



INTEGRATED REPORT 2017



SCOPE OF THE REPORT

In line with international trends and best practice, Coal of Africa Limited (CoAL or the Company) continues its journey towards integrated reporting in this annual integrated report for the year ended 30 June 2017.

The contents of this report have been informed by regulatory obligations, our risk management processes and the stated interests of our stakeholders. The financial and non-financial activities and performance of CoAL's collieries and projects are covered in this integrated report.

Although the Company only operates in South Africa, our primary listing remains on the Australian Securities 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 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 Reserves Committee (JORC) guidelines, carried out by the Company's independent Competent Persons, John Sparrow and Cobus Bronn.

This report was compiled according to the King and ASX corporate governance principles, as well as 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).

All reference to \$ is to United States dollar, unless otherwise stated.

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HIGHLIGHTS OF THE YEAR



\$21m

Acquisition of Uitkomst Colliery, our first cash generating asset

\$10m

YBI loan converted to equity resulting in significant reduction in potential cash outflow



\$18m

Debt funding commitments from IDC in excess of US\$18 million secured

\$15m

Additional funds raised via share placement



ZERO

No workplace injuries in FY2017 – third year in a row

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EXECUTION OF STRATEGIC OBJECTIVES

The continued execution against our stated strategy is vital in crafting CoAL into a self-sustaining, growth-orientated, multi-product coal producer.

					
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FORWARD-LOOKING STATEMENT DISCLAIMER

This report contains forward-looking statements which are not historical facts. Any statement that expresses or implies CoAL's intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. Forward-looking statements involve inherent risks, uncertainties and assumptions including, without limitation, risks related to the timing or ultimate completion of any proposed transactions or projects, and the possibility that benefits may not materialise as expected. If such risks or uncertainties materialise or such assumptions prove incorrect, actual results could differ materially from those expressed or implied by such forward-looking statements and assumptions. The forward-looking statements in this report are made as of the date of this report, and CoAL expressly disclaims any obligation to update or correct these statements due to events occurring after issuing this report.

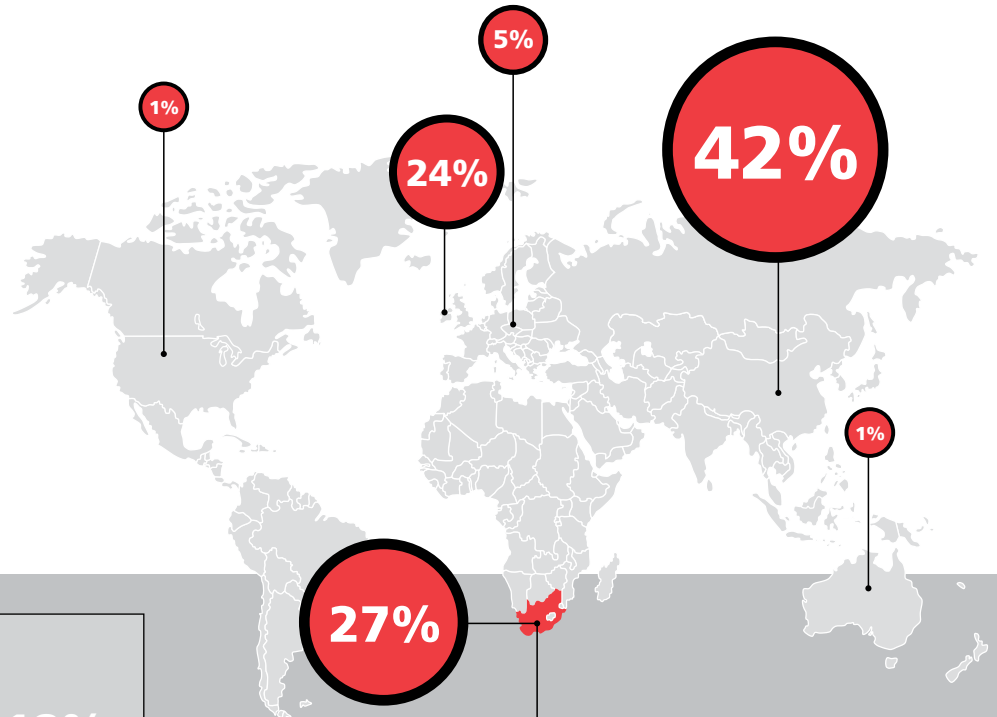
The financial information on which the forward-looking statements are based has not been audited nor reported on by the Company's independent external auditors.

ABOUT COAL OF AFRICA

CoAL, operating in the Limpopo and KwaZulu-Natal provinces of South Africa, is transitioning into a sustainable, multi-product coal producer and developer.

We strive to achieve a balance between adding value to our shareholders, coupled with best practice in safety, health and environment and equitable social development to empower our local communities.

SHAREHOLDERS BY GEOGRAPHY AS AT 31 AUGUST 2017



DISTRIBUTION OF COAL SHARES LISTED BY EXCHANGE

3%	79%	18%
75m	2,237m	505m
ASX	LSE	JSE

LOCATION OF OUR OPERATIONS AND PROJECTS

- 1 Uitkomst Colliery
- 2 Makhado Project*
- 3 Vele Colliery
- 4 Mooiplaats Colliery**
- 5 Greater Soutpansberg Project*

* Coal exploration and development project
** Asset held for sale

LEGEND

- | | |
|-------------|-------|
| CoAL assets | Towns |
| Cities | Ports |





UITKOMST COLLIERY



MAKHADO PROJECT



VELE COLLIERY



GREATER SOUTPANSBERG PROJECT



22.6Mt

mineable tonnes *in situ*

The Company acquired Uitkomst Colliery (Uitkomst), situated in the Utrecht coalfields, on 30 June 2017. Uitkomst is a high grade, thermal, export quality coal deposit with metallurgical applications.

The Uitkomst Colliery consists of a well-established, operating, underground coal mine and a planned life-of-mine (LoM) extension.

344.8Mt

hard coking coal project unique in South African context

CoAL's flagship Makhado Project, situated in the Limpopo province, has been granted all the required licences and authorisations and construction targeted to commence in H2 FY2018.

Production will be via an opencast mine. Project parameters have been reassessed to promote quicker start date potential.

361.6m

mineable tonnes *in situ*

This thermal and semi-soft coking coal colliery, in the Tuli coalfield, is a significant resource. All regulatory approvals have been granted but the operation remains on care and maintenance.

The Board will review the project parameters, coal prices as well as market conditions before concluding on the appropriate approach to this asset.

>1.6bn

mineable tonnes *in situ*

Collectively Chapudi, General and Mopane, three early stage coal exploration projects in the Soutpansberg coalfield, form the Greater Soutpansberg Project (GSP).

The GSP is part of CoAL's long term strategy and is a significant resource base of coking and thermal coal products.

SUMMARY OF OPERATIONS AND PROJECTS



Colliery/project	District	Location	Status
UITKOMST COLLIERY	Utrecht Magisterial District	KwaZulu-Natal province, South Africa	Fully operational
MAKHADO PROJECT	Makhado Magisterial District	Limpopo province, South Africa	Project development
VELE COLLIERY	Musina Magisterial District	Limpopo province, South Africa	On care and maintenance since October 2013
MOOIPLAATS COLLIERY	Ermelo Magisterial District	Mpumalanga province, South Africa	On care and maintenance since September 2013, subject to disposal signed end September 2017
CHAPUDI PROJECT	Makhado Magisterial District	Limpopo province, South Africa	Pre-project phase – feasibility
GENERAAL PROJECT	Makhado Magisterial District	Limpopo province, South Africa	Pre-project phase – feasibility
MOPANE PROJECT	Makhado Magisterial District	Limpopo province, South Africa	Pre-project phase – feasibility

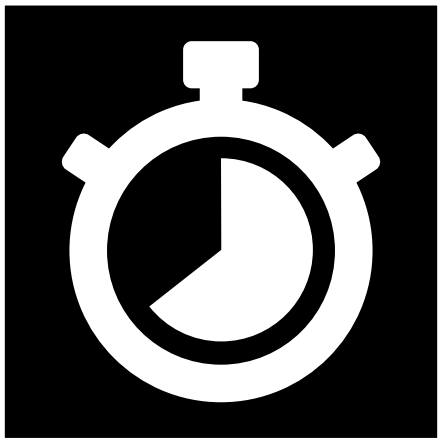
Baobab Baobab Mining and Exploration (Pty) Ltd
DMR Department of Mineral Resources
DWS Department of Water and Sanitation

EA Environmental Authorisation
IWUL Integrated Water Use Licence
LEDET Limpopo Department of Economic Development, Environment and Tourism

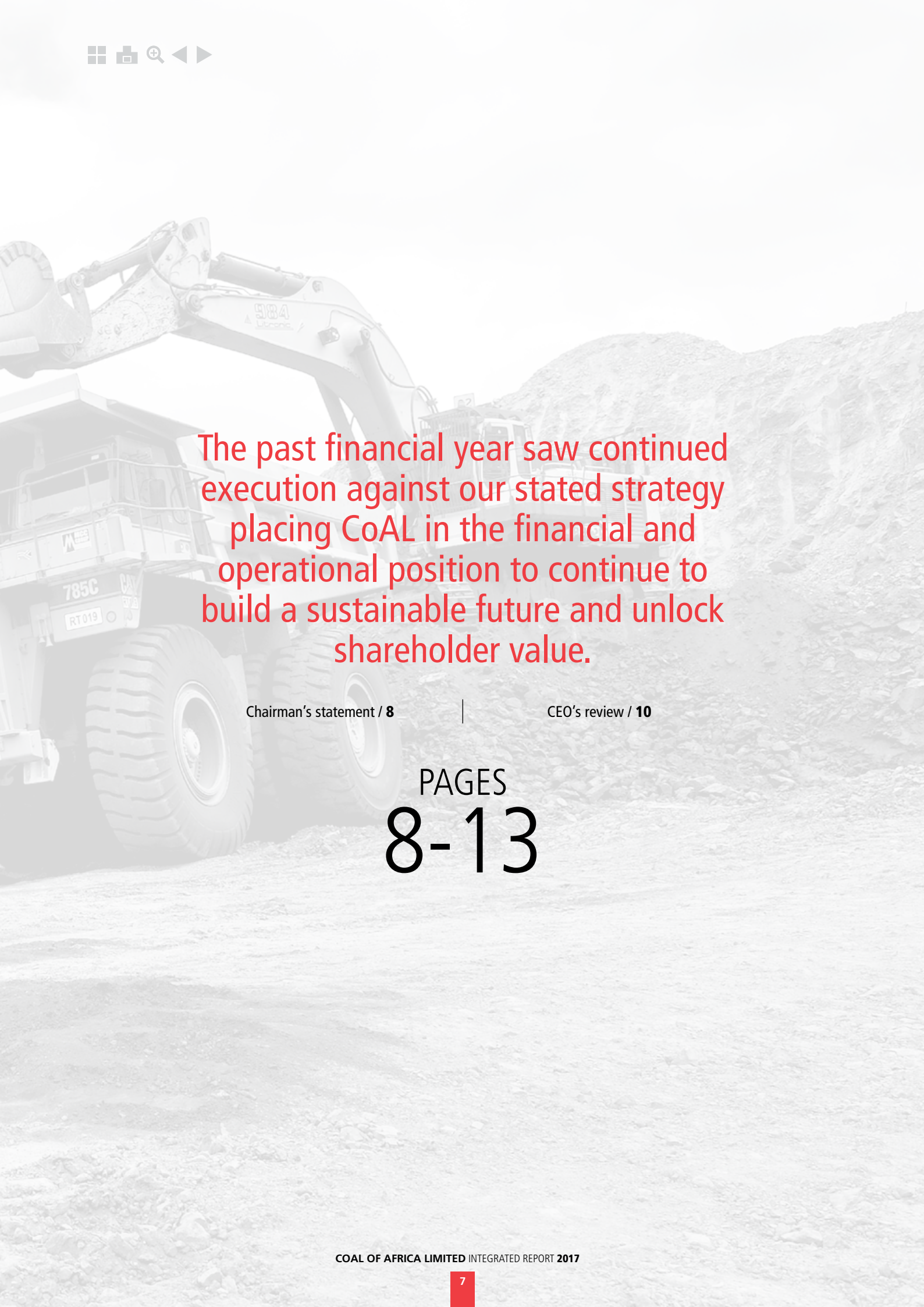
LOM Life of Mine
NOMR New Order Mining Right



Licence	Department	Granting date	Duration	Other
EA	DMR	October 2013	10 years	Fully compliant
IWUL	DWS	February 2011	10 years	Fully compliant
NOMR	DMR	October 2013	10 years	Fully compliant
EA	LEDET and DMR	August 2013	LoM	Amended in July 2016, transferred to Baobab, validity extended by five years
IWUL	DWS	January 2016	20 years	Suspension lifted during Q2 CY2017
NOMR	DMR	May 2015	20 years	Fully compliant
EA	DEA	January 2016 January 2017	LoM	Fully compliant Non-perennial stream diversion granted in Q1 CY2017
IWUL	DWS	December 2015	20 years	IWUL for non-perennial stream diversion expected H2 CY2017
NOMR	DMR		30 years	Fully compliant in respect of plant modification project
EA	DMR			Fully compliant
IWUL	DWS			Fully compliant
NOMR	DMR			Fully compliant
NOMR	DMR	N/A	N/A	Acceptance of application July 2013
NOMR	DMR	N/A	N/A	Acceptance of application August 2013
NOMR	DMR	N/A	N/A	Acceptance of application May 2013



YEAR IN REVIEW



The past financial year saw continued execution against our stated strategy placing CoAL in the financial and operational position to continue to build a sustainable future and unlock shareholder value.

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CHAIRMAN'S STATEMENT

I am delighted to provide my Chairman's report for the 2017 financial year. In my report last year I detailed the Company's strategy and I am pleased to report that CoAL, led by Chief Executive Officer (CEO) David Brown, continued delivering on targets set 12 months ago. The progress achieved on the flagship Makhado Project and successful acquisition of a cash generating asset during the period were critical tasks to create a self-sufficient, mid-tier coal producer.



Bernard Pryor
Chairman



"CoAL is positioning itself to be predominantly a seller of metallurgical coal."

A strong balance sheet is a key enabler for our strategy, particularly given the volatile and uncertain environment in which we operate. Against this backdrop, CoAL's balance sheet was strengthened through the addition of the cash-generative Uitkomst operation and the settlement of the historic Rio Tinto Minerals Development Limited (Rio Tinto) debt incurred when the Greater Soutpansberg assets were acquired. The financing facility for investment in the Makhado Project by the Industrial Development Corporation (IDC) also goes a long way to ensuring the Company is poised to develop its prize asset.

A self-sustaining position for CoAL has long been premised on the acquisition of a cash generator and this was partially completed with the \$21.1 million purchase of Uitkomst Colliery funded by the issue of equity and a \$13 million rights issue, underscoring shareholders' confidence in CoAL's future. We further strengthened our balance sheet through the conversion of the \$10 million Yishun Brightrise Investment Pte Limited (YBI) debt into equity and settlement of the final \$18.2 million owing to Rio Tinto for the historic acquisition of Greater Soutpansberg assets. The sale of the non-core Mooiplaats Colliery is taking longer than originally envisaged and we received expressions of interest from a number of would-be buyers. I am pleased that the Company signed sale agreements at the end of September 2017, subsequent to the publishing of the FY2017 financial statements.

The reporting period provided permitting certainty with the overturning and lifting of the temporary suspension of the Makhado Project water-use licence. During this time, the Company continued the restructuring of the Makhado development plan, enabling an earlier start to the mine's establishment and commencement of metallurgical coal marketing negotiations. The development of the Makhado Project will position CoAL as a unique, predominant seller of metallurgical coal in the Southern Africa steel industry and will also facilitate sales internationally. I anticipate that this project will take advantage of the global slow-down of metallurgical coal project exploration and development while continued urbanisation drives demand for this commodity.



The Company is attuned to the legislative and social challenges facing mining companies and the period witnessed the DMR publishing its third iteration of the South African Mining Charter. I alluded to this in my report last year and the new Charter proposes increasing Black Economic Empowerment (BEE) shareholding from 26% to 30% and an additional preferred dividend for these shareholders equal to 1% of revenue. The Chamber of Mines approached the courts to review the Charter resulting in the South African government placing the implementation of the proposed Charter in abeyance, pending the outcome of the review application. We at CoAL firmly believe that the proposed new Charter will have a detrimental effect on investment in a sector desperate for new developments and its renegotiation is critical.

The Company is committed to producing metallurgical coal and high quality thermal coal, giving us a competitive advantage locally and internationally. However, we are cognisant of the ongoing effects of climate change whilst technological advances transform the global energy market. We do believe that thermal coal will be a reliable and sustainable source of energy into the future and an enabler for infrastructure growth and employment creation. Addressing this changing landscape remains a priority governance and strategic issue for the Company, borne out through active engagement with stakeholders.

THE FUTURE

Apart from building on the sound longer-term prospects, the focus in the next financial year will be on profit generation at Uitkomst, developing the Makhado Project and disposal of Mooiplaats. As this new year progresses, I anticipate a steady stream of progress announcements underpinning the sustainability of our quality assets. Our cost containment focus will also continue, together with the careful allocation of our capital on projects that will benefit all of our stakeholders.

At present the Company's shares are listed on three stock exchanges, the ASX, LSE and JSE, listings that arose from the Company's history. Maintaining all three listings is unnecessarily costly and we shall consider whether this can be rationalised without adversely affecting our shareholders.

RECOGNITION

The tenacity of our entire team in restructuring and re-positioning our Company is creating its own reward. I extend my thanks to everyone concerned for their unstinting commitment. I would particularly mention the clear guidance provided by our CEO David Brown and the Board who have continued to provide wise counsel.

Bernard Pryor
Chairman

CEO'S REVIEW

The past financial year was another year of continued execution against our stated strategy. The FY2016 annual financial report reflected four key areas of strategy: the acquisition of a cash generator; bolstering of the balance sheet; Makhado Project advancement; and the sale of Mooiplaats. The execution of these key areas was vital in creating a self-sustaining, growth orientated company.



David Brown
 Chief Executive Officer



"The balance sheet has been strengthened during the period under review."



The finalisation of the acquisition of the Uitkomst Colliery is significant and it is pleasing that, after the disappointment of not closing the Universal transaction, that the Company has had success in this area. The acquisition coupled with strengthening of the balance sheet through several initiatives, which are described in the report, and the regulatory advancement on the Makhado Project demonstrates successful execution during FY2017. The sale of Mooiplaats remained outstanding and is a key focus for FY2018.

The regulatory environment for mining remains complex but the CoAL team showed great tenacity in driving success in this environment. The Company has continued to demonstrate it works collaboratively to achieve win/win outcomes and as such believes it can make a positive impact on employment, community upliftment and government.

Safety, health and environment continue to be at the centre of all our endeavours along with "doing it right first time".

SAFETY, HEALTH AND ENVIRONMENT

The three areas of safety, health and environment remain the top priority. Our safety performance for the past year remained focused on maintaining the momentum of the last three years. No lost time injuries (LTIs) were recorded during the financial year, our third consecutive financial year without a LTI. While we acknowledge that we had no current operational assets for FY2017, we do have two operations on care and maintenance, the Mooiplaats and Vele Collieries, and the Makhado Project. The reduced activity continues to provide the opportunity to fine tune our approach and procedures, particularly as we will be operational during FY2018.

On health matters, the major focus continues to be on TB and HIV education with the emphasis on prevention. In addition, given the geographic positioning of our mines in Limpopo, malaria prevention and treatment is relevant, particularly during the rainy seasons. In compliance with the

appropriate regulations, entry/exit medicals are performed as well as annual medicals for our care and maintenance operational personnel.

On the environmental front, we have continued to enjoy regulatory success. At Vele, our EA was approved for the non-perennial stream diversion and, more recently, at Makhado the suspension of our IWUL was uplifted. These successes continue to demonstrate that collaboration with the various regulators is the key to success.

At Vele, the Environmental Management Committee (EMC) continues its good work of monitoring compliance on the care and maintenance side as well as continued progress on ensuring the Biodiversity Offset Agreement (BOA) benefits the parties to the agreement. At Mooiplaats, we continue to monitor our compliance requirements and have become part of the working group to minimise mining impacts on water in the region.

FINANCIAL PERFORMANCE

CoAL's loss decreased to \$15.6 million (FY2016: \$23.4 million) in the past financial year. The loss for the year was impacted by the following:

- The R/\$ exchange rate continues to be volatile and gains/losses from these elements are unpredictable
- Contributing to the loss were non-cash charges of \$9.3 million (FY2016: \$12.8 million) which includes the following items:
 - impairment of the intangible asset of \$10.6 million
 - unrealised foreign exchange gain of \$2.0 million (FY2016: \$9.6 million loss) as a result in the South African rand strengthening against the United States dollar
 - depreciation and amortisation of \$0.4 million (FY2016: \$1.2 million)
 - share based payment expense of \$0.3 million (FY2016: \$0.2 million)

The year saw a successful equity raise as part of the funding for the completion of the Uitkomst transaction. The cash balance at the end of the year reflected the net position of the equity raise, the

final Rio Tinto payment, the successful acquisition of Uitkomst coupled with the first draw down of the IDC loan. The cash balance at year end was \$9.6 million (FY2016: \$19.5 million).

CORPORATE MATTERS

The continued focus during FY2017 was the acquisition of a cash generator. The Company concluded the Uitkomst transaction as at 30 June 2017. This means, for FY2018, the Company will have successfully transitioned from a project development only company to one of developer and producer.

Another major corporate milestone was the final repayment of the balance outstanding to Rio Tinto in respect of the acquisition of various minerals rights that formed part of the GSP. This was the last of the legacy liabilities and the finalisation is significant in terms of the future for the Company.

The securing of a \$18.4 million (R240 million) three year loan for the advancement of the Makhado Project is particularly pleasing as it recognises the progress the Company has made over the last 12 months, and allows the Makhado Project to move forward as it underpins government support for this vital project. As at 30 June 2017 we have drawn down \$9.2 million (R120 million).

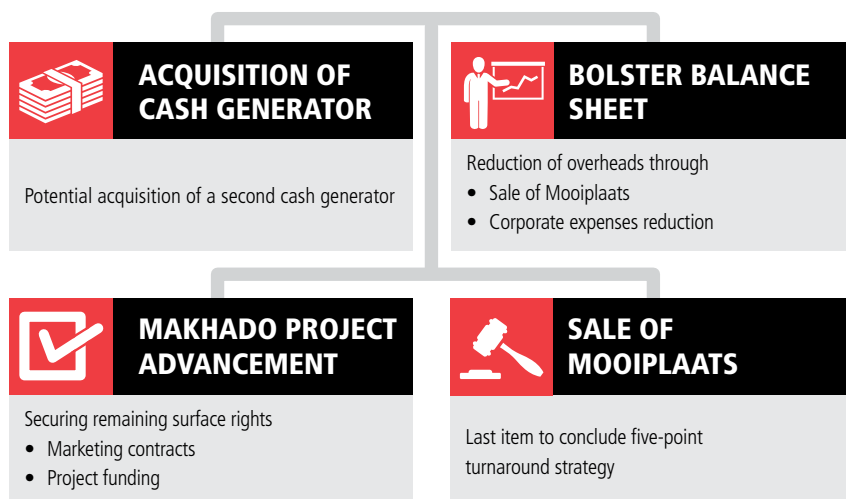
The Company has been unable to secure debt facilities over the last three years due to the following factors: firstly, the lack of a cash generator within the Group and secondly, the lack of progress on the sale of Mooiplaats. The first element has been completed and, with the progress made with regards to Mooiplaats, we will look to establish and build a 'normalised' banking relationship with appropriate banks, obtaining the necessary support to complete the corporate journey.

PROGRESS ON STRATEGY

The main element not yet delivered from the 2013 strategy is the sale of Mooiplaats, despite best endeavours. The Company has received close to 30 parties expressing an interest in the acquisition. Our approach has been to assess the potential of each group which takes significant time as this phase usually goes hand in hand with an initial due diligence process.

CEO'S REVIEW CONTINUED

STRATEGY



The Mooiplaats Colliery sales process has continued through two distinct patterns – the first was during 2014/2015, which saw low coal prices with reduced exports. This translated into our potential buyers embarking on an 'Eskom' supply strategy. Most parties had dual requirements of securing funding and off-take, which proved to be difficult for the entities pursuing this strategy. The second pattern saw much improved export coal prices and hence renewed interest from potential buyers. The sale remained one of management's top focus areas. Improved economics and greater flexibility with regard to the structure of any sale resulted in the successful conclusion thereof in Q1 FY2018.

Why is the sale important for the Company?
Any proceeds from the sale would strengthen the balance sheet and, at the same time, remove costs permanently from the overhead structure.

The balance sheet has been strengthened during the period under review with the following initiatives:

- Settlement of Rio Tinto for the acquisition of GSP assets (\$18.2 million)
- The equity raise to complete the purchase of Uitkomst (\$13 million)

- The sale of the Holfontein Mining Right and Bushveld Minerals Limited (Bushveld) mineral shares completed (\$2.7 million)
- YBI loan converted into equity (\$10 million)
- IDC funding (\$18.4 million)
- Additional contingency capital raised through a share placement with M&G Investment Management Limited (M&G) (\$2 million)
- Acquisition of Uitkomst (\$21.1 million)

The acquisition of Uitkomst represents a significant step forward to achieving our goal of becoming 'self-sufficient' by 2019. The Company has, since inception, relied on shareholders' funds to survive. The objective is to change this requirement once and for all. Uitkomst, an underground coal mine based on a conventional drill and blast, board and pillar design, mines the Gus Seam to produce a pulverised coal injection (PCI) product as well as sized coal to the local market. The mine employs approximately 520 people including contractors. It produced 508,510 tonnes which consisted of 458,350 mined tonnes and 50,160 bought-in tonnes for the 12 months ended 30 June 2017. The Colliery recorded five LTIs for the year ended 30 June 2017.

On Makhado, progress on the regulatory matters is steady with the welcome news on the upliftment of the IWUL suspension. The Company continues to monitor the land claims process on the farms Lukin and Salaita which will form part of the project boundary. During the last financial year the Company has started work on finalising a reworked Makhado Project, a Makhado 'Lite' version. This version will mean a shorter time to production and reduced capital expenditure requirements which should deliver an output on which a credible marketing plan can be achieved. This is an extremely exciting development as it could be the key to an earlier execution of the strategy on Makhado.

On Vele, the Company continues to progress the regulatory matters. The Colliery continued on a care and maintenance basis and any reopening will be subject to the view on whether sustainable long term pricing can be achieved.

THE MARKET

The commodity market during FY2017 started favourably for coal. There were restrictions in China on production which when coupled with strong heating demands and low inventories helped prices stay buoyant despite more recent discussion around the easing of production restrictions in the country. On the coking coal front, prices have remained positive – the prices have seen spikes but these are largely associated with weather disruptions (in Australia) and are therefore not sustainable.

Thermal coal prices are expected to be higher for CY2017 than CY2016, in part, due to continued efforts in China to reduce coal supply but also due to steady demand. Coking coal prices are expected to be positively impacted by continued strong demand and the supply dynamics which have seen lower investment in new mine development in the recent past, coupled with a scarcity factor for premium hard coking coal.

OUTLOOK FOR THE NEXT YEAR

The Company will continue to build on the past year – the vision remains that CoAL becomes the premier hard coking coal producer in South Africa.

The ability to execute depends on a number of factors which include, but are not limited to, access to capital both in the form of equity and debt, the predictability of the regulatory environment, as well as commodity prices.

The recent gazetting of the Mining Charter III in South Africa has caused concerns around its legality but also the concept of providing for a predictable regulatory environment. Further discussion is required if government wishes to encourage large-scale foreign direct investment, a requirement of a robust mining sector which provides 'older' assets the opportunity to operate for longer, and create 'new' mining opportunities.

During the next financial year, we will continue to drive the sale of Mooiplaats, fully access the Makhado Project backed by a Board-approved Makhado "Lite" version which will kick off the funding and marketing phases. Dependent on all the relevant factors such as regulatory and funding, it is hopeful that this project can become a reality during the next calendar year. As the Company is now a producer, renewed focus on safety is vital.

Furthermore, we will evaluate Vele as to the appropriate outcomes for the Colliery and the Company. The Company will also evaluate the options around a potential second acquisition which will be driven by the need to become 'self-sufficient' from a cash positioning point of view.

CoAL is now ready for growth.

APPRECIATION

To the shareholders who have continued to put funds into the Company – thank you. We would not have got this far without you. To the CoAL team, thank you for your perseverance. I am proud to be part of the team. To the Chairman and Board members – it is only together that this much has been achieved so far.

David Brown

Chief Executive Officer



CoAL is now ready for growth.

"The acquisition of Uitkomst represents a significant step forward to achieving our goal of becoming a 'self-sufficient' company by 2019."



SUSTAINABLE DEVELOPMENT REVIEW

Coexistence and continued
engagement with various stakeholders
will maximise the benefits of mining
for all, but particularly for our
beneficiary communities.

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INTRODUCTION

THE FOUR PILLARS

of people, planet, profit and governance remain the basis on which CoAL progresses our sustainable development journey.



PEOPLE

CoAL remains wholly committed to the empowerment of people, understanding that in order to effect sustained socio-economic progress our investment in empowerment opportunities must be holistic, combining programmes that address education, employment and services. As such, CoAL's socio-economic model is focused on skills development, enterprise development and community investment.



PROFIT

We continue to employ both internal and external specialist expertise, technology and industry best practices to identify opportunities for cohesion between ecology conservation and business growth. Our collieries are operated and our projects developed in line with our vision to operate a profitable business that successfully coexists with environmentalism. CoAL's sustainable development model is premised on coexistence; in the absence of interconnectivity between environmental preservation, industrial development, and social enhancement we cannot successfully achieve positive societal growth or advance societal goals. Hence, CoAL's environmental programmes are geared toward conservation in harmony with operational growth requirements.



PLANET

Operating a profitable and sustainable business is intrinsically linked to ecological and cultural conscientiousness, as well as value-based empowerment of our host communities. Economic prosperity in silos is unsustainable and counter-productive to achieving meaningful positive impacts. CoAL employs a concentric localisation model to advance economic growth opportunities, beginning with our host communities within the operational and/or project area, followed by the municipal area, district and finally, provincial area. This allows CoAL to ensure that as we progress financially, the broader communities in which we operate progress simultaneously.



GOVERNANCE

To attain, maintain and grow our path of sustainable development requires progressive synergy between CoAL, our key stakeholders and our host and neighbouring communities. Our principle of a transparent, integrated and community-centred approach to engagement is the driver of our stakeholder engagement model, which has been developed around the pillars of understanding, collaboration, growth, empowerment, investment and transformation.





