

COAL OF AFRICA LIMITED
AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016
(Expressed in United States Dollars unless otherwise stated)

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COAL OF AFRICA LIMITED

DIRECTORS' REPORT

The directors of Coal of Africa Limited ("CoAL" or the "Company") submit herewith the annual report of the Company and the entities controlled by the Company (its subsidiaries), collectively referred to as the "Group" or the "Consolidated Entity," for the financial year ended 30 June 2016. 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 is currently the chief executive officer of Alufer Mining Limited and was previously the chief executive officer of African Minerals Limited and prior to that the chief executive of Q Resources plc. Between 2006 and 2010 he held senior executive positions within Anglo American Plc as head of business development, and CEO of Anglo Ferrous Brazil Inc.
David Hugh Brown	Executive Director and Chief Executive Officer	Mr Brown is a Chartered Accountant, CA (SA) and completed his articles with Ernst & Young, graduating from the University of Cape Town. Mr Brown joined CoAL following a tenure of almost 14 years at Impala Platinum Holdings Limited ("Implats"). He joined the Impala Group in 1999 and served as 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. In the past he has served as a non-executive director of Simmer & Jack Limited, as well as Edcon Holdings Limited and chairman of ASX listed Zimplats Holdings Limited.
De Wet Olivier Schutte	Executive Director and Chief Financial Officer	Mr De Wet Schutte is a Chartered Accountant, CA (SA) and completed an MBA at the University of Virginia in 2002. He has been involved at the senior level in the mining and natural resources industry for the past 16 years, most notably as Managing Director, Natural Resources at Macquarie Bank and CFO at the listed platinum producer, Atlatsa Resources Corporation. Prior to these positions he worked for Harmony Gold Mining (Pty) Ltd as its New Business and Exploration Executive for a period of three years.
Peter George Cordin	Independent Non-Executive Director	Mr Cordin has a Bachelor of Engineering from the University of Western Australia and is experienced in the evaluation, development and operation of resource projects within Australia and overseas. He is a non-executive director of Vital Metals Limited and Aurora Minerals Limited.
Khomotso Brian Mosehla	Independent Non-Executive Director	Mr Mosehla is a Chartered Accountant, CA (SA) and completed his articles with KPMG. Mr Mosehla worked for five years at African Merchant Bank Limited, where he gained a broad range of experience, including management buy-out, leveraged buy-out and capital restructuring/raising transactions. In 2003, he established Mvelaphanda Corporate Finance, for the development of

		Mvelaphanda's mining and non-mining interests. Mr Mosehla served as a director on the boards of several companies, including Mvelaphanda Resources Limited, and he is currently the Chief Executive Officer of Mosomo Investment Holdings Proprietary Limited. Mr Mosehla is currently a director of Northam Platinum Ltd as well as Zambezi Platinum Limited
Rudolph Henry Torlage	Non-Executive Director	Mr Torlage is a Chartered Accountant and has over twenty years experience with ArcelorMittal South Africa. He is currently General Manager, Strategy and Special Projects and a Board member of various unlisted ArcelorMittal Group companies. He was previously the Executive Director Finance at ArcelorMittal South Africa.
Andrew David Mifflin	Independent Non-Executive Director	Mr Mifflin obtained his BSc. (Hons) Mining Engineering from Staffordshire University and has a Master's Degree in Business Administration. Andrew has over 30 years' experience specifically in the coal mining arena. His experience spans across various organisations such as British Coal Corporation, Xstrata and more recently GVK Resources. He has gained in depth knowledge in coal operations, both thermal and hard coking coal as well as in project development.
Thabo Felix Mosololi	Independent Non-Executive Director	Mr Mosololi is a Chartered Accountant, CA (SA) qualified in South Africa and brings considerable expertise as a director of various companies as well as from his time as Finance Director and Operations Director with Tsogo Sun. Thabo has 20 years of experience within the South African corporate environment. Mr Mosololi is currently a director of Pan African Resources PLC.

No directors were appointed or resigned during the financial year end 30 June 2016.

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	Vodacom Group Limited	2012 – Present
De Wet Olivier Schutte	None	
Peter George Cordin	Dragon Mining Limited	2006 – 2014
	Vital Metals Limited	2009 – Present
	Aurora Minerals Limited	2014 – Present
Khomotso Brian Mosehla	Northam Platinum Limited	2015 – Present
	Zambezi Platinum Limited	2015 – Present
Rudolph Henry Torlage	None	
Andrew David Mifflin	None	
Thabo Felix Mosololi	Evraz Highveld Steel & Vanadium Limited	2013 – 2015
	Pan African Resources PLC	2014 – Present

Directors' shareholdings

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

Director	Ordinary shares	Performance Grants	Unlisted options
B Pryor ⁽¹⁾	150,000	-	1,000,000
D Brown ⁽²⁾	825,000	9,714,021	10,575,000
D Schutte ⁽³⁾	-	5,449,944	-
P Cordin ⁽⁴⁾	1,371,059	-	1,000,000
K Mosehla ⁽⁵⁾	-	-	1,000,000
R Torlage	-	-	-
A Mifflin ⁽⁶⁾	-	-	1,000,000
T Mosololi ⁽⁷⁾	10,000	-	1,000,000
	2,356,059	15,163,965	15,575,000

*Subject to shareholder approval

1. Mr Pryor was issued with the following share options:

- 1,000,000 share options on 28 November 2012 with an exercise price of GBP0.25 expiring three years from date of issue. These share options expired during the current financial period.
- 1,000,000 share options with an exercise price GBP0.375, and expiring three years from date of issue, were due to Mr Pryor on 6 August 2015. Mr Pryor has agreed to forfeit these options prior to issue and therefore will not be included for shareholder approval.
- 1,000,000 share options with an exercise price of GBP0.055, and expiring three years from date of issue, issued on 27 November 2015.

2. Mr Brown was issued with the followings share options:

- 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. These share options expired during the current financial period.
- 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.
- 9,714,021 unlisted conditional performance rights ("Performance Rights") were granted on 30 November 2015. The Performance Rights will be granted for no consideration. No exercise price is payable upon exercise of the Performance Rights.

3. Mr Schutte was issued with the following share options:

- 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. These options are still subject to shareholder approval. All 6,600,000 options expire on 22 June 2020.
- 5,449,944 unlisted conditional performance rights granted on 30 November 2015. The Performance Rights will be granted for no consideration. No exercise price is payable upon exercise of the Performance Rights.

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

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

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

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

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 12 to 23.

Share options granted to directors and senior management

During and since the end of the financial year, share options and performance rights were granted to directors and key management personnel of the Company and of its controlled entities as part of their remuneration. Details of options and performance rights granted to directors and senior management are set out on page 82.

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 that has been granted a New Order Mining Right and has the potential to produce approximately 5.5 million tonnes per annum of saleable product.;
- The Vele Colliery, a semi soft coking and thermal coal mine currently under care and maintenance with the potential to supply approximately 1.2million tonnes per annum of saleable product once all regulatory approvals have been obtained and plant modification completed.
- four exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal, Mopane, and Telema and Gray in the Soutpansberg Coalfield; and
- the Mooiplaats colliery currently on care and maintenance and subject to a formal sale process which is expected to be completed by 30 June 2017.

Review of operations

The Company undertook the following activities during the year:

Operational salient features

- No Fatalities (FY2015: none) and no lost time injuries recorded during the year (FY2015: none).
- Mooiplaats Colliery is still on care and maintenance and is subject to a formal sale process.
- The Integrated Water Use Licence ("IWUL") for its Vele Colliery in the Limpopo Province has been renewed for a further twenty years.
- IWUL for its Makhado Project has been granted by the Department of Water and Sanitation ("DWS") for a period of 20 years. The IWUL was automatically suspended following an appeal to the DWS submitted by the Vhembe Mineral Resources Forum.
- The South African Minister of the Department of Environmental Affairs ("DEA"), has dismissed the Appeal against the Environmental Authorisation ("EA") Amendment for the Vele Colliery in the Limpopo Province.
- The Optimisation Study and Front End Engineering and Design ("FEED") for the Makhado Project has been completed by the International engineering and project delivery group DRA Projects South Africa ("DRA").
- The Company signed a non-binding Memorandum of Understanding ("MOU") with Qingdao Hengshun Zhongsheng Group Co Ltd ("Hengshun") with respect to a proposed equity investment in Baobab Mining and Exploration (Pty) ("Baobab") a subsidiary of the Company. Baobab is the subsidiary of CoAL that owns the mining right for the Makhado Project.

Corporate salient features

- The Company agreed the terms of a recommended offer to be made by CoAL for the entire issued and to be issued share capital of Universal Coal Plc ("Universal").

Legal

- During the year the Company received a notice from Rio Tinto Minerals Development Limited ("Rio Tinto") and Kwezi Mining Proprietary Limited alleging that the Company is in breach of an obligation under the agreements pursuant to the acquired interests in Chapudi Coal Pty Ltd and Kwezi Mining Exploration Pty Ltd, and therefore all amounts owed by CoAL and MbeuYashu were claimed as due and payable. New payment terms have been negotiated with Rio Tinto for the outstanding liability FY2016: \$16.5million (FY2015: \$19.8 million) owing to Rio Tinto with the balance to be paid in monthly instalments of at least \$650,000 plus interest, and final settlement date of June 2017 has remained unchanged.

Subsequent events

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

- The Company announced on 15 July 2016 that the recommended offer by CoAL for the entire issued and to be issued share capital of Universal had lapsed.

There have been no other events between 30 June 2016 and the date of this report which necessitate adjustment to the consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity and the consolidated statements of cash flows at that date.

