



ABN 98 008 905 388

NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY STATEMENT
PROXY FORM

Date of Meeting
30 November 2009

Time of Meeting
3.00 pm (WST)

Place of Meeting
The Park Business Centre
45 Ventnor Avenue
West Perth WA 6005

THE 2009 ANNUAL REPORT IS AVAILABLE ONLINE, SIMPLY VISIT:
www.coalofafricareport.com

This is an important document. Please read it carefully.

If you are unable to attend the Annual General Meeting, please complete the Proxy Form enclosed and return it in accordance with the instructions set out on the Proxy Form.

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

The Annual General Meeting of the shareholders of Coal of Africa Limited will be held at:

**The Park Business Centre
45 Ventnor Avenue, West Perth
Western Australia**

**Commencing at
3.00 pm (WST)
on 30 November 2009**

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 3.00pm (WST).

Voting by Proxy

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- send the Proxy Form by facsimile to the Company on facsimile number (08) 9322 6778 (International: +61 8 9322 6778); or
- deliver or post the Proxy Form to the principal office of the Company at Level 1, 173 Mounts Bay Road, Perth, Western Australia.

so that it is received by no later than 48 hours before the commencement of the meeting.

Your Proxy Form is enclosed.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of CoAL of Africa Limited ABN 98 008 905 388 (“**the Company**”) will be held at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia on 30 November 2009 at 3.00 pm (WST), for the purpose of transacting the following business referred to in this Notice of Annual General Meeting (“**Notice**”).

The Explanatory Statement that accompanies and forms part of this Notice (“**Explanatory Statement**”) describes the matters to be considered at this meeting.

Capitalised terms used in this Notice are defined in the glossary at the end of the Explanatory Statement.

ORDINARY BUSINESS

Financial Reports

To receive and consider the Annual Financial Statements of the Company for the year ended 30 June 2009 including the Directors’ Report and the Auditor’s Report.

Resolution 1: Remuneration Report

To consider and, if thought fit, to pass with or without amendment, the following resolution as a **non-binding resolution**:

"To adopt the Remuneration Report for the year ended 30 June 2009."

Resolution 2: Re-election of Director – Professor Ntshengedzeni Alfred Nevhutanda

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary** resolution:

"That Professor Ntshengedzeni Alfred Nevhutanda, having been appointed as an additional director of the Company on 6 February 2009, who retires in accordance with clause 3.3 of the Company's Constitution and, being eligible, offers himself for re-election, be elected as a director of the Company."

Resolution 3: Re- election of Director – Mr Hendrik Jacobus Verster

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary** resolution:

"That Mr Hendrik Jacobus Verster, having been appointed as an additional director of the Company on 26 August 2009, who retires in accordance with clause 3.3 of the Company's Constitution and, being eligible, offers himself for re-election, be elected as a director of the Company."

Resolution 4: Re-election of Director – Mr Peter Cordin

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary** resolution:

"That Mr Peter Cordin, being a director of the Company who retires by rotation in accordance with clause 3.6 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company."

Resolution 5: Re-election of Director – Mr Steve Bywater

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary** resolution:

"That Mr Steve Bywater, being a director of the Company who retires by rotation in accordance with clause 3.6 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company."

Resolution 6: Ratification of Issue of 1,990,000 Shares as part consideration for acquisition of 6% interest in Limpopo Coal Company (Proprietary) Ltd

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.4 of the Listing Rules of the ASX and all other purposes, the Company ratify the allotment and issue of 1,990,000 Shares on 23 October 2009 at a deemed issue price of £0.77 per Share to the parties and otherwise on the terms and conditions set out in the Explanatory Statement that forms part of this Notice."

The Company will disregard any votes cast on Resolution 6 by any of the persons who participated in the issue the subject of Resolution 6 and any associate of any of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7: Approval to Issue 5,625,750 Shares as part consideration for acquisition of a 20% interest in Limpopo Coal Company (Proprietary) Ltd

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.1 of the Listing Rules of the ASX and all other purposes, the Company approves the allotment and issue of 5,625,750 Shares at a deemed issue price of £0.40 per Share to Tranter Holdings (Pty) Ltd (or its nominee/s) and on the terms and conditions set out in the Explanatory Statement that forms part of this Notice."

The Company will disregard any votes cast on Resolution 7 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed, and any person associated with those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8: Coal of Africa Limited Employee Share Option Plan

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That pursuant to and in accordance with Exception 9 of Listing Rule 7.2, the Company approves the issue of securities under the Coal of Africa Limited Employee Share Option Plan (the rules of which are annexed to the Explanatory Statement accompanying this Notice as Annexure A) be approved as an exception to Listing Rule 7.1."

The Company will disregard any votes cast on Resolution 8 by a Director of the Company and any associate of a Director of the Company. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 9 - Grant of Options to Simon Farrell

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, under and for the purposes of Listing Rule 10.11 of the Listing Rules of ASX and all other purposes, the Directors be and are hereby authorised to grant 3,000,000 Options for no consideration, exercisable on or before 30 November 2014 at an exercise price of A\$2.74 each, to Simon Farrell or his nominee, on the terms and conditions described in the Explanatory Statement that forms part of this Notice (including Annexure B to the Explanatory Statement)."

The Company will disregard any votes cast on Resolution 9 by Simon Farrell or any associate of Simon Farrell. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 10 - Grant of Options to Blair Sergeant

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, under and for the purposes of Listing Rule 10.11 of the Listing Rules of ASX and all other purposes, the Directors be and are hereby authorised to grant 2,000,000 Options for no consideration, exercisable on or before 30 November 2014 at an exercise price of A\$2.74 each, to Blair Sergeant or his nominee, on the terms and conditions described in the Explanatory Statement that forms part of this Notice (including Annexure B to the Explanatory Statement)."

The Company will disregard any votes cast on Resolution 10 by Blair Sergeant or any associate of Blair Sergeant. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 11: Ratification of Issue of Shares

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.4 of the Listing Rules of the ASX and all other purposes, the Company ratify the allotment and issue of 59,867,731 Shares at an issue price 95 pence each and on the terms and conditions set out in the Explanatory Statement that forms part of this Notice."

The Company will disregard any votes cast on Resolution 11 by any of the persons who participated in the issue the subject of Resolution 11 and any associate of any of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Other business

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

BY ORDER OF THE BOARD



Shannon Coates
Company Secretary
Dated: 29 October 2009

PROXIES

1. Votes at the Annual General Meeting may be given personally or by proxy, attorney or representative.
2. A member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote on behalf of the member. A proxy need not be a member of the Company, but must be a natural person (not a corporation). A proxy may also be appointed by reference to an office held by the proxy (eg “the Company Secretary”).
3. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the member’s voting rights. If no such proportion is specified, each proxy may exercise half of the member’s votes.
4. A proxy form is enclosed. A separate form must be used for each proxy. An additional form can be obtained by writing to the Company at Level 1, 173 Mounts Bay Road, Perth, Western Australia or by fax to +61 8 9322 6778. Alternatively, you may photocopy the enclosed form.
5. A duly completed proxy form and (where applicable) any power of attorney or a certified copy of the power of attorney must be received by the Company at its registered office or the address or fax number set out below, not less than 48 hours before the time for commencement of the meeting. Please send by post to Level 1, 173 Mounts Bay Road, Perth, Western Australia 6000 or by fax to +61 8 9322 6778.
6. The Company will accept proxy appointments by a corporate member executed in accordance with either section 127(1) (not under seal) or section 127(2) (under seal) of the Corporations Act.
7. For the purposes of section 1074E(2) of the Corporations Act 2001 and regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding ordinary shares at the close of business on 28 November 2009 will be entitled to attend and vote at the Annual General Meeting.
8. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;
 - (c) if the proxy is Chairperson, the proxy must vote on a poll and must vote that way; and
 - (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.

9. The Explanatory Statement attached to this Notice forms part of this Notice. Capitalised terms used in this Notice are defined in the Explanatory Statement.

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide shareholders with sufficient information to assess the merits of the resolutions contained in the preceding Notice of Annual General Meeting of the Company.

The Explanatory Statement and all attachments are important documents. They should be read carefully. The Directors recommend shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

Capitalised terms used in this Explanatory Statement are defined in the glossary at the end of this Explanatory Statement.

FINANCIAL STATEMENTS

The first item of the Notice of Annual General Meeting deals with the presentation of the consolidated Annual Financial Report of the Company for the financial year ended 30 June 2009 together with the Directors' Declaration and Report in relation to that financial year and the Auditor's Report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the business, operations and management of the Company.

The Chairman will also provide shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent Audit Report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the Auditor in relation to the conduct of the audit.

RESOLUTION 1 – REMUNERATION REPORT

The Directors' Report for the year ended 30 June 2009 contains a Remuneration Report which sets out the policy for the remuneration of Directors and executives of the Company. Section 250R(3) of the Corporations Act 2001 expressly provides that the vote on the resolution is advisory only and does not bind the Directors or the Company.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – PROFESSOR NTSHENGEDZENI ALFRED NEVHUTANDA

Clause 3.3 of the Constitution states that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Professor Nevhutanda was appointed to the Board on 6 February 2009 to act as an executive Director. In accordance with clause 3.3 of the Constitution, Professor Nevhutanda now seeks re-election as a Director at this Annual General Meeting.

Professor Nevhutanda holds two PhD degrees (Educational Environment and Arts Culture), a Diploma in Management Studies and an MBA and has been actively involved in a number of diversified businesses. His areas of competency include corporate governance, business development, strategic planning, leadership and strategy formulation.

As a Broad Based Black Economic Empowerment opinion leader and analyst of note in socio-economic and political arenas, Professor Nevhutanda is best known for his public commentary on good governance and business ethics. He has acted as an advisor to the King of Vhavenda, Ministers and Members of Executive Council of the ruling party.

Professor Nevhutanda served the Limpopo legislature as a Member of Provincial Legislature and a senior member of the African National Congress (ANC), South Africa's ruling party, with distinction for a period of five years, where he was involved in the areas of education, economic development, land claims and transport. He is the Chairperson of the Audit Committee of Limpopo Tourism and Parks Board. He has also served as a leader in various academic fields, including colleges of education and universities as Senior Manager and acting Vice Rector, and has delivered papers and articles nationally and internationally on transport, energy, politics and good governance.

Directors' Recommendation

The Board recommends shareholders vote in favour of Resolution 2.

RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR KOBUS VERSTER

Clause 3.3 of the Constitution states that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Mr Verster was appointed to the Board on 26 August 2009 to act as non-executive Director. In accordance with clause 3.3 of the Constitution, Mr Verster now seeks re-election as a Director at this Annual General Meeting.

Mr Verster has 15 year's finance experience within the ArcelorMittal Group. He is currently Executive Director Finance to ArcelorMittal South Africa and a Board member of various unlisted ArcelorMittal Group companies.

Mr Verster is also a Director of the National Business Initiative ("NBI") in South Africa. NBI, a regional partner to the World Business Council for Sustainable Development, is a voluntary group of leading national and multi-national companies which work together towards sustainable growth and development in South Africa through partnerships, practical programmes and policy engagement.

Directors' Recommendation

The Board recommends shareholders vote in favour of Resolution 3.

RESOLUTION 4 – RE-ELECTION OF DIRECTOR – MR PETER CORDIN

Mr Peter Cordin retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Mr Cordin has been a Director of the Company since December 1997. 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 also the Managing Director of Dragon Mining Limited and non-executive director of Vital Metals Limited.

Directors' Recommendation

The Board recommends shareholders vote in favour of Resolution 4.

RESOLUTION 5 – RE-ELECTION OF DIRECTOR – MR STEVE BYWATER

Mr Steve Bywater retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Mr Bywater has a distinguished career in the resources industry, developing and operating a total of 14 large-scale open pit mining operations. Before joining Global Coal in January 2006, he was Chief Operating Officer for Rio Tinto Coal Australia. In this position, Mr Bywater oversaw seven mining operations, producing 60 million tonnes of saleable coal a year.

He was previously General Manager Operations for Robe River Mining, a subsidiary of North which subsequently became a subsidiary of Rio Tinto in 2000. He was also General Manager, Mine Operations, for Hamersley Iron Limited and General Manager at Mount Isa Mines in both Mining and Metallurgical Operations. His position at Robe River Mining included management of both the port and rail facilities.

Born in Britain and now an Australian, 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 University. He is a Fellow of both the AUSIMM (Australasian Institute of Mining and Metallurgy) and the AIM (Australian Institute of Management).

Directors' Recommendation

The Board recommends shareholders vote in favour of Resolution 5.

BACKGROUND TO RESOLUTIONS 6 AND 7

As announced on 14 July 2009, the Company executed two binding agreements to collectively secure the remaining 26% interest in Limpopo Coal Company (Proprietary) Ltd ("Limpopo Coal"), the company that owns the Vele coking coal project, near Musina in the Limpopo Province ("Vele Project") and in which CoAL already held a 74% interest.

CoAL entered a Sale of Shares and Claims Agreements with:

- (a) Tranter Holdings (Pty) Ltd ("First Agreement") to acquire 20% of the issued share capital of Limpopo Coal ("20% Acquisition"); and
- (b) Shangani Bezwe Management Services (Proprietary) Limited ("Second Agreement") to acquire the remaining 6% of the issued shares of Limpopo Coal ("6% Acquisition").

Completion of both transactions will take CoAL's interest in the Vele Project to 100%.

Resolution 6 relates to the 6% Acquisition as governed by the Second Agreement.

Resolution 7 relates to the 20% Acquisition as governed by the First Agreement.

RESOLUTION 6 – RATIFICATION OF ISSUE OF 1,990,000 SHARES AS PART CONSIDERATION FOR THE ACQUISITION OF A 6% INTEREST IN LIMPOPO COAL COMPANY (PROPRIETARY) LTD

On 23 October 2009, following satisfaction of all suspensive conditions, the Company issued 1,990,000 fully paid ordinary shares at a deemed issue price of £0.77 per Share to Shangoni Bezwe Management Services (Proprietary) Limited to complete the 6% Acquisition. This increased CoAL's total interest in Limpopo Coal to 80%.

Resolution 6 seeks that shareholders ratify the issue of the 1,990,000 Shares pursuant to ASX Listing Rule 7.4. Listing Rule 7.4 enables the shareholders of a company to ratify an issue of securities provided that the issue does not fall within one of the exceptions of Listing Rule 7.1 and does not breach the 15% restriction contained in Listing Rule 7.1.

If this issue is ratified by this resolution then the Company will be entitled to issue further securities in accordance with the terms and restrictions of ASX Listing Rule 7.1.

For the purpose of Listing Rule 7.5 the following information is provided:

1. a total of 1,990,000 Shares were issued;
2. the Shares were issued at a deemed issue price of £0.77 each;
3. the Shares issued were ordinary fully paid shares and rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
4. the Shares were issued to Shangoni Bezwe Management Services (Proprietary) Limited. The allottee is not a related party of the Company; and
5. no funds were raised from the issue.

RESOLUTION 7 - APPROVAL OF ISSUE OF SHARES AS PART CONSIDERATION FOR THE ACQUISITION OF A 20% INTEREST IN LIMPOPO COAL COMPANY (PROPRIETARY) LTD

Resolution 7 seeks approval for the issue of 5,625,750 Shares, being the consideration for the 20% Acquisition as described above.

First Agreement - 20% Acquisition

The consideration payable for the 20% Acquisition is payable upon the fulfilment or waiver of the following suspensive conditions:

1. The Board of Directors of CoAL passing all resolutions required to approve the Company entering into and implementing the First Agreement and the 20% Acquisition by 30 June 2009;
2. The shareholders of CoAL passing all resolutions required to approve the issue by CoAL of the 20% Shares in accordance with the First Agreement by 30 September 2009;
3. Tranter Holdings (Pty) Ltd passing a resolution in terms of section 228 of the Companies Act (South Africa) approving the entering into and implementation of the First Agreement by 30 June 2009;
4. The First Agreement and the 20% Acquisition being approved by the Exchange Control Department of the South African Reserve Bank, either unconditionally or subject to such conditions as may be reasonably acceptable to the parties, by 31 October 2009; and
5. Limpopo Coal being granted a New Order Mining Right pursuant to s23 of the Mineral and Petroleum Resources Development Act (South Africa) in respect of the Farms comprising the Vele Coal Project by 31 December 2009.

As at the date of this Notice of Meeting, suspensive conditions 1, 2 and 3 have been satisfied.

Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company where the securities proposed to be issued represent more than 15% of the Company's securities then on issue. Shareholder approval is therefore sought pursuant to Resolution 7.

For the purpose of ASX Listing Rule 7.3, the following information is provided:

1. the total number of Shares to be issued under Resolution 8 is 5,625,750;
2. the deemed issue price of the Shares to be issued under Resolution 8 is £0.40 per Share;
3. the allottees of the Shares will be Tranter Holdings (Pty) Ltd an unrelated party of the Company;
4. the Shares are ordinary fully paid shares in the capital of the Company and will rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
5. no funds will be raised from the issue; and
6. the Shares will be issued and allotted on one date no later than 3 months from the date of this Annual General Meeting, or such later date as approved by ASX.

Directors' Recommendation

The Board recommends shareholders vote in favour of Resolution 7.

RESOLUTION 8 – COAL OF AFRICA LIMITED EMPLOYEE SHARE OPTION PLAN

On 1 October 2009, the Board adopted a scheme called the Coal of Africa Limited Employee Share Option Plan (“ESOP”). The ESOP is an incentive to employees of Coal of Africa Limited.

The purpose of the ESOP is to give eligible employees and executive officers of the Company an opportunity, in the form of Options, to subscribe for Shares in the Company. An “eligible employee” is a person who is at the time of an offer under the ESOP, a full or part time employee or director of the Company or an associated body corporate of the Company. Any offer of options to Directors will be subject to shareholder approval.

The Terms and Conditions of the ESOP are set out in Annexure A of this notice.

Shareholder approval is sought for the purposes of Listing Rule 7.2 Exception 9(b) which provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme that has been approved by the holders of ordinary securities within three years after the date of approval.

Under the ESOP, the Board may offer to eligible persons the opportunity to subscribe for such number of Options in the Company as the Board may decide and on the terms set out in the rules of the ESOP, which are contained in Annexure A to this Explanatory Statement. Options granted under the ESOP will be offered to participants in the ESOP on the basis of the Board’s view of the contribution of the eligible person to the Company.

Prior shareholder approval will be required before a Director or related party of the Company can participate in the ESOP.

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

1. the rules of the ESOP are attached as Annexure A to the Notice of Meeting; and
2. no Options have previously been issued under the ESOP.

Directors' Recommendation

The Board recommends that shareholders vote in favour of this resolution as the ESOP will enable the Company to retain and attract skilled and experienced employees and officers to provide them with the motivation to make the Company more successful.

RESOLUTIONS 9 AND 10 - GRANT OF OPTIONS TO SIMON FARRELL AND BLAIR SERGEANT

Introduction

The Company proposes to issue at total of 5,000,000 Options to Simon Farrell and Blair Sergeant respectively, or their nominees, as follows:

<u>Name</u>	<u>Options</u>
Simon Farrell, or his nominee	3,000,000
Blair Sergeant, or his nominee	2,000,000
TOTAL	5,000,000

The Options will be exercisable at A\$2.74 on or before 30 November 2014.

The exercise price of the Options was calculated based on 125% of the average market price of the Company's Shares on the ASX over the last 5 days on which sales of the Shares were recorded before the date of Board resolution to issue the Options to Messrs Farrell and Sergeant.

The Options will be subject to performance based vesting conditions. For Mr Farrell, 2,000,000 of the Options will vest 12 months after the Company is granted a New Order Mining Right in respect of its Vele Project and the remaining 1,000,000 will vest 12 months after the Company is granted a New Order Mining Right in respect of its Makhado Project. For Mr Sergeant, 1,000,000 of the Options will vest 12 months after the Company is granted a New Order Mining Right in respect of its Vele Project, 500,000 will vest 12 months after the Company is granted a New Order Mining Right in respect of its Makhado Project and the remaining 500,000 will vest upon completion of the Company's acquisition of NuCoal Mining (Pty) Limited (see Resolution 11 below).

Additional terms of the Options are set out in Annexure B to this Explanatory Statement.

The employment agreement between the Company and Mr Farrell expired on 30 June 2009 and the employment contract between the Company and Mr Sergeant is due to expire on 31 December 2009. The proposed issues of Options to Mr Farrell and Mr Sergeant are intended to form part of their remuneration package under the new agreements that are currently being negotiated. The Board has reviewed the market standard of remuneration for the position of Managing Director and Finance Director and consider it appropriate to issue the proposed number of Options to Messrs Farrell and Sergeant in order to retain their services and ensure their remuneration is in line with market standards for the position of Managing Director and Finance Director of a publicly listed company. The Board (other than Messrs Farrell and Sergeant) have formed the view that the remuneration to be granted the issue of the Options is reasonable given the circumstances of the Company and the role and responsibilities of Messrs Farrell and Sergeant. These Options will form a key component of Messrs Farrell and Sergeant's respective remuneration packages and will provide them with an incentive linked to the performance of the Company. As these Options will only be of financial benefit to Messrs Farrell and Sergeant if they perform to a level whereby the value of the Company increases sufficiently to warrant exercising the Options, the Board views the issue of these Options as providing Messrs Farrell and Sergeant with adequate incentive to maximise the Company's performance and its value.

Listing Rule 10.11

Listing Rule 10.11 requires shareholders' approval by ordinary resolution to any issue by a listed company of securities to a related party. Accordingly, Listing Rule 10.11 requires shareholders to approve the issue of Options to Messrs Farrell and Sergeant ("Executive Directors").

For the purposes of Listing Rule 10.13, the following information is provided to shareholders:

1. the Options will be granted to the Executive Directors, or their nominees;
2. the maximum number of Options to be granted is 5,000,000;
3. the Options will be granted on a date which will be no later than 1 month after the date of this meeting;
4. the Options will be granted for no consideration;
5. no funds will be raised by the grant of the Options; and
6. the terms and conditions of the Options are set out in Annexure B to this Explanatory Statement.

If approval is given for the issue of the Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

As Simon Farrell and Blair Sergeant are personally interested in this resolution, they make no recommendations to shareholders.

Non-executive directors Richard Linnell, Peter Cordin, Steve Bywater, Kobus Verster and Professor Alfred Nevhutanda recommend the approval of Resolutions 9 and 10 based on the need to ensure remuneration to the Executive Directors is in line with market standards.

RESOLUTION 11 – RATIFICATION OF ISSUE OF SHARES

On 29 October 2009, the Company announced a proposed placement of 59,867,731 new ordinary shares ("Shares") to institutional investors to raise up to approximately £56.9 million (before expenses) ("Placement"). Under the Placement, up to 59,867,731 new ordinary shares were available to be placed representing up to approximately 14.52% of the Company's existing issued share capital.

J.P. Morgan Cazenove acted as Sole Global Co-ordinator and Sole Bookrunner and together with Evolution Securities as Joint Lead Manager and Mirabaud Securities as Co-Lead Manager to the Placement.

On 30 October 2009, the Company confirmed that it had firm commitments in relation to 59,867,731 Shares at an issue price of £0.95 per Share. It is anticipated the 59,867,731 Shares will be issued and allotted on or around 3 November 2009, during the notice period for the Company's AGM which is the subject of this Notice of Meeting.

The Company intends to use the net proceeds of the Placement to fund the acquisition of the entire issued share capital of NuCoal Mining (Pty) Limited (“NuCoal”) for ZAR650m in cash (the “Acquisition”), with the remainder being used for some or all of the following: to increase logistics capacity (including the first instalment of capital required to effect wagon acquisitions from TransNet Freight Rail), to accelerate capital expenditure at the Vele and Makhado projects, to pursue other smaller, opportunistic bolt on acquisitions of coal projects, and for general working capital requirements. In the event that the Acquisition does not complete, CoAL envisages using the proceeds to accelerate expansion of logistic facilities at the Matola Terminal and Maputo port, for alternative acquisitions and for general working capital.

NuCoal is a thermal coal producer with assets in South Africa in close proximity to the Company's Mooiplaats mine. NuCoal's Woestalleen colliery, which is currently operating at full run of mine capacity of 4.2Mtpa, produces saleable coal for domestic and export markets, 80% of which is subject to off-take contracts in the current financial year. NuCoal has 2 beneficiation plants, one fully operational mine as well as multiple projects, 3 of which are expected to commence production by the end of the current financial year.

The NuCoal acquisition, if completed, will transform the Company into a multiple mine producer with additional near term production potential. The resultant raising of the Company's profile may facilitate negotiating leverage with suppliers, service providers, customers and authorities as the Company becomes a producer of scale as Mooiplaats ramps up. Additionally, there is potential to realise synergies through blending the NuCoal product with Mooiplaats' product and through transporting NuCoal's product via the Company's rail and port capacity. NuCoal also has a strong operational management team in place and the Company intends to retain key personnel.

