

COAL OF AFRICA LIMITED
AUDITED ANNUAL CONSOLIDATED FINANCIAL
STATEMENTS

For the year ended 30 June 2013

(Expressed in United States dollars unless otherwise stated)

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The directors of Coal of Africa Limited ('CoAL' or 'the Company') submit herewith the annual report of the company and the entities controlled by the Company (its subsidiaries), collectively referred to as 'the Group' or 'the Consolidated Entity', for the financial year ended 30 June 2013. 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 senior management

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

David Brown	Executive Chairman (appointed 6 August 2012)	Mr Brown joins Coal of Africa following a tenure of almost 14 years at Impala Platinum Holdings Limited (Implats). He joined the Impala Group in 1999 and served as chief financial officer and financial director of Impala Platinum Holdings Ltd before being appointed chief executive officer in 2006. He is currently an independent non-executive director of Vodacom Group Limited as well as non-executive director of EDCON Holdings Limited. In the past he has served as a non-executive director of Simmer & Jack Limited and ASX listed Zimplats Holdings Limited. Mr Brown is a Chartered Accountant and completed his articles with Ernst & Young, graduating from the University of Cape Town.
Michael George Meeser	Chief Financial Officer and Executive Director (appointed 1 June 2013)	Mr Meeser is a qualified Chartered Accountant and has over 20 years' local and international project finance experience. He spent six years working for Edison Mission Energy Limited with interests in more than 50 power projects and assets of more than \$4billion. In 1998, Mr Meeser joined Investec Bank Limited's Project and Infrastructure Finance business and served as Head of the Project & Infrastructure and Commodity & Resource Finance businesses for Africa and was a member of the divisions' executive committee.
David John Keir Murray	Independent Non-Executive Director	Mr Murray has held a number of senior positions in the global coal industry, including Managing Director of Ingwe Coal Corporation (formerly Trans-Natal Coal Corporation Limited), Chief Executive of BHP Billiton Mitsubishi Alliance and President of Energy Coal Sector Group at BHP Billiton Limited, a position he held until December 2009. Mr Murray holds a Bachelor of Science Degree (Civil Engineering) from the University of KwaZulu-Natal and a Post Graduate Diploma in Mining Engineering from the University of Pretoria. He has also completed the Advanced Executive Program from the University of South Africa.

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DIRECTORS' REPORT

Peter George Cordin	Independent Non-Executive Director	Mr Cordin has a Bachelor of Engineering from the University of Western Australia and is well experienced in the evaluation, development and operation of resource projects within Australia and overseas. He is the Chairman of ASX listed Dragon Mining Limited and non-executive director of Vital Metals Limited.
Khomotso Brian Mosehla	Non-Executive Director	After serving articles at KPMG, Mr Mosehla worked for five years at African Merchant Bank Limited, where he gained a broad range of experience, including Management Buy-Out, 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 Chief Executive Officer of Mosomo Investment Holdings Proprietary Limited.
Bernard Robert Pryor	Independent Non-Executive Director (appointed 6 August 2012)	Mr Pryor is the chief executive officer of African Minerals Limited and until recently chief executive 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.
Rudolph Henry Torlage	Non-Executive Director	Mr Torlage is a Chartered Accountant and has over twenty years' experience with ArcelorMittal South Africa. He is currently Executive Director Finance and a Board member of various unlisted ArcelorMittal Group companies.

The following directors resigned during the financial year ending 30 June 2013:

Richard John Linnell	Independent Non-Executive Chairman (resigned 6 August 2012)	Mr Linnell has been active in the resources and metals fields for over forty years and has significant global experience in the development and marketing of resources and commodities. He was the originator of the Bakubang Initiative, a forum designed to revive the South African mining industry and which led to the establishment of the New Africa Mining Fund, of which he is Chairman of Trustees. He holds a number of other Directorships.
John Nicholas Wallington	Chief Executive Officer and Executive Director (resigned 31 May 2013)	Mr Wallington holds a BSc in Mining Engineering from the University of the Witwatersrand in Johannesburg, South Africa and has participated in executive programmes with both the London Business School and the Harvard Business School. He joined the Coal Division of Anglo American in 1981 and was CEO of the South African Region before being appointed as CEO of Anglo Coal globally. Mr Wallington held the position of CEO for the Anglo Coal Division between 2005 and 2008 and has 30 years' experience in the coal exploration and mining industry.

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DIRECTORS' REPORT

Wayne Gregory Koonin	Financial Director (resigned 29 November 2012)	Over the past 13 years, Mr Koonin has gained extensive international experience working in senior financial roles for Canadian, South African, British and Swiss based exploration, development and operating mining companies, covering a variety of commodities, including coal. As a result, he has had exposure to various international accounting standards, taxation and regulatory environments, as well as responsibility for entities listed on the JSE Limited ('JSE'), Australian Securities Exchange ('ASX'), AIM market of the London Stock Exchange ('AIM') and National Association of Securities Dealers Automated Quotations ('NASDAQ').
Professor Ntshengedzeni Alfred Nevhutanda	Executive Director (resigned 30 April 2013)	Professor Alfred Nevhutanda has two PhD's (in Education Environment and Arts Culture), a diploma in Management Studies and an MBA, has been involved in a number of diversified businesses and served as a leader in various academic fields, as well as held various political appointments. He has acted as an advisor to the King of the Vhavenda, Ministers and Members of the Executive Council of the ruling party.
Simon James Farrell	Independent Executive Deputy Chairman (resigned 6 August 2012)	Mr Farrell has a Bachelor of Commerce from the University of Western Australia and an MBA from the Wharton School of the University of Pennsylvania. He is a Fellow of the Australian Society of CPA's and the Institute of Company Directors. He has held a number of senior management and Board positions, principally in the resources sector over the last twenty years. He is currently a Director of London Stock Exchange listed Kenmare Resources plc.
Stephen Bywater	Independent Non-Executive Director (resigned 6 August 2012)	Mr Bywater has a distinguished career in the resources industry, developing and operating a total of 14 large-scale open pit and underground mining operations and their associated services, logistics and infrastructure. When working for Rio Tinto Coal Australia, he was Chief Operating Officer, and in this position oversaw seven mining operations, producing 60 million tonnes of saleable coal a year. Mr Bywater has a B.Sc. in Engineering Geology and Geotechnics from Portsmouth University and a M.Sc. in Rock Mechanics and Excavation Engineering from Newcastle-upon-Tyne.
Mikki Sivuyile Macmillan Xayiya	Non-Executive Director (resigned 6 August 2012)	Mr Xayiya has served in various capacities in the African National Congress since 1977. In 1995, he was appointed as a Policy Advisor – Office of the Premier, Gauteng Provincial Government. He left public office and joined Mawenzi Asset Managers as Managing Director. In 1998 he co-founded Mvelaphanda Holdings. Mr Xayiya was appointed as Executive Chairman of Mvelaphanda Holdings with effect from 9 June 2009.

Directorships of other listed companies

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

Director	Company	Period of directorship
David Brown	EDCON Holdings Limited	2013 – Present
	Vodacom Group Limited	2012 – Present
	Zimplats Holdings Limited	2001 – 2012
	Impala Platinum Holdings Limited	1999 – 2012
	Simmer & Jack Limited	2010 – 2011
John Wallington	Firestone Resources Limited	2009 – 2010
	Keaton Energy Limited	2008 – 2010
Michael Meeser	None	
Wayne Koonin	Platmin Limited	2009 – 2011
Professor Alfred Nevhutanda	None	
Dave Murray	Coalspur	2011 – Present
	Meridien Resources Limited	2012 – Present
	Stonewall Mining	2012 – Present
	Stonewall Resources	2012 – Present
Peter Cordin	Dragon Mining Limited	2006 – Present
	Kalgoorlie Mining Company Limited	2012 – 2013
	Vital Metals Limited	2009 – Present
Khomotso Mosehla	Net1	2012 – Present
Bernard Pryor	Adastra Minerals Inc.	2000 – 2006
	African Minerals Limited	2011 – Present
	Anglo American plc	2006 – 2010
Rudolph Torlage	ArcelorMittal South Africa Ltd	2010 – 2013
Richard Linnell	Brinkley Mining plc	2002 – Present
	Chrome Corporation Limited	2002 – 2005
	GMA Resources plc	2003 – 2009
	GRD Minproc Ltd	2004 – 2009
	IPSA Group plc	2007 – 2009
	Maghreb Minerals plc	2010 – Present
	Mag Industries Corp Incorporated	2009 – 2011
	Rockwell Diamonds Incorporated	2010 – Present
	SacOil Holdings Limited	2008 – Present
Simon Farrell	Bellzone Mining plc	2010 – 2011
	Kenmare Resources plc	2002 – 2013
Stephen Bywater	GCM Resources plc	2006 – 2012
	Caledon Resources plc	2010 – 2011
Mikki Xayiya	Avusa Limited	2008 – Present
	Mvelaphanda Group Limited	2005 – Present
	Mvelaphanda Resources Limited	2001 – Present
	Northam Platinum Limited	2009 – Present
	Ophir Energy plc	2006 – 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	Listed options	Unlisted options
D Brown ⁽¹⁾	30,000	-	2,500,000
J Wallington ⁽²⁾	310,000	-	-
M Meeser ⁽³⁾	-	-	-
W Koonin ⁽⁴⁾	230,000	-	-
A Nevhutanda ⁽⁵⁾	55,000	-	-
D Murray ⁽⁶⁾	-	-	1,750,000
P Cordin ⁽⁷⁾	871,059	-	-
K Mosehla	-	-	-
B Pryor ⁽⁸⁾	-	-	1,000,000
R Torlage	-	-	-
R Linnell ⁽⁹⁾	1,704,125	-	-
S Farrell ⁽¹⁰⁾	4,704,941	-	3,000,000
S Bywater	-	-	-
M Xayiya	-	-	-
	7,905,125	-	8,250,000

1. Mr Brown was issued with 2,500,000 share options with an exercise price of GBP0.25 expiring 3 years from date of issue, vesting immediately and a further 2,500,000 share options with an exercise price GBP0.375 and expiring 3 years from date of issue, to be issued on 6 August 2015.
2. All shares are held by Mr Wallington directly.
3. Pending shareholder approval 4,125,000 share options will be issued to Mr Meeser. The options has an exercise price of ZAR2.00 and expires 3 years from date of issue.
4. All shares are held by Mr Koonin directly.
5. All shares are held by Professor Nevhutanda directly.
6. Mr Murray was issued a total of 2,500,000 options in 2011 (each option having an exercise price equal to the volume weighted average price of the Company's Shares 10 trading days prior to the issue date and an expiry date 5 years from the issue date, 1,000,000 of which vested 12 months after the date of issue, 750,000 of which vested 24 months after the date of issue and the remaining 750,000 vesting 36 months from the date of issue).
7. 412,759 shares are held by the Cordin Pty Ltd ATF The Cordin Trust and 458,300 shares held by Cordin Pty Ltd The Cordin Superannuation Fund. Mr Cordin is a beneficiary of both the trust and superannuation fund.
8. Mr Pryor was issued with 1,000,000 share options with an exercise price of GBP0.25 expiring three years from date of issue, vesting immediately and a further 1,000,000 share options with an exercise price GBP0.375, and expiring three years from date of issue, to be issued on 6 August 2015.
9. As at date of resignation, 751,550 shares held by Terra Africa Investments Limited of which Mr Linnell is a beneficiary. The remaining 952,575 shares and the 2,000,000 options are held by Mr Linnell directly.
10. As at date of resignation, 4,704,941 shares are held by Newcove International Inc of which Mr Farrell is a director and shareholder. The 8,000,000 options are held by Mr Farrell directly.

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on pages 12 to 18.

Share options granted to directors and senior management

During and since the end of the financial year, an aggregate 11,125,000 share options were granted to the following directors and senior management of the Company as part of their remuneration:

Directors and senior management	Number of options	Issuing entity	Number of ordinary shares under option
D Brown ⁽¹⁾	5,000,000	Coal of Africa Limited	5,000,000
J Wallington	-	Coal of Africa Limited	-
M Meeser ⁽²⁾	4,125,000	Coal of Africa Limited	4,125,000
W Koonin	-	Coal of Africa Limited	-
A Nevhutanda	-	Coal of Africa Limited	-
D Murray	-	Coal of Africa Limited	-
P Cordin	-	Coal of Africa Limited	-
K Mosehla	-	Coal of Africa Limited	-
B Pryor ⁽³⁾	2,000,000	Coal of Africa Limited	2,000,000
R Torlage	-	Coal of Africa Limited	-
R Linnell	-	Coal of Africa Limited	-
S Farrell	-	Coal of Africa Limited	-
S Bywater	-	Coal of Africa Limited	-
M Xayiya	-	Coal of Africa Limited	-
R van der Merwe	-	Coal of Africa Limited	-
C Bronn	-	Coal of Africa Limited	-
W Hattingh	-	Coal of Africa Limited	-

- 2,500,000 of the options granted to Mr Brown on 6 August 2012 are subject to shareholder approval.
- Pending shareholder approval 4,125,000 share options will be issued to Mr Meeser. The options have an exercise price of ZAR2.00 and will vest in equal tranches over three years.
- 1,000,000 of the options granted to Mr Pryor on 6 August 2012 are subject to shareholder approval.

Company secretary

Ms Shannon Coates resigned as Company Secretary on 12 December 2012. Mr Tony Bevan, a qualified Chartered Accountant with over 25 years' experience, was appointed as Company Secretary on the same day. Mr Bevan works with Endeavour Corporate Pty Ltd, the company engaged to provide contract secretarial, accounting and administration services to CoAL following the closure of its Perth office at the end of 2012.

Principal activities

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

The Group's principal assets and projects include:

- two coking and thermal coal projects, the Vele colliery and the Makhado project, in the development stage;
- two exploration and development stage coking and thermal coal complexes, the Chapudi Complex and the Soutpansberg Complex, each comprising three large scale coal projects;
- two operational thermal coal assets, the Mooiplaats Colliery and the Woestalleen Colliery; and
- approximately three million tonnes per annum port and rail capacity at the Matola Terminal in Maputo, Mozambique.

Changes in state of affairs

During the year the Company:

Operational salient features

- One fatality (FY2012: nil) and 14 LTIs recorded during the year compared to 10 in the 2012 financial period.
- 3.777 million ROM tonnes (FY2012: 4.930 million ROM tonnes) of coal mined from the Vuna, Mooiplaats and Vele collieries.
- 3.371 million ROM tonnes (FY2012: 4.906 million ROM tonnes) processed, and 2.608 million tonnes (FY2012: 3.128 million tonnes) of saleable thermal coal produced.
- Total Company coal sales decreased by 25% year on year from 3.374 million tonnes in FY2012 to 2.544 million tonnes in FY2013 due to the depletion of the Vuna Colliery resource and the derailment on the Maputo rail corridor, resulting in the declaration of force majeure from mid-February to May 2013.
- Market conditions for export quality thermal coal deteriorated significantly during the financial year, with the average price in US dollars being 19.7% lower than FY2012.

Corporate salient features

- \$100.0 million investment by BHE which now owns 23.6% of CoAL through their subsidiary HEI.
- CoAL signed a Cooperation Agreement enabling it to draw on HEI's commercial, technical and operational expertise in the development of the Company's project pipeline.
- The new CoAL executive management team started on 1 June 2013 and implemented cost reduction measures, including the restructuring of corporate and operational structures and the disposal of non-core assets.
- Completion of the Makhado Project Definitive Feasibility Study indicating a Net Present Value of R6.8 billion (\$697.0 million).
- Reduction of bank debt with the remaining \$4.2 million (30 June 2013: \$12.5 million) owing to Deutsche Bank to be paid in September 2013 and Investec equity bank loan of \$2.0 million repayable by November 2013.
- Agreement signed to dispose of the Woestalleen processing plant and related assets, conditional upon the satisfaction of legislative approvals.
- The Maputo rail corridor derailment and strike action at the Mooiplaats Colliery in late 2012 resulted in reduced production of export quality thermal coal, exacerbating losses. With no viable alternatives available in the short term, the Company upon completion of the formal s189 process will place the asset on care and maintenance.
- Advancement of the technical work on the Greater Soutpansberg Project provides further confidence in the long term potential of this resource.

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

Subsequent events

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

- The Company has received a credit approved term sheet relating to a ZAR200 million bridging facility which details the terms and conditions of the loan and will form the basis of the loan documentation to be executed.