Financial review

- No revenue was generated during the year as result of all operations on care and maintenance (FY 2015 \$nil).
- Non-cash charges of \$12.8 million (FY2015: \$7.5 million) including:
 - Depreciation and amortisation of \$1.2 million (FY2015: \$1.4 million);
 - Unrealised foreign exchange loss of \$9.5 million (FY2015: \$18.9 million gain) as a result of the South African rand weakening against the United States dollar; and
 - Share based payment expense of \$0.2 million (FY2015: \$3.1 million).
- Total unrestricted cash balances at year-end, including cash held by operations available for sale of \$19.5 million (FY2015: \$17.8 million).

Future developments

The NOMR for the Makhado Project was granted in May 2015 as well as a section 11 approval for the transfer of the right to CoAL's 74% owned subsidiary, Baobab Mining. The Company was granted the IWUL in January 2016 for the period equal to life of mine. 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 life of mine. The opencast project is expected to produce 12.6Mtpa of ROM coal yielding 2.3Mtpa of hard coking coal and 3.2Mtpa of thermal coal for domestic and export markets. The Makhado project finalised the FEED during the current financial year and is currently engaged with investors to complete the funding for the project. Once funding is in place and regulatory approvals have been obtained the company expects board approval to commence construction by the second half of CY 2017.

The Company will continue to progress all outstanding regulatory matters as they relate to both the Makhado project and the Vele Colliery. With respect to the Vele Colliery the extension and amendment of the Vele IWUL was granted during the year under review. Given the prevailing commodity market conditions the company applied for all approvals to cover future mining areas which includes the diversion of two non-perennial streams. When the latest approval is finalised (expected toward the end of CY2016) the company will make the decision on the commencement of the plant modification taking into account the prevailing market conditions.

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

Environmental regulations

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation and there has consequently been no breach. The Group is subject to numerous environmental regulations in South Africa, including the

- Environment Conservation Act (No. 73 of 1989),
- National Water Act (No. 45 of 1965),
- National Environmental Management Act (No. 107 of 1998),
- the National Environmental Management Air Quality Act (No. 39 of 2004)
- and the environmental provisions in the Mineral and Petroleum Resources Development Act (No 28 of 2002).

There is uncertainty regarding the interrelationship between these statutes in the mining context and as such complete compliance with all simultaneously is often difficult. The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental impacts but from time to time statutory non-compliances may occur. The Board takes these seriously and 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 2016 (FY2015: 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	2,670,000	Ordinary	ZAR7.60	14 February 2017
ESOP Unlisted Options	3,932,928	Ordinary	ZAR1.75	30 June 2017
Investec options	20,000,000	Ordinary	ZAR1.32	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
ESOP Unlisted Options	5,000,000	Ordinary	GBP0.055	27 November 2018
Total Unlisted Options	42,177,928			

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

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

	Number of shares under option	Class of shares	Exercise price	Expiry date
ESOP Performance Grant	9,714,021	Ordinary	Nil	1 December 2018
ESOP Performance Grant	5,449,944	Ordinary	Nil	1 December 2018
ESOP Performance Grant	18,285,159	Ordinary	Nil	1 December 2018
Total Performance Grant	33,449,124			

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

Indemnification of officers and auditors

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

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

Directors' meetings

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

Director	Board Meetings		Audit Committee Meetings		Nomination and Remuneration Committee Meetings		Safety, Health and Environment Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
B Pryor	9	9	4	4	4	4	-	-
D Brown	9	9	-	-	4	4	4	4
D Schutte	9	9	-	-	-	-	-	-
P Cordin	9	9	-	-	-	-	4	4
K Mosehla	9	6	4	2	-	-	-	-
R Torlage	9	8	-	-	-	-	-	-
A Miffli	9	9	-	-	-	-	4	4
T Mosololi	9	7	4	4	4	4	-	-

Proceedings on behalf of the Company

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

Non-audit services

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

Auditor's independence declaration

The auditor's independence declaration is included on page 24 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 2016. 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 (\$744,090).

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

Director and key management personnel details

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

- | | |
|--------------|--|
| • 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 |

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

- | | |
|-----------|-------------------------|
| • 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 the Company with those of the shareholders.

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

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

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

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. 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 (\$744,090).

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

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

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

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

Vesting of the Performance Rights will be subject to a hurdle based on the compound annual growth rate in total shareholder return ("TSR") across the 3 years commencing on the grant date of the Performance Rights ("Performance Period"). TSR is a measure of the increase in the price as determined by the Company. The base price for the TSR calculation will be the volume weighted average price ("VWAP") of shares over the five days prior to the grant date. The end price for the TSR calculation will be the VWAP over the last five days of the Performance Period.

Performance – based remuneration

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

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

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 2016.

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Revenue	-	-	4,060	146,396	243,842
Net loss before tax	23,903	6,711	84,120	155,754	150,551
Net loss after tax	22,472	6,711	84,120	148,137	138,908

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012
Share price at start of year	A\$0.09	A\$0.07	A\$0.19	A\$0.56	A\$1.08
Share price at end of year	A\$0.06	A\$0.09	A\$0.07	A\$0.19	A\$0.56
Basic and diluted loss per share (\$ cents)	1.24	0.47	8.02	17.00	23.00

COAL OF AFRICA LIMITED
DIRECTORS' REPORT

Remuneration of directors and key management personnel

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

2016	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		
	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors								
B Pryor	56,608	-	-	-	-	17,478	74,086	24
P Cordin	47,070	-	-	4,472	-	17,478	69,020	25
K Mosehla	46,240	-	-	-	-	17,478	63,718	27
R Torlage	46,240	-	-	-	-	-	46,240	-
A Mifflin	47,070	-	-	4,472	-	17,478	69,020	25
T Mosololi	46,240	-	-	-	-	17,478	63,718	27
Executive Directors								
D Brown	405,424	31,782	-	-	-	78,876	516,082	15
D Schutte	251,964	-	-	-	-	25,053	277,017	9
	946,856	31,782	-	8,944	-	191,319	1,178,901	
C Bronn	227,227	17,335	-	-	-	17,437	261,999	7
	1,174,083	49,117	-	8,944	-	208,756	1,440,900	

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

In September 2015, performance bonuses were paid out in relation to certain performance targets met for the 2015 financial year.

COAL OF AFRICA LIMITED
DIRECTORS' REPORT

Remuneration of directors and key management personnel (continued)

	Short term employee benefits			Post-employment benefits	Termination benefits	Share-based payments	Total	Share based % of Total
	Salary and fees	Bonus	Non-monetary benefits	Super-annuation		Options / Shares		
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 Mifflin ⁽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 Mifflin 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.

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

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

Option series	Number	Grant date	Expiry date	Exercise price	Grant date value	Vesting date
Class C unlisted options	2,500,000	09/11/2010	09/11/2015	A\$1.20	A\$0.59	(1)
ESOP unlisted options	1,441,061	04/02/2011	30/09/2015	A\$1.40	A\$0.91	(2)
ESOP unlisted options	2,670,000	16/09/2011	14/02/2017	ZAR7.60	ZAR3.46	(3)
Class L unlisted options	3,500,000	28/11/2012	30/11/2015	GBP0.25	GBP0.032	(4)
ESOP unlisted options	3,932,928	22/11/2013	30/06/2017	ZAR1.75	ZAR0.52	(5)
ESOP unlisted options	1,375,000	22/11/2013	30/11/2015	ZAR2.00	ZAR0.56	(6)
ESOP unlisted options	3,525,000	28/11/2014	01/02/2019	ZAR1.20	ZAR0.15	(7)
ESOP unlisted options	3,525,000	28/11/2014	01/02/2019	ZAR1.32	ZAR0.14	(7)
ESOP unlisted options	3,525,000	28/11/2014	01/02/2019	ZAR1.45	ZAR0.12	(7)
ESOP unlisted options	5,000,000	27/11/2015	27/11/2018	GBP0.055	AUD0.024	(8)
	<u>30,993,989</u>					

1. Mr Murray was issued a total of 2,500,000 options with an expiry date five years from the issue date, 1,000,000 vested 12 months after the date of issue, 750,000 vested 24 months after the date of issue and the remaining 750,000 vested 36 months from the date of issue. These options expired during the current financial year.
2. 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. These options expired during the current financial year.
3. 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.
4. These options all vested on 28 November 2012 and all option expired during the current financial year.
5. These options were issued to employees and two thirds vested immediately on granting and one third vesting on 1 July 2014.
6. Mr Meeser (resigned 30 April 2015) 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. The remainder of his share options expired during the current financial year.
7. 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.
8. A total of 5,000,000 options were granted to non-executive directors Mr Cordin, Mr Mosehla, Mr Pryor, Mr Mifflin and Mr Mosololi vesting immediately on grant date.

COAL OF AFRICA LIMITED
DIRECTORS' REPORT

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

Name	Option series	During the financial year				% of compensation for the year consisting of options
		Number granted	Number vested	% of grant vested	% of grant forfeited	
D Brown	ESOP unlisted options	10,575,000	3,525,000	33	n/a	7
D Brown	Performance Grant	9,714,021	-	-	n/a	8
D Schutte	Performance Grant	5,449,944	-	-	n/a	9
C Bronn	Performance Grant	3,793,298	-	-	n/a	7

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

Key terms of employment contracts

The Company entered into formal contractual employment agreements with the 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

1. Mr Brown's appointment as Chief Executive Officer commenced on 1 February 2014 with an annual remuneration of ZAR5.5 million and a three month notice period and 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.
2. 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. These share options are still subject to shareholder approval.

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

1. Mr Bronn is employed by CoAL in the capacity of Chief Operations Officer, at an annual remuneration of ZAR3.0 million. This permanent employment contract may be terminated by written notice of two months.