Resolution 11 seeks that shareholders ratify the issue of 59,867,731 Shares pursuant to ASX Listing Rule 7.4. Listing Rule 7.4 enables the shareholders of a company to ratify an issue of securities provided that the issue does not fall within one of the exceptions of Listing Rule 7.1 and does not breach the 15% restriction contained in Listing Rule 7.1.

For the purpose of ASX Listing Rule 7.5, the following information is provided:

1. a total number of 59,867,731 Shares were issued;
2. the Shares were issued at an issue price of £0.95 per Share;
3. the allottees of the Shares were sophisticated and institutional investors who are clients of J.P. Morgan Cazenove, Evolution Securities and Mirabaud Securities. None of the allottees are related parties of the Company;
4. the Shares are ordinary fully paid shares in the capital of the Company and rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company; and
5. the Company intends to use the net proceeds of the Placement to fund the Acquisition, with the remainder being used for some or all of the following: to increase logistics capacity (including the first instalment of capital required to effect wagon acquisitions from TransNet Freight Rail), to accelerate capital expenditure at the Vele and Makhado projects, to pursue other smaller, opportunistic bolt on acquisitions of coal projects, and for general working capital requirements. In the event that the Acquisition does not complete, CoAL envisages using the proceeds to accelerate expansion of logistic facilities at the Matola Terminal and Maputo port, for alternative acquisitions and for general working capital.

Directors' Recommendation

The Board recommends shareholders vote in favour of Resolution 11.

GLOSSARY

FOR THE PURPOSES OF RESOLUTIONS 1–11 AND THE EXPLANATORY STATEMENT, THE FOLLOWING DEFINITIONS APPLY:

"**Annual General Meeting**" means the annual general meeting convened by the Notice;

"**ASX**" means ASX Limited, ABN 98 008 624 691, and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Board**" means the Board of Directors of the Company;

"**Company**" or "**CZA**" means Coal of Africa Limited, ABN 98 008 905 388, a limited liability company duly incorporated in Australia;

"**Constitution**" means the constitution of the Company;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Directors**" means the directors of the Company;

"**Listing Rules**" means the Listing Rules of ASX;

"**Notice**" or "**Notice of Meeting**" means the notice of meeting which accompanies this Explanatory Statement;

"**Option**" means an option to acquire a Share;

"**Resolution**" means a resolution proposed pursuant to the Notice;

"**Shares**" means fully paid ordinary shares in the Company; and

"**WST**" means Western Standard Time.

ANNEXURE A

RULES OF EMPLOYEE SHARE OPTION PLAN

1 NAME OF PLAN

- 1.1 This Plan shall be called the Coal of Africa Limited Employee Share Option Plan.

2. ESTABLISHMENT AND TERMINATION OF THE PLAN

- 2.1 The Board may establish and administer the Plan in accordance with the terms and conditions set out in these Rules and otherwise as it determines from time to time in its absolute discretion.
- 2.2 The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.
- 2.3 The Board may not issue any further Options after the Plan has been terminated. However, these Rules will continue to apply to Options on issue at the date of such termination until the last of those Options lapses or is exercised.

3. PURPOSE OF PLAN

- 3.1 The purpose of this Plan is to:
- (a) recognise the ongoing ability of the employees of the Company and their expected efforts and contribution in the long term to the performance and success of the Company;
 - (b) provide an incentive to the employees of the Company to remain in their employment in the long term;
 - (c) attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees; and
 - (d) provide employees of the Company with the opportunity to acquire Options, and ultimately Shares, in the Company, in accordance with these Rules.

4. OPERATION OF THE PLAN

- 4.1 The Plan operates according to these Rules which bind the Company and each Participant.
- 4.2 The number of Shares to be received on exercise of the Options the subject of an Offer when aggregated with:
- (a) the number of Shares which would be issued were each outstanding offer or Option, being an offer made or Option acquired pursuant to the Plan or any other employee share scheme extended only to employees or Directors of the Company, exercised; and
 - (b) the number of Shares issued during the previous 5 years pursuant to the Plan or any other employee share scheme extended only to employees or Directors of the Company,

but disregarding any offer made, or Option acquired or Share issued by way of or as a result of:

- (c) an offer to a person situated at the time of receipt of the Offer outside Australia; or
- (d) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
- (e) an offer made under a disclosure document,

must not exceed 5% of the total number of issued Shares as at the time of the Offer.

5. ELIGIBILITY

5.1 Subject to these Rules, the Board may from time to time determine that any Eligible Person is entitled to participate in the Plan and the extent of that participation. Prior to making that determination, the Board must consider:

- (a) the seniority of the relevant Eligible Person and the position the Eligible Person occupies within the Company;
- (b) the length of service of the Eligible Person with the Company;
- (c) the record of employment of the Eligible Person with the Company;
- (d) the potential contribution of the Eligible Person to the growth of the Company;
- (e) the extent (if any) of the existing participation of the Eligible Person (or any Permitted Nominee in relation to that Eligible Person) in the Plan; and
- (f) any other matters which the Board considers relevant.

5.2 The Board may exercise its powers in relation to the participation of any Eligible Person on any number of occasions.

6. OFFER OF OPTIONS AND EXERCISE PRICE

6.1 Subject to these Rules and to the Listing Rules, the Company (acting through the Board) may offer Options to any Eligible Person at such times and on such terms as the Board considers appropriate. Each Offer must state:

- (a) the name and address of the Eligible Person to whom the Offer is made;
- (b) that the Eligible Person to whom the Offer is addressed may accept the whole or any lesser number of Options offered;
- (c) the minimum number of Options and any multiple of such minimum or any other number which may be accepted;
- (d) the period within which the Offer may be accepted, and the period or periods during which the Options or any of them may be exercised and the Expiry Date;
- (e) the method of calculation of the Exercise Price;
- (f) any Exercise Conditions; and
- (g) any other matters which the Board may determine.

- 6.2 The method of calculation of the Exercise Price of each Option will be determined by the Board with regard to the Market Value of the Shares when it resolves to offer the Option.

7. ACCEPTING OFFERS

- 7.1 Upon receipt of an Offer, an Eligible Person may, within the period specified in the Offer:
- (a) accept the whole or any lesser number of Options offered by giving to the Company an Application Form; or
 - (b) nominate a nominee in whose favour the Eligible Person wishes to renounce the Offer by notice in writing to the Board. The Board may, in its absolute discretion, resolve not to allow such renunciation of an Offer in favour of a nominee without giving any reason for such decision.
- 7.2 Upon:
- (a) receipt of the Application Form referred to in paragraph ; or
 - (b) the Board resolving to allow a renunciation of an Offer in favour of a nominee ("**Permitted Nominee**") and the Permitted Nominee accepting the whole or any lesser number of Options offered by giving the Company an Application Form,
- then the Eligible Person or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Rules and will be granted Options subject to these Rules.
- 7.3 If Options are issued to a Permitted Nominee or an Eligible Person, the Eligible Person must, without limiting any provision in these Rules, ensure that the Permitted Nominee complies with these Rules.
- 7.4 On the issue of Options following receipt by the Company of an Application Form, an Eligible Person or the Permitted Nominee, as the case may be, becomes a Participant.

8. NO CONSIDERATION

- 8.1 No consideration is payable by an Eligible Person for a grant of an Option, unless the Board decides otherwise.

9. CERTIFICATES

- 9.1 The Company must give a Participant one or more Certificates stating:
- (a) the number of Options issued to the Participant;
 - (b) the Exercise Price of those Options; and
 - (c) the Issue Date of those Options.
- 9.2 The Certificates for the Options will be dispatched within 10 Business Days after the Issue Date.

10. QUOTATION

- 10.1 The Company will not apply for Official Quotation of any Options.

10.2 If shares of the same class as those allotted pursuant to the exercise of Options granted under the Plan are listed on the ASX, the Company must apply for Official Quotation of those Shares allotted pursuant to the exercise of Options within the time required by the Listing Rules after the date of allotment.

11. NOT TRANSFERABLE

11.1 Subject to clause 14.5, Options are not transferable.

12. EXERCISE OF OPTIONS

12.1 Subject to any Exercise Conditions, Options may be exercised at any time during the period commencing on the Issue Date and ending on the Expiry Date.

12.2 Notwithstanding paragraph , all Options may be exercised:

- (a) during a Bid Period; or
- (b) at any time after a Change of Control Event has occurred; or
- (c) on an application under section 411 of the Corporations Act, if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

12.3 Options may only be exercised by the Participant giving notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and the Exercise Price for the Options specified in the notice and must be accompanied by:

- (a) the Certificate for those Options, for cancellation by the Company; and
- (b) a cheque payable to the Company (or another form of payment acceptable to the Board) in the amount of the product of the number of Options then being exercised by the Participant and the Exercise Price.

The notice is only effective (and only becomes effective) when the Company has received value for the full amount referred to in paragraph (b).

12.4 Subject to paragraph , within 10 Business Days after the notice referred to in clause becoming effective, the Board must:

- (a) allot and issue the number of Shares to be issued in respect of the Options being exercised;
- (b) cancel the Certificate for the Options being exercised; and
- (c) if applicable, issue a new Certificate for any remaining Options covered by the Certificate accompanying the notice.

12.5 The Board may, at its discretion, by notice to the Participant reduce, waive or vary (provided such variation is not adverse to the Participant) the Exercise Conditions attaching to Options in whole or in part at any time and in any particular case.

13. SHARES ALLOTTED ON EXERCISE OF OPTIONS

13.1 All Shares allotted upon exercise of the Options rank pari passu in all respects with Shares previously issued and, in particular, entitle the holders of Shares to participate fully in:

- (a) dividends declared by the Company after the date of allotment; and
- (b) all issues of securities made or offered pro rata to holders of Shares.

14. LAPSE OF OPTIONS

14.1 Options not validly exercised on or before the Expiry Date will automatically lapse.

14.2 Unless otherwise determined by the Board, if any Options are granted subject to Exercise Conditions and, prior to satisfaction of the Exercise Conditions (such that the Options are not exercisable), an Eligible Person ceases to be an Eligible Person then:

- (a) if the Eligible Person ceases to be an Eligible Person for any reason other than a Specified Reason, any such Options held by such Eligible Person, or if appropriate, his or her Permitted Nominee, will automatically lapse; and
- (b) if the Eligible Person ceases to be an Eligible Person for a Specified Reason, such Eligible Person, or if appropriate, his or her Permitted Nominee, may exercise any such Options held by him or her within:
 - (i) 3 months of the date of (as the case may be) Retirement, Redundancy, death or Total and Permanent Disablement; or
 - (ii) such longer period as the Board determines,

subject to the Board, in its absolute discretion, reducing, waiving or varying the Exercise Conditions applying to those Options in accordance with clause so that those Options may be exercised. Options the subject of clause not exercised within 3 months or the longer period determined by the Board, will automatically lapse.

14.3 Unless otherwise determined by the Board, if an Eligible Person ceases to be an Eligible Person at any time after an Option is or has become exercisable, then:

- (a) if the Eligible Person ceases to be an Eligible Person for any reason other than a Specified Reason, such Eligible Person, or if appropriate, his or her Permitted Nominee, may exercise any such Options held by him or her within:
 - (i) 1 month of ceasing to be an Eligible Person; or
 - (ii) such longer period as the Board determines,

and any Options the subject of this clause not exercised within 1 month or the longer period determined by the Board, will automatically lapse; and

- (b) if an Eligible Person ceases to be an Eligible Person for a Specified Reason, such Eligible Person, or if appropriate, his or her Permitted Nominee is entitled to exercise any such Option at any time prior to its Expiry Date.

14.4 A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an Eligible Person shall (in the absence of manifest error) be conclusive for

the purposes of the Plan, both as to such occurrence and the reason for such occurrence and the date of such occurrence.

- 14.5 Subject to clause 14.2, if at any time prior to the Expiry Date of any Options a Holder dies, the deceased Holder's Legal Personal Representative may:
- (a) elect to be registered as the new Holder of the deceased Holder's Options;
 - (b) whether or not he or she becomes so registered, exercise those Options in accordance with and subject to these Rules as if he were the Holder of them; and
 - (c) if the deceased Holder had already given the Company a notice of exercise of his or her Options, pay the Exercise Price in respect of those Options.

15. PARTICIPATION RIGHTS, BONUS ISSUES, RIGHTS ISSUES, REORGANISATIONS OF CAPITAL AND WINDING UP

15.1 New Issues

- (a) Participants are not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
 - (i) they have become entitled to exercise their Options under the Plan; and
 - (ii) they do so before the record date for the determination of entitlements to the new issue of securities and participate as a result of being holders of Shares.
- (b) The Company must give Participants, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.

15.2 Bonus Issues

If there is a bonus issue ("**Bonus Issue**") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.

15.3 Pro Rata Issues

There will be no change to the exercise price of the Options or the number of Shares over which the Options are exercisable in the event of the Company making a pro rata issue (other than a Bonus Issue) to the holders of Shares during the currency of, and prior to the exercise of any Options.

15.4 Reorganisation of Capital

If, prior to the expiry of any Options, there is a reorganisation of the issued capital of the Company, then the rights of a Participant (including the number of Options to which each Participant is entitled and the Exercise Price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

15.5 Winding Up

If, prior to the expiry of any Options, a resolution for a members' voluntary winding up of the Company is proposed (other than the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to Participants of the proposed resolution. Subject to the Exercise Conditions, the Participants may, during the period referred to in the notice, exercise their Options.

15.6 Fractions of Shares

For the purpose of this clause, if Options are exercised simultaneously, then the Participant may aggregate the number of Shares or fractions of Shares for which the Participant is entitled to subscribe. Fractions in the aggregate number only will be disregarded in determining the total entitlement of a Participant.

15.7 Calculations and Adjustments

Any calculations or adjustments which are required to be made under this clause will be made by the Board and, in the absence of manifest error, are final and conclusive and binding on the Company and the Participant.

15.8 Notice of Change

The Company must within a reasonable period give to each Participant notice of any change under clause to the Exercise Price of any Options held by the Participant or to the number of Shares which the Participant is entitled to subscribe for on exercise of an Option.

16. AMENDMENTS TO THE RULES

16.1 Board May Alter Rules

The Board may, subject to and the Listing Rules, alter, delete or add to these Rules at any time (save for the provisions of clause).

16.2 Alteration of clause 4.2

The Board may alter clause with the prior approval by ordinary resolution of the shareholders of the Company in a general meeting.

16.3 Consent of Participants

If any amendment to be made under clause would adversely affect the rights of Participants in respect of any Options then held by them, the Board must obtain the consent of Participants who between them hold not less than 75% of the total number of those Options held by all those Participants before making the amendment.

16.4 Eligible Persons Outside Australia

The Board may make any additions, variations or modifications to the Rules, in relation to the implementation of the Plan and the specific application of the Rules, to Eligible Persons residing outside Australia.

17. POWERS OF THE BOARD

17.1 The Plan shall be administered by the Board who shall have the power to:

- (a) determine appropriate procedures and make regulations for the administration of the Plan which are consistent with these Rules;
- (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan;
- (c) terminate or suspend the operation of the Plan at any time, provided that the termination or suspension does not adversely affect or prejudice the rights of Participants holding Options at that time;
- (d) delegate those functions and powers it considers appropriate, for the efficient administration of the Plan, to any one or more persons whom the Board reasonably believes to be capable of performing those functions and exercising those powers, for such period and on such conditions as the Board may determine;
- (e) take and rely upon independent professional or expert advice in or in relation to the exercise of any of their powers or discretions under these Rules;
- (f) administer the Plan in accordance with these Rules as and to the extent provided in these Rules; and
- (g) make regulations for the operation of the Plan consistent with these Rules.

18. NOTICES

- 18.1 Notices may be given by the Company to any Holder either personally or by sending by post to his or her address as noted in the Company's records or to the address (if any) within the Commonwealth of Australia supplied by him to the Company for the giving of notices. Notices for any overseas Holders shall be forwarded and posted by air. Where a notice is sent by post the notice shall be deemed to be served on the day after posting. The signature of any notice may be given by any Director or secretary of the Company. A notice of exercise given under clause shall not be deemed to be served on the Company until actually received.

19. NO COMPENSATION OR DAMAGES

- 19.1 The rights and obligations of any Holder under the terms of his or her employment with the Company are not affected by his or her participation in the Plan.
- 19.2 These Rules do not form part of, and will not be incorporated into, any contract of engagement or employment between a Holder and the Company.
- 19.3 No Holder has any rights to compensation or damages as a result of the termination of his or her employment, so far as those rights arise or may arise from the Holder ceasing to have rights under the Plan as a result of the termination.
- 19.4 Participants do not, as Participants, have any right to attend or vote at general meetings of holders of Shares.

20. GOVERNING LAW

- 20.1 The Plan and any Options issued under it are governed by the laws of Western Australia and the Commonwealth of Australia.

20.2 Each Participant irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia, the Commonwealth of Australia and courts entitled to hear appeals from those courts.

21. ADVICE

21.1 Eligible Persons should obtain their own independent advice at their own expense on the financial, taxation and other consequences to them of or relating to participation in the Plan.

22. DEFINITIONS AND INTERPRETATION

22.1 In these Rules, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"**Application Form**" means a duly completed and executed application for the issue of Options made by an Eligible Person or Permitted Nominee in respect of an Offer, in the form approved by the Board from time to time;

"**ASX**" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Bid Period**", in relation to a takeover bid in respect of shares in the Company, means the period referred to in the definition of that expression in section 9 of the Corporations Act provided that where a takeover bid is publicly announced prior to the service of a bidder's statement on the Company in relation to that takeover bid, the Bid Period shall be deemed to have commenced at the time of that announcement;

"**Board**" means the Directors acting as the board of directors of the Company or a committee appointed by such board of directors;

"**Business Day**" means a day on which banks are open for business in Perth excluding a Saturday, Sunday or public holiday;

"**Certificate**" means the certificate issued in accordance with clause by the Company to a Holder in respect of an Option;

"**Change of Control Event**" means a shareholder, or a group of associated shareholders, becoming entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in general meeting, to replace all or a majority of the Board;

"**Company**" means Coal of Africa Limited ACN 008 905 388;

"**Corporations Act**" means *Corporations Act 2001 (Cth)*;

"**Director**" means a director of the Company from time to time but does not include a person who is only a director by virtue of being an alternate director;

"**Eligible Person**" means at any time a person who then is a Director or an employee (whether full-time or part-time) of the Company or of an associated body corporate of the Company;

"**Exercise Condition**" means the performance, vesting or other conditions (if any) determined by the Board and specified in an Offer which are, subject to these Rules, required to be satisfied, reached or met before an Option can be exercised;

"Exercise Price" means, in respect of an Option, the subscription price per Share, determined in accordance with clause , payable by a Holder on exercise of the Option;

"Expiry Date" means, in relation to an Option, the date determined by the Board prior to the offer of the relevant Options, subject to any restriction in the Corporations Act from time to time but in any event no longer than 5 years from the Issue Date;

"Holder" means, in relation to an Option, the person (whether an Eligible Person or a Permitted Nominee) entered in the Company's register of options as the holder of that Option;

"Issue Date" means, in relation to an Option, the date on which the Company grants that Option;

"Legal Personal Representative" means the executor of the will or an administrator of the estate of a deceased person, the trustee of the estate of a person under a legal disability or a person who holds an enduring power of attorney granted by another person;

"Listing Rules" means the Official Listing Rules of ASX as they apply to the Company from time to time;

"Market Value" means, if the Company is admitted to the official list of ASX:

- (a) the weighted average closing sale price of the Shares recorded on the stock market of ASX over the five trading days immediately preceding the day on which the Board resolves to offer an Option; or
- (b) in circumstances where there has been no trading in the Shares during the five trading days immediately preceding the day on which the Board resolves to offer an Option, the last sale price recorded on the stock market of ASX;

"Offer" means an invitation to an Eligible Person made by the Company under clause to apply for an issue of Options;

"Official Quotation" has the meaning ascribed to it in the Listing Rules;

"Option" means an option issued under the Plan to subscribe for a Share;

"Participant" means a person who holds Options issued under the Plan and includes, if a Participant dies or becomes subject to a legal disability, the Legal Personal Representative of the Participant;

"Permitted Nominee" has the meaning given to it by clause ;

"Plan" means the Coal of Africa Limited Employee Share Option Plan established in accordance with these Rules;

"Redundancy" means, in relation to an Eligible Person, a determination by the Board that the Company's need to employ a person for the particular kind of work carried out by that Eligible Person has ceased (but, for the avoidance of any doubt, does not include the dismissal of an Eligible Person for personal or disciplinary reasons or where the Eligible Person leaves the employ of the Company of his or her own accord);

"**Retirement**" means, in relation to an Eligible Person, retirement by that Eligible Person from the Company at age 60 or over or such earlier age as considered appropriate by the Board;

"**Rules**" means these rules, as amended from time to time;

"**Series**" means, in relation to Options, Options with a common Issue Date;

"**Shares**" means fully paid ordinary shares in the capital of the Company;

"**Specified Reason**" means Retirement, Total and Permanent Disablement, Redundancy or death;

"**Tax**" means any tax, levy, impost, GST, deduction, charge, rate, contribution, duty or withholding which is assessed (or deemed to be assessed), levied, imposed or made by any government or any governmental, semi-governmental or judicial entity or authority together with any interest, penalty, fine, charge, fee or other amount assessed (or deemed to be assessed), levied, imposed or made on or in respect of any or all of the foregoing; and

"**Total and Permanent Disablement**" means, in relation to an Eligible Person, that the Eligible Person has, in the opinion of the Board and with effect on a date determined by the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Eligible Person unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience.

22.2 In these Rules, unless a contrary intention appears:

- (a) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a gender includes all genders; and
- (d) an expression defined in, or given a meaning for the purposes of, the Corporations Act has the same meaning where used in these Rules.

ANNEXURE B

TERMS AND CONDITIONS OF OPTIONS

1. Each option shall entitle the holder the right to subscribe (in cash) for one (1) fully paid ordinary share in the capital of the Company ("**Shares**").
2. The Options will expire at 5.00pm WST on 30 November 2014. Subject to Clause 3 and 7 hereof, options may be exercised at any time prior to the expiry date and options not so exercised shall automatically expire on the expiry date.
3. As to Mr Farrell's Options:
 - (a) 2,000,000 Options to vest 12 months after grant of New Order Mining Right in respect of Company's Vele Project; and
 - (b) 1,000,000 Options to vest 12 months after grant of New Order Mining Right in respect of Company's Makhado Project.As to Mr Sergeant's Options:
 - (a) 1,000,000 Options to vest 12 months after grant of New Order Mining Right in respect of Company's Vele Project;
 - (b) 500,000 Options to vest 12 months after grant of New Order Mining Right in respect of Company's Makhado Project; and
 - (c) 500,000 Options to vest upon completion of the Company's acquisition of NuCoal Mining (Pty) Limited.
4. Each ordinary Share allotted as a result of the exercise of any option will, subject to the Constitution of the Company, rank in all respects *pari passu* with the existing ordinary fully paid shares in the capital of the Company on issue at the date of allotment.
5. A registered owner of an option ("Option Holder") will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.
6. Options are not transferable at any time prior to the expiry date.
7. *Method of Exercise of Options*
 - (a) The Company will provide to each Option Holder a notice that is to be completed when exercising the options ("Notice of Exercise of Options"). Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise of Options must state the number of options exercised and the consequent number of ordinary shares in the capital of the Company to be allotted; which number of options must be a multiple of 2,500 if only part of the Option Holder's total options are exercised, or if the total number of options held by an Option Holder is less than 2,500, then the total of all options held by that Option Holder must be exercised.
 - (b) The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of shares being subscribed, being an amount of AU\$2.74 per share.
 - (c) Subject to Clause 6(a) hereof, the exercise of less than all of an Option Holder's options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holder's remaining options.
 - (d) Within 14 days from the date the Option Holder properly exercises options held by the Option Holder, the Company shall issue and allot to the Option Holder that number of fully paid ordinary Shares in the capital of the Company so subscribed for by the Option Holder.
 - (e) If the Company is listed on the ASX, the Company will within three (3) business days from the date of issue and allotment of Shares pursuant to the exercise of an Option, apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all

such shares, in accordance with the Corporations Law and the Listing Rules of the ASX.

- (f) The Company will generally comply with the requirements of the Listing Rules in relation to the timetables imposed when quoted options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the options and the timetable outlined in the Listing Rules of the ASX, the timetable outlined in the Listing Rules shall apply.
- 8. In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
- 9. There are no participating rights or entitlements inherent in the options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the expiry date unless and until the options are exercised. The Company will ensure that during the exercise period, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 business days after such new issues are announced (or such other date if required under the Listing Rules of the ASX) in order to afford the Option Holder an opportunity to exercise the options held by the Option Holder.
- 10. There are no rights to change the exercise price or the number of underlying ordinary shares if there is a pro-rata issue or bonus issue to the holders of ordinary shares.
- 11. Notwithstanding clause 3, all options may be exercised by the Option Holder:
 - (a) in the event a takeover bid (as defined in the Corporations Act) to acquire any Shares becomes or is declared to be unconditional, irrespective of whether the takeover bid extends to Shares issued and allotted after the date of the takeover bid or not; or
 - (b) at any time after a Change of Control Event (meaning a shareholder, or group of associated shareholders, being entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in a general meeting, to replace all or a majority of the board of the Company has occurred); or
 - (c) if a merger by way of scheme of arrangement under the Corporations Act has been approved by the Court under section 411(4)(b) of the Corporations Act 2001.



