



COAL of AFRICA LIMITED



INTEGRATED REPORT 2014

Scope of the report

In line with international trends and best practice, Coal of Africa Limited (CoAL or the Company) continues its journey towards integrated reporting in this annual integrated report for the year ended 30 June 2014.

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

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

www.coalofafrica.com

This report was compiled according to the King Report on Governance for South Africa 2009 (King III), as well as the requirements of the Global Reporting Initiative (GRI) guidelines. In line with our commitment to responsible mining, we have reported on our sustainability performance with the aim of incrementally improving both our performance and reporting in this area and, in this respect, our reporting is aligned with the principles of the International Council on Mining and Metals (ICMM).

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

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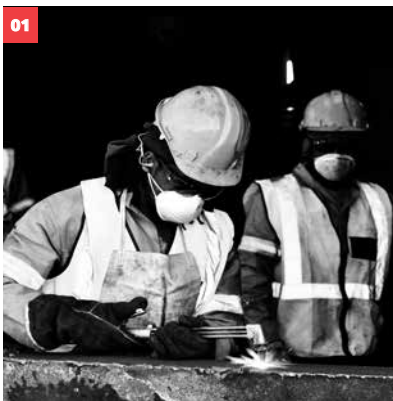
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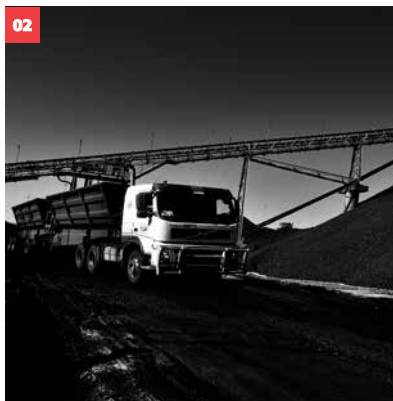


FORWARD-LOOKING STATEMENT DISCLAIMER

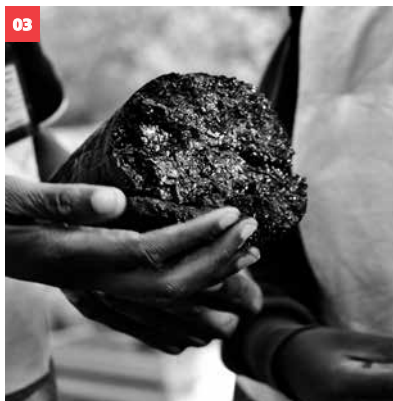
This report contains forward-looking statements which are not historical facts. Any statement that expresses or implies CoAL's intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. Forward-looking statements involve inherent risks, uncertainties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

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

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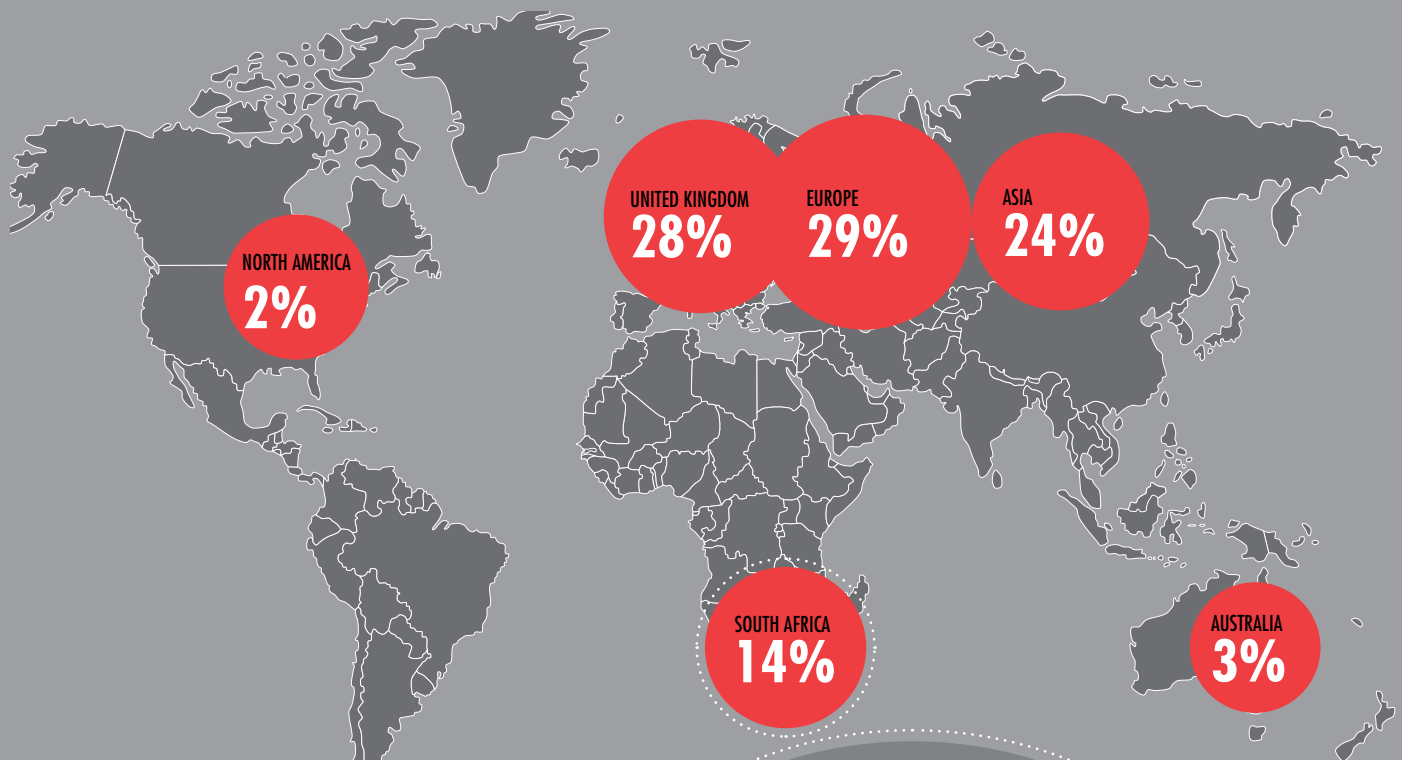
03



01, 02, 03 CoAL will serve both domestic and international markets with a much-needed resource for economic growth and development.

About Coal of Africa

SHAREHOLDERS BY GEOGRAPHY as at 30 June 2014



LOCATION OF PROJECTS:

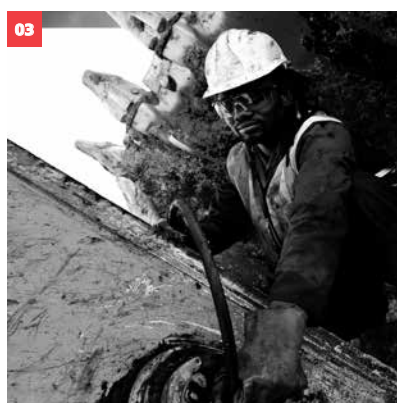
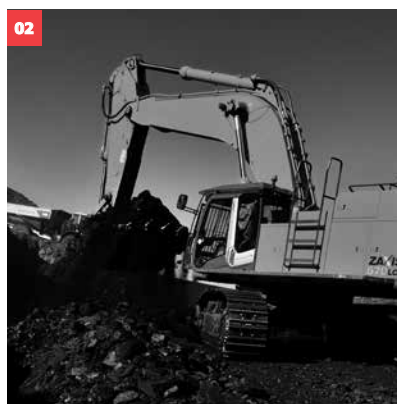
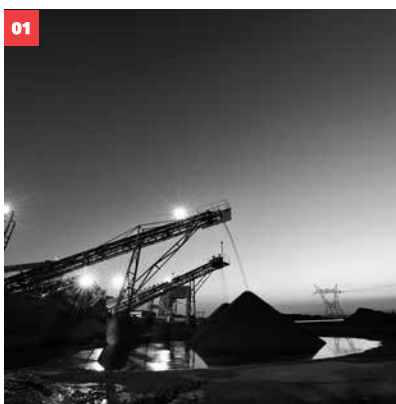
- 1 Vele Colliery
- 2 Makhado Project*
- 3 Great Soutpansberg Project*
- 4 Tshipise Energy Project**
- 5 Woestalleen Complex and Vuna Colliery
- 6 Mooiplaats Colliery

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

LEGEND

-  Limpopo assets
-  Mpumalanga assets
-  Cities
-  Towns
-  Ports





- 01 Stockpiles at Mooiplaats Colliery.
- 02 ROM handling.
- 03 CoAL is committed to the responsible development of our projects.

CoAL is an emerging coal development company operating in the Limpopo province of South Africa. With good access to rail and port infrastructure, CoAL can effectively service domestic and international markets; providing a much-needed resource for economic growth and development for the country and the province in which we operate.

CoAL is listed on three stock exchanges, the main listing being on the ASX and secondary listings on the AIM of the LSE, and the JSE.

CoAL operations and projects comprise:

Vele Colliery, a thermal and semi-soft coking coal colliery, which has suspended production in anticipation of the plant modification process to enable the production of a dual saleable product basket to include semi-soft coking coal.

Makhado Project, a thermal and hard-coking coal resource, placed to be the crown jewel development for CoAL. The project currently awaits the granting of its new order mining right (NOMR) with construction planned to begin in CY2016.

Greater Soutpansberg Project (MbeuYashu), is a long-term project in CoAL's strategy, contiguous to the Makhado Project, with a significant thermal and hard coking-coal resource. Greater Southpansberg Project is divided into three projects:

- Mopane
- Chapudi
- Generaal

We are committed to the responsible development and management of our collieries and projects. Seeking to support and comply with environmental, social and all other legislation, we regularly and transparently engage with all of our stakeholders. In acknowledgement that mining has an environmental impact, we strive to mitigate this and ensure we leave an enduring, positive, social and economic legacy; particularly for those communities surrounding our operations.

For a detailed review of our operational performance and strategy please refer to the CEO's review on pages 10 to 13 and the sustainable development section on pages 16 and 34.

Shareholders by geography (%)



● Australia	3
● South Africa	14
● UK	28
● Asia	24
● Europe	29
● North America	2

Five-point strategy

The main aim of our strategy is to ensure the delivery of value to all our stakeholders in the medium term.



01 Vele Colliery production suspended in anticipation of plant modification.

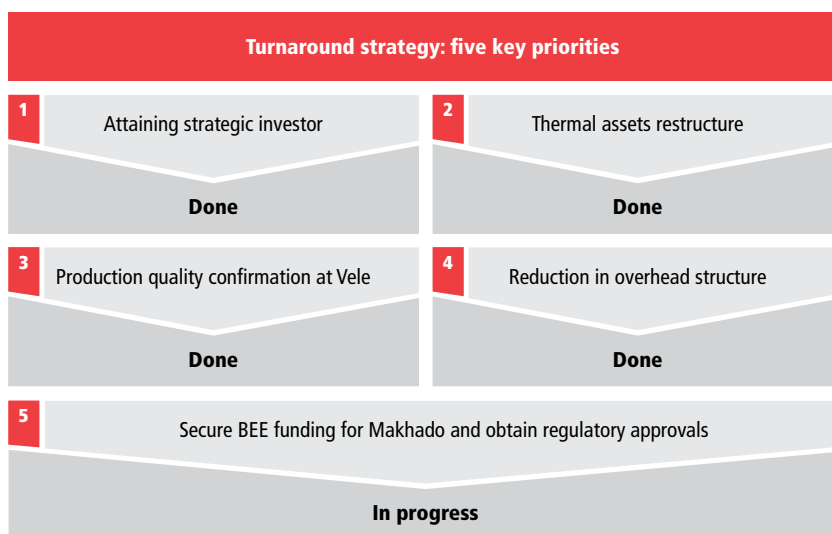
Although CoAL has been a producer, our primary focus is on the evaluation and responsible development of thermal and coking-coal projects in South Africa, with Vele and Makhado the first projects in the short to medium term.

Vele is the first of CoAL's pipeline of coking coal projects, with the others at various stages

of exploration and evaluation. Vele Colliery's operations are currently suspended in anticipation of the planned plant modification process due to start in CY2015.

The main aim of our strategy is to ensure the delivery of value to all our stakeholders in the medium term.

CoAL's main focus during FY2014 was the successful execution of our short-term turnaround strategy.



We delivered and continue to engage on this strategy by:

- Employing staff with appropriate skills and experience to bring projects on line safely, responsibly and cost-effectively
- Developing and operating our assets in compliance with the law
- Disposing of non-core assets
- Monetising of near-cash assets
- Reducing overhead costs
- Active, regular and transparent consultation with our stakeholders to achieve mutually favourable outcomes

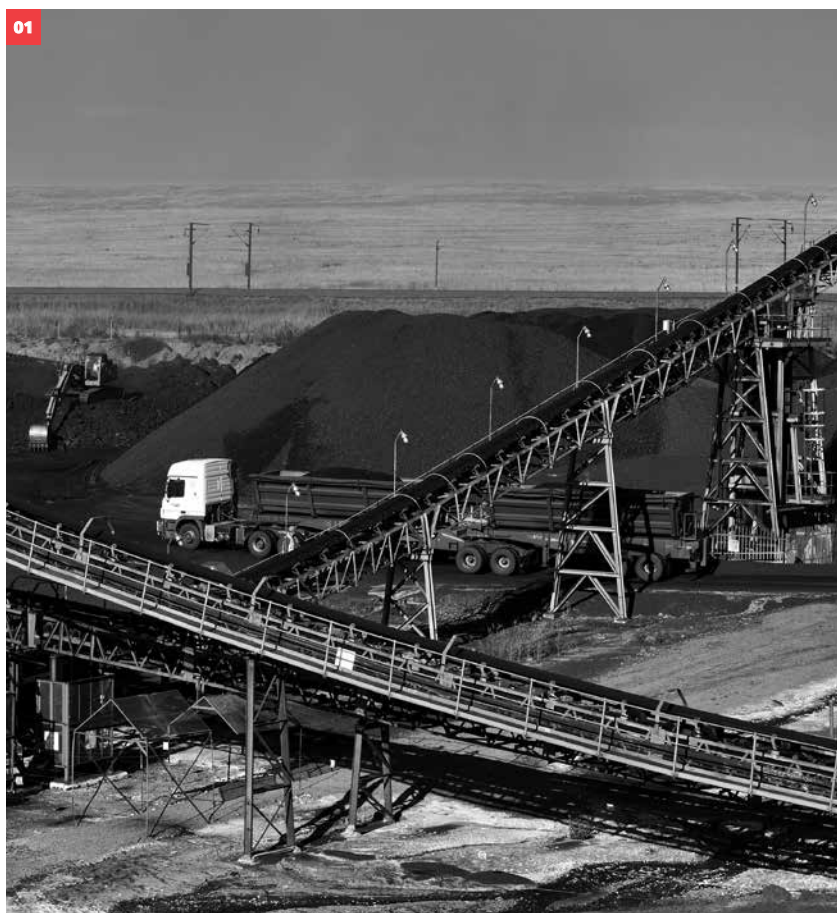
Operational statistics

	Vele		Mooiplaats		Woestalleen Complex		Total	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
ROM production (t)	134,832	536,846	75,146	755,251	—	2,485,208	209,978	3,777,305
ROM coal processed (t)*	140,821	519,718	80,037	762,286	303,331	2,088,595	524,189	3,370,599
Overall yield	**	**	76.3%	70.3%	32.7%	74.7%	41.8%	73.6%
Total coal produced (t)	33,306	149,690	61,057	535,805	99,257	1,922,149	193,620	2,607,824
Export coal (t)	33,306	149,690	—	313,573	—	965,473	33,306	1,428,736
Middlings coal (t)	—	—	61,057	222,412	99,257	956,676	132,563	1,179,088
Total coal sales (t)	***	—	63,562	300,984	—	1,313,651	91,911	2,543,902
Export (t)***	***	***	—	***	—	***	28,349	1,043,605
Inland (t)	—	—	—	76,089	—	466,014	—	542,103
Eskom (t)	—	—	63,562	216,460	—	741,374	63,562	958,194

* Woestalleen Complex processed third-party coal on a cost plus basis and was not available for sale.

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

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



01 Mooiplaats stockpiles and beneficiation plant.

YEAR IN REVIEW

The year under review was one of transition and turnaround, positioning CoAL to begin successfully developing its resource base





Chairman's statement

The Company's existence has been secured in preparation for steady future growth and development.



Bernard Pryor
Chairman

Dear Stakeholders

Having assumed the role of chairman in February 2014, I am honoured to present my first report to you. I hope that it will be of interest to you, providing insight into our performance and progress on our five-point turnaround strategy, positioning the Company for growth.

A CHALLENGING YEAR

In previous market climates, we focused on developing projects with volume as a key driver. Our focus is now on maximising margins and free cash flows. This drove the strategy priority to dispose of our non-core operating assets and direct our full attention to the Vele Colliery as well as Makhado, our flagship project with the ability to produce premium high-quality coking coal.

The year under review was one of transition and turnaround. Challenging as it was, we are confident that while key decisions were made against the backdrop of bearish commodity prices, uncertain global growth forecasts and volatile equity markets, we have secured the Company's existence towards financial stability, preparing us for steady future development. These decisions were also influenced by regulatory uncertainty in South Africa and we are confident that the new mining Minister will provide clarity and certainty, a prerequisite for all long-term investments. The debate and discussion over BEE structuring and state participation in mining projects continues to fill media columns and a key focus for the Makhado Project is to attract and secure compatible BEE partners.

The decline in international commodity prices has resulted in decreased returns and has required mining companies to cut costs and in many instances, marginal operations have been closed or sold. The global banking crisis experienced several years ago has resulted in an aversion to risk which negatively affects investment in junior exploration, development and mining companies and given their limited capacity to access debt markets, capital utilised for exploration and development has to be allocated sparingly and in some cases, delayed until commodity prices improve.

IMPLEMENTATION OF OUR FIVE-POINT STRATEGY

This Company commenced with a turnaround strategy in late 2012 and this continued through the reporting period. The strategy has been substantially completed and David Brown has detailed the progress and challenges of this process in his CEO's review. Stakeholders have been regularly appraised on the progress of the strategy which has resulted in the disposal of non-core and loss-making assets, including the Mooiplaats Colliery and Woestalleen Complex. Difficulties in accessing capital directly affected the sale of the Mooiplaats Colliery as buyers face increasing hurdles to satisfy funders and I am pleased to say that agreements to dispose of the mine were signed post year-end. The delay in the BBBEE parties obtaining funding has also deferred their investment in the Makhado Project and the Company continues to provide technical assistance in this regard.

CoAL endured a period of uncertainty over some significant liabilities which I am pleased to say have been now crystallised. We are in the final stages of settlement, a major achievement given the current commodity price and cash flow environment.

LOOKING FORWARD

Although growth in China has slowed down from the previous high levels, it continues to underpin the world demand for various raw commodities. There is consensus that China will continue to tighten its belt, certainly in the shorter term. However the projected year-on-year growth levels of 7.5% will require significant commodity imports. We therefore remain confident of volume demand in spite of the uncertain commodity pricing and our focus is to reduce costs while producing a high quality product to ensure steady markets. We acknowledge stakeholder concerns in the development of the Company but are satisfied with the progress thus far, confident of delivering value in the short to medium term.

APPRECIATION

I am grateful to David Brown and his team, who have been diligent and hard working through this challenging year. I also wish to thank you, our shareholders for your patience, which has been fully tested.

I wish to reaffirm our revision strategy to you, while assuring you of our exceptional coking coal assets that will create real value for all stakeholders.

A handwritten signature in black ink, reading 'Bernard Pryor'.

Bernard Pryor
Chairman
29 September 2014



CoAL is positioned to begin the process of successfully exploiting its significant resource base.



David Brown
CEO

The past financial year has been one of great progress for our Company in resolving many of the legacy issues that have plagued its ability to create value over the past few years, and in the successful conclusion of the turnaround strategy that was initiated in CY2012. As a result, CoAL is now positioned to begin the process of successfully exploiting its significant resource base.

A CHALLENGING MARKET

The year though was not without its difficulties and this has been reflected in our Company's share-price performance. This performance has been of significant concern to the Board and management, and all plans have been formulated with this in mind. Given the current commodity outlook for both thermal and metallurgical coal, it is fair to say that, when coupled with Company-specific aspects, the translation of turnaround efforts into tangible share price performance is a medium- to long-term objective.

Commodity companies across the board have seen a significant decline in equity values with billions of Dollars worth of impairments recognised. The over-exuberance of the equity market for commodity stocks at any price has been replaced with a back-to-basics approach of reducing the operating cost base and spending capital on selective projects. But even the adoption of the back-to-basics approach has proved insufficient, given that coal prices have fallen faster than the benefits being realised by management teams. These forces are amplified in the junior mining space.

In recent times, both thermal and metallurgical coal prices have seen very sharp reductions. Since the highs of 2010, thermal prices have declined by 84% while metallurgical coal prices are down by 73.2%. Quite naturally, these reductions too have very significant impacts on the valuations of junior coal-mining companies.

FULFILLING OUR VISION

CoAL has a vision to responsibly produce 6.7 million tonnes of coal per annum by 2020. The production build-up will see Vele Colliery back in production in 2016, followed by Makhado with first production in late 2018, early 2019. This would include hard coking coal, semi-soft

coking coal and thermal coal products. In addition, there is a healthy pipeline of additional projects to augment that production profile. The ultimate production profile is dependent on access to capital, the health of the commodity markets and ease of the regulatory environment.

SAFETY, HEALTH AND ENVIRONMENT

Despite our reduced operational focus, we still sought to ensure that safety, health and environmental aspects remained a priority. With regard to safety we recorded only one lost time injury at the Woestalleen operation in January 2014 (FY2013: 14). Further, during this period of reduced operations, we have used the opportunity to review and amend, where necessary all our codes of practice and fatal risk protocols to ensure that, when the Company is an operating entity again, we will be ready to restart with our safety aspects in hand.

On the environmental side, we have again had the opportunity to review all our on-site processes with respect to all our licensing provisions. The South African mining industry is a significantly regulated industry and adherence to those regulations is a priority. For example at Vele Colliery, we have licence requirements under the Department of Mineral Resources (DMR), Department of Environmental Affairs (DEA) and the Department of Water Affairs (DWA). This complex interplay requires a diligent monitoring process. To ensure we have line of sight for all the requirements and monitor all actions on site, CoAL had to design and implement a system to record the full spectrum of activities. During the year under review, we ensured compliance at our sites, particularly at Vele Colliery. I wish to extend my thanks to the Environmental Management Committee (EMC), which draws all relevant internal and external stakeholders together, for their monitoring work. This committee truly represents the vision that industry and the agricultural and leisure sectors can co-exist. It is important for all to understand one cannot work without the other.

FINANCIAL PERFORMANCE

CoAL has reduced its loss for the current financial year to \$84 million (FY2013: \$148 million). This includes the loss from discontinued operations of \$20 million, which has been significantly reduced from the previous year of \$83 million. This clearly demonstrates the positive impact of the turnaround strategy. In addition, by reducing cash burn through placing the identified non-core assets on care and maintenance, an even greater saving will be reflected in FY2015. The loss also includes non-cash charges of \$54.2 million (FY2013: \$106.4 million) which include the following items:

- Impairment of Mooiplaats of \$14.9 million (FY2013: \$48.5 million)
- Depreciation and amortisation of \$2.2 million (FY2013: \$28.6 million)
- Unrealised foreign exchange losses of \$36.4 million (FY2013: \$28.6 million)

Total unrestricted cash balances at year-end, including cash held by operations available-for-sale of \$2.1 million (FY2013: \$29.9 million). The successful conclusion of the announced equity raise (\$64.9million) and the sale of Mooiplaats Colliery (\$23.47 million) will provide the Company with sufficient funds for the expected working capital requirements for at least the next 18 months.

EXECUTION AGAINST OUR FIVE-POINT STRATEGY

The real focus of the year has been the successful execution against our five-point turnaround strategy. Key components of these were:

1. Attaining a strategic investor: This was completed during February 2013. It was vital that, during the current commodity cycle that our "anchor" investor was one who understood the commodity market as well as mining. We have spent some time ensuring that our strategy and direction are well accepted. Good acceptance will translate into strong support in the execution of our strategies.
2. Reduction in overhead structure: This was completed in July 2013. In addition we had to ensure that we stopped the cash burn at our loss-making collieries. This was completed in October 2013.
3. Product confirmation at Vele Colliery: This was completed in August 2013 with ArcelorMittal South Africa (AMSA) completing its testing in December 2013.
4. Disposal of non-core assets: We had targeted completion of the sale of five non-core assets during June 2014. We have, post the balance sheet date, signed a sale and purchase agreement with a third party for the sale of Mooiplaats. This last agreement means that we have now concluded agreements for the sale of all five identified assets. The sale of Woestalleen is complete and the proceeds have been received. The sale agreement for Opgooedenhoop has been signed and the deposit of \$0.5 million has been received. An option agreement has been signed in respect of Holfontein and the option fee has been received. Lemur shares were exchanged for Bushveld Minerals shares and we have sold over half of our holding. We will sell the balance as and when we see any market strength.
5. Regulatory approvals for Makhado and securing of the funding for the BEE stake in the project: We had hoped to complete this by September 2014. Given the immense complexities in ensuring that we have a cohesive set of agreements that will provide a stable environment so value can be created for all, we have extended our time frame into early CY2015.

CORPORATE MATTERS

On the legal front, we had one material matter to be resolved, and this was resolved post the

balance sheet date. The outcome on the Envicoal matter is being reviewed but we have made a provision of \$2.2 million in our accounts.

The Company has, over the past 12 months, ensured that all new contracts going forward are negotiated on a sound commercial basis and are reviewed by appropriate external counsel. It is worth repeating that, when I first joined the Board as non-executive Chairman, I recorded a "to do" list of legal matters/contractual obligations to resolve. This list excluded any amount still due to Rio Tinto for the Chapudi acquisition, part of the Greater Soutpansberg Project (GSP). This amounted to approximately \$150 million. The management team has, over the past 18 months, resolved all these matters.

There are four matters, which require some additional explanation:

- The first relates to the settlement of the Grindrod take or pay settlement. The Company reached an agreement with Grindrod for the settlement of both historic and future liabilities, up to the end of December 2016, remaining under the current terms of the August 2008 throughput agreement.
- The second significant item is the sale of Mooiplaats. The Mooiplaats Colliery disposal process continued during the year and the Company has signed a sale and purchase agreement with a potential buyer, who is currently pursuing funding for the process.
- The third significant matter is the settlement of the Rio Tinto liability for the Chapudi acquisition. This matter has not been resolved as yet despite a significant amount of time being allocated to the issue. The Company negotiated in good faith to find a satisfactory deferred payment mechanism but, owing to the conditionality attached to the equity raise, it was deemed prudent not to enter into any binding legal agreements committing the Company to an outcome that might prove unaffordable. Progress on this will continue in the new financial year.
- Lastly, the final significant matter is the recently announced equity raise. The Company entered into conditional agreements with certain existing and new investors to raise up to approximately GBP38.225 million (or approximately \$64.9 million) through the issue of up to 695,000,000 new shares in the Company at an issue price of GBP0.055 per share. An extraordinary general meeting was held on 25 September which approved the Board to proceed with the issue.

If the equity raise is successful this will allow the management team to continue its execution success by concentrating on restoring value to the shareholder base, following a logical sequence of project development.

PROGRESS AT VELE COLLIERY

The first project is the plant modification at the Vele Colliery. This is a brownfields project because the colliery has an existing plant and open pit available for mining. The Company operated Vele Colliery for approximately 18 months, an important aspect as this established a good understanding on how to mine and process the coal resource. We are progressing on all aspects required to restart the colliery with an improved plant. Four critical factors relate to funding, regulatory approvals, front-end engineering design being completed and off-take agreements concluded, thus ensuring a home for our production. In dealing with these four factors:

- Funding will be completed upon the successful completion of the equity raise.
- Regulatory approvals are being sought from two regulatory bodies, namely the DEA and the DWA. The DEA process entails applying for an amendment to the environmental authorisation (EA), which was originally granted in 2011. This authorisation is anticipated shortly. The DWA process entails a single application covering two separate aspects and will cover any amendments to our current Integrated Water Use Licence (IWUL) to cover the plant modification, run-of-mine and final product stockpiles. We will also seek to renew our current IWUL as this expires in 2016. We have adopted a prudent and responsible approach by applying for the extension to our current IWUL nearly two years ahead of expiry date, thus demonstrating our commitment to upholding our regulatory responsibilities.
- On the front-end engineering design, we have relooked at our capital requirements in conjunction with the product suite we wish to produce. Given the current depressed state of the coal commodity market, we have reduced our proposed capital expenditure significantly from that which we announced at our last year's results. We believe this again demonstrates management's commitment to enhancing shareholder returns.