There have been no other events between 30 June 2013 and the date of this report which necessitate adjustment to the statements of comprehensive income or statements of financial position at that date.

Financial review

- Classification of the Mooiplaats Colliery and Woestalleen Complex as 'operations held for sale' and the continued classification of the Vele Colliery as a Development asset.
- \$145.4 million (FY2012: \$242.5 million) in revenue generated by the Mooiplaats and Woestalleen operations for the year with revenue declining due to:
 - reduced ROM coal availability;
 - lower international coal prices compared to the previous year; and
 - a change of sales mix resulting from the force majeure.
- Coal sales mix was made up as follows:
 - export coal sales decreased by 37% to 1.044 million tonnes (FY2012: 1.662 million tonnes) as a result of the derailment in February 2013 preventing the transport of coal to the Matola terminal and, the depletion of the Vuna colliery resource;
 - inland sales of export quality coal decreased by 41% to 0.542 million tonnes (FY2012: 0.923 million tonnes) due to reduced availability of export quality coal; and
 - sales to Eskom increased by 22% to 0.958 million tonnes (FY2012: 0.788 million tonnes) as a result of the Mooiplaats Colliery producing middlings coal only from February 2013 and the supply of a portion of the Vuna ROM coal to Eskom.
- Non-cash charges of \$106.6 million (FY2012: \$115.9 million) including:
 - impairment of Mooiplaats of \$48.5 million (FY2012: \$324k reversal);
 - depreciation and amortisation of \$28.6 million (FY2012: \$70.0 million);
 - unrealised foreign exchange losses of \$28.6 million (FY2012: \$41.6 million) as a result of the South African rand weakening against the United States dollar; and
 - share based payment expense of \$0.7 million (FY2012: \$5.0 million).
- Total unrestricted cash balances at year-end, including cash held by operations available for sale of \$29.9 million (FY2012: \$19.5 million).

Future developments

The Company has finalised additional core drilling and core testing in order to ascertain the coal quality at the colliery. This data has been utilised in a financial model which supports the investment case for a plant to produce semi-soft coking coal as well as sized and un-sized thermal coal. The board approved the technical plan and project plan which will allow the commencement of discussions on the required funding for Vele with the aim of and concluding the appropriate agreements by the end of the first quarter in CY2014 at which time construction will commence for the majority of CY2014 with production to commence in CY2015.

The Makhado Project DFS was completed during the year and indicates that the project has 344.8 million mineable tonnes in situ and a 16 year life of mine. The opencast project is expected to produce 12.6 million tonnes per annum ('Mtpa') of ROM coal yielding 2.3Mtpa of hard coking coal and 3.2Mtpa of thermal coal for the domestic or export markets. The estimated average on-mine operating costs are R865 (\$89) per tonne of hard coking coal (after thermal by-product credit) and the project is expected to cost R3.96 billion (\$406 million) (including contingency) to build. The project's Internal Rate of Return ('IRR') of 30.1% and Net Present Value ('NPV') of R6.79 billion (\$697 million) were calculated using independently forecast average hard coking coal prices over the life of the mine.

The exploration and development of the CoAL prospects in the Soutpansberg coalfield is the catalyst for the long-term growth of the Company. The Department of Mineral Resources has accepted the Company's NOMR applications for the Mopane, Generaal and Chapudi projects, all forming part of the MbeuYashu project. Further exploration on these areas is expected to occur in FY2014.

Environmental regulations

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

Dividends

No dividend has been paid or proposed for the financial year ended 30 June 2013 (2012 – none).

Shares under option or issued on exercise of options

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

	Number of shares under option	Class of shares	Exercise price	Expiry date
Class K Unlisted Options	818,500	Ordinary	A\$1.90	30 June 2014
1 Option ⁽¹⁾	50,000,000	Ordinary	GBP0.60	1 November 2014
Class J Unlisted Options	3,000,000	Ordinary	A\$2.74	30 November 2014
ESOP Unlisted Options	1,441,061	Ordinary	A\$1.40	30 September 2015
Class C Unlisted Options	2,500,000	Ordinary	A\$1.20	9 November 2015
Class L Unlisted Options	3,500,000	Ordinary	GBP0.25	30 November 2015
ESOP Unlisted Options	2,670,000	Ordinary	ZAR7.60	14 February 2017

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

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

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 as named above, 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 ten board meetings were held, five scheduled and five unscheduled, two 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		Placing & Bid Committee Meetings		Audit Committee Meetings		Nomination and Remuneration Committee Meetings		Safety, Health and Environment Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
D Brown ⁽¹⁾	6	6	1	1	3	3	3	3	3	3
J Wallington ⁽²⁾	10	10	-	-	-	-	-	-	-	-
M Meeser ⁽³⁾	-	-	-	-	-	-	-	-	-	-
W Koonin ⁽⁴⁾	7	7	-	-	-	-	-	-	-	-
A Nevhutanda ⁽⁵⁾	9	7	-	-	-	-	-	-	-	-
D Murray	10	9	2	2	-	-	4	4	4	4
P Cordin	10	10	2	2	-	-	-	-	4	4
K Mosehla	10	9	-	-	4	4	-	-	-	-
B Pryor ⁽¹⁾	6	6	1	1	3	3	3	3	1	1
R Torlage	10	6	-	-	1	-	-	-	-	-
R Linnell ⁽⁶⁾	4	4	-	-	-	-	-	-	-	-
S Farrell ⁽⁶⁾	4	3	-	-	-	-	-	-	-	-
S Bywater ⁽⁶⁾	4	4	1	1	1	1	1	1	-	-
M Xayiya ⁽⁶⁾	4	1	-	-	-	-	1	-	-	-

1. Appointed on 6 August 2012
2. Resigned on 31 May 2013
3. Appointed on 1 June 2013
4. Resigned on 29 November 2012
5. Resigned on 30 April 2013
6. Resigned on 6 August 2012

Non-audit services

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

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

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

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

Auditor's independence declaration

The auditor's independence declaration is included on page 19 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 2013. 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; and
- 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 (\$913,300).

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

Director and senior management details

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

- D Brown – Appointed Independent Non-Executive Chairman on 6 August 2012, Executive Chairman from 1 June 2013
- J Wallington – Chief Executive Officer, resigned 31 May 2013
- M Meeser – Chief Financial Officer, appointed 1 June 2013
- W Koonin – Financial Director, resigned 29 November 2012
- Professor A Nevhutanda – Executive Director, resigned 30 April 2013
- D Murray – Senior Independent Non-Executive Director
- P Cordin – Independent Non-Executive Director
- K Mosehla – Non-Executive Director
- B Pryor – Independent Non-Executive Director, appointed 6 August 2012
- R Torlage – Non-Executive Director
- R Linnell – Non-Executive Chairman, resigned 6 August 2012
- S Farrell – Executive Deputy Chairman, resigned 6 August 2012
- S Bywater – Non-Executive Director, resigned 6 August 2012
- M Xayiya – Non-Executive Director, resigned 6 August 2012

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

- R van der Merwe – Chief Operating Officer, resigned 31 May 2013
- C Bronn – Chief Operating Officer, appointed 1 June 2013
- W Hattingh – Commercial Director (previously General Manager: Commercial)

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 company with those of the shareholders.

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

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

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

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Nomination and Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees, excluding share-based payments, that can be paid to Non-Executive Directors is A\$1,000,000 (\$913,300).

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

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

Performance – based remuneration

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

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

Relationship between remuneration policy and Company performance

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

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2013.

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000	Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Revenue	146,396	243,842	261,425	98,376	17,120
Net loss before tax	156,294	150,551	218,106	178,656	9,613
Net loss after tax	148,137	138,908	219,003	167,758	9,849

	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009
Share price at start of year	A\$0.58	A\$1.12	A\$1.75	A\$1.57	A\$4.14
Share price at end of year	A\$0.19	A\$0.56	A\$1.08	A\$1.83	A\$1.60
Basic and diluted loss per share (\$ cents)	0.17	0.23	0.41	0.37	0.02

COAL OF AFRICA LIMITED
DIRECTORS' REPORT

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:

2013	Short term employee benefits		Post-employment benefits	Termination benefits	Share-based payments	Total	Share based % of Total	
	Salary and fees	Bonus	Non-monetary benefits	Superannuation	Options / Shares			
	\$	\$	\$	\$	\$	\$	%	
Non-Executive Directors								
D Brown ⁽¹⁾	288,300 ⁽²⁾	-	-	-	-	125,791	414,091	30
D Murray	101,809	-	-	6,109	-	-	107,918	-
P Cordin	111,950	-	-	6,713	-	-	118,663	-
K Mosehla	55,532	-	-	-	-	-	55,532	-
B Pryor ⁽³⁾	214,249 ⁽²⁾	-	-	-	-	50,317	264,566	19
R Torlage	55,532	-	-	-	-	-	55,532	-
R Linnell ⁽⁴⁾	19,483	-	-	-	-	-	19,483	-
S Bywater ⁽⁵⁾	19,857	-	-	-	-	-	19,857	-
M Xayiya ⁽⁶⁾	8,741	-	-	-	-	-	8,741	-
Executive Directors								
D Brown ⁽¹⁾	57,885	-	-	-	-	-	57,885	-
J Wallington ⁽⁷⁾	710,979	-	-	-	-	-	710,979	-
M Meeser ⁽⁸⁾	31,523	-	-	-	-	-	31,523	-
W Koonin ⁽⁹⁾	190,381	-	-	-	⁽¹⁰⁾ 1,175,829	-	1,366,210	-
A Nevhutanda ⁽¹¹⁾	125,336	-	-	-	-	-	125,336	-
S Farrell ⁽¹²⁾	-	-	-	-	-	-	-	-
	1,991,557	-	-	12,822	1,175,829	176,108	3,356,316	5
Key management								
R van der Merwe ⁽¹³⁾	416,930	38,547	-	-	-	-	455,477	-
C Bronn ⁽¹⁴⁾	28,676	-	-	-	-	-	28,676	-
W Hattingh	306,930	34,050	-	-	-	-	340,980	-
	752,536	72,597	-	-	-	-	825,133	-
	2,744,093	72,597	-	12,822	1,175,829	176,108	4,181,449	4

1. Mr Brown was appointed Non-Executive Chairman on 6 August 2012 and Executive Chairman on 1 June 2013.
2. *Ex gratia* payment made to Non-Executive Directors for fulfilment of caretaking responsibilities included.
3. Mr Pryor was appointed Non-Executive Director on 6 August 2012.
4. Mr Linnell resigned as Non-Executive Chairman on 6 August 2012.
5. Mr Bywater resigned as Non-Executive Director on 6 August 2012.
6. Mr Xayiya resigned as Non-Executive Director on 6 August 2012.
7. Mr Wallington resigned as Chief Executive Officer on 31 May 2013.
8. Mr Meeser was appointed Chief Financial Officer on 1 June 2013.
9. Mr Koonin resigned as Finance Director on 29 November 2012.
10. Termination benefits awarded in terms of Mr Koonin's employment agreement approved by shareholders at a General Meeting of shareholders held on 22 June 2012.
11. Prof Nevhutanda resigned as Executive Director on 30 April 2013.
12. Mr Farrell resigned as Executive Deputy Chairman on 6 August 2012.
13. Mr van der Merwe resigned as Chief Operating Officer on 31 May 2013.
14. Mr Bronn was appointed Chief Operating Officer on 1 June 2013.

COAL OF AFRICA LIMITED
DIRECTORS' REPORT

Remuneration of directors and key management personnel (continued)

	Short term employee benefits			Post-employment benefits	Termination benefits	Share-based payments	Total	Share based % of Total
	Salary and fees	Bonus	Non-monetary benefits	Super-annuation		Options / Shares		
2012	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors								
D Murray	103,064	-	-	9,276	-	-	112,340	-
P Cordin	112,538	-	-	10,128	-	283,916	406,582	70
K Mosehla	60,706	-	-	-	-	-	60,706	-
R Torlage	60,706	-	-	-	-	-	60,706	-
R Linnell	124,997	-	-	-	-	567,816	692,813	82
S Bywater	119,774	-	-	-	-	-	119,774	-
M Xayiya	45,529	-	-	-	-	-	45,529	-
Executive Directors								
J Wallington	692,334	378,885	-	-	-	154,874	1,226,093	13
W Koonin	428,848	379,567	-	-	-	108,412	916,827	12
A Nevhutanda	155,202	21,778	-	-	-	-	176,980	-
S Farrell	567,872	-	-	-	-	1,135,632	1,703,504	67
	<u>2,471,570</u>	<u>780,230</u>	-	<u>19,404</u>	-	<u>2,250,650</u>	<u>5,521,854</u>	<u>41</u>
Key management								
R van der Merwe	469,878	154,335	-	-	-	178,500	802,713	22
W Hattingh	302,416	104,950	-	-	-	133,431	540,797	25
	<u>772,294</u>	<u>259,285</u>	-	-	-	<u>311,931</u>	<u>1,343,510</u>	<u>23</u>
	<u>3,243,864</u>	<u>1,039,515</u>	-	<u>19,404</u>	-	<u>2,562,581</u>	<u>6,865,364</u>	<u>37</u>

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

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

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

Option series	Number	Grant date	Expiry date	Grant date value AUD	Vesting date
Class D unlisted options	7,000,000	05/06/2007	30/09/2012	A\$0.45	05/06/2007
Class G unlisted options	1,000,000	10/04/2008	30/09/2012	A\$1.54	10/04/2008
Class I unlisted options	1,650,000	01/12/2008	31/07/2012	A\$0.49	⁽¹⁾
Class J unlisted options	3,000,000	08/12/2009	30/11/2014	A\$0.58	30/11/2009 ⁽²⁾
Class K unlisted options	482,500	25/02/2010	30/06/2014	A\$0.92	⁽³⁾
Class C unlisted options	2,500,000	09/11/2010	09/11/2015	A\$0.59	⁽⁴⁾
ESOP unlisted options	288,000	04/02/2011	30/09/2015	A\$0.91	⁽⁵⁾
ESOP unlisted options	572,000	16/09/2011	14/02/2017	ZAR3.46	⁽⁶⁾
Class L unlisted options	3,500,000	29/11/2012	30/11/2015	GBP0.25	29/11/2012
	<u>19,992,500</u>				

1. The options were granted to Mr van der Merwe on 1 December 2008 and all expired on 31 July 2012. 560,000 options vested on 1 December 2008, 500,000 options vested on 1 December 2009 and the remaining 590,000 options vested on 1 December 2010.
2. The 3,000,000 share options were granted to Mr Farrell on 8 December 2009. 2,000,000 of the options vested on 29 January 2011 and the remaining 1,000,000 options vest one year after the granting of the Makhado Project New Order Mining Right.
3. These options were issued to employees and one third vested immediately on granting, 25 February 2010, one third on 1 July 2010 and the remaining third on 1 July 2011.
4. Mr Murray was issued a total of 2,500,000 options with an expiry date 5 years from the issue date, 1,000,000 of which will vest 12 months after the date of issue, 750,000 of which will vest 24 months after the date of issue and the remaining 750,000 vesting 36 months from the date of issue.
5. These options were issued to employees and one third vested immediately on granting, 4 February 2011, one third on 30 September 2011 and the remaining third on 30 September 2012.
6. These options were issued to employees and one third vested on 1 July 2012, one third on 1 July 2013 and the remaining third on 1 July 2014.

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

Name	Option series	During the financial year				% of compensation for the year consisting of options
		Number granted	Number vested	% of grant vested	% of grant forfeited	
D Brown	Class L unlisted options	2,500,000	2,500,000	100	n/a	30
B Pryor	Class L unlisted option	1,000,000	1,000,000	100	n/a	19

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

Share-based payments granted as compensation for the current financial year (continued)

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

Name	Value of options granted at grant date	Value of options at exercise date	Value of options lapsed at the date of lapse
R van der Merwe	-	-	845,354

Key terms of employment contracts

The Company entered into formal contractual employment agreements with the Chief Executive Officer, Chief Financial Officer and the Financial Director only and not with any other member of the Board. The employment conditions of the Chief Executive Officer, Chief Financial Officer and Financial Director are:

Current

1. Mr Meeser's agreement commenced on 1 June 2013 at an annual remuneration of ZAR3,300,000 with a three month notice period. In addition the Company will issue Mr Meeser 4,125,000 share options over three years, vesting in three equal tranches.