COAL OF AFRICA LIMITED
DIRECTORS' REPORT

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 2015	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2016
Non-Executive Directors					
B Pryor	-	-	-	-	-
D Murray ⁽¹⁾	2,500,000	-	-	(2,500,000)	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
R Torlage	-	-	-	-	-
A Miffllin	-	-	-	-	-
T Mosololi	-	-	-	-	-
Executive Directors					
D Brown	-	-	-	-	-
D Schutte	-	-	-	-	-
Key management	-	-	-	-	-

(1) Resigned 12 December 2014

COAL OF AFRICA LIMITED
DIRECTORS' REPORT

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 30 September 2015 held directly, indirectly or beneficially by each director and key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2015	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2016
Non-Executive Directors					
B Pryor	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
R Torlage	-	-	-	-	-
A Miffilin	-	-	-	-	-
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 2015	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2016
Non-Executive Directors					
B Pryor	1,000,000	-	-	(1,000,000)	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
R Torlage	-	-	-	-	-
A Miffilin	-	-	-	-	-
T Mosololi	-	-	-	-	-
Executive Directors					
D Brown	2,500,000	-	-	(2,500,000)	-
D Schutte	-	-	-	-	-
M Meeser	-	-	-	-	-
Key management	-	-	-	-	-

Key management personnel equity holdings (continued)

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 2015	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2016
Non-Executive Directors					
B Pryor	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
R Torlage	-	-	-	-	-
A Mifflin	-	-	-	-	-
T Mosololi	-	-	-	-	-
Executive Directors					
D Brown	-	-	-	-	-
D Schutte	-	-	-	-	-
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 2015	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2016
Non-Executive Directors					
B Pryor	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
R Torlage	-	-	-	-	-
A Mifflin	-	-	-	-	-
T Mosololi	-	-	-	-	-
Executive Directors					
D Brown	-	-	-	-	-
D Schutte	-	-	-	-	-
M Meeser ⁽¹⁾	1,375,000	-	-	(1,375,000)	-
Key management					
	-	-	-	-	-

(1) Resigned 30 April 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 2015	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2016
Non-Executive Directors					
B Pryor	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
R Torlage	-	-	-	-	-
A Mifflin	-	-	-	-	-
T Mosololi	-	-	-	-	-
Executive Directors					
D Brown	10,575,000	-	-	-	10,575,000
D Schutte	-	-	-	-	-
Key management	-	-	-	-	-

Key management personnel equity holdings

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

	Held at 1 July 2015	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2016
Non-Executive Directors					
B Pryor	-	1,000,000	-	-	1,000,000
P Cordin	-	1,000,000	-	-	1,000,000
K Mosehla	-	1,000,000	-	-	1,000,000
R Torlage	-	-	-	-	-
A Mifflin	-	1,000,000	-	-	1,000,000
T Mosololi	-	1,000,000	-	-	1,000,000
Executive Directors					
D Brown	-	-	-	-	-
D Schutte	-	-	-	-	-
Key management	-	-	-	-	-

COAL OF AFRICA LIMITED
DIRECTORS' REPORT

Key management personnel equity holdings

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

	Held at 1 July 2015	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2016
Non-Executive Directors					
B Pryor	-	-	-	-	-
P Cordin	-	-	-	-	-
K Mosehla	-	-	-	-	-
R Torlage	-	-	-	-	-
A Mifflin	-	-	-	-	-
T Mosololi	-	-	-	-	-
Executive Directors					
D Brown	-	9,714,021	-	-	9,714,021
D Schutte	-	5,449,944	-	-	5,449,944
Key management	-	3,793,298	-	-	3,793,298

Equity holdings and transactions of Directors and key management personnel

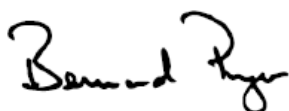
The movement during the reporting period in the number of ordinary shares held, directly, indirectly or beneficially by each key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2015	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2016
Non-Executive Directors					
B Pryor	150,000	-	-	-	150,000
P Cordin	1,371,059	-	-	-	1,371,059
K Mosehla	-	-	-	-	-
R Torlage	-	-	-	-	-
A Mifflin	-	-	-	-	-
T Mosololi ⁽¹⁾	10,000	-	-	-	10,000
Executive Directors					
D Brown	825,000	-	-	-	825,000
D Schutte	-	-	-	-	-
Key management	-	-	-	-	-

(1) Purchased prior to being appointed as a Non-Executive Director.

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

On behalf of the Directors



Bernard Robert Pryor
Chairman
30 September 2016



David Hugh Brown
Chief Executive Officer
30 September 2016

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

30 September 2016

Dear Board Members

Auditor's Independence Declaration to Coal of Africa Limited

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

As lead audit partner for the audit of the financial statements of Coal of Africa Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



David Newman
Partner
Chartered Accountants

CORPORATE GOVERNANCE STATEMENT

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

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 to 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:

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

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

Details of meeting attendance of members of the Board for FY2016 is contained in the following table:

	Number of Board meetings attended in FY2016 while a member	Number of Board meetings held in FY2016 while a member
Bernard Pryor (Chairman)	9	9
David Brown	9	9
Peter Cordin	9	9
Khomotso Mosehla	6	9
Rudolph Torlage	8	9
Andrew Mifflin	9	9
Thabo Mosololi	7	9
De Wet Schutte	9	9

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

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

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

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

Standing Committee meetings are held as required, generally the day prior to the scheduled Board meeting. The Chairman sets the agenda for each meeting in conjunction with the 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 Director's 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.

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

- 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;**
- disclose the policy or a summary of it; and**
- 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:**
 - the respective proportions of men and women on the board, in senior executive positions and across the whole organisation; or**
 - if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.**

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

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

As at end of the 2016 financial year, the proportion of women employees in the organisation is:

Employees	45%
Management	44%
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:

- have and disclose a process for periodically evaluating the performance of its board, its committees and individual directors; and**
- 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. *as at the end of the reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- b) *if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The Company has established a Nomination and Remuneration Committee and adopted a Charter that set 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.

Details of meeting attendance of members of the Nomination and Remuneration Committee for FY2016 is contained in the following table:

	Number of Committee meetings attended in FY2016 while a member	Number of Committee meetings held in FY2016 while a member
Bernard Pryor (Chairman)	4	4
Thabo Mosololi	4	4
David Brown	4	4

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

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

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

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

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

Competencies	Rating
South African politics	√
Strategic thinking	√
Gender	X
Technical	√
Financial	√
Commercial	√
Mergers & Acquisitions	√
Coal markets	√
International affairs	√
Shareholder relations	√
Project development	√
Equity markets	√
Debt markets / Banking experience	X
Executive leadership	√
Listed board experience	√
SHE & Sustainability	√

X – The CoAL board is working to increase these skills.

ASX Principles Recommendation 2.3: A listed entity should disclose:

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

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

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

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

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

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

The Board considers an independent Director to be a non-executive Director who meets the criteria for independence set out the ASX Principles. In 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 consider that a majority of the Directors are independent. Bernard Pryor, Peter Cordin, Khomotsu Mosehla, Andrew Mifflin and Thabo Mosololi are considered independent. Executive Directors David Brown and De Wet Schutte and non-executive Director Rudolph Torlage are not considered independent. Non-executive Director Rudolph Torlage is an officer/senior employee of ArcelorMittal South Africa Ltd, a substantial shareholder in the Company and as such does not meet the Board's criteria for independence.

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

Director	Date Appointed	Period in office	Due for Re-election or Retirement
Bernard Pryor	6 August 2012	4 years	2016 AGM
David Brown	6 August 2012	4 years	2018 AGM
De Wet Schutte	22 June 2015	1 year	2017 AGM
Peter Cordin	8 December 1997	18 years	2016 AGM
Khomotsu Mosehla	18 November 2010	5 years	2016 AGM
Rudolph Torlage	18 November 2010	5 years	2017 AGM
Andrew Mifflin	12 December 2014	1 year	2017 AGM
Thabo Mosololi	12 December 2014	1 year	2018 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.

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:

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

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

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

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

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

PRIVACY

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

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 is comprised of a majority of independent non-executive Directors.

The role of the Audit and Risk Committee is to:

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

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

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

Membership is now consistent with the composition requirements of the Charter and the recommendations of the ASX Principles. At the start of the year, while new Directors were introduced and settled in, the Chair of the Committee was Mr B Pryor who is also the Chair of the Board. In August 2015 Mr T Mosololi was appointed as the independent chair of the Committee.

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

Details of meeting attendance of members of the Audit and Risk Committee for FY2016 is contained in the following table:

	Number of Committee meetings attended in FY2016 while a member	Number of Committee meetings held in FY2016 while a member
Thabo Mosololi (Chairman)	4	4
Bernard Pryor	4	4
Khomotso Mosehla	2	4

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 from security holders relevant to the audit.

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

The Company is committed to ensuring that:

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

ASX Principles Recommendation 5.1: A listed entity should:

- a) should 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 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 annual general meetings to ask questions of Directors and senior management and also the Company's external auditors, who attend the Company's annual general meetings.

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) 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 Principle 4).

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

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

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

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

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

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

ASX Principles Recommendation 7.3: A listed entity should disclose:

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

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

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

ASX Principles Recommendation 7.4: A listed entity should disclose 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 FY201 are contained in a table earlier in this document (refer 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 nonbinding vote at the Company's AGM;
- taking into account the outcome of the nonbinding 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 nonexecutive 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.

