

INDEPENDENT TECHNICAL STATEMENT FOR THE GREATER SOUTPANSBERG FOR COAL OF AFRICA LIMITED, 31ST MAY 2012



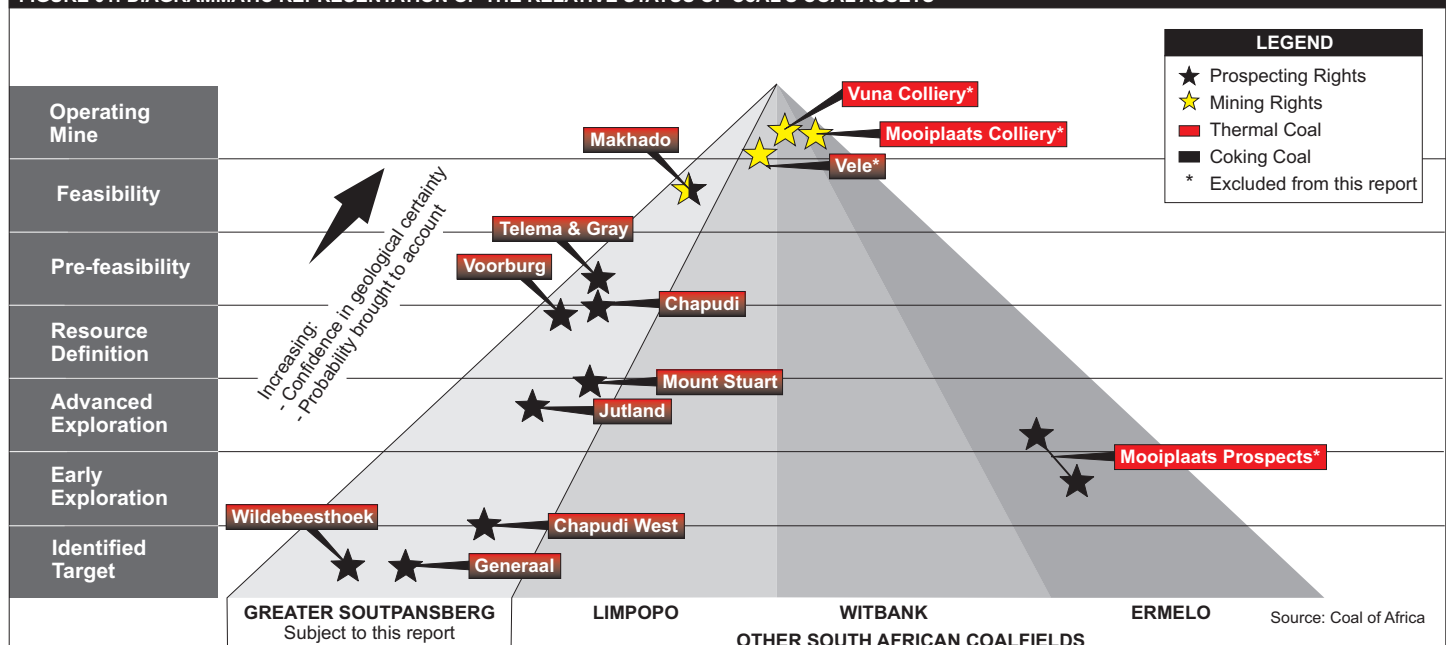
In this Report:

- Key Features
- Voorburg Area (Mopane Region)
- Jutland Area (Mopane Region)
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- Telema & Gray Area (Makhado Region)
- Mount Stuart Area (Makhado Region)
- Generaal Area (Makhado Region)
- Chapudi Area (Chapudi Region)
- Chapudi West Area (Chapudi Region)
- Wildebeesthoek Area (Chapudi Region)

KEY FEATURES

Company:	Coal of Africa Limited (CoAL).
Commodity:	Coking and thermal coal.
Mineral Assets:	The coal assets comprise nine project areas grouped together into three regions namely; Mopane, Makhado, and Chapudi (Figure 1). These regions are at various stages of exploration from early to advanced, including related technical and geological work required to compile the feasibility studies. The three regions are summarised as follows:- • the Mopane Region which comprises the Voorburg Area and Jutland Area; • the Makhado Region which comprises the Makhado Project, Telema & Gray Area, Mount Stuart Area and Generaal Area; and • the Chapudi Region which comprises the Chapudi Area, Chapudi West Area and Wildebeesthoek Area. The project areas are held under various New Order Prospecting Rights (NOPRs) (Table 1). These rights are held in the name of CoAL or one of its subsidiaries. Certain of these rights were acquired from Rio Tinto Minerals Development Ltd (Rio Tinto) and Kwezi Mining (Pty) Ltd (Kwezi) through a transaction completed in May 2012 (Soutpansberg Properties Acquisition Transaction). These projects are together referred to as the Greater Soutpansberg by CoAL.
Location:	Located in the Limpopo Province of South Africa, within the Soutpansberg Coalfield (Figure 2). The relative location of the project areas comprising the various regions is presented in relation to the local Soutpansberg infrastructure in Figure 3.
Competent Person:	Mrs Catherine Telfer (B.Sc. Hons. (Geol.), (DMS) Dip Bus Man, Pr. Sci. Nat., FGSSA, MAusIMM, M.Inst.D). This Technical Statement was prepared by Mrs C Telfer who has the relevant and appropriate experience and independence to appraise the coal assets and is a full time employee of Venmyn Rand (Pty) Ltd (Venmyn). Mrs C Telfer is considered a "Competent Person" and has more than ten years relevant experience in the assessment and evaluation of the types of coal exploration projects discussed in this Technical Statement.
Effective Date:	31 st May 2012.
Purpose:	In September 2011, Venmyn prepared a Technical Statement for CoAL on the Coal Resources and Reserves for their material coal assets at the time. Since then, CoAL has acquired a number of additional coal assets from Rio Tinto and Kwezi, within the Soutpansberg Coalfield of South Africa, as a result of the Soutpansberg Properties Acquisition Transaction. The purpose of this Technical Statement, dated 31st May 2012, is to document the technical details of these newly acquired coal assets in conjunction with CoAL's existing Greater Soutpansberg assets. Venmyn has provided consent for this Technical Statement to be issued into the public domain by CoAL.

FIGURE 01: DIAGRAMMATIC REPRESENTATION OF THE RELATIVE STATUS OF CoAL'S COAL ASSETS



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LEGEND	
●	City / Town
—	Arterial Road
—	Railway
■	Coalfields
★	CoAL Principal Assets
⚡	Power Station
⚡	Power Station under construction
□	CoAL Projects not subject to this report

SOUTH AFRICAN COALFIELDS	
1 Limpopo	10 South Rand
2 Soutpansberg	11 Utrecht
3 Ellisras	12 Highveld Rand
4 Springbok Flats	13 Vryheid
5 Kangwane	14 Free State
6 Witbank	15 Kliprivier
7 Evander	16 Nongoma
8 Ermelo	17 Somkele
9 Vereeniging-Sasolburg	18 Moltene

FIGURE 02: LOCATION OF COAL's ASSETS IN RELATION TO THE SOUTH AFRICAN COALFIELDS AND MAJOR INFRASTRUCTURE

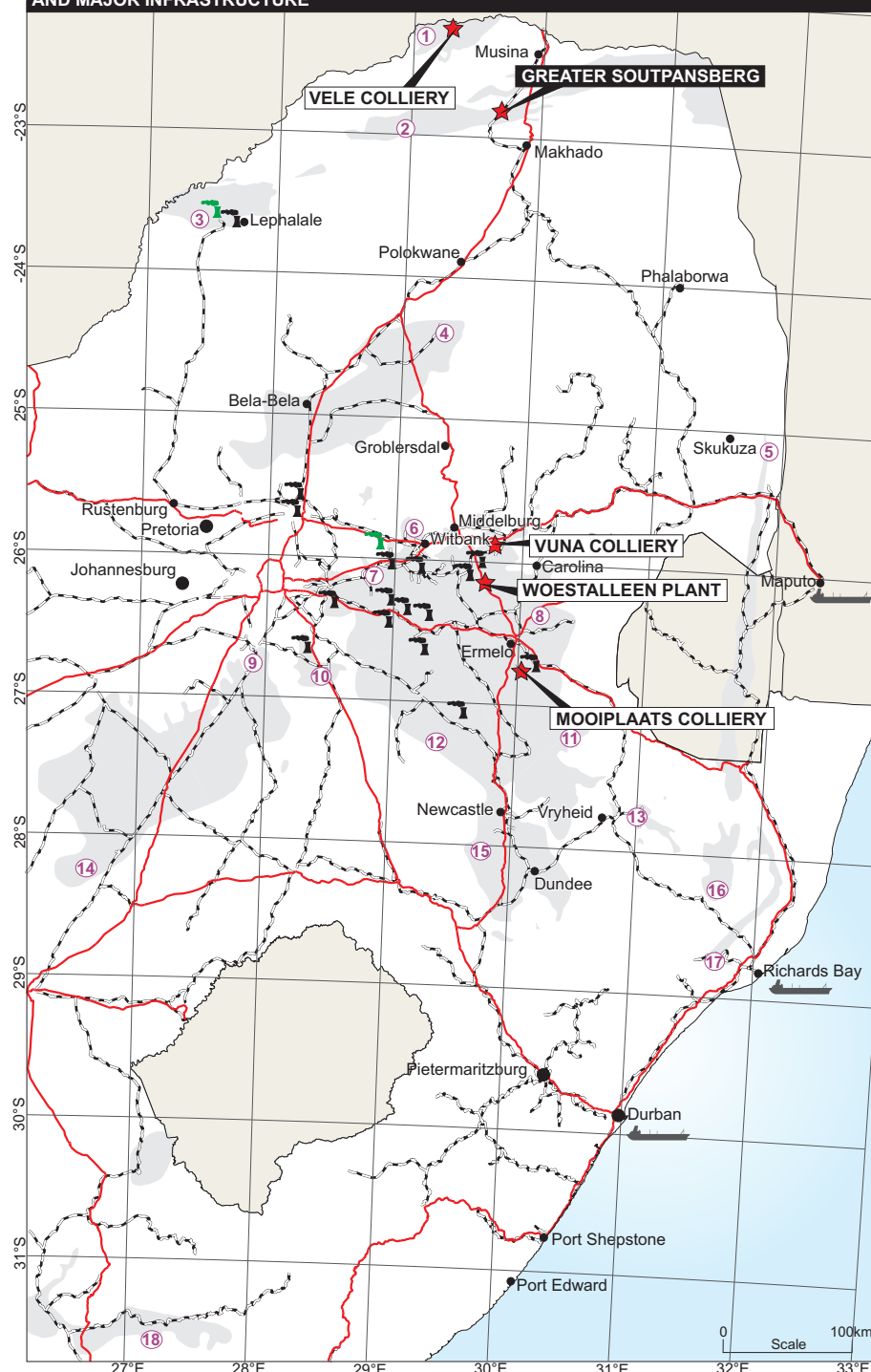


TABLE 1: SUMMARY OF MINERAL ASSETS OF THE GREATER SOUTPANSBERG AS REPORTED IN THIS TECHNICAL STATEMENT

COAL FIELD	COAL TYPE	REGION	PROJECT/AREA	NO. OF FARMS CURRENTLY HELD	DEVELOPMENT STATUS	NEW ORDER LICENCE TYPE	TOTAL LICENCE AREA (Ha)	CoAL'S CURRENT EFFECTIVE INTEREST	JORC RESOURCES
Soutpansberg	Coking & Thermal	Mopane	Voorburg	8	Advanced Exploration	Prospecting	11,504	100%	✓
			Jutland	14	Exploration	Prospecting	14,501	100%	
		Makhado	Makhado	6	Feasibility	Prospecting	8,190	100%	✓
			Telema and Gray	2	Exploration	Prospecting	2,131	100%	✓
			Mount Stuart	7	Exploration	Prospecting	9,131	100%	✓
			Generaal	13	Early Exploration	Prospecting	13,470	100%	
		Chapudi	Chapudi	21	Pre Feasibility	Prospecting	20,746	100%	✓
			Chapudi West	9	Early Exploration	Prospecting	9,405	100%	
			Wilbeesthoek	11	Early Exploration	Prospecting	10,641	100%	
GRAND TOTAL				91			99,719		