STAKEHOLDER ENGAGEMENT



CoAL has adopted a shared-value approach to our engagement with stakeholders. This approach is based on the recognition of the tangible value of our relationships with our stakeholders, whose trust we seek to secure and maintain.

Inclusive and sustainable, mutually beneficial relationships with our stakeholders are a prerequisite for our social license to operate. Within our multi-stakeholder environment, there is a need to continuously align CoAL's business objectives with the societal challenges which exist in our areas of operation, with the ultimate aim of embedding social needs and challenges in all areas of the business.

We continue to implement our Community Centred Sustainable Value Model which seeks to create and enhance sustainable value for all our stakeholders, in particular our communities.

COMMUNITY CENTRED VALUE MODEL

The Makhado Project's Community Centred Sustainable Value Model was launched in 2015. The model recognises the incontrovertible link between CoAL and our communities and is built on the principles of understanding, collaborating, growing, investing, transforming and empowering communities. The Community Centred Sustainable Value Model forms the basis for our engagement activities and transformative initiatives relating to the beneficiary communities.

The benefits of working together for a common goal can be far reaching and will ensure that the benefits of mining are disseminated through equity ownership, job creation, skills development and capacity building, enterprise development and investment.

Significant progress has been made on all pillars of the model during the period under review.



STAKEHOLDER ENGAGEMENT CONTINUED

Pillar	Progress
 UNDERSTANDING OUR COMMUNITIES	We continued with the socio-economic assessment of our communities to further our understanding of the environment in which we operate and the needs and challenges of our communities. Overall, more than 70% of our communities have been surveyed including 100% of the households in the Makushu, Mosholombe and Pfumembe communities, and the results captured in our Stakeholder Management System. This information will form the basis from which we will draw our recruitment and procurement base.
 COLLABORATING WITH OUR COMMUNITIES	In line with our stakeholder engagement strategy, we continue to engage regularly and inclusively through the relevant structures: • King's Forum chaired by His Majesty King Toni Mphephu Ramabulana Mphephu • Chiefs' Forum chaired by Chief Hendrik Musekwa, with representatives from the traditional leadership of each community • Makhado Colliery Community Consultative Forum, a duly elected, representative community structure chaired by Doctor Phaswana • Community engagement The role of the various structures is to increase awareness of the Project, empower our communities to have access to relevant and material information and enable participation in decision making processes. Engagement with our communities focused on maximising the benefits of the Project, while ensuring that all impacts were minimised or mitigated. We also engage with our communities through the Makhado Mail, an informative newsletter first published in September 2015. This bi-annual publication is the mechanism through which we communicate on our Community Centred Sustainable Value Model, planned activities, and strategy on the Makhado Project (see page 22).
 GROWING OUR COMMUNITIES	Our socio-economic assessment revealed that more than 20% of our communities have had no schooling. CoAL launched the Makhado Bursary Fund in January 2016 to help develop skills and build capacity within our communities. Two of the initial 12 students have since dropped out but the remaining students are studying various disciplines at South African educational institutions. The Makhado Centre of Learning was launched in September 2016 to bridge the divide which exists between the current skills gap within communities, the requirements of the construction period and, the mining operation. CoAL has committed to train 1,000 community members throughout the LoM.



BRIDGING THE DIVIDE
 TECHNICAL • DIGITAL • COMMUNICATION • ENTREPRENEURSHIP • LIFE SKILLS



Pillar

Progress



EMPOWERING OUR COMMUNITIES

We believe that the benefits of mining can be maximised for communities through:

- **Ownership:** Communities own 20% through the Makhado Colliery Community Development Trust. Through the stake of each beneficiary community's trust, investments will be made in various areas including education, infrastructure and health.
- **Employment:** 60% of all jobs at the Makhado Project will be sourced from local communities through a skills matching strategy.
- **Enterprise development:** CoAL launched the Enterprise Development Programme in October 2016 to identify potential entrepreneurs who will be developed through an incubation and mentorship programme and, connected to the Colliery's procurement opportunities ring-fenced for beneficiary communities.



MAKHADO
ENTERPRISE DEVELOPMENT PROGRAMME
IDENTIFY • INCUBATE • INTER-CONNECT



INVESTING IN OUR COMMUNITIES

As part of our Social and Labour Plan (SLP), investments will be made in infrastructure development through the upgrade of the community water supply and Nzhelele Road.



TRANSFORMING OUR COMMUNITIES

The ultimate goal of the shared value approach is to transform our communities, improve their standard of living and building sustainable communities.

STAKEHOLDER ENGAGEMENT CONTINUED

STAKEHOLDER ENGAGEMENT STRATEGY

Our stakeholders are defined as those interested in and potentially affected by our operations and projects. A stakeholder engagement strategy is key to building and securing the trust of our stakeholders. The vision of CoAL's strategy is to build social cohesion and capital within communities through inclusive, transparent and regular engagement.

CoAL's engagement strategy is direct and managed at executive level through the Corporate Affairs Department.

Our stakeholder engagement activities include, amongst others:

- Engagement with communities (earning our social licence to operate) through the King's Forum
- Engagement with regulatory authorities (earning our legal licence to operate)
- Engagement with civic society, advocacy groups and media

Our Stakeholder Management System, the central repository of information on our stakeholders, includes information on over 8,000 stakeholders. This repository continually evolves as we update information, record issues and monitor responses.

EARNING OUR SOCIAL LICENCE TO OPERATE

Earning and maintaining our social licence is key as we seek to create sustainable value for our beneficiary communities by addressing their needs and challenges whilst creating economic value for CoAL.

A principle underpinning the shared value approach is collaboration. CoAL has therefore defined itself not only as a facilitator, but also an enabler, together with national, provincial and local government, of sustainable socio-economic transformation.

The focus of engagement with our beneficiary communities is on the socio-economic challenges occurring within our areas of operation, the need for capacity building and skills development, and local economic development as a catalyst to drive transformation.

compliance, updates on the resolution of legacy issues, and the results of our Coexistent Model methodology.

This is evidenced through the establishment of and our participation in the EMC, established in terms of the EA to monitor and drive increased levels of compliance. Membership of the EMC is varied and includes representation from relevant entities of state at national, provincial and local levels, civic society (Save Mapungubwe Coalition and landowner groups), and stakeholders identified during the environmental impact assessment process. Quarterly meetings are characterised by robust debate, constructive discussion on best practice and global standards, and a shared mindset to ensure improved levels of compliance.

We are responsive to the dynamic South African legislative environment, ensuring that our legal licence to operate is earned and maintained through regular and proactive engagement at all levels of government. This results in continued and sustained compliance with the regulatory framework of the Mineral and Petroleum Resources Development Act (MPRDA), National Water Act (NWA) and the National Environmental Management Act (NEMA).

South Africa's National Development Plan (NDP) aims to grow an inclusive economy, build capabilities, and promote leadership and partnerships throughout society to eliminate poverty and reduce inequality by 2030. CoAL has partnered with various tiers of government to collaborate on the delivery of these goals.



Through our engagement processes we aim to:

- Increase awareness of the Company and our strategic direction
- Enhance our reputation through our commitment to and implementation of our coexistent model
- Empower our stakeholders through continuous two way dialogue
- Create and enhance sustainable value for all stakeholders, striving to align the socio-economic needs of our communities with our business objectives

EARNING OUR LEGAL LICENCE TO OPERATE

Environmental best practice, captured in our operating philosophy of "doing it right first time" incorporates regulatory compliance and is a top priority at CoAL.

Our engagement with regulators and other authorities at national, provincial and local levels focuses on compliance with particular reference to EA, IWUL and other licences, Mining Charter



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MINING



ENVIRONMENT



AGRICULTURE



HERITAGE



COAL'S CONTRIBUTION TO THE NATIONAL DEVELOPMENT PLAN

CoAL recognises the extraordinary potential of its operations and projects, and especially the Makhado Project, to contribute to socio-economic development within the context of the government's NDP. CoAL has the potential to contribute to at least 12 of the NDP's goals and help address the challenges identified of unemployment, inadequate and poorly located infrastructure and inclusive development.

CoAL, with special reference to the Makhado Project, will address the following NDP priorities with the mechanisms identified below:

ECONOMIC INFRASTRUCTURE

Through the Makhado Project, CoAL has and will continue to invest in economic infrastructure including road, water, rail and power infrastructure, which all have the potential to transform the Vhembe Region.

ENSURING ENVIRONMENTAL SUSTAINABILITY

Within the current South African environment there are limited alternative solutions for reasonably priced power other than coal (especially base load power generation). It is recognised that the country does need to reduce its reliance on coal by adopting more sustainable energy sources in the near future. But coal can and must remain part of the energy mix, as is recognised in the Integrated Resource Plan (IRP) 2010, and which CoAL believes will be acknowledged in IRP 2016, due for imminent release. It is therefore possible to retain coal in South Africa's energy mix, with mining companies benchmarking against adopting clean coal solutions.

CoAL is committed to an equitable transition to a low carbon economy.

DEVELOPING AN INTEGRATED AND INCLUSIVE RURAL ECONOMY

The Makhado Project has seven beneficiary communities, three of which are host communities. CoAL's Community Centred Sustainable Value Model seeks to develop sustainable communities through investment in education, infrastructure, and job creation. Education empowers people to develop their potential to participate fully not only in the economy of the country, but to also control other areas of their lives, like raising healthy families, developing a just society, and playing an effective role in the governance of their communities.

The participating communities in the Makhado Project will have access to socio-economic opportunities offered within the Project including, amongst others, ownership, employment, training and development, procurement and indirect benefits.

POSITIONING SOUTH AFRICA IN THE WORLD

CoAL's projects are located in the Vhembe Region of the Limpopo province with the Vele Colliery situated in Musina, seen as the gateway to Africa. Positioning for regional integration with Zimbabwe, Botswana, Namibia and Mozambique is ideal, particularly with CoAL's strategy to participate in round two of the Department of Energy's Independent Power Producers Process.

TRANSFORMING HUMAN SETTLEMENTS

Rural communities and human settlements will be transformed with investment from CoAL.

IMPROVING EDUCATION, TRAINING AND INNOVATION

The establishment of the Manufacturing, Engineering and Related Services SETA (merSETA) accredited Makhado Centre of Learning in September 2016 will help address the lack of skills in the Project area. The results of a recently conducted socio-economic survey reflect that more than 20% of community members have no schooling at all. Programmes to bridge the current divide which exists within communities at levels of workplace readiness, digital and technical skills, and entrepreneurship will be implemented.

TRANSFORMING SOCIETY

Ultimately, CoAL seeks to drive meaningful and sustainable socio-economic transformation.

ECONOMY AND EMPLOYMENT

CoAL seeks to create an environment for sustainable job creation. The Makhado Project and Vele Colliery's Plant Modification Project contribute to the government's pursuit of faster, more inclusive national growth through:



- **Increasing levels of employment** – hundreds of jobs will be created in the construction phase and during the mining operation, 60% of which will be drawn from the beneficiary communities



- **Improving skills development** and building capacity through the following training initiatives:
 - Makhado Bursary Fund – providing 15 bursaries over a four year period
 - establishing the Makhado Centre of Learning will provide training to 1,000 community members (including women and youths) to develop skills required during construction phase
 - operator training for 150 operators for construction phase in CY2017
 - launching of the Makhado Colliery Artisan Programme in CY2019 to develop artisans in electrical engineering, boiler making, mechanical and fitting and turning



- **Investing in infrastructure** through the upgrade of community water supply and road infrastructure



- **Investment by private sector** in the Makhado Project to date has exceeded R550 million

STAKEHOLDER ENGAGEMENT CONTINUED

EXTRACT FROM MAKHADO MAIL

ISSUE 3 SEPTEMBER 2016, COAL'S BI-ANNUAL NEWSLETTER USED TO COMMUNICATE INFORMATION ABOUT THE MAKHADO PROJECT

MOVING THE MAKHADO PROJECT INTO CONSTRUCTION PHASE...

WORDS BY FLORENCE DUVAL
PICTURES BY VANESSA DA ROCHA



The granting of the Integrated Water Use Licence for the Makhado Project was a significant milestone in the Project's life cycle, completing the full suite of regulatory authorisations for the Project with the New Order Mining Right granted in May 2015, and executed in January 2016.

The Environment Authorisation, granted in August 2016, was transferred from CoAL to Baobab, the operating entity for the Project.

The Makhado Mail (MM) spoke to Mr David Brown (DB), Chief Executive Officer of CoAL at his offices in Johannesburg about the Makhado Project.

MM: Why is the Makhado Project called CoAL's flagship project? What is so unique about the Project?

DB: The uniqueness is twofold – firstly, the Project will become the country's only producer of hard coking coal. This product is used in the

steel making process which in turn will support the creation of local industrial growth. Secondly, it will have a massively positive impact on the local communities in that we have transacted with the local communities to own 20% of this Project which is a very large ownership percentage relative to any other mining project.

MM: It's very exciting to note the recent announcements about the authorisations for the Makhado Project. What are the next steps to bring the Project towards implementation?

DB: We need to (a) secure all the surface rights and (b) ensure that all authorisations are finalised and any outstanding and relevant objections are dealt with – this would cover the IWUL and the Environmental Authorisation.

After this is completed then the funding discussions will be completed.

MM: There is still significant opposition to the Project. What are the key concerns raised, and what is CoAL's strategy to deal with such opposition?

DB: My personal experience has been that there is huge excitement around this Project with the majority of people supporting the Project. A small number of objectors have been more focused on how they can benefit rather than against the Project in totality. Then, in addition, there is a grouping in the form of the Vhembe Mineral Resources forum who oppose any mining developments by CoAL – they must have their own vested interests for this approach as the consequence is that it seeks to deny opportunities for the local communities to benefit from the Project. The uplift for the communities is significant as it covers training/ job creation and upliftment for the communities. In addition, there will be many varied opportunities to participate in the Project benefits.



MM: Can we discuss the ownership of Baobab, the company which will be operating the mine, which is one of the means in which the communities will benefit.

The ownership of Baobab is as follows:

BAOBAB MINING AND EXPLORATION OPERATING ENTITY	
CoAL	74%
Makhado Colliery Community Development Trust	20%
Yoright Investments	6%

Note: Since the publication of this article, the Industrial Development Corporation (IDC) has acquired a 5% stake in Baobab Mining and Exploration

MM: What are the next steps to drive the Project towards construction?

DB: We are pursuing many different work streams at present as projects of this nature are complex and significant. We are making sure all our regulatory aspects are dealt with appropriately to ensure compliance with the relevant regulations. The fundraising will start towards the end of this calendar year with construction start still aimed towards the end of next year.

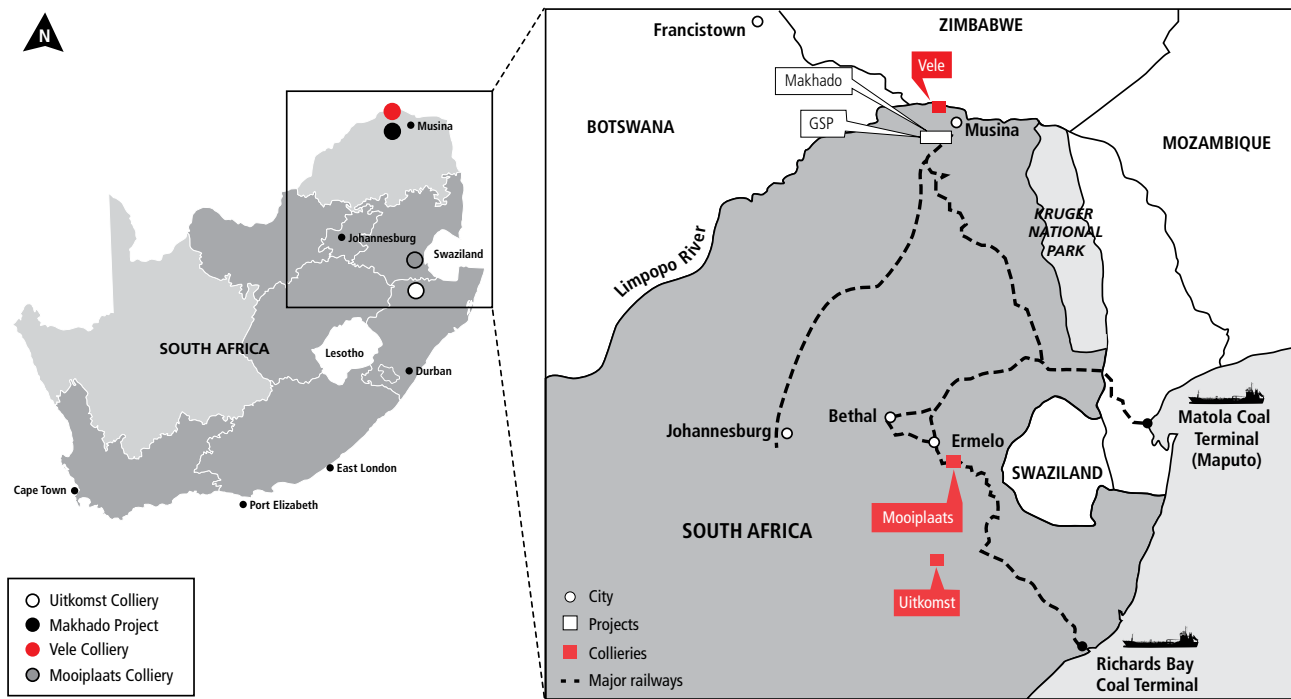
* IDC is preferably a 5% stakeholder with CoAL at 69%



KEY REQUIREMENTS FOR COMMENCEMENT OF MINING ACTIVITIES

No.	Requirement	Detail	Status
1	Regulatory authorisations finalised and executable	NOMR granted by the DMR in May 2015	Finalised and executable
		IWUL issued by the DWS in January 2016	Appealed and suspended Appealed by the Vhembe Mineral Resources Stakeholders Forum (VMRSF), Makhado Action Group (MaKag) and the Mudimeli Community In terms of the NWA, the appeal suspends the IWUL <i>Note: Subsequent to the publication of this article, the suspension of the IWUL was lifted by the Minister of Water and Sanitation in May 2017, we await the dismissal of the appeal by the Water Tribunal</i>
		The EA issued by the Limpopo Department of Economic Development, Environment and Tourism, in August 2013, valid for three years	Interim Interdict Interim interdict against the Environment Authorisation by the VMRSF, MaKag and the Mudimeli Community. Environment Authorisation extended for an additional five years and transferred to Baobab the operating entity for the Makhado Project in July 2016 Appealed by the same groups <i>Note: The appeal was dismissed by the Minister of Environmental Affairs at the end of October 2016 and the Environmental Authorisation is now finalised and fully executable</i>
2	Surface Rights	The Makhado Project is located across five farms: 1. Windhoek 648 MS (owned by CoAL) 2. Tanga 648 MS (owned by CoAL) 3. Fripp 645 MS (owned by Republic of South Africa, under the custodianship of the Mphephu Traditional Council, in terms of GN 376/1968) 4. Lukin 643 MS and Salaita 188 MT (privately owned and under gazetted land claim)	Ongoing process with the Department of Rural Development and Land Reform and the Limpopo Land Claims Commission
3	Funding	The Front End Engineering Design of the Project has been completed and various options for construction are being investigated	Discussions are ongoing but can only be finalised once all the regulatory authorisations are fully executable and access to surface rights secured

OPERATIONS AND PROJECTS



UITKOMST COLLIERY

The Company completed the acquisition of Pan African Resources Coal Holdings Proprietary Limited (PAR Coal), 91% owner of Uitkomst Colliery, for a purchase price of R275 million (\$21.1 million) from Pan African Resources Plc (Pan African) on 30 June 2017 with R25 million (\$1.9 million) of the purchase price deferred for 24 months.

Uitkomst Colliery is a high grade, thermal, export quality coal deposit with metallurgical applications situated in the Utrecht coalfields in KwaZulu-Natal province. The Uitkomst Colliery consists of an existing underground coal mine (Uitkomst – South Mine) and a planned LoM extension into the northern area (Klipspruit – North Mine). The operating mine is easily accessible and well-established. Existing infrastructure such as power and water supply, buildings, workshops, weighbridge, water storage and management facilities are all in place.

The Colliery currently employs approximately 520 employees (including contractors). Pan African will, for a period of six months (which can be extended

by mutual agreement between the parties) post the effective date of the acquisition, assist CoAL with the transition of the management and marketing of Uitkomst. CoAL places a high value on its people and views Uitkomst as a well-managed business and believes that retaining key personnel within Uitkomst will be key for delivering the business' strategy.

For the year ended 30 June 2017, prior to the effective date of acquisition, Uitkomst Colliery reported five LTIs. This will be a focus point for CoAL in the year ahead.

The plant produced 508,510 tonnes which consisted of 458,350 mined tonnes and 50,160 bought-in tonnes.

MAKHADO PROJECT

Significant progress has been made in our advancement towards the construction of CoAL's flagship project in the Soutpansberg coalfield. The Makhado Project has the potential to transform not only the Project area, but the district and the Limpopo province, through a shared value approach.

The Project is located within a complex, multi-stakeholder environment, stretching across five farms, with seven beneficiary communities. In March 2015, the Company signed an agreement with the Makhado Colliery Community Development Trust to acquire a 20% stake in the Project. An agreement was also signed with Yoright Investments (Pty) Ltd enabling the acquisition of a 6% stake in the Project, thus ensuring full compliance in respect of the ownership targets of the Mining Charter.

During the period under review, the complete suite of regulatory authorisations for the Makhado Project were granted. The IWUL was initially granted by the DWS in December 2015, appealed by Vhembe Mineral Resources Forum and other parties in April 2016 and automatically suspended in terms of Section 148 (2) (b) of the National Water Act No 36 of 1998 in April 2016. In May 2017, following representation by CoAL, the Minister of the DWS lifted the suspension, resulting in the license being fully executable.



The Company completed the acquisition of Pan African Resources Coal Holdings, 91% owner of the Uitkomst Colliery, for a purchase price of R275 million (\$21.1 million) from Pan African.

OPERATIONS AND PROJECTS CONTINUED

In July 2016, the DMR and the LEDET approved CoAL's application to transfer the EA from CoAL to Baobab, the operating entity for the Makhado Project, in line with the other authorisations all in the name of Baobab. Both departments also approved the amendment of the EA to extend the period for the commencement of activities for a further five years.

The national and provincial governments continue to demonstrate support of the Makhado Project, acknowledging the significant benefits which will accrue to communities through its implementation. CoAL continues to deliver against its commitment to ensure that benefits of mining operations are maximised for all stakeholders, in particular the Project's beneficiary communities.

In July 2016, the South African cabinet announced the designation of the Musina-Makhado Special Economic Zone (SEZ) by the Minister of Trade and Industry, Dr Rob Davies. This SEZ, a strategic intervention of the Industrial Policy Action Plan to accelerate economic development through greater investment, export volumes and job creation, intended to drive economic growth and create employment in the Vhembe region.

The Company continues to engage with the Department of Trade and Industry (DTI) and LEDET in respect of the designation of the multi-site of the SEZ, not only in relation to the supply of premium hard coking coal, but also in terms of the joint goal to transform the area in which we operate. Hard coking coal of the quality and quantity available to CoAL's Makhado Project can help reduce South Africa's dependency on importing its current requirements. This can therefore reduce the cost of steel production locally and simultaneously improve South Africa's balance of payments through exports. Makhado will also produce thermal coal that could be used as a reductant or energy source for the various metallurgical processes planned for the SEZ.

VELE COLLIERY

Vele Colliery ceased operations in 2013 and remains under care and maintenance in preparation for the Plant Modification Project.

We continue to progress the regulatory application necessary for the implementation of the Project. The implementation of the SLP for the first five years was completed and we await the imminent approval of the second SLP by the DMR.

The DMR granted an EA for Vele Colliery for stream diversion and associated infrastructural activities in January 2017. The Colliery continues to comply with the conditions of its IWUL, originally granted in 2011, and extended for a further 20 years in December 2016 by the DWS.

The Colliery monitors compliance through internal inspections, external audits conducted by the DWS, as well as audits conducted by the Environmental Compliance Officer as required.

We continue to participate in the Project Steering Committee in line with the historic BOA between CoAL, the Department Environmental Affairs (DEA), and the South African National Parks (SANParks) signed on 14 October 2014.

The main internal roads in the Mapungubwe National Park, a World Heritage Site, and the first project undertaken by the Project Steering Committee, have been upgraded at a cost of \$0.2 million (R2 million). The restoration and rehabilitation of heritage resources is 80% complete. These two projects have already served to increase the inflow of tourists to the Park.

The design for the Mapungubwe Archaeological Laboratory and Artefact Storage Heritage Project, the heritage project adopted by the Colliery, is complete and construction is well under way. We anticipate that this project will be launched in Q3 FY2018.

One of the mandates of the Project Steering Committee is to engage with private landowners as part of the strategy to consolidate and incorporate additional properties into the approved revised

Buffer Zone. The process is ongoing and discussions are underway with the Department of Rural Development in relation to land claims on the relevant farms.

CoAL continues to participate at executive management level in the EMC, established as an oversight committee in terms of our EA. Comprised of various stakeholder from regulatory authorities, relevant organs of state, municipal representatives, civic society and stakeholders identified during the initial public process, the EMC's mandate is to monitor Vele's compliance in respect of the EA and IWUL.

The EMC meets quarterly, with one meeting per year held at Vele Colliery, at which time site visits are conducted.

MOOIPLAATS COLLIERY

The Colliery has valid environmental licences including a Mining Right and associated approved Environmental Management Programme (EMPr), IWUL and EA.

Mooiplaats Colliery, under care and maintenance since October 2013, and formed part of a formal disposal process that resulted in its sale at the end of September 2017. The colliery remains compliant with all regulatory frameworks.

GREATER SOUTPANSBERG PROJECT

The GSP, situated to the north of the Soutpansberg Mountains, comprises of three projects: Mopane, Generaal and Chapudi. These are owned by MbeuYashu (Pty) Ltd, a company jointly owned by CoAL (74%) and its BEE partner, Rothe Investments (Pty) Ltd (26%).

CoAL submitted applications for the NOMR in 2013. Additional information has been provided to finalise the applications and we await the decisions.

The model of coexistence between mining, agriculture and heritage developed at Vele Colliery will also be implemented within the GSP.

There were no activities relating to the GSP during the period under review.



REGULATORY COMPLIANCE UPDATE

REGULATORY PROCESSES, PERMITS AND LICENCES

BIODIVERSITY OFFSET AGREEMENT

The signature of the BOA by the DEA, SANParks and CoAL in October 2014 set a new benchmark in the mining industry, with CoAL committing \$4.2 million (R55 million) over 25 years.

The key to successfully implementing the BOA is demonstrating the Company's belief in a model of coexistence between conservation and economic development, as based on the ecosystem approach to environmentalism. To this end, the three parties to the BOA are committed to ensuring that any negative impacts are avoided, minimised or remedied in pursuit of sustainable development. Progress against the BOA is reported at the quarterly Heritage and Biodiversity Sub-committee and EMC meetings.

The Project Steering Committee established to monitor implementation of the BOA meets on a quarterly basis, with SANParks as the implementing agent. During the period under review, three thematic areas for projects were identified and finalised at Project Steering Committee level: biodiversity conservation, cultural heritage management and tourism development.

BIODIVERSITY CONSERVATION

This includes, among others, the acquisition of land in order to facilitate the consolidation of the Mapungubwe National Park and World Heritage Site including the buffer zone.

CULTURAL HERITAGE AND MANAGEMENT

The restoration, rehabilitation and development of archaeological and rock art sites is pivotal to the continued preservation of the Mapungubwe cultural landscape. The projects aligned to cultural heritage and management include the restoration of specific sites and the development of site specific management plans to guide management actions. During a Project Steering Committee visit to the Mapungubwe National Park during FY2016, sound progress was observed at some of the identified sites.

Plans for the Archaeological Research Centre and Artefact Storage, a project specifically adopted by CoAL, have been developed and construction has commenced. The Project Steering Committee acknowledges the importance of this centre as being key to ensuring a central repository of Mapungubwe artefacts.

TOURISM DEVELOPMENT

This project involves the improving and upgrading of the road infrastructure within the National Park and World Heritage Site road network. CoAL is proud to report that Phase 1 is complete.

HERITAGE MANAGEMENT PLAN

Following the advice of the DEA to consolidate the recommendations of the two separate Heritage Impact Assessments conducted for Vele Colliery into a Heritage Management Plan, CoAL developed the Heritage Management Plan and disseminated the same to the DEA, SANParks and the South African Heritage Resources Agency for input and comments. Further to this, following on a request from the EMC, the Company had the Heritage Management Plan peer-reviewed by an independent heritage specialist during FY2016. The Heritage Management Plan has been finalised and submitted to the DEA, with the recommendations implemented on site as monitored by the external archaeologist appointed to assess heritage management on a monthly basis.

MAKHADO PROJECT

The Makhado Project holds an approved NOMR granted to Baobab in FY2016.

Makhado Colliery has an approved EA, granted in FY2014 and Makhado's IWUL was approved by the DWS in Q2 FY2016. The IWUL was suspended after an appeal was lodged but the suspension was subsequently lifted by the minister of DWS. The IWUL is therefore executable.

BIODIVERSITY AND REHABILITATION

The on-site nursery constructed at Vele Colliery during FY2015 is progressing well with a variety of indigenous flora (grasses and trees) being grown and housed at the nursery. These include Shepherd, Baobab, Ana, Leadwood, Brown Ivory, Knob, Mopani, Nyala and Marula trees. These will be utilised in the revegetation and rehabilitation process at Vele Colliery. Further to this, Vele Colliery donated Fever trees, which were harvested and grown in the Colliery's nursery, to the Department of Agricultural, Forestry and Fisheries in the Limpopo province.

During FY2016, the Company successfully trialled an environment-friendly stabilising polymer to assist in the rehabilitation on-site. The polymer, which prevents erosion and allows for vegetation to grow without hindrance, is being used on all CoAL projects.

Independent specialists continue to assess and monitor biodiversity performance via vegetation assessments, flora and fauna monitoring and aquatic invertebrate monitoring.

INTERNATIONAL UNION FOR CONSERVATION OF NATURE (IUCN) RED LIST SPECIES AND NATIONAL CONSERVATION LIST SPECIES

No threatened species at the risk of extinction have been identified at the Vele Colliery.

The four species that are located within the 200 hectare surface area of Mooiplaats Colliery, and are protected under the Mpumalanga Nature Conservation Act 10 of 1998, remain unaffected by the Colliery as these species lie beyond the mining footprint. The site does however, implement preventive management practices such as the prohibition of driving in the vicinity of the species as well as a ban on the removal of flora and fauna across the entire site.