Terminated

2. Mr Wallington's agreement commenced on 31 May 2010 and was for a 3 year fixed term, at an annual remuneration of GBP400,000. Subject to shareholder approval and the satisfaction of certain capital performance conditions, Mr Wallington is also entitled to receive up to 250,000 shares following 12 months service, up to 500,000 shares following 24 months service and up to 500,000 shares following 36 months service. The agreement expired on 31 May 2013.
3. Mr Koonin's agreement commenced on 1 April 2011 with a 5 year fixed term, at an annual remuneration of GBP300,000 (2012: GBP300,000). Subject to shareholder approval and the satisfaction of certain capital performance conditions, Mr Koonin was also entitled to receive up to 175,000 shares following 12 months service, up to 350,000 shares following 24 months service, up to 350,000 shares following 36 months service, up to 350,000 shares following 48 months service and up to 350,000 shares following 60 months service. The agreement was terminated on 29 November 2012.

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

1. Mr Van der Merwe was employed by CoAL in the capacity of Chief Operations Officer, at an annual remuneration of ZAR3.2 million. The permanent employment contract commenced on 1 August 2008 and came to an end on 31 May 2013.
2. Mr Bronn is employed by CoAL in the capacity of Chief Operations Officer, at an annual remuneration of ZAR3.0 million. The permanent employment contract commenced on 1 June 2013 and may be terminated by written notice of two months.
3. Mr Hattingh is employed by CoAL in the capacity of Commercial Director (previously General Manager: Commercial), at an annual remuneration of ZAR2.7 million. The permanent employment contract commenced on 1 January 2010 and can be terminated by written notice of one month.

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

On behalf of the Directors



David Hugh Brown
Executive Chairman
29 August 2013



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

29 August 2013

Dear Board Members

Auditor's Independence Declaration to 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.

As lead audit partner for the audit of the financial statements of Coal of Africa Limited for the financial year ended 30 June 2013, 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

Ross Jerrard
Partner
Chartered Accountant

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

This statement summarises the corporate governance practices that have been adopted by the Board. In addition to the information contained in this statement, the Company's website at www.coalofafrica.com 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 ('ASX Principles') where the Board has considered the recommendation 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.

1.1 PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of Board and management.

ASX Principles Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Board has established a Board Charter which sets out functions reserved to Board and those delegated to senior executives. This Charter is available on the Company's website.

Role and Responsibilities of the Board

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

The key responsibilities of the Board include:

- (a) overseeing the Company, including its control and accountability systems;
- (b) appointing the chief executive officer, or equivalent, for a period and on terms as the Directors see fit and, where appropriate, removing the chief executive officer, or equivalent;
- (c) ratifying the appointment and, where appropriate, the removal of senior executives, including the chief financial officer and the company secretary;
- (d) ensuring the Company's Policy and Procedure for Selection and (Re)Appointment of Directors is reviewed in accordance with the Company's Nomination Committee Charter;
- (e) approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance;
- (f) satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;
- (g) assessing the effectiveness of senior management's implementation of systems for managing material business risk including the making of additional enquiries and to request assurances regarding the management of material business risk, as appropriate;
- (h) monitoring, reviewing and challenging senior management's performance and implementation of strategy;
- (i) ensuring appropriate resources are available to senior management;
- (j) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (k) monitoring the financial performance of the Company;

- (l) ensuring the integrity of the Company's financial (with the assistance of the Audit and Risk Committee, if applicable) and other reporting through approval and monitoring;
- (m) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- (n) appointing the external auditor (where applicable, based on recommendations of the Audit and Risk Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company;
- (o) engaging with the Company's external auditors and Audit and Risk Committee (where there is a separate Audit and Risk Committee);
- (p) monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, native title, cultural heritage and occupational health and safety; and
- (q) making regular assessment of whether each non-executive Director is independent in accordance with the Company's Policy on Assessing the Independence of Directors.

The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

ASX Principles: Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Managing Director 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.

Induction procedures have been developed to allow new senior executives to participate fully and actively in management decision-making at the earliest opportunity.

Committees

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

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

These Committees are described in further detail under the relevant Principles below.

Commitment

All Directors understand the Company's expectations of them. The non-executive Directors have been provided with formal letters of appointment that set out the key terms and conditions of their appointment.

Similarly, the Company has employment agreements with its Chairman, Chief Financial Officer and other key executives.

Prior to appointment or being submitted for re-election, each non-executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Meetings

The Board Charter requires the Board to convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities. The Board held 5 scheduled and 5 unscheduled meetings during the reporting year.

Board 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 Managing Director 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 were available for questioning by Directors.

The attendance of Directors at Board and Committee meetings during the year is detailed in the Directors' Report.

1.2 PRINCIPLE 2: STRUCTURE THE BOARD RTO ADD VALUE

Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Board composition

Details of the Directors in office at the date of this report, including their qualifications, experience, date of appointment and their status as non-executive, independent or executive Directors are set out in the Directors Report.

ASX Principles: Recommendation 2.1 recommends a majority of the Board should be independent Directors, Recommendation 2.2 recommends the Chairman should be an independent Director and Recommendation 2.3 recommends that the roles of the Chair and Managing Director should not be exercised by the same individual.

The Board currently comprises two executive Directors and five non-executive Directors. Three of the non-executive directors are considered to be independent.

The Chairman, Mr D Brown, is currently an executive Chairman for a maximum period of six months, whilst the Company progresses the appointment of a new Chief Executive Officer. The Chairman's executive role commenced on 1 June 2013.

The role of Chairman and Managing Director were exercised by different individuals during the year. The role of Managing Director is currently vacant.

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.

Independent decision-making

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.

Director independence

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

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 3 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 from 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 not independent. Messrs Bernard Pryor, Peter Cordin and David Murray are considered independent. Executive Directors Messrs David Brown and Michael Meeser and non-executive Directors Khomotso Mosehla and Rudolph Torlage are not considered independent.

Non-executive Director Rudolph Torlage is an officer/senior employee of Accelor Mittal South Africa Ltd, a substantial shareholder in the Company and as such does not meet the Board's criteria for independence. Non-executive Director Khomotso Mosehla is associated with Firefly Investments (Pty) Limited, a Broad Based Black Economic Empowerment ('BEE') entity granted an option to subscribe for 50 million ordinary shares for 60 pence each expiring on 1 November 2014 and as such does not meet the Board's criteria for independence.

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

The period of office held by each director in office is as follows:

Director	Date Appointed	Period in office	Due for Re-election or Retirement
David Brown	6 August 2012	1 year	2015 AGM
Michael Meeser	17 April 2013	< 1 year	2013 AGM
David Murray	8 September 2010	2 years	2013 AGM
Peter Cordin	8 December 1997	15 years	2015 AGM
Bernard Pryor	6 August 2012	1 year	2015 AGM
Khomotso Mosehla	18 November 2010	2 years	2014 AGM
Rudolph Torlage	18 November 2010	2 years	2013 AGM

Conflicts of Interest

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

Nomination and remuneration committee

ASX Principles: Recommendation 2.4: The Board should establish a Nomination Committee

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

Nomination responsibilities:

The Committee's Nomination Responsibilities includes 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 under the discussion of Principle 8 later in this Statement.

Composition of the Committee:

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.

Committee membership is disclosed in the Directors Report included as part of the Annual Report along with details of meetings attended. Membership is consistent with the composition requirements of the Charter and the recommendations of the ASX Principles.

Selection, appointment, induction and continuing development processes

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 (the above retirement and re-election provisions do not apply to the Managing Director).

All Directors are subject to an annual performance evaluation process. All notices of meeting at which a Director is standing for election or re-election are accompanied by information to enable shareholders to make an informed decision.

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 Board has agreed that its membership should reflect a mix of:

- experience across relevant industries, including resources and infrastructure;
- involvement in relevant activities, for example, mining exploration, development and operation, and investment activities
- a variety of technical skills and expertise, for example, mining exploration and operations, engineering, project management, accounting, finance, legal, risk management, human resources and business development; and
- a diversity of backgrounds, previous work roles and educational qualifications.

As part of the induction process, meetings are arranged with other Board members and key executives prior to the 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 the Annual Report is set out in the Directors Report included in the Annual Report.

ASX Principles: Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

The Board will undertake an annual performance evaluation that reviews:

- performance of the Board against the requirements of the Board Charter;
- performance of Board Committees against the requirements of their respective Charters;
- individual performances of the Chair, Managing Director, Directors, and Chief Executive Officer and
- the Board Charter, the Committee Charters and the procedures of the Board with a view to continuous improvement.

The Board usually commences the annual performance evaluation in June each year in accordance with this process. The evaluation of Directors other than the Managing Director is usually concluded in August each year. The annual performance evaluation for the Chief Executive Officer/Managing Director is usually concluded in September each year.

Membership of the Board has recently been refreshed and as a result, the Company has deferred its annual Board review to enable the new Board the opportunity to work together as a group prior to such review. A review will take place in June 2014.

Company Secretary

The Company Secretary plays an important role in supporting the effectiveness of the Board by monitoring that Board policy and procedures are followed, and co-ordinating the timely completion and dispatch of board agenda and briefing material.

All Directors have access to the Company Secretary.

The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

1.3 PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making.

ASX Principles: Recommendation 3.1: Companies should establish and disclose a Code of Conduct or a summary of the Code as to certain specified matters.

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

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

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

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

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

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

Privacy

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

ASX Principles: Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

ASX Principles: Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

ASX Principles: Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.

Diversity

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

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

As at end of the financial year, the proportion of women employees in the organisation is:

Employees	14%
Senior Executive	25%
Board:	0%

1.4 PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of the Company's financial reporting.

This structure is required to be one of review and authorisation designed to ensure the truthful and factual presentation of the Company's financial position.

It is expected to include:

- the review and consideration of the financial statements by the Audit Committee
- a process to ensure the independence and competence of the Company's external auditors.

Audit Committee

ASX Principles: Recommendation 4.1: The Board should establish an Audit Committee.

ASX Principles: Recommendation 4.2 recommends the appropriate Committee structure.

ASX Principles: Recommendation 4.3 states that the Committee should have a formal Charter

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; and
- perform such other functions as assigned by law, the Company's Constitution, or the Board.

Composition of the Committee

The Board has determined that the Audit 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 Committee should include:

- members who are financially literate ie able to read and understand financial statements
- at least one member with relevant qualifications and experience, ie 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.

Committee membership is disclosed in the Directors Report included as part of the Annual Report along with details of meetings attended. Membership is consistent with the composition requirements of the Charter and 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.

1.5 PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the Company.

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
- company announcements are factual and presented in a clear and balanced way.

ASX Principles: Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary thereof.

The Board has an established Continuous Disclosure 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.

1.6 PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

ASX Principles: Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary thereof.

The Board has established a communications strategy which is available from the Company's website.

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

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

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

1.7 PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight and management and internal control.

ASX Principles: Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of these policies.

ASX Principles: Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Risk Management

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 Chief Executive Officer/Managing Director, with the assistance of senior management, as required.

The Chief Executive Officer/Managing Director has responsibility for identifying, assessing, monitoring and managing risks. The Chief Executive Officer/Managing Director 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 Chief Executive Officer/Managing Director 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 Chief Executive Officer/Managing Director 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.

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

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

ASX Principles: Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.

The Chief Executive Officer and Chief Financial Officer have confirmed in writing to the Board that:

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

1.8 PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Nomination and Remuneration Committee

ASX Principles: Recommendation 8.1: The Board should establish a Remuneration Committee.

ASX Principles: Recommendation 8.2: The remuneration committee should be structured so that it consists of a majority of independent directors; is chaired by an independent director and has at least three members.

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

The composition requirements for, and membership of this committee meet the above requirements.

Committee membership is disclosed in the Directors Report included as part of the Annual Report along with details of meetings attended.

ASX Principles: Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Charter of the Nomination and 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.

Remuneration Policy Disclosures

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 non-binding vote at the Company's AGM
- taking into account the outcome of the non-binding shareholder vote when determining future remuneration policy; and
- responding to shareholder questions on policy and practice in a frank and open manner.

COAL OF AFRICA LIMITED
DIRECTORS DECLARATION

The directors declare that:

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

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'DBR', with a horizontal line drawn underneath it.

David Brown
Executive Chairman
29 August 2013

COAL OF AFRICA LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2013

	Note	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Continuing operations			
Revenue	5	1,012	1,349
Cost of sales		<u>(1,773)</u>	<u>(1,578)</u>
Gross loss		(761)	(229)
Depreciation and amortisation	6	(1,841)	(2,224)
Foreign exchange losses	6	(24,323)	(41,274)
Employee benefits expense	6	(14,005)	(15,885)
Other expenses		(13,781)	(20,140)
Take or pay port obligation		(2,424)	(1,570)
Operating lease expenses		(948)	(1,276)
Goodwill written off		-	(1,191)
Other (loss) and gain	6	(7,468)	412
Other income		-	7,821
Operating loss		<u>(65,551)</u>	<u>(75,556)</u>
Interest income	8	628	992
Finance costs	8	<u>(147)</u>	<u>(833)</u>
Loss before tax		(65,070)	(75,397)
Income tax credit / (charge)	9	-	-
Net loss for the year from continuing operations		<u>(65,070)</u>	<u>(75,397)</u>
Operations held for sale			
Loss for the year from operations held for sale	10	<u>(83,067)</u>	<u>(63,511)</u>
LOSS FOR THE YEAR		<u>(148,137)</u>	<u>(138,908)</u>
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		<u>(32,111)</u>	<u>(21,051)</u>
Total comprehensive loss for the year		<u>(180,248)</u>	<u>(159,959)</u>
Loss for the year attributable to:			
Owners of the Company		(148,137)	(138,908)
Non-controlling interests		-	-
		<u>(148,137)</u>	<u>(138,908)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(180,248)	(159,959)
Non-controlling interests		-	-
		<u>(180,248)</u>	<u>(159,959)</u>
Loss per share			
	11		
From continuing operations and operations held for sale			
Basic and diluted (cents per share)		16.54	22.60
From continuing operations			
Basic and diluted (cents per share)		7.27	12.27

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

COAL OF AFRICA LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

	Note	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
ASSETS			
Non-current assets			
Development, exploration and evaluation expenditure	12	279,078	283,486
Property, plant and equipment	13	18,846	141,641
Intangible assets	14	16,078	18,757
Other receivables	15	3,567	13,811
Other financial assets	16	2,989	13,173
Restricted cash	19	4,187	11,976
Deferred tax assets	23	2,885	3,444
Total non-current assets		<u>327,630</u>	<u>486,288</u>
Current assets			
Inventories	17	1,096	22,058
Trade and other receivables	18	3,267	25,968
Other financial assets	16	3,318	-
Cash and cash equivalents	19	20,995	19,523
		<u>28,676</u>	<u>67,549</u>
Assets classified as held for sale	20	71,093	-
Total current assets		<u>99,769</u>	<u>67,549</u>
Total assets		<u>427,399</u>	<u>553,837</u>
LIABILITIES			
Non-current liabilities			
Deferred consideration	33	30,000	30,000
Borrowings	21	-	66
Provisions	22	4,903	16,916
Deferred tax liabilities	23	-	6,454
Total non-current liabilities		<u>34,903</u>	<u>53,436</u>
Current liabilities			
Trade and other payables	24	10,837	72,441
Borrowings	21	2,088	49,063
Provisions	22	398	1,475
Current tax liabilities		1,534	155
		<u>14,857</u>	<u>123,134</u>
Liabilities associated with assets held for sale	20	35,171	-
Total current liabilities		<u>50,028</u>	<u>123,134</u>
Total liabilities		<u>84,931</u>	<u>176,570</u>
NET ASSETS		<u>342,468</u>	<u>377,267</u>
EQUITY			
Issued capital	25	935,891	791,102
Accumulated deficit	26	(707,535)	(564,800)
Reserves	27	113,537	150,390
Equity attributable to owners of the Company		<u>341,893</u>	<u>376,692</u>
Non-controlling interests	29	575	575
TOTAL EQUITY		<u>342,468</u>	<u>377,267</u>

