured – at amortised cost</b>		
Secured loans	–	1,720
Finance leases	66	1,720
Total non-current borrowings	66	1,720

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>21. BORROWINGS</b> <i>continued</i>		
<b>Current</b>		
<b>Unsecured – at amortised cost</b>		
Unsecured loans	–	–
Other – contingent consideration (note 33)	13,785	–
Other	1,454	2,644
	<b>15,239</b>	2,644
<b>Secured – at amortised cost</b>		
Secured loans	32,469	32,623
Finance leases	1,355	3,364
	<b>33,824</b>	35,987
Total current borrowings	<b>49,063</b>	38,631
Total borrowings	<b>49,129</b>	40,351
The carrying value of the Group's interest bearing liabilities, which consist of floating rate interest bearing liabilities, approximate fair value.		
<b>Finance leases</b>		
The Group entered into finance lease arrangements for certain motor vehicles and equipment. The average term of finance leases entered into is 5 years, and the average effective borrowing rate is 7.45%.		
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.		
<b>Gross finance lease liabilities – minimum lease payments</b>		
No later than 1 year	1,407	3,671
Later than 1 year and no later than 5 years	68	1,786
Later than 5 years	–	–
	<b>1,475</b>	5,457
Future finance charges on finance leases	(54)	(373)
	<b>1,421</b>	5,084
The present value of finance lease liabilities is as follows:		
No later than 1 year	1,355	3,364
Later than 1 year and no later than 5 years	66	1,720
Later than 5 years	–	–
	<b>1,421</b>	5,084

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>21. BORROWINGS <i>continued</i></b>		
<b>Export trade finance facility</b>		
Balance at beginning of year	32,623	–
Loan advanced	–	32,500
Interest accrued	(154)	123
	<b>32,469</b>	<b>32,623</b>

The Company, through its wholly owned South African subsidiary Langcarel Proprietary Limited (Borrower), secured a revolving thermal coal export trade finance facility (Facility) for up to US\$50.0 million with Deutsche Bank AG, Amsterdam (Lender), on 23 March 2011.

The facility is subject to certain covenants associated with a facility of this nature. As a result of the unrealised foreign exchange loss associated with the loan in the books of Langcarel Proprietary Limited, the total equity measure fell below the set threshold. Notice of this breach was communicated to the Lender during the period.

The company has met with the Lender regarding the breach and has engaged in discussion about the possibility of re-structuring the loan. At the date of signing this report, the Company is not able to drawdown on any of the unused portion of the facility.

The Company considers that under the facility agreement the breach has not resulted in any change to the terms of the facility. At the date of signing this report the Lender has not confirmed this position. If the Lender does not agree with the Company regarding the breach, the facility will become due and payable immediately. The Directors have assessed the likelihood of the loan being called and consider the probability to be low.

CoAL and its subsidiaries NuCoal Mining Proprietary Limited and Woestalleen Colliery Proprietary Limited guarantee the Borrower's obligations under the Facility agreement.

Interest is accrued at the London Interbank Offer Rate (LIBOR) plus 3% per annum.

Throughout the lifetime of the Facility, certain off-take contract proceeds will be paid into collection accounts held with the Lender in the name of Borrower, and pledged to the Lender, and shall always be equal to or greater than 130% of the amount outstanding under the Facility.

The Facility will be secured by:

- A first ranking assignment by the relevant Borrower of its rights under the Off-take Contracts in favour of the Lender. The off-takers have acknowledged such assignment following a notice given by the relevant Borrower;
- Pledge over the Collection Accounts with the Lender; and
- Pledge over Customer Foreign Currency Accounts with Deutsche Bank, Johannesburg.

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>21. BORROWINGS <i>continued</i></b>		
<b>Unsecured working capital facility</b>		
Balance at beginning of year	–	20,000
Loan advanced	–	–
Loan repaid	–	(20,000)
	–	–
<b>22. PROVISIONS</b>		
Employee provisions	1,396	2,481
Other	79	–
Rehabilitation provisions	16,916	18,714
	18,391	21,195
<b>Employee provisions</b>		
Balance at beginning of year	2,481	876
Charged to income statement	1,110	1,618
Used during the year	(1,820)	(155)
Foreign exchange differences	(375)	142
Balance at end of year	1,396	2,481
The provision for employees represents unused annual leave entitlements.		
<b>Rehabilitation provision</b>		
Balance at beginning of year	18,714	9,239
Unwinding of discount	148	69
Additional provisions recognised	1,413	7,610
Foreign exchange differences	(3,359)	1,796
Balance at end of year	16,916	18,714
The rehabilitation provision represents the current cost of environmental liabilities as at the respective year-end. An annual estimate of the quantum of closure costs is necessary in order to fulfil the requirements of the DMR, as well as meeting specific closure objectives outlined in the mine's EMP.		
Although the ultimate amount of the obligation is uncertain, the fair value of the obligation is based on information that is currently available. The estimated undiscounted liability at 30 June 2012 is US\$20.7 million (2011: US\$18.5 million). This estimate includes costs for the removal of all current mine infrastructure and the rehabilitation of all disturbed areas to a condition as described in the EMP.		
Provisions have been analysed between current and non-current as follows:		
Current	1,475	2,481
Non-current	16,916	18,714
	18,391	21,195

# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2012

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>23. DEFERRED TAX</b>		
<b>Deferred tax asset</b>		
– Deferred tax asset to be recovered after more than 12 months	3,444	4,171
– Deferred tax asset to be recovered within 12 months	–	–
	<b>3,444</b>	4,171
<b>Deferred tax liability</b>		
– Deferred tax liability to be recovered after more than 12 months	–	(13,469)
– Deferred tax liability to be recovered within 12 months	(6,454)	(5,966)
	<b>(6,454)</b>	(19,435)
<b>Net deferred tax liability</b>	<b>(3,010)</b>	(15,264)
The gross movement on the deferred tax account is as follows:		
Balance at beginning of year	(15,264)	(18,091)
Exchange differences	610	242
Transferred to held-for-sale	–	(45)
Statement of comprehensive income charge	11,644	2,630
Tax credit relating to components of other comprehensive income	–	–
Tax charged/(credited) directly to income	–	–
Balance at end of year	<b>(3,010)</b>	(15,264)
The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:		
<b>Deferred tax assets</b>		
<i>Capital allowances</i>		
Balance at beginning of year	4,171	4,395
Statement of comprehensive income charge	–	(729)
Charged/(credited) directly to equity	–	–
Foreign exchange differences	(727)	450
Balance at end of year	<b>3,444</b>	4,171
<i>Employee benefits</i>		
Balance at beginning of year	(2)	18
Statement of comprehensive income charge/(credit)	–	(13)
Charged/(credited) directly to equity	–	–
Transferred to held-for-sale	–	(9)
Foreign exchange differences	2	2
Balance at end of year	–	(2)

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>23. DEFERRED TAX <i>continued</i></b>		
<b>Deferred tax assets <i>continued</i></b>		
<i>Provisions</i>		
Balance at beginning of year	–	720
Statement of comprehensive income charge/(credit)	–	(771)
Charged/(credited) directly to equity	–	–
Transferred to held-for-sale	–	(25)
Foreign exchange differences	–	76
Balance at end of year	–	–
<i>Tax losses</i>		
Balance at beginning of year	–	5,217
Statement of comprehensive income charge/(credit)	–	(5,763)
Charged/(credited) directly to equity	–	–
Transferred to held-for-sale	–	–
Foreign exchange differences	–	546
Balance at end of year	–	–
<i>Other</i>		
Balance at beginning of year	–	329
Statement of comprehensive income charge/(credit)	–	–
Charged/(credited) directly to equity	–	–
Transferred to held-for-sale	–	(11)
Foreign exchange differences	–	318
Balance at end of year	–	–
<b>Deferred tax liabilities</b>		
<i>Provisions</i>		
Balance at beginning of year	<b>(992)</b>	(848)
Statement of comprehensive income charge/(credit)	<b>1,463</b>	(168)
Other comprehensive income charge/(credit)	–	–
Charged/(credited) directly to equity	–	–
Foreign exchange differences	<b>(471)</b>	24
Balance at end of year	–	(992)

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>23. DEFERRED TAX <i>continued</i></b>		
<b>Deferred tax liabilities continued</b>		
<i>Other</i>		
Balance at beginning of year	(16,911)	(27,703)
Statement of comprehensive income charge/(credit)	–	–
Other comprehensive income charge/(credit)	–	–
Acquisition of business combination	–	–
Charged/(credited) directly to equity	–	–
Amortisation	10,181	13,997
Impairment	–	1,532
Foreign exchange differences	276	(4,737)
Balance at end of year	(6,454)	(16,911)
<i>Total</i>		
Balance at beginning of year	19,435	28,551
Statement of comprehensive income charge/(credit)	(11,644)	(12,248)
Other comprehensive income charge/(credit)	–	–
Foreign exchange differences	(1,337)	3,132
Balance at end of year	6,454	19,435
Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of US\$85.8 million (2011: US\$12.6 million) in respect of losses amounting to US\$13.2 million (2011: US\$15.8 million) and unredeemed capital expenditure of US\$293.2 million (2011: US\$151.9 million) that can be carried forward against future taxable income.		
<b>24. TRADE AND OTHER PAYABLES</b>		
Trade payables	64,586	32,562
Accrued expenses	5,184	20,205
Other	2,673	20,823
	72,443	73,590

The average credit period is 30 days. No interest is charged on trade payables.

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>25. ISSUED CAPITAL</b>		
<b>Fully paid ordinary shares</b>		
666,323,828 (2011: 531,139,651) fully paid ordinary shares	<b>791,103</b>	686,577
<b>Movements in fully paid ordinary shares</b>	<b>NUMBER</b>	<b>US\$'000</b>
At 1 July 2010	<b>530,514,663</b>	685,740
Exercise of Class A options at A\$0.50 per share	<b>624,998</b>	837
At 30 June 2011	<b>531,139,661</b>	686,577
Exercise of Class A options at A\$0.50 per share	<b>1,000,000</b>	509
Shares issued in lieu of bonus	<b>144,912</b>	135
Issue of shares	<b>130,000,000</b>	101,370
Shares issued to directors and employees	<b>4,039,255</b>	2,511
At 30 June 2012	<b>666,323,828</b>	791,102
In November and December 2011 the Company issued 130,000,000 fully paid ordinary shares valued at US\$104.9 million to fund, among other things, the development of the Makhado and Chapudi projects.		
<p>Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholders meetings.</p> <p>In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.</p> <p>Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.</p>		
<b>26. ACCUMULATED DEFICIT</b>		
Accumulated deficit at the beginning of the financial year	<b>(429,589)</b>	(210,586)
Net loss attributed to members of parent entity	<b>(138,908)</b>	(219,003)
Transferred from share based payment reserve	<b>3,697</b>	–
Accumulated deficit at the end of the financial year	<b>(564,800)</b>	(429,589)

# NOTES TO THE FINANCIAL STATEMENTS **continued**

for the year ended 30 June 2012

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>27. RESERVES</b>		
<b>27.1 Reserves</b>		
Capital profits reserve	91	91
Share-based payment reserve	87,180	88,967
Foreign currency translation reserve	63,327	84,170
	<b>150,598</b>	<b>173,228</b>
Movement for the year can be reconciled as follows:		
<b>Share-based payments reserve</b>		
Opening balance	88,967	86,451
Share options issued during the year	2,082	3,004
Transfer from option reserve	(3,869)	(488)
Closing balance	87,180	88,967
<b>Foreign currency translation reserve</b>		
Opening balance	84,170	(35,300)
Exchange differences on translating foreign operations	(20,843)	119,470
Closing balance	63,327	84,170
Nature and purpose of reserves:		
<b>Capital reserve</b>		
The capital profits reserve contains capital profits derived during previous financial years.		
<b>Share-based payment reserve</b>		
Share-based payments represent the value of unexercised share options to Directors and employees, as well as the BBBEE option.		
<b>Foreign currency translation reserve</b>		
The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations.		