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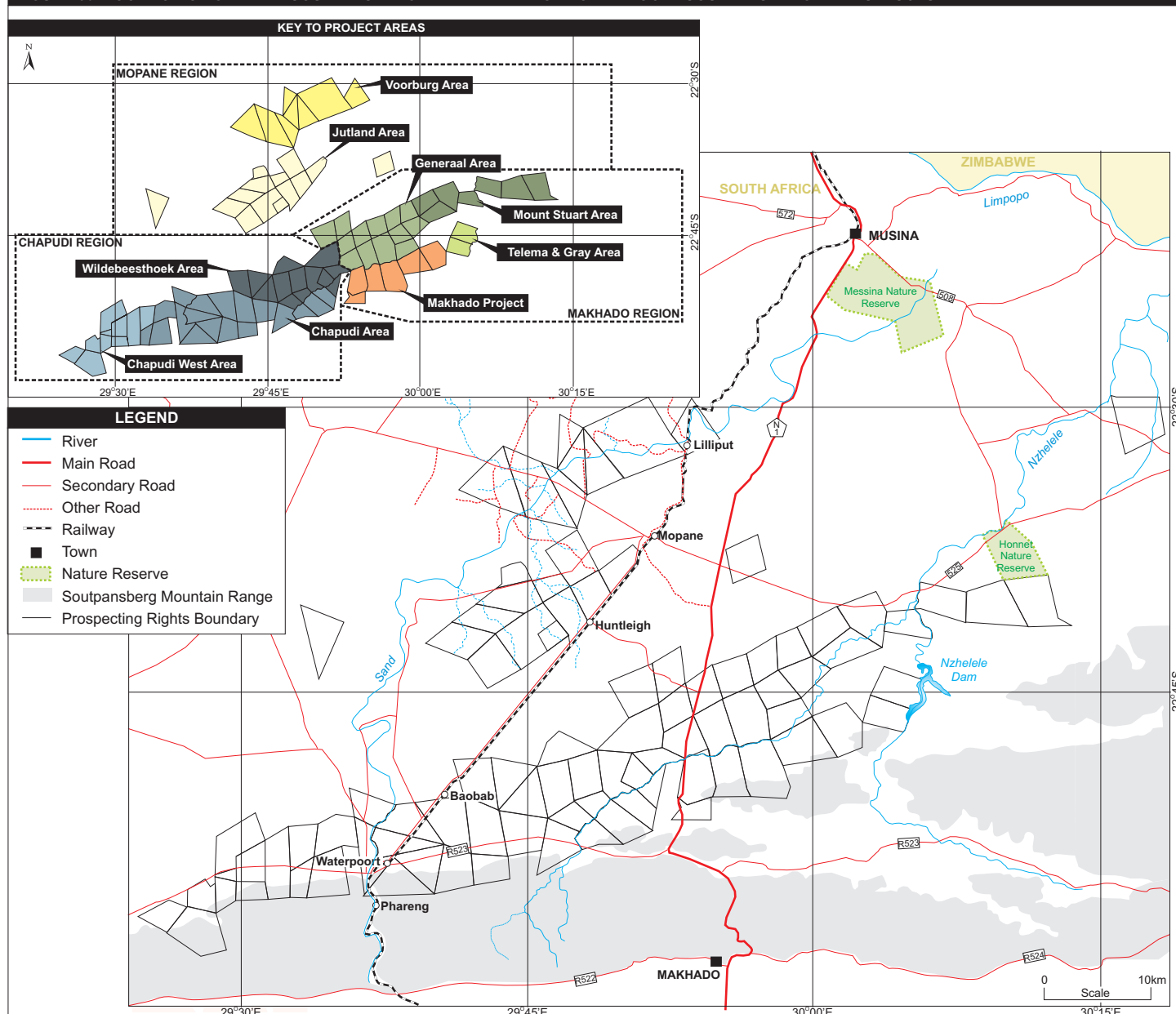
Resource Reporting Code: All Coal Resources are defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australasian Institute of Geoscientists and Minerals Council of Australia, (JORC Code).

Venmyn prepared a Coal Resource Statement for the Greater Soutpansberg assets then held by CoAL, which was included in the Technical Statement published on the 18th September 2011, and also included in the October 2011 Competent Persons Report (CPR) entitled "Independent Competent Persons Report on the Principal Coal Assets of Coal of Africa Limited". The resources pertaining to the Greater Soutpansberg reported on in the CPR are presented as the Previous Resource Statement in Table 2.

The completion of the Soutpansberg Properties Acquisition Transaction has necessitated the issue of an updated Resource Statement for the Greater Soutpansberg to include the additional assets acquired. Venmyn has independently assessed the Coal Resources of these principal mineral assets and has incorporated them into the Current Coal Resource Statement, per region and per project area, in Table 3.

Venmyn have clearly presented the differences between the Previous and Current Resource Statements in Table 4. This table reflects a significant net increase in the Coal Resources for the Greater Soutpansberg as a result of the Soutpansberg Properties Acquisition Transaction. The most significant increase of 1.3Bt reflects CoAL's Resource Statement which is based upon Rio Tinto's interpretation of the coal present within Seam 6 of the Chapudi Area, for a proposed coking and thermal product. Due to the sampling and analysing methods used by Rio Tinto, CoAL was unable to re-correlate Seam 6 into their standard nomenclature for the Soutpansberg Coalfield. Therefore, future CoAL Resource Statements for the Chapudi Area may be significantly different to the current estimates when CoAL's nomenclature is implemented. CoAL's latest estimate of the Chapudi Area's coal resources, using the Rio Tinto interpretation, is greater than that issued by Rio Tinto in 2008 as Rio Tinto did not include the farms the company obtained as a result of the Farm Swap Agreement and the results of the Pre-Feasibility Study drilling.

FIGURE 03: LOCATION OF GREATER SOUTPANSBERG AREA IN RELATION TO THE LOCAL SOUTPANSBERG INFRASTRUCTURE



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TABLE 2: PREVIOUS COAL RESOURCES OF COAL'S GREATER SOUTPANSBERG AREA AS AT 18TH SEPTEMBER 2011

REGION	PROJECT/AREA	RESOURCE CATEGORY	GROSS TONNES IN SITU (GTIS)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	COAL ATTRIBUTABLE %
Mopane	Voorburg	Measured	94,952,819	85,457,537	83,748,100	100%
Makhado	Makhado		402,780,570	362,502,682	264,982,700	100%
	Telema & Gray		42,244,854	38,020,200	36,240,800	100%
TOTAL/WT. AVE MEASURED			539,978,243	485,980,419	384,971,600	100%
Mopane	Voorburg	Indicated	104,230,533	88,595,953	84,903,000	100%
Makhado	Makhado		298,594,886	253,808,632	76,390,000	100%
	Telema & Gray		29,581,152	25,141,000	23,225,000	100%
TOTAL/WT. AVE INDICATED			432,406,571	367,545,585	184,518,000	100%
Mopane	Voorburg	Inferred	18,595,607	14,876,486	13,160,000	100%
Makhado	Makhado		94,232,132	75,406,688	2,998,000	100%
	Telema & Gray		12,301,228	9,820,000	7,320,000	100%
	Mount Stuart		407,162,828	325,730,262	55,460,000	100%
TOTAL/WT. AVE INFERRED			532,291,795	425,833,436	78,938,000	100%
GRAND TOTAL RESOURCES			1,504,676,609	1,279,359,440	648,427,600	100%

TABLE 3: CURRENT COAL RESOURCES OF COAL'S GREATER SOUTPANSBERG AREA AS AT 31ST MAY 2012

REGION	PROJECT/AREA	RESOURCE CATEGORY	GROSS TONNES IN SITU (GTIS)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	COAL ATTRIBUTABLE %
Mopane	Voorburg	Measured	109,435,158	98,491,642	94,915,200	100%
Makhado	Makhado		402,780,570	362,502,682	264,982,700	100%
	Telema and Gray		42,244,854	38,020,369	36,240,800	100%
TOTAL/WT. AVE MEASURED			554,460,582	499,014,693	396,138,700	100%
Mopane	Voorburg	Indicated	125,033,852	106,278,774	100,500,000	100%
Makhado	Makhado		298,594,886	253,805,653	76,390,000	100%
	Telema and Gray		29,581,152	25,143,979	23,225,000	100%
TOTAL/WT. AVE INDICATED			453,209,890	385,228,406	200,115,000	100%
Mopane	Voorburg	Inferred	36,238,997	28,991,198	23,940,000	100%
Makhado	Makhado		94,232,132	75,385,706	2,998,000	100%
	Telema and Gray		12,301,228	9,840,982	7,320,000	100%
	Mount Stuart		407,162,828	325,730,262	55,460,000	100%
Chapudi	Chapudi		6,399,023,436	5,119,218,749	1,318,420,000	100%
TOTAL/WT. AVE INFERRED			6,948,958,621	5,559,166,897	1,408,138,000	100%
GRAND TOTAL RESOURCES			7,956,629,093	6,443,409,996	2,004,391,700	100%

TABLE 4: DIFFERENCES BETWEEN COAL'S PREVIOUS AND CURRENT GREATER SOUTPANSBERG AREA COAL RESOURCES (SEPTEMBER 2011 - MAY 2012)

REGION	PROJECT/AREA	RESOURCE CATEGORY	MINEABLE TONNES IN SITU (MTIS) (2011)	MINEABLE TONNES IN SITU (MTIS) (2012)	DIFFERENCES BETWEEN MTIS (Sept 2011 - May 2012)	REASON
Mopane	Voorburg		83,748,100	94,915,200	11,167,100	Acquisition of the farm Banff 502MS from Rio Tinto which is adjacent to the Voorburg Area.
Makhado	Makhado		264,982,700	264,982,700	0	No change.
	Telema and Gray		36,240,800	36,240,800	0	
TOTAL/WT. AVE MEASURED			384,971,600	396,138,700	11,167,100	Net increase in Measured Resources by 11.1Mt.
Mopane	Voorburg		84,903,000	100,500,000	15,597,000	Acquisition of the farm Banff 502MS from Rio Tinto which is adjacent to the Voorburg Area.
Makhado	Makhado		76,390,000	76,390,000	0	No change.
	Telema and Gray		23,225,000	23,225,000	0	
TOTAL/WT. AVE INDICATED			184,518,000	200,115,000	15,597,000	Net increase in Indicated Resources by 15.6Mt.
Mopane	Voorburg		13,160,000	23,940,000	10,780,000	Acquisition of the farm Banff 502MS from Rio Tinto which is adjacent to the Voorburg Area.
	Makhado		2,998,000	2,998,000	0	Resources previously all combined into the Makhado Project.
Makhado	Telema and Gray		7,320,000	7,320,000	0	
	Mount Stuart		55,460,000	55,460,000	0	No change.
Chapudi	Chapudi		0	1,318,420,000	1,318,420,000	Acquisition of Chapudi Coal. This figure reflects Rio Tinto's interpretation of the coal present within Seam 6 only, for a proposed coking and thermal product. Due to the sampling and analysing methods used by Rio Tinto, CoAL was unable to re-correlate Seam 6 into their standard nomenclature for the Soutpansberg Coalfield. Therefore future CoAL Resource Statements for Chapudi may be significantly different to the current estimates.
TOTAL/WT. AVE INFERRED			78,938,000	1,408,138,000	1,329,200,000	Net increase in Inferred Resources by 1,329.2Mt.
GRAND TOTAL RESOURCES			648,427,600	2,004,391,700	1,355,964,100	Net increase in Greater Soutpansberg Coal Resources by 1,356.0Mt.

VOORBURG AREA

VOORBURG AREA (MOPANE REGION)

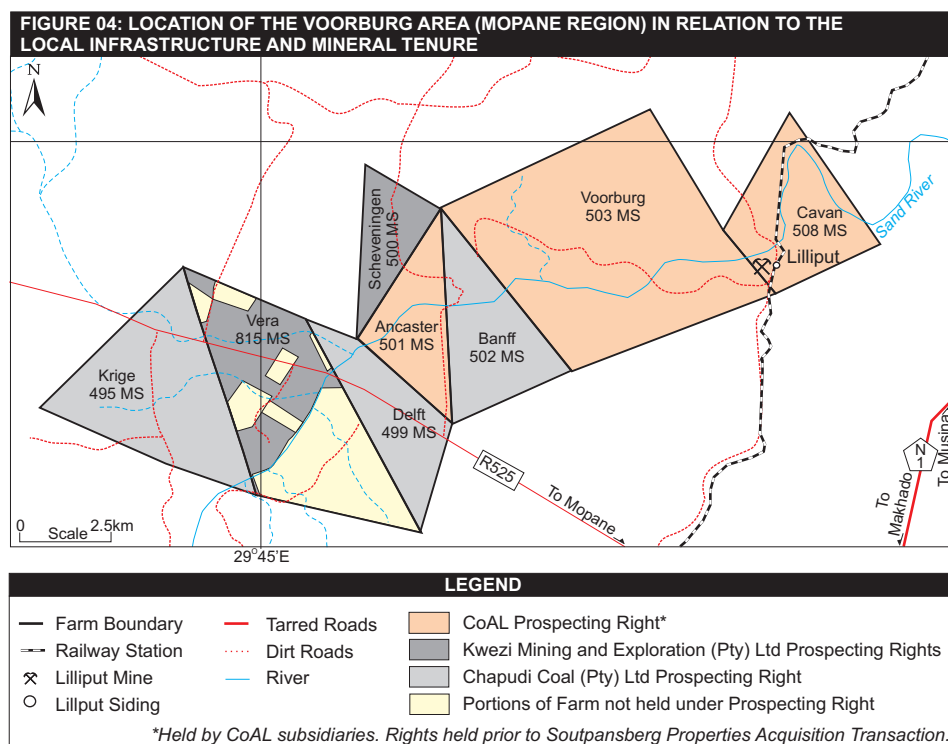
The Voorburg Area comprises eight contiguous farms within the Sand River Coalfield subdivision of the greater Soutpansberg Coalfield (Figure 4). The area is at an advanced exploration stage, with quantified coal resources over the properties. It represents the most advanced project area of the Mopane Region.