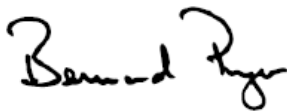
COAL OF AFRICA LIMITED
DIRECTORS DECLARATION

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1.1 to the financial statements;
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity; and
- d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors



Bernard Pryor
Chairman
30 September 2016



David Brown
Chief Executive Officer
30 September 2016

COAL OF AFRICA LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2016

	Note	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Continuing operations			
Revenue	5	-	-
Investment income	6	753	828
Other income	7	257	324
Other (losses)/gains	7	(354)	1,580
Depreciation and amortisation	7	(1,199)	(1,472)
Foreign exchange (losses)/gains	7	(10,654)	14,504
Employee benefits expense	7	(3,765)	(4,936)
Finance costs	9	(1,578)	(1,286)
Consulting expense		(624)	(777)
Other expenses		(6,739)	(13,300)
Loss before tax		(23,903)	(4,535)
Income tax credit	10	1,431	-
Net loss for the year from continuing operations		(22,472)	(4,535)
Discontinued operations			
Loss for the year from operations classified as held for sale	11	(973)	(2,176)
LOSS FOR THE YEAR		(23,445)	(6,711)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(28,921)	(59,872)
Total comprehensive loss for the year		(52,366)	(66,583)
Loss for the year attributable to:			
Owners of the Company		(23,445)	(6,711)
Non-controlling interests		-	-
		(23,445)	(6,711)
Total comprehensive loss attributable to:			
Owners of the Company		(52,366)	(66,583)
Non-controlling interests		-	-
		(52,366)	(66,583)
Loss per share	12		
From continuing operations and discontinued operations			
Basic and diluted (cents per share)		(1.24)	(0.47)
From continuing operations			
Basic and diluted (cents per share)		(1.19)	(0.32)

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

COAL OF AFRICA LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Note	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
ASSETS			
Non-current assets			
Development, exploration and evaluation expenditure	13	207,923	232,813
Property, plant and equipment	14	6,755	16,259
Intangible assets	15	10,489	11,682
Other receivables	16	1,013	1,746
Other financial assets	17	7,033	3,411
Restricted cash	20	249	1,023
Deferred tax assets	25	4,773	2,320
Total non-current assets		238,235	269,254
Current assets			
Inventories	18	5	236
Trade and other receivables	19	666	792
Other financial assets	17	188	468
Cash and cash equivalents	20	19,502	17,759
		20,361	19,255
Assets classified as held for sale	21	14,567	18,118
Total current assets		34,928	37,373
Total assets		273,163	306,627
LIABILITIES			
Non-current liabilities			
Deferred consideration	22	-	15,422
Provisions	24	4,003	5,733
Total non-current liabilities		4,003	21,155
Current liabilities			
Deferred consideration	22	16,016	3,265
Trade and other payables	26	2,323	2,719
Borrowings	23	10,000	-
Provisions	24	398	294
Current tax liabilities		1,249	1,285
		29,986	7,563
Liabilities associated with assets held for sale	21	2,732	3,354
Total current liabilities		32,718	10,917
Total liabilities		36,721	32,072
NET ASSETS		236,442	274,555
EQUITY			
Issued capital	27	1,006,435	992,374
Accumulated deficit	28	(736,403)	(718,081)
Reserves	29	(34,165)	(313)
Equity attributable to owners of the Company		235,867	273,980
Non-controlling interests	31	575	575
TOTAL EQUITY		236,442	274,555

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

COAL OF AFRICA LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

	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 2015	992,374	(718,081)	7,205	91	(7,609)	273,980	575	274,555
Total comprehensive loss for the year		(23,445)			(28,921)	(52,366)		(52,366)
Loss for the year	-	(23,445)	-	-	-	(23,445)	-	(23,445)
Other comprehensive loss, net of tax	-	-	-	-	(28,921)	(28,921)	-	(28,921)
Shares issued for capital raising (net of costs)	13,707	-	-	-	-	13,707	-	13,707
Shares issued for the acquisition of subsidiary	354	-	-	-	-	354	-	354
Shares issued to employees	-	-	275	-	-	275	-	275
Share options expired	-	5,123	(5,123)	-	-	-	-	-
Share options cancelled	-	-	(83)	-	-	(83)	-	(83)
Balance at 30 June 2016	1,006,435	(736,403)	2,274	91	(36,530)	235,867	575	236,442
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 expired	-	79,594	(79,594)	-	-	-	-	-
Balance at 30 June 2015	992,374	(718,081)	7,205	91	(7,609)	273,980	575	274,555

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

COAL OF AFRICA LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2016

	Note	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Cash flows from operating activities			
Receipts from customers		311	1,003
Payments to suppliers and employees		(13,448)	(16,124)
Cash used in operations	33	(13,137)	(15,121)
Interest received		585	628
Interest paid		(140)	(1,182)
Net cash used in operating activities		(12,692)	(15,675)
Cash flows from investing activities			
Purchase of property, plant and equipment		(114)	(1,358)
Proceeds from the sale of property, plant and equipment		29	1
Investment in development assets		-	(991)
Investment in exploration assets		(1,187)	(86)
(Purchase)/sale of other financial assets		(3,336)	134
Settlement of Envicoal matter		-	(2,431)
Decrease in restricted cash		774	4,761
Net cash (used)/generated from investing activities		(3,834)	30
Cash flows from financing activities			
Settlement in export trade finance facility		-	(10,367)
Payment of Investec Facility		-	(5,909)
Payment of deferred consideration		(4,066)	(11,619)
Proceeds from loans payable		10,000	-
Proceeds from loans receivable		444	1,579
Proceeds from the issue of shares (net of share issuance costs)		13,707	57,926
Net cash generated by financing activities		20,085	31,610
Net increase in cash and cash equivalents		3,559	15,965
Net foreign exchange differences		(1,918)	(182)
Cash and cash equivalents at beginning of the year		17,882	2,099
Cash and cash equivalents at the end of the year	20	19,523	17,882

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

COAL OF AFRICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2016

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 that has been granted a New Order Mining Right and has the potential to produce approximately 5.5 million tonnes per annum of saleable product.;
- The Vele Colliery, a semi soft coking and thermal coal mine currently under care and maintenance with the potential to supply approximately 1.2million tonnes per annum of saleable product once all regulatory approvals have been obtained and plant modification completed;
- four exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal, Mopane and Telema&Gray in the Soutpansberg Coalfield; and
- the Mooiplaats colliery currently on care and maintenance and subject to a formal sale process.

Going Concern

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

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2016 of \$22.5 million (30 June 2015: loss of \$4.5 million), including a foreign exchange loss of \$10.7 million and depreciation and amortisation charges of \$1.2 million. During the twelve month period under review, net cash outflows from operating activities were \$12.9 million (30 June 2015 net outflow: \$15.7 million) and net cash outflow from investing activities were \$3.8 million (30 June 2015 net inflow: \$0.03 million). As at 30 June 2016 the Consolidated Entity had a net current liability position of \$9.6 million (30 June 2015: net current asset position of \$11.7 million), excluding assets and liabilities associated with discontinued operations.

The current liability position as at 30 June 2016 is primarily a result of borrowings of \$10 million due to Yishun Brightrise Investment PTE Limited, which is only due for repayment in limited circumstances (refer to note 23 for additional information), combined with deferred consideration payments totalling \$16 million due by the Consolidated Entity to Rio Tinto Minerals Development Limited prior to 30 June 2017 (refer to note 22 for additional information).

The directors have prepared a cash flow forecast for the period ending 31 December 2017, which indicates that the Company and Consolidated Entity will have sufficient cash flow to fund their operations for at least the twelve month period from the date of signing this report, which has been based on the following assumptions:

- a) Sale of the Mooiplaats Colliery, and receipt of funds prior to May 2017
- b) None of the limited circumstances arise during the forecast period that would require the repayment of the \$10 million loan to Yishun Brightrise Investment PTE Limited.

The Company has a history of successful capital raisings to meet the Company and Consolidated Entity's funding requirements. The directors believe that at the date of signing the financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the Company and Consolidated Entity will have sufficient funds to meet their obligations as and when they fall due, and are of the opinion that the use of the going concern basis remains appropriate.

1. General Information (continued)

In addition to the above the Company and Consolidated Entity is actively engaged in various opportunities to secure the growth and long term cash flow requirements of the Company and Consolidated Entity. These include:

- (i) Current negotiations for the acquisition of a cash generating entity, which if successfully completed will also make available secured funding from an existing shareholder.
- (ii) Current negotiations regarding additional external investment via debt or equity in the operations of the Consolidated Entity.

Should the Company and Consolidated Entity be unable to achieve the sale of the Mooiplaats Colliery by May 2017, and be unable to complete any of the other fund raising options noted above by May 2017, a material uncertainty would exist as to whether the Company and Consolidated Entity will be able to continue as going concerns and therefore whether they will realise their assets and discharge their liabilities in the normal course of business.

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

Basis of presentation

1.1. Statement of compliance

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

The consolidated financial statements were authorised for issue by the Directors on 30 September 2016.

1.2. Basis of Preparation

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

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

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

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

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

2. Accounting policies

2.1. Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

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. Accounting policies (continued)

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. Accounting policies (continued)

2.5. Exploration and evaluation expenditure

(i) Pre-licence costs

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

(ii) Exploration and evaluation expenditure

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

Exploration and evaluation activity includes:

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

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

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

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

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

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

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

2.6. Property, plant and equipment – Development assets

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

No depreciation is recognised in respect of development assets.

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

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

2. Accounting policies (continued)

2.7. Property, plant and equipment – Mining property

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

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

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

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

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

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

2.8. Deferred stripping costs

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

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

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

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

2. Accounting policies (continued)

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.

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

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

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

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

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

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

2. Accounting policies (continued)

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. Accounting policies (continued)

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 profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss and other comprehensive loss.

2.15. Cash and cash equivalents

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

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

2.16. 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').

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. Accounting policies (continued)

2.17. Financial instruments (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Held to maturity investments

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

Loans and receivables

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

Available for sale investments

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

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

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

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

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

2. Accounting policies (continued)

2.17. Financial instruments (continued)

Impairment of financial assets

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

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

2.17. Financial instruments (continued)

Derecognition

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

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

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

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

Financial liabilities

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

Subsequent to initial measurement, such liabilities are carried at amortised cost using the effective interest method.

Borrowings

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

Derecognition

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

Equity instruments

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

2.18. Trade payables

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

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

2. Accounting policies (continued)

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.