## 28. SHARE-BASED PAYMENTS

### Share options

#### Employee share option plan

The Group maintains certain Employee Share Option Plans (ESOPs) for executives and senior employees of the Group. In accordance with the terms of the schemes, executives and senior employees may be granted options to purchase ordinary shares.

#### Share options granted to Directors and Officers

The Group also grants share options to directors and officers of the Group outside the ESOPs. In accordance with the Group's policies, directors and officers may be granted options to purchase ordinary shares.

#### Share option terms, vesting requirements and options outstanding at 30 June 2012

Each option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options hold no voting or dividend rights and are not transferable. Upon exercise of the options the ordinary shares received rank equally with existing ordinary shares.

The following share-based payment arrangements existed at 30 June 2012:

- 8,000,000 share options over ordinary shares in CoAL, granted to CoAL Directors on 28 June 2006. The options allow the Directors to take up ordinary shares at an exercise price of US\$0.50 each. The options are exercisable on or before 30 September 2011. The options hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, 1,000,000 options had been taken up and the remaining 7,000,000 options had lapsed.
- 1,000,000 share options over ordinary shares in CoAL, granted to employees in South Africa as an incentive for performance on 24 November 2006. The options have an exercise price of US\$0.50 each and are exercisable on or before 30 September 2011. The options hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, 500,000 of the options had been taken up and the remaining 500,000 options had lapsed.
- 7,000,000 share options over ordinary shares in CoAL were granted to Simon Farrell (5,000,000 options) (previously CoAL Executive Deputy Chairman) and Richard Linnell (previously CoAL Chairman – 2,000,000 options) on 5 June 2007. The options allow the Directors to take up ordinary shares at an exercise price of US\$1.25 each. The options are exercisable on or before 30 September 2012. The options hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.
- 1,000,000 share options over ordinary shares in CoAL were granted on 10 April 2008 to Mr Barry Sergeant (previously CoAL Finance Director) on 1 April 2011. The options allow the Mr Sergeant to take up ordinary shares at an exercise price of US\$1.90 each. The options are exercisable on or before 30 September 2012. The options hold no voting or dividend rights, and are not transferable. Upon conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.
- 600,000 share options at an exercise price of US\$1.25 and 250,000 share options at an exercise price of US\$2.05 over ordinary shares in CoAL were granted to employees in South Africa, as an incentive for performance on 19 May 2008. The options are exercisable on or before 1 May 2012 and hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up and all 600,000 options had lapsed.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 28. SHARE-BASED PAYMENTS *continued*

### Share options *continued*

#### Share option terms, vesting requirements and options outstanding at 30 June 2012 *continued*

- 1,650,000 share options over ordinary shares in CoAL were granted to Riaan van der Merwe (Chief Operations Officer) on 1 December 2008. The options allow the Chief Operations Officer to take up ordinary shares at an exercise price of US\$3.25 each. The options are exercisable on or before 31 July 2012. The options hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up and all 1,650,000 options had lapsed.
- 3,000,000 share options over ordinary shares in CoAL were granted to Mr Simon Farrell on 8 December 2009. The options allow the Mr Farrell to take up ordinary shares at an exercise price of US\$2.74 each. 2,000,000 of the options vest one year after the granting of the NOMR for the Vele Colliery and the remaining 1,000,000 options vest one year after the granting of the Makhado Project NOMR. The 3,000,000 options are exercisable on or before 30 November 2014 and hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.
- 2,000,000 share options over ordinary shares in CoAL were granted to Mr Barry Sergeant on 8 December 2009. The options allow the Mr Sergeant to take up ordinary shares at an exercise price of US\$2.74 each. 500,000 of the options vest on closing of the NuCoal acquisition transaction, 1,000,000 of the options vest one year after the granting of the NOMR for the Vele Colliery and the remaining 500,000 options vest one year after the granting of the Makhado Project NOMR. The options are exercisable on or before 30 November 2014 and hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or lapsed.
- 912,500 options were issued to eligible employees of CoAL as part of the ESOP on 25 February 2010. Shareholders of the Company approved the adoption of the ESOP on 30 November 2009. The ESOP gives eligible employees and officers of the Company the opportunity in the form of options to subscribe for shares in the Company. The options issued under this scheme are exercisable prior to 30 June 2014, have an exercise price of US\$1.90, are not transferable and hold no voting or dividend rights and vest in equal tranches on 1 July 2009, 1 July 2010 and 1 July 2011. Upon conversion, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up but 94,000 options were cancelled.
- 2,500,000 share options over ordinary shares in CoAL were granted to David Murray, Senior Independent Non-executive Director of CoAL, on 9 November 2010. The options allow Mr Murray to take up ordinary shares at an exercise price of US\$1.20 each. The options are exercisable in equal tranches on or before 9 November 2015. The options hold no voting or dividend rights, and are not transferable. 1,000,000 options vest on 8 November 2011, 750,000 on 8 November 2012 and 750,000 on 8 November 2013 and on conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.
- 1,540,561 ESOP options were issued on 4 February 2011 to eligible employees of CoAL as part of the ESOP. The options issued are exercisable prior to 30 September 2015, have an exercise price of US\$1.40, or ZAR9.50. The options vest in equal tranches on 30 September 2011, 30 September 2012 and 30 September 2013. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. At reporting date, none of the options had been taken up but 99,500 options were cancelled.
- 2,670,000 ESOP options were issued on 16 September 2011 to eligible employees of CoAL as part of the ESOP. The options issued are exercisable prior to 14 February 2017, have an exercise price of US\$1.40 or ZAR7.60. The options vest in equal tranches on 1 July 2012, 1 July 2013 and 1 July 2014. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. At reporting date, none of the options had been taken up or had lapsed.

The following share-based payment arrangements were in existence at the end of the current year::

OPTION SERIES	NUMBER	GRANT DATE	EXPIRY DATE	EXERCISE	FAIR VALUE AT	WEIGHTED
				PRICE	GRANT DATE	AVERAGE
				AUD	AUD	REMAINING
						CONTRACTUAL
						LIFE
Class D unlisted options	7,000,000	05/06/2007	30/09/2012	A\$1.25	A\$0.45	0.08 years
Class G unlisted options	1,000,000	10/04/2008	30/09/2012	A\$1.90	A\$1.54	0.01 years
Class I unlisted options	1,650,000	01/12/2008	31/07/2012	A\$3.25	A\$0.49	0.08 years
Class J unlisted options	5,000,000	08/12/2009	30/11/2014	A\$2.74	A\$0.58	0.55 years
Class K unlisted options	818,500	25/02/2010	30/06/2014	A\$1.90	A\$0.92	0.07 years
Option <sup>(1)</sup>	1	22/04/2010	01/11/2014	GBP0.60	A\$1.78	0.00 years
Class C unlisted options	2,500,000	09/11/2010	09/11/2015	A\$1.20	A\$0.59	0.11 years
ESOP unlisted options	1,441,061	04/02/2011	30/09/2015	A\$1.40	A\$0.91	0.23 years
ESOP unlisted options	2,670,000	16/09/2011	14/02/2017	A\$1.40	ZAR3.46	0.21 years
	22,079,562					

(1) Option to subscribe for 50 million ordinary shares for 60 pence each between 1 November 2010 and 1 November 2014, as approved by shareholders on 22 April 2010.

### Fair value of share options granted during the year

The weighted average fair value of share options granted during the financial year is A\$0.43 (2011: A\$1.28). Options were priced using the Black-Schöles option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

Expected volatility is based on the historical shares price volatility over the past five years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is two and a half times the exercise price.

Inputs into the Black-Schöles model for the financial year were as follows:

	CURRENT	PRIOR FINANCIAL YEAR	
	FINANCIAL YEAR	CLASS C GRANTS	ESOP GRANTS
	ESOP GRANTS		
Closing share price on issue date	ZAR6.05	A\$1.13	A\$1.16
Exercise price	ZAR7.60	A\$1.20	A\$1.40
Expected volatility	70.0%	56.64%	57.71%
Option life remaining	4.71 years	4.36 years	4.25 years
Dividend yield	0%	0%	0%
Risk free interest rate	6.69%	5.21%	5.39%

The total share-based payment expense recognised in the current financial year is US\$5.005 million.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

### 28. SHARE-BASED PAYMENTS *continued*

#### Share options *continued*

	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011
	NUMBER	NUMBER
<b>Movement in share options</b>		
Options outstanding at beginning of year	28,903,062	25,487,499
Options expired	(8,493,500)	–
Options granted	2,670,000	4,040,561
Options exercised	(1,000,000)	(624,998)
Options outstanding at end of year	22,079,562	28,903,062
Weighted average exercise price (US\$)	2.63	1.46
Options exercisable	14,838,688	23,571,851
Weighted average exercise price (US\$)	1.28	1.14

#### Share options exercised during the period

OPTION SERIES	SHARE PRICE AT DATE OF EXERCISE	NUMBER	EXERCISE DATE	WEIGHTED AVERAGE PRICE
Class A unlisted options	A\$1.05	500,000	09/09/2011	0.10
Class A unlisted options	A\$0.83	500,000	30/09/2011	0.40
		1,000,000		

### 29. NON-CONTROLLING INTEREST

	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011
	US\$'000	US\$'000
Non-controlling interests comprise the following:		
Tshipise Energy Proprietary Limited	–	–
Freewheel Trade and Invest 37 Proprietary Limited	575	575
	575	575

### 30. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under policies approved by the Board. Management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Market risk

##### Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar and the US dollar. Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency. Most of the company's purchases are denominated in SA rand. However, certain items during the exploration, development and plant construction phase, as well as long lead-capital items are denominated in US dollars, Euros or Australian dollars. These have to be acquired by the South African operating company due to the South African Reserve Bank's Foreign Exchange Control Rulings. This exposed the South African subsidiary companies to changes in the foreign exchange rates.

