



COAL of AFRICA LIMITED

**INTEGRATED
REPORT 2015**



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 2015.

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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Contents

ABOUT COAL OF AFRICA

Scope of this report	IFC
Contents	1
Forward-looking statement disclaimer	1
About Coal of Africa	2
Five-point turnaround strategy	4
Operational statistics	5

YEAR IN REVIEW

Chairman's statement	8
CEO's review	9

SUSTAINABLE DEVELOPMENT REVIEW

Introduction	14
Stakeholder engagement	16
Regulatory compliance update	21
Safety and health	24
Environmental management	26
Employment	31
Corporate social investment	34
Reserves and resources statement	36

GOVERNANCE

Corporate governance statement	42
Directors' report	54
Auditor's independence declaration	70
Directors' declaration	71

ANNUAL FINANCIAL STATEMENTS

Consolidated statement of profit or loss and other comprehensive income	74
Consolidated statement of financial position	75
Consolidated statement of changes in equity	76
Consolidated statement of cash flows	77
Notes to the consolidated financial statements	78
Independent auditor's report	128

ADMINISTRATION

Tenement schedule	132
Shareholder information	137
GRI content index	140
Glossary of terms and acronyms	144
Corporate information	IBC

CoAL's Makhado Project has the potential to transform not only the project area, but also the district and the Limpopo province.



FORWARD-LOOKING STATEMENT DISCLAIMER

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

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

About Coal of Africa

CoAL is an emerging coal project development company primarily operating in the Limpopo province of South Africa.

SHAREHOLDERS BY GEOGRAPHY as at 30 September 2015



LOCATION OF PROJECTS:

- 1 Vele Colliery
- 2 Makhado Project*
- 3 Great Soutpansberg Project*
- 4 Tshipise Energy Project**

* Coal exploration and development project

** Coal bed methane exploration project

LEGEND

- | | |
|----------------|-------|
| Limpopo assets | Towns |
| Cities | Ports |



VELE COLLIERY



This thermal and semi-soft coking coal colliery remains on care and maintenance until outstanding regulatory approvals are received, and coal prices improve.

MAKHADO PROJECT



CoAL's flagship project has been granted a mining right with construction expected to commence in H2 CY2016.

GREAT SOUTPANSBERG PROJECT



This comprises three projects in the North of the Soutpansberg Mountains, and remains part of CoAL's long term strategy.

Five-point **turnaround strategy**

The Company continued to execute the five-point turnaround strategy during FY15.



1

Attract strategic investors

• **Achieved**

2

Reduce overhead structure and closure of loss-making operations

• **Achieved**

3

Confirm product quality at Vele

• **Achieved**

4

Disposal of non-core assets

• **Working with potential buyers**

5

Secure BEE funding for Makhado and obtain regulatory approvals

• **NOMR granted**

Operational statistics

	Vele		Mooiplaats		Woestalleen Complex		Total	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
ROM production (t)	–	536,846	–	755,251	–	2,485,208	–	3,777,305
ROM coal processed (t)*	–	519,718	–	762,286	–	2,088,595	–	3,370,599
Overall yield	–	**	–	70.3%	–	74.7%	–	73.6%
Total coal produced (t)	–	149,690	–	535,805	–	1,922,149	–	2,607,824
Export coal (t)	–	149,690	–	313,573	–	965,473	–	1,428,736
Middlings coal (t)	–	–	–	222,412	–	956,676	–	1,179,088
Total coal sales (t)	–	–	–	300,984	–	1,313,651	–	2,543,902
Export (t)***	–	***	–	***	–	***	–	1,043,605
Inland (t)	–	–	–	76,089	–	466,014	–	542,103
Eskom (t)	–	–	–	216,460	–	741,374	–	958,194

* Woestalleen Complex processed third-party coal on a cost plus basis which was not available for sale. Woestalleen Complex sold effective February 2014.

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

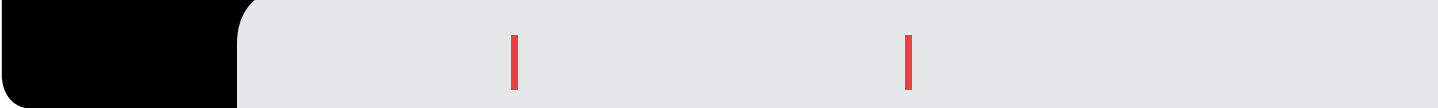
*** Export sales include thermal coal sales from Woestalleen, Mooiplaats and Vele.
Vele and Mooiplaats Collieries placed on care and maintenance in FY2014.



YEAR IN REVIEW

CoAL continued to execute the turnaround strategy with noteworthy progress being made to achieve our vision: To be a premier hard coking coal producer in South Africa.





Contents

Chairman's statement
CEO's review

8
9



Chairman's statement

Bernard Pryor
Chairman



The year under review culminated in our flagship Makhado Project being granted a mining right.

DEAR STAKEHOLDERS

Global markets remained volatile during the year with the British pound and South African rand weakening against the United States dollar while commodity prices continued their downward trend. It appears that these lower prices will remain for another year at least driven by reduced demand, particularly from China, coupled with excess supply. Mining companies are under sustained financial pressure and while cost management has been a focus, the viability of higher cost mines needs to be considered. Shareholders continued to support the Company with the successful completion of the \$65 million capital raise process and this, together with the curtailment of operations at our Mooiplaats and Vele operations and implementation of cash conservation measures, has enabled CoAL to withstand an extended period of lower prices and progress our projects.

The year under review culminated in our flagship Makhado Project being granted a mining right. With this critical milestone firmly in place we shifted the focus to identifying an appropriate strategic investor for the project. We announced post year-end that we were in preliminary negotiations with Singapore registered Yishun Brightrise Investment PTE Limited, a private investment company, to progress their investment in CoAL of £9.4 million and interest free loan of \$10 million which would reflect a firm commitment to participate in the Makhado Project.

Limited progress was made during the year to clarify legislative issues affecting the mining industry in South Africa and we hope that regulators will reach policy certainty in the near future. The government

has emphasised that our industry is a key economic development catalyst and we believe that suitable infrastructure, regulatory certainty and consistent application thereof will encourage further investment by mining companies.

The sales process of the Mooiplaats Colliery was impacted by the depressed commodity prices. We continued to engage with potential buyers and are optimistic that the project will be disposed of during the next financial period. Our Vele Colliery will continue to be on care and maintenance and we await the outstanding regulatory approvals and improvements in coal prices.

The progress made on the Makhado Project is the culmination of several years' work and included an extensive stakeholder engagement process. We are committed to making a positive contribution to communities where we operate and have signed formal agreements with Black Economic Empowerment (BEE) partners in compliance with South African mining legislation. I am happy to say that as a result, 20% of Makhado will be owned by a broad-based structure comprising seven communities living in the vicinity of the project who will benefit directly from the colliery while the remaining 6% was acquired by black entrepreneurs. The Company will assist with training courses to up-skill the communities thus ensuring they have the skills required at the colliery. The Company expects that the remaining regulatory approvals for Makhado will be granted in due course and the 26 month construction process, expected to commence in the second half of 2016, and the Company should benefit from anticipated higher commodity prices.

I am grateful to David Brown and his team for their diligence and hard work during the year and fellow Board members for their counsel. I also wish to thank you, our shareholders for your patience. The Company is progressing well in executing our vision to produce 6.7 million tonnes of coal by 2019, creating real value for all stakeholders.

Bernard Pryor
Chairman

10 September 2015

CEO's review

During the financial year we continued to execute the five point turnaround strategy that was vital for the survival of CoAL. Management has continued to build a successful track record of execution despite a depressed commodities environment. The Company has made significant progress in terms of becoming the project development company we have set out to be. During the year the most notable achievements were:

- A historic Biodiversity Offset Agreement (BOA) with South African National Parks (SANParks) and the Department of Environmental Affairs (DEA) for our Vele Colliery;
- Completion of a hugely successful equity raise;
- Award of a New Order Mining Right (NOMR) for the Makhado Project;
- Conclusion of a flexible repayment agreement with Rio Tinto;
- Mutually beneficial agreement with Grindrod covering our take or pay obligations for port allocations of exported coal;
- Settlement of the Investec working capital facility; and
- Settlement of all material legal matters of a financial nature.

SAFETY, HEALTH AND ENVIRONMENT

The safety of our employees remains pivotal to all that we do at CoAL and despite the reduced operational focus no lost time injuries (LTI) were recorded during the financial year. We currently have two operations on care and maintenance, namely the Mooiplaats and Vele Collieries, yet the focus on all matters of safety remains central to achieving our ultimate goal of zero harm. We used this period of reduced operational activity to review and amend our various codes of practice ensuring the Company remains abreast of safety trends and ensuring we continue to employ best practice.

On health matters we focused on ensuring that our care and maintenance sites adhere to all relevant requirements and to identify any additional areas to be covered once construction at the Makhado Project site commences.

Environmental adherence and best practice remains another top priority for the Company. Doing it right first time is very much at the forefront of our actions and the approach over the last 24 months has ensured that both regulators and interested and affected parties (IAAPs) understand that as a Company, one of our key values is to ensure all activities are completed "by the book". As I stated in last year's report the South African mining industry operates in a regulatory environment which is world class and it is important that mining companies adhere to the requirements of that framework.



David Brown
CEO

The granting of the NOMR in May 2015 represented a positive step forward and was achieved after we concluded the umbrella BEE deals.

The Company continues to explore additional avenues to minimise our impact on the environment, demonstrating our commitment to further enhance the improved relationships we have developed over time. This was evidenced in the signing of the BOA in October 2014 with SANParks and the DEA. This accord is evidence that cooperation between parties with different objectives can end up in a win-win situation for all involved.

FINANCIAL PERFORMANCE

CoAL has reduced its loss for the current financial year to \$6.7 million (FY2014: \$84 million). This includes certain one-off items and is the result of two years of hard work by the team to minimise our cash burn rate. The loss also includes non-cash charges of \$7.5 million (FY2014: \$54.3 million) which includes the following items:

- No impairment at Mooiplaats incurred during the year (FY2014: \$14.9million);
- Depreciation and amortisation of \$1.4 million (FY2014: \$2.2 million);
- Unrealised foreign exchange gain of \$18.9 million (FY2014: \$36.4 million loss) as a result of the South African rand weakening against the United States dollar; and
- Share-based payment expense of \$3.1 million (FY2014: \$0.7 million).

The successful equity raise has ensured additional working capital funds and our cash balance at year-end was \$17.8 million (FY2014: \$2.1 million). The anticipated sale of the Mooiplaats Colliery will further enhance our cash position.

CEO's review continued

FIVE POINT TURNAROUND STRATEGY UPDATE

The following elements of the Company's five point turnaround strategy have been successfully completed:

- Attraction of a strategic investor;
- Reduction in overhead structure and closure of loss-making operations; and
- Product quality confirmation at Vele Colliery.

The fourth element which covers the disposal of non-core assets has been extremely difficult to complete given the continued commodity price weakness and the poor short-term price outlook for commodities in general, and coal specifically. The Mooiplaats Colliery remains recorded as an asset held for sale. The sale agreement lapsed at the end of June 2015 as a result of the purchaser not being able to secure the requisite funding. However, the Company remains committed to the sale of this asset and is exploring transactions with other potential buyers.

The fifth element was the completion of the regulatory approvals for Makhado and the provision of assistance in finding funding for the BEE equity stake in the project. Significant progress was made in this area, resulting in the project being granted a NOMR in May 2015. This development acted as a catalyst for completing the remaining outstanding items, viz the Integrated Water Use Licence (IWUL) and the funding required to develop the colliery.

CORPORATE MATTERS

As mentioned earlier we resolved the Grindrod take or pay matter during December 2014 on the payment of \$10 million, effectively reducing a substantial liability until the end of the current agreements. The payment included historic and certain future liabilities due to Grindrod in terms of the take or pay agreement between the parties.

The Company completed the shareholder-approved three-stage equity raise during June 2015 and the funds helped to progress the turnaround strategy. To recap, we successfully raised approximately \$65 million before expenses and foreign currency fluctuations which was greater than the market capitalisation of the Company at that time. It is worth reflecting on the matters that were settled over the last 30 months:

- Deutsche Bank – loan of \$38 million – repaid;
- Investec Bank – loan of \$8 million – equity and cash settled;
- Operating losses – cash losses of \$25 million;
- Legal charges and fees – defending and settling various matters \$10 million;
- Investec Bank – \$10 million working capital loan paid;

- Grindrod – take or pay obligation settled on payment of \$10 million; and
- Rio Tinto – settled \$24 million for the purchase of the Greater Soutpansberg Project (GSP) assets.

The last remaining significant liability was the acquisition of various assets which formed part of our GSP from Rio Tinto. This matter has been resolved and requires the outstanding balance of \$19.8 million (FY2014: \$29.8 million) to be repaid by June 2017.

The next phase will be to ensure we have sufficient funding to push forward with the Makhado Project. The Company's success in obtaining the mining right means that certain obligations may arise prior to construction funding being available. If this should be the case, we would be seeking investors to provide some additional impetus to move forward.

PROGRESS AT MAKHADO

The granting of the NOMR in May 2015 represented a positive step forward and was achieved after we concluded the umbrella BEE deals which resulted in the formation of the Makhado Colliery Community Development Trust. The Trust will house a 20% shareholding in the project for the future benefit of the communities. In addition, an agreement for the sale of a 6% shareholding to Black entrepreneurs was finalised. Subject to the remaining regulatory approvals being granted timeously, we expect construction to begin in the second half of CY2016.

The proposed "sale" of a strategic equity stake in the project has begun, and combined with the BEE shareholder transactions, should ensure that CoAL has sufficient equity funding for the project. The balance of the funding required will be via project debt – the target debt to equity ratio is 50:50.

PROGRESS AT VELE

We continue to move forward on the regulatory approvals required for the proposed plant modification project. Current export coal prices and a lack of a contracted domestic market have impacted on the economics of Vele. In the absence of an improved pricing environment or a ready domestic market, the colliery will remain on a care and maintain basis until the regulatory approvals are in place, with the last expected by June 2016. We can report that we have received our amended Environmental Authorisation (EA) in January 2015. The remaining outstanding approvals are discussed in more detail later in this report.

The Company continues to explore the possibility of domestic supply contracts and the Limpopo province, where Vele is situated, is in the process of designating certain areas as special economic zones which will require raw materials inputs, with coal being a critical element.

In addition, government has requested proposals for coal fired power stations as part of an Independent Power Producer (IPP) drive and as a large portion of South Africa's unexploited coal resources are found in the Limpopo province, it makes strategic sense that future power plants are located close to source to mitigate high logistics costs.

THE MARKET

Commodity markets continue to experience downward price pressure as the view of lower economic activity around the globe sinks in, driven by relative weakness in the Chinese economy coupled with an oversupply of many commodities.

Weaker spot prices have led to a forward price curve which reflects lower long term pricing and consequently, a recovery in prices is now at least two to three years off. There is a need to reduce the oversupplied position and it is expected that this would only be achieved through supply cut backs rather than by robust growth. Having re-looked at Vele, it is therefore unlikely that the colliery will be producing before June 2017. The Makhado Project would only be in full production in late 2019 early 2020 (dependent on fundraising and regulatory approvals). This timing is seen as potentially beneficial as the Company would be supplying into an improved pricing environment and provides CoAL with additional time to develop and expand its domestic marketing strategy.

OUTLOOK FOR FY2016

During the next financial year the Company seeks to complete all the work to secure the outstanding regulatory approvals for the Makhado and Vele Projects. In addition we intend to complete the recently announced Makhado pre-construction funding which will ensure the building of the project can start in H2 CY2016. The last element in the turnaround strategy is the sale of Mooiplaats – this will continue to be a major focus and when completed, the Company can look to develop its projects as quickly as practicable taking cognisance of prevailing commodity market conditions.

Furthermore we believe that, with a tidier structure, the Company will be better positioned to assess potential merger and acquisition opportunities, with valuations more reflective of current commodity prices. The vision is still to be the premier hard coking coal producer in South Africa and produce approximately 6.7 million tonnes of coal per annum by 2020. As stated last year, the final production profile will be dependent on access to capital, health of the commodity markets and the predictability and robustness of the regulatory environment.

APPRECIATION

I would like to thank Michael Meeser, who resigned during the year, for his positive impact and I would like to welcome De Wet Schutte who has filled the vacant Chief Financial Officer (CFO) role. To the dedicated team at CoAL, I am proud of your achievements and hard work.

Lastly, thank you to the Chairman and the Board of Directors for their guidance.



David Brown
Chief Executive Officer
10 September 2015



SUSTAINABLE DEVELOPMENT REVIEW

Our vision is premised on achieving a balance between adding value to shareholders, best practice in safety, health and environment and equitable social development and empowerment of host communities.



Contents

Introduction	14
Stakeholder engagement	16
Regulatory compliance update	21
Safety and health	24
Environmental management	26
Employment	31
Corporate social investment	34
Reserves and resources statement	36

Introduction

CoAL values a cohesive approach to sustainable development in order to achieve the balance between the need for development, with the need for socio-economic growth and environmental management. As a Company, we acknowledge that not cultivating sustainability into the engine of our business model would be irresponsible. Sustainability, which is at the heart of our vision, is the driver to eradicate irreversible environmental impact, while pursuing economic growth and prosperity.

CoAL's sustainable development vision is premised on achieving a balance between adding value to shareholders, best safety, health and environmental practices, and equitable social development and empowerment of host communities. We believe that sustainable development is a living process that is continually revisited, reviewed, revised and improved upon to deliver sustainable growth.

The four pillars of People, Planet, Profit and Governance remain the central drivers of our sustainable development journey. The Company's sustainable development objective is to advance our business and projects beyond compliance. While legal compliance is the non-negotiable core of our legal license to mine, CoAL is committed to the people beyond the boundaries of our operations and projects.



PEOPLE

In addition to incorporating safety and health principles throughout our business process flow, CoAL is committed to empowerment by investing in our people through the creation of focused development opportunities.



PROFIT

We believe that business profitability includes value-creation for our shareholders and host communities and we strive to demonstrate this through the application of our expertise, and regular and open engagement with stakeholders. The Company strives to deliver sustainable development and profitability accompanied by positive socio-economic impacts and environmental conservation. Sustainability is only possible with profitability.



PLANET

Our vision is to grow a sustainable, profitable business identifying and mitigating potential impacts through technology, best practices and continually seeking to identify alternatives, where practicable and viable.



GOVERNANCE

Mutually beneficial, strategic partnerships are critical components for sustainable empowerment within our project areas and engagement with communities follows an open, transparent and integrated community-centred approach. The Company is confident that the integration of sustainability into every aspect of our business chain expands our robust environmental, cultural and heritage conservation programmes, drives progressive socio-economic development and delivers on growth and profitability targets.



Stakeholder engagement

Our stakeholder engagement strategy defines the framework within which we engage dynamic and complex multi-stakeholder environments.



CoAL defines its stakeholders as those who are affected by, potentially affected by, or interested in our projects. The vision of our stakeholder engagement strategy is to establish and maintain inclusive and mutually beneficial relationships with stakeholders through the creation of a shared value approach in our engagement. Through our engagement processes we seek to:

- **Increase** awareness of the Company and its strategic direction;
- **Enhance** CoAL's reputation through our commitment to co-existence and mutually beneficial partnerships;
- **Empower** stakeholders through open and transparent engagement based on the principles of materiality and mutuality; and
- **Create and enhance** sustainable value for stakeholders, striving to align the socio-economic needs of communities with the Company's economic goals.

Our stakeholder engagement strategy defines the framework within which we engage dynamic and complex multi-stakeholder environments. The stakeholder relation function is managed at executive management level. We dedicate considerable financial and human resources to this function and ensure we are inclusive, collaborative and responsive to stakeholder needs.

An important element of CoAL's engagement process is the continuous identification, profiling and analysis of stakeholders. Our integrated Stakeholder Management System (SMS) is the central repository for stakeholder information and maintains records of communication between the Company and stakeholders. This has proved to be vital in our interactions. Developed in 2013, the SMS continues to evolve, enabling CoAL to profile and analyse its stakeholders, record all issues and any concerns raised. The system is also able to track all commitments and the progress on fulfilling these, ensuring that stakeholder engagement is responsive and relevant.

COMMUNITY-CENTRED ENGAGEMENT: EARNING OUR SOCIAL LICENCE TO OPERATE

Recognising the importance of relationships with our stakeholders, in particular the communities in our areas of operation, we have implemented a community-centred approach to build social cohesion and social capital with communities. When engaging with communities, we seek to minimise risk and have designed an engagement model whereby we endeavour to create and enhance sustainable value for all our stakeholders.



COAL'S COMMITMENT TO OUR COMMUNITIES

The Company commits to:

- Engaging regularly, in a transparent manner, ensuring that all our communities are included in the process;
- Responding timeously to all issues and concerns raised;
- Empowering our communities with relevant information to enable them to participate in decision-making processes in an informed manner;
- Creating a lasting economic and social legacy for our communities;
- Developing thriving communities through capacity building programmes;
- Facilitating and encouraging responsible projects design to ensure that the potential impacts of the project are minimised and mitigated;
- Integrating sustainable development principles into our decision-making processes;

- Identifying potential opportunities for community benefit throughout the life-of-mine (LOM); and
- Improving the quality of life of our communities.

REGULATORY ENGAGEMENT: EARNING OUR LEGAL LICENCE TO OPERATE

The Company's legal licence to operate is earned and maintained through continued compliance within the regulatory framework of the Mineral and Petroleum Resources Development Act (Act, 28 of 2002) MPRDA, the National Water Act (Act 36 of 1998) NWA and the National Environmental Management Act (Act 107 of 1998) (NEMA). Regular engagement with all tiers of government – national, provincial and local – is a core component of the stakeholder engagement framework. CoAL endeavours to build partnerships to create an enabling environment for the delivery of government's transformative agenda as it relates to improving the quality of life for all South Africans.

Stakeholder engagement continued



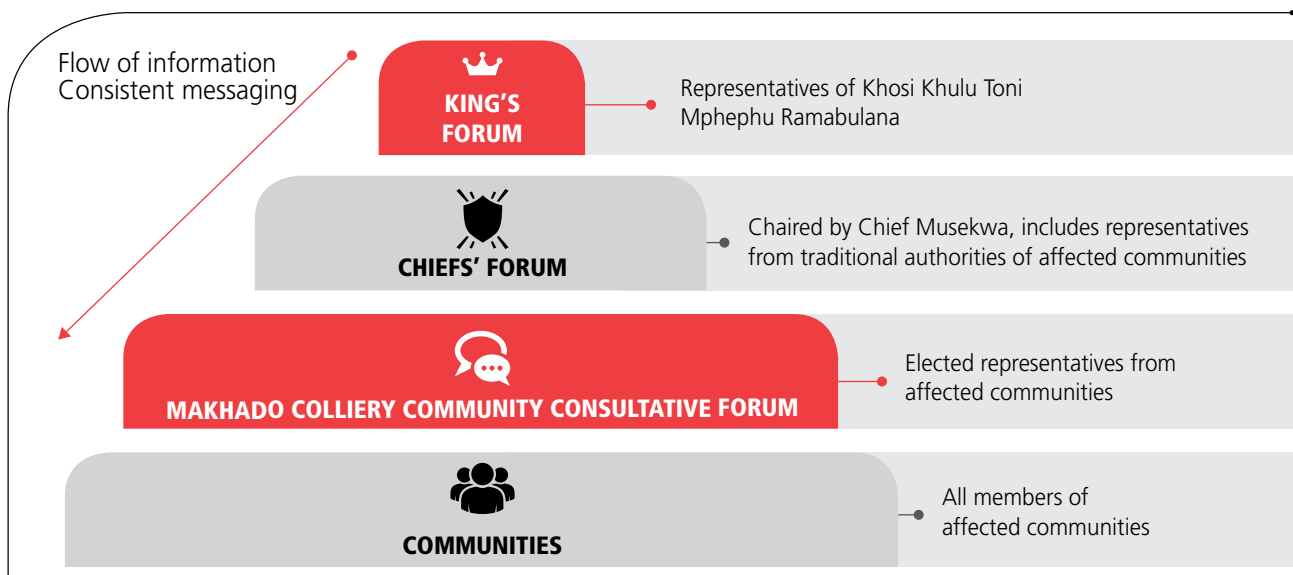
MAKHADO PROJECT

CoAL's flagship Makhado Project was granted a NOMR in May 2015, a significant milestone in the life cycle of the project. This project has the potential to transform not only the project area, but also the district and the Limpopo province, through a shared value approach. This can only be done through collaborative and inclusive stakeholder engagement processes based on the principles of mutual respect, integrity and transparency.

