



NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS



Date of Meeting

25 January 2013

Time of Meeting

10.00 am (London time)

Place of Meeting

Tavistock Communications
8th Floor
131 Finsbury Pavement
London EC2A 1NT
United Kingdom

A Proxy Form is enclosed

Please read this Notice and Explanatory Memorandum carefully. If you are unable to attend the General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions.

Coal of Africa Limited

ABN 98 008 905 388

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Coal of Africa Limited ABN 98 008 905 388 will be held at 10 am (London time) on 25 January 2013 at Tavistock Communications, 8th Floor, 131 Finsbury Pavement, London EC2A 1NT, United Kingdom for the purpose of transacting the following business referred to in this Notice of General Meeting.

AGENDA ITEMS OF BUSINESS

1. Resolution 1 – Approval of issue of Shares – Initial Placement

Note – this resolution will be withdrawn if the Initial Placement Shares have been issued before the Meeting

To consider and, if thought fit to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.1 (if the Initial Placement Shares are not issued before the Meeting) and for all other purposes, the Company approves the proposed allotment and issue to HEI of:

- (a) 49,483,516 Shares at an issue price of £0.25 per Share; or
- (b) 35,345,368 Shares at an issue price of £0.35 per Share,

and on the terms and conditions set out in the Explanatory Memorandum accompanying the Notice.”

Voting Exclusion

The Company will disregard any votes cast on Resolution 1 by HEI, any other person who might obtain a benefit (except a benefit solely in the capacity of a holder of shares) if the resolution is passed, and any of their associates. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. Resolution 2 – Ratification of issue of Shares – Initial Placement

Note – this resolution will be withdrawn if the Initial Placement Shares have not been issued before the Meeting

To consider and, if thought fit to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.4 (if the Initial Placement Shares have been issued before the Meeting) and for all other purposes, the Company ratifies the allotment and issue to HEI of:

- (a) 49,483,516 Shares at an issue price of £0.25 per Share; or
- (b) 35,345,368 Shares at an issue price of £0.35 per Share,

and on the terms and conditions set out in the Explanatory Memorandum accompanying the Notice.”

Voting Exclusion

The Company will disregard any votes cast on Resolution 2 by HEI, any other person who might obtain a benefit (except a benefit solely in the capacity of a holder of shares) if the resolution is passed, and any of their associates. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Resolution 3 – Proposed issue of Shares – Conditional Placement

To consider and, if thought fit to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, the Company approves the issue of 197,934,063 Shares to HEI (subject to receipt by HEI of all relevant PRC Approvals and Other Regulatory Approvals) at an issue price of £0.25 per Share and on the terms and conditions set out in the Explanatory Memorandum accompanying the Notice.”

Voting Exclusion

The Company will disregard any votes cast on Resolution 3 by HEI and any relevant associates. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

OTHER BUSINESS

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

For the purposes of this Notice, the following definitions apply:

£ and **GBP** means Great Britain pounds sterling.

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

BHE means Beijing Haohua Energy Resource Co. Limited.

Board means the board of Directors of the Company.

Company means Coal of Africa Limited ABN 98 008 905 388.

Conditional Placement Shares means 197,934,063 Shares to be allotted and issued to HEI by the Company provided PRC Approvals, shareholder approval and Other Regulatory Approvals have been obtained, at an issue price of £0.25 per Share.

Constitution means the Company's constitution, as amended from time to time.

Corporations Act means *Corporations Act 2001* (Cth).

Cut-Off Date means 31 January 2013 or such later date that the Company and HEI agree.

Director means a director of the Company from time to time.

Explanatory Memorandum means the explanatory memorandum accompanying this Notice.

FIRB Approval means the receipt by HEI of written notice from the Treasurer of the Commonwealth of Australia under the *Foreign Acquisition and Takeovers Act 1975* (Cth) that it has no objections to HEI's acquisition of the Initial Placement Shares or the Conditional Placement Shares, as applicable.

HEI means Haohua Energy International (Hong Kong) Resource Co. Limited, a wholly owned subsidiary of BHE.

Initial Placement Shares means:

- (a) if, by the Cut-Off Date (or any earlier date), HEI has received the PRC Approvals, 49,483,516 Shares to be allotted and issued to HEI by the Company at an issue price of £0.25 per Share; or
- (b) if, by the Cut-Off Date, HEI **has not** received the PRC Approvals, 35,345,368 Shares to be allotted and issued to HEI by the Company at an issue price of £0.35 per Share.

Initial Placement Shares Issue Price means the price at which the Initial Placement Shares are issued, being:

- (a) if, by the Cut-Off Date (or any earlier date), HEI has received the PRC Approvals, an issue price of £0.25 per Share; or
- (b) if, by the Cut-Off Date, HEI **has not** received the PRC Approvals, an issue price of £0.35 per Share.

Listing Rules means the Listing Rules of the ASX.

Meeting means the General Meeting the subject of the Notice.

Notice means this Notice of General Meeting.

PRC means the People's Republic of China.

PRC Approvals means:

- (a) initial review by the Beijing Municipal Commission of Development and Reform followed by preliminary examination by National Development and Reform Commission;
- (b) approval by or record filing with the following authorities:
 - (i) Beijing Municipal Commission of Development and Reform;
 - (ii) Beijing Municipal Commission of Commerce; and
 - (iii) State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

Other Regulatory Approvals means all necessary regulatory and statutory approvals or consents, to the extent required, including, but not limited to, approvals and consents required from any securities exchange on which the shares of either HEI or the Company (or its direct or indirect holding company) are listed, the anti-trust (or competition) authorities and/or the relevant Takeovers Panel(s).

Resolution means a resolution contained in this Notice.

Shares means fully paid ordinary shares in the capital of the Company.

US\$ means United States dollars.

By order of the Board

Tony Bevan
Company Secretary
Dated: 24 December 2012

How to vote

Shareholders can vote by either:

- attending the Meeting and voting in person or by attorney or, in the case of corporate shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice and by submitting their proxy appointment and voting instructions in person, by post or by facsimile.

Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the Meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the Meeting.

Voting by a Corporation

A shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

- A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the Meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit.
- Should any resolution, other than those specified in this Notice, be proposed at the Meeting, a proxy may vote on that resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the shareholder's behalf either on a show of hands or on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the Meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the Meeting, the Chairman of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the Meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the Resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed Resolutions. These rules are explained in this Notice.
- To be effective, proxies must be lodged by 10 am (London time) on **23 January 2013**. Proxies lodged after this time will be invalid.
- Proxies may be lodged by returning a completed proxy form in person or by delivery or post to the share registry as noted on the enclosed proxy form.
- The proxy form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by 10 am (London time) on **23 January 2013**. If facsimile transmission is used, the power of attorney must be certified.

Shareholders who are entitled to vote

In accordance with Regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth), the Board has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the Register of Shareholders as at 7.00 pm (London time) on **23 January 2013**. Changes in the register of shareholders after this time will be disregarded in determining the rights of any person to attend and vote at the Meeting.

Coal of Africa Limited

ABN 98 008 905 388

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of General Meeting of Coal of Africa Limited (the "Company").

Certain abbreviations and other defined terms are used throughout this Explanatory Memorandum. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to this Explanatory Memorandum.

1. BACKGROUND TO RESOLUTIONS

On 1 October 2012 the Company announced that, in order to fund the development of its coal assets, it had entered into a binding offer letter with HEI, under which HEI agreed to subscribe for US\$100 million worth of Shares in the Company at a price of £0.25 per Share (based on a GBP/USD exchange rate of 1.6167) subject to the terms and conditions set out below ("**Proposed Transaction**"). The offer letter was subsequently replaced by the Subscription Agreement. On 27 November 2012 HEI received FIRB Approval for the Proposed Transaction.

1.1 Structure of Placement

The Proposed Transaction has been structured into two tranches:

- (a) an initial tranche of either 35,345,368 or 49,483,516 Shares to raise approximately US\$20 million ("**Initial Placement**"). Once completed, the Initial Placement will provide HEI with a Relevant Interest in the Company of either 4.2% or 5.8%. The Relevant Interest acquired by HEI under the Initial Placement will depend on whether PRC Approvals are obtained for the Conditional Placement prior to the Cut-Off Date; and
- (b) subject to the conditions set out in **paragraph 1.5(a)** below, a second tranche of 197,934,063 Shares to raise approximately US\$80 million ("**Conditional Placement**"). If completed, the Conditional Placement together with the Initial Placement would provide HEI with an aggregate Relevant Interest in the Company of approximately 23.6% (assuming the PRC Approvals are obtained prior to the Cut-Off Date).

1.2 Advantages and disadvantages of Conditional Placement

The Board considers that the advantages of approving Resolution 3, which relates to the Conditional Placement, include the following:

- (a) the funds from the Proposed Transaction are needed for the Company to develop its assets (mainly the Vele Colliery), excluding the capital development and construction costs for the Makhado Project which will be funded separately, in a timely and orderly manner by strengthening the Company's balance sheet and in the absence of those funds the Company would need to seek alternative funding;
- (b) despite having investigated alternative funding options for some time, no superior funding proposal has been identified, and there is a risk that should the Proposed Transaction not proceed, the Company may not be able to obtain alternative funding on comparable or better terms;
- (c) the Company expects to benefit from the ongoing strategic relationship with HEI which is described in more detail below.

The Board considers that the disadvantages of approving Resolution 3 include that the interests of existing non-associated shareholders will be diluted by the Conditional Placement.

A summary of the advantages and disadvantages of the Conditional Placement is contained in paragraph 4.2 of the Independent Expert Report, a copy of which is contained in **Annexure B**. Shareholders are encouraged to read the Independent Expert Report and this Explanatory Memorandum in full before making a decision how to vote on Resolution 3.

The Directors of the Company fully support the Proposed Transaction.

1.3 Initial Placement

- (a) Under the Subscription Agreement, HEI will (subject to the adjustment set out in **paragraph 1.3(c)** below) subscribe for 49,483,516 Shares at an issue price of £0.25 per Share on the third business day after the earlier of:
 - (i) the Cut-Off Date; and
 - (ii) the date on which HEI receives all relevant PRC Approvals.
- (b) To demonstrate and secure its commitment to subscribe for the Initial Placement Shares, HEI provided the Company with a US\$20 million deposit (**Deposit**) to be applied to the settlement of the Initial Placement. The Deposit was originally held in an escrow account and was released to the Company on the joint instructions of the Company and HEI on 28 November 2012 in accordance with the Escrow Agreement, following HEI's receipt of FIRB Approval on 27 November 2012.
- (c) In addition, the Subscription Agreement provides that if HEI has not obtained the PRC Approvals for the Conditional Placement by the Cut-Off Date, HEI will still proceed with the Initial Placement but the subscription price will be adjusted so that HEI will subscribe for 35,345,368 Shares at an issue price of £0.35 per Share.
- (d) HEI have advised the Company that HEI has sought, but not yet received, the PRC Approvals. The Company will provide an update to shareholders prior to, or at, the Meeting as to the status of these approvals. If prior to 31 January 2013, it becomes evident that the PRC Approvals will take longer to obtain than by 31 January 2013, then the Board will consider whether it is appropriate to seek, or agree to, an extension of this date, taking into account all of the relevant circumstances at the time.

1.4 Relevant Interest of HEI after Initial Placement

- (a) If HEI subscribes for the Initial Placement Shares in the circumstances set out in **paragraph 1.3(a)**, HEI will acquire a Relevant Interest in the Company of 5.8% (assuming no options are exercised in the interim).
- (b) If HEI subscribes for Initial Placement Shares in the circumstances set out in **paragraph 1.3(c)**, HEI will acquire a Relevant Interest in the Company of 4.2% (assuming no options are exercised in the interim).

1.5 Conditional Placement

- (a) The Conditional Placement is conditional upon:
 - (i) HEI receiving all relevant PRC Approvals;
 - (ii) the receipt of shareholder approval pursuant to item 7 of section 611 of the Corporations Act for the issue of the Conditional Placement Shares; and
 - (iii) HEI receiving all Other Regulatory Approvals.

- (b) If:
 - (i) HEI has not obtained the required PRC Approvals for the Conditional Placement by the Cut-Off Date, or it becomes evident that the PRC Approvals will not be granted prior to the Cut-Off Date;
 - (ii) shareholder approval is not granted pursuant to item 7 of section 611 of the Corporations Act by the Cut-Off Date; or
 - (iii) HEI has not obtained all Other Regulatory Approvals required by the Cut-Off Date,
 then the Company and HEI will consider whether to extend the Cut-Off Date, in each case if appropriate to do so taking into account all of the relevant circumstances at the time. If the Cut-Off Date is not extended then HEI's obligation to subscribe for the Conditional Placement Shares will automatically terminate.

1.6 Use of proceeds

The Company intends to use the net proceeds of the Initial Placement and Conditional Placement for the following:

- (a) to provide an additional US\$25 million required to increase the capacity and capability of the Vele Colliery plant and expedite the ramp-up of the production of semi-soft coking and thermal coal to steady state production;
- (b) to fund the working capital requirements of the Company including:
 - (i) the current operational cost of the Mooiplaats thermal operation (which the Company is evaluating for strategic disposal or business combination);
 - (ii) the take-or pay obligation for export capacity at the Matola port terminal;
 - (iii) the completion of the revised definitive feasibility study for the Makhado Project; and
 - (iv) the commencement of the feasibility studies for the Mopane, Chapudi and Makhado Extension Projects; and
 - (v) facilitate the restructuring and/or full or part settlement of existing liabilities or obligations.

If any of the conditions set out in **paragraph 1.5(a)** are not met, the Company will need to find alternative ways to obtain funding for the continuing development of its projects and to provide working capital for the Company. Under the Subscription Agreement, where the conditions set out in **paragraph 1.5(a)** are not met and the Conditional Placement does not proceed, the Company and HEI have agreed to cooperate to consider other arrangements pursuant to which HEI is able to provide funding support to the Company, including through the underwriting of any rights issue which may be undertaken by the Company in the future, subject to compliance with all applicable laws and regulations. In the event that HEI provides funding support to the Company by underwriting a rights issue, the parties have agreed that HEI will be entitled to charge the Company an underwriting fee of 0.25% of the amount committed by HEI under the rights issue.

1.7 Profile of BHE and formation of a long term strategic partnership

HEI is a wholly owned subsidiary of BHE, which is a Chinese State-owned Entity. BHE is a coal producer, based in Beijing, and engaged in mining, washing, export and sales of coal products and is the largest exporter of anthracite coal from China. BHE is listed on the Shanghai Stock Exchange and is one of the constituent stocks of the SSE 180 and the SSE Composite Index.

The Proposed Transaction would be the first investment by BHE outside of the PRC and serves to facilitate the formation of a long term and mutually beneficial strategic partnership between the Company and BHE, with a vision to facilitate the development of the Company's operations and development projects and to unlock the intrinsic value inherent in the Company's operations.

In this context, and subject to the successful completion of the Initial Placement and the Conditional Placement, the Company has undertaken to facilitate the appointment of two HEI nominees to the Board

(subject to the Company being satisfied that the HEI nominees have the relevant experience) and has agreed to act in good faith to negotiate and agree a Co-operation Agreement with HEI to formalise the strategic partnership with HEI.

It is proposed that the Co-operation Agreement will be on substantially the terms set out below:

- (a) for so long as HEI holds at least 19.9% of the issued shares of the Company, the Company and HEI, through the two HEI nominees, will work in collaboration in relation to:
 - (i) the development of capital projects and mining plans;
 - (ii) the long term funding requirements of the Company including the identification of banks and institutional sources of financing;
 - (iii) the development of the Company's business policies, budgets and operating plans;
 - (iv) all significant expenditure by the Company; and
 - (v) identification and procurement of managerial, financial, administrative, marketing and technical consulting services required by the Company.
- (b) HEI will provide the Company with assistance and expertise in relation to business, technical and financial matters, including in relation to the development of the Company's projects;
- (c) Subject to any marketing or off-take arrangements entered, or principally agreed to be entered, into by the Company (or its subsidiaries or associates) before the date of the Co-operation Agreement, the Company intends to provide HEI with a right to market a percentage of the Company's annual coal production that is approximately commensurate to HEI's total shareholding in the Company from time to time, on arm's length commercial terms and subject to all applicable laws and regulations; and
- (d) HEI will use its best endeavours to arrange for third parties to provide further financing (including equity and/or debt), on the most favourable terms available, for the development of the Company's projects.

2. RESOLUTIONS 1 AND 2 - INITIAL PLACEMENT

Resolutions 1 and 2 seek shareholder approval and ratification pursuant to Listing Rule 7.1 or Listing Rule 7.4, as applicable, for the allotment and issue or the proposed allotment and issue to HEI of the Initial Placement Shares at the Initial Placement Shares Issue Price. Depending on whether the Initial Placement Shares have been issued before the Meeting, the Company will withdraw either Resolution 1 or Resolution 2.

2.1 Listing Rule 7.1

Listing Rule 7.1 requires shareholder approval for the proposed issue of securities in the Company. Listing Rule 7.1 broadly provides, subject to certain exceptions, that a listed company must not, without prior approval of its shareholders, issue or agree to issue securities if the number of securities issued, or when aggregated with the number of securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period plus, amongst other things, the number of securities issued in the 12 month period with approval under Listing Rule 7.1 or 7.4.

2.2 Listing Rule 7.4

Listing Rule 7.4 provides that where a company in general meeting ratifies a prior issue of shares made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) that allotment and issue of securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

2.3 Approval and ratification of Initial Placement Shares

- (a) The Directors are seeking, under Resolutions 1 or 2, shareholder approval or ratification pursuant to Listing Rule 7.1 or Listing Rule 7.4, as applicable (depending on whether the Initial Placement Shares are issued before or after the Meeting), for the allotment and issue or the proposed allotment and issue to HEI of the Initial Placement Shares at the Initial Placement Shares Issue Price so that the initial placement shares do not reduce the ability of the Company to issue further securities up to the full 15% limit during the next 12 months.
- (b) The following information in relation to the Shares to be issued pursuant to Resolutions 1 and 2 is provided to shareholders for the purposes of Listing Rule 7.3 and Listing Rule 7.5:
 - (i) if HEI obtains the PRC Approvals for the Conditional Placement by the Cut-Off Date, the maximum number of Initial Placement Shares the Company has allotted and issued, or can issue, under the Initial Placement is 49,483,516;
 - (ii) if HEI has not obtained the PRC Approvals for the Conditional Placement by the Cut-Off Date, or any extended Cut-Off Date agreed by the Company and HEI, the maximum number of Initial Placement Shares the Company has allotted and issued, or can issue, under the Initial Placement is 35,345,368;
 - (iii) The Company will have allotted and issued, or will allot and issue, the Initial Placement Shares to the Depositary (to hold on behalf of HEI) and the Depositary will have issued, or will issue, Depositary Interests representing the Initial Placement Shares to HEI to facilitate trading of the Initial Placement Shares on AIM;
 - (iv) (unless the Initial Placement Shares have already been allotted and issued as at the date of this Meeting) the Company will allot and issue the Initial Placement Shares no later than 3 months after the date of the Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules and the Company will apply to the London Stock Exchange for, and use all reasonable endeavours to obtain, admission to trading on AIM of the Initial Placement Shares within 1 Business Day after the date of allotment of those Initial Placement Shares;
 - (v) the Initial Placement Shares will have been, or will be, allotted on one date;
 - (vi) the Initial Placement Shares will have been, or will be, issued at the Initial Placement Shares Issue Price;
 - (vii) HEI is not a related party of the Company for the purposes of section 228 of the Corporations Act;
 - (viii) upon issue, the Initial Placement Shares will have been, or will be, fully paid ordinary shares in the capital of the Company and rank equally in all respects with the existing fully paid ordinary shares on issue; and
 - (ix) the funds raised from the issue will be used as set out in this Explanatory Memorandum.

3. RESOLUTION 3 – PROPOSED ISSUE OF SHARES – CONDITIONAL PLACEMENT

Resolution 3 seeks shareholder approval under item 7 of section 611 of the Corporations Act to issue the Conditional Placement Shares to HEI at an issue price of £0.25 each, the issue and allotment of which will cause HEI's Relevant Interest in the Company to exceed 20%.

Ordinarily, as the number of Conditional Placement Shares proposed to be issued to HEI exceeds 15% of the capital of the Company, shareholder approval would be required to be obtained. However, Listing Rule 7.2 exception 16 provides that a company is not required to obtain shareholder approval under Listing Rule 7.1 where shareholder approval is granted under item 7 of section 611 of the Corporations Act. Accordingly, shareholder approval pursuant to Listing Rule 7.1 is not required.

3.1 Background

If HEI obtains the PRC Approvals by the Cut-Off Date, HEI will have a Relevant Interest of 5.8% in the Company following completion of the Initial Placement. However, if HEI has not obtained the PRC Approvals by the Cut-Off Date or any extended Cut-Off Date agreed by the Company and HEI, it will receive a smaller number of Initial Placement Shares such that HEI's Relevant Interest in the Company will be 4.2%.

If Resolution 3 is approved (and provided all the other conditions to the Conditional Placement set out in **paragraph 1.5(a)** are fulfilled by the relevant times), the Company will allot and issue the Conditional Placement Shares to HEI and HEI's aggregate Relevant Interest in the Company (including the Initial Placement Shares issued to it) will increase to 23.6% (assuming the Initial Placement Shares are subscribed for at £0.25 per Share).

Shareholder approval under item 7 of section 611 of the Corporations Act is sought pursuant to Resolution 3 because HEI will increase its voting power from below 20% to more than 20% by completing the allotment and issue of the Conditional Placement Shares.

Shareholders should carefully consider the Independent Expert Report prepared by the Independent Expert which comments on the fairness and reasonableness of the transaction to the non-associated shareholders of the Company. The Independent Expert concludes that the proposal the subject of this Resolution 3 is not fair but is reasonable.

The Independent Expert assessed the fair market value of a share in the Company, inclusive of a full premium for control, to lie in the range of £0.34 to £0.43 and concluded that the Conditional Placement at a price of £0.25 per share is not fair. However, as HEI will not acquire 100% of the Company and will not have free and unfettered control over its affairs, it is not expected that HEI would be required to pay a full premium for control in the current circumstances.

Despite the Independent Expert concluding that the Conditional Placement is not fair, the Independent Expert has concluded that the Conditional Placement is reasonable. This is on the basis that there are sufficient reasons for shareholders to accept the transaction in the absence of any higher offer given that the evaluation of the proposed Conditional Placement requires consideration of both value and other matters that may impact upon non-associated shareholders.

3.2 Item 7 of section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits a person acquiring a Relevant Interest in the issued voting shares of the Company if, because of the acquisition, that person's or another person's voting power in the Company increases from:

- (a) 20% or below to more than 20%; or
- (b) a starting point that is above 20% and below 90%.

The voting power of a person in the Company is determined by reference to section 610 of the Corporations Act. A person's voting power in the Company is the total of the votes attaching to the Shares in the Company in which that person and that person's associates (within the meaning of the Corporations Act) have a Relevant Interest.

Under section 608 of the Corporations Act, a person will have a Relevant Interest in Shares if:

- (a) the person is the registered holder of the Shares;
- (b) the person has the power to exercise or control the exercise of votes or disposal of the Shares; or
- (c) the person has over 20% of the voting power in a company that has a Relevant Interest in Shares.