The front-end engineering process should be completed by the end of October 2014 and will enable the Company to proceed to the next step, which will be to appoint an engineering, procurement and construction (EPC) contractor to carry out the plant modifications.

- On the matter of off-take agreements for the sale of our product, extensive product testing has been conducted and the outcome of these tests has been extremely positive. We have thus confirmed that we have markets for our final product having signed a letter of intent from AMSA. Pricing aspects still need to be finalised

as, while current prices are instructive as to forward prices, we will only be selling our product in CY2016.

Based on the above factors, we should see all conditions met during early CY2015, with construction starting towards the middle of CY2015, and production in early to middle CY2016.

PROGRESS AT MAKHADO

Makhado is our flagship project, which will have positive impacts within the project area as well as for South Africa. This is classified as our medium-term project. Our BEE structure will be finalised during CY2015. The current structure entails selling a 20% stake to the communities around the proposed mine site with an additional 6% earmarked for individual investors. In addition we will look to assist in the fundraising activities required to finance the purchase of this stake in the project. Our application for a New Order Mining Right (NOMR) has been made to the regional DMR in Limpopo. While our application is at an advanced stage, the BEE transaction agreements need to be completed before the NOMR can be granted. The Company has been consulting with interested and affected parties (I&APs) in the region for at least four years.

In addition, CoAL will embark on a process to sell a stake – as much as a 23% shareholding – to a strategic investor in the project. Coupled with an acceptable level of project debt, the sale will ensure that the project is fully funded. This process is planned to run in parallel with front-end engineering design work on the project and the selection of an appropriate contractor with the requisite skills to deliver a project of this nature and size.

Construction could potentially begin in CY2016 with construction and ramp-up continuing for approximately 30 months. This would mean that production could start in late CY2018, early 2019.

PROGRESS AT GSP

GSP, comprising the Mopane, Chapudi and Generala projects, needs further evaluation. The Company believes that there are areas which are potentially more profitable due to the presence of hard coking coal and higher yields than Vele Colliery or Makhado.

The Company is mindful of its environmental obligations as should all users of natural resources irrespective of the sector in which they operate. The issue of water resource is crucial for all parties to work towards a solution that can accommodate all stakeholders in the region. We have stated that we wish to participate in a regional impact assessment to ensure that such a study is an inclusive one.

THE MARKET

As mentioned briefly above, the commodity market for coal during the past financial year was characterised by weak demand, particularly in China and Europe, as both of these economic blocks attempt to obtain higher levels of economic growth. This was coupled with a lack of producer discipline, which saw significant growth in supply at a time of declining demand for both thermal and metallurgical coal.

The benefit of the lower pricing environment is that we have seen unprofitable production being removed from the supply equation. There is, however, much more production that will still need to be curtailed. The current situation has also resulted in less investment in new coal projects. Thus, if we combine less supply with an underinvestment in coal projects, coupled with increased demand going forward, prices should improve. This improvement is expected from 2016 onwards, and augurs well for our Company as we will only be producing in CY2016, and will therefore supply into an improved pricing environment.

SOUTH AFRICAN MINING ENVIRONMENT

The South African mining environment has seen significant labour instability during the past two years, which requires a long-term solution to be put in place to provide more predictability for both the mining companies as well as labour. This predictability would provide the benefit of re-establishing South Africa as a premier investment destination for mining, provide much-needed jobs, as well as provide a steady income stream for the state so it can embark on projects that provide improved lives for its citizens.

There is, without a doubt, a need for mining companies to recognise and acknowledge their social responsibilities but it is equally important to understand that only by working together – government, labour and companies, can we create a vibrant industry.

The industry has much to contribute to the community and society at large but the industry needs greater certainty. The continued changes and/or discussions around the future of the industry create uncertainty and therefore inhibit the much-needed foreign investment.

While a new compact between capital and labour needs to ensure fair remuneration, at the same time there needs to be an understanding that productivity is key to turning around a mining industry that is hostage to internationally set commodity prices and global competition in the supply of those commodities. Continued pressure on costs in the absence of improved productivity is not sustainable.

All parties need to play their part – government needs to provide consistent legislation, which is appropriately regulated on a fair and reasonable basis, mining companies need to abide by the social compacts, and labour needs to provide greater productivity and hence help create a sustainable industry that can create a vibrant society.

OUTLOOK

There has been much success this year in resolving the myriad of legacy issues and advancing the projects. The signing of the sales agreement for Mooiplaats means that all legacy matters have either been resolved or are in hand. The Company can now look forward to the pursuit of the multiple growth opportunities available via Vele Colliery, Makhado and the Greater Soutpansberg Project. We are confident that these projects will come on stream in a more positive economic future.

APPRECIATION

I would like to thank the staff of Coal of Africa for their dedication in what has been a very difficult year. In addition, I extend my thanks to the Board for their wise counsel during the past year.



David Hugh Brown

CEO

29 September 2014

SUSTAINABLE DEVELOPMENT **REVIEW**

CoAL acknowledges that it is only through sustainable business practices that we can effect positive, long-term impacts in our host communities



Sustainable development: **material issues**

Our objective is to deliver value to our shareholders while simultaneously effectively managing the environment and creating long-term social and economic benefit for host communities.

INTRODUCTION

Sustainability lies at the heart of CoAl's business principles, recognising that the benefit of our operations extends beyond our bottom line. With an existing colliery and all of our development projects based in Limpopo province, we acknowledge that only through sustainable business practices will we be able to effect positive change in our host communities. Embracing sustainable development principles requires commitment to the creation of long-term benefits that outlive the operational life cycle of our mines.

As such, CoAl is committed to operating in a safe, equitable and sustainable manner, focusing on the management and mitigation of potential risks to the safety and health of our people, host communities and to the environment in which we operate.

We believe that the journey to sustainable development involves not only compliance with all applicable legislative requirements but progresses through regular and transparent engagement with stakeholders, the mitigation of potential risks, the responsible use of materials and natural resources, harnessing the collective knowledge and experience of the team to develop and implement sound sustainable solutions. Our objective is to deliver value to our shareholders while simultaneously effectively managing the environment and creating long-term social and economic benefit for host communities.

SAFETY AND SUSTAINABLE DEVELOPMENT POLICY

OUR VISION

CoAl is committed to operate and undertake our projects in a responsible manner, achieved through integrating sustainable development at every stage of the value chain. The safety and health of employees and host communities and the protection of the environment are business imperatives that receive dedicated commitment.

OUR POLICY

We expect to achieve our commitments by:

- Engaging in ethical business practice that is underpinned by sound corporate governance and compliance with applicable legislation
- Providing a safe and healthy working environment for our people, and continually investigating ways to improve our safety and health performance
- Holistic management of the health and wellbeing of our people
- Conducting our operations in a manner that seeks to retain the integrity and functionality of the ecosystems and landscapes in which we operate, and continually explore ways in which to improve our environmental performance
- Driving responsible material stewardship, from exploration to mining, to recycling and finally to closure
- Identify potential hazards, assess the potential exposure and implement effective mitigating measures
- Developing safety and sustainable development management systems, aligned to international standards and best practice to manage potential hazards and risks, set measurable objectives and drive continuous improvement, through monitoring, inspections and audits.
- Learning from incidents to ensure zero repeats
- Implementing a robust communication strategy that ensures open, engaging and transparent communication with our people and our stakeholders
- Understanding the social and economic needs of our host communities and working with the communities to ensure that our investment and interventions are meaningful and sustainable

SUSTAINABLE DEVELOPMENT JOURNEY

Central to the implementation of CoAl's sustainability development framework are the four pillars of People, Planet, Profit and Governance.

The Company's sustainable journey over the short, medium and long term follows three phases:

- Lead and innovate
- Operationalise and embed
- Commit and mobilise



MATERIAL SUSTAINABLE DEVELOPMENT ISSUES

Our commitment to the four pillars of our sustainability development framework continues with the following sustainability issues we deem material linked to each:

PEOPLE	Ensure the health and safety of our employees	  
	Foster a diverse and respectful working environment	 
	Invest in the development of our people	
	Respect and add value to the communities in which we operate	
PLANET	Continuously minimise our use of resources	  
	Understand and mitigate our environmental impacts	 
	Offset our impacts where possible	 
	Build a climate-resilient value chain	
PROFIT	Embed sustainability in new projects	   
	Contribute to the development of local enterprise	  
	Provide adequately for the future	
	Create value for our host communities beyond life of mine	  
GOVERNANCE	Lead by example and commit to sustainability	 
	Report transparently and consistently	   
	Assess and manage risks and compliance continuously	
	Create mutually beneficially strategic partnerships	  

These material sustainable development issues are:

	Safety, health and environmental compliance		Mining Charter commitments
	People		Stakeholder engagement
	Water		Socio-economic impacts, linked to job creation and empowerment in Limpopo province
	Energy use and availability		Meeting commitments
	Greenhouse gas emissions		Responsible procurement and supply chain management
	Ecosystems services		

Stakeholder engagement

We aim to engage with all our stakeholders through a community centred integrated approach, aligned with CoAL's strategic vision.



01 CoAL is conscious of fauna and flora around its operations.

We define our stakeholders as those who are interested in and potentially affected by our operations and projects. Our stakeholder engagement strategy and policy was adopted during the year under review with a vision of enhancing sustainable value for all stakeholders. We will attain this through the integration of stakeholder engagement processes into all the functions of our business.

ENGAGING WITH COMMUNITIES: SOCIAL LICENCE TO OPERATE

We recognise the tangible value of our stakeholder relationships as critical to the success of our business and operations. We have invested considerable time, financial and human resources in our stakeholder engagement activities as we strive to maintain our social licence to operate. These activities are underpinned by our sustainable development policy's guiding principles of direct, regular, comprehensive, inclusive and transparent engagement. We aim to engage with all our stakeholders through a community centred integrated approach, aligned with CoAL's strategic vision, which seeks to:

- Build social cohesion and social capital within communities
- Build sustainable collaborative relationships with stakeholders
- Create opportunities for mutual benefit
- Minimise risk, and understand and respond to the issues that matter to communities and other stakeholders

The status of our social licence to operate is evaluated and monitored regularly.

ENGAGING WITH REGULATORY

AUTHORITIES: LEGAL LICENCE TO OPERATE

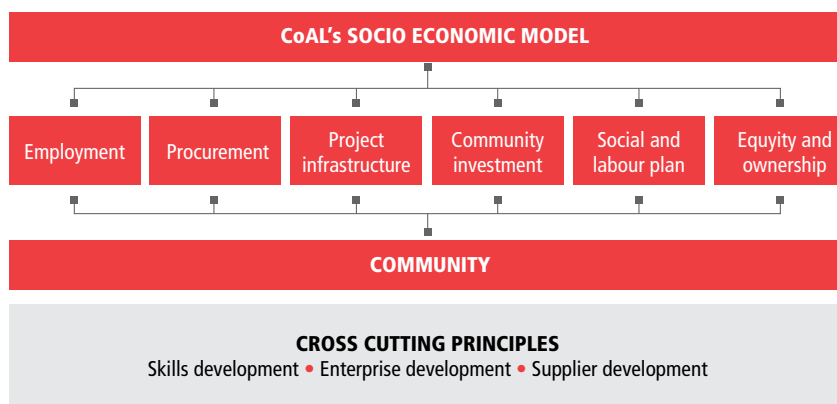
As we operate in a dynamic legislative environment, we have implemented a proactive, regular engagement process with all regulatory authorities, both nationally and provincially, to deliver against an increased drive towards compliance. Our legal licence to operate is maintained through continued and sustained compliance within the regulatory framework of the Mineral and Petroleum Resources Development Act, No 28 of 2002 (MPRDA); National Water Act, No 36 of 1998 (NWA); and National Environmental Management Act, No 107 of 1998 (NEMA) among others.

Relations with government departments are managed by the CoAL Executive Committee to ensure high-level engagement and a clear understanding of regulatory issues. This approach builds partnerships and synergies, ensuring delivery in terms of government's transformative agenda and our mandate to create sustainable value for all stakeholders, including shareholders.

Our Stakeholder Management System (SMS) has evolved to capture all stakeholder engagement activities. This world-class integrated solution provides the platform for a detailed analysis and understanding of stakeholder issues and concerns, facilitating improved communication and engagement processes.

COMMUNITY-CENTRED DEVELOPMENT

CoAL has developed a broad-based black economic empowerment (BBBEE) strategy, which seeks to maximise the benefit of mining for nearby communities. This strategy contributes to the goals of sustainable development at a community, municipal and provincial level, and is based on shared values developed through a comprehensive consultative and transparent engagement process, as depicted on the table on page 19.



This ensures full support for the socio-economic benefit model and alignment with both the Broad-based Socio-economic Empowerment Charter for the South African Mining and Minerals Industry (Mining Charter) and the Department of Trade and Industry (DTI) BBBEE Codes of Good Practice.

VELE COLLIERY

Vele Colliery's operating activities were suspended in 2013 in anticipation of the commencement of construction activities for plant modification. The colliery remains on track for the implementation of its social and labour plan (SLP) local economic development (LED) projects, and expects to begin the review of its SLP, which will be implemented for a period of five years from March 2015.

The plant modification designs necessitated a review of the Vele Colliery EA in terms of NEMA and an application for non-substantive amendments. This application was lodged in March 2014 and comments from I&APs have been received and incorporated into the environmental management report, which was submitted to the DEA in July 2014 for a final decision.

Vele Colliery was granted an IWUL in March 2011, which was valid for period of five years. The colliery has continuously complied with the conditions of its IWUL and monitors compliance through internal inspections and external audits conducted by the DWA as well as audits conducted by the Environmental Compliance Officer as required by the EA.

Upon CoAL Board approval in August 2013 for the Vele Colliery plant modifications, Vele Colliery embarked on a roadshow presenting the modifications to all national and provincial regulatory authorities, including the potential impact on the regulatory status of the mine. Vele Colliery was advised to submit applications for

the amendment of its EA, as well as its IWUL.

The application to amend the Vele Colliery EA was submitted to the DEA in March 2014 and the record of decision is expected shortly. An application to renew and amend the IWUL was submitted to the DWA in August 2014. Although the IWUL amendments do not affect the mining footprint, this will allow for greater stockpile capacity at the colliery once the plant modifications have been completed.

Stakeholder engagement activities at Vele Colliery during the year under review focused on regulatory authorities and the EMC. The EMC was established in terms of the EA as an oversight committee to monitor the colliery's compliance in respect of the EA and IWUL. The EMC comprises representatives of regulatory authorities, relevant government departments, municipal representatives, civil society (represented by the Coalition) and other key stakeholders identified during the initial public participation process. The EMC meets quarterly and has functioned effectively since its inception with constructive recommendations resulting in improved compliance at the colliery.

MAKHADO PROJECT

The Makhado Project is located within a very dynamic environment with a complex set of stakeholders. Seven rural communities, headed by traditional authorities, are located within close proximity of the project, one of which resides on the farm Fripp 645 MS, which will form part of the mining area. Building strong relationships with the communities whose lives we will impact is fundamental to the consultation processes and we do this by engaging with the traditional leaders of the affected communities through the Makhado Chiefs' Forum, chaired by King of the VhaVenda. Engagement with the communities also takes



01 The Makhado Project is located in a dynamic environment with a complex set of stakeholders.



01 Exposed ROM COAL.

place through the democratically elected Makhado Colliery Community Consultative Forum (MCCCCF) comprising representatives from the seven affected communities.

We have signed a Memorandum of Agreement (MoA) with the seven communities, which will facilitate the acquisition of a 20% stake in the Makhado Project. Community participation will be ensured through the umbrella Makhado Colliery Community Development Trust, and the process to establish individual community trusts is underway, concluding this broad-based transaction.

Bi-monthly meetings, arranged and managed by CoAL, are held with each of the structures to facilitate participatory consultation in the Makhado Project. We have also organised a series of workshops to clearly communicate the potential socio-economic benefits of the project to ensure that all stakeholders are adequately empowered with the relevant information, including content on the design and planning processes.

An important facet of the socio-economic model is the development of a comprehensive community profile for each of the seven communities. We have embarked on this with a door-to-door qualitative and quantitative survey by interviewing the adult head of each household. We believe that this process will provide a greater understanding of the environmental and social context of the communities, enabling adequate mitigation measures, and maximisation of potential opportunities and benefits. The survey covers the following focus areas:

- Demographic profile
- Socio-economic determinants
- Needs analysis
- Skills audit
- Enterprise and supplier audit
- Heritage and culture profile

We will submit an application to the Department of Rural Development and Land Reform (DRDLR) to acquire a long-term lease over the farm Fripp, which is communal state-owned land. This process is governed by the State Land Disposal Act, No 48 of 1961, and the Interim Protection of Informal Land Rights Act, No 31 of 1996, which require a community resolution process. We anticipate submitting the application during CY2015. We are also in discussions with the DRDLR on the status of other properties, which have gazetted land claims and form part of the Makhado Project mining area.

The ultimate objective of our stakeholder-engagement processes is to continuously improve relationships with our key stakeholders, local communities and governments.

The finalisation of the Makhado Project NOMR by the DMR is dependent on the conclusion of the BBBEE structure required for compliance with the Mining Charter. Shareholder agreements will be drafted and signed prior to submission to the DMR.

The Limpopo Department of Economic Development, Environment and Tourism (LEDET) issued the EA for the Makhado Project during August 2013. This EA was issued in terms of NEMA and the Environmental Impact Assessment Regulations of 2010. Certain I&APs appealed the granting of the authorisation and this appeal has since been dismissed by LEDET; declaring the current EA valid.

An integrated water use licence application (IWULA) for the Makhado Project has been submitted in terms of the NWA and we are in contact with the DWA regarding the queries they raised. We engage continuously with the DWA and the granting of the NOMR is a critical step in the finalisation of the IWULA.

GREATER SOUTPANSBERG PROJECT

The Greater Soutpansberg Project (GSP) situated to the north of the Soutpansberg Mountains, comprises three projects:

- Mopane
- Generaal
- Chapudi

These are owned by MbeuYashu (Pty) Ltd, a company jointly owned by CoAL (74%) and its BEE partner, Rothe Investments (Pty) Ltd (26%).

The NOMR applications were submitted to and accepted by the DMR between April and August 2013, followed by an extensive public-participation process implemented over a period of eight months to ensure that all stakeholders were adequately consulted, including regional landowner communities, land-claimant communities and civic society. Focus groups were established for land-claimant communities and landowners, with multiple meetings held with each group and three public meetings convened in late CY2013. These meetings were attended by CoAL Executive Committee members and directors of Rothe Investments, the BEE partners in the GSP.

One of the primary concerns raised by stakeholders, particularly those in the agricultural sector, is the impact of the project on the quality and quantity of water in the area. We have started a process to assess the cumulative impact on the regional groundwater of the proposed mines. However, this process cannot be completed by CoAL alone and requires input from other sectors, particularly agriculture. Accordingly, we solicited approval from the Office of the Premier and LEDET to establish a forum to develop a regional impact study to accurately quantify the potential impact of the project.

The study requires modelling for a large area and the participation of the DWA, local and district municipalities, and other developmentally focused institutions. It is envisaged that this region will be identified as a strategic investment priority to facilitate the unlocking of socio-economic potential while ensuring the protection of the area's natural resources.

The EMPs were also compiled and submitted timeously as follows:

- Mopane – October 2013
- Chapudi – December 2013
- Generaal – January 2014

Applications for the EA and IWUL will be completed on the finalisation of the feasibility studies for each of the projects mentioned above.

MOOIPLAATS COLLIERY

The Mooiplaats Colliery was placed under care and maintenance in October 2013 and underwent a formal disposal process. During this process, the colliery remained compliant with all relevant regulatory frameworks.

REGULATORY COMPLIANCE

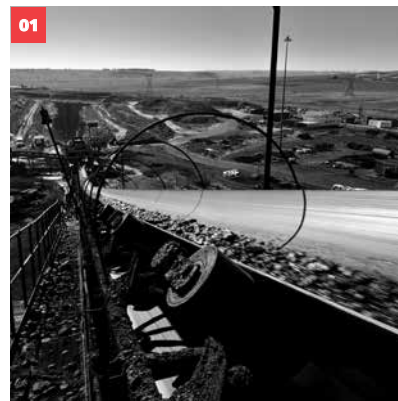
The focus on compliance is within the framework of South African legislation, including but not limited to the MPRDA, NWA, NEMA, Mine Health and Safety Act, No 29 of 1996 (MHSA) and the Mining Charter. CoAL actively monitors the legislative landscape within which we operate and our business scorecard ensures that legislative compliance is a key performance area for our management team.

Compliance is continuously monitored through both internal and external audit processes, and we constantly assesses the effectiveness of our compliance systems and structures; highlighting areas of improvement and associated risks. These assessments form the basis of an approved action plan implemented by management.

MINING CHARTER COMPLIANCE

The mining sector is regulated by the MPRDA, which requires mining companies to facilitate meaningful and substantial participation of historically disadvantaged South Africans (HDSAs) in the mining industry of South Africa. The revised Mining Charter was published in 2010, and provides targets and time frames for companies' transformation initiatives.

We continue to comply with the provisions of the Mining Charter and file annual compliance reports with the DMR. We also completed a DMR assessment of our BEE ownership in March 2014. The Company is well positioned to meet the ownership requirements stipulated in the Mining Charter, and undergoes regular audits by authorities regarding compliance with the Mining Charter.



01 Finished product at Vele Colliery.

Safety and health

01 Despite reduced operational activity, safety remains a key priority.



SAFETY PERFORMANCE

Despite minimal operational activity for most of FY2014, safety remained a key priority with inspections, audits, and awareness campaigns continuing throughout the year.

Notwithstanding that operating activities were suspended at Vele Colliery and the Mooiplaats Colliery, which was placed on care and maintenance during the period under review, both operations remained incident-free during the high-risk site disestablishment process, which includes the shut down and removal of heavy equipment.

The Makhado Project and GSP also remained incident-free during FY2014 while one lost time injury (LTI) was recorded at the Woestalleen Complex prior to the conclusion of the disposal in January 2014.

Primary causes of LTIs

Cause	%	
	FY2014	FY2013
Transport and mobile machinery	–	29
Tools and equipment	–	29
Slip and fall	100	21
Material handling	–	14
Other	–	7

The LTI at the Woestalleen Complex was due to a slip and fall incident. We have focused our efforts on the reporting and recording of primary causes of LTIs as a critical component of the preventive measures implemented on the journey toward zero harm. This has resulted in a marked reduction of injuries, and we are confident that the increased reporting will provide more guidance and understanding of our safety priorities. This area of safety management will continue to gain impetus during FY2015 with systems developed to enhance reporting, recording and trend analysis, and will play a pivotal role in preventive management during the plant modification construction phase at Vele Colliery.

As part of our safety culture, pivotal to our overall safety management strategy developed and implemented at CoAL towards zero injury, we reviewed and revised our standard operating procedures. The primary risk areas identified, which remain our key focus areas into FY2015 and have been expanded to include working at heights, are:

- Isolation and lockout
- Transport and moving machinery
- Safety devices and lifting operations

Operation	Lost time injuries				Lost time injury frequency rate (LTIFR)			
	FY2014	FY2013	FY2012	FY2011	FY2014*	FY2013	FY2012	FY2011
Mooiplaats	–	10	6	9	–	1.61	0.91	0.51
Vuna	–	1	1	–	–	0.56	0.31	–
Woestalleen	1	1	3	4	–	0.13	0.31	0.40
Vele	–	1	–	1	–	0.15	–	0.45
Makhado	–	–	–	1	–	–	–	0.88
MbeuYashu (GSP)	–	1	–	–	–	2.01	0.40	N/A

* Given suspended activities, LTIFR was not a relevant measurement for FY2014.

Fall of ground and the associated inherent potential severity was the specific focus area at the underground Mooiplaats Colliery. This was rigorously managed with the adoption of non-negotiable implementation of systems, which included our standard operating procedures, adherence to industry standards, continuous on-the-job safety training, together with ongoing rock engineering inspections and geological assessments.

The planned construction of plant modifications at Vele Colliery necessitated a review of the contractor management processes during FY2014. This included a review of the contractor pack as well as the fatal risk standards as non-negotiable requirements to which suppliers will be required to adhere. This process will be completed in CY2015 prior to the appointment of any contractors.

CoAL's strategy remains risk-based with all areas of risk assessed and not just high-risk categories. The Company believes the implementation of risk mitigation measures thorough risk assessments is the basis of safety prevention and is of utmost importance for the prevention of incidents and injuries.

SAFETY STRATEGY

The following key strategic areas were implemented from FY2013 through to FY2014 and continue to underpin our safety strategy. These will be assessed during FY2015 and where necessary improved to uphold the 'safety first' culture.

LEADERSHIP AND COMMITMENT

CoAL's primary commitment is the goal of zero harm. The safety of our employees and contractors is a key principle in our value system. Continued engagement with employees and contractors to identify potential areas of risk, together with the implementation of control and mitigation measures toward achieving zero harm, will progress during FY2015.

STANDARDS: ONE COMPANY, ONE STANDARD, ZERO INJURIES

During FY2014, we reviewed and revised our safety and sustainable development policy. Subsequently, our operations have revised their site-specific policies, which are aligned with the principles and commitments contained in the group safety and sustainable development policy. We have also developed a risk-based safety management system in accordance with the requirements of the Occupation Health and Safety Assessment Series (OHSAS) 18001:2008 standard to which the Company's procedures, standards, monitoring, inspections, audits and reviews were subsequently aligned.

PREVENTIVE MANAGEMENT

Preventive management is the basis of CoAL's safety strategy and the Company's focus will continue to be on the following areas:

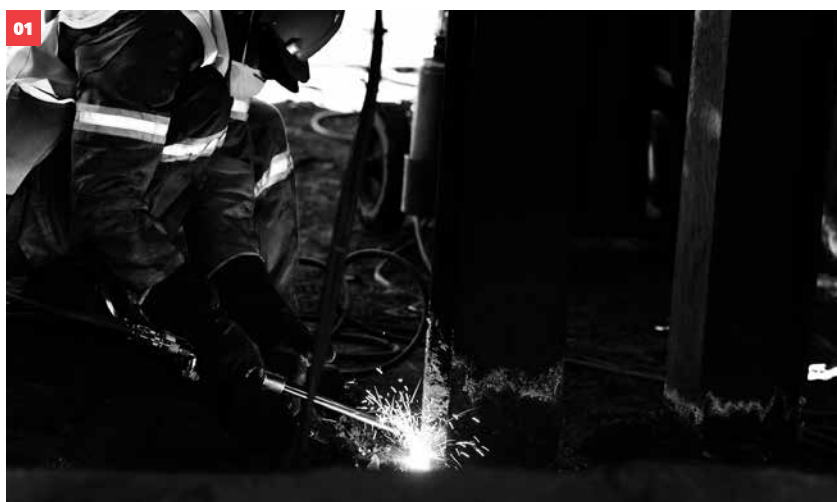
Risk assessment

CoAL recognises that risk assessment requires continuous improvement. We carried out a review and gap analysis process during FY2014. The next phase will be the development and implementation of standards and procedures in FY2015 to complete the risk assessment cycle. Each element of identification, assessment, mitigation, management, measurement and reporting will be accordingly expanded, further improving the risk assessment process. This may include retraining of key personnel, revision of the methodology and re-assessment.

CoAL views risk assessments as an essential first step in identifying and mitigating potential risks so as to provide a safe working environment for our employees.

Competence

Competence training is risk-based, supplemented by ongoing refresher training. Key areas include safety representative training in accordance with the Mining Charter requirements, as well as hazard identification and risk assessment incident causation analysis methodology and contractor management.



01 CoAL strives to uphold its 'Safety First' strategy.

01 A core focus area is the development, implementation and auditing of fatal risk standards.



Communication: learning through sharing

Communication was a focus area during FY2014 and is vital in the prevention of injuries and repeat incidents. We adopted a policy of information-sharing about incidents, preventive measures, advancements and research, which has improved our management of potential hazards.

FATAL RISK STANDARDS

A core focus area of our safety strategy is the development, implementation and auditing of our fatal risk standards. This process was initiated in FY2013 with the development of the first fatal risk standard: isolation and lock-out. The following fatal risk standards were implemented during FY2014:

- Fall of ground
- Transport and moving machinery
- Safety devices
- Lifting operations
- Working at heights

The focus during FY2015, specifically given that Vele Colliery will be entering a construction phase, will be training and auditing compliance against the fatal risk standards.

REPORT AND REVIEW

Standard monitoring, measuring and reporting on policies and procedures have been formalised and the development of further reporting templates and review processes will continue during FY2015.

We are confident that our safety strategy will deliver on our objective to achieve injury-free operations.