SAFETY AND HEALTH

Our number one priority is our greatest asset: our people. Above all else, the safety and health of our people takes precedence and we employ a proactive and preventive approach towards ensuring that each day we achieve our goal of no harm.





OUR PEOPLE, OUR GREATEST ASSET

While acknowledging the fact that Mooiplaats and Vele Collieries continue to be under care and maintenance, our focus on ensuring a zero harm culture is embedded in all activities. The reporting of near-miss and high potential incidents continues to play a fundamental role in driving a safety culture that is committed to achieving zero harm at all our operations and projects.

With the staff complement of our operations under the current care and maintenance status limited to a core management team and essential services contractors, our focus for the period under review continued to be:

- Visible felt leadership
- Risk management during care and maintenance
- Contractor management

VISIBLE FELT LEADERSHIP

CoAL continues to engage in regular visible felt leadership visits to the various operations to ensure that safety remains a priority during this period of reduced activity.

RISK MANAGEMENT DURING CARE AND MAINTENANCE

The identification, analysis and mitigation of risks remains a primary area of focus in CoAL's Safety Management System. With the collieries not operating during FY2017, the focus for risk management was geared towards potential hazards and controls during the required maintenance work and related contractor-based risks during these activities.

Mandatory codes of practice have been updated during the year to ensure practices remain relevant to a care and maintenance status and to ensure that all risks related to this scenario were identified and appropriately mitigated.

CONTRACTOR MANAGEMENT

CoAL continues to manage contractors as employees and ensures compliance to all relevant procedures required for a safe working environment.

SAFETY PERFORMANCE

During the period under review, we concede that there was reduced activity with operations on care and maintenance, but we are pleased to report that there have been no injuries at CoAL operations.

ENSURING A HEALTHY WORK ENVIRONMENT

CoAL remains totally committed to ensuring our workforce is healthy.

OPERATIONAL HEALTHCARE

CoAL's health system is premised on the Company's conviction that occupational disease is preventable.

We have adopted robust medical assessments as well as a medical monitoring programme to achieve our aim of no new cases of occupational diseases. This was achieved during the year under review and preventative management will continue across all operations and projects during FY2018.

The outsourced occupational healthcare providers at Mooiplaats and Vele continue to deliver healthcare to all core on-site teams and contractors.

PRIMARY HEALTHCARE

We continue to make available a complete primary healthcare service to employees and contractors which includes family planning, antenatal care, chronic disease monitoring and medication, HIV counselling and testing as well as anti-retroviral treatment.

With the unseasonal late rain received in the Musina area, the Company expanded its primary healthcare programme to include malaria testing and prevention.

OCCUPATIONAL HYGIENE

An independent occupational hygienist is employed to conduct regular occupational hygiene monitoring. The results for FY2017 indicate that both Mooiplaats and Vele Collieries are 100% compliant with airborne pollutant, thermal stress and occupational noise requirements.

SAFETY PERFORMANCE*

OPERATION	Lost time injuries					Lost time injury frequency rate				
	FY2017	FY2016	FY2015	FY2014	FY2013	FY2017	FY2016	FY2015	FY2014	FY2013
Mooiplaats	—	—	—	—	10	—	—	—	—	1.61
Vele	—	—	—	—	1	—	—	—	—	0.15
Makhado	—	—	—	—	—	—	—	—	—	—
GSP	—	—	—	—	1	—	—	—	—	2.01

* Woestalleen Colliery disposed of in FY2014 had one LTI in that year

ENVIRONMENTAL MANAGEMENT

Recognising that our operations and projects have the potential to impact, both directly and indirectly, on the environment in which we operate, CoAL has adopted a coexistent model, a model which seeks to marry the sometimes divergent interests of mining development, agriculture, environment and heritage.





We are acutely aware of the imperative to balance the socio-economic potential of mining development with the potential impact on natural and heritage resources. This ever evolving and interactive approach is accomplished by building enduring relationships and strengthening co-operation between all CoAL's stakeholders, including shareholders, interest groups, government and communities.

Our environmental management strategy is in line with the Company's aim of earning and maintaining our legal licence to operate. This risk based approach focuses on the key areas of water stewardship, responsible resource consumption, proactive forward-planning for sustainable mine closure, biodiversity and heritage management.

CoAL's environmental management programme is based on legal compliance as a minimum, managed via a robust Environmental Management System (EMS).

WATER MANAGEMENT

CoAL's water management strategy, aligned with the coexistent model, is governed by three principles: responsibly sourcing water for our

projects, mitigating negative impacts to existing industries and, meeting our socio-economic commitment to aid in assurance of supply to host communities.

Given South Africa's status as a water-stressed country, the pressure on available water supply and quality is a key environmental consideration for CoAL. In addition, the social challenges presented by the communities' struggle for access to water in the areas in which we operate and, in which our projects are located, are key drivers in our planning and implementation processes.

CoAL's role in the EMC, as oversight committee established in terms of the Vele Colliery's EA, continues to set new benchmarks for water. It participates in the Limpopo Water Management Area North Reconciliation Strategy Study Steering Committee, a working group set up to study and develop a reconciliation strategy for all parts of the Limpopo Water Management Area.

WATER CONSUMPTION

Both Mooiplaats and Vele Collieries operate a closed water system with zero discharge to the natural environment.

The Makhado Project is located in a water stressed area, giving rise to concerns of the potential impact of mining activities on water quantity and quality. The Memorandum of Agreement signed between CoAL and members of the Nzehelele Catchment Water Users Association in October 2012, seeks to increase the assurance of supply for agriculture, and minimise and mitigate any potential negative impacts of mining activities on the availability of water for agricultural activities.

ENERGY MANAGEMENT

Responsible utilisation of our available resources is a key area of focus for CoAL. We remain committed to the application of best practice and technological developments to reduce consumption of energy resources where feasible.

Vele Colliery currently utilises a diesel generator to meet its energy requirements. Eskom will provide the full electricity requirement when the Colliery comes into production while the Mooiplaats Colliery sources its energy from Eskom.

Monitoring our energy usage from the national grid and energy produced via diesel generators allows CoAL to identify any potential opportunity for energy-savings.

MONITORING AND COMPLIANCE

In line with CoAL's commitment to earning and maintaining our legal licences to operate, monitoring and auditing at both Vele and Mooiplaats takes place in terms of the licence conditions, despite the status of care and maintenance. All environmental audits have been conducted by independent consultants, including the annual external IWUL audit, EMPr performance assessments, and financial closure and liability assessments.

Monitoring includes ground and surface quantity and quality assessment, bio-monitoring, ecotoxicology, plant moisture stress, alien invasive plant species and eradication status, habitat assessment, rehabilitation monitoring, biodiversity and avifaunal assessment, riverine forest monitoring, threatened and protected fauna and flora assessments as well as monitoring of identified heritage resources, as applicable to the operation.

WATER CONSUMPTION AT MOOPLAATS (m³)

	FY2017	FY2016	FY2015	FY2014
Water used for primary activities	1,236	6,948	2,666	77,040
Potable water from external sources	—	—	—	779
Non-potable water from external sources	—	—	—	—
Surface water used	—	—	—	—
Groundwater used	1,236	6,948	2,666	77,040
Water recycled in process	—	—	6,093	124,235

WATER CONSUMPTION AT VELE (m³)

	FY2017	FY2016	FY2015	FY2014
Water used for primary activities	15	15	708	27,103
Potable water from external sources	—	—	—	—
Non-potable water from external sources	—	—	—	—
Surface water used	—	—	—	—
Groundwater used	1,770	1,719	708	32,956
Water recycled in process	15	15	—	7,445

ENVIRONMENTAL MANAGEMENT CONTINUED

An Environmental Management System (EMS), developed for and fully implemented at Vele Colliery, drives environmental monitoring and compliance audits. The EMS is subject to quarterly external audits by independent environmental auditors, the reports of which are submitted to the DEA for review by the permitting authority. The last quarterly report for the period under review noted that: "...the first quarter EMS audit for 2017 concluded that the Vele EMS conforms to the planned arrangements for environmental management and is well established".

Vele Colliery employs a full-time, independent Environmental Control Officer whose role is to monitor compliance to the Colliery's EMPr, EA, IWUL and related specialist recommendations. The Environmental Control Officer conducts daily, weekly and monthly inspections against the various environmental licensing conditions. Further to this, quarterly audits are conducted resulting in environmental performance reports which are

submitted to the DEA as well as to Vele Colliery's EMC. This provides an oversight inspection over and above internal and external specialist monitoring and inspections. The last quarterly environmental performance report noted Vele Colliery's compliance as 97.5%.

The environmental monitoring and auditing management programme for Mooiplaats Colliery is undertaken by an independent environmental consultancy aligned to the environmental licencing conditions.

Regular dust, surface and ground water monitoring continues at the Makhado Project as we progress towards construction. The results continue to indicate that the bulk sample pit has no impact on the air or water quality of the surrounding community.

Four additional water monitoring boreholes have been drilled to monitor the surface water holding structures and to determine the difference between the primary and secondary aquifers.

ENVIRONMENTAL MANAGEMENT COMMITTEE

The EMC established at Vele Colliery in terms of the Colliery's EA and IWUL is robust and continues to set a new benchmark for synergistic compliance monitoring. The EMC and the Water Monitoring Committees are well represented by the permitting authorities, interested and affected parties, industry specialists and civil society. Their mandate is to monitor compliance with licence conditions approved for the Colliery.

Further to this, a Heritage and Biodiversity Sub-committee was established by unanimous agreement of the EMC members. This committee functions as a sub-committee to the EMC with compliance monitoring focusing specifically on biodiversity (fauna and flora) and the heritage resource requirements EMPr and EA.

The committees meet on a quarterly basis, despite the care and maintenance status. One meeting per annum is held at the Colliery to provide members the opportunity to visit the site, engage with management, and assess physical control measures implemented to meet permit conditions.

In line with the Company's commitment to open and transparent engagement, CoAL has invited Vele's independent geo-hydrologist to present the quarterly groundwater monitoring results to the Water Monitoring Committee at each meeting of the committee. This is welcomed by the Committee.

ENVIRONMENTAL INCIDENTS

No significant environmental incidents were reported for the period under review.

COMPLAINTS

No formal complaints were lodged and/or received from local or affected communities regarding environmental matters at either Mooiplaats or Vele.

ENERGY CONSUMPTION AT MOOIPLAATS

	FY2017	FY2016	FY2015	FY2014
Energy from electricity purchased from Eskom (MWh)	3,522,050	3,578,077	3,336,835	4,591,067
Diesel used (kilolitres)	—	—	—	—
Energy generated from diesel (GJ)	—	—	—	—
Petrol used (kilolitres)	—	—	—	—
Energy generated from petrol (GJ)	—	—	—	—

ENERGY CONSUMPTION AT VELE

	FY2017	FY2016	FY2015	FY2014
Energy from electricity purchased from Eskom (MWh)	—	—	—	—
Diesel used (kilolitres)	26	47	63	649
Energy generated from diesel (GJ)	1,005	1,837	2,423	24,863
Petrol used (kilolitres)	2	2	1	—
Energy generated from petrol (GJ)	81	79	40	—



EMPLOYMENT

CoAL's objective is to provide equal opportunities, conduct non-discriminatory employment practices and provide a safe and healthy working environment for all employees.

During the period under review, the Company made significant progress in relation to the regulatory authorisations for the Makhado Project. Given the Project's potential to transform beneficiary communities, we continue to drive all our efforts towards the commencement of construction.

Vele remained on care and maintenance for FY2017. CoAL awaits the granting of an IWUL by the DWS, which is the final approval required to complete the regulatory approvals process for the stream diversion in respect of the Plant Modification Project. Once all regulatory approvals are in place, the Company will be in a potential position to consider market pricing and potential off-take agreements to conclude on an investment decision for the Plant Modification Project.

Mooiplaats remained on care and maintenance for FY2017 pending a possible sale.

EMPLOYMENT BY PROJECT

With 70% of the Community Socio-economic Assessment complete and the data captured onto our Stakeholder Management System, we are now analysing the data to determine the needs and challenges that exist within our communities, to ensure that our interventions are correctly designed to meet these needs.



The Makhado Centre of Learning is one of our strategic interventions to develop skills and build capacities within our communities. The partnership with merSETA, Raizcorp (our enterprise and supplier development programme partner), and Even Me (our digital training partner) ensures that the service offerings of the Makhado Centre of Learning are relevant, empowering, and will meet the needs of the mining operation.

CoAL is committed to the strategic business objectives that drive employment equity and measures have been set in place to achieve these goals, reaffirming our aim to serve the interests of all stakeholders.

EMPLOYMENT EQUITY

The purpose of the Employment Equity Act is to achieve equity in the workplace by promoting equal opportunity and fair treatment in employment through elimination of unfair discrimination and implementing affirmative action measures. CoAL is committed to the strategic business objectives that drive employment equity and measures have been set in place to achieve these goals, reaffirming our aim to serve the interests of all stakeholders. The Company strives to achieve the desired employment equity status in a responsible manner, with due regard to the broader realities of the business and economic environments.

The key principles for this process include:

- Promotion of equal opportunities for all races and genders and fair treatment in the workplace
- Elimination of discriminatory practices and implementation of practical procedures to address employment equity barriers
- Eradication of all forms of harassment in the workplace
- Elimination of barriers that unfairly restrict employment and promotional opportunities for all genders and races in the workplace

EMPLOYMENT BY PROJECT

	Employees			Contractors		
	FY2017	FY2016	FY2015	FY2017	FY2016	FY2015
Makhado/Bakstaar/ Baobab	19	19	19	18	15	15
Vele/Harissia	35	35	38	31	34	34
Mooiplaats	8	7	8	32	29	37
Corporate office	27	30	30	–	2	–

EMPLOYMENT CONTINUED



LABOUR RELATIONS

Relationships with employees are governed by the legal requirements of common and labour law, mutual agreement, societal influence, ethical considerations, customs and traditions and most importantly integrity, trust, consistency and fairness.

The Company subscribes to an integrated industrial relations system in which all parties are empowered to freely communicate their views supported through a two-way communication structure.

REMUNERATION

CoAL's remuneration framework is based on the industry's agreed principles with the aim of attracting and retaining top talent to drive a high performance culture.

FIXED PAY

The Company's remuneration structure at corporate level is based on a total cost-to-company principle. CoAL has conducted benchmarking exercises at various intervals confirming that employee remuneration is within industry standards.

HISTORICALLY DISADVANTAGED SOUTH AFRICANS (HDSAs) AND WOMEN STATISTICS (%)

	HDSAs		Women	
	FY2017	FY2016	FY2017	FY2016
Senior management	50	50	25	25
Management	70	53	20	44
Employees	90	92	40	45

TRAINING AND DEVELOPMENT

With operations under care and maintenance there have been limited training opportunities for the remaining consolidated workforce. Despite this, the Company encourages all employees to develop their potential and expand their careers and remains committed to up-skilling people to give the organisation a competitive advantage.

TRAINING AND DEVELOPMENT IN FY2017

	Number of participants	HDSAs (%)	Women (%)
Internships	–	–	–
Bursaries	12	100	20
Training	19	84	58

VARIABLE PAY: SHORT-TERM DISCRETIONARY BONUS SCHEME

The discretionary bonus scheme rewards employees on the basis of both Company and individual performance, providing employees with a predetermined bonus percentage based on the attainment of Nomination and Remuneration Committee-approved targets. The scheme is discretionary and is reviewed on an ongoing basis, dependent on business requirements. The business scorecard is signed off by the Nomination and Remuneration Committee on an annual basis and this drives the individual performance management process. At lower level employment and subsidiary levels, use is made of a discretionary payment, equivalent to one month's salary, based on Company and individual performance.

VARIABLE PAY: LONG-TERM INCENTIVE PLAN

The Nomination and Remuneration Committee proposed, and the Board and subsequently shareholders approved, a long-term incentive plan. PricewaterhouseCoopers advised the Company on the development of the scheme which is based on industry standards. These performance rights are to be issued on an annual basis.

HUMAN RIGHTS

No incidents of discrimination were reported during FY2017 and hence no corrective action was taken at the Company's operations.

At our operations, we subscribe to the South African constitution which prohibits child labour as well as discrimination on any grounds and the Company promotes the preservation of human rights.



CORPORATE SOCIAL INVESTMENT

The principle of shared value underpins our approach to Corporate Social Investment (CSI).

INVESTING IN OUR COMMUNITIES

The principle of and shared value underpins our approach to CSI. We recognise our responsibility to maximise the benefits of mining for our communities through collaborative partnerships between government (regional and local), communities and CoAL.

Our SLP is a five year plan, in terms of the MPRDA, to drive socio-economic transformation through the creation of jobs, development of small, medium-sized enterprises (SMEs) and the creation of sustainable opportunities to allow access for as many stakeholders as possible to benefit from the mining operation.

The SLPs of the Group have a recurring focus based on the environment in which the projects and operations are located:

- Education and skills development
- Enterprise development
- Infrastructure development

EDUCATION AND SKILLS DEVELOPMENT

The NDP states: "The single most important investment any country can make is in its people. Education has intrinsic and instrumental value in creating societies that are able to better respond to the challenges of the 21st century. Lifelong learning, continuous professional development and

knowledge production alongside innovation are central to building the capabilities of individuals and society as a whole. Education, training and innovation are critical to the attainment of the goals of eradicating poverty and reducing inequality."

CoAL's investment in education is a reflection of our belief in the value of education, in building social cohesion within communities, and enabling individuals to reach their full potential. This investment is through our bursary funds, the Vele Bursary Fund launched in 2009 and the Makhado Bursary Fund launched in 2016, as well as the Makhado Centre of Learning.

To date, we have produced 33 graduates in the fields of engineering (mining, mechanical and civil engineering), geology, environmental, sciences, and metallurgy, amongst others. We currently have 17 students on the fund – six on the Vele Bursary Fund and 11 on the Makhado Bursary Fund.

Many of our students have experienced challenges adjusting to their first year at university. As all our students are drawn from our project areas, they all reside at the tertiary institutions. Not only have they had to acclimatise to the environment and the stringent requirements of tertiary learning, they have had to cope with all lectures presented in English. The Fees Must Fall campaign also impacted our students' learning programmes and their overall achievements.

Two of our graduates currently work at CoAL and are advancing their educational and professional growth through the Company.

A CoAL BURSAR



Khodani Luvhengo

Khodani Luvhengo, a Mine Accountant at CoAL's head office, hails from Pfumembe Village which is adjacent to the Makhado Project.

CoAL awarded Khodani a bursary in 2010 to study BCom (Accounting) at the University of Johannesburg. She completed her degree at the end of 2012 and joined Vele Colliery as a Mine Accountant. She has continued with her studies and in 2016 completed a post-graduate diploma in Management Accounting with the University of South Africa (UNISA). Khodani is currently completing her BCompt Honours with UNISA in pursuit of her goal of becoming a chartered accountant affiliated to the South African Institute of Chartered Accountants.

Khodani is passionate about education. She is a member of the CoAL Bursary Fund Committee which conducts road-shows at various schools to present the CoAL Bursary Fund and inspire learners to dream, work hard and achieve success.



CORPORATE SOCIAL INVESTMENT CONTINUED

A CoAL BURSAR



Mulalo Mashamba

Mulalo Mashamba was raised by his grandmother in a small village in the Nzhelele Valley and was one of the first recipients of the CoAL Bursary Fund in 2010. Mulalo graduated with a BSc degree in Geology and a BSc Honours degree in Geohydrology.

Mulalo, a Mine Geologist at Vele Colliery, was awarded a position immediately after graduation. He has grown both personally and professionally under the guidance of CoAL's qualified and experienced specialists.

He completed a post-graduate certificate in Advanced Project Management with the University of Cape Town in 2016 and is currently enrolled for a MSc degree at the University of the Free State.

Mulalo is also a member of the CoAL Bursary Fund Committee.



MAKHADO CENTRE OF LEARNING

In pursuit of our goal of growing our communities through skills development and capacity building, in 2015 CoAL launched a door-to-door quantitative and qualitative survey of each community to better understand the environment in which our communities live and work. We also developed a demographic profile on each household as it relates to skills, employment, income level, heritage profile and access to basic services.

The results of the survey show that there is a dearth of skills amongst our beneficiary communities as reflected in the graph below.

In line with our community centred development goals, we recognised the need to develop skills and capacity within communities to enable them to access opportunities within the Makhado Colliery. We also acknowledged that if the necessary skills are not developed, or capacity built, we will not be able deliver on our commitment to employ up to 60% from our beneficiary communities.

The Makhado Centre of Learning was launched in September 2016 to bridge the gap between the communities and the Colliery at a technical, digital, communication, entrepreneurship, life skills and workplace readiness skills level.

The theme of the centre is "Let us Learn". The vision of the Makhado Centre of Learning is to be an indispensable partner to the Colliery to build skills, capacity and social cohesion within the Makhado Colliery's beneficiary communities.

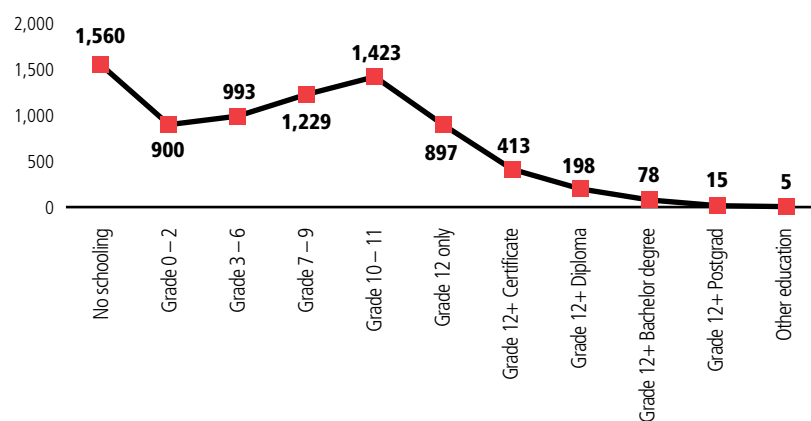
The Makhado Centre of Learning will innovatively transform the opportunities offered by the mining operation into benefits for communities relating to job creation and enterprise development, thus equipping communities to enter the labour market and access employment, SMEs and procurement opportunities.

A further exciting development for the Makhado Centre of Learning was the accreditation of the centre by the merSETA during the period under review.

We have continued to conduct our socio-economic assessments within our communities to ensure that we record information from as many householders as possible on our Stakeholder Management System, which will form the basis for the selection of candidates for training, recruitment and enterprise development.

We will be launching the Makhado Centre of Learning pilot programme in September 2017 for 70 people from our communities.

EDUCATION LEVELS OF COMMUNITIES





RESERVES AND RESOURCES STATEMENT

as at 30 June 2017

CoAL reviews and reports its mineral resources at least annually to coincide with its financial year end, 30 June. If there are any material changes to the mineral resources over the course of the financial year, the Company is required to promptly report these changes.

During the course of the financial year no exploration or mining activity was conducted at any of the project sites and the acquisition of the Uitkomst Colliery resulted in the addition to the resource data base.

The following summary of the resource and reserve statement for CoAL's operations and projects is compliant with CRIRSCO of November 2013, which is a requirement due to the fact that CoAL has its primary listing on the ASX (CZA:AU) with secondary listings on AIM (CZA:LN) and JSE (CZA:SJ).

Under the auspices of CRIRSCO the reporting is required to be compliant with the relevant National Reporting Organisations and is required to be founded on the central principles of transparency, materiality and competence and provided on an "if not, why not" basis.

During the year 2016/2017 the various projects have been the subject of updated Competent Persons reports. These were compiled in terms of the AIM listing requirements. The Makhado Project was evaluated by The MSA Group and an independent report dated 1 March 2017 was prepared. The Vele Colliery was evaluated by VBKom mining engineers and an independent report dated 1 March 2017 was presented. The GPS was evaluated by Venmyn Deloitte consultants and their report, dated 1 March 2017, was prepared. The Mooiplaats Colliery was not the subject of a further evaluation and as such the Venmyn Deloitte Competent Person's report of 2012 is still applicable.

BY WHOM IS THIS STATEMENT PREPARED

The principle Competent Persons involved in this declaration are Messrs JCHK Sparrow and MJ Bronn. Both parties are in the full time employ of the Company, Mr Sparrow as the Group Geologist, while Mr Bronn resigned as the Chief Operating Officer on 31 March 2017.

Mr Sparrow is a registered professional scientist of good standing with the South African Council for Natural Scientific Professions, SACNASP(400109/03). Mr Bronn is a qualified mining engineer and registered member of good standing with the South African Institute of Mining and Metallurgy (SAIMM).

Both parties have consented to the inclusion of the resources and reserves in this 2017 integrated annual report.

The units of measure in this report are metric, with tonnes = 1,000kg.

This report includes technical information that requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding off and consequently introduce an error. Where such errors occur CoAL does not consider them to be material.

Terminology used herein is in English, with English spellings utilised throughout.

BACKGROUND

CoAL has a number of operations and projects which will be reported.

OPERATING COLLIERY

Uitkomst Colliery, Utrecht Magisterial District, KwaZulu-Natal province, South Africa (GPS coordinates: Lat: 27°36'99"S and Long: 30°08'51"E) acquired 30 June 2017.

OPERATIONS CURRENTLY ON CARE AND MAINTENANCE

- Vele Colliery, Musina Magisterial District, Limpopo province, South Africa (GPS coordinates: Lat: 22° 9'29.28"S and

Long: 29°38'41.24"E) has been on care and maintenance since October 2013

- Mooiplaats Colliery, Ermelo Magisterial District, Mpumalanga province, South Africa (GPS coordinates: Lat: 26° 38'37.30"S and Long: 30°5'59.87"E) has been on care and maintenance since September 2013

PROJECTS AT VARIOUS STAGES OF DEVELOPMENT

- Makhado Project, Makhado Magisterial District, Limpopo province, South Africa (GPS co-ordinates: Lat: 22°48'13.44"S and Long: 29°57'44.52"E) was granted NOMR in May 2015
- Chapudi Project, Makhado Magisterial District, Limpopo province, South Africa (GPS co-ordinates: Lat: 22°52'52.36"S and Long: 29°39'41.72"E) submitted NOMR application in June 2013; project consists of the Chapudi, Chapudi West and Wildebeesthoek sections
- Mount Stuart Project, Makhado Magisterial District, Limpopo province, South Africa (GPS co-ordinates: Lat: 22°40'34.46"S and Long: 30° 8'51.19"E) submitted NOMR application in April 2013; project consists of the Generaal and Mount Stuart sections
- Mopane Project, Makhado Magisterial District, Limpopo Province, South Africa (GPS coordinates Lat: 22°32'42.06"S and Long: 29°48'51.40"E) submitted a NOMR in March 2013; this project consists of the Voorburg and Jutland Sections
- Makhado Extension Project, Makhado Magisterial District, Limpopo Province, South Africa (GPS coordinates Lat: 22°45'33.18"S and Long: 30° 4'10.34"E) is currently under a new order prospecting right application



RESERVES AND RESOURCES STATEMENT CONTINUED

SUMMARY OF THE COAL OF AFRICA LIMITED RESOURCES AND RESERVES

COAL OF AFRICA RESOURCES¹

Project/operation	Resource category ²	Gross Tonnes <i>in situ</i> (GTIS)	Total Tonnes <i>in situ</i> (TTIS)	Mineable Tonnes <i>in situ</i> (MTIS)	CoAL attributable interest	CoAL attributable MTIS resources
		Mt	Mt	Mt	%	
Vele Colliery	Measured	148,166	133,349	86,112	100	86,112
Mooiplaats Colliery		70,571	67,043	42,485	74	31,439
Uitkomst Colliery		16,193	15,383	14,574	91	13,262
Mopane Project ³		109,434	98,492	94,916	97	92,012
Makhado Project		402,781	362,503	265,024	69	182,866
Makhado Extension Project ⁶		42,245	38,020	36,241	100	36,241
Total Measured Resources		789,390	714,790	539,352		441,932
Vele Colliery	Indicated	426,854	362,826	200,303	100	200,303
Mooiplaats Colliery		10,972	9,326	1,581	74	1,170
Uitkomst Colliery		4,760	4,284	4,050	91	3,686
Mopane Project ³		125,034	106,279	100,507	96	96,444
Makhado Project		298,595	253,805	76,744	69	52,953
Makhado Extension Project ⁶		29,581	25,144	23,226	100	23,226
Total Indicated Resources		895,796	761,664	406,411		377,782
Vele Colliery	Inferred	218,932	175,145	75,154	100	75,154
Mooiplaats Colliery		4,275	3,420	0,098	74	0,073
Uitkomst Colliery		4,900	4,165	4,000	91	3,640
Mopane Project ³		36,239	28,991	24,001	88	21,130
Makhado Project		94,232	75,386	2,998	69	2,069
Generaal Project ⁴		407,163	325,730	55,511	100	55,511
Chapudi Project ⁵		6,399,024	5,119,219	1,318,481	74	975,676
Makhado Extension Project ⁶		12,301	9,841	7,346	100	7,346
Total Inferred Resources		7,177,066	5,741,897	1,487,589		1,140,597
Grand Total Resources		8,862,252	7,218,351	2,433,352		1,960,311

¹ <http://www.coalofafrica.com/technical-reports/>

² The JORC and SAMREC compliant coal resource is at 30th June 2017 and is inclusive of reserves

³ Mopane Project Consists of the Voorburg and Jutland sections

⁴ Generaal Project Consists of Generaal and Mount Stuart sections

⁵ Chapudi Project Consists of Chapudi, Chapudi West and Wildebeesthoek sections

⁶ Makhado Extension Project Project held under a New order Prospecting Right application

⁷ CoAL does not own the surface rights to all farms over which it has rights

COAL OF AFRICA MINERAL RESERVES¹

Operation	Reserve category	Mineable tonnes <i>in situ</i> (MTIS)	Run Of Mine tonnes (ROM) Mt ³	Saleable primary product	Saleable secondary product	CoAL attributable interest
		Mt	Mt	Mt	Mt	%
Vele Colliery	Proven	23,806	25,280	4,666	9,682	100
Mooiplaats Colliery		29,228	19,693	10,275	5,103	*74
Uitkomst Colliery		8,949	6,424	4,182		91
Total proven		61,983	51,397	19,123	14,785	
Vele Colliery	Probable	301,372	266,115	47,848	117,751	100
Mooiplaats Colliery						
Makhado Project ²		188,250	172,757	25,636	44,536	69
Uitkomst Colliery		2,507	1,800	1,156		91
Total probable		492,129	440,672	74,640	162,287	
Grand total reserves		554,112	492,069	93,763	177,072	

¹ <http://www.coalofafrica.com/technical-reports/>

² The Makhado Project is based on the published feasibility study

³ The declared coal reserves are based upon the Measured and Indicated Coal Resources only
Tonnages reported in millions of tonnes and round of weighted averages may have occurred



RESOURCE AND RESERVE STATEMENT COMPARISON

There has been no change to the resources and reserves as a result of activities during the financial year ended 30 June 2017. Uitkomst Colliery was acquired on 30 June 2017 and two operations were on care and maintenance and no further exploration on any of the projects occurred.