COAL of AFRICA LIMITED
ABN 98 008 905 388

Lodge your vote:



By Mail:

Coal of Africa Limited
Level 1, 173 Mounts Bay Road
Perth WA 6000

Alternatively you can fax your form to
(within Australia) 08 9322 6778
(outside Australia) +61 8 9322 6778

For all Shareholders enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 3:00pm (WST) Saturday 28 November 2009

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View the annual report:

www.coalofafricareport.com

Update your securityholding, 24 hours a day, 7 days a week:

www.investorcentre.com

Your secure access information is:

SRN/HIN:



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Coal of Africa Limited hereby appoint

the Chairman of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Coal of Africa Limited to be held at The Park Business Centre, 45 Ventnor Avenue, West Perth WA 6005, Monday, 30 November 2009 at 3:00pm (WST) and at any adjournment of that meeting.

Important for Resolution 8: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Resolution 8 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolution 8 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 8.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain			For	Against	Abstain
Resolution 1	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 7	Approval to Issue 5,625,750 Shares as part consideration for acquisition of a 20% interest in Limpopo Coal Company (Proprietary) Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director - Professor Ntshengedzeni Alfred Nevhutanda	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 8	Coal of Africa Limited Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Director - Mr Hendrid Jacobus Verster	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 9	Grant of Options to Simon Farrell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Re-election of Director - Mr Peter Cordin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 10	Grant of Options to Blair Sergeant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Re-election of Director - Mr Steve Bywater	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 11	Ratification of Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of Issue of 1,990,000 Shares as part consideration for acquisition of 6% interest in Limpopo Coal Company (Proprietary) Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____/____/____



COAL of AFRICA LIMITED

ABN 98 008 905 388



ANNUAL REPORT 2009



CONTACT DETAILS

DIRECTORS

Richard Linnell
Chairman

Simon Farrell
Managing Director

Blair Sergeant
Finance Director

Professor Alfred Nevhutanda
Executive Director
(appointed 2 February 2009)

Steve Bywater
Non-Executive Director

Peter Cordin
Non-Executive Director

Hendrik ("Kobus") Verster
Non-Executive Director
(appointed 27 August 2009)

Pierre Leonard
Non-Executive Director
(resigned 27 August 2009)

COMPANY SECRETARY

Shannon Coates

INCORPORATION & OPERATION

Country of Incorporation
Australia

AUS Company Number (ACN)
008 905 388

Main Country of Operation
South Africa

PRINCIPAL & REGISTERED OFFICE

Level 1, 173 Mounts Bay Road
Perth Western Australia 6000
Telephone : +61 8 9322 6776
Facsimile : +61 8 9322 6778
Email : perth@coalofafrica.com

SOUTH AFRICAN OFFICE

CoAL House
Pinewood Office Park
33 Riley Road
Woodmead 2191
Telephone : +27 11 785 4518
Facsimile : +27 11 803 6654
Email : adminza@coalofafrica.co.za

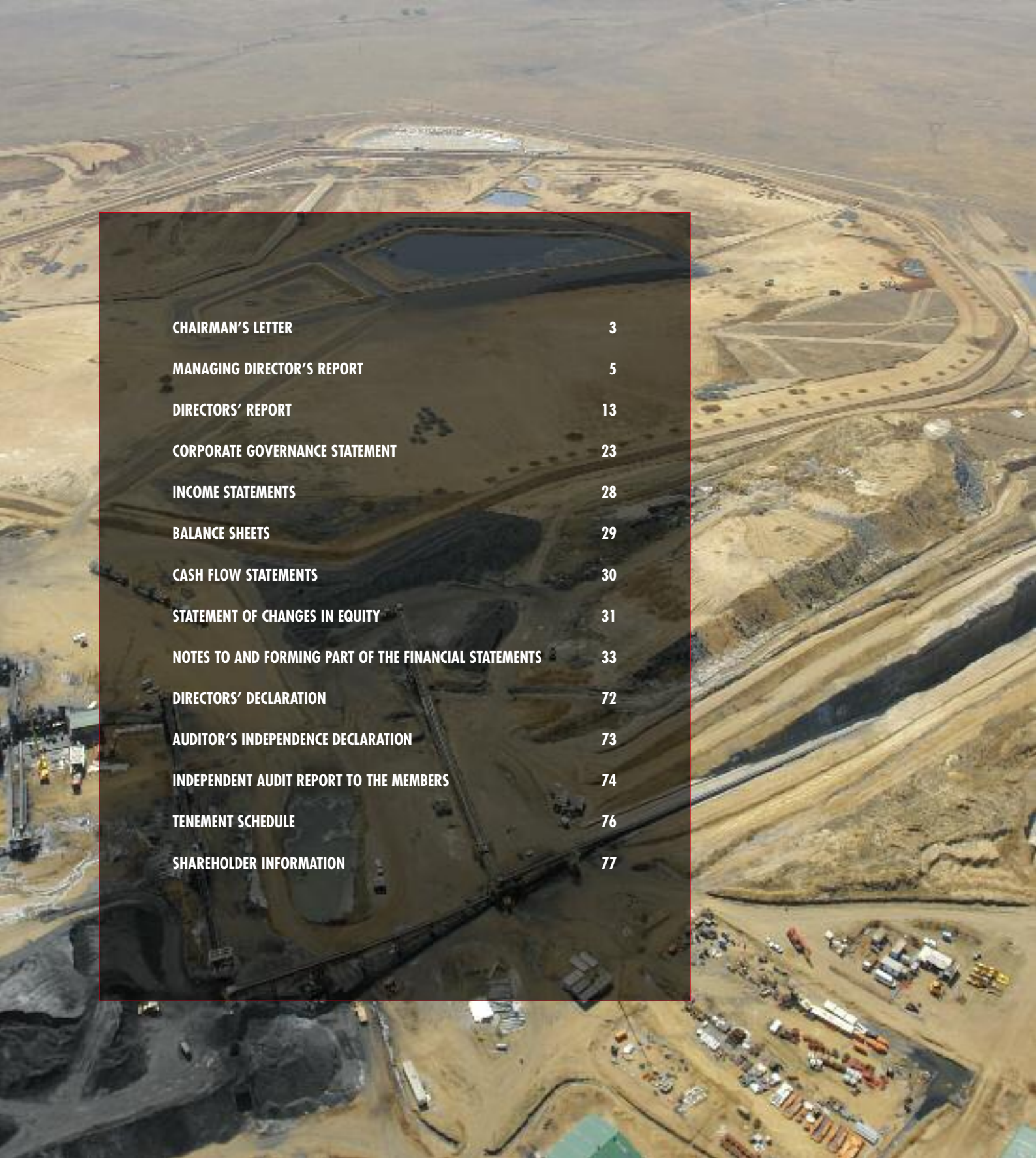


CORPORATE DIRECTORY

	AUSTRALIA	UNITED KINGDOM	SOUTH AFRICA
AUDITORS	MooreStephens 12 St Georges Tce Perth WA 6000, Australia	N/A	MooreStephens MWN 7 West Street, Houghton 2198 South Africa
BANKERS	NAB Limited Level 1, 1238 Hay Street West Perth WA 6005, Australia	N/A	ABSA Bank Palazzo Towers West Monte Casino Boulevard Johannesburg, South Africa
BROKERS	Euroz Securities Limited Level 14, The Quadrant 1 William Street Perth WA 6000, Australia	Morgan Stanley 25 Cabot Square London E14 4QA, United Kingdom Mirabaud 21 St James' Street London SW1Y 4JP, United Kingdom	N/A
LAWYERS	Blakiston & Crabb 1202 Hay Street West Perth WA 6005, Australia	Watson Farley Williams 15 Appold Street London EC2A 2HB, United Kingdom	Bowman Gilfillan 165 West Street, Sandton 2196 South Africa
NOMAD/ CORPORATE SPONSOR	N/A	Evolution Securities Limited 100 Wood Street London EC2V 7AN, United Kingdom	Macquarie First South Advisers (Pty) Limited The Place, South Wing, Sandown 2146 Johannesburg, South Africa
SHARE REGISTRIES	Computershare Investor Services Level 2, Reserve Bank Building 45 St Georges Terrace Perth WA 6000, Australia	Computershare Investor Services PO Box 82 The Pavilions Bridgewater Road Bristol BS99 7NH, United Kingdom	Computershare Investor Services Ground Floor, 70 Marshall Street Johannesburg 2001 South Africa
STOCK EXCHANGES	ASX Limited (ASX) Exchange Plaza 2 The Esplanade Perth WA 6000, Australia	Alternative Investment Market (AIM) London Stock Exchange 10 Paternoster Square London EC4M 7LS, United Kingdom	Johannesburg Stock Exchange (JSE) 1 Exchange Square Gwen Lane, Sandown 2196 South Africa

Resource Estimation:

Resource estimations in this report have been compiled by Mr John Sparrow (Member of the South African Council of Natural Science Professions SACNASP) 400109/03, an independent geological and technical consultant with 27 years experience in the Southern African and Australian regions. Mr Sparrow has sufficient experience relevant to the assessment of this style of mineralisation to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves - the JORC Code - and has compiled a number of Competent Person's reports for various organisations for the JSE, ASX and TSE. Mr Sparrow consents to the inclusion of the information in this report in the form and context in which it appears.



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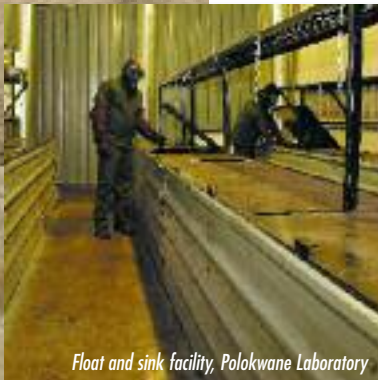
CHAIRMAN'S LETTER



ROM stockpile at Mooiplaats



Middling stockpile, Mooiplaats



Float and sink facility, Polokwane Laboratory

We were pleased this year with the continuing evolution of the South African democracy, with the holding of the third peaceful, well supported elections resulting in the transfer of power within the ruling African National Congress. The stability and robustness of the country's democratic process appears to improve with each election, a trend that will hopefully continue.

During the year, the Company continued its focus on ensuring compliance with South African mining legislation, specifically those areas pertaining to Black Economic Empowerment. The CoAL Board endorses a philosophy of sustainable transformation, with an emphasis on the transfer of economic benefits to a broad spectrum of stakeholders, particularly the communities in the vicinity of our projects. The transfer of shareholding to the most disadvantaged of our stakeholders will ensure they directly enjoy the benefits of CoAL's projects.

CoAL has weathered the global melt down and our share price has improved steadily since the lows earlier in the financial year. Going forward, as global conditions stabilise and production at our projects increases, we expect the Company will be steadily re-rated.

With the aid of Inspectorate, an internationally leading inspection and testing company, the Company has constructed a coal analytical laboratory in Polokwane, the capital of the Limpopo Province. This facility will assist with and enhance our mining and exploration projects and has created much needed job opportunities during challenging times.

At the launch of the Makhado coking coal project in 2008, the Company committed itself to the establishment of an educational trust benefiting scholars from the project area. During the year, the Thovele Toni Mphephu Ramabulana Bursary Fund was launched by his Highness, King Thovele Toni Mphephu Ramabulana, King of the VhaVenda. The funds donated by CoAL to the fund enabled 32 scholars from the area to study mining related courses at tertiary institutions.

As always, the continued growth achieved by CoAL during the year was as a result of the hard work and diligence of our employees, and I thank them sincerely.

Yours sincerely

RICHARD LINNELL

Chairman





H I G H L I G H T S

- Upgrade of resources at the Makhado coking coal project in the Limpopo Province, South Africa ("Makhado Project") to 1.33 billion tonnes (400 million "measured") and at the Vele coking coal project, also in the Limpopo Province ("Vele Project") to 721 million tonnes (158 million "measured" and 324 million "indicated");
- Production of first coal at the Mooiplaats Project in November 2008;
- Rail allocation secured from Transnet Freight Rail;
- Agreement reached with Grindrod Limited ("Grindrod") to secure port capacity at the Matola terminal in Maputo, Mozambique ("Matola Terminal"), initially 3 million tonnes per annum ("mtpa") and ultimately 13 mtpa;
- Selection of MCC Contracts, a division of Equestra Holdings, as preferred partner for the Vele Project's opencast mining operations;
- Mooiplaats Project coal handling and preparation plant ("CHPP") commissioned in May 2009; and
- ELB Engineering Services contracted to build the first CHPP at Vele.

Coal on the shaft belt, Mooiplaats



MANAGING DIRECTOR'S REPORT



Mining Manager – Lemogang Pitsoe (front left) and underground mining team, Mooiplaats



Lining in progress of Return Water Dam, Mooiplaats



Horizontal drilling machine at work, Mooiplaats

Despite the global financial crisis, the year ended 30 June 2009 followed on from the successes of the previous year as the Company progressed from an explorer and developer, to a mining company. The considerable cash resources raised in the previous year allowed the Company to focus on the development of the Mooiplaats thermal coal project in the Mpumalanga Province, South Africa (“Mooiplaats Project”) and bring a greenfield project into production under budget and in less than a year.

During the year, the operations of the Company included:

- Mooiplaats Project, based in the Mpumalanga Province;
- Vele Project, based in the Limpopo Province;
- Makhado Project, based in the Limpopo Province;
- Polokwane Coal Laboratory, based in the Limpopo Province; and
- Holfontein thermal coal project, based in the Mpumalanga Province (“Holfontein Project”).

The mining technical team was restructured at the start of the financial year to improve role clarity and accountability. Key skills were also added, ensuring in-house capacity in all key areas of operation.

MOOIPLAATS THERMAL COAL PROJECT (100%)

The Mooiplaats Project was developed from a site consisting of only farmland and an abandoned box-cut at the start of the year under review, to an operational mine by the end of the year. Surface facilities commissioned included a fully functional coal handling and preparation plant.

Safety management of the site was exemplary, with in excess of 400 000 lost time incident free man-hours achieved during the high-risk construction phase up to the end of March 2009, with more than 500 contractors’ staff present on site during this period. Sadly, in July 2009, two contractor employees were fatally injured in an accident resulting from the unlawful access to and use of a vehicle by an unlicensed contractor. Immediately following the accident, operations were halted for three days whilst investigations were conducted by inspectors and mine officials of the South African Department of Mineral Resources (“DMR”). Reassuringly, the results of the official inquiry indicated no substantial breaches by the Company, but suggested legal prosecution of the driver and several contractors’ officials.

Following the successful dewatering, de-silting and deepening of the box-cut to the floor of coal, the first continuous miner began cutting coal in November 2008. The inclined conveyor infrastructure was completed whilst mining portals were being established, thereby enabling mining development to continue whilst the CHPP was being constructed.

Although the region experienced above average rainfall during the summer, causing delays to civil construction, the project management team and contracting firms were able to minimise delays to the overall schedule, and the plant was successfully commissioned in May 2009. The second module of the plant is currently under construction, with commissioning expected by November 2009. This will increase capacity from 110,000 to 220,000 run of mine (“ROM”) tonnes per month.





Managing Director's Report (continued)

While good progress was made in the mining of initial underground coal access, progressively more adverse geological conditions were experienced, leading to an extensive reassessment of the geological structure and its potential effect on the mining layout. Additional surface drilling and wireline logging, supported by underground horizontal drilling, led to a better understanding of detailed geological structure and subsequent adjustment of the mining layout. Mining development continues through lean coal areas in two mining areas, one utilising a Sandvik road header to progress through a faulted and steeply dipping area and associated stone layers, and the other utilising a JOY continuous miner. By the end of June 2009, approximately 3,400 metres had been cut, yielding close to 50,000 tonnes of coal. The current lean coal mining rate averages 30,000 tonnes per month, which can be increased to 80,000 tonnes per month if required by the market. The intensified geological drilling program has also proven closer proximity to the bituminous coal zone in one area, which is anticipated to be reached by end of the calendar year. The Company has meanwhile taken delivery of three full sets of mining equipment, which will allow rapid build up of production as soon as the bituminous coal zone is reached.

The mid-volatile coal product currently produced by the CHPP is transported to the nearby Umlabo siding, which CoAL has negotiated access to from SA Coal Mining Holdings Limited, and several train loads have been railed to the Matola Terminal, in preparation for shipment to a customer by Q4 2009. Development of the Overvaal siding, which is situated some 8km from the Mooiplaats Project along the CoalLink railway line to Richard's Bay and will form the long term rail loading point, is expected to commence in 2010.

An application to amend the current New Order Mining Right ("NOMR") as well as the supporting environmental management plan ("EMP") to include the farms Klipbank and Adrianople, has been lodged with the DMR in Mpumalanga. This will allow the development of the south decline in order to increase the life of the mine. Meanwhile, the Company has also entered into negotiations with parties holding rights to areas contiguous to the Mooiplaats North area, which will lead to the extension of mining life in that area.

Mooiplaats is well on its way to building up production to 1.7 million ROM tonnes in 2010 and approximately 3 mtpa in 2011.

VELE COKING COAL PROJECT (74%, SIGNED PURCHASE AGREEMENTS FOR 26%)

Significant progress was made on the Vele Project during the year, and the Company is expecting the NOMR to be granted by the DMR by the end of September 2009. The Company plans to implement the Project in two phases. Phase 1 will comprise the establishment of a modular coal treatment plant with capacity to deliver approximately 1 million saleable tonnes of blend coking coal per annum, with ROM coal planned to be sourced from opencast mining. Because of the modular nature of this plant, capacity may be doubled, dependant on market conditions. Phase 2 will require the construction of the full-scale coal treatment plant (the design of which has been completed by Dowding Reynard & Associates) to deliver 5 million tonnes of blend coking coal per annum, at which point the underground operation will be established.



One of the two secondary Dense Medium Cyclone circuits for the Vele wash plant in construction at supplier factory.



View of mining area from Dongola Kopje





Vele Dongola Lodge



The NOMR application, consisting of a mine works program (“MWP”) and social and labour plan (“SLP”), was submitted to the DMR in Limpopo in November 2008, followed by the environmental impact assessment (“EIA”) scoping report in December 2008. Following this period, extensive consultation was conducted with interested and affected parties (“IAP’s”) whilst the EIA was being carried out by a group of specialist consultants, each covering their respective areas of expertise as required by the scoping report. The process culminated in a widely publicised open day, held at a site near the Project area in April 2009, which was attended by more than 170 persons representing various interest groups. The comments received during this session, as well as from the IAP consultation process, were taken into account in preparation of the EMP, which was then submitted to the DMR in mid-May with the EIA documents, together comprising more than 2,200 pages.

Some environmental groups have stated their opposition to the Vele Project due to the sensitive nature of the area and the proximity of the Project to the Mapungubwe World Heritage Site and National Park. The Company is confident, however, that it has addressed concerns and designed sufficient mitigation into the mining layout and processes to ensure co-existence with eco-tourism and agriculture in the area. The Project will introduce much needed investment, employment and economic growth into one of the poorest regions of South Africa. The dual benefits of reduced imports by ArcelorMittal, as well as potential exports from the Project to the national balance of payments, also cannot be underestimated.

Capital expenditure to date consists mainly of land purchases to access surface mining areas and accommodate critical infrastructure, as well as investment in the development of a modular coal wash plant. The latter has been designed by ELB Engineering in conjunction with PBA Projects, based on designs used in the marine diamond mining industry, and will have the capacity to generate 1 million blend coking coal saleable tonnes per annum. As discussed earlier, plant capacity can be rapidly doubled, dependent on market demand. Built and pre-commissioned off-site before being transported for assembly at the mine site, the plant can be deployed and commissioned within three months after access to site is made possible, in this case by the granting of a mining licence. Phase 1 capital requirement is estimated at ZAR350 million, whilst the establishment of the full-scale mine is expected to cost in the region of ZAR3 billion.

Geological drilling continued to improve confidence in the structure and quality of the mineable resources at Vele, supported by the completion of 3 large diameter drilling sites, aeromagnetic interpretation and geotechnical assessment. Coal resources are currently indicated at some 721 million tonnes, of which approximately 158 million tonnes has been proven to measured status.

A project feasibility report has recently been completed by GRD Minproc. An exercise was concluded early in 2009 to select a preferred opencast mining contractor, leading to the appointment of MCC Contracts (“MCC”) in this capacity. MCC is one of the largest mining contractors in South Africa, with a significant mining equipment fleet available for rapid deployment and expansion as required, releasing the Company from the burden of acquiring mining equipment and reducing the capital requirements of the Project.

The Company has recently concluded agreements to acquire the remaining 26% of the Vele Project to bring its ownership to 100%.



Managing Director's Report (continued)

MAKHADO COKING COAL PROJECT (100%)

During the year, the Company continued with its planning of the Makhado Project, underpinned by extensive geological exploration and modelling. Coal samples are currently being assessed at the Company's newly commissioned laboratory in Polokwane.

This Project will comprise an opencast mine, planned to deliver 5 million tonnes of hard coking coal product per annum at full output. A similar phased approach to that of Vele, utilising a modular coal processing plant, may also be applied at Makhado. Current indications are that a modular plant first phase with a capacity of 1 million tonnes of hard coking coal product per annum, will require investment in the order of ZAR500 million, compared to some ZAR2.7 billion required for the full-scale project.

Geological exploration drilling increased the measured resource base to some 400 million tonnes of the total resource, indicated at 1.3 billion tonnes. Surface rights were obtained for the farm Tanga, and the mining exploration camp relocated to Tanga from Fripp. Drilling of the first large diameter bulk sampling site was completed on the farm Tanga, which is also the site for which application for the mining of a coal bulk sample has been made to the Limpopo office of the DMR. This is expected to yield 1,000 tonnes of coking coal for analysis by ArcelorMittal in their coking ovens. Exploration drilling also confirmed the presence of other coal horizons in the overburden of the deeper coal to the North of the proposed open cut and a substantial resource upgrade is anticipated in 2010.

NOMR application documents are currently being finalised and prepared for submission to the DMR, which will be done as soon as section 11 approvals have been received for the transfer of prospecting rights between CoAL and Rio Tinto in terms of the agreed prospecting rights swap.

POLOKWANE COAL LABORATORY (100%)

Following the Company securing access to an unused abattoir site, the construction of a world class analytical coal laboratory in Polokwane commenced in April 2009. The facility is being managed by the international laboratory group, Inspectorate, ensuring cost effective operation and required accreditation. Most of the planned facilities have been commissioned, and exploration drilling core samples for Vele and Makhado started being processed in August 2009. ArcelorMittal has also recently indicated its desire to be a 50% partner in the laboratory.

HOLFFONTEIN THERMAL COAL PROJECT (100%)

During the year, the Company received section 11 approval for Motjoli Resources (Pty) Ltd to transfer 51% of the Holfontein Project to CoAL, whilst discussions regarding the granting of the NOMR continued with the DMR. The Company remains confident that the NOMR will be granted in the near future.

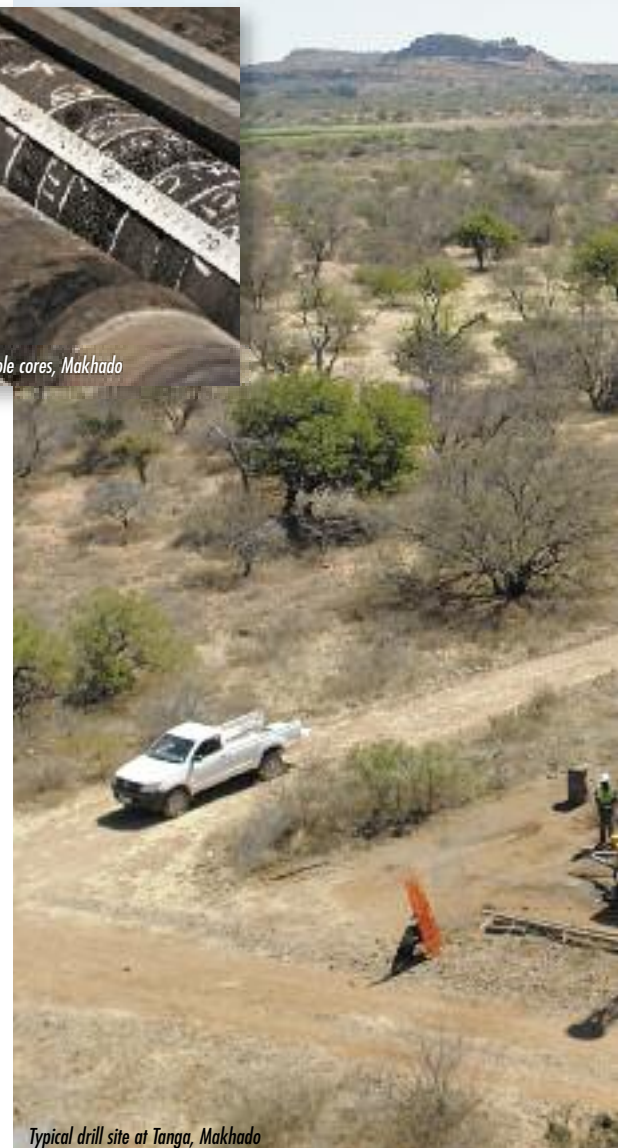
The Holfontein Project continues to be classified as an asset available for sale.