TARGETS FOR FY2015

- Fatalities – zero
- LTIs – zero

OCCUPATIONAL HEALTH

CoAL's commitment to zero harm as it relates to employees' health is based on our belief that occupational illness can be avoided. With robust medical assessments and medical monitoring programmes in place, we are in a position to monitor and manage existing health conditions and prevent new occupational illnesses from developing.

Our responsibility to the hierarchy of hazard control is a principle that we apply to safeguarding the health of our people with the goal of having a workforce whose health is not negatively impacted or compromised by their working environment. Given the extended latency period for most occupational illnesses, medical surveillance is a critical early-indication tool as is ensuring that the healthcare of individuals with occupational illnesses is well managed.

During the year under review, we achieved our target for zero new occupational illnesses recorded at all our operations and preventive management remains the focus for FY2015.

PRIMARY AREAS OF RISK

The primary areas of occupational health risk are noise induced hearing loss (NIHL) and tuberculosis (TB). CoAL has a rigorous monthly occupational health surveillance programme at all operations to ensure preventive screening and early detection of any potential occupational illness. This programme is supported by the occupational hygiene monitoring programme, which identifies potential exposure with results reported at the operational safety, health and environment (SHE) committee meetings.

Occupational health awareness campaigns are conducted on a monthly basis, covering a range of occupational health, occupational hygiene and primary health issues. These campaigns are primarily risk-based and focus on the key areas of risk before expanding into other areas of occupational health and hygiene.

MEDICAL SURVEILLANCE

Preventive management remains the guiding principle of managing occupational health at CoAL and stringent management of medical surveillance is conducted across the Company. Employees presenting themselves with an illness or potential symptoms of an occupational illness are medically monitored as required to prevent further progression of the disease or the deterioration of an existing occupational sickness.

OPERATIONAL HEALTHCARE

The occupational healthcare service at Mooiplaats Colliery is contracted to an external occupational healthcare service provider. The colliery is visited by an occupational health nursing practitioner on a monthly basis to monitor the blood pressure and blood glucose levels of employees and provide other occupational health and primary healthcare services.

The Vele Colliery has an established on-site occupational healthcare medical centre, managed by a full-time occupational healthcare service provider and a part-time occupational medical practitioner who provide occupational health and primary healthcare services to employees and contractors. Despite the colliery having suspended operations, Vele Colliery continues to provide primary healthcare on site on a monthly basis. This comprehensive primary healthcare service includes consultation, antenatal care, family planning, chronic disease medication, HIV counselling and testing (HCT), and antiretroviral treatment.

OCCUPATIONAL HYGIENE

CoAL continued to employ the use of a contracted occupational hygienist to conduct the hygiene monitoring and measuring programme across the Company. The monitoring results for FY2014 indicate that all operations are fully compliant with area thermal stress and airborne pollutant requirements. Both Woestalleen and Vele Colliery demonstrated 100% compliance with noise requirements while Mooiplaats recorded a significant improvement from 42% in FY2013 to 88% in FY2014.

HIV/AIDS MANAGEMENT

The HIV/AIDS epidemic continues to be a cause for concern across the Southern African region, specifically within the mining industry. CoAL's HIV/AIDS policy encourages a healthy lifestyle, fosters emotional wellbeing and promotes a positive attitude. We are committed to non-discrimination and the continued provision of suitable employment as long as employees are capable of fulfilling their employment roles within the ambit of the law and the medical practitioner's qualified advice.

Central to HIV/AIDS management at CoAL is ensuring that the operations implement and run awareness programmes, encourage voluntary counselling and testing (VCT), and establish wellness programmes for employees affected by HIV/AIDS.

HIV statistics

Vele	FY2014	FY2013
Total HCT	–	136
New HIV cases	–	18
Number of people on ARVs	7	1

Of the 18 who tested positive for HIV in FY2013, one was a CoAL employee and is on ARVs while the other 17 were contractors who are no longer working at the mine.

In FY2014, HCT was provided through the monthly mobile clinic on site visits conducted by the Department of Health (DOH). No new infections were recorded during FY2014. There are currently a total of seven HIV-positive employees (six contractors from Harissia and one CoAL employee) who receive ARVs from the DOH mobile clinic.

Although the Vele Colliery has been under care and maintenance for the period under review, the following remain in place:

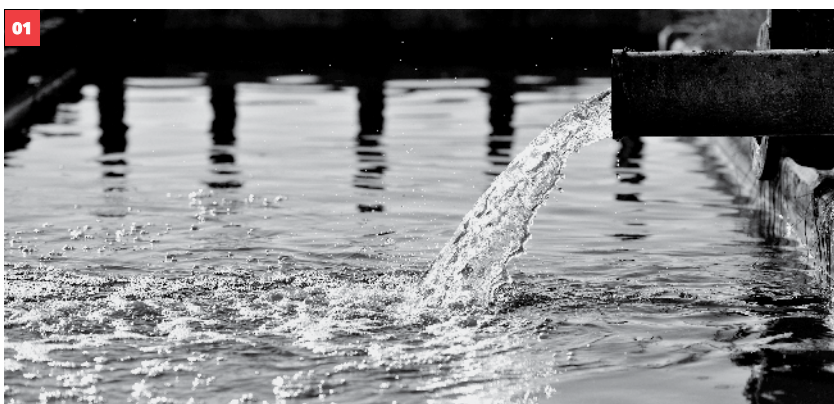
- HIV counselling and testing
- TB screening, given the inextricable line between TB and HIV/AIDS
- ARV and treatment supplied by the Musina mobile clinic
- Commemoration of World Aids Day
- Recognition of World TB Day



01 CoAL is committed to zero harm as it relates to employees' health.

Environmental performance

CoAL engages regularly with regulatory authorities, specialists, other industries and host communities to ensure water availability for all water users.



01 Water used at Vele Colliery is recycled and the system is closed to avoid discharge into the natural environment.

WATER

The Company remains cognisant that several of our future development projects are located in a water-scarce region. With greater demands being placed on the limited supply of water, CoAL understands that securing and maintaining licence to mine will require us to demonstrate

that our operations do not negatively impact on the quality and quantity of water resources. In addition, we regularly engage with regulatory authorities, specialists, other industries as well as our host communities to create partnerships and implement sustainable solutions that will ensure water availability for all users.

The tables below indicate water consumption at the Company's operations:

Water consumption at Mooiplaats (m³)

	FY2014	FY2013	FY2012
Water used for primary activities	77,040	505,620	—*
Potable water from external sources	779	7,124	—*
Non-potable water from external sources	—	205,700	138,540
Surface water used	—	—	—
Groundwater used	77,040	96,360	246,600
Water recycled in process	124,235	Not measured	Not measured

* Not recorded in FY2012.

Water consumption at Woestalleen (m³)

	FY2014	FY2013	FY2012
Water used for primary activities	762,497	1,307,139	1,708,876
Potable water from external sources	1,751	3,002	4,246
Non-potable water from external sources	20,204	34,637	1,676,836
Surface water used	214,277	367,333	422,565
Groundwater used	Not measured	Not measured	Not measured
Water recycled in process	Not measured	Not measured	Not measured

Water consumption at Vele (m³)

	FY2014	FY2013	FY2012
Water used for primary activities	27,103	109,330	110,395
Potable water from external sources	—	—	—*
Non-potable water from external sources	—	—	—*
Surface water used	—	—	—
Groundwater used	32,956	158,060	717
Water recycled in process	7,445	125,961	—

* Not recorded in FY2012.

Water consumption at Makhado (m³)

	FY2014*	FY2013
Water used for primary activities	–	2,481
Potable water from external sources	–	–
Non-potable water from external sources	–	–
Surface water used	–	2,481
Groundwater used	–	630
Water recycled in process	–	–

* No activity at Makhado during FY2014.

The Vele Colliery operates a closed water system with zero water discharged into the natural environment. Water utilised at the colliery is completely recycled to reduce the demand on supply, thereby conserving the Limpopo River water resource.

NEW WATER AT THE MAKHADO PROJECT

In October 2012, CoAL and members of the Nzhelele Catchment Water Users Association (NCWUA) signed a MoA in respect of the 'creation of new water' and the use of water in the Nzhelele River catchment area of Limpopo. In terms of this agreement, the members of the NCWUA renounced portions of their water-use entitlements from the Nzhelele Dam and pledged them to CoAL in terms of Section 25(2) of the NWA; enabling the Company to secure a source of bulk water for the Makhado Project. This initiative is aligned to our commitment to work in partnership with key stakeholders to improve the assurance of water supply while securing an allocation of bulk water from the system without negatively affecting the availability of water for existing agricultural and other purposes. Engagement between the parties is ongoing and will be formalised on the granting of the unconditional IWUL for the Makhado Project.

ENERGY MANAGEMENT

CoAL is committed to responsible energy management. Our objective is to manage all

of our activities in an energy-efficient manner, ensuring that the use of electricity and fossil fuels is optimised at all operations.

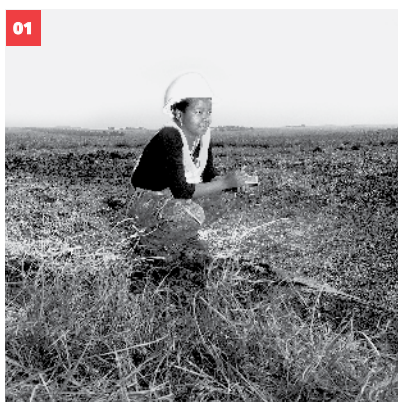
The Mooiplaats Colliery sources its energy requirements from Eskom and diesel generators while the Vele Colliery currently uses a diesel generator. Plans are, however, underway to source Vele Colliery's electricity requirements from Eskom. In addition, we will endeavour to save energy through:

- Improved efficiency techniques to optimise energy use, thereby reducing the amount used during production. Power factor correction was implemented during FY2014, yielding a saving of approximately 7.5%.
- Ensuring the implementation of strategic initiatives such as off-peak demand management.
- Monitoring and recording consumption to assess savings and identify further energy-saving opportunities.

To achieve the above, an energy champion shall be appointed at all collieries to drive energy-saving campaigns, record and report energy consumption on a monthly basis and participate in energy-savings projects. Energy efficiency will be considered as a core component in all new projects.

Energy consumption at Mooiplaats

	FY2014	FY2013	FY2012
Energy from electricity purchased from Eskom (MWh)	4,591,067	12,433,610	12,182
Diesel used (Kilolitres)	–	3,406	3,406
Energy generated from diesel (GJ)	–	130,480	130,481
Petrol used (Kilolitres)	–	–	–
Energy generated from petrol (GJ)	–	–	–



01 Environmental induction is part of employee and contractor induction training.

Energy consumption at Woestalleen

	FY2014	FY2013	FY2012
Energy from electricity purchased from Eskom (MWh)	1,012	1,735	13,324
Diesel used (Kilolitres)	3,321	5,522	2,464
Energy generated from diesel (GJ)	123,402	211,547	94,401
Petrol used (Kilolitres)	6	10	33
Energy generated from petrol (GJ)	221	378	1,321

Energy consumption at Vele

	FY2014	FY2013
Energy from electricity purchased from Eskom (MWh)	–	–
Diesel used (Kilolitres)	649	3,268,104
Energy generated from diesel (GJ)	24,863	125,201,064
Petrol used (Kilolitres)	–	–
Energy generated from petrol (GJ)	–	–

Energy consumption at Makhado

	FY2014*	FY2013
Energy from electricity purchased from Eskom (MWh)	–	–
Diesel used (Kilolitres)	–	312.27
Energy generated from diesel (GJ)	–	11,963.06
Petrol used (Kilolitres)	–	2.20
Energy generated from petrol (GJ)	–	87.14

* No activity at Makhado during FY2014.

TRAINING AND AWARENESS INITIATIVES

All operations conduct SHE induction training for new employees and contractors with refresher training on an annual basis. Environmental induction is part of the induction programme and includes environmental risks, waste management and protection of natural resources. Monthly environmental topics are communicated and discussed with employees and contractors at SHE committee and management meetings. SHE induction was expanded during FY2014 to include the relevant permit and licence obligations while Vele Colliery's SHE induction also includes biodiversity and heritage resource management awareness.

ENVIRONMENTAL MANAGEMENT SYSTEM

During FY2014, an environmental management system (EMS), aligned to the requirements of ISO 14001:2007, the global environmental management standard, was developed and implemented at the Vele Colliery. This system consists of the following core elements:

- Policy, leadership and commitment
- Risk assessment
- Legal and other requirements
- Objectives, targets and environmental management plans

- Resources, roles and accountability
- Competence, training and awareness
- Communication
- Information management
- Document and record control
- Operational control
- Emergency preparedness
- Monitoring and measuring
- Incident management
- Audits and evaluation of compliance
- Management review

Primary system procedures have been developed for each of these elements, supported by legislated codes of practice and risk-based operational standard operating procedures. Action and incident management, monitoring and auditing systems have been incorporated into the EMS to facilitate efficient action and incident tracking, environmental monitoring, inspections and auditing, as required, which assists in monitoring legal compliance and contributes to continuous improvements in environmental performance.

A comprehensive environmental database was developed and implemented during FY2014. It formalises the process of recording and reporting key performance indicators (KPIs) in a formal,

structured system. Notwithstanding reduced activities at Vele, the colliery's EMS was subjected to an external independent audit three months after implementation with one subsequent quarterly audit. The audits found the EMS to be fully implemented, concluding "Although the EMS is a newly developed system, this did not prevent Vele Colliery from detecting and actioning operational and legal requirements" (Vele Colliery Environmental Management System Audit, Report No LCC/EMS/Q2/2014, July 2014).

MONITORING OF COMPLIANCE

An independent environmental consultancy has been appointed to conduct regular monitoring, inspection and auditing at the Mooiplaats Colliery. This includes water, dust and vegetation monitoring, monthly inspections, and IWUL, EMP and EA audits. This is enhanced by regular inspections conducted by the on-site team and Group head of department inspections/visits.

The EMS at the Vele Colliery includes comprehensive monitoring and auditing schedules to facilitate structured management and compliance with all monitoring and auditing requirements as required by the colliery's licence conditions. Monitoring and inspection at Vele Colliery includes the assessment of surface and groundwater quality and quantity, dust, biodiversity, heritage resources, threatened or protected species, plant moisture stress, bio-monitoring and ecotoxicology, habitat and vegetation assessments and alien plant monitoring. This is supplemented by daily, weekly and monthly inspections conducted by the on-site environmental team who also conduct audits on the site's IWUL, EMP and EA.

In addition, Vele Colliery has a full-time independent environmental control officer (ECO) appointed to monitor compliance in terms of licence requirements. The ECO conducts daily, weekly, and monthly inspections with reports circulated to the colliery and Company management teams; highlighting areas for improvement, which are then recorded on the EMS and monitored for progress, implementation and compliance.

Additionally, the ECO compiles a quarterly environmental performance report (EPR), which is submitted to the DEA. The last quarterly report, submitted on 5 August 2014, indicated a commendable compliance score of 92%.

The Company employs autonomous consultants for all authorisations that require independent audits to be conducted. Both Mooiplaats and Vele collieries have conducted external IWUL audits, EMP performance assessments, and financial closure and liability assessments, which were submitted to the regulatory authorities as required.

ENVIRONMENTAL MANAGEMENT COMMITTEE

The Vele Colliery IWUL and EA contain conditions requiring the establishment of an EMC consisting

of representatives from CoAL, licensing authorities, I&AP specialists, members of the coalition and civil society. The EMC's mandate is to monitor compliance with legislative requirements and to manage potential impacts. The committee acts in an oversight role; assessing environmental performance during the colliery's construction, operational, decommissioning and rehabilitation phases. The EMC also monitors compliance with the terms of the EMP, EA and IWUL, and is required to meet regularly and submit the outcome of the meetings to the DWA and DEA.

To facilitate an efficient and effective process, the Water Monitoring Committee was established as a sub-committee of the EMC. This sub-committee monitors compliance with the provisions of the IWUL and the water-related components of the EMP. A Heritage and Biodiversity sub-committee has also been established; reporting to the EMC, monitoring compliance with the provisions of the EA, focusing on biodiversity and heritage related legislation compliance, sound ecosystem management practices and implementation of the DEA objectives for the Mapungubwe Cultural Landscape.

It is important to note the quarterly ECO's EPR is distributed to members of the EMC supporting CoAL's commitment to transparency. Since inception in November 2011, the EMC has held quarterly meetings with quarterly reports submitted to the relevant regulatory authorities. Both sub-committees also meet on a quarterly basis and the outcomes are reported to the EMC.

ENVIRONMENTAL INCIDENTS

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

COMPLAINTS

To date, no formal complaints were lodged or received from local or affected communities regarding environmental matters at any of our operations.

REGULATORY PROCESSES, PERMITS AND LICENCES

MOOIPLAATS COLLIERY

Mooiplaats holds valid EAs and remains in compliance with regulatory authorisations such as EMP, IWUL and environmental authorisation.

VELE COLLIERY

Legal Compliance

Vele Colliery continues to demonstrate compliance with the relevant regulatory authorisations (EMP, IWUL and EA).

INTEGRATED WATER USE LICENCE

Vele Colliery was granted an IWUL by the DWA on 29 March 2011 and the amended IWUL was granted on 18 July 2011, valid for a period of five years, expiring in March 2016.

Vele Colliery continues to demonstrate compliance with the conditions of its IWUL, monitored via sampling, internal inspections and external audits conducted by the DWA as well as audits conducted



01 A comprehensive environmental database has been established.



01 Vele Colliery has finalised the design of an on-site nursery.

by the ECO and external specialists, as required by the IWUL.

In August 2013, the CoAL Board approved modifications to the current plant to enable greater beneficiation opportunities. This modification project requires an application for amendment and renewal of the current IWUL. Following consultation with the DWA, CoAL submitted the IWUL application for amendment and renewal during FY2015.

In addition, two stream diversions have been designed to ensure the distribution of potential clean water to the east and west of the open pit and plant infrastructure areas. We have engaged the DWA on the stream diversion plans, which have been conceptually approved by the regulating authority. As the water-use activity triggers NEMA-listed activities, we have opted to proceed with a parallel EIA and IWULA process, as it relates to the stream diversion, and have appointed an independent consultant to complete this. This EIA process is expected to commence in first half of FY2015, and we will continue to engage with regulating authorities and key stakeholders on the regulatory processes required for the stream diversions.

ENVIRONMENTAL AUTHORISATION

Vele Colliery was granted an EA for Section 24G on 5 July and 31 October 2011 respectively, and continues to comply with the requirements as stipulated in the EA. A review of the EA during FY2014 indicated an amendment was required to revise non-substantive issues and an application was subsequently submitted to the DEA during the third quarter of FY2014. A background information document was made available to all stakeholders, inviting comments for consideration from I&APs, and all relevant documents submitted to the DEA.

PROJECTS

MAKHADO

The Makhado Project was granted an EA during August 2013. An IWUL application was lodged with the DWA in December 2012 and we continue to engage with the regulating authority in this regard, cognisant that the NOMR is required prior to granting of the IWUL.

GREATER SOUTPANSBERG PROJECT

In order to comply with legislation, CoAL embarked on the MPRDA process during FY2014, following submission of the NOMR applications during FY2013. This included compilation and submission of an EIA and EMPs for all three projects Mopane, Chapudi and Generaal.

REHABILITATION AND BIODIVERSITY

Vele Colliery has developed a rehabilitation plan for the site, in conjunction with a specialist, which is implemented accordingly.

Following the heavy rains experienced during FY2014, the Company developed plans to revegetate the slurry dam and other affected areas. The first step was to install an irrigation system on the slurry dam to ensure regular water supply and undisturbed growth of vegetation. This was completed in the third quarter of FY2014 and will be followed by a vegetation trial during FY2015 using indigenous grass to revegetate the slurry dam.

Vele Colliery has finalised the design of an on-site nursery, aligned with the design of the nursery located at the Mapungubwe World Heritage Site. Construction will commence during the second half of CY2014, and the nursery will supply indigenous grass and vegetation seeds for use in revegetation and rehabilitation. Currently, a temporary nursery has been established and is managed on-site; housing some of the trees that had to be relocated at the inception of the project.

Biodiversity is monitored closely by field experts who conduct regular assessments, including vegetation monitoring, aquatic invertebrate monitoring, as well as flora and fauna assessments. Where disturbance is unavoidable, sustainable alternatives are investigated to ensure that potential impact is minimised. In addition, the biodiversity offset agreement has been approved, in principle, by the DEA, South African National Parks (SANParks) and CoAL, and is expected to be finalised during the second quarter of FY2015.

IUCN RED LIST SPECIES AND NATIONAL CONSERVATION LIST SPECIES

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

Four species that are protected under the Mpumalanga Nature Conservation Act (No 10 of 1998) are found within the 200 hectare surface area leased by Mooiplaats. However, as Mooiplaats will not expand its footprint, these species will not be affected. As preventive measures, no driving is allowed in these areas and the removal of plants and animals is not allowed from the site.

TSHIPISE METHANE PROJECT

The coal bed methane project commenced with early exploration at Tshipise. The results of this exploration will be evaluated over the next 18-month period. No further exploration is planned for the immediate future.

Employment

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

In executing the Company's five-point turnaround strategy during FY2014, the Mooiplaats Colliery was placed on care and maintenance, effective from October 2013; the Woestalleen Complex was sold; operations at Vele Colliery were suspended; and corporate overheads reduced by 30%. The restructuring provided the Company with an opportunity to focus on the development of a culture conducive to its business objectives.

At the end of FY2014, we had 107 employees and 67 contractors.

Based on our project pipeline, we expect to provide over 2,000 job opportunities, directly and indirectly, within the next five years.

During construction at the Makhado Project, between 2,000 and 2,500 short-term jobs will be created with 1,100 permanent jobs during steady state. A skills audit and local sourcing will form important aspects of our recruitment process. Various training initiatives will be implemented after the granting of the mining right and project funding has been secured to address skills shortages. Intense focus will be on artisanal training through partnerships with existing institutions within the Vhembe district. The Vele Colliery previously created approximately 500 jobs.

Employment

Operation	Employees			Contractors		
	FY2014	FY2013	FY2012	FY2014	FY2013	FY2012
Woestalleen	–	70	289	–	329	737
Mooiplaats	8	281	368	27	242	272
Vele	33	23	17	40	335	360
Makhado	22	5	4	–	50	46
MbeuYashu (GSP)	–	12	–	–	92	92
Tshipise	–	–	–	–	20	20
Corporate office (South Africa)	44	57	53	–	–	–
Registered offices (Australia and UK)	–	–	4	–	–	–
Total	107	448	735	67	1,068	1,415

EMPLOYMENT EQUITY

CoAL is committed to the strategic business objectives that drive employment equity and measures have been set in place to achieve these goals, reaffirming our aim to serve the interests of all stakeholders. We strive to implement the objectives of the South African Employment Equity Act, No 55 of 1998 (EEA), through sound business practices while delivering value to shareholders, and accept that we must achieve the desired employment equity status in a responsible manner with due regard to the broader realities of the business and economic environments.

During the current transformation process, we focused on building a globally competitive human resources platform on which to create a sustainable environment for employment equity.

The key guiding principles for this process include:

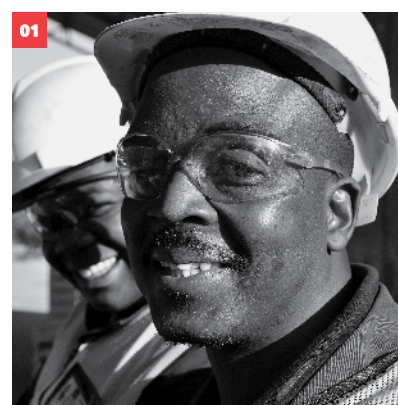
- Promotion of equal opportunities for all races and genders and fair treatment in the workplace
- Elimination of discriminatory practices and implementation of practical procedures to address employment equity barriers
- Eradication of all forms of harassment in the workplace
- Elimination of barriers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

The measures implemented by our management have resulted in the Company surpassing the requirements for HDSA employment set out in the EEA as per the tables below and overleaf.

HDSAs and women (%)

	HDSAs		Women	
	FY2014*	FY2013	FY2014*	FY2013
Senior management	45	60	31	20
Management	33	14	58	44
Employees	83	70	34	30

* This reflects our current statistics as we do not have any core mining activities.



01 CoAL is committed to employment equity.



01 *Equal opportunities for all employees is promoted.*

TRAINING AND DEVELOPMENT

We encourage all our employees to develop their potential and expand their careers in a discrimination-free workplace and are committed to recruiting suitably qualified people to give the organisation a competitive advantage.

We develop those employees who have potential to play a significant role in the organisation's future and in line with Mining Charter requirements, investing in the training and development of our current and potential employees with a focus on HDSAs.

Training and development in FY2014

	Number of participants	HDSAs (%)	Women (%)
Learnerships	16	100	31
Internships	5	100	60
Bursaries	23	100	30
Training	50	60	20
Portable skills	124	100	18
Total	218	92	32

LABOUR RELATIONS

Our communication with our employees is governed by legal requirements, mutual agreement, societal influence and ethical considerations, custom, and tradition and, most importantly, integrity, trust, consistency and fairness.

We subscribe to an integrated industrial relations system in which all parties are empowered to freely communicate their views, supported by a two-way communication structure. This system ensures the discussion of a broad range of issues of mutual interest, which are also addressed in

bi-monthly forum meetings where productivity and general issues affecting the Company are discussed. This structure also forms part of daily operations and addresses issues across a range of aspects, including but not limited to, union/management communication. The system addresses the various legal frameworks such as the Labour Relations Act, No 66 of 1995 and the MPRDA, and ensures improved productivity and a healthy industrial relations environment.

REMUNERATION

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

REMUNERATION FRAMEWORK

Individual performance	Business strategy	Deliver sustainable shareholder value
CoAL Remuneration Framework		
Fixed pay	Variable pay	
	Short term	Long term
Guaranteed total cost to company competitive with industry norms	Annual variable remuneration that is performance based	Incentives and retention of key talent directly linked to performance

EMPLOYEE REMUNERATION

Fixed pay

Our remuneration structure is based on a total-cost-to-company principle. We have conducted a benchmarking exercise, which demonstrates that employee remuneration is within the industry standards.

Variable pay: short-term discretionary bonus scheme

The discretionary bonus scheme rewards employees on the basis of both Company and individual performance providing employees with a predetermined bonus percentage based on the attainment of Nomination & Remuneration Committee-approved, Company and individual targets. The scheme is discretionary and is reviewed on an ongoing basis, dependent on our business requirements. The business scorecard is signed off by the Nomination & Remuneration Committee on an annual basis and this drives the individual performance-management process.

Variable pay: long-term incentive plan proposal

The Nomination & Remuneration Committee has reviewed the proposal of a long term incentive plan (LTIP), which will form part of variable pay in our current remuneration structure.

PricewaterhouseCoopers has been retained as an independent consultant to advise us on the development of the scheme, which is based on the issuing of share grants with conditions transparent to our shareholders.

The vesting conditions for the LTIP, as approved by the Nomination & Remuneration Committee, is based on the absolute share price performance exceeding the weighted average cost of capital on an annual basis. In terms of the LTIP, share grants made in year 0 would vest in equal tranches at the end of year 3 and 5. Employees in the Paterson grade D Upper and above will be eligible for this scheme, and the number of grants issued to an eligible employee is based on the incumbent's salary with the flexibility to top up for exceptional performance.

HUMAN RIGHTS

We prohibit and prevent child, forced or compulsory labour as well as discrimination on any grounds at all our operations in line with the South African Constitution, which governs the Company and promotes the preservation of human rights.

No incidents of discrimination were reported or corrective action taken in FY2014 at our operations.



01 Employees are encouraged to develop their potential.

Corporate social investment



01 CoAL's corporate social investment projects focus on education and skills development.

The principles of mutual benefit and shared values underpin our approach to corporate social investment (CSI). CoAL recognises its responsibility to maximise the benefits of mining for our host communities through collaborative partnerships with them and regional and local government. The Company's CSI programmes, implemented through our SLPs, are the result of strategic partnerships with local municipalities to ensure sustainable socio-economic transformation resulting in a direct positive impact for our host communities.

The areas of focus of our CSI projects are:

- Education and skills development
- Enterprise development

EDUCATION AND SKILLS DEVELOPMENT

Bursary fund

In July 2014, CoAL's Bursary Programme celebrated its fifth anniversary. Initially 44 students were awarded bursaries in the first year and 20 students have since graduated with a further five students due to complete their studies at the end of CY2014. The beginning of the year saw five new students join the programme, bringing the total number of students currently on the programme to 20, five of whom are doing practical training. A total of \$213,000 was spent in phase 1 of this project during FY2014.

The programme was created to address the critical skills shortage in the communities that we operate and seeks to ensure that these localities develop the technical skills required. The bursary programme supports science and engineering students at various tertiary institutions around the country including the Universities of Pretoria, Witwatersrand, Cape Town and Limpopo, among others.