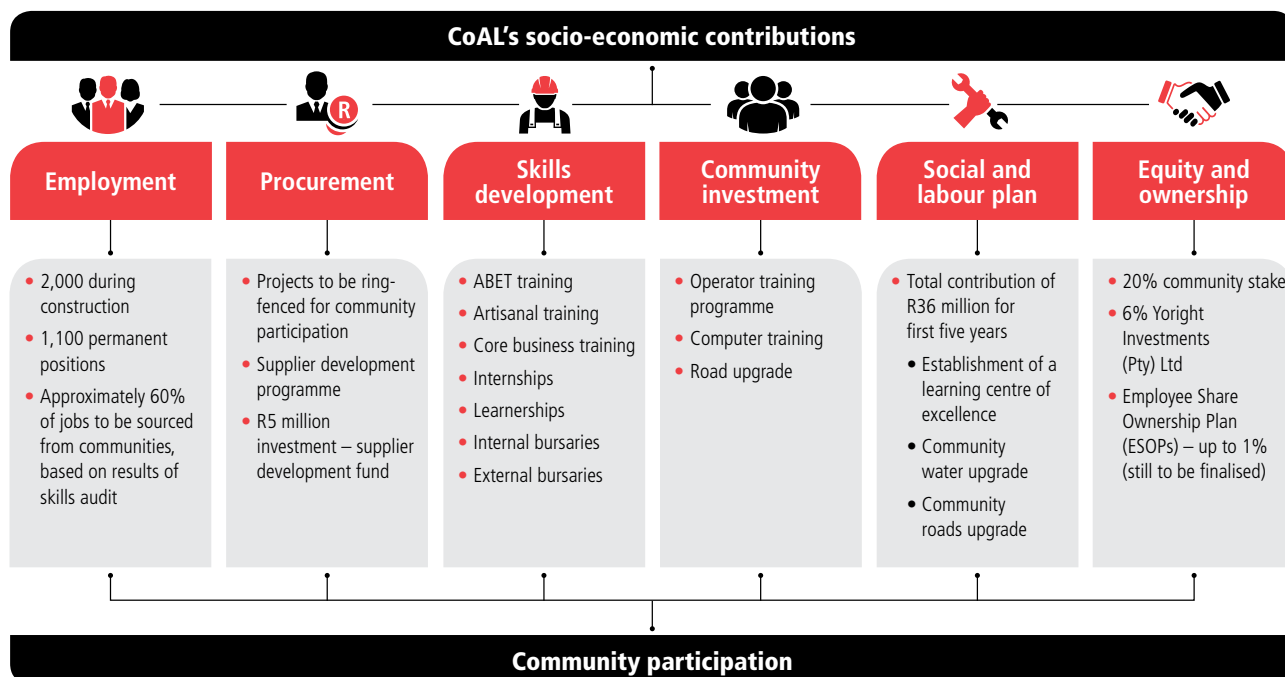
The potential designation of the Special Economic Zone (SEZ) by the Department of Trade and Industry (DTI) is an exciting development for Makhado as the only domestic supplier of hard coking coal and, a supplier of thermal coal. The Company has engaged extensively with the DTI, Limpopo Department of Economic Development, Environment and Tourism (LEDET) and the Limpopo Economic Development Agency (LEDA) to facilitate the designation of the SEZ.

Makhado is located on five adjacent farms, Fripp 645 MS, Tanga 648 MS, Windhoek 649 MS, Lukin 643 MS and Salaita 188 MT, and seven communities are affected by the project. This results in a complex stakeholder environment and includes the Mudimeli, Kuvule and Mulambwane communities located on the farm Fripp; the Makushu, Pfumembe and Mosholombi communities on the adjacent farm of Telema; and the Musekwes.

To ensure regular, consistent messaging and direct engagement with communities, the Company engages using the following structures:



CoAL has designed a model to ensure that communities derive maximum benefits from the Makhado Project. This model focuses on skills development, enterprise development and community investment.



The Company also has a localisation strategy which seeks to ensure that those within the project area, and the broader provincial area, can access the opportunities offered by Makhado. One of the pillars of this model is that of equity and ownership and CoAL's broad based Black Economic Empowerment (BBBEE) strategy seeks to enhance value for all stakeholders, including shareholders and communities by facilitating sustainable socio-economic transformation.

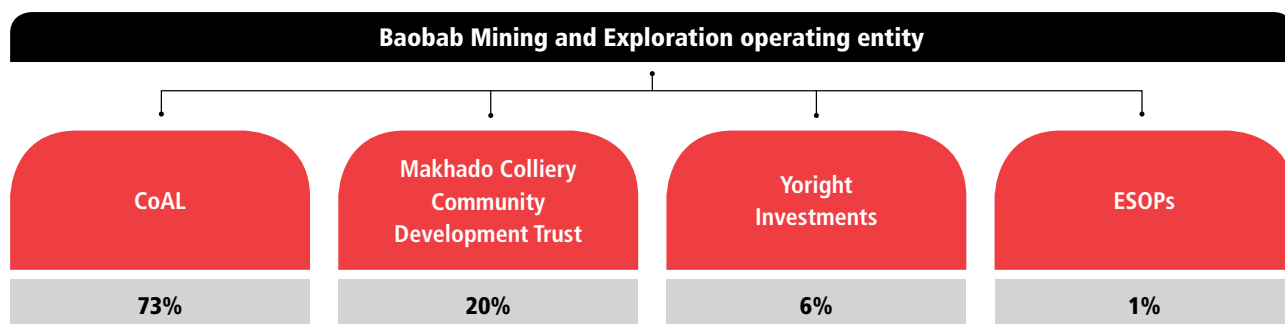
The objective of the strategy is to maximise the benefit of mining for communities by contributing to sustainable development at community, municipal and provincial level. This strategy is based on shared values (mutuality)

between the Company and its stakeholders and has been developed through a comprehensive, consultative and transparent engagement process ensuring full support for its structure and mandate.

BBBEE equity interest in Makhado

In March 2015, the Company signed a Share Subscription Agreement with Yoright Investments (Proprietary Limited), enabling Black entrepreneurs to acquire a 6% interest in Makhado. A separate agreement was completed to house a 20% equity stake for the seven communities affected by the project.

The shareholding structure of the project is as follows:



Stakeholder **engagement** *continued*

The Company's community-centred approach led to the development of a model of engagement with communities affected by the Makhado Project. The approach is informed by the following underlying functions:



- Conduct household surveys to better understand communities
- To date we have conducted surveys in 1,320 households, more than 30% of the project area
- Develop of a comprehensive community profile
- Identify opportunities for optimal socio-economic development



- Build and maintain lasting relationships with our stakeholders through a shared value approach
- Engage through various structures:
 - King's Forum
 - Chiefs' Forum
 - Makhado Colliery Consultative Community Forum (MCCCCF)
 - Communities



- Design and develop a training and development programme based on the results of a skills survey
 - Implementation to commence in Q4 CY2015, enabling communities to access employment opportunities when the project starts
 - Source 60% of jobs created from communities
 - Award 10 bursaries to students from the project area – one from each community, and three on merit



- Design and implement enterprise and supplier development programmes to develop entrepreneurs and facilitate access to ring fenced procurement opportunities
 - Aim is to create a pipeline of community based entrepreneurs and suppliers



- Identify sustainable projects to uplift communities and address the triple challenge of poverty, unemployment and inequality and include:
 - CoAL's mentorship programme
 - Social and Labour Plan projects (SLP), incorporating upgrades of the Makushu Road and the community water supply



- Drive meaningful socio-economic transformation to:
 - Build social cohesion
 - Develop community capacity
 - Provide community access to employment opportunities
 - Develop partnerships with government structures to implement the goals of the National Development Plan (NDP)
 - Invest in sustainable education, health and infrastructure projects

Regulatory compliance update

The Company continues to conduct the socio-economic assessments, the results of which will form the basis of our Skills Development Programme, and our Enterprise and Supplier Development.

Department	Authorisation	Status
Department of Mineral Resources (DMR)	NOMR	Granted in May 2015
LEDET	EA	Granted in August 2013 (Interim court interdict by Vhembe Mineral Resources Forum)
Department of Water and Sanitation (DWS)	IWUL	Awaiting licence

CoAL awaits the granting of an IWUL for the Makhado Project and continues to engage with the Department of Water and Sanitation (DWS) in this regard. The project will commence once all the regulatory approvals are in place and the funding has been raised.

VELE COLLIERY

The signature of the historic Biodiversity Offset Agreement (BOA) between CoAL, the DEA and SANParks on 14 October 2014 ensures ZAR55 million has been committed over 25 years, setting a new benchmark for co-existence between mining, agriculture, biodiversity, culture and heritage. This agreement includes the establishment of a Steering Committee comprising representatives from CoAL, DEA and SANParks to oversee the implementation of the agreement. The first project is the restoration and rehabilitation of heritage resources and is scheduled for completion at the end of September 2015. The Company has also adopted a heritage project in the form of the Mapungubwe Archaeological Laboratory and Artefact Storage facility which will ensure the protection of our heritage resources for our next generation.

Of great concern to the Steering Committee is the consolidation and incorporation of privately owned properties included in the revised Mapungubwe buffer zone. To address this, the parties have commenced engagements with the landowners to devise a mutually beneficial arrangement.

During the period under review, we sought to align all the authorisations at Vele Colliery with that of the Plant Modification Project (PMP). This included:

- Application for the amendment of the colliery's EA – (granted in January 2015);
- Application for renewal and amendment of Vele's IWUL (CoAL awaits the granting of the licence; and

- Commencement of a process to seek regulatory approval for a non-perennial stream diversion (submitted in May 2015. The Company continues to engage with stakeholders in this regard).

The Company continues to participate in the Environmental Management Committee (EMC), established as an oversight mechanism in terms of Vele's EA. The EMC membership comprises various stakeholders including regulatory authorities, municipal representatives, civic society and other stakeholders identified during the initial public process. The EMC has the mandate to monitor Vele's compliance in respect of its EA and IWUL. The Committee meets quarterly and conducts annual site visits.

The Company held its annual stakeholder engagement meeting with various land claimant communities during October 2014 providing an update on the status of Vele and engaging on matters concerning the communities. The potential impacts of a successful land claim are not quantifiable at this stage.

GREATER SOUTPANSBERG PROJECT

Greater Soutpansberg Project (GSP) is situated to the north of the Soutpansberg Mountains and comprises three project areas – Mopane, Generaal and Chapudi. CoAL owns 74% of the projects and its BEE partner, Rothe Investments (Proprietary) Limited owns the remaining 26%. NOMR applications for the three project areas were submitted to the DMR in 2013 and the Company awaits the record of decision.

Regulatory **compliance update** continued



The model of co-existence between mining, agriculture and heritage developed at Vele will be implemented at the Makhado Project and GSP. One of the primary concerns raised by stakeholders during the GSP Public Participation Process (PPP), particularly those in the agricultural sector, is the impact of the project on the quality and quantity of water, and CoAL has committed to participating in the identification and quantification of the cumulative impact of the proposed mines on the regional groundwater. As the Company is only one of a number of players within the region, CoAL has engaged with the Office of the Premier in Limpopo and LEDET and received their commitment to the establishment of a Strategic Regional Forum that will develop a regional study to accurately quantify this impact. This study is expected to assist in unlocking the socio-economic potential of the area, while ensuring the protection of its natural resources.



The Company is an active participant in the Limpopo Water Management Area - North Reconciliation Strategy, led by the national Department of Water and Sanitation (DWS). This structure aims to develop a feasibility study to assess current and potential development projects in relation to the available and potential water resources in the area. CoAL continues to engage with all stakeholders to implement our model of co-existence.

REGULATORY COMPLIANCE

CoAL actively monitors the legislative landscape within which it operates and the Company's business scorecard ensures that legislative compliance is a key performance area for the management team. Compliance is monitored through both internal and external audit processes and the Company continuously assesses the effectiveness of compliance systems and structures, highlighting areas of improvement and associated risks. This assessment forms the baseline of an action plan approved and implemented by management.

The Company's focus on compliance is within the framework of the following Acts, including but not limited to the:

- MPRDA;
- NWA;
- NEMA;
- Mine Health and Safety Act (Act 29 of 1996); and
- Mining Charter.

MINING CHARTER COMPLIANCE

The mining sector is regulated by the MPRDA which requires mining and exploration companies to facilitate meaningful and substantial participation of historically disadvantaged South Africans (HDSAs). The revised Mining Charter was published in 2010 and this guides companies in the drive for transformation, providing pillars with associated timeframes and targets

CoAL continues to conform with the provisions of the Mining Charter, filing annual compliance reports and undergoing regular audits by authorities regarding compliance with the Charter. The Company recently completed an assessment and review regarding BEE ownership and is well positioned to meet the ownership requirements in terms of the Mining Charter and has also completed the online reporting required by the DMR.

MAKHADO

NEW ORDER MINING RIGHT

The DMR granted the Makhado NOMR and Section 11 approval in terms of the MPRDA, transferring the mining right from CoAL to its subsidiary Baobab Mining and Exploration (Pty) Ltd (Baobab), the project development company. Baobab is finalising arrangements to notarially execute the NOMR and anticipates that this will be completed in October 2015.

ENVIRONMENTAL AUTHORISATION

Limpopo Department of Economic Development, Environment and Tourism (LEDET) issued the Environmental Authorisation (EA) for the Makhado Project during August 2013 in terms of NEMA and Environmental Impact Assessment Regulations, 2010. Certain IAAPs, which includes a group of farmers, obtained an interim interdict in December 2014 against the project's EA, pending the finalisation of a regional environmental impact assessment. CoAL has subsequently lodged an application to rescind the interim interdict and the matter is scheduled to be heard during the third quarter of CY2015.

INTEGRATED WATER USE LICENCE APPLICATION

An IWUL application for Makhado has been lodged with the DWS. The Company has regular engagement with the department regarding the application and the granting of the NOMR was a critical step towards the finalisation of the IWUL.

VELE

NEW ORDER MINING RIGHT

Vele ceased operations in 2013 in preparation for the construction of the plant modifications but remain on track for the completion and implementation of the colliery's SLP local economic development projects. Furthermore, Vele's SLP for the next five years is being reviewed in consultation with the Musina Municipality and the Department of Mineral Resources (DMR).

ENVIRONMENTAL AUTHORISATION

The amendment to the EA was granted in January 2015. An appeal against this decision was lodged with the Minister of Environmental Affairs by IAAPs. The Company has timeously filed responding statements and is now waiting the decision from the minister.

The Company will be applying for the authorisation of activities associated with stream diversion which will be required during mining in the north pit. A notice of intention to apply has also been issued to all the registered IAAPs.

INTEGRATED WATER USE LICENCE

The Vele Colliery was granted an IWUL by the DWS in March 2011, valid for five years and expiring in March 2016. The colliery complies with the conditions of its IWUL, monitoring compliance through internal inspections and external audits which are conducted by the DWS and the Environmental Compliance Officer. An application to renew and amend the colliery's IWUL is being processed by the DWS.

An application for a stream diversion will be lodged with the department. The notice of intention to apply has been issued to all the registered IAAPs and is expected to be lodged during Q4 CY2015.

GREATER SOUTPANSBERG

The DMR is processing the NOMR applications for the three GSP Projects, namely Chapudi, Generaal and Mopane and additional information has been provided to the department. The EA and IWUL will be applied for upon finalisation of feasibility studies for the three projects.

MOOIPLAATS

The Mooiplaats Colliery has been under care and maintenance since October 2013 and is currently undergoing a formal disposal process. The colliery remains compliant with all regulatory frameworks.

Safety and health

CoAL achieved its target of zero LTIs for FY 2015.



PROTECTING OUR GREATEST ASSETS

CoAL recognises and values our people as our most valuable asset, central to the long-term success of our business. A key component of our overall sustainable development strategy is the safety and health of our people. Notwithstanding the care and maintenance status at our Mooiplaats and Vele Collieries we continue to implement a safety and health strategy focused on embedding a zero-injury safety culture.

KEY FOCUS AREAS

- Safety leadership
- Hazard identification and risk mitigation
- Systems and standards

SAFETY LEADERSHIP

Safety leadership is an essential component of CoAL's safety management system, in which every employee is provided with the tools, guidance and support of a culture of safety by example. Interconnected with safety leadership is visible felt leadership demonstrated through regular on-site engagement, inspections and support.

HAZARD IDENTIFICATION AND RISK MITIGATION

The identification, analysis and mitigation of risks remains a primary area of focus in CoAL's safety management system. Risk assessments are the foundation of entrenching preventative management and have been expanded to include a revision of assessment methodology and, further reviews of hazards and risks. In turn this has led to the development and implementation of additional risk-based procedures and audit protocols during the period under review.

SYSTEMS AND STANDARDS

CoAL views robust systems as an invaluable mechanism in identifying potential safety concerns and alleviating the potential for safety incidents or emergency situations. During FY2015, the Company focussed on progressing initiatives that commenced in the prior year, including the review, revision and standardisation of safety management procedures, standard operating procedures and codes of practices. This robust administrative model will ensure the smooth implementation of processes and audit procedures when operations commence at the Company's collieries.

SAFETY PERFORMANCE

Whilst acknowledging the reduced rate of activity at CoAL's operations, the Company can report that there have been zero injuries during the period. Activities undertaken at site included the three-month construction of the pollution control dam at Mooiplaats and the two-week contractor dis-establishment at Vele, both incident-free, resulting in CoAL achieving its target of zero LTIs for FY2015.

SAFETY PERFORMANCE

Operation	Lost time injuries					Lost time injury frequency rate				
	2015	2014*	2013	2012	2011	2015	2014	2013	2012	2011
Mooiplaats	–	–	10	6	9	–	–	1.61	0.91	0.51
Vele	–	–	1	–	1	–	–	0.15	–	0.45
Makhado	–	–	–	–	1	–	–	–	–	0.88
GSP	–	–	1	–	–	–	–	2.01	0.40	NA

* One LTI was recorded at the Woestalleen Complex, sold effective February 2014.

ENSURING A HEALTHY WORK ENVIRONMENT

CoAL's occupational health system is based on ensuring our employees are fit for the work they undertake and that their work does not pose an occupational health risk. Focusing on zero harm, we continue to implement vigorous medical surveillance assessments and medical monitoring programmes. These processes enable the Company to identify medical conditions, monitor and manage existing health conditions and prevent occupational-related illness.

OPERATIONAL HEALTHCARE

CoAL's management of workplace health is based on the hierarchy of control with the focus being on implementing physical controls to engineer out potential areas of risk as the first point of mitigation.

The occupational healthcare service at both Mooiplaats and Vele Collieries is outsourced to external occupational healthcare service providers. The primary healthcare risk while under care and maintenance is noise induced hearing loss (NIHL) which, as with many occupational-related illnesses, has a long latency period. Thorough regular occupational health monitoring and health screening is supported by a robust occupational hygiene monitoring programme to identify potential risk exposure and implement preventive mitigation controls.

PRIMARY HEALTHCARE

Despite the reduced activity the Company remains committed to promoting a healthy workforce and in addition to our occupational health programme, CoAL provides comprehensive primary healthcare services to employees and contractors. This includes family planning, antenatal care, chronic disease monitoring and medication, HIV counselling and testing as well as anti-retroviral treatment.

During the period under review, CoAL achieved its target of zero new cases of occupational illnesses across all operations and preventive management will continue as the primary area of focus during FY2016.

OCCUPATIONAL HYGIENE

An external occupational hygienist is employed by CoAL to conduct regular occupational hygiene monitoring at both Collieries. The following were recorded during FY2015:

- Both Mooiplaats and Vele Collieries are 100% compliant with airborne pollutant and thermal stress requirements; and
- Vele achieved a 100% compliance with regards to occupational noise requirements and Mooiplaats improved by 6% to 94% in FY2015 (FY2014:88%).



Environmental **management**

Responsible resource use and management is a core component of CoAL's environmental management strategy.



INTRODUCTION

The Company understands that its operations and future projects are located in environmentally sensitive areas. As such, CoAL's environmental management strategy is based on mitigating and minimising potential impacts by harnessing technological advancements, engineering and environmental expertise, best practice, to ensure the design and operation of our collieries occur in an environmentally conscientious manner.

Cognisant that our impact extends beyond our mining footprint, the Company continues to engage openly and regularly with all stakeholders, specifically our host and neighbouring communities. Furthermore CoAL ensures that its environmental management programmes identify potential risks and mitigates or offsets these so as to effect meaningful, sustainable growth and development.

WATER MANAGEMENT

In South Africa water stress is characterised by the increasing demands on existing water suppliers, in combination with the negative legacy of mining activities. It is this water stress, *inter alia*, which motivates CoAL's commitment to sustainable environmental management. As such, CoAL maintains transparent engagement with authorities, communities and industry specialists to ensure legal compliance and to understand water concerns and requirements. Furthermore, the Company investigates best practice in order to manage natural resources, minimising water use and impact.

CoAL is a member of the Limpopo Water Management Area (WMA) North Reconciliation Strategy – Study Steering Committee, a working group set up for the study and development of a reconciliation strategy for all parts of the area. This includes the northern parts of the WMA i.e. the Matlabas, Mokolo, Lephalala, Mogalakwena, Sand and Nzhelele catchments. Other members include regulators, agricultural and mining communities, local municipalities, industry specialists as well as non-governmental organisations (NGOs). In line with the Company's commitment to transparent engagement, CoAL presented their projects to members at the inaugural meeting during FY2015.

The water consumed at the Company's projects is analysed below.

WATER CONSUMPTION AT MOOIPLAATS (m³)

	FY2015	FY2014	FY2013
Water used for primary activities	2 666	77 040	505 620
Potable water from external sources	–	779	7 124
Non-potable water from external sources	–	–	205 700
Surface water used	–	–	–
Groundwater used	2 666	77 040	96 360
Water recycled in process	6 093	124 235	Not measured

WATER CONSUMPTION AT VELE (m³)

	FY2015	FY2014	FY2013
Water used for primary activities	708	27 103	109 330
Potable water from external sources	–	–	–
Non-potable water from external sources	–	–	–
Surface water used	–	–	–
Groundwater used	708	32 956	158 060
Water recycled in process	–	7 445	125 961

Mooiplaats and Vele are currently on care and maintenance and both Collieries operate a closed water system with zero discharge to the natural environment.

WATER AT THE MAKHADO PROJECT

The memorandum of agreement signed between CoAL and members of the Nzhelele Catchment Water Users Association in October 2012 saw members renounce portions of their water-use entitlements from the Nzhelele Dam and pledge these to CoAL in terms of Section 25(2) of the National Water Act. This enabled CoAL to secure a source of bulk water for the Makhado Project, underpinning the Company's commitment to partner with stakeholders to advance assurance of water supply, mitigating the impact of mining on existing agriculture as well as other users. The Company and the Nzhelele Catchment Water Users Association continue to engage, and this arrangement will be enacted upon unconditional granting of the Makhado Project IWUL.

ENERGY MANAGEMENT

Responsible resource use and management is a core component of CoAL's environmental management strategy, and the Company remains committed to identifying ways in which to reduce consumption of energy resources through, where feasible, the application of technological developments and best practice.

Mooiplaats sources its energy from state power utility Eskom while the Vele Colliery utilises a diesel generator to meet its energy requirements. Monitoring our energy usage from the national grid as well as energy produced via diesel generators enables CoAL to identify potential energy-saving opportunities.

ENERGY CONSUMPTION AT MOOIPLAATS

	FY2015	FY2014	FY2013
Energy from electricity purchased from Eskom (MWh)	3 336 835	4 591 067	12 433 610
Diesel used (Kilolitres)	–	–	3 406
Energy generated from diesel (GJ)	–	–	130 480
Petrol used (Kilolitres)	–	–	–
Energy generated from petrol (GJ)	–	–	–

Environmental **management** continued

ENERGY CONSUMPTION AT VELE

	FY2015	FY2014	FY2013
Energy from electricity purchased from Eskom (MWh)	–	–	–
Diesel used (Kilolitres)	63	649	3 268 104
Energy generated from diesel (GJ)	2 423	24 863	125 201 064
Petrol used (Kilolitres)	1	–	–
Energy generated from petrol (GJ)	40	–	–



MONITORING AND COMPLIANCE

Both Mooiplaats and Vele Collieries have effective, well-entrenched environmental monitoring procedures and systems. An independent environmental consultancy conducts regular monitoring, inspection and auditing at the Collieries and has been doing this since 2013. This includes the complete suite of environmental monitoring requirements i.e. water, dust, vegetation, monthly inspections and Environmental Management Programme (EMPr), EA and IWUL audits. In line with CoAL's visible felt leadership commitment, the consultancy's inspections are supported by regular management inspections.

Vele Colliery has a full-time Environmental Officer (EO) appointed to implement and monitor the Environmental Management Plan (EMP) on-site. The colliery's Environmental Management System (EMS) implemented in FY2014, includes efficient monitoring and auditing management tools enabling the colliery and management to identify and track monitoring, inspection and auditing requirements, ensuring compliance with the colliery's licensing requirements.