A person (second person) will be an associate of the other person (first person) if:

- (a) the first person is a body corporate and the second person is:
 - (i) a body corporate the first person controls;
 - (ii) a body corporate that controls the first person; or

- (iii) a body corporate that is controlled by an entity that controls the first person;
- (b) the second person has entered, or proposes to enter into, a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board of a body corporate or the conduct of the affairs of a body corporate; and
- (c) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the affairs of a body corporate.

The Corporations Act defines “control” and “relevant agreement” very broadly. Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company. In determining capacity, the practical influence a person can exert and any practice or pattern of behaviour affecting the financial or operating policies of the Company needs to be taken into account.

Under section 9 of the Corporations Act, relevant agreement means an agreement, arrangement or understanding:

- (a) whether formal or informal or partly informal and partly informal;
- (b) whether written or oral or partly written and partly oral; and
- (c) whether or not having legal or equitable force and whether or not based on legal or equitable rights.

Associates are determined as a matter of fact. For example where a person controls or influences the Board or the conduct of the Company’s business affairs, or acts in concert with a person in relation to the entity’s business affairs.

There are various exceptions to the prohibition in section 606, including under item 7 of section 611 of the Corporations Act. Item 7 of section 611 provides an exception to the prohibition in section 606, in circumstances where the shareholders of the company approve an acquisition of shares by virtue of a placement at a meeting at which no votes are cast in favour of the Resolution by parties involved in the proposed acquisition, including their associates.

3.3 **Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74**

For the exemption in item 7 of section 611 to apply, shareholders must be given all information known to the person proposing to make the acquisition or their associates, or known to the Company that is material to the decision on how to vote on the Resolution. Also, in Regulatory Guide 74, ASIC has indicated that certain additional information should be provided to shareholders in these circumstances.

The following paragraphs set out the information required to be provided to shareholders under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74.

The information set out in **paragraphs (a), (e), (g) and (h) below** and all other information in this Explanatory Memorandum about BHE and HEI or their respective intentions for the Company, has been provided by BHE and HEI and has not been independently verified by the Company.

(a) The identity of the person proposing to make the acquisition and their associates

Further to the information set out in **paragraph 1.7** above, HEI, the company which will directly hold the Depositary Interests representing the Initial Placement Shares and Conditional Placement Shares, is a company incorporated on 26 April 2011 in Hong Kong under the Companies Ordinance of Hong Kong with a Business Registration Certificate Code of 58269711-000-04-12-9.

HEI does not have any subsidiary companies, and at this stage has not carried out any business activities. HEI was incorporated to be primarily engaged in energy and mineral resource investment and trade, as well as the import and export of energy products.

HEI is a wholly-owned subsidiary of BHE, a Chinese State-owned Entity. BHE was incorporated on 31 December 2002 in Beijing and has Registration Number 110000005219835. BHE is listed on the Shanghai Stock Exchange (SSE) and is one of the constituent stocks of the SSE 180 and the SSE Composite Index.

BHE's main business activities include coal production, marketing and trading. In addition, BHE has operations in coal mining and washing, power development, manufacturing, processing and marketing of coal products, and technology development, technology consultation, technology transfer, technology introduction and technology training on energy products.

BHE is one of the top five producers of anthracite coal in the PRC and is the largest exporter of anthracite coal from the PRC, exporting 2 million tonnes of anthracite products annually on average.

In 2011, BHE had operating revenues of RMB ¥6.951 billion, net income of RMB ¥1.301 billion and earnings of RMB ¥1.30 per share. As of 30 June 2012, BHE had total assets of RMB ¥10.902 billion and shareholders' equity of RMB ¥6.797 billion.

A list of HEI's associates in relation to the Company is set out in **Annexure A** to this Explanatory Memorandum.

None of BHE, HEI or any of HEI's associates, prior to any completion of the allotment and issue of Shares under the Initial Placement, had, or will have, a Relevant Interest in the Company.

(b) Full particulars (including the number and percentage) of the shares in the Company to which HEI will be entitled immediately before and after the Conditional Placement (provided PRC Approvals and all Other Regulatory Approvals are obtained by the Cut-Off Date)

If HEI has obtained PRC Approval and all Other Regulatory Approvals by the Cut-Off Date and on the basis that the allotment and issue of the Initial Placement Shares is successfully completed, the Relevant Interest and voting power of HEI (and its associates) in the Company before and after the completion of the allotment and issue of the Conditional Placement Shares is summarised in the table below:

PRC Approval obtained - HEI (and associates) Relevant Interest			
	Number of Shares	Relevant Interest	Voting power
Prior to completion of Initial Placement	0	0%	0%
After completion of Initial Placement and immediately before completion of Conditional Placement	49,483,516	5.8%	5.8%
Immediately after completion of Conditional Placement	247,417,579	23.6%	23.6%

In accordance with item 7 section 611 of the Corporations Act the maximum extent of the increase in the aggregate voting power of HEI (and its associates) in the Company resulting from the Initial Placement and the Conditional Placement is from 0% to 23.6% (assuming the Initial Placement Shares are subscribed for at £0.25 per Share).

(c) Full particulars (including the number and percentage) of the shares in the Company to which HEI will be entitled immediately before and after the Initial Placement (if PRC Approvals are NOT obtained)

If HEI **has not** obtained the PRC Approvals for the Conditional Placement by the Cut-Off Date, the Company and HEI do not extend the Cut-Off Date and the Conditional Placement does not go ahead, the Relevant Interest and voting power of HEI (and its associates) in the Company before and after the completion of the allotment and issue of the Initial Placement Shares under the Initial Placement is summarised in the table below:

PRC Approval NOT obtained and Conditional Placement does not go ahead- HEI (and associates) Relevant Interest			
	Number of Shares	Relevant Interest	Voting power
Immediately before completion of Initial Placement	0	0%	0%
Immediately after completion of Initial Placement	35,345,368	4.2%	4.2%

(d) **Unaudited pro-forma consolidated balance sheet**

The following pro-forma consolidated balance sheet illustrates the effect of the Proposed Transaction on the Company. It has been prepared based on the audited financial statements of the Company and its controlled entities as at 30 June 2012. It is not intended to represent the financial position of the Company upon completion of the Proposed Transaction. It is provided as an illustration of the effect of the Proposed Transaction. The actual impact on the Company is dependant on a range of factors, many of which are outside the control of the Company.

The unaudited pro-forma balance sheet as at 30 June 2012 below (Pro-forma Balance Sheet) has been prepared on the basis of the accounting policies normally adopted by the Company and reflects the changes to its financial position as noted below. It has been prepared on the assumption that the Initial Placement and Conditional Placement proceed.

The Pro-forma Balance Sheet has been prepared to provide shareholders with information on the pro-forma assets and liabilities of the Company. The financial information in the Pro-forma Balance Sheet is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Audited Year ended 30 June 2012 US\$'000	Pre-BHE capital raise adjustments US\$'000	BHE capital raise adjustments US\$'000	Unaudited pro-forma Year ended 30 June 2012 US\$'000
ASSETS				
Non-current assets				
Development, exploration and evaluation expenditure	283,486			283,486
Property, plant and equipment	141,641			141,641
Intangible assets	18,757			18,757
Other receivables	13,811			13,811
Other financial assets	13,173			13,173
Goodwill	-			-
Restricted cash	11,976			11,976
Deferred tax assets	3,444			3,444
Total non-current assets	486,288			486,288
Current assets				
Inventories	22,058			22,058
Trade and other receivables	25,968			25,968
Cash and cash equivalents	19,523	28,555 ³	82,706 ⁶	130,784
Total current assets	67,549			178,810
Assets classified as held for sale	-			-
Total assets	553,837			665,098

	Audited Year ended 30 June 2012 US\$'000	Pre-BHE capital raise adjustments US\$'000	BHE capital raise adjustments US\$'000	Unaudited pro-forma Year ended 30 June 2012 US\$'000
LIABILITIES				
Non-current liabilities				
Contingent consideration	30,000			30,000
Borrowings	66			66
Provisions	16,916			16,916
Deferred tax liabilities	6,454			6,454
Total non-current liabilities	53,436			53,436
Current liabilities				
Trade and other payables	72,441	(23,484) ²		48,957
Borrowings	49,063		(9,635) ⁵	39,428
Provisions	1,475			1,475
Current tax liabilities	155			155
Total current liabilities	123,134			90,015
Liabilities classified as held for sale	-			-
Total liabilities	176,570			143,451
NET ASSETS	377,267			521,647
EQUITY				
Issued capital	791,102	52,039 ¹	92,341 ⁴	935,482
Accumulated deficit	(564,800)			(564,800)
Reserves	150,390			150,390
Equity attributable to owners of the Company	376,692			521,072
Non-controlling interests	575			575
TOTAL EQUITY	377,267			521,647

Notes to pro-forma balance sheet

The consolidated balance sheet of 30 June 2012 has been extracted from the audited financial statements released to ASX on 1 October 2012. No account has been taken of any trading or transactions of the Company since 30 June 2012 except for the transactions noted below.

- 1 - Proceeds from capital raise of US\$52,038,409 completed by 11 September 2012.
- 2 - Proceeds from US\$52,038,409 capital raise used to pay creditors as at 30 June 2012.
- 3 - Net proceeds from capital raise of US\$52,038,409 after payment of US\$23,483,672 to creditors.
- 4 - Proceeds of the Proposed Transaction, including the Initial Placement of US\$20 million and the Conditional Placement of US\$80 million (US\$92.3 million net of transaction costs of US\$7.7 million payable on issuance of the shares).
- 5 - Total payment of US\$9,634,740 to Rio Tinto as the first and second instalments against the US\$13,642,456 due for the second tranche of the US\$75 million purchase consideration. The remaining instalment plus interest is due on 28 February 2013.
- 6 - Net proceeds from the Proposed Transaction after payment of US\$9,634,740 to Rio Tinto and transaction costs (see note 4 above).

(e) Persons intended to become a Director if shareholders approve the Conditional Placement

As provided in **paragraph 1.7**, subject to the successful completion of the allotment and issue of Shares under the Initial Placement and the Conditional Placement, HEI has agreed with the Company in the Subscription Agreement that for as long as HEI has voting power of at least 19.9% of the issued Shares of the Company, the Company will use all reasonable endeavours to appoint two persons nominated by HEI to act as Directors provided that the Company considers, acting reasonably, that such persons are appropriate and qualified to be Directors of the Company.

The Company has been advised that HEI has not identified, and is not in a position to provide details of, the HEI nominees as at the date of this Notice. HEI does not expect to confirm who the nominees will be until much closer to the date of the allotment and issue of Shares under the Conditional Placement.

Once the proposed HEI nominees are confirmed by HEI to the Company, the Board will consider the appropriateness of the qualifications and experience of the proposed HEI nominees prior to any appointment being made.

(f) Reasons for the proposed Placement

The Company has three operating assets (the Mooiplaats Colliery, Woestalleen Colliery and the Vele Colliery, which is in the ramp-up phase to full production) and extensive exploration projects at various stages of development in the Soutpansberg coalfield, including the Makhado Project (the most advanced project which has submitted its approval for a new order mining right) and the Mopane, Chapudi and Makhado Extension Projects in respect of which the requisite licence applications are intended to be submitted in 2013.

The Company's long term key strategic objective is to produce approximately 10 million tonnes of saleable coal per annum through the:

- (i) development of the projects in the Soutpansberg coalfield, containing approximately 8.0 billion gross tonnes in situ of coking and thermal coal resources, including the Makhado, Mopane, Chapudi and Makhado Extension Projects; and
- (ii) ramp-up of the Vele Colliery, located in the Limpopo coalfield, which has approximately 332 Mt of semi-soft and thermal coal reserves.

The Company has been looking for a strategic alliance with an organisation with sufficient access to capital to assist in the development of its coal assets, access to markets for the end product produced from its coal assets and to share in the risks and rewards of developing its coal assets.

HEI will be a major shareholder in the Company following completion of the allotment and issue of the Conditional Placement Shares. As discussed above, the Company has undertaken to use reasonable endeavours to facilitate the appointment of two HEI nominees to the Board, provided such persons are appropriate and qualified to be Directors of the Company.

The investment by HEI will also lead to the formation of a strategic partnership which will facilitate the exchange of financial, technical and operational expertise for the growth and development of the Company and the coking coal industry in South Africa. To that end, the Company and HEI have agreed to act in good faith to enter into the Co-operation Agreement to govern the relationship between the Company and HEI following completion of the allotment and issue of the Initial Placement Shares and the Conditional Placement Shares. The anticipated key terms of the Co-operation Agreement are summarised in **paragraph 1.7**.

(g) HEI's intentions regarding the future of the Company if shareholders agree to the allotment and issue of the Conditional Placement Shares

HEI is looking to expand its investment in global coal mining and resources and to facilitate the formulation of a long term and mutually beneficial strategic partnership with an organisation familiar with the local rules, regulations and conditions that can manage the development of coal assets through to production.

HEI has identified potential in the Company and its management and as such, wish to contribute significant capital to develop the Company's assets in return for a material stake in the Company. HEI's intentions regarding the future of the Company with respect to the following are as follows.

(i) Intention to change the business of the Company

HEI has no intention to change the nature of the business of the Company.

(ii) Any intention to inject further capital into the Company

HEI currently has no defined plans to inject further capital into the Company, but would consider capital raising or debt financing opportunities should they arise.

(iii) Intentions with respect to the future employment of present employees of the Company

HEI does not envisage any material changes to the employment of the present employees of the Company.

(iv) Any proposal where assets will be transferred between the Company and HEI or their associates

HEI currently does not have any defined plans to transfer assets between the Company and HEI, BHE or any of their respective associates.

(v) Any intention to otherwise re-deploy the fixed assets of the Company

HEI does not have any intention to re-deploy the fixed assets of the Company.

(vi) Intention of HEI to significantly change the financial or dividend distribution policies of the Company

HEI does not intend to change significantly the financial or dividend distribution policies of the Company at this time.

(vii) Intention of HEI to delist the Company from the ASX, JSE and AIM stock exchanges

HEI does not intend to delist the Company and intends for it to remain as a public listed company.

(h) Particulars of the terms of the proposed allotment and issue of Shares and any contract or proposed contract between HEI and the Company or any of their associates which is conditional upon, or directly or indirectly dependent on, shareholders agreement to the allotment of Shares to HEI in consideration of the acquisition

Other than the Subscription Agreement and the proposed Co-operation Agreement, there are no contracts or proposed contracts between HEI and the Company or any of their associates which are conditional upon, or directly or indirectly dependent on, shareholder approval of the allotment and issue of the Conditional Placement Shares to HEI.

However, under the Subscription Agreement, if the Conditional Placement does not proceed, the Company and HEI have agreed to cooperate to consider other arrangements pursuant to which HEI is able to provide funding support to the Company as described in **paragraph 1.6**.

(i) When the allotment and issue of Conditional Placement Shares is to be made

The Conditional Placement Shares will be allotted and issued to HEI within three business days of fulfilment of the conditions set out in **paragraph 1.5(a)** above.

The Company will allot and issue the Conditional Placement Shares to the Depositary (to hold on behalf of HEI) and the Depositary will issue Depositary Interests representing the Conditional Placement Shares to HEI to facilitate trading of the Conditional Placement Shares on AIM.

The Company will apply to the London Stock Exchange for, and use all reasonable endeavours to obtain, admission to trading on AIM of the Conditional Placement Shares within 1 Business Day after the date of allotment of those Conditional Placement Shares.

(j) Directors' interests and recommendations

The current Directors of the Company are:

- (i) Peter George Cordin;
- (ii) Ntshengedzeni Alfred Nevhutanda;
- (iii) John Nicholas Wallington;
- (iv) David John Keir Murray;
- (v) Rudolph Henry Torlage;
- (vi) Khomotso Brian Mosehla;
- (vii) David Hugh Brown; and
- (viii) Bernard Robert Pryor.

None of the Directors has any material personal interest in this Resolution 3.

The following Directors hold the interests in the securities set out in the table below.

Details of Directors' current interests in securities		
	Number of options	Number of Shares
Non-executive Directors		
P Cordin	N/A	871,059
D Murray	2,500,000	N/A
B Pryor	1,000,000	N/A
D Brown	2,500,000	30,000
Executive Directors		
J Wallington	N/A	310,000
A Nevhutanda	N/A	50,000

All of the Directors have approved the proposal to put Resolution 3 to shareholders.

Based on the information available, including the information contained in this Explanatory Memorandum and the Independent Expert Report, the Directors unanimously recommend that non-associated shareholders vote in favour of Resolution 3.

Each Director of the Company intends to vote all Shares they own or control the right to vote in favour of the Resolution.

(k) Independent Expert Report as to whether the Conditional Placement is fair and reasonable

The Directors of the Company have commissioned the Independent Expert to prepare an Independent Expert Report to provide an opinion as to whether or not the proposal in Resolution 3 is fair and reasonable to the existing non-associated shareholders of the Company.

What is fair and reasonable must be judged by the Independent Expert in all the circumstances of the Resolution. The assessment of *fairness* is restricted to comparing the Conditional Placement issue price to the fair market value, on a controlling basis, of a share in the Company. The assessment of reasonableness requires taking into account the likely advantages to non-associated shareholders if the Resolution is approved and comparing them with the disadvantages to them if the Resolution is not approved.

The Independent Expert has concluded that the Conditional Placement is not fair but is reasonable to the existing non-associated shareholders of the Company.

As provided in **paragraph 3.1** above, the Independent Expert assessed the fair market value of a share in the Company, inclusive of a full premium for control, to lie in the range of £0.34 to £0.43

and concluded that the Conditional Placement at a price of £0.25 per share is not fair. However, as HEI will not acquire 100% of the Company and will not have free and unfettered control over its affairs, it is not expected that HEI would be required to pay a full premium for control in the current circumstances.

Despite the Independent Expert concluding that the Conditional Placement is not fair, the Independent Expert has concluded that the Conditional Placement is reasonable. This is on the basis that there are sufficient reasons for shareholders to accept the transaction in the absence of any higher offer given that evaluation of the proposed Conditional Placement requires consideration of both value and other matters that may impact upon non-associated shareholders.

The Company strongly recommends that you read the Independent Expert Report in full, a copy of which is set out in **Annexure B** to this Explanatory Memorandum.

GLOSSARY

£ and **GBP** means Great Britain pounds sterling.

AIM means the AIM market operated by the London Stock Exchange.

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

BHE means Beijing Haohua Energy Resource Co. Limited.

Board means the board of Directors of the Company.

Business Day means, unless the context requires otherwise, any day that banks are open for business in London, United Kingdom, Sydney, Australia, and Beijing, PRC.

Company means Coal of Africa Limited ABN 98 008 905 388.

Conditional Placement Shares means 197,934,063 Shares to be allotted and issued to HEI by the Company provided PRC Approval, shareholder approval and Other Regulatory Approvals have been obtained, at an issue price of £0.25 per Share.

Constitution means the constitution of the Company, as amended from time to time.

Co-operation Agreement means the proposed co-operation agreement referred to in **paragraph 1.7** between HEI and the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Cut-Off Date means 31 January 2013 or such later date that the Company and HEI agree.

Deed Poll means the deed poll executed by the Depositary on 21 October 2005 in favour of the holders and prospective holders of the Depositary Interests and constituting the Depositary Interests.

Depositary means Computershare Investor Services plc.

Depositary Interests means the dematerialised depositary interests in respect of the Shares constituted under, and issued or to be issued by, the Depositary pursuant to the Deed Poll.

Director means a director of the Company.

Explanatory Memorandum means this explanatory memorandum accompanying the Notice.

FIRB Approval means the receipt by HEI of written notice from the Treasurer of the Commonwealth of Australia under the *Foreign Acquisition and Takeovers Act 1975* (Cth) that it has no objections to HEI's acquisition of the Initial Placement Shares and the Conditional Placement Shares.

HEI means Haohua Energy International (Hong Kong) Resource Co. Limited, a wholly owned subsidiary of BHE.

Independent Expert means KPMG Corporate Finance, a division of KPMG Financial Advisory Services (Australia) Pty Ltd.

Independent Expert Report means the report prepared by the Independent Expert considering whether the Conditional Placement is fair and reasonable to all non-associated shareholders of the Company, a copy of which is set out in **Annexure B** to this Explanatory Memorandum.

Initial Placement Shares means:

- (a) if, by the Cut-Off Date (or any earlier date), HEI has received the PRC Approvals, 49,483,516 Shares to be allotted and issued to HEI by the Company at an issue price of £0.25 per Share; or
- (b) if, by the Cut-Off Date, HEI **has not** received the PRC Approvals, 35,345,368 Shares to be allotted and issued to HEI by the Company at an issue price of £0.35 per Share.

Initial Placement Shares Issue Price means the price at which the Initial Placement Shares are issued, being

- (a) if, by the Cut-Off Date (or any earlier date), HEI has received the PRC Approvals, an issue price of £0.25 per Share; or
- (b) if, by the Cut-Off Date, HEI has not received the PRC Approvals, an issue price of £0.35 per Share.

Listing Rules means the Listing Rules of the ASX.

London Stock Exchange means the London Stock Exchange plc.

Meeting means the General Meeting the subject of the Notice.

Notice means the notice of General Meeting which accompanies this Explanatory Memorandum.

PRC means the People's Republic of China.

PRC Approvals means:

- (a) initial review by the Beijing Municipal Commission of Development and Reform Committee followed by preliminary examination by National Development and Reform Commission;
- (b) approval by or record filing with the following authorities:
 - (i) Beijing Municipal Commission of Development and Reform;
 - (ii) Beijing Municipal Commission of Commerce; and
 - (iii) State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

Relevant Interest has the meaning that term is given in section 9 of the Corporations Act.

Other Regulatory Approvals means all necessary regulatory and statutory approvals or consents, to the extent required, including, but not limited to, approvals and consents required from any securities exchange on which the shares of either HEI or the Company (or its direct or indirect holding company) are listed, the anti-trust (or competition) authorities and/or the relevant Takeovers Panel(s).

Resolution means a resolution proposed pursuant to the Notice.

RMB or **¥** means the Renminbi the official currency of the PRC.

Shares means fully paid ordinary shares in the capital of the Company.

Subscription Agreement means the agreement of that name dated 10 December 2012 between CoAL and HEI relating to the subscription for the Initial Placement Shares and Conditional Placement Shares by HEI.

US\$ and **USD** means United States dollars.

ANNEXURE A

List of HEI's associates

1. BHE
2. Jinan Jingmei Trading Co., Ltd.
3. Erdos Haohua Cleaned Coal Co., Ltd.
4. Erdos Dongtong Rail Logistics Pty Ltd.
5. Beijing Haohua Chenghe International Trading Co., Ltd.
6. Hangjinqi Western Energy Development Co., Ltd.
7. Erdos Guotai Trading Co., Ltd.
8. Beijing Jingmei Chemical Industry Co.Ltd.
9. Beijing Haoyu Industry & Trade Co., Ltd.
10. Beijing Xinhua Yuan Machine Manufacturing Co.,Ltd
11. Beijing Haoya Industrial & Trade Co., Ltd.
12. Golden Tide Group
13. State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality
14. Beijing State-owned Capital Operation and Management Center
15. Beijing Jingmei Group Co., Ltd.

ANNEXURE B

INDEPENDENT EXPERT REPORT



KPMG Corporate Finance

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The Directors
Coal of Africa Limited
Level 1
Old Swan Brewery
173 Mounts Bay Road
Perth WA 6000

10 December 2012

Dear Sirs

Independent Expert Report

PART ONE – INDEPENDENT EXPERT REPORT

1 Introduction

On 1 October 2012, Coal of Africa Limited (CoAL or the Company) announced that it had entered into a binding offer letter (Binding Offer) with Haohua Energy International (Hong Kong) Co. Limited (HEI or the Offeror), a wholly owned subsidiary of Beijing Haohua Energy Resource Co. Limited (BHE¹), for HEI to subscribe for 100 million United States Dollars² (\$ or USD) of CoAL shares, in two tranches (the Proposed Transaction).