According to historical records, a total of 14,488t of coal were mined from an inclined shaft sunk into the small flat topped hill situated a few hundred metres west of the Lilliput Siding.

CoAL obtained NOPRs over certain of the Voorburg Area farms in 2006 and proceeded to drill ten diamond boreholes between 2009 and 2010 on these farms. In 2012, CoAL drilled 15 large diameter drilling (LDD) holes in three localities for bulk sampling purposes. CoAL has sampled these boreholes and is currently awaiting the results from the laboratory.

The historical Iscor and recent (excluding the 2012 drilling) CoAL exploration data has been used in the estimation of the resources for the Voorburg Area.

The updated coal resources for the Voorburg Area are in consideration of the 'expanded' Voorburg Area as a consequence of the Soutpansberg Properties Acquisition Transaction, and the addition of the coal resources on the farm Banff 502MS to the previously reported coal resources. The updated coal resources were independently classified and signed off by Venmyn's Competent Person in accordance with the JORC Code. The classification into the various resource categories is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results. Venmyn is confident that the logging, sampling, data density and distribution are suitable for the Coal Resource estimation.



The Voorburg Area is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa. The nearest town is Musina, situated approximately 30km to the northeast of the Voorburg Area (Figure 3).

The Voorburg Area represents an isolated and upfaulted block of Karoo age sediments, which lies approximately 10km to the north of the main Soutpansberg Coalfield. The coal bearing sediments occur as alternating mudstone laminae and coal bands within the Upper Ecca or Mikabeni Formation. According to CoAL, the coal horizons are divided into six potentially-economic seams, namely the Upper, Middle Upper, Middle Lower, Bottom Upper, Bottom Middle and Bottom Lower seams.

The earliest known exploration on the Voorburg Area was undertaken on Cavan 508MS by Rapbern Exploration (Pty) Ltd in the early 1970s. A total of seven holes were drilled, six of which were sampled and sent for analysis.

During 1976, Iscor drilled 39 diamond boreholes on the farms Banff 502MS and Voorburg 503MS.

Rio Tinto drilled four diamond boreholes into the properties associated with its NOPRs. One hole was drilled in each of the farms as part of its regional exploration programme.

Historical underground mining from the Lilliput Colliery was carried out on the farm Cavan 508MS between 1911 and 1918. The coal was supplied to the smelter at Messina Copper Mine.

The current resource statement for the Voorburg Area is presented in Table 5, whilst the location of the resources in relation to the farm boundaries is highlighted in Figure 5. No reserves have been declared for the Voorburg Area.

Due to the stage of development of the Voorburg Area, no investigations have been carried out on the mining of the deposit. However, upon considering the depth from surface of the coal zones, any future mining is expected to be via opencast methods.

The coking potential of Voorburg is good and the area has the potential to produce a semi-hard coking coal.

The Voorburg Area is highly prospective for coking coal, with the potential to contribute significant additional coking coal production from the region.

FIGURE 05: LOCATION OF RESOURCES PERTAINING TO THE VOORBURG AREA (MOPANE REGION)

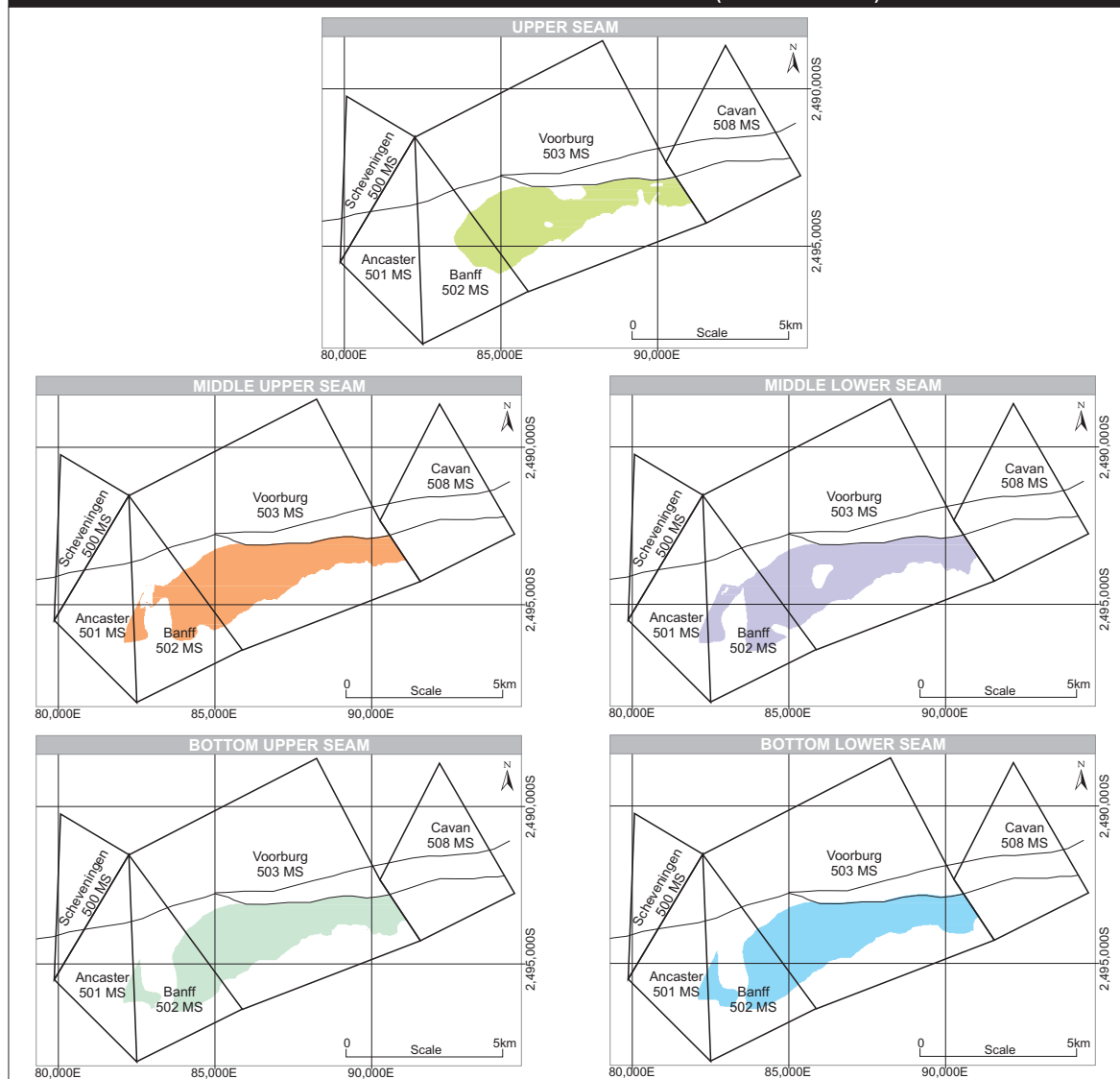


TABLE 5: SUMMARY RESOURCE STATEMENT FOR THE VOORBURG AREA (MOPANE REGION) 31ST MAY 2012

AIR DRIED WASHED QUALITIES @ RD=1.40									
YIELD	CV	ASH	VOL.	FIXED	SULPH.	MOIST.			
(%)	(MJ/kg)	(%)	(%)	CARBON	(%)	(%)			
				(%)					
20.02		10.10	32.73	56.55	1.13	0.62			
30.13		11.61	33.04	54.80	1.23	0.55			
35.17		12.25	32.64	54.45	1.19	0.67			
31.17		11.44	32.10	55.76	1.07	0.69			
28.16		10.87	31.79	56.12	0.97	0.67			
28.73	11.20	32.40	55.60	1.10	0.64				
17.53	9.99	32.56	56.70	1.13	0.78				
30.99	11.51	32.94	54.90	1.24	0.66				
31.48	12.51	32.30	54.52	1.51	0.67				
29.61	11.08	30.91	55.45	0.99	0.71				
27.73	10.36	30.17	55.42	0.85	0.65				
27.35	11.04	31.83	55.41	1.14	0.69				
19.76	10.19	32.43	56.68	1.08	0.76				
29.36	11.00	33.27	55.26	1.08	0.44				
34.77	12.89	33.52	53.31	1.39	0.33				
35.92	11.44	32.19	55.66	0.84	0.47				
34.17	10.65	32.70	57.26	0.79	0.46				
30.79	11.34	33.00	55.37	1.08	0.47				
28.32	11.14	32.21	55.49	1.12	0.64				

Notes :

GTIS & TTIS - At minimum seam thickness cutoff of 0.5m.

MTIS - At maximum opencast mining depth of 200m. No underground mining considered. Excludes all coal with volatiles <20%.

Rounding down of tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively.

Weighted average qualities calculated on MTIS.

JUTLAND AREA

JUTLAND AREA (MOPANE REGION)

The Jutland Area, located within the Soutpansberg Coalfield, southwest of the Voorburg Area, forms part of the Mopane Region (Figure 3) and is an early stage exploration project. The section comprises 14 farms, held under five different NOPRs (Figure 6).

The Jutland Area is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa. The nearest town is Musina, situated approximately 35km to the northeast of the Jutland Area.

The Jutland Area is situated within the Mopane Coalfield subdivision of the Soutpansberg Coalfield. The Karoo sediments of the Jutland Area are preserved as a half graben with an unconformable southern contact. While the lower Karoo sediments are not developed, the coal bearing Mikabeni Formation is present throughout. The Jutland Area contains sub-cropping coal seams that dip towards the north at between approximately 10° - 12°.

The coal bearing sediments occur as alternating mudstone laminae and coal bands within the Upper Eccia or Mikabeni Formation. According to CoAL, the coal horizons are divided into five potentially economic seams, namely the Upper, Middle Upper, Middle Lower and Bottom Upper and Bottom Lower seams.

The earliest known exploration on the Jutland Area was undertaken by Trans Natal Coal Mining Corporation, between 1968 and 1975. During this time, 59 boreholes were drilled within the Jutland Area.

Iscor carried out extensive exploration work within the Jutland Area between 1975 and 1982, including bulk sampling on three of the farms. The target was believed to have been coking coal.

In 1982, Iscor conducted a Pre-Feasibility Study for a proposed mining operation over four of the farms in the Jutland Area. This study concluded that approximately 40.7Mt of RoM material (including 25.13Mt of coal) could be economically extracted by underground mining of the No.5 Coal Zone (Middle Lower Seam), using bord and pillar methods.

Annual production of 2.16Mt of RoM was suggested, for a 20 year life of mine (LOM) (however, this could be extended in consideration of the possible exploitation of the No.9 Coal Zone or Bottom Upper Seam).

The proposed underground access was via an inclined shaft.

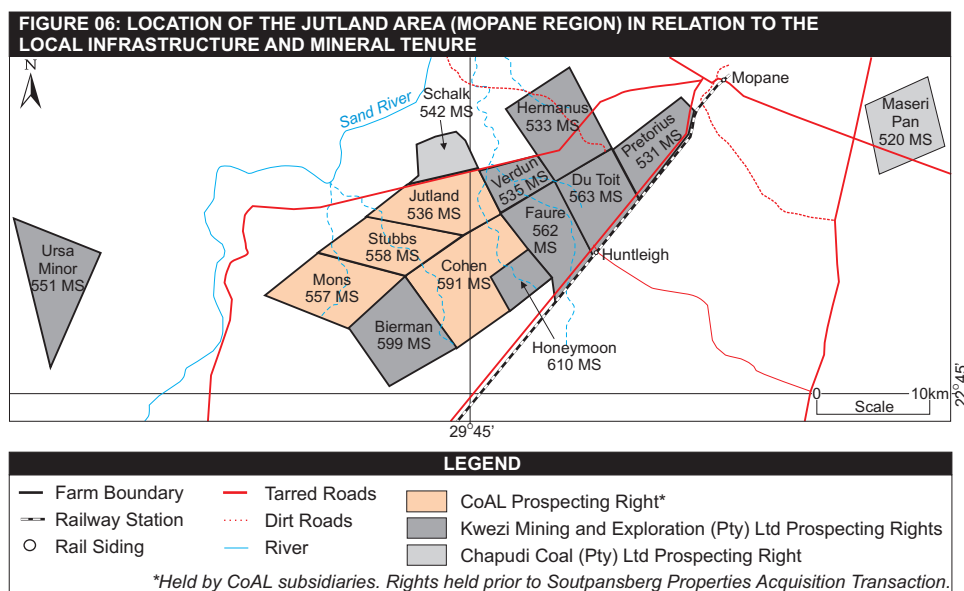
The only recent exploration conducted within the Jutland Area is that by Rio Tinto. Between 2006 and 2007, Rio Tinto drilled three vertical reverse circulation (RC) holes over three farms within the Jutland Area.