Despite the reduced activity during FY2015, CoAL remains committed to meeting its regulatory commitments and Vele continues to conduct its environmental monitoring at the same frequency as it was conducted when operating. This includes the assessment of water resources and potential impacts, air quality, bio-monitoring, ecotoxicology, biodiversity, habitats and vegetation, threatened and protected fauna and flora species, plant moisture stress and alien plant eradication. Furthermore an independent archaeologist appointed by the Company undertakes monthly assessments of identified heritage resources.

Vele Colliery is subject to quarterly audits by external, independent environmental auditors. The last quarterly report for FY2015 noted that the EMS: 'Conforms to the planned arrangements for managing environmental matters; is well established with procedures in full conformance'. In addition to the monitoring and assessments conducted by external specialists, the EO conducts monthly inspections and regular audits on the environmental licences, conducted as part of the EMS quarterly audits.

Furthermore, notwithstanding the care and maintenance status of Vele Colliery, the Company employs a full-time, independent Environmental Control Officer (ECO). The ECO is responsible for daily monitoring of environmental performance in line with the licence requirements of the EMPr, EA and IWUL. All monitoring is consolidated into independent quarterly environmental performance reports submitted to the DEA.

All environmental audits were conducted by independent consultants, including IWUL, EMP performance assessments, financial closure and liability assessments.

During FY2015 Vele Colliery appointed a geochemical specialist to conduct a review and revision of the colliery's geochemical and groundwater model and this role was expanded to include the development of a long-term mine water strategy, based on the hydrological analysis. The review indicated that the groundwater quality in the vicinity of the mine is currently not impacted. The exercise assists in the identification of potential risks and implementation of appropriate mitigation and management interventions.

ENVIRONMENTAL MANAGEMENT COMMITTEE

Vele Colliery's IWUL and EA require the establishment of an Environmental Monitoring Committee (EMC) to monitor compliance with legislative requirements. The EMC consists of representatives from CoAL, licensing authorities, IAAPs, industry specialists and civil society.

Initially, the Water EMC was established as a subcommittee, reporting to the EMC on matters related to compliance with the IWUL and water-related requirements of the EMPr required by the DMR. During FY2015, a complete review and revision of the terms of reference and work programme of the EMC, Water Monitoring Committee (WMC) and Heritage and Biodiversity Sub-Committee (HBSc) was undertaken resulting in results-orientated engagement.

Furthermore, it was agreed that as the WMC is a requirement of Vele Colliery's IWUL, it will not continue as a subcommittee to the EMC (required by the colliery's EA). Both the EMC and WMC have an oversight role with a mandate to monitor legislative compliance – the WMC monitoring IWUL compliance while the EMC monitors compliance of the EMPr and EA.

The revised structure was unanimously approved by committee members and resulted in the WMC reporting to the DWS and an EMC reporting to the DEA. The HBSc continues to function as a sub-committee to the EMC, monitoring compliance with biodiversity and heritage resource components of the EMPr and EA. All committees meet on a quarterly basis and comprise of authorities, industry specialists, IAAPs, and members of the coalition as well as civil society.

As part of CoAL's continued commitment to transparent engagement, the first EMC meeting of the year, held at Vele, enabled committee members to visit the site, review physical environmental performance and engage with the management. CoAL notes the following excerpt from minutes of the on-site meeting: 'Members noted appreciation for the opportunity to conduct a site visit. The site visit was very useful and provided insight and enabled comparison with the status of activities last year (March 2014). The progress made with various activities (e.g. rehabilitation and erosion control) is clearly evident. The discussions held on site contributed to improved understanding of issues and facilitated intervention considerations.'

ENVIRONMENTAL INCIDENTS

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

COMPLAINTS

During FY2015, one complaint was received via the DMR from a community within the Makhado Project area. The complaint related to potential impacts from the bulk sample pit on the water and air quality in the community. CoAL undertook a site visit with the regulator and conducted dust and water quality monitoring at the project area. Results indicated that the bulk sample pit has no impact on the air or water quality of the community. Albeit that there is no activity at the Makhado Project and that the monitoring proved no impact on communities, in our commitment to environmental consciousness and mitigation of potential risk to our host communities, the Company has initiated a regular dust and water quality monitoring programme.

No formal complaints were lodged or received from local or affected communities regarding environmental matters at our Mooiplaats or Vele Collieries.

REGULATORY PROCESSES, PERMITS AND LICENSES MAKHADO PROJECT

Approval for the Makhado Project EA was received in FY2014 and the NOMR was granted in May 2015. Engagement with the DWS on the project's IWUL application is at an advanced stage and the Company continues to engage with the department.

VELE COLLIERY

During FY2015 Vele embarked on a process to amend its EA and the DEA subsequently granted approval for this in January FY2015.

Furthermore, Vele concluded a historic BOA with the DEA and SANParks to the value of ZAR55 million. The BOA seeks to promote a cohesive approach to the management of natural resources and the commitment is over the LOM, fulfilling the colliery's legal requirement in terms of its EA.

Environmental **management** continued

CoAL views offsets as an absolute last resort and the primary objective of the BOA is to achieve sustainable utilisation of natural capital in order to accomplish the goal of conservation and preservation of the Mapungubwe cultural landscape World Heritage Site. The Company is confident that this landmark agreement will demonstrate that co-existence between mining, heritage and agriculture is not only achievable but also sustainable.

A project steering committee has been established to monitor implementation of the BOA with SANParks as the implementing agent. CoAL met the initial financial commitment of the BOA during FY2015 and two projects aligned with the Mapungubwe Integrated Management Plan have been approved by the Project Steering Committee (PSC):

- Heritage Project addressing the restoration and rehabilitation of identified sites; and
- Archaeological Research Centre and Artefact Storage.

In 2011, Vele Colliery was granted an IWUL for its operations, valid for a period of five years expiring in March 2016. During the reporting period, CoAL submitted an application for the amendment and renewal of the colliery's

existing IWUL for a 16 year (opencast) LOM period. The Company continues to engage with the DWS and the process of approval is at an advanced stage.

Vele plans to divert two non-perennial streams as part of the planned plant modification project to ensure the continued positive management of its clean and dirty water. This process will require a Basic Assessment (BA), as legislated by the NEMA and the NWA. Following the revised Environmental Impact Assessment (EIA) regulations, the DMR is now the licensing authority as it relates to NEMA listed mining activities. Having engaged with authorities, CoAL received approval to proceed with a parallel BA and IWUL approval process for the stream diversion. As a result, the Company has appointed an independent consultant and has commenced with the BA process with the submission of both the BA and IWUL applications scheduled for Q4 CY2016. CoAL continues to engage with its stakeholders and regulators in this regard.

MOOIPLAATS COLLIERY

Mooiplaats has valid environmental licences including a NOMR and associated approved EMP, IWUL and EAs. The Company completed construction of a pollution control dam at the colliery in terms of its approved IWUL and EA.

BIODIVERSITY AND REHABILITATION

Biodiversity continues to be monitored closely by independent industry specialists. These include vegetation assessments, flora and fauna monitoring and aquatic invertebrate monitoring. During the year Vele completed the construction of its on-site nursery, the design of which is aligned with that of the Mapungubwe World Heritage Site. A variety of indigenous flora is being grown and housed in the nursery. The intention is to utilise these flora (grass and vegetation seeds) in the re-vegetation and rehabilitation process at Vele.

IUCN RED LIST SPECIES AND NATIONAL CONSERVATION LIST SPECIES

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

The four Red List species that are located within the 200 hectare surface area of the Mooiplaats Colliery, and are protected under the Mpumalanga Nature Conservation Act, 10 of 1998, remain unaffected by the colliery as these species lie beyond the mining footprint. Preventive management practices such as the prohibition of driving in the vicinity of the species as well as a ban on the removal of flora and fauna across the entire site were previously implemented and these continued during the year.



Employment

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

CoAL has conducted benchmarking exercises at various intervals demonstrating that employee remuneration is within industry standards.

In line with Company strategy Mooiplaats remained on care and maintenance for FY2015 and the colliery is subject to a formal disposal process. Operations at Vele remained suspended pending the necessary authorisations and regulatory approvals for the plant modifications. The NOMR for the Makhado Project was granted in FY2015 and CoAL expects around 2,000 short-term jobs will be created during construction of the colliery with 1,100 permanent jobs during steady state.

In anticipation of this the Company embarked on a skills audit as local sourcing forms an important aspect of CoAL's recruitment process. Once captured and evaluated the Company envisages implementing various training initiatives to address skills shortages, particularly artisanal training, through partnerships with existing institutions within the Vhembe district.



EMPLOYMENT

Operation	Employees			Contractors		
	FY2015	FY2014	FY2013	FY2015	FY2014	FY2013
Mooiplaats	8	8	281	—	—	242
Vele	31	33	23	6	46	335
Makhado	19	22	5	—	—	50
Corporate office	30	44	57	—	—	—
GSP	—	—	12	—	—	92
Tshipise (coal bed methane)	—	—	—	—	—	20
Total	88	107	378	6	46	739

Employment continued

EMPLOYMENT EQUITY

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

The key principles for this process include:

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

HDSAs AND WOMEN STATISTICS (%)

	HDSAs		Women	
	FY2015	FY2014	FY2015	FY2014
Senior management	50	45	25	31
Management	53	33	33	58
Employees	92	83	40	34

TRAINING AND DEVELOPMENT

The Company encourages all employees to develop their potential and expand their careers in a discrimination-free workplace and is committed to recruiting suitably qualified people to give the organisation a competitive advantage.

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

TRAINING AND DEVELOPMENT IN FY2015

	Number of participants	HDSAs (%)	Women (%)
Internships	3	100	66
Bursaries	18	100	33
Training	21	62	48
Portable skills	73	100	63

LABOUR RELATIONS

Communication with employees is governed by the legal requirements of common and labour law, mutual agreement, societal influence, ethical considerations, customs and traditions and most importantly integrity, trust, consistency and fairness. The Company subscribes to an integrated industrial relations system in which all parties are empowered to freely communicate their views supported through a two-way communication structure. This system ensures the discussions of a broad range of

issues of mutual interest are addressed in bi-monthly forum meetings, where 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.

REMUNERATION

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

FIXED PAY

The Company's remuneration structure at corporate level is based on a total-cost-to-company principle. CoAL has conducted benchmarking exercises at various intervals demonstrating that employee remuneration is within 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 and Remuneration Committee-approved, Company and individual targets. The scheme is discretionary and is reviewed on an on-going basis, dependent on business requirements. The business scorecard is signed off by the Nomination and Remuneration Committee on an annual basis and this drives the individual performance management process. At lower level employment and subsidiary levels, use is made of a discretionary payment equivalent to one month's salary, based on Company and individual performance.

VARIABLE PAY: LONG TERM INCENTIVE PLAN PROPOSAL

The Nomination and Remuneration Committee reviewed a proposal of a long-term incentive plan in FY2014. PricewaterhouseCoopers advised the Company on the development of the scheme which is based on the issuing of share grants with transparent conditions for shareholders.

The initial proposal was delayed pending the attainment of a number of strategic turnaround targets. These targets have been met and the Nomination and Remuneration Committee has proposed re-initiating the scheme to ensure shareholder and management alignment.

HUMAN RIGHTS

No incidents of discrimination were reported during FY2015 and hence no corrective action was taken at the Company's operations. At our operations, we subscribe to the South African constitution which prohibits child labour as well as discrimination on any grounds and the Company promotes the preservation of human rights.



Corporate social investment

CoAL believes that investment in the education of the youth will facilitate meaningful socio-economic transformation.



INVESTING IN OUR COMMUNITIES

The principles of mutual benefit and shared values underpin CoAL's approach to corporate social investment. The Company recognises its responsibility to maximise the benefits of mining for neighbouring communities through collaborative partnerships between government (regional and local), communities and CoAL.

The SLPs are seen as a key driver for such socio economic transformation, to create jobs, enable small, medium and micro enterprise (SMME) development and, create meaningful and sustainable economic opportunities outside of the mining operation and associated activities. The Vele SLP has been developed through extensive engagement with communities and local authorities and was implemented in partnership with relevant authorities, resulting in a direct positive impact for communities.

The areas of focus are:

- Education and skills development;
- Enterprise development; and
- Infrastructure development.

June 2015 marked the completion of Vele Colliery's first five-year SLP and a final report was handed over to the DMR providing detail on the projects invested through the programme. Consultation with various stakeholders, in particular the Musina Municipality, has led to the development of a new five-year SLP which will be submitted to the department during Q3 CY2015.

VELE COLLIERY

The Vele SLP has four strategic priorities:

- Human resource development;
- Education and skills development;
- Local economic development; and
- Infrastructural development.

HUMAN RESOURCES DEVELOPMENT

Human resources development is a key area of focus within the SLP and is implemented through:

- CoAL's bursary fund:
 - Internships – a total of 14 internships were offered at Vele and two recipients are now employed by CoAL; and
 - Learnerships – 24 learners were participants in the Vele learnership programme.
- Mentorships:
 - Matric support programme – the Vele Colliery has designed a matric support programme which currently has six learners enrolled who will write the Independent Examiners Board matric examinations; and
 - Adult Basic Education and Training (ABET) – more than 40 learners have participated in the ABET programme and assessed from pre-ABET level to Level four. The first ABET centre was established within the Musina Agricultural Youth Project and adopted by the Company in 2012 with the second ABET centre established at Vele.

COAL'S BURSARY PROGRAMME

CoAL's bursary programme is now in its sixth year. We have sponsored 33 students graduates through various disciplines at tertiary institutions in South Africa. The students have graduated in various fields including:

- Mining engineering;
- Metallurgical engineering;
- Chemical engineering; and
- Geology.

The bursary programme was created to address the critical skills shortage at municipal and provincial levels and seeks to ensure that the areas where CoAL operates develop high calibre technical skills which would address this, focussing on promising students in science and engineering.

Eight students graduated at the end of 2014, two individuals completing their practical training and a further ten students continuing their studies. The Company anticipates that a further five students will graduate at the end of CY2015.

CoAL has implemented a mentorship programme to address challenges faced by students participating in the programme as many find the transition from school to tertiary education very challenging. Despite some students achieving excellent matric maths and science results, the gap between school and tertiary education resulted in certain universities insisting on a bridging course for students from the Vhembe Municipality (where the Vele and Makhado Projects are located) prior to commencing with their degree.

Furthermore many of the students on the programme are from rural backgrounds and often find it difficult to adapt to the technologically advanced university environment. CoAL's mentorship programme seeks to address these challenges and assists the students in developing the necessary skills to adapt and thrive.

EDUCATION AND SKILLS DEVELOPMENT: WHOLE SCHOOL TRANSFORMATION

The South African National Development Plan has identified education and training as core elements to eliminate poverty and reduce inequality. CoAL believes that investment in the education of the youth will facilitate meaningful socio-economic transformation. The Company's investment in whole school transformation aims to make teaching more effective and ensure that learners emerge from their secondary education with the tools and skills which will assist them in tertiary education.

During 2013, CoAL adopted the Renaissance Secondary School in the town of Musina near Vele which provided for overflow students from the Musina Secondary School. A needs analysis was conducted which identified a number of opportunities for partnership between the Limpopo Department of Education (DOE) and the Vele Colliery, resulting in the signing of an agreement between the organisations, prioritising the needs into two phases. In FY2014, CoAL handed over phase one to the Renaissance Senior Secondary School and the DOE which included the following:

- Four classrooms;
- Electrification of the school;
- Installation of palisade fencing around the entire school;
- Learner and teacher support development programmes;
- Electronic equipment, including computers;
- School furniture; and
- On-going supply of security services.

During FY2015, the Company handed over phase two which included a second block of four classrooms, air conditioners for the classrooms as well as a water tank to address water constraints at the school. The total investment in this project was ZAR6.4 million and 43 short term jobs were created.

CoAL adopted the New Ermelo Primary School as part of its whole school transformation project in 2009. The school is located in a rapidly expanding township near Ermelo and is unable to cope with the influx of learners resulting in overcrowding. Some classes have in excess of 60 learners and the Company sought to address this problem by supplying and equipping classrooms. During the year under review, CoAL has established a Grade R centre, supplied six classrooms, provided a library with over 2,000 books, and upgraded and provided additional ablution facilities at the school.

LOCAL ECONOMIC DEVELOPMENT: MUSINA AGRICULTURAL YOUTH CO-OPERATIVE

In partnership with the Musina Municipality, the Vele Colliery adopted the Musina Youth Co-operative Agricultural Project as its local economic development project. This project was started in 2008 on a five-hectare plot leased from the municipality and supplies organic vegetables to a major chain store in South Africa and has the opportunity to create its own local market. However, due to infrastructural and financial constraints only one hectare could be cultivated at any one point.

The Company's investment of over ZAR1 million resulted in the expansion of the project and the cultivation of the entire five hectares. Since then, a further two contracts have been finalised to supply the co-operative cultivating baby gem squash, baby patty pans, sweetcorn and jam tomatoes. This investment included the purchase of a tractor, implements, irrigation, packing equipment and the upgrading and electrification of the packing shed. CoAL has also assisted with the supply and installation of a water tank and associated infrastructure.

During the above processes, 15 new jobs were created and the two project leaders in the organisation were sent on training courses.

INFRASTRUCTURAL DEVELOPMENT

The new Vele SLP will focus on upgrading existing road infrastructure in partnership with the municipality and includes the paving of sidewalks.

Reserves and resources **statement**

INTRODUCTION

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

The following summary of the reserve and resource and statement for the CoAL of Africa Limited operations and projects are compliant with the Committee for the Mineral Reserves International Reporting Standards (CRIRSCO) of November 2013, which is a requirement due to the fact that CoAL of Africa Limited has its primary listing on Australian Stock exchange (ASX: CZA:AU) with secondary listings on United Kingdom Alternative Investment Market (AIM: CZA:LN) and Johannesburg Stock Exchange (JSE: CZA:SJ).

Under the Auspices of CRIRSCO the reporting is required to be compliant with the relevant National Reporting Organisations (NROs) and are required to be founded on the Central Principles of Transparency, Materiality and Competence and are provided on an "If not, why not" basis.

A previous detailed report undertaken for the Company dated 30 September 2012, by Venmyn-Deloitte (referred to as the Venmyn Report), is available on the Company's website. Information with respect to the quality of the coal may be found for each of the projects. www.coalofafrica.com (http://www.coalofafrica.com/technical-reports/venmyn-deloitte-independent-specialist-report_10dec12.pdf). The reserve and resource estimates were prepared and first disclosed under the Australian Code for reporting Exploration Results, Mineral Resources and Mineral Reserves (JORC) Code 2004. The estimates have not been updated for JORC 2012 compliance given that the information has not changed materially since then.

BY WHOM IS THIS STATEMENT PREPARED

The principal competent persons involved in this declaration are Mr Sparrow and Mr Bronn. Both parties are in the full time employ of the Company; Mr Sparrow as the Group Geologist and Mr Bronn as the Chief Operating Officer of the Company.

Mr Sparrow is a registered professional scientist of good standing with the South African Council for Natural Scientific Professions SACNASP (400109/03).

Mr Bronn is a qualified mining engineer and registered member of good standing with the SAIMM – (South African Institute of Mining and Metallurgy).

Both parties have consented to the inclusion of the reserves and resources in this Integrated Annual Report 2015 "The Report".

The units of measure in this Report are metric, with 1 tonne = 1 000kg.

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

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

BACKGROUND

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

The operations listed below are all currently on care and maintenance:

Vele Colliery, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS coordinates Lat: 22° 9'29.28"S, and Long: 29°38'41.24"E). On care and maintenance since October 2013.

Mooiplaats Colliery, Gert Sibande Magisterial District, Mpumalanga Province, Republic of South Africa (GPS coordinates Lat: 26° 38'37.30"S, and Long: 30°5'59.87"E). On care and maintenance since September 2013.

PROJECTS AT VARIOUS STAGES OF DEVELOPMENT

Chapudi Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS coordinates Lat: 22°52'52.36"S, and Long: 29°39'41.72"E). NOMR application submitted June 2013.

Generaal Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS coordinates Lat: 22°40'34.46"S, and Long: 30° 8'51.19"E). NOMR application submitted April 2013.

Makhado Extension Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS coordinates Lat: 22°45'33.18"S, and Long: 30° 4'10.34"E).

Makhado Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS coordinates Lat: 22°48'13.44"S, and Long: 29°57'44.52"E). NOMR granted May 2015.

Mopane Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS coordinates Lat: 22°32'42.06"S, and Long: 29°48'51.40"E). NOMR application submitted March 2013.

SUMMARY OF THE COAL OF AFRICA LIMITED RESOURCES AND RESERVES

COAL OF AFRICA MINERAL RESOURCES¹

Project/operation	Resource category	Gross tonnes in situ (GTIS) Mt	Total tonnes in situ (TTIS) Mt	Mineable tonnes in situ (MTIS) Mt	CoAL attributable interest %	CoAL attributable MTIS resource
Vele Colliery	Measured	148.166	133.349	86.112	100	86.112
Mooiplaats Colliery		70.571	67.043	42.485	*74	31.439
Voorburg Project		109.435	98.492	94.916	**74 - 100	92.012
Makhado Project		402.781	362.503	265.025	100	265.025
Makhado Extension		42.245	38.020	36.241	100	36.241
Total Measured Resources		773.197	699.406	524.778		510.828
Vele Colliery	Indicated	426.854	362.826	200.303	100	200.303
Mooiplaats Colliery		10.972	9.326	1.581	74	1.170
Voorburg Project		125.034	106.279	100.507	**74 - 100	96.444
Makhado Project		298.595	253.806	76.743	100	76.743
Makhado Extension		29.581	25.144	23.226	100	23.226
Total Indicated Resources		891.036	757.380	402.361		397.887
Vele Colliery	Inferred	218.932	175.145	75.154	100	75.154
Mooiplaats Colliery		4.275	3.420	0.098	74	0.073
Voorburg Project		36.239	28.991	24.001	**74 - 100	21.130
Makhado Project		94.232	75.386	2.998	100	2.998
Makhado Extension		12.301	9.841	7.346	100	7.346
Mount Stuart		407.163	325.730	55.511	100	55.511
Chapudi		6 399.023	5 119.219	1 318.481	74	975.676
Total Inferred Resources		7 172.166	5 737.732	1 483.589		1 137.887
Grand Total Resources		8 836.399	7 194.519	2 410.728		2 046.601

¹ <http://www.coalofafrica.com/technical-reports/venmyn-deloitte-independent-specialist-report-10dec12.pdf>

* CoAL has 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.

COAL OF AFRICA MINERAL RESERVES¹

Operation	Reserve category	Mineable tonnes in situ reserve Mt	Run of mine tonnes Mt	Saleable primary product tonnes Mt	Saleable secondary product tonne Mt	CoAL attributable interest %
Vele Colliery	Proven	23.806	25.280	4.666	9.68	100
Mooiplaats Colliery		29.228	19.693	10.276	5.10	*74
Total Proven		53.034	44.973	14.941	14.785	
Vele Colliery		301.371	266.115	47.848	117.751	100
Mooiplaats Colliery	Probable					
Makhado Project**		188.250	172.757	25.637	44.536	100
Total Probable		489.622	438.872	73.485	162.287	
Grand Total Reserves		542.656	483.845	88.426	177.072	

¹ <http://www.coalofafrica.com/technical-reports/venmyn-deloitte-independent-specialist-report-10dec12.pdf>

* CoAL has 74% interest.

The declared coal reserves are based upon the Measured and Indicated Coal Resources only.

Tonnages reported in million of tonnes and round of weighted averages may have occurred.

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

Reserves and resources **statement** *continued*

RESERVES AND RESOURCES STATEMENT COMPARISON

The tables below summarise the changes from the integrated Report 2014 to Measured, Indicated and Inferred Resources and Proven and Probable Reserves, as the result of activities financial year ended 30 June 2015.

NET EFFECT OF THE ACTIVITIES DURING THE COURSE OF FY2015 (RESOURCES)¹

Project/operation	Resource category	Gross tonnes in situ (GTIS) Mt	Total tonnes in situ (TTIS) Mt	Mineable tonnes in situ (MTIS) Mt
Vele Colliery	Measured	-1.638	-1.475	-0.862
Mooiplaats Colliery		-0.870	-0.826	-0.796
Voorburg Project				
Makhado Project				
Makhado Extension				
Total Measured Resources		-2.508	-2.301	-1.659
Vele Colliery	Indicated			
Mooiplaats Colliery				
Voorburg Project				
Makhado Project				
Makhado Extension				
Total Indicated Resources		-	-	-
Vele Colliery	Inferred			
Mooiplaats Colliery				
Voorburg Project				
Makhado Project				
Makhado Extension				
Mount Stuart				
Chapudi				
Total Inferred Resources		-	-	-
Grand Total Resources		-2.508	-2.301	-1.659

Financial year ended 30 June 2015.