On 10 December 2012 CoAL and BHE entered into a subscription agreement (Subscription Agreement) which replaced the terms of the Binding Offer by setting out those terms in a more formal agreement.

Under the Subscription Agreement, the two tranches of the equity placements are structured as follows:

- An initial \$20 million tranche (Initial Placement), subject to approval by the Australian Foreign Investment Review Board (FIRB), given BHE is a Chinese State Owned Entity, at an issue price of

¹ Henceforth, both BHE and HEI will be referred to as BHE.

² All currency amounts in this report are denominated in US Dollars (USD) unless otherwise stated.

£0.25³ per share (subject to the adjustment set out below). We note, at the date of this report, FIRB approval has been granted and the \$20 million has been received by CoAL.

- A second subscription of \$80 million (Conditional Placement), subject to receiving requisite approvals, including approval by the relevant authorities in the People's Republic of China (PRC), at an issue price of £0.25³ per share.

Each tranche is to be based on a USD to Great British Pound (GBP) exchange rate (GBP:USD) of 1.6167.

If BHE has not obtained the required PRC approvals for the Conditional Placement by 31 January 2013 (or such later date agreed by CoAL and BHE), the Initial Placement will still proceed, but will be adjusted so that BHE pays a price of £0.35 per share. In this instance the Conditional Placement will not proceed unless CoAL and BHE agree otherwise.

The Proposed Transaction is intended to form the basis for a strategic partnership between BHE and CoAL to facilitate the development of CoAL's assets. The key considerations dictating the terms on which the two parties will act, to ensure a mutually beneficial relationship, will be defined in a Cooperation Agreement which, at the date of this report has yet to be finalised. In addition, subject to the completion of the Conditional Placement, CoAL will use all reasonable endeavours to appoint two persons nominated by BHE to act as directors of CoAL. Further details in relation to the terms of the Proposed Transaction are set out in the Notice of Meeting and Explanatory Memorandum to which this report is attached.

The Directors of CoAL have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) to prepare an Independent Expert Report (IER) to the shareholders of CoAL not associated with the bidder (non-associated shareholders) in relation to the Conditional Placement. This report is a summary of KPMG Corporate Finance's opinion as to the merits or otherwise of the Conditional Placement. This report should be considered in conjunction with and not independently of the information set out in the balance of this report. The IER has been prepared for Australian regulatory purposes only.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

1.1 Company

CoAL is an Australian incorporated, South African based coal production company which is also registered as an external company in the Republic of South Africa (South Africa) and is listed on the Australian (ASX), Johannesburg (JSE) and London (AIM) stock exchanges. The Company engages in the acquisition, exploration, development and production of metallurgical and thermal coal through a diversified portfolio of assets at different stages of maturity throughout South Africa. As of the close of

³ £0.25 per share translates to approximately 0.39 Australian Dollars (AUD) at the 28 September 2012 spot exchange rate of 1.5538 sourced from Capital IQ.

trading on 28 September 2012 (being the last trading day before the announcement of the Proposed Transaction), CoAL had a market capitalisation of \$191.1 million⁴.

1.2 Other party

BHE is a listed coal producer based in Beijing and is a constituent of the Shanghai Stock Exchange (SSE) 180 index and the SSE composite index. BHE is engaged in mining, washing, export and sales of coal products. BHE exports 2 million tonnes (Mt) of anthracite products annually and is the largest exporter of anthracite coal from China. BHE holds interests in coal mines, both in development and operating and its' products are principally used in metallurgy, electric power, chemical engineering, construction materials and other industrial sectors. BHE is also engaged in technology development, consultation, transfer, introduction and training.

2 Scope of Report

Section 606 of the Corporations Act (the Act) expressly prohibits an individual (or corporation) obtaining more than 20 percent of the voting power of an Australian listed company unless a full takeover offer is made. An exemption to this rule is contained in item 7 section 611 of the Act, which allows the target company shareholders the opportunity to vote to forgo their right to a full takeover. In passing the resolution, no votes may be cast by the potential acquirer or their associates or by the persons from whom the acquisition is to be made or their associates.

Immediately following completion of both tranches of the Proposed Transaction, BHE will increase its direct relevant interest in the Company from 0 percent to up to approximately 23.6 percent (assuming the Initial Placement shares are subscribed for at £0.25 per share). Accordingly, the directors of CoAL are seeking the approval of the non-associated shareholders, pursuant to item 7 of section 611 of the Act, for the Conditional Placement component of the Proposed Transaction to proceed.

In the case of a resolution pursuant to item 7 section 611 of the Act, Regulatory Guide 74 (RG74) "Acquisitions approved by members" issued by the Australian Securities and Investments Commission (ASIC) requires that non-associated shareholders be supplied with all information that is material to the decision on how to vote on the acquisition. In such circumstances, the Directors of CoAL are required to provide shareholders with a detailed analysis of whether the Proposed Transaction is fair and reasonable. The Directors may undertake such an analysis or, as is more commonly the case, the Directors may engage an independent expert to report on the proposal. In this case, the Directors of CoAL have requested KPMG Corporate Finance to prepare an IER.

The term 'fair and reasonable' has no legal definition. RG 74 provides that any analysis should comply with the requirements of Regulatory Guide 111 (RG 111) "Content of expert reports", which in turn, provides that the term 'fair and reasonable' is not regarded as a compound phrase.

⁴ \$191.1 million translates to approximately £118.52 million at the 28 September spot exchange rate of 1.6123 sourced from Capital IQ.

Fairness

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100 percent ownership of the 'target' irrespective of whether the consideration is scrip or cash and without considering the percentage holding of the 'bidder' or its associates in the target prior to the bid. That is, RG 111 requires the value of CoAL to be assessed on the theoretical basis as if BHE was actually acquiring 100 percent of CoAL, not just increasing its direct relevant interest to 23.6 percent.

Accordingly, the principal matter we were required to consider is whether the consideration to be paid by BHE under the Conditional Placement of £0.25 cash per new CoAL share to be issued, is at or exceeds the fair market value of a CoAL share assessed on a 100 percent control basis.

When assessing the full underlying value of the Company, we have considered those synergies and benefits that would be available to a pool of potential purchasers of CoAL. We have not included the value of special benefits that may be unique to BHE. Accordingly, our valuation of CoAL has been determined regardless of the bidder and any special benefits that may accrue to BHE have been considered separately.

Reasonableness

An offer is deemed by RG 111 to be "reasonable" if it is fair. However an offer can also be reasonable even if despite not being fair there are sufficient reasons for non-associated shareholders to accept the offer in the absence of any higher bid before the close of the offer.

In considering whether the Conditional Placement is reasonable, we have considered the following factors:

- The rationale and implications of the Conditional Placement.
- The extent of any implied premium over recent trading prices for a CoAL share, if any, being paid by BHE.
- Other alternatives considered and the prospects of a superior alternative offer emerging.
- The consequences of not approving the Conditional Placement.
- The implications of each alternative for non-associated shareholders.
- Any other benefits or disadvantages of the alternatives that we believe to be relevant.

Potential outcomes

Whilst this report is not required for Resolutions 1 or 2, as defined in the Notice of Meeting and Explanatory Memorandum to which this report is attached, non-associated shareholders should be made aware that the outcomes of approving both resolutions may vary if all pre-requisite conditions of the Conditional Placement are not satisfied. These outcomes are provided below.

Outcome 1: All pre-requisite conditions are satisfied and the Initial Placement and Conditional Placement proceed at £0.25 per share, resulting in BHE obtaining an aggregate 23.6 percent interest in CoAL.

Outcome 2: The PRC approvals are not received by 31 January 2013 (or such later date agreed by CoAL and BHE), resulting in only the Initial Placement proceeding at £0.35 per share, providing BHE with a 4.2 percent interest in CoAL.

Outcome 3: The PRC approvals are not received by 31 January 2013, resulting in the Initial Placement proceeding at £0.35 per share, CoAL and BHE agree to extend the date for obtaining the PRC approvals, the PRC approvals are obtained within the extended time and the Conditional Placement proceeds, resulting in BHE obtaining an aggregate 22.6 percent interest in CoAL.

Readers should note, if the Conditional Placement does not proceed, the Subscription Agreement stipulates that CoAL and BHE will cooperate to consider other arrangements pursuant to which BHE is able to provide funding support to CoAL including through the underwriting of any rights issue contemplated by CoAL, at the time. In the event that BHE provides funding support to CoAL by the way of underwriting any rights issue, BHE will be entitled to charge CoAL an underwriting fee of 0.25 percent of the amount committed by BHE under the rights issue.

3 Summary of opinion

The Conditional Placement is not fair but is reasonable and, therefore, in the absence of a superior alternative offer emerging, is in the best interests of non-associated shareholders as a whole.

In forming this opinion the principal matter we were required to consider was whether the consideration to be received by the Company of £0.25 cash per new CoAL share to be issued under the Conditional Placement is at or exceeds the fair market value of a CoAL share on a 100 percent control basis.

We have assessed the fair market value of a CoAL share, inclusive of a full premium for control, to lie in the range of 33.6 pence and 43.3 pence, which compares to the consideration to be received of £0.25 cash per share. Therefore in our opinion the Conditional Placement is not fair.

In accordance with the requirements of RG 111, we have assessed the fair market value of CoAL share inclusive of a control premium. However as BHE will not acquire 100 percent of CoAL and clearly will not have free and unfettered control over the affairs of the Company, we would not expect that BHE would be required to pay a full premium for control in the current circumstances. Consistent with RG111 Requirements, this forms part of our consideration of the reasonableness of the Conditional Placement.

Whilst the Conditional Placement has been assessed as being not fair, a transaction can still be reasonable if there are sufficient reasons for security holders to accept the transaction, in the absence of any higher offer before the close of the offer. As such the evaluation of the Conditional Placement requires consideration of both value and other matters that may impact upon non-associated shareholders.

In particular, management has advised, and we concur, that in the absence of the Conditional Placement, the Company is unlikely to be in a position to continue to develop its assets in the timeframe currently

contemplated and would be required to carefully manage the scale of its day-to-day activities whilst it seeks an alternative source of funds.

Non-associated shareholders will retain their existing shares in the Company and therefore will participate indirectly in any future benefits that may be realised by the Company through application of the pool of funds raised under the Proposed Transaction (including the Conditional Placement) or through any future change of control transaction. On the other hand, non-associated shareholders are not being provided an opportunity to realise a direct premium for control in respect of their existing shares under this transaction.

Accordingly, a key decision for non-associated shareholders is whether the potential benefits of CoAL receiving an immediate cash amount of approximately \$92.3 million, being \$100 million less transaction costs, which will be available to the Company to further progress the development of its assets, outweighs holding a diluted interest in the operations of CoAL going forward.

Whilst non-associated shareholders could reject the Conditional Placement in the hope that BHE will agree to an increase in the issue price beyond that negotiated by the Company, there can be no guarantee that BHE will do so. Moreover, it is also possible that failure by the non-associated shareholders to approve the Conditional Placement could result in BHE reconsidering its participation in CoAL. Non-associated shareholders should be aware that the Company has not arranged, and is not certain to be able to arrange, alternative funding on terms considered more attractive than those currently on offer under the Proposed Transaction.

CoAL and BHE have agreed that if the Conditional Placement is not approved, they will cooperate to consider other funding arrangements, including BHE underwriting a future rights issue, with BHE charging an underwriting fee of 0.25 percent of the amount committed by BHE. If this scenario were to eventuate, BHE would subscribe at the same price as non-associated shareholders, and would also receive an underwriting fee.

Non-associated shareholders should also note that the Company has been investigating funding options at both equity and individual project levels for some time and has already engaged in discussions with various potential investors. However, no other offer that is considered to be more financially attractive to the Proposed Transaction has emerged.

We note in the FY12 Financial Statements, the Auditors added an emphasis of matter indicating that a material uncertainty exists in relation to CoAL continuing as a going concern due to factors including FY12's operating loss and net cash outflows from operating and investing activities.

Our assessment of the key issues considered in forming our opinion, and the issues that non-associated shareholders should consider in deciding whether to support the Conditional Placement, are set out below.

4 Key considerations

4.1 Assessment of the fairness of the Conditional Placement

BHE is not paying fair market value (inclusive of a full premium for control) to acquire its stake in CoAL.

We have assessed the underlying value of CoAL, inclusive of a full premium for control, to lie in the range of \$433.4 million and \$559.3 million⁵, or between approximately 33.6 pence and 43.3 pence per CoAL share. This compares to the consideration to be received by CoAL for the issue of new shares to BHE of £0.25 cash per share. As such the Conditional Placement is not fair.

Set out in the table below is a summary of the range of fair market values at which CoAL's shares have been assessed on a 100 percent control basis.

Table 1: Summary of range of assessed fair market values on a 100 percent control basis

	Low USD'000	High USD'000
Development Assets	378,419	483,527
Operating Assets	145,268	160,723
Other Assets	8,876	15,501
Total mineral assets	532,562	659,750
Add – cash	30,319	30,319
Add – funds from the exercise of options ¹	-	-
Add – future loan to Rothe Investments (Pty) Ltd	10,366	13,461
Add – other net surplus assets/(liabilities)	(22,062)	(22,062)
Less – interest bearing liabilities	(39,751)	(39,751)
Less – Matola TCM Take or Pay Liability	(22,201)	(22,565)
Less – capitalised corporate overheads (net of synergies)	(55,879)	(59,880)
Total equity value	433,355	559,274
Current shares on issue (000s)	800,951	800,951
“In the money” options (000s) ¹	-	-
Diluted number of shares on issue (000s)	800,951	800,951
Value per share, inclusive of a full premium for control - cents	54.1	69.8
GBP:USD exchange rate	1.6123	1.6123
Value per share, inclusive of a full premium for control - pence	33.6	43.3
Note: 1. Given our range of undiluted values for a CoAL share, the 3.5 million options at £0.25 approved on 29 November 2012 (post the valuation date of 28 September 2012) are assumed to be exercised, resulting in an equity value in the range of \$434.8 million to \$560.7 million or 33.5 pence to 43.2		

⁵ Equates to £269.7 million to £347.8 million converted at the 28 September 2012 spot GBP:USD exchange rate of 1.6123 sourced from Capital IQ

pence per share, on a fully diluted basis. Other than as discussed above, none of the options summarised in Section 8.10 are assumed to be exercised.

2. Effective valuation date is 28 September 2012

Source: KPMG Corporate Finance analysis

Due to the nature of CoAL's Operating, Development and Other Assets (CoAL's Assets) it was necessary for CoAL to commission a report to be prepared by an independent technical specialist (Technical Specialist) to assist in this valuation. Venmyn Rand (Proprietary) Ltd known herein as Venmyn Deloitte, a subsidiary of Deloitte Consulting South Africa (Proprietary) Ltd (Venmyn Deloitte) was appointed as a Technical Specialist given its familiarity with CoAL's Operating and Development Assets, its independence and relevant industry experience. In respect of the Operating and Development Assets, the Technical Specialist was responsible for preparing an independent technical report providing:

- A valuation of CoAL's Development Assets.
- An assessment of the reasonableness of the technical assumptions underpinning the cash flow forecasts prepared by CoAL for CoAL's Operating Assets.

The Technical Specialist report has been included as Appendix 6.

CoAL has also provided us with independent valuations prepared for the key Other Assets. Given the relative immateriality of these Other Assets, we have utilised the valuations prepared by independent valuers. We have satisfied ourselves as to the qualifications and independence of these independent valuers. In considering our range of assessed fair market values for a CoAL share, it is important for non-associated shareholders to note that, in accordance with the requirements of RG 111, our range of assessed values has been calculated to include a full premium for control as though the Proposed Transaction (including the Conditional Placement) involved the acquisition by BHE of a 100 percent interest in the Company. BHE will in fact not acquire 100 percent and will make its first investment in the Company up to approximately 23.6 percent if the relevant pre-conditions outlined in Sections 1.3 & 1.5 of the Notice of Meeting and Explanatory Memorandum are satisfied. Reflecting that, notwithstanding the increase in its interest in the Company and its entitlement to have two nominees appointed to the Board of CoAL, BHE will clearly not have free and unfettered control over the affairs of the Company. We would not expect that an acquirer would be required to pay a full premium for control in the current circumstances. This view would, in the absence of the requirements of RG 111, have resulted in a significant reduction in our range of assessed fair market values.

We would also highlight to readers that conclusions as to the value for CoAL at its current stage of development and in the current market conditions need to be treated with some caution due to the level of uncertainty surrounding various key assumptions; in particular, our range of assessed values for the Operating Assets which are particularly sensitive to coal prices and exchange rate assumptions. Coal prices and exchange rates have exhibited a significant degree of volatility in recent times and there is a wide range of views on the part of commodity and market analysts as to future long-term coal prices and exchange rates. Whilst we consider both the coal price and the exchange rate assumptions adopted by us to be reasonable as at the date of this report, a wide range of assumptions could credibly be adopted, which could impact assessed fair market values either positively or negatively. CoAL also has significant

financing risk given the capital requirements to exploit its Operating Assets, Development Assets and Other Assets.

Depending upon the views taken by individual non-associated shareholders in relation to the prospects and outcome of future events, it is quite conceivable that individual non-associated shareholders could form a different view to us as to appropriate ranges of values and potentially a different opinion in relation to fairness.

4.2 Assessment of the reasonableness of the Conditional Placement

Notwithstanding our assessment that the Conditional Placement is not fair, RG 111 provides that it is still open to the expert to conclude that a transaction is reasonable despite not being fair where the expert believes there are sufficient reasons for security holders to accept the transaction in the absence of a superior alternative transaction.

The principal matters we have considered in assessing that the Conditional Placement is reasonable despite not being fair are summarised below.

Advantages

BHE is paying a premium over trading prices for CoAL shares immediately prior to the announcement of the Proposed Transaction.

The closing price of a CoAL share on the trading day prior to the announcement date was 15.25 pence, which implies that the Conditional Placement is priced at a significant premium. The Company's current trading price, at the date of this report, was 12.5 pence⁶, which also implies a significant premium.

In order to identify a reasonable range for implied premia/discounts to trading prices for placements in the Australian marketplace, we analysed transaction data included in the "Energy" and "Metals and Mining" classifications of the Global Industry Classification Standard sourced from Connect4 over the period since 1 July 2011. A data set of 1,029 placements in the Energy and Metals and Mining sectors was sourced from Connect4. Significant variances existed in the results and certain outliers were excluded. The results of our analysis are detailed below:

Table 2: Historical placement premium analysis

Premia and Discount Analysis	Energy	Metals & Mining	Total
Number of observations	306	723	1,029
Mean	0%	1%	1%
Median	(9%)	(4%)	(6%)
Number of premiums	88	238	326
Percentage of placements offered as a premium	29%	33%	32%

Source: Capital IQ, Connect4 and KPMG Corporate Finance analysis

⁶ The closing share price of CoAL on the AIM index as at 7 December 2012 was 12.5 pence.

We note that only approximately 32 percent of those placements reviewed were completed at a premium to the pre-announcement share price.

The premium being paid by BHE of 64 percent, implied by a comparison of the Proposed Transaction consideration of £0.25 or (AUD0.39) per share to CoAL's closing share price on the trading day prior to the announcement of the Proposed Transaction, lies above the mean and median of observed placement transactions. The premium being paid by BHE of 100 percent, implied by a comparison of the Conditional Placement consideration to the current trading price at the date of this report (12.5 pence⁶), also lies above the mean and median.

We would caution readers that given the current volatility in equity markets, the current price of a CoAL share could differ, potentially materially, from the price at which the Company's shares are trading at the date non-associated shareholders meet to consider the Proposed Transaction (including the Conditional Placement). General market sentiment and conditions and reaction to future Company announcements could all also potentially impact upon CoAL's share price. Accordingly, non-associated shareholders will need to consider, inter alia, movements in CoAL's share price subsequent to the date of this report in deciding whether to approve the Conditional Placement.

The Proposed Transaction will improve CoAL's net asset position

Based on CoAL's pro forma balance sheet as at 30 June 2012 (including the assumption that two prior capital raisings have settled) set out in Section 3.3(d) of the Notice of Meeting and Explanatory Memorandum, the Proposed Transaction will improve CoAL's net asset position. Assuming the Conditional Placement is approved, resulting in a total equity injection of \$92.3 million (after transaction costs), the Proposed Transaction will improve CoAL's net asset position by approximately 21.5 percent to \$521.6 million from the unaudited net pro forma asset balance of \$429.3 million as at 30 June 2012, inclusive of two prior capital raisings in July and August.

Completion of the Proposed Transaction will allow the Company to pursue the development of Vele and the Development Assets and its exploration targets in a timely and orderly manner

The Company has advised that the funds raised from the Proposed Transaction will be utilised to:

- Provide an additional \$25 million required to increase the capacity and capability of the Vele Colliery plant and expedite the ramp-up of the production of semi-soft coking and thermal coal to steady state production.
- To fund the working capital requirements of the Company including:
 - Meeting the current operational cost of the Mooiplaats thermal operation (which the Company is evaluating for strategic disposal or business combination).
 - Satisfaction of a take-or pay obligation for export capacity at the Matola port terminal.
 - Completion of the revised definitive feasibility study for the Makhado Project.
 - Commencement of the feasibility studies for the Mopane, Chapudi and Makhado Extension Projects.
 - Facilitation of the restructuring and/or full or part settlement of existing liabilities or obligations.

In the absence of the Proposed Transaction, the Directors have indicated and we concur, that the level of the Company's day-to-day activity would need to be managed carefully whilst it seeks alternative sources of funding. This would likely place under pressure CoAL's ability to complete development of the Vele and Makhado projects, as well as the suite of more junior development projects, in the timeframe currently contemplated. CoAL has advised that the proceeds from the Proposed Transaction will not be used for the capital development and construction costs for the Makhado projects which will be funded separately.

We also note that the Company has been investigating funding options at both equity and individual project levels for some time and has already engaged in discussions with various potential investors. However, no other offer that is considered to be more financially attractive to the Proposed Transaction has emerged. Accordingly, should the Conditional Placement not be approved, there is a risk that CoAL may not be able to identify and secure funding on terms considered more attractive than those currently on offer under the Proposed Transaction.

With a significant equity position BHE will be incentivised to work towards the future success of CoAL

As a major shareholder in CoAL, BHE will have a significant financial and strategic incentive to ensure the Company's projects succeed. In fact, as this is BHE's first investment outside the PRC the Directors of CoAL believe, and we concur, that BHE are strongly incentivised to work with CoAL to ensure its success. Non-associated shareholders will participate pro rata in any benefits that may be generated should BHE be able to leverage its strengths and areas of expertise.

Disadvantages

Completion of the Proposed Transaction (including the Conditional Placement) will result in a reduction of the interest of existing non-associated shareholders' interests in CoAL

Approval of the Conditional Placement will result in a reduction in existing non-associated shareholders interests in the existing operations and net assets of the Company as follows:

Outcome 1: Both the Initial and Conditional Placements are completed at £0.25 per share and non-associated interests will reduce from 100.0 percent to 76.4 percent (immediately following completion).