The Group's cash deposits are largely denominated in Australian dollar and SA rand. A foreign exchange risk arises from the funds deposited in Australian dollar which will have to be exchanged into the functional currency for working capital purposes.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The following significant exchange rates were applied during the reporting period:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011
US Dollar 1 = SA Rand	<b>7.738</b>	6.999	<b>8.278</b>	6.837
SA Rand 1 = US Dollar	<b>0.129</b>	0.143	<b>0.121</b>	0.146
US Dollar 1 = Australian Dollar	<b>0.969</b>	1.011	<b>0.984</b>	0.944
Australian Dollar 1 = US Dollar	<b>1.032</b>	0.989	<b>1.016</b>	1.060
SA Rand 1 = Australian Dollar	<b>0.125</b>	0.145	<b>0.119</b>	0.138
Australian Dollar 1 = SA Rand	<b>8.012</b>	6.909	<b>8.412</b>	7.245

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

### 30. FINANCIAL RISK MANAGEMENT *continued*

#### Market risk *continued*

#### Foreign exchange risk *continued*

At financial period end, the financial instruments exposed to foreign currency risk movements are as follows:

	DENOMINATED IN ZAR US\$'000	DENOMINATED IN AUD US\$'000	DENOMINATED IN USD US\$'000	TOTAL US\$'000
<b>BALANCES AT 30 JUNE 2012</b>				
<b>Financial assets</b>				
Other receivables	2,611	–	11,200	13,811
Trade and other receivables	25,846	122	–	25,968
Cash <sup>(1)</sup> and cash equivalents	26,944	1,040	3,515	31,499
Total financial assets	55,401	1,162	14,715	71,278

<sup>(1)</sup> Cash includes restricted cash

#### Financial liabilities

Borrowings	16,660	–	32,469	49,129
Trade and other payables	69,074	3,367	30,000	102,441
Total financial liabilities	85,734	3,367	62,469	151,570

	DENOMINATED IN ZAR US\$'000	DENOMINATED IN AUD US\$'000	DENOMINATED IN USD US\$'000	TOTAL US\$'000
<b>BALANCES AT 30 JUNE 2011</b>				
<b>Financial assets</b>				
Other receivables	–	–	12,800	12,800
Trade and other receivables	29,749	–	14,985	44,734
Cash <sup>(1)</sup> and cash equivalents	19,970	4,426	11,688	36,084
Total financial assets	49,719	4,426	39,473	93,618

<sup>(1)</sup> Cash includes restricted cash

#### Financial liabilities

Borrowings	7,728	–	32,623	40,351
Trade and other payables	68,248	5,342	–	73,590
Total financial liabilities	75,976	5,342	32,623	113,941

Balances classified as held-for-sale are not included in the above tables.

The following table summarises the sensitivity of financial instruments held at balance date to movements in the exchange rate of the SA rand to the US dollar, with all other variables held constant. The US dollar denominated instruments have been assessed using the sensitivities indicated in the table. These are based on reasonably possible changes, over a financial period, using the observed range of actual historical rates for the preceding two-year period.

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>IMPACT ON PROFIT/(LOSS)</b>		
Judgements on reasonable possible movements		
USD/ZAR increase by 10%	(4,843)	(2,626)
USD/ZAR decrease by 10%	4,843	2,626

### Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as at fair value through profit or loss.

CoAL is exposed to financial risks arising from coal prices. Coal prices are expected to fluctuate in the next financial year. Further contracts have been entered into with Eskom and other local buyers for the middlings and run-of-mine sales.

### Interest risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During both 2011 and 2010, the Group's borrowings at variable rate were denominated in the US dollar.

The following table summarises the sensitivity of the financial instruments held at the reporting date, following a movement in variable interest rates, with all other variables held constant. The sensitivities are based on reasonably possible changes over a financial period, using the observed range of actual historical rates.

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>IMPACT ON PROFIT/(LOSS)</b>		
Judgements on reasonable possible movements		
Increase of 0.2% in LIBOR	157	65
Decrease of 0.2% in LIBOR	(8)	(65)

The impact is calculated on the net financial instruments exposed to variable interest rates as at reporting date and does not take into account any repayments of long or short-term borrowing.

### Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's credit risk is limited to the carrying value of its financial assets.

At balance date there is a significant concentration of credit risk represented in the cash and cash equivalents, restricted cash and trade accounts receivables balance. With respect to accounts receivables, this is due to the fact that sales of large value are made to a limited number of customers. The customers have complied with all contractual sales terms and has not at any stage defaulted on amounts due. The Group manages its credit risk by predominantly dealing with counterparties with a positive credit rating.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 30. FINANCIAL RISK MANAGEMENT *continued*

### Credit risk *continued*

The maximum exposure to credit risk was as follows:

	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011
FINANCIAL ASSETS	US\$'000	US\$'000
Other receivables	13,811	12,800
Trade and other receivables	25,968	44,734
Cash and cash equivalents	31,499	36,084
	71,278	80,818

### Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost effective manner. The Group's Executive continually reviews the liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The concentration of cash balances on hand in geographical areas was as follows:

	AUSTRALIA	SOUTH AFRICA	TOTAL
BALANCES AT 30 JUNE 2012	US\$'000	US\$'000	US\$'000
Cash and cash equivalents	1,040	18,483	19,523
	1,040	18,483	19,523

	AUSTRALIA	SOUTH AFRICA	TOTAL
BALANCES AT 30 JUNE 2011	US\$'000	US\$'000	US\$'000
Cash and cash equivalents	5,446	17,315	22,761
	5,446	17,315	22,761

The contractual maturity analysis of payables at the reporting date was as follows:

	LESS THAN 6 MONTHS	BETWEEN 6 – 12 MONTHS	GREATER THAN 12 MONTHS	TOTAL
BALANCES AT 30 JUNE 2012	US\$'000	US\$'000	US\$'000	US\$'000
Interest bearing liabilities <sup>(1)</sup>	1,420	1,455	13,785	16,660
Trade and other payables <sup>(2)</sup>	72,443	–	–	72,443
Export Trade finance facility <sup>(3)</sup>	32,469	–	–	32,469
	106,332	1,455	13,785	121,572

<sup>(1)</sup> Interest bearing at rates between 7.45% and 11.50%

<sup>(2)</sup> Not interest bearing

<sup>(3)</sup> LIBOR plus 3%

	LESS THAN 6 MONTHS	BETWEEN 6 – 12 MONTHS	GREATER THAN 12 MONTHS	TOTAL
<b>BALANCES AT 30 JUNE 2011</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Interest bearing liabilities	4,326	1,682	1,720	7,728
Trade and other payables	73,590	–	–	73,590
Revolving credit facility	–	32,623	–	32,623
	77,916	34,305	1,720	113,941

### Capital management

The Group's corporate office is responsible for capital management. This involves the use of corporate forecasting models, which facilitates analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements. Corporate office monitors gearing.

Capital management is undertaken to ensure a secure, cost effective supply of funds to ensure the Group's operating and capital expenditure requirements are met. The mix of debt and equity is regularly reviewed. The Group does not have a target debt/equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise. Net debt is calculated as total borrowings (including the current and non-current borrowings as reported on the Statement of Financial Position). Total capital is calculated as the total equity (as reported) plus net debt.

	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011
	<b>US\$'000</b>	<b>US\$'000</b>
Interest bearing liabilities	16,660	7,728
Revolving credit facility	–	–
Export trade finance facility	32,469	32,623
Net debt	49,129	40,351
Total equity	377,267	430,791
Total capital	426,396	471,142
Gearing ratio	13.02%	9.37%

No dividends were paid during the reporting period. The Board maintains a policy of balancing returns to shareholders with the need to fund growth.

### Financial assets and liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

#### Financial assets

Other receivables	13,811	12,800
Trade and other receivables	25,968	44,734
Cash and cash equivalents	31,499	36,084
Fair value through profit or loss	13,173	13,594
<b>Total financial assets</b>	<b>84,451</b>	<b>107,212</b>

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 30. FINANCIAL RISK MANAGEMENT *continued*

### Capital management *continued*

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>Financial assets and liabilities by category</b> <i>continued</i>		
<b>Financial liabilities</b>		
Finance lease liabilities	1,420	5,084
Other liabilities	15,240	2,644
Trade and other payables	72,443	73,590
Revolving credit facility	–	–
Export trade finance facility	32,469	32,623
	<b>121,572</b>	<b>113,941</b>

### Fair value of financial assets and liabilities

The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties in an arm's length transaction. The fair values of the Group's financial assets and liabilities approximate their carrying values, as a result of their short maturity or because they carry floating rates of interest.

All financial assets and liabilities recorded in the financial statements approximate their respective net fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3, based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs, other than quoted prices, included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

AS AT 30 JUNE 2012	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at FVTPL	8,811	4,362	–	13,173
<b>AS AT 30 JUNE 2011</b>				
Financial assets at FVTPL	11,547	2,047	–	13,594

### 31. NOTES TO THE STATEMENT OF CASH FLOWS

	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>Reconciliation of cash</b>		
For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:		
Cash and bank balances	19,523	22,761
<b>Reconciliation of loss before tax to net cash used in operations</b>		
Loss before tax	(150,551)	(218,106)
Add back:		
Depreciation	16,965	29,651
Amortisation	53,035	49,870
Impairment losses	(324)	97,400
Share-based payment	2,428	3,004
Goodwill written off	1,191	–
Profit on sale of investments	(1,135)	–
Sundry income (non-cash)	(6,818)	–
Movement in provisions	4,756	15,807
Finance costs (net)	1,846	(664)
Dividends received	–	–
Foreign exchange (gains)/losses on operating activities	41,330	29,923
(Gains)/losses on revaluation of investments	–	498
Changes in working capital		
(Increase)/decrease in inventories	(3,167)	903
Prepayments received	–	13,110
Decrease/(Increase) in trade and other receivables	12,019	(17,494)
Increase/(Decrease) in trade and other payables	11,713	(6,429)
Cash generated from operations	(16,712)	(2,527)

The increase in trade and other payables relating to financing activities totals US\$3.8 million and is the only non-cash activity within financing activities.

# NOTES TO THE FINANCIAL STATEMENTS **continued**

for the year ended 30 June 2012

## 32. SEGMENT INFORMATION

The Group has three reportable segments: Exploration, Development and Mining. The Exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As of June 30, 2012, projects within this reportable segment include three exploration and development stage coking and thermal coal complexes, namely the Chapudi Complex (which comprises the Chapudi project, the Chapudi West project and the Wildebeesthoek project), the Soutpansberg Complex (which comprises the Voorburg project, the Mt Stuart project and the Jutland project) and the Makhado Complex (comprising the Makhado project, the Makhado Extension project and the Generaal project). The Development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As of June 30, 2012 projects included within this reportable segment include one coking coal project, namely the Vele Colliery, in the early operational and development stage. The Mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale. As of June 30, 2012 the Group had two operational thermal collieries included in this segment, namely the Mooiplaats Colliery and the Woestalleen Colliery.

The accounting policies of the reportable segments are the same as those described in Note 3, Accounting policies.

The Group evaluates performance on the basis of segment profitability, which represents net operating (loss)/profit earned by each reportable segment before impairment of financial assets, impairment of Mooiplaats, depreciation, amortisation, foreign exchange gains, and impairment of assets held-for-sale.

They are managed separately because, amongst other things, each reportable segment has substantially different risks.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

The Group's reportable segments focus on the stage of project development and the product offerings of coal mines in production.