GOVERNANCE ARRANGEMENT AND INTERNAL CONTROLS

CoAL has ensured that the mineral resources quoted are subject to good governance arrangements and internal controls. The Company has engaged external, independent consultants to update the mineral resource in accordance with the JORC Code 2012 edition for Vele Colliery and the projects in line with the exchange requirements. However, as there was no material change in the status of the Mooiplaats Colliery, the Venmyn Deloitte report of 2012, which is according to the JORC code 2004 edition, is still compliant.

UITKOMST COLLIERY TRANSACTION

On 26 June 2017, CoAL announced it had completed the acquisition of Uitkomst Colliery to acquire 100% of the shares and claims against PAR Coal from Pan African and assumed effective control over the Uitkomst Colliery on 30 June 2017.

The total purchase price of \$21.1 million (R275 million) was settled as follows:

- \$9.6 million (R125 million) payable in cash
- \$9.6 million (R125 million) settled in 261,287,625 newly issued CoAL shares
- \$1.9 million (R25 million) deferred consideration

The deferred consideration can be repaid by CoAL at any time prior to the 24 months anniversary of the effective date of the acquisition. The deferred consideration will bear interest at the South African prime rate.

Uitkomst Colliery, situated some 20km due northwest of the town of Utrecht and 23km northeast of the town of Newcastle, KwaZulu-Natal, is a high quality, thermal coal resource with specialised metallurgical application.

The mine area consists of an existing underground coal mine (South Mine) with a planned LoM extension into the northern area. The Colliery mines the Gus Seam and the seam thickness varies between 0.8m and 1.9m in a north-south trending zone in the central area of the mining lease area. The South Mine is easily accessible and a well-established operating mine with existing infrastructure in place and in good operation condition.

The washing plant is located adjacent to the South Mine Adit 1. The plant was built in 2007 and primarily treats RoM coal from the South Mine as well as batch treats third party material. The washing plant is owner-operated and employs conventional well-tested coal washing technology with a total design capacity of 82ktpm (or 180tph), if run using a full calendar operating cycle.

The Colliery employs 132 permanent employees and 388 contractors. It produces approximately 30,000 tonnes of saleable coal per month. The Colliery has approximately 23.3Mt mineable *in situ* tonnes and a LoM of 17 years.

UITKOMST OVERVIEW FOR THE PERIOD 1 JULY 2016 – 30 JUNE 2017



SAFETY

LTI free days: 330 (last LTI: 4 August 2016)

LTI free man hours: 967,576

Fatality free days: 892 (last fatality: 21 January 2015)

Fatality free shifts: 294,511

Fatality free man hours: 2,157,614



SALES AND PRODUCTION

EBITDA: \$4.4 million (R56.1 million)

RoM: 481,547 tonnes

Plant processed: 508,510 tonnes (including 50,160 buy-in tonnes)

Total sales 670,209 tonnes (coal sales were higher than coal feed due to coal acquired and sold not processed through the plant)

Average revenue per tonne received R646/t or \$50/t



COST OF PRODUCTION

Cost of production for mined coal \$29.2 million (R375.8 million) which equated to R561/t or \$44/t

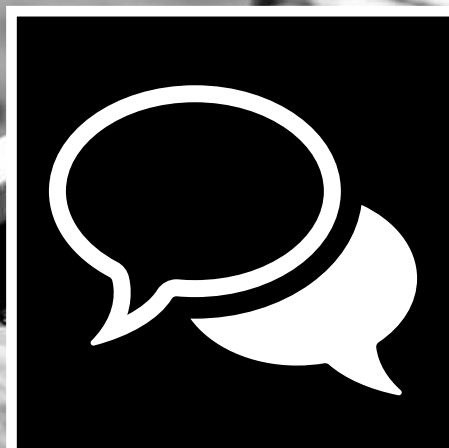


CAPITAL EXPENDITURE

Total capital spend \$1.4 million (R18 million) made up of \$0.8 million (R10.5 million) stay-in business capital with the remainder business development capital

Main stay-in business projects were related to replacement and upgrade of mine and plant equipment

Business development capital mainly spent on development of North Mine which included exploration drilling



GOVERNANCE

The Company works collaboratively
with various regulatory entities,
including national, provincial
government, to achieve positive
outcomes for all.

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of CoAL 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.

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 contains additional details of its corporate governance procedures and practices.

The Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Third Edition) (ASX Principles) where the Board has considered the recommendations to be an appropriate benchmark for its corporate governance principles. 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.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

ASX PRINCIPLES RECOMMENDATION 1.1

A listed entity should disclose:

- the respective roles and responsibilities of its board and management; and*
- those matters expressly reserved to the board and those delegated to management.*

The Board has established a Board Charter which sets out functions reserved to the Board and those

delegated to senior executives. This Charter is available on the Company's website.

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:

- Overseeing the Company, including its control and accountability systems
- Appointing the CEO, or equivalent, for a period and on terms as the Directors see fit and, where appropriate, removing the CEO, or equivalent
- Ratifying the appointment and, where appropriate, the removal of senior executives, including the Chief Financial Officer (CFO) and the Company Secretary
- 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
- Approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance
- 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
- 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
- Monitoring, reviewing and challenging senior management's performance and implementation of strategy

- Ensuring appropriate resources are available to senior management
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures
- Monitoring the financial performance of the Company
- Ensuring the integrity of the Company's financial (with the assistance of the Audit and Risk Committee) and other reporting through approval and monitoring
- 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
- 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 (AGM) of the Company
- Engaging with the Company's external auditors and Audit and Risk Committee
- 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
- Making regular assessments of whether each Non-executive director is independent in accordance with the Company's policy on assessing the independence of directors
- The Board has delegated responsibilities and authorities to management to enable them 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



MEETING ATTENDANCE OF MEMBERS OF THE BOARD FOR FY2017

	Number of board meetings attended while a member	Number of board meetings held while a member
Bernard Pryor (Chairman)	6	6
David Brown	6	6
Peter Cordin	6	6
Khomotso Mosehla	6	6
Rudolph Torlage	6	6
Andrew Mifflin	6	6
Thabo Mosololi	6	6
De Wet Schutte	6	6
Shangren Ding	5	5

The Board has established three standing Committees to assist it to meet its responsibilities:

- Audit and Risk Committee
- Nomination and Remuneration Committee
- Safety, Health and Environment Committee

Each standing Committee has a formal Charter approved by the Board setting out the matters relevant to composition, terms of reference, process and administration of that Committee. These Committees are described in further detail elsewhere in this Corporate Governance Statement.

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

Standing Committee meetings are held as required, generally the day prior to the scheduled board meeting. The Chairman sets the agenda for each meeting in conjunction with the CEO and Company Secretary. Any Director may request additional matters on the agenda. Members of senior management attend meetings of the Board and its Committees by invitation and are available for questioning by Directors.

ASX PRINCIPLES RECOMMENDATION 1.2

A listed entity should:

- undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and*
- provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

The Company performs checks on all potential Directors which include checks on a person's character, experience, education, criminal record and bankruptcy history. Potential Directors are required to provide their consent for the Company to conduct any background or other checks and also acknowledge that they will have sufficient time available to fulfil their responsibilities as a Director of the Company.

Newly appointed Directors must stand for reappointment at the next AGM of the Company. The Notice of Meeting for the AGM provides shareholders with information about each Director standing for election or re-election including details regarding their length of tenure, relevant skills and experience.

ASX PRINCIPLES RECOMMENDATION 1.3

A listed entity should:

- have a written agreement with each director and senior executive setting out the terms of their appointment.*

The Company has written agreements in place with each Director in the form of an appointment letter. The letter, among other matters, summarises the terms of appointment including remuneration, the requirements to comply with key corporate policies including the Code of Conduct and Share Trading Policy and indemnity and insurance arrangements.

All senior executives including the CEO and the CFO have their position descriptions, roles and responsibilities set out in writing in an employment contract.

ASX PRINCIPLES RECOMMENDATION 1.4

The company secretary of a listed entity should:

- be accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board; and*
- the company secretary has an important role in supporting the effectiveness of the board and its committees.*

The role of CoAL's Company Secretary includes:

- Advising the Board and its committees on governance matters
- Monitoring that Board and committee policy and procedures are followed
- Ensuring that the business at Board and committee meetings is accurately reflected in the minutes

All Directors have direct access to the Company Secretary and *vice versa*. The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

CORPORATE GOVERNANCE STATEMENT CONTINUED

ASX PRINCIPLES RECOMMENDATION 1.5

A listed entity should:

- a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- b) disclose the policy or a summary of it; and
- c) disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:
 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation; or
 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

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 and the Diversity Policy are 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.

Proportion of women employees in the organisation at end FY2017	%
Employees	40
Management	20
Senior Executive	25
Board	0

The Company is not considered a relevant employer under the Australian Workplace Gender Equality Act as the number of employees in Australia is below the threshold.

ASX PRINCIPLES RECOMMENDATION 1.6

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of its board, its committees and individual directors; and
- b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board reviews its performance and the performance of individual Directors annually. The most recent review, which was conducted during the year, involved the completion of a detailed questionnaire by each Director. The process was managed by the Company Secretary and the Chairman and the results of the review were discussed at a subsequent board meeting.

The Board considers its processes for reviewing the performance of the Board appropriate for the size and stage of development of the Company.

ASX PRINCIPLES RECOMMENDATION 1.7

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The CEO is responsible for assessing the performance of the key executives within the Company. This is performed at least annually through a formal process involving a formal

meeting with each senior executive. A performance evaluation of senior executives was completed in the financial year in accordance with this process.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

ASX PRINCIPLES RECOMMENDATION 2.1

The board of a listed entity should:

- a) have a nomination committee which:
 1. has at least three members, a majority of whom are independent directors; and
 2. is chaired by an independent director; and disclose
 3. the charter of the committee;
 4. the members of the committee; and
 5. as at the end of the reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company has established a Nomination and Remuneration Committee and adopted a Charter that sets out the committee's roles and responsibilities, composition and membership requirements. The Charter has been published on the Company's website.

The Committee's nomination responsibilities include ensuring that the Board has the appropriate blend of Directors with the necessary expertise and relevant industry experience. As such, the Charter requires the Committee to:

- Regularly review the size and composition of the Board, and make recommendations to the Board on any appropriate changes



- Identify and assess necessary and desirable Director competences and provide advice on the competency levels of Directors with a view to enhancing the Board
- Make recommendations on the appointment and removal of Directors
- Make recommendations on whether any Directors whose term of office is due to expire should be nominated for re-election
- Regularly review the time required from Non-executive Directors and whether Non-executive Directors are meeting that requirement

The responsibilities of this Committee with respect to remuneration matters are set out elsewhere in this statement.

The Committee Charter states that the composition should include a minimum of three members, the majority of whom must be independent, and a Chairman who is an independent Director. Membership is consistent with the composition requirements of the Charter and the recommendations of the ASX Principles.

MEETING ATTENDANCE OF MEMBERS OF THE NOMINATION AND REMUNERATION COMMITTEE FOR FY2017

	Number of Committee meetings attended in FY2017 while a member	Number of Committee meetings held in FY2017 while a member
Bernard Pryor (Chairman)	4	4
Thabo Mosololi	4	4
David Brown	4	4

ASX PRINCIPLES RECOMMENDATION 2.2

A listed entity should:

- have and disclose a board skills matrix setting out the skills and diversity that the board currently has or is looking to achieve in its membership.

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.

The Board has developed a structured process for selection and appointment of new Directors to the Board. As part of this procedure, the Board has committed to:

- The evaluation and identification of the diversity, skills, experience and expertise that will best complement Board effectiveness
- The development of a competencies review process for identifying and assessing Director competencies
- The conduct of a competencies review of the Board before a candidate is recommended for appointment
- The periodic review of the Board's succession plan

The following Board skills matrix sets out the mix of skills, experience and expertise the Board currently has across its membership:

Competencies	Rating
South African politics	✓
Strategic thinking	✓
Gender	x
Technical	✓
Financial	✓
Commercial	✓
Mergers and acquisitions	✓
Coal markets	✓
International affairs	✓
Shareholder relations	✓
Project development	✓
Equity markets	✓
Debt markets/banking experience	x
Executive leadership	✓
Listed board experience	✓
Safety, health, environment (SHE) and sustainability	✓

X The CoAL Board is working to increase these skills

ASX PRINCIPLES RECOMMENDATION 2.3

A listed entity should disclose:

- the names of the directors considered by the board to be independent directors;
- if a director has an interest, position, association or relationship of the type that might cause doubts about the independence of that director but the board is of the opinion that it does not compromise the independence of the director; the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- the length of service of each director.

ASX PRINCIPLES RECOMMENDATION 2.4

A majority of the board of a listed entity should:

- be independent directors.

ASX PRINCIPLES RECOMMENDATION 2.5

The chair of the board of a listed entity should:

- be an independent director and, in particular; should not be the same person as the CEO of the entity.

The Board currently comprises two Executive Directors and seven Non-executive Directors. Six of the Non-executive Directors are considered to be independent. The Chairman, Bernard Pryor, is one of the independent Directors.

The Board agrees that all Directors should bring an independent judgement to bear in decision making. 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.

A Director's obligations to avoid a conflict of interest are set out in the Code of Conduct, available on the Company's website. Directors must also comply strictly with Corporations Act requirements for the avoidance of conflicts.

The Board considers an independent Director to be a Non-executive Director who meets the criteria for independence set out the ASX Principles. In

CORPORATE GOVERNANCE STATEMENT CONTINUED

determining a Director's independence, the Board considers the relationships that may affect independence.

Criteria that the Board takes into account when determining Director independence include:

- Substantial shareholdings in the Company
- Past or current employment in an executive capacity
- Whether or not the Director has been a principal of a material professional adviser or a material consultant to the Company in the past three years
- Material supplier or customer relationships with the Company
- Material contractual relationships or payments for services other than as a Director
- Family ties and cross-directorships

Materiality for these purposes is based on quantitative and qualitative thresholds, set out in the Board Charter available on the Company's website.

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 independent. Bernard Pryor, Peter Cordin, Khomotso Mosehla, Andrew Mifflin, Thabo Mosololi and Rudolph Torlage are considered independent. Executive Directors David Brown and De Wet Schutte and Non-executive Director Shangren Ding are not considered independent. Non-executive Director, Shangren Ding, is an officer/senior employee

of Haohua Energy International (Hong Kong) Resource Co., Ltd, a substantial shareholder in the Company and as such does not meet the Board's criteria for independence.

Directors must retire at the third AGM following their election or most recent re-election. At least one third of Directors must stand for election at each AGM. Any Director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves to shareholders for election at the next AGM. Re-appointment of Directors by rotation is not automatic.

ASX PRINCIPLES RECOMMENDATION 2.6

A listed entity should:

- have a programme for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

As part of the induction process, meetings are arranged with other Board members and key executives prior to a Director's appointment.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the Company where appropriate.

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of this integrated report is set out in the Directors' report.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

A listed entity should act ethically and responsibly.

ASX PRINCIPLES RECOMMENDATION 3.1

A listed entity should:

- have a code of conduct for its directors, senior executives and employees; and*
- disclose that code or a summary of it.*

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 POLICY

The Board has adopted a Securities Trading Policy which regulates dealings by directors, officers and employees in securities issued by the Company. The policy is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

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 (i.e. shares or options) in the Company, or procure another person to do so:

THE PERIOD OF OFFICE HELD BY EACH DIRECTOR IN OFFICE

Director	Date appointed	Period in office (years)	Due for re-election or retirement
Bernard Pryor	6 August 2012	5	2019 AGM
David Brown	6 August 2012	5	2018 AGM
De Wet Schutte	22 June 2015	2	2017 AGM
Peter Cordin	8 December 1997	19	2019 AGM
Khomotso Mosehla	18 November 2010	6	2019 AGM
Rudolph Torlage	18 November 2010	6	2017 AGM
Andrew Mifflin	12 December 2014	2	2017 AGM
Thabo Mosololi	12 December 2014	2	2018 AGM
Shangren Ding	19 October 2017	1	2019 AGM



- 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
 - if it were generally available, it might have a material effect on the price or value of the securities in the Company
- 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.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

ASX PRINCIPLES RECOMMENDATION 4.1

The board of a listed entity should:

- a) *have an audit committee which:*
 1. *has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
 2. *is chaired by an independent director, who is not the chair of the board, and disclose*
 3. *the charter of the committee;*
 4. *the relevant qualifications and experience of the members of the committee; and*
 5. *in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- b) *if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

AUDIT AND RISK COMMITTEE

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

The role of the Audit and Risk Committee is to:

- Monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments
- 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

- Monitor, review and oversee the external audit function including matters concerning appointment and remuneration, independence and non-audit services
- Monitor and review compliance with the Company's Code of Conduct
- Perform such other functions as assigned by law, the Company's Constitution, or the Board

The Board has determined that the Audit and Risk Committee should comprise:

- At least three members
- A majority of independent Non-executive Directors
- An independent chair who is not the Chair of the Board

In addition the Audit and Risk Committee should include:

- Members who are financially literate i.e. able to read and understand financial statements
- At least one member with relevant qualifications and experience, i.e. a qualified accountant or other finance professional with experience of financial and accounting matters
- At least one member with an understanding of the industry in which the entity operates
- Membership is now consistent with the composition requirements of the Charter and the recommendations of the ASX Principles.

The Charter is published on the Company's website. The website also contains information on the procedures for the selection and appointment of the external auditor and for the rotation of external audit partners.

CORPORATE GOVERNANCE STATEMENT CONTINUED

DETAILS OF MEETING ATTENDANCE OF MEMBERS OF THE AUDIT AND RISK COMMITTEE FOR FY2017

	Number of Committee meetings attended in FY2017 while a member	Number of Committee meetings held in FY2017 while a member
Thabo Mosololi (Chairman)	5	5
Bernard Pryor	5	5
Khomotso Mosehla	5	5

ASX PRINCIPLES RECOMMENDATION 4.2

The board of a listed entity should:

- before it approves the entity's financial statements for a financial period, receive from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The CEO and CFO confirm in writing to the Board that:

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

This declaration was obtained for the relevant reporting period.

ASX PRINCIPLES RECOMMENDATION 4.3

A listed entity that has an AGM should:

- ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The auditor attends the AGM usually by telephone as the meeting is held in the United Kingdom. Shareholders are able to ask questions on the conduct of the audit and the preparation and content of the audit report, in accordance with the requirements of the Corporations Act 2001.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

The Company is committed to ensuring that:

- All investors have equal and timely access to material information concerning the Company – including its financial situation, performance, ownership and governance; and
- Company announcements are factual and presented in a clear and balanced way.

ASX PRINCIPLES RECOMMENDATION 5.1

A listed entity should:

- have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- disclose that policy or a summary of it.

The Board has an established Shareholder Communication Policy which is available from the Company's website. 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.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

ASX PRINCIPLES RECOMMENDATION 6.1

A listed entity should:

- provide information about itself and its governance to investors via its website.

ASX PRINCIPLES RECOMMENDATION 6.2

A listed entity should:

- design and implement an investor relations programme to facilitate effective two-way communication with investors.

ASX PRINCIPLES RECOMMENDATION 6.3

A listed entity should:

- disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

ASX PRINCIPLES RECOMMENDATION 6.4

A listed entity should:

- give security holders the option to receive communications from and send communications to the entity and its security register electronically.

The Board has established a communication 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 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 attend the Company's AGMs.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

ASX PRINCIPLES RECOMMENDATION 7.1

The board of a listed entity should:

- a) *have a committee or committees to oversee risk, each of which:*
 1. *has at least three members, a majority of whom are independent directors;*
 2. *is chaired by an independent director;*
 3. *discloses the charter of the committee;*
 4. *discloses the members of the committee; and*
 5. *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- b) *if it does not have a risk committee or committee that satisfies (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

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.

The Audit and Risk Committee also has responsibility for reviewing the Company's internal financial control system and risk management systems and reporting to the Board. Details of the composition and Charter of the Audit and Risk Committee has been disclosed earlier in this document (refer Principle 4).

In addition, the Board has also established a Safety, Health and Environment (SHE) Committee to assist the Board in the effective discharge of its responsibilities in relation to SHE issues for CoAL, and the oversight of risks relating to these issues. The Committee's responsibilities include to:

- Understand the risks of SHE issues involving CoAL's activities;
- Ensure that the systems and processes for identifying, assessing and managing SHE risks of CoAL are adequately monitored;
- Regularly review and ensure compliance with the SHE strategies and policies of CoAL and the supporting management systems and processes; and
- Monitor developments in relevant SHE-related legislation and regulations and monitor CoAL's compliance with relevant legislation, including through audits.

Details of meeting attendance of members of the Audit and Risk Committee for FY2016 are contained in a table earlier in this document (refer Principle 4).

ASX PRINCIPLES RECOMMENDATION 7.2

The board or committee of the board should:

- a) *review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- b) *disclose, in relation to each reporting period, whether such a review has taken place.*

The risk management framework was reviewed by the Committee during the reporting period.

ASX PRINCIPLES RECOMMENDATION 7.3

A listed entity should disclose:

- a) *if it has an internal audit function, how the function is structured and what role it performs; or*
- b) *if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

Due to the size of the Company and its current level of activity and operations, the Company does not have a formal internal audit function.

CORPORATE GOVERNANCE STATEMENT CONTINUED

The Board believe that the Company's risk management and internal control systems establish a sufficient control environment to manage business risks.

ASX PRINCIPLES RECOMMENDATION 7.4

A listed entity should disclose:

- a) *whether it has any material exposure to economic, environmental and socially sustainable risks and, if it does, how it manages or intends to manage those risks.*

The Company is aware of its impact on the economy, the environment and the community in which it operates, and the risks associated with not dealing with aspects appropriately.

The Company annually reports on these aspects through its Sustainable Development Review in the Integrated Report. This report is available on the Company website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

ASX PRINCIPLES RECOMMENDATION 8.1

The board of a listed entity should:

- a) *have a remuneration committee which:*
 1. *has at least three members, a majority of whom are independent directors; and*
 2. *is chaired by an independent director; and disclose*
 3. *the charter of the committee;*

4. *the members of the committee; and*
5. *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;*

or

- b) *if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

The Board has established a Nomination and Remuneration Committee and adopted a Charter that sets out the committee's roles and responsibilities, composition and membership requirements. The Charter is available on the Company's website.

The Committee Charter states that the composition should include a minimum of three members, the majority of whom must be independent, and a Chairman who is an independent Director. Membership is consistent with the composition requirements of the Charter and the recommendations of the ASX Principles.

Details of meeting attendance of members of the Nomination and Remuneration Committee for FY2017 are contained in a table earlier in this document (refer Principle 2).

ASX PRINCIPLES: RECOMMENDATION 8.2

A listed entity should:

- a) *separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

The Charter of the Remuneration Committee details the Company's approach to the structure of executive and Non-executive remuneration. 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.

The remuneration report contained in the Directors' report contains details of remuneration paid to Directors and key executives during the year.

Disclosure of the Company's remuneration policies is best served through a transparent and readily understandable framework for executive remuneration that details the costs and benefits. The Company intends to meet its transparency obligations in the following manner:

- Publishing a detailed remuneration report in the annual report each year
- Continuous disclosure of employment agreements with key executives where those agreements, or obligations falling due under those agreements, may trigger a continuous disclosure obligation under ASX Listing Rule 3.1
- Presentation of the remuneration report to shareholders for their consideration and nonbinding vote at the Company's AGM
- Taking into account the outcome of the nonbinding shareholder vote when determining future remuneration policy
- Responding to shareholder questions on policy and practice in a frank and open manner

**ASX PRINCIPLES: RECOMMENDATION 8.3**

A listed entity which has an equity-based remuneration scheme should:

- a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- b) disclose that policy or a summary of it. Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The Company has a Performance Rights Plan which was approved by Shareholders at the 2015 AGM. A summary of the plan was included in the Company's 2015 Notice of General Meeting, a copy of which is available on the Company's website.

The Company's Policy for Trading in Company Securities prohibits Directors, officers and employees from entering into transactions or arrangements which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written clearance from the Chairman.

A copy of the Company's Policy for Trading in Company Securities can be found on the Company's website.

DIRECTORS' REPORT

for the year ended 30 June 2017

The Directors of Coal of Africa 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 2017. All balances are denominated in United States dollars unless otherwise stated.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

INFORMATION ABOUT THE DIRECTORS AND KEY MANAGEMENT PERSONNEL

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:

Bernard Pryor	Independent Non-executive Chairman	Mr Pryor is currently the CEO of Alufer Mining Limited and was previously the CEO of African Minerals Limited and prior to that, the CEO of Q Resources Plc. 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.
David Brown	Executive Director and CEO	Mr Brown is a Chartered Accountant, CA (SA) and completed his articles with Ernst & Young, graduating from the University of Cape Town. Mr Brown joined CoAL following a tenure of almost 14 years at Impala Platinum Holdings Limited (Implats). He joined the Impala Group in 1999 and served as CFO and financial director of Implats before being appointed CEO in 2006. He is currently an independent Non-executive director of Vodacom Group Limited. In the past he has served as a Non-executive Director of Simmer & Jack Limited, as well as Edcon Holdings Limited and chairman of ASX listed Zimplats Holdings Limited.
De Wet Schutte	Executive Director and CFO	Mr Schutte is a Chartered Accountant, CA (SA) and completed an MBA at the University of Virginia in 2002. He has been involved at senior level in the mining and natural resources industry for the past 16 years, most notably as Managing Director, Natural Resources at Macquarie Bank and CFO at the listed platinum producer, Atlatsa Resources Corporation. Prior to these positions he worked for Harmony Gold Mining (Pty) Ltd as its New Business and Exploration Executive for a period of three years.
Peter Cordin	Independent Non-executive Director	Mr Cordin has a Bachelor of Engineering from the University of Western Australia and is experienced in the evaluation, development and operation of resource projects within Australia and overseas. He is a Non-executive Director of Vital Metals Limited and Aurora Minerals Limited.
Khomotso Mosehla	Independent Non-executive Director	Mr Mosehla is a Chartered Accountant, CA (SA) and completed his articles with KPMG. Mr Mosehla worked for five years at African Merchant Bank Limited, where he gained a broad range of experience, including management buy-out, leveraged buy-out 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. Mr Mosehla is currently a director of Northam Platinum Ltd as well as Zambezi Platinum Limited.
Rudolph Torlage	Non-executive Director	Mr Torlage is a Chartered Accountant and has over twenty years experience with ArcelorMittal South Africa. He is currently General Manager, Strategy and Special Projects and a board member of various unlisted ArcelorMittal Group companies. He was previously the Executive Director Finance at ArcelorMittal South Africa.
Andrew Mifflin	Independent Non-executive Director	Mr Mifflin obtained his BSc. (Hons) Mining Engineering from Staffordshire University and has a Master's Degree in Business Administration. He has over 30 years' experience specifically in the coal mining arena. His experience spans across various organisations such as British Coal Corporation, Xstrata and more recently GVK Resources. He has gained in depth knowledge in coal operations, both thermal and hard coking coal as well as in project development.
Thabo Mosololi	Independent Non-executive Director	Mr Mosololi is a Chartered Accountant, CA (SA) qualified in South Africa and brings considerable expertise as a director of various companies as well as from his time as Finance Director and Operations Director with Tsogo Sun. He has 20 years of experience within the South African corporate environment and is currently a director of Pan African Resources PLC.
Shangren Ding	Independent Non-executive Director,	Mr Ding, appointed on 11 October 2016 as an independent Non-executive Director, is an experienced professional engineer and has worked for a number of mining and energy companies as well as acting as a consultant to government geological bureaus. He has over 30 years' experience predominantly in the coal mining sector and has gained extensive operational coal mining knowledge through chief operating roles at a number of mines in the Heilongjiang province in the People's Republic of China. Since 2014, Mr Ding has worked in a number of senior roles for Beijing Haohua Energy Resource Co., Ltd.



DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

Director	Company	Period of directorship
Bernard Pryor	African Metals Limited	2011 – 2014
David Brown	Vodacom Group Limited	2012 – present
De Wet Schutte	None	
Peter Cordin	Vital Metals Limited	2009 – present
	Aurora Minerals Limited	2014 – present
Khomotso Mosehla	Northam Platinum Limited	2015 – present
	Zambezi Platinum Limited	2015 – present
Rudolph Torlage	None	
Andrew Mifflin	None	
Thabo Mosololi	Evraz Highveld Steel & Vanadium Limited	2013 – 2015
	Pan African Resources PLC	2014 – present

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	Performance Grants	Unlisted options
Bernard Pryor ¹	150,000	–	1,000,000
David Brown ²	825,000	20,968,954	–
De Wet Schutte ³	–	13,433,659	–
Peter Cordin ⁴	1,371,059	–	1,000,000
Khomotso Mosehla ⁵	–	–	1,000,000
Rudolph Torlage	–	–	–
Andrew Mifflin ⁶	–	–	1,000,000
Thabo Mosololi ⁷	10,000	–	1,000,000
Shangren Ding	–	–	–
	2,356,059	34,402,613	5,000,000

¹ Mr Pryor was issued with the following share options:

- 1,000,000 share options with an exercise price of GBP0.055, and expiring three years from date of issue, issued on 27 November 2015

² Mr Brown was issued with the following performance rights:

- 9,714,021 unlisted conditional performance rights ("Performance Rights") were granted on 30 November 2015. 11,254,933 unlisted conditional performance rights were granted on 30 November 2016. The Performance Rights were granted for no consideration. No exercise price is payable upon exercise of the Performance Rights

³ Mr Schutte was issued with the following performance rights:

- 5,449,944 unlisted conditional Performance Rights were granted on 30 November 2015. 7,983,715 Performance Rights were granted on 30 November 2016. The Performance Rights were granted for no consideration. No exercise price is payable upon exercise of the Performance Rights

⁴ 958,300 shares are held by the Cordin Pty Ltd (The Cordin Family Trust) and 412,759 shares held by Cordin Pty Ltd (The Cordin Superannuation Fund). Mr Cordin is a beneficiary of both the trust and superannuation fund. Mr Cordin was issued 1,000,000 share options with an exercise price of GBP0.055, and expiring three years from date of issue, issued on 27 November 2015

⁵ Mr Mosehla was issued 1,000,000 share options with an exercise price of GBP0.055, and expiring three years from date of issue, issued on 27 November 2015

⁶ Mr Mifflin was issued 1,000,000 share options with an exercise price of GBP0.055, and expiring three years from date of issue, issued on 27 November 2015

⁷ Mr Mosololi was issued 1,000,000 share options with an exercise price of GBP0.055, and expiring three years from date of issue, issued on 27 November 2015

DIRECTORS' REPORT CONTINUED

for the year ended 30 June 2017

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Information about the remuneration of Directors and key management personnel is set out in the remuneration report of this Directors report, on pages 60 to 61. Shareholder nominee non-executive directors are not remunerated.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During and since the end of the financial year, share options and performance rights were granted to Directors and key management personnel of the Company and of its controlled entities as part of their remuneration. Details of options and performance rights granted to Directors and senior management are set out on pages 61 to 65.