¹ Reconciliation of survey information at the operations resulted in a correction to the depletion.

NET EFFECT OF THE ACTIVITIES DURING THE COURSE OF FY2015 (RESERVES)¹

Operation	Reserve category	Mineable tonnes in situ reserve Mt	Run of mine tonnes Mt	Saleable primary product tonnes Mt	Saleable secondary product tonne Mt
Vele Colliery	Proven	-0.266	-0.274	-0.051	-0.105
Mooiplaats Colliery		-0.798	-0.538	-0.281	-0.140
Total Proven		-1.064	-0.812	-0.331	-0.244
Vele Colliery	Probable				
Mooiplaats Colliery					
Makhado Project**					
Total Probable		–	–	–	–
Grand Total Reserves		-1.064	-0.812	-0.331	-0.244

Financial year ended 30 June 2015.

¹ Model during the financial year.



GOVERNANCE

CoAL 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.





Contents

Corporate governance statement	42
Directors' report	54
Auditor's independence declaration	70
Directors' declaration	71



Corporate governance statement

The Board of Directors of Coal of Africa Limited is responsible for the establishment of a corporate governance framework that has regard to the best practice recommendations set by the Australian Stock Exchange (ASX) Corporate Governance Council.

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

The Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Third Edition) (ASX Principles) where the Board has considered the 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.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

ASX Principles Recommendation 1.1: A listed entity should disclose:

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

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

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

The key responsibilities of the Board include:

- Overseeing the Company, including its control and accountability systems;
- Appointing the 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;
- Ratifying the appointment and, where appropriate, the removal of senior executives, including the Chief Financial Officer and the Company Secretary;
- Ensuring the Company's policy and procedure for selection and (re)appointment of Directors is reviewed in accordance with the Company's Nomination Committee Charter;
- Approving the Company's policies on risk oversight and management, internal compliance and control, code of conduct, and legal compliance;
- Satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;
- Assessing the effectiveness of senior management's implementation of systems for managing material business risk including the making of additional enquiries and to request assurances regarding the management of material business risk, as appropriate;
- Monitoring, reviewing and challenging senior management's performance and implementation of strategy;
- Ensuring appropriate resources are available to senior management;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- Monitoring the financial performance of the Company;
- Ensuring the integrity of the Company's financial (with the assistance of the Audit and Risk Committee) and other reporting through approval and monitoring;
- Providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- Appointing the external auditor (where applicable, based on recommendations of the Audit and Risk Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board is ratified by shareholders at the next annual general meeting of the Company;
- Engagement with the Company's external auditors by the Audit and Risk Committee;
- Monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, native title, cultural heritage and occupational health and safety; and
- 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.

Meeting attendance of members of the Board for FY2015

	Number of Board meetings attended while a member	Number of Board meetings held while a member
B Pryor (Chairman)	5	5
D Brown	5	5
D Schutte	—	—
P Cordin	5	5
K Mosehla	5	5
R Torlage	4	5
A Mifflin	3	3
T Mosololi	3	3
D Murray	2	2
M Meeser	3	3

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

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

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

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

Standing committee meetings are held as required, generally the day prior to the scheduled Board meeting. The Chairman sets the agenda for each meeting in conjunction with the 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 are available for questioning by Directors.

ASX Principles Recommendation 1.2: A listed entity should:

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

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

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

ASX Principles Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

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

Corporate governance **statement** continued

All senior executives, including the Chief Executive Officer and the Chief Financial Officer, have their position descriptions, roles and responsibilities set out in writing in an employment contract.

ASX Principles Recommendation 1.4: The Company Secretary of a listed entity: should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary has an important role in supporting the effectiveness of the Board and its committees. The role of the Company Secretary includes:

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

All Directors have direct access to the Company Secretary and vice versa.

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

ASX Principles Recommendation 1.5: A listed entity should:

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

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

The Mining Charter requires that a company to establish measurable targets for achieving gender diversity, and to assess progress towards their achievement. The targets set for CoAL include 10% female representation in core mining activities. Employment Equity targets apply to designated groups (including women), and are included as key performance areas.

Proportion of women employees in the organisation at end of FY15		%
Employees		40
Management		33
Senior Executive		25
Board		0

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

ASX Principles Recommendation 1.6: A listed entity should:

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

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

ASX Principles Recommendation 1.7: A listed entity should:

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

The 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.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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

ASX Principles Recommendation 2.1: The board of a listed entity should:

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

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

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

- Regularly review the size and composition of the Board, and make recommendations to the Board on any appropriate changes;
- Identify and assess necessary and desirable Director competences and provide advice on the competency levels of directors with a view to enhancing the Board;
- Make recommendations on the appointment and removal of Directors;
- Make recommendations on whether any Directors whose term of office is due to expire should be nominated for re-election; 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 elsewhere in this statement.

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

MEETING ATTENDANCE OF MEMBERS OF THE NOMINATION COMMITTEE FOR FY2015

	Number of Committee meetings attended in FY2015 while a member	Number of Committee meetings held in FY2015 while a member
B Pryor (Chairman)	4	4
T Mosololi	2	2
D Brown	4	4
D Murray	1	2

ASX Principles Recommendation 2.2: A listed entity should have and disclose a board skills matrix setting out the skills and diversity that the board currently has or is looking to achieve in its membership.

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

Corporate governance **statement** continued

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;
- Development of a competencies review process for identifying and assessing Director competencies;
- Conduct of a competencies review of the Board before a candidate is recommended for appointment; and
- Periodic review of the Board's succession plan.

The following table illustrates skills, experience and expertise the Board currently has across its membership:

Competencies	
South African politics	✓
Strategic thinking	✓
Gender	×
Technical	✓
Financial	✓
Commercial	✓
Mergers and acquisitions	✓
Coal markets	✓
International affairs	✓
Shareholder relations	✓
Project development	✓
Equity markets	✓
Debt markets/banking experience	×
Executive leadership	✓
Listed board experience	✓
SHE and sustainability	✓

× The CoAL board is currently working to increase these skills.

ASX Principles Recommendation 2.3: A listed entity should disclose:

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

ASX Principles Recommendation 2.4: A majority of the board of a listed entity should be independent Directors.

ASX Principles Recommendation 2.5: The chair of the board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

The Board currently comprises two executive Directors and six non-executive Directors. Five of the non-executive Directors are considered to be independent. The Chairman, Mr Pryor, is one of the independent Directors.

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

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

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

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

- Substantial shareholdings in the Company;
- Past or current employment in an executive capacity;
- Whether or not the Director has been a principal of a material professional adviser or a material consultant to the Company in the past three years;
- Material supplier or customer relationships with the Company;
- Material contractual relationships or payments for services other than as a Director; 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 considers that a majority of the Directors are independent. Messers Pryor, Cordin, Mosehla, Mifflin and Mosololi are considered independent. Executive Directors Messers Brown and Schutte and non-executive Director Mr Torlage are not considered independent. Non-executive Director Mr Torlage is an officer/senior employee of ArcelorMittal South Africa Limited, a substantial shareholder in the Company, and as such does not meet the Board's criteria for independence.

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

Director	Date appointed	Period in office (years)	Due for re-election or retirement
B Pryor	06/08/2012	3	2017 AGM
D Brown	06/08/2012	3	2015 AGM
D Schutte	22/08/2012	1	2015 AGM
P Cordin	08/12/1997	17	2016 AGM
K Mosehla	18/11/2010	4	2016 AGM
R Torlage	18/11/2010	4	2016 AGM
A Mifflin	12/12/2014	1	2015 AGM
T Mosololi	12/12/2014	1	2015 AGM

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

ASX Principles Recommendation 2.6: A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

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

Corporate governance **statement** continued

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

A listed entity should act ethically and responsibly.

ASX Principles Recommendation 3.1: A listed entity should:

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

CODE OF CONDUCT

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

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

SECURITIES TRADING POLICY

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

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

- 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;
- 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
- Without the written acknowledgement of the Chair.

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

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

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

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

PRIVACY

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

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

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

ASX Principles Recommendation 4.1: The board of a listed entity should:

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

AUDIT COMMITTEE

The Company has established an Audit and Risk Committee which comprises 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.

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, ie. 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.

As at 30 June 2015 membership was consistent with the composition requirements of the ASX Principles and Audit and Risk Committee Charter with one exception. The Chair of the Committee, Mr Pryor is also the Chair of the Board. The Board accepted this departure from the Audit and Risk Committee Charter and the ASX Principles as a temporary one, resolved subsequent to year end with the appointment of Mr Mosololi as Chairman of the Audit 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.

Details of meeting attendance of members of the Audit and Risk Committee for FY2015 is contained in the following table:

	Number of Committee meetings attended in FY2015 while a member	Number of Committee meetings held in FY2015 while a member
B Pryor (Chairman)	5	5
T Mosololi	2	2
K Mosehla	5	5
P Cordin	3	3

ASX Principles Recommendation 4.2: The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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

- a) The Company's annual financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards;
- 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.

This declaration was obtained for the relevant reporting period.

ASX Principles Recommendation 4.3: A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions relevant to the audit, from security holders.

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

Corporate governance **statement** continued

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

ASX Principles Recommendation 5.1: A listed entity should:

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

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.

The Board has an established Shareholder Communication Policy which is available from the Company's website. The Company has adopted certain procedures to ensure that it complies with its continuous disclosure obligations and has appointed a Responsible Officer who is responsible for ensuring the procedures are complied with.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

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

ASX Principles Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

ASX Principles Recommendation 6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

ASX Principles Recommendation 6.3: A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

ASX Principles Recommendation 6.4: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security register electronically.

The Board has established a 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 AGMs to ask questions of Directors and senior management and also the Company's external auditors, who attend the Company's AGMs.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

ASX Principles Recommendation 7.1: The board of a listed entity should:

- a) have a committee or committees to oversee risk, each of which:*

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

The Company has a policy for the oversight and management of material business risks, which is available on the Company's website. The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the 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. Details of the composition and Charter of the Audit and Risk Committee has been disclosed earlier in this document (refer to Principle 4).

Details of meeting attendance of members of the Audit and Risk Committee for FY2015 are contained in a table earlier in this document (refer to Principle 4).

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

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

ASX Principles Recommendation 7.2: The board or committee of the board should:

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

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

ASX Principles Recommendation 7.3: A listed entity should disclose:

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

Corporate governance **statement** continued

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

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

ASX Principles Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and socially sustainable risks and, if it does, how it manages or intends to manage those risks.

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

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

ASX Principles Recommendation 8.1: The board of a listed entity should:

- a) *have a remuneration committee which:*
 1. *has at least three members, a majority of whom are independent directors; and*
 2. *is chaired by an independent director; and disclose*
 3. *the charter of the committee;*
 4. *the members of the committee; and*
 5. *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- b) *if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

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

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

Details of meeting attendance of members of the Nomination and Remuneration Committee for FY2015 are contained in a table earlier in this document (refer to Principle 2).

ASX Principles: Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Charter of the Remuneration Committee details the Company's approach to the structure of executive and non-executive remuneration. Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Total aggregated non-executive Directors' fees are currently capped at A\$1,000,000 per annum.

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

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

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

- Publishing a detailed remuneration report in the annual report each year;

- Continuous disclosure of employment agreements with key executives where those agreements, or obligations falling due under those agreements, may trigger a continuous disclosure obligation under ASX Listing Rule 3.1;
- Presentation of the remuneration report to shareholders for their consideration and 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 Principles: Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should:

- a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- b) disclose that policy or a summary of it.*

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

The Company has an Employee Share Option Plan which was approved by Shareholders at the 2013 AGM. A summary of the plan was included in the Company's 2013 Notice of General Meeting, a copy of which is available on the Company's website.

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

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

Directors' report

for the year ended 30 June 2015

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 2015. 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	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 Chief Executive Officer of Anglo Ferrous Brazil Inc.
David Hugh Brown	Executive Director and Chief Executive Officer	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 Implats 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.
De Wet Olivier Schutte	Executive Director and Chief Financial Officer – appointed 22 June 2015	Mr Schutte is a Chartered Accountant and attended the Top Executive Programme at the University of Virginia. He has over 16 years experience in the mining and natural resources industry serving as Managing Director, Natural Resources at Macquarie Bank and Chief Financial Officer of listed platinum producer, Atlas Resources Corporation. Mr Schutte also served as New Business and Exploration Executive at Harmony Gold Mining (Pty) Ltd and has a strong corporate finance background.
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, Chairman of ASX listed Dragon Mining Limited and is a non-executive Director of Vital Metals Limited and Aurora Minerals 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 UEPS Technologies Limited, 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.
Andrew David Mifflin	Independent non-executive Director – appointed 12 December 2014	Mr Mifflin obtained his Bachelor of Science (Honours) in Mining Engineering from Staffordshire University and has a Master's Degree in Business Administration. He has over 30 years experience specifically in the coal mining arena, spanning various organisations such as British Coal Corporation, Xstrata and GVK Resources. Mr Mifflin has in depth knowledge of the development and operations at thermal and hard coking collieries.

Thabo Felix Mosololi	Independent non-executive Director – appointed 12 December 2014	Mr Mosololi has over 20 years of experience within the South African corporate environment and completed his articles with KPMG. He is a qualified Chartered Accountant, served as Finance Director and Operations Director of Tsogo Sun and has considerable expertise as a director of various companies.
David John Keir Murray	Senior independent non-executive Director – resigned 12 December 2014	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 Programme from the University of South Africa.
Michael George Meeser	Executive Director and Chief Financial Officer – resigned 30 April 2015	Mr Meeser is a qualified Chartered Accountant and has over 20 years local and international project finance experience. He spent six years working for Edison Mission Energy Limited with interests in more than 50 power projects and assets of more than \$4billion. In 1998, Mr Meeser joined Investec Bank Limited's Project and Infrastructure Finance business and served as head of the project and infrastructure and commodity and resource finance businesses for Africa and was a member of the divisions' executive committee.

No further Directors were appointed or resigned during the financial year end 30 June 2015.

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
	Vodacom Group Limited	2012 – Present
De Wet Olivier Schutte	–	
Peter George Cordin	Dragon Mining Limited	2006 – 2014
	Vital Metals Limited	2009 – Present
	Kalgoorlie 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
Andrew David Mifflin	–	
Thabo Felix Mosololi	Evraz Highveld Steel & Vanadium Limited	2013 – Present
	Pan African Resources PLC	2014 – Present
David John Keir Murray	Coalspur Mines Limited	20 – 2015
	Meridien Resources Limited	2012 – 2012
	Stonewall Resources Limited	2011 – 2015
Michael George Meeser	–	

Directors' report continued

for the year ended 30 June 2015

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⁾	150,000	—	1,000,000
D Brown ⁽²⁾	825,000	—	13,075,000
D Schutte ⁽³⁾	—	—	—
P Cordin ⁽⁴⁾	1,371,059	—	—
K Mosehla	—	—	—
R Torlage	—	—	—
A Miffilin	—	—	—
T Mosololi	10,000	—	—
D Murray ⁽⁵⁾	—	—	2,500,000
M Meeser ⁽⁶⁾	600,000	—	1,375,000
	2,956,059	—	17,950,000

⁽¹⁾ Mr Pryor was issued with 1,000,000 share options on 28 November 2012 with an exercise price of GBP0.25 expiring three years from date of issue, vesting immediately and a further 1,000,000 share options with an exercise price GBP0.375, and expiring three years from date of issue, 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 three years from date of issue, vesting immediately. On appointment as Chief Executive Officer and Executive Director on 1 February 2014, Mr Brown received 10,575,000 options in accordance with the Company's employee share option plan exercisable in three equal tranches over a three-year period. The first tranche of 3,525,000 options are exercisable on 1 February 2015 at ZAR1.20 each, a further 3,525,000 options are exercisable on 1 February 2016 at an exercise price of ZAR1.32 per option and the remaining 3,525,000 options are exercisable on 1 February 2017 at an exercise price of ZAR1.45. All 10,575,000 options expire on 1 February 2019.

⁽³⁾ On appointment as Chief Financial Officer and Executive Director on 22 June 2015 Mr Schutte received 6,600,000 options in accordance with the Company's employee share option plan. The options vest in three equal tranches over a three-year period and are subject to shareholder approval. The first tranche of 2,200,000 options are exercisable on 21 June 2016 at ZAR1.20 each, a further 2,200,000 options are exercisable on 21 June 2017 at ZAR1.32 per option and the remaining 2,200,000 options are exercisable on 21 June 2018 at an exercise price of ZAR1.45 each.

⁽⁴⁾ 958,300 shares are held by the Cordin Pty Ltd (The Cordin Family 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.

⁽⁵⁾ 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 zero trading days prior to the issue date and an expiry date five 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).

⁽⁶⁾ Mr Meeser was issued with 4,125,000 share options on 22 November 2013 with an exercise price of ZAR2.00 expiring three years from date of issue. Mr Meeser resigned on 30 April 2015 resulting in the cancellation of the 2,750,000 options that had not vested. The vested options will expire on 30 November 2015.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Information about the remuneration of Directors and key management personnel is set out in the remuneration report of this Directors' report, on pages 60 to 64.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During and since the end of the financial year, no share options were granted to Directors or key management personnel of the Company and of its controlled entities as part of their remuneration.

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 are the acquisition, exploration, development and operation of metallurgical and thermal coal projects in South Africa.

The Group's principal assets and projects include:

- The Makhado hard coking and thermal coal project which was granted a New Order Mining Right (NOMR) in May 2015;
- Vele Colliery where operations have been placed on a care and maintenance basis pending the granting of the extension of the mine's IWUL and completion of certain plant modifications;
- 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 (FY2014: nil) and no LTIs recorded during the year (FY2014: 1). (The LTI was recorded in 2014 at Woestalleen, which was disposed of by CoAL in FY2014)
- The DMR granted the Company a NOMR for the Makhado Project, as well as Section 11 approval, transferring the project from CoAL to its subsidiary Baobab Mining.
- Continued engagements with the DWS to progress the application for the Makhado Project IWUL, expected to be granted in the second half of 2015.
- Approval granted for the amended and updated EA for Vele to include the anticipated plant modifications while the application for the amendment and extension of the IWUL for the colliery is pending, following which the Company will make a decision on the timing of the start of the plant modifications.
- BOA for the Vele Colliery signed in October 2014 with the DEA and SANParks.
- Completion in December 2014 of the Front End Engineering and Design (FEED) process for the Vele Colliery plant by Sedgman.

DISPOSAL OF NON-CORE ASSETS

- Signature of a Share Purchase Agreement (SPA) with Blackspear Capital Proprietary Limited (Blackspear) for the disposal of the Mooiplaats Colliery for \$20.3 million (ZAR250 million). Blackspear was unable to agree terms with a financial and operational partner to fund its acquisition resulting in the SPA lapsing on 30 June 2015. The Company is continuing discussions with other potential purchasers including Blackspear.
- Receipt of \$0.1 million (ZAR1.5 million) (FY2014: \$0.4 million) of the \$2 million (ZAR20.8 million) for the sale of the Opgooedenhoop mining right and renegotiation of the balance of the \$1.4 million (ZAR17.4 million) (including interest and VAT). The amount is payable in monthly instalments of at least \$0.02 million (R0.25 million) with the balance due by the end of June 2016.
- Receipt of a further \$0.22 million (FY2014: \$0.5 million) payment for a one year extension to acquire the Holfontein Project for \$5.0 million (including the option fees) expected to be completed during CY2016.

CORPORATE SALIENT FEATURES

- Completion of the \$65 million (before charges and foreign currency movements) shareholder approved three stage equity process with the issue of 695 million shares at GBP0.055 each.
- Restructuring of rehabilitation guarantees resulted in the release of \$4.7 million of restricted cash.
- Conclusion of agreements in March 2015 with BBBEE partners to acquire up to 26% of the Makhado Project. The BBBEE partners have two years to raise sufficient capital to acquire their interests in the project with the final amount payable subject to due diligence and will be negotiated with the Company.
- Agreement reached for the liability (FY2015: \$19.8 million; FY2014: \$29.8 million) owing to Rio Tinto with the balance to be paid in monthly instalments of at least \$100,000 plus interest and the obligation settled by June 2017. During the year the Company paid capital of \$10 million (FY2014: \$0.2 million) and accrued interest of \$1.6 million (FY2014: nil).
- Payment of \$10 million to Grindrod Corridor Management Proprietary Limited (Grinrod) and Terminal de Carvão da Matola Limitada in late 2014, settling all outstanding liabilities and take or pay obligations until 31 December 2016. Any further obligations would be dependent on any future capacity requirements still to be contracted.
- Settlement of the Investec Bank Limited working capital facility in November 2014 on the payment of \$5.9 million.
- Appointment of De Wet Schutte as Chief Financial Officer and Executive Director.

LEGAL

- Settlement of the last outstanding significant legal matter in December 2014 following an arbitration award for claims instituted by Envicoal (Pty) Ltd. The matter was adjudicated by arbitration and Envicoal were awarded \$1.4 million and a further \$1 million in interest.

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

SUBSEQUENT EVENTS

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

- Entering into a Subscription Agreement and a Loan Agreement with Singapore registered Yishun Brightrise Investment PTE Limited (Yishun) whereby Yishun will acquire up to 183,231,261 ordinary shares for 5.15 British pence each raising approximately GBP9.4 million (approximately \$14.7 million), conditional upon CoAL shareholder approval at an emergency general meeting to be held on 14 September 2015. The Company and Yishun have also entered into a Loan Agreement in terms of which Yishun has agreed to lend CoAL \$10 million conditional upon the Company's shareholders approving the issue of the 183,231,261 shares. The loan will bear no interest and is only repayable in limited circumstances.

Directors' report continued

for the year ended 30 June 2015

There have been no other events between 30 June 2015 and the date of this report which necessitate adjustment to the statements of comprehensive income or statements of financial position at that date.

FINANCIAL REVIEW

- No revenue was generated during the year as a result of all operations on care and maintenance (FY2014 \$3.3 million generated by Mooiplaats).
- Non-cash charges of \$7.5 million (FY2014: \$54.3 million) including:
 - No impairment at Mooiplaats incurred during the year (FY2014: \$14.9million);
 - Depreciation and amortisation of \$1.4 million (FY2014: \$2.2 million);
 - Unrealised foreign exchange gain of \$18.9 million (FY2014: \$36.4 million loss) as a result of the South African rand weakening against the United States dollar; and
 - Share based payment expense of \$3.064 million (FY2014: \$0.7 million); and
 - Total unrestricted cash balances at year-end, including cash held by operations available for sale of \$17.8 million (FY2014: \$2.1 million).

FUTURE DEVELOPMENTS

The NOMR for the Makhado Project was granted in May 2015 as well as Section 11 approval for the transfer of the project to CoAL's 74% owned subsidiary, Baobab Mining. The Company completed a Definitive Feasibility Study (DFS) for Makhado during FY2013 which indicates that the project has 344.8 million mineable tonnes in situ and a 16 year LOM. CoAL has regular interactions with the DWS and expects that the IWUL for the Makhado Project will be granted in the second half of 2015 with the 26 month construction phase commencing in the second half of 2016. The opencast project is expected to produce 12.6Mtpa of run-of-mine (ROM) coal, yielding 2.3Mtpa of hard coking coal and 3.2Mtpa of thermal coal for domestic and export markets.

The Company completed the FEED process for Vele and, once constructed, the colliery will be able to produce multiple products simultaneously. The amended EA for the colliery was granted during FY2015 and the Company anticipates that the application for an amendment and extension of the Vele's IWUL will be granted in due course. The colliery's current IWUL expires in March 2016 and following the granting, the Company will make a decision on the commencement of the plant modifications taking cognisance of prevailing market conditions into account. This will be towards June 2016.

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, all forming part of the MbeuYashu Project.

ENVIRONMENTAL REGULATIONS

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation and there has consequently been no breach. The Group is subject to numerous environmental regulations in South Africa, including the Atmospheric Pollution Prevention Act (No. 45 of 1965), Environment Conservation Act (No. 73 of 1989), National Water Act (No. 45 of 1965), National Environmental Management Act (No. 107 of 1998), the National Environmental Management Air Quality Act (No. 39 of 2004) and the environmental provisions in the Mineral and Petroleum Resources Development Act (No 28 of 2002). There is uncertainty regarding the inter-relationship between these statutes in the mining context and as such complete compliance with all simultaneously is often difficult. The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental impacts but from time to time statutory non-compliances may occur. The Board takes these seriously and undertook a thorough review of all its activities during FY2013 to bring them into compliance and continues to monitor compliance thereof.