No resources or reserves have been declared for the Jutland Area, but the presence of coal is known.

Due to the stage of development of the Jutland Area, no recent investigations have been carried out on the mining of the deposit. However, upon considering the depth from surface of the coal zones, any future mining is expected to be a combination of opencast and underground methods. Details on mining methods and recoveries will be investigated during a Pre-Feasibility Study on the project.

The Jutland coal is most likely to yield a coking coal product. Further testing to determine the extent of a thermal coal product is to be undertaken.

The Jutland Area represents a prospective coking and thermal coal project, with the potential to contribute significant additional coking coal production from the region.

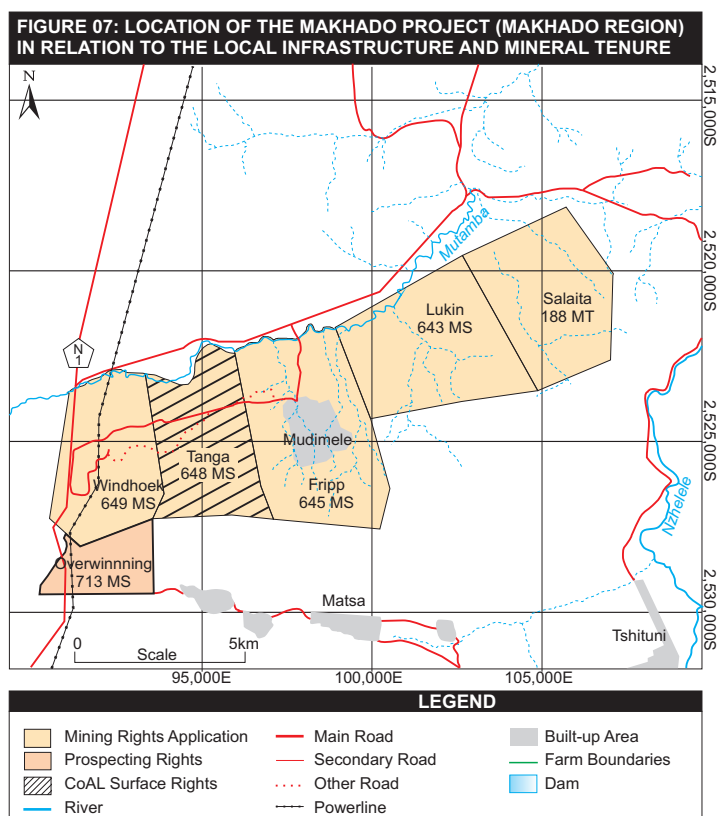


MAKHADO PROJECT

MAKHADO PROJECT (MAKHADO REGION)

CoAL and its subsidiaries are the 100% owners of the Makhado Project, which is currently CoAL's anchor project and most advanced development project in the Soutpansberg Coalfield area.

The Makhado Project is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 3). The nearest town is Makhado, situated approximately 35km to the south of the Makhado Project area. The town of Musina is located approximately 50km north of the Makhado Project area. The village of Mudimele is located within the Makhado Project area on the farm Fripp 645MS (Figure 7).



CoAL holds five NOPRs over the six farms comprising the Makhado Project.

The Department of Mineral Resources (DMR) accepted a NOMR application by CoAL on the farms Windhoek 649 MS, Tanga 648 MS, Fripp 645 MS, Lukin 643 MS and Salaita 188 MT (the Makhado Project) on the 25th February 2011. The right is expected to be granted by late 2012, pending the outcome of the review of the Environmental Impact Assessment (EIA) and scoping report that were submitted by CoAL shortly after the application.

Within the Makhado Project area, a number of seams occur within a 30m to 40m thick carbonaceous zone of the Madzaringwe Formation. Six potential mining horizons (seams) have been identified by CoAL and named Upper Seam, Middle Upper Seam, Middle Lower Seam, Bottom Upper Seam, Bottom Middle Seam and Bottom Lower Seam. The Bottom Middle Seam usually comprises predominantly mudstone and for this reason it has not been included in the resource base, however in certain areas it is sufficiently coaly to be considered a potential mining target.

All seams comprise interbanded carbonaceous mudstones and coal.

The coal component is usually bright and brittle and contains a high proportion of vitrinite. The seams dip northwards at approximately 12°.

A major fault trending northwest-southeast has been identified on the farm Lukin 643 MS. It has displaced the Coal Zone and offset the sub-crop. Major faults also mark the western and eastern limits of the resource area along strike. The frequency of smaller scale faulting is not well understood. Drilling indicates that a dolerite sill up to 50m in thickness, transgresses from a position above the Coal Zone on the farms Tanga 648MS and Lukin 643MS to a stratigraphic level below the Coal Zone on the farm Fripp 645MS. Coal in proximity to the sill has been devolatilised and, where the sill cuts through the Coal Zone, the seams have been burnt. The frequency of dolerite dykes is unknown; however examination of aeromagnetic data suggests there are relatively few magnetic dykes within the potential open pit areas.

The Soutpansberg Coalfield was extensively explored by Iscor in the 1970s and 1980s. The full Iscor dataset, containing information from approximately 1,250 boreholes, was purchased by CoAL in 2007 from Exxaro Resources Ltd. A total of 316 diamond core boreholes have been drilled by Iscor within the Makhado Project area. No historical mining has taken place within the Makhado Project area, however a bulk sample pit (box cut) was excavated on the farm Fripp 645MS by Iscor during its exploration programme. The results of the testwork that Iscor may have conducted are not available.

Recent exploration has been conducted within the Makhado Project area by both Rio Tinto and CoAL. Data from six boreholes drilled over the Makhado Project area, by Rio Tinto, was provided to CoAL as part of the Farm Swap Agreement (as defined herein). These boreholes were all cored boreholes. Exploration drilling by CoAL commenced in 2007 on the farm Fripp 645MS. To-date, CoAL has drilled a total of 214 boreholes within the Makhado Project area. Of this, 172 boreholes were diamond core boreholes. In addition, 24 LDD boreholes, 13 open-hole or percussion holes and five geotechnical holes were drilled by CoAL. Aeromagnetic and radiometric surveys have also been undertaken. Between August 2010 and April 2011, CoAL excavated a box cut on the farm Tanga 648MS in order to extract a bulk sample. This bulk sample was required to confirm the coal and coking product properties used in the feasibility study, and to test various processing options for the coal. A 10% ash product has been tested in the pilot coking ovens of ArcelorMittal at their Newcastle and Vanderbijlpark plants, the initial results of which indicate good coking potential.

All historical and recent exploration data has been used in the estimation of the resources of the Makhado Project. The summary table of the independently declared resource estimate for the Makhado Project is shown in Table 6. The location of the resources are presented in Figure 8.

No commercial mining has taken place at the Makhado Project. However, a Definitive Feasibility Study (DFS) is currently being conducted on the Makhado Project in order to define the planned mining and processing methodologies and schedules for the Makhado Project. The DFS is expected to be completed during 2012.

The DFS is being undertaken in consideration of an opencast mining operation utilising a conventional truck and shovel fleet. Results on the coal processing testwork has concluded that there is a primary product of hard coking coal and a middlings product of export grade thermal coal. The economic impact of these testwork results is currently being quantified as part of the DFS process which is still underway.

FIGURE 08: LOCATION OF RESOURCES PERTAINING TO THE MAKHADO PROJECT (MAKHADO REGION)

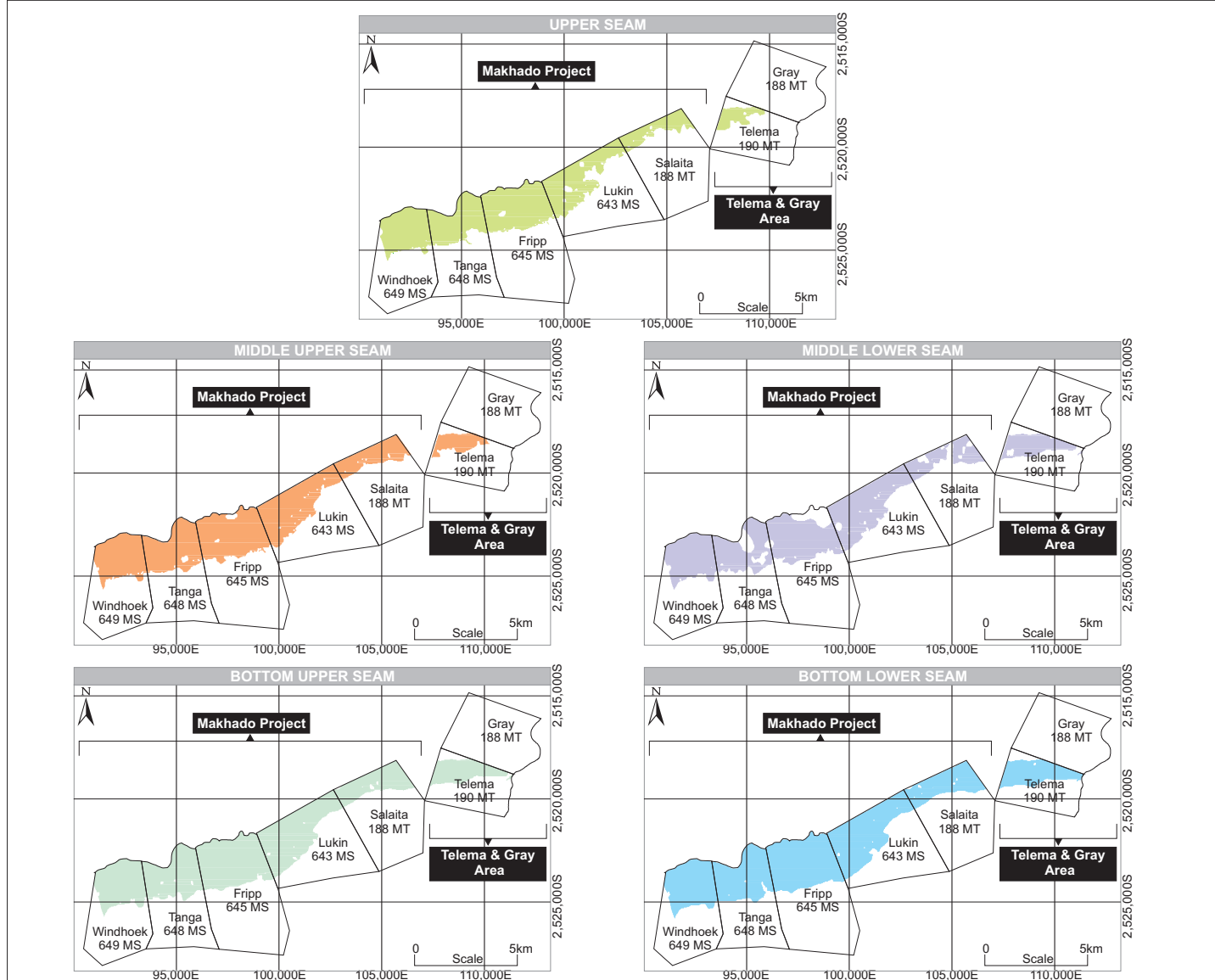


TABLE 6: SUMMARY RESOURCE STATEMENT FOR THE MAKHADO PROJECT (MAKHADO REGION) 31ST MAY 2012

PROJECT	RESOURCE CATEGORY	SEAM	GROSS		TOTAL	MINEABLE	AIR DRIED WASHED QUALITIES @ RD=1.40						
			TONNES IN SITU (GTIS)	LOSSES (%)	TONNES IN SITU (TTIS)	TONNES IN SITU (MTIS)	YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Makhado	Measured	Upper	49,739,069	10%	44,765,162	35,171,900	12.10	31.08	10.76	30.27		1.16	0.75
		Middle Upper	99,369,366	10%	89,432,429	62,123,300	16.92	31.48	9.72	30.42		1.30	0.66
		Middle Lower	50,245,151	10%	45,220,636	35,873,700	25.44	31.29	10.37	30.17		1.21	0.60
		Bottom Upper	94,803,401	10%	85,323,061	60,225,900	26.41	31.86	8.84	29.96		0.95	0.65
		Bottom Lower	108,623,583	10%	97,761,225	71,587,900	16.98	31.76	9.23	29.92		0.94	0.64
	TOTAL/AVE MEASURED RESOURCES		402,780,570	10%	362,502,513	264,982,700	19.61	31.56	9.61	30.13		1.09	0.66
	Indicated	Upper	46,302,051	15%	39,356,743	15,769,000	10.81	31.43	10.02	29.37		1.14	0.59
		Middle Upper	72,677,731	15%	61,776,071	15,868,000	15.07	31.73	9.22	30.09		1.22	0.57
		Middle Lower	30,373,388	15%	25,817,380	9,237,000	22.90	31.30	10.30	29.19		1.21	0.55
		Bottom Upper	72,647,666	15%	61,750,516	15,616,000	23.81	31.92	8.68	29.68		0.96	0.61
		Bottom Lower	76,594,050	15%	65,104,943	19,900,000	15.69	31.82	9.10	29.80		0.94	0.61
	TOTAL/AVE INDICATED RESOURCES		298,594,886	15%	253,805,653	76,390,000	17.09	31.68	9.38	29.67		1.08	0.59
	Inferred	Upper	35,934,884	20%	28,747,907	2,560,000	12.75	31.50	9.91	28.88		1.12	0.48
		Middle Upper	20,372,039	20%	16,297,631	94,000	15.38	31.90	8.92	30.34		1.17	0.46
		Middle Lower	5,883,777	20%	4,707,022	80,000	18.49	31.23	10.43	29.09		1.25	0.31
		Bottom Upper	16,302,194	20%	13,041,755	4,000	15.85	31.06	10.85	30.37		1.07	1.12
		Bottom Lower	15,739,238	20%	12,591,390	260,000	5.97	32.30	7.93	30.35		0.75	0.64
	TOTAL/AVE INFERRED RESOURCES		94,232,132	20%	75,385,706	2,998,000	12.40	31.57	9.72	29.07		1.09	0.49
	GRAND TOTAL/AVE MAKHADO		795,607,588	13%	691,693,872	344,370,700	18.98	31.59	9.56	30.02		1.09	0.64

Notes :

GTIS & TTIS - At minimum seam thickness cutoff of 0.5m.