COMPANY SECRETARY

Tony Bevan, a qualified Chartered Accountant with over 25 years' experience, is the Company Secretary and works with Endeavour Corporate Pty Ltd, the company engaged to provide contract secretarial, accounting and administration services to CoAL.

PRINCIPAL ACTIVITIES

The Company is a limited company incorporated in Australia. Its common shares are listed on the ASX, the AIM and the JSE in South Africa. The principal activities of the Company and its subsidiaries are the acquisition, exploration, development and operation of metallurgical and thermal coal projects in South Africa.

The Group's principal assets and projects include:

- The operating mine, Uitkomst Colliery, acquired on 30 June 2017 (refer note 36)
- The Makhado hard coking and thermal coal project that has been granted a NOMR, an IWUL and an environmental authorisation
- The Vele Colliery, a semi soft coking and thermal coal mine, currently under care and maintenance is awaiting the final IWUL relating to the new perennial stream diversion application
- Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane in the Soutpansberg Coalfield
- The Mooiplaats Colliery is currently on care and maintenance. The Company is currently engaged with various parties to sell Mooiplaats Colliery and expects to complete a sale within 12 months of the reporting date

REVIEW OF OPERATIONS

The Company undertook the following activities during the year:

OPERATIONAL SALIENT FEATURES

- No fatalities (FY2016: none) and no LTIs recorded during the year (FY2016: none)
- Mooiplaats Colliery and Vele Colliery remain on care and maintenance. The Company is currently engaged with various parties to sell Mooiplaats Colliery and expects to complete a sale within 12 months of the reporting date
- The IWUL for Vele Colliery has been renewed for a further 20 years
- The suspension of the IWUL for the Makhado Project was lifted by the South African Minister of the DWS

CORPORATE SALIENT FEATURES

- 49,007,596 ordinary shares were issued to M&G at a price of \$0.04081 per share to raise \$2 million for working capital
- The \$10 million loan from YBI was converted to ordinary share capital. 245,037,980 shares were issued at \$0.04081 per share
- The Company entered into a loan agreement with the IDC and, a subsidiary of CoAL and owner of the mining right for the Makhado Project, in terms of which the IDC would advance loan funding up to \$18.4 million (R240 million) to Baobab for use in the Makhado Project. The loan can be used for general purposes as well. The first drawdown of \$9.2 million (R120 million) was completed in May 2017
- Summer Trees Pte Ltd (SummerTrees) acquired 257,884,615 ordinary shares in the Company for \$10 million
- M&G acquired 77,368,384 shares for \$3 million at \$0.03878 per share
- CoAL fulfilled all its obligations to Rio Tinto in June 2017 in relation to the agreements under which its subsidiary company, MbeuYashu Proprietary Limited acquired its interest in Chapudi Coal Proprietary Limited and Kwezi Mining Exploration Proprietary Limited. Full and final payment was made in June 2017
- On 30 June 2017, CoAL acquired 100% of the shares in and claims against PAR Coal from Pan African for \$21.1 million (R275 million), of which \$1.9 million (R25 million) is deferred for 24 months. PAR Coal holds a 91% shareholding in Uitkomst with the remaining 9% held by broad based trusts (including employees and communities) and a strategic entrepreneur's trust



SUBSEQUENT EVENTS

There have been no events between 30 June 2017 and the date of this report which necessitate adjustment to the consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity and the consolidated statements of cash flows at that date

FINANCIAL REVIEW

- No revenue was generated during the year as result of all operations being on care and maintenance (FY2016 \$nil).
- Non-cash charges of \$9.3 million (FY2016: \$12.8 million) including:
 - Depreciation and amortisation of \$0.4 million (FY2016: \$1.2 million)
 - Unrealised foreign exchange gain of \$2 million (FY2016: \$9.5 million loss) as a result of the South African rand strengthening against the United States dollar
 - Impairment of the intangible asset of \$10.6 million
 - Share based payment expense of \$0.3 million (FY2016: \$0.2 million)
- Total unrestricted cash balances at year-end, including cash held by operations available for sale of \$9.6 million (FY2016: \$19.5 million)

FUTURE DEVELOPMENTS

The NOMR for the Makhado Project was granted in May 2015 as well as a Section 11 approval for the transfer of the right to CoAL's 74% owned subsidiary, Baobab Mining. The Company was granted the IWUL in January 2016 for the period equal to LoM. The Company completed a definitive feasibility study for Makhado during FY2013 which indicates that the project has 344.8 million mineable tonnes *in situ* and a 16 year LoM. The opencast project is expected to produce 12.6Mtpa of RoM coal yielding 2.3Mtpa of hard coking coal and 3.2Mtpa of thermal coal for domestic and export markets.

The Company is monitoring the land claims process on the farms Lukin and Salaita which will form part of the project boundary and is reworking the project before it can proceed with development.

The Company will continue to progress all outstanding regulatory matters related to Vele Colliery. With respect to the Vele Colliery the DMR granted an Environmental Authorisation in terms of NEMA and the Environmental Impact Assessment Regulations (2014) for stream diversion and associated infrastructural activities in the current year under review. CoAL awaits the approval of the IWUL from the DWS which is the final regulatory approval required for the diversion of two non-perennial streams. When the latest approval is finalised the Company will make the decision on the commencement of the plant modification taking into account the prevailing market conditions.

The exploration and development of the CoAL prospects in the Soutpansberg coalfield is the catalyst for the long-term growth of the Company. The DMR is considering the Company's NOMR applications for the Mopane, Generaal, Chapudi and Telema&Gray Projects.

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

- Environment Conservation Act (No. 73 of 1989)
- National Water Act (No. 45 of 1965)
- National Environmental Management Act (No. 107 of 1998)
- National Environmental Management Air Quality Act (No. 39 of 2004)
- The environmental provisions in the MPRDA (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 undertook a thorough review of all its activities during FY2013 to bring them into compliance and continues to monitor compliance thereof.

DIRECTORS' REPORT CONTINUED

for the year ended 30 June 2017

DIVIDENDS

No dividend has been paid or proposed for the financial year ended 30 June 2017 (FY2016: nil).

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
Investec options	20,000,000	Ordinary	R1.32	21 October 2018
ESOP unlisted options	5,000,000	Ordinary	GBP0.055	27 November 2018
Total unlisted options	25,000,000			

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 unissued performance grants as at the date of this report are:

	Number of shares under Performance Rights	Class of shares	Exercise price	Expiry date
Performance Rights	25,994,060	Ordinary	Nil	1 December 2018
Performance Rights	29,641,177	Ordinary	Nil	29 November 2019
Total Performance Rights	55,635,237			

No shares or interests were issued during or since the end of the financial year as a result of exercise of options.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary, and 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 nine board meetings were held, four scheduled and five unscheduled, zero placing and bid committee meetings, four nomination and remuneration committee meeting, four audit committee meetings and four safety and health committee meeting were held.

Director	Board Meetings		Audit Committee Meetings		Nomination and Remuneration Committee Meetings		Safety, Health and Environment Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Bernard Pryor	6	6	5	5	4	4	—	—
David Brown	6	6	—	—	4	4	4	4
De Wet Schutte	6	6	—	—	—	—	—	—
Peter Cordin	6	6	—	—	—	—	4	4
Khomotso								
Mosehla	6	6	5	5	—	—	—	—
Rudolph Torlage	6	6	—	—	—	—	—	—
Andrew Mifflin	6	6	—	—	—	—	4	4
Thabo Mosololi	6	6	5	5	4	4	—	—
Shangren Ding*	6	5	—	—	—	—	—	—

* Appointed after the first meeting of the financial year



PROCEEDINGS ON BEHALF OF THE COMPANY

No persons applied for leave to bring or intervene in proceedings on behalf of the Company during or since the end of the financial year.

NON-AUDIT SERVICES

Non-audit services were provided during the current financial year for services rendered relating to the acquisition of PAR Coal and additional review procedures. Details of amounts paid or payable to the auditor for services provided during the year by the auditor are outlined in note 8 to the consolidated financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 66 of these consolidated financial statements.

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the Directors report, sets out information about the remuneration of Coal of Africa Limited's Directors and its senior management for the financial year ended 30 June 2017. 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 (\$768,550).

The Board has nominated a Nomination and Remuneration Committee which was made up as follows: Mr Pryor (Chairman), Mr Mosololi and Mr Brown. The Company does not have any scheme relating to retirement benefits for Executive or Non-executive Directors.

DIRECTOR AND KEY MANAGEMENT PERSONNEL DETAILS

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

• Bernard Pryor	Independent Chairman
• David Brown	Chief Executive Officer and Executive Director
• De Wet Schutte	Chief Financial Officer and Executive Director
• Peter Cordin	Independent Non-executive Director
• Khomotso Mosehla	Independent Non-executive Director
• Rudolph Torlage ¹	Independent Non-executive Director
• Andrew Mifflin	Independent Non-executive Director
• Thabo Mosololi	Independent Non-executive Director
• Shangren Ding ²	Non-executive Director

¹ From 30 June 2017, R Torlage became an Independent Non-executive Director

² S Ding was appointed on 11 October 2016

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or

DIRECTORS' REPORT CONTINUED

for the year ended 30 June 2017

indirectly, including any director (whether executive or otherwise) of that entity. The term 'key management' is used in this remuneration report to refer to the following persons.

- Michael Jakobus Bronn¹ Chief Operating Officer

¹ Mr Bronn resigned in March 2017 and remained as a consultant to the Company until 30 June 2017

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.

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. Shareholder nominee non-executive directors are not remunerated. 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 (\$768,550).

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 a binomial option pricing model and the Black-Scholes option pricing model was used to validate the price calculated.

During the prior financial year the Nomination and Remuneration Committee approved and implemented a performance rights plan. The purpose of the Plan is to assist in the reward, retention and motivation of eligible employee and to align the interest of eligible employee with the shareholders of the Company. Prior to a Performance Right being exercised the performance grants do not carry any dividend or voting rights. The Performance Rights will be granted for no consideration and no exercise price is payable upon exercise of the Performance Rights.

All the Performance Rights proposed to be granted are subject to the following vesting conditions.

Vesting of the Performance Rights will be subject to a hurdle based on the compound annual growth rate in total shareholder return across the three years commencing on the grant date of the Performance Rights (Performance Period). Total shareholder return is a measure of the increase in the price as determined by the Company. The base price for the total shareholder return calculation will be the volume weighted average price of shares over the five days prior to the grant date. The end price for the total shareholder return calculation will be the volume weighted average price over the last five days of the Performance Period.

PERFORMANCE – BASED REMUNERATION

The key performance indicators (KPIs) are set annually, which include 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.

HEDGING OF MANAGEMENT REMUNERATION

No member of key management entered into an arrangement during or since the end of the financial year to limit the risk relating to any element of that person's remuneration.

RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2017.

	Year ended 30 June 2017 \$'000	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Revenue	–	–	–	4,060	146,396
Net loss before tax from continuing operations	14,640	23,903	6,711	84,120	155,754
Net loss after tax from continuing operations	14,345	22,472	6,711	84,120	148,137
Share price at start of year	A\$0.06	A\$0.09	A\$0.07	A\$0.19	A\$0.56
Share price at end of year	A\$0.05	A\$0.06	A\$0.09	A\$0.07	A\$0.19
Basic and diluted loss per share (\$ cents)	0.86	1.19	0.47	8.02	17.00

DIRECTORS' REPORT CONTINUED

for the year ended 30 June 2017

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-employment benefits	Share-based payments			
	Salary and fees	Bonus	Non-monetary benefits	Super-annuation	Termination benefits	Options/shares	Total	Share-based % of total
2017	\$	\$	\$	\$	\$	\$	\$	%
Non-executive Directors								
Bernard Pryor	54,573	–	–	–	–	–	54,573	–
Peter Cordin	39,639	–	–	3,766	–	–	43,405	–
Khomotso Mosehla	36,371	–	–	–	–	–	36,371	–
Rudolph Torlage	36,371	–	–	–	–	–	36,371	–
Andrew Mifflin	39,964	–	–	3,441	–	–	43,405	–
Thabo Mosololi	36,371	–	–	–	–	–	36,371	–
Shangren Ding ¹	–	–	–	–	–	–	–	–
Executive Directors								
David Brown	445,867	179,271	–	–	–	155,653	780,791	20
De Wet Schutte	278,142	101,173	–	–	–	98,830	478,145	21
	967,298	280,444	–	7,207	–	254,483	1,509,432	17
Key management								
Michael Jakobus Bronn ²	249,957	58,918	–	–	–	–	308,875	–
	1,217,255	339,362	–	7,207	–	254,483	1,818,307	14

¹ Mr Bronn resigned during the financial year and held the position until 30 June 2017

² Mr Ding was appointed on 11 October 2016

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

In September 2016, performance bonuses of \$0.3 million were paid out in relation to certain performance targets met for the 2016 financial year. The performance targets were based on a combination of individual performance and corporate key performance indicators including; safety, regulatory approvals for Makhado and Vele and equity funding raised.



	Short-term employee benefits			Post-employment benefits		Share-based payments		
	Salary and fees	Bonus	Non-monetary benefits	Super-annuation	Termination benefits	Options/shares	Total	Share-based % of total
2016	\$	\$	\$	\$	\$	\$	\$	%
Non-executive Directors								
Bernard Pryor	56,608	—	—	—	—	17,478	74,086	24
Peter Cordin	47,070	—	—	4,472	—	17,478	69,020	25
Khomotso Mosehla	46,240	—	—	—	—	17,478	63,718	27
Rudolph Torlage	46,240	—	—	—	—	—	46,240	—
Andrew Mifflin	47,070	—	—	4,472	—	17,478	69,020	25
Thabo Mosololi	46,240	—	—	—	—	17,478	63,718	27
Executive Directors								
David Brown	405,424	31,782	—	—	—	78,876	516,082	15
De Wet Schutte	251,964	—	—	—	—	25,053	277,017	9
	946,856	31,782	—	8,944	—	191,319	1,178,901	16
Key management								
Michael Jakobus Bronn	227,227	17,335	—	—	—	17,437	261,999	7
	1,174,083	49,117	—	8,944	—	208,756	1,440,900	14

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	Exercise price	Grant date venue	Vesting date
ESOP unlisted options	2,670,000	16/09/2011	14/02/2017	ZAR7.60	ZAR3.46	(1)
ESOP unlisted options	3,932,928	22/11/2013	30/06/2017	ZAR1.75	ZAR0.52	(2)
ESOP unlisted options	3,525,000	28/11/2014	01/02/2019	ZAR1.20	ZAR0.15	(3)
ESOP unlisted options	3,525,000	28/11/2014	01/02/2019	ZAR1.32	ZAR0.14	(3)
ESOP unlisted options	3,525,000	28/11/2014	01/02/2019	ZAR1.45	ZAR0.12	(3)
ESOP unlisted options	5,000,000	27/11/2015	27/11/2018	GBP0.055	AUD0.024	(4)
	22,177,928					

¹ 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. These options expired during the current financial year

² These options all vested on 28 November 2012 and all option expired during the current financial year

³ A total of 10,575,000 options were granted to Mr Brown on his appointment as CEO and vest in three equal tranches on 1 February 2015, 1 February 2016 and 1 February 2017. These options were cancelled in the current financial year

⁴ A total of 5,000,000 options were granted to Non-executive Directors Mr Cordin, Mr Mosehla, Mr Pryor, Mr Mifflin and Mr Mosololi vesting immediately on grant date

DIRECTORS' REPORT CONTINUED

for the year ended 30 June 2017

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
David Brown	Performance grant	11,254,933	–	–	n/a	20
De Wet Schutte	Performance grant	7,983,715	–	–	n/a	26
Michael Jakobus Bronn ¹	Performance grant	3,429,966	–	–	100	–

¹ Mr Bronn resigned during the financial year and therefore forfeited the performance grant

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

KEY TERMS OF EMPLOYMENT CONTRACTS

The Company entered into formal contractual employment agreements with the CEO and the CFO only and not with any other member of the Board. The employment conditions of the CEO and CFO are:

CURRENT

1. Mr Brown's appointment as CEO commenced on 1 February 2014 with an annual remuneration of R6.1 million and a six month notice period. During the year, Mr Brown received 11,254,993 Performance Rights. The Performance Rights factors in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date. Options of 10,575,000 that were previously granted to Mr Brown in accordance with the Company's employee share option plan were cancelled during the period.
2. Mr Schutte serves as Financial Director with an annual remuneration of R3.8 million and a three month notice period. During the year, Mr Schutte received 7,983,715 Performance Rights. The Performance Rights factors in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date.

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

1. Mr Bronn was employed by CoAL in the capacity of Chief Operations Officer, at an annual remuneration of R3.4 million. Mr Bronn resigned as Chief Operating Officer in March 2017 following the judgement and fine lodged by the Financial Services Board for the contravention of Section 78(1)(a) of the Financial Markets Act, 19 of 2012. He remained as a consultant to the Company until 30 June 2017 to finalise specific tasks. Mr Bronn, forfeited all share based incentive awards and was not entitled to receive any bonus payments for the year ending 30 June 2017.



KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

OPTION HOLDINGS

The movement during the reporting period in the number of options over ordinary shares exercisable at R1.75 on or before 30 June 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 2016	Granted as remuneration	Exercised	Expired/ other changes	Held at 30 June 2017
Non-executive Directors					
Bernard Pryor	—	—	—	—	—
Peter Cordin	—	—	—	—	—
Khomotso Mosehla	—	—	—	—	—
Rudolph Torlage	—	—	—	—	—
Andrew Mifflin	—	—	—	—	—
Thabo Mosololi	—	—	—	—	—
Executive Directors					
David Brown	—	—	—	—	—
De Wet Schutte	—	—	—	—	—
Key management					
Michael Jakobus Bronn ¹	174,696	—	—	(174,696)	—

¹ Mr Bronn resigned during the financial year and therefore forfeited the options

The movement during the reporting period in the number of options over ordinary shares exercisable in three equal tranches at R1.20 on or before 1 February 2015, R1.32 on or before 1 February 2016 and R1.45 on or before 1 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 2016	Granted as remuneration	Exercised	Expired/other changes	Held at 30 June 2017
Non-executive Directors					
Bernard Pryor	—	—	—	—	—
Peter Cordin	—	—	—	—	—
Khomotso Mosehla	—	—	—	—	—
Rudolph Torlage	—	—	—	—	—
Andrew Mifflin	—	—	—	—	—
Thabo Mosololi	—	—	—	—	—
Executive Directors					
David Brown	10,575,000	—	—	(10,575,000)	—
De Wet Schutte	—	—	—	—	—
Key management					
Michael Jakobus Bronn ¹	—	—	—	—	—

¹ These options were cancelled during the period

DIRECTORS' REPORT CONTINUED

for the year ended 30 June 2017

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS (CONTINUED)

The movement during the reporting period in the number of options over ordinary shares at GBP 0.055, vesting immediately held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2016	Granted as remuneration	Exercised	Expired/ other changes	Held at 30 June 2017
Non-executive Directors					
Bernard Pryor	1,000,000	—	—	—	1,000,000
Peter Cordin	1,000,000	—	—	—	1,000,000
Khomotso Mosehla	1,000,000	—	—	—	1,000,000
Rudolph Torlage	—	—	—	—	—
Andrew Mifflin	1,000,000	—	—	—	1,000,000
Thabo Mosololi	1,000,000	—	—	—	1,000,000
Executive Directors					
David Brown	—	—	—	—	—
De Wet Schutte	—	—	—	—	—
Key management					
Michael Jakobus Bronn ¹	—	—	—	—	—

¹ Mr Bronn resigned during the financial year and therefore forfeited the options

The movement during the reporting period in the number of Performance Grants over ordinary shares exercisable in three years' time subject to performance criteria, held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2016	Granted as remuneration	Exercised	Expired/ other changes	Held at 30 June 2017
Non-executive Directors					
Bernard Pryor	—	—	—	—	—
Peter Cordin	—	—	—	—	—
Khomotso Mosehla	—	—	—	—	—
Rudolph Torlage	—	—	—	—	—
Andrew Mifflin	—	—	—	—	—
Thabo Mosololi	—	—	—	—	—
Executive Directors					
David Brown	9,714,021	11,254,933	—	—	20,968,954
De Wet Schutte	5,449,944	7,983,715	—	—	13,433,659
Key management					
Michael Jakobus Bronn ¹	3,793,298	3,429,966	—	(7,223,264)	—

¹ Mr Bronn resigned during the financial year and therefore forfeited the options



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 2016	Granted as remuneration	Exercised	Expired/ other changes	Held at 30 June 2017
Non-executive Directors					
Bernard Pryor	150,000	—	—	—	150,000
Peter Cordin	1,371,059	—	—	—	1,371,059
Khomotso Mosehla	—	—	—	—	—
Rudolph Torlage	—	—	—	—	—
Andrew Mifflin	—	—	—	—	—
Thabo Mosololi ¹	10,000	—	—	—	10,000
Executive Directors					
David Brown	825,000	—	—	—	825,000
De Wet Schutte	—	—	—	—	—
	117,000	—	—	—	117,000

¹ Purchased prior to being appointed as a Non-executive Director

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors

Bernard Pryor
Chairman

David Brown
Chief Executive Officer

29 September 2017

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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The Board of Directors
Coal of Africa Limited
Suite 8, 7 The Esplanade
Mount Pleasant WA 6153

29 September 2017

Dear Directors

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 2017, 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

David Newman

Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Touche Tohmatsu Limited



DIRECTORS' DECLARATION

for the year ended 30 June 2017

The Directors declare that:

- 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
- In the Directors opinion, the attached financial statements are in compliance with IFRS, as stated in note 1.1 to the financial statements
- 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
- The Directors have been given the declarations required by s295A of the Corporations Act 2001

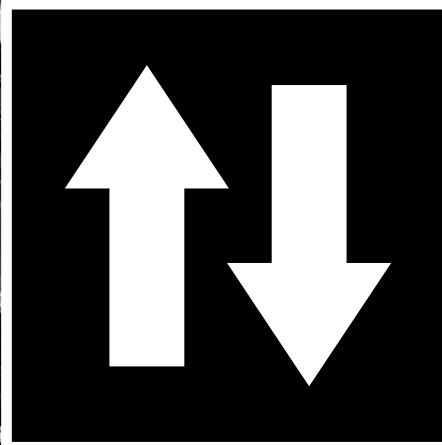
Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors

Bernard Pryor
Chairman

David Brown
Chief Executive Officer

29 September 2017



**AUDITED ANNUAL CONSOLIDATED
FINANCIAL STATEMENTS**



CoAL's balance sheet has been strengthened with reduced debt and the incorporation of a cash generator in our asset portfolio.

Consolidated statement of profit or loss and other comprehensive income / **70**

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**FOR THE YEAR ENDED 30 JUNE 2017
(EXPRESSED IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2017

		Year ended 30 June 2017	Year ended 30 June 2016
	Note	\$'000	\$'000
Continuing operations			
Revenue		–	–
Investment income	5	522	753
Other income	6	419	257
Other gains/(losses)	6	525	(354)
Depreciation and amortisation	6	(354)	(1,199)
Foreign exchange gains/(losses)	6	3,364	(10,654)
Employee benefits expense	6	(4,646)	(3,765)
Impairment expense	7	(10,624)	–
Finance costs	9	(1,185)	(1,578)
Consulting expense		(1,102)	(624)
Other expenses	6	(4,581)	(6,739)
Loss before tax		(17,662)	(23,903)
Income tax credit	10	295	1,431
Net loss for the year from continuing operations		(17,367)	(22,472)
Discontinued operations			
Profit/(loss) for the year from operations classified as held for sale	11	1,815	(973)
LOSS FOR THE YEAR		(15,552)	(23,445)
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		16,057	(28,921)
Total comprehensive income/(loss) for the year		505	(52,366)
Loss for the year attributable to:			
Owners of the Company		(15,536)	(23,445)
Non-controlling interests		(16)	–
		(15,552)	(23,445)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		521	(52,366)
Non-controlling interests		(16)	–
		505	(52,366)
Loss per share	12		
From continuing operations and discontinued operations			
Basic and diluted (cents per share)		(0.77)	(1.24)
From continuing operations			
Basic and diluted (cents per share)		(0.86)	(1.19)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

		30 June 2017	30 June 2016
	Note	\$'000	\$'000
ASSETS			
Non-current assets			
Development, exploration and evaluation expenditure	13	232,822	207,923
Property, plant and equipment	14	30,531	6,755
Intangible assets	15	–	10,489
Other receivables	16	237	1,013
Other financial assets	17	9,171	7,033
Restricted cash	20	52	249
Deferred tax assets	25	5,713	4,773
Total non-current assets		278,526	238,235
Current assets			
Inventories	18	1,688	5
Trade and other receivables	19	6,107	666
Tax receivable		326	–
Other financial assets	17	5	188
Cash and cash equivalents	20	9,624	19,502
		17,750	20,361
Assets classified as held for sale	21	9,791	14,567
Total current assets		27,541	34,928
Total assets		306,067	273,163
LIABILITIES			
Non-current liabilities			
Deferred consideration	22	1,916	–
Borrowings	23	8,197	–
Provisions	24	7,468	4,003
Deferred tax liability	25	6,087	–
Total non-current liabilities		23,668	4,003
Current liabilities			
Deferred consideration	22	–	16,016
Trade and other payables	26	4,224	2,323
Borrowings	23	–	10,000
Provisions	24	597	398
Current tax liabilities		1,290	1,249
		6,111	29,986
Liabilities associated with assets held for sale	21	3,414	2,732
Total current liabilities		9,525	32,718
Total liabilities		33,193	36,721
NET ASSETS		272,874	236,442
EQUITY			
Issued capital	27	1,040,950	1,006,435
Accumulated deficit	28	(750,100)	(736,403)
Reserves	29	(18,535)	(34,165)
Equity attributable to owners of the Company		272,315	235,867
Non-controlling interests	31	559	575
TOTAL EQUITY		272,874	236,442

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Issued capital	Accumulated deficit	Share based payment reserve	Capital profits reserve	Warrants reserve	Foreign currency translation reserve	Attributable to owners of the parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	1,006,435	(736,403)	2,274	91	–	(36,530)	235,867	575	236,442
Total comprehensive loss for the year	–	(15,536)	–	–	–	16,057	521	(16)	505
Loss for the year	–	(15,536)	–	–	–	–	(15,536)	(16)	(15,552)
Other comprehensive loss, net of tax	–	–	–	–	–	16,057	16,057	–	16,057
Shares issued for capital raising (net of costs)	14,864	–	–	–	–	–	14,864	–	14,864
Shares issued for conversion of YBI loan	10,000	–	–	–	–	–	10,000	–	10,000
Performance grants issued to employees	–	–	466	–	–	–	466	–	466
Share options expired	–	1,839	(1,839)	–	–	–	–	–	–
Share options cancelled/forfeited	–	–	(188)	–	–	–	(188)	–	(188)
Warrants issued to the IDC	–	–	–	–	1,134	–	1,134	–	1,134
Shares issued for the acquisition of Uitkomst Colliery	9,651	–	–	–	–	–	9,651	–	9,651
Balance at 30 June 2017	1,040,950	(750,100)	713	91	1,134	(20,473)	272,315	559	272,874
Balance at 1 July 2015	992,374	(718,081)	7,205	91	–	(7,609)	273,980	575	274,555
Total comprehensive loss for the year	–	(23,445)	–	–	–	(28,921)	(52,366)	–	(52,366)
Loss for the year	–	(23,445)	–	–	–	–	(23,445)	–	(23,445)
Other comprehensive loss, net of tax	–	–	–	–	–	(28,921)	(28,921)	–	(28,921)
Shares issued for capital raising (net of costs)	13,707	–	–	–	–	–	13,707	–	13,707
Shares issued for the acquisition of subsidiary	354	–	–	–	–	–	354	–	354
Shares issued to employees	–	–	275	–	–	–	275	–	275
Share options expired	–	5,123	(5,123)	–	–	–	–	–	–
Share options cancelled	–	–	(83)	–	–	–	(83)	–	(83)
Balance at 30 June 2016	1,006,435	(736,403)	2,274	91	–	(36,530)	235,867	575	236,442

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

		Year ended 30 June 2017	Year ended 30 June 2016
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		117	311
Payments to suppliers and employees		(10,341)	(13,448)
Cash used in operations	33	(10,224)	(13,137)
Interest received		471	585
Interest paid		(14)	(140)
Net cash used in operating activities		(9,767)	(12,692)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(164)	(114)
Proceeds from the sale of property, plant and equipment		2	29
Investment in development assets	13	(6)	–
Investment in exploration assets	13	(430)	(1,187)
Net cash outflow on business combination	36	(8,394)	–
Proceeds from the sale of Holfontein	21	3,042	–
Net purchase of other financial assets	17	(402)	(3,336)
Decrease in restricted cash		197	774
Net cash used in investing activities		(6,155)	(3,834)
Cash flows from financing activities			
Payment of deferred consideration	22	(18,247)	(4,066)
Proceeds from loans payable	23	9,004	10,000
Debt issuance costs	23	(91)	–
Proceeds from loans receivable	16	457	444
Proceeds from the issue of shares (net of share issuance costs)		14,864	13,707
Net cash generated by financing activities		5,987	20,085
Net (decrease)/increase in cash and cash equivalents		(9,935)	3,559
Net foreign exchange differences		58	(1,918)
Cash and cash equivalents at beginning of the year		19,523	17,882
Cash and cash equivalents at the end of the year	20	9,646	19,523

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. GENERAL INFORMATION

Coal of Africa Limited is a limited company incorporated in Australia. Its common shares are listed on the ASX, the AIM and the JSE in South Africa. The addresses of its registered office and principal places of business is Suite 8, 7 The Esplanade, Mt Pleasant, Perth, Western Australia 6000.