DIVIDENDS

No dividend has been paid or proposed for the financial year ended 30 June 2015 (FY2014: 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
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
TMM options	40,000,000	Ordinary	ZAR0.30	1 June 2016
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	1,325,000	Ordinary	ZAR2.00	30 November 2015
Investec options	20,000,000	Ordinary	ZAR2.00	21 October 2018
ESOP unlisted options	3,525,000	Ordinary	ZAR1.20	1 February 2019
ESOP unlisted options	3,525,000	Ordinary	ZAR1.32	1 February 2019
ESOP unlisted options	3,525,000	Ordinary	ZAR1.45	1 February 2019

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, 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' report continued

for the year ended 30 June 2015

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 meeting, five Audit Committee meetings and four Safety and Health Committee meeting were held.

MEETING HELD AND ATTENDED

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	5	5	5	5	4	4	—	—
D Brown	5	5	—	—	4	4	4	4
D Schutte ⁽¹⁾	—	—	—	—	—	—	—	—
P Cordin	5	5	3	3	—	—	4	4
K Mosehla	5	5	5	5	—	—	—	—
R Torlage	5	4	—	—	—	—	—	—
A Mifflin ⁽²⁾	3	3	—	—	—	—	2	2
T Mosololi ⁽²⁾	3	3	2	2	2	2	—	—
D Murray ⁽³⁾	2	2	—	—	2	1	2	1
M Meeser ⁽⁴⁾	3	3	—	—	—	—	—	—

⁽¹⁾ Mr Schutte was appointed executive Director and Chief Financial Officer on 22 June 2015.

⁽²⁾ Appointed as independent non-executive Directors on 12 December 2014.

⁽³⁾ Resigned as senior independent non-executive Director on 12 December 2014.

⁽⁴⁾ Mr Meeser resigned as executive Director and Chief Financial Officer on 30 April 2015.

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

No non-audit services were provided during the current financial year. Details of amounts paid or payable to the auditor for services provided during the year by the auditor are outlined in note 8 to the consolidated financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 70 of these consolidated financial statements.

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Coal of Africa Limited's Directors and its senior management for the financial year ended 30 June 2015. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and senior management details;
- Remuneration policy;
- Relationship between the remuneration policy and company performance;
- Remuneration of directors and senior management; and
- Key terms of employment contracts.

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

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

Total remuneration for all non-executive Directors, excluding share-based payments, as approved by shareholders at the November 2010 General Meeting, is not to exceed A\$1,000,000 per annum (\$765,700).

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

DIRECTOR AND SENIOR MANAGEMENT DETAILS

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

- | | |
|--------------|---|
| • B Pryor | Independent Chairman |
| • D Brown | Chief Executive Officer and executive Director |
| • D Schutte | Appointed Chief Financial Officer and executive Director on 22 June 2015 |
| • P Cordin | Independent non-executive Director |
| • K Mosehla | Independent non-executive Director |
| • R Torlage | Non-executive Director |
| • A Mifflin | Appointed independent non-executive Director on 12 December 2014 |
| • T Mosololi | Appointed independent non-executive Director on 12 December 2014 |
| • D Murray | Resigned as senior independent non-executive Director on 12 December 2014 |
| • M Meeser | Resigned as Chief Financial Officer and executive Director on 30 April 2015 |

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 person.

- | | |
|-----------|-------------------------|
| • C Bronn | Chief Operating Officer |
|-----------|-------------------------|

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

REMUNERATION POLICY

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

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

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

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

The performance of key management personnel is measured against criteria agreed annually with each executive and bonuses and incentives are linked to predetermined performance criteria. The performance criteria vary and are determined in line with each individual's performance contract. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and may 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.

Directors' report continued

for the year ended 30 June 2015

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 (\$765,700).

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

Options granted under the arrangement do not carry dividend or voting rights. Options are valued using a binomial option pricing model and the Black-Scholes option pricing model was used to validate the price calculated.

PERFORMANCE-BASED REMUNERATION

The key performance indicators (KPI) 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 KPI 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 KPI 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 2015.

	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	–	4,060	146,396	243,842	261,425
Net loss before tax	6,711	84,120	155,754	150,551	218,106
Net loss after tax	6,711	84,120	148,137	138,908	219,003

	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011
Share price at start of year	A\$0.07	A\$0.19	A\$0.56	A\$1.08	A\$1.75
Share price at end of year	A\$0.09	A\$0.07	A\$0.19	A\$0.56	A\$1.08
Basic and diluted loss per share (\$ cents)	0.47	8.02	17.00	23.00	41.00

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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		
2015	\$	\$	\$	\$	\$	\$	\$	%
Non-executive Directors								
B Pryor	62,940	–	–	–	–	–	62,940	–
P Cordin	37,226	–	–	4,785	–	–	42,011	–
K Mosehla	50,688	–	–	–	–	–	50,688	–
R Torlage	50,688	–	–	–	–	–	50,688	–
A Miffilin ⁽¹⁾	19,582	–	–	2,690	–	–	22,272	–
T Mosololi ⁽¹⁾	26,791	–	–	–	–	–	26,791	–
D Murray ⁽²⁾	17,738	–	–	2,077	–	–	19,815	–
Executive Directors								
D Brown	481,250	–	–	–	–	131,485	612,735	32
D Schutte ⁽³⁾	8,497	–	–	–	–	–	8,497	–
M Meeser ⁽⁴⁾	249,139	–	–	–	–	–	249,139	–
	1,004,539	–	–	9,552	–	131,485	1,145,576	18
C Bronn	262,500	21,875	–	–	–	–	284,375	–
	1,267,039	21,875	–	9,552	–	131,485	1,429,951	15

⁽¹⁾ Mr Miffilin and Mr Mosololi were appointed as independent non-executive Directors on 12 December 2014.

⁽²⁾ Mr Murray resigned as senior independent non-executive Director on 12 December 2014.

⁽³⁾ Mr Schutte was appointed as Chief Financial Officer and executive Director on 22 June 2015.

⁽⁴⁾ Mr Meeser resigned as Chief Financial Officer and executive Director on 30 April 2015.

Directors' report continued

for the year ended 30 June 2015

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT 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		
2014	\$	\$	\$	\$	\$	\$	%
Non-executive Directors							
B Pryor	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	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	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

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

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

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

Option series	Number	Grant date	Expiry date	Exercise price	Grant date value	Vesting date
Class J unlisted options	3,000,000	08/12/2009	30/11/2014	A\$2.74	A\$0.58	(1)
Class C unlisted options	2,500,000	09/11/2010	09/11/2015	A\$1.20	A\$0.59	(2)
ESOP unlisted options	1,441,061	04/02/2011	30/09/2015	A\$1.40	A\$0.91	(3)
ESOP unlisted options	2,670,000	16/09/2011	14/02/2017	ZAR7.60	ZAR3.46	(4)
Class L unlisted options	3,500,000	28/11/2012	30/11/2015	GBP0.25	GBP0.032	(5)
ESOP unlisted options	3,932,928	22/11/2013	30/06/2017	ZAR1.75	ZAR0.52	(6)
ESOP unlisted options	2,750,000	22/11/2013	30/04/2015	ZAR2.00	ZAR0.56	(7)
ESOP unlisted options	1,375,000	22/11/2013	30/11/2015	ZAR2.00	ZAR0.56	(7)
ESOP unlisted options	3,525,000	01/02/2014	01/02/2019	ZAR1.20	ZAR0.15	(8)
ESOP unlisted options	3,525,000	01/02/2014	01/02/2019	ZAR1.32	ZAR0.14	(8)
ESOP unlisted options	3,525,000	01/02/2014	01/02/2019	ZAR1.45	ZAR0.12	(8)
	31,743,989					

(1) 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 New Order Mining Right. These options expired during the year.

(2) 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 will vest 24 months after the date of issue and the remaining 750,000 vesting 36 months from the date of issue.

(3) These options were issued to employees and vest in three equal tranches on 30 September 2011, 30 September 2012 and the remaining third on 30 September 2013.

(4) 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.

(5) These options all vested on 28 November 2012.

(6) These options were issued to employees and two thirds vested immediately on granting and one third vesting on 1 July 2014.

(7) 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. 2,750,000 of these options had not vested and were cancelled on Mr Meeser's resignation.

(8) A total of 10,575,000 options were granted to Mr Brown on his appointment as Chief Executive Officer and vest in three equal tranches on 1 February 2015, 1 February 2016 and 1 February 2017.

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

During the financial year						
Name	Option series	Number granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
D Brown	ESOP unlisted options	10,575,000	3,525,000	33	n/a	32

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

No options granted to key management personnel were exercised or lapsed during the year.

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:

Current

- 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. He received 10,575,000 options in accordance with the Company's employee share option plan. The options are exercisable in three equal tranches over three years at ZAR1.20, ZAR1.32 and ZAR1.40 vesting on 1 February 2015, 1 February 2016 and 1 February 2017 respectively.
- Mr Schutte serves as Financial Director with an annual remuneration of ZAR3.6 million and a three month notice period. On appointment as Chief Financial Officer and executive Director Mr Schutte received 6,600,000 options in accordance with the Company's employee share option plan. The options vest in three equal tranches over a three-year period and are subject to shareholder approval. The first tranche of 2,200,000 options are exercisable on 21 June 2016 at ZAR1.20 each, a further 2,200,000 options are exercisable on 21 June 2017 at ZAR1.32 per option and the remaining 2,200,000 options are exercisable on 21 June 2018 at an exercise price of ZAR1.45 each.

The employment conditions of the following specified executive has been formalised in an employment contract:

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.

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 2014	Granted as remuneration	Exercised	Other changes	Held at 30 June 2015
Non-executive Directors					
B Pryor	—	—	—	—	—
D Murray ⁽¹⁾	2,500,000	—	—	—	2,500,000
P Cordin	—	—	—	—	—
K Mosehla	—	—	—	—	—
R Torlage	—	—	—	—	—
A Mifflin	—	—	—	—	—
T Mosololi	—	—	—	—	—
Executive Directors					
D Brown	—	—	—	—	—
D Schutte	—	—	—	—	—
M Meeser	—	—	—	—	—
Key management	—	—	—	—	—

⁽¹⁾ Mr Murray resigned 12 December 2014.

Directors' report continued

for the year ended 30 June 2015

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS continued

The movement during the reporting period in the number of options over ordinary shares exercisable at A\$1.40 or ZAR9.50 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 2014	Granted as remuneration	Exercised	Other changes	Held at 30 June 2015
Non-executive Directors					
B Pryor	–	–	–	–	–
D Murray	–	–	–	–	–
P Cordin	–	–	–	–	–
K Mosehla	–	–	–	–	–
R Torlage	–	–	–	–	–
A Mifflin	–	–	–	–	–
T Mosololi	–	–	–	–	–
Executive Directors					
D Brown	–	–	–	–	–
D Schutte	–	–	–	–	–
M Meeser	–	–	–	–	–
Key management					
C Bronn	135,000	–	–	–	135,000

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 2014	Granted as remuneration	Exercised	Other changes	Held at 30 June 2015
Non-executive Directors					
B Pryor	1,000,000	–	–	–	1,000,000
D Murray	–	–	–	–	–
P Cordin	–	–	–	–	–
K Mosehla	–	–	–	–	–
R Torlage	–	–	–	–	–
A Mifflin	–	–	–	–	–
T Mosololi	–	–	–	–	–
Executive Directors					
D Brown	2,500,000	–	–	–	2,500,000
D Schutte	–	–	–	–	–
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 2014	Granted as remuneration	Exercised	Other changes	Held at 30 June 2015
Non-executive Directors					
B Pryor	–	–	–	–	–
D Murray	–	–	–	–	–
P Cordin	–	–	–	–	–
K Mosehla	–	–	–	–	–
R Torlage	–	–	–	–	–
A Miffilin	–	–	–	–	–
T Mosololi	–	–	–	–	–
Executive Directors					
D Brown	–	–	–	–	–
D Schutte	–	–	–	–	–
M Meeser	–	–	–	–	–
Key management					
C Bronn	174,696	–	–	–	174,696

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 2014	Granted as remuneration	Exercised	Other changes	Held at 30 June 2015
Non-executive Directors					
B Pryor	–	–	–	–	–
D Murray	–	–	–	–	–
P Cordin	–	–	–	–	–
K Mosehla	–	–	–	–	–
R Torlage	–	–	–	–	–
A Miffilin	–	–	–	–	–
T Mosololi	–	–	–	–	–
Executive Directors					
D Brown	–	–	–	–	–
D Schutte	–	–	–	–	–
M Meeser ⁽¹⁾	4,125,000	–	–	(2,750,000)	1,375,000
Key management					
	–	–	–	–	–

⁽¹⁾ Mr Meeser resigned 30 April 2015.

Directors' report continued

for the year ended 30 June 2015

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS continued

The movement during the reporting period in the number of options over ordinary shares exercisable in three equal tranches at ZAR1.20 on or before 1 February 2015, ZAR1.32 on or before 1 February 2016 and ZAR1.45 on or before 1 February 2017 held directly, indirectly or beneficially by each Director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2014	Granted as remuneration	Exercised	Other changes	Held at 30 June 2015
Non-executive Directors					
B Pryor	–	–	–	–	–
D Murray	–	–	–	–	–
P Cordin	–	–	–	–	–
K Mosehla	–	–	–	–	–
R Torlage	–	–	–	–	–
A Mifflin	–	–	–	–	–
T Mosololi	–	–	–	–	–
Executive Directors					
D Brown	–	10,575,000	–	–	10,575,000
D Schutte	–	–	–	–	–
M Meeser	–	–	–	–	–
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 Director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2014	Purchased	Received on exercise of options/ remuneration	Other changes	Held at 30 June 2015
Non-executive Directors					
B Pryor	–	150,000	–	–	150,000
D Murray ⁽¹⁾	–	–	–	–	–
P Cordin	871,059	500,000	–	–	1,371,059
K Mosehla	–	–	–	–	–
R Torlage	–	–	–	–	–
A Mifflin	–	–	–	–	–
T Mosololi ⁽²⁾	–	–	–	10,000	10,000
Executive Directors					
D Brown	250,000	575,000	–	–	825,000
D Schutte	–	–	–	–	–
M Meeser ⁽³⁾	600,000	–	–	–	600,000
Key management	–	–	–	–	–

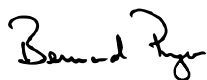
⁽¹⁾ Mr Murray resigned 12 December 2014.

⁽²⁾ Purchased prior to being appointed as a non-executive Director.

⁽³⁾ Mr Meeser resigned 30 April 2015.

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
10 September 2015



David Hugh Brown
Chief Executive Officer
10 September 2015

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

10 September 2015

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 2015, 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.

DELOITTE TOUCHE TOHMATSU



Ross Jerrard
Partner
Chartered Accountants

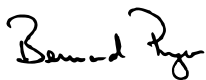
Directors' declaration

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 Section no 295A of the Corporations Act 2001.

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

On behalf of the Directors



Bernard Pryor
Chairman
10 September 2015



David Brown
Chief Executive Officer
10 September 2015

ANNUAL FINANCIAL STATEMENTS

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.



Contents

Consolidated statement of profit or loss and other comprehensive income	74
Consolidated statement of financial position	75
Consolidated statement of changes in equity	76
Consolidated statement of cash flows	77
Notes to the consolidated financial statements	78
Independent auditor's report	128



Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2015

		Year ended 30 June 2015	Year ended 30 June 2014
	Note	\$'000	\$'000
CONTINUING OPERATIONS			
Revenue	5	–	761
Investment income	6	828	1,699
Other income	7	324	5,564
Gain recognised on disposal of interest in former subsidiary	11	–	1,438
Other gains and (losses)	7	1,580	(617)
Depreciation and amortisation	7	(1,472)	(2,176)
Foreign exchange gains/(losses)	7	14,504	(36,317)
Take or pay port obligation	15	–	(10,556)
Employee benefits expense	7	(4,936)	(8,042)
Finance costs	9	(1,286)	(2,309)
Consulting expense		(777)	(2,617)
Other expenses		(13,300)	(10,373)
Loss before tax		(4,535)	(63,545)
Income tax expense	10	–	–
Net loss for the year from continuing operations		(4,535)	(63,545)
Discontinued operations			
Loss for the year from operations classified as held for sale	11	(2,176)	(20,575)
LOSS FOR THE YEAR		(6,711)	(84,120)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(59,872)	21,255
Total comprehensive loss for the year		(66,583)	(62,865)
Loss for the year attributable to:			
Owners of the Company		(6,711)	(84,120)
Non-controlling interests		–	–
		(6,711)	(84,120)
Total comprehensive loss attributable to:			
Owners of the Company		(66,583)	(62,865)
Non-controlling interests		–	–
		(66,583)	(62,865)
Loss per share	12		
From continuing operations and discontinued operations			
Basic and diluted (cents per share)		(0.47)	(8.02)
From continuing operations			
Basic and diluted (cents per share)		(0.32)	(6.06)

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

Consolidated statement of financial position

as at 30 June 2015

		Year ended 30 June 2015	Year ended 30 June 2014
	Note	\$'000	\$'000
ASSETS			
Non-current assets			
Development, exploration and evaluation expenditure	13	232,813	271,711
Property, plant and equipment	14	16,259	17,413
Intangible assets	15	11,682	15,488
Other receivables	16	1,746	2,245
Other financial assets	17	3,411	1,607
Restricted cash	20	1,023	5,153
Deferred tax assets	25	2,320	2,694
Total non-current assets		269,254	316,311
Current assets			
Inventories	18	236	528
Trade and other receivables	19	792	1,902
Other financial assets	17	468	610
Cash and cash equivalents	20	17,759	2,017
		19,255	5,057
Assets classified as held for sale	21	18,118	23,030
Total current assets		37,373	28,087
Total assets		306,627	344,398
LIABILITIES			
Non-current liabilities			
Deferred consideration	22	15,422	–
Provisions	24	5,733	4,643
Total non-current liabilities		21,155	4,643
Current liabilities			
Deferred consideration	22	3,265	29,800
Trade and other payables	26	2,719	15,083
Borrowings	23	–	6,372
Provisions	24	294	2,447
Current tax liabilities		1,285	1,583
		7,563	55,285
Liabilities associated with assets held for sale	21	3,354	4,150
Total current liabilities		10,917	59,435
Total liabilities		32,072	64,078
NET ASSETS		274,555	280,320
EQUITY			
Issued capital	27	992,374	935,891
Accumulated deficit	28	(718,081)	(790,964)
Reserves	29	(313)	134,818
Equity attributable to owners of the Company		273,980	279,745
Non-controlling interests	31	575	575
TOTAL EQUITY		274,555	280,320

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

Consolidated statement of changes in equity

for the year ended 30 June 2015

	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 2014	935,891	(790,964)	82,464	91	52,263	279,745	575	280,320
Total comprehensive loss for the year	–	(6,711)	–	–	(59,872)	(66,583)	–	(66,583)
Loss for the year	–	(6,711)	–	–	–	(6,711)	–	(6,711)
Other comprehensive loss, net of tax	–	–	–	–	(59,872)	(59,872)	–	(59,872)
	935,891	(797,675)	82,464	91	(7,609)	213,162	575	213,737
Shares issued for capital raising(net of costs)	56,483	–	–	–	–	56,483	–	56,483
Shares issued to employees	–	–	4,335	–	–	4,335	–	4,335
Share options cancelled	–	79,594	(79,594)	–	–	–	–	–
Balance at 30 June 2015	992,374	(718,081)	7,205	91	(7,609)	273,980	575	274,555
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)	–	–	–	–	–
Share issued costs	–	–	–	–	–	–	–	–
Balance at 30 June 2014	935,891	(790,964)	82,464	91	52,263	279,745	575	280,320

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

Consolidated statement of cash flows

for the year ended 30 June 2015

		Year ended 30 June 2015	Year ended 30 June 2014
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		1,003	12,918
Payments to suppliers and employees		(16,124)	(34,386)
Cash used in operations	33	(15,121)	(21,468)
Interest received		628	952
Interest paid		(1,182)	(811)
Net cash used in operating activities		(15,675)	(21,327)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,358)	(148)
Proceeds from the sale of property, plant and equipment		1	609
Investment in development assets		(991)	(5,056)
Investment in exploration assets		(86)	(1,867)
Increase in other financial assets		134	1,404
Settlement of Envicoal matter		(2,431)	
Proceeds from the sale of Nucoal		–	7,714
Decrease/(increase) in restricted cash		4,761	(1,274)
Net cash generated from investing activities		30	1,382
Cash flows from financing activities			
Settlement of export trade finance facility		(10,367)	(12,246)
Finance lease repayments		–	(52)
Repayment of Investec facility		(5,909)	
Repayment of deferred consideration		(11,619)	
Proceeds from loans receivable		1,579	4,442
Proceeds from the issue of shares (net of share issuance costs)		57,926	–
Net cash generated/(used) by financing activities		31,610	(7,856)
Net increase/(decrease) in cash and cash equivalents		15,965	(27,801)
Net foreign exchange differences		(182)	(38)
Cash and cash equivalents at beginning of the year		2,099	29,938
Cash and cash equivalents at the end of the year	20	17,882	2,099

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

Notes to the consolidated financial statements

for the year ended 30 June 2015

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:

- The Makhado hard coking and thermal coal project which was granted of a NOMR in May 2015;
- The development-phase Vele Colliery where operations have been significantly reduced pending the granting of the extension of the mine's IWUL;
- 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.

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 incurred a net loss after tax for the year ended 30 June 2015 of \$6.7 million (30 June 2014: loss of \$84.1 million), including an unrealised foreign exchange gain of \$14.5 million and depreciation and amortisation charges of \$1.5 million. During the twelve-month period under review, net cash outflows from operating activities were \$15.7 million (30 June 2014 net outflow: \$21.3 million) and net cash inflows from investing activities were \$0.03 million (30 June 2014 net outflow: \$1.4 million). As at 30 June 2015 the Consolidated Entity had a net current asset position of \$11.7 million (30 June 2014: net current liability of \$50.2 million), excluding assets and liabilities associated with discontinued operations.

As part of the process to raise additional funding for the business and manage the Entity's cash-flow requirements, the Company entered into a Subscription Agreement and a Loan Agreement with Singapore-registered Yishun Brightrise Investment PTE Limited (Yishun) whereby Yishun will acquire up to 183,231,261 ordinary shares for 5.15 British pence each raising approximately GBP9.4 million (approximately \$14.7 million) conditional upon CoAL shareholder approval on the 14th of September 2015. The Company and Yishun have also entered into a Loan Agreement in terms of which Yishun has agreed to lend CoAL \$10 million conditional upon the Company's shareholders approving the issue of the 183,231,261 shares. The loan will bear no interest and is only repayable in limited circumstances. An Extraordinary General meeting (EGM) has been arranged for the 14 of September 2015 in order to obtain shareholder approval for the placement as well as the loan. The Company has obtained sufficient proof of proxies for votes that in aggregate represent more than the required 50% approval needed at the EGM.

At the date of this report, and including the cash flow received from the above-mentioned arrangement, the Directors are confident that the Company and Consolidated Entity will be able to 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 10 September 2015.

1.2. Basis of preparation

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

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

Fair value is the price that would be received on the sale of 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 were to take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

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

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

2. ACCOUNTING POLICIES

2.1. Basis of consolidation

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

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

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

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

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

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

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 intra-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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

2. ACCOUNTING POLICIES continued

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

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

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

2.2. Business combinations

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

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

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

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

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

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

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

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

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

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

2.3. Functional and presentation currency

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

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

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

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

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

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

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

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

2.4. Non-current assets held for sale

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

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

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

2.5. Exploration and evaluation expenditure

(i) Pre-licence costs

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

2. ACCOUNTING POLICIES continued

2.5. Exploration and evaluation expenditure continued

(ii) Exploration and evaluation expenditure

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

Exploration and evaluation activity includes:

- i. researching and analysing historical exploration data
- ii. gathering exploration data through geophysical studies
- iii. exploratory drilling and sampling
- iv. determining and examining the volume and grade of the resource
- v. surveying transportation and infrastructure requirements
- vi. conducting market and finance studies

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

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

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

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

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

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

2.6. Property, plant and equipment – development assets

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

No depreciation is recognised in respect of development assets.

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

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

2.7. Property, plant and equipment – mining property

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

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

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

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

Depreciation of 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 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.

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

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

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

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

2. ACCOUNTING POLICIES continued

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

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. The costs of intangible assets acquired in a business combination are their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

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

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

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

2.11. 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.

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 consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 2.24 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

2.13. 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.

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

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

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

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 uncollectable, 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.

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

2.16. 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).

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

2. ACCOUNTING POLICIES continued

2.16. Financial instruments continued

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.

2.17. Financial instruments

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 32.