MTIS - At maximum opencast mining depth of 200m. No underground mining considered. Excludes all coal with volatiles <20%.

Rounding down of tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively.

Weighted average qualities calculated on MTIS.

The resource has been divided into three separate pit areas namely the West Pit, the Central Pit and the East Pit.

The East and Central pits are separated by a fault with a displacement of approximately 50m. The Central and West pits are separated by an area of sterilised coal associated with the village of Mudimele.

The viability of underground mining opportunities have yet to be thoroughly investigated. A road and rib pillar mining method has been considered during the course of the DFS to exploit the deep, high yielding, coal seams to the north of the mining area to improve the overall product yield. This is the portion of the resource below the 180m depth. This study was conducted at a conceptual level only. The method was also considered to improve the overall yield during the latter part of the life of mine when the West Pit will be exploited. This is considered upside potential or a 'blue sky' opportunity only.

The actual start-up dates for operations is subject to the successful completion of the DFS as well as, *inter alia*, the granting of the NOMR as well as other statutory requirements and the purchase of certain surface rights.

The mine design and scheduling study has been completed using XPAC software and has been optimised into economic pit shells using the Whittle Optimizer. Production schedules have been completed for the first 16 years of mining. The plant design has been finalised and costed. These results will be released as part of the DFS.

Indications from resource drilling and sampling, as well as from initial results from the bulk sampling exercise, are that the Makhado Project product will be a hard coking coal.

The most critical environmental issues faced by the proposed Makhado Project extend to biodiversity, ground water and social issues that result from the proposed mine and its associated activities.

Venmyn has updated the resource statement to 31 May 2012 (Table 6). There has been no changes to the resource statement since last year, except that the resources associated with Telema 190MT and Gray 188MT now fall into a separate area, the Telema and Gray Area within the Makhado Region. The reader is referred to the following section for a description of this area. The location of the resources in relation to the farm boundaries is presented in Figure 8.

The Makhado Project represents CoAL's flagship project within the greater Soutpansberg Coalfield area, and is set to become CoAL's most important coal production area.

TELEMA & GRAY AREA

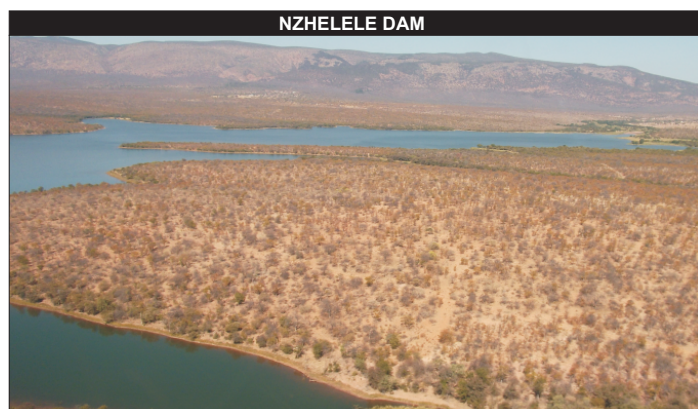
TELEMA & GRAY AREA (MAKHADO REGION)

The farms Telema 190MT and Gray 189MT, were previously known as the Makhado Extension Project, and were reported together with the Makhado Project in the 2011 CPR and Technical Statement.

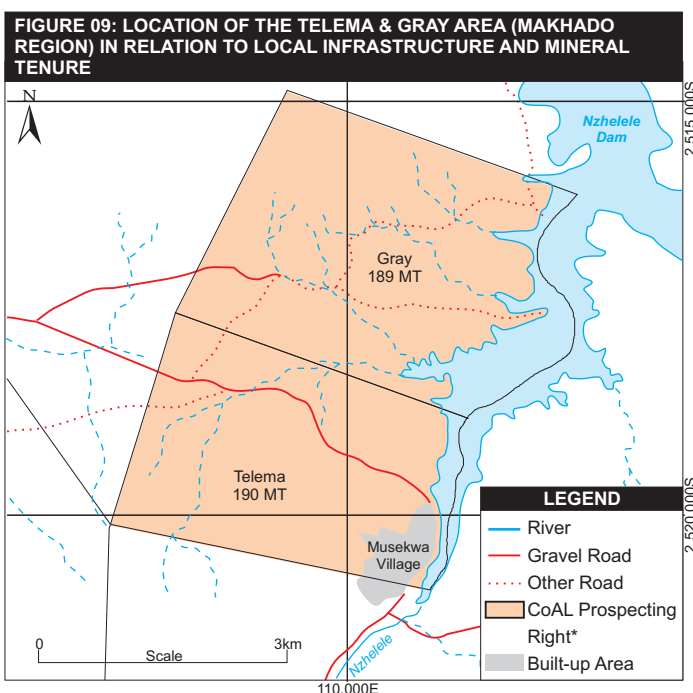
The farms comprise an advanced exploration area containing potential coking coal resources.

The Telema & Gray Area is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 3). The nearest town is Makhado, situated approximately 35km to the south of the farms. The town of Musina is located approximately 50km north of the farms.

CoAL's wholly owned subsidiary, Regulus Investment (Pty) Ltd (Regulus), holds the NOPRs on the farms (Figure 9) by virtue of an Exchange of Prospecting Rights Agreement between CoAL, Regulus, Chapudi Coal and Kwezi Mining Enterprises (Farm Swap Agreement).



The Telema & Gray Area is located in the Tshipise South sector of the Soutpansberg Coalfield. All seams comprise interbanded carbonaceous mudstones and coal. Within this section, a number of seams occur within a 30m to 40m thick carbonaceous zone of the Madzaringwe Formation. Six potential mining horizons (seams) have been identified by CoAL and named the Upper, Middle Upper, Middle Lower, Bottom Upper, Bottom Middle and Bottom Lower seams.



**Held by CoAL subsidiaries. Rights held prior to Soutpansberg Properties Acquisition Transaction.*

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The Bottom Middle Seam usually comprises predominantly mudstone and for this reason it has not been included in the resource base; however, in certain areas it has sufficient coal to be considered a potential mining target. The coal component is usually bright and brittle and contains a high proportion of vitrinite. The seams dip northwards at approximately 12°. The frequency of small scale faulting is not well understood.

The frequency of dolerite dykes is unknown; however, examination of aeromagnetic data suggests there are relatively few magnetic dykes within the area. GAP Geophysics has interpreted that identified dykes are about 2m to 5m in thickness and steeply dipping.

The Soutpansberg Coalfield was extensively explored by Iscor in the 1970s and 1980s. During this time Iscor drilled a total of 34 diamond core boreholes on the farm Telema 190MT and four boreholes on Gray 189MT. Rio Tinto drilled two diamond core holes on Gray 189MT, during their reconnaissance drilling of the Soutpansberg Coalfield between 2006 and 2007. No historical mining has taken place within the area.

No recent exploration has been conducted by CoAL on the two farms in question. However, CoAL has drilled 172 diamond core, 24 LDD, 13 percussion and five geotechnical holes along strike of the Telema & Gray Area, within the Makhado Project.

All previous exploration data on Telema 190MT and Gray 189MT, and the previous and recent exploration data pertaining to the Makhado Project, has been combined into a single geological model. This model has been used in the estimation of the resources for the Telema & Gray Area.

It must be noted that although the geological model extends across both farms, no resources can be declared on the farm Gray 189MT as the boreholes situated on this farm do not have quality data results.

The coal resources for the Telema & Gray Area were independently classified and signed off by Venmyn's Competent Person in accordance with the JORC Code. Table 7 presents the estimated resources and qualities for in situ raw coal. Resources have been categorised as Measured, Indicated and Inferred according to JORC Code guidelines. Only opencast resources have been considered in the reporting of MTIS. The location of the resources in relation to the farm boundaries is presented in Figure 8.

No reserves have been declared for the Telema & Gray Area.

Due to the stage of development of the Telema & Gray Area, no detailed investigations have been carried out on the potential mining of the deposit. However, upon considering the depth from surface of the coal zones, any future mining is expected to be mostly opencast, with limited additional underground potential based on current geological data and plant assumptions. The Telema & Gray Area coal is most likely to yield a coking coal product. Further testing to determine the extent of a thermal coal product is to be undertaken.

The Telema & Gray Area represents a prospective coking coal project, with the potential to contribute significant additional coking coal production to the region.

TABLE 7: SUMMARY RESOURCE STATEMENT FOR THE TELEMA & GRAY AREA (MAKHADO REGION) 31ST MAY 2012

AREA	RESOURCE CATEGORY	SEAM	GROSS TONNES IN SITU (GTIS)	GEOL. LOSSES (%)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	AIR DRIED WASHED QUALITIES @ RD=1.40						
							YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Telema & Gray (Telema 190MT only)	Measured	Upper	2,514,692	10%	2,263,223	2,217,900	7.72	31.57	9.65	29.96		1.04	0.69
		Middle Upper	9,303,701	10%	8,373,331	8,205,800	14.48	30.43	12.43	29.06		1.12	0.52
		Middle Lower	5,897,314	10%	5,307,583	4,932,000	27.98	31.53	9.75	28.81		1.06	0.60
		Bottom Upper	13,083,456	10%	11,775,110	10,790,100	30.59	31.82	9.04	28.65		0.87	0.61
		Bottom Lower	11,445,691	10%	10,301,122	10,095,000	20.53	31.83	9.01	29.55		1.12	0.51
	TOTAL/AVE MEASURED RESOURCES		42,244,854	10%	38,020,369	36,240,800	22.39	31.45	9.93	29.10		1.03	0.57
	Indicated	Upper	2,668,764	15%	2,268,449	2,223,000	5.64	31.73	9.29	30.25		1.03	0.57
		Middle Upper	3,692,748	15%	3,138,836	3,076,000	15.14	30.54	12.16	29.03		1.14	0.49
		Middle Lower	3,894,195	15%	3,310,066	3,058,000	29.52	31.51	9.83	28.37		1.13	0.70
		Bottom Upper	9,130,168	15%	7,760,643	6,918,000	31.08	31.81	9.08	28.23		0.91	0.63
		Bottom Lower	10,195,277	15%	8,665,985	7,950,000	19.68	31.95	8.73	29.85		1.22	0.57
	TOTAL/AVE INDICATED RESOURCES		29,581,152	15%	25,143,979	23,225,000	22.43	31.64	9.49	29.10		1.09	0.59
	Inferred	Upper	369,507	20%	295,606	280,000	6.86	32.21	8.15	30.26		0.94	0.57
		Middle Lower	1,260,302	20%	1,008,242	720,000	44.81	31.28	10.38	27.31		1.34	1.01
		Bottom Upper	3,319,263	20%	2,655,410	1,900,000	36.18	31.99	8.64	28.63		1.17	0.72
		Bottom Lower	7,352,156	20%	5,881,725	4,420,000	19.63	32.25	8.03	30.55		1.54	0.76
	TOTAL/AVE INFERRED RESOURCES		12,301,228	20%	9,840,982	7,320,000	25.91	32.09	8.42	29.72		1.40	0.77
	GRAND TOTAL/AVE TELEMA & GRAY		84,127,234	13%	73,005,330	66,785,800	22.79	31.59	9.61	29.17		1.09	0.60

Notes :

GTIS & TTIS - At minimum seam thickness cutoff of 0.5m.