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

COAL OF AFRICA LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2013

	Issued capital	Accumulated deficit	Share based payment reserve	Capital profits reserve	Foreign currency translation reserve	Attributable to owners of the parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	791,102	(564,800)	87,180	91	63,119	376,692	575	377,267
Total comprehensive loss for the year	-	(148,137)	-	-	(32,111)	(180,248)	-	(180,248)
Loss for the year	-	(148,137)	-	-	-	(148,137)	-	(148,137)
Other comprehensive loss, net of tax	-	-	-	-	(32,111)	(32,111)	-	(32,111)
	791,102	(712,937)	87,180	91	31,008	196,444	575	197,019
Shares issued for capital raising	154,250	-	-	-	-	154,250	-	154,250
Shares issued to employees	-	-	660	-	-	660	-	660
Share options cancelled	-	5,402	(5,402)	-	-	-	-	-
Share issued costs	(9,461)	-	-	-	-	(9,461)	-	(9,461)
Balance at 30 June 2013	935,891	(707,535)	82,438	91	31,008	342,893	575	342,468
Balance at 1 July 2011	686,577	(429,589)	88,967	91	84,170	430,216	575	430,791
Total comprehensive loss for the year	-	(138,908)	-	-	(21,051)	(159,959)	-	(159,959)
Loss for the year	-	(138,908)	-	-	-	(138,908)	-	(138,908)
Other comprehensive loss, net of tax	-	-	-	-	(21,051)	(21,051)	-	(21,051)
	686,577	(568,497)	88,967	91	63,119	270,257	575	270,832
Shares issued for capital raising	104,914	-	-	-	-	104,914	-	104,914
Shares issued on exercise of options	337	-	-	-	-	337	-	337
Shares issued in lieu of bonus	135	-	-	-	-	135	-	135
Shares issued to employees	2,511	-	-	-	-	2,511	-	2,511
Share based payments	-	-	2,082	-	-	2,082	-	2,082
Share options exercised	172	-	(172)	-	-	-	-	-
Share options cancelled	-	3,697	(3,697)	-	-	-	-	-
Share issued costs	(3,544)	-	-	-	-	(3,544)	-	(3,544)
Balance at 30 June 2012	791,102	(564,800)	87,180	91	63,119	376,692	575	377,267

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

COAL OF AFRICA LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2013

	Note	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Cash flows from operating activities			
Receipts from customers		156,019	247,312
Payments to suppliers and employees		(224,987)	(264,024)
Cash generated from operations	31	(68,968)	(16,712)
Interest received		702	1,119
Interest paid		(331)	(1,684)
Income taxes paid		-	(3,139)
Net cash used in operating activities		(68,597)	(20,416)
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,843)	(10,129)
Proceeds from the sale of property, plant and equipment		-	-
Investment in development assets		(19,465)	(24,775)
Investment in exploration assets		(9,261)	(16,003)
Acquisitions through business combinations		-	(33,169)
Cash acquired on business acquisition		-	227
Increase in other financial assets		(2,158)	(2,308)
Sale of Nimag		-	3,935
Proceeds from early settlement of Grindrod loan		4,622	-
Loan repayment – other receivables		-	1,600
Decrease / (increase) in restricted cash		4,136	(1,040)
Cash classified as held for sale		-	-
Net cash used in investing activities		(26,969)	(81,662)
Cash flows from financing activities			
Decrease in export trade finance facility		(21,693)	-
Finance lease repayments		(1,266)	(2,973)
Decrease in loans payable		(15,289)	(670)
Proceeds from the issue of shares (net of share issuance costs)		142,348	106,234
Net cash generated by financing activities		104,100	102,591
Net decrease in cash and cash equivalents			
		8,534	513
Net foreign exchange differences		1,881	(3,751)
Cash and cash equivalents at beginning of the year		19,523	22,761
Cash and cash equivalents at the end of the year	31	29,938	19,523

The accompanying notes are an integral part of these financial statements

1. General Information

Coal of Africa Limited ('CoAL' or the 'Company') is a limited company incorporated in Australia. Its common shares are listed on the Australian Securities Exchange ('ASX'), the Alternative Investment Market of the London Stock Exchange ('AIM') and the Johannesburg Securities Exchange ('JSE'). The addresses of its registered office and principal places of business is 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 and development of metallurgical and thermal coal projects in South Africa.

The Group's principal assets and projects include:

- The Vele Colliery commenced production in the first quarter of the 2012 financial year. During the initial phase, the operation is targeting 2.7 mtpa ROM production to produce 1.0 mtpa of saleable coking coal and thermal coal for export and/ or domestic sale. This construction on this project is expected to be completed at the end of 2014. Until such time that Vele is considered to be in commercial production, revenue from the sale of coal is not recognised as revenue but off-set against additions / costs capitalised (refer note 12).
- The Definitive Feasibility study for CoAL's flagship project, the Makhado Project, was completed during the 30 June 2013 period. An application for a New Order Mining Right ('NOMR') for the Makhado Project was submitted in January 2011. The Company is in the process of fulfilling the Black Economic Empowerment requirements in conjunction with fund raising activities for the project prior to the granting of a NOMR.
- In May 2012, CoAL acquired the Chapudi coal project and several other coal exploration properties in the Soutpansberg coal basin in South Africa, subsequently renamed the Greater Soutpansberg Project, from the previous owners, including Rio Tinto. The Greater Soutpansberg Project is a consolidation of nine potential coking and thermal coal assets grouped into three proximate regions, namely Mopane, Makhado and Chapudi.
- Prior to year end, the Company has assessed its thermal assets and concluded that the Woestalleen processing plant and related assets should be disposed of. In addition, in June 2013 a Section 189 process at the Mooiplaats thermal coal colliery ('Mooiplaats Colliery') commenced. In the event that there are no viable alternatives, the Company is expected to place Mooiplaats on care and maintenance, significantly reducing CoAL's cash losses. This will enable the Company to commence a sales process without continuing to incur these losses.

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 2013 of \$148.1 million (30 June 2012: loss of \$138.9 million), including a non-cash impairment of \$48.5 million on the Mooiplaats Colliery, realised and unrealised foreign exchange losses of \$29.4 million and depreciation and amortisation charges of \$28.8 million. During the year ended 30 June 2013, net cash outflows from operating activities were \$68.6 million (30 June 2012 net outflow: \$20.4 million) and net cash outflows from investing activities were \$26.9 million (30 June 2012 net outflow: \$81.6 million). As at 30 June 2013 the Consolidated Entity had a net current asset position of \$13.8 million (30 June 2012: net current liabilities of \$55.6 million), excluding assets and liabilities classified as held for sale.

As part of the process to raise additional funding for the business during the reporting period, the Company has performed the following fundraising activities:

- In July 2012, CoAL entered an equity derivative based funding arrangement with Investec Bank Limited to subscribe for a total of 19,148,408 CoAL shares, comprising 16,850,599 shares at a subscription price of £0.29 per share and 2,297,809 shares at A\$0.437 per share, raising approximately \$8.7 million.
- On 6 August 2012, CoAL placed 115,478,798 new shares with institutional investors at a price of £0.25 per share raising gross proceeds of approximately \$44.8 million.
- On 30 September 2012, an agreement was concluded with Beijing Haohua Energy Resource Company Limited's ('BHE') wholly-owned subsidiary, Haohua Energy International (Hong Kong) Company Limited ('HEI'), to subscribe for \$100 million of CoAL shares at £0.25 per share. The Company received \$20.0 million on 29 November 2012 and \$80.0 million on 31 January 2013, completing the total transaction.

Going Concern

The Company has a \$50 million thermal coal export finance facility with Deutsche Bank Amsterdam ('DBA facility'), of which \$37.5 million was drawn down at 31 December 2012. No further drawdowns can be made under this facility. The repayment of the outstanding balance at \$4.15 million per month commenced on 23 January 2013 and at the date of this report, the Company has repaid \$33.3 million while \$4.2 million remains outstanding. The last payment will be made during September 2013.

During the period ended 30 June 2013 the Company also identified certain key deliverables to ensure that the Consolidated Entity continues as a going concern and the following were achieved at the date of signing this report:

- The payment terms of the \$13.6 million due on 8 October 2012 for Rio Tinto's Chapudi assets were successfully restructured into three separate tranches, with the last installment of \$4.2 million paid on 28 February 2013.
- The replacement of certain cash backed environmental rehabilitation guarantees with insurance backed guarantees was completed by 31 January 2013, generating a net cash inflow of \$6.2 million.
- The settlement of the Grindrod loan receivable of \$11.2 million (which was to be repaid over seven years) was successfully re-negotiated by 31 December 2012, with a net cash inflow of \$8.75 million received in January 2013.
- The Company commenced a process for the sale of the Woestalleen Colliery, Mooiplaats Colliery and related assets including Opgoedehoop. The Company is at an advanced stage of negotiations regarding the disposal of Woestalleen and Opgoedehoop.

Over the next six to twelve months, the Directors have identified certain key deliverables to ensure that the Company and Consolidated Entity continue as going concerns. The ability of the Company and Consolidated Entity to continue as going concerns and to pay their debts as and when they fall due is dependent on:

- The execution of loan documentation and satisfaction of conditions in relation to a credit approved term sheet received from a financial institution with respect to a short term debt bridging facility of at least \$10 million by 31 October 2013; and
- The sale of the Woestalleen Colliery and other non-core assets during the next six months (as contemplated in Note 10) and the sale of the Mooiplaats Colliery during this next financial year.

At the date of this report and having considered the above factors, the Directors are confident that the Company and Consolidated Entity will be able to continue as going concerns.

In the event that the Consolidated Entity does not achieve successful outcomes in relation to the matters set out above, significant uncertainty would exist as to the ability of the Company and Consolidated Entity to continue as going concerns and, therefore, the Company and Consolidated Entity may be unable to realise their assets and discharge their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Company and Consolidated Entity not continue as going concerns.

2. Basis of presentation

2.1. Statement of compliance

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

The consolidated financial statements were authorised for issue by the Directors on 29 August 2013.

2.2. Basis of Preparation

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

All amounts are presented in United States dollars, unless otherwise noted.

3. Accounting policies

3.1. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through its subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of actual and potential voting rights are also considered. A list of controlled entities is contained in note 36 to the consolidated financial statements.

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

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

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

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

When the Group loses control of a subsidiary, 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 retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under Accounting Standard AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

3. Accounting policies (continued)

3.2. Business combinations

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

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

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

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

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

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

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

3. Accounting policies (continued)

3.3. 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.

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

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

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

3. Accounting policies (continued)

3.4. 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 statement of financial position. The income and expenses from these operations are not included in the various line items in the statement of profit or loss 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.

3.5. Exploration and evaluation expenditure

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

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

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

All capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied, and assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 3.11.

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.

3.6. 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 3.11.

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.

3. Accounting policies (continued)

3.7. 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.

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

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

Mining property is assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 3.11.

3.8. 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 statement of 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.

3. Accounting policies (continued)

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

Freehold land is stated at cost and is not depreciated.

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

Depreciation is recognised so as to write off the cost of assets (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 depreciation rates applicable to each category of property, plant and equipment are as follows:

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

3.10. Intangible assets, excluding goodwill

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

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

Intangible assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 3.11.

3. Accounting policies (continued)

3.11. 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

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

3.12. Leasing

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

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 3.23 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

3.13. Inventories

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

Costs of inventories are determined using the weighted average method.

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

3. Accounting policies (continued)

3.14. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive loss.

3.15. Cash and cash equivalents

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

3.16. Restricted cash

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

3.17. 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 FVTPL.

Financial assets

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

3. Accounting policies (continued)

3.17. Financial instruments (continued)

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 30.

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.

AFS investments

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

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.

3. Accounting policies (continued)

3.17. Financial instruments (continued)

Impairment of financial assets

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

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

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

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

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

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

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

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

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

3. Accounting policies (continued)

3.17. Financial instruments (continued)

Derecognition

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

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

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

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

Financial liabilities

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

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

Borrowings

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

Derecognition

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

Equity instruments

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

3.18. 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.

3. Accounting policies (continued)

3.19. 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 statement of comprehensive loss.

Rehabilitation provision

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

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

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

3.20. 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 28.

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

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

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

Cash-settled

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

3. Accounting policies (continued)

3.20. Share-based payments transactions of the Company (continued)

Accounting for BEE transactions

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

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

3.21. 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 comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in countries where the Group operates and generates taxable income.

Deferred taxation

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

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

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

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

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

3. Accounting policies (continued)

3.21. Taxation, including sales tax (continued)

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.

3.22. 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 finance income on the consolidated statement of comprehensive loss.

3.23. 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.

3.24. 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.

3. Accounting policies (continued)

3.25. 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 32).

3.26. Comparative amounts

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

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

3. Accounting policies (continued)

3.27. Adoption of new and revised Accounting Standards and Interpretations

At the date of the authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. The potential effect of the revised Standards / Interpretations on the Groups' financial statement has not yet been determined.

Standard	Effective for the annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 'Financial Instruments' and the relevant amending standards	1 January 2015	30 June 2016
• AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'	1 January 2013	30 June 2014
• AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'	1 January 2013	30 June 2014
• AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB13'	1 January 2013	30 June 2014
• AASB 19 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
• AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
• AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosure – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
• AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
• AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 200-2011 Cycle'	1 January 2013	30 June 2014
• AASB 2012-10 'Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
• Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013	30 Jun 2014

3. Accounting policies (continued)

3.27. Adoption of new and revised Accounting Standards and Interpretations (continued)

Standards and Interpretations adopted with no effect on financial statements

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

Standards/Interpretations	Effective for the annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none">• AASB 2010-5 <i>Amendments to Australian Accounting Standards</i>	1 January 2011	30 June 2012
<ul style="list-style-type: none">• AASB 2010-6 <i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets</i>	1 July 2011	30 June 2012

4. Critical accounting estimates and key judgements

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

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

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

Asset carrying values and impairment charges

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

Coal reserves

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

The Group determines and reports coal reserves under the Australasian Code of Reporting of Mineral Resources and Ore Reserves (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 Comprehensive Income may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change

Exploration and evaluation assets

Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. The Group applies the principles of AASB 6 and recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting policy, a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss. Refer to note 12.

4. Critical accounting estimates and key judgements (continued)

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 12.

Rehabilitation and restoration provisions

Certain estimates and assumptions are required to be made in determining the cost of rehabilitation and restoration of the areas disturbed during mining activities and the cost of dismantling of mining infrastructure. The amount the

Group is expected to incur to settle its future obligations includes estimates regarding:

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

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

Recoverability of non-current assets

As set out in note 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 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.

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
5. Revenue		
The following is an analysis of the Group's revenue for the year from continuing operations (excluding interest income – see note 8)		
Revenue from the rendering of services	1,012	1,349
	<u>1,012</u>	<u>1,349</u>
6. Operating expenses		
Net loss for the year has been arrived at after charging or crediting:		
Employee benefits expenses		
Share-based payments	660	5,005
Super-annuation	34	38
Other employee benefits	13,311	10,842
Total employee benefits expense	<u>14,005</u>	<u>15,885</u>
Depreciation and amortisation		
Depreciation		
Depreciation of property, plant and equipment	946	1,018
Total depreciation	<u>946</u>	<u>1,018</u>
Amortisation		
Amortisation of intangible asset (note 14)	895	1,206
Total amortisation	<u>895</u>	<u>1,206</u>
Total depreciation and amortisation	<u>1,841</u>	<u>2,224</u>
Other losses / (gains)		
Gain on disposal of property, plant and equipment	-	(412)
Mark to market valuation of Investec derivative facility	4,244	-
Discount on early settlement of loan receivable	3,050	-
Revaluation of investments	174	-
Total other losses and (gains)	<u>7,468</u>	<u>(412)</u>
Foreign exchange loss / (profit)		
Unrealised	28,575	41,552
Realised	(4,252)	(278)
	<u>24,323</u>	<u>41,274</u>

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
7. Auditors' remuneration		
Amounts received by the auditors of the Company as at 30 June 2013		
<i>Deloitte – Australia</i>		
Audit and review of financial reports	177,674	278,968
Other services	123,084	-
	<u>300,758</u>	<u>278,968</u>
<i>Deloitte – United Kingdom</i>		
Audit and review of financial reports	-	-
Other services – review of UK registration document	440,193	2,205,998
	<u>440,193</u>	<u>2,205,998</u>
<i>Deloitte – Johannesburg</i>		
Audit and review of financial reports	437,767	256,841
Other services	393	-
	<u>438,160</u>	<u>256,841</u>
8. Interest income and finance cost		
	<u>\$'000</u>	<u>\$'000</u>
Interest income		
Bank deposits	628	992
	<u>628</u>	<u>992</u>
Finance costs		
Interest on loans	(58)	(760)
Unwinding of interest	(89)	(73)
	<u>(147)</u>	<u>(833)</u>
Net finance income	<u>481</u>	<u>159</u>

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
9. 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 23)		
Origination and reversal of temporary differences	-	-
	-	-
Total income tax expense recognised	-	-
<p>The Group's effective tax rate for the year from continuing operations was 0% (2012: 0%). The tax rate used for the 2013 and 2012 reconciliations below is the corporate tax rate of 28% payable by South African corporate entities on taxable profits under South African tax law. The income tax expense for the year can be reconciled to the accounting profit as follows:</p>		
Loss from continuing operations before income tax	(65,070)	(75,397)
Income tax benefit calculated at 28% (2012: 28%)	(18,220)	(21,111)
Tax effects of:		
Expenses that are not deductible for tax purposes	6,787	3,490
Tax losses utilised		
Other temporary differences not utilised	11,433	17,621
Income tax (credit) / charge	-	-
Income tax recognised on the loss from operations held for sale		
Current tax		
Current tax expense in respect of the current year	149	-
	149	-
Deferred tax (note 23)		
Origination and reversal of temporary differences	(7,807)	(11,642)
	(7,807)	(11,642)
Total income tax benefit recognised	(7,617)	(11,642)
<p>The Group's effective tax rate for the year was 5% (2012: 8%). The tax rate used for the 2013 and 2012 reconciliations below is the corporate tax rate of 28% payable by South African corporate entities on taxable profits under South African tax law. The income tax expense for the year can be reconciled to the accounting profit as follows:</p>		
Loss before income tax	(90,684)	(75,153)
Income tax benefit calculated at 28% (2012: 28%)	(25,392)	(21,042)
Tax effects of:		
Expenses that are not deductible for tax purposes	16,089	12,538
Tax losses utilised	(1,260)	-
Other temporary differences utilised / (not utilised)	2,946	(3,138)
Income tax (credit) / charge	(7,617)	(11,642)

COAL OF AFRICA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2013

10. Operations classified as held for sale

10.1 Holfontein (Pty) Ltd ('Holfontein')

The Company is in the process of finalising agreements for the disposal of the Holfontein thermal coal project near Secunda in Mpumalanga.