During the past five years, students have graduated in the following fields (among others):

- Mining engineering
- Metallurgical engineering
- Chemical engineering
- Geology

Renaissance Senior Secondary School

In October 2013, CoAL handed over four new classrooms we constructed at the Renaissance Senior Secondary School in Musina after extensive engagement with the Department of Education. In addition, CoAL supplied the following:

- Electrification of the school
- Installation of palisade fencing around the school
- Learner and teacher support development programmes
- Supply of electronic equipment such as computers
- School furniture
- Ongoing supply of security services

We believe that we can make a significant impact in the areas in which we operate by investing in education. We are cognisant of the importance of educating young people and equipping them with the skills that will make them more employable. Our investment in education creates an enabling environment in which learners can acquire skills to stimulate change.

In October 2014, CoAL will begin phase 2 of this project by constructing an additional four classrooms and an ablution block. The total expected value of the project is \$323,000.

New Ermelo Primary School

We adopted this school in June 2009 through our 'Keep Warm' campaign, which provides jerseys to students in winter. We provided jerseys for 350 learners during FY2014. During FY2013, we started a process to relocate this satellite school to the main school building, which included the construction of six classrooms including a Grade R centre at a budgeted cost of \$205,000. Five computers were also donated to the school and future plans include the establishment of a library in line with our READ campaign during FY2015 at a budgeted cost of \$104,000.

Adult Basic Education and Training

Our adult basic education and training (ABET) programme provides for improved access to quality education and the provision of skills that increase attendees' ability to secure employment. This programme is offered in Musina as part of the Vele Colliery Agricultural Project, and in Ermelo, Mpumalanga, under the auspices of the Mooiplaats Colliery.

Enterprise development

In partnership with the Musina Municipality, CoAL adopted the Agricultural Youth Co-operative, which runs an agricultural project on land donated by the municipality. The Company supplied a tractor and farming implements, electrified the packing shed, upgraded the irrigation system, and supplied fertilisation equipment to the value of \$80,000. Future plans include the upgrade of the water supply system and a cold storage container in line with the projects domestic market expansion. These enable the project to supply organic vegetables to a major supermarket chain in South Africa. The programme is identifying ways to expand by creating its own domestic market.

Initially agricultural management and equipment training was provided to three members of the co-operative during FY2014. This created 15 new employment opportunities and it is envisaged that an additional three will be created with minimal future investment. As the project grows towards sustainability, additional training will be provided.

Reserves and resources statement

CoAL reviews and reports its mineral resources at least annually to coincide with its financial year end of 30 June. If there are any material changes to the mineral resources over the course of the financial year, the Company is required to promptly report these changes. During the course of the financial year no significant exploration activity was conducted at any of the project sites and hence there was no expansion of, or additions, to the resource data base.

Coal of Africa resources

	Resource category	Gross tonnes in situ (GTIS)	Total tonnes in situ (TTIS)	Mineable tonnes in Situ (MTIS)	CoAL attributable Interest	CoAL attributable MTIS resource
Project		Mt	Mt	Mt		Mt
Vele Colliery	Measured	149.804	134.824	86.974	100%	86.974
Mooiplaats Colliery		71.441	67.869	43.281	*74%	32.028
Voorburg Project		109.435	98.492	94.915	**74 – 100%	92.012
Makhado Project		402.781	362.503	264.983	100%	264.983
Makhado Extension Project(Teleman and Gray)		42.245	38.020	36.241	100%	36.241
Total measured resources		775.706	701.708	526.394	–	512.238
Vele Colliery	Indicated	426.854	362.826	200.298	100%	200.298
Mooiplaats Colliery		10.972	9.326	1.578	74%	1.168
Voorburg Project		125.034	106.279	100.500	**74 – 100%	96.444
Makhado Project		298.595	253.806	76.390	100%	76.390
Makhado Extension Project(Teleman and Gray)		29.581	25.144	23.225	100%	23.225
Total indicated resources		891.036	757.381	401.991	–	397.525
Vele Colliery	Inferred	218.932	175.145	75.090	100%	75.090
Mooiplaats Colliery		4.275	3.420	0.090	74%	0.067
Voorburg Project		36.239	28.991	23.940	**74 – 100%	21.130
Makhado Project		94.232	75.386	2.990	100%	2.990
Makhado Extension Project(Telema and Gray)		12.301	9.841	7.320	100%	7.320
Mount Stuart		407.163	325.730	55.460	100%	55.460
Chapudi		6,399.023	5,119.219	1,318.420	74%	975.631
Total Inferred resources		7,172.165	5,737.732	1,483.310	–	1,137.688
Grand Total resources		8,838.907	7,196.821	2,411.695	–	2,047.451

The JORC-compliant coal resources are at the 30th June 2014 and are inclusive of reserves.

* Coal has a 74% interest in the holding company.

** CoAL has a 100% interest in the rights holder(s) except those acquired as part of the Chapudi acquisition transaction.

In these rights holder(s) CoAL has a 74% interest. CoAL does not own the surface rights to all farms over which it has rights.

The mineral resources and reserves statement has been extracted from the independent technical report compiled by Venmyn Deloitte where information with respect to the quality of the coal can be found for each of the projects. This technical report can be viewed on the CoAL website at: http://www.coalofafrica.com/technical-reports/venmyn-deloitte-independent-specialist-report_10dec12.pdf.

Coal of Africa reserves

	Reserve category	Mineable tonnes in situ reserve	Run of mine tonnes (ROM)	Saleable Primary Product tonnes	Saleable secondary product tonnes	CoAL attributable interest
Operation		Mt	Mt	Mt	Mt	
Vele Colliery	Proven	24.072	25.554	4.709	9.809	100%
Mooiplaats Colliery		30.026	20.231	10.622	5.246	*74%
Total proven		54.097	45.785	15.331	15.055	
Vele Colliery	Probable	301.371	266.115	47.848	117.751	100%
Mooiplaats Colliery		–	–	–	–	
Makhado Project**		188.250	172.756	25.636	44.535	100%
Total proven		489.622	438.871	73.484	162.286	
Grand total reserves		543.719	484.655	88.815	177.341	

* CoAL has a 74% interest.

The declared coal reserves are based upon the measured and indicated coal resources only.

Rounding down of tonnages to 1,000t to reflect the relative uncertainty in the estimates may result in adding inconsistencies.

** The Makhado Project is based on the published feasibility study.

Reserves and resources **statement** continued

COMPETENT PERSON STATEMENT

The information in this report that relates to mineral resources was prepared and first disclosed under the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and has not been updated since to comply with the JORC Code 2012 edition on the basis that the information has not materially changed since it was last reported. The Company is not aware of any new information or data that materially affects the information and data contained in the Venmyn Deloitte report dated 30 September 2012.

The summary above is relevant for the mineral assets under the Company's control at 30th June 2014. They have been based upon reliable exploration and mining results (where appropriate) and accurately estimated using industry best practise standards of modelling. The resources and reserves have been correctly classified according to the JORC Code. The relevant competent person in the employ of the Company, Mr J Sparrow and Mr M J Bronn, consent to the inclusion of this extract of the resources and reserves into the Company's Integrated Report 2014.

RESOURCE STATEMENT COMPARISON

The tables below summarise the changes from the Integrated Report 2013 to measured, indicated and inferred resources and proven and probable reserves, as the result of activities during the financial year ended 30 June 2014.

Net effect of activities during the course of FY2014 (Resources)

Project	Resource category	Gross tonnes in situ (GTIS)	Total tonnes in situ (TTIS)	Mineable tonnes in situ (MTIS)
		Mt	Mt	Mt
Vele Colliery (Depletion)	Measured	-0.135	-0.121	-0.127
Mooiplaats (Depletion)		-0.137	-0.130	-0.112
Vuna (Sold)		-1.555	-1.477	-1.399
Voorburg Project		-	-	-
Makhado Project		-	-	-
Makhado Extension Project(Telema and Gray)		-	-	-
Total measured		-1.827	-1.729	-1.638
Vele Colliery	Indicated	-	-	-
Mooiplaats Colliery		-	-	-
Voorburg Project		-	-	-
Makhado Project		-	-	-
Makhado Extension Project(Telema and Gray)		-	-	-
Total indicated	Inferred	-	-	-
Vele Colliery		-	-	-
Mooiplaats Colliery		-	-	-
Voorburg Project		-	-	-
Makhado Project		-	-	-
Makhado Extension Project(Telema and Gray)		-	-	-
Mount Stuart		-	-	-
Chapudi		-	-	-
Total inferred		-	-	-
Grand total		-1.827	-1.729	-1.638

Net effect of activities during the course of FY2014 (Reserves)

	Reserve category	Mineable tonnes in situ reserve	ROM tonnes	Saleable primary product tonnes	Saleable secondary product tonnes
Project		Mt	Mt	Mt	Mt
Vele Colliery (Depletion)	Proven	-0.127	-0.143	-0.033	-0.033
Mooiplaats (Depletion)		-0.112	-0.075	-	-
Vuna (Sold)		-1.399	-1.483	-0.609	-0.384
Total proven	Probable	-1.638	-1.701	-0.642	-0.417
Vele Colliery		-	-	-	-
Mooiplaats Colliery		-	-	-	-
Makhado Project (DFS concluded)		188.250	172.756	25.636	44.535
Total probable		188.250	172.756	25.636	44.535
Grand total		186.612	171.054	24.994	44.118

GOVERNANCE ARRANGEMENT AND INTERNAL CONTROLS

CoAL has ensured that the mineral resources quoted are subject to good governance arrangements and internal control. The Company will engage an external independent consultant to update the mineral resource in accordance with the JORC Code 2012 edition. The estimation methodology will be materially the same as for those reported in accordance with the JORC Code 2004 edition.

GOVERNANCE

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.



Corporate governance **statement**

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.

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.

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

The Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ('ASX Principles') where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance principles. Where the Company considered it was not appropriate to presently comply with a particular recommendation, the reasons are set out in the relevant section of this statement.

1.1 PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

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

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

ROLE AND RESPONSIBILITIES OF THE BOARD

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

The key responsibilities of the Board include:

- (a) overseeing the Company, including its control and accountability systems;
- (b) appointing the Chief Executive Officer, or equivalent, for a period and on terms as the Directors see fit and, where appropriate, removing the Chief Executive Officer, or equivalent;
- (c) ratifying the appointment and, where appropriate, the removal of senior executives, including the Chief Financial Officer and the Company Secretary;
- (d) ensuring the Company's policy and procedure for selection and (re) appointment of directors

is reviewed in accordance with the Company's Nomination Committee Charter;

- (e) approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance;
- (f) satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;
- (g) assessing the effectiveness of senior management's implementation of systems for managing material business risk including the making of additional enquiries and to request assurances regarding the management of material business risk, as appropriate;
- (h) monitoring, reviewing and challenging senior management's performance and implementation of strategy;
- (i) ensuring appropriate resources are available to senior management;
- (j) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (k) monitoring the financial performance of the Company;
- (l) ensuring the integrity of the Company's financial (with the assistance of the Audit and Risk Committee) and other reporting through approval and monitoring;
- (m) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- (n) appointing the external auditor (where applicable, based on recommendations of the Audit and Risk Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company;
- (o) engaging with the Company's external auditors and Audit and Risk Committee;
- (p) monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, native title, cultural heritage and occupational health and safety; and
- (q) making regular assessment of whether each non-executive Director is independent in accordance with the Company's policy on assessing the independence of directors.

The Board has delegated responsibilities and authorities to management to enable them to

conduct the Company's day-to-day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

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

The Chief Executive Officer is responsible for assessing the performance of the key executives within the Company. This is performed at least annually through a formal process involving a formal meeting with each senior executive.

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

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

COMMITTEES

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

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

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

COMMITMENT

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

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

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

MEETINGS

The Board Charter requires the Board to convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities. The Board held four scheduled and one unscheduled meetings during the reporting year. There were also six Circular Resolutions during the year that dealt with specific matters.

Standing Committee meetings are held as required, generally the day prior to the scheduled Board meeting.

The Chairman sets the agenda for each meeting in conjunction with the Chief Executive Officer and Company Secretary. Any Director may request additional matters on the agenda. Members

of senior management attend meetings of the Board and its Committees by invitation and were available for questioning by Directors.

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

1.2 PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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

BOARD COMPOSITION

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

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

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

The Chairman, Mr B Pryor, is one of the independent 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.

INDEPENDENT DECISION-MAKING

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

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

DIRECTOR INDEPENDENCE

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

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

Corporate governance **statement** continued

- substantial shareholdings in the Company;
- past or current employment in an executive capacity;
- whether or not the Director has been a principal of a material professional adviser or a material consultant to the Company in the past 3 years;
- material supplier or customer relationships with the Company;
- material contractual relationships or payments for services other than as a Director; and
- family ties and cross-directorships.

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

The Board has reviewed and considered the positions and associations of each of the Directors in office at the date of this report and consider that a majority of the Directors are not independent. Bernard Pryor, Peter Cordin and David Murray are considered independent. Executive Directors David Brown and Michael Meeser and non-executive Directors Khomotso

Mosehla and Rudolph Torlage are not considered independent.

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

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

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

Director	Date appointed	Period in office	Due for re-election or retirement
Bernard Pryor	6 August 2012	2 years	2014 AGM
David Brown	6 August 2012	2 years	2015 AGM
Michael Meeser	1 June 2013	1 year	2016 AGM
Peter Cordin	8 December 1997	16 years	2014 AGM
David Murray	8 September 2010	3 years	2015 AGM
Khomotso Mosehla	18 November 2010	3 years	2014 AGM
Rudolph Torlage	18 November 2010	3 years	2015 AGM

CONFLICTS OF INTEREST

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

NOMINATION AND REMUNERATION COMMITTEE

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

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

NOMINATION RESPONSIBILITIES:

The Committee's nomination responsibilities include ensuring that the Board has the appropriate blend of Directors with the necessary

expertise and relevant industry experience. As such the Charter requires the Committee to:

- regularly review the size and composition of the Board, and make recommendations to the Board on any appropriate changes;
- identify and assess necessary and desirable director competences and provide advice on the competency levels of directors with a view to enhancing the Board;
- make recommendations on the appointment and removal of directors;
- make recommendations on whether any directors whose term of office is due to expire should be nominated for re-election; and
- regularly review the time required from non-executive Directors and whether non-executive Directors are meeting that requirement.

The responsibilities of this Committee with respect to remuneration matters are set out under the discussion of Principle 8 later in this statement.

COMPOSITION OF THE COMMITTEE:

The Committee Charter states that the composition should include:

- a minimum of three members, the majority of whom must be independent, and a Chairman who is an independent Director.

Committee membership is disclosed in the Directors' report along with details of meetings attended. Membership is consistent with the composition requirements of the Charter and the recommendations of the ASX Principles.

SELECTION, APPOINTMENT, INDUCTION AND CONTINUING DEVELOPMENT PROCESSES

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

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

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

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

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

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

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

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

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

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

The Board will undertake an annual performance evaluation that reviews:

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

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

A review of the Board consistent with the above was carried out in 2014.

COMPANY SECRETARY

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

All Directors have access to the Company Secretary.

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

1.3 PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making.

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

CODE OF CONDUCT

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

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

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

SECURITIES TRADING POLICY

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

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

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

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

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

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

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

PRIVACY

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

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

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

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

DIVERSITY

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

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

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

Employees	34%
Management	58%
Senior Executive	31%
Board:	0%

1.4 PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

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

It is expected to include:

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

AUDIT COMMITTEE

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

ASX Principles: Recommendation 4.2 recommends the appropriate Committee structure.

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

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

The role of the Audit and Risk Committee is to:

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

COMPOSITION OF THE COMMITTEE

The Board has determined that the Audit Committee should comprise:

- at least three members;
- a majority of independent non-executive Directors; and
- an independent chair who is not the Chair of the Board.

In addition, the Audit Committee should include:

- members who are financially literate i.e. able to read and understand financial statements;
- at least one member with relevant qualifications and experience, i.e. a qualified accountant or other finance professional with experience of financial and accounting matters; and
- at least one member with an understanding of the industry in which the entity operates.

Committee membership is disclosed in the Directors' report included in this report along with details of meetings attended. Membership is consistent with the composition requirements of the ASX Principles. The Chair of the Committee, Mr B Pryor, during the year was appointed Chair of the Board. The Board has accepted this departure from the Audit and Risk Committee Chair as a temporary one as they intend to appoint a new Chair of the Committee.

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

1.5 PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

The Company is committed to ensuring that:

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

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

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

The Company has adopted certain procedures to ensure that it complies with its continuous disclosure obligations and has appointed a Responsible Officer who is responsible for ensuring the procedures are complied with.

1.6 PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

ASX Principles: Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation

at general meetings and disclose their policy or a summary thereof.

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

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

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

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

1.7 PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

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

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

RISK MANAGEMENT

The Company has a policy for the oversight and management of material business risks, which is available on the Company's website.

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

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

The Chief Executive Officer has responsibility for identifying, assessing, monitoring and managing risks. The Chief Executive Officer is also responsible for identifying any material changes to the

Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company is updated to reflect any material change.

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

The Audit and Risk Committee also has responsibility for reviewing the Company's internal financial control system and risk management systems and reporting to the Board.

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

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

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

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

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

1.8 PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

NOMINATION AND REMUNERATION COMMITTEE

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

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

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

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

Committee membership is disclosed in the Directors' report along with details of meetings attended.

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

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

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

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

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

REMUNERATION POLICY DISCLOSURES

Disclosure of the Company's remuneration policies is best served through a transparent and readily understandable framework for executive remuneration that details the costs and benefits.

The Company intends to meet its transparency obligations in the following manner:

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

ASX Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition as amended on 30 June 2010) ("ASX Principles"). Where recommendations have not been followed, the Company must identify the recommendations which have not been followed and give reasons for not following them. The Company's corporate governance practices for the year ended 30 June 2014 are outlined in the Corporate governance statement herewith. The following table lists each of the ASX Principles and the Company's assessment of its compliance with them.

Corporate governance **statement** continued

ASX Corporate Governance Council Recommendations		Reference	Comply	3rd Edition ASX Principles
Principle 1: Lay solid foundations for management and oversight				
1.1	Companies should establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.	As above	Yes	1.1
1.2	Companies should disclose the process for evaluating the performance of Senior Executives.	As above	Yes	1.7
Principle 2: Structure the Board to add value				
2.1	A majority of the Board should be independent Directors.	As above	No	2.4
2.2	The Chair should be an independent Director.	As above	Yes	2.5
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	As above	Yes	2.5
2.4	The Board should establish a Nomination Committee.	As above	Yes	2.1
2.5	Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	As above	Yes	1.6
Principle 3: Promote ethical and responsible decision-making				
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the Company's integrity; - the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders; and - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	As above	Yes	3.1
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	As above	Yes	1.5
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	As above	Yes	1.5
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board.	As above	Yes	1.5
Principle 4: Safeguard integrity in financial reporting				
4.1	The Board should establish an Audit Committee.	As above	Yes	4.1
4.2	The Audit Committee should be structured so that it: - consists only of Non-executive Directors; - consists of a majority of independent Directors; - is chaired by an independent Chair, who is not Chair of the Board; and - has at least three members.	As above	No	4.1
4.3	The Audit Committee should have a formal charter.	As above	Yes	4.1

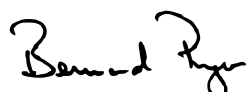
ASX Corporate Governance Council Recommendations		Reference	Comply	3rd Edition ASX Principles
Principle 5: Make timely and balanced disclosure				
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.	As above	Yes	5.1
Principle 6: Respect the rights of shareholders				
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	As above	Yes	6.1-6.4
Principle 7: Recognise and manage risk				
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	As above	Yes	7.1
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	As above	Yes	7.2
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with s.295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	As above	Yes	4.2
Principle 8: Remunerate fairly and responsibly				
8.1	The Board should establish a Remuneration Committee.	As above	Yes	8.1
8.2	The Remuneration Committee should be structured so that it: • consists of a majority of independent Directors; • is chaired by an independent Chair; and - has at least three members.	As above	Yes	8.1
8.3	Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of Executive Directors and Senior Executives.	As above	Yes	8.2

The Directors declare that:

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

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

On behalf of the Directors



Bernard Robert Pryor
Chairman
29 September 2014



David Hugh Brown
Chief Executive Officer
29 September 2014

Directors' report

The Directors of Coal of Africa Limited ('CoAL' or 'the Company') submit herewith the annual report of the Company and the entities controlled by the Company (its subsidiaries), collectively referred to as 'the Group' or 'the Consolidated Entity', for the financial year ended 30 June 2014. All balances are denominated in United States dollars unless otherwise stated.

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

INFORMATION ABOUT THE DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

Bernard Robert Pryor	Independent non-executive Chairman (appointed 1 February 2014) Independent non-executive Director (1 July 2013 to 31 January 2014)	Mr Pryor was previously the chief executive officer of African Minerals Limited and Q Resources plc. Between 2006 and 2010 he held senior executive positions within Anglo American plc as head of business development, and CEO of Anglo Ferrous Brazil Inc.
David Hugh Brown	Executive Director and Chief Executive Officer (appointed 1 February 2014) Executive Chairman (1 July 2013 to 31 January 2014)	Mr Brown joined CoAL following a tenure of almost 14 years at Impala Platinum Holdings Limited ('Implats'). He joined the Impala Group in 1999 and served as chief financial officer and financial director of Impala Platinum Holdings Ltd before being appointed chief executive officer in 2006. He is currently an independent non-executive director of Vodacom Group Limited as well as non-executive director of EDCON Holdings Limited. In the past he has served as a non-executive director of Simmer & Jack Limited and ASX listed Zimplats Holdings Limited. Mr Brown is a Chartered Accountant and completed his articles with Ernst & Young, graduating from the University of Cape Town.
Michael George Meeser	Executive Director and Chief Financial Officer	Mr Meeser is a qualified Chartered Accountant and has over 20 years' local and international project finance experience. He spent 6 years working for Edison Mission Energy Limited with interests in more than 50 power projects and assets of more than \$4billion. In 1998, Mr Meeser joined Investec Bank Limited's Project and Infrastructure Finance business and served as head of the project & infrastructure and commodity & resource finance businesses for Africa and was a member of the divisions' executive committee.
David John Keir Murray	Senior independent non-executive Director	Mr Murray has held a number of senior positions in the global coal industry, including managing director of Ingwe Coal Corporation (formerly Trans-Natal Coal Corporation Limited), chief executive of BHP Billiton Mitsubishi Alliance and president of energy coal sector Group at BHP Billiton Limited, a position he held until December 2009. Mr Murray holds a Bachelor of Science Degree (Civil Engineering) from the University of KwaZulu-Natal and a Post Graduate Diploma in Mining Engineering from the University of Pretoria. He has also completed the Advanced Executive Program from the University of South Africa.
Peter George Cordin	Independent non-executive Director	Mr Cordin has a Bachelor of Engineering from the University of Western Australia and is well experienced in the evaluation, development and operation of resource projects within Australia and overseas. He was until recently the chairman of ASX listed Dragon Mining Limited and is a non-executive director of Vital Metals Limited.
Khomotso Brian Mosehla	Non-executive Director	After serving articles at KPMG, Mr Mosehla worked for five years at African Merchant Bank Limited, where he gained a broad range of experience, including Management Buy-Out, Leveraged Buy-Out and capital restructuring/raising transactions. In 2003, he established Mvelaphanda Corporate Finance, for the development of Mvelaphanda's mining and non-mining interests. Mr Mosehla served as a director on the boards of several companies, including Mvelaphanda Resources Limited and Net 1, and he is currently the chief executive officer of Mosomo Investment Holdings Proprietary Limited.
Rudolph Henry Torlage	Non-executive Director	Mr Torlage is a Chartered Accountant and has over 20 years' experience with ArcelorMittal South Africa. He was previously executive director finance and a board member of various unlisted ArcelorMittal Group companies.

No Directors were appointed or resigned during the financial year ending 30 June 2014.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

Director	Company	Period of directorship
Bernard Robert Pryor	African Minerals Limited	2011 – 2014
David Hugh Brown	Impala Platinum Holdings Limited	1999 – 2012
	Zimplats Holdings Limited	2001 – 2012
	Simmer & Jack Limited	2010 – 2011
	Vodacom Group Limited	2012 – Present
Michael George Meeser	None	
David John Keir Murray	Coalspur Mines Limited	2011 – Present
	Meridien Resources Limited	2012 – 2012
	Stonewall Resources Limited	2012 – Present
Peter George Cordin	Dragon Mining Limited	2006 – 2014
	Vital Metals Limited	2009 – Present
	Kalgorlie Mining Company Limited	2012 – 2013
	Aurora Minerals Limited	2014 – Present
Khomotso Brian Mosehla	Net 1 UEPS Technologies, Incorporated	2012 – 2013
Rudolph Henry Torlage	ArcelorMittal South Africa Limited	2010 – 2012

DIRECTORS' SHAREHOLDINGS

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

Director	Ordinary shares	Listed options	Unlisted options
B Pryor ⁽¹⁾	–	–	1,000,000
D Brown ⁽²⁾	325,000	–	2,500,000
M Meeser ⁽³⁾	600,000	–	4,125,000
D Murray ⁽⁴⁾	–	–	2,500,000
P Cordin ⁽⁵⁾	871,059	–	–
K Mosehla	–	–	–
R Torlage	–	–	–
	1,796,059	–	10,125,000

1. Mr Pryor was issued with 1,000,000 share options on 28 November 2012 with an exercise price of GBP0.25 expiring 3 years from date of issue, vesting immediately and a further 1,000,000 share options with an exercise price GBP0.375, and expiring three years from date of issue, to be issued on 6 August 2015.
2. Mr Brown was issued with 2,500,000 share options on 28 November 2012 with an exercise price of GBP0.25 expiring 3 years from date of issue, vesting immediately. On appointment as Chief Executive Officer and Executive Director on 1 February 2014, Mr Brown agreed to forfeit a further 2,500,000 unissued share options allocated to him in his contract as Non-executive Chairman. Mr Brown will instead receive 10,575,000 options to be granted in 3 equal tranches over a 3 year period (Year 1: 3,525,000 at ZAR1.20; Year 2: 3,525,000 at ZAR1.32; Year 3: 3,525,000 at ZAR 1.45). These are granted in accordance with the Company's employee share option plan and are subject to shareholder approval. Should there be a change of control event, the options will vest immediately. The forfeiture of the unissued options and granting of 10,575,000 shares was outstanding as at 30 June 2014.
3. Mr Meeser was issued with 4,125,000 share options on 22 November 2013 with an exercise price of ZAR2.00 expiring 3 years from date of issue. The options vest in three equal tranches on 1 June 2014, 1 June 2015 and 1 June 2016.
4. Mr Murray was issued a total of 2,500,000 options on 9 November 2010 (each option having an exercise price equal to the volume weighted average price of the Company's Shares 10 trading days prior to the issue date and an expiry date 5 years from the issue date, 1,000,000 of which vested 12 months after the date of issue, 750,000 of which vested 24 months after the date of issue and the remaining 750,000 vested 36 months from the date of issue).
5. 412,759 shares are held by the Cordin Pty Ltd ATF The Cordin Trust and 458,300 shares held by Cordin Pty Ltd The Cordin Superannuation Fund. Mr Cordin is a beneficiary of both the trust and superannuation fund.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Information about the remuneration of Directors and key management personnel is set out in the remuneration report of this Directors' report, on pages 55 to 59.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During and since the end of the financial year, an aggregate 10,749,696 share options were granted to the following Directors and key management personnel of the Company and of its controlled entities as part of their remuneration:

Directors and senior management	Number of options	Issuing entity	Number of ordinary shares under option
B Pryor	—	Coal of Africa Limited	—
D Brown ⁽¹⁾	10,575,000	Coal of Africa Limited	10,575,000
M Meeser	—	Coal of Africa Limited	—
D Murray	—	Coal of Africa Limited	—
P Cordin	—	Coal of Africa Limited	—
K Mosehla	—	Coal of Africa Limited	—
R Torlage	—	Coal of Africa Limited	—
C Bronn ⁽²⁾	174,696	Coal of Africa Limited	174,696

⁽¹⁾Mr Brown was issued with 2,500,000 share options with an exercise price of GBP0.25 expiring 3 years from date of issue, vesting immediately. On appointment as Chief Executive Officer and Executive Director on 1 February 2014, Mr Brown agreed to forfeit a further 2,500,000 unissued share options allocated to him in his contract as non-executive Chairman. Mr Brown will instead receive 10,575,000 options to be granted in three equal tranches over a three-year period (Year 1: 3,525,000 at ZAR1.20; Year 2: 3,525,000 at ZAR1.32; Year 3: 3,525,000) at ZAR1.45. These are granted in accordance with the Company's employee share option plan and are subject to shareholder approval. Should there be a change of control event, the options will vest immediately. The forfeiture of the unissued options and granting of 10,575,000 shares was outstanding as at 30 June 2014.