MTIS - At maximum opencast mining depth of 200m. No underground mining considered. Excludes all coal with volatiles <20%.

Rounding down of tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively.

Weighted average qualities calculated on MTIS.

MOUNT STUART AREA

MOUNT STUART AREA (MAKHADO REGION)

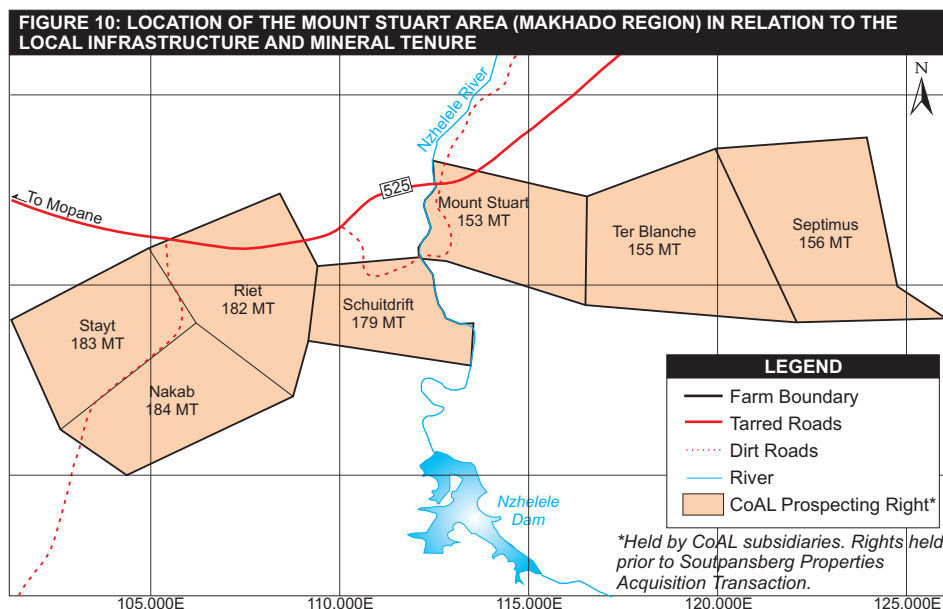
The Mount Stuart Area is an advanced exploration area containing potential coking and thermal coal resources.

The Mount Stuart Area is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa. The nearest town is Musina, situated approximately 35km to the north of the Mount Stuart Area (Figure 3). The Mount Stuart Area comprises seven farms, held under three NOPRs (Figure 10).

Data from nine boreholes drilled over the Mount Stuart Area, by Rio Tinto, were acquired by CoAL. Seven of these boreholes were diamond core boreholes, while two were percussion boreholes.

Limited exploration drilling by CoAL commenced in 2009. Only seven boreholes have been drilled by CoAL to-date. No LDD or bulk sampling has been conducted by either Rio Tinto or CoAL over the Mount Stuart Area.

All historical and recent exploration data has been used in the estimation of the resources of the Mount Stuart Area.



The updated coal resources for the Mount Stuart Area were independently classified and signed off by Venmyn's Competent Person in accordance with the JORC Code. Table 8 presents the estimated resources and qualities for in situ raw coal, and a theoretical washed coal product with an ash content of 12%. Resources have been categorised as Inferred according to JORC Code guidelines. Only opencast resources have been considered in the reporting of MTIS.

While cognisance has been taken of the resource categories defined by the JORC Code, all resources have been classified in the Inferred Category as a consequence of the resource area being defined on the basis of historical data, with no recent verification drilling or sampling by CoAL on farms within the resource area.

The Mount Stuart Area is situated within the Tshipise North Coalfield subdivision of the greater Soutpansberg Coalfield, and represents an isolated and upfaulted block of Karoo age sediments, which lies approximately 6km to the north of the Tshipise South Basin in which the Makhado Project occurs.

The Soutpansberg Coalfield was extensively explored by Iscor in the 1970s and 1980s. Iscor drilled a total of 258 boreholes, excluding a number of borehole deflections over the Mount Stuart Area. No historical mining has taken place within the Mount Stuart Area. Limited recent exploration has been conducted within the Mount Stuart Area by both Rio Tinto and CoAL.

The location of the resources in relation to the farm boundaries is presented in Figure 11.

No reserves have been declared for the Mount Stuart Area.

Due to the stage of development of the Mount Stuart Area, no detailed investigations have been carried out on the potential mining of the deposit. However, upon considering the depth from surface of the coal zones, any future mining is expected to be mostly opencast, with limited additional underground potential based on current geological data and plant assumptions.

TABLE 8: SUMMARY RESOURCE STATEMENT FOR THE MOUNT STUART AREA (MAKHADO REGION) 31ST MAY 2012

PROJECT	RESOURCE CATEGORY	SEAM	GROSS TONNES IN SITU (GTIS)	GEOL. LOSSES (%)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	AIR DRIED WASHED QUALITIES @ RD=1.40						
							YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Mount Stuart	Inferred	Upper	61,218,589	20%	48,974,871	6,640,000	2.02		8.86	27.85	63.31	1.00	0.44
		Middle Upper	114,145,040	20%	91,316,032	20,760,000	16.26		11.63	24.68	62.95	0.98	0.54
		Bottom Upper	115,543,703	20%	92,434,962	21,930,000	27.78		11.67	24.45	63.17	0.72	0.53
		Bottom Lower	116,255,496	20%	93,004,397	6,130,000	3.68		9.14	25.61	64.85	0.87	0.47
		TOTAL/AVE INFERRED RESOURCES	407,162,828	20%	325,730,262	55,460,000	17.72		11.04	25.07	63.29	0.87	0.52
GRAND TOTAL/AVE MOUNT STUART			407,162,828	20%	325,730,262	55,460,000	17.72		11.04	25.07	63.29	0.87	0.52

Notes :

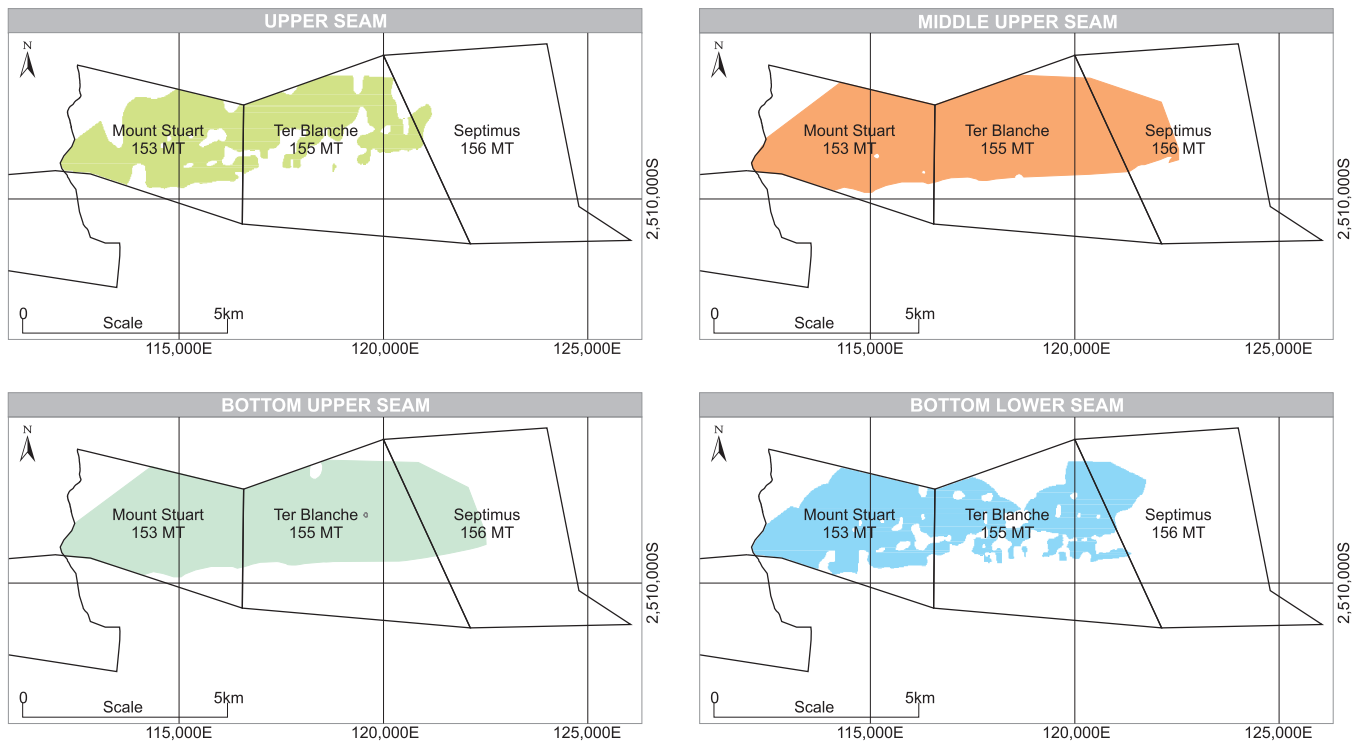
GTIS & TTIS - At minimum seam thickness cutoff of 0.5m.

MTIS - At maximum opencast mining depth of 200m. No underground mining considered. Excludes all coal with volatiles <18%.

Rounding down of tonnages to 10,000t for Inferred Resources.

Weighted average qualities calculated on MTIS.

FIGURE 11: LOCATION OF RESOURCES PERTAINING TO THE MOUNT STUART AREA (MAKHADO REGION)



The Mount Stuart Area coal is most likely to yield a coking coal product. Further testing to determine the extent of a thermal coal product is to be undertaken. Indications are that the Mount Stuart Area product will be a hard coking coal, with $R_o V_{max}$ of 1.2, recorded on limited samples.

The Mount Stuart Area represents a highly prospective coking and thermal coal area, with the potential to contribute significant additional coking coal production to the region.

GENERAAL AREA

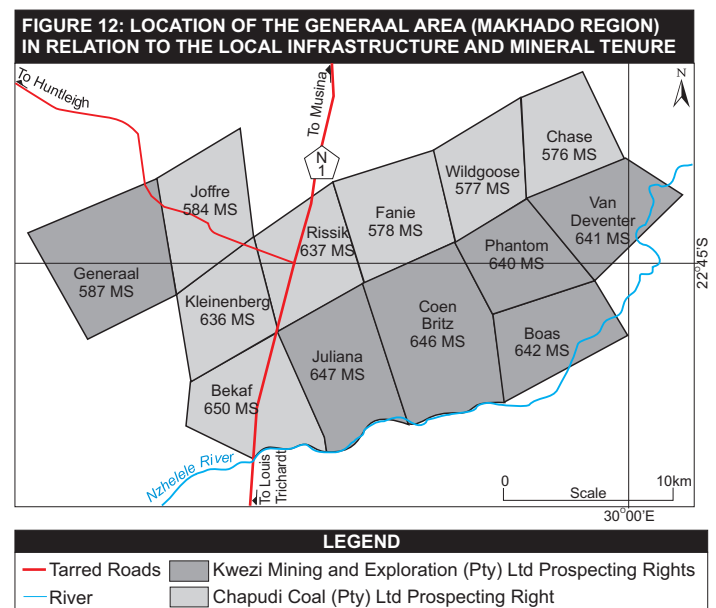
GENERAAL AREA (MAKHADO REGION)

The Generaal Area, located within the Soutpansberg Coalfield, is an early-stage exploration area located immediately to the north of the Makhado Project. It provides the greatest synergy to the Makhado Project. CoAL has acquired the Generaal Area from Rio Tinto pursuant to the Soutpansberg Properties Acquisition Transaction.

The Generaal Area is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 3). The nearest town is Makhado, situated approximately 30km to the south of the Generaal Area. Musina is located approximately 40km to the north of the area.

A total of 13 farms constitute the Generaal Area. These are held under four NOPRs by Chapudi Coal and KME (Figure 12). The Generaal Area represents a 20km long, east-west striking, up-faulted block within the northern part of the Waterpoort Basin, immediately north of the Makhado Project.

The coal bearing Mikabeni Formation is present within the northern parts of the area and contains a thick (20m – 30m) package of heavily stone banded coal units. Within this package, three 'cleaner' coal seams have been identified with average thicknesses of 2.9m – 3.9m. Dips in the area are generally 4°-5°, although the central portion of the block is associated with steeper dips.



Between 1975 and 1978, Iscor drilled a total of 48 boreholes over the Generaal Area. There is evidence that Iscor also drilled LDD holes; however, no specific locality or sampling information is available. The Iscor borehole database was acquired in 2007 by CoAL.

Downhole logging and partial coal quality data is available for 13 of these boreholes.

Rio Tinto drilled five boreholes within the Generaal Area on three farms. Drilling has intercepted two distinct, thick, interbanded coal seams separated by approximately 15m.

These seams can be roughly correlated to Seam 6 and Seam 7, observed in the Chapudi Area.