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

The Group's principal assets and projects include:

- The operating mine, Uitkomst Colliery, acquired on 30 June 2017 (refer note 36)
- The Makhado hard coking and thermal coal project that has been granted a NOMR, an IWUL and an environmental authorisation
- The Vele Colliery, a semi soft coking and thermal coal mine, currently under care and maintenance is awaiting the final IWUL relating to the new perennial stream diversion application
- Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane in the Soutpansberg Coalfield
- The Mooiplaats Colliery is currently on care and maintenance. The Company is currently engaged with various parties to sell Mooiplaats Colliery and expects to complete a sale within twelve months of the reporting date

GOING CONCERN

These consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities 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 2017 of \$17.4 million (30 June 2016: loss of \$22.5 million), including an impairment of \$10.6 million, a foreign exchange gain of \$3.4 million and depreciation and amortisation charges of \$0.4 million. For the year ended 30 June 2017, net cash outflows from operating activities were \$9.8 million (30 June 2016 net outflow: \$12.7 million) and net cash outflow from investing activities were \$6.2 million (30 June 2016 net outflow: \$3.8 million). As at 30 June 2017 the Consolidated Entity had a net current asset position of \$11.6 million (30 June 2016: net current liability position of \$9.6 million), excluding assets and liabilities classified as held for sale.

During the period, the Company raised additional capital of \$15 million from M&G and Summer Tree. These funds were partially utilised to fund the acquisition of PAR Coal, the 91% shareholder in the cash generating operating mine, Uitkomst Colliery, on 30 June 2017.

During the period, the Company also converted the loan provided in the prior period by Yishun into CoAL shares.

The Company also fulfilled its obligations to Rio Tinto in June 2017 in relation to the agreements under which its subsidiary company, MbeuYashu Proprietary Limited acquired its interest in Chapudi Coal Proprietary Limited and Kwezi Mining Exploration Proprietary Limited.

In addition, the Company entered into a loan agreement (the Loan Agreement) with the IDC and Baobab Mining and Baobab, a subsidiary of CoAL and owner of the mining right for the Makhado Project. In terms of the Loan Agreement, the IDC will advance loan funding up to \$18.4 million (R240 million) to Baobab for use in the Makhado Project to advance the operations and implementation of the project. The loan funding is to be provided in two equal tranches of \$9.2 million (R120 million) upon written request from Baobab. The first tranche was drawn down during the period and the second tranche is still available to the Company (refer note 23).

The Directors have prepared a cash flow forecast for the eighteen months ended 31 December 2018, taking into account available facilities and expected cash to be generated by Uitkomst, which indicates that the Company and Consolidated Entity will have sufficient cash flow to fund their operations for at least the twelve month period from the date of signing this report.

At the date of this report, the directors believe that the Company and Consolidated Entity will have sufficient funds to meet their obligations as when they fall due, and are of the opinion that the use of the going concern basis remains appropriate.

BASIS OF PRESENTATION

1.1. 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 IFRS as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 29 September 2017.

1.2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the basis of historical cost, except for other financial 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.

All amounts are presented in United States dollars, and rounded to nearest thousand unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2. ACCOUNTING POLICIES

2.1. 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 when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

2. ACCOUNTING POLICIES continued

2.1. BASIS OF CONSOLIDATION continued

A list of controlled entities is contained in note 36 to the consolidated financial statements.

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, a gain or loss is recognised in profit or loss and 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 any category of equity 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 joint venture.

2.2. 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, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with AASB 112 'Income Taxes';
- assets or liabilities 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 represent 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. 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.

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.

2.3. 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 ('\$'), which is the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction.

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 the spot rate of exchange ruling at the reporting date. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

2. ACCOUNTING POLICIES continued

2.3. FUNCTIONAL AND PRESENTATION CURRENCY continued

Goodwill and fair value adjustments on identifiable assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange ruling at the reporting date. Exchange differences arising are recognised in equity.

2.4. 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 criteria above are met and 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 assets held for sale and liabilities associated with assets held for sale in the consolidated statement of financial position. The income and expenses from these operations are not included in the various line items in the consolidated statement of profit or loss and other comprehensive income but the net results from these operations classified as held for sale are disclosed as a separate line within the statement of profit or loss.

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.

2.5. EXPLORATION AND EVALUATION EXPENDITURE

(I) PRE-LICENCE COSTS

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

(II) EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- i. Researching and analysing historical exploration data
- ii. Gathering exploration data through geophysical studies
- iii. Exploratory drilling and sampling
- iv. Determining and examining the volume and grade of the resource
- v. Surveying transportation and infrastructure requirements
- vi. Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group conclude that a future economic benefit is more likely than not to be realised.

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.

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that are valued beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation asset (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment.

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 2.11.

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.

2.6. 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 2.11.

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.

2.7. 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.

When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

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, 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 2.11.

2.8. 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-ratio. Such deferred costs are then charged to the consolidated statement of profit or loss and other comprehensive loss to the extent that, in subsequent periods, the current period ratio falls below the life-of-mine-ratio. The life-of-mine stripping ratio is calculated based on proved and probable reserves. Any changes to the life-of-mine 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

2. ACCOUNTING POLICIES continued

2.9. PROPERTY, PLANT AND EQUIPMENT – MINING RIGHTS

Mining rights are classified as property plant and equipment on commencement of commercial production.

Depreciation is charged using the units-of-production method. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

Mining rights are assessed for impairment if facts and circumstances indicate that an impairment may exist.

2.10. PROPERTY, PLANT AND EQUIPMENT (EXCLUDING DEVELOPMENT ASSETS, MINING PROPERTY AND MINING RIGHTS)

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.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) 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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and the useful lives.

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 annual 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

2.11. 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. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

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.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

Intangible assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.11.

2.12. 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 (if any).

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 post-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.

2.13. 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 consolidated statement of financial position as a finance lease obligation.

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 2.24 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.

2.14. 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.

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity

Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

2. ACCOUNTING POLICIES continued

2.15. 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 profit or loss. 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 profit or loss and other comprehensive loss.

2.16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and short-term deposits.

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

2.17. FINANCIAL INSTRUMENTS

RECOGNITION

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of 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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss (FVTPL).

FINANCIAL ASSETS

Financial assets are classified into the following specified categories: 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.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated 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
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement 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. Fair value is determined in the manner described in note 32.

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 less any impairment.

LOANS AND RECEIVABLES

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. 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 effect of discounting is immaterial.

AVAILABLE FOR SALE 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

2. ACCOUNTING POLICIES continued

2.17. FINANCIAL INSTRUMENTS continued

IMPAIRMENT OF FINANCIAL ASSETS continued

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).

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 consolidated statement of profit or loss 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.

2.18. 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.

2.19. 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 consolidated statement of profit or loss and comprehensive loss.

FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The entity recognises a provision for financial guarantees when it is probable that an outflow of resources embodying economic benefits and will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- Financial difficulty of the debtor
- Defaults or delinquencies in interest and capital repayment of the debtor
- Breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms
- A decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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 nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

2. ACCOUNTING POLICIES continued

2.19. PROVISIONS continued

REHABILITATION PROVISION continued

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.

2.20. 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 30.

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.

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.

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 profit or loss and other 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.

2.21. 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 profit or loss and other 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 balances are calculated using the tax rates that are expected to apply to the reporting period or periods when the temporary difference reverse, based on tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

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.

2.21. TAXATION, INCLUDING SALES TAX

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.

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.

2.22. 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 investment income on the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

2. ACCOUNTING POLICIES continued

2.23. 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.

2.24. 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.

2.25. 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 4).

2.26. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The key new and amended reporting requirements that must be applied for the first time this year include:

- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interest in Joint operations
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

At the date of the authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. The Company has assessed these as follows:

Title of standard	Nature of change	Impact	Mandatory application date/date of adoption by Group
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets. The other financial assets held by the Group include: • equity investments currently measured at fair value through profit or loss which would likely continue to be measured on the same basis under AASB 9. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. Expected date of adoption by the Group: 1 July 2018



Title of standard	Nature of change	Impact	Mandatory application date/date of adoption by Group
		There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affects the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group has yet to undertake a detailed assessment of how its impairment provisions would be affected by the new model. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.	
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	Management is currently assessing the effects of applying the new standard on the Group's financial statements, especially with the acquisition of Uitkomst Colliery on 30 June 2017. At this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next 12 months.	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. Expected date of adoption by the Group: 1 July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

2. ACCOUNTING POLICIES continued

2.23. BORROWING COSTS

Title of standard	Nature of change	Impact	Mandatory application date/date of adoption by Group
AASB 16 Leases	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The exceptions are short-term and low-value leases.	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has low value operating leases and may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3. 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, foreign exchange rates and coal reserves. Refer to note 13.

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 (the 'JORC Code'). 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 profit or loss 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 13.

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 13.

The Company considers the following items as pre-requisites prior to concluding on commercial viability:

- All requisite regulatory approvals from government departments in South Africa have been received and are not subject to realistic legal challenges
- The Company has the necessary funding to engage in the construction and development of the project as well as general working capital until the project is cash generative
- A JORC compliant resource proving the quantity and quality of the project as well as a detailed Mine Plan reflecting that the colliery can be developed and will deliver the required return hurdle rates
- The Company has secured off-take and/or logistics agreements for a significant portion of the product produced by the mine and the pricing has been agreed
- The Company has the appropriate skills and resources to develop and operate the project

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

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 24.

RECOVERABILITY OF NON-CURRENT ASSETS

As set out in note 13, 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, foreign exchange rates 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 life of mine and depreciation. Refer to note 13.

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.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset, or disposal group, is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continued use. In accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', assets which meet the definition of held for sale are valued at the lower of carrying value and fair value less costs to sell.

Judgement is required by management in determining whether an asset meets the AASB 5 criteria of held for sale, including whether the asset is being actively marketed, is available for sale in its current condition and whether a sale is highly probable within 12 months of classification as held for sale. When calculating fair value less costs to sell, estimates of future disposal proceeds are also required. Refer to note 21 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

4. 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 30 June 2017, projects within this reportable segment include three exploration 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 30 June 2017, projects included within this reportable segment include project, namely the Vele Colliery, in the early operational and development stage and Klipspruit which is included in the newly acquired Uitkomst Colliery.

The Mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale and consists of the Mooiplaats Colliery and the newly acquired Uitkomst Colliery. As of 30 June 2017 the Mooiplaats Colliery has been classified as operations held for sale. No revenue or costs have been recognised for the Uitkomst Colliery as the effected date of acquisition was 30 June 2017.

The accounting policies of the reportable segments are the same as those described in Note 2, Accounting policies.

The Group evaluates performance on the basis of segment profitability, which represents net operating (loss) / profit earned by each reportable segment.

Each reportable segment is managed separately because, amongst other things, each reportable segment has substantially different risks.

	Exploration	Development	Mining	Total
	\$'000	\$'000	\$'000	\$'000
For the year ended 30 June 2017				
Revenues from external customers	–	–	–	–
Inter-segment revenues	–	–	–	–
Revenue	–	–	–	–
Segment loss	(1,505)	(808)	–	(2,313)
Items included within the Group's measure of segment profitability				
– Depreciation and amortisation	(68)	(39)	–	(107)
– Finance income	2	14	–	16
– Finance cost	(1,062)	(120)	–	(1,182)
Segment assets	124,216	120,406	31,016	275,638
Items included within the Group's measure of segment assets				
– Additions to non-current assets (Including Uitkomst)	679	6	31,016	31,701
Segment liabilities	8,758	6,672	9,045	24,475



	Exploration	Development	Mining	Total
	\$'000	\$'000	\$'000	\$'000
For the year ended 30 June 2016				
Revenues from external customers	–	–	–	–
Inter-segment revenues	–	–	–	–
Revenue ⁽¹⁾	–	–	–	–
Segment loss	(5,246)	(136)	–	(5,382)
Items included within the Group's measure of segment profitability				
– Depreciation and amortisation	(63)	(42)	–	(105)
– Finance income	–	–	–	–
– Finance cost	(1,455)	(112)	–	(1,567)
– Income tax expense	–	1,431	–	1,431
Segment assets	112,242	105,941	–	218,183
Items included within the Group's measure of segment assets				
– Additions to non-current assets (Including Uitkomst)	1,169	18	–	1,187
Segment liabilities	16,947	4,076	–	21,023

⁽¹⁾ Revenues represent sale of product

Reconciliations of the total segment amounts to respective items included in the consolidated financial statements are as follows:

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Total loss for reportable segments	2,313	5,382
Reconciling items:		
Unallocated corporate costs	5,995	8,654
Impairment expense	10,624	–
Depreciation and amortisation	247	1,094
Foreign exchange (gains)/losses	(1,812)	7,342
(Profit)/loss for the year from operations classified as held for sale	(1,815)	973
Loss for the year	15,552	23,445
Total segment assets	275,638	218,183
Reconciling items:		
Unallocated property, plant and equipment	4,118	3,379
Intangible assets	–	10,489
Other financial assets	7,311	5,611
Other receivables	–	1,013
Unallocated current assets	9,310	19,921
Assets classified as held for sale	9,690	14,567
Total assets	306,067	273,163
Total segment liabilities	24,475	21,023
Reconciling items:		
Borrowings	–	10,000
Deferred consideration	1,916	–
Unallocated liabilities	3,388	2,966
Liabilities associated with assets held for sale	3,414	2,732
Total liabilities	33,193	36,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

4. SEGMENT INFORMATION continued

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
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.		
Revenue by location of operations		
South Africa	–	–
Australia	–	–
Total revenue	–	–
Non-current assets by location of operations		
South Africa	278,526	238,235
Australia	–	–
Total non-current assets	278,526	238,235
5. INVESTMENT INCOME		
Continuing operations		
<i>Rental income</i>	196	172
<i>Interest income</i>		
Bank deposits	173	479
Interest on loans	61	90
Interest on other financial assets	92	12
<i>Total interest income</i>	326	581
<i>Total investment income</i>	522	753
6. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		
Loss for the year from continuing operations has been arrived at after (charging) or crediting:		
Other income		
Non-refundable deposits received for sale of non-core assets (Holfontein – refer note 11)	–	250
Scrap sales	172	–
Gain on sale of Opgoedenhooop	73	–
Other	174	7
<i>Total other income</i>	419	257
Other gains/(losses)		
Profit on disposal of property, plant and equipment	–	8
Revaluation of investments	521	(80)
Fair value adjustment	4	78
Impairment of investment	–	(360)
<i>Total other gains/(losses)</i>	525	(354)
Depreciation and amortisation		
Depreciation		
Depreciation of property, plant and equipment (note 14)	(354)	(351)
<i>Total depreciation</i>	(354)	(351)

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Amortisation		
Amortisation of intangible asset (note 15)	–	(848)
<i>Total amortisation</i>	–	(848)
<i>Total depreciation and amortisation</i>	(354)	(1,199)
Foreign exchange profit/(loss)		
Unrealised	1,971	(9,568)
Realised	1,393	(1,086)
	3,364	(10,654)
Employee benefits expenses		
Share-based payments	(272)	(193)
Super-annuation	(7)	(9)
Salaries and wages	(4,367)	(3,563)
<i>Total employee benefits expense</i>	(4,646)	(3,765)
Other expenses		
Included in other expenses is transaction costs of \$1 million (2016: \$2.6 million).		
7. NET IMPAIRMENT EXPENSE		
Impairment of intangible (refer note 15)	(10,624)	–
8. AUDITORS' REMUNERATION		
<i>Deloitte – Australia</i>		
Audit and review of financial reports	92	77
Non-audit related services	34	11
	126	88
<i>Deloitte – South Africa</i>		
Audit and review of financial reports	200	176
Non-audit related services	5	96
	205	272
9. FINANCE COSTS		
Interest on borrowings	1,051	1,457
Interest on overdraft	–	9
Unwinding of interest	120	112
Other	14	–
	1,185	1,578
10. INCOME TAX AND DEFERRED TAX		
Income tax recognised in profit or loss from continuing operations		
Current tax		
Current tax expense in respect of the current year	–	–
	–	–
Deferred tax (note 25)		
Recognition of deferred tax assets on assessed losses	295	1,431
	295	1,431
Total income tax credit recognised	295	1,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

10. INCOME TAX AND DEFERRED TAX continued

The Group's effective tax rate for the year from continuing operations was (2%) (2016: (6%)). The tax rate used for the 2017 and 2016 reconciliations below is the corporate tax rate of 30% for Australian companies. The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Loss from continuing operations before income tax	(17,662)	(23,903)
Income tax benefit calculated at 30% (2016: 30%)	5,299	7,171
Tax effects of:		
Expenses that are not deductible for tax purposes	(157)	(1,195)
Differences in tax rates	(127)	(442)
Income not taxable	436	–
Other temporary differences not recognised	(5,156)	(5,106)
Recognition of deferred tax asset – Losses	–	1,003
Income tax credit	295	1,431
Income tax recognised in profit or loss from discontinued operations		
Current tax		
Current tax expense in respect of the current year	–	–
	–	–
Deferred tax (note 25)		
Recognition of deferred tax assets on assessed losses	–	–
	–	–
Total income tax credit recognised	–	–
The Group's effective tax rate for the year from discontinued operations was (0%) (2016: 0%). The tax rate used for the 2017 and 2016 reconciliations below is the corporate tax rate of 30% payable by Australian corporate entities. The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit/(loss) before income tax from discontinued operations	1,815	(973)
Income tax benefit calculated at 30% (2016: 30%)	(545)	292
Tax effects of:		
Expenses that are not deductible for tax purposes	(80)	13
Difference in tax rates	37	(19)
Income not taxable	846	–
Other temporary differences not recognised	(258)	(286)
Income tax credit	–	–

11. DISCONTINUING OPERATIONS

11.1 HOLFONTEIN (PTY) LTD (HOLFONTEIN)

The Company finalised the disposal of the Holfontein thermal coal project near Secunda in Mpumalanga during the financial year. Holfontein was disposed for \$3.8 million (R50 million), of which \$0.8 million (R10 million) was received in prior periods.

11.2 PLAN TO DISPOSE OF LANGCAREL (PTY) LTD (MOOIPLAATS)

The Company had previously announced a long-term strategy to dispose of certain non-core thermal assets in order to focus on the development of the coking coal assets. The Company had been actively seeking a buyer for this business. The Company is currently engaged with various parties to sell Mooiplaats Colliery and expects to complete a sale within 12 months of the reporting date. The Group has not recognised any impairment on the Mooiplaats Colliery during the current financial year. (2016: \$nil – note 21).

11.3 ANALYSIS OF LOSS FOR THE YEAR FROM DISCONTINUING OPERATIONS

The combined results of the operations held for sale included in the loss for the year are set out below. The comparative losses and cash flows from operations held for sale have been re-presented to include those operations classified as held for sale in the current year.

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Loss for the year from discontinuing operations		
Revenue	–	–
Other gains – Reversal of Holfontein impairment	3,022	–
	3,022	–
Expenses	(1,207)	(973)
Profit/(loss) before tax	1,815	(973)
Profit/(loss) for the year from operations held for sale (attributable to owners of the Company)	1,815	(973)
Cash flows from discontinuing operations		
Net cash outflows from operating activities	(860)	(951)
Net cash (outflows)/inflows from investing activities	(140)	1
Net cash inflows from financing activities	761	1,400
Net cash (outflows)/inflows	(239)	450

These operations have been classified and accounted for at 30 June 2017 as a disposal group held for sale (see note 21).

IMPAIRMENT TESTING

NON-CURRENT ASSETS HELD FOR SALE

As of 30 June 2017 the net book value of the following project assets were classified as non-current assets held for sale

- Mooiplaats Colliery: \$9.4 million (refer note 21)

The Company has announced a strategy to dispose of the Mooiplaats Colliery within the next 12 months. Consequently, these project assets have been classified as non-current assets held for sale and have been written down to their fair value less costs to sell represented by indicative offers received.

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

12.1 BASIC LOSS/(PROFIT) PER SHARE

	Cents per share	Cents per share
From continuing operations	0.86	1.19
From discontinuing operations	(0.09)	0.05
	0.77	1.24

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Loss for the year attributable to owners of the Company	(15,536)	(23,445)
Less: (Profit)/loss for the year from operations held for sale	(1,815)	973
Loss used in the calculation of basic loss per share from continuing operations	(17,351)	(22,472)

	'000 shares	'000 shares
Weighted number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	2,010,622	1,896,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY continued

12.2 DILUTED LOSS PER SHARE

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 diluted ordinary share that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

As at 30 June 2017, 80,635,237 options (2016 – 75,627,052 options) and 5,675,415 weighted average number of warrants, issued to the IDC, were excluded from the computation of the loss per share as their impact is anti-dilutive.

12.3 HEADLINE LOSS PER SHARE (IN LINE WITH JSE REQUIREMENTS)

The calculation of headline loss per share at 30 June 2017 was based on the headline loss attributable to ordinary equity holders of the Company of \$7.9 million (2016: \$22.0 million) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2016 of 2,010,621,629 (2016: 1,896,412,421).

The adjustments made to arrive at the headline loss are as follows:

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Loss for the period attributable to ordinary shareholders	(15,536)	(23,445)
Adjust for:		
Impairment losses	7,602	360
Profit on sale of property, plant and equipment	–	(8)
Headline earnings	(7,934)	(23,093)
Headline loss per share (cents per share)	(0.39)	(1.22)
13. DEVELOPMENT, EXPLORATION AND EVALUATION EXPENDITURE		
Development, exploration and evaluation expenditure comprises:		
Exploration and evaluation assets	118,652	104,893
Development expenditure	114,170	103,030
Balance at end of year	232,822	207,923
A reconciliation of development, exploration and evaluation expenditure is presented below:		
Exploration and evaluation assets		
Balance at beginning of year	104,893	118,498
Additions	430	1,187
Movement in Rehabilitation asset	(37)	(18)
Transfer from development assets	2,342	–
Acquisition of Uitkomst Colliery (refer note 36)	249	–
Foreign exchange differences	10,775	(14,774)
Balance at end of year	118,652	104,893
Development assets		
Balance at beginning of year	103,030	114,315
Additions	6	–
Movement in Rehabilitation asset	2,004	(167)
Transfer from property, plant and equipment	–	6,501
Transfer to exploration and evaluation assets	(2,342)	–
Deferred tax asset	–	(1,488)
Foreign exchange differences	11,472	(16,131)
Balance at end of year	114,170	103,030

IMPAIRMENT TESTING

EXPLORATION AND EVALUATION ASSETS

As of 30 June 2017, the net book value of the following project assets were classified as Exploration and Evaluation assets:

- Greater Soutpansberg Project: \$65.9 million
- Makhado Project: \$52.5 million

In terms of AASB 6 – Exploration for and Evaluation of Mineral Resource management have performed an assessment of whether facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. In performing its assessment, management have considered its exploration rights to the exploration areas, its planned & budgeted exploration activities and the likelihood of the recoverability of the net book value from the successful development of the areas of interest. Management have concluded that no indicators of impairment for its Exploration and Evaluation assets exist as at 30 June 2017.

DEVELOPMENT ASSETS

As of 30 June 2017 the net book value of the following project assets were included in development assets:

- Vele Colliery: \$114.2 million

In terms of AASB 136 – Impairment of Assets management have identified the coal commodity price as an indicator that the Vele assets may be impaired and have performed a formal impairment assessment.

Management have adopted the fair value less costs of disposal approach to estimate the recoverable amount of the project, before comparing this amount with the carrying value of the associated assets and liabilities in order to assess whether an impairment of the carrying value is required under AASB 136. Management formed the view that there is no impairment.

In calculating fair value less costs of disposal, management have forecast the cash flows associated with the project over its expected life of 17 years until 2035. The cash flows are estimated for the assets of the colliery in its current condition together with CAPEX required for the colliery to resume operation and discounted to its present value using a post-tax discount rate that reflects the current market assessments of the risks specific to the Vele Colliery. The identification of impairment indicators and the estimation of future cash flows require management to make significant estimates and judgments. Details of the key assumptions used in the fair value less costs of disposal calculation at 30 June 2017 are included below.

KEY ASSUMPTIONS

	2018	2019	2020	2021	LT
Thermal coal price (\$, nominal) ¹	66	62	61	61	64 ²
Hard coking coal price (\$, nominal) ³	121	112	114	117	125 ⁴
Exchange rate (\$/R, nominal)	16.6	18.1	19.3	20.5	20.5 ⁵
Discount rate ⁴					16.1%
Inflation rates \$					2.0%
R					5.5%
Production start date					July 2019

¹ Management's assumptions reflect the Richards Bay export thermal coal (API4) price

² LT thermal coal price equivalent to \$60 per tonne in 2017 dollars

³ Management's assumption of the hard coking coal price is made after considering relevant broker forecasts

⁴ LT hard coking coal price equivalent to \$115 per tonne in 2017 dollars

⁵ From 2022, the exchange rate is derived with reference to the 2021 assumption, and inflated by the compounding differential between \$ and ZAR inflation rates

⁶ Management prepared a nominal ZAR-denominated, post-tax discount rate, which was calculated with reference to the Capital Asset Pricing Model (CAPM)

⁷ The production start date assumes that sufficient project finance is able to be raised by management in order to commence production in July 2019

Management is in the early stages of considering the financing options available

IMPAIRMENT ASSESSMENT

	\$ million
Carrying value of Vele cash generating unit	114
Value of Vele using the discounted cash flow method	111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

13. DEVELOPMENT, EXPLORATION AND EVALUATION EXPENDITURE continued

Excluded from the value of the Vele Colliery set out above, which has been derived using the discounted cash flow model, is any value attributable to resources remaining after the projections made in the life of mine model. In order to assess the potential value of resources outside of the life of mine plan, we have extended the life of mine model by an additional two years. This results in a value of Vele using the discounted cash flow method of \$115 million. Incorporating an additional 10 years (assuming all other assumptions are unchanged) results in a value of Vele using the discounted cash flow method of \$124 million.

Alternative valuation analysis of the resources outside of the life of mine plan has been performed by applying a resource multiple to these resources. We note that applying a resource multiple of a \$0.25 per tonne to the primary saleable reserves not included in the current mine plan would increase the value of Vele such that it would be greater than its carrying value.

SENSITIVITY ANALYSIS

Changes in key assumptions in the table below would have the following approximate impact on the recoverable amount of the Vele Colliery as calculated using the discounted cash flow method and excluding the effect of the value attributable to resources outside the LoM.

Sensitivity	Change in variable	Effect on fair value less costs of disposal using discounted cash flow method (\$ million)
Long term coal prices	+10.0%	36
	-10.0%	(36)
Long term exchange rate	+10.0%	33
	-10.0%	(33)
Discount rate	+1.0%	(6)
	-1.0%	7
Operating costs	+10.0%	(18)
	-10.0%	18
Delays in production start date	+12 months	(6)

14. PROPERTY, PLANT AND EQUIPMENT

	Mining property, plant and equipment	Mining rights	Land and buildings	Leasehold improvements	Motor vehicle	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2017							
Cost							
At beginning of year	42	—	7,368	390	605	1,597	10,002
Additions	—	—	5	—	7	152	164
Disposals	—	—	—	—	(17)	(4)	(21)
Acquisition of Uitkomst Colliery (refer note 36)	1,948	20,243	433	—	373	90	23,087
Exchange differences	6	—	977	48	80	202	1,313
At end of year	1,996	20,243	8,783	438	1,048	2,037	34,545
Accumulated depreciation							
At beginning of year	30	—	880	389	494	1,454	3,247
Depreciation charge	—	—	181	—	66	107	354
Accumulated depreciation on disposals	—	—	—	—	(17)	(2)	(19)
Exchange differences	4	—	123	49	67	189	432
At end of year	34	—	1,184	438	610	1,748	4,014
Net carrying value at end of fiscal year 2017	1,962	20,243	7,599	—	438	289	30,531



	Mining property, plant and equipment	Land and buildings	Leasehold improvements	Motor vehicle	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2016						
Cost						
At beginning of year	50	16,701	463	732	1,831	19,777
Additions	–	–	–	56	58	114
Transferred to development costs	–	(6,501)	–	–	–	(6,501)
Disposals	–	–	–	(59)	–	(59)
Exchange differences	(8)	(2,832)	(73)	(124)	(292)	(3,329)
At end of year	42	7,368	390	605	1,597	10,002
Accumulated depreciation						
At beginning of year	36	857	462	517	1,646	3,518
Depreciation charge	–	171	–	103	77	351
Accumulated depreciation on disposals	–	–	–	(37)	–	(37)
Exchange differences	(6)	(148)	(73)	(89)	(269)	(585)
At end of year	30	880	389	494	1,454	3,247
Net carrying value at end of fiscal year						
2017	12	6,488	1	111	143	6,755

15. INTANGIBLE ASSETS

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Balance at beginning of year	10,489	11,682
Amortisation	–	(848)
Impairment	(10,624)	–
Foreign exchange differences	135	(345)
Balance at end of year	–	10,489

In August 2008 the Company entered into a throughput agreement with Terminal de Carvao da Matola (TCM), a subsidiary of Grindrod, the operator of the Matola Terminal, and CMR Engineers & Project Managers Proprietary Limited.

This agreement granted the Company one mtpa of port capacity through the Matola terminal commencing 1 January 2009, for an initial term of five years. This capacity was increased to approximately three mtpa in March 2011 and the Company had 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.

During the 2015 financial year the Company reached an agreement with Grindrod to settle the current liabilities to date as well as cover all future take or pay obligations until 31 December 2016. During the current year CoAL decided not to renew the take or pay obligation beyond 31 December 2016 to avoid any further liabilities until production can be forecast with certainty, and as a result impaired the intangible asset in full, with no further rights to port capacity currently existing following termination.

New terms can be negotiated if required to facilitate any production by its Vele Colliery and Makhado Project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

16. OTHER RECEIVABLES

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Carrying amount of:		
NiMag loan	–	811
Other loans	237	202
	237	1,013
Balance at beginning of year	1,013	1,746
Loans repaid	(457)	(444)
Interest	61	–
Other	7	–
Foreign exchange differences	108	(289)
Transfer NiMag loan to trade and other receivables	(495)	–
Balance at end of year	237	1,013

NIMAG LOAN

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.

17. OTHER FINANCIAL ASSETS

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Carrying value of financial assets at fair value through profit or loss		
Listed securities		
– Equity securities	5	188
Unlisted securities		
– Equity securities in investment funds*	7,489	5,545
– Acquisition of Uitkomst Colliery	19	–
	7,513	5,733
Fair value movements in other financial assets are recognised in other (losses)/gains in the consolidated statement of profit or loss. Refer note 6.		
* Listed investments are carried at the market value as at the reporting date and unlisted investments are valued with reference to the investment company's fund statement.		
Deposits	1,663	1,488
	9,176	7,221
Other financial assets have been analysed between current and non-current as follows:		
Current	5	188
Non-current	9,171	7,033
	9,176	7,221

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Opening balance	7,221	3,879
Revaluations	521	(80)
Interest received	2	–
Disposal of investment	(760)	–
Deposit received	(21)	–
Acquisition of investments	1,181	3,336
Acquisition of Uitkomst Colliery (refer note 36)	19	–
Foreign exchange differences	1,013	86
Balance at end of year	9,176	7,221

18. INVENTORIES

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Consumable stores	12	5
Other	292	–
Acquisition of Uitkomst (refer note 36)	1,384	–
	1,688	5

The Uitkomst inventory acquired consisted of finished goods of \$1.2 million (R15.3 million), consumable stores of \$0.2 million (R2.9 million) and a provision for obsolete inventory of \$0.02 million (R0.2 million).