Recovered cores in the field, Makhado



Logging of borehole cores, Makhado



Typical drill site at Tanga, Makhado





State-of-the-art crucible swelling index analyzer at Polokwane Laboratory



Polokwane Laboratory operator operating bulk washing facility





Managing Director's Report (continued)

IPP SUBMISSIONS PRE-QUALIFIED BY ESKOM

CoAL's independent base load generation tenders for the Vele and Makhado Projects, submitted jointly with Independent Power Producers ("IPP"), whereby the IPP will supply Eskom with base load power, have been unconditionally pre-qualified by Eskom.

The submission to supply coal to the proposed IPP located close to the Vele Project was made jointly with Mulilo Energy (Pty) Ltd and China Railway Construction Corporation, and with AES Energy Developments for an IPP in proximity of the Makhado Project. In both cases, the coal supplied would be a "middlings" product, a lower quality coal produced additional to the coking coal. The economics of the Vele and Makhado Projects are not reliant on the sale of the middlings fraction but, if successful, such sales would provide substantial upside to these Projects.

PORT ALLOCATION

The Company secured long term port allocation for the export of coal mined at the Mooiplaats Project through the Richard's Bay dry bulk terminal ("Richard's Bay Terminal"), operated by Grindrod. The throughput agreement provides CoAL with an allocation of 900,000 tonnes of coal per annum, commencing in 2009, and includes the potential to increase its export capacity to 3 mtpa once the terminal expansion is complete. In return, CoAL will participate in the funding of the expansion.

Furthermore, CoAL has secured long term port allocation through the Matola Terminal in Maputo, Mozambique and expects that the export of metallurgical coal mined at its Makhado and Vele Projects will take place via this terminal. The agreement with Terminal De Carvao Da Matola Limitada and Grindrod provides for an allocation of 1 mtpa through the Matola Terminal, commencing in 2009, and CoAL has secured the rights to up to 100% of any increased capacity at the Matola Terminal in return for the Company participating in the funding of the expansion. The first phase of Grindrod's intended two phase expansion of the terminal will increase CoAL's export capacity to 3 mtpa and on completion of the second phase of expansion, CoAL will have a total capacity of 13 mtpa of the terminal's annual 16 mtpa capacity.

During February 2009, the Company agreed to loan the required US\$20 million for the proposed 2 mtpa expansion at the Matola Terminal, which will increase CoAL's export allocation at the port to 3 mtpa. The increased port capacity is expected to be effective from 1 August 2010 and discussions with TFR to secure an additional 2 mtpa rail capacity are ongoing.

RAIL ALLOCATION SECURED FOR COKING COAL PROJECTS

Agreement was reached with Transnet Freight Rail ("TFR"), a division of Transnet, the South African Government owned rail and freight organisation, for the rail allocation of 1 mtpa to the Matola Terminal. This rail allocation matches the Company's current port allocation of 1 mtpa through the Matola Terminal.

Negotiations with TFR for rail services for the transport of coal to the Richard's Bay Terminal were completed and the Company secured a five year rail agreement for the movement of coal from its Mooiplaats Project to the Terminal. TFR has allocated CoAL the current empty wagons returning from ArcelorMittal's Vanderbijl Park steel works, ensuring the Company will be able to satisfy its initial 900,000 tonne dry bulk terminal port allocation at the Richard's Bay Terminal.

The Company successfully railed over 38,000 tonnes of third party coal to the Matola Terminal during the year. Of the coal railed, over 22,000 tonnes were shipped from the Terminal during the period, ensuring the viability of this export route as an alternative to the Richard's Bay Terminal.

IMALOTO COAL PROJECT IN MADAGASCAR (50%)

During the year, the Company acquired 50% of the interest in the Imaloto Project located in the Sekoa Basin in Madagascar. The interest comprises 25 blocks of 6.5km² each. Exploration on the Project commenced during the period and by year end, Phase 1 of the exploration programme on the North portion of the Project, comprising over 2,522m, had been drilled and yielded bright to intermediate coal seams. Coal samples have been sent for analysis and results are expected shortly.



Umlabo rail siding, bound for Matola Terminal in Maputo, Mozambique

NIMAG GROUP ("NIMAG") (100%)

NiMag is engaged principally in the manufacture and distribution of nickel magnesium alloys, ferro silicon magnesium alloys and metal fibres, having begun producing alloys in 1962, and currently manufactures specialised master alloys of nickel and magnesium for the specialised foundry industry including aerospace, aeronautical, motor, steel mill roll and associated industries.

Ductile iron (also called spheroidal graphite iron or nodular cast iron) was discovered in the 1940's. The introduction of magnesium into the melt results in nodular rather than flaky graphite in the resultant cast iron, giving the cast iron properties approaching those of steel, while maintaining the advantages of the casting process.



The magnesium is usually added as a nickel alloy, making it easier to add and contribute to product quality. NiMag supplies the ductile iron market as a specialist supplier with a world market share of about 35% in its core product line. 95% of sales are exported through 35 distributors world wide. Demand for NiMag's alloys is proportional with world demand for ductile iron, principally for automotive parts and industrial machinery. Demand for NiMag products has grown gradually to meet current capacity of 287 tonnes per month (all products). Potential for expansion of the core nickel-magnesium alloy product is presently limited by the size of end markets. NiMag is increasing the penetration of a variety of other products developed for alternative markets. NiMag produces cast and slit fibres which are used in reinforced concrete by domestic mining and tunnelling operations.

NiMag's competitive advantages include low electricity and labour costs. The main input cost is locally sourced nickel raw material, which is matched with sales to minimise nickel price exposure.

Significant depreciation of global nickel prices in the 2009 financial year reduced NiMag's margins as well as volumes, resulting in the Company generating lower operational cash flows than those recorded in the previous year. NiMag recorded a loss of \$2.6 million for the year, primarily due to a \$1.7 million loss as a result of the revaluation of nickel inventory.

CORPORATE SOCIAL RESPONSIBILITY

CoAL believes that it can play a significant role in the development of the communities in which it operates. Its strategy seeks to foster and forge partnerships through sustainable development. The key focus areas of the Corporate Social Responsibility programmes of CoAL are education and skills development, community development and environmental best practices



Students awarded the CoAL Bursaries 2009

CoAL is confident that a skilled population will contribute to the economic success of the nation as a whole. In Limpopo, to address low skill levels within the community, CoAL has established the Thovele Toni Mphephu Ramabulana Bursary Fund ("Bursary Fund"). The Bursary Fund was launched officially in Makhado in July 2009, at an event which was attended by the leadership of provincial and local government. The scheme seeks to encourage more students to study mining-related courses, equipping them with the skills to pursue a career in mining. To date, ZAR2.5 million has been invested by the Company towards the education of 32 students currently studying under this scheme. The Bursary Fund has made a notable difference to students from under privileged groups in the region, particularly those who may not have otherwise afforded tertiary education.

STAKEHOLDER MANAGEMENT

Forums with different stakeholder groups in the Limpopo and Mpumalanga Provinces have enabled CoAL to communicate its strategy and intentions to local communities and stakeholders. These pro-active interactions have ensured that accurate information is disseminated in a timely manner to all key stakeholders. A major benefit of this approach has been the ability to receive direct feedback, which enables informed future decision making on issues raised.

ENVIRONMENTAL MANAGEMENT

CoAL is committed to ensuring its minimal adverse impact on the environment. In terms of environmental management, CoAL is committed to sustainable business models for all stakeholders, compliance with all applicable environmental legislation, environmental best practice and progressive programmes to minimise environmental impacts of the Company's projects. At the Vele Project, ZAR500 million has been committed over thirty years to ensure the highest levels of environmental and social performance, subject to receipt of a positive response to the Company's NOMR application.

Conclusively, CoAL believes that sustainable investment in communities and the environment makes a positive difference and delivers tangible benefits to its business. The Company's community programmes assist it to attract new talent, engage with stakeholders and generate widespread prosperity.

SIMON FARRELL

Managing Director





COAL of AFRICA LIMITED





DIRECTORS' REPORT

The Directors submit their report together with the financial statements of Coal of Africa Limited ("CoAL" or "the Company") and the consolidated accounts of the Company and its controlled entities (the "Consolidated Entity" or "Group") for the year ended 30 June 2009 and the Auditor's Report thereon.

DIRECTORS

The names of Directors in office at the date of this report, or during the reporting period are:

RICHARD LINNELL *Non-Executive Chairman*

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.

SIMON FARRELL *Managing Director*

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

BLAIR SERGEANT *Finance Director*

Mr Sergeant graduated with a Bachelor of Business and a Post Graduate Diploma in Corporate Administration, both from Curtin University, Western Australia. He is a member of the Chartered Institute of Company Secretaries and an Associate of the Australian Society of Certified Practising Accountants. Mr Sergeant's experience includes senior management and executive positions with numerous listed public companies across a broad spectrum of industry internationally and he is currently a non-executive Director of ASX listed Ram Resources Limited and Vmoto Limited.

PROFESSOR ALFRED NEVHUTANDA *(appointed 2 February 2009) Executive Director*

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. Professor Nevhutanda will be retiring and seeking re-election by shareholders at the Company's 2009 Annual General Meeting.

PETER CORDIN *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 Managing Director of ASX listed Dragon Mining Limited and director of Vital Metals Limited. Mr Cordin will be retiring and seeking re-election by shareholders at the Company's 2009 Annual General Meeting.

STEVE BYWATER *Non-Executive Director*

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. He is also Chief Executive of GCM Resources plc. Mr Bywater will be retiring and seeking re-election by shareholders at the Company's 2009 Annual General Meeting.

PIERRE LEONARD *(appointed 11 November 2008, resigned 27 August 2009) Non-Executive Director*

Mr Leonard has a PhD in Industrial Engineering from the University of Pretoria in South Africa and over 13 years of experience in the metals and mining industry. He has held key positions in strategy and business development and currently holds the title of General Manager, Mergers and Acquisitions for ArcelorMittal as well as a number of Directorships in unlisted subsidiaries of ArcelorMittal.

HENDRIK ("KOBUS") VERSTER *(appointed 27 August 2009) Non-Executive Director*

Mr Verster has 15 years finance experience within the ArcelorMittal Group. He is currently executive Director Finance for ArcelorMittal South Africa and a Board member of various unlisted ArcelorMittal Group companies. Mr Verster is also a Director of the National Business Initiative in South Africa, a regional partner to the World Business Council for Sustainable Development, a volunteer group of leading national and multi-national companies which work together towards sustainable growth and development through partnerships, practical programmes and policy engagement. Mr Verster will be retiring and seeking re-election by shareholders at the Company's 2009 Annual General Meeting.





Directors' Report (continued)

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by Directors of the Company during the last 3 years immediately before the end of the year are as follows:

DIRECTOR	COMPANY	PERIOD OF DIRECTORSHIP	
		FROM	TO
Mr Richard Linnell	Sacoil Holdings Limited	2001	Present
	GRD Minproc Ltd	2008	Present
	Brinkley Mining Company	2008	Present
	Maghreb Minerals plc	2008	Present
	Mag Industries Corp Inc	2006	Present
	Moydow Mines International Inc	2006	Present
	Resource & Investment NL	2005	2008
	Chrome Corporation Limited	2005	2009
	GMA Resources plc	2004	2009
	Falkland Gold and Minerals plc	2004	2008
Mr Simon Farrell	GMA Resources plc	2004	2007
	Kenmare Resources plc	2002	Present
	SA Minerals Corporation Ltd	2003	2007
Mr Blair Sergeant	Vmoto Limited	2004	Present
	Millepede International Limited	2002	2008
	Ram Resources Limited	2008	Present
Prof Alfred Nevhutanda	-	-	-
Mr Peter Cordin	Dragon Mining Limited	2006	Present
	Vital Metals Limited	2009	Present
Mr Steve Bywater	GCM Resources plc	2006	Present
	Regent Pacific Group	2007	Present
Mr Pierre Leonard	-	-	-
Mr Hendrik Verster	ArcelorMittal South Africa Limited	2006	Present

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2009 that each Director was eligible to attend and the number of meetings attended by each Director:

DIRECTOR	BOARD MEETINGS	
	HELD	ATTENDED
Mr R Linnell	11	11
Mr S Farrell	11	11
Mr B Sergeant	11	11
Mr P Cordin	11	9
Mr S Bywater	11	10
Mr P Leonard	8	7
Prof A Nevhutanda	5	5





PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity is the exploration, development and mining of its coal interests in South Africa. During the 2009 financial year, the Company commissioned its first coal mine, the Mooiplaats Project in Mpumalanga, South Africa. The Company also completed strategic acquisitions in terms of its current projects and acquired interests in new projects outside South Africa. CoAL has secured long term access to the Richard's Bay Terminal and Matola Terminal in Maputo, Mozambique, ensuring the Company overcomes one of the significant infrastructure constraints faced by most bulk commodity miners.

During the year, the Company:

- Secured an export allocation of 1 mtpa commencing 1 January 2009 from the Matola Terminal, with the ability to participate in up to 100% of any expansion at the Terminal;
- Secured an export allocation of 900,000 tonnes per annum from the Richard's Bay Terminal. CoAL has the ability to participate in up to 100% of any additional export capacity at the port;
- Acquired the remaining 26% of the six Sekoko prospects located in the vicinity of the Company's Makhado Project;
- Acquired the New Order Prospecting Right comprising 2,092 hectares on the western border of the Vele Project;
- Acquired a 25% interest in the Massabi coal field in southern Zimbabwe;
- Acquired a 50% interest in the Imaloto coal project in Madagascar; and
- Developed a new coal laboratory situated in Polokwane, in the Limpopo Province.

RESULTS

The loss of the Consolidated Entity for the 2009 financial year after income tax and minority interests was \$14,519,976 (2008: loss of \$11,243,563).

DIVIDENDS PAID OR RECOMMENDED

No amounts were paid or declared by way of dividend by the Company. The Directors do not recommend payment of a dividend in respect of the financial year ended 30 June 2009.

SHARE ISSUES

The Company raised \$36 million during the year through share placements. At the November 2008 Annual General Meeting of shareholders, a resolution was approved providing for the issue of 12 million shares to Coal Investments Limited. The proceeds of the issue were used to fund development of the Mooiplaats Project, exploration and general working capital.

RECOGNITION OF THE HOLFONTEIN COAL PROJECT

In the 2008 financial statements, the Company reported that an agreement to sell the Holfontein thermal coal project ("Holfontein Project") to Lachlan Star Limited had been concluded, the transaction being conditional upon the fulfilment of certain conditions. As a result of the intended disposal, the Holfontein Project was reclassified as a non-current investment held for sale. On 31 December 2008, the Company announced that not all of the suspensive conditions relating to the transaction had been fulfilled and the transaction was subsequently cancelled. The Holfontein Project continues to be recognised as a non-current investment held for sale and this status will be re-assessed during the June 2010 reporting period.

DISPOSAL OF INTEREST IN SUBSIDIARIES

During the year, the Company disposed of two dormant subsidiaries:

- Master Alloy Traders Limited, a Jersey registered company that had been acquired as part of the acquisition of the NiMag Group. This trading company was considered surplus to requirements and was liquidated.
- Index & Mining Management (Pty) Ltd, a South African registered company that was a dormant company acquired during the acquisition of the Mooiplaats Project. This company was no longer required and was liquidated.





Directors' Report (continued)

OPERATIONS

During the year, the operations of the Consolidated Entity included:

- Mooiplaats Project, based in the Mpumalanga Province;
- Makhado Project, based in the Limpopo Province;
- Vele Project, based in the Limpopo Province;
- Holfontein Project, based in the Mpumalanga Province (classified as available for sale);
- Pan Africa Drilling, exploration company based in Madagascar;
- Coal of Madagascar, coal project located in Madagascar;
- Polokwane coal laboratory, located in the Limpopo Province;
- NiMag Group, manufacturing and distribution of nickel and magnesium alloys;

Refer to the Managing Director's Report for commentary on CoAL's operations during the year.

REVIEW OF FINANCIAL POSITION

LIQUIDITY AND FUNDING

The net assets of the Consolidated Entity increased from \$494 million in June 2008 to over \$523 million in June 2009. This was primarily due to increases in property, plant and equipment at year end of \$108 million (2008: \$3 million). During the year, the Group impaired investments where the facts and circumstances suggested that the carrying amount exceeded the recoverable amount.

OPERATING PROFIT RECONSTRUCTION

	2009 \$	2008 \$
Profit/ (loss) after tax for the year	(14,519,976)	(11,243,563)
Tax	316,075	919,604
Interest paid	127,427	146,174
Interest received	(12,650,896)	(5,787,101)
EBIT/ (LBIT)	(26,730,370)	(15,964,887)
'Non-ordinary' items recognised		
Options granted	273,728	4,099,000
Currency adjustment	(1,702,260)	10,503,875
Nickel revaluation	1,697,664	-
Depreciation & Amortisation	3,982,844	202,372
Impairment of assets	3,457,074	-
Take or Pay Obligations	3,945,804	-
'Operating' profit/ (loss)	(15,075,515)	(1,159,640)

The Group raised \$36 million during the year via share placements. The funds raised were used to fund the development of the Mooiplaats Project, exploration and general working capital requirements.

IMPACT OF LEGISLATION AND OTHER EXTERNAL REQUIREMENTS

There were no changes in environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Consolidated Entity.





FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

STRATEGIC DIRECTION

CoAL is primarily focused on the acquisition, exploration and development of thermal and coking coal projects in South Africa. The Company currently has an operating mine and coking and thermal coal projects in various stages of exploration, as well as the NiMag Group, which manufactures nickel magnesium alloys. NiMag's growth strategy will be via the acquisition of similar alloy or foundry supply manufacturing enterprises.

The expansion of the Mooiplaats Project, as well as the exploration and development of Vele and Makhado Projects, will ensure that CoAL will qualify as a significant coal producer, supplying millions of tonnes of thermal and metallurgical coal annually to South African and export customers. The Company's Mooiplaats Project is 1.7km from the re-commissioned Camden Power Station - near Ermelo in Mpumalanga - and started producing mid volatile coal in mid-2009. It is expected to produce export quality thermal coal and domestic power plant coal in November 2009 at the earliest, or Q1 2010 at the latest.

Exploration on the Company's coking coal projects located in the Limpopo Province – the Makhado and Vele Projects – yielded significant coal resources. Resource updates increased Makhado to 1.33 billion tonnes and Vele to 721 million tonnes of coal. Construction of the Company's coal analytical laboratory will result in the accelerated analysis of coal samples, reducing one of the significant delays facing coal exploration and mining companies.

CoAL has secured significant export capacity from the Matola Terminal and the Richard's Bay Terminal. The Company has the ability to participate in up to 100% of the expansion to the ports and has agreed with Transnet Freight Rail to transport 1 mtpa of coal annually to the Matola Terminal.

CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

SHARES:

DATE	NUMBER OF SHARES ISSUED	PURPOSE	ISSUED SHARES
1 July 2008		Opening balance	398,254,492
3 July 2008	690,886	Exercise of Class E options at 65 pence per share	398,945,378
4 August 2008	12,000,000	Issue of shares to Coal Investments Limited at 130 pence per share	410,945,378
4 August 2008	375,000	Issue of shares in lieu of Put Option	411,320,378
4 August 2008	55,000	Issue of shares in lieu of professional fees	411,375,378
6 May 2009	196,688	Exercise of Class C options at 34 pence per share	411,572,066
9 June 2009	297,570	Exercise of Class E options at 65 pence per share	411,869,636
30 June 2009	50,000	Exercise of Class A options at 50 cents per share	411,919,636

OPTIONS:

DATE	PURPOSE	ISSUED	EXPIRY DATE	EXERCISE PRICE
1 December 2008	Granted to Riaan van der Merwe, CoAL's Chief Operations Officer following shareholder approval granted at the Company's 2008 AGM.	1,650,000	1 July 2010	\$3.25

The proceeds of the shares issued were used to fund development of the Mooiplaats Project, exploration and general working capital.

LIKELY DEVELOPMENTS

CoAL will continue to expand its coal interests in Southern Africa. It has established its first operating coal mine in South Africa, namely the Mooiplaats Project, and expects to commence mining at the Vele Project once regulatory approvals have been obtained. The Company intends on lodging the Makhado Project NOMR Application once the relevant approvals have been obtained for the transfer of the New Order Prospecting Right ("NOPR") from Rio Tinto. The Company will also pursue potential investment opportunities in the mining and metal processing industries during the forthcoming year.





Directors' Report (continued)

EVENTS SUBSEQUENT TO BALANCE DATE

MOOPLAATS PROJECT UPDATE

CoAL confirmed in early July that a revised mining layout had been finalised following an extensive reassessment of the mine plan and geological conditions at Mooiplaats. Depending on the rate of development, export quality thermal coal is now expected to be reached in November 2009 at the earliest. There has been no material amendments to the anticipated tonnage schedules of the Project's Life of Mine. Forecast ROM production for the next five years is as follows:

CALENDAR YEAR	2010	2011	2012	2013	2014
ROM Production	1.7m	2.7m	3.1m	3.4m	3.2m

Operations at the Mooiplaats Project are currently producing 30,000 ROM tonnes per month of a mid volatile "lean" coal. In the event of an off-take agreement for this coal being finalised, production can be ramped up to over 80,000 tonnes per month. The Company has already reached agreement on terms and conditions for the off-take of the export quality thermal coal to be produced at the Mooiplaats Project.

VELE PROJECT UPDATE

In early July 2009, CoAL confirmed that it will develop its Vele Project in two phases:

- Phase 1 – the establishment of a modular coal treatment plant with the ability to deliver approximately 1 million saleable tonnes (yield dependant) of coking coal per annum. The capacity of the modular plant can be doubled should ArcelorMittal wish to increase its off-take from the Vele Project, as indicated in the letter of intent signed in April 2008.
- Phase 2 - this phase will deliver the planned full capacity of 5 million tonnes of saleable coking coal per annum from the Vele Project and the implementation thereof will be dictated by market conditions.

Phase 1 will be launched on approval of the NOMR Application submitted to the DMR in November 2008.

FIRST TRAIN LOADED AT MOOPLAATS

In mid-September, the Company successfully completed its first sale and loaded its first train of mid volatile "lean" coal mined at the Mooiplaats Project. The coal was trucked from the mine to the Umlabo siding, from where it was railed to the Matola Terminal in Maputo, Mozambique. Further trains will continue to be loaded to utilize the maximum stockpile of approximately 80,000 tonnes at the Matola Terminal. Shipping is expected to commence in Q4 2009.

MAKHADO PROJECT UPDATE

In July 2009, CoAL announced that it is progressing with the planning of its Makhado Project. The full scale production plan is based on the production of 5 mtpa of coking coal and a phased modular approach, similar to that used at the Vele Project, may be applied at the Makhado Project. A phased approach will lower initial capital requirements, enabling CoAL to self-fund the build up into a full capacity mine. The phased approach or full scale development of the mine will be determined by market conditions and the Company has prepared the documentation required for the NOMR Application to be submitted to the DMR. This application will be submitted once the Section 11 approval for the swap of NOPR with Rio Tinto has been granted by the DMR.

ACQUISITION OF 26% INTEREST IN LIMPOPO COAL

During July 2009, CoAL executed two binding agreements to collectively secure the remaining 26% interest in Limpopo Coal Company (Pty) Ltd, the subsidiary company that owns the Vele Project. Satisfaction of the suspensive conditions pertaining to the agreements will take CoAL's interest in the Vele Project to 100%. The consideration payable for acquisition of the 20% interest is 5,625,750 fully paid ordinary shares while 1,990,000 fully paid ordinary will secure the remaining 6% interest.

BLACK EMPOWERMENT TRANSACTION

On 13 June 2008, CoAL entered into an agreement with Coal Investments Limited ("CIL"), pursuant to which CIL subscribed for shares and was granted an option which, if exercised, would result in African Global Capital I, L.P. ("AGC") and their affiliates holding in excess of 26% of the Company, ensuring full compliance with South African legislative requirements for broad based black empowered ("BBBEE") groups to have at least a 26% interest in mining companies by 2014.

On 30 September 2009, the Company announced that it had entered into a further agreement that replaced the abovementioned agreement with CIL. Pursuant to the new agreement, CoAL has agreed to issue a total of 50 million options exercisable at 60 pence each, expiring five years from the date of issue to Firefly Investments 163 (Pty) Ltd ("Firefly") which is wholly owned and controlled by historically disadvantaged South Africans. The options will be issued to Firefly, subject to Firefly not being able to exercise the options for a period of 12 months from the issue thereof. In addition, the issue of the options will be subject to certain regulatory approvals, including consent of the Australian Foreign Investment Review Board. The "in the money" options will represent approximately 10.85% of CoAL's issued capital upon being converted into ordinary shares. Firefly will also have the right to nominate two persons to the CoAL Board.