	EXPLORATION	DEVELOPMENT	MINING	TOTAL
FOR THE YEAR ENDED 30 JUNE 2012	US\$'000	US\$'000	US\$'000	US\$'000
Revenues from external customers <sup>(1)</sup>	–	–	242,493	242,493
Inter-segment revenues	–	–	74,260	74,260
<b>Revenue</b>	–	–	<b>316,753</b>	<b>316,753</b>
<b>Segment loss</b>	<b>3,464</b>	<b>7,883</b>	<b>69,340</b>	<b>80,687</b>
Items included within the Group's measure of segment profitability				
– Depreciation and amortisation	–	(43)	(71,517)	(71,560)
– Impairment	–	–	–	–
– Finance cost (net)	(6)	(66)	(2,005)	(2,077)
<sup>(1)</sup> Revenues represent sale of product				
<b>Segment assets</b>	<b>162,046</b>	<b>134,565</b>	<b>183,786</b>	<b>480,397</b>
Items included within the Group's measure of segment assets				
– Additions to non-current assets	95,708	24,775	2,728	123,211
<b>Segment liabilities</b>	<b>24,165</b>	<b>16,900</b>	<b>96,916</b>	<b>137,981</b>

<b>FOR THE YEAR ENDED 30 JUNE 2011</b>	<b>EXPLORATION US\$'000</b>	<b>DEVELOPMENT US\$'000</b>	<b>MINING US\$'000</b>	<b>TOTAL US\$'000</b>
Revenues from external customers <sup>(1)</sup>	–	–	229,225	229,225
Inter-segment revenues	–	–	45,686	45,686
<b>Revenue</b>	–	–	274,911	274,911
<b>Segment loss</b>	2,485	4,626	158,817	165,928
Items included within the Group's measure of segment profitability				
– Depreciation and amortisation	–	(51)	(77,159)	(77,210)
– Impairment	–	–	(92,295)	(92,295)
– Finance cost (net)	–	–	(1,665)	(1,665)
<i><sup>(1)</sup> Revenues represent sale of product</i>				
<b>Segment assets</b>	75,156	125,449	294,364	494,969
Items included within the Group's measure of segment assets				
– Additions to non-current assets	19,350	7,981	59,584	86,915
<b>Segment liabilities</b>	4,289	7,009	142,172	153,740

Reconciliations of the total segment amounts to respective items included in the consolidated financial statements are as follows:

	<b>YEAR ENDED 30 JUNE 2012 US\$'000</b>	<b>YEAR ENDED 30 JUNE 2011 US\$'000</b>
<b>Total loss for reportable segments</b>	<b>80,687</b>	165,928
Reconciling items:		
Unallocated corporate (income)/costs	<b>13,895</b>	(11,523)
Depreciation	<b>2,180</b>	29,651
Impairment of assets held-for-sale	<b>(324)</b>	5,105
Goodwill written off	<b>1,191</b>	–
BBBEE share-based payment	–	–
Foreign exchange (gain)/loss	<b>41,279</b>	28,945
<b>Loss before taxation</b>	<b>138,908</b>	218,106
<b>Total segment assets</b>	<b>480,397</b>	494,969
Reconciling items:		
Unallocated property, plant and equipment	<b>23,379</b>	24,035
Assets classified as held-for-sale	–	22,268
Intangible assets	<b>18,757</b>	20,800
Goodwill	–	–
Other financial assets	<b>7,396</b>	7,948
Other receivables	<b>13,811</b>	12,800
Unallocated current assets	<b>10,097</b>	8,859
<b>Total assets</b>	<b>553,837</b>	591,679

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

### 32. SEGMENT INFORMATION *continued*

	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011
	US\$'000	US\$'000
<b>Total segment liabilities</b>	<b>137,981</b>	153,470
Reconciling items:		
Liabilities held-for-sale	–	2,843
Unallocated liabilities	<b>38,589</b>	4,575
<b>Total liabilities</b>	<b>176,570</b>	160,888

The Group operates in two principal geographical areas – Australia (country of domicile) and South Africa.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below. The Group has equity interests in exploration and mining companies listed in the United Kingdom, unlisted exploration companies in Guernsey, one listed and one unlisted manufacturing company and unlisted exploration companies as well as a mining company in South Africa and a biotechnology company listed in Australia.

#### Revenue by location of operations

South Africa	<b>242,758</b>	261,222
Australia	<b>1,084</b>	203
Total revenue	<b>243,842</b>	261,425

#### Non-current liabilities by location of operations

South Africa	<b>16,982</b>	437,516
Australia	<b>36,454</b>	41,278
Total non-current liabilities	<b>53,436</b>	478,794

#### Major customers

Three external customers in the mining segment contribute 33%, 17% and 10% of the Group's total revenue. No other customers exceed 10% of the Group's revenue.

### 33. BUSINESS COMBINATIONS

#### Subsidiaries acquired

	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	PROPORTION OF VOTING EQUITY INTERESTS ACQUIRED	CONSIDERATION TRANSFERRED US\$'000
Bakstaan Boerdery Proprietary Limited (Bakstaan)	Game farm	2012/05/31	100%	1,813
Chapudi Coal Proprietary Limited (Chapudi)	Exploration	2012/05/09	74%	
Kwezi Mining Exploration Proprietary Limited (Kwezi)	Exploration	2012/05/09	74%	31,356

Chapudi and Kwezi was jointly acquired so as to continue the expansion of the Group's exploration assets. For disclosure purposes these two subsidiaries will be disclosed as a group – Exploration assets.

## Consideration transferred

	BAKSTAAN US\$'000	EXPLORATION ASSETS US\$'000
Cash consideration	1,813	31,356
Contingent consideration	–	43,644
Total consideration transferred	1,813	75,000

Under the contingent consideration arrangement US\$13,642,455 will become payable upon granting of exchange control approval by the SARB in respect of the shareholder claims and the second tranche of US\$30 million will become payable either on the receipt of a NOMR on any of the properties that form part of the prospecting area in any of the new order prospecting rights (NOPRs), or two years from the date upon which the conditions precedent are fulfilled, whichever transpires earlier.

Subsequent to year-end, SARB approval was granted and the amount is due and payable at the date of signing this report (see note 1).

Acquisition-related costs amounting to US\$59,007 have been excluded from the consideration transferred and have been recognised as an expense in the current year. These costs have been included in Other expenses in the statement of comprehensive income.

## Assets acquired and liabilities recognised at the date of acquisition

	BAKSTAAN US\$'000	EXPLORATION ASSETS US\$'000	TOTAL US\$'000
<i>Current assets</i>			
Cash and cash equivalents	15	212	227
Inventory	331	–	331
Receivables	4	493	497
<i>Non-current assets</i>			
Exploration asset	–	74,345	74,345
Property, plant and equipment	1,166	3	1,169
<i>Current liabilities</i>			
Payables	(3)	(53)	(56)
<i>Non-current liabilities</i>			
Borrowings	(816)	–	(816)
	697	75,000	75,697

## Non-controlling interests

The non-controlling interests recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to US\$0.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 33. BUSINESS COMBINATIONS *continued*

### Goodwill arising on acquisition

	BAKSTAAN	EXPLORATION ASSETS	TOTAL
	US\$'000	US\$'000	US\$'000
Consideration transferred	1,813	75,000	76,813
Plus: non-controlling interests (26% of Exploration assets)	–	–	–
Less: fair value of identifiable assets acquired	(697)	(75,000)	(75,697)
Goodwill arising on acquisition	1,116	–	1,116

The goodwill arising on the acquisition of Bakstaan has been written-off in the current year as a result of the change in use of the properties owned by Bakstaan.

### Net cash outflow on acquisition of subsidiaries

	YEAR ENDED 30 JUNE 2012 US\$'000
Consideration paid in cash	33,169
Less: cash and cash equivalent balances acquired	(227)
	32,942

The initial accounting for the acquisition of Bakstaan and the Exploration Assets has only been provisionally determined at the end of the reporting period.

## 34. CONTINGENCIES AND COMMITMENTS

### Purchase agreements

Under the Matola Terminal Agreements described in Note 21, the Company is contracted to 'take or pay' for allocated port capacity. The Matola Terminal Agreements specify that the Company will pay for 75% of its contracted port allocation, regardless of whether the port allocation is utilized. During the financial year ended 30 June 2012, the Company incurred expenses of US\$1.6 million related to its take or pay obligations for unutilised port capacity. In 2011, the Company utilised in excess of 75% of its allocated port capacity. Over the initial term of the Matola Terminal Agreements which extend through 2013, the Company's maximum obligation under the take or pay obligations is US\$45.0 million.

In conjunction with the acquisition of the Woestalleen Complex (NuCoal), the Company is obligated under an agreement whereby a third party mines the coal at the Zonnebloem coalfields at the Woestalleen Complex. The agreement provides for the Company to purchase 1.2 million tonnes of coal per annum at a cost of US\$2.9 per ton mined (ZAR20 per tonne mined). The rate charged per tonne mined is subject to an annual increase. The Company is contracted under this agreement until a minimum of 13.0 million tonnes of coal are extracted from the mines.

### Participation right agreement

In March 2009, as part of the Makhado Project development efforts, the Company entered into an arrangement with Exxaro, as a potential strategic BEE partner, with the intention of acquiring together the requisite mineral rights in order to commence production. Under the terms of the arrangement, Exxaro was granted the right, but not the obligation, to participate in up to 30% of the Makhado Project in exchange for cash consideration of 20% less than the fair market value of the Makhado Project on the date the right to participate is exercised. The right to participate was granted specifically to allow for the operation and usage of the Makhado Project and accordingly was accounted for as a shared based payment transaction at the date of grant in March 2009.

## **Contingent liabilities**

The Group is currently involved in litigation as outlined below (US\$ amounts presented within have been computed using the exchange rate as of 30 June 2012 unless otherwise stated):

### **Ferret Mining And Environmental Services Proprietary Limited (Ferret)/RH Boer, JA Nel, Coal Of Africa Limited (now Mooiplaats Mining Limited) and GVM Metals Limited (now Coal of Africa Limited)**

This is an application by Ferret declaring that its ownership of 26% shareholding in GVM was unlawfully disposed of by RH Boer, who was the managing director of Ferret at the time, who in turn sold the shareholding to JA Nel of the David Trust. JA Nel then in turn sold the shareholding to GVM Metals Limited. This matter is pending.

Should CoAL be unsuccessful with its application, CoAL would be entitled to launch a counterclaim against JA Nel for a sum of ZAR112.0 million (US\$13.5 million), which is the purchase price paid for the shares.

### **Motjoli Resources Proprietary Limited & Motjoli Resources Advisory Services cc/Coal of Africa, Mooiplaats Mining Limited and JA Nel**

Motjoli Resources Proprietary Limited and Motjoli Resources Advisory Services CC were appointed as consultants to Mooiplaats in order to obtain the granting of a mining right of Mooiplaats for Langcarel Proprietary Limited and in order to obtain Section 11 approval for the transaction between CoAL and Mooiplaats. The fees to be paid were ZAR4.0 million (US\$0.5 million) plus the issue of 4,750,000 paid up ordinary shares in CoAL to be transferred to Motjoli.

Motjoli contends that it complied with its obligations and was receiving ZAR4.0 million (US\$0.5 million), but did not receive the issue of 4,750,000 fully paid up ordinary shares in the issued ordinary share capital of CoAL. In addition, Motjoli claims that in the event that the shares are not issued, it should be awarded an amount of ZAR95.5 million (US\$11.5 million) with interest by the Defendants jointly and severally.