Outcome 2: The Initial Placement only is completed and non-associated interests will reduce from 100.0 percent to 95.8 percent (immediately following completion).

Outcome 3: The Initial Placement completes at £0.35 and the Conditional Placement completes at £0.25 and non-associated interests will reduce from 100 percent to 77.4 percent of CoAL (immediately following completion).

If the Conditional Placement is approved, the interest of current non-associated shareholders in the Company's existing development and exploration assets will be significantly diluted. However, we note that non-associated shareholders will also receive a similar pro rata interest in the equity injection by BHE and also in any other indirect benefits through the development of the Company's Assets in a timely and orderly manner.

Readers should note that the approval of all Resolutions of the Notice of Meeting and Explanatory Memorandum by non-associated shareholders will facilitate, but not guarantee, Outcome 1 occurring as the outcome will still be dependent upon the conditions precedent having been satisfied.

The prospect of non-associated shareholders receiving a takeover offer in the short term may be diminished as a result of the Proposed Transaction (including the Conditional Placement)

BHE has no pre-existing equity interest in the Company. Accordingly, in the event that the Proposed Transaction is successfully implemented, any offer to acquire the Company as a whole, other than by BHE itself, would require the approval of BHE, which may act as a deterrent to any third party purchaser of the Company. We are advised by the Directors that they are not aware of any offer for CoAL as a whole at the date of this report.

Conversely, we note that should the funds received from the Proposed Transaction result in significant advancement of CoAL's projects, then this may over time generate an increased level of interest in the Company from potential larger acquirers.

4.3 Other considerations

Directors' intentions

Section 3.3(J) of the Notice of Meeting and Explanatory Memorandum, to which this report is attached, advises that based on the information available, including the information contained in the Notice of Meeting and Explanatory Memorandum itself and this IER, the Directors unanimously recommend that non-associated shareholders vote in favour of Resolution 3.

Each Director of the Company intends to vote all the shares they own or control the right to vote, in favour of Resolution 3.

The Proposed Transaction is subject to a number conditions precedent that we considered to be potential impediments to the completion of the Proposed Transaction

The conditions precedent for the Initial Placement and Conditional Placement are set out in Sections 1.3 & 1.5 of the Notice of Meeting and Explanatory Memorandum. Whilst a number of these conditions precedent are yet to be satisfied or waived and therefore represent an impediment to the successful completion of the engagement, we do not consider, based on information available at the date of this report, that they are of such a nature as to conclude that they are unlikely to be satisfied. In our opinion, these conditions are not unreasonable and should not present a lower than normal likelihood of the Proposed Transaction being completed.

Additional one off costs

CoAL has estimated that the total costs of implementing the Proposed Transaction are likely to be in the order of \$7.7 million. We note however that a portion of these costs will have been incurred, or will be committed, prior to the date that the non-associated shareholders meet to vote on the Proposed Transaction and will be payable whether or not the Proposed Transaction is successfully implemented. Transaction costs are likely to be in the order of \$1.9 million if the Initial Placement is completed and \$0.4 million if neither the Initial nor Conditional Placements are completed.

Implications of other outcomes occurring

In the event that non-associated shareholders approve the Proposed Transaction and the conditions precedent are met, CoAL will have additional cash resources of approximately \$92.3 million and the non-associated shareholders will be diluted to a holding of 76.4 percent of CoAL.

However as discussed above, there are two other possible outcomes. The implications of these outcomes for the non-associated shareholders are as follows:

Outcome 2: CoAL will have additional cash resources of approximately \$18.1 million, with the cash proceeds being raised at an issue price of £0.35 per share and a strategic relationship with BHE established, including an agreement to cooperate to consider other arrangements pursuant to which BHE is able to provide support for CoAL.

Outcome 3: CoAL will have additional cash resources of \$92.3 million and the non-associated shareholders will be diluted to a holding of 77.4 percent of CoAL.

Approval of Resolution 3 will facilitate but not guarantee completion of the Proposed Transaction

Given the conditions precedent, non-associated shareholders should note there is no guarantee that even if the non-associated shareholders approve the Proposed Transaction, Outcome 1 will occur.

5 Other matters

In forming our opinion, we have considered the interests of the non-associated shareholders of CoAL as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual non-associated shareholders. It is not practical or possible to assess the implications of the Proposed Transaction (including the Conditional Placement) on individual non-associated shareholders as their financial circumstances are not known. The decision of non-associated shareholders as to whether or not to approve the Proposed Transaction (including the Conditional Placement) is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual non-associated shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual non-associated shareholders including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting non-associated shareholders in considering the Conditional Placement. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Notice of Meeting and Explanatory Memorandum to be sent to non-associated shareholders in relation to the Proposed Transaction, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Notice of Meeting and Explanatory Memorandum.

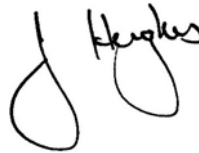
The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We noted above that the Cooperation Agreement has yet to be finalised. In the event the final terms of the Cooperation Agreement are materially different to the terms set out in the Subscription Agreement this may have a material impact on our conclusion.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully



Bill Allen
Authorised Representative



Jason Hughes
Authorised Representative

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6 Scope of the report

6.1 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of CoAL for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with CoAL's management in relation to the nature of the CoAL's operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

CoAL has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by or on behalf of the management of CoAL. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, CoAL remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We do not make any statement in this report as to whether any forecasts or projections included in this report will be achieved, or whether the assumptions and data underlying any prospective financial information are accurate, complete or reasonable. We do not warrant or guarantee the achievement of any such forecasts or projections.

Accordingly, KPMG Corporate Finance cannot provide any assurance that the estimates will be representative of the results which will actually be achieved during the forecast period. In particular, we have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any prospective financial information. Any variations from forecasts/projections may affect our valuation and opinion.

6.2 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. CoAL has requested KPMG Corporate Finance to limit the disclosure of some commercially sensitive information relating to CoAL and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational, commercial and financial information of the operating entities comprising CoAL. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by CoAL.

6.3 Reliance on Technical Expert

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist KPMG Corporate Finance in the valuation of CoAL's mineral assets CoAL has retained a Technical Specialist to prepare an independent technical report providing:

- a valuation of CoAL's Development Assets, and
- an assessment of the reasonableness of the technical assumptions underpinning the cash flow forecast prepared by CoAL for CoAL's Operating Assets.

A listing of CoAL's Development Assets and Operating Assets are contained in Section 8.1. A copy of the Technical Specialist report has been included at Appendix 6.

The Technical Specialist's report was prepared in accordance with the requirements for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (the ValMin Code), RG 111 and Regulatory Guide 112 (RG 112) – Independence of Experts.

ASIC Regulatory Guides recommend the fees payable to the technical specialists be paid in the first instance by the independent expert and claimed back from the party commissioning the independent expert. KPMG Corporate Finance's preferred basis for appointment of independent technical specialists is that the client commissions, and pays the fees directly to, the technical specialist, whilst KPMG Corporate Finance defines the scope of work for the technical specialist. We do not consider that the independence of the Technical Specialist is impaired by this arrangement.

We have satisfied ourselves as to the Technical Specialist's qualifications and independence from CoAL and BHE and have placed reliance on its report.

KPMG Corporate Finance was responsible for the determination of certain macroeconomic and other assumptions such as exchange rates, discount rates, inflation and taxation assumptions to determine the valuations for CoAL's Operating Assets.

Due to the various uncertainties inherent in the valuation process the Technical Specialist has determined a range of values within which it considers the value of each of the Development Assets of CoAL to lie. Consistent with the ValMin code, single or "preferred" values have been selected by the Technical Specialist as the most likely figure from within these ranges. The valuations ascribed by the Technical Specialist to the Development Assets of CoAL have been adopted in our report after any adjustment considered necessary to reflect market and other factors, where appropriate.

7 Industry overview

CoAL's principal mineral assets comprise thermal and metallurgical coal projects located throughout South Africa. In order to provide a context for assessing the prospects of CoAL, the Technical Specialist has set out in Sections 6 and 7 of its report an overview of recent trends in the global and South African coal market which is attached at Appendix 6 this report.

8 Company overview

CoAL is an Australian incorporated, South Africa based coal production company listed on the ASX, JSE and AIM stock exchanges. The Company engages in the acquisition, exploration, development and production of metallurgical and thermal coal through a diversified portfolio of assets at different stages of maturity throughout South Africa.

8.1 Key Projects

CoAL's projects can broadly be defined as follows:

- Development Assets.
- Operating Assets.
- Other Assets.

Table 3 below, provides a full listing of CoAL's Development and Operating Assets and their Joint Ore Reserves Committee (JORC) compliant reserves and resources as at 28 September 2012. A description of the reporting and classification of coal resources and reserves is contained in Section 8 of the Technical Specialist report. Resources and reserves quoted throughout this report are Mineable Tonnes In Situ (MTIS) unless otherwise stated.

Table 3: Summary of CoAL's Development and Operating Assets

Summary of CoAL's Development and Operating Assets						
Project Area	Ownership interest in right holder	JORC Compliant resources			Reserves	
Million Tonnes (Mt)	%	Measured Mt	Indicated Mt	Inferred Mt	Proven Mt	Probable Mt
Development Assets						
Chapudi Region						
Chapudi Area	74%	-	-	1,318.4	-	-
Chapudi West Area	74%	-	-	-	-	-
Wildebeesthoek Area	74%	-	-	-	-	-
Makhado Region						
Generaal	74%	-	-	-	-	-
Makhado	100% ¹	265.0	76.4	3.0	-	-
Mount Stuart	100%	-	-	55.5	-	-
Telema and Gray	100%	36.2	23.2	7.3	-	-

Summary of CoAL's Development and Operating Assets						
Project Area	Ownership interest in right holder	JORC Compliant resources			Reserves	
Million Tonnes (Mt)	%	Measured Mt	Indicated Mt	Inferred Mt	Proven Mt	Probable Mt
Mopane Region						
Jutland	74-100% ²	-	-	-	-	-
Voorburg	74-100% ²	94.9	100.5	23.9	-	-
Operating Assets						
Vele Colliery	100%	87.1	200.3	75.1	24.2	301.4
Mooiplaats Colliery	100% ³	43.4	1.6	0.1	30.1	-
Vuna	100% ⁴	1.4	-	-	1.4	-
Total		528.0	402.0	1,483.3	55.7	301.4
Notes:						
1. Correct at date of report, however, CoAL intends to dispose of 26 percent to a BBBEE compliant entity prior to, or as a condition of, the granting of the New Order Mining Right (NOMR) for the Makhado Project.						
2. CoAL has a 100 percent interest except in respect of the right holders acquired as part of the Chapudi acquisition (as discussed below). In these right holders CoAL has a 74 percent interest.						
3. 26 percent of shareholding is currently under dispute (See Section 8.8).						
4. Whilst the Company currently owns 49 percent of Vuna Mining, the holder of the NOMR for the Vuna Colliery, it has effective control of the Vuna Colliery through a management and coal purchase agreement.						

Source: Technical Specialist Report as at 30 September 2012 (Appendix 6)

CoAL's Other Assets consist of:

- A 50 percent interest in Tshipise Energy (Pty) Ltd, an entity with Coal Bed Methane assets in the Greater Soutpansberg Region, which covers a region of 1,658 square kilometres.
- A 100 percent interest in Holfontein, which is currently recognised as an available for sale asset.

A summary overview of CoAL's principal mineral assets is set out below.

Development Assets

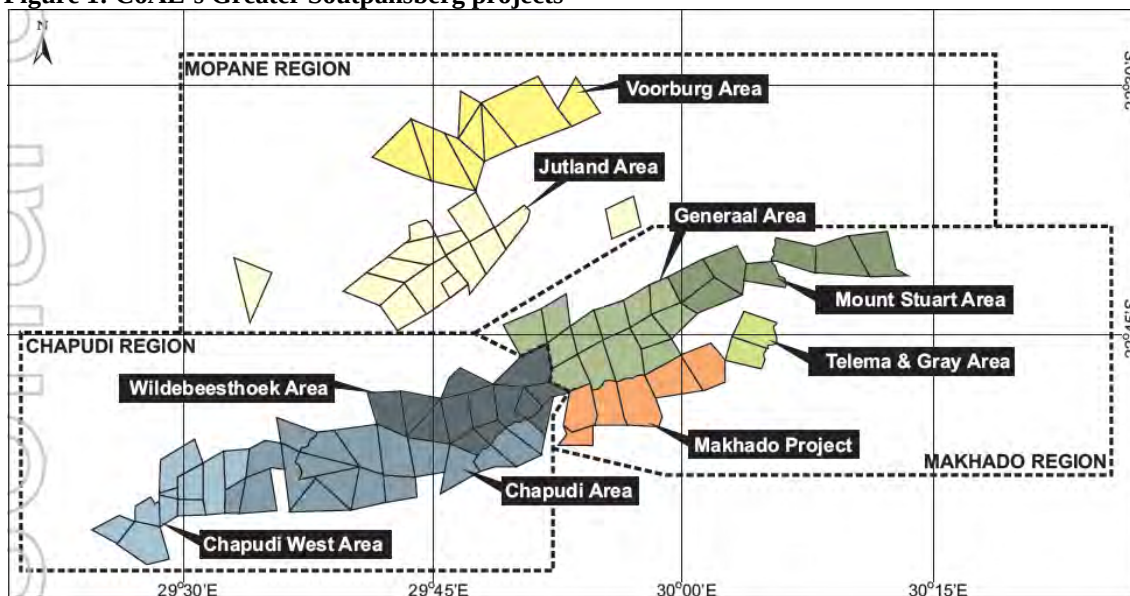
On 29 November 2010, CoAL announced that it had entered into an agreement for the acquisition of the Chapudi Coal Project and related exploration properties in the Limpopo province (Chapudi Acquisition) for \$75 million, structured as a \$2 million deposit and two separate purchase tranches of \$43 million and \$30 million respectively. The Chapudi Acquisition was subsequently to close in two tranches being an equity closing (\$59.4 million) and a claims closing (\$15.6 million). On equity closing \$29.4 million was payable with \$30 million being deferred to the granting of a NOMR or the second anniversary of the equity closing. On claims closing, the consideration was payable. This was structured under payment terms.

As at 28 September 2012, the deposit and \$29.4 million of the equity consideration had been paid by CoAL. Part of the consideration from the Proposed Transaction will go to settling the remainder of the

claims consideration, being \$13.6 million. Under the payment terms, \$5.6 million is due at the end of November 2012, with \$4 million to be paid in each of December 2012 and February 2013.

The acquisition strengthens CoAL's existing presence in the Greater Soutpansberg Region, bringing the Company's total coal projects in the region to nine, as depicted below:

Figure 1: CoAL's Greater Soutpansberg projects



Source: CoAL Resource and Reserve Update 13 June 2012

Chapudi Region Projects

The Chapudi Region is comprised of the Chapudi Area (Chapudi), the Chapudi West Area (Chapudi West) and Wildebeesthoek Area (Wildebeesthoek). The Chapudi Region represents a significant portion of CoAL's Greater Soutpansberg assets in terms of resources. CoAL has a 74 percent economic interest in the Chapudi Region projects.

Chapudi is an advanced stage exploration asset which has a JORC defined resource of 1,318.4Mt Inferred resources, on a 100 percent ownership basis.

Chapudi West and Wildebeesthoek are both located adjacent to Chapudi, and are early stage exploration assets without defined resources. No exploration has taken place at either Chapudi West or Wildebeesthoek within the last 5 years.

Makhado Region Projects

The Makhado Region's key asset is the Makhado Project (Makhado). CoAL owns a 100 percent interest in Makhado which is CoAL's most advanced development project in the Greater Soutpansberg Coalfield area, located near Louis Trichardt, Limpopo Province. It is intended that Makhado will represent CoAL's

flagship project within the Greater Soutpansberg Coalfield and subsequently CoAL's most important producing asset.

Makhado has a total JORC resource of 344.4Mt, largely across the Measured and Indicated categories.

The Makhado region also includes the following exploration assets:

- Telema and Gray – An advanced exploration area containing potential coking coal resources. Telema and Gray has a defined JORC resource of 66.8Mt (mostly Measured and Indicated).
- Mount Stuart – An advanced exploration area, with a JORC resource of 55.5Mt Inferred resources. Mount Stuart is believed to be a potential source of both coking and thermal coal.
- Generaal – An early stage exploration area, without a defined JORC resource. This was acquired as part of the Chapudi Acquisition.

Mopane region

The Mopane Region comprises the Voorburg Area (Voorburg) and Jutland Area (Jutland) exploration assets located near Musina, Limpopo province. CoAL has a 100 percent economic interest in certain right holders and 74 percent economic interest in the other right holders which make up the Mopane Region projects. This is discussed further in the Technical Specialist's report.

Voorburg is an advanced stage exploration asset with a defined JORC resource of 219.4Mt on a 100 percent ownership interest basis, largely across the Measured and Indicated categories. A small amount of historical mining occurred at Voorburg between 1911 and 1918 and subsequent drilling has been carried out. It is believed that Voorburg will be a source of semi-hard coking coal.

Jutland is an early stage exploration asset. A JORC resource has not been defined however the presence of coal is known through a preliminary feasibility study completed in the 1980s which proposed an underground mine with a 2.16Mt per annum (Mtpa) capacity over a 20 year life of mine (LOM).

Operating Assets

Vele Colliery

CoAL owns a 100 percent interest in the Vele Colliery (Vele), a NOMR covering 8,662.7 hectares (ha), located near Musina and bounded by the Zimbabwean border in Limpopo province. Mining operations began in FY12, during which 161 thousand tonnes (Kt) of Run of Mine (ROM) coal was produced. It is expected that Vele's steady state production will be up to 4 Mtpa saleable coal dependant on CoAL's adopted development and capital expenditure strategy. As at 28 September 2012, Vele had JORC resources of 362.5Mt including 24.2 Mt of Proven reserves and 301.4Mt of Probable reserves.

Product evaluation and washability tests indicate that both a semi-soft coking coal and thermal coal can be produced simultaneously at Vele. Management have advised that various additions to the Vele processing plant will be undertaken in order to simultaneously produce both products, which will enhance the operational and financial performance of the project.

Mooiplaats Colliery

CoAL owns a 100 percent interest in the Mooiplaats colliery (Mooiplaats), located adjacent to Eskom Holding Limited's Camden power station, near Ermelo in the Mpumalanga province. As at 28 September 2012, Mooiplaats had remaining JORC resources of 45.1Mt, including 30.1Mt of Proven Reserves. Five major coal seams are present within the mining area, however the Technical Specialist considers that four of these seams are uneconomical.

During FY12, Mooiplaats produced 1.2Mt of thermal coal through underground operations, up from 883kt in the year ended 30 June 2011 (FY11), following transition to an owner managed project and identifying potential improvements in the mining process targeting higher production.

Mooiplaats includes a coal processing plant, which services both Mooiplaats and third party coal. Coal processing decreased marginally to 1.4Mt in FY12 from 1.5Mt in FY11 due to a reduction in the availability of third party coal.

Overall the Mooiplaats operations were unprofitable during FY12 due to pressure on operating margins that CoAL management has attributed to weak coal prices. Subsequent to FY12 CoAL management has pointed to labour strike action as further pressure on operating margins. CoAL management is considering options including partnerships and joint ventures with interested parties in order to unlock further value in the colliery or processing plant assets.

Woestalleen Complex

The Woestalleen Complex is made up of the Vuna Colliery and three beneficiation plants (Woestalleen Wash Plant), located near Middleburg in the Mpumalanga coalfields, as well as the Hartogshoop and Klipbank projects which the Technical Specialist considers are effectively mined out and no longer contain material coal assets.

CoAL, through its 100 percent owned subsidiary NuCoal Mining Proprietary Limited (NuCoAL), currently owns 49 percent of Vuna Mining, the holder of the NOMR for the Vuna Colliery. The Company has effective control of the Vuna Colliery through a management and coal purchase agreement between NuCoal and Vuna Mining. CoAL acts as mine operator and technical partner to the colliery. As at 28 September 2012, Vuna had remaining Proven reserves of 1.4Mt which are expected to be depleted by April 2013. Total ROM coal from the Vuna Colliery for FY12 was 3.5Mt. All coal produced is transported by truck to the Woestalleen Wash Plant.

The Woestalleen Wash Plant has been operational for over 30 years and has the capacity to treat 350Kt per month, with a total of 3.32Mt processed during FY12. The Woestalleen Wash Plant often treats third party coal in order to meet this target in instances where Vuna Colliery production levels result in excess capacity. Given the Vuna Colliery's approaching depletion, CoAL is evaluating strategies such as expanding the processing of third party to extend the Woestalleen Wash Plant's life. We note CoAL management have advised washing will continue after Vuna is depleted with the reprocessing of discard dumps.

CoAL's Mineral assets are discussed in further detail in the Technical Specialist report, which is included at Appendix 6 to the report.

8.2 Historical Financial Performance

CoAL's audited historical financial performance for FY11 and FY12 are summarised in the table below.

Table 4: Summary of CoAL's historical financial performance

	Audited year ended 30 June 11 USD'000	Audited year ended 30 June 12 USD'000
Revenue	261,425	243,842
Cost of sales	(223,483)	(210,429)
Gross profit	37,942	33,413
Employee benefits expense	(21,362)	(35,690)
Take or pay port obligation	-	(1,570)
Operating lease expenses	(1,874)	(1,449)
Goodwill written off	-	(1,191)
Impairment reversals/(losses)	(97,400)	324
Other gains/(losses)	(498)	412
Foreign exchange losses	(29,923)	(48,871)
Other income	-	7,984
Other expenses	(26,134)	(32,067)
EBITDA¹	(139,249)	(78,705)
Depreciation and amortisation	(79,521)	(70,000)
EBIT²	(218,770)	(148,705)
Finance income	2,486	1,128
Finance costs	(1,822)	(2,974)
Loss before income tax	(218,106)	(150,551)
Income tax credit / (charge)	(897)	11,643
Net loss for the year	(219,003)	(138,908)
Other comprehensive income		
Exchange differences on translating foreign operations	119,470	(21,051)
Total comprehensive loss for the year	(99,533)	(159,959)
Weighted average ordinary shares on issue - 000s	530,681	614,596
Loss per share – cents ³	(41.0)	(23.0)
Notes:		
1. EBITDA is earnings before interest, tax, depreciation and amortisation		
2. EBIT is earnings before interest and tax		
3. Basic earnings per share is calculated by dividing net earnings for the year attributable to members of the parent entity by the weighted average number of ordinary shares outstanding during the year		
4. Figures may not add exactly due to rounding		

Source: CoAL 30 June 2012 Annual Report

We make the following observations in relation to CoAL's financial performance for FY12:

- Overall revenue decreased by 6.7 percent in FY12. This is attributable to a decrease in other revenue items as coal sales income grew by 5.8 percent to \$242.5 million, on a variation of the sales mix of thermal coal sold (overall thermal coal sales volumes decreased 2 percent). CoAL management advised FY12 revenue was affected by a 27 percent decline in export coal spot prices. With the

disposal of the non-core NiMag Group alloy producer during the year, \$nil (FY2011: \$31.2 million) was reported as Other Revenue in the FY12 year.