APPOINTMENT OF A NON-EXECUTIVE DIRECTOR

At the end of August 2009, the Company announced the appointment of Mr Hendrik ("Kobus") Verster as ArcelorMittal's nominee non-executive Director to the CoAL Board. Mr Verster replaced Mr Pierre Leonard, who stepped down from the Board as non-executive Director.

OPTIONS

OPTIONS GRANTED DURING THE YEAR

The Company granted a total of 1,650,000 options over unissued ordinary shares to an employee and as payment for services rendered during the financial year. No options over unissued shares were granted between the end of the financial year and the date of this report.

UNISSUED SHARES UNDER OPTION

The following options remain outstanding at the date of this report:

	NUMBER	EXERCISE PRICE	EXPIRY DATE
Class E Unlisted Options	636,544	GBP 0.65	30 November 2009
Class A Unlisted Options	9,200,000	A\$ 0.50	30 September 2011
Class B Unlisted Options	250,000	A\$ 2.05	1 May 2012
Class H Unlisted Options	600,000	A\$ 1.25	1 May 2012
Class I Unlisted Options	1,650,000	A\$ 3.25	31 July 2012
Class D Unlisted Options	7,000,000	A\$ 1.25	30 September 2012
Class G Unlisted Options	1,000,000	A\$ 1.90	30 September 2012

These options do not entitle the holder to participate in any share issue of any other body corporate.

1,235,144 shares were issued during the year as a result of parties exercising their options.

LAPSE OF OPTIONS

No options lapsed during the financial year.

ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation but are 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) and National Environmental Management Act (No. 107 of 1998). The Board believes that the Consolidated Entity has adequate systems in place for the management of environmental regulations and is not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.





Directors' Report (continued)

DIRECTORS' INTERESTS

The relevant interest of each Director of the Company in shares and options of the Company at the date of this report is:

DIRECTOR	ORDINARY SHARES	COAL OF AFRICA LIMITED	
		LISTED OPTIONS	UNLISTED OPTIONS
Mr S Farrell ⁽¹⁾	3,221,791	-	9,000,000
Mr R Linnell ⁽²⁾	801,550	-	4,000,000
Mr B Sergeant ⁽³⁾	-	-	2,000,000
Mr P Cordin ⁽⁴⁾	412,759	-	1,000,000
Mr S Bywater	-	-	-
Mr P Leonard (resigned 27 August 2009)	-	-	-
Prof A Nevhutanda (appointed 2 February 2009) ⁽⁵⁾	55,000	-	-
Mr Hendrik Verster (appointed 27 August 2009)	-	-	-

- 1,406,377 shares are held by Cherek Pty Ltd of which Mr Farrell is a Director and shareholder. The 9,000,000 options and balance of the shares are held by Mr Farrell directly.
- 751,550 shares held by Ord Group Pty Ltd <No 2 Account> as trustee for Terra Africa Investments Pty Ltd of which Mr Linnell is a beneficiary. 2,000,000 options are held by Terra Africa Investments Pty Ltd, and the remaining 2,000,000 options and balance of shares are held by Mr Linnell directly.
- The 2,000,000 options are held by various Trustees for the Rio Grande Do Norte Superannuation Fund of which Mr Sergeant is a member and Trustee.
- All shares and options are held by Cordin Pty Ltd, of which Mr Cordin is a Director.
- All shares are held by Professor Nevhutanda directly.

REMUNERATION REPORT

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 services. Total remuneration for all non-executive Directors, as approved by shareholders at the June 2007 General Meeting, is not to exceed \$300,000 per annum.

The Board has nominated a Remuneration Committee which is made up as follows: Mr Steve Bywater (Chairman), Mr Richard Linnell and Mr Peter Cordin. The Company does not have any scheme relating to retirement benefits for non-executive Directors.





Details of the nature and amount of each major element of the remuneration of each Director and other key management personnel of the Company and the Consolidated Entity for the year are:

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

		SHORT TERM BENEFITS		POST-EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	TOTAL \$
		SALARY, BONUS & FEES	NON-MONETARY BENEFITS	SUPERANNUATION BENEFITS	OPTIONS/ SHARES	
		\$	\$	\$	\$	
Non Executive Directors						
Mr R Linnell	2009	78,996	-	-	-	78,996
	2008	55,247	-	-	-	55,247
Mr P Cordin	2009	52,500	-	4,500	-	57,000
	2008	36,000	-	3,240	-	39,240
Mr S Bywater	2009	57,000	-	-	-	57,000
	2008	50,000	-	-	-	50,000
Mr P Leonard	2009	19,583	-	-	-	19,583
	2008	-	-	-	-	-
Executive Directors						
Mr S Farrell	2009	650,000	-	-	-	650,000
	2008	240,000	-	-	-	240,000
Mr B Sergeant	2009	500,000	-	-	-	500,000
	2008	116,167	-	1,080	1,540,000	1,657,247
Prof A Nevhutanda	2009	149,512	-	-	165,000	314,512
	2008	12,240	-	-	-	12,240
Total: All Directors	2009	1,507,591	-	4,500	165,000	1,677,091
	2008	509,654	-	4,320	1,540,000	2,053,974
Other Key Management Personnel						
Mr R van Der Merwe ⁽¹⁾	2009	490,750	-	-	273,728	764,478
	2008	-	-	-	-	-
Mr T Sinclair ⁽²⁾	2008	255,190	-	-	-	255,190
Mr B Sinclair ⁽³⁾	2008	54,828	-	-	-	54,828
Total: All Named Key Management Personnel	2009	490,750	-	-	273,728	764,478
	2008	310,018	-	-	-	310,018

EMPLOYMENT CONTRACTS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

The Company has entered into formal contractual employment agreements with the Managing Director and the Finance Director only and not with any other member of the Board. Mr Farrell's agreement commenced on 1 July 2006 and expired on 30 June 2009. A new agreement is currently being negotiated. Mr Sergeant's agreement commenced on 1 January 2008 and is for a 2 year fixed term at a fixed annual remuneration of \$350,000. It may be terminated by written notice of 1 month. In the event of termination by the Company, the remaining term of the agreement must be paid out to Mr Sergeant.

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

1. Mr R Van der Merwe is employed by CoAL in the capacity of Chief Operations Officer. The permanent employment contract commenced on 1 August 2008 and may be terminated by written notice of 2 months.
2. Mr T Sinclair was employed by NiMag (Pty) Ltd in the capacity of Managing Director. This agreement commenced on 12 December 2003 for a minimum of 3 years and a maximum of 5 years. This agreement may be terminated by written notice of 12 months.
3. Mr B Sinclair is employed by NiMag (Pty) Ltd in the capacity of Financial Director and is entitled to receive ZAR29,250 per month. The agreement commenced on 12 December 2003 for an initial period of 12 months. This agreement may be terminated by written notice of 3 months.





Directors' Report (continued)

SHARE-BASED COMPENSATION - OPTIONS GRANTED TO DIRECTORS AND OFFICERS OF THE COMPANY

No options were granted to Directors during the year. Options were granted to the Chief Operations Officer during the year, following approval by shareholders.

The names of all persons who currently hold options granted under the Employee Option Plan are entered into a register kept by the Company pursuant to Section 216C of the Corporations Act 2001 and the register may be inspected free of charge.

DIRECTORS' INSURANCES

During the financial year, the Company paid \$21,050 for insurance premiums in respect of Directors' and Officers' Liability Insurance. The Company did not pay legal expense insurance contracts for current Directors and Secretaries of the Company and its controlled entities.

NON-AUDIT SERVICES

During the year, the auditor of the Company's South African based subsidiaries (Moore Stephens MWM) performed certain services in addition to their statutory duties in relation to CoAL's South African operations. The taxation services supplied by the auditors were terminated during the 2008 financial year with the appointment of an alternate advisor, and the Company's auditors commenced their appointment fulfilling secretarial and audit functions only.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services is compatible with, and did not compromise the audit independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and.
- the non-audit services provided do not undermine the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included with the Independent Audit Report.

The following fees for non-audit services were paid/ payable to the external auditors during the year ended 30 June 2009:

	CONSOLIDATED 2009 \$	CONSOLIDATED 2008 \$
Taxation and secretarial services	850	434

AUDITORS' INDEPENDENCE DECLARATION TO THE DIRECTORS

Refer to page 73 of the Financial Report.

Signed on this 30th day of September 2009 in accordance with a resolution of the Directors.

SIMON FARRELL

Managing Director





CORPORATE GOVERNANCE STATEMENT

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

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

ASX BEST PRACTICE RECOMMENDATIONS

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

On 1 July 2008, the Board adopted a Corporate Governance policy that (except where expressly noted below) complies with the Principles in the Second Edition of the "Corporate Governance Principles and Recommendations", established by the ASX Corporate Governance Council and published by the ASX in August 2007.

BOARD OF DIRECTORS

ROLE AND RESPONSIBILITIES OF THE BOARD

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

The key responsibilities of the Board include:

- (a) overseeing the Company, including its control and accountability systems;
- (b) appointing the 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 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 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 Committee (where there is a separate Audit 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) make regular assessment of whether each non-executive Director is independent in accordance with the Company's Policy on Assessing the Independence of Directors.





Corporate Governance Statement (continued)

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

BOARD COMPOSITION

The Board is comprised of three executive Directors and four non-executive Directors.

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

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

The Company has a Nomination & Remuneration Committee which is comprised of 3 independent non-executive Directors and which undertakes the nomination functions for the Company. The Nomination & Remuneration Committee has adopted a formal Nomination Committee Charter, available on the Company's website, which includes information on the Company's approach to selection and appointment of Directors.

The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The current Directors have a broad range of qualifications, experience and expertise in mining exploration and production and in the corporate and finance industries. The skills, experience and expertise of Directors are set out in the Directors' Report.

The names of the Directors in office at the date of this Report, the year they were first appointed, their status as non-executive, executive or independent Directors and whether they are retiring by rotation and seeking re-election by shareholders at the 2009 Annual General Meeting, are set out in the Directors' Report.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

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

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

MATERIALITY – QUANTITATIVE

Balance sheet items

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

Profit and loss items

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

MATERIALITY – QUALITATIVE

Items are also material if:

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





MATERIAL CONTRACTS

Contracts will be considered material if:

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

The Board has reviewed and considered the positions and associations of each of the Directors in office at the date of this report and consider that a majority of the Directors are independent, namely Mr Richard Linnell, Mr Peter Cordin, Mr Steve Bywater and Mr Hendrik ("Kobus") Verster.

The Company notes for the purposes of Principle 2, that while Mr Linnell was engaged in an executive capacity until 2007, he is no longer involved in the day to day running of the Company, has no material or business relationship with the Company and no conflicts of interest which could interfere with the exercise of independent judgement and he is therefore considered independent.

INDEPENDENT PROFESSIONAL ADVICE

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

MEETINGS

The Board held 11 scheduled meetings during the reporting year and no unscheduled meetings were held during that year. Senior management attended and made presentations at the Board Meetings as considered appropriate and were available for questioning by Directors.

The attendance of Directors at Board meetings during the year ended 30 June 2009 is detailed in the Directors' Report.

EVALUATION OF BOARD AND SENIOR EXECUTIVE PERFORMANCE

A process has been established to review and evaluate the performance of the Board, individual Directors and senior executives. The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing the performance of the Board and individual Directors over the previous 12 months and examining ways in which the Board can better perform its duties. The Company's annual Board review to consider the 2009 financial year is scheduled to take place within 3 months of the end of the financial year.

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

REMUNERATION

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

The Company has a Nomination and Remuneration Committee which is comprised of 3 independent non-executive Directors and which undertakes the remuneration functions for the Company. The Nomination & Remuneration Committee has adopted a formal Remuneration Committee Charter, available on the Company's website, which includes information on the Company's approach to remuneration of Directors (executive and non-executive) and senior executives.

In accordance with Principle 8, executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Non-executive Directors' fees are currently capped at \$300,000 per annum.

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

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





Corporate Governance Statement (continued)

RISK MANAGEMENT

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

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

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

The Managing Director has responsibility for identifying, assessing, monitoring and managing risks. The 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 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 Managing Director regularly reported to the Board as to the effectiveness of the Company's management of its material business risks.

Further, in accordance with Principle 7, the Managing Director 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.

FINANCIAL REPORTING

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

The Company has established an Audit Committee which is comprised of 3 independent non-executive Directors.

The role of the Audit Committee is to:

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

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

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

The Board has adopted a Securities Trading Policy which regulates dealings by Directors, offices and employees in securities issued by the Company.

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

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

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

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

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

PRIVACY

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

CONTINUOUS DISCLOSURE

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

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

SHAREHOLDER COMMUNICATION

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

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

The Company maintains a website at www.coalofafrica.com 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.





INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		2009 \$	2008 \$	2009 \$	2008 \$
REVENUE	2	35,764,074	53,774,119	20,979,810	6,030,020
Raw materials and consumables used		(20,767,481)	(37,846,682)	-	-
Consulting expenses		(2,077,698)	(1,216,068)	(696,644)	(720,823)
Employee expenses		(8,015,315)	(7,830,254)	(1,867,059)	(4,992,443)
Borrowing costs	3	(127,427)	(146,174)	-	-
Depreciation & Amortisation expenses	3	(3,982,844)	(202,372)	(5,352)	(27,430)
Office rental , outgoings and parking		(1,313,820)	(477,272)	(553,734)	(112,104)
Decrease/(increase) diminution in value of investments		(2,332,074)	-	(1,502,382)	-
Loss on investments disposed of		(68,385)	-	-	(7,919)
Bad debt expense		(11,181)	-	(11,180)	-
Provision for non-recoverability of loans/ debtors		(392,078)	-	-	-
Impairment in value of control entities/ goodwill		(1,125,000)	-	-	-
Foreign exchange profit/(loss)	3	1,702,260	(10,503,875)	3,468,801	(10,503,875)
Other expenses from ordinary activities		(7,511,128)	(5,875,381)	(1,968,813)	(555,355)
Take or Pay obligations		(3,945,804)	-	(3,945,804)	-
Profit/(Loss) before income tax (expense)/benefit	3	(14,203,901)	(10,323,959)	13,897,643	(10,889,929)
Income tax (expense) / benefit	4	(316,075)	(919,604)	(318,284)	-
Profit/(Loss) after tax		(14,519,976)	(11,243,563)	13,579,359	(10,889,929)
Outside equity interest	22	-	-	-	-
Net profit/(loss) attributable to members of the parent entity		(14,519,976)	(11,243,563)	13,579,359	(10,889,929)
Basic earnings/(loss) per share (in cents)	5	(3.55)	(4.08)		
Headline earnings/(loss) per share (in cents)	5	(2.76)	(4.12)		

The accompanying notes form part of these financial statements





BALANCE SHEETS

AS AT 30 JUNE 2009

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		2009 \$	2008 \$	2009 \$	2008 \$
CURRENT ASSETS					
Cash assets	29(a)	87,032,875	252,004,859	85,471,992	251,347,737
Receivables	7	21,525,145	11,751,597	6,547,986	1,288,245
Inventory	9	8,614,773	4,885,106	-	-
Other current assets		4,423,964	-	26,259	20,572
TOTAL CURRENT ASSETS		121,596,757	268,641,562	92,046,237	252,656,554
NON CURRENT ASSETS					
Receivables	7	-	-	156,083,855	53,152,477
Assets held for sale	8	25,540,957	25,207,997	23,529,228	23,649,738
Intangibles	13	3,706,781	3,169,660	-	-
Other financial assets	10	23,598,640	8,099,845	232,940,524	173,019,725
Property, plant and equipment	11	98,894,360	3,075,970	13,614	10,964
Development Expenditure	12	19,432,007	-	-	-
Deferred tax assets	4	53,526	187,475	-	-
Mining assets	14	186,120,103	174,932,316	-	-
Logistics assets	15	43,184,441	-	43,184,441	-
Exploration expenditure	14	15,540,310	18,203,831	3,752,291	8,992,517
TOTAL NON CURRENT ASSETS		416,071,125	232,877,094	459,503,953	258,825,421
TOTAL ASSETS		537,667,882	501,518,656	551,550,190	511,481,975
CURRENT LIABILITIES					
Payables	16	11,031,549	6,179,806	4,257,337	308,946
Provisions	18	262,081	111,738	10,395	2,734
Current tax liability		350,416	581,338	318,284	-
TOTAL CURRENT LIABILITIES		11,644,046	6,872,882	4,586,016	311,680
NON CURRENT LIABILITIES					
Payables	16	-	-	5,670,417	19,022,676
Interest bearing liabilities	17	-	187,626	-	-
Provisions	18	2,383,801	-	-	-
TOTAL NON CURRENT LIABILITIES		2,383,801	187,626	5,670,417	19,022,676
TOTAL LIABILITIES		14,027,847	7,060,508	10,256,433	19,334,356
NET ASSETS		523,640,035	494,458,148	541,293,757	492,147,619
EQUITY					
Contributed equity	19	569,267,119	533,053,005	569,267,119	533,053,006
Reserves	20	7,189,525	4,270,160	9,013,216	9,660,550
Accumulated losses	21	(60,456,243)	(45,936,267)	(36,986,578)	(50,565,937)
TOTAL PARENT EQUITY INTEREST		516,000,401	491,386,898	541,293,757	492,147,619
OUTSIDE EQUITY INTEREST	22	7,639,634	3,071,250	-	-
TOTAL EQUITY		523,640,035	494,458,148	541,293,757	492,147,619

The accompanying notes form part of these financial statements





CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		2009 \$	2008 \$	2009 \$	2008 \$
Cash flows from operating activities					
Interest received		13,653,573	4,502,639	12,732,776	3,971,998
Cash receipts in the course of operations		20,400,464	49,252,248	-	-
Interest paid		(127,427)	(146,174)	-	-
Payments to suppliers and employees		(44,717,527)	(56,618,474)	(4,661,447)	(2,212,535)
Net cash generated by / (used in) operating activities	29(b)	(10,790,917)	(3,009,761)	8,071,329	1,759,461
Cash flows from investing activities					
Payments for property, plant and equipment		(83,262,594)	(1,951,879)	(8,002)	(9,260)
Proceeds from the sale of property, plant and equipment		434,979	-	-	-
Payments for Development Assets		(9,173,789)	-	-	-
Payments for Surface Rights		(16,487,811)	-	-	-
Mineral assets acquired		(7,743,534)	(85,341,442)	(7,743,534)	(85,341,442)
Proceeds from sale of associate		-	501,634	-	501,634
Sundry deposits paid		(4,423,964)	-	-	-
Payments for equity investments		(11,704,052)	(9,427,131)	(6,163,552)	(2,836,444)
Payments made for logistics assets		(43,184,441)	-	(43,184,441)	-
Loans (made to)/from other entities		(6,214,809)	-	(6,214,809)	-
Exploration costs		(7,594,698)	(18,491,719)	-	(3,752,291)
Net cash generated by / (used in) investing activities		(189,354,713)	(114,710,537)	(63,314,338)	(91,437,803)
Cash flows from financing activities					
Proceeds from issue of shares		37,469,162	331,294,448	37,469,162	331,294,448
Transaction costs from issue of shares		(3,466,112)	(9,134,738)	(3,466,112)	(9,134,738)
Loans to controlled entities		-	-	(144,647,951)	(27,703,497)
Loans repaid to other entities		-	(318,636)	-	-
Other loans repaid		(187,626)	(1,375,608)	-	-
Net cash generated by financing activities		33,815,424	320,465,466	(110,644,901)	294,456,213
Net increase/(decrease) in cash held		(166,330,206)	202,745,168	(165,887,910)	204,777,871
Effect of exchange rates of cash holdings in foreign currencies		1,358,222	(12,270,799)	12,165	(6,339,304)
Cash at beginning of financial year		252,004,859	61,530,490	251,347,737	52,909,170
Cash at end of financial year	29(a)	87,032,875	252,004,859	85,471,992	251,347,737

The accompanying notes form part of these financial statements





STATEMENTS OF CHANGES IN EQUITY

AS AT 30 JUNE 2009

	ORDINARY SHARE CAPITAL \$	CAPITAL PROFITS RESERVE \$	FOREIGN CURRENCY TRANSLATION RESERVE \$	SHARE OPTIONS RESERVE \$	ACCUMULATED LOSSES \$	TOTAL \$	OUTSIDE EQUITY INTERESTS \$
Consolidated Entity							
Balance at 1 July 2008	533,053,006	136,445	(5,390,389)	9,524,104	(45,936,267)	491,386,898	3,071,251
Shares issued during the year	37,469,164	-	-	-	-	37,469,164	-
Capital raising costs incurred	(3,466,112)	-	-	-	-	(3,466,112)	-
Adjustments from translation of foreign controlled entities	-	-	3,566,699	-	-	3,566,699	-
Transfer from Option Reserve	921,061	-	-	(921,061)	-	-	-
Options issued during the year	-	-	-	273,728	-	273,728	-
Share based payments	1,290,000	-	-	-	-	1,290,000	-
Minority Interests in Investments	-	-	-	-	-	-	4,568,383
Loss attributable to members of parent entity	-	-	-	-	(14,519,976)	(14,519,976)	-
Balance at 30 June 2009	569,267,119	136,445	(1,823,690)	8,876,771	(60,456,243)	516,000,401	7,639,634
Parent Entity							
Balance at 1 July 2008	533,053,006	136,445	-	9,524,104	(50,565,937)	492,147,618	-
Shares issued during the year	37,469,164	-	-	-	-	37,469,164	-
Transaction costs	(3,466,112)	-	-	-	-	(3,466,112)	-
Transfer from Option Reserve	921,061	-	-	(921,061)	-	-	-
Options issued during the year	-	-	-	273,728	-	273,728	-
Share based payments	1,290,000	-	-	-	-	1,290,000	-
Profit/ (Loss) attributable to members of parent entity	-	-	-	-	13,579,359	13,579,359	-
Balance at 30 June 2009	569,267,119	136,445	-	8,876,771	(36,986,578)	541,293,757	-

The accompanying notes form part of these financial statements





STATEMENTS OF CHANGES IN EQUITY

AS AT 30 JUNE 2009

	ORDINARY SHARE CAPITAL \$	CAPITAL PROFITS RESERVE \$	FOREIGN CURRENCY TRANSLATION RESERVE \$	SHARE OPTIONS RESERVE \$	ACCUMULATED LOSSES \$	TOTAL \$	OUTSIDE EQUITY INTERESTS \$
Consolidated Entity							
Balance at 1 July 2007	177,189,359	136,445	(2,705,466)	7,879,673	(34,692,704)	147,807,306	3,071,251
Shares issued during the year	331,294,448	-	-	-	-	331,294,448	-
Capital raising costs incurred	(10,742,413)	-	-	-	-	(10,742,413)	-
Adjustments from translation of foreign controlled entities	-	-	(2,684,923)	-	-	(2,684,923)	-
Transfer from Option Reserve	4,062,243	-	-	(4,062,243)	-	-	-
Options issued during the year	-	-	-	5,706,674	-	5,706,675	-
Share based payments	31,249,369	-	-	-	-	31,249,369	-
Loss attributable to members of parent entity	-	-	-	-	(11,243,563)	(11,243,563)	-
Balance at 30 June 2008	533,053,006	136,445	(5,390,389)	9,524,104	(45,936,267)	491,386,899	3,071,251
Parent Entity							
Balance at 1 July 2007	177,189,359	136,445	-	7,879,673	(39,676,008)	145,529,468	-
Shares issued during the year	331,294,448	-	-	-	-	331,294,448	-
Transaction costs	(10,742,413)	-	-	-	-	(10,742,413)	-
Transfer from Option Reserve	4,062,243	-	-	(4,062,243)	-	-	-
Options issued during the year	-	-	-	5,706,674	-	5,706,675	-
Share based payments	31,249,369	-	-	-	-	31,249,369	-
Loss attributable to members of parent entity	-	-	-	-	(10,889,929)	(10,889,929)	-
Balance at 30 June 2008	533,053,006	136,445	-	9,524,104	(50,565,937)	492,147,619	-

The accompanying notes form part of these financial statements





NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Coal of Africa Limited and controlled entities, and Coal of Africa Limited as an individual parent entity. Coal of Africa Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Coal of Africa Limited and controlled entities, and Coal of Africa Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) BASIS OF PREPARATION

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) PRINCIPLES OF CONSOLIDATION

A controlled entity is any entity Coal of Africa Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in note 28 of the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(c) REVENUE RECOGNITION

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax ("GST"). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sale of goods

Revenue from the sale of nickel magnesium alloys (NiMag), ferro-nickel magnesium alloys (FeNiMag), ferro-silicon magnesium alloys (FeSiMag) and other master alloys are recognised when control of the goods passes to the customer. For local sales this is usually when the customer receives the goods. For export sales it is determined based on individual sales agreements, however, control usually passes when the goods are received by the shipping agent and the bill of lading is sighted by the customer.