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$0.03 million (2016: \$0.05 million).

19. TRADE AND OTHER RECEIVABLES

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Trade receivables	127	48
Other receivables	1,519	963
Allowance for doubtful debts	(390)	(345)
Acquisition of Uitkomst Colliery (refer note 36)	4,851	–
	6,107	666
The carrying amount of trade and other receivables approximate their fair value due to their short-term maturity.		
The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed above. The Group does not hold any collateral as security.		
Movements on the allowance for doubtful debts are as follows:		
Balance at beginning of year	345	414
Allowance for bad debts in current year	–	–
Foreign exchange differences	45	(69)
Balance at end of year	390	345

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

19. TRADE AND OTHER RECEIVABLES continued

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Credit quality of trade receivables		
Not past due	127	48
Past due 0 to 30 days	–	–
Past due 31 to 60 days	–	–
Past due 61 to 90 days	–	–
	127	48
Currency analysis of trade receivables		
SA Rand	127	48
	127	48

20. CASH AND CASH EQUIVALENTS

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Bank balances	9,624	19,502
Bank balances included in a disposal group held for sale (refer note 21)	22	21
	9,646	19,523
Restricted cash	52	249
Restricted cash included in a disposal group held for sale (refer note 21)	–	219
	52	468

The restricted cash balance of \$0.1 million (2016 – \$0.2 million) is held on behalf of subsidiary companies in respect of the rehabilitation guarantees issued to the DMR in respect of environmental rehabilitation costs of \$6.3 million (2016: \$6.3 million). This cash is not available for use other than for those specific purposes.

CREDIT RISK

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.

21. ASSETS CLASSIFIED AS HELD FOR SALE

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Carrying amounts of		
Langcarel Proprietary Limited (Mooiplaats)	6,276	11,835
Acquisition of Uitkomst Colliery (property, plant and equipment held for sale)	101	–
	6,377	11,835
Assets classified as held for sale		
Mooiplaats	9,690	14,567
Uitkomst property, plant and equipment	101	–
	9,791	14,567
Liabilities associated with assets held for sale		
Mooiplaats	3,414	2,732
	3,414	2,732

HOLFONTEIN

During the period, the sale of Holfontein was finalised and the Company received the balance outstanding of \$3 million (R40 million). The sale resulted in a reversal of prior period impairments of \$3 million.

OPGOEDENHOOP

During the year, the Company received \$0.1 million (ZAR1 million) of the balance outstanding of \$1.3 million (R17.3 million) from the prior year for the sale of the undeveloped Opgoeendhoop mining right. The balance outstanding at 30 June 2017 is \$1.5 million (R19.1 million). The outstanding balance is accruing interest at the South African prime rate plus 4% as there has been a default in the payment terms. The Company is in constant communication with the purchaser to recover the outstanding balance.

UITKOMST PROPERTY

Uitkomst has signed an offer to purchase for the sale of a building for \$0.1 million (R1.3 million)

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Assets classified as held for sale		
Property, plant and equipment	9,407	14,069
Other financial assets	239	202
Restricted cash	–	219
Inventories	1	–
Trade and other receivables	21	56
Cash and cash equivalents	22	21
Uitkomst property, plant and equipment	101	–
	9,791	14,567
Liabilities classified as held for sale		
Provisions	2,937	2,332
Trade payables and accrued expenses	477	400
	3,414	2,732
Net assets held for sale	6,377	11,835

22. DEFERRED CONSIDERATION

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Deferred consideration	1,916	16,016
	1,916	16,016
Opening balance	16,016	18,687
Uitkomst deferred consideration (refer note 36)	1,916	–
Repaid during the year	(18,247)	(4,066)
Interest accrued	839	1,443
Foreign Exchange	1,392	(48)
Balance at end of year	1,916	16,016
Current	–	16,016
Non-Current	1,916	–
	1,916	16,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

22. DEFERRED CONSIDERATION continued

The opening balance Deferred Consideration relates to the second tranche (part of the total acquisition price of \$75 million for Chapudi and Kwezi) of \$30 million payable to Rio Tinto. Full and final settlement of the outstanding balance plus all accrued interest was made in June 2017. The loan included interest at 4% as per the original agreement.

The additional deferred consideration present as at 30 June 2017 relates to a deferred amount of \$1.9 million (R25 million) included in the acquisition price of \$21.1 million (ZAR275 million), payable to Pan African Resources Plc ("Pan African") for the acquisition by the Company of PAR Coal (refer note 36). The amount bears interest at the South African prime rate and will be settled on 30 June 2019. The Company is entitled to prepay any amounts in respect of the deferred consideration at any time until 30 June 2019. To the extent that certain coal buy in opportunities are not secured by or with the assistance of Pan African, within 2 years from the effective date, which could result in CoAL suffering a lower economic benefit, the deferred consideration can be reduced by such value, subject to a maximum of \$1.3 million (R15 million).

23. BORROWINGS

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Yishun Brightrise Investment PTE Limited	–	10,000
Industrial Development Corporation of South Africa Limited	8,197	–
	8,197	10,000
Balance at beginning of year	10,000	–
Yishun Brightrise Investment PTE Limited	–	10,000
Yishun Brightrise Investment PTE Limited – converted to equity	(10,000)	–
Industrial Development Corporation of South Africa Limited	9,004	–
Debt issuance costs capitalised – cash based	(91)	–
Debt issuance costs capitalised – warrants	(1,096)	–
Interest	212	–
Foreign exchange	168	–
Balance at end of year	8,197	10,000

YISHUN BRIGHTRISE INVESTMENT PTE LIMITED

During the prior period, a loan for \$10 million was provided to the Company by its shareholder Yishun. The loan carried no interest and was only repayable in limited circumstances, including conditions relating to Baobab Mining and Exploration Proprietary Limited.

During the financial year, the loan was converted into the Company's shares (245,037,981 shares were issued at a price of \$0.04081 per share).

INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LIMITED

During the period, the Company entered into a loan agreement (the "Loan Agreement") with the Industrial Development Corporation of South Africa Limited ("IDC") and Baobab Mining and Exploration Proprietary Limited ("Baobab"), a subsidiary of CoAL and owner of the mining right for the Makhado Project. In terms of the Loan Agreement, the IDC will advance loan funding up to \$18.4 million (ZAR240 million) to Baobab for use in the Makhado Project to advance the operations and implementation of the project. The loan funding is to be provided in two equal tranches of \$9.2 million (ZAR120 million) upon written request from Baobab.

In May 2017, the first tranche was drawn down by the Company. The loan is repayable on the third anniversary of each advance. On the third anniversary, the Company is required to repay the loan amount plus an amount equal to the after tax internal rate of return equal to 16% of the amount of each advance.

CoAL is also required to issue warrants, in respect of CoAL shares, to the IDC pursuant to each advance date as soon as the relevant shareholder approval is obtained. The warrants for the first draw down equates to 2.5% of the entire issued share capital of CoAL as at 5 December 2016. This equates to 48,175,033 shares. The price at which IDC shall be entitled to purchase the CoAL shares is equal to a thirty percent premium to the 30 day volume weighted average price of the CoAL shares as traded on the JSE as at 5 December 2016 (R0.60 per share). The IDC is entitled to exercise the warrants for a period of five years from the date of issue.



Furthermore, upon each advance date, Baobab shall be required to issue new ordinary shares in Baobab to the IDC equivalent to 5% of the entire issued share capital of Baobab at such time.

If the second tranche of \$9.2 million (R120 million) is not required by Baobab and therefore not advanced by Baobab, the IDC may elect to exercise one of the following rights:

- Baobab shall issue new ordinary shares in Baobab equivalent to 5% of the entire issued share capital of Baobab to the IDC for an aggregate subscription price of \$4.6 million (R60 million); or
- Baobab shall issue ordinary shares in Baobab equivalent to 1% of the entire issued share capital of Baobab to the IDC for an aggregate share price of \$0.08 (R1); or
- A penalty fee of \$0.9 million (R12 million) shall be paid to the IDC by Baobab

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Loan advanced	9,004	–
Debt issuance costs capitalised – cash based	(91)	–
Debt issuance costs capitalised warrants	(1,133)	–
Interest accrued	212	–
Foreign exchange differences	205	–
	8,197	–
24. PROVISIONS		
Employee provisions	381	207
Biodiversity offset provision	2,126	1,856
Rehabilitation provisions	5,558	2,338
	8,065	4,401

EMPLOYEE PROVISIONS

The provision for employees represents unused annual leave entitlements.

BIODIVERSITY OFFSET PROVISION

The BOA was signed by the DEA, South African National Parks Board and the Company to the value of \$4.7 million (R55 million) over a 25 year period. The BOA commits the Company to pay \$4.7 million (R55 million) to the South African National Parks Board over a period of 25 years. The following payment arrangement has been agreed:

Phase 1 – R2 million paid in 2015

Phase 2 – R15 million from year 2016 to 2021 (ZAR2.5 million annually)

Phase 3 – R13 million from year 2022 to 2028 (ZAR1.8 million annually)

Phase 4 – R13 million from 2029 to 2033 (ZAR2.6 million annually)

Phase 5 – R12 million from 2034 to 2038 (ZAR2.4 million annually)

For the purpose of the present value calculation these payments have been assume as equal annual payment and discounted at the South Africa inflation rate of 6%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

24. PROVISIONS continued

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Rehabilitation provision		
Balance at beginning of year	2,338	3,033
Unwinding of discount	120	–
Change in assumptions on rehabilitation provisions	1,821	(186)
Acquisition of Uitkomst Colliery (refer note 36)	888	–
Foreign exchange differences	391	(509)
Balance at end of year	5,558	2,338

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 Environmental Management Programme ('EMP').

Although the ultimate amount of the obligation is uncertain, the fair value of the obligation is based on information that is currently available. 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.

The period assumed in the calculation of the present value of the obligation is the aggregate of the construction period of the mine and the total estimated LOM.

The current estimate available is inflated by the South African inflation rate of 6.8% annually and the discount rate applied to establish the current obligation is a South Africa government bond rate at 30 June 2017 of 8.92% (2016: 8.75%) annually.

Due to the delay on the Vele Colliery start-up the estimated LoM has been extended causing a decrease in the present value of the environmental obligation.

The Makhado Project is still in exploration phase and no formal decision to mine is currently in place.

Provisions have been analysed between current and non-current as follows:

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Current	597	398
Non-current	7,468	4,003
	8,065	4,401

25. DEFERRED TAX

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Deferred tax asset	5,713	4,773
Deferred tax liability – Acquisition of Uitkomst Colliery (note 36)	(6,087)	–
Net deferred tax (liability)/asset	(374)	4,773
The gross movement on the deferred tax account is as follows:		
Balance at beginning of year	4,773	2,320
Recognised on tax losses	296	1,437
Provisions	(1)	(5)
Capital allowances	–	1,488
Acquisition of Uitkomst Colliery	(6,087)	–
Exchange differences	645	(467)
Balance at end of year	(374)	4,773
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:		
Deferred tax assets		
Capital allowances ¹ on development assets	3,825	3,378
Tax losses	1,889	1,400
Acquisition of Uitkomst Colliery – Provisions	377	–
Balance at end of year	6,091	4,778
Deferred tax liabilities		
Provisions	(1)	(5)
Acquisition of Uitkomst – Property, plant and equipment	(6,464)	–
Balance at end of year	(6,465)	(5)
Net deferred tax (liabilities)/assets	(374)	4,773

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 \$105 million (2016: \$99 million) in respect of losses amounting to \$213.5 million (2016: \$207 million) and unredeemed capital expenditure of \$149.5 million (2016: \$134 million) that can be carried forward against future taxable income.

¹ The deferred tax asset recognised on capital allowances relates to a portion of the capital expenditure on the construction of the Vele plant. The deferred tax asset recognised on assessed losses relates to taxable losses for the Vele plant. The recognition of the asset is supported by the LoM model as future profits will be available to utilise the deferred tax asset.

26. TRADE AND OTHER PAYABLES

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Trade payables	2,925	956
Accrued expenses	1,107	1,333
Other	192	34
	4,224	2,323

The average credit period is 30 days. Interest at the South African prime overdraft rate is charged on overdue creditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

27. ISSUED CAPITAL

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Fully paid ordinary shares		
2,817,587,529 (2016: 1,927,001,328) fully paid ordinary shares	1,040,950	1,006,435
	Movement	\$'000
Movements in fully paid ordinary shares		
At 30 June 2015	1,743,568,613	992,374
Issue of shares, net of issuance costs	183,432,715	14,061
At 30 June 2016	1,927,001,328	1,006,435
Issue of shares, net of issuance costs	890,586,201	34,515
At 30 June 2017	2,817,587,529	1,040,950

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

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

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.

SHARE OPTIONS GRANTED

Share options granted under the Company's employee share option plan and performance rights carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in note 30.

28. ACCUMULATED DEFICIT

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Accumulated deficit at the beginning of the financial year	(736,403)	(718,081)
Net loss attributed to owners of the Company	(15,536)	(23,445)
Transferred from share based payment reserve	1,839	5,123
Accumulated deficit at the end of the financial year	(750,100)	(736,403)

29. RESERVES

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Capital profits reserve	91	91
Share based payment reserve	713	2,274
Warrants reserve	1,134	–
Foreign currency translation reserve	(20,473)	(36,530)
	(18,535)	(34,165)
Movements for the year can be reconciled as follows:		
Share-based payments reserve		
Opening balance	2,274	7,205
Share options issued during the year	466	275
Transfer from share based payment reserve	(1,839)	(5,123)
Share options cancelled/forfeited	(188)	(83)
Closing balance	713	2,274
Foreign currency translation reserve		
Opening balance	(36,530)	(7,609)
Exchange differences on translating foreign operations	19,079	(28,921)
Closing balance	(17,451)	(36,530)
Warrants reserve		
Opening balance	–	–
Warrants issued to the IDC	1,134	–
Closing balance	1,134	–

Nature and purpose of reserves:

CAPITAL RESERVE

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

SHARE-BASED PAYMENT RESERVE

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

FOREIGN CURRENCY TRANSLATION RESERVE

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

WARRANTS RESERVE

The warrants reserve relates to the warrants issued to the IDC in terms of the Loan Agreement to advance funding to Baobab. Refer note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

30. SHARE-BASED PAYMENTS

EMPLOYEE SHARE OPTION PLAN

The Group maintains certain Employee Share Option Plans (ESOPs) for executives and senior employees of the Group as per the rules approved by shareholders on 30 November 2009. In accordance with the terms of the schemes, eligible 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, officers, lenders and equity funders of the Group outside the ESOP. 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 2017

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 during the financial period ended 30 June 2017:

- 2,670,000 options were issued on 16 September 2011 to eligible employees of CoAL as part of the ESOP. The options issued were exercisable prior to 14 February 2017 and had an exercise price of A\$1.40 or ZAR7.60. The options vested in equal tranches on 1 July 2012, 1 July 2013 and 1 July 2014. Upon conversion the shares would have ranked equally with existing shares, were not transferable and held no voting or dividend rights. These options expired during the period.
- 3,932,928 options were granted on 22 November 2013 to eligible employees of CoAL as part of the ESOP. The options were exercisable prior to 30 June 2017 and had an exercise price of ZAR1.75. Two thirds of the options vested immediately and the remaining third on 1 July 2014. Upon conversion the shares would have ranked equally with existing shares, were not transferable and held no voting or dividend rights. These options expired during the period.
- The Company finalised an 18-month, ZAR210 million working capital facility from Investec Bank Limited during October 2013 and announced that it would issue 20,000,000 Options to Investec. The 20,000,000 shareholder approved options were issued on 30 January 2015 and have an exercise price of ZAR1.32 and expire on 21 October 2018. 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.
- 10,575,000 options were awarded to Mr Brown on his appointment as Chief Executive Officer and Executive Director of the Company. The options were approved by shareholders on 28 November 2014 and issued on 1 February 2015 under the ESOP vesting in three equal tranches of 3,525,000 options on 1 February 2015, 1 February 2016 and 1 February 2017 respectively. The Options were to expire on 1 February 2019 and were otherwise subject to the terms of the ESOP. Upon conversion the shares would have rank equally with existing shares, were not transferable and held no voting or dividend rights. In November 2016, these options were cancelled at the Company's Annual General Meeting.
- On 27 November 2015, 1,000,000 options were awarded and vested to each of the five independent non-executive directors at a price of GBP0.055 per option. The options expire on 27 November 2018. 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.

There has been no alteration of the terms and conditions of the above share based payment arrangements since the grant date. The following share-based payment arrangements were in existence at the end of the current year:

Option series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date	Weighted average remaining contractual life
Investec options	20,000,000	30/01/2015	21/10/2018	ZAR1.32	ZAR0.75	1.3 years
Non-executive Director options	5,000,000	27/11/2015	27/11/2018	GBP0.055	ZAR0.77	1.4 years
	25,000,000					

FAIR VALUE OF SHARE OPTIONS GRANTED DURING THE YEAR

There were no share options granted during the period.

Options were priced using a binomial option pricing model and the Black-Scholes option pricing model was used to validate the price calculated. 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 calculated by Hoadley's volatility calculator for one, two and three year periods and a future estimated volatility level of 100% was used in the pricing model.

Inputs into the binomial option pricing model for the prior financial year were as follows (validated using the Black-Scholes valuation model):

	NED grants ⁽¹⁾
Closing share price on issue date	AUD0.051
Exercise price	GBP0.055
Expected volatility	100%
Option life remaining	3.01 years
Dividend yield	0%
Risk free interest rate	2.09%

⁽¹⁾ Options granted to non-executive directors

The total share based payment expense reversal recognised in the current financial year is \$0.2 million.

MOVEMENT IN SHARE OPTIONS

	Year ended 30 June 2017	Year ended 30 June 2016
	Number	Number
Options outstanding at beginning of year	42,177,928	85,993,989
Options expired	(6,602,928)	(47,441,061)
Options cancelled	(10,575,000)	(1,375,000)
Options granted	–	5,000,000
Options outstanding at end of year	25,000,000	42,177,928
Weighted average exercise price (A\$)	0.07	0.08
Options exercisable	25,000,000	38,652,928

SHARE OPTIONS EXERCISED DURING THE YEAR

No share options were exercised during the period.

SHARE OPTIONS OUTSTANDING AT THE END OF THE YEAR

The share options outstanding at the end of the year had a weighted average exercise price of A\$0.07 (2016: A\$0.08) and a weighted average contractual life of 1.32 years (2016: 1.32 years).

PERFORMANCE RIGHTS PLAN

The Performance Rights factor in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date. The Performance Rights were valued using a hybrid employee share option pricing model to simulate the total shareholder return of CoAL at the expiry date using a Monte-Carlo model.

On 30 November 2016, 35,409,403 Performance Rights were issued to senior management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

30. SHARE-BASED PAYMENTS continued

Inputs into the model for the current financial year were as follows:

	Performance rights
Spot 5 day VWAP	AUD0.047
Exercise price	Nil
Expiry date	29 November 2019
Performance period	3.00
Risk free interest rate	8.24%

The total share based payment expense recognised in relation to the Performance Rights in the current financial year is \$0.4 million.

In the prior period, 33,449,124 Performance Rights were issued to senior management.

Inputs into the model for the prior financial year were as follows:

	Performance rights
Spot 5 day VWAP	AUD0.047
Exercise price	Nil
Expiry date	1 December 2018
Performance period	3.01
Risk free interest rate	2.09%

The total share based payment expense recognised in relation to the performance rights in the prior financial year is \$0.1 million.

MOVEMENT IN PERFORMANCE RIGHTS

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Performance rights outstanding at beginning of year	35,409,503	–
Performance rights forfeited	(13,223,390)	–
Performance rights granted	33,449,124	35,409,503
Options outstanding at end of year	55,635,237	35,409,503

31. NON-CONTROLLING INTEREST

Non-controlling interests comprise the following:

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Freewheel Trade and Invest 37 Proprietary Limited	575	575
Baobab non-controlling interest	(16)	–
	559	575



32. FINANCIAL INSTRUMENTS

32.1 CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings as detailed in note 23) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 27 to 29).

The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group revised its target gearing ratio, determined as the proportion of net debt to equity, from 0% to 15%. This was to enable the Company to raise the loan from the IDC.

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Debt ¹	9,271	10,000
Equity ²	272,874	235,867
Debt to equity ratio	0.03	0.04

¹ Debt is defined as long-term and short-term borrowings as described in note 23

² Equity includes all capital and reserves of the Group that are managed as capital

32.2 CATEGORIES OF FINANCIAL INSTRUMENTS

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

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Financial assets		
Other receivables	237	1,013
Trade and other receivables	6,107	666
Cash and cash equivalents	9,624	19,502
Restricted cash	52	249
Other Financial Assets	9,176	7,221
Total financial assets	25,196	28,651
Financial liabilities		
Deferred consideration	1,916	16,016
Borrowings	8,197	10,000
Trade and other payables	4,224	2,323
Total financial liabilities	14,337	28,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

32. FINANCIAL INSTRUMENTS continued

32.2 CATEGORIES OF FINANCIAL INSTRUMENTS continued

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 consolidated financial statements approximate their respective 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 1 financial assets comprise deposits and listed securities (note 17).

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 2 financial assets comprise investments with investment firms. These investments serve as collateral for rehabilitation guarantees. The fair value has been determined by the investment firms' fund statement (note 17).

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.

There were no assets reclassified into / out of FVTPL during the year nor were any assets transferred between levels.

As at 30 June 2017	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	5	7,507	–	7,512

As at 30 June 2016	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	188	5,545	–	5,733

32.3 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Corporate Treasury function reports quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

32.4 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 exposes the South African subsidiary companies to changes in the foreign exchange rates.

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

The Group generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.



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

	Held in ZAR	Held in GBP	Held in AUD	Held in USD	Total
Balances at 30 June 2017	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Other receivables	237	–	–	–	237
Trade and other receivables	6,107	–	–	–	6,107
Cash ¹ and cash equivalents	5,698	559	21	3,398	9,676
Total financial assets	12,042	559	21	3,398	16,020
¹ Cash includes restricted cash					
Financial liabilities					
Deferred consideration	1,916	–	–	–	1,916
Borrowings	8,197	–	–	–	8,197
Trade and other payables	3,475	9	40	700	4,224
Total financial liabilities	13,588	9	40	700	14,337

	Held in ZAR	Held in GBP	Held in AUD	Held in USD	Total
Balances at 30 June 2016	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Other receivables	1,013	–	–	–	1,013
Trade and other receivables	616	–	50	–	666
Cash ¹ and cash equivalents	3,642	4,692	22	11,395	19,751
Total financial assets	5,271	4,692	72	11,395	21,430
¹ Cash includes restricted cash					
Financial liabilities					
Deferred consideration	–	–	–	16,016	16,016
Borrowings	–	–	–	10,000	10,000
Trade and other payables	1,199	–	1,124	–	2,323
Total financial liabilities	1,199	–	1,124	26,016	28,339

Balances classified as held for sale are not included in the above tables, or discussed in the subsequent narrative.

The following table details the Group's sensitivity to a 10% increase and decrease in the US dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the US dollar strengthens 10% against the relevant currency. For a 10% weakening of the US dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Impact on profit/(loss)		
Judgements on reasonable possible movements		
USD/R increase by 10%	(2,000)	(2,345)
USD/R decrease by 10%	2,000	2,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

32. FINANCIAL INSTRUMENTS continued

32.5 INTEREST RATE RISK MANAGEMENT

The Group's interest rate risk arises mainly from short-term borrowings, cash and bank balances and restricted cash. The Group has variable interest rate borrowings. Variable rate borrowings expose the Group to cash flow interest rate risk.

The Group has not entered into any agreements, such as hedging, to manage this risk.

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 2017	Year ended 30 June 2016
	\$'000	\$'000
Impact on profit/(loss)		
Judgements on reasonable possible movements		
Increase of 0.2% in LIBOR	24	38
Decrease of 0.2% in LIBOR	(24)	(38)
Increase of 1.0% in JIBAR	121	188
Decrease of 1.0% in JIBAR	(121)	(188)

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 short-term borrowings.

32.6 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.

At year end there is no significant concentration of credit risk represented in the cash and cash equivalents, restricted cash and trade accounts receivables balance. The Group manages its credit risk by predominantly dealing with counterparties with a positive credit rating.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

32.7 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:

	United Kingdom	Australia	South Africa	Total
	\$'000	\$'000	\$'000	\$'000
Balances at 30 June 2017				
Cash and cash equivalents and restricted cash	3,967	21	5,688	9,676
	3,967	21	5,688	9,676
Balances at 30 June 2016				
Cash and cash equivalents and restricted cash	16,096	22	3,633	19,751
	16,096	22	3,633	19,751



The contractual maturities of the Group's financial liabilities at the reporting date were as follows:

	Less than 6 months	Between 6 – 12 months	Greater than 12 months	Total
Balances at 30 June 2017	\$'000	\$'000	\$'000	\$'000
Deferred consideration	–	–	1,916	1,916
Borrowings ¹	–	–	8,197	8,197
Trade and other payables	4,224	–	–	4,224
	4,224	–	10,113	14,337

¹ Interest bearing at 16% after tax real rate of return

	Less than 6 months	Between 6 – 12 months	Greater than 12 months	Total
Balances at 30 June 2017	\$'000	\$'000	\$'000	\$'000
Other receivables	–	–	237	237
Trade and other receivables	6,107	–	–	6,107
Cash and cash equivalents	9,624	–	–	9,624
Restricted cash	52	–	–	52
Other financial assets	5	–	9,170	9,175
	15,788	–	9,407	25,195

	Less than 6 months	Between 6 – 12 months	Greater than 12 months	Total
Balances at 30 June 2016	\$'000	\$'000	\$'000	\$'000
Deferred consideration	5,250	10,766	–	16,016
Borrowings ²	–	10,000	–	10,000
Trade and other payables	2,323	–	–	2,323
	7,573	20,766	–	28,339

² Not interest bearing

	Less than 6 months	Between 6 – 12 months	Greater than 12 months	Total
Balances at 30 June 2016	\$'000	\$'000	\$'000	\$'000
Other receivables	–	–	1,013	1,013
Trade and other receivables	666	–	–	666
Cash and cash equivalents	19,502	–	–	19,502
Restricted cash	249	–	–	249
Other financial assets	188	–	7,033	7,221
	20,605	–	8,046	28,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

33. NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF CASH

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:

	Note	Year ended 30 June 2017	Year ended 30 June 2016
		\$'000	\$'000
Cash and bank balances	20	9,646	19,523

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Reconciliation of loss before tax to net cash used in operations		
Loss before tax (continuing and discontinuing operations)	(15,847)	(24,876)
Add back:		
Depreciation	354	351
Amortisation	–	848
Net impairment expense	7,602	360
Share-based payment	272	193
Re-valuation of investments	(526)	76
Write off of inventory	–	198
Sundry income (non-cash)	–	–
Movement in provisions	326	(181)
Finance costs (net)	503	849
Profit on sale of assets	(1)	(8)
Foreign exchange (gains)/losses on operating activities	(1,971)	9,568
Changes in working capital		
Increase in inventories	(287)	8
Decrease in trade and other receivables	2,057	265
Decrease in trade and other payables	(2,706)	(788)
Cash used in operations	(10,224)	(13,137)



34. CONTINGENCIES AND COMMITMENTS

CONTINGENT LIABILITIES

The Group is currently involved in litigation as outlined below (\$ amounts presented within have been computed using the exchange rate as of 30 June 2017 unless otherwise stated):

FERRET MINING & ENVIRONMENTAL SERVICES PROPRIETARY LIMITED

During the 2015 financial year, Ferret's 26% shareholding in Mooiplaats Mining Limited was re-instated. Although they are not entitled to any assets or claims in the Mooiplaats group, they are entitled to receive R15million (US\$1.2 million) upon the successful disposal of the Mooiplaats Colliery.

MAKHADO WATER COMMITMENT

CoAL has agreed to acquire water allocation for the Makhado Project from water users situated near the proposed colliery and the Company has undertaken to increase supply assurance without impacting negatively on the water available for agriculture. The parties have in principle agreed to avoid endangering local agriculture by creating new water, primarily by reducing losses, improving distribution and countering leakages and evaporation. The creation of new water will be financed either through CoAL's funds, outside funding or a Public-Private-Partnership with one or more organs of State or other appropriate entities.

The overall objective is the co-existence of mining and agriculture and includes a feasibility study and the completion of projects identified in the study which will facilitate the creation of new water. In terms of the agreement, the Company will be required to pay a total of \$7.9 million. The first payments of \$1.8 million are due 90 and 180 days after the granting of the IWUL, a further \$0.6 million is payable eight months after the IWUL is granted and the balance within five years of the granting.

COMMITMENTS

In addition to the commitments of the parent entity as disclosed under note 38, subsidiary companies have financial commitments in terms of the NOMR granted by the South African DMR. 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.

There are no other significant contingent liabilities as at 30 June 2017.

35. RELATED PARTY DISCLOSURES

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below:

	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Short-term employee benefits	1,557	1,223
Post-employment benefits	7	9
Termination benefits	–	–
Share-based payments	254	209
	1,818	1,441

The Group has not provided any of its key management personnel with loans.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

36. BUSINESS COMBINATIONS

SUBSIDIARIES ACQUIRED

During the period, the Company entered into a sale of shares and claims agreement (the Agreement) with Pan African to acquire 100% of the shares in and claims against PAR Coal for a purchase price of \$21.1 million (R275 million). PAR Coal holds a 91% shareholding in Uitkomst Colliery with the remaining 9% held by broad-based trusts (including employees and communities) and a strategic entrepreneur's trust.

Uitkomst is a high grade thermal export quality coal deposit with metallurgical applications, which is situated in the Utrecht coal fields in KwaZulu-Natal, South Africa. Uitkomst consists of an existing underground coal mine (Uitkomst-South mine) and a planned life of mine extension into the northern area (Klipspruit North mine). The South mine is an easily accessible and well established operating mine. Existing infrastructure such as power supply, water supply, buildings, workshops, weighbridge, water storage and management facilities are all in place. Uitkomst currently employs approximately 520 employees (including contractors).

The acquisition was effective on 30 June 2017.