CoAL has not yet conducted any exploration on the Generaal Area, nor has the company prepared any geological model using the historical or previous Rio Tinto drilling. Therefore no coal resources have been declared on the Generaal Area, although the presence of coal is known.

CHAPUDI AREA

CHAPUDI AREA (CHAPUDI REGION)

The Chapudi Area is situated within the Chapudi Region and is at an advanced stage of exploration. This area was acquired through the recently completed Soutpansberg Properties Acquisition Transaction. The Chapudi Area has potential for coking coal and possibly a middlings fraction for power generation.

The Chapudi Area is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa and extends over a total strike length of approximately 35km (Figure 3). The Chapudi Area lies along strike and to the west of the Makhado Region and is directly adjacent, to the south, of the Wildebeesthoek Area. The nearest town is Makhado, situated approximately 35km to the south of the easternmost extent of the Chapudi Area. The town of Musina is located approximately 50km north of the Chapudi Area. The village of Waterpoort is located within this project area. The Chapudi Area comprises 21 farms, or portions thereof, held under six NOPRs (Figure 13).

The Chapudi Area is situated within an extension of the Tshipise Coalfield, a subdivision of the Soutpansberg Coalfield, also known as the Waterpoort Coalfield. Although coal zones are referred to as seams they are effectively selected, potential mining horizons within the coal-bearing package. All seams comprise interbanded carbonaceous mudstones and coal. The coal component is usually bright and brittle and contains a high proportion of vitrinite. The seams dip northwards at approximately 12°.

Within the Chapudi Area, seven coal zones (or seams) are recognised, three of which occur in the Lower Ecca Group with the remaining four occurring in the Upper Ecca Group. In the literature, these seams are numbered from Seam 1 at the base to Seam 7 at the top. Rio Tinto focussed their exploration efforts on the best developed seams, namely Seams 6 and 7. Seam 6 is typically 30-41m in thickness, while Seam 7 attains an average thickness of 12-15m. Seam 6 is the only seam to contain bright coal, while all the others are classified as dull coal.

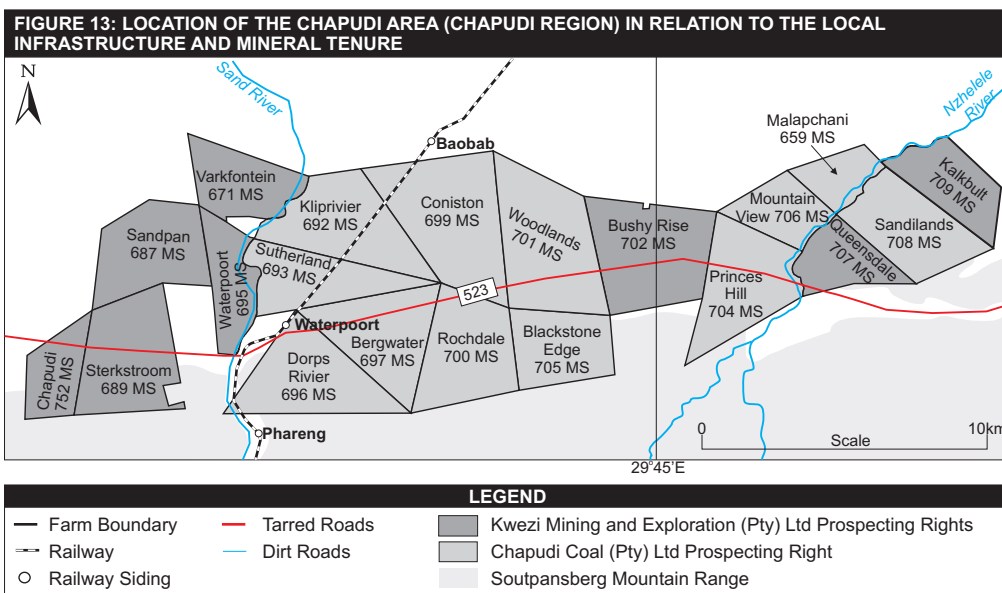
As a result of CoAL's extensive experience in the Soutpansberg Coalfield, the company has recognised that Seam 6 has economic potential. CoAL has divided Rio Tinto's Seam 6 into six potential mining horizons or coal dominated seams. These have been named as the Upper, Middle Upper, Middle Lower, Bottom Upper, Bottom Middle and Bottom Lower. The Bottom Middle Seam usually comprises predominantly mudstone and for this reason it has not been included in the resource base; however, in certain areas it is sufficiently coaly to be considered a potential mining target.

Recent and comprehensive exploration has been conducted on this area by Rio Tinto. The exploration has included a number of phases of drilling and sampling, as well as remote forms of exploration. This testwork focussed on obtaining results for a primary thermal power station coal product and/or a coking coal export fraction. CoAL has acquired the Chapudi Area primarily as a source of coking coal, mined on a selective basis, with the possibility of producing a thermal coal and also a middlings fraction for use in power generation. As a result of this change in focus, CoAL will reassess all previous results in light of this and plan future work streams to meet this goal.

Exploration drilling by Rio Tinto commenced in 2003. To-date, a total of 125 boreholes have been drilled along the strike length of the project, primarily focused on the areas close to suboutcrop and at short distances down dip. A number of deep holes were drilled to verify down dip continuity. These boreholes comprised diamond and open hole drilling. The drilling was undertaken in four stages, namely Reconnaissance Stage, Order of Magnitude (OMS) Domestic Thermal Stage, Down Depth and Pre Feasibility Study (PFS) Stage.

No recent exploration has been conducted by CoAL on the Chapudi Area.

An Options Study was conducted by Snowden in 2009, which investigated both opencast and underground methods. Various opencast methods were considered including truck & shovel methods and dragline methods of overburden removal for a single seam (Seam 6 only) and a two seam (Seam 6 and Seam 7) operation. A truck and shovel operation was considered for coal extraction. The company concluded that along strike, opencast mining using truck and shovels for both overburden removal and coal extraction was most cost effective. Snowden did not recommend underground mining.



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Extensive and highly detailed testwork has been carried out on the samples derived from the various exploration campaigns carried out at the Chapudi Area. The initial reconnaissance campaign focused on a low ash coking product with a middlings fraction for domestic power generation. This was followed by the OMS phase which primarily investigated the potential to produce a domestic power station product only. Later, the low ash primary product, with a middlings fraction of power station coal, was also reconsidered as part of a PFS.

A number of coal processing studies were undertaken by Rio Tinto, the latest of which was a report prepared in 2009 as part of the PFS options phase. The report investigated the coal handling and processing for the Chapudi Area. The report concluded that the use of conventional gravity processes would produce a saleable product.

It must be noted that all studies assumed that the entire Seam 6 would be mined on a bulk basis and delivered to the plant for processing. CoAL, however, will consider the selective mining and then processing of five individual seams comprising Seam 6 rather than the entire package. This change in strategy would be expected to increase the potential yields and qualities in comparison to the Rio Tinto figures, although the overall tonnage of material available for mining would decrease.

An orebody model was prepared by Rio Tinto, which was used to generate the resource statement issued in 2008 (Table 9). This resource statement was prepared at the conclusion of the OMS study and included the reconnaissance and OMS drilling. The resource was estimated for the coal horizons within Seam 6 and extended to a maximum depth of 200m.

During the OMS, Rio Tinto sampled the entire Seam 6 in one metre intervals, including coal and waste. CoAL was able to re-correlate these samples into their classification, i.e. into the Upper, Middle Upper, Middle Lower, Bottom Upper, Bottom Middle and Bottom Lower seams, for 48 of the 125 boreholes drilled on the Chapudi Area. As a result of not being able to re-correlate all the boreholes, CoAL was forced to adopt Rio Tinto's approach at this time and has modelled the coal horizons within Seam 6.

It must be noted that due to Rio Tinto's method of sample analysis, i.e. drop shatter testing on all samples, compositing of all samples into three horizons within Seam 6, scalping off of the +63mm fraction and removal of fines of -0.075mm and then full washability test work, CoAL could not reconstitute the quality results according to their classification of the coal seams either. Therefore all quality modelling results are for the +0.075mm-63mm fraction of the coal within Rio Tinto's Seam 6.

The previous Mineral Resource Statement for the Chapudi Area was prepared and signed off by Rio Tinto in February 2008 (Table 9). The Competent Person responsible for signing off the resource statement is Mr. S. Kristensen. Mr. Kristensen was a full time employee of Rio Tinto, a member of the Australian Institute of Mining and Metallurgy (AusIMM) and qualifies as a Competent Person in terms of the JORC Code.

The Mineral Resource Statement included all drilling up to and including the OMS and all properties which were held by Rio Tinto at that time. This excluded a number of farms to the far west and far east which were later acquired by the company during the Farm Swap Agreement. It must be noted that the tonnage quoted in this resource statement represents the coal horizons within the Seam 6 package. Rio Tinto quoted only GTIS tonnes from the level of oxidation down to a maximum depth of 200m. No geological losses were applied to estimate the TTIS.

No official resource statement was issued by Rio Tinto after the completion of the PFS drilling and the acquisition of the additional properties through the Farm Swap agreement.

The updated coal resources for the Chapudi Area were independently classified and signed off by Venmyn's Competent Person in accordance with the JORC Code. The Coal Resource Statement for the Chapudi Area, as at 31st May 2012, is presented in Table 10 and the location of the coal resources in relation to the NOPR boundaries is illustrated in Figure 14. Table 10 presents the estimated resources and qualities for in situ raw coal on a dry mineral matter free (dmmf) basis.

TABLE 9 : PREVIOUS RESOURCE STATEMENT FOR CHAPUDI (2008) BY RIO TINTO

PROJECT	AREA	RESOURCE CATEGORY	SEAM	O/C or U/G	AVE		VOLUME (m3)	COAL RAW RD (t/m3)	GROSS TONNES IN SITU (GTIS)	RAW QUALITIES OF -63mm+0.075mm FRACTION ON DMMF						
					WIDTH (m)	AREA (m2)				YIELD (%) (-63+0.075mm)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)**
Chapudi	Central	Measured	Coal Horizons in Seam 6	O/c	30.95	1,640,000	44,830,800	2.00	89,796,092		35.12	70.10	39.58		1.02	1.70
		Indicated			33.43	3,380,000	109,120,270	2.00	218,349,660		35.14	70.10	37.70		1.02	1.70
	Eastern	Inferred			31.87	6,631,000	159,960,420	2.01	320,720,642		35.21	70.40	37.48		1.24	1.70
	Western	Inferred			34.80	7,734,000	204,793,875	2.01	410,816,513		35.04	70.50	40.60		1.13	1.70
	TOTAL / AVE CHAPUDI					30.60	19,385,000	518,705,365	2.00	1,039,682,908		35.12	70.35	38.94		1.13

Note

** In situ moisture content reported.
Opencast to a maximum depth of 200m.

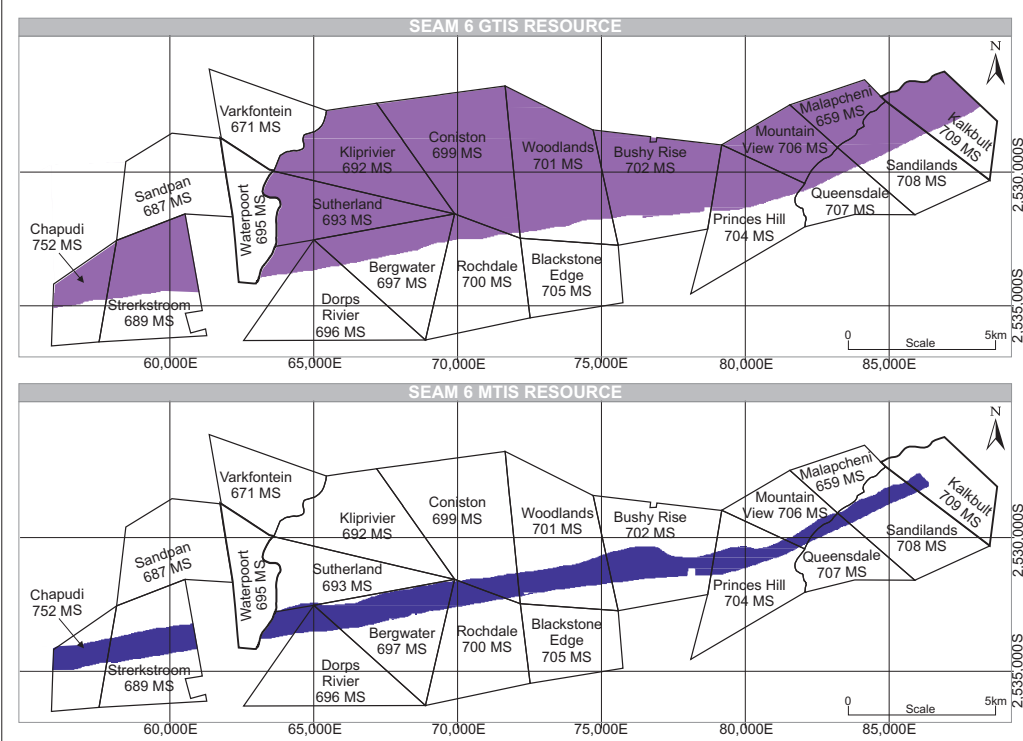
TABLE 10: SUMMARY RESOURCE STATEMENT FOR THE CHAPUDI AREA (CHAPUDI REGION) (MAY 2012)

AREA	RESOURCE CATEGORY	SEAM	GROSS TONNES IN SITU (GTIS)	GEOL. LOSSES (%)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	RAW QUALITIES OF -63mm+0.075mm FRACTION ON DMMF
Chapudi	Inferred	Coal Horizons in Seam 6	6,399,023,436	20%	5,119,218,749	1,318,420,000	YIELD (%) (-63+0.075mm)
GRAND TOTAL/AVE CHAPUDI							CV (MJ/kg)
							ASH (%)
							VOL. (%)
							FIXED CARBON (%)
							SULPH. (%)
							MOIST. (%)

Notes

GTIS & TTIS - At minimum seam thickness cutoff of 0.5m.
MTIS - At maximum opencast mining depth of 200m. No underground mining considered.
Qualities reported as -63mm+0.075mm fraction.
Rounding down of tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively.
Weighted average qualities calculated on MTIS.