Interest Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield of the financial asset.

Sale of non-current assets

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(d) MINING TENEMENTS AND MINERAL EXPLORATION AND EVALUATION EXPENDITURE

Mining tenements are carried at cost, less accumulated impairment losses.

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated exploration, evaluation and development costs for the relevant area of interest are capitalised and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.





Notes to and forming part of the Financial Statements (continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) REHABILITATION

The mining, extraction and processing activities of CoAL give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling; removal and treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies and using current restoration standards and techniques. Provisions for the cost of each rehabilitation programme are recognised at the time that environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in financial expenses. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of rehabilitation activities is recognised in 'Development Expenditure' as rehabilitation assets and amortised accordingly.

Where rehabilitation is expected to be conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the present obligation or estimated outstanding continuous rehabilitation work at each balance sheet date and the costs charged to the income statement in line with future cash flows.

At each reporting date the rehabilitation liability is re-measured to account for any new disturbance, updated cost estimates, changes to the estimated lives of operations, new regulatory requirements and revisions to discount rates. Changes to the rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised accordingly.

(f) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(g) ACQUISITION OF ASSETS

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of the acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of the acquisition is used as fair value except where the notional price at which they could be placed in the market is a better indication of fair value.

(h) PROPERTY, PLANT & EQUIPMENT

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at cost. The carrying amount of freehold land and buildings are reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings and property plant and equipment are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.



**(i) DEVELOPMENT ASSETS**

Once a mining project has been established as commercially viable and technically feasible, expenditure other than that on land, buildings and plant and equipment is capitalised under development expenditure. These costs include past exploration and evaluation costs, pre-production development costs, development excavation, development studies and other sub-surface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated buildings are accounted for as property, plant and equipment.

Development costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to future economic benefits.

When an area of interest is abandoned or the Directors decide that it is not commercially or technically feasible, any accumulated costs in respect of that area is written-off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs written-off to the extent that they will not be recoverable in the future.

Amortisation of carried forward exploration and development costs is charged on a unit of production basis over the life of the economically recoverable reserves.

Development Assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, development assets are allocated to cash generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

(j) DEPRECIATION AND AMORTISATION

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is calculated using the straight line, reducing balance or units of production methods over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The straight line depreciation and amortisation rates used for each class of assets are as follows:

	Range – 2009	Range – 2008
• Furniture, fittings and office equipment	13% - 50%	13% - 50%
• Motor vehicles	20% - 33%	20% - 33%
• Plant & equipment	20%	20%
• Leasehold Improvements	25%	25%
• Buildings	20%	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Where the useful life of an asset is directly linked to the extraction and production of saleable coal, these assets are depreciated using the units of production method. Depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable resources.

(k) LOGISTICS ASSETS

Where the Company has acquired an option or a right to use an asset belonging to a third party, the costs of acquiring the option or right is capitalised to the extent that it will be used in the future. Once the Company commences utilising the logistics assets to the extent agreed with the rights holder or owner, the capitalised logistics costs are amortised over the expected period of use. The Directors will assess the capitalised logistics costs for impairment over their expected future useful life and impair the cost where the future use of the option or right has decreased.

(l) IMPAIRMENT OF ASSETS

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in the income statement.





Notes to and forming part of the Financial Statements (continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) IMPAIRMENT OF ASSETS (continued)

Impairment testing is performed annually on goodwill and intangible assets with indefinite lives.

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.

(m) INCOME TAX

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

During the 2002/03 financial year, legislation was enacted to allow groups, comprising of a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes. The legislation, which includes both elective and mandatory elements, is applicable to the Consolidated Entity. As at 30 June 2009, the Directors of the Company have not made a decision to elect to be taxed as a single entity. The financial effect of the legislation has not been brought to account in the financial statements for the year 30 June 2009.

(n) LEASES

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(o) RECEIVABLES

Amounts receivable from third parties are carried at amounts due. The recoverability of the debts is assessed at balance date and specific provision is made for any doubtful accounts.

(p) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.





Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

1. Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
2. Income and expenses are translated at average exchange rates for the period; and
3. Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(q) INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

The cost of mining inventory is determined primarily on the basis of weighted average costs. Costs of raw materials and stores is purchase price and for partly processed and saleable products is cost derived on an absorption costing basis. For this purpose, the costs of production include:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of coal;
- the amortisation of development expenditure and depreciation of property, plant and equipment used in the extraction and processing of coal; and
- production overheads, including attributable mining and manufacturing overheads.

Stockpiles represent coal that has been extracted and processed or is available for further processing. Quantities are assessed primarily through surveys and assays.

The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(r) FINANCIAL INSTRUMENTS

Recognition

Financial instruments are initially measured at cost on trade date, which include transaction costs, when the related contractual rights and obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Financial Instruments - Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

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

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains or losses arising from changes in fair value are taken directly to equity.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.





Notes to and forming part of the Financial Statements (continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) FINANCIAL INSTRUMENTS (continued)

Derivative Instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to income statement unless they are designated as hedges.

Coal of Africa Limited and Controlled Entities designate certain derivatives as either;

1. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
2. hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(s) GOODWILL

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(t) ACCOUNTS PAYABLE

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or Consolidated Entity. Trade accounts payable are normally settled within 45 days.

(u) INVESTMENTS IN ASSOCIATES

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the Group's share of post-acquisition reserves of its associates.

(v) EMPLOYEE BENEFITS

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.



**Equity-settled compensation**

Share-based compensation benefits are provided to employees via an Executive Share Option Scheme.

Share options granted before 7 November 2002 and/or vested before 1 July 2006

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and/or vested after 1 July 2006

The fair value of options under the Executive Share Option Scheme is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial option valuation model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(w) PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(x) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(y) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare 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 the income statement in the period in which they are incurred.

(z) EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

(aa) COMPARATIVE FIGURES

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

(bb) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The resulting accounting estimates and judgements may differ from the related actual results and may have a significant effect on the carrying amounts of assets and liabilities within the next financial year and on the amounts recognised in the financial statements. Information on such estimates and judgements are contained in the accounting policies and/or notes to the financial statements.

Key accounting estimates include:

- Asset carrying value and impairment charges;
- Capitalisation and impairment of exploration and evaluation expenditure;
- Critical judgements in applying the entity's accounting policies include determining; and
- The effectiveness of forward foreign exchange contracts (Note 1 (r)).





Notes to and forming part of the Financial Statements (continued)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
2. REVENUE				
Revenue from operating activities				
Sale of goods	21,962,096	46,802,052	-	-
Interest income	12,650,896	5,787,101	20,979,810	5,256,460
Other revenue	1,151,082	1,070,246	-	-
Revenue from outside operating activities				
Dividends received	-	-	-	773,560
Profit from sale of property, plant and equipment	-	114,719	-	-
Total revenue from ordinary activities	35,764,074	53,774,119	20,979,810	6,030,020

3. PROFIT/ (LOSS) FROM ORDINARY ACTIVITIES

(a) PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING) THE FOLLOWING ITEMS:

Depreciation of:

- office furniture, fittings & equipment	211,782	74,824	5,352	27,430
- leasehold improvements	27,992	2,341	-	-
- buildings	17,337	6,852	-	-
- motor vehicle	98,521	70,049	-	-
- plant & equipment	3,477,828	48,305	-	-
	3,833,460	202,372	5,352	27,430

Amortisation of Development Assets	149,384	-	-	-
Profit/(loss) on sale of property plant and equipment	-	114,719	-	-
Net foreign exchange gain/(loss)	1,702,260	(10,503,875)	3,468,801	(10,503,875)
Amount set aside to/(reversed from) provisions for:				
- employee entitlements	-	-	7,661	-
Borrowing costs				
- other	127,427	146,174	-	-
- related parties	-	-	-	-
Operating lease expenses	232,319	84,803	-	-

(b) INDIVIDUALLY SIGNIFICANT ITEMS INCLUDED IN PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

Profit/(loss) on disposal of equity investments	-	-	-	(7,919)
Provision for diminution in value of Investments	(2,332,074)	-	(377,382)	-
Share-based payments to Directors/ Employees	(273,728)	(4,099,000)	(273,728)	(4,099,000)
Port Take or Pay obligations	(3,945,804)	-	(3,945,803)	-
Impairment of NiMag goodwill/ investment	(1,125,000)	-	(1,125,000)	-





	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
4. INCOME TAX EXPENSE AND DEFERRED TAX				
a) INCOME TAX EXPENSE				
Current tax	182,126	867,392	318,284	-
Deferred tax	133,949	52,211	-	-
Over provision in prior year	-	-	-	-
Aggregate income tax expense	316,075	919,603	318,284	-
b) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE				
Profit / (loss) before income tax expense	(14,203,901)	(10,323,959)	13,897,643	(10,889,929)
Tax at the Australian rate of 30% (2008: 30%)	(4,261,170)	(3,097,188)	4,169,292	(3,266,979)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non assessable items	(1,178,764)	-	(1,178,764)	-
Non deductible items	1,556,099	-	1,556,099	-
Provision for non-recovery of loans	-	-	-	-
Share based payments	82,118	1,229,700	82,118	1,229,700
Tax losses deducted	(4,613,681)	-	(4,613,681)	-
Other temporary differences not brought to account	8,731,473	2,787,092	303,219	2,037,279
Income tax expense	316,075	919,604	318,284	-
c) AMOUNTS RECOGNISED DIRECTLY IN EQUITY				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax – debited/ (credited) directly to equity	-	-	-	-
Deferred tax assets				
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Employee benefits/ accruals	39,419	132,055	-	-
Doubtful debts provision	14,107	55,420	-	-
Amounts recognised directly in equity	-	-	-	-
Net deferred tax assets	53,526	187,475	-	-
Movements				
Opening balance at 1 July	187,475	239,686	-	-
Charged to the income statement	-	-	-	-
Exchange rate movement	(133,949)	(52,211)	-	-
Closing balance at 30 June	53,526	187,475	-	-

The Company has approximately \$4 million (2008: \$20.5 million) and \$5.3 million (2008: \$5.3 million) in revenue and capital losses respectively not brought to account as deferred tax benefits because the Directors do not believe it is appropriate to regard the utilisation of the tax benefits as probable.





Notes to and forming part of the Financial Statements (continued)

	CONSOLIDATED ENTITY	
	2009 \$	2008 \$
5. (LOSS) / EARNINGS PER SHARE		
Basic (loss) / profit per share (cents per share)	(3.55)	(4.08)
Headline (loss)/earnings per share (cents per share)	(2.76)	(4.12)
Weighted average number of ordinary shares used as the denominator	409,137,218	275,781,951

As at 30 June 2009, there were 20,336,544 (2008: 19,921,688) options outstanding over unissued capital exercisable at amounts ranging between \$0.50 and \$3.25 (2008: \$0.50 and \$2.05). Diluted EPS was not calculated for 2009 as the Consolidated Entity incurred a loss per share.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
6. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors of the Company:				
Moore Stephens				
- audit and review of financial reports	71,000	59,000	71,000	59,000
- other services	-	-	-	-
	71,000	59,000	71,000	59,000
Amounts received or due and receivable by the auditors of the subsidiaries				
- audit and review of financial reports	47,505	47,505	-	-
- other services	-	434	-	-
	47,505	47,939	-	-
7. RECEIVABLES				
CURRENT				
Trade debtors	2,322,935	3,339,890	-	-
Other debtors	20,454,953	9,254,867	7,335,726	2,075,985
Provision for bad debts	(1,252,743)	(843,160)	(787,740)	(787,740)
	21,525,145	11,751,597	6,547,986	1,288,245
NON CURRENT				
Amounts receivable from controlled entities	-	-	156,682,403	53,751,025
Provision for doubtful receivables	-	-	(598,548)	(598,548)
	-	-	156,083,855	53,152,477

Amounts receivable from controlled entities are unsecured and with no fixed term for repayment and where contractually agreed, loans to South African controlled entities bear interest at the South African Prime interest rate.





	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
8. ASSETS HELD FOR SALE (INVESTMENT) HOLFONTEIN INVESTMENTS (PTY) LTD				
Carrying value of investment at beginning of year	25,207,997	24,328,181	23,649,738	23,529,228
Acquisition of Wildebeesfontein option	-	120,510	-	120,510
Capitalised expenditure – at cost	307,613	1,291,228	-	-
Exchange differences	145,857	(531,922)	-	-
Expiry of Wildebeesfontein option	(120,510)	-	(120,510)	-
Share of subsidiaries' net (loss) / profit	-	-	-	-
Carrying value at end of year	<u>25,540,957</u>	<u>25,207,997</u>	<u>23,529,228</u>	<u>23,649,738</u>

The Company announced in May 2008 that it has reached an agreement to dispose of its stake in Holfontein Investments (Pty) Ltd to Lachlan Star Limited for \$25 million. The acquisition consideration was payable in a combination of cash and shares staged at key milestones and on the satisfaction of key milestones and conditions precedent. The conditions precedent were not met and the agreement was mutually cancelled on 31 December 2008. The Company's investment in the Holfontein Project continues to be available for sale.

9. INVENTORY

Raw Materials	997,437	1,762,388	-	-
Consumable Stores	57,813	39,235	-	-
Work in progress	5,769,970	56,018	-	-
Finished Goods	994,590	899,792	-	-
Residue Stock (Nickel)	794,963	2,127,673	-	-
	<u>8,614,773</u>	<u>4,885,106</u>	<u>-</u>	<u>-</u>

Inventory is stated at the lower of cost and net realisable value. Cost is determined according to the weighted average method. Finished products and work-in-progress include direct manufacturing costs.

10. OTHER FINANCIAL ASSETS

Available for Sale Financial Assets:

Investments:

Shares in other corporations listed on Stock exchange at cost	3,097,970	1,153,598	3,097,970	1,153,598
Provision for diminution in value	(76,176)	(76,176)	(76,176)	(76,176)
At fair value	<u>3,021,794</u>	<u>1,077,422</u>	<u>3,021,794</u>	<u>1,077,422</u>
Shares in controlled entities at cost	-	-	227,562,041	178,462,846
Provision for diminution in value	-	-	(8,292,540)	(8,292,540)
Impairment write down	-	-	(1,125,000)	-
	-	-	<u>218,144,501</u>	<u>170,170,306</u>
Shares in other corporations – at cost	22,697,588	7,022,423	11,744,229	1,771,997
Less: Impairment write down	(2,120,742)	-	-	-
	<u>23,598,640</u>	<u>8,099,845</u>	<u>232,940,524</u>	<u>173,019,725</u>
Market value of above investments listed on a stock exchange as at 30 June 2009	<u>3,146,608</u>	<u>1,613,228</u>	<u>3,146,608</u>	<u>1,613,228</u>

Shares in controlled entities are carried at cost. Refer to Note 26(a).





Notes to and forming part of the Financial Statements (continued)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
11. PROPERTY, PLANT & EQUIPMENT				
Furniture, fittings and office equipment at cost	901,553	490,000	114,879	106,877
Less: Accumulated depreciation	(473,771)	(235,677)	(101,265)	(95,912)
	<u>427,782</u>	<u>254,323</u>	<u>13,614</u>	<u>10,965</u>
Motor vehicles at cost	640,522	493,633	-	-
Less: Accumulated depreciation	(271,526)	(165,105)	-	-
	<u>368,996</u>	<u>328,528</u>	<u>-</u>	<u>-</u>
Plant and equipment at cost	84,487,516	2,426,376	-	-
Less: Accumulated depreciation	(4,849,353)	(1,029,063)	-	-
	<u>79,638,163</u>	<u>1,397,313</u>	<u>-</u>	<u>-</u>
Leasehold Improvements at cost	826,801	119,500	37,784	37,784
Less: Accumulated amortisation	(71,144)	(41,744)	(37,784)	(37,784)
	<u>755,657</u>	<u>77,756</u>	<u>-</u>	<u>-</u>
Land and Buildings at cost	17,848,493	1,122,448	-	-
Less: Accumulated amortisation	(144,731)	(104,399)	-	-
	<u>17,703,762</u>	<u>1,018,049</u>	<u>-</u>	<u>-</u>
Total property, plant & equipment	<u>98,894,360</u>	<u>3,075,969</u>	<u>13,614</u>	<u>10,965</u>

Reconciliations of the carrying amount of each class of property, plant and equipment are set out below:

FURNITURE, FITTING AND OFFICE EQUIPMENT

Carrying amount at the beginning of the year	254,323	65,948	10,965	29,134
Depreciation	(211,782)	(74,824)	(5,352)	(27,430)
Additions	387,966	264,488	8,001	9,261
Disposals	(48,445)	-	-	-
Foreign exchange movements	45,721	(1,289)	-	-
Carrying amount at end of year	<u>427,783</u>	<u>254,323</u>	<u>13,614</u>	<u>10,965</u>

MOTOR VEHICLES

Carrying amount at the beginning of the year	328,528	101,305	-	-
Depreciation	(98,521)	(70,049)	-	-
Additions	164,874	310,887	-	-
Disposals	(90,859)	(23,324)	-	-
Foreign exchange movements	64,974	9,709	-	-
Carrying amount at end of year	<u>368,996</u>	<u>328,528</u>	<u>-</u>	<u>-</u>





	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
PLANT & EQUIPMENT				
Carrying amount at the beginning of the year	1,397,313	132,348	-	-
Depreciation	(3,477,828)	(48,305)	-	-
Additions	81,865,680	1,295,508	-	-
Disposals	(286,218)	-	-	-
Foreign exchange movements	139,217	17,763	-	-
Carrying amount at end of year	79,638,163	1,397,313	-	-
LEASEHOLD IMPROVEMENTS				
Carrying amount at the beginning of the year	77,756	-	-	-
Depreciation	(27,797)	(2,341)	-	-
Additions	701,172	73,798	-	-
Disposals	(9,447)	-	-	-
Foreign exchange movements	13,973	6,299	-	-
Carrying amount at end of year	755,657	77,756	-	-
LAND AND BUILDINGS				
Carrying amount at the beginning of the year	1,018,049	1,349,233	-	-
Depreciation	(17,337)	(6,852)	-	-
Additions	16,487,811	17,229	-	-
Disposals	-	(210,952)	-	-
Foreign exchange movements	215,239	(130,609)	-	-
Carrying amount at end of year	17,703,762	1,018,049	-	-
TOTAL PROPERTY, PLANT & EQUIPMENT	98,894,360	3,075,969	13,614	10,965

The land and buildings acquired during the year were subject to an independent valuation in 2008 by Alpro (Pty) Ltd at ZAR109 million (approximately \$16.5 million), on the basis of their continued use.

12 DEVELOPMENT ASSETS

MOOIPLAATS PROJECT DEVELOPMENT ASSETS

Carrying value at the beginning of the year	-	-	-	-
Reclassified from capitalised exploration expenditure	19,588,602	-	-	-
Amortisation	(149,384)	-	-	-
Foreign exchange movements	(7,212)	-	-	-
Carrying amount at end of year	19,432,007	-	-	-

Development Assets are amortised on a unit of production basis over the life of the economically recoverable reserves. At balance sheet date, the remaining total recoverable reserves for the Mooiplaats project were 28,309,559 and 117,180 tonnes of coal had been mined.





Notes to and forming part of the Financial Statements (continued)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
Goodwill on consolidation	3,706,781	3,169,660	-	-
Reconciliation:				
Goodwill on consolidation – Beginning of year	3,169,660	3,964,042	-	-
Conversion of NiMag Preference shares	1,125,000	-	-	-
Impairment write down	(1,125,000)	-	-	-
Exchange rate movement	537,121	(794,382)	-	-
Carrying value at end of year	3,706,781	3,169,660	-	-

IMPAIRMENT DISCLOSURES

Goodwill is allocated to cash-generating units which are based on the Group's reporting segments.

	2009 \$	2008 \$
Manufacture & distribution of nickel & magnesium alloys	3,706,781	3,169,660
	3,706,781	3,169,660

The recoverable amount of the cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period. The cash flows are discounted using the yield of 5 year government bonds at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

	GROWTH RATE	DISCOUNT RATE
Manufacture & distribution of nickel & magnesium alloys	5%	25%

Management has based the value-in-use calculations on budgets for this reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the periods which are consistent with inflation rates applicable to the locations in which the segment operates. Discounts are pre-tax and are adjusted to incorporate risks associated with the segment.





	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
14. COAL PROJECT INVESTMENT AND EXPLORATION EXPENDITURE				
Exploration and evaluation expenditures in respect of mining areas of interest				
Consolidated Makhado Project				
Prior acquisition of tenements of the Makhado coal project – fair value	34,256,167	33,130,647	-	-
Acquisition of Sekoko tenements – fair value	10,685,250	1,340,096	-	-
Exchange differences	121,673	(214,576)	-	-
At fair value	45,063,090	34,256,167	-	-
Capitalised exploration expenditure – at cost	8,224,339	5,174,833	3,752,291	3,752,291
	53,287,429	39,431,000	3,752,291	3,752,291
Vele Project				
Acquisition of tenements of the Vele coal project – fair value	11,752,748	11,828,787	-	-
Exchange differences	31,819	(76,039)	-	-
At fair value	11,784,567	11,752,748	-	-
Capitalised exploration expenditure – at cost	7,315,971	2,770,780	-	-
	19,100,538	14,523,528	-	-
Mooiplaats Project				
Acquisition of tenements of the Mooiplaats coal project – fair value	128,923,402	129,723,620	-	-
Exchange differences	349,044	(800,218)	-	-
At fair value	129,272,446	128,923,402	-	-
Capitalised exploration expenditure – at cost	19,588,602	10,258,218	-	5,240,226
Less: Reclassified as Development Assets	(19,588,602)	-	-	-
	129,272,446	139,181,620	-	5,240,226
Total Mining Assets	186,120,103	174,932,316	-	-
Total capitalised exploration expenditure	15,540,310	18,203,831	3,752,291	8,992,517

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependant on the discovery of commercially viable resource deposits and their successful development and commercial exploitation or sale of the respective mining areas. The Holfontein Project is disclosed as an asset available for sale as at 30 June 2009.

15. LOGISTICS ASSETS

MAPUTO TERMINAL, MOZAMBIQUE

20 year option payment	23,296,447	-	23,296,447	-
Terminal Development Loan	19,887,994	-	19,887,994	-
	43,184,441	-	43,184,441	-

The option payment guarantees the Company 1 mtpa throughput capacity for five years via the Maputo Terminal in Mozambique, with an option to extend the period by a further 15 years. It allows CoAL to participate in any further expansion of the Terminal, granting the Company an annual throughput tonnage commensurate with its financial contribution to the expansion.

The Terminal Development Loan is an interest free loan repayable over 12 years in equal annual instalments. The loaned funds will be used to expand the annual throughput capacity at the Maputo Terminal and will ensure that CoAL receives an additional 2 million tonnes of throughput capacity from 2010 and will continue as per the option period above.

Once CoAL commences utilising the Logistics Assets to the extent agreed with the rights holder or owner, the capitalised logistics costs will be amortised over the expected period of use.





Notes to and forming part of the Financial Statements (continued)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
16. PAYABLES				
CURRENT				
Trade creditors	4,026,341	5,118,470	230,996	282,865
Sundry creditors and accruals	6,382,175	28,865	4,026,341	26,081
Other 623,033	1,032,471	-	-	-
	11,031,549	6,179,806	4,257,337	308,946
NON CURRENT				
Payables – controlled entities	-	-	5,670,417	19,022,676
	-	-	5,670,417	19,022,676
Amounts owing to controlled entities are interest free, unsecured and with no fixed term for repayment.				
17. INTEREST BEARING LIABILITIES				
CURRENT LIABILITIES				
Bank Overdraft	-	-	-	-
Secured Loans	-	-	-	-
Unsecured Loans	-	-	-	-
	-	-	-	-
NON-CURRENT LIABILITIES				
Secured Loans	-	-	-	-
Unsecured Loans	-	187,628	-	-
	-	187,628	-	-
Financial arrangements				
The Consolidated Entity has the access to the following lines of credit:				
General banking facility/bank overdraft	1,266,861	2,612,000	-	-
Term loan facility	3,982,037	1,959,000	-	-
Forward exchange contract facility	4,274,100	3,526,200	-	-
	9,522,997	8,097,200	-	-
Facilities utilised at reporting date				
Bank Overdraft	-	-	-	-
Forward exchange contract facility	-	-	-	-
Secured Loans	-	-	-	-
	-	-	-	-





	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
Facilities not utilised at reporting date				
Bank overdraft	1,266,861	2,612,000	-	-
Forward exchange contract facility	3,982,037	1,959,000	-	-
Term loan facility	4,274,100	3,526,200	-	-
	<u>9,522,987</u>	<u>8,097,200</u>	-	-

BANK OVERDRAFTS, TERM FACILITY AND FORWARD EXCHANGE CONTRACT FACILITY

The various facilities described above are secured by:

- Unlimited cession of debtors;
- Registration of a general and special notarial bond over stock, plant and equipment for an amount of \$2,374,500 (ZAR15,000,000) supported by a cession of fire and SASRIA policy;
- Unlimited suretyship by Metalloy Fibres (Pty) Ltd supported by:
 - Cession of its loan account in the Borrower;
 - Unlimited cession of debtors;
 - Negative pledge of the assets of the Company;
- Cession of the Customer Foreign Currency Account held at the Bank; and
- Assets financed under the AVAF Instalment finance facility of \$24,537 (ZAR155,000).