⁽²⁾Mr Bronn was granted options under the Employee Share Ownership Programme.

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

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

The Group's principal assets and projects include:

- two coking and thermal coal projects, the development phase Vele Colliery and the Makhado Project which is awaiting the granting of a New Order Mining Right ('NOMR');
- three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane, in the Soutpansberg Coalfield; and
- the Mooiplaats Colliery currently on care and maintenance and subject to a formal sale process.

REVIEW OF OPERATIONS

The Company undertook the following activities during the year:

OPERATIONAL SALIENT FEATURES

- No Fatalities (FY2013: one) and one lost time injury recorded during the year (FY2013: 14) given the reduced activity at the Company's projects.
- Cost-cutting processes resulted in the placement of the Mooiplaats Colliery on care and maintenance and the reduction of corporate staff head count while operations at the Vele Colliery were suspended in anticipation of the plant modification and regulatory approvals, expected to commence in Q3 CY2015.
- The Makhado Project received Environmental Authorisation in terms of National Environmental Management Act ('NEMA') and Environmental Impact Assessment Regulations from LEDET.
- Appointment of Sedgman as engineer for the front-end engineering and design ('FEED') for the Vele Colliery plant modification project.
- Independent consultants Snowden Group are appointed and commenced with a Technical Review of the Vele Colliery plant modification.

DISPOSAL OF NON-CORE ASSETS

- Section 11 approval granted by the Department of Mineral Resources ('DMR') and all other suspensive conditions satisfied resulting in the sale of the Woestalleen Complex for ZAR80 million (\$7.6 million).
- Approval by the DMR for the sale of the Opgedehoop mining right for ZAR20.8 million (\$2 million) exclusive of value added tax ('VAT') and receipt of the initial ZAR4.4 million (\$0.4 million) exclusive of VAT with the balance of the ZAR20.8 million (\$2 million) due the earlier of receipt of an Integrated Water Use Licence ('IWUL') or 31 March 2015.
- The Company's formal process for the disposal of the Mooiplaats Colliery is at an advanced stage. Subsequent to year-end the Company has signed a sale and purchase agreement for the disposal of the Mooiplaats Colliery (refer to Subsequent events herewith).
- Receipt of a ZAR5 million (\$0.5 million) payment for a one-year option to acquire the Holfontein project for ZAR50 million (\$5.2 million) (including the ZAR5 million option fee) expected to be completed during CY2014.
- Conversion of the Company's shareholding in ASX listed Lemur Resources Limited to AIM listed Bushveld Minerals Limited shares and disposal of a portion of this investment, realising \$1.8 million with the balance of the shares to be sold market conditions dependent.

CORPORATE SALIENT FEATURES

- Signature of a Memorandum of Agreement with seven communities located in the proximity of the Makhado Project, ensuring a broad based Black Economic Empowerment ('BEE') structure is in place. The Company continued its interaction with potential funders of this BEE structure which will facilitate the finalisation of their acquisition of a 20% interest in the Makhado Project.
- Repayment of the remaining \$12.5 million of the Deutsche Bank facility as well as the Investec derivative facility during the year and ZAR210 million (approximately \$21.4 million) 18 month credit facility secured from Investec Bank Limited.
- Drawdown of the first ZAR107.5 million (\$10.2 million) of the Investec facility of which ZAR40 million (\$3.8 million) was repaid in Q2 CY2014.
- Settlement of the business interruption insurance claim relating to the February 2013 train derailment on the Maputo corridor and receipt of ZAR14.0 million (\$1.3 million).

LEGAL

- Withdrawal of the legal action instituted by Motjoli Resources Proprietary Limited & Motjoli Resources Advisory Services CC suing the Company for 4,750,000 fully paid up ordinary shares in CoAL or, ZAR95.5 million (\$9.7 million) with interest.
- Settlement of the action instituted by Coria (Pkt) Investments 14 Proprietary Limited who claimed damages of ZAR4.3 million (\$0.4 million) from previously wholly owned NuCoal Mining (Pty) Ltd. In terms of the settlement, NuCoal paid Coria ZAR0.9 million (\$0.1 million).
- Settlement of the litigation instituted by Ferret Mining & Environmental Services (Pty) Ltd in relation to their historic shareholding in Mooiplaats Mining Limited, the intermediate holding company of the Mooiplaats Colliery. In terms of the settlement, Ferret were reinstated as 26% shareholders in Mooiplaats Mining and will dispose of their interest should the colliery be sold. Ferret will receive a maximum of ZAR10 million (\$0.96 million) should Mooiplaats be sold within the next 18 months or, a maximum of ZAR15.0 million (\$1.4 million) if it is sold thereafter and ensures that the Mooiplaats Colliery complies with the BEE requirements stipulated in the Mineral and Petroleum Resources Development Act ('MPRDA').
- Envicoal (Pty) Ltd had previously launched arbitration proceedings against NuCoal Mining (Pty) Ltd in which they originally sought to claim damages to the value of ZAR188.1 million (\$17.8 million), alternatively ZAR157.1 million (\$143.8 million), further alternatively ZAR140.0 million (\$13.2 million). This was subsequently reduced to ZAR78.0 million (\$7.4 million), alternatively ZAR70.0 million (\$6.6 million) excluding VAT, interest and costs thereon. A ruling on this matter was received on 12 September 2014 with an award for Envicoal. The Company is reviewing the findings and pending the finalisation of all related processes, has provided \$2.2 million as at 30 June 2014 (detailed in note 25).

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

SUBSEQUENT EVENTS

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

- On 27 August 2014 the Company reached an agreement with Grindrod Corridor Management Proprietary Limited and Terminal de Carvão da Matola Limitada ('TCM'), both subsidiaries of Grindrod Limited ('Grindrod'), for the settlement of both historic and future liabilities, up to the end of December 2016, remaining under the current terms of the August 2008 Throughput Agreement ("Throughput Agreement"). The settlement with Grindrod will result in a \$10 million payment settled in two tranches; \$6million at the end of October 2014 and \$4million by the earlier of five days after receipt of the Stage 2 Placement of the proposed equity raise announced on 26 August 2014, or the end of December 2014. The payment of the \$10 million in the two tranches as described above is subject to the successful completion of the placement.
- On 19 September 2014 the Company signed a Sale and Purchase Agreement for the disposal of the Mooiplaats Colliery for a gross consideration of ZAR250 million (\$23.47 million) in cash. Upon fulfillment of all conditions precedent including the receipt of regulatory approvals consistent with a transaction of this nature, the consideration will be settled in two tranches, with the first tranche of ZAR150 million (\$14.084 million) expected to be received during the first quarter of CY2015. The second tranche of ZAR100 million (\$9.39 million) is payable on the earlier of 12 months from the payment of the first tranche or 30 November 2015.
- On 25 September 2014 the shareholders voted in favour of an equity placement. The 251,000,000 Shares will be issued and paid for within three business days of the date on which CoAL notifies the Placees that each of the Stage 1 Conditions has been satisfied, raising GBP13.805 million.

The Placement is conditional upon the following conditions:

- the approval by the Company's shareholders for the issue of additional shares;
- Haohua Energy International (Hong Kong) Co. Limited ("HEI") and M&G Investment Management Limited ("M&G") having received confirmation from the Treasurer of the Commonwealth of Australia under the Foreign Acquisitions and Takeovers Act 1975 (Cth) that it has no objection to the acquisition by HEI and M&G of its/their respective Placement Shares; and
- HEI having received all necessary regulatory approvals within the People's Republic of China ("PRC") for it to acquire its Placement Shares.

The only outstanding condition at the date of this report is the PRC approval for HEI, which is expected in the near future. All other approvals have been obtained.

There have been no other events between 30 June 2014 and the date of this report which necessitate adjustment to the consolidated statement of profit or loss and other comprehensive income or the consolidated statement of financial position at that date.

FINANCIAL REVIEW

- \$3.3 million (FY2013: \$145.4 million) in revenue generated by the Mooiplaats Colliery. The operation was put on care and maintenance in October 2013.
- Non-cash charges of \$53.4 million (FY2013: \$106.4 million) including:
 - impairment of Mooiplaats of \$14.9 million (FY2013: \$48.5 million);
 - depreciation and amortisation of \$2.2 million (FY2013: \$28.6 million);
 - unrealised foreign exchange losses of \$35.6 million (FY2013: \$28.6 million) as a result of the South African rand weakening against the United States dollar; and
 - share-based payment expense of \$0.7 million (FY2013: \$0.7 million).
- Total unrestricted cash balances at year-end, including cash held by operations available for sale of \$2.1 million (FY2013: \$29.9 million).

FUTURE DEVELOPMENTS

The Company has finalised additional core drilling and core testing in order to ascertain the coal quality at the Vele Colliery. This data has been utilised in a financial model which supports the investment case for a plant to produce semi-soft coking coal as well as sized and un-sized thermal coal. The Board approved the technical plan and has commenced on the FEED of the plant modification required at Vele. The planned plant modification will be funded from the proceeds of the proposed equity raise.

The Makhado Project Definitive Feasibility Study ('DFS') completed during the previous financial year, indicates that the project has 344.8 million mineable tonnes in situ and a 16 year life-of-mine. The opencast project is expected to produce 12.6 million tonnes per annum ('Mtpa') of ROM coal yielding 2.3 Mtpa of hard coking coal and 3.2 Mtpa of thermal coal for the domestic or export markets. The estimated average on-mine operating costs are ZAR865 (\$89) per tonne of hard coking coal (after thermal by-product credit) and the project is expected to cost ZAR3.96 billion (\$406 million) (including contingency) to build. The project's Internal Rate of Return ('IRR') of 30.1% and Net Present Value ('NPV') of ZAR6.79 billion (\$697 million) were calculated using independently forecast average hard coking coal prices over the life of the mine. There are a number of milestones still to be met before the Makhado Project achieves both technical and commercial feasibility.

The exploration and development of the CoAL prospects in the Soutpansberg coalfield is the catalyst for the long-term growth of the Company. The DMR has accepted the Company's NOMR applications for the Mopane, Generaal and Chapudi projects.

ENVIRONMENTAL REGULATIONS

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation and there has consequently been no breach. The Group is subject to numerous environmental regulations in South Africa, including the Atmospheric Pollution Prevention Act (No. 45 of 1965), Environment Conservation Act (No. 73 of 1989), National Water Act (No. 45 of 1965), National Environmental Management Act (No. 107 of 1998), the National Environmental Management Air Quality Act (No. 39 of 2004) and the environmental provisions in the MPRDA (No 28 of 2002). There is uncertainty regarding the interrelationship between these statutes in the mining context and as such complete compliance with all simultaneously is often difficult. The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental impacts but from time to time statutory non-compliances may occur. The Board takes these seriously and undertook a thorough review of all its activities during FY2014 to bring them into compliance and continues to monitor compliance thereof.

DIVIDENDS

No dividend has been paid or proposed for the financial year ended 30 June 2014 (2013: nil).

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

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

	Number of shares under option	Class of shares	Exercise price	Expiry date
1 Option ⁽¹⁾	50,000,000	Ordinary	GBP0.60	1 November 2014
Class J Unlisted Options	3,000,000	Ordinary	A\$2.74	30 November 2014
ESOP Unlisted Options	1,441,061	Ordinary	A\$1.40	30 September 2015
Class C Unlisted Options	2,500,000	Ordinary	A\$1.20	9 November 2015
Class L Unlisted Options	3,500,000	Ordinary	GBP0.25	30 November 2015
ESOP Unlisted Options	2,670,000	Ordinary	ZAR7.60	14 February 2017
ESOP Unlisted Options	3,932,928	Ordinary	ZAR1.75	30 June 2017
ESOP Unlisted Options	4,125,000	Ordinary	ZAR2.00	30 June 2018

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

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

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

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company as named above, the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

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

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, a total of five Board meetings were held, four scheduled and one unscheduled. Zero placing and bid committee meetings, four nomination and remuneration committee meetings, five audit committee meetings and four safety and health committee meeting were held.

Director	Board meetings		Audit Committee meetings		Nomination and Remuneration Committee meetings		Safety, Health and Environment Committee meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
B Pryor ⁽¹⁾	5	4	5	4	4	4	—	—
D Brown ⁽²⁾	5	5	—	—	4	4	4	4
M Meeser	5	5	—	—	—	—	—	—
D Murray	5	5	—	—	4	4	4	4
P Cordin	5	4	5	5	—	—	4	4
K Mosehla	5	4	5	5	—	—	—	—
R Torlage	5	3	—	—	—	—	—	—

⁽¹⁾ Mr Pryor was an Independent non-executive Director until 31 January 2014 and was appointed independent non-executive Chairman on 1 February 2014.

⁽²⁾ Mr Brown was executive Chairman until 31 January 2014 and was appointed executive Director and Chief Executive Officer 1 February 2014.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 8 to the consolidated financial statements.

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

The Directors are of the opinion that the services as disclosed in note 8 to the consolidated financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 64 of these consolidated annual financial statements.

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Coal of Africa Limited's Directors and its senior management for the financial year ended 30 June 2014. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and key management personnel details;
- remuneration policy;
- performance-based remuneration;
- hedging of management remuneration;
- relationship between the remuneration policy and Company performance;
- remuneration of Directors and key management personnel;
- share-based payments granted as compensation for the current financial year;
- key terms of employment contracts; and
- key management personnel equity holdings.

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

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

Total remuneration for all non-executive Directors, excluding share-based payments, as approved by shareholders at the November 2010 General Meeting, is not to exceed A\$1,000,000 per annum (\$917,852).

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

DIRECTOR AND KEY MANAGEMENT PERSONNEL DETAILS

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

- B Pryor Independent non-executive Director until 31 January 2014
Appointed independent Chairman from 1 February 2014
- D Brown Executive Chairman until 31 January 2014
Appointed Chief Executive Officer and Executive Director from 1 February 2014
- M Meeser Chief Financial Officer and Executive Director
- D Murray Senior independent non-executive Director
- P Cordin Independent non-executive Director
- K Mosehla Non-executive Director
- R Torlage Non-executive Director

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The term 'key management' is used in this remuneration report to refer to the following persons.

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- C Bronn Chief Operating Officer
- W Hattingh Commercial Director (resigned 28 February 2014)

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

REMUNERATION POLICY

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

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

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

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

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

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

The Board's policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The Nomination and Remuneration Committee determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees, excluding share-based payments, that can be paid to non-executive Directors is A\$1,000,000 (\$917,852).

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

Options granted under the arrangement do not carry dividend or voting rights. Options are valued using the binomial option pricing model.

PERFORMANCE – BASED REMUNERATION

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

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

HEDGING OF MANAGEMENT REMUNERATION

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

RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2014.

	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	4,060	146,396	243,842	261,425	98,376
– Continuing operations	761	1,012	1,349	261,425	98,376
– Discontinued operations (note 11)	3,299	145,384	242,493	–	–
Net loss before tax	84,120	155,754	150,551	218,106	178,656
– Continuing operations	63,545	65,070	75,398	218,106	178,656
– Discontinued operations (note 11)	20,575	90,684	75,153	–	–
Net loss after tax	84,120	148,137	138,908	219,003	167,758
– Continuing operations	63,545	65,070	75,397	219,003	167,758
– Discontinued operations (note 11)	20,575	83,067	63,511	–	–

	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010
Share price at start of year	A\$0.19	A\$0.58	A\$1.08	A\$1.83	A\$1.57
Share price at end of year	A\$0.07	A\$0.19	A\$0.58	A\$1.08	A\$1.83
Basic and diluted loss per share (A\$ cents)	0.08	0.17	0.23	0.41	0.37

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

	Short-term employee benefits			Post-employment benefits	Termination benefits	Share-based payments	Total	Share-based % of total
	Salary and fees	Bonus	Non-monetary benefits	Super-annuation		Options/Shares		
2014	\$	\$	\$	\$	\$	\$	\$	%
Non-executive Directors								
B Pryor ⁽¹⁾	237,865	–	–	–	–	–	237,865	–
D Murray	86,587	–	–	8,009	–	–	94,596	–
P Cordin	84,353	–	–	7,803	–	–	92,156	–
K Mosehla	67,479	–	–	–	–	–	67,479	–
R Torlage	67,479	–	–	–	–	–	67,479	–
Executive Directors								
D Brown ⁽²⁾	572,961	–	–	–	–	–	572,961	–
M Meeser	318,197	–	–	–	–	225,145	543,342	41
	1,434,921	–	–	15,812	–	225,145	1,675,878	13
C Bronn	289,269	–	–	–	–	8,854	298,123	3
W Hattingh ⁽³⁾	158,045	–	–	–	–	19,054	177,099	11
Key management	447,314	–	–	–	–	27,908	475,222	6
	1,882,235	–	–	15,812	–	253,053	2,151,100	12

1. Mr Pryor was an independent non-executive Director until 31 January 2014 and was appointed independent non-executive Chairman on 1 February 2014.

2. Mr Brown was executive Chairman until 31 January 2014 and was appointed executive Director and Chief Executive Officer 1 February 2014.

3. Mr Hattingh resigned effective 28 February 2014.

Subsequent to the resignations of Mr R van der Merwe and W Hattingh and the corporate restructure, the only key management person is the Chief Operating Officer – C Bronn.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL continued

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

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

The Group has not provided any of its key management personnel with loans and has not entered into any other transactions (apart from the salary and fees and share options issued disclosed in this report) with its key management personnel.

SHARE-BASED PAYMENTS GRANTED AS COMPENSATION FOR THE CURRENT FINANCIAL YEAR

During the financial year, the following share-based payment arrangements were in existence (also included in note 31):

Option series	Number	Grant date	Expiry date	Grant date value	Vesting date
Class K unlisted options	818,500	25/02/2010	30/06/2014	A\$0.92	⁽¹⁾
Class J unlisted options	3,000,000	08/12/2009	30/11/2014	A\$0.58	30/11/2009 ⁽²⁾
Class C unlisted options	2,500,000	09/11/2010	09/11/2015	A\$0.59	⁽³⁾
ESOP unlisted options	1,441,061	04/02/2011	30/09/2015	A\$0.91	⁽⁴⁾
ESOP unlisted options	2,670,000	16/09/2011	14/02/2017	ZAR3.46	⁽⁵⁾
Class L unlisted options	3,500,000	28/11/2012	30/11/2015	GBP0.032	28/11/2012 ⁽⁶⁾
ESOP unlisted options	3,932,928	22/11/2013	30/06/2017	ZAR0.52	⁽⁷⁾
ESOP unlisted options	4,125,000	22/11/2013	30/06/2018	ZAR0.56	⁽⁸⁾
21,987,489					

1. These options were issued to employees and one third vested immediately on granting, 25 February 2010, one third on 1 July 2010 and the remaining third on 1 July 2011.
2. The 3,000,000 share options were granted to Mr Farrell, a former Managing Director of the Company on 8 December 2009. 2,000,000 of the options vested on 29 January 2011 and the remaining 1,000,000 options vest one year after the granting of the Makhado Project NOMR.
3. Mr Murray was issued a total of 2,500,000 options with an expiry date five years from the issue date, 1,000,000 of which will vest 12 months after the date of issue, 750,000 of which vested 24 months after the date of issue and the remaining 750,000 vested 36 months from the date of issue.
4. These options were issued to employees and vested in three equal tranches on 30 September 2011, 30 September 2011 and the remaining third on 30 September 2012.
5. These options were issued to employees and one third vested on 1 July 2012, one third on 1 July 2013 and the remaining third on 1 July 2014.
6. 2,500,000 of the options granted to Mr Brown and 1,000,000 to Mr Pryor 28 November 2012. The options vested immediately, expire three years from date of issue and have an exercise price of GBP0.25.
7. These options were issued to employees and two thirds vested immediately on granting and one third vesting on 1 July 2014.
8. Mr Meeser was issued a total of 4,125,000 options vesting in three equal tranches on 1 June 2014, 1 June 2015 and 1 June 2016.

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

During the financial year						% of compensation for the year consisting of options
Name	Option series	Number granted	Number vested	% of grant vested	% of grant forfeited	
M Meeser	ESOP unlisted options	4,125,000	1,375,000	33	n/a	41
C Bronn	ESOP unlisted options	174,696	116,464	67	n/a	3
W Hattingh ⁽¹⁾	ESOP unlisted options	345,897	230,598	67	33	11

⁽¹⁾ Mr Hattingh resigned effective 28 February 2014

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

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

Name	Value of options granted at grant date	Value of options at exercise date	Value of options lapsed at the date of lapse
C Bronn	8,854	n/a	n/a
W Hattingh ⁽¹⁾	19,054	n/a	6,351

⁽¹⁾ Mr Hattingh resigned effective 28 February 2014

KEY TERMS OF EMPLOYMENT CONTRACTS

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

1. Mr Brown's appointment as Chief Executive Officer commenced on 1 February 2014 with an annual remuneration of ZAR5.5 million and a three month notice period and will receive 10,575,000 options at ZAR1.45 vesting in three equal tranches over a three years. These are to be granted in accordance with the Company's employee share option plan and are subject to shareholder approval. Should there be a change of control event, the options will vest immediately.
2. Mr Meeser serves as Chief Financial Officer with an annual remuneration of ZAR3.3 million and a three month notice period.

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

1. Mr Bronn is employed by CoAL in the capacity of Chief Operations Officer, at an annual remuneration of ZAR3.0 million. This permanent employment contract may be terminated by written notice of two months.
2. Mr Hattingh was employed by CoAL in the capacity of Commercial Director and resigned effective 28 February 2014.

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

Option holdings

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

	Held at 1 July 2013	Granted as remuneration	Exercised	Other changes	Held at 30 June 2014
Non-executive Directors					
B Pryor	—	—	—	—	—
D Murray	2,500,000	—	—	—	2,500,000
P Cordin	—	—	—	—	—
K Mosehla	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
D Brown	—	—	—	—	—
M Meeser	—	—	—	—	—
Key management	—	—	—	—	—

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

	Held at 1 July 2013	Granted as remuneration	Exercised	Other changes	Held at 30 June 2014
Non-executive Directors					
B Pryor	—	—	—	—	—
D Murray	—	—	—	—	—
P Cordin	—	—	—	—	—
K Mosehla	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
D Brown	—	—	—	—	—
M Meeser	—	—	—	—	—
Key management					
W Hattingh	77,000	—	—	—	77,000

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS (CONTINUED)

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

	Held at 1 July 2013	Granted as remuneration	Exercised	Other changes	Held at 30 June 2014
Non-executive Directors					
B Pryor	—	—	—	—	—
D Murray	—	—	—	—	—
P Cordin	—	—	—	—	—
K Mosehla	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
D Brown	—	—	—	—	—
M Meeser	—	—	—	—	—
Key management					
C Bronn	135,000	—	—	—	135,000
W Hattingh	286,000	—	—	—	286,000

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

	Held at 1 July 2013	Granted as remuneration	Exercised	Other changes	Held at 30 June 2014
Non-executive Directors					
B Pryor	1,000,000	—	—	—	1,000,000
D Murray	—	—	—	—	—
P Cordin	—	—	—	—	—
K Mosehla	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
D Brown	2,500,000	—	—	—	2,500,000
M Meeser	—	—	—	—	—
Key management					
	—	—	—	—	—

The movement during the reporting period in the number of options over ordinary shares exercisable at ZAR1.75 on or before 30 June 2017 held directly, indirectly or beneficially by each Director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2013	Granted as remuneration	Exercised	Other changes	Held at 30 June 2014
Non-executive Directors					
B Pryor	—	—	—	—	—
D Murray	—	—	—	—	—
P Cordin	—	—	—	—	—
K Mosehla	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
D Brown	—	—	—	—	—
M Meeser	—	—	—	—	—
Key management					
C Bronn	—	174,696	—	—	174,696
W Hattingh	—	345,897	—	(115,299)	230,598

The movement during the reporting period in the number of options over ordinary shares exercisable at ZAR2.00 on or before 1 June 2018 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2013	Granted as remuneration	Exercised	Other changes	Held at 30 June 2014
Non-executive Directors					
B Pryor	—	—	—	—	—
D Murray	—	—	—	—	—
P Cordin	—	—	—	—	—
K Mosehla	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
D Brown	—	—	—	—	—
M Meeser	—	4,125,000	—	—	4,125,000
Key management	—	—	—	—	—

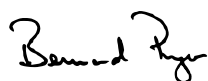
EQUITY HOLDINGS AND TRANSACTIONS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

	Held at 1 July 2013	Purchased	Received on exercise of options / remuneration	Other changes	Held at 30 June 2014
Non-executive Directors					
D Murray	—	—	—	—	—
P Cordin	871,059	—	—	—	871,059
K Mosehla	—	—	—	—	—
B Pryor	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
D Brown	30,000	295,000	—	—	325,000
M Meeser	—	600,000	—	—	600,000
Key management	—	—	—	—	—

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

On behalf of the Directors



Bernard Robert Pryor
Chairman
29 September 2014



David Hugh Brown
Chief Executive Officer
29 September 2014

Auditor's independence **declaration**

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

29 September 2014

Dear Board Members

AUDITOR'S INDEPENDENCE DECLARATION TO COAL OF AFRICA LIMITED

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

As lead audit partner for the audit of the financial statements of Coal of Africa Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Ross Jerrard
Partner
Chartered Accountants

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

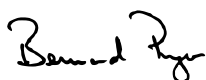
Directors' declaration

The directors declare that:

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

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

On behalf of the Directors



Bernard Robert Pryor
Chairman
29 September 2014



David Hugh Brown
Chief Executive Officer
29 September 2014

ANNUAL FINANCIAL STATEMENTS

The principal activities of the Company and its subsidiaries are the acquisition, exploration, development and operation of metallurgical and thermal coal projects in South Africa.