FIGURE 14: LOCATION OF RESOURCES PERTAINING TO THE CHAPUDI AREA (CHAPUDI REGION)



All quality results are for the +0.075mm-63mm fraction of the coal within Rio Tinto's Seam 6. Resources have been categorised as Inferred according to JORC Code guidelines.

The reader must note that Venmyn has extended the resources to the limit of the prospecting boundaries (except for the exclusions listed below), whilst Rio Tinto only considered the opencast resources to a depth of 200m in their 2008 resource statement. Opencast resources to a depth of 200m have only been considered by Venmyn in the reporting of MTIS.

While cognisance has been taken of the resource categories defined by the JORC Code, all resources have been classified in the Inferred Category as a consequence of the resource area being defined on the basis of data obtained from Rio Tinto, with no recent verification drilling or sampling by CoAL. In addition, and due to the sampling and analysing methods used by Rio Tinto, CoAL was unable to re-correlate Seam 6 into their nomenclature. As a result, CoAL has adopted the Rio Tinto approach and has modelled coal only within Seam 6.

The following cutoffs or limits were applied to the coal resources:-

- the limit of the NOPR boundary;
- the limit of the occurrence of the coal seams in the south;
- a minimum seam thickness limit of 0.5m was applied prior to the reporting of GTIS;

TABLE 11 : DIFFERENCES BETWEEN THE 2008 AND 2012 RESOURCE STATEMENTS

AREA	RESOURCE CATEGORY	SEAM	2008 GTIS (Mt) (<200m)	2012 GTIS (Mt) (<200m)	DIFFERENCES GTIS (Mt) (<200m)	COMMENTS
Chapudi	Measured	Seam 6	89.796	0.000	-89.796	No Measured nor Indicated resources declared. Rio Tinto resource estimate based on OMS drilling and did not include farms to far east and far west obtained as part of the Farm Swap Agreement.
	TOTAL/AVE MEASURED RESOURCES		89.796	0.000	-89.796	
	Indicated	Seam 6	218.350	0.000	-218.350	
	TOTAL/AVE INDICATED RESOURCES		218.350	0.000	-218.350	
	Inferred	Seam 6	731.537	1,681.736	950.199	
	TOTAL/AVE INFERRED RESOURCES		731.537	1,681.736	950.199	
	GRAND TOTAL/AVE OPENCAST		1,039.683	1,681.736	642.053	162%

Notes:

Rio Tinto Resource statement based upon OMS drilling results, 2008.

Rio Tinto quotes GTIS to depth of 200m only.

- all coal resources were classified as Inferred and therefore geological losses of 20% were applied prior to the reporting of TTIS. These losses take into account any unforeseen geological features, such as dykes and faults, which have not been identified in the drilling and which may have a negative impact on the coal resources;
- no resources were classified on the farms Vleifontein 691MS and Albert 686MS (part of the Chapudi West Area) as well as on Sandpan 687MS, Waterpoort 695MS and Varkfontein 671MS. The reason for this is that no boreholes have been drilled on these particular farms (except one on Vleifontein 691MS) and the JORC halos for Inferred Resources only covers a small proportion of the farms. This has decreased the MTIS marginally;
- in the case of the farms Sutherland 693MS, Kliprivier 692MS and Coniston 699MS the resources have been extended down dip to the northern limit of the NOPRs, a small distance outside the JORC Inferred halos. This has been considered possible as there are deep boreholes on these farms and there is no evidence of a faulting in this area from the geological map. This increase has no impact on the MTIS;

- mining limit is set from the level of oxidation (at approximately 18m from surface) to a maximum depth of 200m;
- opencast mining methods only are considered; and
- mining layout losses of 2% were applied prior to the calculation of MTIS.

Rio Tinto did not issue an official resource statement post 2008. Therefore in order to compare the differences between CoAL's recent resource estimate, using Rio Tinto's seam interpretation, Rio Tinto's 2008 statement had to be used. It must be noted that this 2008 resource statement was issued on the following basis:-

- GTIS only was quoted;
- GTIS only extended to a depth of 200m;
- no geological losses were applied to the GTIS;
- the estimate did not include the farms obtained in the Farm Swap Agreement; and
- the estimate did not include the results of the PFS drilling.

It should be noted that CoAL's GTIS estimate for the Chapudi Area (6.399Bt) is significantly higher than the estimate for this project area previously prepared by Rio Tinto (1.039Bt).

This is a result of the following:-

- CoAL's estimate quotes GTIS to a depth determined by the limit of the relevant NOPRs, whereas Rio Tinto's estimate assumed a maximum depth of 200 metres;
- The Rio Tinto estimate was prepared prior to completion of the Pre Feasibility Study drilling undertaken in 2009 and therefore does not reflect the results of that drilling; and
- CoAL's estimate includes certain farms already owned by CoAL pursuant to the Farm Swap Agreement, which were not included in the Rio Tinto estimate.

The Rio Tinto GTIS estimate for the Chapudi Area is more directly comparable to the MTIS estimate in the Current Resource Statement (1.318 Bt), which was also prepared to a maximum depth of 200 metres. The difference between the two is largely attributable to the additional farms already owned by CoAL which are included in CoAL's estimate but not the Rio Tinto estimate. The differences are outlined in Table 11.

CoAL plans to drill the Chapudi Area and log and sample the holes according to their methods and protocols in order to carefully evaluate the deposit in line with their coal seam nomenclature and corporate strategy for the Soutpansberg Coalfield. Therefore future Resource Statements may be significantly different to the current estimates.

It is for this reason, and the others noted above, that all resources have been classified as Inferred, even though these points of information may meet the JORC halo requirements of a higher classification category.

Both CoAL and Venmyn have a reasonable level of confidence with respect to the current model and the associated resource estimates based upon the currently available information.

No reserves have been declared for the Chapudi Area.

CoAL will initiate its own PFS for the Chapudi Area in order to consider the optimal product stream. This will be done in light of CoAL's strategy for the Greater Soutpansberg and their experience gained at the Makhado Project.

CHAPUDI WEST AREA

CHAPUDI WEST AREA (CHAPUDI REGION)

The Chapudi West Area is situated within the Chapudi Region and is at an early stage of exploration. This area was acquired through the recently completed Soutpansberg Properties Acquisition Transaction. The Chapudi West Area has potential for coking and thermal coal and possibly a middlings fraction used for power generation.

The Chapudi West Area is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa and extends over a total strike length of approximately 10km (Figure 3). The Chapudi West Area lies along strike and to the west of the Chapudi Area. The nearest town is Makhado, situated approximately 70km to the east southeast of the Chapudi West Area. The town of Musina is located approximately 85km northeast of the Chapudi West Area.

The Chapudi West Area comprises 9 farms, or portions thereof, held under three NOPRs (Figure 15).

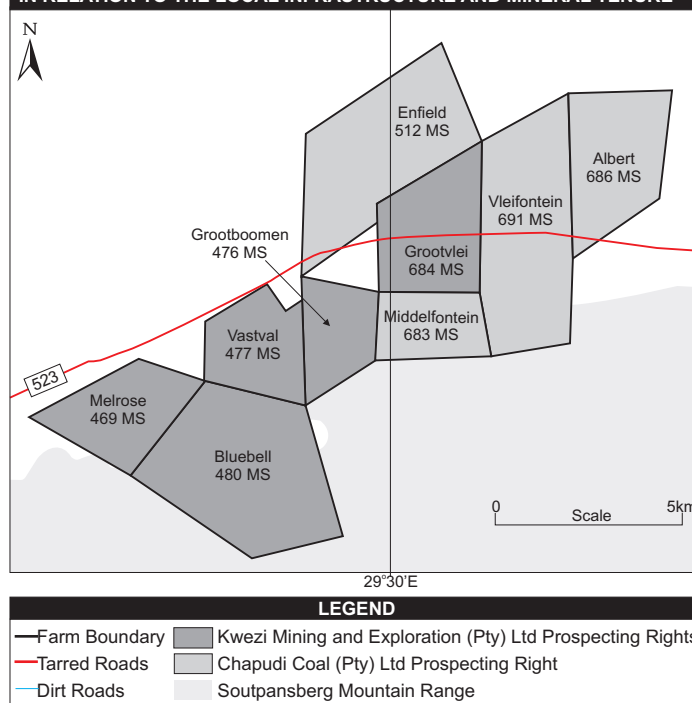
As with the Chapudi Area, the Chapudi West Area is situated within an extension of the Tshipise Coalfield, a subdivision of the Soutpansberg Coalfield, also known as the Waterpoort Coalfield. Although coal zones are referred to as seams they are effectively selected, potential mining horizons within the coal-bearing package. All seams comprise interbanded carbonaceous mudstones and coal. The coal component is usually bright and brittle and contains a high proportion of vitrinite.

The seams dip northwards at approximately 12°.

Within the Chapudi West Area, seven coal zones (or seams) are recognised, three of which occur in the Lower Eccia Group with the remaining four occurring in the Upper Eccia Group.

These seams were numbered from Seam 1 at the base to Seam 7 at the top by Rio Tinto. CoAL has recognised that Seam 6 has economic potential and has divided it into six potential mining horizons or coal dominated seams.

FIGURE 15: LOCATION OF THE CHAPUDI WEST AREA (CHAPUDI REGION) IN RELATION TO THE LOCAL INFRASTRUCTURE AND MINERAL TENURE



Although extensive exploration was carried out in the Chapudi Area by Rio Tinto, only two diamond core boreholes were drilled into the Chapudi West Area in the early 2000s.

No recent exploration has been conducted by CoAL on the Chapudi West Area.

The two Rio Tinto boreholes were included in the geological model of the Chapudi West Area. However, due to the paucity of points of information, no resources have been declared for the Chapudi West Area, although the presence of coal has been proved.

WILDEBEESTHOEK AREA

WILDEBEESTHOEK AREA (CHAPUDI REGION)

The Wildebeesthoek Area, located within the Soutpansberg Coalfield, is an early-stage exploration area. It represents the least advanced area of the Chapudi Region. CoAL acquired the Wildebeesthoek Area from Rio Tinto as part of the Soutpansberg Properties Acquisition Transaction.

The Wildebeesthoek Area is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 3). The nearest town is Makhado, situated approximately 25km to the southeast of the Wildebeesthoek Area. Musina is located approximately 50km to the northeast of the area.

The 11 farms that constitute the Wildebeesthoek Area are held under three NOPRs (Figure 16).

The Wildebeesthoek Area represents an isolated and upfaulted block of Karoo age sediments, which lies adjacent to the Chapudi Area.

The area is interpreted as representing an up-faulted extension of the coal seams from down dip of the main Chapudi Area. The area comprises the typical local Karoo strata as elsewhere within the basin, and most similar to that of the Chapudi Area. The coal bearing strata sub-crops and is again, very similar to that of the adjacent Chapudi Area.

Airborne geophysics and limited exploration drilling, within the area, suggest the presence of numerous dolerite dykes. These dykes, together with the up-faulted nature of the coal, while disrupting the coal sequence, have contributed to the increase in rank observed within the coal locally. This introduces the possibility that, at least locally, the coal from this area could have better coal qualities than that encountered at the Chapudi Area,

especially down dip, due to the increase in rank observed with depth.

Between 1975 and 1978, Iscor drilled a total of 69 boreholes over the Wildebeesthoek Area. Rio Tinto drilled 4 boreholes within the Wildebeesthoek Area on the farms Wildebeesthoek 661MS and Mopani Ridge 660MS.

CoAL has not yet conducted any exploration on the Wildebeesthoek Area to date, nor has the company prepared any geological model using the historical or previous Rio Tinto drilling.

Therefore no coal resources have been declared on the Wildebeesthoek Area, although the presence of coal is known.