- Employee benefits expense increased by \$14.3 million, largely due to the transition of Mooiplaats to an owner operated asset resulting in a portion of the labour cost previously incorporated as part of the contracting rates per ROM tonne reflected as a direct charge from 1 July 2011.
- Impairment reversals relate to the reversal of FY11's impairment of Mooiplaats property, plant and equipment as the result of a reassessment of the prior year charge. This was offset by the impairment of Holfontein Investments Proprietary Limited, owner of a small development project, which was written down to a carrying value of \$1 due to a delay by the purchasers in arranging project funding. The reinstatement of the sale agreement is being renegotiated.
- FY12 foreign exchange losses are comprised of \$47.0 million in unrealised losses and \$1.9 million of realised losses. The unrealised foreign exchange losses are as a result of the South African rand weakening against the United States dollar and the year on year balance sheet revaluation of the shareholder loan accounts.
- Other income for FY12 includes proceeds from the disposal of the NiMag Group for approximately \$6.5 million.

We note in the FY12 Financial Statements, the Auditors added an emphasis of matter indicating that a material uncertainty exists in relation CoAL continuing as a going concern due to factors including FY12's operating loss and net cash outflows from operating and investing activities.

8.3 Historical Financial Position

CoAL's historical financial position as at each of 30 June 2011 and 30 June 2012 are summarised in the table below:

Table 5: Summary of CoAL's historical financial position

	Audited year ended 30 June 11 USD'000	Audited year ended 30 June 12 USD'000
Cash and cash equivalents	22,761	19,523
Inventories	23,122	22,058
Trade and other receivables	44,734	25,968
Total current assets	90,617	67,549
Development, exploration and evaluation expenditure	195,848	283,486
Property, plant and equipment	218,258	141,641
Intangible assets	20,800	18,757
Other receivables	12,800	13,811
Other financial assets	13,594	13,173
Restricted cash	13,323	11,976
Deferred tax assets	4,171	3,444
Total non-current assets	478,794	486,288
Assets classified as held for sale	22,268	-
Total assets	591,679	553,837

	Audited year ended 30 June 11 USD'000	Audited year ended 30 June 12 USD'000
Trade and other payables	73,590	72,441
Borrowings	38,631	49,063
Provisions	2,481	1,475
Current tax liabilities	3,474	155
Total current liabilities	118,176	123,134
Contingent consideration	-	30,000
Borrowings	1,720	66
Provisions	18,714	16,916
Deferred tax liabilities	19,435	6,454
Total non-current liabilities	39,869	53,436
Liabilities classified as held for sale	2,843	-
Total liabilities	160,888	176,570
Net assets	430,791	377,267
Notes:		
1. Numbers may not add exactly due to rounding		

Source: CoAL 30 June 2012 Annual Report

We make the following observations in relation to CoAL's financial position as at 30 June 2012:

- Cash and cash equivalents decreased from \$22.8 million as at 30 June 2011 to \$19.5 million as at 30 June 2012. For further details, please refer to Section 8.4.
- Restricted cash comprises cash balances held on behalf of subsidiary companies in respect of rehabilitation guarantees issued to the South African Department of Mineral Resources (DMR).
- Development, exploration and evaluation expenditure increased by \$87.6 million as at 30 June 2012, largely attributable to a \$75.6 million increase in exploration and evaluation assets through business combinations (largely the Chapudi Acquisition).
- The carrying balance of property, plant and equipment decreased by \$76.6 million as at 30 June 2012. \$10.7 million in additions and \$15.6 million in post exchange difference impairment reversals were offset by \$52.4 million in exchange losses and \$50.6 million in amortisation and depreciation.
- Other receivables relate principally to the carrying amount (\$11.2 million) of a terminal development loan made to the port operator of the Matola Terminal, Grindrod Trading and Shipping Limited, in order to increase throughput capacity, of which CoAL received approximately an additional allocation of 2Mtpa (Matola Terminal Agreements). The remainder is made up of the delayed receipt of a portion the consideration from the divestment of the NiMag Group (\$2.6 million).
- Intangible assets (\$18.8 million) amount is the adjusted value of a \$20 million payment made as part of the Matola Terminal Agreements. The adjustment is due to the change in reporting currency from AUD to USD. This agreement commenced in January 2009 for a period of 5 years, under which CoAL secured 1Mtpa of port capacity. As at 25 February 2011 the terms were re-negotiated to increase CoAL's available capacity to 3Mtpa until 1 January 2016 after which CoAL has the right to

renew its agreement with the port operators at the end of the initial term for 2 successive periods of 5 years and a period of 2 years ending 31 December 2028. CoAL was also granted an option to participate in any future expansion of the terminal.

- Assets held for sale reduced to nil as at 30 June 2012 with the disposal of the NiMag Group and impairment of Holfontein Investments Proprietary Limited (as discussed in Section 8.2).
- Provisions relate principally to employee related and rehabilitation expenses.
- A total of \$106.2 million was added to CoAL's balance sheet through capital raisings during FY12.

8.4 Statement of cash flows

CoAL's audited historical cash flows for FY11 and FY12 are summarised in the table below.

Table 6: Summary of CoAL's historical cash flows

	Audited year ended 30 June 11 USD'000	Audited year ended 30 June 12 USD'000
Receipts from customers	302,885	247,312
Payments to suppliers and employees	(305,412)	(264,024)
Cash generated from operations	(2,527)	(16,712)
Net interest received / (paid)	664	(565)
Incomes taxes paid	(374)	(3,139)
Net cash used in operating activities	(2,237)	(20,416)
Net Payments for property, plant and equipment	(33,296)	(10,129)
Increase in exploration and development assets	(40,670)	(40,778)
Acquisitions through business combinations	-	(33,169)
Cash acquired on business acquisition	-	227
(Increase)/ decrease in other financial assets	5,058	(2,308)
Sale of NiMag Pty Ltd	-	3,935
Decrease in other receivables	1,600	1,600
Increase in restricted cash	(1,188)	(1,040)
Cash classified as held for sales	(1,528)	-
Net cash used in investing activities	(70,024)	(81,662)
Repayment of working capital facility	(20,000)	-
Increase in export trade finance facility	32,500	-
Finance lease repayments	(4,545)	(2,973)
(Decrease)/increase in loans payable	2,644	(670)
Proceeds from the issue of shares (net of issuing costs)	309	106,234
Net cash generated by financing activities	10,908	102,591
Net (decrease)/increase in cash and cash equivalents	(61,353)	513
Net foreign exchange differences	12,060	(3,751)
Cash and cash equivalents at beginning of the year	72,054	22,761
Cash and cash equivalents at the end of the year	22,761	19,523
Notes:		
1. Numbers may not add exactly due to rounding		

Source: CoAL 30 June 2012 Annual Report

We make the following observations in respect of CoAL's historical cash flows:

- During FY12, CoAL experienced negative operating cash flows of \$20.4 million primarily due to the reduction of coal prices and the regulatory restrictions placed on CoAL at Vele.
- CoAL recorded negative investment cash flows of \$81.7 million during FY12 primarily due to the increase in exploration expenditure on existing projects, and the acquisition of the Chapudi portfolio from Rio Tinto and Kwezi Mining Pty Ltd.
- Positive net financing cash flows of \$102.6 million through equity raisings.

8.5 Taxation

CoAL's available tax losses as at 28 September 2012 are summarised in the table below:

Table 7: CoAL's available tax losses

Unredeemed capex			
USD'000	Jun-11	Jun-12	Sep-12
Baobab (Makhado Project)	32,383	51,135	53,323
Limpopo (Vele Colliery)	101,489	139,292	144,287
Langcarel (Mooiplaats Colliery)	173,826	168,941	177,486
Assessed loss			
USD'000	Jun-11	Jun-12	Sep-12
NuCoal (Woestalleen Colliery)	-	4,029.2	2,424.2

Source: CoAL management

8.6 Dividends and franking credits

CoAL has not paid dividends in the past and currently has no franking credits available to it.

8.7 Commitments

Purchase agreements

CoAL is currently contracted into a "take or pay" agreement for throughput capacity at the Matola Terminal in Maputo, Mozambique. The port has a design capacity of 6.0Mtpa and under this agreement, CoAL has access to 3.0Mtpa of throughput capacity against which it is required to deliver or pay for 75 percent (2.25Mtpa) of this volume based on the port operating at full capacity or such pro-rata amount as relevant. As at 30 June 2012, based on take or pay obligation calculated on 2.25Mtpa with no coal delivered through the terminal, CoAL's maximum obligation for financial year ending 30 June 2013 (FY13) is \$21.6 million (i.e. assuming no throughput).

Export trade facility agreement

CoAL, through its wholly owned subsidiary Langcarel Proprietary Limited (Langcarel), utilises a 30 month revolving thermal coal pre-export trade finance facility for up to \$50.0 million through Deutsche Bank (Amsterdam) that expires in October 2013. CoAL and its subsidiaries, NuCoal and Woestalleen Colliery Proprietary Limited, act as guarantors of Langcarel's obligations under the facility agreement. As at 30 June 2012, the facility was drawn to \$32.5 million and 30 September 2012 to \$37.5 million, with further draws prohibited based on the breach of the equity covenant at the latest measurement date. The total facility amount of \$50.0 million reduces by 1/12th per month commencing on 23 October 2013, with the repayment of capital commencing January 2013.

NOMR Commitments

Subsidiaries of CoAL have financial commitments in terms of NOMRs granted by DMR. The commitments are based on the revenue generated by collieries during the financial year and /or quantities of coal sold by the colliery during the financial year.

8.8 Litigation

CoAL is currently involved in a number of litigation matters, which represent contingent liabilities. These are outlined below:

- Ferret Mining and Environmental Services Proprietary Limited (Ferret) has made a claim that RH Boer, former managing director of Ferret, unlawfully disposed of a 26 percent shareholding in Mooiplaats Mining Limited (which owns 100 percent of the shares in Langcarel, the holder of the NOMR for the Mooiplaats Colliery) to JA Nel. Ferret is claiming restitution to it of 26 percent of the issued share capital in Mooiplaats Mining Limited. CoAL may be entitled to a counter-claim depending on the outcome of this litigation of \$13.5 million, being the purchase price paid for the 26 percent of shares in Mooiplaats Mining Limited. CoAL has approached Ferret with regard to the resolution of the claim and CoAL is of the view that the probabilities of Ferret continuing to pursue the claim are low.
- Motjoli Resources Proprietary Limited and Motjoli Resources Advisory Services CC have made a claim they did not receive full payment for consulting work provided to CoAL and JA Nel in relation the Mooiplaats Mining Limited acquisition. The claim is that 4.75 million paid up ordinary shares in CoAL are still to be paid, or in lieu of these an amount of \$11.5 million with interest. This matter has been referred to arbitration and CoAL is of the view that the probabilities of the success of the claim against it are low as CoAL has performed its contracted obligations by issuing the shares.
- Envicoal Proprietary Limited has launched arbitration proceedings against NuCoal, claiming damages of up to \$13 million in relation to a failure to deliver coal as prescribed in the terms of agreements concluded between the companies. The claim is being defended and NuCoal is of the view that probabilities of success of the claim by Envicoal in the arbitration scheduled for early 2013, are low.

In addition to the above litigation matters, CoAL management has advised of various legal matters and commercial matters not disclosed in CoAL's financial statements. These are outlined below:

- Anker Mining and Langcarel are currently in a dispute over a double granting on a prospect right adjacent to Mooiplaats. Settlement discussions have been initiated by CoAL.
- CoAL needs to obtain access under the prospecting rights to the Akkerland properties (Lukin and Salaita) as soon as possible for purposes of finalising non critical prospecting for the Makhado Project. A court action has been commenced to obtain access under prospecting rights. Notwithstanding this, negotiations with Akkerland are continuing and CoAL has engaged Akkerland with a view to acquisition of the properties. Should these negotiations be unsuccessful CoAL will rely on its rights in terms of the NOMR to access the properties for mining purposes.

8.9 Share capital and ownership

As at 30 September 2012, CoAL had approximately 801.0 million ordinary shares on issue. The Company's top ten shareholders as at 30 September 2012 are summarised in the table below.

Table 8: Summary of CoAL's top ten shareholders

Shareholder	Number of shares held	% of issued capital
M & G Investment Management Ltd.	160,128,850	19.99%
ArcelorMittal S.A.	126,133,423	15.75%
Africa Management Limited	111,100,959	13.87%
Capital Research Global Investors	55,734,459	6.96%
Investec Limited	30,939,744	3.86%
Vitol Energy (Bermuda), Ltd.	24,417,594	3.05%
Pictet & Cie - Custodian	19,013,517	2.37%
Public Investment Corporation Limited	9,924,550	1.24%
GCM Resources PLC	9,343,190	1.17%
Skagen AS	9,214,414	1.15%
Total number of share held by the top 10 shareholders	525,010,956	69.41%
Other shareholders	275,940,078	30.59%
Total number of shares on issue	800,951,034	100%

Source: CoAL Share Register Analysis 30 September 2012

Substantial shareholder notices have been received by CoAL as set out below:

Table 9: Summary of substantial shareholder notices

Shareholder	Date of notice	Number of shares held	% of issued capital ¹
M&G Investment Funds ²	14 September 2012	160,128,850	19.99%
The Capital Group Companies, Inc	15 November 2010	33,325,000	6.28%
African Global Capital Holdings, Ltd.	28 July 2010	74,453,512	14.03%
ArcelorMittal South Africa	7 April 2009	126,133,423	15.70%

Notes:

1. Current shareholdings may differ from percentage holdings disclosed in substantial shareholder notices as a result of share issues subsequent to the date of the relevant notice.
2. "M&G Investment Funds" is comprised of M&G Investment Funds, M&G Investment Management Limited, M&G Limited, M&G Group Limited, M&G Securities Limited and Prudential plc.

8.10 Unlisted share options over unissued shares

CoAL currently has unlisted options over 62.4 million shares on issue, which have various expiry dates as summarised in the table below. No amounts are paid or payable by the recipient on receipt of the options. The options hold no voting or dividend rights and are not transferrable. Upon exercise of the options, the ordinary shares received rank equally with existing ordinary shares. We note that in addition to the options set out below, 3.5 million director options were granted under Resolutions 6 and 7 of the CoAL Annual General Meeting held 29 November 2012. These options were issued with an exercise price of £0.25 and expiration date of 30 November 2015.

Table 10: Summary of unlisted share options

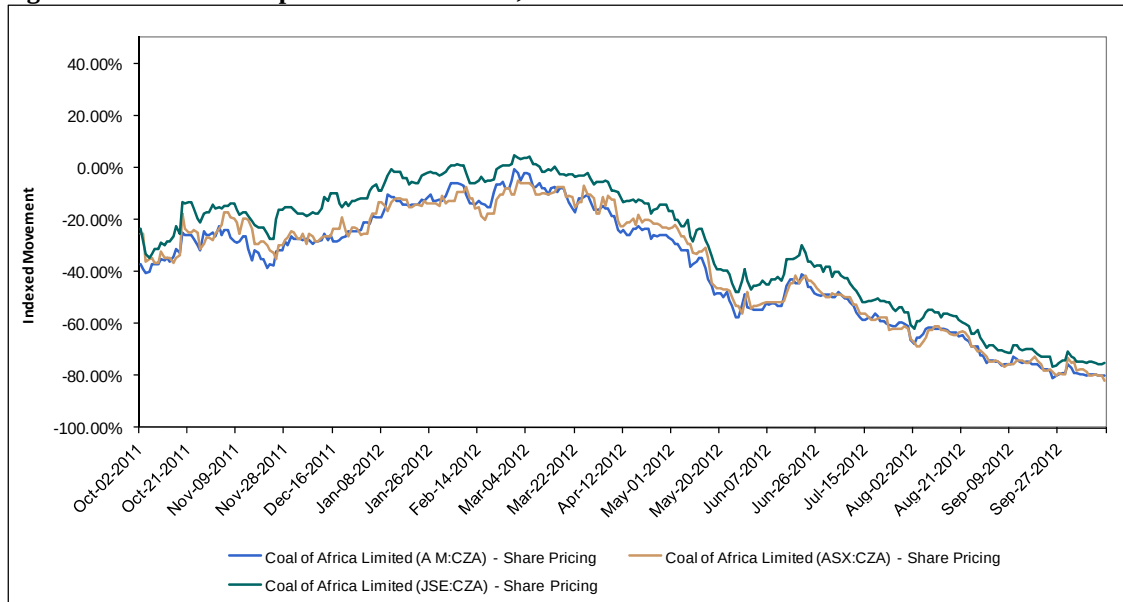
Number	Expiration date	Exercise price
Director options		
5,000,000	30 November 2014	A\$2.74
2,500,000	9 November 2015	A\$1.20
BBBEE¹ Options		
50,000,000 ²	1 November 2014	£0.60
Employee Options		
818,500	30 June 2014	A\$1.90
1,441,061	30 September 2015	A\$1.40
2,670,000	14 February 2017	ZAR7.60
Notes:		
1. Broad Based Black Economic Empowerment		
2. Held through two options to subscribe for a total of 50 million ordinary shares for 60 pence each between 1 November 2010 and 1 November 2014 as approved by shareholders on 22 April 2010.		

Source: CoAL 30 June 2012 Annual Report, CoAL management

8.11 Share price and volume trading history

CoAL is a triple listed entity, trading on the ASX, JSE and AIM. Given CoAL's shares have, albeit thinly traded, the largest level of liquidity on AIM, we have had particular regard to the trading performance of the Company's shares on this bourse. We have analysed the respective daily closing share prices of CoAL on each exchange and do not believe that any material mispricing exists across exchanges. CoAL's daily closing share price on each exchange over the 12 months to the date of announcement of the Proposed Transaction, are set out in the chart below.

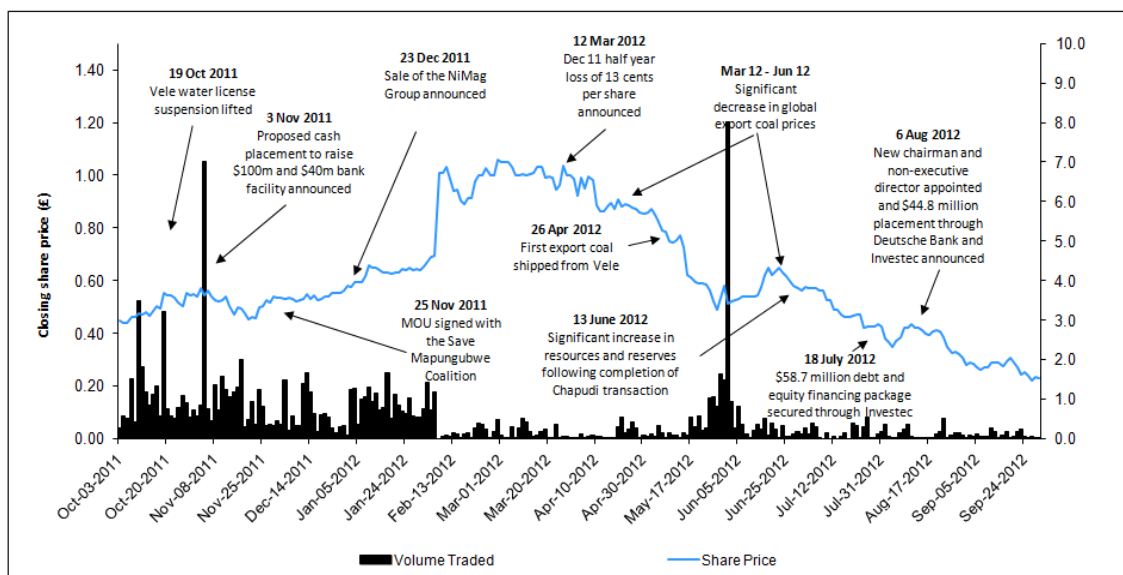
Figure 2: CoAL's share price across the ASX, JSE and AIM



Source: Capital IQ

CoAL's daily closing share price on AIM over the 12 months to the date of announcement of the Proposed Transaction, along with the daily volume of shares traded on AIM over that period are set out in the chart below.

Figure 3: CoAL's daily closing price and volume of shares traded on AIM



Source: Capital IQ, KPMG Corporate Finance analysis and ASX announcements

As illustrated in the chart above, CoAL's closing share price has generally trended down over the period since April 2012.

Other than normal quarterly and half yearly reporting, other announcements by CoAL in the 12 months to 28 September 2012 that may have had an impact on its recent share price include:

- 3 November 2011: Proposed cash placement to raise \$100 million and \$40 million bank facility announced.
- 13 June 2012: Significant increase in resources and reserves following the completion of the Chapudi Acquisition.
- 18 July and 6 August 2012: Significant financing packages secured.
- 6 August 2012: New chairman and non-executive director appointed to the CoAL board of directors.

Further details in relation to all announcements made by CoAL to ASX can be obtained from either CoAL's website or ASX's website (www.asx.com.au).

We note that downward pressure existed on coal prices and subsequently the share price of coal companies through the analysed period, however as illustrated in the figure below, CoAL's share price underperformed against both the Basic Resource Index and the AIM All-Share Index over the 12 month period prior to 28 September 2012.

Figure 4: CoAL's relative performance



Source: Capital IQ

8.12 Trading liquidity

An analysis of the volume of trading in CoAL's shares on each of the ASX, JSE and AIM in the 12 month period to the last trading day prior to the announcement (28 September 2012) of the Proposed Transaction on 1 October 2012 is set out below. For comparability, all share prices have been presented in GBP. Each daily share price was converted at the relevant spot exchange rate for the day, sourced from Capital IQ. The Volume Weighted Average Price (VWAP) is calculated as the average price for the period, weighted by the volume of trades at that price.

Table 11: CoAL's trading liquidity analysis one year prior to 28 September 2012

Period up to and including 28-Sep-12	Share price (low) £	Share price (high) £	VWAP £	Cumulative volume million	As a % of total issued capital
ASX					
1 day	0.15	0.15	0.15	0.02	0.0%
1 week	0.14	0.16	0.15	0.19	0.0%
1 month	0.14	0.25	0.18	2.88	0.4%
3 months	0.14	0.38	0.27	7.96	1.0%
6 months	0.14	0.64	0.35	32.96	4.1%
12 months	0.14	0.72	0.44	51.65	6.4%
JSE					
1 day	0.16	0.16	0.15	2.17	0.3%
1 week	0.14	0.16	0.15	12.17	1.5%
1 month	0.14	0.24	0.16	22.88	2.9%
3 months	0.14	0.40	0.24	56.18	7.0%
6 months	0.14	0.64	0.32	94.39	11.8%
12 months	0.14	0.72	0.43	166.39	20.8%
AIM					
1 day	0.15	0.15	0.15	11.46	1.4%
1 week	0.14	0.16	0.15	42.64	5.3%
1 month	0.14	0.24	0.17	90.76	11.3%
3 months	0.14	0.38	0.19	113.18	14.1%
6 months	0.14	0.63	0.28	174.51	21.8%
12 months	0.14	0.73	0.40	292.09	36.5%

Source: Capital IQ and KPMG Corporate Finance analysis

CoAL's shares on the ASX, JSE and AIM have, prima facie, exhibited low liquidity in recent times, with only approximately 63.7 percent of total shares on issue traded across all three exchanges over the 12 months prior to the announcement of the Proposed Transaction. The highest liquidity is exhibited on AIM with average daily traded volumes over 12 months to 28 September 2012 of approximately 0.2 million, 0.7 million, 1.1 million shares for each of the ASX, JSE and AIM respectively.