The matter has been referred to arbitration on 25 February 2013 to 1 March 2013.

### **Envicoal Proprietary Limited/NuCoal Mining Proprietary Limited**

Envicoal launched arbitration proceedings against NuCoal claiming that NuCoal failed to deliver coal as prescribed in terms of the agreement concluded between the parties. As a result, Envicoal claims damages to the value of ZAR108.0 million (US\$13 million) alternatively ZAR32.4 million (US\$3.9 million). The arbitration proceedings are still advancing and to date, no arbitration date has been agreed upon.

### **AMCI International AG (AMCI)/NuCoal Mining Proprietary Limited**

On 14 July 2009 NuCoal issued a letter of demand against AMCI and Polmaise Colliery Proprietary Limited (Polmaise). NuCoal claimed that in terms of a coal supply agreement AMCI had undertaken that, in the event of the parties failing to agree on a coal production budget, it would off-take 50,000 tons of coal per month from NuCoal. AMCI failed to take delivery of the full 50,000 tons per month and NuCoal estimated that it had suffered damages to the amount of ZAR42.5 million (US\$5.1 million).

NuCoal also claimed that it had, on the instructions of AMCI, directly supplied coal to Polmaise. NuCoal and AMCI agreed that AMCI would be invoiced. NuCoal duly invoiced AMCI for an amount of ZAR1.6 million (US\$0.2 million) and ZAR3.7 million (US\$0.4 million), which amount AMCI failed to pay. It appears that the matter was settled during 2009. The provision of the settlement appear to be that: the coal supply agreement would be suspended until AMCI decided to take further deliveries of coal; NuCoal undertook to pay the amount owing by Polmaise if Polmaise failed to pay.

### **Mhlahla Consultants Proprietary Limited/Woestalleen Colliery Proprietary Limited**

Mhlahla claims that in terms of an oral agreement it concluded with Woestalleen that it transported coal on behalf of Woestalleen for the value of ZAR0.5 million (US\$0.1 million). Woestalleen has in turn raised a counterclaim claiming that it sold and delivered coal to Mhlahla for the sum of ZAR3.8 million (US\$0.5 million) of which ZAR1.7 million (US\$0.2 million) remains outstanding. It is however likely that only ZAR1.0 million (US\$0.1 million) will be recovered.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 34. CONTINGENCIES AND COMMITMENTS *continued*

### Contingent liabilities *continued*

#### **Gerbid Trading CC/NuCoal Mining Proprietary Limited and Jerry**

This claim is issued out of the Johannesburg Magistrates Court by Gerbid Trading against NuCoal and Jerry wherein it claims that an accident occurred on 18 June 2008, the driver of such forklift, Jerry, being an employee of NuCoal and its claim for a sum of ZAR0.06 million.

#### **Apex Forex Trading Limited/Coal of Africa Limited**

On 31 January 2011, Van Huyssteens Attorneys alleged in writing that Apex was provisionally liquidated in 2000 but purchased a 30% interest in Mooiplaats Mining Proprietary Limited. This shareholding was, according to Van Huyssteens, transferred to CoAL without payment of any money due to the liquidated estate. This matter is still under investigation.

#### **Vuna Mining Enterprises Proprietary Limited**

NuCoal Mining has committed to mine at least 1,200,000 tons from the Zonnebloem colliery annually.

### Commitments

In addition to the commitments of the parent entity as disclosed under note 38, subsidiary companies have financial commitments in terms of in terms of New Order Mining Rights granted by the South African Department of Mineral Resources. The commitments are based on the revenue generated by the colliery during the financial year, and/or quantities of coal sold by the colliery during the financial year.

## 35. RELATED PARTY DISCLOSURES

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

- R Linnell – Non-executive Chairman, **resigned 6 August 2012**
- S Farrell – Executive Deputy Chairman, **resigned 6 August 2012**
- P Cordin – Non-executive Director
- S Bywater – Non-executive Director, **resigned 6 August 2012**
- A Nevhutanda – Executive Director
- J Wallington – Chief Executive Officer
- D Murray – Non-executive Director
- K Mosehla – Non-executive Director
- M Xayiya – Non-executive Director, **resigned 6 August 2012**
- R Torlage – Non-executive Director
- W Koonin – Financial Director
- D Brown – Non-executive Chairman, **appointed 6 August 2012**
- B Pryor – Non-executive Director, **appointed 6 August 2012**
- R van der Merwe – Chief Operating Officer
- W Hattigh – General Manager: Business Development

Refer to the remuneration report for remuneration of all directors and key management personnel.

## Equity instruments

### Option holdings

The movement during the reporting period in the number of options over ordinary shares exercisable at US\$0.50 on or before 30 September 2011 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2011	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2012
<b>Non-executive Directors</b>					
R Linnell	2,000,000	–	–	(2,000,000)	–
P Cordin	1,000,000	–	–	(1,000,000)	–
S Bywater	–	–	–	–	–
D Murray	–	–	–	–	–
K Mosehla	–	–	–	–	–
M Xayiya	–	–	–	–	–
R Torlage	–	–	–	–	–
<b>Executive Directors</b>					
S Farrell	4,000,000	–	–	(4,000,000)	–
J Wallington	–	–	–	–	–
W Koonin	–	–	–	–	–
A Nevhutanda	–	–	–	–	–
<b>Key management</b>					
R van der Merwe	–	–	–	–	–
W Hattingh	–	–	–	–	–

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

	HELD AT 1 JULY 2011	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2012
<b>Non-executive Directors</b>					
R Linnell	2,000,000	–	–	–	2,000,000
P Cordin	–	–	–	–	–
S Bywater	–	–	–	–	–
D Murray	–	–	–	–	–
K Mosehla	–	–	–	–	–
M Xayiya	–	–	–	–	–
R Torlage	–	–	–	–	–
<b>Executive Directors</b>					
S Farrell	5,000,000	–	–	–	5,000,000
J Wallington	–	–	–	–	–
W Koonin	–	–	–	–	–
A Nevhutanda	–	–	–	–	–
<b>Key management</b>					
R van der Merwe	–	–	–	–	–
W Hattingh	–	–	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

### 35. RELATED PARTY DISCLOSURES *continued*

#### Equity instruments *continued*

##### Option holdings *continued*

The movement during the reporting period in the number of options over ordinary shares exercisable at US\$1.90 on or before 30 September 2012 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2011	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2012
<b>Non-executive Directors</b>					
R Linnell	—	—	—	—	—
P Cordin	—	—	—	—	—
S Bywater	—	—	—	—	—
D Murray	—	—	—	—	—
K Mosehla	—	—	—	—	—
M Xayiya	—	—	—	—	—
R Torlage	—	—	—	—	—
<b>Executive Directors</b>					
S Farrell	1,000,000	—	—	—	1,000,000
J Wallington	—	—	—	—	—
W Koonin	—	—	—	—	—
A Nevhutanda	—	—	—	—	—
<b>Key management</b>					
R van der Merwe	—	—	—	—	—
W Hattingh	—	—	—	—	—

The movement during the reporting period in the number of options over ordinary shares exercisable at US\$2.74 on or before 30 November 2014 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2011	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2012
<b>Non-executive Directors</b>					
R Linnell	—	—	—	—	—
P Cordin	—	—	—	—	—
S Bywater	—	—	—	—	—
D Murray	—	—	—	—	—
K Mosehla	—	—	—	—	—
M Xayiya	—	—	—	—	—
R Torlage	—	—	—	—	—
<b>Executive Directors</b>					
S Farrell	5,000,000	—	—	—	5,000,000
J Wallington	—	—	—	—	—
W Koonin	—	—	—	—	—
A Nevhutanda	—	—	—	—	—
<b>Key management</b>					
R van der Merwe	—	—	—	—	—
W Hattingh	—	—	—	—	—

The movement during the reporting period in the number of options over ordinary shares exercisable at US\$1.20 on or before 9 November 2015 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2011	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2012
<b>Non-executive Directors</b>					
R Linnell	–	–	–	–	–
P Cordin	–	–	–	–	–
S Bywater	–	–	–	–	–
H Verster	–	–	–	–	–
D Murray	2,500,000	–	–	–	2,500,000
K Mosehla	–	–	–	–	–
M Xayiya	–	–	–	–	–
R Torlage	–	–	–	–	–
<b>Executive Directors</b>					
S Farrell	–	–	–	–	–
J Wallington	–	–	–	–	–
B Sergeant	–	–	–	–	–
W Koonin	–	–	–	–	–
A Nevhutanda	–	–	–	–	–
<b>Key management</b>					
R van der Merwe	–	–	–	–	–
W Hattingh	–	–	–	–	–

The movement during the reporting period in the number of options over ordinary shares exercisable at ZAR12.50 on or before 1 July 2015 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2011	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2012
<b>Non-executive Directors</b>					
R Linnell	–	–	–	–	–
P Cordin	–	–	–	–	–
S Bywater	–	–	–	–	–
H Verster	–	–	–	–	–
D Murray	–	–	–	–	–
K Mosehla	–	–	–	–	–
M Xayiya	–	–	–	–	–
R Torlage	–	–	–	–	–
<b>Executive Directors</b>					
S Farrell	–	–	–	–	–
J Wallington	–	–	–	–	–
B Sergeant	–	–	–	–	–
W Koonin	–	–	–	–	–
A Nevhutanda	–	–	–	–	–
<b>Key management</b>					
R van der Merwe	90,833	–	–	–	90,833
W Hattingh	210,000	–	–	–	210,000

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

### 35. RELATED PARTY DISCLOSURES *continued*

#### Equity instruments *continued*

#### Option holdings *continued*

The movement during the reporting period in the number of options over ordinary shares exercisable at US\$3.25 on or before 31 July 2012 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2011	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2012
<b>Non-executive Directors</b>					
R Linnell	–	–	–	–	–
P Cordin	–	–	–	–	–
S Bywater	–	–	–	–	–
H Verster	–	–	–	–	–
D Murray	–	–	–	–	–
K Mosehla	–	–	–	–	–
M Xayiya	–	–	–	–	–
R Torlage	–	–	–	–	–
<b>Executive Directors</b>					
S Farrell	–	–	–	–	–
J Wallington	–	–	–	–	–
B Sergeant	–	–	–	–	–
W Koonin	–	–	–	–	–
A Nevhutanda	–	–	–	–	–
<b>Key management</b>					
R van der Merwe	1,650,000	–	–	–	1,650,000
W Hattingh	–	–	–	–	–

The movement during the reporting period in the number of options over ordinary shares exercisable at US\$1.40 on or before 30 September 2015 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2011	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2012
<b>Non-executive Directors</b>					
R Linnell	–	–	–	–	–
P Cordin	–	–	–	–	–
S Bywater	–	–	–	–	–
H Verster	–	–	–	–	–
D Murray	–	–	–	–	–
K Mosehla	–	–	–	–	–
M Xayiya	–	–	–	–	–
R Torlage	–	–	–	–	–
<b>Executive Directors</b>					
S Farrell	–	–	–	–	–
J Wallington	–	–	–	–	–
B Sergeant	–	–	–	–	–
W Koonin	–	–	–	–	–
A Nevhutanda	–	–	–	–	–
<b>Key management</b>					
R van der Merwe	70,333	–	–	–	70,333
W Hattingh	25,667	–	–	–	25,667