10.2 Disposal of NuCoal Mining (Pty) Ltd ('Woestalleen')

CoAL is at an advanced stage of negotiations regarding the disposal of Woestalleen which includes the Woestalleen processing complex. Agreements have been finalised and funding for the purchase consideration is at an advanced stage. The proposed proceeds exceed the carrying value of the related net assets and, accordingly, no impairment loss was recognised on the reclassification of these operations as held for sale. The disposal of Woestalleen is consistent with the Group's long-term strategy to focus is activities and resources on developing the coking coal projects.

Details of the assets and liabilities held for sale are disclosed in note 20.

10.3 Plan to dispose of Langcarel (Pty) Ltd ('Mooiplaats')

The Company has announced a long-term strategy to dispose of its thermal assets in order to focus on the development of the coking coal assets. The Company is actively seeking a buyer for this business and expects to complete a sale during the next financial year. The Group has recognised an impairment loss on the Mooiplaats colliery of \$48.5 million (refer note 13) in December 2012. No further impairment loss has been recognised upon the reclassification of these operations to operations classified as held for sale.

10.4 Analysis of loss for the year from operations classified as held for sale

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 2013 \$'000	Year ended 30 June 2012 \$'000
Loss for the year from operations held for sale		
Revenue	145,384	242,493
Other gains	2,315	12,080
	147,699	254,573
Expenses	(238,383)	(329,726)
Loss before tax	(90,684)	(75,153)
Attributable income tax credit	7,617	11,642
Loss for the year from operations held for sale (attributable to owners of the company)	<u>(83,067)</u>	<u>(63,511)</u>
Cash flows from operations held for sale		
Net cash outflows from operating activities	(34,568)	4,709
Net cash outflows from investing activities	(7,530)	(11,947)
Net cash outflows from financing activities	(23,239)	(3,633)
Net cash outflows	<u>(65,337)</u>	<u>(10,871)</u>

These operations have been classified and accounted for at 30 June 2013 as a disposal group held for sale (see note 20).

COAL OF AFRICA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2013

	Year ended 30 June 2013	Year ended 30 June 2012
	Cents per share	Cents per share
11. Loss per share attributable to owners of the Company		
Basic loss per share		
From continuing operations	7.27	12.27
From operations held for sale	9.27	10.33
	<u>16.54</u>	<u>22.60</u>
11.1 Basic loss per share		
	\$'000	\$'000
Loss for the year attributable to owners of the Company	(148,137)	(138,908)
Loss for the year from operations held for sale	83,067	63,511
Loss used in the calculation of basic loss per share from continuing operations	<u>(65,070)</u>	<u>(75,397)</u>
	'000 shares	'000 shares
Weighted number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>895,633</u>	<u>614,596</u>

11.2 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 2013, 13,929,562 options (2012 – 22,079,562 options) were excluded from the computation of the loss per share as their impact is anti-dilutive. Furthermore at 30 June 2013 and 2012 one option issued to Firefly to acquire 50 million shares (see note 28) was also excluded from the computation of the loss per share as the impact is anti-dilutive.

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
12. Development, exploration and evaluation expenditure		
Development, exploration and evaluation expenditure comprises:		
Exploration and evaluation assets	148,131	156,270
Development expenditure	130,947	127,216
Balance at end of year	<u>279,078</u>	<u>283,486</u>
A reconciliation of development, exploration and evaluation expenditure is presented below:		
Exploration and evaluation assets		
Balance at beginning of year	156,270	74,881
Additions	11,593	16,003
Additions through business combinations	-	75,553
Foreign exchange differences	(19,732)	(10,167)
Balance at end of year	<u>148,131</u>	<u>156,270</u>
Development assets		
Balance at beginning of year	127,216	120,967
Additions ⁽¹⁾	25,258	24,775
Foreign exchange differences	(21,527)	(18,526)
Balance at end of year	<u>130,947</u>	<u>127,216</u>

(1) Vele is not considered to be in commercial production and as a result, revenue from the sale of coal is not recognised as revenue but off-set against additions. The total revenue off-set against additions is \$8.2 million (2012 - \$1.3 million).

The development assets have been assessed for impairment by comparing the carrying value against the value-in-use calculations of the project.

Value-in-use is calculated based on the present value of cash flow projections over the expected life of each development project. The discount rate applied in the value-in-use is 8% (2012 - 10%) (post tax).

Based on the value-in-use projection, no impairment has been recognised on the Vele development asset.

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

13. Property, plant and equipment

	Mining property, plant and equipment \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Motor vehicles \$'000	Other \$'000	Total \$'000
2013						
Cost						
At beginning of year	427,898	24,348	678	1,839	2,817	457,580
Additions	3,626	449	-	340	428	4,843
Transfers	-	(929)	-	-	-	(929)
Assets held for sale	(376,955)	(2,608)	-	(956)	(573)	(381,092)
Disposals	-	-	-	-	-	-
Exchange differences	(54,104)	(3,779)	(106)	(335)	(494)	(58,818)
At end of year	465	17,481	572	888	2,178	21,584
Accumulated depreciation						
At beginning of year	188,777	1,325	462	694	1,445	192,703
Amortisation	13,577	-	-	-	-	13,577
Depreciation charge	11,968	1,135	142	244	666	14,155
Assets held for sale	(176,290)	(1,741)	-	(530)	(432)	(178,993)
Accumulated depreciation on disposals	-	-	-	-	-	-
Exchange differences	(37,866)	(313)	(87)	(139)	(299)	(38,704)
At end of year	166	406	517	269	1,380	2,738
Accumulated Impairment						
At beginning of year	123,236	-	-	-	-	123,236
Impairment charge	48,545	-	-	-	-	48,545
Assets held for sale	(166,399)	-	-	-	-	(166,399)
Exchange differences	(5,382)	-	-	-	-	(5,382)
At end of year	-	-	-	-	-	-
Net carrying value at end of year	299	17,075	55	619	798	18,846

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

13. Property, plant and equipment (continued)

	Mining property, plant and equipment \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Motor vehicles \$'000	Other \$'000	Total \$'000
2012						
Cost						
At beginning of year	472,035	22,681	1,409	1,227	1,841	499,193
Additions	3,036	4,841	-	884	1,368	10,129
Additions through business combinations	-	1,166	-	-	-	1,166
Disposals	-	-	(525)	-	-	(525)
Exchange differences	(47,173)	(4,340)	(206)	(272)	(392)	(52,383)
At end of year	<u>427,898</u>	<u>24,348</u>	<u>678</u>	<u>1,839</u>	<u>2,817</u>	<u>457,580</u>
Accumulated depreciation						
At beginning of year	139,525	488	613	495	957	142,078
Amortisation	51,829	-	-	-	-	51,829
Depreciation charge	14,986	986	-	306	687	16,965
Accumulated depreciation on disposals	-	-	(54)	-	-	(54)
Exchange differences	(17,563)	(149)	(97)	(107)	(199)	(18,115)
At end of year	<u>188,777</u>	<u>1,325</u>	<u>462</u>	<u>694</u>	<u>1,445</u>	<u>192,703</u>
Accumulated impairment						
At beginning of year	138,857	-	-	-	-	138,857
Impairment reversal	(11,944)	-	-	-	-	(11,944)
Exchange differences	(3,677)	-	-	-	-	(3,677)
At end of year	<u>123,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,236</u>
Net carrying value at end of year						
	<u>115,885</u>	<u>23,023</u>	<u>216</u>	<u>1,145</u>	<u>1,372</u>	<u>141,641</u>

COAL OF AFRICA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
13. Property, plant and equipment (continued)		
The carrying amounts of the respective collieries included in property, plant and equipment at year end are:		
Mooiplaats	-	98,597
Woestalleen	-	16,875
	-	115,472

Impairment

In December 2012, due to the continued losses suffered at Mooiplaats, the Group concluded that a full impairment review of the colliery should be performed. In order to assess impairment, the carrying value of the project was compared with its recoverable amount. In this instance, the recoverable amount was based on the fair value less cost to sell. The Directors' determined the fair value of Mooiplaats based on a valuation of the tangible assets with input from external consultants.

Based on this review, the Mooiplaats Colliery was impaired by \$48.5 million. This impairment arose principally as a result of:

- a) continued losses suffered at the operation on a monthly basis due to lower coal prices and production targets not being met;
- b) strike action during the month of September 2012 resulting in lower production volumes; and
- c) relatively higher logistic costs applicable to this colliery.

In June 2013, the Mooiplaats colliery was classified as held for sale. No further impairment loss was recognised at this time.

Also in June 2013, the Woestalleen colliery was classified as held for sale. As required by the standard, an impairment review was performed at that time, with no impairment being recognised.

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
14. Intangible assets		
Balance at beginning of year	18,757	20,800
Amortisation	(895)	(1,206)
Foreign exchange differences	(1,784)	(837)
Balance at end of year	<u>16,078</u>	<u>18,757</u>

In August 2008 the Company entered into a throughput agreement with Terminal De Carvao Da Matola Limitada ('TCM'), a subsidiary of Grindrod Trading & Shipping Limited ('Grindrod'), the operator of the Matola Terminal) and CMR Engineers & Project Managers Proprietary Limited. This agreement granted the Company 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 has the right to renew the agreement (subject to certain conditions) at the end of the initial term, for further periods of 3 successive periods of 5 years each for a total of 15 years.

15. Other receivables

Carrying amount of:		
Terminal development loan	-	11,200
Nimag loan	2,188	2,611
Other loans	1,379	-
	<u>3,567</u>	<u>13,811</u>
Balance at beginning of year	13,811	12,800
Loan sold – Terminal development loan	(11,200)	-
Loan repayment	-	(1,600)
Loan advanced to Nimag	-	2,834
Loan advanced	1,609	-
Foreign exchange differences	(653)	(223)
Balance at end of year	<u>3,567</u>	<u>13,811</u>

Terminal development loan

The Company entered into an agreement with Grindrod Trading & Shipping Limited ('Grindrod') on 12 January 2009 whereby the Company exercised its option under the Grindrod option agreement and advanced loan funding of \$16.0 million, with a stated rate of interest of zero percent, to Grindrod (the 'Grindrod Loan') The Grindrod Loan was used for the phase three expansion to increase the annual throughput capacity at the Maputo Terminal and CoAL received access to an additional approximately two mtpa of throughput capacity from March 2011 and will continue as per the throughput agreement.

On 31 December 2012, the Grindrod Loan was settled early for an amount of \$8.5 million, being the discounted present value over the remaining six year term.

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. The capital is repayable in 12 equal quarterly instalments following the 39th month after the date of advance of the ABSA funding for the management buyout or, the date the ABSA funding is fully repaid.

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
16. Other financial assets		
Carrying value of financial assets at fair value through profit or loss		
Listed securities		
- Equity securities	3,403	6,061
Unlisted securities		
- Equity securities in private corporations*	559	4,362
	<u>3,962</u>	<u>10,423</u>
Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows.		
*Determined primarily by reference to the value of recent private placements.		
Deposits	<u>2,345</u>	<u>2,750</u>
	<u>6,307</u>	<u>13,173</u>
Other financial assets have been analysed between current and non-current as follows:		
Current	3,318	-
Non-current	2,989	13,173
	<u>6,307</u>	<u>13,173</u>
17. Inventories		
Raw materials	-	1,080
Consumable stores	985	2,551
Work in progress	-	3,317
Finished goods	111	13,758
Goods in transit	-	1,352
	<u>1,096</u>	<u>22,058</u>
18. Trade and other receivables		
Trade receivables	266	21,152
Other receivables	3,721	6,841
Allowance for doubtful debts	(720)	(2,025)
	<u>3,267</u>	<u>25,968</u>

The carrying amount of trade and other receivables approximate their fair value due to their short-term maturity.

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
18. Trade and other receivables (continued)		
<p>The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed in note 30. The Group does not hold any collateral as security.</p> <p>Movements on the allowance for doubtful debts are as follows:</p>		
Balance at beginning of year	2,025	2,565
Allowance for bad debts	1,641	-
Receivable written off as uncollectable	(334)	(218)
Transferred to assets classified as held for sale	(2,836)	-
Foreign exchange differences	224	(322)
Balance at end of year	<u>720</u>	<u>2,025</u>
<p>Trade receivables are exposed to the credit risk of end-user customers within the coal mining industry.</p> <p>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.</p> <p>Credit quality of trade receivables</p>		
Not past due	32	10,185
Past due 0 to 30 days	4	3,543
Past due 31 to 60 days	-	6,389
Past due 61 to 90 days	230	1,035
	<u>266</u>	<u>21,152</u>
<p>Currency analysis of trade receivables</p>		
SA Rand	266	17,105
US dollar	-	4,047
	<u>266</u>	<u>21,152</u>

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
19. Cash and cash equivalents		
Bank balances	20,995	19,523
Bank balances included in a disposal group held for sale (refer note 20)	8,943	-
	<u>29,938</u>	<u>19,523</u>
Restricted cash	4,187	11,976
Restricted cash included in a disposal group held for sale (refer note 20)	2,158	-
	<u>6,345</u>	<u>11,976</u>
<p>The restricted cash balance of \$6,345,000 (2012 - \$11,976,000) was held on behalf of subsidiary companies in respect of the rehabilitation guarantees issued to the Department of Mineral Resources in respect of environmental rehabilitation costs of \$17.6 million (2012: \$20.8 million). This cash was not available for use other than for those specific purposes.</p>		
Credit risk		
<p>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.</p>		
<p>The fair value of cash and cash equivalents equates to the values as disclosed in this note.</p>		
20. Assets classified as held for sale		
Carrying amounts of		
Holfontein Investments Proprietary Limited ('Holfontein')	-	-
Langcarel Proprietary Limited ('Mooiplaats')	34,934	-
NuCoal Mining Proprietary Limited ('Woestalleen')	988	-
	<u>35,922</u>	<u>-</u>
Assets classified as held for sale		
Holfontein	-	-
Mooiplaats	55,996	-
Woestalleen	15,097	-
	<u>71,093</u>	<u>-</u>
Liabilities associated with assets held for sale		
Holfontein	-	-
Mooiplaats	21,062	-
Woestalleen	14,109	-
	<u>35,171</u>	<u>-</u>
	<u>35,922</u>	<u>-</u>

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
20. Assets classified as held for sale (continued)		
Holfontein		
Assets classified as held for sale		
Exploration and evaluation assets	-	11,623
	-	11,623
Liabilities associated with assets held for sale		
Trade payables and accrued expenses	-	3
	-	3
Net assets of Holfontein Investments Proprietary Limited	-	11,620
Impairment on assets held for sale	-	(11,620)
	-	-

The Company is in the process of finalising agreement for the disposal of the Holfontein thermal coal project near Secunda in Mpumalanga.