CONSIDERATION TRANSFERRED

In terms of the Agreement, the acquisition price was settled as follows:

- \$9.4 million (R125 million) paid in cash
- \$1.9 million (R25 million) deferred consideration. The deferred consideration can be paid by CoAL at any time prior to the 24 month anniversary of the effective date of acquisition. The deferred consideration bears interest at the South African prime rate and shall be paid on the second anniversary of the effective date. CoAL is entitled to prepay any amounts in respect of the deferred consideration. If it is not settled after 24 months, the balance outstanding can be settled through the issue of new CoAL shares at the 30 day volume weighted average price as traded on the JSE (CoAL "VWAP") on the date immediately prior to the date on which Pan African gives its election. To the extent that certain coal buy in opportunities are not secured by or with the assistance of Pan African, within two years from the effective date, which could result in CoAL suffering a lower economic benefit, the deferred consideration can be reduced by such value, subject to a maximum of \$1.3 million (R15 million); and
- CoAL issued 261,287,625 new shares (equivalent to \$9.6 million (R125 million))

Acquisition related costs amounting to \$0.2 million, have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year, within the "other expenses" line item.

Assets acquired and liabilities recognised at the date of acquisition

The following summarises the amounts of assets acquired and liabilities recognised at the acquisition date:

	Carrying value	Fair value
Non-current assets		
Development, exploration and evaluation expenditure	249	249
Property, plant and equipment	13,666	23,087
Other financial assets	19	19
Current assets		
Inventories	1,383	1,383
Trade and other receivables	4,851	4,851
Cash and cash equivalents	999	999
Tax receivable	326	326
Assets classified as held for sale	101	101
Non-current liabilities		
Provisions	(888)	(888)
Deferred tax liability	(3,449)	(6,087)
Current liabilities		
Trade and other payables	(2,989)	(2,989)
Total identifiable net assets	14,268	21,051

NON-CONTROLLING INTERESTS

There was no non-controlling interest recognised on acquisition as the trusts that own shares in Uitkomst are effectively controlled by Uitkomst and the "N" shares held by the trust do not rank equally to the ordinary shares and therefore the trust do not participate in the profits and losses of Uitkomst.

FAIR VALUE

Fair value was estimated by an income-based valuation approach. The following were the key model inputs used in determining the fair value:

- Calculated cost of equity for Uitkomst discount rate 10.3%
- Average saleable production of 328,347 tonnes per annum
- Average selling price of R957 per tonne

At the time the financial statements were authorised for issue, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised.

GOODWILL

No goodwill arose on acquisition.

NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARIES

Consideration paid in cash (R125 million)	9,393
Less: cash and cash equivalent balances acquired	(999)
	8,394

IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

Had this business combination been effected on 1 July 2016, the revenue of the Group from continuing operations would have been \$31.8 million and the loss for the year from continuing operations would have been \$13 million. The Directors consider these *pro-forma* numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the *pro-forma* revenue and profit of the Group had Uitkomst been acquired at the beginning of the current year, the directors have:

- Calculated depreciation of the mining asset on the basis of the fair value arising in the initial accounting of the business combination rather than the carrying amounts recognised in the pre-acquisition financial statement.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2017

37. CONTROLLED ENTITIES

Particulars in relation to controlled entities.

		Year ended 30 June 2017	Year ended 30 June 2016
	Country of incorporation	%	%
Bakstaar Boerdery Proprietary Limited *	South Africa	100	100
Baobab Mining & Exploration Proprietary Limited**	South Africa	95	100
Chapudi Coal Proprietary Limited ***	South Africa	74	74
Coal of Africa Plc****	Jersey	–	–
Coal of Africa & ArcelorMittal Analytical Laboratories Proprietary Limited	South Africa	50	50
Cove Mining NL	Australia	100	100
Evoc Mining NL****	Australia	–	–
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	–	–
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	–	74
Kwezi Mining Exploration Proprietary Limited ***	South Africa	74	74
Langcarel Proprietary Limited *****	South Africa	74	74
Limpopo Coal Company Proprietary Limited	South Africa	100	100
MbeuYashu Proprietary Limited	South Africa	74	74
Mooiplaats Mining Limited	South Africa	74	74
Pan African Resources Coal Holdings Proprietary Limited	South Africa	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	50	50
Uitkomst Colliery Proprietary Limited	South Africa	100	–

* Subsidiary company of Fumaria Property Holdings Proprietary Limited

** 74% on completion of the Makhado Project BBBEE transactions

*** Subsidiary companies of MbeuYashu Proprietary Limited

**** Deregistered

***** Subsidiary company of Mooiplaats Mining Limited

38. EVENTS AFTER THE REPORTING PERIOD

There have been no events between 30 June 2017 and the date of this report which necessitate adjustment to the consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity and the consolidated statements of cash flows at that date.

39. PARENT ENTITY FINANCIAL INFORMATION

	Parent entity	
	Year ended 30 June 2017	Year ended 30 June 2016
	\$'000	\$'000
Summary financial information		
Non-current assets	273,541	234,664
Current assets	4,058	16,553
Total assets	277,599	251,217
Non-current liabilities	1,916	
Current liabilities	2,809	14,775
Total liabilities	4,725	14,775
Net assets	272,874	236,442
Shareholders' Equity		
Issued capital	1,040,950	1,006,435
Accumulated deficit	(1,026,378)	(952,060)
Reserves	258,302	182,067
	272,874	236,442
Loss for the year	(74,318)	(64,224)
Total comprehensive loss	(74,318)	(64,224)

CONTINGENCIES AND COMMITMENTS

- CoAL has subordinated all loans to subsidiary companies
- CoAL has entered into a guarantee for the IDC borrowing facility entered into by Baobab (refer note 23)



INDEPENDENT AUDITOR'S REPORT

to the members of Coal of Africa Limited

Deloitte.

Deloitte Touche Tohmatsu
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REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the financial report of Coal of Africa Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of the Vele Colliery Development Assets As at 30 June 2017 the carrying value of the Vele Colliery development assets is \$114.2 million as disclosed in Note 13. The assessment of the recoverable value of the development assets requires management to exercise significant judgement, including the application of the following assumptions within the impairment model: • forecast production quantities; • forecast long-term coal prices; • forecast long-term exchange rates; • forecast capital expenditure; • forecast operating costs; • discount rate; and • corporate tax rate.	In conjunction with our valuation experts, our procedures included, but were not limited to: • evaluating management's assessment as to whether an impairment indicator existed; • testing the mathematical accuracy of the impairment model and the carrying value of the Vele Colliery; • assessing key macroeconomic and corporate tax assumptions with reference to external evidence including: coal prices, inflation rates, exchange rates, and corporate tax rates; • assessing management's underlying mine plan and forecast capital expenditures; • assessing the reasonableness of changes to any underlying assumptions within the mine plan including capital expenditure; • assessing the reasonableness of the discount rate applied; and • performing sensitivity analysis of the recoverable value of the Vele Colliery to changes in assumptions. We also assessed the appropriateness of the disclosures in Note 13 to the financial statements.
Classification of Mooiplaats Colliery as held for sale The assets and liabilities of the Mooiplaats Colliery continue to be classified as held for sale at 30 June 2017. Given that this classification has been maintained for greater than 12 months, management is required to exercise significant judgement to determine whether this classification remains appropriate.	Our procedures included, but were not limited to: • assessing whether the criteria outlined in the applicable accounting standards was met to classify assets and liabilities as held for sale, including whether the sale is highly probable to complete within 12 months of the reporting date; • reviewing the terms and conditions of sale and purchase agreements, to assess that the assets and liabilities are not carried in excess of their fair values less costs of disposal; and • inspecting the supporting documentation provided by the proposed purchaser and assessing their ability to complete the sale transaction. We also assessed the appropriateness of the disclosures in Notes 11 and 21 to the financial statements.
Uitkomst acquisition accounting Effective 30 June 2017 the Group acquired 100% of the Uitkomst Colliery ("Uitkomst"), for a purchase price of US\$21.1 million (ZAR275 million) as disclosed in Note 36. Accounting for this transaction is complex, requiring management to exercise significant judgement to determine the fair value of acquired assets and liabilities and determining the allocation of purchase consideration to tangible and intangible assets.	In conjunction with our valuation experts, our procedures included, but were not limited to: • reviewing the share purchase agreement to understand the key terms and conditions of the transaction and the applicable accounting treatment; • assessing the appropriateness of the methodologies and assumptions utilised by management and their experts in relation to the value of both tangible assets and acquired mining rights; • assessing the independence, competence and objectivity of management's experts. • performing an audit of the acquired mine as at the acquisition date, to assess the fair presentation of the statement of financial position, and to assess the value of the decommissioning and rehabilitation provisions; and • assessing the appropriate corporate tax and deferred tax treatment of the transaction for the various purchase price adjustments. We also assessed the appropriateness of the disclosures in Note 36 to the financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Coal of Africa Limited

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.



We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

OPINION ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 57 to 65 of the Director's Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

RESPONSIBILITIES

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.

DELOITTE TOUCHE TOHMATSU

David Newman

Partner

Chartered Accountants

Perth, 29 September 2017



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TENEMENT SCHEDULE

TENEMENTS HELD BY COAL AND ITS CONTROLLED ENTITIES

Project Name	Tenement Number	Location	Interest
Chapudi Project*	Albert 686 MS-	Limpopo~	74%
	Bergwater 712 MS--		74%
	Remaining Extent and Portion 2 of Bergwater 697 MS--		74%
	Blackstone Edge 705 MS		74%
	Remaining Extent & Portion 1 of Bluebell 480 MS-		74%
	Remaining Extent & Portion 1 of Bushy Rise 702 MS--		74%
	Castle Koppies 652 MS--		74%
	Chapudi 752 MS --		74%
	Remaining Extent, Portions 1, 3 & 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 & Remaining Extent of Grootvlei 684 MS)--		74%
	Remaining Extent and Portion 1 of		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 & 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 & Portion 1 of Pienaar 635 MS-		74%
	Remaining Extent & Portion 1 of Prince's Hill 704 MS-		74%
	Qualipan 655 MS-		74%
	Queensdale 707 MS-		74%
	Remaining Extent & Portion 1 of Ridge End 662 MS-		74%
	Remaining Extent & Portion 1 of Rochdale 700 MS-		74%
	Sandilands 708 MS-		74%
	Portions 1 & 2 of Sandpan 687 MS--		74%
	Sandstone Edge 658 MS-		74%
	Remaining Extent of Portions 2 & 3 of Sterkstroom 689 MS--		74%
	Sutherland 693 MS-		74%
	Remaining Extent & 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%
	Ptn 3, 4, 5 & 6 of Waterpoort 695 MS--		74%
	Wilbeesthoek 661 MS-		74%
	Woodlands 701 MS-		74%

Project Name	Tenement Number	Location	Interest
Kanowna West and Kalbara	M27/41	Coolgardie^	3.81%
	M27/47		3.81%
	M27/59		3.81%
	M27/72,27/73		3.81%
	M27/114		3.81%
	M27/181		3.81%
	M27/196		3.81%
	M27/414,27/415		3.81%
	P27/1826-1829		3.81%
	P27/1830-1842		3.81%
	P27/1887		3.81%
Abbotshall Royalty	ML63/409,410	Norseman^	Royalty
Kookynie Royalty	ML40/061	Leonora^	Royalty
	ML40/135,136		Royalty
Makhado Project	Fripp 645 MS	Limpopo~	69/1%#
	Lukin 643 MS		69/1%#
	Mutamba 668 MS		69/1%#
	Salaita 188 MT		69/1%#
	Tanga 849 MS		69/1%#
	Daru 848 MS		69/1%#
	Windhoek 847 MS		69/1%#
Generaal Project	Beck 568 MS--	Limpopo~	74%
	Bekaf 650 MS-		74%
	Remaining Extent & Portion 1 of Boas 642 MS-		74%
	Chase 576 MS-		74%
	Coen Britz 646 MS-		74%
	Fanie 578 MS-		74%
	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%
	Schuitdrift 179 MT-		100%
	Septimus 156 MT--		100%
	Solitude 111 MT-		74%
	Stayt 183 MT--		100%
	Remaining Extent & Portion 1 of Terblanche 155 MT--		100%
	Van Deventer 641 MS-		74%
	Wildgoose 577 MS-		74%

TENEMENT SCHEDULE CONTINUED

Project Name	Tenement Number	Location	Interest
Mopane Project*	Ancaster 501 MS--	Limpopo~	100%
	Banff 502 MS-		74%
	Bierman 599 MS-		74%
	Cavan 508 MS		100%
	Cohen 591 MS--		100%
	Remaining Extent, Portions 1 & 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 & 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 & 54 of Vera 815 MS		74%
	Remaining Extent of Verdun 535 MS-		74%
	Voorburg 503 MS--		100%
Mooiplaats Colliery and prospects	Portions 1, 9,14,17,18,19,20 & Remaining Extent of Mooiplaats 290 IT	Mpumalanga~	74%
	Portion 2, 3 and Remaining Extent of Klipbank 295 IT		74%
	Portions 1, 2 and Remaining Extent of Adrianople 296 IT		74%
	Portions 2 & 3 of Willemsdal 330 IT		74%
	Portions 2, 3, 4 & Remaining Extent) of De Emigratie 327 IT		74%
	Remaining Extent and Portions 2, 5, 8,10 & 13 of Buhrmansvallei 297 IT		74%
	Klipfontein 442 IT		74%
Uitkomst Colliery	Portion 3 (of 2) of Kweekspruit No. 22	KwaZulu-Natal~	91%
	Portion 8 (of 1) of Kweekspruit No. 22		91%
	Remainder of Portion 1 of Uitkomst No. 95		91%
	Portion 5 (of 2) of Uitkomst No. 95		91%
	Remainder Portion1 of Vaalbank No. 103		91%
	Portion 4 (of 1) of Vaalbank No. 103		91%
	Portion 5 (of 1) of Vaalbank No. 103		91%
	Remainder of Portion 1 of Rustverwacht No. 151		91%
	Remainder of Portion 2 of Rustverwacht No. 151		91%
	Remainder of Portion 3 (of 1) of Rustverwacht No. 151		91%
	Portion 4 (of 1) Rustverwacht No.151		91%
	Portion 5 (of 1) Rustverwacht No. 151		91%
	Remainder of Portion 6 (of 1) of Rustverwacht No. 151		91%
	Portion 7 (of 1) of Rustverwacht No. 151		91%

Project Name	Tenement Number	Location	Interest
	Portion 8 (of 2) of Rustverwacht No. 151		91%
	Remainder of Portion 9 (of 2) of Rustverwacht No. 151		91%
	Portion 11 (of 6) of Rustverwacht No. 151		91%
	Portion 12 (of 9) of Rustverwacht No. 151		91%
	Portion 13 (of 2) of Rustverwacht No. 151		91%
	Portion 14 (of 2) of Rustverwacht No. 151		91%
	Portion 15 (of 3) of Rustverwacht No. 151		91%
	Portion 16 (of 3) of Rustverwacht No. 151		91%
	Portion 17 (of 2) of Rustverwacht No. 151		91%
	Portion 18 (of 3) of Waterval No. 157		91%
	Remainder of Portion 1 of Klipspruit No. 178		91%
	Remainder of Portion 4 of Klipspruit No. 178		91%
	Remainder of Portion 5 of Klipspruit No. 178		91%
	Portion 6 of Klipspruit No. 178		91%
	Portion 7 (of 1) of Klipspruit No. 178		91%
	Portion 8 (of 1) of Klipspruit No. 178		91%
	Portion 9 of Klipspruit No. 178		91%
	Remainder of Portion 10 (of 5) of Klipspruit No. 178		91%
	Portion 11 (of 5) of Klipspruit No. 178		91%
	Portion 13 (of 4) of Klipspruit No. 178		91%
	Remainder of Portion 14 of Klipspruit No. 178		91%
	Portion 16 (of 14) of Klipspruit No. 178		91%
	Portion 18 of Klipspruit No. 178		91%
	Portion 23 of Klipspruit No. 178		91%
	Remainder of Portion 1 of Jackhaldraai No. 299		91%
	Remainder of Jericho No. 400		91%
	Portion 1 of Jericho No. 400		91%
	Portion 2 of Jericho No. 400		91%
	Portion 3 of Jericho No. 400		91%
	Remainder of Jericho C No. 413		91%
	Portion 1 of Jericho C No. 413		91%
	Remainder of Portion 1 of Jericho A No. 414		91%
	Remainder of Portion 2 (of 1) of Jericho A No. 414		91%
	Portion 3 (of 1) of Jericho A No. 414		91%
	Portion 4 (of 1) of Jericho A No. 414		91%
	Portion 5 (of 2) of Jericho A No. 414		91%
	Portion 6 (of 1) of Jericho A No. 414		91%
	Margin No. 420		91%
Vele Colliery and prospect	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	Limpopo~	100%
	Bergen Op Zoom 124 MS		100%
	Sampele 155 MS		100%
	Voorspoed 836 MS		100%
	Alyth 837 MS		100%
Tshikunda	Certain portions of Unsurveyed State Land known as Mutale	Limpopo~	60%

TENEMENT SCHEDULE CONTINUED

Project Name	Tenement Number	Location	Interest
Coal bed methane	Adelaide 91 MT	Limpopo~	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%
	Magazasand 123 MT		50%
	Malapchani 659 MS		50%
	Mountainview 706 MS		50%
	Mount Stuart 153 MT		50%
	Nakab 184 MT		50%
	Naus 178 MT		50%
	Neltox 92 MT		50%
	Phantom 640 MS		50%
	Prince's Hill 704 MS		50%
	Queensdale 707 MS		50%
	Riet 182 MT		50%

Project Name	Tenement Number	Location	Interest
Coal bed methane <i>continued</i>	Rochdale 700 MS		50%
	Rynie 158 MT		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%
	The Duel 186 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

- Lapsed – Mining Right Application Lodged

-- Valid – Mining Right Application Lodged

~ Tenement located in the Republic of South Africa

^ Tenement located in Western Australia

CoAL's interest will reduce to 69% owned on completion of the Broad Based Black Economic Empowerment transaction

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS

Shareholder	No of shares	%
1 M&G Investment Management Ltd	472 501 831	16.77%
2 Haohua Energy International (Hong Kong) Resource Co., Ltd	462 417 579	16.41%
3 Yishun Brightrise Investment Pte Ltd	428 269 242	15.20%
4 Pan African Resources Plc	261 287 625	9.27%
5 Summer Trees Pte Ltd	257 884 615	9.15%
6 TMM Holdings (Pty) Ltd	215 000 000	7.63%
7 Investec Group	129 727 082	4.60%
8 ArcelorMittal S.A.	126 133 423	4.48%
9 Jun Liu	66 950 706	2.38%
10 Barclays Plc	38 246 792	1.36%
11 Vitol Energy (Bermuda) Ltd	24 417 594	0.87%
12 Y He	18 429 999	0.65%
13 Shinning Capital Holdings II LP	14 135 002	0.50%
14 Ping He	8 668 880	0.31%
15 Manoj Kumar Mansingh	7 376 718	0.26%
16 HSBC Holdings Plc	7 243 145	0.26%
18 Carla Ferreira	6 689 086	0.24%
19 Jannie Abraham Nel	5 000 000	0.18%
20 Dean De Villiers	4 250 848	0.15%

SUBSTANTIAL SHAREHOLDERS

1 M & G Investment Management Ltd	472 501 831	16.77%
2 Haohua Energy International (Hong Kong) Resource Co., Ltd	462 417 579	16.41%
3 Yishun Brightrise Investment Pte Ltd	428 269 242	15.20%
4 Pan African Resources Plc	261 287 625	9.27%
5 Summer Trees Pte Ltd	257 884 615	9.15%
6 TMM Holdings (Pty) Ltd	215 000 000	7.63%

REPORTING IN LINE WITH GRI

CoAL has reported in line with the Global Reporting Initiative's G4 (GRI G4) guidelines, but has not fulfilled all the requirements of either 'in accordance' option.

The report, however, contains the following standard disclosures from the GRI G4 guidelines.

	Page
GENERAL STANDARD DISCLOSURES	
STRATEGY AND ANALYSIS	
G4-1: Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	10 to 13
ORGANISATIONAL PROFILE	
G4-2: Provide a description of key impacts	10 to 13, and throughout this report
G4-3: Report the name of the organisation	Throughout this report
G4-4: Report the primary brands, products, and services	2 to 3
G4-5: Report the location of the organisation's headquarters	IFC
G4-6: Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	IFC and 2
G4-7: Report the nature of ownership and legal form	IFC and 2
G4-8: Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	2, 12 to 13
G4-9: Report the scale of the organisation, including:	
• Total number of employees	24
• Total number of operations	2
• Net sales (for private sector organisations) or net revenues (for public sector organisations)	39
• Total capitalisation broken down in terms of debt and equity (for private-sector organisations)	69
• Quantity of products or services provided	39
G4-10: Report the composition of the workforce, including:	
• Report the total number of employees by employment contract and gender	33 and 34
• Report the total number of permanent employees by employment type and gender	33
• Report the total workforce by employees and supervised workers and by gender	33 and 34
• Report the total workforce by region and gender	33
• Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors	33
• Report any significant variations in employment numbers	N/A
G4-11: Report the percentage of total employees covered by collective bargaining agreements	34
G4-12: Describe the organisation's supply chain	33
G4-13: Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including:	
• Changes in the location of, or changes in, operations, including facility openings, closings, and expansions	2
• Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private-sector organisations)	53
• Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	33

REPORTING IN LINE WITH GRI CONTINUED

		Page
G4-14:	Report whether and how the precautionary approach or principle is addressed by the organisation	11
G4-15:	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	IFC, 27 and 42
G4-16:	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic	IFC, 27 and 42
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17:	a. List all entities included in the organisation's consolidated financial statements or equivalent documents b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	IFC and 2 IFC and 2
G4-18:	a. Explain the process for defining the report content and the aspect boundaries b. Explain how the organisation has implemented the reporting principles for defining report content	IFC N/A
G4-19:	List all the material aspects identified in the process for defining report content	11 to 13 and 17 to 23
G4-20:	For each material aspect, report the aspect boundary within the organisation, as follows: • Report whether the aspect is material within the organisation • If the aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: – The list of entities or groups of entities included in G4-17 for which the aspect is not material or – The list of entities or groups of entities included in G4-17 for which the aspect is material • Report any specific limitation regarding the aspect boundary within the organisation	11 to 13, 17 to 23 and throughout this report
G4-21:	For each material aspect, report the aspect boundary outside the organisation, as follows: • Report whether the aspect is material outside of the organisation • If the aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the aspect is material, and describe the geographical location where the aspect is material for the entities identified • Report any specific limitation regarding the aspect boundary outside the organisation	11 to 13, 17 to 23 and throughout this report
G4-22:	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	None
G4-23:	Report significant changes from previous reporting periods in the scope and aspect boundaries	IFC
STAKEHOLDER ENGAGEMENT		
G4-24:	Provide a list of stakeholder groups engaged by the organisation	17 to 23
G4-25:	Report the basis for identification and selection of stakeholders with whom to engage	17 to 23
G4-26:	Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	17 to 23 and 33
G4-27:	Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting, and report the stakeholder groups that raised each of the key topics and concerns	17 to 23 and 33

	Page
GENERAL STANDARD DISCLOSURES continued	
REPORT PROFILE	
G4-28: Reporting period (such as fiscal or calendar year) for information provided	IFC
G4-29: Date of most recent previous report	IFC
G4-30: Reporting cycle (such as annual, biennial)	IFC
G4-31: Provide the contact point for questions regarding the report or its contents	IFC
G4-32: a. Report the "in accordance" option the organisation has chosen	139
b. Report the GRI content index for the chosen option	139
c. Report the reference to the external assurance report	The sustainability information has not been assured
GOVERNANCE	
G4-34: Report the governance structure of the organisation, including committees of the highest governance body, and identify any committees responsible for decision-making on economic, environmental and social impacts	42, 43 and 49
G4-51: a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration:	
• Fixed pay and variable pay:	
– Performance-based pay	
– Equity-based pay	
– Bonuses	
– Deferred or vested shares	
• Sign-on bonuses or recruitment incentive payments	
• Termination payments	
• Clawbacks	
• Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees	
b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	50, 56 and 57
G4-52: Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management, and report any other relationships which the remuneration consultants have with the organisation	56 and 57
ETHICS AND INTEGRITY	
G4-56: Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	46

REPORTING IN LINE WITH GRI CONTINUED

	Page
SPECIFIC STANDARD DISCLOSURES	
CATEGORY: ECONOMIC	
ASPECT: ECONOMIC PERFORMANCE	
G4-EC1: Direct economic value generated and distributed	68 and 69
ASPECT: INDIRECT ECONOMIC IMPACTS	
G4-EC7: Development and impact of infrastructure investments and services supported	35 and 36
G4-EC8: Significant indirect economic impacts, including the extent of impacts	16 to 23 and 28 to 36
ASPECT: PROCUREMENT PRACTICES	
G4-EC9: Proportion of spending on local suppliers at significant locations of operation	17 to 23, 35 and 36
CATEGORY: ENVIRONMENTAL	
ASPECT: ENERGY	
G4-EN3: Energy consumption within the organisation	31 and 32
G4-EN4: Energy consumption outside of the organisation	31 and 32
G4-EN6: Reduction of energy consumption	31 and 32
ASPECT: WATER	
G4-EN8: Total water withdrawal by source	31
G4-EN9: Water sources significantly affected by withdrawal of water	31
G4-EN10: Percentage and total volume of water recycled and reused	31
ASPECT: BIODIVERSITY	
MM1: Amount of land (owned or leased and managed for production activities or extractive use) disturbed or rehabilitated	16 and 27
MM2: The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place	27
ASPECT: COMPLIANCE	
G4-EN29: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	27, 32 and 54
CATEGORY: SOCIAL – LABOUR PRACTICES AND DECENT WORK	
ASPECT: EMPLOYMENT	
G4-LA1: Total number and rates of new employee hires and employee turnover by age group, gender, and region	33 and 34
G4-LA2: Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	34
ASPECT: OCCUPATIONAL HEALTH AND SAFETY	
G4-LA6: Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender	11 and 29
G4-LA7: Workers with high incidence or high risk of diseases related to their occupation	29
ASPECT: TRAINING AND EDUCATION	
G4-LA9: Average hours of training per year per employee by gender, and by employee category	21 and 34
G4-LA10: Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	21, 35 and 36
G4-LA11: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	34
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY	
G4-LA12: Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	33, 34, 43 and 44

	Page
SPECIFIC STANDARD DISCLOSURES continued	
CATEGORY: SOCIAL – HUMAN RIGHTS	
ASPECT: NON-DISCRIMINATION	
G4-HR3: Total number of incidents of discrimination and corrective actions taken	34
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
G4-HR4: Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	34
ASPECT: CHILD LABOUR	
G4-HR5: Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	34
ASPECT: FORCED OR COMPULSORY LABOUR	
G4-HR6: Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	34
ASPECT: ASSESSMENT	
G4-HR9: Total number and percentage of operations that have been subject to human rights reviews or impact assessments	34
CATEGORY: SOCIAL – SOCIETY	
ASPECT: LOCAL COMMUNITIES	
G4-S01: Percentage of operations with implemented local community engagement, impact assessments, and development programmes	17 to 23, 35 and 36
G4-S02: Operations with significant actual or potential negative impacts on local communities	17 to 23, 35 and 36
ASPECT: COMPLIANCE	
G4-S08: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	27
ASPECT: CLOSURE PLANNING	
MM10: Number and percentage of operations with closure plans	27

GLOSSARY OF TERMS AND ACRONYMS

AIM	Alternative Investment Market
AGM	Annual General Meeting
ASX	Australian Securities Exchange
BEE	Black Economic Empowerment
BOA	Biodiversity Offset Agreement
Baobab	Baobab Mining and Exploration (Pty) Ltd
Bushveld	Bushveld Minerals Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRIRSCO	Committee for the Mineral Reserves International Reporting Standards
CSI	Corporate Social Investment
DEA	Department Environmental Affairs
DMR	Department of Mineral Resources
DTI	Department of Trade and Industry
DWS	Department of Water and Sanitation
EA	Environmental Authorisation
EMC	Environmental Management Committee
EMPr	Environmental Management Programme
EMS	Environmental Management System
GRI	Global Reporting Initiative
GSP	Greater Soutpansberg Project
GTIS	Gross tonnes <i>in situ</i>
Holfontein	Holfontein Investments (Pty) Ltd
ICMM	International Council on Mining and Metals
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IUCN	International Union for Conservation of Nature
Implats	Impala Platinum Holdings Limited
IRP	Integrated Resource Plan
IUCN	International Union for the Conservation of Nature
IWUL	Integrated Water Use Licence
JORC	Australasian Joint Ore Reserves Committee
JSE	Johannesburg Stock Exchange Limited

King III	King Report on Governance for South Africa 2009
KPI	Key performance indicator
ktpm	1,000 tonnes per month
LEDET	Limpopo Economic Development, Environmental Affairs and Tourism
LoM	Life-of-mine
LSE	London Stock Exchange
LTI	Lost time injury
M&G	M&G Investment Management Limited
merSETA	Manufacturing, Engineering and Related Services SETA
MPRDA	Mineral and Petroleum Resources Development Act
NDP	National Development Plan
NEMA	National Environmental Management Act
NOMR	New Order Mining Right
NWA	National Water Act
Pan African	Pan African Resources Plc
PAR Coal	Pan African Resources Coal Holdings Proprietary Limited
PCI	Pulverised coal injection
Rio Tinto	Rio Tinto Minerals Development Limited
RoM	Run-of-mine
SAIMM	South African Institute of Mining and Metallurgy
SANParks	South African National Parks
SETA	Sector Education and Training Authorities
SEZ	Special Economic Zone
SHE	Safety, Health and Environment Committee
SLP	Social and Labour Plan
SME	Small and medium-sized enterprise
Summer Trees	Summer Trees Pte Ltd
SVM	Community Centred Sustainable Value Model
tph	Tonnes per hour
TTIS	Total tonnes <i>in situ</i>
Uitkomst	Uitkomst Colliery Proprietary Limited
YBI	Yishun Brightrise Investment Pte Limited

CORPORATE INFORMATION

INCORPORATION AND OPERATION

Country of Incorporation:	Australia
AUS company number (ACN):	008 905 388
Main country of operation:	South Africa

PRINCIPAL AND REGISTERED OFFICE

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DIRECTORS

B Pryor	Independent Chairman
D Brown	Chief Executive Officer and Executive Director
D Schutte	Chief Financial Officer and Executive Director
P Cordin	Independent Non-executive Director
K Mosehla	Independent Non-executive Director
R Torlage	Independent Non-Executive Director
A Mifflin	Independent Non-executive Director
T Mosololi	Independent Non-executive Director
S Ding	Non-executive Director

COMPANY SECRETARY

Tony Bevan

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