2. Accounting policies (continued)

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

Accounting for BEE transactions

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

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

2.21. Taxation, including sales tax

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

Current taxation

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

Deferred taxation

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

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

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

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

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

2. Accounting policies (continued)

2.22. Taxation, including sales tax (continued)

Current and deferred tax for the year

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

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

Sales tax

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

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

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

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

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

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. Accounting policies (continued)

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:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality: this amendment completes the withdrawal of AASB 1031 in all Australian Accounting Standards and Interpretations, allowing the standard to be effectively withdrawn.

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

At the date of the authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. The 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 15 Revenue from Contracts with Customers	1 January 2018	30 June 2019
• AASB 16 Leases	1 January 2019	30 June 2020
• AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interest in Joint operations	1 January 2016	30 June 2017
• AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
• AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	30 June 2017
• AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	30 June 2017
• AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	30 June 2018

3. Critical accounting estimates and key judgements

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The primary areas in which estimates and judgements are applied are discussed below.

Asset carrying values and impairment charges

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

Coal reserves

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

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

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

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

Depreciation and amortisation charges in the consolidated statement of profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

Exploration and evaluation assets

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

3. Critical accounting estimates and key judgements (continued)

Development expenditure

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

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

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

Rehabilitation and restoration provisions

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

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

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

Recoverability of non-current assets

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

Contingent liabilities – litigation

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

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4. Segment information

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

The Exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As of 30 June 2016, projects within this reportable segment include three exploration stage coking and thermal coal complexes, namely the Chapudi Complex (which comprises the Chapudi project, the Chapudi West project and the Wildebeesthoek project), the Soutpansberg Complex (which comprises the Voorburg project, the Mt Stuart project and the Jutland project) and the Makhado Complex (comprising the Makhado project, the Makhado Extension project and the Generaal project).

The Development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As of 30 June 2016, 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. As of 30 June 2016 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, i.e. at current market prices.

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

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

	Continuing operations		Discontinuing operations	
	Exploration	Development	Mining	Total
For the year ended 30 June 2016	\$'000	\$'000	\$'000	\$'000
Revenues from external customers	-	-	-	-
Inter-segment revenues	-	-	-	-
Revenue ⁽¹⁾	-	-	-	-
Segment loss	(5,246)	(136)	(973)	(6,355)
Items included within the Group's measure of segment profitability				
- Depreciation and amortisation	(63)	(42)	-	(105)
- Finance income	-	-	150	150
- Finance cost	(1,455)	(112)	(1)	(1,568)
- Income tax expense	-	1,431	-	1,431

(1) Revenues represent sale of product

Segment assets	112,242	105,941	14,567	232,750
Items included within the Group's measure of segment assets				
- Additions to non-current assets	1,169	18	-	1,187
Segment liabilities	16,947	4,076	2,732	23,755

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4. Segment information (continued)

	Continuing operations		Discontinuing operations	Total \$'000
	Exploration \$'000	Development \$'000	Mining \$'000	
For the year ended 30 June 2015				
Revenues from external customers	-	-	-	-
Inter-segment revenues	-	-	-	-
Revenue	-	-	-	-
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)
- Finance income	22	47	97	166
- Finance cost	(978)	(80)	(605)	(1,663)
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

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

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Total loss for reportable segments	6,355	8,521
Reconciling items:		
Unallocated corporate costs	8,654	15,681
Depreciation and amortisation	1,094	1,325
Foreign exchange loss/(gain)	7,342	(18,816)
Loss for the year	23,445	6,711
Total segment assets	232,750	259,993
Reconciling items:		
Unallocated property, plant and equipment	3,379	10,336
Intangible assets	10,489	11,682
Other financial assets	5,611	3,879
Other receivables	1,013	1,745
Unallocated current assets	19,921	18,992
Total assets	273,163	306,627
Total segment liabilities	23,755	29,295
Reconciling items:		
Borrowings	10,000	-
Unallocated liabilities	2,966	2,777
Total liabilities	36,721	32,072

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4. Segment information (continued)

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
The Group operates in two principal geographical areas – Australia (country of domicile) and South Africa.		
The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.		
Revenue by location of operations		
South Africa	-	-
Australia	-	-
Total revenue	-	-
Non-current assets by location of operations		
South Africa	238,235	269,254
Australia	-	-
Total non-current assets	238,235	269,254

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	-	-
	-	-

6. Investment income

Continuing operations

<i>Rental income</i>	172	134
<i>Interest income</i>		
Bank deposits	479	646
Interest on loans	90	48
Interest on other financial assets	12	-
<i>Total interest income</i>	581	694
<i>Total investment income</i>	753	828

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

Non-refundable deposits received for sale of non-core assets (Holfontein- refer note 11)	250	324
Other	7	-
<i>Total other income</i>	257	324

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7. Loss for the year from continuing operations (continued)

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Other (losses)/gains		
Profit on disposal of property, plant and equipment	8	-
Fair value gain on renegotiated Rio Tinto deferred consideration	-	1,303
Revaluation of investments	(80)	277
Fair value adjustment	78	-
Impairment of investment	(360)	-
<i>Total other gains and (losses)</i>	<u>(354)</u>	<u>1,580</u>
Depreciation and amortisation		
Depreciation		
Depreciation of property, plant and equipment (note 14)	(351)	(497)
<i>Total depreciation</i>	<u>(351)</u>	<u>(497)</u>
Amortisation		
Amortisation of intangible asset (note 15)	(848)	(975)
<i>Total amortisation</i>	<u>(848)</u>	<u>(975)</u>
<i>Total depreciation and amortisation</i>	<u>(1,199)</u>	<u>(1,472)</u>
Foreign exchange (loss)/profit		
Unrealised	(9,568)	18,991
Realised	(1,086)	(4,487)
	<u>(10,654)</u>	<u>14,504</u>
Employee benefits expenses		
Share-based payments	(193)	(131)
Super-annuation	(9)	(10)
Salaries and wages	(3,563)	(4,795)
<i>Total employee benefits expense</i>	<u>(3,765)</u>	<u>(4,936)</u>

8. Auditors' remuneration

<i>Deloitte – Australia</i>		
Audit and review of financial reports	77	102
Non-audit related services	11	-
	<u>88</u>	<u>102</u>
<i>Deloitte – Johannesburg</i>		
Audit and review of financial reports	176	229
Non-audit related services	96	-
	<u>272</u>	<u>229</u>

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	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
9. Finance cost		
Finance costs		
Interest on loans	1,457	1,191
Interest on overdraft	9	9
Unwinding of interest	112	86
	<u>1,578</u>	<u>1,286</u>
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	-	-
	<u>-</u>	<u>-</u>
Deferred tax (note 25)		
Recognition of deferred tax assets on assessed losses	1,431	-
	<u>1,431</u>	<u>-</u>
Total income tax credit recognised	<u>1,431</u>	<u>-</u>
The Group's effective tax rate for the year from continuing operations was (6%) (2015: 0%). The tax rate used for the 2016 and 2015 reconciliations below is the corporate tax rate of 30% for Australian companies. The income tax expense for the year can be reconciled to the accounting profit as follows:		
Loss from continuing operations before income tax	(23,903)	(4,535)
Income tax benefit calculated at 30% (2015: 28%)	7,171	1,270
Tax effects of:		
Expenses that are not deductible for tax purposes	(1,195)	(753)
Differences in tax rates	(442)	-
Income that are not taxable	-	91
Other temporary differences not recognised	(5,106)	(608)
Recognition of deferred tax asset - Losses	1,003	-
Income tax credit	<u>1,431</u>	<u>-</u>
Income tax recognised on the loss from discontinuing operations		
Current tax		
Current tax expense in respect of the current year	-	-
	<u>-</u>	<u>-</u>
Deferred tax (note 25)		
Recognition of deferred tax assets on assessed losses	-	-
	<u>-</u>	<u>-</u>
Total income tax credit recognised	<u>-</u>	<u>-</u>

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10. Income tax and deferred tax (continued)

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Income tax recognised in profit or loss from discontinued operations		
Current tax		
Current tax expense in respect of the current year	-	-
	-	-
Deferred tax (note 25)		
Recognition of deferred tax assets on assessed losses	-	-
	-	-
Total income tax credit recognised	-	-

The Group's effective tax rate for the year from discontinued operations was (0%) (2015: 0%). The tax rate used for the 2016 and 2015 reconciliations below is the corporate tax rate of 30% payable by Australian corporate entities. The income tax expense for the year can be reconciled to the accounting profit as follows:

Loss before income tax from discontinued operations	(973)	(5,005)
Income tax benefit calculated at 30% (2015: 28%)	292	1,401
Tax effects of:		
Expenses that are not deductible for tax purposes	13	(483)
Difference in tax rates	(19)	-
Other temporary differences not recognized	(286)	(918)
Income tax credit	-	-

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. (2015: \$nil – note 21).

11.3 Analysis of loss for the year from discontinuing operations

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

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11. Discontinuing operations (continued)

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Loss for the year from operations held for sale		
Revenue	-	-
Other gains	-	427
	-	427
Expenses	(973)	(2,603)
Loss before tax	(973)	(2,176)
Loss for the year from operations held for sale (attributable to owners of the Company)	(973)	(2,176)
Cash flows from operations held for sale		
Net cash outflows from operating activities	(951)	(1,400)
Net cash inflows from investing activities	1	1,024
Net cash inflows from financing activities	1,400	729
Net cash inflows	450	353

These operations have been classified and accounted for at 30 June 2016 as a disposal group held for sale (see note 21).

Impairment testing

Non-current assets held for sale

As of 30 June 2016 the net book value of the following project assets were classified as non-current assets held for sale

- Holfontein Colliery: \$ nil
- Mooiplaats Colliery: \$14.1 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.