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Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2014

		Year ended 30 June 2014	Year ended 30 June 2013
	Note	\$'000	\$'000
CONTINUING OPERATIONS			
Revenue	5	761	1,012
Investment income	6	1,699	628
Other income	7	5,564	–
Gain recognised on disposal of interest in former subsidiary	11	1,438	–
Other (losses) and gains	7	(617)	(7,468)
Depreciation and amortisation	7	(2,176)	(1,841)
Foreign exchange losses	7	(36,317)	(24,323)
Take or pay port obligation	15	(10,556)	(2,424)
Employee benefits expense	7	(8,042)	(14,005)
Finance costs	9	(2,309)	(147)
Consulting expense		(2,617)	(5,310)
Other expenses	7	(10,373)	(11,192)
Loss before tax		(63,545)	(65,070)
Income tax expense	10	–	–
Net loss for the year from continuing operations		(63,545)	(65,070)
Discontinued operations			
Loss for the year from discontinued operations	11	(20,575)	(83,067)
LOSS FOR THE YEAR		(84,120)	(148,137)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		21,255	(32,111)
Total comprehensive loss for the year		(62,865)	(180,248)
Loss for the year attributable to:			
Owners of the Company		(84,120)	(148,137)
Non-controlling interests		–	–
		(84,120)	(148,137)
Total comprehensive loss attributable to:			
Owners of the Company		(62,865)	(180,248)
Non-controlling interests		–	–
		(62,865)	(180,248)
Loss per share	12		
From continuing operations and discontinued operations			
Basic and diluted (cents per share)		8.02	16.54
From continuing operations			
Basic and diluted (cents per share)		6.06	7.27

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

Consolidated statement of financial position

as at 30 June 2014

		Year ended 30 June 2014	Year ended 30 June 2013
	Note	\$'000	\$'000
ASSETS			
Non-current assets			
Development, exploration and evaluation expenditure	13	271,711	279,078
Property, plant and equipment	14	17,413	18,846
Intangible assets	15	15,488	16,078
Other receivables	16	2,245	3,567
Other financial assets	17	1,607	2,989
Restricted cash	20	5,153	4,187
Deferred tax assets	25	2,694	2,885
Total non-current assets		316,311	327,630
Current assets			
Inventories	18	528	1,096
Trade and other receivables	19	1,902	3,267
Other financial assets	17	610	3,318
Cash and cash equivalents	20	2,017	20,995
		5,057	28,676
Assets associated with discontinued operations	21	23,030	71,093
Total current assets		28,087	99,769
Total assets		344,398	427,399
LIABILITIES			
Non-current liabilities			
Deferred consideration	22	–	30,000
Provisions	24	4,643	4,903
Total non-current liabilities		4,643	34,903
Current liabilities			
Deferred consideration	22	29,800	–
Trade and other payables	26	15,083	10,837
Borrowings	23	6,372	2,088
Provisions	24	2,447	398
Current tax liabilities		1,583	1,534
		55,285	14,857
Liabilities associated with discontinued operations	21	4,150	35,171
Total current liabilities		59,435	50,028
Total liabilities		64,078	84,931
NET ASSETS		280,320	342,468
EQUITY			
Issued capital	27	935,891	935,891
Accumulated deficit	28	(790,964)	(707,535)
Reserves	29	134,818	113,537
Equity attributable to owners of the Company		279,745	341,893
Non-controlling interests	31	575	575
TOTAL EQUITY		280,320	342,468

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

Consolidated statement of changes in equity

for the year ended 30 June 2014

	Issued capital	Accumulated deficit	Share-based payment reserve	Capital profits reserve	Foreign currency translation reserve	Attributable to owners of the parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	935,891	(707,535)	82,438	91	31,008	341,893	575	342,468
Total comprehensive loss for the year	–	(84,120)	–	–	21,255	(62,865)	–	(62,865)
Loss for the year	–	(84,120)	–	–	–	(84,120)	–	(84,120)
Other comprehensive loss, net of tax	–	–	–	–	21,255	21,255	–	21,255
	935,891	(791,655)	82,438	91	52,263	279,028	575	279,603
Shares issued to employees	–	–	717	–	–	717	–	717
Share options cancelled	–	691	(691)	–	–	–	–	–
Balance at 30 June 2014	935,891	(790,964)	82,464	91	52,263	279,745	575	280,320
Balance at 1 July 2012	791,102	(564,800)	87,180	91	63,119	376,692	575	377,267
Total comprehensive loss for the year	–	(148,137)	–	–	(32,111)	(180,248)	–	(180,248)
Loss for the year	–	(148,137)	–	–	–	(148,137)	–	(148,137)
Other comprehensive loss, net of tax	–	–	–	–	(32,111)	(32,111)	–	(32,111)
	791,102	(712,937)	87,180	91	31,008	196,444	575	197,019
Shares issued for capital raising	154,250	–	–	–	–	154,250	–	154,250
Shares issued to employees	–	–	660	–	–	660	–	660
Share options cancelled	–	5,402	(5,402)	–	–	–	–	–
Share issue costs	(9,461)	–	–	–	–	(9,461)	–	(9,461)
Balance at 30 June 2013	935,891	(707,535)	82,438	91	31,008	341,893	575	342,468

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

Consolidated statement of cash flows

for the year ended 30 June 2014

		Year ended 30 June 2014	Year ended 30 June 2013
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		12,918	156,019
Payments to suppliers and employees		(34,386)	(224,987)
Cash used in operations	33	(21,468)	(68,968)
Interest received		952	702
Interest paid		(811)	(331)
Income taxes paid		–	–
Net cash used in operating activities		(21,327)	(68,597)
Cash flows from investing activities			
Purchase of property, plant and equipment		(148)	(4,843)
Proceeds from the sale of property, plant and equipment		609	–
Investment in development assets		(5,056)	(19,465)
Investment in exploration assets		(1,867)	(9,261)
Increase in other financial assets		1,404	(2,158)
Proceeds from early settlement of Grindrod loan		–	4,622
Proceeds from the sale of Nucoal		7,714	–
(Increase) / decrease in restricted cash		(1,274)	4,136
Net cash generated / (used) by investing activities		1,382	(26,969)
Cash flows from financing activities			
Decrease in export trade finance facility		(12,246)	(21,693)
Finance lease repayments		(52)	(1,266)
Proceeds from / (Repayment of) loans payable		4,442	(15,289)
Proceeds from the issue of shares (net of share issuance costs)		–	142,348
Net cash (used) / generated by financing activities		(7,856)	104,100
Net decrease in cash and cash equivalents		(27,801)	8,534
Net foreign exchange differences		(38)	1,881
Cash and cash equivalents at beginning of the year		29,938	19,523
Cash and cash equivalents at the end of the year	20	2,099	29,938

The accompanying notes are an integral part of these financial statements

Notes to the financial statements

for the year ended 30 June 2014

1. GENERAL INFORMATION

Coal of Africa Limited ('CoAL' or the 'Company') is a limited company incorporated in Australia. Its common shares are listed on the Australian Securities Exchange ('ASX'), the Alternative Investment Market of the London Stock Exchange ('AIM') and the Johannesburg Securities Exchange ('JSE') in South Africa. The addresses of its registered office and principal places of business is Suite 8, 7 The Esplanade, Mt Pleasant, Perth, Western Australia 6000.

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

The Group's principal assets and projects include:

- two coking and thermal coal projects, the development phase Vele Colliery and the Makhado Project which is awaiting the granting of a New Order Mining Right ('NOMR');
- three exploration and development stage coking and thermal coal projects, namely Chapudi, Makhado and Mopane, in the Soutpansberg Coalfield; and
- the Mooiplaats Colliery currently on care and maintenance and subject to a formal sale process.

GOING CONCERN

These consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2014 of \$84.1 million (30 June 2013: loss of \$148.1 million), including a non-cash impairment of \$14.9 million on the Mooiplaats Colliery, unrealised foreign exchange losses of \$35.6 million and depreciation and amortisation charges of \$2.2 million. During the twelve month period under review, net cash outflows from operating activities were \$21.3 million (30 June 2013 net outflow: \$68.6 million) and net cash outflows from investing activities were \$1.4 million (30 June 2013 net outflow: \$26.9 million). As at 30 June 2014 the Consolidated Entity had a net current liability position of \$50.2 million (30 June 2013: net current assets of \$13.8 million), excluding assets and liabilities associated with discontinued operations.

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

As part of the process to raise additional funding for the business and manage the entity's cashflow requirements during the reporting and subsequent period, the Company has performed the following fundraising activities:

- In September 2013, the Company concluded a restructuring resulting in a reduction in overhead cost.
- In October 2013, the Consolidated Entity secured a working capital facility with Investec Bank Limited for ZAR210 million (\$20.0 million) of which ZAR67.5 million (\$6.4 million) was drawn down on 30 June 2014. A further ZAR100 million (\$9.5 million) is available for draw down however it is subject to conditions. Refer to Note 23 for further details of the facility.
- On 31 January 2014, the Department of Mineral Resources ("DMR") granted Section 11 approval in terms of the Mineral and Petroleum Resources Development Act ("MPRDA") for the disposal of the Woestalleen Complex. The sale consideration of ZAR80 million (\$7.6million) was received on 6 March 2014.
- On 6 March 2014, Section 11 approval was granted by the DMR for the disposal of the Opgedenhooop mineral right for consideration of ZAR20.4 million (\$1.9m) of which a deposit of ZAR5.0 million (\$0.5m) was received.
- In February 2014, the Company successfully concluded a business interruption insurance claim relating to the Transnet Freight Rail ('TFR') derailment in February 2013 resulting in a settlement of ZAR14.0 million (\$1.3 million).
- On 26 August 2014 the Company announced that it has entered into conditional agreements with certain existing and new investors to raise up to approximately GBP38.225 million (or approximately \$64.9 million) through the issue of up to 695,000,000 new shares at an issue price of GBP0.055 per share. On 25 September 2014 shareholders approved the placement at the EGM.
- On 27 August 2014 the Company concluded a settlement with Grindrod Corridor Management Proprietary Limited and Terminal de Carvão da Matola Limitada ('TCM'), both subsidiaries of Grindrod Limited ('Grindrod'), for the settlement of both historic and future take or pay liabilities, up to the end of December 2016.

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

- (i) The successful conclusion of the two stage private placement of 695 million shares at GBP0.055 per share (approximately \$64.9 million) as approved by the shareholders at the EGM on 25 September 2015.
Specifically:
 - in respect of Stage 1 the receipt of all regulatory approvals and the successful completion of the Stage 1 Placement raising GBP13.805 million by no later than 31 October 2014 failing which the company would be required to institute cash management procedures; and
 - in respect of Stage 2, one of the investors having sufficient funds to participate and the successful completion of the Stage 2 Placement raising GBP24.420 million by no later than 24 December 2014.
- (ii) The effective conclusion of negotiations with Rio Tinto with respect to the rescheduling of the \$29.8 million liability and the deferral of the agreed Grindrod settlement (refer to note 37) in order to match the Company's available cash resources.
- (iii) The successful conclusion and receipt of funds from the sale of the Mooiplaats Colliery (as contemplated in note 37).
- (iv) The continual review by the Directors of the quantum and timing of all discretionary expenditures including exploration and development costs, and wherever necessary, these costs will be minimised or deferred to suit the Consolidated Entity's cash flow from operations.

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

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

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

BASIS OF PRESENTATION

1.1. STATEMENT OF COMPLIANCE

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

The consolidated financial statements were authorised for issue by the Directors on 29 September 2014.

1.2. BASIS OF PREPARATION

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

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

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

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

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

2. ACCOUNTING POLICIES

2.1. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Notes to the financial statements continued

for the year ended 30 June 2014

2. ACCOUNTING POLICIES continued

2.1. BASIS OF CONSOLIDATION continued

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

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

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

2.2. BUSINESS COMBINATIONS

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

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

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

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

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

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

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

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

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

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

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

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

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

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

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

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

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

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

2.4. NON-CURRENT ASSETS HELD FOR SALE

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

When the criteria above are met and the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as assets held for sale and liabilities associated with assets held for sale in the consolidated statement of financial position. The income and expenses from these operations are not included in the various line items in the consolidated statement of profit or loss but the net results from these operations classified as held for sale are disclosed as a separate line within the statement of profit or loss.

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

2.5. EXPLORATION AND EVALUATION EXPENDITURE

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

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

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

All capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied, and assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.11.

Notes to the financial statements continued

for the year ended 30 June 2014

2. ACCOUNTING POLICIES continued

2.5. EXPLORATION AND EVALUATION EXPENDITURE continued

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

2.6. PROPERTY, PLANT AND EQUIPMENT – DEVELOPMENT ASSETS

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

No depreciation is recognised in respect of development assets.

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

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

2.7. PROPERTY, PLANT AND EQUIPMENT – MINING PROPERTY

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

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

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

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

Mining property is assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.11.

2.8. DEFERRED STRIPPING COSTS

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

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

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

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

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

Freehold land is stated at cost and is not depreciated.

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and the useful lives.

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

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

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

2.10. INTANGIBLE ASSETS, EXCLUDING GOODWILL

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

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

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

2.11. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

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

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

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

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

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

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

2.12. LEASING

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

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 2.23 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

Notes to the financial statements continued

for the year ended 30 June 2014

2. ACCOUNTING POLICIES continued

2.13. INVENTORIES

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

Costs of inventories are determined using the weighted average method.

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

2.14. TRADE RECEIVABLES

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

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

2.15. CASH AND CASH EQUIVALENTS

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

2.16. RESTRICTED CASH

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

2.17. FINANCIAL INSTRUMENTS

Recognition

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

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

Effective interest method

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

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

Financial assets

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
 - it is a derivative that is not designated and effective as a hedging instrument.
- A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
 - the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
 - it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 33.

Held to maturity investments

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

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Available for sale investments

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

Notes to the financial statements continued

for the year ended 30 June 2014

2. ACCOUNTING POLICIES continued

2.17. FINANCIAL INSTRUMENTS continued

Derecognition

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

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

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

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

Financial liabilities

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

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

Borrowings

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

Derecognition

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

Equity instruments

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

2.18. TRADE PAYABLES

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

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

2.19. PROVISIONS

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

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

Rehabilitation provision

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

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

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

2.20. SHARE-BASED PAYMENTS TRANSACTIONS OF THE COMPANY

Equity-settled

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30.

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

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

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

Cash-settled

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

Accounting for BEE transactions

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

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

2.21. TAXATION, INCLUDING SALES TAX

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

Current taxation

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

Deferred taxation

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

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

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

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

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

Current and deferred tax for the year

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

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

Notes to the financial statements continued

for the year ended 30 June 2014

2. ACCOUNTING POLICIES continued

2.21. TAXATION, INCLUDING SALES TAX continued

Sales tax

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

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

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

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

2.22. REVENUE RECOGNITION

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

Sale of goods

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

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

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

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

Interest income

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

2.23. BORROWING COSTS

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

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

2.24. EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

2.25. SEGMENT INFORMATION

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

Management has determined the reportable segments of the Group based on the reports reviewed by the Company's executive committee that are used to make strategic decisions. The Group has three reportable segments: Exploration, Development and Mining (see note 4).

2.26. COMPARATIVE AMOUNTS

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

In particular, the cost of sales (\$1.7 million) line item previously presented in 2013 is now reclassified in the other expenses line item. The Company believes that subsequent to the reduced activity at operations and the corporate re-structure, the change in presentation gives a true reflection of the Company's business as gross profit / loss is no longer a significant key performance indicator.

2.27. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

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

Standard	Effective for the annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 'Financial Instruments' and the relevant amending standards	1 January 2018	30 June 2019
• AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
• AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
• AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
• AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
• AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
• AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
• INT 21 'Levies'	1 January 2014	30 June 2015
• AASB 2014-1 'Amendments to Australian Accounting Standards' – Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles' – Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' – Part C: 'Materiality'	1 July 2014	30 June 2015
• AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
• AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016
• AASB 14 'Regulatory Deferral Accounts'	1 January 2016	30 June 2017
• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS11)	1 January 2016	30 June 2017
At the date of the authorisation of the financial report, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.		
• Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS16 and IAS38)	1 January 2016	30 June 2017
• IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

New and revised Standards and Interpretations affecting amounts reported and / or disclosure in the financial statements

In the current year, the Group has applied a number of new and revised AASB's issued by the Australian Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

Notes to the financial statements continued

for the year ended 30 June 2014

2. ACCOUNTING POLICIES continued

2.27. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS continued

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. In the current year the individual key management personnel disclosure previously required by AASB 124 (Note 35 in the 30 June 2013 financial statements) is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	The Group has applied the amendments to AASB 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009- 2011 Cycle'	The Annual Improvements to AASBs 2009 – 2011 have made a number of amendments to AASBs. The amendments that are relevant to the Group are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.
AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'	This standard makes amendment to AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.
AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)	This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors. As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements. AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period (please see note 13 for the 2014 disclosures). Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50 per cent of the voting rights in an investee has control over the investee is relevant to the Group.

Specifically the Group's 50 per cent ownership interest in Tshipise Energy Investment Proprietary Limited ('Tshipise') gives the Group the same percentage of the voting rights in Tshipise.

The Directors of the Company made an assessment as the date of the initial application of AASB 10 (i.e. 1 July 2013) as to whether or not the Group has control over Tshipise in accordance with the new definition of control and the related guidance set out in AASB 10. The Directors concluded that it has had control over Tshipise and as a result, the application of AASB 10 has had no impact on the accounting treatment of Tshipise in the consolidated financial statements.

AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 11 replaces AASB 131 'Interests in Joint Ventures', and the guidance contained in a related interpretation, Interpretation 113 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers', has been incorporated in AASB 128 (as revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, AASB 131 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The Directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of AASB 11. The Directors concluded that the Group's investment in Coal of Africa & ArcelorMittal Analytical Laboratories Proprietary Limited, which was classified as a jointly controlled entity under AASB 131 and was accounted for using the proportionate consolidation method, should be classified as a joint operation under AASB 11. This has had no impact on the consolidated financial statements.

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

In the current year, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time. AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of AASB 119 are replaced with a 'net interest' amount under AASB 119 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had no impact on the current financial statements as the Group does not have and defined benefit plans and no plan assets.

Notes to the financial statements continued

for the year ended 30 June 2014

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

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

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

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

ASSET CARRYING VALUES AND IMPAIRMENT CHARGES

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

COAL RESERVES

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

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

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

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

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

EXPLORATION AND EVALUATION ASSETS

Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. The Group applies the principles of AASB 6 and recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting policy, a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss. Refer to note 13.

DEVELOPMENT EXPENDITURE

Development activities commence after the commercial viability and technical feasibility of the project is established. Judgment is applied by management in determining when a project is commercially viable and technically feasible. Any judgments may change as new information becomes available. If, after having commenced the development activity, a judgment is made that a development asset is impaired, the appropriate amount will be written off to the consolidated statement of comprehensive income. Refer to note 13.

REHABILITATION AND RESTORATION PROVISIONS

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

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

Changes in the estimates and assumptions used could have a material impact on the carrying value of the rehabilitation provision and related asset. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time. The carrying amount of the rehabilitation provision is set out in note 24.

Recoverability of non-current assets

As set out in note 13, certain assumptions are required to be made in order to assess the recoverability of non-current assets where there is an impairment indicator. Key assumptions include future coal prices, future operating costs, discount rate, foreign exchange rates and estimates of coal reserves. Estimates of coal reserves in themselves are dependent on various assumptions (refer above). Changes in these assumptions could therefore affect estimates of future cash flows used in the assessment of recoverable amounts, estimates of the life of mine and depreciation. Refer to note 14.

CONTINGENT LIABILITIES – LITIGATION

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

4. SEGMENT INFORMATION

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

The Exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As of June 30, 2014, projects within this reportable segment include three exploration and development stage coking and thermal coal complexes, namely the Chapudi Complex (which comprises the Chapudi Project, the Chapudi West Project and the Wildebeesthoek Project), the Mopane Complex (which comprises the Voorburg Project, the Mt Stuart Project and the Jutland Project) and the Makhado Complex (comprising the Makhado Project, the Makhado Extension Project and the Generaal Project).

The Development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As of June 30, 2014 projects included within this reportable segment include one coking coal project, namely the Vele Colliery, in the early operational and development stage.

The Mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale and included the Mooiplaats Colliery and the Woestalleen Colliery. As of June 30, 2014 the Mooiplaats Colliery and the Woestalleen Colliery has been classified as discontinued operations.

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

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

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

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

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

In order to reconcile the segment results with the Consolidated statement of profit or loss and other comprehensive income the discontinued operations should be deducted from the segment total and the corporate results (as per the reconciliation later in the note) should be included.

Notes to the financial statements continued

for the year ended 30 June 2014

4. SEGMENT INFORMATION continued

	Continuing operations		Discontinued operations	Total
	Exploration	Development	Mining	
For the year ended 30 June 2014	\$'000	\$'000	\$'000	\$'000
Revenues from external customers	–	–	3,299	3,299
Inter-segment revenues	–	–	–	–
Revenue ⁽¹⁾	–	–	3,299	3,299
Segment loss	3,829	1,845	20,575	26,249
Items included within the Group's measure of segment profitability				
– Depreciation and amortisation	(79)	(65)	–	(144)
– Impairment	–	–	(14,933)	(14,933)
– Finance income	7	65	352	424
– Finance cost	(1,586)	(66)	(97)	(1,749)
<i>1. Revenues represent sale of product</i>				
Segment assets	145,995	135,991	23,029	305,015
Items included within the Group's measure of segment assets				
– Additions to non-current assets	3,637	7,057	–	10,694
Segment liabilities	30,820	4,974	3,644	39,438
For the year ended 30 June 2013				
Revenues from external customers	–	–	145,384	145,384
Inter-segment revenues	–	–	45,822	45,822
Revenue ⁽¹⁾	–	–	191,206	191,206
Segment loss	1,321	4,002	90,684	96,007
Items included within the Group's measure of segment profitability				
– Depreciation and amortisation	(16)	(72)	(26,968)	(27,056)
– Impairment	–	–	(48,545)	(48,545)
– Finance income	–	–	74	74
– Finance cost	(8)	(81)	(802)	(891)
<i>1. Revenues represent sale of product</i>				
Segment assets	155,607	135,425	71,093	362,125
Items included within the Group's measure of segment assets				
– Additions to non-current assets	11,593	25,258	3,625	40,476
Segment liabilities	4,318	7,669	35,171	47,158

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

In addition to the reconciliations provided below, also refer to note 11 and note 21 in order to reconcile the segment information to the consolidated financial statements as the mining segment is a discontinued operation and is therefore only included in the consolidated statement of profit or loss and other comprehensive income after the loss after tax. The assets and liabilities of the mining segment (discontinued operation) are also included as separate line items on the consolidated statement of financial position.

	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Total loss for reportable segments	26,249	96,007
Reconciling items:		
Unallocated corporate costs	21,115	34,368
Depreciation and amortisation	2,032	1,753
Foreign exchange losses	34,724	23,626
Loss before taxation	84,120	155,754
Total segment assets	305,015	362,125
Reconciling items:		
Unallocated property, plant and equipment	12,349	14,491
Intangible assets	15,488	16,078
Other financial assets	705	4,081
Other receivables	2,245	3,565
Unallocated current assets	8,596	27,059
Total assets	344,398	427,399
Total segment liabilities	39,438	47,158
Reconciling items:		
Unallocated liabilities	24,640	37,773
Total liabilities	64,078	84,931
The Group operates in two principal geographical areas – Australia (country of domicile) and South Africa.		
The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.		
Revenue by location of operations		
South Africa	4,061	146,396
Australia	–	–
Total revenue	4,061	146,396
Non-current liabilities by location of operations		
South Africa	4,643	34,903
Australia	–	–
Total non-current liabilities	4,643	34,903
5. REVENUE		
The following is an analysis of the Group's revenue for the year from continuing operations (excluding investment income – see note 6)		
Revenue from the rendering of services	761	1,012
	761	1,012
6. INVESTMENT INCOME		
Continuing operations		
<i>Rental income</i>	926	–
<i>Interest income</i>		
Bank deposits	602	628
Interest on loans	171	–
<i>Total interest income</i>	773	628
<i>Total investment income</i>	1,699	628

Notes to the financial statements continued

for the year ended 30 June 2014

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
7. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		
Loss for the year from continuing operations has been arrived at after charging or (crediting):		
Other income		
Profit on sale of claims	3,048	–
Insurance claim	1,350	–
Non-refundable deposits received for sale of non-core assets	904	–
Other	262	–
	5,564	–
Other losses		
Loss on disposal of property, plant and equipment	41	–
Mark to market valuation of Investec derivative facility	–	4,244
Discount on early settlement of loan receivable	–	3,050
Revaluation of investments	576	174
<i>Total other losses</i>	617	7,468
Depreciation and amortisation		
Depreciation		
Depreciation of property, plant and equipment	1,107	946
Total depreciation	1,107	946
Amortisation		
Amortisation of intangible asset (note 15)	1,069	895
Total amortisation	1,069	895
<i>Total depreciation and amortisation</i>	2,176	1,841
Foreign exchange loss / (profit)		
Unrealised	35,568	28,575
Realised	749	(4,252)
	36,317	24,323
Employee benefits expenses		
Share-based payments	717	660
Super-annuation	14	34
Salaries and wages	7,311	13,311
Total employee benefits expense	8,042	14,005
Other expenses		
The cost of sales (\$1.7million) line item previously presented in 2013 is now reclassified in the other expenses line item.		

	Year ended 30 June 2014	Year ended 30 June 2013
	\$	\$
8. AUDITORS' REMUNERATION		
Amounts received by the auditors of the Company as at 30 June 2014		
<i>Deloitte – Australia</i>		
Audit and review of financial reports	119,296	177,674
Other services	–	123,084
	119,296	300,758
<i>Deloitte – United Kingdom</i>		
Audit and review of financial reports	–	–
Other services – review of UK registration document	–	440,193
	–	440,193
<i>Deloitte – Johannesburg</i>		
Audit and review of financial reports	324,529	437,767
Other services	–	393
	324,529	438,160
9. FINANCE COST	\$'000	\$'000
Finance costs		
Interest on loans	2,238	58
Unwinding of interest	71	89
	2,309	147
10. INCOME TAX AND DEFERRED TAX		
Income tax recognised in profit or loss from continuing operations		
Current tax		
Current tax expense in respect of the current year	–	–
	–	–
Deferred tax (note 25)		
Origination and reversal of temporary differences	–	–
	–	–
Total income tax expense recognised	–	–
The Group's effective tax rate for the year from continuing operations was 0% (2013: 0%). The tax rate used for the 2014 and 2013 reconciliations below is the corporate tax rate of 28% payable by South African corporate entities on taxable profits under South African tax law. The income tax expense for the year can be reconciled to the accounting profit as follows:		
Loss from continuing operations before income tax	(61,394)	(65,070)
Income tax benefit calculated at 28% (2013: 28%)	(17,190)	(18,220)
Tax effects of:		
Expenses that are not deductible for tax purposes	617	6,787
Income that are not taxable	(1,509)	–
Tax losses utilised	–	–
Other temporary differences not utilised	18,082	11,433
Income tax (credit) / charge	–	–

Notes to the financial statements continued

for the year ended 30 June 2014

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
10. INCOME TAX AND DEFERRED TAX continued		
Income tax recognised on the loss from discontinued operations		
Current tax		
Current tax expense in respect of the current year	–	190
	–	190
Deferred tax (note 25)		
Origination and reversal of temporary differences	–	(7,807)
	–	(7,807)
Total income tax benefit recognised	–	(7,617)
The Group's effective tax rate for the year was 0% (2013: 5%). The tax rate used for the 2014 and 2013 reconciliations below is the corporate tax rate of 28% payable by South African corporate entities on taxable profits under South African tax law. The income tax expense for the year can be reconciled to the accounting profit as follows:		
Loss before income tax	(20,575)	(90,684)
Income tax benefit calculated at 28% (2013: 28%)	(5,761)	(25,392)
Tax effects of:		
Expenses that are not deductible for tax purposes	228	16,089
Tax losses utilised	–	(1,260)
Other temporary differences utilised / (not utilised)	5,533	2,946
Income tax (credit) / charge	–	(7,617)

11. DISCONTINUED OPERATIONS

11.1 HOLFONTEIN (PTY) LTD ('HOLFONTEIN')

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

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

The Company has announced a long-term strategy to dispose of its thermal assets in order to focus on the development of the coking coal assets.

The Company is actively seeking a buyer for this business and expects to complete a sale during the next financial year. The Group has recognised an impairment loss on the Mooiplaats Colliery of \$14.9 million (refer note 21) in December 2013. No further impairment loss has been recognised upon the reclassification of these operations to discontinued operations.

11.3 ANALYSIS OF LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS

The combined results of the discontinued operations in the loss for the year are set out below.

Loss for the year from discontinued operations		
Revenue	3,299	145,384
Other gains	78	2,315
	3,377	147,699
Expenses	(23,952)	(238,383)
Loss before tax	(20,575)	(90,684)
Attributable income tax credit	–	7,617
Loss for the year from discontinued operations (attributable to owners of the company)	(20,575)	(83,067)
Cash flows from discontinued operations		
Net cash outflows from operating activities	(3,619)	(34,568)
Net cash outflows from investing activities	128	(7,530)
Net cash outflows from financing activities	(12,298)	(23,239)
Net cash outflows	(15,789)	(65,337)

These operations have been classified and accounted for at 30 June 2014 as discontinued operations (see note 21).

Woestalleen

The Company received Section 11 approval from the Department of Mineral Resources ('DMR') for the sale of all of the equity and loan accounts in NuCoal Mining Proprietary Limited ('Woestalleen Complex') resulting in the sale consideration of ZAR80 million (\$7.6 million) paid to CoAL. This resulted in a gain of \$1.4 million being realised.

		Year ended 30 June 2014	Year ended 30 June 2013
		Cents per share	Cents per share
12.	LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		
	Basic loss per share		
	From continuing operations	6.06	7.27
	From discontinued operations	1.96	9.27
		8.02	16.54
12.1	BASIC LOSS PER SHARE		
		\$'000	\$'000
	Loss for the year attributable to owners of the Company	(84,120)	(148,137)
	Less: Loss for the year from operations held for sale	(20,575)	(83,067)
	Loss used in the calculation of basic loss per share from continuing operations	(63,545)	(65,070)
		'000 shares	'000 shares
	Weighted number of ordinary shares		
	Weighted average number of ordinary shares for the purposes of basic loss per share	1,048,369	895,633
12.2	DILUTED LOSS PER SHARE		
	Diluted loss per share is calculated by dividing loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of diluted ordinary share that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.		
	As at 30 June 2014, 21,168,990 options (2013 – 13,929,562 options) were excluded from the computation of the loss per share as their impact is anti-dilutive. Furthermore at 30 June 2014 and 2013 one option issued to Firefly to acquire 50 million shares (see note 30) was also excluded from the computation of the loss per share as the impact is anti-dilutive.		
12.3	HEADLINE LOSS PER SHARE (IN LINE WITH JSE REQUIREMENTS)		
	The calculation of headline loss per share at 30 June 2014 was based on the headline loss attributable to ordinary equity holders of the Company of \$70.6 million (2013: \$99.6 million) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2014 of 1,048,368,613 (2013: 895,633,032).		
	The adjustments made to arrive at the headline loss are as follows:		
	Loss for the period attributable to ordinary shareholders	(84,120)	(148,137)
	Adjust for:		
	Impairment losses	14,933	48,545
	Gain recognised on disposal of interest in former subsidiary	(1,438)	–
	Headline earnings	(70,625)	(99,592)
	<i>Headline loss per share (cents per share)</i>	6.74	11.12

Notes to the financial statements continued

for the year ended 30 June 2014

13. DEVELOPMENT, EXPLORATION AND EVALUATION EXPENDITURE

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
Development, exploration and evaluation expenditure comprises:		
Exploration and evaluation assets	139,991	148,131
Development expenditure	131,720	130,947
Balance at end of year	271,711	279,078
A reconciliation of development, exploration and evaluation expenditure is presented below:		
Exploration and evaluation assets		
Balance at beginning of year	148,131	156,270
Additions	1,846	11,593
Foreign exchange differences	(9,986)	(19,732)
Balance at end of year	139,991	148,131
Development assets		
Balance at beginning of year	130,947	127,216
Additions ⁽¹⁾	7,061	25,258
Foreign exchange differences	(6,288)	(21,527)
Balance at end of year	131,720	130,947

⁽¹⁾ Vele is not considered to be in commercial production and as a result, revenue from the sale of coal is not recognised as revenue but off-set against additions. The total revenue off-set against additions is \$9.0 million (2013 – \$8.2 million).