Held to maturity investments

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

Loans and receivables

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

Available for sale investments

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

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive profit or 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 uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

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

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

Derecognition

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

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

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

2. ACCOUNTING POLICIES continued

2.17. Financial instruments continued

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

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

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

2.20. Share-based payments transactions of the Company

Equity-settled

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

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

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

Accounting for BEE transactions

Where equity instruments are issued to a BBBEE 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 BBBEE 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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

2. ACCOUNTING POLICIES continued

2.22. Taxation, including sales tax

Current and deferred tax for the year

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

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

Sales tax

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

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

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

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

2.23. Revenue recognition

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

Sale of goods

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

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

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

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

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate. Interest income is recognised in finance income on the consolidated statement of profit or loss and other comprehensive loss.

2.24. Borrowing costs

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

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

2.25. Employee benefits

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

2.26. Segment information

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

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

2.27. Adoption of new and revised Accounting Standards and Interpretations

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

- Offsetting criteria for financial assets and financial liabilities
- Amendments to AASB 132 Financial Instruments: Presentation clarifies the requirements relating to the offset of financial assets and financial liabilities.
- Additional disclosures on recoverable amounts for non-financial assets:
- Amendments to AASB 136 Impairment of Assets remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) under certain circumstances. Further, there are some additional disclosure requirements applicable in instances where the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal.
- Consolidation exemption for investment entities:
- Amendments to AASB 10 Consolidated Financial Statements introduce an exemption from consolidation of subsidiaries for entities which meet the definition of an investment entity.
- Annual Improvements 2010 – 2012 and 2011-2013 Cycles: AASB 2014 – 1 Amendment to Australian Accounting Standards Part A – Annual Improvements 2010 – 2012 and 2011 – 2013 Cycles make various amendments to Australian Accounting Standards. Most notably, items that will impact disclosure requirements under AASB 8 Operating Segments, AASB 119 Employee Benefits, and AASB 124 Related Party Disclosure.

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 14 Regulatory Deferral Accounts	1 January 2016	30 June 2017
AASB 15 Revenue from Contracts with Customers	1 January 2017	30 June 2018
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
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS11)	1 January 2016	30 June 2017
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS16 and IAS38)	1 January 2016	30 June 2017

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

2. ACCOUNTING POLICIES continued

2.27. Adoption of new and revised Accounting Standards and Interpretations continued

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

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

AASB 2012–3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)	The Group has applied the amendments to AASB 7 ‘Disclosures – Offsetting Financial Assets and Financial Liabilities’ 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 2013–3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	This Standard amends the disclosure requirements in AASB 136. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. The intention of this amendment is to harmonise the disclosure requirements for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets. The Group has applied AASB 2013–3 for the first time in this current year. The Group included detail disclosure regarding the valuation of development and exploration projects, and indicated the recoverability of the carrying value in note 13.
AASB 2013–6 Amendments to AASB 136 arising from Reduced Disclosure Requirements	The objective of this Standard is to make amendments to AASB 136 Impairment of Assets to establish reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements arising from AASB 2013–3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets. 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 2013–9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and minor editorial amendments to various standards. The Group does not currently provide disclosure relating to AASB 1031 and therefore this amendment does not affect the consolidated group financial statements.
AASB 2014–4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	The objective of this amendment is to clarify the requirements for the revaluation method in AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to address concerns about the calculation of the accumulated depreciation or amortisation at the date of the revaluation. The Interpretations Committee reported to the IASB that practice differed in the calculation of accumulated depreciation for an item of property, plant and equipment that is measured using the revaluation method in cases where the residual value, the useful life or the depreciation method has been re-estimated before a revaluation.
Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.	The amendment clarifies that the carrying amount of an asset is adjusted to that value in one of the following ways: i) The gross carrying amount is adjusted consistently with the valuation the carrying amount to that with accumulated depreciation adjusted proportionately). ii) The accumulated depreciation is eliminated against the gross carrying amount of the asset. This amendment is not expected to have any financial or disclosure impact on the consolidated group financial statements. The basis for calculation of depreciation and amortisation should be based on the expected pattern of consumption of the future economic benefits of an asset. This amendment is not expected to have any financial or disclosure impact on the Group’s results.

AASB 2014–1 Amendments to Australian Accounting Standards [Part A – Annual Improvements 2010–2012 and 2011 – 2013 Cycles]	Part A makes various amendments to Australian Accounting Standards arising from the issuance by IASB of IFRSs Annual Improvements to IFRS 2010– 2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. • AASB 2 – definition of vesting condition; • AASB 3 – accounting for contingent consideration in a business combination; • AASB 8 – aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; • AASB 13 – short-term receivables and payables; • AASB 116 – revaluation method: proportionate restatement of accumulated depreciation; • AASB 124 – key management personnel; • AASB 138 – revaluation method: proportionate restatement of accumulated amortisation; • AASB 1 – meaning of 'effective IFRSs'; • AASB 3 – scope exceptions for joint ventures; • AASB 13 – scope of paragraph 52 (portfolio exception); • AASB 140 – clarifying the interrelationship between AASB 3 and AASB 140 when classifying property as investment property or owner occupied property.
AASB 2014–1 Amendments to Australian Accounting Standards [Part B – Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)]	Narrow scope amendments to AASB 119 Employee Benefits that apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment is not expected to have any financial or disclosure impact on the Group's results
AASB 2014–2 Amendments to AASB1053 Transition to and between Tiers, and related Tier 2 Disclosure Requirement	Amends AASB 1053 Application of Tiers of Australian Accounting Standards to clarify that AASB 1053 relates only to general purpose financial statements. Aims to make AASB 1053 consistent with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors option in AASB 1 First-time Adoption of Australian Accounting Standards; and clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1 Specifies certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements. This amendment is not expected to have any financial or disclosure impact on the Group's results
AASB 2014–9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	Amends AASB 127 Separate Financial Statements, to allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: • At cost, • In accordance with AASB 9 Financial Instruments, or • Using the equity method as described in AASB 128, • Investments in Associates and Joint Ventures. The accounting policy option must be applied for each category of investment. This amendment is not expected to have any financial or disclosure impact on the Group's results

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

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

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

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

ASSET CARRYING VALUES AND IMPAIRMENT CHARGES

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. Key assumptions include future coal prices, future operating costs, discount rates, foreign exchange rates and coal reserves (refer note 13).

COAL RESERVES

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

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

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

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

Depreciation and amortisation charges in the Consolidated Statement of 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).

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

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

REHABILITATION AND RESTORATION PROVISIONS

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

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

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

RECOVERABILITY OF NON-CURRENT ASSETS

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

CONTINGENT LIABILITIES – LITIGATION

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

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, 2015, projects within this reportable segment include three exploration stage coking and thermal coal complexes, namely the Chapudi Complex (which comprises the Chapudi Project, the Chapudi West Project and the Wildebeesthoek Project), the Soutpansberg Complex (which comprises the Voorburg Project, the Mt Stuart Project and the Jutland Project) and the Makhado Complex (comprising the Makhado Project, the Makhado Extension Project and the Generaal Project).

The Development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As of June 30, 2015 projects included within this reportable segment include 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 consists of the Mooiplaats Colliery (comparative figures for June 2014 still includes the Woestalleen Colliery). As of June 30 2014 the Mooiplaats Colliery has been classified as operations held for sale.

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, ie. at current market prices.

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

In order to reconcile the segment results with the consolidated statement of profit or loss and other comprehensive income the discontinuing 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 consolidated financial statements continued

for the year ended 30 June 2015

4. SEGMENT INFORMATION continued

	Continuing operations		Discontinuing operations	Total
	Exploration	Development	Mining	
	\$'000	\$'000	\$'000	\$'000
For the year ended 30 June 2015				
Revenues from external customers	–	–	–	–
Inter-segment revenues	–	–	–	–
Revenue ⁽¹⁾	–	–	–	–
Segment loss	(4,387)	(1,958)	(2,176)	(8,521)
Items included within the Group's measure of segment profitability				
– Depreciation and amortisation	(84)	(63)	–	(147)
– Impairment	–	–	–	–
– Finance income	22	47	97	166
– Finance cost	(978)	(80)	(605)	(1,633)
Segment assets	124,715	117,160	18,118	259,993
Items included within the Group's measure of segment assets				
– Additions to non-current assets	2,454	145	–	2,599
Segment liabilities	20,788	5,153	3,354	29,295
For the year ended 30 June 2014				
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)
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

⁽¹⁾ Revenues represent sale of product.

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

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
Total loss for reportable segments	8,521	26,249
Reconciling items:		
Unallocated corporate costs	15,681	21,115
Depreciation and amortisation	1,325	2,032
Foreign exchange (gain)/ loss	(18,816)	34,724
Loss before taxation	6,711	84,120
Total segment assets	259,993	305,015
Reconciling items:		
Unallocated property, plant and equipment	10,336	12,349
Intangible assets	11,682	15,488
Other financial assets	3,879	705
Other receivables	1,745	2,245
Unallocated current assets	18,992	8,596
Total assets	306,627	344,398
Total segment liabilities		
Reconciling items:	29,295	39,438
Unallocated liabilities	2,777	24,640
Total liabilities	32,072	64,078
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
Australia	–	–
Total revenue	–	4,061
Non-current assets by location of operations		
South Africa	269,254	316,311
Australia	–	–
Total non-current assets	269,254	316,311

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
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
	–	761
6. INVESTMENT INCOME		
Continuing operations		
Rental income	134	926
Interest income		
Bank deposits	646	602
Interest on loans	48	171
Total interest income	694	773
Total investment income	828	1,699
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	324	904
Other	–	262
Total other income	324	5,564
Other gains/(losses)		
Loss on disposal of property, plant and equipment	–	(41)
Fair value gain on renegotiated Rio Tinto deferred consideration	1,303	–
Revaluation of investments	277	(576)
Total other gains and (losses)	1,580	(617)
Depreciation and amortisation		
Depreciation		
Depreciation of property, plant and equipment (note 14)	497	1,107
Total depreciation	497	1,107
Amortisation		
Amortisation of intangible asset (note 15)	975	1,069
Total amortisation	975	1,069
Total depreciation and amortisation	1,472	2,176
Foreign exchange profit/(loss)		
Unrealised	18,991	(35,568)
Realised	(4,487)	(749)
	14,504	(36,317)
Employee benefits expenses		
Share-based payments	131	717
Superannuation	10	14
Salaries and wages	4,795	7,311
Total employee benefits expense	4,936	8,042

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
8. AUDITORS' REMUNERATION		
Amounts received by the auditors of the Company as at 30 June 2015		
Deloitte – Australia		
Audit and review of financial reports	102	119
	102	119
Deloitte – Johannesburg		
Audit and review of financial reports	229	325
	229	325
9. FINANCE COST		
Finance costs		
Interest on loans	1,191	2,238
Interest on overdraft	9	–
Unwinding of interest	86	71
	1,286	2,309
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% (2014: 0%). The tax rate used for the 2015 and 2014 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	(4,535)	(61,394)
Income tax benefit calculated at 28% (2014: 28%)	(1,270)	(17,190)
Tax effects of:		
Expenses that are not deductible for tax purposes	753	617
Income that is not taxable	(91)	(1,509)
Other temporary differences not recognised	608	18,082
Income tax (credit)/charge	–	–

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
10. INCOME TAX AND DEFERRED TAX continued		
Income tax recognised on the loss from discontinuing 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 benefit recognised	–	–
The Group's effective tax rate for the year was 0% (2014: 0%). The tax rate used for the 2015 and 2014 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	(5,005)	(20,575)
Income tax benefit calculated at 28% (2014: 28%)	(1,401)	(5,761)
Tax effects of:		
Expenses that are not deductible for tax purposes	483	228
Other temporary differences not recognised	918	5,533
Income tax (credit)/charge	–	–

11. DISCONTINUING 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 not recognised any impairment on the Mooiplaats Colliery during the current financial year. (2014: \$14.9 million – note 21).

11.3 Analysis of loss for the year from discontinuing operations

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

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
Loss for the year from operations held for sale		
Revenue	–	3,299
Other gains	427	78
	427	3,377
Expenses	(2,603)	(23,952)
Loss before tax	(2,176)	(20,575)
Attributable income tax credit	–	–
Loss for the year from operations held for sale (attributable to owners of the company)	(2,176)	(20,575)
Cash flows from operations held for sale		
Net cash outflows from operating activities	(1,400)	(3,619)
Net cash inflows from investing activities	1,024	128
Net cash inflows/(outflows) from financing activities	729	(12,298)
Net cash inflows/(outflows)	353	(15,789)

These operations have been classified and accounted for at 30 June 2015 as a disposal group held for sale (see note 21).

Woestalleen

During 2014 the company received the Section 11 approval from the 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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	Year ended 30 June 2015	Year ended 30 June 2014
	Cents per share	Cents per share
12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Basic loss per share		
From continuing operations	0.32	6.06
From discontinuing operations	0.15	1.96
	0.47	8.02
12.1 Basic loss per share		
	\$'000	\$'000
Loss for the year attributable to owners of the Company	(6,711)	(84,120)
Less: Loss for the year from operations held for sale	(2,176)	(20,575)
Loss used in the calculation of basic loss per share from continuing operations	(4,535)	(63,545)
	'000 shares	'000 shares
Weighted number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	1,414,768	1,048,369
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 2015, 85,993,989 options (2014 – 21,168,990 options) were excluded from the computation of the loss per share as their impact is anti-dilutive. Furthermore at 30 June 2015 the Firefly option has expired and is not included in the calculation.		
12.3 Headline loss per share (in line with JSE requirements)		
The calculation of headline loss per share at 30 June 2015 was based on the headline loss attributable to ordinary equity holders of the Company of \$6.7 million (2014: \$70.6 million) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2015 of 1,414,768,613 (2014: 1,048,368,613).		
The adjustments made to arrive at the headline loss are as follows:		
Loss for the period attributable to ordinary shareholders	(6,711)	(84,120)
Adjust for:		
Impairment losses	–	14,933
Gain recognised on disposal of interest in former subsidiary	–	(1,438)
Headline earnings	(6,711)	(70,625)
Headline loss per share (cents per share)	0.47	6.74

13. DEVELOPMENT, EXPLORATION AND EVALUATION EXPENDITURE

Development, exploration and evaluation expenditure comprises:

Exploration and evaluation assets

Development expenditure

Balance at end of year

A reconciliation of development, exploration and evaluation expenditure is presented below:

Exploration and evaluation assets

Balance at beginning of year

Additions

Foreign exchange differences

Balance at end of year

Development assets

Balance at beginning of year

Additions⁽¹⁾

Foreign exchange differences

Balance at end of year

Year ended 30 June 2015	Year ended 30 June 2014
----------------------------	----------------------------

\$'000	\$'000
--------	--------

118,498	139,991
---------	---------

114,315	131,720
---------	---------

232,813	271,711
---------	---------

139,991	148,131
---------	---------

145	1,846
-----	-------

(21,638)	(9,986)
----------	---------

118,498	139,991
---------	---------

131,720	130,947
---------	---------

2,454	7,061
-------	-------

(19,859)	(6,288)
----------	---------

114,315	131,720
---------	---------

⁽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. No revenue was generated during the current financial year. The total revenue off-set against additions for 2014 was \$9.2 million.

Impairment testing

Exploration and Evaluation Assets

As of 30 June 2015 the net book value of the following project assets were classified as Exploration and Evaluation assets:

- Greater Soutpansberg Project: \$63.7 million
- Makhado Project: \$54.7 million

In terms of AASB 6 – Exploration for and Evaluation of Mineral Resource management have performed an assessment of whether facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. In performing its assessment, management have considered its exploration rights to the exploration areas, its planned & budgeted exploration activities and the likelihood of the recoverability of the net book value from the successful development of the areas of interest. Management has concluded that no indicators of impairment for Exploration and Evaluation assets exist as at 30 June 2015.

Non-current assets held for sale

As of 30 June 2015 the net book values of the following project assets were classified as non-current assets held for sale:

- Holfontein Colliery: \$ nil
- Mooiplaats Colliery: \$15.9 million

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

13. DEVELOPMENT, EXPLORATION AND EVALUATION EXPENDITURE continued

Development assets

As of 30 June 2015 the net book value of the following project assets were included in Development assets:

- Vele Colliery: \$111 million

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

Management has adopted the fair value less costs of disposal approach to estimate the recoverable amount of the project, before comparing this amount with the carrying value of the associated assets and liabilities in order to assess whether an impairment of the carrying value is required under AASB 136. Management formed the view that impairment is not likely.

In calculating fair value less costs of disposal, management have forecast the cash flows associated with the project over its expected life of 18 years until 2033. The cash flows are estimated for the assets of the colliery in its current condition together with capital expenditure required for the colliery to resume operation and discounted to its present value using a post-tax discount rate that reflects the current market assessments of the risks specific to the Vele Colliery. The identification of impairment indicators and the estimation of future cash flows require management to make significant estimates and judgments. Details of the key assumptions used in the fair value less costs of disposal calculation at 30 June 2015 are included below.

Key assumptions

	2015	2016	2017	2018	LT
Thermal coal price (USD, real) ¹	66	67	66	80	80
Hard coking coal price (USD, real) ²	119	119	142	135	135
Exchange rate (USD/ZAR, nominal) ³	12.2	12.6	12.9	13.3	Note 3
Discount rate ⁴					15.8%
Inflation rates – USD					2.5%
– ZAR					6.0%
Production start date					April 2017

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

⁽²⁾ Management's assumption of the hard coking coal price is made after considering relevant broker forecasts.

⁽³⁾ Management has applied a flat exchange rate for the period to 2018. Thereafter the rate is derived with reference to the 2018 assumption, and inflated by the compounding differential between USD and ZAR inflation rates.

⁽⁴⁾ Management prepared a nominal ZAR-denominated, post-tax discount rate, which was calculated with reference to the Capital Asset Pricing Model (CAPM).

Impairment assessment

	USD million
Carrying Value of Vele Cash Generating Unit	111
Value of Vele using the discounted cash flow method	113

Sensitivity Analysis

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

Sensitivity	Change in variable	Effect on fair value less costs of disposal
Long-term coal prices	+10.0%	37
	-10.0%	(41)
Long-term exchange rate	+10.0%	33
	-10.0%	(36)
Discount rate	+0.8%	(7)
	-0.8%	7
Operating costs	+10.0%	(15)
	-10.0%	15
Delays in production start date	+12 months	(19)
	+24 months	(33)

Excluded from the value of the Vele Colliery derived from the discounted cash flow model, is any value attributable to resources remaining after the projections made in the life of mine model. In order to assess the potential value of resources outside of the life of mine plan, a resource valuation was undertaken by management in September 2012 in consultation with valuations experts. This valuation applied a weighted average multiple of ZAR 6.8/tonne of resources, or USD 0.56/tonne which resulted in an indicative valuation of \$140 million at that time. An alternative valuation of the resources outside of the life of mine plan has been performed by extending the discounted cash flow model by ten years, which results in an indicative valuation of \$13 million. The value of the resources outside of the life of mine plan could therefore be in the range of \$13 million to in excess of \$100 million.

	Mining property, plant and equipment	Land and buildings	Leasehold improvements	Motor vehicles	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
14. PROPERTY, PLANT AND EQUIPMENT 2015						
Cost						
At beginning of year	28	17,403	540	828	2,048	20,847
Additions	28	1,824	–	20	75	1,947
Disposals	–	–	–	–	–	–
Exchange differences	(6)	(2,526)	(77)	(116)	(292)	(3,017)
At end of year	50	16,701	463	732	1,831	19,777
Accumulated depreciation						
At beginning of year	11	714	537	447	1,725	3,434
Depreciation charge	–	230	1	130	136	497
Accumulated depreciation on disposals	–	–	–	–	–	–
Exchange differences	25	(87)	(76)	(60)	(215)	(413)
At end of year	36	857	462	517	1,646	3,518
Net carrying value at end of year	14	15,844	1	215	185	16,259

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	Mining property, plant and equipment	Land and buildings	Leasehold improvements	Motor vehicles	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
14. PROPERTY, PLANT AND EQUIPMENT continued						
2014						
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 2014	17	16,689	3	381	323	17,413

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
15. INTANGIBLE ASSETS		
Balance at beginning of year	15,488	16,078
Amortisation	(975)	(1,069)
Foreign exchange differences	(2,831)	479
Balance at end of year	11,682	15,488

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

This agreement granted the Company one mtpa of port capacity through the Matola terminal commencing 1 January 2009, for an initial term of five years. This capacity was increased to approximately three mtpa in March 2011 and the Company has the right to renew the agreement (subject to certain conditions) at the end of the initial term, for three successive periods of five years each for a total of 15 years.

During the year the Company reached an agreement with Grindrod to settle the current liabilities to date as well as cover all future take or pay obligations until 31 December 2016. The settlement of \$10.3 million was paid during the current financial year (included in accrued expenses 2014 – note 26). 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 if required.

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.

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
16. OTHER RECEIVABLES		
Carrying amount of:		
NiMag loan	1,503	1,931
Other loans	243	314
	1,746	2,245
Balance at beginning of year	2,245	3,567
Other	(312)	(581)
Foreign exchange differences	(187)	(741)
Balance at end of year	1,746	2,245
NiMag loan		
CoAL provided a loan as part of the NiMag disposal to settle the balance of the purchase consideration. The loan bears interest at the South African prime overdraft rate less 0.5%, payable quarterly in arrears. The capital is repayable in 12 equal quarterly instalments following the 39th month after the date of advance of the ABSA funding for the management buyout or, the date the ABSA funding is fully repaid.		
	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
17. OTHER FINANCIAL ASSETS		
Carrying value of financial assets at fair value through profit or loss		
Listed securities		
– Equity securities	468	618
Unlisted securities		
– Equity securities in private corporations*	3,145	966
	3,613	1,584
Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows.		
* Determined primarily by reference to the value of recent private placements. Listed and Unlisted Investments are carried at the market value as at the reporting date.		
Deposits	266	633
	3,879	2,217
Other financial assets have been analysed between current and non-current as follows:		
Current	468	610
Non-current	3,411	1,607
	3,879	2,217
18. INVENTORIES		
Consumable stores	218	507
Finished goods	18	21
	236	528

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$0.5 million (2014: nil).

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
19. TRADE AND OTHER RECEIVABLES		
Trade receivables	95	241
Other receivables	1,111	2,145
Allowance for doubtful debts	(414)	(484)
	792	1,902
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 19. The Group does not hold any collateral as security.		
Movements on the allowance for doubtful debts are as follows:		
Balance at beginning of year	484	720
Allowance for bad debts	6	495
Receivables written off as uncollectable	–	(720)
Foreign exchange differences	(76)	(11)
Balance at end of year	414	484
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	95	160
Past due 0 to 30 days	–	–
Past due 31 to 60 days	–	–
Past due 61 to 90 days	–	81
	95	241
Currency analysis of trade receivables		
SA Rand	95	241
	95	241

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
20. CASH AND CASH EQUIVALENTS		
Bank balances	17,759	2,017
Bank balances included in a disposal group held for sale (refer note 21)	123	82
	17,882	2,099
Restricted cash	1,023	5,153
Restricted cash included in a disposal group held for sale (refer note 21)	264	1,474
	1,287	6,627
The restricted cash balance of \$1,3million(2014 - \$6,6million) is held on behalf of subsidiary companies in respect of the rehabilitation guarantees issued to the DMR in respect of environmental rehabilitation costs of \$10.1 million (2014: \$17.6 million). This cash is not available for use other than for those specific purposes.		
Credit risk		
Cash at bank earns interest at a floating rate based on daily bank deposit rates. Cash is deposited at highly reputable financial institutions of a high-quality credit standing within Australia, the United Kingdom and the Republic of South Africa.		
The fair value of cash and cash equivalents equates to the values as disclosed in this note.		
21. ASSETS CLASSIFIED AS HELD FOR SALE		
Carrying amounts of		
Holfontein Investments Proprietary Limited (Holfontein)	–	–
Langcarel Proprietary Limited (Mooiplaats)	14,764	18,880
	14,764	18,880
Assets classified as held for sale		
Holfontein	–	–
Mooiplaats	18,118	23,030
	18,118	23,030
Liabilities associated with assets held for sale		
Holfontein	–	–
Mooiplaats	3,354	4,150
	3,354	4,150
Holfontein		
Net assets of Holfontein Investments Proprietary Limited	–	–
Impairment on assets held for sale	–	–
	–	–

The DMR also approved the sale of the undeveloped Opgoedenhooop mining right resulting in the deposit of R5 million (\$0.5 million) being received in May 2014. An additional R1.5 million (\$0.31million) was received in March 2015. The company has agreed on new settlement terms and the R17.2 million (\$1.5 million) balance of the purchase price owed to The Company is payable within 12 months. The outstanding balance will accrue interest at the South African prime rate.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
21. ASSETS CLASSIFIED AS HELD FOR SALE continued		
Mooiplaats		
As described in note 11, the Company is seeking to dispose of its thermal assets which include the Mooiplaats Colliery. The Company expects to recover the remaining carrying value through the sales price.		
The major classes of assets and liabilities of Mooiplaats at the end of the reporting period are as follows:		
Assets classified as held for sale		
Property, plant and equipment	16,770	18,229
Other financial assets	710	2,266
Restricted cash	264	1,474
Inventories	13	929
Trade and other receivables	238	50
Cash and cash equivalents	123	82
	18,118	23,030
Liabilities classified as held for sale		
Provisions	2,855	2,932
Trade payables and accrued expenses	499	1,218
	3,354	4,150
Net assets of Mooiplaats	14,764	18,880
22. DEFERRED CONSIDERATION		
Deferred consideration	18,687	29,800
	18,687	29,800
Opening balance	29,800	30,000
Loan advanced	65	
Repaid during the year	(10,000)	(200)
Interest accrued	33	—
Gain on valuation at amortised cost	(1,303)	—
Foreign exchange	92	—
Balance at end of year	18,687	29,800
Current	3,265	29,800
Non-current	15,422	—
	18,687	29,800

The deferred consideration relates to the second tranche (part of the total acquisition price of \$75 million for Chapudi and Kwezi) of \$30 million payable to Rio Tinto. During the year the Company renegotiated the payment term of this loan. The Company is required to make a minimum payment of \$100,000 a month as well as additional committed money on the sale of non-core assets. This arrangement includes interest at 4%.