Mooiplaats

As described in note 10, the Company is seeking to dispose of its thermal assets which include the Mooiplaats colliery. Prior to classifying Mooiplaats as held for sale, an impairment loss was recognised as the carrying value of the asset exceeded the realisable value at that time (refer note 13). The Company expects to recover the remaining carrying value through the sales price.

The major classes of assets and liabilities of Mooiplaats at the end of the reporting period are as follows:

Assets classified as held for sale		
Property, plant and equipment	35,100	-
Other financial assets	2,043	-
Restricted cash	1,580	-
Inventories	2,021	-
Trade and other receivables	9,267	-
Cash and cash equivalents	5,985	-
	55,996	-
Liabilities classified as held for sale		
Interest bearing liabilities	12,769	-
Provisions	3,414	-
Trade payables and accrued expenses	4,879	-
	21,062	-
Net assets of Mooiplaats	34,934	-

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
20. Assets classified as held for sale (continued)		
Woestalleen		
As disclosed in note 10, CoAL is at an advanced stage of negotiations regarding the disposal of Woestalleen which includes the Company's processing complex. The proposed proceeds exceed the carrying value of the related net assets and, accordingly, no impairment loss was recognised on the reclassification of these operations as held for sale.		
The major classes of assets and liabilities of Mooiplaats at the end of the reporting period are as follows:		
Assets classified as held for sale		
Property, plant and equipment	600	-
Other financial assets	3,133	-
Restricted cash	578	-
Inventories	3,412	-
Trade and other receivables	4,416	-
Cash and cash equivalents	2,958	-
	15,097	-
Liabilities classified as held for sale		
Interest bearing liabilities	921	-
Provisions	7,422	-
Trade payables and accrued expenses	5,766	-
	14,109	-
Net assets of Woestalleen	988	-

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
21. Borrowings		
Secured – at amortised cost		
Finance leases	-	66
	-	66
Total non-current borrowings	-	66
Current		
Unsecured – at amortised cost		
Unsecured loans	1,869	-
Other – contingent consideration (note 33)	-	13,785
Other	219	1,454
	2,088	15,239
Secured – at amortised cost		
Secured loans – export trade finance facility	-	32,469
Finance leases	-	1,355
	-	33,824
Total current borrowings	2,088	49,063
Total borrowings	2,088	49,129
The carrying value of the Group's interest bearing liabilities, which consist of floating rate interest bearing liabilities, approximate fair value.		
Finance leases		
The Group entered into finance lease arrangements for certain motor vehicles and equipment. The average term of finance leases entered into is 5 years, and the average effective borrowing rate is 7.45%.		
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.		
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	-	1,407
Later than 1 year and no later than 5 years	-	68
Later than 5 years	-	-
	-	1,475
Future finance charges on finance leases	-	(54)
	-	1,421
The present value of finance lease liabilities is as follows:		
No later than 1 year	-	1,355
Later than 1 year and no later than 5 years	-	66
Later than 5 years	-	-
	-	1,421

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
21. Borrowings (continued)		
Export trade finance facility		
Balance at beginning of year	32,469	32,623
Loan advanced	4,770	-
Loan repaid	(26,463)	-
Interest accrued	1,938	(154)
	<u>12,714</u>	<u>32,469</u>
Re-classified to Liabilities associated with assets held for sale	(12,714)	-
	<u>-</u>	<u>32,469</u>

The Company, through its wholly owned subsidiary Langcarel (Pty) Ltd has a revolving thermal coal export finance facility ('the facility') for up to \$50.0 million with Deutsche Bank AG, Amsterdam. In terms of the repayment clause in the facility, the total amount of the facility started to decrease by one twelfth in October 2012. As at 30 June, the utilisation of the facility was \$12.5 million.

The facility is subject to certain covenants associated with a facility of this nature. As a result of the strike action in October 2012 at the Mooiplaats Colliery and the subsequent loss in production together with the unrealised foreign exchange loss associated with the loan in the books of Langcarel (Pty) Ltd, the Group's total equity measure fell below the set equity covenant threshold.

Notice of this breach was communicated to Deutsche Bank and the Company considers that this breach has not resulted in any change to the ability of the Company to meet its repayment obligations.

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

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

The Facility will be secured by:

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

COAL OF AFRICA LIMITED
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	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
22. Provisions		
Employee provisions	389	1,396
Other	9	79
Rehabilitation provisions	4,903	16,916
	<u>5,301</u>	<u>18,391</u>

The provision for employees represents unused annual leave entitlements. Upon re-classifying the thermal assets as assets held for sale, \$0.4 million has been transferred to liabilities associated with assets held for sale.

Rehabilitation provision

Balance at beginning of year	16,916	18,714
Unwinding of discount	164	148
Utilisation of provision	(1,045)	-
Additional provisions recognised	1,308	1,413
Re-classified to Liabilities associated with assets held for sale	(9,649)	-
Foreign exchange differences	(2,791)	(3,359)
Balance at end of year	<u>4,903</u>	<u>16,916</u>

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.

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

Current	398	1,475
Non-current	4,903	16,916
	<u>5,301</u>	<u>18,391</u>

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
23. Deferred tax		
Deferred tax asset		
- Deferred tax asset to be recovered after more than 12 months	2,885	3,444
- Deferred tax asset to be recovered within 12 months	-	-
	2,885	3,444
Deferred tax liability		
- Deferred tax liability to be recovered after more than 12 months	-	-
- Deferred tax liability to be recovered within 12 months	-	(6,454)
	-	(6,454)
Net deferred tax asset / (liability)	2,885	(3,010)
The gross movement on the deferred tax account is as follows:		
Balance at beginning of year	(3,010)	(15,264)
Exchange differences	(1,912)	612
Statement of comprehensive income charge – included as part of Operations held for sale	7,807	11,642
Balance at end of year	2,885	(3,010)
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		
<u>Capital allowances</u>		
Balance at beginning of year	3,444	4,171
Statement of comprehensive income charge	-	-
Charged / (credited) directly to equity	-	-
Foreign exchange differences	(559)	(727)
Balance at end of year	2,885	3,444
<u>Employee benefits</u>		
Balance at beginning of year	-	(2)
Statement of comprehensive income charge / (credit)	-	-
Charged / (credited) directly to equity	-	-
Transferred to held for sale	-	-
Foreign exchange differences	-	2
Balance at end of year	-	-

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
23. Deferred tax (continued)		
Deferred tax liabilities		
<u>Provisions</u>		
Balance at beginning of year	-	(992)
Statement of comprehensive income charge / (credit)	-	1,463
Other comprehensive income charge / (credit)	-	-
Charged / (credited) directly to equity	-	-
Foreign exchange differences	-	(471)
Balance at end of year	<u>-</u>	<u>-</u>
<u>Other</u>		
Balance at beginning of year	(6,454)	(16,911)
Statement of comprehensive income charge / (credit)	-	-
Other comprehensive income charge / (credit)	-	-
Acquisition of business combination	-	-
Charged / (credited) directly to equity	-	-
Amortisation	7,807	10,181
Impairment	-	-
Foreign exchange differences	(1,353)	276
Balance at end of year	<u>-</u>	<u>(6,454)</u>
<u>Total</u>		
Balance at beginning of year	6,454	19,435
Statement of comprehensive income charge / (credit)	(7,807)	(11,644)
Other comprehensive income charge / (credit)	-	-
Foreign exchange differences	1,353	(1,337)
Balance at end of year	<u>-</u>	<u>6,454</u>

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 \$94.7 million (2012: \$ 85.8 million) in respect of losses amounting to \$126.9 million (2012: \$ 13.2 million) and unredeemed capital expenditure of \$211.4 million (2012: \$293.2 million) that can be carried forward against future taxable income.

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
24. Trade and other payables		
Trade payables	6,627	64,584
Accrued expenses	4,147	5,184
Other	63	2,673
	<u>10,837</u>	<u>72,441</u>
The average credit period is 30 days. Interest at the South African prime overdraft rate is charged on overdue creditors.		
25. Issued capital		
Fully paid ordinary shares		
1,048,368,613 (2012: 666,323,828) fully paid ordinary shares	<u>935,891</u>	<u>791,102</u>
Movements in fully paid ordinary shares	Number	\$'000
At 30 June 2011	531,139,661	686,577
Exercise of Class A options at A\$0.50 per share	1,000,000	509
Shares issued in lieu of bonus	144,912	135
Issue of shares	130,000,000	101,370
Shares issued to directors and employees	4,039,255	2,511
At 30 June 2012	<u>666,323,828</u>	<u>791,102</u>
Issue of shares, net of issuance costs	382,044,785	144,789
At 30 June 2013	<u>1,048,368,613</u>	<u>935,891</u>
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.		
26. Accumulated deficit		
Accumulated deficit at the beginning of the financial year	(564,800)	(429,589)
Net loss attributed to Owners of the Company	(148,137)	(138,908)
Transferred from share based payment reserve	5,402	3,697
Accumulated deficit at the end of the financial year	<u>(707,535)</u>	<u>(564,800)</u>

COAL OF AFRICA LIMITED
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	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
27. Reserves		
27.1 Reserves		
Capital profits reserve	91	91
Share based payment reserve	82,438	87,180
Foreign currency translation reserve	31,008	63,119
	<u>113,537</u>	<u>150,390</u>

Movements for the year can be reconciled as follows:

Share-based payments reserve

Opening balance	87,180	88,967
Share options issued during the year	660	2,082
Transfer from share based payment reserve	(5,402)	(3,869)
Closing balance	<u>82,438</u>	<u>87,180</u>

Foreign currency translation reserve

Opening balance	63,119	84,170
Exchange differences on translating foreign operations	(32,111)	(21,051)
Closing balance	<u>31,008</u>	<u>63,119</u>

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, as well as the BBBEE option.

Foreign currency translation reserve

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

28. Share-based payments

Share options

Employee share option plan

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

Share options granted to Directors and Officers

The Group also grants share options to directors and officers of the Group outside the ESOP's. 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 2013

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 2013:

- 7,000,000 share options over ordinary shares in CoAL were granted to Mr Farrell (5,000,000 options - previously Executive Deputy Chairman) and Mr Linnell (previously Non-Executive Chairman – 2,000,000 options) on 5 June 2007. The options allowed the holders to take up ordinary shares at an exercise price of A\$1.25 each and were exercisable on or before 30 September 2012. The options held no voting or dividend rights and were not transferable. Upon conversion of the options to shares, the shares would rank equally with existing shares. At reporting date, none of the options had been taken up and all 7,000,000 of the options had lapsed.
- 1,000,000 share options over ordinary shares in CoAL were granted on 10 April 2008 to Mr Sergeant (previously CoAL Finance Director). The options allowed the Mr Sergeant to take up ordinary shares at an exercise price of A\$1.90 each and were exercisable on or before 30 September 2012. The options held no voting or dividend rights, and were not transferable. Upon conversion of the options to shares, the shares would rank equally with existing shares. At reporting date, none of the options had been taken up and all 1,000,000 of the options had lapsed.
- 1,650,000 share options over ordinary shares in CoAL were granted to Mr van der Merwe (previously Chief Operations Officer) on 1 December 2008. The options allowed the Mr van der Merwe to take up ordinary shares at an exercise price of A\$3.25 each and were exercisable on or before 31 July 2012. The options held no voting or dividend rights and were not transferable. Upon conversion of the options to shares, the shares would rank equally with existing shares. At reporting date, none of the options had been taken up and all 1,650,000 options had lapsed.
- 3,000,000 share options over ordinary shares in CoAL were granted to Mr Farrell on 8 December 2009. The options allow the Mr Farrell to take up ordinary shares at an exercise price of A\$2.74 each. 2,000,000 of the options vested one year after the granting of the NOMR for the Vele Colliery and the remaining 1,000,000 options vest one year after the granting of the Makhado Project NOMR. The 3,000,000 options are exercisable on or before 30 November 2014 and hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.
- 2,000,000 share options over ordinary shares in CoAL were granted to Mr Sergeant on 8 December 2009. The options allowed Mr Sergeant to take up ordinary shares at an exercise price of A\$2.74 each. 500,000 of the options vested on closing of the NuCoal acquisition transaction, 1,000,000 of the options vested one year after the granting of the NOMR for the Vele Colliery and the remaining 500,000 options would have vested one year after the granting of the Makhado Project NOMR. The options were exercisable on or before 30 November 2014 and held no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares would have ranked equally with existing shares. At reporting date, all options granted to Mr Sergeant were cancelled pursuant to the terms of a legal settlement against Mr Sergeant in the Federal Court of Australia.

28. Share-based payments (continued)

Share options (continued)

- 912,500 options were issued to eligible employees of CoAL as part of the ESOP on 25 February 2010. Shareholders of the Company approved the adoption of the ESOP on 30 November 2009. The ESOP gives eligible employees and officers of the Company the opportunity in the form of options to subscribe for shares in the Company. The options issued under this scheme are exercisable prior to 30 June 2014, have an exercise price of A\$1.90, are not transferable and hold no voting or dividend rights and vested in equal tranches on 1 July 2009, 1 July 2010 and 1 July 2011. Upon conversion, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up but 94,000 options have been cancelled.
- 2,500,000 share options over ordinary shares in CoAL were granted to Mr Murray, Senior Independent Non-Executive Director of CoAL, on 9 November 2010. The options allow Mr Murray to take up ordinary shares at an exercise price of A\$1.20 each. The options are exercisable in equal tranches on or before 9 November 2015. The options hold no voting or dividend rights, and are not transferable. 1,000,000 options vested on 8 November 2011, 750,000 on 8 November 2012 and the remaining 750,000 will vest on 8 November 2013 and on conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.
- 1,540,561 options were issued on 4 February 2011 to eligible employees of CoAL as part of the ESOP. The options issued are exercisable prior to 30 September 2015, have an exercise price of A\$1.40, or ZAR9.50. The options vest in equal tranches on 30 September 2011, 30 September 2012 and 30 September 2013. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. At reporting date, none of the options had been taken up but 99,500 options have been cancelled.
- 2,670,000 options were issued on 16 September 2011 to eligible employees of CoAL as part of the ESOP. The options issued are exercisable prior to 14 February 2017, have an exercise price of A\$1.40 or ZAR7.60. The options vest in equal tranches on 1 July 2012, 1 July 2013 and 1 July 2014. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. At reporting date, none of the options had been taken up or had lapsed.
- 2,500,000 options over ordinary shares in CoAL were granted to Mr Brown (Executive Chairman) on 28 November 2012. The options allow the holder to take up ordinary shares at an exercise price of GBP0.25 each and are exercisable on or before 30 November 2015. The options hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares would rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.
- 1,000,000 options over ordinary shares in CoAL were granted to Mr Pryor (Non-Executive Director) on 28 November 2012. The options allow the holder to take up ordinary shares at an exercise price of GBP0.25 each and are exercisable on or before 30 November 2015. The options hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares would rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

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28. Share-based payments (continued)

Share options (continued)

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
Class K unlisted options	818,500	25/02/2010	30/06/2014	A\$1.90	A\$0.92	1.00 years
Option ⁽¹⁾	1	22/04/2010	01/11/2014	GBP0.60	A\$1.78	1.34 years
Class J unlisted options	3,000,000	08/12/2009	30/11/2014	A\$2.74	A\$0.58	1.42 years
Class C unlisted options	2,500,000	09/11/2010	09/11/2015	A\$1.20	A\$0.59	2.36 years
ESOP unlisted options	1,441,061	04/02/2011	30/09/2015	A\$1.40	A\$0.91	2.25 years
Class L unlisted options	3,500,000	28/11/2012	30/09/2015	GBP0.25	A\$0.05	2.42 years
ESOP unlisted options	2,670,000	16/09/2011	14/02/2017	A\$1.40	ZAR3.46	3.63 years
	<u>13,929,562</u>					

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

Fair value of share options granted during the year

The weighted average fair value of share options granted during the financial year is A\$0.38 (2012: A\$0.43). 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 60% was used in the pricing model.