Development assets have been allocated for impairment testing purposes to the Vele Project.

The recoverable amount of this cash-generating unit is determined based on a value-in-use calculation (including a resource multiple), which uses cash flow projections based on financial budgets approved by the Directors covering a three year period, and a discount rate of 11.96% per annum (2013: 11.50% per annum).

Cash flow projections during the budget period are based on management's best estimates of cash flows and known contractual arrangements.

The cash flows beyond that three year period have been extrapolated using a 2.70% per annum growth rate. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

14. PROPERTY, PLANT AND EQUIPMENT

	Mining property, plant and equipment	Land and buildings	Leasehold improvements	Motor vehicles	Other	Total
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
At beginning of year	465	17,481	572	888	2,178	21,584
Additions	–	1,120	2	–	27	1,149
Disposals	(415)	–	–	–	(20)	(435)
Exchange differences	(22)	(1,198)	(34)	(60)	(137)	(1,451)
At end of year	28	17,403	540	828	2,048	20,847
Accumulated depreciation						
At beginning of year	166	406	517	269	1,380	2,738
Depreciation charge	–	342	52	200	455	1,049
Accumulated depreciation on disposals	(146)	–	–	–	(17)	(163)
Exchange differences	(9)	(34)	(32)	(22)	(93)	(190)
At end of year	11	714	537	447	1,725	3,434
Net carrying value at end of year	17	16,689	3	381	323	17,413

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

15. INTANGIBLE ASSETS

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
Balance at beginning of year	16,078	18,757
Amortisation	(1,069)	(895)
Foreign exchange differences	479	(1,784)
Balance at end of year	15,488	16,078

In August 2008 the Company entered into a throughput agreement with Terminal De Carvao Da Matola Limitada ('TCM'), a subsidiary of Grindrod Trading & Shipping Limited ('Grindrod'), the operator of the Matola Terminal) and CMR Engineers & Project Managers Proprietary Limited.

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

Subsequent to year-end the Company reached an agreement with Grindrod which will result in a \$10 million payment (included in accrued expenses – note 26). The payment will settle the current liabilities recorded to date as well as cover all future take or pay obligations until 31 December 2016. The Company will be able to export coal during the settlement period with no take or pay obligations and has sufficient export capacity to meet scheduled production from the Vele Colliery to the end of CY2016.

The terms of the Throughput Agreement will be renegotiated for a further two five-year periods and one further two year period commencing CY2017, ensuring the Company has sufficient capacity to export coal produced by its Vele Colliery and Makhado Project.

Notes to the financial statements continued

for the year ended 30 June 2014

16. OTHER RECEIVABLES

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
Carrying amount of:		
Nimag loan	1,931	2,188
Other loans	314	1,379
	2,245	3,567
Balance at beginning of year	3,567	13,811
Loan sold – Terminal development loan	–	(11,200)
Other	(581)	–
Loan advanced	–	1,609
Foreign exchange differences	(741)	(653)
Balance at end of year	2,245	3,567
Nimag loan		
CoAL provided a loan as part of the NiMag disposal to settle the balance of the purchase consideration. The loan bears interest at the South African prime overdraft rate less 0.5%, payable quarterly in arrears. The capital is repayable in 12 equal quarterly instalments following the 39th month after the date of advance of the ABSA funding for the management buyout (ABSA funding was advanced in December 2011) or, the date the ABSA funding is fully repaid.		

17. OTHER FINANCIAL ASSETS

Carrying value of financial assets at fair value through profit or loss		
Listed securities		
– Equity securities	618	3,403
Unlisted securities		
– Equity securities in private corporations*	966	559
	1,584	3,962
Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows.		
<i>*Determined primarily by reference to the value of recent private placements.</i>		
Deposits	633	2,345
	2,217	6,307
Other financial assets have been analysed between current and non-current as follows:		
Current	610	3,318
Non-current	1,607	2,989
	2,217	6,307
INVENTORIES		
Consumable stores	507	985
Finished goods	21	111
	528	1,096

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$0.5 million (2013: nil).

19. TRADE AND OTHER RECEIVABLES

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
Trade receivables	241	266
Other receivables	2,145	3,721
Allowance for doubtful debts	(484)	(720)
	1,902	3,267
The carrying amount of trade and other receivables approximate their fair value due to their short-term maturity.		
The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed in note 18. The Group does not hold any collateral as security.		
Movements on the allowance for doubtful debts are as follows:		
Balance at beginning of year	720	2,025
Allowance for bad debts	495	1,641
Receivable written off as uncollectable	(720)	(334)
Transferred to assets classified as held for sale	–	(2,836)
Foreign exchange differences	(11)	224
Balance at end of year	484	720
Trade receivables are exposed to the credit risk of end-user customers within the coal mining industry.		
The Group has an established credit policy under which customers are analysed for creditworthiness before the Group's payment and delivery terms and conditions are offered. Customer balances are monitored on an ongoing basis to ensure that they remain within the negotiated terms and conditions offered.		
Credit quality of trade receivables		
Not past due	160	32
Past due 0 to 30 days	–	4
Past due 31 to 60 days	–	–
Past due 61 to 90 days	81	230
	241	266
Currency analysis of trade receivables		
SA Rand	241	266
US dollar	–	–
	241	266

20. CASH AND CASH EQUIVALENTS

Bank balances	2,017	20,995
Bank balances associated with discontinued operations (refer note 21)	82	8,943
	2,099	29,938
Restricted cash	5,153	4,187
Restricted cash associated with discontinued operations (refer note 21)	1,474	2,158
	6,627	6,345

The restricted cash balance of \$6,627,000 (2013 – \$6,345,000) was held on behalf of subsidiary companies in respect of the rehabilitation guarantees issued to the Department of Mineral Resources in respect of environmental rehabilitation costs of \$17.6 million (2013: \$17.6 million). This cash was not available for use other than for those specific purposes.

Credit risk

Cash at bank earns interest at a floating rate based on daily bank deposit rates. Cash is deposited at highly reputable financial institutions of a high quality credit standing within Australia, the United Kingdom and the Republic of South Africa.

The fair value of cash and cash equivalents equates to the values as disclosed in this note.

Notes to the financial statements continued

for the year ended 30 June 2014

21. DISCONTINUED OPERATIONS

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
Carrying amounts of		
Holfontein Investments Proprietary Limited ('Holfontein')	–	–
Nucoal Mining Proprietary Limited ('Woestalleen')	–	988
Langcarel Proprietary Limited ('Mooiplaats')	18,880	34,934
	18,880	35,922
Assets associated with discontinued operations		
Holfontein	–	–
Nucoal Mining Proprietary Limited	–	15,097
Mooiplaats	23,030	55,996
	23,030	71,093
Liabilities associated with discontinued operations		
Holfontein	–	–
Nucoal Mining Proprietary Limited	–	14,109
Mooiplaats	4,150	21,062
	4,150	35,171
Holfontein		
Net assets of Holfontein Investments Proprietary Limited	–	–
Impairment on assets held for sale	–	–
Mooiplaats		
As described in note 11, the Company is seeking to dispose of its thermal assets which include the Mooiplaats colliery. During the year under review, an impairment loss of \$14.9 million was recognised as the carrying value of the asset exceeded the realisable value. The Company expects to recover the remaining carrying value through the sales price of ZAR250 million (\$23.5 million).		
The major classes of assets and liabilities of Mooiplaats at the end of the reporting period are as follows:		
Assets classified as held for sale		
Property, plant and equipment	18,229	35,100
Other financial assets	2,266	2,043
Restricted cash	1,474	1,580
Inventories	929	2,021
Trade and other receivables	50	9,267
Cash and cash equivalents	82	5,985
	23,030	55,996
Liabilities classified as held for sale		
Interest bearing liabilities	–	12,769
Provisions	2,932	3,414
Trade payables and accrued expenses	1,218	4,879
	4,150	21,062
Net assets of Mooiplaats	18,880	34,934

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
22. DEFERRED CONSIDERATION		
The second tranche of the deferred consideration (part of the total acquisition price of \$75 million for Chapudi and Kwezi) of \$29.8 million is due and payable. The Company is currently in negotiations with Rio Tinto to defer the payment.		
23. BORROWINGS		
CURRENT		
Unsecured – at amortised cost		
Unsecured loans	–	1,869
Other	–	219
	–	2,088
Secured – at amortised cost		
Secured loans	6,372	–
	6,372	–
Total current borrowings	6,372	2,088
Total borrowings	6,372	2,088
The carrying value of the Group's interest bearing liabilities, which consist of floating rate interest bearing liabilities, approximate fair value.		
Export trade finance facility		
Balance at beginning of year	–	32,469
Loan advanced	–	4,770
Loan repaid	–	(26,463)
Interest accrued	–	1,938
	–	12,714
Re-classified to Liabilities associated with assets held for sale	–	(12,714)
	–	–
The Company, through its wholly owned subsidiary Langcarel (Pty) Ltd had a revolving thermal coal export finance facility ('the facility') for up to \$50.0 million with Deutsche Bank AG, Amsterdam. The amount outstanding on this facility as at 30 June 2013 was repaid in full on 3 September 2013.		
Investec bank facility		
Loan advanced	10,997	–
Loan repaid	(3,752)	–
	7,245	–
Foreign exchange differences	(873)	–
	6,372	–
The Company, through its wholly owned subsidiary GVM Metals Administration (South Africa) (Pty) Ltd has secured an 18-month, ZAR210 million (approximately \$20.0 million) working capital facility from Investec. The principal terms of the loan include interest at the Johannesburg Interbank Agreed Rate plus 500 base points inclusive of statutory costs currently 0.20%, and is repayable at the earlier of:		
- the date on which the Mooiplaats Sales Proceeds are received or; - a period of 18 months.		
In addition, CoAL will issue 20 million options to Investec (subject to shareholder approval) which are exercisable at ZAR1.32 before October 2018 (note 34).		

Notes to the financial statements continued

for the year ended 30 June 2014

24. PROVISIONS

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
Employee provisions	296	389
Other	2,151	9
Rehabilitation provisions	4,643	4,903
	7,090	5,301
Employee provisions		
The provision for employees represents unused annual leave entitlements. Upon re-classifying the thermal assets as assets held for sale, \$0.4 million has been transferred to liabilities associated with assets held for sale.		
Other		
The amount provided for FY2014 relates to the provision raised in relation to Envicoal.		
Rehabilitation provision		
Balance at beginning of year	4,903	16,916
Unwinding of discount	72	164
Utilisation of provision	–	(1,045)
Additional provisions recognised	–	1,308
Re-classified to Liabilities associated with assets held for sale	–	(9,649)
Foreign exchange differences	(332)	(2,791)
Balance at end of year	4,643	4,903
The rehabilitation provision represents the current cost of environmental liabilities as at the respective year end. An annual estimate of the quantum of closure costs is necessary in order to fulfil the requirements of the DMR, as well as meeting specific closure objectives outlined in the mine's Environmental Management Programme ('EMP').		
Although the ultimate amount of the obligation is uncertain, the fair value of the obligation is based on information that is currently available. This estimate includes costs for the removal of all current mine infrastructure and the rehabilitation of all disturbed areas to a condition as described in the EMP.		
Provisions have been analysed between current and non-current as follows:		
Current	2,447	398
Non-current	4,643	4,903
	7,090	5,301

25. DEFERRED TAX

Deferred tax asset		
– Deferred tax asset to be recovered after more than 12 months	2,694	2,885
– Deferred tax asset to be recovered within 12 months	–	–
	2,694	2,885
Net deferred tax asset / (liability)	2,694	2,885
The gross movement on the deferred tax account is as follows:		
Balance at beginning of year	2,885	(3,010)
Exchange differences	(191)	(1,912)
Statement of comprehensive income charge – included as part of operations held for sale	–	7,807
Balance at end of year	2,694	2,885

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:		
Deferred tax assets		
Capital allowances ⁽¹⁾		
Balance at beginning of year	2,885	3,444
Foreign exchange differences	(191)	(559)
Balance at end of year	2,694	2,885
Deferred tax liabilities		
Other		
Balance at beginning of year	–	(6,454)
Amortisation	–	7,807
Foreign exchange differences	–	(1,353)
Balance at end of year	–	–
Total		
Balance at beginning of year	–	6,454
Statement of comprehensive income charge / (credit)	–	(7,807)
Foreign exchange differences	–	1,353
Balance at end of year	–	–
Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets of \$98.5 million (2013: \$96.4 million) in respect of losses amounting to \$147.7 million (2013: \$84.7 million) and unredeemed capital expenditure of \$204.1 million (2013: \$259.5 million) that can be carried forward against future taxable income.		
⁽¹⁾ The deferred tax asset recognised on capital allowances relates to a portion of the capital expenditure on the construction of the Vele plant. The recognition of the asset is supported by the Life of Mine model as future revenues will be available to utilise the deferred tax asset.		
26. TRADE AND OTHER PAYABLES		
Trade payables	3,019	6,627
Accrued expenses	12,064	4,147
Other	–	63
	15,083	10,837
The average credit period is 30 days. Interest at the South African prime overdraft rate is charged on overdue creditors		
27. ISSUED CAPITAL		
Fully paid ordinary shares		
1,048,368,613 (2012: 666,323,828) fully paid ordinary shares	935,891	935,891

Notes to the financial statements continued

for the year ended 30 June 2014

	Year ended 30 June 2014	Year ended 30 June 2013
	Number	\$'000
27. ISSUED CAPITAL continued		
Movements in fully paid ordinary shares		
At 30 June 2012	666,323,828	791,102
Issue of shares, net of issuance costs	382,044,785	144,789
At 30 June 2013	1,048,368,613	935,891
At 30 June 2014	1,048,368,613	935,891
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value. Share options granted Share options granted under the Company's employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in note 30.		
28. ACCUMULATED DEFICIT		
Accumulated deficit at the beginning of the financial year	(707,535)	(564,800)
Net loss attributed to owners of the Company	(84,120)	(148,137)
Transferred from share based payment reserve	691	5,402
Accumulated deficit at the end of the financial year	(790,964)	(707,535)

29.

RESERVES**Reserves**

	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Capital profits reserve	91	91
Share based payment reserve	82,464	82,438
Foreign currency translation reserve	52,263	31,008
	134,818	113,537

Movements for the year can be reconciled as follows:

Share-based payments reserve

Opening balance	82,438	87,180
Share options issued during the year	717	660
Transfer from share based payment reserve	(691)	(5,402)
Closing balance	82,464	82,438

Foreign currency translation reserve

Opening balance	31,008	63,119
Exchange differences on translating foreign operations	21,255	(32,111)
Closing balance	52,263	31,008

Nature and purpose of reserves:

Capital reserve

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

Share-based payment reserve

Share based payments represent the value of unexercised share options to Directors and employees, as well as the BBBEE option.

Foreign currency translation reserve

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

Notes to the financial statements continued

for the year ended 30 June 2014

30. SHARE-BASED PAYMENTS

SHARE OPTIONS

Employee share option plan

The Group maintains certain Employee Share Option Plans ('ESOP's') for executives and senior employees of the Group as per the rules approved by shareholders on 30 November 2009. In accordance with the terms of the schemes eligible executives and senior employees may be granted options to purchase ordinary shares.

SHARE OPTIONS GRANTED TO DIRECTORS AND OFFICERS

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

SHARE OPTION TERMS, VESTING REQUIREMENTS AND OPTIONS OUTSTANDING AT 30 JUNE 2014

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

The following share-based payment arrangements existed during the financial period ended 30 June 2014:

- 3,000,000 share options over ordinary shares in CoAL were granted to Mr Farrell on 8 December 2009. The options allow Mr Farrell to take up ordinary shares at an exercise price of A\$2.74 each. 2,000,000 of the options vested one year after the granting of the NOMR for the Vele Colliery and the remaining 1,000,000 options vest one year after the granting of the Makhado Project NOMR. The 3,000,000 options are exercisable on or before 30 November 2014 and hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.
- 912,500 options were issued to eligible employees of CoAL as part of the ESOP on 25 February 2010. The options issued under this series were exercisable prior to 30 June 2014, have an exercise price of A\$1.90, are not transferable and hold no voting or dividend rights and vested in equal tranches on 1 July 2009, 1 July 2010 and 1 July 2011. Upon conversion, the shares would have ranked equally with existing shares. At reporting date, 94,000 options had been cancelled and the balance expired on 30 June 2014.
- 2,500,000 share options over ordinary shares in CoAL were granted to Mr Murray, Senior Independent Non-executive Director of CoAL, on 9 November 2010. The options allow Mr Murray to take up ordinary shares at an exercise price of A\$1.20 each. The options are exercisable in equal tranches on or before 9 November 2015. The options hold no voting or dividend rights, and are not transferable. 1,000,000 options vested on 8 November 2011, 750,000 on 8 November 2012 and the remaining 750,000 vested on 8 November 2013 and on conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.
- 1,540,561 options were issued on 4 February 2011 to eligible employees of CoAL as part of the ESOP. The options issued are exercisable prior to 30 September 2015, have an exercise price of A\$1.40, or ZAR9.50. The options vest in equal tranches on 30 September 2011, 30 September 2012 and 30 September 2013. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. At reporting date, none of the options had been taken up but 99,500 options have been cancelled.
- 2,670,000 options were issued on 16 September 2011 to eligible employees of CoAL as part of the ESOP. The options issued are exercisable prior to 14 February 2017, have an exercise price of A\$1.40 or ZAR7.60. The options vest in equal tranches on 1 July 2012, 1 July 2013 and 1 July 2014. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. At reporting date, none of the options had been taken up or had lapsed.
- 2,500,000 options over ordinary shares in CoAL were granted to Mr Brown on 28 November 2012 for his role as Executive Chairman. The options allow the holder to take up ordinary shares at an exercise price of GBP0.25 each and are exercisable on or before 30 November 2015. The options hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares would rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.
- 1,000,000 options over ordinary shares in CoAL were granted to Mr Pryor on 28 November 2012 for his role as Non-executive Director. The options allow the holder to take up ordinary shares at an exercise price of GBP0.25 each and are exercisable on or before 30 November 2015. The options hold no voting or dividend rights and are not transferable. Upon conversion of the options to shares, the shares would rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.
- 3,932,938 options were issued on 22 November 2013 to eligible employees of CoAL as part of the ESOP. The options issued are exercisable prior to 30 June 2017 and have an exercise price of ZAR1.75. Two thirds of the options vested immediately and the remaining third on 1 July 2014. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. At reporting date, none of the options had been taken up or had lapsed.
- 4,125,000 options were issued on 22 November 2013 as part of the ESOP to Mr Meeser, Chief Financial Officer of CoAL. The options issued are exercisable prior to 1 June 2018 and have an exercise price of ZAR2.00. 1,375,000 options vested on 1 June 2014 and the balance vest in equal tranches on 1 June 2015 and 1 June 2016. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. At reporting date, none of the options had been taken up or had lapsed.

There has been no alteration of the terms and conditions of the above share based payment arrangements since the grant date.

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

Option series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date	Weighted average remaining contractual life
Option ⁽¹⁾	1	22/04/2010	01/11/2014	GBP0.60	A\$1.78	0.00 years
Class J unlisted options	3,000,000	08/12/2009	30/11/2014	A\$2.74	A\$0.58	0.06 years
Class C unlisted options	2,500,000	09/11/2010	09/11/2015	A\$1.20	A\$0.59	0.16 years
ESOP unlisted options	1,441,061	04/02/2011	30/09/2015	A\$1.40	A\$0.91	0.09 years
Class L unlisted options	3,500,000	28/11/2012	30/09/2015	GBP0.25	A\$0.05	0.23 years
ESOP unlisted options	2,670,000	16/09/2011	14/02/2017	A\$1.40	ZAR3.46	0.33 years
ESOP unlisted options	3,932,928	22/11/2013	30/06/2017	ZAR1.75	ZAR0.52	0.56 years
ESOP unlisted options	4,125,000	22/11/2013	01/06/2018	ZAR2.00	ZAR0.56	0.23 years
	21,168,990					

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

Fair value of share options granted during the year

The weighted average fair value of share options granted during the financial year is A\$0.06 (2013: A\$0.38). Options were priced using a binomial option pricing model and the Black-Scholes option pricing model was used to validate the price calculated. Where relevant, the expected life used in the model has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

Expected volatility is calculated by Hoadley's volatility calculator for one, two and three year periods and a future estimated volatility level of 55% was used in the pricing model.

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

	ESOP grants ⁽¹⁾	ESOP grants ⁽²⁾
Closing share price on issue date	ZAR1.33	ZAR1.33
Exercise price	ZAR1.75	ZAR2.00
Expected volatility	55.0%	55.0%
Option life remaining	3.0 years	3.9 years
Dividend yield	0%	0%
Risk free interest rate	6.85%	7.12%

⁽¹⁾ Options granted to staff in terms of the ESOP

⁽²⁾ Options granted to Mr Meeser under the ESOP in terms of his appointment as Chief Financial Officer

The total share based payment expense recognised in the current financial year is \$717,354 (2013: \$660,015).

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

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

Notes to the financial statements continued

for the year ended 30 June 2014

30. SHARE-BASED PAYMENTS continued

SHARE OPTION TERMS, VESTING REQUIREMENTS AND OPTIONS OUTSTANDING AT 30 JUNE 2014 continued

Movement in share options

	Year ended 30 June 2014	Year ended 30 June 2013
	Number	Number
Options outstanding at beginning of year	13,929,562	22,079,562
Options expired	(818,500)	(9,650,000)
Options cancelled	–	(2,000,000)
Options granted	8,057,928	3,500,000
Options exercised	–	–
Options outstanding at end of year	21,168,990	13,929,562
Weighted average exercise price (A\$)	0.82	2.13
Options exercisable	15,218,014	10,399,562
Weighted average exercise price (A\$)	0.94	1.28

Share options exercised during the year

No share options were exercised during the period (2013 – nil).

Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of A\$0.94 (2013: A\$1.28) and a weighted average contractual life of 2.19 years (2013: 2.32 years).

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000

31. NON-CONTROLLING INTEREST

Non-controlling interests comprise the following:

Freewheel Trade and Invest 37 Proprietary Limited

	575	575
	575	575

32. FINANCIAL INSTRUMENTS

32.1 CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt (borrowings as detailed in note 23) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 28 to 30).

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

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 30 June 2014 of 2.27% (see below) was higher than the previous year due to the time delay in the sale of non-core assets.

Debt ⁽¹⁾	6,372	2,088
Net debt	6,372	2,088
Equity ⁽²⁾	280,320	342,468
Net debt to equity ratio	2.27%	0.61%

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

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

32. FINANCIAL INSTRUMENTS continued

32.2 CATEGORIES OF FINANCIAL INSTRUMENTS

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

Financial assets

Other receivables	2,245	3,567
Trade and other receivables	1,902	3,267
Cash and cash equivalents	2,017	20,995
Restricted cash	5,153	4,187
Fair value through profit or loss	2,217	6,307
Total financial assets	13,534	38,323

Financial liabilities

Deferred consideration	29,800	30,000
Borrowings	6,372	2,088
Trade and other payables	15,083	10,837
Total financial liabilities	51,255	42,925

Fair value of financial assets and liabilities

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

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

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

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

Level 1 financial assets comprise deposits and listed securities (note 17).

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

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

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

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

As at 30 June 2014	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	1,251	966	–	2,217
As at 30 June 2013	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	5,748	559	–	6,307

32.3 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

Notes to the financial statements continued

for the year ended 30 June 2014

32. FINANCIAL INSTRUMENTS continued

32.4 MARKET RISK

Foreign exchange risk

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

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

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

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

	Held in ZAR	Held in GBP	Held in AUD	Held in USD	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balances at 30 June 2014					
Financial assets					
Other receivables	2,245	–	–	–	2,245
Trade and other receivables	1,233	–	669	–	1,902
Cash ⁽¹⁾ and cash equivalents	6,433	3	227	507	7,170
Total financial assets	9,911	3	896	507	11,317
⁽¹⁾ Cash includes restricted cash					
Financial liabilities					
Deferred consideration	–	–	–	29,800	29,800
Borrowings	6,372	–	–	–	6,372
Trade and other payables	3,620	161	138	11,164	15,083
Total financial liabilities	9,992	161	138	40,964	51,255
Balances at 30 June 2013					
Financial assets					
Other receivables	3,567	–	–	–	3,567
Trade and other receivables	2,837	–	430	–	3,267
Cash ⁽¹⁾ and cash equivalents	10,499	16	259	14,408	25,182
Total financial assets	16,903	16	689	14,408	32,016
⁽¹⁾ Cash includes restricted cash					
Financial liabilities					
Deferred consideration	–	–	–	30,000	30,000
Borrowings	219	1,869	–	–	2,088
Trade and other payables	8,430	–	2,407	–	10,837
Total financial liabilities	8,649	1,869	2,407	30,000	42,925

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

The following table details the Group's sensitivity to a 10% increase and decrease in the US dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the US dollar strengthens 10% against the relevant currency. For a 10% weakening of the US dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	Year ended 30 June 2014	Year ended 30 June 2013
Impact on profit / (loss)	\$'000	\$'000
Judgements on reasonable possible movements		
USD/ZAR increase by 10%	(3,136)	(10,396)
USD/ZAR decrease by 10%	3,136	10,396

32.5 INTEREST RATE RISK MANAGEMENT

The Group's interest rate risk arises mainly from short-term borrowings, cash and bank balances and restricted cash. The Group has variable interest rate borrowings. Variable rate borrowings expose the group to cash flow interest rate risk.

The Group has not entered into any agreements, such as hedging, to manage this risk.

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

Judgements on reasonable possible movements

Increase of 0.2% in LIBOR	(1)	(36)
Decrease of 0.2% in LIBOR	1	36
Increase of 1.0% in JIBAR	(60)	–
Decrease of 1.0% in JIBAR	60	–

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

32.6 CREDIT RISK

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

At year end there is no significant concentration of credit risk represented in the cash and cash equivalents, restricted cash and trade accounts receivables balance. The Group manages its credit risk by predominantly dealing with counter parties with a positive credit rating.

The credit risk on liquid funds and derivative financial instruments is limited because the counter parties are banks with high credit-ratings assigned by international credit-rating agencies.

32.7 LIQUIDITY RISK

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

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

	United Kingdom	Australia	South Africa	Total
	\$'000	\$'000	\$'000	\$'000
Balances at 30 June 2014				
Cash and cash equivalents	514	200	6,456	7,170
	514	200	6,456	7,170
Balances at 30 June 2013				
Cash and cash equivalents	19,796	259	5,127	25,182
	19,796	259	5,127	25,182

Notes to the financial statements continued

for the year ended 30 June 2014

32. FINANCIAL INSTRUMENTS continued

32.7 LIQUIDITY RISK continued

The contractual maturities of the Group's financial liabilities at the reporting date were as follows:

	Less than 6 months	Between 6 – 12 months	Greater than 12 months	Total
	\$'000	\$'000	\$'000	\$'000
Balances at 30 June 2014				
Deferred consideration	29,800	–	–	29,800
Borrowings ⁽¹⁾	6,372	–	–	6,372
Trade and other payables	15,083	–	–	15,083
	51,255	–	–	51,255

⁽¹⁾ Interest bearing at rates between 7.45 % and 11.50 %

The contractual maturities of the Group's financial assets at the reporting date were as follows:

Balances at 30 June 2014

Other receivables	–	2,826	–	2,826
Trade and other receivables	1,902	–	–	1,902
Cash and cash equivalents	2,017	–	–	2,017
Restricted cash	287	–	4,866	5,153
Fair value through profit or loss	618	–	1,599	2,217
	4,824	2,826	6,465	14,115

33. NOTES TO THE STATEMENT OF CASH FLOWS

		Year ended 30 June 2014	Year ended 30 June 2013
	Note	\$'000	\$'000
Reconciliation of cash			
For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:			
Cash and bank balances	20	2,099	29,938
Reconciliation of loss before tax to net cash used in operations			
Loss before tax (continuing operations and operations held for sale)		(84,120)	(155,754)
Add back:			
Depreciation		1,106	22,129
Amortisation		1,069	6,680
Impairment losses		14,933	48,545
Share-based payment		717	660
Re-valuation of investments		576	–
Sundry income (non-cash)		(4,486)	–
Discount on early settlement of loan		–	3,050
Movement in provisions		555	(342)
Finance costs (net)		1,286	247
Loss on sale of assets		42	–
Foreign exchange (gains) / losses on operating activities		36,725	30,292
Changes in working capital			
Decrease / (increase) in inventories		568	11,541
Decrease / (increase) in trade and other receivables		1,365	(8,109)
Increase / (decrease) in trade and other payables		8,196	(27,907)
Cash used in operations		(21,468)	(68,968)

34. CONTINGENCIES AND COMMITMENTS

CONTINGENT LIABILITIES

The Group is currently involved in litigation as outlined below (\$ amounts presented within have been computed using the exchange rate as of 30 June 2014 unless otherwise stated):

Ferret Mining & Environmental Services Proprietary Limited

During the period, Ferret's 26% shareholding in Mooiplaats Mining Limited was re-instated. Although they are not entitled to any assets or claims in the Mooiplaats group, they are entitled to receive ZAR10.1 million (\$1.0 million) upon the successful disposal of the Mooiplaats Colliery should a disposal be completed prior to April 2016, alternatively R15 million (\$1.4 million) should a sale transaction be completed after this date.