The movement during the reporting period in the number of options over ordinary shares exercisable at ZAR7.60 on or before 14 February 2017 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2011	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2012
<b>Non-executive Directors</b>					
R Linnell	–	–	–	–	–
P Cordin	–	–	–	–	–
S Bywater	–	–	–	–	–
H Verster	–	–	–	–	–
D Murray	–	–	–	–	–
K Mosehla	–	–	–	–	–
M Xayiya	–	–	–	–	–
R Torlage	–	–	–	–	–
<b>Executive Directors</b>					
S Farrell	–	–	–	–	–
J Wallington	–	–	–	–	–
B Sergeant	–	–	–	–	–
W Koonin	–	–	–	–	–
A Nevhutanda	–	–	–	–	–
<b>Key management</b>					
R van der Merwe	–	286,000	–	–	286,000
W Hattingh	–	286,000	–	–	286,000

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2012

## 35. RELATED PARTY DISCLOSURES *continued*

### Equity instruments *continued*

#### Equity holdings and transactions of Directors and key management personnel

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

	HELD AT 1 JULY 2011	PURCHASED	RECEIVED ON EXERCISE OF OPTIONS/ REMUNERATION	OTHER CHANGES	HELD AT 30 JUNE 2012
<b>Non-executive Directors</b>					
R Linnell	801,550	–	–	916,575	1,718,125
P Cordin	412,759	–	–	458,300	871,059
S Bywater	–	–	–	–	–
H Verster	–	–	–	–	–
D Murray	–	–	–	–	–
K Mosehla	–	–	–	–	–
M Xayiya	–	–	–	–	–
R Torlage	–	–	–	–	–
<b>Executive Directors</b>					
S Farrell	3,221,791	–	–	1,833,150	5,054,941
J Wallington	–	–	250,000	–	250,000
W Koonin	–	–	230,000	–	230,000
A Nevhutanda	55,000	–	–	–	55,000
<b>Key management</b>					
R van der Merwe	–	–	150,000	–	150,000
W Hattingh	–	–	–	–	–

#### Other Transactions with the Company or its Controlled Entities

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

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

No Directors entered or were party to any contract, whether directly or indirectly during the financial year.

### 36. CONTROLLED ENTITIES

Particulars in relation to controlled entities

	COUNTRY OF INCORPORATION	YEAR ENDED 30 JUNE 2012 %	YEAR ENDED 30 JUNE 2011 %
Bakstaan Boerdery Proprietary Limited <sup>(6)</sup>	South Africa	100	–
Baobab Mining & Exploration Proprietary Limited	South Africa	100	100
Chapudi Coal Proprietary Limited	South Africa	74	–
Chromet Proprietary Limited <sup>(1)</sup>	South Africa	–	100
Coal Mining Madagascar SARL	Madagascar	–	50
Coal of Africa & ArcelorMittal Analytical Laboratories (Pty) Ltd	South Africa	50	100
Coal of Madagascar Limited <sup>(4)</sup>	Guernsey	–	42
Cove Mining NL	Australia	100	100
Drilling and Geological Services of Madagascar Ltd <sup>(3)</sup>	Madagascar	–	100
Evoc Mining NL	Australia	100	100
Freewheel Trade and Invest 37 Proprietary Limited	South Africa	74	74
Fumaria Property Holdings Proprietary Limited	South Africa	100	100
Golden Valley Services Proprietary Limited	Australia	100	100
Greenstone Gold Mines NL	Australia	100	100
GVM Metals Administration (South Africa) Proprietary Limited	South Africa	100	100
Harrisia Investments Holdings Proprietary Limited	South Africa	100	100
Holfontein Investments Proprietary Limited	South Africa	100	100
Joerg Foundry Proprietary Limited <sup>(1)</sup>	South Africa	–	100
Keynote Trading and Investments 108 Proprietary Limited	South Africa	74	–
Kwezi Mining Exploration Proprietary Limited <sup>(7)</sup>	South Africa	74	–
Langcarel Proprietary Limited <sup>(2)</sup>	South Africa	100	100
Limpopo Coal Company Proprietary Limited	South Africa	100	100
Metalloy Fibres Proprietary Limited <sup>(1)</sup>	South Africa	–	100
Mooiplaats Mining Limited	South Africa	100	100
NiMag Proprietary Limited	South Africa	–	100
Nu-Coal Proprietary Limited <sup>(5)</sup>	South Africa	100	100
NuCoal Investments Proprietary Limited <sup>(5)</sup>	South Africa	100	100
NuCoal Mining Proprietary Limited	South Africa	100	100
Pan African Drilling Limited	British Virgin Islands	–	100
Regulus Investment Holdings Proprietary Limited	South Africa	100	100
Silkwood Trading 14 Proprietary Limited	South Africa	100	100
Tshikunda Mining Proprietary Limited	South Africa	60	60
Tshipise Energy Investments Proprietary Limited	South Africa	74	–
Woestalleen Colliery Proprietary Limited <sup>(5)</sup>	South Africa	100	100

<sup>(1)</sup> Part of the NiMag Group

<sup>(2)</sup> Subsidiary companies of Mooiplaats Mining Limited (previously Coal of Africa Limited)

<sup>(3)</sup> Subsidiary company of Pan African Drilling Limited

<sup>(4)</sup> Subsidiary company of Coal of Madagascar Limited

<sup>(5)</sup> Subsidiary companies of NuCoal Mining Proprietary Limited

<sup>(6)</sup> Subsidiary company of Fumaria Property Holdings Proprietary Limited

<sup>(7)</sup> Subsidiary companies of Keynote Trading and Investments 108 Proprietary Limited

# NOTES TO THE FINANCIAL STATEMENTS **continued**

for the year ended 30 June 2012

## 37 EVENTS AFTER THE REPORTING PERIOD

Post year-end, the following significant operational events took place:

- Entering into a financing package with Investec Bank Limited (Investec), pursuant to which Investec will make approximately US\$58.7 million available to CoAL through a combination of debt and equity funding to replace the existing US\$40.0 million JP Morgan 364 day loan facility. Under the equity funding arrangement, Investec subscribed for a total of 19,148,408 million CoAL shares, 16,850,599 shares at a subscription price of 29.21 pence per share and 2,297,809 shares at 43.70 cents (Australian) per share raising approximately US\$8.7 million.
- The Company will also have a right, for a 12-month period, to require Investec to subscribe for additional CoAL shares in tranches, in each case at a time and in an amount to be agreed between CoAL and Investec, at a 5% discount to the closing price of a CoAL share on the trading day prior to the issue of a subscription notice by Investec.
- Appointment of Mr David Brown as Chairman and Mr Bernard Pryor as an Independent Non-executive Director on 6 August 2012.
- Resignation of Mr Richard Linnell as Non-executive Chairman and Mr Simon Farrell as Executive Deputy Chairman on 6 August 2012.
- Mr Steve Bywater and Mr Mikki Xayiya, both Non-executive Directors of the Company, resigned on 6 August 2012.
- Placement of 115,478,798 new shares with institutional investors at a price of GBP25 per share to raise gross proceeds of US\$44.8 million. 80,570,166 were firmly placed 34,908,632 shares conditionally placed requiring CoAL shareholder approval which was received at a Shareholder General Meeting in September 2012.

There have been no other events between 30 June 2012 and the date of this report which necessitate adjustment to the statements of comprehensive income or statements of financial position at that date.

## 38 PARENT ENTITY FINANCIAL INFORMATION

	PARENT ENTITY	
	YEAR ENDED 30 JUNE 2012 US\$'000	YEAR ENDED 30 JUNE 2011 US\$'000
<b>Summary financial information</b>		
Non-current assets	552,308	530,676
Current assets	1,454	9,679
Total assets	553,762	540,355
Current liabilities	5,184	7,271
Total liabilities	5,184	7,271
Net assets	548,578	533,084
Shareholders' Equity		
Issued capital	791,102	686,577
Accumulated deficit	(430,001)	(346,030)
Reserves	187,477	192,537
	548,578	533,084
Loss for the year	(83,972)	(180,215)
Total comprehensive loss	(83,972)	(180,215)

### Commitments

- CoAL has a commitment under the Matola Terminal Agreement to 'take or pay' for allocated port capacity (see note 34).
- CoAL has subordinated all loans to subsidiary companies.
- CoAL is a guarantor under the coal export trade finance facility with Deutsche Bank AG, Amsterdam (see note 21).

# INDEPENDENT AUDITOR'S REPORT

To the members of Coal of Africa Limited

# Deloitte.

Deloitte Touche Tohmatsu  
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## REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Coal of Africa Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 65 to 136.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

## AUDITOR'S RESPONSIBILITY

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

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

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

## AUDITOR'S INDEPENDENCE DECLARATION

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Coal of Africa Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Liability limited by a scheme approved under Professional Standards Legislation  
Member of Deloitte Touche Tohmatsu Limited

# INDEPENDENT AUDITOR'S REPORT continued

To the members of Coal of Africa Limited

# Deloitte.

## OPINION

In our opinion:

- (a) the financial report of Coal of Africa Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also complies with International Financial Reporting Standards as disclosed in Note 2.

## EMPHASIS OF MATTER

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$138,908,000 and experienced net cash outflows from operating and investing activities of \$102,078,000 during the year ended 30 June 2012. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's and Consolidated Entity's ability to continue as going concerns and therefore, the Company and Consolidated Entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

## REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 58 to 63 of the Directors' Report for the year ended 30 June 2012. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## OPINION

In our opinion, the Remuneration Report of Coal of Africa Limited for the year ended 30 June 2012 complies with Section 300A of the *Corporations Act 2001*.