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

	Option grants
Closing share price on issue date	GBP0.14
Exercise price	GBP0.25
Expected volatility	60.0%
Option life remaining	3 years
Dividend yield	0%
Risk free interest rate	0.333%

The total share based payment expense recognised in the current financial year is \$176,110

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

	ESOP grants
Closing share price on issue date	ZAR6.05
Exercise price	ZAR7.60
Expected volatility	70.0%
Option life remaining	4.71 years
Dividend yield	0%
Risk free interest rate	6.69%

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28. Share-based payments (continued)

Share options (continued)

Movement in share options

	Year ended 30 June 2013 Number	Year ended 30 June 2012 Number
Options outstanding at beginning of year	22,079,562	28,903,062
Options expired	(9,650,000)	(8,493,500)
Options cancelled	(2,000,000)	-
Options granted	3,500,000	2,670,000
Options exercised	-	(1,000,000)
Options outstanding at end of year	<u>13,929,562</u>	<u>22,079,562</u>
Weighted average exercise price (A\$)	2.13	2.63
Options exercisable	10,399,562	14,838,688
Weighted average exercise price (A\$)	1.28	1.28

No share options were exercised during the period.

29. Non-controlling interest

Non-controlling interests comprise the following:

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Tshipise Energy Proprietary Limited	-	-
Freewheel Trade and Invest 37 Proprietary Limited	<u>575</u>	<u>575</u>
	<u>575</u>	<u>575</u>

COAL OF AFRICA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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30. Financial risk management

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

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

Market risk

Foreign exchange risk

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

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

	Average rate		Reporting date spot rate	
	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2013	Year ended 30 June 2012
US Dollar 1 = SA Rand	8.810	7.738	9.881	8.278
SA Rand 1 = US Dollar	0.114	0.129	0.101	0.121
US Dollar 1 = Australian Dollar	0.975	0.969	1.094	0.984
Australian Dollar 1 = US Dollar	1.027	1.032	0.914	1.016
SA Rand 1 = Australian Dollar	0.110	0.125	0.111	0.119
Australian Dollar 1 = SA Rand	9.067	8.012	9.030	8.412

COAL OF AFRICA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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30. Financial risk management (continued)

Market risk (continued)

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

Balances at 30 June 2013	Denominated in ZAR \$'000	Denominated in GBP \$'000	Denominated in AUD \$'000	Denominated in USD \$'000	Total \$'000
Financial assets					
Other receivables	3,567	-	-	-	3,567
Trade and other receivables	2,837	-	430	-	3,267
Cash ⁽¹⁾ and cash equivalents	10,499	16	259	14,408	25,182
Total financial assets	16,903	16	689	14,408	32,016

¹. Cash includes restricted cash

Financial liabilities					
Borrowings	219	1,869	-	-	2,088
Trade and other payables	8,430	-	2,407	30,000	40,837
Total financial liabilities	8,649	1,869	2,407	30,000	42,925

Balances at 30 June 2012	Denominated in ZAR \$'000	Denominated in AUD \$'000	Denominated in USD \$'000	Total \$'000
Financial assets				
Other receivables	2,611	-	11,200	13,811
Trade and other receivables	25,846	122	-	25,968
Cash ⁽¹⁾ and cash equivalents	26,944	1,040	3,515	31,499
Total financial assets	55,401	1,162	14,715	71,278

¹. Cash includes restricted cash

Financial liabilities				
Borrowings	16,660	-	32,469	49,129
Trade and other payables	69,076	3,367	30,000	102,443
Total financial liabilities	85,736	3,367	62,469	151,572

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

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

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30. Financial risk management (continued)

Market risk (continued)

Impact on profit / (loss)	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Judgements on reasonable possible movements		
USD/ZAR increase by 10%	(10,396)	(4,843)
USD/ZAR decrease by 10%	10,396	4,843

Price risk

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

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

Interest risk

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

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

Impact on profit / (loss)	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Judgements on reasonable possible movements		
Increase of 0.2% in LIBOR	36	157
Decrease of 0.2% in LIBOR	(36)	(8)

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

Credit risk

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

At 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.

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30. Financial risk management (continued)

Credit risk (continued)

The maximum exposure to credit risk was as follows:

Financial assets	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Other receivables	3,567	13,811
Trade and other receivables	3,267	25,968
Cash and cash equivalents	25,182	31,499
	32,016	71,278

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:

Balances at 30 June 2013	United Kingdom \$'000	Australia \$'000	South Africa \$'000	Total \$'000
Cash and cash equivalents	19,796	259	5,127	25,182
	19,796	259	5,127	25,182

Balances at 30 June 2012	Australia \$'000	South Africa \$'000	Total \$'000
Cash and cash equivalents	1,040	30,459	31,499
	1,040	30,459	31,499

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

Balances at 30 June 2013	Less than 6 months \$'000	Between 6 – 12 months \$'000	Greater than 12 months \$'000	Total \$'000
Interest bearing liabilities ⁽¹⁾	1,869	-	219	2,088
Deferred consideration ⁽²⁾	-	-	30,000	30,000
Trade and other payables ⁽²⁾	10,837	-	-	10,837
	10,837	-	30,219	42,925

1. Interest bearing at rates between 7.45 % and 11.50 %
2. Non-interest bearing
3. Libor plus 3%

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 for the year ended 30 June 2013

30. Financial risk management (continued)

Liquidity risk (continued)

Balances at 30 June 2012	Less than 6 months \$'000	Between 6 – 12 months \$'000	Greater than 12 months \$'000	Total \$'000
Interest bearing liabilities ⁽¹⁾	1,420	1,455	13,785	16,660
Deferred consideration ⁽²⁾	-	-	30,000	30,000
Trade and other payables ⁽²⁾	72,443	-	-	72,443
Export Trade finance facility ⁽³⁾	32,469	-	-	32,469
	106,332	1,455	43,785	151,572

Capital management

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

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

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Interest bearing liabilities	2,088	16,660
Revolving credit facility	-	-
Export trade finance facility	-	32,469
Net debt	2,088	49,129
Total equity	342,468	377,267
Total capital	344,556	426,396
Gearing ratio	0.61%	13.02%

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

Financial assets and liabilities by category

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

Financial assets

Other receivables	3,567	13,811
Trade and other receivables	3,267	25,968
Cash and cash equivalents	25,182	31,499
Fair value through profit or loss	6,307	13,173
Total financial assets	38,323	84,451

COAL OF AFRICA LIMITED
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for the year ended 30 June 2013

30. Financial risk management (continued)

Financial assets and liabilities by category (continued)

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Financial liabilities		
Deferred consideration	30,000	30,000
Finance lease liabilities	-	1,421
Other liabilities	2,088	15,239
Trade and other payables	10,837	72,441
Revolving credit facility	-	-
Export trade finance facility	-	32,469
	42,925	151,570

Fair value of financial assets and liabilities

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

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

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

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at 30 June 2013	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	5,748	559	-	6,307
<hr/>				
As at 30 June 2012	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	8,811	4,362	-	13,173

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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31. Notes to the statement of cash flows

	Note	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
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:			
Cash and bank balances	19	29,938	19,523
Reconciliation of loss before tax to net cash used in operations			
Loss before tax (continuing operations and operations held for sale)		(155,754)	(150,551)
Add back:			
Depreciation		22,129	16,965
Amortisation		6,680	53,035
Impairment losses		48,545	(324)
Share-based payment		660	2,428
Goodwill written off		-	1,191
Profit on sale of investments		-	(1,135)
Sundry income (non-cash)		-	(6,818)
Discount on early settlement of loan		3,050	-
Movement in provisions		(342)	4,756
Finance costs (net)		247	1,846
Foreign exchange (gains) / losses on operating activities		30,292	41,330
Changes in working capital			
Decrease / (increase) in inventories		11,541	(3,167)
(Increase) / decrease in trade and other receivables		(8,109)	12,019
(Decrease) / increase in trade and other payables		(27,907)	11,713
Cash generated from operations		<u>(68,968)</u>	<u>(16,712)</u>

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32. Segment information

The Group has three reportable segments: Exploration, Development and Mining.

The Exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As of June 30, 2013, projects within this reportable segment include three exploration and development stage coking and thermal coal complexes, namely the Chapudi Complex (which comprises the Chapudi project, the Chapudi West project and the Wildebeesthoek project), the Soutpansberg Complex (which comprises the Voorburg project, the Mt Stuart project and the Jutland project) and the Makhado Complex (comprising the Makhado project, the Makhado Extension project and the Generaal project).

The Development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As of June 30, 2013 projects included within this reportable segment include one coking coal project, namely the Vele Colliery, in the early operational and development stage.

The Mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale and included the Mooiplaats Colliery and the Woestalleen Colliery. As of June 30, 2013 the Mooiplaats Colliery and the Woestalleen Colliery has been classified as operations held for sale.

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

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

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

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

The Group's reportable segments focus on the stage of project development and the product offerings of coal mines in production

	Continuing operations		Operations held for sale	Total \$'000
	Exploration \$'000	Development \$'000	Mining \$'000	
For the year ended 30 June 2013				
Revenues from external customers	-	-	145,384	145,384
Inter-segment revenues	-	-	45,822	45,822
Revenue	-	-	191,206	191,206
Segment loss	1,321	4,002	90,684	96,007
Items included within the Group's measure of segment profitability				
- Depreciation and amortisation	(16)	(72)	(26,968)	(27,056)
- Impairment	-	-	(48,545)	(48,545)
- Finance cost (net)	(8)	(81)	(728)	(817)
1. Revenues represent sale of product				
Segment assets	155,607	135,425	71,093	362,125
Items included within the Group's measure of segment assets				
- Additions to non-current assets	11,593	25,258	3,625	40,476
Segment liabilities	4,318	7,669	35,171	47,158

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NOTES TO THE FINANCIAL STATEMENTS
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32. Segment information (continued)

For the year ended 30 June 2012	Continuing operations		Operations held for sale	Total \$'000
	Exploration \$'000	Development \$'000	Mining \$'000	
Revenues from external customers	-	-	242,493	242,493
Inter-segment revenues	-	-	74,260	74,260
Revenue	-	-	316,753	316,753
Segment loss	1,180	5,951	63,533	70,664
Items included within the Group's measure of segment profitability				
- Depreciation and amortisation	-	(43)	(67,776)	(67,819)
- Impairment	-	-	11,944	11,944
- Finance cost (net)	(6)	(66)	(2,005)	(2,077)

1. Revenues represent sale of product

Segment assets	162,046	134,565	183,786	480,397
Items included within the Group's measure of segment assets				
- Additions to non-current assets	91,556	24,775	2,728	123,211
Segment liabilities	24,165	16,900	96,916	137,981

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

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Total loss for reportable segments	96,007	70,664
Reconciling items:		
Unallocated corporate (income) / costs	34,368	23,616
Depreciation	1,753	2,180
Impairment of assets held for sale – not within a segment	-	11,620
Goodwill written off	-	1,191
Foreign exchange (gain)/ loss	23,626	41,279
Loss before taxation	155,754	150,550
Total segment assets	362,125	480,397
Reconciling items:		
Unallocated property, plant and equipment	14,491	23,379
Intangible assets	16,078	18,757
Other financial assets	4,081	7,396
Other receivables	3,565	13,811
Unallocated current assets	27,059	10,097
Total assets	427,399	553,837
Total segment liabilities	47,158	137,981
Reconciling items:		
Unallocated liabilities	37,773	38,589
Total liabilities	84,931	176,570

COAL OF AFRICA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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32. Segment information (continued)

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'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. The Group has equity interests in an exploration and mining companies listed in the United Kingdom, unlisted exploration companies in Guernsey, one listed and one unlisted manufacturing company and unlisted exploration companies as well as a mining company in South Africa and a biotechnology company listed in Australia.		
Revenue by location of operations		
South Africa	146,396	242,758
Australia	-	1,084
Total revenue	146,396	243,842
Non-current liabilities by location of operations		
South Africa	34,903	16,982
Australia	-	36,454
Total non-current liabilities	34,903	53,436

33. Business combinations

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred \$'000
Bakstaan Boerdery Proprietary Limited ('Bakstaan')	Game farm	2012/05/31	100%	1,813
Chapudi Coal Proprietary Limited ('Chapudi')	Exploration	2012/05/09	74%	
Kwezi Mining Exploration Proprietary Limited ('Kwezi')	Exploration	2012/05/09	74%	31,356

Chapudi and Kwezi were jointly acquired so as to continue the expansion of the Group's exploration assets. For disclosure purposes these two subsidiaries will be disclosed as a group - Exploration assets.

Consideration transferred

	Bakstaan \$'000	Exploration assets \$'000
Cash consideration	1,813	31,356
Deferred consideration	-	43,644
Total consideration transferred	1,813	75,000

Under the deferred consideration arrangement US\$13,642,455 will become payable upon granting of exchange control approval by the SARB in respect of the shareholder claims and the second tranche of \$30 million will become payable either on the receipt of a New Order Mining Right ('NOMR') on any of the properties that form part of the prospecting area in any of the New Order Prospecting Rights ('NOPRs'), or two years from the date upon which the conditions precedent are fulfilled, whichever transpires earlier.

SARB approval was granted on 5 March 2012 and the US\$13,642,455 was repaid in full on 28 February 2013. In addition, on 28 September 2012 the conditions precedent for payment of the second tranche of \$30 million were met. This payment is due in September 2014.

COAL OF AFRICA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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33. Business combinations (continued)

Acquisition-related costs amounting to \$59,007 have been excluded from the consideration transferred and have been recognised as an expense in the 2012 financial year. These costs have been included in Other expenses in the statement of comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	Bakstaan	Exploration assets	Total
	\$'000	\$'000	\$'000
<i>Current assets</i>			
Cash and cash equivalents	15	212	227
Inventory	331	-	331
Receivables	4	493	497
<i>Non-current assets</i>			
Exploration asset	-	74,345	74,345
Property, plant and equipment	1,166	3	1,169
<i>Current liabilities</i>			
Payables	(3)	(53)	(56)
<i>Non-current liabilities</i>			
Borrowings	(816)	-	(816)
	<u>697</u>	<u>75,000</u>	<u>75,697</u>

Non-controlling interests

The non-controlling interests recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to US\$0 (A\$0).

Goodwill arising on acquisition

	Bakstaan	Exploration assets	Total
	\$'000	\$'000	\$'000
Consideration transferred	1,813	75,000	76,813
Plus: Non-controlling interests (26% of Exploration assets)	-	-	-
Less: fair value of identifiable assets acquired	(697)	(75,000)	(75,697)
Goodwill arising on acquisition	<u>1,116</u>	<u>-</u>	<u>1,116</u>

The goodwill arising on the acquisition of Bakstaan was written-off in the 2012 financial year as a result of the change in use of the properties owned by Bakstaan.

Net cash outflow on acquisition of subsidiaries

	Year ended 30 June 2012 \$'000
Consideration paid in cash	33,169
Less: cash and cash equivalent balances acquired	<u>(227)</u>
	<u>32,942</u>

34. Contingencies and commitments

Purchase agreements

Under the Matola Terminal Agreements described in Note 14, the Company is contracted to 'take or pay' for allocated port capacity. The Matola Terminal Agreements specify that the Company will pay for 75% of its contracted port allocation, regardless of whether the port allocation is utilized. During the financial year ended 30 June 2013, the Company incurred expenses of \$2.4 million (2012 - \$1.6 million) related to its take or pay obligations for unutilised port capacity. Over the initial term of the Matola Terminal Agreements which extend through 2013, the Company's maximum obligation under the take or pay obligations is \$45.0 million.

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 2013 unless otherwise stated):

Ferret Mining And Environmental Services Proprietary Limited ('Ferret') / RH Boer, JA Nel, Coal Of Africa Limited (now Mooiplaats Mining Limited) and GVM Metals Limited (now Coal of Africa Limited)

This is an application by Ferret declaring that its ownership of 26% shareholding in GVM was unlawfully disposed of by RH Boer, who was the managing director of Ferret at the time, who in turn sold the shareholding to JA Nel of the David Trust. JA Nel then in turn sold the shareholding to GVM Metals Limited. This matter is pending.

Should Coal be unsuccessful with its application, Coal would be entitled to launch a counterclaim against JA Nel for a sum of ZAR112.0 million (\$13.5 million), which is the purchase price paid for the shares.