Issue of Share Options to Investec Bank Limited

In terms of the ZAR210.0 million (\$19.8 million) short term bridging facility granted by Investec Bank Limited in October 2013, the Company is required to issue 20 million options to the bank. The options have an exercise price of ZAR1.32 and expire on 21 October 2018 and the issue thereof is subject to shareholder approval.

Issue of Share Options to David Brown

In terms of his appointment as Chief Executive Officer Mr Brown is entitled to receive 10,575,000 options to be granted in three equal tranches over a three-year period (Year 1: 3,525,000 at ZAR1.20; Year 2: 3,525,000 at ZAR1.32; Year 3: 3,525,000) at ZAR 1.45. These are granted in accordance with the Company's employee share option plan and are subject to shareholder approval.

Issue of Share Options to Bernard Pryor

In terms of his appointment as Non-executive Director Mr Pryor is entitled to receive 1,000,000 share options with an exercise price of GBP0.375 expiring three years from date of issue. The options are due to be issued on 6 August 2015, subject to shareholder approval.

Commitments

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

35. RELATED PARTY DISCLOSURES

The aggregate compensation made to Directors and other members of key management personnel of the company and the Group is set out below:

	Year ended 30 June 2014	Year ended 30 June 2013
	\$	\$
Short-term employee benefits	1,882,235	2,816,690
Post-employment benefits	15,812	12,822
Termination benefits	–	1,175,829
Share-based payments	253,053	176,108
	2,151,100	4,181,449

The Group has not provided any of its key management personnel with loans.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Notes to the financial statements continued

for the year ended 30 June 2014

36. CONTROLLED ENTITIES

Particulars in relation to controlled entities	Country of incorporation	Year ended 30 June 2014 %	Year ended 30 June 2013 %
Bakstaan Boerdery Proprietary Limited *	South Africa	100	100
Baobab Mining & Exploration Proprietary Limited	South Africa	100	100
Chapudi Coal Proprietary Limited **	South Africa	74	74
Coal of Africa Plc	Jersey	100	100
Coal of Africa & ArcelorMittal Analytical Laboratories Proprietary Limited	South Africa	50	50
Cove Mining NL	Australia	100	100
Evoc Mining NL	Australia	100	100
Freewheel Trade and Invest 37 Proprietary Limited	South Africa	74	74
Fumaria Property Holdings Proprietary Limited	South Africa	100	100
Golden Valley Services Proprietary Limited	Australia	100	100
Greenstone Gold Mines NL	Australia	100	100
GVM Metals Administration (South Africa) Proprietary Limited	South Africa	100	100
Harrisia Investments Holdings Proprietary Limited	South Africa	100	100
Holfontein Investments Proprietary Limited	South Africa	74	100
Kwezi Mining Exploration Proprietary Limited **	South Africa	74	74
Langcarel Proprietary Limited ***	South Africa	74	74
Limpopo Coal Company Proprietary Limited	South Africa	100	100
MbeuYashu Proprietary Limited	South Africa	74	74
Mooiplaats Mining Limited	South Africa	74	100
Nu-Coal Proprietary Limited ****	South Africa	–	100
NuCoal Investments Proprietary Limited ****	South Africa	–	100
NuCoal Mining Proprietary Limited	South Africa	–	100
Regulus Investment Holdings Proprietary Limited	South Africa	100	100
Silkwood Trading 14 Proprietary Limited	South Africa	100	100
Tshikunda Mining Proprietary Limited	South Africa	60	60
Tshipise Energy Investments Proprietary Limited	South Africa	50	50
Woestalleen Colliery Proprietary Limited ****	South Africa	–	100

* Subsidiary company of Fumaria Property Holdings Proprietary Limited

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

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

**** Subsidiary companies of NuCoal Mining Proprietary Limited – sold effective 28 February 2014

37. EVENTS AFTER THE REPORTING PERIOD

Post year end, the following significant events took place:

- On 27 August 2014 the Company reached an agreement with Grindrod Corridor Management Proprietary Limited and Terminal de Carvão da Matola Limitada ('TCM'), both subsidiaries of Grindrod Limited ('Grindrod'), for the settlement of both historic and future liabilities, up to the end of December 2016, remaining under the current terms of the August 2008 Throughput Agreement ("Throughput Agreement"). The settlement with Grindrod will result in a \$10 million payment settled in two tranches; \$6million at the end of October 2014 and \$4million by the earlier of 5 days after receipt of the Stage 2 Placement of the proposed equity raise announced on 26 August 2014, or the end of December 2014.
- On 19 September 2014 the Company signed a sale and purchase agreement for the disposal of the Mooiplaats Colliery for a gross consideration of ZAR250 million (\$23.47 million) in cash. Upon fulfilment of all conditions precedent including the receipt of regulatory approvals consistent with a transaction of this nature, the consideration will be settled in two tranches, with the first tranche of ZAR150 million (\$14.084 million) expected to be received during the first quarter of CY2015. The second tranche of ZAR100 million (\$9.39 million) is payable on the earlier of 12 months from the payment of the first tranche or 30 November 2015.
- On 25 September 2014 the shareholders voted in favour of an equity placement. The 251,000,000 Shares will be issued and paid for within three business days of the date on which CoAL notifies the Placees that each of the Stage 1 Conditions has been satisfied, raising GBP13.805 million. The Placement is conditional upon the following conditions:
 - the approval by the Company's shareholders for the issue of additional shares;
 - Haohua Energy International (Hong Kong) Co. Limited ("HEI") and M&G Investment Management Limited ("M&G") having received confirmation from the Treasurer of the Commonwealth of Australia under the Foreign Acquisitions and Takeovers Act 1975 (Cth) that it has no objection to the acquisition by HEI and M&G of its/their respective Placement Shares; and
 - HEI having received all necessary regulatory approvals within the People's Republic of China ("PRC") for it to acquire its Placement Shares.

The only outstanding condition at the date of this report is the PRC approval for HEI, which is expected in the near future. All other approvals have been obtained.

There have been no other events between 30 June 2014 and the date of this report which necessitate adjustment to the statements of comprehensive income or statements of financial position at that date.

38. PARENT ENTITY FINANCIAL INFORMATION

	Parent entity	
	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
Summary financial information		
Non-current assets	444,433	572,451
Current assets	3,205	27,231
Total assets	447,638	599,682
Current liabilities	18,758	7,559
Total liabilities	18,758	7,559
Net assets	428,880	592,123
Shareholders' Equity		
Issued capital	935,891	935,891
Accumulated deficit	(649,416)	(474,080)
Reserves	142,405	130,312
	428,880	592,123
Loss for the year	(175,336)	(44,079)
Total comprehensive loss	(175,336)	(44,079)

Commitments

- CoAL has a commitment under the Matola Terminal Agreement to 'take or pay' for allocated port capacity. Subsequent to year-end the Company reached an agreement to settle the current liabilities as well as cover all future take or pay obligations until 31 December 2016 for an amount of \$10 million (refer to note 15);
- CoAL has subordinated all loans to subsidiary companies.

Contingent liabilities

- During the period, Ferret's 26% shareholding in Mooiplaats Mining Limited was re-instated. Although they are not entitled to any assets or claims in the Mooiplaats group, they are entitled to received ZAR10.1 million (\$1.0 million) upon the successful disposal of the Mooiplaats Colliery (refer note 34);
- Share options need to be issued to Investec Bank Limited and certain Directors of the company. The issue of the share options are subject to shareholder approval (refer note 34).

Independent auditor's report

to the members of Coal of Africa Limited

Deloitte.

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REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Coal of Africa Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 50 to 115.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

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

AUDITOR'S RESPONSIBILITY

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

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

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

AUDITOR'S INDEPENDENCE DECLARATION

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

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

OPINION

In our opinion:

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

EMPHASIS OF MATTER

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$84.1 million and experienced net cash outflows from operating and investing activities excluding proceeds from the sale of Nucoal of \$27.6 million during the year ended 30 June 2014 and had a net current liability position of \$50.2 million excluding assets and liabilities classified as held for sale. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's and Consolidated Entity's ability to continue as going concerns and therefore, the Company and Consolidated Entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration report included in pages 55 to 59 of the Directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the Remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

OPINION

In our opinion, the Remuneration Report of Coal of Africa Limited for the year ended 30 June 2014, complies with Section 300A of the Corporations Act 2001.



DELOITTE TOUCHE TOHMATSU



Ross Jerrard

Partner

Chartered Accountants

29 September 2014

ADMINISTRATION

CoAL is listed on three stock exchanges, the main listing being on the ASX and secondary listings on the AIM of the LSE, and the JSE.



Tenement **schedule**

TENEMENTS HELD BY COAL AND ITS CONTROLLED ENTITIES

Project name	Tenement number	Location	Interest
Chapudi Project*	Albert 686 MS-	Limpopo~	74%
	Bergwater 712 MS--		74%
	Remaining Extent and Portion 2 of Bergwater 697 MS--		74%
	Blackstone Edge 705 MS		74%
	Remaining Extent and Portion 1 of Bluebell 480 MS-		74%
	Remaining Extent and Portion 1 of Bushy Rise 702 MS--		74%
	Castle Koppies 652 MS--		74%
	Chapudi 752 MS--		74%
	Remaining Extent, Portions 1, 3 and 4 of Coniston 699 MS--		74%
	Driehoek 631 MS--		74%
	Remaining Extent of Dorpsrivier 696 MS--		74%
	Enfield 512 MS (consolidation of Remaining Extent of Enfield 474 MS, Brosdoorn 682 MS and Remaining Extent of Grootvlei 684 MS)--		74%
	Remaining Extent and Portion 1 of		74%
	Grootboomen 476 MS-		74%
	Grootvlei 684 MS--		74%
	Kalkbult 709 MS		74%
	Remaining Extent, Remaining Extent of Portion 2, Remaining Extent of Portion 3, Portions 1, 4, 5, 6, 7 and 8 of Kliprivier 692 MS-		74%
	Remaining Extent of Koodoobult 664 MS-		74%
	Koschade 657 MS (Was Mapani Kop 656 MS)-		74%
	Malapchani 659 MS-		74%
	Mapani Ridge 660 MS-		74%
	Melrose 469 MS-		74%
	Middelfontein 683 MS-		74%
	Mountain View 706 MS-		74%
	M'tamba Vlei 654 MS		74%
	Remaining Extent and Portion 1 of Pienaar 635 MS-		74%
	Remaining Extent and Portion 1 of Prince's Hill 704 MS-		74%
	Qualipan 655 MS-		74%
	Queensdale 707 MS-		74%
	Remaining Extent and Portion 1 of Ridge End 662 MS-		74%
	Remaining Extent and Portion 1 of Rochdale 700 MS-		74%
	Sandilands 708 MS-		74%
	Portions 1 and 2 of Sandpan 687 MS--		74%
	Sandstone Edge 658 MS-		74%
	Remaining Extent of Portions 2 and 3 of Sterkstroom 689 MS--		74%
	Sutherland 693 MS-		74%
	Remaining Extent and Portion 1 of Varkfontein 671 MS--		74%
	Remaining Extent, Portion 2, Remaining Extent of Portion 1 of Vastval 477 MS-		74%
	Vleifontein 691 MS-		74%
	Ptn 3, 4, 5 and 6 of Waterpoort 695 MS--		74%
	Wildebeesthoek 661 MS-		74%
	Woodlands 701 MS-		74%
Kanowna West and Kalbara	M27/41	Coolgardie^	23.68%
	M27/47		23.68%
	M27/59		23.68%
	M27/72,27/73		23.68%

Project name	Tenement number	Location	Interest
	M27/114		23.68%
	M27/181		21.31%
	M27/196		23.68%
	M27/414,27/415		23.68%
	P27/1826-1829		
	P27/1830-1842		23.68%
	P27/1887		23.68%
Abbotshall Royalty	ML63/409,410	Norseman^	Royalty
Kookynie Royalty	ML40/061	Leonora^	Royalty
	ML40/135,136		Royalty
Holfontein	Remaining extent, Remaining Extent of portions 1, 5 and 11 and portions 4, 6, 9, 10, 12 and 13 of the farm Holfontein 138 IS	Mpumalanga~	100%
Makhado Project	Fripp 645 MS	Limpopo~	100%
	Lukin 643 MS		100%
	Remaining Extent and Portion 1 of Overwinning 713 MS		100%
	Salaita 188 MT		100%
	Tanga 648 MS		100%
	Remaining Extent, Portion 1 and		100%
	Portion 2 of the farm Windhoek 649 MS		
Generaal Project	Beck 568 MS--	Limpopo~	74%
	Bekaf 650 MS-		74%
	Remaining Extent and Portion 1 of Boas 642 MS-		74%
	Chase 576 MS-		74%
	Coen Britz 646 MS-		74%
	Fanie 578 MS-		74%
	Portions 1, 2 and Remaining Extent of Generaal 587 MS-		74%
	Joffre 584 MS-		74%
	Juliana 647 MS		74%
	Kleinenberg 636 MS-		74%
	Remaining Extent of Maseri Pan 520 MS-		74%
	Remaining Extent and Portion 2 of Mount Stuart 153 MT--		100%
	Nakab 184 MT--		100%
	Phantom 640 MS--		74%
	Riet 182 MT--		100%
	Rissik 637 MS-		100%
	Schuitdrift 179 MT-		100%
	Septimus 156 MT--		100%
	Solitude 111 MT-		74%
	Stayt 183 MT--		100%
	Remaining Extent and Portion 1 of Terblanche 155 MT--		100%
	Van Deventer 641 MS-		74%
	Wildgoose 577 MS-		74%
Mopane Project*	Ancaster 501 MS--	Limpopo~	100%
	Banff 502 MS-		74%
	Bierman 599 MS-		74%
	Cavan 508 MS		100%
	Cohen 591 MS--		100%
	Remaining Extent, Portions 1 and 2 of Delft 499 MS-		74%

Tenement **schedule** continued

TENEMENTS HELD BY COAL AND ITS CONTROLLED ENTITIES continued

Project name	Tenement number	Location	Interest
	Dreyer 526 MS--		74%
	Remaining Extent of Du Toit 563 MS-		74%
	Faure 562 MS		74%
	Remaining Extent and Portion 1 of Goosen 530 MS --		74%
	Hermanus 533 MS-		74%
	Jutland 536 MS--		100%
	Krige 495 MS-		74%
	Mons 557 MS-		100%
	Remaining Extent of Otto 560 MS (Now Honeymoon)-		74%
	Remaining Extent and Portion 1 of Pretorius 531 MS-		74%
	Schalk 542 MS-		74%
	Stubbs 558 MS-		100%
	Ursa Minor 551 MS--		74%
	Van Heerden 519 MS--		74%
	Portions 1, 3, 4, 5, 6, 7, 8, 9, Remaining Extent of Portion 10, Portions 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 35, 36, 37, 38, 39, 40, 41, 44, 45, 46, 48, 49, 50, 51, 52 and 54 of Vera 815 MS		74%
	Remaining Extent of Verdun 535 MS-		74%
	Voorburg 503 MS--		100%
Mooiplaats Colliery and prospects	Portions 1, 9,14,17,18,19,20 and Remaining Extent of Mooiplaats 290 IT	Mpumalanga~	74%
	Portion 2, 3 and Remaining Extent of Klipbank 295 IT		74%
	Portions 1, 2 and Remaining Extent of Adrianople 296 IT		74%
	Portions 2 and 3 of Willemsdal 330 IT		74%
	Portions 2, 3, 4 and Remaining Extent of De Emigratie 327 IT		74%
	Remaining Extent and Portions 2, 5, 8,10 and 13 of Buhrmansvallei 297 IT		74%
	Klipfontein 442 IT		74%
Vele Colliery and prospect	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	Limpopo~	100%
	Bergen Op Zoom 124 MS		100%
	Semple 155 MS		100%
	Voorspoed 836 MS		100%
	Alyth 837 MS		100%
Tshikunda	Certain portions of unsurveyed state land known as Mutale	Limpopo~	60%
Coal bed methane	Adelaide 91 MT	Limpopo~	50%
	Adieu 118 MT		50%
	Alicedale 138 MT		50%
	Armstice 120 MT		50%
	Bergwater 697 MS		50%
	Bergwater 712 MS		50%
	Blackstone Edge 705 MS		50%
	Bushy Rise 702 MS		50%
	Chapudi 752 MS		50%
	Charlotte 90 MT		50%
	Chase 576 MS		50%
	Cross 117 MT		50%
	Doppie 95 MT		50%
	Ettie 33 MT		50%

Project name	Tenement number	Location	Interest
	Fanie 578 MS		50%
	Feskraal 85 MT		50%
	Folorodwe 79 MT		50%
	Fripp 645 MS		50%
	Gray 189 MT		50%
	Hetty 93 MT		50%
	Jeannette 77 MT		50%
	Joffre 584 MS		50%
	Kalkbult 709 MS		50%
	Laura 115 MT		50%
	Lukin 643 MS		50%
	Magazasand 123 MT		50%
	Malapchani 659 MS		50%
	Mountainview 706 MS		50%
	Mount Stuart 153 MT		50%
	Nakab 184 MT		50%
	Naus 178 MT		50%
	Neltox 92 MT		50%
	Phantom 640 MS		50%
	Prince's Hill 704 MS		50%
	Queensdale 707 MS		50%
	Riet 182 MT		50%
	Rochdale 700 MS		50%
	Rynie 158 MT		50%
	Salaita 188 MT		50%
	Schuitdrift 179 MT		50%
	Septimus 156 MT		50%
	Stayt 183 MT		50%
	Suzette 32 MT		50%
	Tanga 648 MS		50%
	Telema 190 MT		50%
	Terblanche 155 MT		50%
	Trevenna 119 MT		50%
	The Duel 186 MT		50%
	Truida 76 MT		50%
	Van Deventer 641 MS		50%
	Wendy 86 MT		50%
	Wildgoose 577 MS		50%
	Windhoek 649 MS		50%
	Zisaan 31 MT		50%
	Ziska 122 MT		50%
	Portion of unsurveyed state land		50%

* Form part of the Greater Soutpansberg Project

- Lapsed – Mining Right Application Lodged

-- Valid – Mining Right Application Lodged

~ Tenement located in the Republic of South Africa

^ Tenement located in Western Australia

Shareholder information

Unless otherwise stated, the following additional information is current as at 30 September 2014.

DISTRIBUTION SCHEDULES

SHARES: ORDINARY FULLY PAID

Range holders units %

Range	Holders	Units	%
1 - 1,000	1,407	653,351	0.06%
1,001 - 5,000	1,628	4,624,432	0.44%
5,001 - 10,000	723	5,810,552	0.55%
10,001 - 100,000	1,304	44,133,661	4.21%
Over 100,000	361	993,140,617	94.74%
Total	5,423	1,048,362,613	100.00%

UNMARKETABLE PARCELS

The number of holdings of less than a marketable parcel of ordinary shares (being 9,259 ordinary shares) equals 8,390,646 units held by 3,478 holders.

Unlisted Options: 1 November 2014 @ GBP0.60

Range	Holders	Units	%
1 - 1,000	—	—	—
1,001 - 5,000	—	—	—
5,001 - 10,000	—	—	—
10,001 - 100,000	—	—	—
Over 100,000(1)	1	3,000,000	100%
Total	1	3,000,000	100%

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

Unlisted Options: 30 November 2014 @ \$2.74

Range	Holders	Units	%
1 - 1,000	—	—	—
1,001 - 5,000	—	—	—
5,001 - 10,000	—	—	—
10,001 - 100,000	—	—	—
Over 100,000	1	50,000,000	100%
Total	1	50,000,000	100%

Unlisted Options: 30 September 2015 @ \$1.40 or ZAR12.50

Range	Holders	Units	%
1 - 1,000	—	—	—
1,001 - 5,000	1	4,000	0%
5,001 - 10,000	1	7,000	0%
10,001 - 100,000	20	959,061	67%
Over 100,000	3	471,000	33%
Total	25	1,441,061	100%

Unlisted Options: 9 November 2015 @ A\$1.20

Range	Holders	Units	%
1 - 1,000	—	—	—
1,001 - 5,000	—	—	—
5,001 - 10,000	—	—	—
10,001 - 100,000	—	—	—
Over 100,000	1	2,500,000	100%
Total	1	2,500,000	100%

Unlisted Options: 30 November 2015 @ GBP0.25

Range	Holders	Units	%
1 - 1,000	–	–	–
1,001 - 5,000	–	–	–
5,001 - 10,000	–	–	–
10,001 - 100,000	–	–	–
Over 100,000	2	3,500,000	100%
Total	2	3,500,000	100%

Unlisted Options: 14 February 2017 @ A\$1.40 or ZAR7.60

Range	Holders	Units	%
1 - 1,000	–	–	–
1,001 - 5,000	–	–	–
5,001 - 10,000	–	–	–
10,001 - 100,000	23	1,342,000	50%
Over 100,000	6	1,328,000	50%
Total	29	2,670,000	100%

Unlisted Options: 30 June 2017 @ ZAR1.75

Range	Holders	Units	%
1 - 1,000	–	–	–
1,001 - 5,000	–	–	–
5,001 - 10,000	2	18,213	0%
10,001 - 100,000	20	1,041,228	27%
Over 100,000	16	2,873,487	73%
Total	38	3,932,928	100%

Unlisted Options: 30 June 2018 @ ZAR2.00

Range	Holders	Units	%
1 - 1,000	–	–	–
1,001 - 5,000	–	–	–
5,001 - 10,000	–	–	–
10,001 - 100,000	–	–	–
Over 100,000	1	4,125,000	100%
Total	1	4,125,000	100%

RESTRICTED SECURITIES

The Company currently has no restricted securities.

SUBSTANTIAL SHAREHOLDERS

The shareholdings of the substantial shareholders that have provided the Company with substantial shareholding notices as at 30 September 2014 are:

Shareholder	Number of shares	%
Haohua Energy International (Hong Kong) Resource Co., Ltd.	247,417,579	23.60%
M & G Investment Management Ltd.	161,128,850	15.37%
ArcelorMittal S.A.	126,133,423	12.03%
Africa Management Limited	98,044,662	9.35%
Investec Limited	60,561,906	5.78%

Shareholder information continued

VOTING RIGHTS

Voting rights attached to ordinary shares are that, upon poll, each share shall have one vote and, on how 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 30 September 2014 were:

Fully paid ordinary shares

Shareholder	Number of shares	%
Haohua Energy International (Hong Kong) Resource Co., Ltd.	247,417,579	23.60%
M & G Investment Management Ltd.	161,128,850	15.37%
ArcelorMittal S.A.	126,133,423	12.03%
Africa Management Limited	98,044,662	9.35%
Investec Limited	60,561,906	5.78%
Vitol Energy (Bermuda), Ltd.	24,417,594	2.33%
Shinning Capital Holdings II LP	14,135,002	1.35%
Union Bancaire Privée	10,380,541	0.99%
Public Investment Corporation Limited	9,924,550	0.95%
Barclays, Plc.	8,940,364	0.85%
Dimensional Fund Advisors LP	7,078,830	0.68%
Carla Ferreira	6,684,086	0.64%
HSBC Holdings plc	5,789,636	0.55%
Jannie Abraham Nel	5,000,000	0.48%
Peregrine Equities (Pty) Limited	4,956,310	0.47%
TD Bank Group	4,628,072	0.44%
Barclays (Broker Group)	3,349,857	0.32%
Ping He	3,309,921	0.32%
Afrifocus Securities (Pty) Ltd.	3,173,108	0.30%
Marco Ferrucci	3,061,545	0.29%

GRI content index

CoAL has provided an index below of compliance with the Global Reporting Initiative's (GRI) G3 reporting guidelines and the core performance indicators, self-declaring a C level of reporting.

PROFILE

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2.9	Significant changes during reporting period	IFC
2.10	Awards received	None

3. REPORT PARAMETERS

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3.3	Reporting cycle	IFC
3.4	Contact point	IFC

REPORT SCOPE AND BOUNDARY

3.5	Process for defining report content	IFC
3.6	Boundary of the report	IFC
3.7	Limitations on the scope or boundary of the report	IFC
3.8	Basis for reporting on joint ventures, etc.	IFC
3.10	Restatements of information	IFC
3.11	Significant changes from previous reporting periods	IFC

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GRI content index

PROFILE continued

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NON-DISCRIMINATION		
HR4	Total number of incidents of discrimination and corrective actions taken	33-34

Glossary of terms **and acronyms**

ABET	Adult basic education and training
AIM	Alternative Investment Market
ASX	Australian Stock Exchange
BBBEE	Broad based black economic empowerment
BEE	Black economic empowerment
CoAL or the Company	Coal of Africa Limited
COP	Codes of practice
Coalition	Save Mapungubwe Coalition
CSI	Corporate social investment
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DOH	Department of Health
DRDLR	Department of Rural Development and Land Reform
DTI	Department of Trade and Industry
DWA	Department of water affairs
EA	Environmental authorisation
ECO	Environmental control officer
EEA	Employment Equity Act
EIA	Environmental impact assessment
EMC	Environmental Management Committee
EMP	Environmental management plan
EMS	Environmental management system
EXCO	Executive Committee
GSP	Greater Soutpansberg Project in Limpopo
FEED	Front end engineering design
HDSA	Historically disadvantaged South African
I&AP	Interested and affected party
IWUL	Integrated Water Use Licence
JSE	Johannesburg Stock Exchange Limited
KPI	Key performance indicator
LEDET	Limpopo Department of Economic Development, Environment and Tourism
LTI	Lost time injury
LTIP	Long-term incentive plan
Makhado Project	Makhado hard coking and thermal coal colliery in Limpopo
MCCCF	Makhado Colliery Community Consultative Forum
MHSA	Mine Health and Safety Act
MoA	Memorandum of agreement
Mooiplaats Colliery	Mooiplaats thermal coal colliery in Mpumalanga
MPRDA	Mineral and Petroleum Resources Development Act
MTPA	Million tonnes per annum
NEMA	National Environmental Management Act
NOMR	New order mining right
NOPR	New order prospecting right
NCWUA	Nzhelele Catchment Water Users Association
NWA	National Water Act
OHSA	Occupational Health and Safety Act
OHSAS	Occupational Health & Safety Advisory Services
PRC	Peoples Republic of China
SANParks	South African National Parks
SHE	Safety, health and environment
SLP	Social and labour plan
SMS	Stakeholder management system
SSD	Safety and sustainable development policy
Vele Colliery	Vele coking and thermal coal colliery in Limpopo

Notes

Corporate information

INCORPORATION AND OPERATION

Country of Incorporation: Australia
AUS company number (ACN): 008 905 388
Main country of operation: South Africa

PRINCIPAL AND REGISTERED OFFICE

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Fax: +27 11 388 4170
E-mail: adminza@coalofafrica.co.za

DIRECTORS

Bernard Pryor	Independent Non-executive Chairman
David Brown	Executive Director and Chief Executive Officer
Michael Meeser	Executive Director and Chief Financial Officer
David Murray	Independent Non-executive Director
Bernard Pryor	Independent Non-executive Director
David Murray	Senior Independent Non-executive Director
Peter Cordin	Independent Non-executive Director
Khomotso Mosehla	Non-executive Director
Rudolph Torlage	Non-executive Director

COMPANY SECRETARY

Tony Bevan
Email: tonyb@endeavourcorp.com.au



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