**DELOITTE TOUCHE TOHMATSU**



**Ross Jerrard**

**Partner**

Chartered Accountants

28 September 2012

# TENEMENT SCHEDULE

## TENEMENTS HELD BY CoAL AND CONTROLLED ENTITIES:

PROJECT NAME	LOCATION	TENEMENT NUMBER	INTEREST
Chapudi Project *	South Africa	Albert 686 MS	74%
		Bergwater 712 MS	74%
		Remaining Extent and Portion 2 of Bergwater 697 MS	74%
		Blackstone Edge 705 MS	74%
		Remaining Extent and Portion 1 of Bluebell 480 MS	74%
		Remaining Extent and Portion 1 of Bushy Rise 702 MS	74%
		Castle Koppies 652 MS	74%
		Chapudi 752 MS	74%
		Remaining Extent, Portions 1, 3 and 4 of Coniston 699 MS	74%
		Driehoek 631 MS	74%
		Remaining Extent of Dorps-rivier 696 MS	74%
		Enfield 512 MS (consolidation of Remaining Extent of Enfield 474 MS, Brosdoorn 682 MS and Remaining Extent of Grootvlei 684 MS)	74%
		Remaining Extent and Portion 1 of Gertrude 111 MT	74%
		Grootboomen 476 MS	74%
		Grootvlei 684 MS	74%
		Kalkbult 709 MS	74%
		Remaining Extent, Remaining Extent of Portion 2, Remaining Extent of Portion 3, Portions 1, 4, 5, 6, 7 and 8 of Kliprivier 692 MS	74%
		Remaining Extent of Koodoobult 664 MS	74%
		Koschade 657 MS (Was Mapani Kop 656 MS)	74%
		Malapchani 659 MS	74%
		Mapani Ridge 660 MS	74%
		Melrose 469 MS	74%
		Middelfontein 683 MS	74%
		Mountain View 706 MS	74%
		M'tamba Vlei 654 MS	74%
		Remaining Extent and Portion 1 of Pienaar 635 MS	74%
		Remaining Extent and Portion 1 of Prince's Hill 704 MS	74%
		Qualipan 655 MS	74%
		Queensdale 707 MS	74%
		Remaining Extent and Portion 1 of Ridge End 662 MS	74%
		Remaining Extent and Portion 1 of Rochdale 700 MS	74%
		Sandilands 708 MS	74%
		Portions 1 and 2 of Sandpan 687 MS	74%
Sandstone Edge 658 MS	74%		
Remaining Extent of Portions 2 and 3 of Sterkstroom 689 MS	74%		
Sutherland 693 MS	74%		
Remaining Extent and Portion 1 of Varkfontein 671 MS	74%		
Remaining Extent, Portion 2, Remaining Extent of Portion 1 of Vastval 477 MS	74%		
Vleifontein 691 MS	74%		
Portions 3, 4, 5 and 6 of Waterpoort 695 MS	74%		
Wildebeesthoek 661 MS	74%		
Woodlands 701 MS	74%		

## TENEMENT SCHEDULE continued

PROJECT NAME	LOCATION	TENEMENT NUMBER	INTEREST
<b>Kanowna West **</b>	Western Australia	M27/41	9.47%
		M27/47	9.47%
		M27/59	9.47%
		M27/72,27/73	9.47%
		M27/114	9.47%
		M27/196	9.47%
		M27/414,27/415	9.47%
		P27/1826-1829	9.47%
		P27/1830-1842	9.47%
		P27/1887	9.47%
<b>Kalbara **</b>	Western Australia	M27/181	8.52%
<b>Abbotshall Royalty</b>	Western Australia	ML63/409,410	Royalty
<b>Kookynie Royalty</b>	Western Australia	ML40/061	Royalty
		ML40/135,136	Royalty
<b>Holfontein</b>	South Africa	Remaining Extent of Portions 1, 5 and 11 and portions 4, 6, 9, 10, 12 and 13 of the farm Holfontein 138 IS	100%
<b>Makhado Project</b>	South Africa	Fripp 645 MS	100%
		Lukin 643 MS	100%
		Remaining Extent and Portion 1 of Overwinning 713 MS	100%
		Salaita 188 MT	100%
		Tanga 648 MS	100%
		Remaining Extent, Portion 1 and Portion 2 of the farm Windhoek 649 MS	100%
<b>Makhado Project Extension*</b>	South Africa	Beck 568 MS	74%
		Bekaf 650 MS	74%
		Remaining Extent and Portion 1 of Boas 642 MS	74%
		Chase 576 MS	74%
		Coen Britz 646 MS	74%
		Fanie 578 MS	74%
		Gray 189 MT	100%
		Portions 1, 2 and Remaining Extent of Generaal 587 MS	74%
		Joffre 584 MS	74%
		Juliana 647 MS	74%
		Kleinenberg 636 MS	74%
		Remaining Extent of Maseri Pan 520 MS	74%
		Remaining Extent and Portion 2 of Mount Stuart 153 MT	100%
		Nakab 184 MT	100%
		Phantom 640 MS	74%
		Riet 182 MT	100%
		Rissik 637 MS	100%
		Salaita 188 MS	74%
		Schuitdrift 179 MT	100%
		Septimus 156 MT	100%
Solitude 111 MT	74%		
Stayt 183 MT	100%		
Telema 190 MT	100%		
Remaining Extent and Portion 1 of Terblanche 155 MT	100%		
Van Deventer 641 MS	74%		
Wildgoose 577 MS	74%		

PROJECT NAME	LOCATION	TENEMENT NUMBER	INTEREST
<b>Mopane Project *</b>	South Africa	Ancaster 501 MS	100%
		Banff 502 MS	74%
		Bierman 599 MS	74%
		Cavan 508 MS	100%
		Cohen 591 MS	100%
		Remaining Extent, Portions 1 and 2 of Delft 499 MS	74%
		Dreyer 526 MS	74%
		Remaining Extent of Du Toit 563 MS	74%
		Faure 562 MS	74%
		Remaining Extent and Portion 1 of Goosen 530 MS	74%
		Hermanus 533 MS	74%
		Jutland 536 MS	100%
		Krige 495 MS	74%
		Mons 557 MS	100%
		Remaining Extent of Otto 560 MS (Now Honeymoon)	74%
		Remaining Extent and Portion 1 of Pretorius 531 MS	74%
		Schalk 542 MS	74%
		Stubbs 558 MS	100%
		Ursa Minor 551 MS	74%
		Van Heerden 519 MS	74%
Portions 1, 3, 4, 5, 6, 7, 8, 9, Remaining Extent of Portion 10, Portions 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 35, 36, 37, 38, 39, 40, 41, 44, 45, 46, 48, 49, 50, 51, 52 and 54 of Vera 815 MS	74%		
Remaining Extent of Verdun 535 MS	74%		
Voorburg 503 MS	100%		
<b>Mooiplaats</b>	South Africa	Portions 1, 9,14,17,18,19,20 and Remaining Extent of Mooiplaats 290 IT	100%
		Portion 2, 3 and Remaining Extent of Klipbank 295 IT	100%
		Portions 1, 2 and Remaining Extent of Adrianople 296 IT	100%
		Portions 2 and 3 of Willemsdal 330 IT	100%
		Portions 2, 3, 4 and Remaining Extent of De Emigratie 327 IT	100%
		Remaining Extent and Portions 2, 5, 8,10 and 13 of Buhrmansvallei 297 IT	100%
		Klipfontein 442 IT	100%
<b>Vele</b>	South Africa	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	100%
		Bergen Op Zoom 124 MS	100%
		Semple 155 MS	100%
		Voorspoed 836 MS	100%
		Alyth 837 MS	100%
		Lizzuela 62 MS	100%
		Patracia 65 MS	100%
		Hacyon 69 MS	100%
<b>Klipbank ***</b>	South Africa	Portions 15,16,17 (also known as Mineral area 1) of Klipbank 467 JS	100%
		Portions 4 – 27 of Klipbank 467 JS	100%
		Portion 1 and 2 of the farm Sterkwater 317 JS	100%
<b>Opgoedehoop ***</b>	South Africa	Portion 5 of Opgoedehoop 205 IS	100%
<b>Zonnebloem (Vuna) ***</b>	South Africa	Remaining Extent of Portion 2 and Portion 5 of Zonnebloem 396 JS	49%
<b>Hartogshoop ***</b>	South Africa	Remaining Extent of the farm Hartogshoop 410 JS	100%

## TENEMENT SCHEDULE continued

PROJECT NAME	LOCATION	TENEMENT NUMBER	INTEREST
<b>Woestalleen</b> ***	South Africa	Remaining Extent of the farm Wostalleen 477 JS	100%
		Portion 2 of the farm De Groot	100%
		Rietpan 479 JS	100%
		Remaining Extent and Portion 4 of the farm Noodhulp 474 JS	100%
<b>Coal bed methane</b>	South Africa	Adelaide 91 MT	50%
		Adieu 118 MT	50%
		Alicedale 138 MT	50%
		Armstice 120 MT	50%
		Bergwater 697 MS	50%
		Bergwater 712 MS	50%
		Blackstone Edge 705 MS	50%
		Bushy Rise 702 MS	50%
		Chapudi 752 MS	50%
		Charlotte 90 MT	50%
		Chase 576 MS	50%
		Cross 117 MT	50%
		Doppie 95 MT	50%
		Ettie 33 MT	50%
		Fanie 578 MS	50%
		Feskraal 85 MT	50%
		Folorodwe 79 MT	50%
		Fripp 645 MS	50%
		Gray 189 MT	50%
		Hetty 93 MT	50%
		Jeannette 77 MT	50%
		Joffre 584 MS	50%
		Kalkbult 709 MS	50%
		Laura 115 MT	50%
		Lukin 643 MS	50%
		Magasand 123 MT	50%
		Malapchani 659 MS	50%
Minnie Skirving 34 MT	50%		

PROJECT NAME	LOCATION	TENEMENT NUMBER	INTEREST
		Mountainview 706 MS	50%
		Mount Stuart 153 MT	50%
		Nakab 184 MT	50%
		Neltox 92 MT	50%
		Phantom 640 MS	50%
		Prince's Hill 704 MS	50%
		Queensdale 707 MS	50%
		Riet 182 MT	50%
		Rochdale 700 MS	50%
		Salaita 188 MT	50%
		Schuitdrift 179 MT	50%
		Septimus 156 MT	50%
		Stayt 183 MT	50%
		Suzette 32 MT	50%
		Tanga 648 MS	50%
		Telema 190 MT	50%
		Terblanche 155 MT	50%
		Trevenna 119 MT	50%
		Truida 76 MT	50%
		Van Deventer 641 MS	50%
		Wendy 86 MT	50%
		Wildgoose 577 MS	50%
		Windhoek 649 MS	50%
		Zisaan 31 MT	50%
		Ziska 122 MT	50%
		Portion of Unsurveyed state land	50%

\* Form part of the Greater Soutpansberg Project

\*\* Tenements are the subject of a joint venture (JV) arrangement with Barrick (PD) Australia Limited whereby Barrick has the right to earn a maximum of 60% interest having met certain criteria. This would have the effect of reducing CoAL's interest to a fully diluted position of 9.47% in respect to the Kanowna West JV and 8.52% in respect to the Kalbara JV.

\*\*\* Part of the investment in NuCoal Mining Proprietary Limited

# SHAREHOLDER INFORMATION

Unless otherwise stated, the following additional information is current as at 1 October 2012.

## DISTRIBUTION SCHEDULES

### Shares: Ordinary fully paid

RANGE	HOLDERS	UNITS	%
1 – 1,000	532	207,849	0.02
1,001 – 5,000	551	1,577,284	0.19
5,001 – 10,000	220	1,777,420	0.22
10,001 – 100,000	248	7,560,095	0.94
100,001 – Over	46	789,828,386	98.61
<b>Total</b>	<b>1,597</b>	<b>800,951,034</b>	<b>100.00</b>

### Unlisted Options: 30 November 2014 @ US\$2.74

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	2	5,000,000	100.00
<b>Total</b>	<b>2</b>	<b>5,000,000</b>	<b>100.00</b>

The following hold 20% or more of the Options in this class:

Mr Simon Farrell 3,000,000  
Mr Blair Sergeant 2,000,000

### Unlisted Options: 30 June 2014 @ ZAR12.50

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	5	17,500	2.14
5,001 – 10,000	1	6,500	0.79
10,001 – 100,000	8	187,000	22.85
100,001 – Over	3	607,500	74.22
<b>Total</b>	<b>17</b>	<b>818,500</b>	<b>100.00</b>

The following hold 20% or more of the Options in this class:

Mr Adriaan Jacobus van der Merwe 272,500  
Mr Willem Johannes Hattingh 210,000

### Unlisted Options: 30 September 2015 @ US\$1.40 or ZAR12.50

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	1	4,000	0.28
5,001 – 10,000	1	7,000	0.49
10,001 – 100,000	20	959,061	66.55
100,001 – Over	3	471,000	32.58
<b>Total</b>	<b>25</b>	<b>1,441,061</b>	<b>100.00</b>

### Unlisted Options: 9 November 2015 @ US\$1.20

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	1	250,000	100
Total	1	250,000	100.00

The following hold 20% or more of the Options in this class:

Beatle Rock (Pty) Ltd 250,000

### Unlisted Options: 14 February 2017 @ ZAR7.60

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	23	1,342,000	50.26
100,001 – Over	6	1,328,000	49.74
Total	29	2,670,000	100.00

### UNMARKETABLE PARCELS

The number of holdings of less than a marketable parcel of ordinary shares (being 1,819 ordinary shares) equals 386,812 units held by 660 holders.