Table 12: CoAL's trading liquidity analysis post 28 September 2012

Period from 28 September 2012 to 7 December 2012	Share price (low) £	Share price (high) £	VWAP £	Cumulative volume million	As a % of total issued capital
ASX	0.11	0.19	0.14	4.37	0.5%
JSE	0.12	0.18	0.14	25.92	3.2%
AIM	0.12	0.18	0.15	84.69	10.6%

Source: Capital IQ and KPMG Corporate Finance analysis

9 Profile of HEI and BHE

In the event that the Proposed Transaction is approved, BHE will become CoAL's largest shareholder, increasing its current ownership interest from 0 percent to approximately 23.6 percent (assuming the Initial Placement shares are subscribed for at £0.25 per share) immediately following completion of both tranches of the Proposed Transaction. CoAL has undertaken to use reasonable endeavours to facilitate the appointment of two BHE nominees to the Board of CoAL.

9.1 Corporate background

HEI is a wholly owned subsidiary of BHE, incorporated in Hong Kong in 2011. As at 28 September 2012, HEI had not carried out any business activities.

BHE is a state-owned, listed coal producer based in Beijing and is a constituent of the SSE180 index and the SSE composite index. The company was founded in 2002 by a consortium of 5 entities, which remain significant shareholders in BHE, as described below:

Table 13: Major shareholders of BHE as at 30 September 2012

Shareholder	Description	Ownership interest
Beijing JinMei Group Co., Ltd (Co-Founder)	A large state-owned entity.	62.30%
Minmetals Development Co., Ltd (MinMetals)(Co-Founder)	A large diversified mining company, also listed on the SSE and partially state-owned.	1.93%
Shougang Corporation (Shougan)(Co-Founder),	A large state-owned steel manufacturing company.	1.86%
China Coal Energy Company Limited (China Coal) (Co- Founder	A large coal mining company, listed in Hong Kong and partially state-owned.	1.86%
China Coal Research Institute (CCRI)	A wholly state-owned entity servicing the coal industry	0.19%
N/a	Investment funds and banking institutions	3.92%
N/a	Other members of the public	27.94%
Total		100.00%

BHE is engaged in mining, washing, export and sales of coal products. BHE exports 2 million tonnes of anthracite products annually and is the largest exporter of anthracite coal from China. BHE's products are principally used in metallurgy, electric power, chemical engineering, construction materials and other industrial sectors.

BHE holds interests in coal mines, both in development and operating. Of the three mines BHE holds interests in within Inner Mongolia, the Hongqingliang mine and Bayannao mine are under construction and the Gaojialiang mine is in operation. The annual production for the Gaojialiang Coal Mine is 6Mt. The Munchengjian, Daanshan and Changgouyu mines in West Beijing produce anthracite at a rate of 5.2Mtpa. BHE's total production is expected to exceed 20Mtpa in the future.

BHE is also engaged in technology development, consultation, transfer, introduction and training.

9.2 Review of operations

Summary of recent financial performance

For the 6 months ended 30 June 2012, BHE recorded consolidated revenue from operations of 3,687.1 million Chinese Renminbi (CNY) (\$580.1 million⁷) and CNY6,950.7 million (\$1,102.6 million⁸) for the year ended 31 December 2011.

Consolidated profit after tax attributable to members totalled CNY674.1 million (\$106.0 million) for the 6 months ended 30 June 2012 and CNY1,301.5 million (\$206.9 million) for full year 31 December 2011.

Summary of financial position

A summary of BHE's consolidated financial positions as at 31 December 2011 is set out below. In addition, BHE has advised that as of 30 June 2012 BHE had total assets of CNY10,902.0 million (\$1,715.1 million) in total assets and total shareholders' equity of CNY6,797.0 million (\$1,069.3 million).

Table 14: Summary of BHE's historical financial position

	Year ended 31 December 2011 CNY Millions
Cash and cash equivalents	2,324
Accounts receivable	272
Other receivables	21
Notes receivable	589
Inventory	473
Other current assets	271
Current assets	3,949
Net property, plant & equipment	3,020
Long-term investments	1,146
Other intangibles	2,599

⁷ Using a 30 June 2012 spot USD:CNY rate of 6.3565 (Capital IQ)

⁸ Using a 31 December 2011 spot USD:CNY rate of 6.3041 (Capital IQ)

	Year ended 31 December 2011 CNY Millions
Deferred tax assets	46
Non-current assets	6,811
Total Assets	10,760
Accounts payable	652
Accrued expenses	124
Short-term borrowings	840
Current portion of long-term debt	12
Current income taxes payable	59
Other current liabilities	1,311
Current liabilities	2,998
Long-term debt	20
Unearned revenue	13
Total Liabilities	3,031
Net Assets	7,730
Minority shareholders' interest	1,347
Total shareholders' equity	6,382

Source: Capital IQ, BHE Audited Financial Statement as at 31 December 2011

10 Impact of the Proposed Transaction

10.1 Pro forma financial position of CoAL following completion of the Proposed Transaction

Management has advised CoAL's unaudited cash balance at 30 September 2012 totals \$30.3 million. However, the pro forma balance sheet reflects the 30 June cash balance of \$19.5 million adjusted for capital raisings post 30 June 2012 of \$52.0 million, with \$23.5 million being allocated against trade and other payables and borrowings, to provide pro forma cash of \$48.0 million prior to the proceeds from the Proposed Transaction. We note this balance differs from the 30 September unaudited balance of \$30.3 million due to payments and receipts for operating activities and net borrowings post 30 June 2012.

We make the following observations in relation to CoAL's pro forma financial position at 30 June 2012 based on information contained in the Notice of Meeting and Explanatory Memorandum:

- Cash and cash equivalents total \$130.8 million, in comparison to total current liabilities of \$90.0 million.
- CoAL currently has approximately 801.0 million ordinary fully paid shares on issue (including those shares issued as part of the July and August capital raisings), which will increase to approximately 1,048.4 million ordinary fully paid shares immediately following completion of the Proposed Transaction (assuming no exercise of CoAL options or share rights that are subject to performance conditions currently on issue).
- CoAL's pro forma net asset backing per share decreases from 53.6 cents to 49.8 cents immediately following completion of the Proposed Transaction (exclusive of CoAL's trading results and other

financing /investing activities to 30 September 2012), principally as a result of the issue price of £0.25 or approximately \$0.40⁹ per new CoAL share to be issued being lower than the current net asset backing per share.

10.2 Capital structure

CoAL currently has approximately 801.0 million fully paid ordinary shares. In the event that the Proposed Transaction is successfully completed, and assuming no further exercise of CoAL options in the period prior to the issue of Conditional Placement shares, and that the Initial Placement shares are subscribed for at £0.25 per share, non-associated shareholders will be diluted to approximately 76.4 percent of the issued capital in the expanded CoAL immediately following completion of the Proposed Transaction as shown in the table below.

Table 15: Pro forma capital structure

	BHE Millions	Non-associated shareholders Millions
Current shares on issue to BHE and non-associated shareholders	-	801.0
Shares to be issued under the Proposed Transaction ¹	247.4	-
Undiluted shares¹	247.4	801.0
Undiluted voting interest¹	23.6%	76.4%
Notes:		
1. Assuming the Initial Placement share subscribed for at £0.25 per share.		

Source: KPMG Corporate Finance analysis

10.3 BHE's intentions

BHE is looking to expand its investment in global coal mining and resources and to facilitate the formulation of a long term and mutually beneficial strategic partnership with an organisation familiar with the local rules, regulation and conditions that can manage development of coal assets through to production.

BHE has indicated that it has identified potential in CoAL and its management and accordingly, wishes to contribute significant capital to develop CoAL's assets in return for a material CoAL equity stake. Further, BHE is seeking a share of marketing rights for CoAL's product to introduce CoAL to its key Asian customers for the benefit of CoAL.

CoAL management has advised the Proposed Transaction represents BHE's first external investment and its intention going forward is to maintain a large minority shareholding in order to become comfortable with CoAL's assets and to facilitate the sharing of technical expertise and strategy. BHE may seek to invest further in the future but no formal discussions of this nature have taken place.

⁹ £0.25 per share translates to 40.3 US Cents 28 September 2012 spot exchange rate of 1.6123 sourced from Capital IQ.

For a further description of BHE's intentions post the Proposed Transaction, please refer to Section 3.3 of the Notice of Meeting and Explanatory Memorandum.

10.4 CoAL's board of directors

On completion of the Proposed Transaction, CoAL's board of directors will be reconstituted to include two directors nominated by BHE (BHE Nominees), as set out in Section 3.3(e) of the Notice of Meeting and Explanatory Memorandum, subject to CoAL's nomination committee being satisfied with the BHE Nominees' relevant coal experience and experience in the operations of BHE and BHE exercising its right to nominate directors.

CoAL has been advised that BHE has not identified, and is not in a position to provide details of, the BHE Nominees as at the date of this report. BHE does not expect to confirm who the nominees will be until much closer to the date of the allotment and issue of shares under the Conditional Placement.

Nine members make up the CoAL Board prior to the Proposed Transaction. As a result of the appointment of the BHE Nominees as additional directors following the Proposed Transaction, BHE will have two of the eleven director positions, which correlates with their expected shareholding.

10.5 Synergies and costs savings

While it is unlikely that any direct cost savings will be realised by CoAL as a result of the Proposed Transaction, BHE has indicated it may be willing to share its technological, marketing and financial strengths with CoAL. This intention for CoAL and BHE to actively co-operate going forward, as evidenced by the current Cooperation Agreement negotiations, may result in an acceleration of CoAL's exploration initiative as well as increased effectiveness in the mining of CoAL's operating projects, through improved technology provided by BHE. It is also intended to result in CoAL being able to leverage BHE's marketing network, providing an increased client base for CoAL's thermal products. Finally, BHE may be able to assist in securing the further funding required for the development of CoAL's projects on terms that may have not been available to CoAL as a stand-alone entity in its current form. CoAL management has advised it is difficult to quantify these benefits.

CoAL incurs corporate overheads in relation to managing its business and maintaining its operating assets. These costs have not been incorporated into the valuation of CoAL's mineral assets, and therefore it is necessary to deduct the present value of anticipated future management and administrative costs in relation to CoAL's operating assets from the value of the Company.

Consistent with ASIC requirements we have valued the equity of CoAL on a controlling basis. In our view potential cost savings exist to third party purchasers of CoAL on a controlling basis by the way of use of the purchasers existing corporate structures to minimise overheads. These savings will include the elimination of listing costs and of non Executive Director fees. We have also assumed a 10 percent saving in the remaining forecast corporate costs, due to savings in costs such as staff costs, audit fees, insurance fees and premises costs. These cost savings have been adjusted for when performing the present value calculation of corporate costs of CoAL to be deducted from the value of its mineral assets.

11 Valuation of CoAL

The principal assets of CoAL comprise its interests in the Operating Assets, Development Assets, and the Other Assets. Such assets have limited lives and future profitability and asset life depend upon factors that are inherently unpredictable.

In our experience, the most appropriate method for determining the value of companies similar to CoAL is on the basis of the fair market value of the underlying net assets, with the principal operating assets being valued using the Discounted Cash Flow (DCF) approach.

The DCF methodology has a strong theoretical basis, valuing a project on the net present value (NPV) of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital. This technique is particularly appropriate for start up companies and companies with a limited asset life, which is often the case with companies dependent upon depleting mineral resources. Application of this technique generally requires a 5-year minimum period of analysis. In addition, a sensitivity analysis for variations in key assumptions adopted needs to be performed.

We have used the audited net assets of CoAL as at 30 June 2012 as set out in Section 8.3 of this report as the basis for our valuation. We have also taken into account material post balance date transactions up to 28 September 2012, as set out in Section 10.1.

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist us in the valuation of CoAL's assets, the Technical Specialist was retained to prepare the Technical Specialist's report which provides a valuation of CoAL's Development Assets and an assessment of the reasonableness of the technical, operating and capital assumptions for the Operating Assets.

In arriving at our range of values for a share in CoAL, we have placed reliance on the report prepared by the Technical Specialist.

The Technical Specialist's report was prepared in accordance with the requirements of the ValMin Code and is attached as Appendix 6 to this report.

CoAL management has also provided us with independent valuations of the CBM Assets and Holfontein as at 30 September 2012. Given the relative immateriality of these assets we have adopted these valuations as reasonable estimates of the fair market value of these assets.

KPMG Corporate Finance was responsible for the valuation of CoAL's Operating Assets. The values for the Operating Assets are based on the financial model prepared by CoAL management (Model). The Technical Specialist has reviewed the technical, operating and capital assumptions in the Model and concluded that these technical input assumptions are reasonable as at 28 September 2012. The Technical Specialist highlighted the following key risks in relation to these assumptions, which are discussed in more detail in the following section:

- The current increase in industrial action at South African mines would see a general increase in the labour related costs for mining operations.
- Adjustments to mining rates and coal available for extraction.

- Concerns over the level of sustaining capital expenditure allowed for in the cash flows.

KPMG Corporate Finance has performed sensitivity analysis and altered the base case valuation assumptions in relation to the above factors as recommended by the Technical Specialist.

KPMG Corporate Finance was responsible for determining the macro-economic inputs, taxation inputs and the discount rate inputs in determining the value of CoAL's Operating Assets.

Due to the various uncertainties inherent in the valuation process, the Technical Specialist has determined a range of values within which it considers the value of the Development Assets of CoAL to lie. The valuations ascribed by the Technical Specialist to the Development Assets have been adopted in our report as noted below.

Having regard to their materiality, other assets and liabilities of CoAL have been incorporated in our valuation at assessed values or book values unless noted otherwise later in this section.

11.1 Valuation summary

We have assessed the fair market value of the equity in CoAL as at 28 September 2012 (Valuation Date), inclusive of a full premium for control, to lie in the range of \$433.4 million to \$559.3 million. This equates to an implied fair market value per CoAL share, inclusive of a full premium for control, of between approximately 33.6 pence and 43.3 pence, based on the closing GBP:USD exchange rate of 1.6123 on the Valuation Date.

We have assessed the fair market value of CoAL by aggregating the estimated market value of CoAL's interests in mineral assets, adding the assessed value of other assets and, if appropriate, deducting any external borrowings and non-trading liabilities. The value of CoAL has been assessed on the basis of fair market value, that is, the value that would be negotiated between a knowledgeable and willing, but not anxious buyer, and a knowledgeable and willing, but not anxious seller, acting in an arm's length transaction, where both buyer and seller are fully informed.

When assessing the full underlying value of CoAL, we have considered those synergies and benefits that would be available to a pool of potential purchasers of CoAL. We have not included the value, if any, of special benefits that may be unique to BHE. Accordingly, our valuation of CoAL has been determined regardless of the bidder and any special benefits that may accrue to BHE have been considered separately.

Set out below is a summary of the range of fair market values at which CoAL's shares have been assessed.

Table 16: Summary of assessed fair market value of CoAL inclusive of a full premium for control

	Low USD'000	High USD'000
Development Assets	378,419	483,527
Operating Assets	145,268	160,723
Other Assets	8,876	15,501
Total mineral assets	532,562	659,750
Add – cash	30,319	30,319
Add – funds from the exercise of options ¹	-	-

	Low USD'000	High USD'000
Add – future loan to Rothe Investments (Pty) Ltd	10,366	13,461
Add – other net surplus assets/(liabilities)	(22,062)	(22,062)
Less – interest bearing liabilities	(39,751)	(39,751)
Less – Matola TCM Take or Pay Liability	(22,201)	(22,565)
Less – capitalised corporate overheads	(55,879)	(59,880)
Total equity value	433,355	559,274
Current shares on issue (000s)	800,951	800,951
“In the money” options (000s) ¹	-	-
Diluted number of shares on issue (000s)	800,951	800,951
Value per share, inclusive of a full premium for control - cents	54.1	69.8
GBP:USD exchange rate	1.6123	1.6123
Value per share, inclusive of a full premium for control - pence	33.6	43.3
Note 1. Given our range of undiluted values for a CoAL share, the 3.5 million options at £0.25 approved on 29 November 2012 (post the valuation date of 28 September 2012) are assumed to be exercised, resulting in an equity value in the range of \$434.8 million to \$560.7 million or 33.5 pence to 43.2 pence per share, on a fully diluted basis. Other than as discussed above, none of the options summarised in Section 8.10 are assumed to be exercised. 2. Effective valuation date is 28 September 2012		

Source: KPMG Corporate Finance analysis, Technical Specialist's report

Our range of assessed fair market values for a CoAL share, inclusive of a full premium for control, of between 33.6 pence and 43.3 pence (AUD0.52 to AUD0.67) compares to a closing price for a CoAL share on the Valuation Date of 15.25 pence on the AIM (AUD 0.23 on the ASX), the closing price for a CoAL share on 7 December 2012 of 12.5 pence on the AIM (AUD0.19 on the ASX), and the unaudited pro forma net asset backing per share as at 30 June 2012 of 34.2 pence (AUD0.52).

The market capitalisation of CoAL as at 7 December 2012 is in the order of \$159.7 million (AUD152.2 million) and immediately prior to the announcement of the Proposed Transaction was \$191.1 million (AUD184.2 million), which compares to the unaudited pro forma net asset backing of CoAL at 30 June 2012 of \$429.3 million¹⁰. In contrast, based on our valuation of CoAL's Operating Assets, and the Technical Specialist's report, we have ascribed a value of between \$433.4 million and \$559.3 million to the equity value of CoAL.

We believe the difference between our assessed value and CoAL's market capitalisation is largely due to the market's concerns around CoAL's ability to raise the capital it needs to continue to develop its assets. In addition, the difference may reflect that the market is more bearish than CoAL management and KPMG Corporate Finance in its assumptions in relation to, inter alia:

¹⁰ Adjusted to include the September 2012 capital raised of \$52.0 million, and repayment of \$23.5 million to creditors post 30 June 2012

- Various macro economic and financial assumptions adopted by CoAL management and KPMG Corporate Finance, including:
 - The outlook for CoAL's future long-term commodity prices as adopted by KPMG Corporate Finance.
 - The appropriate discount rate to apply to forecast cash flows and, in particular, the specific project risk attaching to the Operating Assets.
- The ability of CoAL to improve operating cash flow at the Mooiplaats Colliery and successfully ramp-up its expansion at Vele Colliery.

The differential between the price for a CoAL share on its various markets, and our range of assessed values may also reflect the following additional factors:

- The market for CoAL shares is not deep and therefore may not be fully efficient.
- Our range of values represents the full underlying value of CoAL whereas trading on the AIM and ASX is in respect of portfolio interests. Application of a premium for control of between 25 percent and 40 percent implies a value closer to our range of assessed fair market values of between approximately 19.1 pence and 21.4 pence (A\$0.29 to A\$0.32) based on the closing trading price as at the Valuation Date for a CoAL share of 15.25 pence on the AIM (A\$0.23 on the ASX).
- The fact that Exxaro Resources, one of the largest coal miners in South Africa, elected not to exercise its option over a 30 percent interest in the Makhado Project, being CoAL's flagship asset.
- The recent labour strikes within the general mining sector in South Africa giving rise to an uncertain industrial relations environment.
- CoAL has recorded negative operating cash flows over the last two fully reported financial years specifically relating to the Mooiplaats Colliery and Woestalleen Complex.

Our range of assessed fair market values also lies above the values recorded in the books of CoAL as at 30 June 2012, with this differential being largely attributable to:

- The value ascribed by CoAL to its mineral assets in its books as being approximately \$425.1 million, which compares to our range of assessed fair market values of between \$532.6 million and \$659.8 million. This difference has arisen principally due to values carried in the books of CoAL representing property, plant & equipment and capitalised historical costs in accordance with Australian Accounting Standards, whereas our range of assessed values is based on current fair market values and therefore recognises the benefit of future cash flows, in-situ commodity values and other modifying factors.
- An increase in our range of assessed fair market values to reflect the future loan payable by Rothe Investments (Pty) Ltd (Rothe) for a 26 percent interest in the Chapudi Acquisition upon receipt of an NOMR, at which time CoAL will recognise a non controlling interest and a shareholder loan on their balance sheet.
- A reduction in our range of assessed fair market values to reflect the present value of future after-tax corporate overheads net of synergies discussed in Section 10.5 by \$55.9 million to \$59.9 million.

- A reduction in our range of assessed fair market values of \$22.2 million to \$22.6 million to reflect the present value of future after-tax take or pay liabilities relating to the Matola Terminal.
- Adjustments made to CoAL's cash balance of \$10.8 million and borrowings of \$4.3 million since 30 June 2012 to reflect the placement funds raised during September, net proceeds from borrowings, and trading results for the 3 months to 30 September 2012 as discussed in Section 10.1.
- Fair market value reduction to the intangible assets relating to CoAL's rights to throughput capacity at Matola Terminal, given that our base case valuation implies that CoAL will not require this additional throughput capacity.
- Fair market value reduction to the Matola Terminal development loan of \$2.7 million to reflect the difference between the remaining principal, and the present value of the remaining instalments to be received, using a cost of debt of 9.1 percent.

We have also considered the following issues which we believe do not have an impact on our assessed value of CoAL's equity:

- There is a risk that CoAL will be required to relinquish a 26 percent holding in Mooiplaats Colliery in the event that Ferret is successful in its application over the shareholding. Although settlement negotiations are advanced, no agreement is currently in place over the disputed shareholding. CoAL management has advised that under any agreement, Ferret would be required to contribute its share of ongoing capital costs (and potentially historical capital costs, via a shareholder loan), and would not receive dividends until the repayment of the shareholder loan is satisfied. Given CoAL management's view on the low probability of Ferret being successful, we have not adjusted our valuation of Mooiplaats Colliery.
- The South African Department of Mineral Resources has double-granted the area over the Klipbank Farm, which forms part of the extension area of Mooiplaats. The dispute is required to be settled between the two parties, and CoAL is engaging through lawyers to this effect. The coal reserves from Klipbank Farm are included in the value of excess reserves for Mooiplaats Colliery, however there remains a risk that CoAL will incur a cost in order to settle the dispute. We do not expect that any costs to settle the dispute will be material to our conclusions.
- CoAL will be required to sell down 26 percent of the Makhado Project to a BBBEE partner prior to being granted a NOMR over the mining area. We have been advised that CoAL has commenced discussion around securing a BBBEE partner, however there is no binding agreement currently in place. Any transaction with a BBBEE partner would be undertaken at fair market value, and therefore will not impact upon our range of fair market values.

Development Assets

In forming our view as to the value of CoAL's interest in the Development Assets, we have relied upon the valuation prepared by the Technical Specialist. In arriving at its range of assessed values for the Development Assets, the Technical Specialist considered various valuation methodologies. An overview of the Technical Specialist's valuation results, adopted methodologies and assumptions in terms of assessed values, is set out below and discussed further in the Technical Specialist's report.

Valuation of Development Assets

The Technical Specialist has valued CoAL's interest in the Development Assets, based on the market approach, as lying in the range of ZAR3,146 million to ZAR4,020 million, with a preferred value of ZAR3,583 million, which we have converted into United States dollars based on the closing spot USD:ZAR exchange rate of 8.31 on the Valuation Date. A summary of the assessed values for the Development Assets at CoAL's interest are summarised in Table 17 below.

Table 17: Technical Specialist valuation summary – Development Assets

	%	Low ZARm	High ZARm
Chapudi Region			
Chapudi	74%	293	488
Chapudi West	74%	15	25
Wildebeseesthoek	74%	24	39
Makhado Region			
Makhado	100%	2,087	2,431
Telema and Gray	100%	165	226
Generaal	74%	30	50
Mount Stuart	100%	22	33
Mopane Region			
Voorburg	74% - 100%	475	668
Jutland	74% - 100%	36	60
Valuation of Development Assets		3,146	4,020
USD:ZAR exchange rate		8.31	8.31
Valuation of Development Assets (USDm)		378.42	483.53

Source: KPMG Corporate Finance analysis, Technical Specialist's report

In assessing these values, the Technical Specialist has considered accepted methods for valuing mineral assets including the Cost Approach, based on historical acquisition costs and a multiple of exploration expenditure, and the Market Approach based on a value per unit of resource (ZAR/t) or value per unit area (ZAR/ha). Further details in relation to each of these assets and the valuation methodology adopted are set out in the Technical Specialist's report.