The current portion of the deferred consideration consist of the minimum payment of \$100,000 and a \$2million payment on the expected sale of Mooiplaats.

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
23. BORROWINGS		
Secured – at amortised cost		
Secured loans	–	6,372
	–	6,372
Total current borrowings	–	6,372
Total borrowings	–	6,372
The carrying value of the Group's interest bearing liabilities, which consist of floating rate interest bearing liabilities, approximate fair value.		
Investec Bank facility		
Loan advanced	6,372	10,997
Loan repaid	(5,909)	(3,752)
	463	7,245
Foreign exchange differences	(463)	(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 US\$20.0 million) working capital facility from Investec. The facility was repaid in full during the current financial year.

In addition, CoAL had issued 20 million options to Investec which are exercisable at ZAR1.32 before October 2018.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
24. PROVISIONS		
Employee provisions	221	296
Biodiversity offset provision	2,773	2,151
Rehabilitation provisions	3,033	4,643
	6,027	7,090

Employee provisions

The provision for employees represents unused annual leave entitlements.

Biodiversity offset provision

The BOA was signed by the DEA, SANParks and the company to the value of R55 million (\$4.7 million) over a 25 year period. The BOA commits the Company to pay R55million (\$4.4million) to SANParks over a period of 25 years. The following payment arrangement has been agreed:

Phase 1 – R2million paid in 2015

Phase 2 – R15million from year 2016 to 2021 (R2.5million annually)

Phase 3 – R13million from year 2022 to 2028 (R1.8million annually)

Phase 4 – R13million from 2029 to 2033 (R2.6million annually)

Phase 5 – R12million from 2034 to 2038 (R2.4million annually)

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

Rehabilitation provision

Balance at beginning of year

4,643 4,903

Unwinding of discount

86 72

Change in assumptions on rehabilitation provisions

(1,051) –

Foreign exchange differences

(645) (332)

Balance at end of year

3,033 4,643

The rehabilitation provision represents the current cost of environmental liabilities as at the respective year end. An annual estimate of the quantum of closure costs is necessary in order to fulfil the requirements of the DMR, as well as meeting specific closure objectives outlined in the mine's EMP.

Although the ultimate amount of the obligation is uncertain, the fair value of the obligation is based on information that is currently available. This estimate includes costs for the removal of all current mine infrastructure and the rehabilitation of all disturbed areas to a condition as described in the EMP.

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

The current estimate available is inflated by the South African inflation rate of 6% annually and the discount rate applied to establish the current obligation is a South Africa government bond rate at 30 June 2015 of 8.32% annually.

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

The recent granting of the NOMR in May 2015 resulted in a potential construction start date only in the second half of 2016. The Makhado Project is still in Exploration phase and no formal decision to mine is currently in place.

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
Provisions have been analysed between current and non-current as follows:		
Current	294	2,447
Non-current	5,733	4,643
	6,027	7,090

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
25. DEFERRED TAX		
Deferred tax asset	2,320	2,694
	2,320	2,694
The gross movement on the deferred tax account is as follows:		
Balance at beginning of year	2,694	2,885
Exchange differences	(374)	(191)
Balance at end of year	2,320	2,694
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	2,694	2,885
Foreign exchange differences	(374)	(191)
Balance at end of year	2,320	2,694

Deferred income tax assets are recognised for tax-losses carried forward 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 \$97 million (2014: \$101.7 million) in respect of losses amounting to \$158 million (2014: \$147.7 million) and unredeemed capital expenditure of \$176 million (2014: \$215.6 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 LOM model as future profits will be available to utilise the deferred tax asset.

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
26. TRADE AND OTHER PAYABLES		
Trade payables	1,237	3,019
Accrued expenses	1,134	12,064
Other	348	—
	2,719	15,083

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
27. ISSUED CAPITAL		
Fully paid ordinary shares		
1,743,568,613 (2014: 1,048,368,613) fully paid ordinary shares	992,374	935,891
Movements in fully paid ordinary shares	Number	\$'000
At 30 June 2013	1,048,368,613	935,891
Issue of shares, net of issuance costs	–	–
At 30 June 2014	1,048,368,613	935,891
Issue of shares, net of issuance costs	695,200,000	56,483
At 30 June 2015	1,743,568,613	992,374
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	(790,964)	(707,535)
Net loss attributed to owners of the Company	(6,711)	(84,120)
Transferred from share based payment reserve	79,594	691
Accumulated deficit at the end of the financial year	(718,081)	(790,964)

29. RESERVES

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
Reserves		
Capital profits reserve	91	91
Share based payment reserve	7,205	82,464
Foreign currency translation reserve	(7,609)	52,263
	(313)	134,818
Movements for the year can be reconciled as follows:		
Share-based payments reserve		
Opening balance	82,464	82,438
Share options issued during the year	4,335	717
Transfer from share based payment reserve	(79,594)	(691)
Closing balance	7,205	82,464
Foreign currency translation reserve		
Opening balance	52,263	31,008
Exchange differences on translating foreign operations	(59,872)	21,255
Closing balance	(7,609)	52,263

Nature and purpose of reserves:**Capital reserve**

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

Share-based payment reserve

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

Foreign currency translation reserve

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

30. SHARE-BASED PAYMENTS

Employee share option plan

The Group maintains certain Employee Share Option Plans ('ESOPs') for executives and senior employees of the Group as per the rules approved by shareholders on 30 November 2009. In accordance with the terms of the schemes eligible executives and senior employees may be granted options to purchase ordinary shares.

Share options granted to Directors and Officers

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

Share Option Terms, Vesting Requirements and Options Outstanding at 30 June 2015

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 2015:

- 3,000,000 share options over ordinary shares in CoAL were granted to Mr Farrell on 8 December 2009. The options allowed 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 held no voting or dividend rights, were not transferable and lapsed on 30 November 2014.
- 2,500,000 share options over ordinary shares in CoAL were granted to Mr Murray, previously 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 granted on 4 February 2011 to eligible employees of CoAL as part of the ESOP. The options issued are exercisable prior to 30 September 2015 and 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 and 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 granted on 22 November 2013 to eligible employees of CoAL as part of the ESOP. The options 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, previously Chief Financial Officer and Executive Director 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 30 June 2014 and the balances were due to 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. Mr Meeser resigned on 30 April 2015 and the 2,750,000 options that had not vested were cancelled. At reporting date, none of the 1,375,000 vested options had been taken up or had lapsed.

- The Company finalised an 18-month, ZAR210 million working capital facility from Investec Bank Limited during October 2013 and announced that it would issue 20,000,000 Options to Investec. The 20,000,000 shareholder approved options were issued on 30 January 2015 and have an exercise price of ZAR1.32 and expire on 21 October 2018. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. At reporting date, none of the options had been taken up or had lapsed.
- 10,575,000 options were awarded to Mr Brown on his appointment as Chief Executive Officer and Executive Director of the Company. The options were approved by shareholders on 28 November 2014 and issued on 30 January 2015 under the ESOP vesting in three equal tranches of 3,525,000 options on 1 February 2015, 1 February 2016 and 1 February 2017 respectively. The Options will expire on 1 February 2019 and are otherwise subject to the terms of the ESOP. 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.
- On 1 June 2015 the Company issued 40,000,000 options to TMM (Pty) Ltd as part of the three stage equity raise process. The options have an exercise price of ZAR0.30 each and expire in 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
Class C unlisted options	2,500,000	09/11/2010	09/11/2015	A\$1.20	A\$0.59	0.00 years
ESOP unlisted options	1,441,061	04/02/2011	30/09/2015	A\$1.40	A\$0.91	0.00 years
Class L unlisted options	3,500,000	28/11/2012	30/09/2015	GBP0.25	A\$0.05	0.02 years
ESOP unlisted options	2,670,000	16/09/2011	14/02/2017	A\$1.40	ZAR3.46	0.05 years
ESOP unlisted options	3,932,928	22/11/2013	30/06/2017	ZAR1.75	ZAR0.52	0.09 years
ESOP unlisted options	1,375,000	22/11/2013	01/06/2018	ZAR2.00	ZAR0.56	0.05 years
Investec options	20,000,000	30/01/2015	21/10/2018	ZAR1.32	ZAR0.75	0.77 years
ESOP unlisted options	3,525,000	30/01/2015	01/02/2019	ZAR1.20	ZAR0.15	0.15 years
ESOP unlisted options	3,525,000	30/01/2015	01/02/2019	ZAR1.32	ZAR0.14	0.15 years
ESOP unlisted options	3,525,000	30/01/2015	01/02/2019	ZAR1.40	ZAR0.12	0.15 years
TMM options	40,000,000	01/06/2015	01/06/2016	ZAR0.30	ZAR0.77	0.43 years
	85,993,989					

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

30. SHARE-BASED PAYMENTS continued

Fair value of share options granted during the year

The weighted average fair value of share options granted during the financial year is A\$0.07 (2014: A\$0.06). 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 (validated using the Black-Scholes valuation model):

	ESOP grants ⁽¹⁾	ESOP grants ⁽¹⁾	ESOP grants ⁽¹⁾	Investec grant ⁽²⁾	TMM grant ⁽³⁾
Closing share price on issue date	ZAR0.53	ZAR0.53	ZAR0.53	ZAR1.35	ZAR1.04
Exercise price	ZAR1.20	ZAR1.32	ZAR1.45	ZAR1.32	ZAR0.30
Expected volatility	55.0%	55.0%	55.0%	55.0%	80.0%
Option life remaining	4.2 years	4.2 years	4.2 years	5.0 years	1.0 years
Dividend yield	0%	0%	0%	0%	0%
Risk free interest rate	6.92%	6.92%	6.92%	6.64%	6.7%

⁽¹⁾ Options granted to Mr D Brown under the ESOP in terms of his appointment as Chief Executive Officer.

⁽²⁾ Options granted to Investec in terms of the working capital facility.

⁽³⁾ Options granted to TMM in terms of the three stage equity raise process.

The total share based payment expense recognised in the current financial year is \$3,063.987.

Inputs into the binomial option pricing model for the prior financial year were as follows (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 Financial Director.

Movement in share options

	Year ended 30 June 2015	Year ended 30 June 2014
	Number	Number
Options outstanding at beginning of year	21,168,990	13,929,562
Options expired	(3,000,001)	(818,500)
Options cancelled	(2,750,000)	–
Options granted	70,575,000	8,057,928
Options exercised	–	–
Options outstanding at end of year	85,993,989	21,168,990
Weighted average exercise price (A\$)	0.17	0.82
Options exercisable	78,943,989	15,218,014

Share options exercised during the year

No share options were exercised during the period.

Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of A\$0.17 (2014: A\$0.82) and a weighted average contractual life of 1.86 years (2014: 2.19 years).

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'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 27 to 29).

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

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has reached its target gearing ratio of 0% determined as the proportion of net debt to equity. During 2014 the gearing ratio was higher than the target range due to the time delay in the sale of non-core assets.

Debt ⁽¹⁾	–	6,372
Net debt	–	6,372
Equity ⁽²⁾	273,980	282,471
Net debt to equity ratio	–	2.3%

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

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

32.2 Categories of financial instruments

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

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
Financial assets		
Other receivables	1,746	2,245
Trade and other receivables	792	1,902
Cash and cash equivalents	17,759	2,017
Restricted cash	1,023	5,153
Other Financial Assets	3,879	2,217
Total financial assets	25,199	13,534
Financial liabilities		
Deferred consideration	18,687	29,800
Borrowings	–	6,372
Trade and other payables	2,719	15,083
Total financial liabilities	21,406	51,255

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

32 FINANCIAL INSTRUMENTS continued

32.1 Capital management continued

Fair value of financial assets and liabilities

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

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

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

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

Level 1 financial assets comprise deposits and listed securities (note 17).

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

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

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

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

As at 30 June 2015	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	734	3,145	–	3,879
As at 30 June 2014	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	1,251	966	–	2,217

32.3 Financial risk management objectives

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

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

32.4 Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar and the US dollar. Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency.

Most of the Company's purchases are denominated in SA rand. However, certain items during the exploration, development and plant construction phase as well as long-lead capital items are denominated in US dollars, Euros or Australian dollars. These have to be acquired by the South African operating company due to the South African Reserve Bank's Foreign Exchange Control Rulings. This exposes the South African subsidiary companies to changes in the foreign exchange rates.

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

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

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

Balances at 30 June 2015	Held in ZAR \$'000	Held in GBP \$'000	Held in AUD \$'000	Held in USD \$'000	Total \$'000
Financial assets					
Other receivables	1,746	–	–	–	1,746
Trade and other receivables	701	–	91	–	792
Cash ⁽¹⁾ and cash equivalents	13,698	597	44	4,443	18,782
Total financial assets	16,145	597	135	4,443	21,320
<i>⁽¹⁾ Cash includes restricted cash</i>					
Financial liabilities					
Deferred consideration	–	–	–	18,687	18,687
Borrowings	–	–	–	–	–
Trade and other payables	1,462	–	1,257	–	2,719
Total financial liabilities	1,462	–	1,257	18,687	21,406
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
<i>⁽¹⁾ Cash includes restricted cash</i>					
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 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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

32 FINANCIAL INSTRUMENTS continued

32.4 Market risk continued

Foreign exchange risk continued

	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
Judgements on reasonable possible movements		
USD/ZAR increase by 10%	(2,355)	(3,136)
USD/ZAR decrease by 10%	2,355	3,136

32.5 Interest rate risk management

The Group's interest rate risk arises mainly from short-term borrowings, cash and bank balances and restricted cash. The Group has variable interest rate borrowings. Variable rate borrowings expose the group to cash flow interest rate risk.

The Group has not entered into any agreements, such as hedging, to manage this risk.

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

	Year ended 30 June 2015	Year ended 30 June 2014
Impact on profit/(loss)	\$'000	\$'000
Judgements on reasonable possible movements		
Increase of 0.2% in LIBOR	40	(1)
Decrease of 0.2% in LIBOR	(40)	1
Increase of 1.0% in JIBAR	202	(60)
Decrease of 1.0% in JIBAR	(202)	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 dealing predominantly with counterparties with a positive credit rating.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

32.7 Liquidity risk

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

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

	United Kingdom \$'000	Australia \$'000	South Africa \$'000	Total \$'000
Balances at 30 June 2015				
Cash and cash equivalents	5,020	45	13,717	18,782
	5,020	45	13,717	18,782
Balances at 30 June 2014				
Cash and cash equivalents	514	200	6,456	7,170
	514	200	6,456	7,170

The contractual maturities of the Group's financial liabilities at the reporting date were as follows:

	Less than 6 months \$'000	Between 6 – 12 months \$'000	Greater than 12 months \$'000	Total \$'000
Balances at 30 June 2015				
Deferred consideration	2,600	665	16,600	19,865
Borrowings ⁽¹⁾	–	–	–	–
Trade and other payables	2,719	–	–	2,719
	5,319	665	16,600	22,584
Balances at 30 June 2015				
Other receivables	1,746	–	–	1,746
Trade and other receivables	792	–	–	792
Cash and cash equivalents	17,759	–	–	17,759
Restricted cash	1,023	–	–	1,023
Other financial assets	468	–	3,411	3,879
	21,788	–	3,411	25,199
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
Balances at 30 June 2014				
Other Receivables	–	2,826	–	2,826
Trade and Other Receivables	1,902	–	–	1,902
Cash and Cash Equivalent	2,017	–	–	2,017
Restricted Cash	287	–	–	287
Other financial assets	618	–	–	618
	4,824	2,826	–	7,650

⁽¹⁾ Interest bearing at rates between 4 % and 10 %

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

33. NOTES TO THE STATEMENT OF CASH FLOWS

		Year ended 30 June 2015	Year ended 30 June 2014
	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	17,882	2,099
Reconciliation of loss before tax to net cash used in operations			
Loss before tax (continuing operations and operations held for sale)		(6,711)	(84,120)
Add back:			
Depreciation		497	1,106
Amortisation		975	1,069
Impairment losses		–	14,933
Share-based payment		3,064	717
Re-valuation of investments		281	576
Re-valuation of inventory		847	
Sundry income (non-cash)		(487)	(4,486)
Gain on revaluation of Deferred Consideration		(1,303)	–
Movement in provisions		368	555
Finance costs (net)		1,504	1,286
Loss on sale of assets		–	42
Foreign exchange (gains)/losses on operating activities		(14,504)	36,725
Changes in working capital			
Decrease in inventories		4	568
Decrease in trade and other receivables		1,282	1,365
(Decrease)/increase in trade and other payables		(935)	8,196
Cash used in operations		(15,121)	(21,468)

34. CONTINGENCIES AND COMMITMENTS

CONTINGENT LIABILITIES AS OUTLINED BELOW:

Ferret Mining & Environmental Services Proprietary Limited

During the period, Ferret's 26% shareholding in Mooiplaats Mining Limited was re-instated. Although Ferret is not entitled to any assets or claims in the Mooiplaats group, and is entitled to receive ZAR15million (US\$1.0 million) upon the successful disposal of the Mooiplaats Colliery.

Issue of Share Options to De Wet Schutte

In terms of his appointment as Chief Financial officer, Mr Schutte is entitled to receive 6,600,000 options in three equal tranches over a three-year period (Year 1: 2,200,000 at ZAR 1, 20, Year 2: 2,200,000 at ZAR 1, 32, Year 3: 2,200,000 at ZAR 1, 45) These are granted in accordance with the Company's employee share option plan and are subject to shareholder approval.

Makhado Water Commitment

CoAL has agreed to acquire water allocation for the Makhado Project from water users situated near the proposed colliery and the Company has undertaken to increase supply assurance without impacting negatively on the water available for agriculture. The parties have in principle agreed to avoid endangering local agriculture by creating new water, primarily by reducing losses, improving distribution and countering leakages and evaporation. The creation of new water will be financed either through CoAL's funds, outside funding or a Public-Private-Partnership with one or more organs of the State or other appropriate entities.

The overall objective is the co-existence of mining and agriculture and includes a feasibility study and the completion of projects identified in the study which will facilitate the creation of new water. In terms of the agreement, the Company will be required to pay a total of \$7.9 million. The first payments of \$1.8 million are due 90 and 180 days after the granting of the IWUL, a further \$0.6 million is payable eight months after the IWUL is granted and the balance within five years of the granting.

COMMITMENTS

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

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 2015 \$	Year ended 30 June 2014 \$
Short-term employee benefits	1,288,914	1,882,235
Post-employment benefits	9,552	15,812
Termination benefits	—	—
Share-based payments	131,485	253,053
	1,429,951	2,151,100

The Group has not provided any of its key management personnel with loans.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

36. CONTROLLED ENTITIES

Particulars in relation to controlled entities

	Country of incorporation	Year ended 30 June 2015 %	Year ended 30 June 2014 %
Bakstaar 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
Coal of Africa & ArcelorMittal Analytical Laboratories Proprietary Limited	South Africa	50	50
Cove Mining NL	Australia	100	100
Evoc Mining NL****	Australia	–	100
Freewheel Trade and Invest 37 Proprietary Limited	South Africa	100	100
Fumaria Property Holdings Proprietary Limited	South Africa	100	100
Golden Valley Services Proprietary Limited	Australia	100	100
Greenstone Gold Mines NL****	Australia	–	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	74
Kwezi Mining Exploration Proprietary Limited ***	South Africa	74	74
Langcarel Proprietary Limited *****	South Africa	74	74
Limpopo Coal Company Proprietary Limited	South Africa	100	100
MbeuYahsu Proprietary Limited	South Africa	74	74
Mooiplaats Mining Limited	South Africa	74	74
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

* Subsidiary company of Fumaria Property Holdings Proprietary Limited

** 74% on completion of the Makhado Project BBBEE transactions

*** Subsidiary companies of MbeuYashu Proprietary Limited

**** Deregistered

***** Subsidiary company of Mooiplaats Mining Limited

37. EVENTS AFTER THE REPORTING PERIOD

Post year end, the following significant events took place:

- Entering into a Subscription Agreement and a Loan Agreement with Singapore registered Yishun Brightrise Investment PTE Limited ("Yishun") whereby Yishun will acquire up to 183,231,261 ordinary shares for 5.15 British pence each raising approximately GBP9.4 million (approximately \$14.7 million) conditional upon, CoAL shareholder approval on the 14th of September 2015. The Company and Yishun have also entered into a Loan Agreement in terms of which Yishun has agreed to lend CoAL \$10 million conditional upon the Company's shareholders approving the issue of the 183,231,261 shares. The loan will bear no interest and is only repayable in limited circumstances.

There have been no other events between 30 June 2015 and the date of this report which necessitate adjustment to the consolidated statements of comprehensive income or consolidated statements of financial position at that date.

	Parent entity	
	Year ended 30 June 2015	Year ended 30 June 2014
	\$'000	\$'000
38. PARENT ENTITY FINANCIAL INFORMATION		
Summary financial information		
Non-current assets	270,405	444,433
Current assets	6,806	3,205
Total assets	277,211	447,638
Current liabilities	5,389	18,758
Total liabilities	5,389	18,758
Net assets	271,822	428,880
Shareholders' Equity		
Issued capital	992,374	935,891
Accumulated deficit	(887,836)	(649,416)
Reserves	167,284	142,405
	271,822	428,880
Loss for the year	(238,420)	(175,336)
Total comprehensive loss	(238,420)	(175,336)
Commitments		
• Coal has subordinated all loans to subsidiary companies.		

Independent **auditor's report**



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COAL OF AFRICA LIMITED REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Coal of Africa Limited, which comprises the statement of financial position as at 30 June 2015, 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 38 to 102.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

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

AUDITOR'S RESPONSIBILITY

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

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

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

AUDITOR'S INDEPENDENCE DECLARATION

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

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 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 12 to 22 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the Corporations Act 2001.

DELOITTE TOUCHE TOHMATSU



Ross Jerrard

Partner
Chartered Accountants
Perth,
10 September 2015

An aerial photograph of a coal processing or mining site. In the foreground, a large articulated truck is parked on a dark, muddy surface with deep tire tracks. Behind it, another truck is visible. To the right, a large piece of heavy machinery, possibly a bulldozer or grader, is working on the ground. The background shows a dry, open landscape with sparse trees and a clear sky. A large red rounded rectangle is overlaid on the upper half of the image, containing the word 'ADMINISTRATION' in white capital letters.