### RESTRICTED SECURITIES

The Company currently has no restricted securities.

### SUBSTANTIAL SHAREHOLDERS

The shareholdings of the substantial shareholders that have provided the Company with substantial shareholding notices as at 28 September 2012 are:

SHAREHOLDER	NUMBER OF SHARES	% INTEREST
M&G Investment Management Ltd	160,128,850	19.99
ArcelorMittal South Africa Ltd	126,133,423	15.75
Africa Management Limited	111,100,959	13.87
Capital Research Global Investors	55,734,459	6.96
Investec Limited	30,939,744	3.86

### VOTING RIGHTS

Voting rights attached to ordinary shares are that, upon poll, each share shall have one vote and, on show of hands, every member present in person or by proxy shall have one vote.

Option holders are not entitled to vote.

## SHAREHOLDER INFORMATION continued

### TOP 20 COMBINED REGISTERED SHAREHOLDERS

The 20 largest registered holders of each class of quoted securities as at 28 September 2012 were:

#### Fully paid ordinary shares

NAME	NUMBER OF SHARES	%
STATE STREET NOMINEES LIMITED <OM04>	154,553,963	19.30%
ARCELORMITTAL SOUTH AFRICA LTD	126,133,423	15.75%
STATE STREET NOMINEES LIMITED <OM02>	61,309,346	7.65%
THE BANK OF NEW YORK (NOMINEES) LIMITED	37,500,000	4.68%
DEUTSCHE BANK AG LONDON PRIME	33,470,512	4.18%
VIDACOS NOMINEES LIMITED <DMG7>	24,417,594	3.05%
GOLDMAN SACHS SECURITIES (NOMINEES) LIMITED <COSEG>	22,593,083	2.82%
AURORA NOMINEES LIMITED <2126900>	18,913,217	2.36%
THE BANK OF NEW YORK (NOMINEES) LIMITED	16,861,766	2.11%
GEPF EQUITY	9,924,550	1.24%
GREENWOOD NOMINEES LIMITED <297180>	9,343,190	1.17%
NORTRUST NOMINEES LIMITED <SKAGENKT>	9,214,414	1.15%
INVESTEC BANK PLC <CAPMKTS>	8,429,108	1.05%
BARCLAYSHARE NOMINEES LIMITED	6,548,647	0.82%
INVESTEC SECURITIES LTD	5,432,318	0.68%
JANNIE ABRAHAM NEL	5,000,000	0.62%
NUTRACO NOMINEES LIMITED <781221>	4,619,737	0.58%
LYNCHWOOD NOMINEES LIMITED <2006420>	4,550,847	0.57%
STATE STREET NOMINEES LIMITED <OM01>	4,479,960	0.56%
INVESTEC GROWTH FUND	4,442,490	0.55%

# GRI CONTENT INDEX

CoAL has provided an index below of compliance with the Global Reporting Initiative's (GRI) G3 reporting guidelines and the core performance indicators, self-declaring a C level of reporting.

<b>PROFILE</b>		
<b>1</b>	<b>STRATEGY AND ANALYSIS</b>	
1.1	Statement from senior decision maker	14 to 19
1.2	Description of key impacts, risks, and opportunities	6 to 7 and 45
<b>2</b>	<b>ORGANISATIONAL PROFILE</b>	
2.1	Organisation's name	IFC
2.2	Major products	4
2.3	Operational structure and major divisions	4 to 5
2.4	Location of headquarters	IBC
2.5	Countries of operation	4 to 5
2.6	Nature of ownership	25 to 30
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## GLOSSARY OF TERMS AND ACRONYMS

<b>AASB</b>	Australian Accounting Standards Board
<b>AFS</b>	Available-for-sale
<b>AIDS</b>	Acquired immune deficiency syndrome (AIDS), a disease of the human immune system caused by the human immunodeficiency virus (HIV)
<b>AIM</b>	Alternative Investment Market
<b>AMSA</b>	ArcelorMittal South Africa
<b>ASX</b>	Australian Stock Exchange
<b>AMCU</b>	Association of Mineworkers and Construction Union
<b>BBBEE</b>	Broad-Based Black Economic Empowerment
<b>BEE</b>	Black Economic Empowerment, a socio-economic process in South Africa aimed at contributing to the economic transformation of HDSAs
<b>BHE</b>	Beijing Haohua Energy Resource Co.
<b>COAL</b>	Coal of Africa
<b>CBM</b>	Coal Bed Methane
<b>CDM</b>	Clean Development Mechanism
<b>CEO</b>	Chief Executive Officer
<b>CER</b>	Certified Emission Reduction
<b>CFO</b>	Chief Financial Officer
<b>COO</b>	Chief Operating Officer
<b>CHAPUDI</b>	Chapudi Coal Propriety Limited
<b>CPA</b>	Certified Public Accountant
<b>CSI</b>	Corporate Social Investment
<b>CTA</b>	Commodity Trading Advisor
<b>CDM</b>	Clean Development Mechanism
<b>DEA</b>	Department of Environmental Affairs
<b>DFS</b>	Definitive Feasibility Study
<b>DMR</b>	Department of Mineral Resources
<b>DWA</b>	Department of Water Affairs
<b>ECSA</b>	Engineering Council of South Africa
<b>EA</b>	Environmental Authorisation
<b>EECC</b>	Energy efficiency compliance certificate
<b>EMC</b>	Environmental Management Committee
<b>EMP</b>	Environmental Management Plan
<b>EIA</b>	Environmental impact assessment
<b>ESOP</b>	Employee Share Option Plan
<b>EXXARO</b>	Exxaro Coal (Pty) Limited
<b>FD</b>	Financial Director

## **GLOSSARY OF TERMS AND ACRONYMS** continued

<b>FIFR</b>	Fatal injury frequency rate
<b>GHG</b>	Greenhouse gases
<b>GRI</b>	Global Reporting Initiative
<b>GSP</b>	Greater Soutpansberg Project
<b>GTIS</b>	Gross tonnes in-situ
<b>HDSAS</b>	Historically disadvantaged South Africans
<b>HIV</b>	Human immunodeficiency virus, which causes AIDS, attacks white blood cells in the blood, reducing the body's ability to fight off illness
<b>IASB</b>	International Accounting Standards Board
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>I&amp;APS</b>	Interested and affected parties
<b>ICMM</b>	International Council on Mining and Metals
<b>IFRS</b>	International Financial Reporting Standards
<b>INVESTEC</b>	Investec Bank Limited
<b>IWUL</b>	Integrated water use licence
<b>JORC</b>	Joint Ore Resources Committee
<b>JSE LIMITED</b>	Johannesburg Stock Exchange Limited
<b>KEYNOTE</b>	Keynote Trading and Investment 108 Propriety Limited
<b>KME</b>	Kwezi Mining and Exploration (Pty) Limited
<b>KPI</b>	Key performance indicator
<b>KWEZI</b>	Kwezi Mining (Pty) Limited
<b>LBO</b>	Leveraged Buy-Out
<b>LIBOR</b>	London Interbank Offer Rate
<b>LOM</b>	Life-of-mine
<b>LSE</b>	London Stock Exchange
<b>LTIS</b>	Lost time Injuries
<b>LTIFR</b>	Lost time injury frequency rate
<b>MAKHADO PROJECT</b>	Makhado coking coal project
<b>MAPUNGUBWE</b>	Mapungubwe National Park and World Heritage Site
<b>MBA</b>	Master of Business Administration
<b>MBO</b>	Management Buy-Out
<b>MCCCF</b>	Makhado Colliery Community Consultative Forum
<b>MHSA</b>	Mine Health and Safety Act
<b>MOA</b>	Memorandum of Agreement
<b>MOOPLAATS COLLIERY</b>	Mooiplaats thermal coal colliery

<b>MOU</b>	Memorandum of Understanding
<b>MPRDA</b>	Mineral and Petroleum Resources Development Act
<b>MQA</b>	Mine Qualifications Authority
<b>MTPA</b>	Million tonnes per annum
<b>NASDAQ</b>	National Association of Securities Dealers Automated Quotations
<b>NEMA</b>	National Environmental Management Act
<b>NGOS</b>	Non-governmental organisations
<b>NIMAG GROUP</b>	NiMag Proprietary Limited and Metalloy Resources Investments Proprietary Limited
<b>NOMR</b>	New order mining right
<b>NIHL</b>	Noise induced hearing loss
<b>NUM</b>	National Union of Mineworkers
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>RBCT</b>	Richards Bay Coal Terminal
<b>RTMD</b>	Rio Tinto Minerals Development Limited
<b>OHSA</b>	Occupational Health and Safety Act
<b>ROM</b>	Run-of-mine
<b>RTMD</b>	Rio Tinto Minerals Development Limited
<b>SAIMM</b>	South African Institute of Mining and Metallurgy
<b>SANPARKS</b>	South African National Parks
<b>SAPS</b>	South African Police Services
<b>SARB</b>	South African Reserve Bank
<b>SD</b>	Sustainability development
<b>SLP</b>	Social and Labour Plan
<b>SMES</b>	Small to medium enterprises
<b>TB</b>	Tuberculosis
<b>THE COALITION</b>	Save Mapungubwe Coalition
<b>TFR</b>	Transnet Freight Rail
<b>UN</b>	United nations
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>UNGC</b>	United Nations Global Compact
<b>VELE COLLIERY</b>	Vele coking coal colliery
<b>VCT</b>	Voluntary counselling and testing
<b>VUNA</b>	Vuna thermal coal colliery
<b>WOESTALLEEN COMPLEX</b>	Comprises the Vuna Colliery and three coal beneficiation plants



# ADMINISTRATION AND CONTACT DETAILS

## DIRECTORS

<b>David Brown</b>	Non-executive Chairman (Appointed 6 August 2012)
<b>John Wallington</b>	Chief Executive Officer and Executive Director
<b>Wayne Koonin</b>	Financial Director
<b>Alfred Nevhutanda</b>	Executive Director
<b>David Murray</b>	Non-executive Director
<b>Bernard Pryor</b>	Non-executive Director (Appointed 6 August 2012)
<b>Peter Cordin</b>	Non-executive Director
<b>Khomotso Mosehla</b>	Non-executive Director
<b>Rudolph Torlage</b>	Non-executive Director

## COMPANY SECRETARY

**Shannon Coates**

## INCORPORATION & OPERATION

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

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