	Cents per share	Cents per share
12. Loss per share attributable to owners of the Company		
12.1 Basic loss per share		
From continuing operations	1.19	0.32
From discontinuing operations	0.05	0.15
	1.24	0.47
	\$'000	\$'000
Loss for the year attributable to owners of the Company	(23,445)	(6,711)
Less: Loss for the year from operations held for sale	973	2,176
Loss used in the calculation of basic loss per share from continuing operations	(22,472)	(4,535)
	'000 shares	'000 shares
Weighted number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	1,896,412	1,414,768

12. Loss per share attributable to owners of the Company (continued)

12.2 Diluted loss per share

Diluted loss per share is calculated by dividing loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of diluted ordinary share that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

As at 30 June 2016, 75,627,052 options (2015 – 85,993,989 options) were excluded from the computation of the loss per share as their impact is anti-dilutive. Furthermore at 30 June 2016, the TMM options had expired and is not included in the calculation.

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
12.3 Headline loss per share (in line with JSE requirements)		
The calculation of headline loss per share at 30 June 2016 was based on the headline loss attributable to ordinary equity holders of the Company of \$22.0 million (2015: \$6.7 million) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2016 of 1,896,412,421 (2015: 1,414,768,613).		
The adjustments made to arrive at the headline loss are as follows:		
Loss for the period attributable to ordinary shareholders	(23,445)	(6,711)
Adjust for:		
Impairment losses	360	-
Profit on sale of property, plant and equipment	(8)	-
Headline earnings	(23,093)	(6,711)
<i>Headline loss per share (cents per share)</i>	<i>(1.22)</i>	<i>(0.47)</i>

13. Development, exploration and evaluation expenditure

Development, exploration and evaluation expenditure comprises:

Exploration and evaluation assets	104,893	118,498
Development expenditure	103,030	114,315
Balance at end of year	207,923	232,813

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

Exploration and evaluation assets

Balance at beginning of year	118,498	139,991
Additions	1,187	145
Movement in Rehabilitation asset	(18)	-
Foreign exchange differences	(14,774)	(21,638)
Balance at end of year	104,893	118,498

13. Development, exploration and evaluation expenditure (continued)

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Development assets		
Balance at beginning of year	114,315	131,720
Additions	-	2,454
Transfer from property, plant and equipment	6,501	-
Movement in Rehabilitation asset	(167)	-
Deferred tax asset	(1,488)	-
Foreign exchange differences	(16,131)	(19,859)
Balance at end of year	<u>103,030</u>	<u>114,315</u>

Impairment testing

Exploration and Evaluation Assets

As of 30 June 2016, the net book value of the following project assets were classified as Exploration and Evaluation assets:

- Greater Soutpansberg Project: \$54.4 million
- Makhado Project: \$50.5 million

In terms of AASB 6 - *Exploration for and Evaluation of Mineral Resource* management have performed an assessment of whether facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. In performing its assessment, management have considered its exploration rights to the exploration areas, its planned & budgeted exploration activities and the likelihood of the recoverability of the net book value from the successful development of the areas of interest. Management have concluded that no indicators of impairment for its Exploration and Evaluation assets exist as at 30 June 2016.

Development Assets

As of 30 June 2016 the net book value of the following project assets were included in Development assets:

- Vele Colliery: \$103 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 have adopted the fair value less costs of disposal approach to estimate the recoverable amount of the project, before comparing this amount with the carrying value of the associated assets and liabilities in order to assess whether an impairment of the carrying value is required under AASB 136. Management formed the view that impairment is not likely.

In calculating the fair value less costs of disposal, management have forecast the cash flows associated with the project over its expected life of 17 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 2016 are included below.

13. Development, exploration and evaluation expenditure (continued)

Key assumptions

	2017	2018	2019	2020	LT
Thermal coal price (USD, nominal) ¹	63.6	65.1	66.8	68.4	67.8 ²
Hard coking coal price (USD, nominal) ³	86.5	91.3	97.2	105.6	111.2 ⁴
Exchange rate (USD / ZAR, nominal)	17.9	18.5	19.3	20.0	20.0 ⁵
Discount rate ⁶	16.1%				
Inflation rates USD	2.5%				
ZAR	6.0%				
Production start date ⁷	February 2018				

- (1) Management's assumptions reflect the Richards Bay export thermal coal (API4) price.
- (2) LT thermal coal price equivalent to USD 60 per tonne in 2016 dollars
- (3) Management's assumption of the hard coking coal price is made after considering relevant broker forecasts
- (4) LT hard coking coal price equivalent to USD 111 per tonne in 2016 dollars
- (5) From 2021, the exchange rate is derived with reference to the 2020 assumption, and inflated by the compounding differential between USD and ZAR inflation rates
- (6) Management prepared a nominal ZAR-denominated, post-tax discount rate, which was calculated with reference to the Capital Asset Pricing Model (CAPM).
- (7) The recoverable amount is based on obtaining project financing in order for production to commence in February 2018. Management has assumed the project will be financed in the time frame required and has determined the recoverable amount on that basis. Any delay to the production start date will impact the recoverable value.

Impairment Assessment

	USD million
Value of Vele using the discounted cash flow method based on the current life of mine model	99
Value of resources not currently included in the life of mine model ⁸	11
Total value attributed to Vele	110
Carrying Value of Vele cash-generating unit	103

- (8) 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 current life of mine ("LOM") model. In order to assess the potential value of resources outside of the current LOM model, a resource valuation was undertaken by management in January 2016 in consultation with external independent valuations experts. This valuation applied a weighted average multiple of ZAR 3.8/tonne of resources, or USD 0.25/tonne which resulted in an indicative valuation of \$57 million at that time. An alternative valuation of the resources outside of the LOM model has been performed by extending the discounted cash flow model by ten years, which results in a valuation of \$11 million. The value of the resources outside of the LOM model could therefore be in the range of \$11 million to \$57 million.

13. Development, exploration and evaluation expenditure (continued)

Sensitivity Analysis

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

Sensitivity	Change in variable	Effect on fair value less costs of disposal using discounted cash flow method (USD million)
Long term coal prices	+10.0%	18
	-10.0%	(17)
Long term exchange rate	+10.0%	23
	-10.0%	(24)
Discount rate	+1.0%	(7)
	-1.0%	7
Operating costs	+10.0%	(16)
	-10.0%	17
Delays in production start date	+12 months	(14)

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14. Property, plant and equipment

	Mining property, plant and equipment \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Motor vehicle \$'000	Other \$'000	Total \$'000
2016						
Cost						
At beginning of year	50	16,701	463	732	1,831	19,777
Additions	-	-	-	56	58	114
Transferred to development assets	-	(6,501)	-	-	-	(6,501)
Disposals	-	-	-	(59)	-	(59)
Exchange differences	(8)	(2,832)	(73)	(124)	(292)	(3,329)
At end of year	42	7,368	390	605	1,597	10,002
Accumulated depreciation						
At beginning of year	36	857	462	517	1,646	3,518
Depreciation charge	-	171	-	103	77	351
Accumulated depreciation on disposals	-	-	-	(37)	-	(37)
Exchange differences	(6)	(148)	(73)	(89)	(269)	(585)
At end of year	30	880	389	494	1,454	3,247
Net carrying value at end of year 2016	12	6,488	1	111	143	6,755
	Mining property, plant and equipment \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Motor vehicles \$'000	Other \$'000	Total \$'000
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 2015	14	15,844	1	215	185	16,259

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	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
15. Intangible assets		
Balance at beginning of year	11,682	15,488
Amortisation	(848)	(975)
Foreign exchange differences	(345)	(2,831)
Balance at end of year	10,489	11,682

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 further periods of 3 successive periods of 5 years each for a total of 15 years.

During the prior year the Company reached an agreement with Grindrod to settle the current liabilities to date as well as cover all future take or pay obligation until 31 December 2016. The settlement of \$10.3 million was paid during the prior financial year.

The terms of the Throughput Agreement can be renegotiated if required to facilitate any production by its Vele Colliery and Makhado Project.

16. Other receivables

Carrying amount of:		
Nimag loan	811	1,503
Other loans	202	243
	1,013	1,746
Balance at beginning of year	1,746	2,245
Loans repaid	(444)	-
Other	-	(312)
Foreign exchange differences	(289)	(187)
Balance at end of year	1,013	1,746

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.

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	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
17. Other financial assets		
Carrying value of financial assets at fair value through profit or loss		
Listed securities		
- Equity securities	188	468
Unlisted securities		
- Equity securities in investment funds*	5,545	3,145
	<u>5,733</u>	<u>3,613</u>
Fair value movements in other financial assets are recognised in other (losses)/gains in the consolidated statement of profit or loss. Refer note 7.		
*Listed investments are carried at the market value as at the reporting date and unlisted investments are valued with reference to the investment company's fund statement.		
Deposits	<u>1,488</u>	<u>266</u>
	<u>7,221</u>	<u>3,879</u>
Other financial assets have been analysed between current and non-current as follows:		
Current	188	468
Non-current	<u>7,033</u>	<u>3,411</u>
	<u>7,221</u>	<u>3,879</u>
18. Inventories		
Consumable stores	5	218
Finished goods	-	18
	<u>5</u>	<u>236</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$0.05 million (2015: \$0.5 million).

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	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
19. Trade and other receivables		
Trade receivables	48	95
Other receivables	963	1,111
Allowance for doubtful debts	(345)	(414)
	<u>666</u>	<u>792</u>

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	414	484
Allowance for bad debts	-	6
Foreign exchange differences	(69)	(76)
Balance at end of year	<u>345</u>	<u>414</u>

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	48	95
Past due 0 to 30 days	-	-
Past due 31 to 60 days	-	-
Past due 61 to 90 days	-	-
	<u>48</u>	<u>95</u>

Currency analysis of trade receivables

SA Rand	48	95
	<u>48</u>	<u>95</u>

20. Cash and cash equivalents

Bank balances	19,502	17,759
Bank balances included in a disposal group held for sale (refer note 21)	21	123
	<u>19,523</u>	<u>17,882</u>
Restricted cash	249	1,023
Restricted cash included in a disposal group held for sale (refer note 21)	219	264
	<u>468</u>	<u>1,287</u>

The restricted cash balance of \$0.2 million(2015 - \$1.0 million) is held on behalf of subsidiary companies in respect of the rehabilitation guarantees issued to the DMR in respect of environmental rehabilitation costs of \$6.3 million (2015: \$10.1 million). This cash is not available for use other than for those specific purposes.