Operating Assets

In forming our view as to the value of the Operating Assets, we have relied upon the Model and the technical, operating and capital assumptions within the Model, as reviewed by the Technical Specialist. In arriving at our range of assessed values for the Operating Assets, we have adopted the DCF methodology as a primary valuation approach. An overview of our valuation results, adopted methodologies and assumptions in terms of assessed values, is set out below. The key technical, operating expenditure and capital expenditure assumptions are discussed further in the Technical Specialist's report.

Valuation of the Operating Assets

We have valued CoAL's 100 percent interest in the Operating Assets, on the basis of DCF analysis, as lying in the range of \$145.3 million to \$160.7 million. This is summarised in Table 18 below.

Table 18: Valuation of Operating Assets

	%	Low USD'000	High USD'000
Woestalleen	100%	(4,844)	(4,877)
Vele	100%	117,916	132,062
Mooiplaats	100%	32,197	33,538
Value of CoAL's Operating Assets		145,268	160,723

Source: KPMG Corporate Finance analysis, CoAL management

Key operational assumptions

The principal operational assumptions adopted in our valuation for the Operating Assets, as reviewed by the Technical Specialist, are summarised in Table 19 below.

Table 19: Key operating assumptions

	Unit	Woestalleen Complex	Vele Colliery	Mooiplaats Colliery
Mine life (LOM model)	Years	2	28	4
Mining rate per annum at full production	Mtpa	n/a ³	2.7	1.5
Total run of mine tonnes	Mt	4.3 ³	72.5	4.9
Total saleable coal production	Mt	2.8	48.8	3.5
Average CHPP ¹ yield	%	65.9	67.3	70.6
Total capital cost over life of mine ²	ZARm	88.6 ⁴	429.5	159.7
Average cash operating cost ²	ZAR/t ⁵	336.5	431.4	631.6
Notes:				
1. Coal handling and preparation plant				
2. Stated in 2012 rand				
3. Includes an additional 1.8Mt of discards processed over the remaining life of the asset				
4. Predominately mine closure rehabilitation costs for Woestalleen.				
5. Average cash operating costs calculated as total operating costs over life of mine divided by total saleable tonnes.				
6. Numbers may not compute exactly due to rounding				

Source: KPMG Corporate Finance analysis, CoAL management

The Technical Specialist has considered and reviewed CoAL management's operating assumptions and discussed them with CoAL management in the context of the projected operating capacity for the Operating Assets. The Technical Specialist has concluded that CoAL management's operational assumptions are reasonable as at the Valuation Date, and accordingly, we have relied upon the operational assumptions for the purposes of our valuation.

The Technical Specialist suggested we amend the Model to take account of the following issues as detailed in the Technical Specialist's report:

- Reduce the annual ROM production rate for Mooiplaats from 1.7Mtpa to 1.5Mtpa.
- Reduce the coal reserves for Vuna Colliery from 2.7Mt to 2.4Mt to be consistent with the coal reserves estimate detailed in the Technical Specialist's report.

Our assessed range of values takes into account the above adjustments recommended by the Technical Specialist. These adjustments had an overall negative impact on the NPV of the cash flows from the Operating Assets of approximately \$8.5 million.

Further discussion regarding the operational assumptions adopted by CoAL management as reviewed by the Technical Specialist is contained in the Technical Specialist's report.

The Technical Specialist has provided us with an estimate of the value of existing reserves not reflected in the Model for the Operating Assets. Our assessed range of values is inclusive of the value attributed to these additional reserves. For Vele Colliery, we have assumed that the underground reserves will be accessed in 10 years, and the additional open cut reserves will be accessed at the end of the current life of mine plan. For Mooiplaats Colliery, we have assumed the excess reserves will be accessed at the end of the current life of mine plan.

Key economic and financial assumptions

Commodity prices

Commodity pricing assumptions adopted by KPMG Corporate Finance over the period to FY17 are summarised in the table below.

Table 20: Summary of commodity price assumptions

Coal price - USD/t (FOB)	FY13	FY14	FY15	FY16	FY17
Semi soft coking ¹	130.0	137.5	135.0	132.5	130.0
RB1 thermal ²	96.0	102.0	106.0	107.0	108.0
Notes					
1. 10% ash semi soft coking coal					
2. 6,000 kcal/kg NCV					

Source: Brokers' notes, various economic commentaries and KPMG Corporate Finance analysis

In order to determine appropriate commodity price assumptions KPMG Corporate Finance has had regard to coal price forecasts as published by various broking houses and economic commentators, and the prevailing forward curve for Richards Bay benchmark thermal coal prices. Our adopted coal prices are in nominal terms (i.e. including the effects of inflation) and the FY17 prices are assumed to remain constant in real terms.

The semi soft coking coal price was adopted for the coking coal product to be produced at Vele Colliery, while the RB1 thermal coal price was applied to export thermal coal both contracted and uncontracted with a net calorific value of 6,000kcal/kg. CoAL management has applied a price discount to the RB1

price of \$2.60/t to reflect that Matola Terminal is less efficient in relation to cargo size and loading rates when compared with the Richards Bay Coal Terminal. The coal prices summarised in the table above are not inclusive of the Matola Terminal discount, however we have deducted this price discount from the RB1 thermal coal price in our valuation.

Exchange rates

The exchange rate assumptions adopted by KPMG Corporate Finance are summarised in the table below.

Table 21: Summary of exchange rate assumptions

	FY13	FY14	FY15	FY16	FY17
USD:ZAR	8.20	8.40	8.80	9.00	9.20

Source: Capital IQ, brokers' notes, various economic commentaries and KPMG Corporate Finance analysis

The USD:ZAR exchange rate is assumed to move post FY17 at a rate consistent with the difference in long-term inflation rates between South Africa and the United States such that purchasing power parity is maintained. In effect the USD:ZAR exchange rate is assumed to remain constant in real terms.

Forecast exchange rates have been assessed by us having regard to the prevailing spot exchange price (in the order of USD:ZAR 8.31), the prevailing forward exchange curve and also forecasts published by various broking houses and economic commentators.

Inflation

Inflation rate assumptions adopted by KPMG Corporate Finance are set out below.

Table 22: Summary of inflation assumptions

	FY13	FY14	FY15	FY16	FY17
United States	2.00%	2.10%	2.25%	2.30%	2.30%
South Africa	5.40%	5.20%	5.00%	4.75%	4.50%

Source: Capital IQ, brokers' notes, various economic commentaries and KPMG Corporate Finance analysis

South African and United States inflation was determined having regard to the forecasts of a range of brokers and economic commentators. Subsequent to FY17, the rate has been assumed to remain constant at 4.5% per annum for South Africa and 2.3% per annum for the United States.

Working capital

Trade debtors and trade creditors are assumed to be realised and replenished on an on-going basis over the life of the Operating Assets.

Revenue tax losses

We have included the benefit of the unredeemed capital expenditure and tax losses available to each of CoAL's operations. We note that the balance of unredeemed capital expenditure and tax losses for Mooiplaats Colliery is significant, resulting in nil tax payable over the life of mine.

Other assumptions

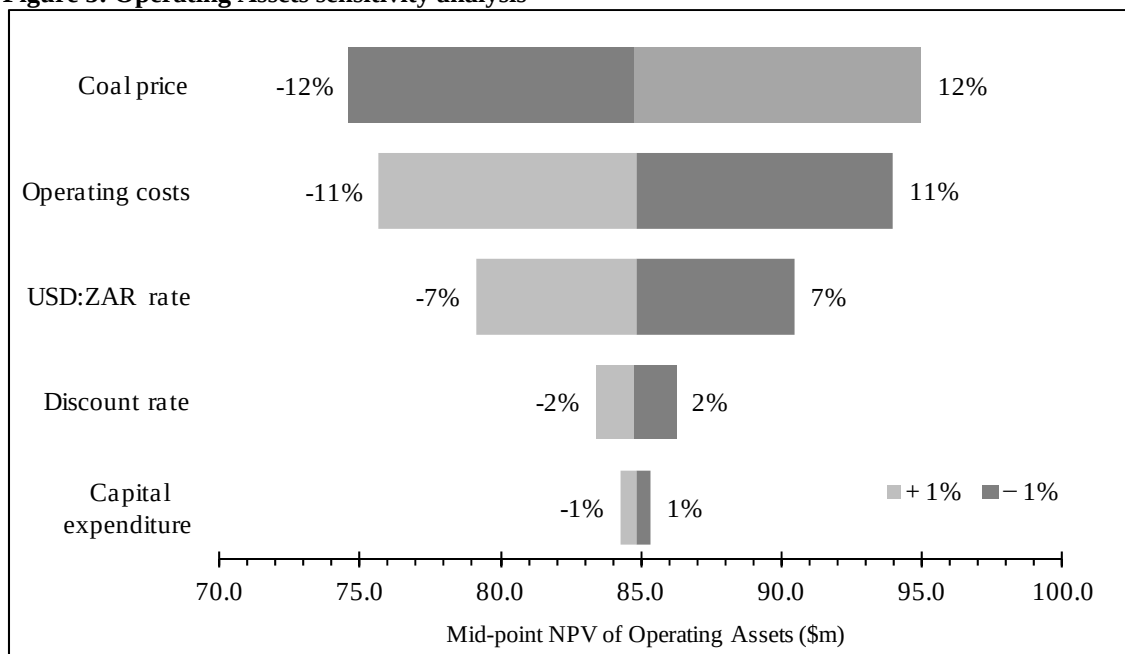
Other key financial and economic assumptions adopted by us in assessing the value of the Operating Assets include:

- A South African corporate tax rate at an average of 28 percent over the life of the mine. We have considered the impact of the South African withholding (WHT) tax regime, which became effective 1 April 2012, on the effective corporate tax rate that would be applicable to a range of international acquirers. We have concluded that an international investor could structure any acquisition of CoAL so as to minimise the impost of withholding tax. On this basis we have adopted a corporate tax rate of 28 percent.
- An ungeared, post tax nominal discount rate in the range of 14.0 percent to 15.0 percent per annum for Vele Colliery and Mooiplaats Colliery, and 12.0 percent to 13.0 percent for Woestalleen Complex. The basis for our calculation of discount rates is discussed at Appendix 3 to this report.

Sensitivity analysis

KPMG Corporate Finance has undertaken a sensitivity analysis around the mid-point base case valuation for the Operating Assets (excluding additional reserves) based on a range of operational, commercial, financial and other key assumptions the outcome of which is set out below.

Figure 5: Operating Assets sensitivity analysis



Source: KPMG Corporate Finance analysis

The sensitivity analysis indicates that the value of the Operating Assets is particularly sensitive to movements in commodity prices, operating costs and the exchange rate.

In addition to the above observations, the Technical Specialist suggested we perform sensitivity analysis in relation to the following issues:

- Increase operating costs by 1.0 percent to take into account the current increase in industrial action at South African mines, which would result in a general increase in the labour related costs for mining operations. The Technical Specialist noted a recent public announcement made by CoAL that certain on-site waged employees received a wage increase of 26 percent, which CoAL estimated the total effect translated to an increase of about 1.0 percent on Mooiplaats' total cost per saleable tonne of coal. We believe Figure 5 above summarises the effect of this scenario.
- Sustaining capital expenditure for Mooiplaats included in the Model was considered very low according to South African standards for owner operated mines. The Technical Specialist considered that sustaining capital expenditure should be estimated in the range of 5 percent to 15 percent of total operating costs. Adopting 5 percent would decrease the value of Mooiplaats Colliery by approximately \$3.4 million. This does not materially alter our valuation conclusions.
- Sustaining capital expenditure for Vele Colliery should be estimated at a minimum of 5 percent of processing operating costs, given that mining and related services have been contracted to MCC Group. This would decrease the value of Vele Colliery by approximately \$1.4 million. This does not materially alter our valuation conclusions.

Other Assets

In forming our view as to the value of CoAL's interest in the CBM Assets and Holfontein, we have considered the valuations prepared by independent valuers. Given the relative immateriality of these assets, we have adopted these valuations for the high end of our valuation range. The value of the CBM Assets was assessed at \$2.25 million, while the value of Holfontein was assessed at ZAR110.2 million (\$13.3 million). We adopted 50 percent of the value of Holfontein for the low end of our fair market value range to allow for potential delays in the sale of this asset.

Cash

We have adopted CoAL's cash and cash equivalents as at 30 September 2012 of \$30.3 million for our valuation.

Borrowings

We have adopted CoAL's borrowings as at 30 September 2012 of \$39.8 million as advised to us by CoAL management in our valuation.

Other assets/(liabilities)

The net operating assets included in our mineral asset valuation include property plant and equipment, development, exploration and evaluation expenditure, inventories, trade and other payables, restricted cash, trade and other payables, provisions, and deferred tax assets and liabilities.

Net assets not valued as part of CoAL's mineral assets comprise cash and sundry other assets and liabilities. Except as specifically noted below, having regard to their nature and quantum, these assets and

liabilities have been incorporated in our valuation at net book values as at 30 June 2012. We have adopted net surplus liabilities of \$22.1 million as summarised in Table 23 below:

Table 23: Summary of net surplus assets

	USD'000
Intangible assets	-
Present value of Matola Terminal development loan	8,547
NiMag loan	2,611
Other financial assets	10,423
Contingent consideration (Current)	(13,642)
Contingent consideration (Non-current)	(30,000)
Other net surplus assets/(liabilities)	(22,062)

Source: KPMG Corporate Finance analysis

In relation to the table above, we note:

- We have reduced the book value of CoAL's intangible assets relating to contracted throughput capacity at Matola Terminal, given that our base case valuation assumes that CoAL does not require this additional throughput capacity at Matola Terminal.
- We have reduced CoAL's Other Receivables (including the Matola Terminal interest-free development loan and the NiMag loan) as at 30 June 2012 of \$13.8 million by \$2.7 million to \$11.2 million to reflect the difference between the book value of the Matola Terminal interest-free loan, and the present value of the remaining instalments, using a cost of debt of 9.1 percent. The current portion of the contingent consideration outstanding for the Chapudi Acquisition was reported in current borrowings in CoAL's annual report. We have included this as contingent consideration at book value in the table above.
- The other financial assets and the non-current contingent consideration are all recognised at book value.

Off balance sheet items

Future corporate overheads

CoAL incurs corporate overheads in relation to managing its business and maintaining its assets. These costs have not been incorporated into the valuation of CoAL's mineral assets set out above, and therefore it is necessary to deduct the present value of anticipated future management and administrative costs in relation to CoAL's assets from the value of CoAL. CoAL has provided us with an estimate of its ongoing head office costs. As discussed in Section 10.5, we have taken into account potential synergies and cost savings which would be available to a pool of third party purchasers on a controlling basis.

The NPV of these corporate costs (including synergies), having regard to the nature of CoAL's portfolio of assets has been estimated to be in the range of \$55.9 million to \$59.9 million on a post-tax basis.

Matola Terminal Take or Pay Obligation

CoAL is obligated to utilise 75 percent of its 3Mtpa port allocation at the Matola Terminal each year, with any shortfall being charged at a rate of \$9.75/t each year. CoAL has the right to renegotiate its annual throughput capacity from 1 January 2017 for an additional 5 years, and then a further two renewal options for 5 years and 2 years up to 31 December 2028. Based on the forecast export sales in the Model from CoAL's Operating Assets, and the Makhado Project which is forecast to commence export sales in FY16, CoAL would only require approximately 1.5Mtpa of capacity in the long term. Based on these assumptions, we have assumed CoAL would renegotiate its throughput capacity down to 1.5Mtpa from 1 January 2017 onwards. The NPV of the future take or pay liabilities to 31 December 2016 is calculated at \$22.2 million to \$22.6 million.

Future loan to Rothe

CoAL, through its 74 percent owned subsidiary Keynote Trading & Investment 108 (Pty) Ltd (Keynote), acquired 100 percent of the equity and claims acquired through the Chapudi Acquisition. In order for CoAL to comply with BBBEE requirements, Rothe was issued 26 percent of Keynote for ZAR52. CoAL will be responsible for all the expenses and liabilities of Keynote until such time as it starts generating income and becomes profitable. CoAL management has advised that upon receipt of a NOMR over the Chapudi Acquisition, a shareholder loan to Rothe encompassing 26 percent of the Chapudi Acquisition costs and any exploration expenditure will be created.

Given that no interest will be received until the NOMR is granted, we have discounted \$19.5 million, being 26 percent of the Chapudi Acquisition costs, from FY17 and FY20 at a cost of debt of 9.1 percent to determine a range of present values for the future shareholder loan. Accordingly we have adopted a fair market value in the range of \$10.4 million to \$13.5 million.

Contingent liabilities

We have considered the disclosed contingent liabilities, the most significant of which include the disputed 26 percent interest in Mooiplaats Colliery, the double granting over the Klipbank Farm, and the selldown of 26 percent of the Makhado Project to a BBBEE partner. As discussed earlier in this section, we have not adjusted our valuation for any of these factors. Based on CoAL management's assessment of the low relative probability of any actions currently afoot against CoAL being successful (as discussed in Section 8.8), we have not adjusted our fair market value range for the contingent liabilities.

We are not aware of any other material contingent liabilities relating to CoAL.

11.2 Other valuation parameters

Implied value per tonne of CoAL's reserves

KPMG Corporate Finance's valuation of CoAL's equity, inclusive of a full premium for control, lies between \$433.4 million to \$559.3 million and its estimated current net debt position implies an enterprise value for CoAL in the order of \$442.8 million to \$568.7 million. Based on CoAL's current attributable reserves of 313.6¹¹ million tonnes, the implied enterprise value to reserve tonne of coal multiples are as set out in the table below.

Table 24: Implied valuation multiples per reserve tonne

Parameter	Low USD/t	High USD/t
Reserves	1.4	1.8

Source: KPMG Corporate Finance analysis

Set out in Appendix 4 is an analysis of the value per reserve tonne of reserves for various companies selected for comparison implied by the market capitalisation and most recent net debt/(cash) positions of those companies as summarised in the table below.

Table 25: Implied Comparable Company valuation multiples per reserve tonne

Parameter	Low USD/t	High USD/t	Average USD/t	Median USD/t
Reserves	1.8	5.1	3.1	2.0

Source: KPMG Corporate Finance analysis

The range of CoAL's implied reserves values above lies at or below the low end of this range, which likely reflects among other factors that a large portion of CoAL's reserves have significant capital requirements, and that CoAL's attributable reserves are significantly larger than all comparable companies except for Exxaro Resources Limited, which is potentially distorting the outcomes.

Moreover, implied value per reserve tonne of coal as a measure should also be viewed with some caution as it does not capture such things as:

- the extent to which reserves have been developed, their quality, location or proximity to infrastructure
- the quantum or timing of future operating and capital costs required to realise the underlying reserves
- potential timing differences companies in reporting updated reserves and resources figures

¹¹ Reserves are stated as ROM reserves to be consistent with comparable companies and transactions

Implied value per tonne of CoAL's resources

Based on CoAL's current resources of 7,190.1 million tonnes¹² and KPMG Corporate Finance's implied enterprise value for CoAL of \$442.8 million to \$568.7 million, the implied multiples per resource tonne are set out in the table below.

Table 26: Implied valuation multiples per resource tonne

Parameter	Low USD/t	High USD/t
Resources	0.06	0.08

Source: KPMG Corporate Finance analysis

Similar to reserves, we have conducted an analysis of the value per resource tonne for selected comparable companies implied by the market capitalisation and most recent net debt/(cash) positions of those companies. The details of these implied trading resource multiples are set out in Appendix 4. Notwithstanding that this analysis indicates a wide range of outcomes, we note that the range of CoAL's implied resource values lies within the range of comparable multiples, albeit toward the low end of this range.

Table 27: Implied Comparable Company valuation multiples per resource tonne

Parameter	Low USD/t	High USD/t	Average USD/t	Median USD/t
Resources	0.04	1.26	0.43	0.33

Source: KPMG Corporate Finance analysis

We again note that implied value per resource tonne as a measure should be viewed with some caution for the reasons set out above and that, in particular, the market capitalisation of the comparable companies considered may not include a premium for control.

Transaction reserve and resource multiples

KPMG Corporate Finance has reviewed data on a range of recent acquisition transactions for coal companies and assets in production. The results of this analysis are set out at Appendix 5 to this report and indicate a wide range of valuation metrics. As shown below, the range of values per reserve tonne of coal implied by our valuation range attributable to CoAL lies within the range of comparable multiples, albeit towards the low end of the observed range in recent takeovers, and below the average and median.

¹² Resources are also inclusive of reserves. Resources are stated on a gross tonnes in-situ basis, given the lack of transparency on certain comparable companies and comparable transactions. Resources include Holfontein

Table 28: Implied Comparable Transaction valuation multiples per reserve tonne

Parameter	Low USD/t	High USD/t	Average USD/t	Median USD/t
Reserves	1.2	10.8	4.8	4.3

Source: KPMG Corporate Finance analysis

Similarly, the range of values per resource tonne of coal implied by our valuation range attributable to CoAL lies at or below the low end of the observed range in recent transactions.

Table 29: Implied Comparable Transaction valuation multiples per resource tonne

Parameter	Low USD/t	High USD/t	Average USD/t	Median USD/t
Resources	0.08	1.84	0.76	0.88

Source: KPMG Corporate Finance analysis

Implied post Placement minority interest value per share

Previous KPMG Corporate Finance analysis of corporate acquisitions completed in the Australian market place indicates that the level of premia paid to acquire 100 percent control of an entity varies widely dependent upon the particular circumstances of each transaction and can be impacted by a wide range of factors, including:

- market speculation prior to the official announcement of a takeover
- the level of pre-existing ownership by the offeror
- the level of operating synergies and/or special benefits that may exist to an offeror
- the impact of contested/hostile takeovers
- the liquidity of the stock prior to the offer
- the level of gearing employed by the target company,

however, we consider it reasonable to expect that, in general, transactions are likely to complete within an acquisition premia range of 25 percent to 40 percent.

As individual non-associated shareholders will hold continue to hold a minority interest in CoAL, albeit diluted, following completion of the Proposed Transaction, we have set out in the table below, for illustrative purposes only, the range of assessed fair market values for a CoAL share (assuming Outcome 1), adjusted for:

- the inclusion of \$100.0 million cash from the Proposed Transaction, less estimated transaction costs of \$7.7 million
- the increase in CoAL's issued capital to reflect the circa 247.4 million new fully paid ordinary shares to be issued to BHE (based on the agreed GBP:USD exchange rate of 1.6167)
- allowing a 20 percent minority discount to reflect the removal of an implied premium for control of 25 percent.