UNSECURED LOANS (LOANS FROM MINORITY INTERESTS IN CONTROLLED ENTITY)

These unsecured loans from minority interest holders in the controlled entity were repaid during the year.

18. PROVISIONS

CURRENT

Employee entitlements	262,081	111,738	10,395	2,734
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NON-CURRENT

Rehabilitation Provision	2,383,801	-	-	-
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Number of employees

Number of employees at year end	112	128	5	4
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The Rehabilitation Provision is calculated by independent third parties annually and reflects the estimated cost of rehabilitating mining operations at the end of the life of the mine.





Notes to and forming part of the Financial Statements (continued)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
19. CONTRIBUTED EQUITY				
(a) ISSUED AND PAID UP CAPITAL				
411,919,636 ordinary fully paid shares (2008: 398,254,492) ordinary fully paid shares – adjusted for share consolidation)	569,267,119	533,053,005	569,267,119	533,053,005
	569,267,119	533,053,005	569,267,119	533,053,005
	2009 NUMBER	2009 \$	2008 NUMBER	2008 \$
(b) MOVEMENTS IN CONTRIBUTED EQUITY				
Opening Balance	398,254,492	533,053,005	207,768,703	177,189,359
Payment for services rendered by Equity for Growth at 11 pence per share	-	-	181,818	-
Part acquisition of 70% of Coal of Africa Investments at GBP 0.30 per share	-	-	8,888,888	12,126,257
Capital raising for working capital at GBPO.65 and \$1.50 per share	-	-	80,000,000	121,716,044
Exercise of Class C options at GBPO.34 per share	-	-	590,063	741,960
Part acquisition of Coal of Africa Investments at GBPO.30 per share	-	-	4,444,445	7,111,112
Part acquisition of Coal of Africa Investments at \$1.60 per share	-	-	5,200,000	12,012,000
Issue of shares to ArcelorMittal (Tranche 1)	-	-	46,365,000	106,796,327
Payment for services rendered at GBPO.12 per share	-	-	500,000	126,382
Exercise of Class B options at GBPO.54 per share	-	-	555,575	745,204
Exercise of Class A options at \$0.50 per share	-	-	4,250,000	5,456,634
Exercise of Class F options at \$1.50 per share	-	-	375,000	867,900
Issue of shares to Coal Investments Limited at GBP1.30 per share	-	-	25,500,000	68,181,818
Issue of shares to ArcelorMittal (Tranche 2)	-	-	13,635,000	30,724,421
Share Option costs	-	-	-	(1,607,675)
Exercise of Class E options at GBPO.65 per share	690,886	1,469,752	-	-
Issue of 12,000,000 shares to Coal Investments Limited at GBP1.30 pence per share	12,000,000	36,000,000	-	-
Issue of 375,000 shares in lieu of Put option	375,000	1,125,000	-	-
Issue of 55,000 shares in lieu of professional fees	55,000	165,000	-	-
Exercise of Class C options at GBPO.34 pence per share	196,688	226,887	-	-
Exercise of Class E options at GBPO.65 pence per share	297,570	628,985	-	-
Exercise of Class A options at \$050 cents per share	50,000	25,000	-	-
Capital raising costs incurred	-	(5,426,510)	-	(9,134,738)
	411,919,636	569,267,119	398,254,492	533,053,005

Non-cash share issues disclosed above are recognised at fair value.

(c) TERMS AND CONDITIONS

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.



**(d) OPTIONS**

Unissued ordinary shares of the Company under option at balance date are:

	NUMBER	EXERCISE PRICE	EXPIRY DATE
Class E Unlisted Options	636,544	GBP 0.65	30 November 2009
Class A Unlisted Options	9,200,000	A\$ 0.50	30 September 2011
Class B Unlisted Options	250,000	A\$ 2.05	1 May 2012
Class H Unlisted Options	600,000	A\$ 1.25	1 May 2012
Class I Unlisted Options	1,650,000	A\$ 3.25	31 July 2012
Class D Unlisted Options	7,000,000	A\$ 1.25	30 September 2012
Class G Unlisted Options	1,000,000	A\$ 1.90	30 September 2012

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
Capital profits reserve	136,445	136,445	136,445	136,445
Share option reserve	8,876,771	9,524,105	8,876,771	9,524,105
Foreign currency translation reserve	(1,823,690)	(5,390,389)	-	-
	7,189,525	4,270,161	9,013,216	9,660,550
Movement during the year				
Foreign Currency Translation Reserve				
Opening balance	(5,390,389)	(2,705,466)	-	-
Foreign currency translation	3,566,699	(2,684,923)	-	-
Closing balance at year end	(1,823,690)	(5,390,389)	-	-
Movement during the year				
Share option reserve				
Opening balance	9,524,105	7,879,673	9,524,105	7,879,673
Options granted	273,728	5,706,675	273,728	5,706,675
Options redeemed	(921,062)	(4,062,243)	(921,062)	(4,062,243)
Closing balance at year end	8,876,771	9,524,105	8,876,771	9,524,105

NATURE & PURPOSE OF RESERVES**Foreign currency translation reserve**

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

Capital profits reserve

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

Share option reserve

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





Notes to and forming part of the Financial Statements (continued)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
21. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	(45,936,267)	(34,692,704)	(50,565,937)	(39,676,009)
Net profit/(loss) attributed to members of parent entity.	(14,519,976)	(11,243,563)	13,579,359	(10,889,929)
Accumulated losses at the end of the financial year	<u>(60,456,243)</u>	<u>(45,936,267)</u>	<u>(36,986,578)</u>	<u>(50,565,937)</u>

22. OUTSIDE EQUITY INTERESTS

Outside equity interests in consolidated entities comprise:

	2009 \$	2008 \$
Interest in retained profits at the beginning of the year	3,071,250	3,071,250
Interest in profits from operating activities after income tax	-	-
Interests in reserves	-	-
Interests in profits/reserves at the end of the financial year	<u>3,071,250</u>	<u>3,071,250</u>
50% acquisition of Coal of Madagascar	4,568,384	-
Total Outside Equity Interests	<u>7,639,634</u>	<u>3,071,250</u>
Minority interest in a controlled entity (Coal of Madagascar)	<u>4,568,384</u>	<u>-</u>
Minority interest in a controlled entity (Limpopo)	<u>3,071,250</u>	<u>3,071,250</u>

23. FINANCIAL RISK MANAGEMENT**a. FINANCIAL RISK MANAGEMENT POLICIES**

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, leases, preference shares, and forward exchange contracts.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

Derivatives are used by the Group for hedging purposes. Such instruments include forward exchange and currency option contracts. The Group does not speculate in the trading of derivative instruments.

i. Treasury Risk Management

A finance committee consisting of senior executives of the Group meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the Consolidated Entity in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the Audit Committee and Board of Directors. Risk management policies are approved and reviewed by the Audit Committee on a regular basis. These include the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

ii. Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

Interest rate risk has been reduced by the Company repaying its outstanding long term debt.

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from having deposits in various currencies as well as the sale and purchase of goods and services in currencies other than the Group's measurement currency.





Notes to and forming part of the Financial Statements (continued)

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The Group's current policy is to ensure no more than 10% of borrowings should mature in any 12 month period. This may change as debt is incurred to finance the acquisition of assets with varying expected rates of return.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is managed on a group basis and reviewed regularly by the finance committee. It arises from exposures to customers as well as through certain derivative financial instruments and deposits with financial institutions.

The finance committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the Group's strict credit policies may only purchase using cash.

The Group only invests in listed available-for-sale financial assets that have a minimum 'A' credit rating. Unlisted available-for-sale financial assets are not rated by external credit agencies. These are reviewed regularly by the Group to ensure that credit exposure is minimised.

The credit risk for counterparties included in trade and other receivables at 30 June 2009 is detailed below:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade and other receivables				
AA rated counterparties	10,202,792	4,733,193	-	-
Counterparties not rated	11,322,353	7,018,404	6,547,986	1,288,245
Total	21,525,145	11,751,597	6,547,986	1,288,245

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts as disclosed below.

The consolidated Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated Group.

Concentration of credit risk on trade and term debtors has decreased during the year in respect of the business undertaken by NiMag. As at 30 June 2009, 32% (2008: 32%) of the Consolidated Entity's trade debtors were owed by United States and European customers, 29% by South African debtors and 20% by customers in Asia.

Other than the concentration of credit risk described above, the Consolidated Entity is not materially exposed to any individual overseas country or individual customer.

The ageing of the Group's trade receivables at the reporting date was:

	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
	2009 \$	2009 \$	2008 \$	2008 \$
Not past due	1,599,102	-	2,610,812	-
Past due 0-30 days	343,725	(24,391)	680,666	-
Past due 31-120 days	-	-	48,413	-
Past due 121 days to one year	380,108	(380,108)	-	-
More than one year	-	-	-	-
	2,322,935	(404,499)	3,339,890	-





Notes to and forming part of the Financial Statements (continued)

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

a. FINANCIAL RISK MANAGEMENT POLICIES (continued)

Price risk

The Group is exposed to commodity price risk through its NiMag Group of subsidiaries. Nickel prices have been volatile on the London Metals Exchange over the past three years but the Company is able to hedge a significant amount of the Nickel price risk in its pricing agreement with customers, therefore the NiMag Group does not currently hedge the price it sells its Nickel products at. Nickel, as well as base metal futures markets and economic forecasts are constantly monitored to determine whether to implement a hedging policy. CoAL management also monitors the price of coal on global markets with the expected sale in the 2010 financial year of coal mined from the Company's Mooiplaats Project in the 2010 financial year.

b. FINANCIAL INSTRUMENTS

i. Derivative Financial Instruments

Derivative financial instruments are used by the Group to hedge exposure to exchange rate risk associated with foreign currency borrowings and interest rate risk associated with movements in interest rates which impact on the borrowings of the Group. Transactions for hedging purposes are undertaken with the use of minimum collateral as only reputable institutions with sound financial positions are dealt with.

Forward Exchange Contracts

The consolidated Group enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the consolidated Group against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

The accounting policy in regard to forward exchange contracts is detailed in Note 1 (o).

At balance date, the details of outstanding forward exchange contracts are:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Settlement				
Less than 6 months	-	901,000	-	-
6 months to one year	-	-	-	-
Buy South African Rands				Sell Euro Dollars
Settlement				
Less than 6 months	-	-	-	-
6 months to one year	-	-	-	-

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009	2008	2009	2008
	ZAR	ZAR	\$	\$
Settlement				
Sell United States Dollars				
Settlement				
Less than 6 months	-	7.31	-	-
Sell Euro Dollars				
Settlement				
Less than 6 months	-	-	-	-





Notes to and forming part of the Financial Statements (continued)

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. FINANCIAL INSTRUMENTS (continued)

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2009		2008	
	CARRYING AMOUNT \$	NET FAIR VALUE \$	CARRYING AMOUNT \$	NET FAIR VALUE \$
Financial Assets				
Assets held for sale at fair value	25,540,957	25,540,957	25,207,997	25,207,997
Other financial assets	23,598,640	23,723,454	8,099,845	8,636,651
Loans and receivables	21,525,145	21,525,145	11,751,597	11,751,597
	<u>70,664,742</u>	<u>70,789,556</u>	<u>45,059,439</u>	<u>45,596,245</u>
Financial Liabilities				
Payables	11,031,549	11,031,549	6,179,806	6,179,806
Other liabilities	-	-	187,626	187,626
	<u>11,031,549</u>	<u>11,031,549</u>	<u>6,367,432</u>	<u>6,367,432</u>

Fair values are materially in line with carrying values. A discount rate of 0% (2008: 0%) has been applied to all non-current borrowings to determine fair value.

iv. Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
Change in profit				
Increase in interest rate by 5%	18,757,263	6,098,506	18,634,552	5,787,101
Decrease in interest rate by 5%	(1,805,376)	(5,139,683)	(1,793,565)	(5,256,460)
Change in Equity				
Increase in interest rate by 5%	18,757,263	6,098,506	18,634,552	5,787,101
Decrease in interest rate by 5%	(1,805,376)	(5,139,683)	(1,793,565)	(5,256,460)

Foreign Currency Risk Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the US Dollar, with all other variables remaining constant is as follows:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
Change in profit				
Improvement in AUD to USD by 10%	(210,475)	(22,835)	-	-
Decline in AUD to USD by 10%	(372,161)	22,835	-	-
Change in Equity				
Improvement in AUD to USD by 10%	(210,475)	(22,835)	-	-
Decline in AUD to USD by 10%	(372,161)	22,835	-	-



*Price Risk Sensitivity Analysis*

At 30 June 2009, the effect on profit and equity as a result of changes in the price risk, with all other variables remaining constant would be as follows:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Change in profit				
Increase in average nickel price by 10%/tonne	2,196,210	4,680,205	-	-
Decrease in average nickel price by 10%/tonne	(2,196,210)	(4,680,205)	-	-
Change in Equity				
Increase in average nickel price by 10%/tonne	2,196,210	4,680,205	-	-
Decrease in average nickel price by 10%/tonne	(2,196,210)	(4,680,205)	-	-

The above interest rate, foreign exchange rate and price risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

24. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2009:

On the 28 June 2006, 8,000,000 share options to accept ordinary shares in Coal of Africa Limited were granted to CoAL Directors. The options allow the Directors to take up ordinary shares at an exercise price of \$0.50 each. The options are exercisable on or before 30 September 2011. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

On 24 November 2006, 1,000,000 share options to accept ordinary shares in Coal of Africa Limited were granted to employees in South Africa as an incentive for performance. The options have an exercise price of \$0.50 each and are exercisable on or before 30 September 2011. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, 50,000 of the options had been taken up and none had lapsed.

On 29 May 2007, 250,000 share options exercisable at \$0.50 (to Jonathan Colville of Mirabaud Securities Limited) before 30 September 2011 were granted to accept ordinary shares in Coal of Africa Limited. The options were part payment of brokerage fees in relation to recent placements. The options held no voting or dividend rights and were not transferable. All of the options were exercised on 7 May 2008 converting the options to shares ranking equally with existing shares.

On 5 June 2007, 7,000,000 share options to accept ordinary shares in Coal of Africa Limited were granted to Simon Farrell (Managing Director – 5,000,000 options) and Richard Linnell (Chairman – 2,000,000 options). The options allow the Directors to take up ordinary shares at an exercise price of \$1.25 each. The options are exercisable on or before 30 September 2012. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

On 28 November 2007, 1,625,000 share options at GBP0.65 (to Mirabaud Securities Limited and Blue Oar Securities Plc) exercisable before 30 November 2009 were granted to accept ordinary shares in Coal of Africa Limited. The options were part payment of brokerage fees in relation to placements that occurred in the 2008 financial year. The options hold no voting or dividend rights and are not transferable. On 3 July 2008 690,886 options were exercised, and, on 9 June 2009 297,570 options were exercised at \$1.50 each, converting the options to shares ranking equally with existing shares.

On 10 April 2008, 1,000,000 share options to accept ordinary shares in Coal of Africa Limited were granted to Blair Sergeant (Finance Director). The options allow the Finance Director to take up ordinary shares at an exercise price of \$1.90 each. The options are exercisable on or before 30 September 2012. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

On 19 May 2008, 600,000 share options at an exercise price of \$1.25 and 250,000 share options at an exercise price of \$2.05 to accept ordinary shares in Coal of Africa Limited were granted to employees in South Africa as an incentive for performance. The options are exercisable on or before 1 May 2012 and hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

On 4 August 2008, the Company issued 55,000 ordinary shares to Professor Alfred Nevhutanda in lieu of professional fees provided to the Company. The total value of these shares of \$165,000 has been expensed to the income statement.





Notes to and forming part of the Financial Statements (continued)

24. SHARE-BASED PAYMENTS (CONTINUED)

On 1 December 2008, 1,650,000 share options to accept ordinary shares in Coal of Africa Limited were granted to Riaan van der Merwe (Chief Operations Officer). The options allow the Chief Operations Officer to take up ordinary shares at an exercise price of \$3.25 each. The options are exercisable on or before 31 July 2012. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

All options granted are ordinary shares in Coal of Africa Limited, which confer a right of one ordinary share for every option held.

	PARENT ENTITY			
	2009		2008	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$
Outstanding at beginning of year	19,171,688	0.77	21,842,326	0.77
Granted	1,650,000	3.25	3,850,000	1.62
Forfeited	-	-	-	-
Exercised	(1,235,144)	1.20	(5,770,638)	0.68
Expired	-	-	-	-
Outstanding at year end	20,336,544	1.12	19,921,688	0.95
Exercisable at year end	20,336,544	1.00	19,171,688	0.91

No options expired during the year ended 30 June 2009. The following options were exercised during the year:

CLASS	DATE EXERCISED	EXERCISE PRICE	NUMBER OF OPTIONS EXERCISED
Class E options	3 July 2008	GBP 0.65	690,886
Class C options	6 May 2009	GBP 0.34	196,688
Class E options	9 June 2009	GBP 0.65	297,570
Class A options	30 June 2009	\$ 0.50	50,000
			1,235,144

The options outstanding at 30 June 2009 had a weighted average exercise price of \$1.12 (2008: \$0.95) and weighted average remaining contractual life of 2.52 years (2008: 3.51 years). Exercise prices range from \$0.50 to \$3.25 (2008: \$0.50 to \$2.05) in respect of options outstanding at 30 June 2009.

The weighted average fair exercise price value of the options granted during the year was \$3.25.

These option prices were calculated using the Binomial Option Valuation pricing model applying the following inputs:

Weighted average exercise price	\$1.12
Weighted average life of the option	2.52 years
Underlying share price	\$0.80-\$4.65
Expected share price volatility	100%
Risk free interest rate	4.0%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of an option is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement is \$273,728 (2008: \$4,099,000), and relates, in full, to equity-settled share-based payment transactions.





CONSOLIDATED ENTITY		COMPANY	
2009	2008	2009	2008
\$	\$	\$	\$

25. COMMITMENTS

Non-cancellable operating lease expense commitments

Future operating lease rentals not provided for in the financial statements and payable:

Within 1 year	768,316	226,291	116,985	75,621
After 1 year but no later than 5 years	1,820,343	686,211	288,562	-
	<u>2,588,659</u>	<u>912,502</u>	<u>405,547</u>	<u>75,621</u>

The Consolidated Entity leases property under non-cancellable operating leases expiring within the next five years. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated.

Contractual Commitments

Hofontein

CoAL has undertaken that it will first mine all saleable seam 5 and thereafter seams 4 and 2 coal reserves in the Hofontein Project in accordance with the prospecting work programme previously submitted to the Department of Minerals and Energy. Deviation from this can be made provided it is supported by a report prepared by an independent person appointed by the parties. In the event of the other seams other than seam 5 being mined, a development fee will be payable to the vendor - the development fee will be five million tonnes at a minimum of ZAR4.00 per tonne FOT.

Tshikunda

The Company has entered an agreement to purchase 60% of Tshikunda Mining (Pty) Ltd, which holds the New Order Prospecting Rights over an area of 32,000 hectares in the Limpopo Province. Section 11 approval for the transaction was obtained in June 2008 and the Company has paid ZAR15 million of the ZAR20 million with the balance purchase price payable in CoAL equity. CoAL has undertaken to spend up to ZAR50 million (\$6.53 million) to explore the project to a bankable stage.

Silkwood

CoAL has entered an agreement to acquire 100% of the company Silkwood (Pty) Ltd which owns the NOPR on the farm Alyth 837 MS measuring 2,092 hectares. Control of Silkwood Trading (Pty) Ltd, the company that owns the NOPR will be transferred to CoAL upon granting of Section 11 approval the DMR which was applied for in March 2008. The purchase price of ZAR40 million (\$6.332 million) will be paid when the remaining conditions precedent are satisfied.

26. CONTINGENT LIABILITIES

In accordance with normal industry practice, the Company has agreed to provide financial support to its 100% controlled entities. There are no other contingent liabilities as at 30 June 2009.

27. RELATED PARTY DISCLOSURES

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

Mr R Linnell	Non-Executive Chairman & Director
Mr S Farrell	Managing Director
Mr B Sergeant	Finance Director
Prof A Nevhutanda	Executive Director
Mr P Cordin	Non-Executive Director
Mr S Bywater	Non-Executive Director
Mr P Leonard	Non-Executive Director (resigned 27 August 2009)

Key management personnel compensation is included in the Directors' Report as part of the Remuneration Report.





Notes to and forming part of the Financial Statements (continued)

27. RELATED PARTY DISCLOSURES (CONTINUED)

EQUITY INSTRUMENTS

Option holdings

Unlisted Options

The movement during the reporting period in the number of options over ordinary shares exercisable at \$0.50 on or before 30 September 2011 held directly, indirectly or beneficially by each key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2008	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2009
Directors					
Mr R Linnell	2,000,000	-	-	-	2,000,000
Mr S Farrell	4,000,000	-	-	-	4,000,000
Mr B Sergeant	1,000,000	-	-	-	1,000,000
Prof A Nevhutanda	-	-	-	-	-
Mr P Cordin	1,000,000	-	-	-	1,000,000
Mr S Bywater	-	-	-	-	-
Mr P Leonard	-	-	-	-	-

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

	HELD AT 1 JULY 2008	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2009
Directors					
Mr R Linnell	2,000,000	-	-	-	2,000,000
Mr S Farrell	5,000,000	-	-	-	5,000,000
Mr B Sergeant	-	-	-	-	-
Prof A Nevhutanda	-	-	-	-	-
Mr P Cordin	-	-	-	-	-
Mr S Bywater	-	-	-	-	-
Mr P Leonard	-	-	-	-	-

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

	HELD AT 1 JULY 2008	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2009
Directors					
Mr R Linnell	-	-	-	-	-
Mr S Farrell	-	-	-	-	-
Mr B Sergeant	1,000,000	-	-	-	1,000,000
Prof A Nevhutanda	-	-	-	-	-
Mr P Cordin	-	-	-	-	-
Mr S Bywater	-	-	-	-	-
Mr P Leonard	-	-	-	-	-

All options vested on the date of issue. No options held by specified Directors are vested but not exercisable.



**EQUITY HOLDINGS AND TRANSACTIONS OF 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 2008	PURCHASES	RECEIVED ON EXERCISE OF OPTIONS/ REMUNERATION	OTHER CHANGES	HELD AT 30 JUNE 2009
Directors					
Mr R Linnell	801,550	-	-	-	801,550
Mr S Farrell	3,221,791	-	-	-	3,221,791
Mr P Cordin	412,759	-	-	-	412,759
Mr S Bywater	-	-	-	-	-
Mr B Sergeant	-	-	-	-	-
Mr P Leonard	-	-	-	-	-
Prof A Nevhutanda	-	-	-	55,000	55,000

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

	HELD AT 1 JULY 2008	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2009
Directors					
Mr R Linnell	-	-	-	-	-
Mr S Farrell	-	-	-	-	-
Mr B Sergeant	-	-	-	-	-
Prof A Nevhutanda	-	-	-	-	-
Mr P Cordin	-	-	-	-	-
Mr S Bywater	-	-	-	-	-
Mr P Leonard	-	-	-	-	-
Key Management					
Mr R van der Merwe	-	1,650,000	-	-	1,650,000

LOANS AND OTHER TRANSACTIONS WITH DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

Details regarding loans outstanding at the reporting date from Directors and other key management personnel are as follows:

- (1) Certain key management personnel previously provided unsecured loans bearing interest at 9.5% per annum. The balance outstanding on 30 June 2008 of ZAR1,436,833 was repaid during the year.

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.

Details of the transactions are as follows:

SPECIFIED DIRECTORS	TRANSACTION	NOTE	2009 \$	2008 \$
Mr B Sergeant	Company secretarial fees	(i)	-	27,083

- (i) The Company engaged Evolution Capital Partners to provide certain company secretarial, accounting and administrative services to the Consolidated Entity. Mr Sergeant is Managing Director of Evolution Capital Partners.