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20. Cash and cash equivalents (continued)

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.

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
21. Assets classified as held for sale		
Carrying amounts of		
Holfontein Investments Proprietary Limited ('Holfontein')	-	-
Langcarel Proprietary Limited ('Mooiplaats')	11,835	14,764
	<u>11,835</u>	<u>14,764</u>
Assets classified as held for sale		
Holfontein	-	-
Mooiplaats	14,567	18,118
	<u>14,567</u>	<u>18,118</u>
Liabilities associated with assets held for sale		
Holfontein	-	-
Mooiplaats	2,732	3,354
	<u>2,732</u>	<u>3,354</u>
Holfontein		
Net assets of Holfontein Investments Proprietary Limited	-	-
Impairment on assets held for sale	-	-
	<u>-</u>	<u>-</u>

During the year, the Company received R2.5 million (\$0.2 million) of the balance outstanding of R17.2 million (\$1.2 million) from the prior year for the sale of the undeveloped Opgoedenhooop mining right. The Company has agreed on new settlement terms for the balance of R15.9 million (\$1 million) outstanding at 30 June 2016, which includes, R1 million (\$0.1 million) to be settled in September 2016 and the balance remaining to be settled in full in December 2016. The outstanding balance will accrue interest at the South African prime rate. Any default in the payment terms will result in interest at the South African prime rate plus 4%.

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21. Assets classified as held for sale (continued)

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Assets classified as held for sale		
Property, plant and equipment	14,069	16,770
Other financial assets	202	710
Restricted cash	219	264
Inventories	-	13
Trade and other receivables	56	238
Cash and cash equivalents	21	123
	<u>14,567</u>	<u>18,118</u>
Liabilities classified as held for sale		
Provisions	2,332	2,855
Trade payables and accrued expenses	400	499
	<u>2,732</u>	<u>3,354</u>
Net assets of Mooiplaats	<u>11,835</u>	<u>14,764</u>

22. Deferred consideration

Deferred consideration	16,016	18,687
	<u>16,016</u>	<u>18,687</u>
Opening balance	18,687	29,800
Loan advanced	-	65
Repaid during the year	(4,066)	(10,000)
Interest accrued	1,443	33
Gain on valuation at amortised cost	-	(1,303)
Foreign Exchange	(48)	92
Balance at end of year	<u>16,016</u>	<u>18,687</u>
Current	16,016	3,265
Non-Current	-	15,422
	<u>16,016</u>	<u>18,687</u>

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 was required to pay a minimum payment of \$100,000 a month as well as additional committed money on the sale of non-core assets. In May 2016, the monthly payment was revised to \$650,000 per month, with an additional \$1 million payable on 15 May 2016 and \$2 million payable on 15 September 2016. This arrangement includes interest at 4% as per the original agreement.

Full and final settlement of the outstanding balance plus all accrued interest remains 15 June 2017.

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	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
23. Borrowings		
Yishun Brightrise Investment PTE Limited loan		
Loan advanced	10,000	-
During the period, a loan for \$10 million was provided to the Company by its shareholder Yishun. The loan bears no interest and is only repayable in limited circumstances, including conditions relating to Baobab Mining and Exploration Proprietary Limited.		
Investec bank facility		
Loan advanced	-	6,372
Loan repaid	-	(5,909)
	-	463
Foreign exchange differences	-	(463)
	-	-

The Company, through its wholly owned subsidiary GVM Metals Administration (South Africa) (Pty) Ltd had secured an 18-month, ZAR210 million (approximately US\$20.0 million) working capital facility from Investec. The facility was repaid in full during the prior financial year.

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

24. Provisions

Employee provisions	207	221
Biodiversity offset provision	1,856	2,773
Rehabilitation provisions	2,338	3,033
	4,401	6,027

Employee provisions

The provision for employees represents unused annual leave entitlements.

Biodiversity offset provision

The Biodiversity offset agreement ("BOA") was signed by the Department of Environmental Affairs ("DEA"), South African National Parks Board 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 (\$4.4 million) to the South African National Parks Board 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 assume as equal annual payment and discounted at the South Africa inflation rate of 6%.

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24. Provisions (continued)

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Rehabilitation provision		
Balance at beginning of year	3,033	4,643
Unwinding of discount	-	86
Change in assumptions on rehabilitation provisions	(186)	(1,051)
Foreign exchange differences	(509)	(645)
Balance at end of year	<u>2,338</u>	<u>3,033</u>

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

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

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

The current estimate available is inflated by the South African inflation rate of 6% annually and the discount rate applied to establish the current obligation is a South Africa government bond rate at 30 June 2016 of 8.75% (2015: 8.32%) annually.

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

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

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

Current	398	294
Non-current	<u>4,003</u>	<u>5,733</u>
	<u>4,401</u>	<u>6,027</u>

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	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
25. Deferred tax		
Deferred tax asset	4,773	2,320
	<u>4,773</u>	<u>2,320</u>

The gross movement on the deferred tax account is as follows:

Balance at beginning of year	2,320	2,694
Recognised on tax losses	1,437	-
Provisions	(5)	-
Capital allowances	1,488	-
Exchange differences	(467)	(374)
Balance at end of year	<u>4,773</u>	<u>2,320</u>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

Capital allowances ⁽¹⁾ on development assets	3,378	2,320
Tax losses	1,400	-
Balance at end of year	<u>4,778</u>	<u>2,320</u>

Deferred tax liabilities

Provisions	(5)	-
Balance at end of year	<u>(5)</u>	<u>-</u>
Net deferred tax assets	<u>(4,773)</u>	<u>-</u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of \$99 million (2015: \$97 million) in respect of losses amounting to \$207 million (2015: \$158 million) and unredeemed capital expenditure of \$134 million (2015: \$176 million) that can be carried forward against future taxable income.

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

26. Trade and other payables

Trade payables	956	1,237
Accrued expenses	1,333	1,134
Other	34	348
	<u>2,323</u>	<u>2,719</u>

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

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27. Issued capital

Fully paid ordinary shares

1,927,001,328 (2015: 1,743,568,613) fully paid ordinary shares 1,006,435 992,374

Movements in fully paid ordinary shares

	Number	\$'000
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
Issue of shares, net of issuance costs	183,432,715	14,061
At 30 Jun 2016	1,927,001,328	1,006,435

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

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Accumulated deficit at the beginning of the financial year	(718,081)	(790,964)
Net loss attributed to Owners of the Company	(23,445)	(6,711)
Transferred from share based payment reserve	5,123	79,594
Accumulated deficit at the end of the financial year	(736,403)	(718,081)

29. Reserves

Capital profits reserve	91	91
Share based payment reserve	2,248	7,205
Foreign currency translation reserve	(36,495)	(7,609)
	(34,156)	(313)

Movements for the year can be reconciled as follows:

Share-based payments reserve

Opening balance	7,205	82,464
Share options issued during the year	275	4,335
Transfer from share based payment reserve	(5,123)	(79,594)
Share options cancelled	(83)	-
Closing balance	2,274	7,205

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29. Reserves (continued)

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Foreign currency translation reserve		
Opening balance	(7,609)	52,263
Exchange differences on translating foreign operations	(28,921)	(59,872)
Closing balance	(36,530)	(7,609)

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.

30. Share-based payments

Employee share option plan

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

Share options granted to Directors and Officers

The Group also grants share options to directors, 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 2016

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 2016:

- 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.
- 3,932,928 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.

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30. Share-based payments (continued)

- The Company finalised an 18-month, ZAR210 million working capital facility from Investec Bank Limited during October 2013 and announced that it would issue 20,000,000 Options to Investec. The 20,000,000 shareholder approved options were issued on 30 January 2015 and have an exercise price of ZAR1.32 and expire on 21 October 2018. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. At reporting date, none of the options had been taken up or had lapsed.
- 10,575,000 options were awarded to Mr Brown on his appointment as Chief Executive Officer and Executive Director of the Company. The options were approved by shareholders on 28 November 2014 and issued on 1 February 2015 under the ESOP vesting in three equal tranches of 3,525,000 options on 1 February 2015, 1 February 2016 and 1 February 2017 respectively. The Options 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 27 November 2015, 1,000,000 options were awarded and vested to each of the five independent non-executive directors at a price of GBP0.055 per option. The options expire on 27 November 2018. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. At reporting date, none of the options had been taken up or had lapsed.

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

Option series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date	Weighted average remaining contractual life
ESOP unlisted options	2,670,000	16/09/2011	14/02/2017	A\$1.40/ZAR7.60	ZAR3.46	0.6 years
ESOP unlisted options	3,932,928	22/11/2013	30/06/2017	ZAR1.75	ZAR0.52	1.0 years
Investec options	20,000,000	30/01/2015	21/10/2018	ZAR1.32	ZAR0.75	2.3 years
ESOP unlisted options	3,525,000	28/11/2014	01/02/2019	ZAR1.20	ZAR0.15	2.6 years
ESOP unlisted options	3,525,000	28/11/2014	01/02/2019	ZAR1.32	ZAR0.14	2.6 years
ESOP unlisted options	3,525,000	28/11/2014	01/02/2019	ZAR1.40	ZAR0.12	2.6 years
Non-executive director options	5,000,000	27/11/2015	27/11/2018	GBP0.055	ZAR0.77	2.4 years
	<u>42,177,928</u>					

Fair value of share options granted during the year

The weighted average fair value of share options granted during the financial year is A\$0.024 (2015: A\$0.07). Options were priced using a binomial option pricing model and the Black-Scholes option pricing model was used to validate the price calculated. Where relevant, the expected life used in the model has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

Expected volatility is calculated by Hoadley's volatility calculator for one, two and three year periods and a future estimated volatility level of 100% was used in the pricing model.