ADMINISTRATION



Contents

Tenement schedule	132
Shareholder information	137
GRI content index	140
Glossary of terms and acronyms	144
Corporate information	IBC

Tenement **schedule**

TENEMENTS HELD BY COAL AND ITS CONTROLLED ENTITIES

Project name	Tenement number	Location	Interest	Change in quarter
Chapudi Project*	Albert 686 MS-	Limpopo~	74%	
	Bergwater 712 MS--		74%	
	Remaining Extent and Portion 2 of Bergwater 697 MS--		74%	
	Blackstone Edge 705 MS		74%	
	Remaining Extent & Portion 1 of Bluebell 480 MS-		74%	
	Remaining Extent & Portion 1 of Bushy Rise 702 MS--		74%	
	Castle Koppies 652 MS--		74%	
	Chapudi 752 MS --		74%	
	Remaining Extent, Portions 1, 3 & 4 of Coniston 699 MS--		74%	
	Driehoek 631 MS--		74%	
	Remaining Extent of Dorps-rivier 696 MS--		74%	
	Enfield 512 MS (consolidation of Remaining Extent of Enfield 474 MS, Brosdoorn 682 MS & Remaining Extent of Grootvlei 684 MS)--		74%	
	Remaining Extent and Portion 1 of		74%	
	Grootboomen 476 MS-		74%	
	Grootvlei 684 MS--		74%	
	Kalkbult 709 MS		74%	
	Remaining Extent, Remaining Extent of Portion 2, Remaining Extent of Portion 3, Portions 1, 4, 5, 6, 7 & 8 of Kliprivier 692 MS-		74%	
	Remaining Extent of Koodoobult 664 MS-		74%	
	Koschade 657 MS (Was Mapani Kop 656 MS)-		74%	
	Malapchani 659 MS-		74%	
	Mapani Ridge 660 MS-		74%	
	Melrose 469 MS-		74%	
	Middelfontein 683 MS-		74%	
	Mountain View 706 MS-		74%	
	M'tamba Vlei 654 MS		74%	
	Remaining Extent & Portion 1 of Pienaar 635 MS-		74%	
	Remaining Extent & Portion 1 of Prince's Hill 704 MS-		74%	
	Qualipan 655 MS-		74%	
	Queensdale 707 MS-		74%	
	Remaining Extent & Portion 1 of Ridge End 662 MS-		74%	
	Remaining Extent & Portion 1 of Rochdale 700 MS-		74%	
	Sandilands 708 MS-		74%	
	Portions 1 & 2 of Sandpan 687 MS--		74%	
	Sandstone Edge 658 MS-		74%	
	Remaining Extent of Portions 2 & 3 of Sterkstroom 689 MS--		74%	
	Sutherland 693 MS-		74%	
	Remaining Extent & Portion 1 of Varkfontein 671 MS--		74%	
	Remaining Extent, Portion 2, Remaining Extent of Portion 1 of Vastval 477 MS-		74%	
	Vleifontein 691 MS-		74%	
	Ptn 3, 4, 5 & 6 of Waterpoort 695 MS--		74%	
	Wildebeesthoek 661 MS-		74%	
	Woodlands 701 MS-		74%	

Project name	Tenement number	Location	Interest	Change in quarter
Kanowna West and Kalbara	M27/41	Coolgardie^	23.68%	
	M27/47		23.68%	
	M27/59		23.68%	
	M27/72,27/73		23.68%	
	M27/114		23.68%	
	M27/181		21.31%	
	M27/196		23.68%	
	M27/414,27/415		23.68%	
	P27/1826-1829		23.68%	
	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			
	Portion 2 of the farm Windhoek 649 MS		100%	
Generaal Project*	Beck 568 MS--	Limpopo~	74%	
	Bekaf 650 MS-		74%	
	Remaining Extent & Portion 1 of Boas 642 MS-		74%	
	Chase 576 MS-		74%	
	Coen Britz 646 MS-		74%	
	Fanie 578 MS-		74%	
	Portions 1, 2 and Remaining Extent of Generaal 587 MS-		74%	
	Joffre 584 MS-		74%	
	Juliana 647 MS		74%	
	Kleinenberg 636 MS-		74%	
	Remaining Extent of Maseri Pan 520 MS-		74%	
	Remaining Extent and Portion 2 of Mount Stuart 153 MT--		100%	
	Nakab 184 MT--		100%	
	Phantom 640 MS--		74%	
	Riet 182 MT--		100%	
	Rissik 637 MS-		100%	
	Schuitdrift 179 MT-		100%	
	Septimus 156 MT--		100%	

Tenement **schedule** *continued*

TENEMENTS HELD BY COAL AND ITS CONTROLLED ENTITIES *continued*

Project name	Tenement number	Location	Interest	Change in quarter
	Solitude 111 MT-		74%	
	Stayt 183 MT--		100%	
	Remaining Extent & Portion 1 of Terblanche 155 MT--		100%	
	Van Deventer 641 MS-		74%	
	Wildgoose 577 MS-		74%	
Mopane Project*	Ancaster 501 MS--	Limpopo~	100%	
	Banff 502 MS-		74%	
	Bierman 599 MS-		74%	
	Cavan 508 MS		100%	
	Cohen 591 MS--		100%	
	Remaining Extent, Portions 1 & 2 of Delft 499 MS-		74%	
	Dreyer 526 MS--		74%	
	Remaining Extent of Du Toit 563 MS-		74%	
	Faure 562 MS		74%	
	Remaining Extent and Portion 1 of Goosen 530 MS --		74%	
	Hermanus 533 MS-		74%	
	Jutland 536 MS--		100%	
	Krige 495 MS-		74%	
	Mons 557 MS-		100%	
	Remaining Extent of Otto 560 MS (Now Honeymoon)-		74%	
	Remaining Extent & Portion 1 of Pretorius 531 MS-		74%	
	Schalk 542 MS-		74%	
	Stubbs 558 MS-		100%	
	Ursa Minor 551 MS--		74%	
	Van Heerden 519 MS--		74%	
	Portions 1, 3, 4, 5, 6, 7, 8, 9, Remaining Extent of Portion 10, Portions 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 35, 36, 37, 38, 39, 40, 41, 44, 45, 46, 48, 49, 50, 51, 52 & 54 of Vera 815 MS		74%	
	Remaining Extent of Verdun 535 MS-		74%	
	Voorburg 503 MS--		100%	
Mooiplaats Colliery and prospects	Portions 1, 9, 14, 17, 18, 19, 20 & Remaining Extent of Mooiplaats 290 IT	Mpumalanga~	74%	
	Portion 2, 3 and Remaining Extent of Klipbank 295 IT		74%	
	Portions 1, 2 and Remaining Extent of Adrianople 296 IT		74%	
	Portions 2 & 3 of Willemsdal 330 IT		74%	
	Portions 2, 3, 4 & Remaining Extent) of De Emigratie 327 IT		74%	
	Remaining Extent and Portions 2, 5, 8, 10 & 13 of Buhrmansvallei 297 IT		74%	
	Klipfontein 442 IT		74%	
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%	

Project name	Tenement number	Location	Interest	Change in quarter
	Voorspoed 836 MS		100%	
	Alyth 837 MS		100%	
	Lizzuela 62 MS		100%	
	Patracia 65 MS		100%	
	Hacyon 69 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%	
	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%	

Tenement **schedule** *continued*

TENEMENTS HELD BY COAL AND ITS CONTROLLED ENTITIES *continued*

Project name	Tenement number	Location	Interest	Change in quarter
	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.

CoAL's interest will reduce to 74% owned on completion of the Broad Based Economic Empowerment transaction.

Shareholder information

Unless otherwise stated, the following additional information is current as at 25 September 2015.

DISTRIBUTION SCHEDULES

Shares: Ordinary fully paid

Range	Holders	Units	%
1 - 1,000	1,361	611,049	0.03
1,001 - 5,000	1,487	4,233,550	0.22
5,001 - 10,000	658	5,305,544	0.28
10,001 - 100,000	1,175	40,116,422	2.08
Over 100,000	370	1,876,533,309	97.39
Total	5,051	1,926,799,874	100.00

UNMARKETABLE PARCELS

The number of holdings of less than a marketable parcel of ordinary shares (being 5,556 ordinary shares) equals 5,077,337 units held by 2,892 holders.

Unlisted Options: 30 September 2015 @ US\$1.40 or ZAR12.50

Range	Holders	Units	%
1 - 1,000	–	–	–
1,001 - 5,000	1	4,000	0
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: 30 November 2015 @ ZAR2.00

Range	Holders	Units	%
1 - 1,000	–	–	–
1,001 - 5,000	–	–	–
5,001 - 10,000	–	–	–
10,001 - 100,000	–	–	–
Over 100,000	1	1,375,000	100
Total	1	1,375,000	100

Shareholder information continued

Unlisted Options: 1 June 2016 @ ZAR0.30

Range	Holders	Units	%
1 - 1,000	—	—	—
1,001 - 5,000	—	—	—
5,001 - 10,000	—	—	—
10,001 - 100,000	—	—	—
Over 100,000	1	40,000,000	100
Total	1	40,000,000	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: 21 October 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	20,000,000	100
Total	1	20,000,000	100

Unlisted Options: 1 February 2019 @ ZAR1.20

Range	Holders	Units	%
1 - 1,000	—	—	—
1,001 - 5,000	—	—	—
5,001 - 10,000	—	—	—
10,001 - 100,000	—	—	—
Over 100,000	1	3,525,000	100
Total	1	3,525,000	100

Unlisted Options: 1 February 2019 @ ZAR1.32

Range	Holders	Units	%
1 - 1,000	—	—	—
1,001 - 5,000	—	—	—
5,001 - 10,000	—	—	—
10,001 - 100,000	—	—	—
Over 100,000	1	3,525,000	100
Total	1	3,525,000	100

Unlisted Options: 1 February 2019 @ ZAR1.45

Range	Holders	Units	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
Over 100,000	1	3,525,000	100
Total	1	3,525,000	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 2015 are:

Shareholder	Number of shares	%
Haohua Energy International (Hong Kong) Resource Co., Ltd.	462,417,579	24.0
M & G Investment Management Ltd.	346,128,850	18.0
TMM Holdings (Pty) Ltd.	215,000,000	11.2
Yishun Brightrise Investment PTE Limited	183,231,261	9.5
Investec Limited	136,948,544	7.1
ArcelorMittal S.A.	126,133,423	6.5

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 2015 were:

Fully paid ordinary shares

Shareholder	Number of shares	%
Haohua Energy International (Hong Kong) Resource Co., Ltd.	462,417,579	24.0
M & G Investment Management Ltd.	346,128,850	18.0
TMM Holdings (Pty) Ltd.	215,000,000	11.2
Yishun Brightrise Investment PTE Limited	183,231,261	9.5
Investec Limited	136,948,544	7.1
ArcelorMittal S.A.	126,133,423	6.5
Jun Liu	66,950,706	3.5
Barclays, Plc.	31,806,329	1.7
Vitol Energy (Bermuda), Ltd.	24,417,594	1.3
Union Bancaire Privée	23,175,540	1.2
Shinning Capital Holdings II LP	14,135,002	0.7
Public Investment Corporation Limited	9,924,550	0.5
Ping He	8,668,880	0.4
Carla Ferreira	6,689,086	0.3
Manoj Kumar Mansingh	6,001,820	0.3
Jannie Abraham Nel	5,000,000	0.3
Dimensional Fund Advisors LP	4,751,494	0.2
HSBC Holdings plc	4,523,759	0.2
Dean De Villiers	4,250,848	0.2
TD Bank Group	4,211,857	0.2

GRI content index

CoAL has transitioned from GRI's G3 to the new generation G4 guidelines, but has not yet fulfilled all the requirements of the core 'in accordance' option. This index contains the following disclosures from the GRI G4 sustainability reporting guidelines.

General standard disclosures	Page/section	Reporting level	External assurance
STRATEGY AND ANALYSIS			
G4-1 Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	Chairman's statement: 8 CEO's review: 9 to 11	Fully	—
ORGANISATIONAL PROFILE			
G4-2 Provide a description of key impacts, risks and opportunities	Introduction: 14 Safety and health: 24 Environmental management: 26	Fully	—
G4-3 Report the name of the organisation	Scope of the report: IFC	Fully	—
G4-4 Report the primary brands, products and services	About Coal of Africa: 3	Fully	—
G4-5 Report the location of the organisation's headquarters	Corporate information: IBC	Fully	—
G4-6 Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	About Coal of Africa: 2 to 3	Fully	—
G4-7 Report the nature of ownership and legal form	Stakeholder engagement: 19	Fully	—
G4-8 Report the markets served (including geographic breakdown, sectors served, and the types of customers and beneficiaries)	About Coal of Africa: 2 to 3	Fully	—
G4-10 Report the composition of the workforce, including: a) Report the total number of employees by employment contract and gender b) Report the total number of permanent employees by employment type and gender c) Report the total workforce by employees and supervised workers and by gender d) Report the total workforce by region and gender e) Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors f) Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	Employment: 31 to 32	Partially, turnover by age group or gender is not allocated and therefore not available	—
G4-13 Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including: a) Changes in the location of, or changes in, operations, including facility openings, closings, and expansions b) Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations) c) Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	Scope of the report: IFC, About Coal of Africa: 2 to 3, Five-point turnaround strategy: 4 Chairman's statement: 8 CEO's review: 9 to 11	Fully	—
G4-15 List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Scope of the report: IFC Regulatory compliance: 22 to 23	Fully	—
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-18 a) Explain the process for defining the report content and the aspect boundaries b) Explain how the organisation has implemented the reporting principles for defining report content	Scope of the report: IFC Sustainable development review - Introduction: 14	Fully	—
G4-19 List all the material aspects identified in the process for defining report content	Sustainable development review - Introduction: 14	Fully	—

General standard disclosures	Page/section	Reporting level	External assurance
G4-20 For each material aspect, report the aspect boundary within the organisation, as follows: - Report whether the aspect is material within the organisation - If the aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: - The list of entities or groups of entities included in G4-17 for which the aspect is not material or - The list of entities or groups of entities included in G4-17 for which the aspects is material - Report any specific limitation regarding the aspect boundary within the organisation	Sustainable development review - Introduction: 14 Stakeholder engagement: 16 to 20 Safety and health: 24 to 25 Environmental management: 26 Employment: 31 Corporate social investment: 34 Corporate governance statement: 43 to 53	Fully	—
G4-21 For each material aspect, report the aspect boundary outside the organisation, as follows: - Report whether the aspect is material outside of the organisation - If the aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the Aspect is material - In addition, describe the geographical location where the aspect is material for the entities identified - Report any specific limitation regarding the aspect boundary outside the organisation	Sustainable development review - Introduction: 14 Regulatory compliance update: 21 to 23 Environmental management: 26, Employment: 31 Corporate social investment: 34, Corporate social investment: 34 to 35	Fully	—
G4-22 Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	Notes to financial statements: 93	Fully	—
G4-23 Report significant changes from previous reporting periods in the scope and aspect boundaries	Scope of the report: IFC GRI content index: 140 to 143	Fully	—
STAKEHOLDER ENGAGEMENT			
G4-24 Provide a list of stakeholder groups engaged by the organisation	Stakeholder engagement: 18 to 20	Fully	—
G4-25 Report the basis for identification and selection of stakeholders with whom to engage	Stakeholder engagement: 18 to 21	Fully	—
G4-27 Report key topics and concerns raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	Stakeholder engagement: 16 to 23	Fully	—
REPORT PROFILE			
G4-28 Reporting period (such as fiscal or calendar year) for information provided	Scope of the report: IFC	Fully	—
G4-29 Date of most recent previous report (if any)	2014, annual reporting cycle	Fully	—
G4-30 Reporting cycle (such as annual, biennial)	Scope of the report: IFC	Fully	—
G4-31 Provide the contact point for questions regarding the report or its contents	Corporate information: IBC	Fully	—
G4-32 'In accordance' option: - Report the 'in accordance' option the organisation has chosen - Report the GRI Content Index for the chosen option - Report the reference to the external assurance report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the guidelines	GRI content index: 140	Fully	—
GOVERNANCE			
G4-34 Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	Corporate governance statement: 43 to 47 and 51, Directors Report: 54 to 55	Partially	—

GRI content index **continued**

General standard disclosures	Page/section	Reporting level	External assurance
G4-36 Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post-holders report directly to the highest governance body	Corporate governance statement: 42 to 47 and 51	Partially	—
G4-37 Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	Corporate governance statement: 42 to 47 and 51	Partially	—
G4-38 Report the composition of the highest governance body and its committees by: Executive or non-executive • Independence • Tenure on the governance body • Number of each individual's other significant positions and commitments, and the nature of the commitments • Gender • Membership of under-represented social groups • Competences relating to economic, environmental and social impacts • Stakeholder representation	Corporate governance statement: 42 to 47, 49 to 50 Directors Report: 54 to 55	Partially	—
G4-39 Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement)	Corporate governance statement: 42 to 45 Directors Report: 54 to 55	Partially	—
HIGHEST GOVERNANCE BODY'S ROLE IN SUSTAINABILITY REPORTING			
G4-49 Report the process for communicating critical concerns to the highest governance body	Corporate governance statement: 44 to 47	Fully	—
REMUNERATION AND INCENTIVES			
G4-51 a) Report the remuneration policies for the highest governance body and senior executives for the types of remuneration below: • Fixed pay and variable pay: • Performance-based pay • Equity-based pay • Bonuses • Deferred or vested shares • Sign-on bonuses or recruitment • incentive payments • Termination payments • Clawbacks • Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b) Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	Corporate governance statement: 33 and 47 Directors' report: 61 to 62, 67 to 68	Fully	—
G4-53 Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	Corporate governance: 52 to 53	Fully	—
ETHICS AND INTEGRITY			
SPECIFIC STANDARD DISCLOSURES			
DMA and indicators	Section heading and page number	Reporting level	External Assurance
CATEGORY: ECONOMIC			
MATERIAL ASPECT: ECONOMIC PERFORMANCE			
G4-EC1 Direct economic value generated and distributed	Operational statistics: 5 Social corporate investment: 34 to 35 Annual financial statements: 74 to 77	Fully	—

MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS				
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Safety and health: 24 to 25 Environmental management: 26 to 30 Employment: 31 to 33 Corporate social investment: 34 to 35	Fully	—
MATERIAL ASPECT: PROCUREMENT PRACTICES				
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Shareholder engagement: 19	Partially, percentage not reported	—
MATERIAL ASPECT: ENERGY				
G4-EN3	Direct energy consumption	Environmental management: 27 to 28	Fully	—
MATERIAL ASPECT: WATER				
G4-EN8	Total water withdrawal by source	Environmental management: 26 to 27, 29 to 30	Fully	—
G4-EN9	Water sources significantly affected by withdrawal of water	Environmental management: 26 to 27, 29 to 30	Fully	—
G4-EN10	Percentage and total volume of water recycled and reused	Environmental management: 27	Fully	—
MATERIAL ASPECT: BIODIVERSITY				
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Regulatory compliance update: 21 to 23 Environmental management: 28 and 30	Fully	—
MATERIAL ASPECT: EMPLOYMENT				
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Employment: 31	Partially, turnover by age group or gender is not collated and therefore not available	—
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Safety and health: 25	Partially - lost days, absenteeism, total number of work-related fatalities, by region and by gender are not collated and therefore not available	—
G4-LA7	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	Safety and health: 25	Fully	—
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Employment – Labour relations: 32	None	Fully

Glossary of terms and acronyms

ABET	Adult Basic Education and Training	LEDA	Limpopo Development Agency
AIM	Alternative Investment Market	LOM	Life-of-mine
ASX	Australian Stock Exchange	LSE	London Stock Exchange
BA	Basic Assessment	LTI	Lost time injury
BBBEE	Broad based black economic empowerment	MCCCCF	Makhado Colliery Community Consultative Forum
BEE	Black Economic Empowerment	MPRDA	Mineral and Petroleum Resources Development Act
BOA	Biodiversity Offset Agreement	Mtpa	Million tonnes per annum
DEA	Department of Environmental Affairs	NDP	National Development Plan
DMR	Department of Mineral Resources	NEMA	National Environmental Management Act
DOE	Department of Education	NGO	Non-governmental organisation
DTI	Department of Trade and Industry	NIHL	Noise induced hearing loss
DWS	Department of Water and Sanitation	NWA	National Water Act
EA	Environmental Authorisation	NOMR	New order mining right
ECO	Environmental Control Officer	NRO	National Reporting Organisations
EEA	Employment Equity Act	PMP	Plant modification project
EIA	Environmental Impact Assessment	PPP	Public Participation Process
EMC	Environmental Management Committee	PSC	Project Steering Committee
EMP	Environmental Management Plan	ROM	Run-of-mine
EMPr	Environmental Management Programme	SANParks	South African National Parks
EO	Environmental Officer	SEZ	Special Economic Zone
ESOP	Employee Share Option Plan	SHE	Safety, Health and Environment
FEED	Front End Engineering and Design	SLP	Social and Labour Plan
GRI	Global Reporting Initiative	SMME	Small, medium and micro enterprise
GSP	Greater Soutpansberg Project	SMS	Stakeholder Management System
HDSA	Historically disadvantaged South African	WMC	Water Monitoring Committee
IAAPS	Interested and affected parties		
IFRS	International Financial Reporting Standards		
IPP	Independent Power producer		
IWUL	Integrated Water Use Licence		
JORC	Australian Code for reporting Exploration Results, Mineral resources and Mineral Reserves		
JSE	Johannesburg Stock Exchange Limited		
LEDET	Limpopo Department of Economic Development, Environment and Tourism		

Corporate information

INCORPORATION AND OPERATION

Country of Incorporation:	Australia
AUS company number (ACN):	008 905 388
Main country of operation:	South Africa

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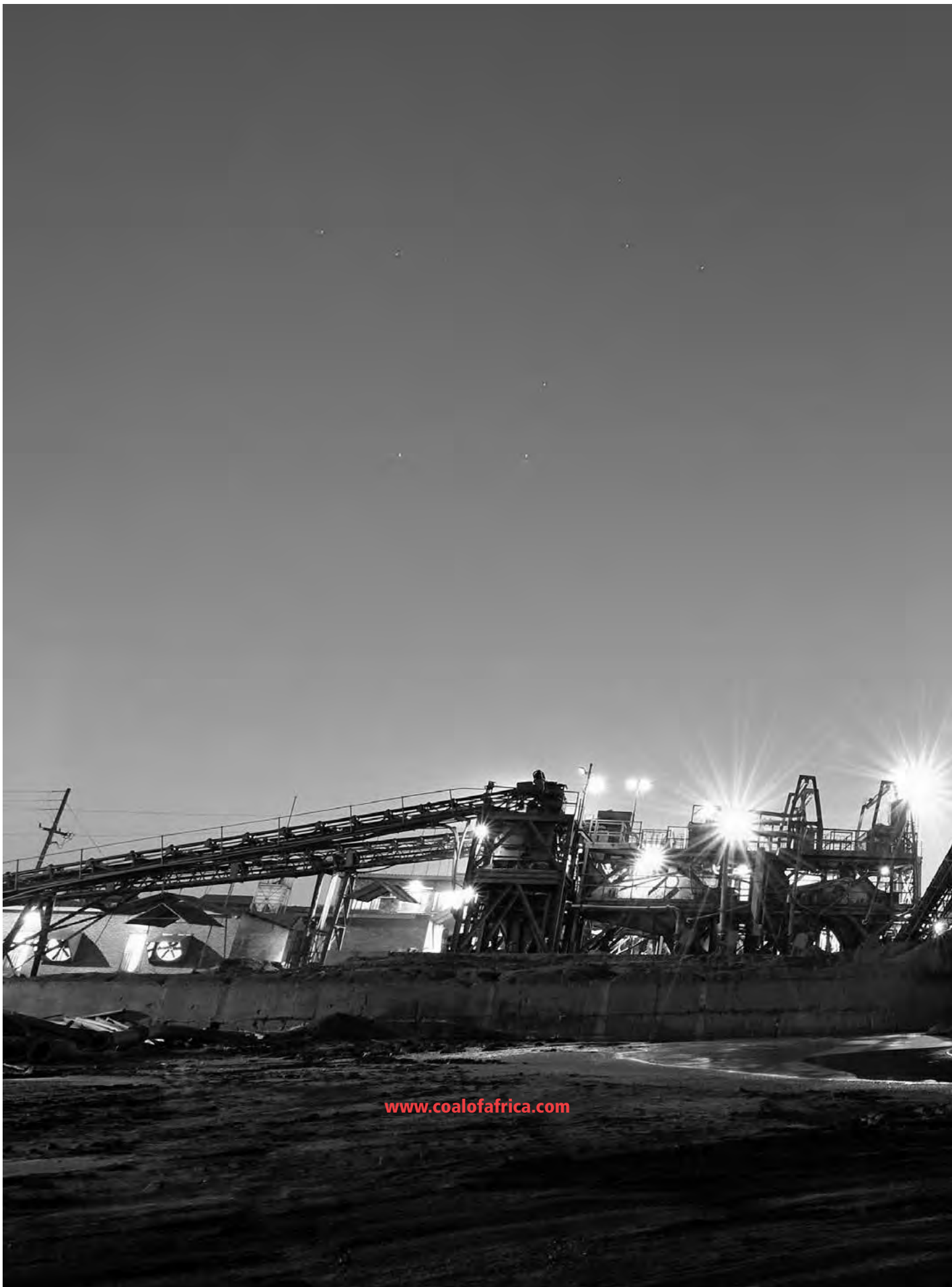
DIRECTORS

B Pryor	Independent Chairman
D Brown	Chief Executive Officer and Executive Director
D Schutte	Chief Financial Officer and Executive Director
P Cordin	Independent Non-executive Director
K Mosehla	Independent Non-executive Director
R Torlage	Non-Executive Director
A Mifflin	Independent Non-executive Director
T Mosololi	Independent Non-executive Director

COMPANY SECRETARY

Tony Bevan

Email:	tonyb@endeavourcorp.com.au
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