Notes to and forming part of the Financial Statements (continued)

28. CONTROLLED ENTITIES

(a) PARTICULARS IN RELATION TO CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	OWNED %	
		2009	2008
Coal of Africa Limited	Australia		
Controlled Entities:			
Baobab Exploration (Pty) Ltd	South Africa	100	100
Chromet (Pty) Ltd*	South Africa	100	100
Cove Mining NL	Australia	100	100
Evoc Mining NL	Australia	100	100
Golden Valley Services Pty Ltd	Australia	100	100
Greenstone Gold Mines NL	Australia	100	100
GVM Metals Administration (South Africa) (Pty) Ltd	South Africa	100	100
Holfontein Investments (Pty) Ltd	South Africa	100	100
Limpopo Coal Company (Pty) Ltd	South Africa	74	74
Magberg Manufacturing (Pty) Ltd*	South Africa	100	100
Master Alloy Traders Ltd	Jersey	Deregistered	100
Metalloy Fibres (Pty) Ltd*	South Africa	100	100
NiMag (Pty) Ltd	South Africa	100	100
Mooiplaats Mining Ltd (previously Coal of Africa Ltd)	South Africa	100	100
Langcarel (Pty) Ltd**	South Africa	100	100
Index Mining and Management (Pty) Ltd**	South Africa	Deregistered	100
Regulus Investment Holdings (Pty) Ltd	South Africa	100	100
Harrisia Investments (Pty) Ltd	South Africa	100	-
Fumaria Property Holdings (Pty) Ltd	South Africa	100	-
Coal of Africa & ArcelorMittal Analytical Laboratories (Pty) Ltd	South Africa	100	-
Tshikunda Mining (Pty) Ltd	South Africa	60	-
Pan African Drilling Ltd	British Virgin Islands	100	-
Drilling and Geological Services of Madagascar Ltd***	Madagascar	100	-
Coal of Madagascar Ltd	Guernsey	50	-
Coal Mining Madagascar SARL****	Madagascar	50	-

* Subsidiary companies of NiMag (Proprietary) Limited

** Subsidiary companies of Coal of Africa Limited (South African registered subsidiary company)

*** Subsidiary company of Pan African Drilling Limited

**** Subsidiary company of Coal of Madagascar Limited

Master Alloy Traders Ltd and Index Mining & Management (Pty) Ltd were deregistered during the year to reduce administration costs. Liabilities were settled prior to deregistration and the companies' assets were transferred to wholly owned subsidiaries of CoAL. The companies' nominal assets were written off prior to deregistration of the entity.



**(b) ACQUISITION OF CONTROLLED ENTITIES**

The Company acquired the following controlled entities during the year under review:

	COUNTRY OF INCORPORATION	PARENT ENTITY'S INVESTMENT		PERCENTAGE OWNED (%)	
		2009 \$	2008 \$	2009	2008
2009					
Harrisia Investment Holdings (Pty) Ltd Shelf company acquired to hold the surface rights for the Vele Project	South Africa	149	-	100	-
Fumaria Property Holdings (Pty) Ltd Shelf company acquired to hold the surface rights for the Makhado Project	South Africa	155	-	100	-
Coal of Africa & ArcelorMittal Analytical Laboratories (Pty) Ltd Shelf company acquired to for the new coal sample laboratory located in Polokwane, Limpopo.	South Africa	1,049	-	100	-
Coal of Madagascar Ltd The company owns 99% of Coal Mining Madagascar SARL.	Guernsey	50	-	50	-
Coal Mining Madagascar SARL The company owns prospecting rights in Madagascar.	Madagascar	49.5	-	49.5	-
Pan African Drilling Limited The company owns the drilling equipment currently used to explore the Madagascar prospects.	BVI	100	-	100	-
Drilling & Geological Services of Madagascar Ltd Shelf company acquired for exploration operations in Madagascar.	Madagascar	100	-	100	-
2008					
Mooiplaats Mining Ltd (previously Coal of Africa Ltd)	South Africa	-	124,610,065		





Notes to and forming part of the Financial Statements (continued)

28. CONTROLLED ENTITIES (CONTINUED)

(b) ACQUISITION OF CONTROLLED ENTITIES (continued)

On 28 February 2008, the Company acquired 70% of Coal of Africa Limited and its two wholly owned subsidiaries Langcarel (Pty) Ltd and Index Mining and Management (Pty) Ltd. Langcarel (Pty) Ltd holds the New Order Prospecting Rights and New Order Mining Rights comprising the Mooiplaats Project. The remaining 30% of the Project was acquired on 10 April 2008 with the total consideration paid to acquire the Mooiplaats Project being \$124,610,065.

Details of this transaction are:

	COUNTRY OF INCORPORATION	PARENT ENTITY'S INVESTMENT	
		2009	2008
		\$	\$
Acquisition of 70%			
Purchase consideration:			
Opening balance		-	12,900,353
10,000,000 CoAL shares at 30 pence per share		-	-
1,250,000 CoAL shares at 40 pence per share		-	-
8,888,888 CoAL shares at 30 pence per share		-	12,126,257
4,444,445 CoAL shares at 30 pence per share		-	7,111,112
Cash consideration paid		-	62,038,453
		-	94,176,175
Fair value of assets held at acquisition date:			
Mineral exploration tenements in the exploration phase		-	129,723,620
Capitalised exploration costs		-	2,859,334
Current assets		-	680,583
Non-Current assets		-	1,273,856
Outside Equity interest		-	(40,361,218)
		-	94,176,175
Cash flow on acquisition of the Controlled entity:			
Purchase consideration paid with CoAL equity		-	32,137,722
Cash consideration paid		-	62,038,453
		-	94,176,175
Acquisition of 30%			
Purchase consideration:			
5,000,000 CoAL shares at 30 pence per share		-	11,550,000
Cash consideration paid		-	18,883,890
		-	30,433,890
Fair value of assets held at acquisition date:			
Outside Equity interest		-	40,361,218
Mineral exploration tenements in the exploration phase		-	(9,927,328)
		-	30,433,890
Cash flow on acquisition of the Controlled entity:			
Purchase consideration paid with CoAL equity		-	11,550,000
Cash consideration paid		-	18,883,890
		-	30,433,890
Regulus Investment Holdings (Pty) Ltd	South Africa	-	959
Shelf company acquired to hold the New Order Prospecting Rights acquired in the Sekoko coal project transaction.			



**29. NOTES TO THE STATEMENT OF CASHFLOWS****(a) RECONCILIATION OF CASH**

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at Bank	87,032,875	252,004,859	85,471,992	251,347,737
	<u>87,032,875</u>	<u>252,004,859</u>	<u>85,471,992</u>	<u>251,347,737</u>

(b) RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

Profit/(Loss) from ordinary activities after income tax	(14,519,976)	(11,243,563)	13,579,359	(6,478,688)
<i>Add/(less) non-cash items:</i>				
Amounts set aside (reversed from) provisions	2,534,144	16,383	7,661	2,502
Bad debt expense	11,180	-	11,180	-
Depreciation/amortisation of property, plant and equipment	3,982,844	202,372	5,352	27,430
Provision for doubtful debts	392,078	-	-	-
(Profit)/loss on disposal of associate	-	134,590	-	134,590
Dividends	-	(831,782)	-	(773,560)
Diminution in value of investments	3,457,075	-	1,313,487	-
Loss on disposal of investment	188,895	-	188,895	-
Share based payments	438,728	4,559,000	438,728	4,559,000
Net gain on intercompany loans forgiven	-	-	-	(602,048)
Intercompany interest Paid/ (earned)	-	-	(9,249,712)	-
Nickel revaluation	1,697,664	-	-	-
Foreign exchange (gain)/ loss – unrealised	(1,702,690)	10,503,875	(3,468,801)	10,503,875
<i>Change in assets and liabilities:</i>				
(Increase) in trade debtors and other receivables	(8,290,273)	(1,482,967)	(29,707)	4,769
(Increase)/Decrease in inventory	(3,729,668)	634,639	-	-
Increase/(Decrease) in creditors	4,851,743	(3,139,555)	3,953,927	90,090
Increase/(Decrease) in accrued interest	-	(1,284,462)	1,002,677	(1,284,462)
Increase/(Decrease) in deferred tax assets	133,949	52,211	-	-
Increase/(Decrease) in Tax Payable, FITB, PDIT, GST refundable	(236,610)	(1,130,502)	318,284	(12,796)
Net cash provided by / (used in) operating activities	(10,790,917)	(3,009,761)	8,071,330	1,759,461





Notes to and forming part of the Financial Statements (continued)

29. NOTES TO THE STATEMENT OF CASHFLOWS (CONTINUED)

(c) CASH AND NON-CASH INVESTING AND FINANCING ACTIVITIES

The Parent entity acquired the following interests during the year:

	INTEREST OBTAINED	CASH PAID FOR ACQUISITION	FAIR VALUE OF EQUITY ISSUED FOR THE ACQUISITION	FAIR VALUE OF OPTIONS ISSUED FOR THE ACQUISITION
2009				
Regulus Investments (Pty) Ltd	26%	\$1,978,750	-	-
Harrisia Investments (Pty) Ltd	100%	\$149	-	-
Fumaria Property Holdings (Pty) Ltd	100%	\$155	-	-
Coal of Africa & ArcelorMittal Analytical Laboratories (Pty) Ltd	100%	\$1,049	-	-
Coal of Madagascar Ltd	50%	\$1,771,997	-	-
Coal mining Madagascar SARL**	49%	-	-	-
Pan Africa Drilling Ltd	100%	\$3	-	-
Drilling & Geological Services of Madagascar Ltd***	100%	-	-	-
Palladino Holdings Ltd	30%	\$7,743,534	-	-
Massabi Coal (Private) Ltd	30%	-	-	-

** Wholly owned subsidiary of Coal of Madagascar Ltd

*** Wholly owned subsidiary of Pan Africa Drilling Ltd

**** Wholly owned subsidiary of Coal of Palladino Holdings Ltd

2008

Coal of Africa Ltd	70%	\$62,038,453	\$32,137,722	-
Coal of Africa Ltd	30%	\$18,883,890	\$11,550,000	-
Index Mining and Management (Pty) Ltd*	100%	-	-	-
Langcarel (Pty) Ltd*	100%	-	-	-
Regulus Investment Holdings (Pty) Ltd	100%	\$959	-	-

* Wholly owned subsidiaries of Coal of Africa Ltd

30. SEGMENT INFORMATION

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment results, asset and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprises interest or dividend-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

BUSINESS SEGMENTS

The Consolidated Entity comprises the following main business segments:

Manufacturing	Mineral processing by NiMag in South Africa
Investing	Equity investments in Australia, South Africa and the United Kingdom
Coal exploration & mining	Coal projects in South Africa, Zimbabwe and Madagascar





Notes to and forming part of the Financial Statements (continued)

31. SUBSEQUENT EVENTS**Mooiplaats Project Update**

CoAL confirmed in early July that a revised mining layout has been finalised following an extensive reassessment of the mine plan and geological conditions at the Mooiplaats Project. Depending on the rate of development, export quality thermal coal is now expected to be reached in November 2009 at the earliest. There has been no material amendments to the anticipated tonnage schedules of the project's Life of Mine. Forecast ROM production for the next five years is as follows:

Calendar year	2010	2011	2012	2013	2014
ROM Production	1.7m	2.7m	3.1m	3.4m	3.2m

Operations at the Mooiplaats Project are currently producing 30,000 ROM tonnes per month of a mid volatile "lean" coal. In the event of an off-take agreement for this coal being finalised, production can be ramped up to over 80,000 tonnes per month. The Company has already reached agreement on terms and conditions for the off-take of the export quality thermal coal to be produced at the Mooiplaats Project.

First Train Loaded at Mooiplaats

In mid-September, the Company successfully completed its first sale and loaded its first train of mid volatile "lean" coal mined at the Mooiplaats Project. The coal was trucked from the mine to the Umlabo siding from where it was railed to the Matola Terminal in Maputo, Mozambique. Further trains will continue to be loaded to utilize the maximum stockpile of approximately 80,000 tonnes at the Matola Terminal. Shipping is expected to commence in the last quarter of 2009.

Vele Project Update

In early July CoAL confirmed that it will develop its Vele Project in two phases:

- Phase 1 – the establishment of a modular coal treatment plant with the ability to deliver approximately one million saleable tonnes (yield dependant) of coking coal per annum. The capacity of the modular plant can be doubled should ArcelorMittal wish to increase their off-take from the Vele Project, as indicated in the letter of intent signed in April 2008.
- Phase 2 - this phase will deliver the planned full capacity of 5 mtpa of saleable coking coal from the Vele Project and the implementation thereof will be dictated by market conditions.

Phase 1 will be launched on approval of the NOMR Application submitted to the DMR in November 2008.

Makhado Project Update

In July 2009, CoAL announced that it is progressing with the planning of its Makhado Project. The full scale production plan is based on the production of 5 mtpa of coking coal and, a phased modular approach used at the Vele Project may be applied at the Makhado Project. A phased approach will lower initial capital requirements enabling CoAL to self-fund the build up into a full capacity mine. The phased approach or full scale development of the mine will be determined by market conditions and the Company has prepared the documentation required for the NOMR Application to be submitted to the DMR. This application will be submitted once the section 11 approval for the swap of NOPR with Rio Tinto has been granted by the DMR.

Acquisition of 26% Interest in Limpopo Coal

During July 2009, CoAL executed two binding agreements to collectively secure the remaining 26% interest in Limpopo Coal Company (Pty) Ltd, the company that owns the Vele Project. Satisfaction of the suspensive conditions pertaining to the agreements will take CoAL's interest in the Vele Project to 100%. The consideration payable for acquisition of the 20% interest is 5,625,750 fully paid ordinary shares while 1,990,000 fully paid ordinary will secure the remaining 6% interest.

Black Empowerment Transaction

On 13 June 2008, CoAL entered into an agreement with Coal Investments Limited ("CIL"), pursuant to which CIL subscribed for shares and was granted an option which, if exercised, would result in African Global Capital I, L.P. ("AGC") and their affiliates holding in excess of 26% of the Company, ensuring full compliance with South African legislative requirements for broad based black empowered ("BBBEE") groups to have at least a 26% interest in mining companies by 2014.

On 30 September 2009, the Company announced that it had entered into a further agreement that replaced the abovementioned agreement with CIL. Pursuant to the new agreement, CoAL has agreed to issue a total of 50 million options exercisable at 60 pence each, expiring five years from the date of issue to Firefly Investments 163 (Pty) Ltd ("Firefly") which is wholly owned and controlled by historically disadvantaged South Africans. The options will be issued to Firefly, subject to Firefly not being able to exercise the options for a period of 12 months from the issue thereof. In addition, the issue of the options will be subject to certain regulatory approvals, including consent of the Australian





Foreign Investment Review Board. The “in the money” options will represent approximately 10.85% of CoAL’s issued capital upon being converted into ordinary shares. Firefly will also have the right to nominate two persons to the CoAL Board.

Appointment of a Non-Executive Director

At the end of August the Company announced the appointment of Mr Hendrik (“Kobus”) Verster as ArcelorMittal’s nominee non-executive Director to the CoAL Board. Mr Verster replaces Mr Pierre Leonard, who has stepped down from the Board as non-executive Director.

32. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:
 - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
 - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
 - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
 - there shall be no gain or loss from transactions affecting a parent’s ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group’s policy);
 - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
 - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
 - where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity’s share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group’s Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.





Notes to and forming part of the Financial Statements (continued)

32. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (continued)

- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.
- AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.
- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.
- AASB Interpretation 15: Agreements for the Construction of Real Estate (applicable for annual reporting periods commencing from 1 January 2009). Under the interpretation, agreements for the construction of real estate shall be accounted for in accordance with AASB 111 where the agreement meets the definition of 'construction contract' per AASB 111 and when the significant risks and rewards of ownership of the work in progress transfer to the buyer continuously as construction progresses. Where the recognition requirements in relation to construction are satisfied but the agreement does not meet the definition of 'construction contract', revenue is to be accounted for in accordance with AASB 118. Management does not believe that this will represent a change of policy to the Group.
- AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the Group.
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.





33. COMPANY DETAILS

The registered office of the Company is:

Coal of Africa Limited
Level 1, 173 Mounts Bay Road
Perth WA 6000
Australia

The principal places of business are:

Coal of Africa Limited

CoAL House
Pinewood Office Park
33 Riley Street
Woodmead 2191
South Africa

Portion 33

Farm Steenkoppies
Rustenburg Road
Magaliesburg
Gauteng
South Africa





DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 28 to 71, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and Consolidated Entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated at Perth, Australia this 30th day of September 2009.

A handwritten signature in black ink, appearing to read 'Simon Farrell'.

SIMON FARRELL

Managing Director





AUDITOR'S INDEPENDENCE DECLARATION

MOORE STEPHENS

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

- i. No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.

**NEIL PACE
PARTNER**

**MOORE STEPHENS
CHARTERED ACCOUNTANTS**

Signed at Perth this 30th day of September 2009.





INDEPENDENT AUDIT REPORT

MOORE STEPHENS

**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 (the company) and Coal of Africa Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 judgment, 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 entity's preparation and fair presentation of the financial report 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 entity'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.

Independence

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*, provided to the directors of Coal of Africa Limited on 30 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report

Auditor's Opinion

In our opinion:

- a. the financial report of Coal of Africa Limited and Coal of Africa Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Moore Stephens Perth ABN 75 368 525 284
Level 3, 12 St Georges Terrace Perth, Western Australia 6000
Telephone +61 8 9225 5355 Facsimile +61 8 9225 6181
Email perth@moorestephens.com.au Website www.moorestephens.com.au

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**Report on the Remuneration Report**

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Coal of Africa Limited for the year ended 30 June 2009 complies with Section 300A of the *Corporations Act 2001*.

NEIL PACE
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 30th day of September 2009.





TENEMENT SCHEDULE

TENEMENTS HELD BY CONTROLLED ENTITIES:

PROJECT NAME	TENEMENT NUMBER	INTEREST
Kanowna West*	M27/41	23.68%
	M27/47	23.68%
	M27/59	23.68%
	M27/72,73	23.68%
	M27/114	23.68%
	M27/181	21.31%
	M27/196	23.68%
	M27/414,415	23.68%
	P27/1826-1829	23.68%
	P27/1830-1842	23.68%
	P27/1887	23.68%
Abbotshall Royalty	ML63/409,410	Royalty
Kookynie Royalty	ML40/061	Royalty
	ML40/135,136	Royalty
Halfontein	Remaining extent, Remaining Extent of portions 1, 5 and 11 and portions 4, 6, 9, 10, 12 and 13 of the farm Halfontein 138 IS	100%
Makhado (previously Baobab)	Albert 686 MS	100%
	Ancaster 501 MS	100%
	Bekaf 650 MS	100%
	Castle Koppies 652 MS	100%
	Cavan 508 MS	100%
	Chase 576 MS	100%
	Cohen 591 MS	100%
	Enfield 521 MS	100%
	Fanie 578 MS	100%
	Fripp 645 MS	100%
	Joffre 584 MS	100%
	Jutland 536 MS	100%
	Kleinenberg 636 MS	100%
	Tanga 648 MS	100%
	Voorburg 503 MS	100%
	Wildgoose 577 MS	100%
	Stayt 183 MT	74%
	Riet 182 MT	74%
	Salaita 188 MT	100%
	Telema 190 MT	100%
	Vleifontein 691 MS	100%
	Rissik 637 MS	100%
	Stubbs 558 MS	100%
	Mons 537 MS	100%

PROJECT NAME	TENEMENT NUMBER	INTEREST
Mooiplaats	Portions 1, 9 and various portions of Mooiplaats 290 IT	100%
	Portion 2, 3 and Remaining Extent of Klipbank 295 IT	100%
	Portions 1, 2 and Remaining Extent of Adrianople 296 IT	100%
	Portions 2 & 3 of Willemsdal 330 IT	100%
	Portions 2, 3, 4 & Remaining Extent (excluding portion 1) of De Emigratie 327 IT	100%
	Portions 2, 5, 8 & 13 of Buhrmansvallei 297 IT	100%
	Various portions of Klipfontein 442 IS	100%
Vele (previously Thuli)	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	74%
	Bergen Op Zoom 124 MS	74%
	Semple 155 MS	74%
	Voorspoed 836 MS	74%
	Alyth 837 MS	100%
	Lizzuela 62 MS	100%
	Patracia 65 MS	100%
	Hacyon 69 MS	100%
Madagascar	Licence number 3196 (3 blocks)	50%
	Licence number 4578 (4 blocks)	50%
	Licence number 12653 (4 blocks)	50%
	Licence number 31892 (4 blocks)	50%
	Licence number 31808 (10 blocks)	50%





SHAREHOLDER INFORMATION

The following additional information is provided in compliance with the Listing Rules of the Australian Securities Exchange, which apply to listed public companies. This information is current as at 11 September 2009.

DISTRIBUTION SCHEDULES

SHARES: ORDINARY FULLY PAID

RANGE	HOLDERS	UNITS	%
1 - 1,000	541	252,682	0.06
1,001 - 5,000	632	1,787,390	0.43
5,001 - 10,000	289	2,292,267	0.56
10,001 - 100,000	364	10,460,108	2.54
100,001 - Over	41	397,127,189	96.41
Total	1,867	411,919,636	100.00

UNLISTED OPTIONS: 30 NOVEMBER 2009 @ £0.65

RANGE	HOLDERS	UNITS	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	1	79,488	12.48
100,001 - Over	2	557,056	87.51
Total	3	636,544	100.00

The following hold 20% or more of the Options in this class:

Mirabaud Securities Limited 557,056

UNLISTED OPTIONS: 31 JULY 2010 @ \$3.25

RANGE	HOLDERS	UNITS	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1	1,650,000	100.00
Total	1	1,650,000	100.00

The following hold 20% or more of the Options in this class:

Riaan-Hestie Trust 1,650,000





Shareholder Information (continued)

UNLISTED OPTIONS: 30 SEPTEMBER 2011 @ \$0.50

RANGE	HOLDERS	UNITS	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	9	9,200,000	100.00
Total	9	9,200,000	100.00

The following hold 20% or more of the Options in this class:

Mr Simon Farrell	4,000,000
Terra Africa Investments	2,000,000

UNLISTED OPTIONS: 1 MAY 2012 @ \$1.25

RANGE	HOLDERS	UNITS	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	3	600,000	100.00
Total	3	600,000	100.00

The following hold 20% or more of the Options in this class:

Mr Isaac Thulani Maupa	200,000
Mr Kobela Charles Mafiri	200,000
Mr Lemogang Alvin Pitsoe	200,000

UNLISTED OPTIONS: 1 MAY 2012 @ \$2.05

RANGE	HOLDERS	UNITS	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1	250,000	100.00
Total	1	250,000	100.00

The following hold 20% or more of the Options in this class:

Mr Colin Gordon	250,000
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**UNLISTED OPTIONS: 30 SEPTEMBER 2012 @ \$1.90**

RANGE	HOLDERS	UNITS	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1	1,000,000	100.00
Total	1	1,000,000	100.00

The following hold 20% or more of the Options in this class:

Mr Blair Sergeant & Bronwyn Gaye Lukic
 <Rio Grande do Norte Super Fund> 1,000,000

UNLISTED OPTIONS: 30 SEPTEMBER 2012 @ \$1.25

RANGE	HOLDERS	UNITS	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	2	7,000,000	100.00
Total	2	7,000,000	100.00

The following hold 20% or more of the Options in this class:

Mr Richard Linnel 2,000,000
 Mr Simon Farrell 5,000,000

UNMARKETABLE PARCELS

The number of holdings of less than a marketable parcel of ordinary shares (being 300 ordinary shares) equals 21,637 units held by 204 holders.

RESTRICTED SECURITIES

The Company currently has no restricted securities.

SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the Company's register as at 11 September 2009 are:

SHAREHOLDER	# OF SHARES	% INTEREST
ArcelorMittal S.A.	67,044,419	16.30
Africa Management Limited	71,310,512	17.34
M&G Investment Funds (3); M&G Investment Management Limited; M&G Limited; M&G Group Limited; Prudential plc	39,906,002	09.70
Merrill Lynch & Co Inc	34,056,434	08.55
Global Coal Management plc	20,300,000	05.74





Shareholder Information (continued)

VOTING RIGHTS

Voting rights attached to ordinary shares are that upon poll, each share shall have one vote, and on show of hands every member present in person or by proxy shall have one vote. Option holders are not entitled to vote.

TOP HOLDERS

The 20 largest registered holders of each class of quoted securities as at 11 September 2009 were:

FULLY PAID ORDINARY SHARES

NAME	NO. OF SHARES	%
HSBC Global Custody Nominee (UK) Limited	69,219,993	16.83
Goldman Sachs Securities (Nominees) Limited	37,500,000	9.12
L P African Global Capital	33,810,512	8.22
Nortrust Nominees Limited	33,206,022	8.07
Nutraco Nominees Limited	27,368,490	6.65
South African Coal Limited	12,200,000	2.97
HSBC Custody Nominees (Australia) Limited	8,966,595	2.18
Greenwood Nominees Limited	8,100,000	1.97
Zero Nominees Pty Ltd	8,005,000	1.95
State Street Nominees Limited	7,500,000	1.82
National Nominees Limited	7,242,441	1.76
Prudential Client HSBC GIS Nominee (UK) Limited	6,700,000	1.63
Credit Suisse Client Nominees (UK) Limited	6,622,643	1.61
Chase National Limited	6,556,583	1.59
Euroclear Nominees Limited	5,891,719	1.43
Deutsche Bank Aktiengesellschaft London	5,768,910	1.40
J P Morgan Nominees Australia Limited	5,370,428	1.31
Jannie Abraham Nel	5,000,000	1.22
Citicorp Nominees Pty Limited	4,272,837	1.04
Motjoli Resources	4,250,000	1.03
	303,552,173	73.79





COAL *of* AFRICA LIMITED