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30. Share-based payments (continued)

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

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

- Options granted to non-executive directors.

The total share based payment expense recognised in the current financial year is \$0.1 million.

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⁽¹⁾	ESOP grants⁽¹⁾	Investec grant⁽²⁾	TMM grant⁽³⁾
Closing share price on issue	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%

- Options granted to Mr D Brown under the ESOP in terms of his appointment as Chief Executive Officer.
- Options granted to Investec in terms of the working capital facility.
- Options granted to TMM in terms of the three stage equity raise process.

Movement in share options

	Year ended 30 June 2016 Number	Year ended 30 June 2015 Number
Options outstanding at beginning of year	85,993,989	21,168,990
Options expired	(47,441,061)	(3,000,001)
Options cancelled	(1,375,000)	(2,750,000)
Options granted	5,000,000	70,575,000
Options outstanding at end of year	<u>42,177,928</u>	<u>85,993,989</u>
Weighted average exercise price (A\$)	0.08	0.17
Options exercisable	38,652,928	78,943,989

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\$0.08 (2015: A\$0.17) and a weighted average contractual life of 1.32 years (2015: 1.86 years).

30. Share-based payments (continued)

Performance rights Plan

On 27 November 2015, 33,449,124 Performance Rights were issued to senior management. The Performance Right factors in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date, 30 November 2015, ending on 1 December 2018. The Performance Rights were valued using a hybrid employee share option pricing model to simulate the total shareholder return of CoAL at the expiry date using a Monte-Carlo model.

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

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

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

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
31. Non-controlling interest		
Non-controlling interests comprise the following:		
Freewheel Trade and Invest 37 Proprietary Limited	575	575
	<u>575</u>	<u>575</u>

32. Financial instruments

32.1 Capital management

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

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

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

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group is above its target gearing ratio of 0% determined as the proportion of net debt to equity. During 2016 the gearing ratio was higher than the target range due to the loan agreement entered into with Yishun which is a short term arrangement in terms of the subscription agreement entered into with Yishun for the subscription of shares in CoAL.

Debt ⁽¹⁾	10,000	-
Net debt	<u>10,000</u>	<u>-</u>
Equity ⁽²⁾	235,867	273,980
Net debt to equity ratio	<u>0.04</u>	<u>-</u>

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.

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32. Financial instruments (continued)

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
32.2 Categories of financial instruments		
The accounting policies for financial instruments have been applied to the line items below:		
Financial assets		
Other receivables	1,013	1,746
Trade and other receivables	666	792
Cash and cash equivalents	19,502	17,759
Restricted cash	249	1,023
Other Financial Assets	7,221	3,879
Total financial assets	28,651	25,199
Financial liabilities		
Deferred consideration	16,016	18,687
Borrowings	10,000	-
Trade and other payables	2,323	2,719
Total financial liabilities	28,339	21,406

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 2016	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	188	5,545	-	5,733
As at 30 June 2015	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	468	3,145	-	3,613

32. Financial instruments (continued)

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

¹. Cash includes restricted cash

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32. Financial instruments (continued)

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

¹. Cash includes restricted cash

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 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.

Impact on profit / (loss)	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Judgements on reasonable possible movements		
USD/ZAR increase by 10%	(2,345)	(2,355)
USD/ZAR decrease by 10%	2,345	2,355

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32. Financial instruments (continued)

32.5 Interest rate risk management

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

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

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

Impact on profit / (loss)	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Judgements on reasonable possible movements		
Increase of 0.2% in LIBOR	38	40
Decrease of 0.2% in LIBOR	(38)	(40)
Increase of 1.0% in JIBAR	188	202
Decrease of 1.0% in JIBAR	(188)	(202)

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

32.6 Credit risk

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

At year end there is no significant concentration of credit risk represented in the cash and cash equivalents, restricted cash and trade accounts receivables balance. The Group manages its credit risk by predominantly dealing with counterparties with a positive credit rating.

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

32.7 Liquidity risk

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

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

	United Kingdom \$'000	Australia \$'000	South Africa \$'000	Total \$'000
Balances at 30 June 2016				
Cash and cash equivalents and restricted cash	16,096	22	3,633	19,751
	16,096	22	3,633	19,751
Balances at 30 June 2015				
Cash and cash equivalents and restricted cash	5,020	45	13,717	18,782
	5,020	45	13,717	18,782

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32. Financial instruments (continued)

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 2016				
Deferred consideration	5,250	10,766	-	16,016
Borrowings ⁽¹⁾	-	10,000	-	10,000
Trade and other payables	2,323	-	-	2,323
	<u>7,573</u>	<u>20,766</u>	<u>-</u>	<u>28,339</u>

1. Not interest bearing

	Less than 6 months \$'000	Between 6 – 12 months \$'000	Greater than 12 months \$'000	Total \$'000
Balances at 30 June 2016				
Other receivables	-	-	1,013	1,013
Trade and other receivables	666	-	-	666
Cash and cash equivalents	19,502	-	-	19,502
Restricted cash	249	-	-	249
Other financial assets	188	-	7,033	7,221
	<u>20,605</u>	<u>-</u>	<u>8,046</u>	<u>28,651</u>

	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	15,422	18,687
Borrowings ⁽¹⁾	-	-	-	-
Trade and other payables	2,719	-	-	2,719
	<u>5,319</u>	<u>665</u>	<u>15,422</u>	<u>21,406</u>

2. Interest bearing at rates between 4 % and 10 %

	Less than 6 months \$'000	Between 6 – 12 months \$'000	Greater than 12 months \$'000	Total \$'000
Balances at 30 June 2015				
Other Receivables	1,746	-	-	1,746
Trade and Other Receivables	792	-	-	792
Cash and Cash Equivalent	17,759	-	-	17,759
Restricted Cash	1,023	-	-	1,023
Other financial assets	468	-	3,411	3,879
	<u>21,788</u>	<u>-</u>	<u>3,411</u>	<u>25,199</u>

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

	Note	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'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	19,523	17,882
Reconciliation of loss before tax to net cash used in operations			
Loss before tax (continuing and discontinuing operations)		(24,876)	(6,711)
Add back:			
Depreciation		351	497
Amortisation		848	975
Impairment losses		360	-
Share-based payment		193	3,064
Re-valuation of investments		76	281
Write off of inventory		198	847
Sundry income (non-cash)		-	(487)
Gain on revaluation of Deferred Consideration		-	(1,303)
Movement in provisions		(181)	368
Finance costs (net)		849	1,504
(Profit) on sale of assets		(8)	-
Foreign exchange (gains) / losses on operating activities		9,568	(14,504)
Changes in working capital			
Decrease in inventories		8	4
Decrease in trade and other receivables		265	1,282
(Decrease) / increase in trade and other payables		(788)	(935)
Cash used in operations		(13,137)	(15,121)

34. Contingencies and commitments

Contingent liabilities

The Group is currently involved in litigation as outlined below (\$ amounts presented within have been computed using the exchange rate as of 30 June 2016 unless otherwise stated):

Ferret Mining & Environmental Services Proprietary Limited

During the prior financial year, Ferret's 26% shareholding in Mooiplaats Mining Limited was re-instated. Although they are not entitled to any assets or claims in the Mooiplaats group, they are entitled to receive 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 State or other appropriate entities.

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

Commitments

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

There are no other significant contingent liabilities as at 30 June 2016.

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 2016 \$'000	Year ended 30 June 2015 \$'000
Short-term employee benefits	1,223	1,289
Post-employment benefits	9	10
Termination benefits	-	-
Share-based payments	209	131
	<u>1,441</u>	<u>1,430</u>

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.

COAL OF AFRICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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36. Controlled entities

Particulars in relation to controlled entities.

	Country of incorporation	Year ended 30 June 2016 %	Year ended 30 June 2015 %
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	-	-
Coal of Africa & ArcelorMittal Analytical Laboratories Proprietary Limited	South Africa	50	50
Cove Mining NL	Australia	100	100
Evoc Mining NL****	Australia	-	-
Freewheel Trade and Invest 37 Proprietary Limited	South Africa	74	74
Fumaria Property Holdings Proprietary Limited	South Africa	100	100
Golden Valley Services Proprietary Limited	Australia	100	100
Greenstone Gold Mines NL****	Australia	-	-
GVM Metals Administration (South Africa) Proprietary Limited	South Africa	100	100
Harrisia Investments Holdings Proprietary Limited	South Africa	100	100
Holfontein Investments Proprietary Limited	South Africa	74	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 operational events took place:

- The Company announced on 15 July 2016 that the recommended offer by CoAL for the entire issued and to be issued share capital of Universal had lapsed.

There have been no other events between 30 June 2016 and the date of this report which necessitate adjustment to the consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity and the consolidated statements of cash flows at that date.

COAL OF AFRICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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38. Parent entity financial information

	Parent entity	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Summary financial information		
Non-current assets	234,664	270,405
Current assets	16,553	6,806
Total assets	251,217	277,211
Current liabilities	14,775	5,389
Total liabilities	14,775	5,389
Net assets	236,442	271,822
Shareholders' Equity		
Issued capital	1,006,435	992,374
Accumulated deficit	(952,060)	(887,836)
Reserves	182,067	167,284
	236,442	271,822
Loss for the year	(64,224)	(238,420)
Total comprehensive loss	(64,224)	(238,420)

Commitments

- Coal has subordinated all loans to subsidiary companies

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 2016, 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 37 to 94.

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 1, 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 2016 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 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial report, which indicates that the consolidated entity incurred a net loss of \$22.5 million and experienced net cash outflows from operating and investing activities of \$16.7 million for the year ended 30 June 2016, and as of that date the consolidated entity's current liabilities exceeded its current assets by \$9.6 million, excluding assets and liabilities classified as held for sale. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company and consolidated entity to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 23 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



David Newman

Partner

Chartered Accountants

Perth, 30 September 2016