Envicoal Proprietary Limited / NuCoal Mining Proprietary Limited

Envicoal launched arbitration proceedings against NuCoal claiming that NuCoal failed to deliver coal as prescribed in terms of the agreement concluded between the parties. As a result, Envicoal has claimed damages to the value of ZAR155.8 million (\$15.8 million), alternatively ZAR63.8 million (\$6.5 million). Both amounts exclude VAT and interest. The arbitration proceedings has commenced but was postponed until April 2014.

Silver Rock Proprietary Limited / NuCoal Mining Proprietary Limited

Silver Rock has alleged that NuCoal breached a coal transport agreement signed on 25 January 2010. Silver Rock has subsequently been placed in liquidation and NuCoal has agreed a settlement of ZAR17.0 million (\$1.7 million) with the liquidator of Silver Rock. This settlement agreement is awaiting court approval, expected in October 2013.

Coria (Pkf) Investments 14 Proprietary Limited / NuCoal Mining Proprietary Limited

Coria served summons on NuCoal wherein it claims that an agreement was duly concluded for the supply of coal loading equipment at its Woestalleen processing facility. NuCoal repudiated this agreement and Coria claims to have suffered damages of ZAR4.3 million (\$0.4 million) due to the repudiation. Trial has been set down for 4 September 2013.

Mhlahla Consultants Proprietary Limited/ Woestalleen Colliery Proprietary Limited

Mhlahla claims that in terms of an oral agreement it concluded with Woestalleen that it transported coal on behalf of Woestalleen for the value of ZAR0.5 million (\$0.1 million). Woestalleen has in turn raised a counterclaim claiming that it sold and delivered coal to Mhlahla for the sum of ZAR3.8 million (\$0.5 million) of which ZAR1.7 million (\$0.2 million) remains outstanding. It is however likely that only ZAR1.0 million (\$0.1 million) will be recovered.

Commitments

In addition to the commitments of the parent entity as disclosed under note 38, subsidiary companies have financial commitments in terms of in terms of New Order Mining Rights granted by the South African Department of Mineral Resources. The commitments are based on the revenue generated by the colliery during the financial year, and/or quantities of coal sold by the colliery during the financial year.

COAL OF AFRICA LIMITED
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35. Related party disclosures

The names and positions held by Directors and key management personnel in office at any time during the financial year are:

- D Brown – Non-Executive Chairman – appointed 6 August 2012
- Executive Chairman – appointed 1 June 2013
- J Wallington – Chief Executive Officer – resigned 31 May 2013
- M Meeser – Chief Financial Officer – appointed 31 May 2013
- W Koonin – Financial Director – resigned 29 November 2012
- A Nevhutanda – Executive Director – resigned 30 April 2013
- D Murray – Non-Executive Director
- P Cordin – Non-Executive Director
- K Mosehla – Non-Executive Director
- B Pryor – Non-Executive Director – appointed 6 August 2012
- R Torlage – Non-Executive Director
- R Linnell – Non-Executive Chairman – resigned 6 August 2012
- S Farrell – Executive Deputy Chairman – resigned 6 August 2012
- S Bywater – Non-Executive Director – resigned 6 August 2012
- M Xayiya – Non-Executive Director – resigned 6 August 2012
- R van der Merwe – Chief Operating Officer – resigned 31 May 2013
- C Bronn – Chief Operating Officer – appointed 1 June 2013
- W Hattingh – Commercial Director

Refer to the remuneration report for remuneration of all directors and key management personnel.

Equity instruments

Option holdings

The movement during the reporting period in the number of options over ordinary shares exercisable at A\$1.25 on or before 30 September 2012 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2012	Granted as remuneration	Exercised	Expired	Held at 30 June 2013
Non-Executive Directors					
D Murray	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
B Pryor	-	-	-	-	-
R Torlage	-	-	-	-	-
R Linnell	2,000,000	-	-	(2,000,000)	-
S Bywater	-	-	-	-	-
M Xayiya	-	-	-	-	-
Executive Directors					
D Brown	-	-	-	-	-
J Wallington	-	-	-	-	-
W Koonin	-	-	-	-	-
A Nevhutanda	-	-	-	-	-
S Farrell	5,000,000	-	-	(5,000,000)	-
Key management					
R van der Merwe	-	-	-	-	-
C Bronn	-	-	-	-	-
W Hattingh	-	-	-	-	-

COAL OF AFRICA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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35. Related party disclosures (continued)

The movement during the reporting period in the number of options over ordinary shares exercisable at A\$1.90 on or before 30 September 2012 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2012	Granted as remuneration	Exercised	Expired	Held at 30 June 2013
Non-Executive Directors					
D Murray	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
B Pryor	-	-	-	-	-
R Torlage	-	-	-	-	-
R Linnell	-	-	-	-	-
S Bywater	-	-	-	-	-
M Xayiya	-	-	-	-	-
Executive Directors					
D Brown	-	-	-	-	-
J Wallington	-	-	-	-	-
M Meeser	-	-	-	-	-
W Koonin	-	-	-	-	-
A Nevhutanda	-	-	-	-	-
S Farrell	1,000,000	-	-	(1,000,000)	-
Key management					
R van der Merwe	-	-	-	-	-
C Bronn	-	-	-	-	-
W Hattingh	-	-	-	-	-

The movement during the reporting period in the number of options over ordinary shares exercisable at A\$2.74 on or before 30 November 2014 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2012	Granted as remuneration	Exercised	Other changes	Held at 30 June 2013
Non-Executive Directors					
D Murray	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
B Pryor	-	-	-	-	-
R Torlage	-	-	-	-	-
R Linnell	-	-	-	-	-
S Bywater	-	-	-	-	-
M Xayiya	-	-	-	-	-
Executive Directors					
D Brown	-	-	-	-	-
J Wallington	-	-	-	-	-
M Meeser	-	-	-	-	-
W Koonin	-	-	-	-	-
A Nevhutanda	-	-	-	-	-
S Farrell	3,000,000	-	-	-	3,000,000
Key management					
R van der Merwe	-	-	-	-	-
C Bronn	-	-	-	-	-
W Hattingh	-	-	-	-	-

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35. Related party disclosures (continued)

The movement during the reporting period in the number of options over ordinary shares exercisable at A\$1.20 on or before 9 November 2015 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2012	Granted as remuneration	Exercised	Other changes	Held at 30 June 2013
Non-Executive Directors					
D Murray	2,500,000	-	-	-	2,500,000
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
B Pryor	-	-	-	-	-
R Torlage	-	-	-	-	-
R Linnell	-	-	-	-	-
S Bywater	-	-	-	-	-
M Xayiya	-	-	-	-	-
Executive Directors					
D Brown	-	-	-	-	-
J Wallington	-	-	-	-	-
M Meeser	-	-	-	-	-
W Koonin	-	-	-	-	-
A Nevhutanda	-	-	-	-	-
S Farrell	-	-	-	-	-
Key management					
R van der Merwe	-	-	-	-	-
C Bronn	-	-	-	-	-
W Hattingh	-	-	-	-	-

The movement during the reporting period in the number of options over ordinary shares exercisable at R12.50 on or before 1 July 2015 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2012	Granted as remuneration	Exercised	Other changes	Held at 30 June 2013
Non-Executive Directors					
D Murray	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
B Pryor	-	-	-	-	-
R Torlage	-	-	-	-	-
R Linnell	-	-	-	-	-
S Bywater	-	-	-	-	-
M Xayiya	-	-	-	-	-
Executive Directors					
D Brown	-	-	-	-	-
J Wallington	-	-	-	-	-
M Meeser	-	-	-	-	-
W Koonin	-	-	-	-	-
A Nevhutanda	-	-	-	-	-
S Farrell	-	-	-	-	-
Key management					
R van der Merwe	90,833	-	-	-	90,833
C Bronn	-	-	-	-	-
W Hattingh	210,000	-	-	-	210,000

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35. Related party disclosures (continued)

The movement during the reporting period in the number of options over ordinary shares exercisable at A\$3.25 on or before 31 July 2012 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2012	Granted as remuneration	Exercised	Expired	Held at 30 June 2013
Non-Executive Directors					
D Murray	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
B Pryor	-	-	-	-	-
R Torlage	-	-	-	-	-
R Linnell	-	-	-	-	-
S Bywater	-	-	-	-	-
M Xayiya	-	-	-	-	-
Executive Directors					
D Brown	-	-	-	-	-
J Wallington	-	-	-	-	-
M Meeser	-	-	-	-	-
W Koonin	-	-	-	-	-
A Nevhutanda	-	-	-	-	-
S Farrell	-	-	-	-	-
Key management					
R van der Merwe	1,650,000	-	-	(1,650,000)	-
C Bronn	-	-	-	-	-
W Hattingh	-	-	-	-	-

The movement during the reporting period in the number of options over ordinary shares exercisable at A\$1.40 on or before 30 September 2015 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2012	Granted as remuneration	Exercised	Other changes	Held at 30 June 2013
Non-Executive Directors					
D Murray	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
B Pryor	-	-	-	-	-
R Torlage	-	-	-	-	-
R Linnell	-	-	-	-	-
S Bywater	-	-	-	-	-
M Xayiya	-	-	-	-	-
Executive Directors					
D Brown	-	-	-	-	-
J Wallington	-	-	-	-	-
M Meeser	-	-	-	-	-
W Koonin	-	-	-	-	-
A Nevhutanda	-	-	-	-	-
S Farrell	-	-	-	-	-
Key management					
R van der Merwe	211,000	-	-	-	211,000
C Bronn	-	-	-	-	-
W Hattingh	77,000	-	-	-	77,000

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35. Related party disclosures (continued)

The movement during the reporting period in the number of options over ordinary shares exercisable at ZAR7.60 on or before 14 February 2017 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2012	Granted as remuneration	Exercised	Other changes	Held at 30 June 2013
Non-Executive Directors					
D Murray	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
B Pryor	-	-	-	-	-
R Torlage	-	-	-	-	-
R Linnell	-	-	-	-	-
S Bywater	-	-	-	-	-
M Xayiya	-	-	-	-	-
Executive Directors					
D Brown	-	-	-	-	-
J Wallington	-	-	-	-	-
M Meeser	-	-	-	-	-
W Koonin	-	-	-	-	-
A Nevhutanda	-	-	-	-	-
S Farrell	-	-	-	-	-
Key management					
R van der Merwe	286,000	-	-	-	286,000
C Bronn	135,000	-	-	-	135,000
W Hattingh	286,000	-	-	-	286,000

The movement during the reporting period in the number of options over ordinary shares exercisable at GBP0.25 on or before 30 November 2015 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2012	Granted as remuneration	Exercised	Other changes	Held at 30 June 2013
Non-Executive Directors					
D Murray	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
B Pryor	-	1,000,000	-	-	1,000,000
R Torlage	-	-	-	-	-
R Linnell	-	-	-	-	-
S Bywater	-	-	-	-	-
M Xayiya	-	-	-	-	-
Executive Directors					
D Brown	-	2,500,000	-	-	2,500,000
J Wallington	-	-	-	-	-
M Meeser	-	-	-	-	-
W Koonin	-	-	-	-	-
A Nevhutanda	-	-	-	-	-
S Farrell	-	-	-	-	-
Key management					
R van der Merwe	-	-	-	-	-
C Bronn	-	-	-	-	-
W Hattingh	-	-	-	-	-

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35. Related party disclosures (continued)

Equity holdings and transactions of Directors and key management personnel

The movement during the reporting period in the number of ordinary shares held, directly, indirectly or beneficially by each key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2012	Purchased	Received on exercise of options / remuneration	Other changes	Held at 30 June 2013
Non-Executive Directors					
D Murray	-	-	-	-	-
P Cordin	871,059	-	-	-	871,059
K Mosehla	-	-	-	-	-
B Pryor	-	-	-	-	-
R Torlage	-	-	-	-	-
R Linnell*	1,718,125	-	-	(14,000)	1,704,125
S Bywater	-	-	-	-	-
M Xayiya	-	-	-	-	-
Executive Directors					
D Brown	-	30,000	-	-	30,000
J Wallington	250,000	60,000	-	-	310,000
M Meeser	-	-	-	-	-
W Koonin	230,000	-	-	-	230,000
A Nevhutanda	55,000	-	-	-	55,000
S Farrell*	5,054,941	-	-	(350,000)	4,704,941
Key management					
R van der Merwe	150,000	-	-	-	150,000
C Bronn	-	-	-	-	-
W Hattingh	-	-	-	-	-

* - Resigned on 6 August 2012.

Other Transactions with the Company or its Controlled Entities

A number of Directors or their personally-related entities hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

No Directors entered into or were party to any contract, whether directly or indirectly during the financial year.

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36. Controlled entities

Particulars in relation to controlled entities

	Country of incorporation	Year ended 30 June 2013 %	Year ended 30 June 2012 %
Bakstaan Boerdery Proprietary Limited *	South Africa	100	100
Baobab Mining & Exploration Proprietary Limited	South Africa	100	100
Chapudi Coal Proprietary Limited **	South Africa	74	74
Coal of Africa Plc	Jersey	100	100
Coal of Africa & ArcelorMittal Analytical Laboratories Proprietary Limited	South Africa	50	50
Cove Mining NL	Australia	100	100
Evoc Mining NL	Australia	100	100
Freewheel Trade and Invest 37 Proprietary Limited	South Africa	74	74
Fumaria Property Holdings Proprietary Limited	South Africa	100	100
Golden Valley Services Proprietary Limited	Australia	100	100
Greenstone Gold Mines NL	Australia	100	100
GVM Metals Administration (South Africa) Proprietary Limited	South Africa	100	100
Harrisia Investments Holdings Proprietary Limited	South Africa	100	100
Holfontein Investments Proprietary Limited	South Africa	100	100
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
MbeuYahsu Proprietary Limited	South Africa	74	74
Mooiplaats Mining Limited	South Africa	100	100
Nu-Coal Proprietary Limited ****	South Africa	100	100
NuCoal Investments Proprietary Limited ****	South Africa	100	100
NuCoal Mining Proprietary Limited	South Africa	100	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
Woestalleen Colliery Proprietary Limited ****	South Africa	100	100

* Subsidiary company of Fumaria Property Holdings Proprietary Limited

** Subsidiary companies of MbeuYashu Proprietary Limited (formerly Keynote Trading and Investments 108 Proprietary Limited)

*** Subsidiary company of Mooiplaats Mining Limited (previously Coal of Africa Limited)

**** Subsidiary companies of NuCoal Mining Proprietary Limited

COAL OF AFRICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

37. Events after the reporting period

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

- The Company has received a credit approved term sheet relating to a ZAR200 million bridging facility which details the terms and conditions of the loan and will form the basis of the loan documentation to be executed.

There have been no other events between 30 June 2013 and the date of this report which necessitate adjustment to the statements of comprehensive income or statements of financial position at that date.

38. Parent entity financial information

	Parent entity	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Summary financial information		
Non-current assets	572,451	552,308
Current assets	27,231	1,454
Total assets	<u>599,682</u>	<u>553,762</u>
Current liabilities	7,559	5,184
Total liabilities	<u>7,559</u>	<u>5,184</u>
Net assets	<u>592,123</u>	<u>548,578</u>
Shareholders' Equity		
Issued capital	935,891	791,102
Accumulated deficit	(474,080)	(430,001)
Reserves	130,312	187,477
	<u>592,123</u>	<u>548,578</u>
Loss for the year	<u>(44,079)</u>	<u>(83,972)</u>
Total comprehensive loss	<u>(44,079)</u>	<u>(83,972)</u>

Commitments

- Coal has a commitment under the Matola Terminal Agreement to 'take or pay' for allocated port capacity (refer to note 34);
- Coal has subordinated all loans to subsidiary companies;
- Coal is a guarantor under the coal export trade finance facility with Deutsche Bank AG, Amsterdam (refer to note 21).

Contingent liabilities

- Ferret declared that its ownership of 26% shareholding was unlawfully disposed of (refer to note 34).



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Independent Auditor's Report to the members of Coal of Africa Limited

Report on the Financial Report

We have audited the accompanying financial report of Coal of Africa Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 31 to 102.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Coal of Africa Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Deloitte

Opinion

In our opinion:

- (a) the financial report of Coal of Africa Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$148.1 million and experienced net cash outflows from operating and investing activities of \$95.6 million during year ended 30 June 2013. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company and Consolidated Entity to continue as going concerns and therefore, the Company and Consolidated Entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 18 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Coal of Africa Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Ross Jerrard
Partner
Chartered Accountants
Perth, 29 August 2013