Table 30: Post-Placement minority interest equity value		
	Low	High
	USD'000	USD'000
Total equity value, inclusive of full premium	433,355	559,274
Add: Cash to be received from the Proposed Transaction	100,000	100,000
Less: Estimated transaction costs	(7,657)	(7,657)
Adjusted post-Placement equity values	525,698	651,617
Discount for minority interest – say 20%	(105,140)	(130,323)
Post-Placement minority interest equity value	420,558	521,293
Diluted shares on issue ('000)	800,951	800,951
Add: Placement shares to be issued ('000)	247,418	247,418
Post-Placement diluted shares on issue	1,048,369	1,048,369
Post-Placement minority interest equity value per share – cents	40.1	49.7
GBP:USD exchange rate	1.6123	1.6123
Post-Placement minority interest equity value per share – pence	24.9	30.8

Source: KPMG Corporate Finance analysis

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Bill Allen and Jason Hughes. Bill is an associate of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce degree. Jason is a fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. Each has a significant number of years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Proposed Transaction is in the best interests of CoAL shareholders. KPMG Corporate Finance expressly disclaims any liability to any CoAL shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Notice of Meeting and Explanatory Memorandum or any other document prepared in respect of the Proposed Transaction. Accordingly, we take no responsibility for the content of the Notice of Meeting and Explanatory Memorandum as a whole or other documents prepared in respect of the Proposed Transaction.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of CoAL for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Notice of Meeting and Explanatory Memorandum to be issued to the shareholders of CoAL. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- various ASX company announcements
- various broker and analyst reports
- various press and media articles
- financial information from Capital IQ, Bloomberg, Thompson Financial Securities, Aspect Huntley and Connect4.

Non-public information

- Binding offer entered into between CoAL and BHE
- Subscription agreement between CoAL and BHE
- Process letter issued by CoAL to potential equity investors
- Draft Cooperation agreement between CoAL and BHE
- BHE's Draft application to FIRB in relation to the Proposed Transaction
- CoAL's FY12 Monthly Management accounts
- Unaudited pro forma balance sheet information
- Profile of Haohua for CoAL prepared by Citic Securities
- Up to date CoAL corporate structure diagram including ownership interests
- Details of currently accrued tax losses for various CoAL projects
- Ownership interest for rights held in the Greater Soutpansberg region
- Technical Specialist report
- Thomson Reuters Coal of Africa Limited Shareholder Analysis as at 30 September 2012
- Descriptions of legal matters not disclosed in CoAL's annual report
- Details of once-off costs that occurred during FY12
- Detailed tenement schedule including ownership interests
- Details of CoAL's employee option program
- CoAL company board papers discussing potential equity investors

In addition, we have had discussions with various representatives of CoAL management.

Appendix 3 – Calculation of discount rate

We have assessed a nominal, post-tax weighted average cost of capital (WACC) for the Woestalleen Complex to be in the order of 12 percent per annum to 13 percent per annum and a WACC for the Vele and Mooiplaats Collieries to be in the order of 14 percent per annum to 15 percent per annum. As CoAL management has provided financial forecasts for the Operating Assets denominated in ZAR, our assessed WACC ranges are denominated in ZAR.

Selection of the appropriate rate to apply to the forecast cash flows of any asset or business operations is fundamentally a matter of judgement. Whilst there is a body of theory that may provide a framework for the derivation of an appropriate discount rate, it is important to recognise that given the level of subjectivity involved in selecting various inputs to the theoretical framework there is no absolute “correct” discount rate.

We consider the rates adopted to be reasonable discount rates that purchasers would use in the current market in assessing the individual operations of CoAL and are reflective of the commercial, operational and technical risks of CoAL’s assets.

Introduction to WACC concepts

The WACC of a firm is the expected cost of the various classes of its capital (i.e. its equity and debt), weighted by the proportion of each class of capital to the total capital of the firm and is represented by the following formula, which calculates an after tax nominal rate:

$$\text{WACC} = K_d \times (1-t_c) \times (D/(D+E)) + K_e \times (E/(D+E))$$

where the key inputs are defined as follows:

- K_e the after-tax cost of equity, which is the rate of return required by the providers of equity capital.
- K_d the pre-tax cost of debt, which is the expected long-term future borrowing cost of the relevant project and/or business.
- t_c the applicable corporate tax rate.
- D the market value of debt.
- E the market value of equity.

Given that the capital of the firm is used to finance the assets of the firm, WACC can be viewed as the cost of capital for the assets of the firm. It is an opportunity cost of capital in the sense that it reflects the returns that would have been earned in the market with the relevant capital if it was employed in the next best investment of equivalent risk profile. It represents the minimum weighted average rate of return which is required or expected by the providers of capital as compensation for bearing the risks associated with the relevant investment or business operation.

Each of the components of the WACC formula is discussed further below.

Cost of equity (Ke)

The WACC approach represents a merger of the Capital Asset Pricing Method (CAPM) with capital structure theory. In the WACC formula discussed earlier, the CAPM provides the means for estimating the cost of equity.

The CAPM provides a theoretical basis for determining a discount rate that reflects the risk of a particular investment or business operation. In simple terms, the CAPM states that the returns expected by an equity investor reflect the risk of the underlying equity investment. The risk can be determined by the risk-free rate of return plus a risk premium which reflects the relative risk (as measured by the “beta” factor) required to be borne by the investor. Therefore, the required rate of return for equity securities is determined as set out below:

$$K_e = R_f + \beta \times (MRP) + \alpha$$

where the key inputs are defined as follows:

R_f risk free rate of return.

β beta factor of the investment or business operation.

MRP equity market risk premium.

α alpha factor.

A large degree of subjectivity is involved in estimating the inputs to the formula. These limitations mean that any estimate of the cost of equity must necessarily be regarded as indicative rather than as a firm and precise measure. Furthermore, because the cost of equity is a market-determined measure, changes in market conditions over time will affect its calculation.

Risk free rate (Rf)

The relevant risk-free rate of return is the return on a risk-free security, typically for a long-term period. In practice, long dated government bonds are accepted as a benchmark for a risk-free security.

The spot yield to maturity of liquid government stocks has traditionally been accepted as a proxy for the risk-free rate in determining a cost of equity under the CAPM. However, we note that there is an argument that yields on government stocks may currently be artificially suppressed due to:

- illiquidity issues
- a “flight to quality” as a result of current global economic instability such that the price of bonds has increased, resulting in a fall in nominal returns on “risk-free” securities for reasons other than inflationary expectations,

which has in turn resulted in a prima facie increase in the valuation of assets notwithstanding their cash flow profiles and/or operational risks may have been unchanged from prior periods, which from a commercial perspective is difficult to reconcile having regard to current market conditions.

A number of approaches have been proposed to deal with this issue, KPMG's preferred approach is to adopt the prevailing spot rate at the valuation rate as a proxy for the long term risk free rate, with consideration given to the need for a specific adjustment to the cost of equity having regard to a "blended" long-term rate based on:

- the prevailing yield on government stocks of an appropriate time to maturity as a proxy of risk free rate that can be achieved over this period
- a forecast long-run yield at the expiry of the initial period having regard to estimates published by various economic forecasters,

such that the present value of a nominal distribution stream on holding a fixed interest security over the relevant period at the "blended" rate is the same as that by adopting the yield on a government stocks available as at the Valuation Date over an initial maturity period, followed by the long term rate discussed above.

Given the remaining lives of CoAL's Operating Assets vary significantly, we have adopted separate risk free rates for each of the individual Operating Assets and incorporated an appropriate blending adjustment in the alpha factors discussed below.

The Woestalleen Complex has a remaining life of approximately three years. As such, a nominal ZAR risk free rate of 5.4 percent per annum has been assumed for based on the prevailing spot return on the R157 government stock as at 28 September 2012. The R157 government stock matures in 2015.

Both the Vele and Mooiplaats Collieries represent longer term assets particularly when residual resources are taken into account. As such, a nominal ZAR risk free rate of 7.6 percent per annum has been assumed based on the prevailing spot return on the R186 long-term government stock as at 28 September 2012 for these assets.

Both the R157 and R186 have been selected as they are benchmark government bonds, are highly liquid and internationally traded.

Market risk premium (MRP)

The MRP represents the additional return that investors expect in return for holding risk in the form of a well-diversified portfolio of risky assets (such as a market index). The MRP is the expected risk premium (an ex-ante concept). Given that expectations are not observable, a historical risk premium is generally used as a proxy for the expected risk premium.

The risk premium required by the market is not constant and changes over time. At various stages of the market cycle investors perceive that equities are more risky than at other times and will increase their expected return.

KPMG has adopted a MRP of 6.0 percent per annum. This figure is within the range of generally accepted market risk premia in South Africa.

Beta factor (β)

The beta factor is a measure of the risk of an investment or business operation, relative to a well-diversified portfolio of investments. In theory, the only risks that are captured by beta are those risks that cannot be eliminated by the investor through diversification. Such risks are referred to as systematic, undiversifiable or market risk. The concept of beta is central to the CAPM given that beta risk is the only risk that is priced into investor required rates of return.

The beta for equity securities can be statistically measured by regressing the returns on an equity market index against the share price returns of the relevant stock. By definition, the market portfolio has an equity beta of 1.0. A beta greater than 1.0 implies that the returns on a stock are, on average, more volatile, and hence the stock is more risky than the market, whilst a beta of less than 1.0 implies the reverse.

The beta of a stock can be presented as either an adjusted beta or as an historical beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. Conversely, the adjusted beta is an estimate of a security's future beta. It is initially derived from the historical beta, but modified by the assumption that a security's true beta will move towards the market average of one, over time. Generally, an adjusted beta is used because of its greater predictive features.

Betas derived from stock market observations represent equity betas, which reflect the degree of financial gearing of the company. Consequently, it is not possible to compare the equity betas of different companies without having regard to their gearing levels. In theory, a more valid analysis of betas can be obtained by "ungearing" the equity beta, by applying the following formula:

$$\beta_a = \beta_e / [1 + (D/E \times (1-t_c))]$$

where "D/E" is the debt and equity values of the relevant equity security and "t_c" is the corporate tax rate. The adjustment involves stripping out the impact of financial gearing from the equity beta to obtain ungeared beta (denoted by β_a).

The following table sets out closing market capitalisation as at 28 September 2012, the two year and five year historical average financial gearing and the adjusted ungeared two year weekly and five year monthly beta estimates for a selection of listed coal development and production companies with operations in Africa. The beta factors have been calculated relative to each company's home exchange index and also relative to the Morgan Stanley Capital Index – All Countries (MSCI), an international equities market index that is widely used as a proxy for the global stock market as a whole. The MSCI is often used as a benchmark in respect of assets likely to be attractive to international buyers.

Table A3 – 1: Selected companies – net financial gearing and ungeared betas

Company	MktCap ¹ USD millions	Debt/Equity % ^{2,3}		Two year weekly ungeared beta		Five year monthly ungeared beta	
		2 year	5 year	Home exchange	MSCI	Home exchange	MSCI
African Rainbow Minerals Ltd.	3,915	2%	4%	1.41	1.02	1.35	1.00

Company	MktCap ¹ USD millions	Debt/Equity % ^{2,3}		Two year weekly ungeared beta		Five year monthly ungeared beta	
		2 year	5 year	Home exchange	MSCI	Home exchange	MSCI
Anglo American plc	37,837	13%	12%	1.34	1.19	1.38	1.18
Exxaro Resources Limited	6,431	3%	3%	1.37	0.94	1.11	0.95
Sasol Ltd.	25,034	2%	3%	1.10	0.73	1.01	0.73
Coal of Africa Limited	191	0%	0%	0.98	0.74	1.47	1.39
Continental Coal Limited	28	15%	13%	1.41	0.95	1.24	1.21
Homeland Energy Group Ltd.	7	157%	n/a	0.49	0.40	n/a	n/a
Intra Energy Corporation Limited	56	0%	n/a	1.48	1.08	n/a	n/a
Keaton Energy Holdings Limited	44	0%	n/a	0.62	0.37	n/a	n/a
Strategic Natural Resources Plc	48	0%	0%	1.24	1.32	0.82	0.77
Notes 1. Market capitalisation as at 28 September 2012 2. Where a company does not have any interest bearing debt or the resultant net debt figure is negative i.e. where cash exceeds debt, the ratio of net debt to equity has been recorded as 0 percent. 3. Net debt to equity is the average gearing ratio calculated at each annual reporting date for the five-year period prior to 28 September 2012. 4. "n/a" represents insufficient observations.							

Source: Capital IQ and, latest available financial statements of relevant companies

In selecting an appropriate ungeared beta for CoAL we have:

- Considered that mining assets have varying risk profiles depending on the maturity of the asset and that there is significant variance in observed beta when measured over the different observation periods.
- Given greater weighting to the beta observations relative to MSCI, reflecting the international nature of coal projects and that coal is traded internationally.
- Considered the status of the Operating Projects being valued by DCF.

Having regard to the above and considering the nature of CoAL's projects, we consider that, on balance, an appropriate ungeared beta for CoAL to be in the order of 1.0 to 1.1.

Having determined an appropriate ungeared beta, it is necessary to "regeared" the beta to a specified level of financial gearing to determine the equivalent equity beta.

Debt/equity mix

The selection of an appropriate capital structure is a subjective exercise. The tax deductibility of the cost of debt means that the higher the proportion of debt, the lower the WACC for a given cost of equity. However, at significantly higher levels of debt, the marginal cost of borrowing would increase due to the greater risk which debt holders are exposed to. In addition, the cost of equity would also be likely to increase due to equity investors requiring a higher return given the higher degree of financial risk that they have to bear.

Ultimately for each company there is likely to be a level of debt/equity that represents the optimal capital structure for that company. In estimating the WACC, the debt/equity level assumption should reflect what would be the optimal or target capital structure for the relevant asset. Optimal (as opposed to actual) capital structures are not readily observable. Accordingly, any estimate of optimal capital structure is necessarily subjective. In practice, the existing capital structures of comparable businesses can be used as a guide to the likely capital structure for a firm, taking into consideration the specific financial circumstances of that firm. In drawing any conclusions from the comparable company information, it is important to note that the observed gearing levels usually represent current gearing levels, which may or may not be representative of optimal, long term gearing levels. Furthermore, the gearing level of a company at a given point in time can reflect recent new issues of debt or equity.

In selecting a gearing level for CoAL, we have had regard to the gearing levels of a selection of listed coal exploration, development and production companies as set out in Table A3-1 and have applied professional judgment. We note that comparator group exhibited a wide range of capital structures with many of the smaller comparator companies having 0 percent debt. We do not believe this reflects the optimal capital structure of the Operating Assets of CoAL. On balance, we consider an appropriate long term gearing level for CoAL to be in the order of 10 percent debt and 90 percent equity.

On this basis the regear beta of CoAL is in the order of 1.08 and 1.19.

Alpha factor

Sovereign risk

In KPMG Corporate Finance's view it is reasonable to conclude that the sovereign risk exists for a company doing business in South Africa however we believe this is appropriately reflected in the risk free rate given it is based on ZAR denominated bonds issued by the South African government.

Company/ project specific risk

Under CAPM theory, it is assumed that diversified investors require no additional returns to compensate for specific risks, because the net effect of specific risks across a diversified portfolio will, on average, be zero i.e. portfolio investors can diversify away all specific risk. In reality many investors will include an additional risk premium to reflect such factors as project location and stage of development. Certainly, it is common for companies to set "hurdle rates" for investments above their own estimates of the cost of capital, in order to deal with these issues.

It can be argued that the approach of a valuer to this issue should reflect the approach most likely to be adopted by actual or potential purchasers of similar assets. In determining whether or not an additional risk premium should apply to CoAL's Operating Assets, we have considered the nature of the coal operations, their current status and the risks inherent in realising the underlying coal reserves through mining these deposits.

Having regard to CoAL's projects it is reasonable to conclude that an investor would require an additional equity risk premium to account for project specific factors such as lack of diversification, market capitalisation and stage of development.

Taking the above factors in account, and including an adjustment for the long term risk free rate to the Vele and Mooiplaats Collieries, we have adopted an alpha factor of 1.0 percent to 1.5 percent to the Vele and Mooiplaats Collieries and 0.5 percent to 1.0 percent to the Woestalleen Complex.

Cost of equity calculation

The following table sets out our cost of equity estimate for the Operating Assets of CoAL based on the assumptions and inputs discussed above:

Table A3 – 2: Estimated cost of equity

Input	Definition	Woestalleen Complex		Vele and Mooiplaats	
		High value	Low value	High value	Low value
R_f	Risk free rate of return	5.4	5.4	7.6	7.6
β_a	Asset beta (ungeared beta estimate)	1.0	1.1	1.0	1.1
B_e	Equity beta (regeared beta estimate)	1.1	1.2	1.1	1.2
MRP	Equity market risk premium	6.0	6.0	6.0	6.0
α	Alpha factor - Company Specific Risk	0.5	1.0	1.0	1.5
K_e	Cost of equity (post-tax)	12.4	13.5	15.0	16.1

Source: KPMG Analysis

Cost of debt (K_d)

We have adopted an appropriate South African cost of debt in the order of 9.1 percent. This represents a risk margin of between 150 and 370 basis points over the selected risk free margins. We believe this to be reasonable.

Corporate tax rate (t_c)

This valuation does not purport to cater for each individual shareholder's perspective, but rather that of the general body of CoAL shareholders. As the ultimate liability for the tax on dividends lies with the beneficial owner of the shares and there are numerous categories of shareholder which are exempt from this tax, no adjustment has been made to our valuation in respect of the tax implications of dividends.

As such, for the purpose of our valuation assessment we have adopted an assumed average South African corporate tax rate of 28 percent in respect of CoAL.

Calculation of base WACC

The following table summarises the implied base calculation of nominal post-tax WACCs for application in our valuation assessment based on the assumptions/inputs discussed above.

Table A3 – 3: Calculation of WACC – CoAL

Input	Definition	Woestalleen Complex		Vele and Mooiplaats	
		High value	Low value	High value	Low value
K_d	Cost of debt (pre-tax)	9.1	9.1	9.1	9.1
K_e	Cost of equity (post-tax)	12.4	13.5	15.0	16.1
t_c	Corporate tax rate	28.0	28.0	28.0	28.0
$D/(D+E)$	Proportion of debt in the capital mix	10.0	10.0	10.0	10.0
$E/(D+E)$	Proportion of equity in the capital mix	90.0	90.0	90.0	90.0
WACC	Weighted average cost of capital (nominal post-tax)	11.8	12.8	14.1	15.2

Source: KPMG Analysis

Based on the inputs described previously we have calculated WACC in the ranges of 11.8 percent per annum to 12.8 percent per annum and 14.1 percent per annum to 15.2 percent per annum. Having regard to these calculations and the wide variability in data relating to betas and gearing set out above, we consider discount rate in the range of 12.0 to 13.0 percent per annum for the Woestalleen Complex and 14.0 percent per annum to 15.0 percent per annum for the Vele and Mooiplaats Collieries to be appropriate.

Appendix 4 – Comparable company valuation parameters

Table A4 – 1: Selected listed South African coal development and production companies as at 28 September 2012

Company	Location	Enterprise value \$M ¹	Resource \$/t ²	Reserve \$/t ³
Continental Coal Limited	South Africa, Botswana	70.8	0.04	1.86
Exxaro Resources Limited	South Africa	7,090.3	0.47	2.01
Homeland Energy Group Ltd.	South Africa	61.7	0.24	5.08
Intra Energy Corporation Limited	Tanzania	50.5	0.21	1.80
Keaton Energy Holdings Limited	South Africa	83.3	0.46	1.84
South African Coal Mining Holdings Limited	South Africa	51.7	1.26	4.62
Strategic Natural Resources Plc	South Africa	50.2	0.33	4.51
Notes:				
1. Enterprise value has been calculated as market capitalisation as at 28 September 2012 converted to USD as at the same date based on prevailing spot price (where relevant) and net debt/cash of the company reported prior to 28 September 2012				
2. Calculated as enterprise value divided by resources				
3. Calculated as enterprise value divided by reserves				

Source: Capital IQ, company financial statements, publicly available resource/reserve information of relevant companies and KPMG analysis

Table A4-2: Selected company descriptions

Company	Description
Continental Coal Limited	Continental Coal Limited engages in the production and sale of thermal coal in South Africa. The company primarily holds interests in the Vlakvarkfontein and Ferreira mines. It also holds interests in various development projects in South Africa, as well as exploration projects in Botswana. The company was formerly known as Continental Capital Limited and changed its name to Continental Coal Limited in July 2009. Continental Coal Limited is based in Sandton, South Africa.
Exxaro Resources Limited	Exxaro Resources Limited, a mining company, engages in extracting and processing minerals and metals. It focuses on coal, ferroalloys, iron ore, and selected industrial minerals primarily in South Africa. The company principally produces power station, steam, and coking coal, as well as char. It supplies its power station coal to the national power utility and municipal power stations; and char to the ferroalloy industry. The company was formerly known as Kumba Resources Limited and changed its name to Exxaro Resources Limited in November 2006. The company is based in Pretoria West, South Africa. Exxaro Resources Limited is a subsidiary of Main Street 333 Proprietary Limited.

Company	Description
Homeland Energy Group Ltd.	Homeland Energy Group Ltd. engages in the acquisition, exploration, development, and production of mineral resource properties. The company owns a portfolio of mineral property assets or rights; and engages in mining coal and producing thermal quality coal products for use in the power generation, and cement and brick-end products industries in South Africa, as well as exports to international markets for energy production. It holds a 74% interest in the Kendal Colliery located in the west-central region of the Witbank Coalfield; a 50% interest in the Eloff mineral property located in the province of Mpumalanga; and a 100% interest in the Northfield site reclamation project located in Kwa-Zulu Natal Province in South Africa. The company, through its holdings in Homeland Energy Corp., also engages in the exploration and development of uranium projects in Niger and the United States. Homeland Energy Group Ltd. was founded in 2004 and is based in Toronto, Canada.
Intra Energy Corporation Limited	Intra Energy Corporation Limited engages in the exploration and production of thermal coal properties in Australia and Africa. The company principally holds interests in Mbalawala mine located in the Ngaka basin, Tanzania. It also owns various tenements to explore uranium located in Western Australia. The company was formerly known as Atomic Resources Limited and changed its name to Intra Energy Corporation in April 2011. Intra Energy Corporation was incorporated in 2007 and is headquartered in Sydney, Australia.
Keaton Energy Holdings Limited	Keaton Energy Holdings Limited, a coal mining and development company, engages in the exploration, development, and production of coal resources in South Africa. The company operates the Vanggatfontein Colliery that covers an area of 1,635 hectares in Mpumalanga; and the Vaalkrantz Anthracite Colliery located in KwaZulu-Natal province. Its development projects include the Sterkfontein project that covers a total area of 7,280 hectares in the Bethal district of the Highveld Coalfield in Gauteng; the Braakfontein project located near Newcastle in KwaZulu-Natal; and the Koudelager project in KwaZulu-Natal. The company's exploration projects comprise the Balgray and Mpati projects located in KwaZulu-Natal. Keaton Energy Holdings Limited was founded in 2006 and is based in Bryanston, South Africa.
South African Coal Mining Holdings Limited	South African Coal Mining Holdings Limited engages in production and distribution of coal. The company was founded in 2007 and is based in Pretoria, South Africa. South African Coal Mining Holdings Limited operates as a subsidiary of JSW Energy Ltd.
Strategic Natural Resources Plc	Strategic Natural Resources Plc engages in the acquisition and development of natural resource assets primarily in South Africa. The company, through its subsidiary, Elitheni Coal (Pty) Limited, engages in the development and mining of Elitheni coal mine that covers an area of 184,000 hectares and is located in Eastern Cape Province. Strategic Natural Resources Plc was founded in 2004 and is based in London, the United Kingdom.

Appendix 5 – Comparable transaction valuation parameters

Table A5-1: Selected comparable transactions

Target	Coal types ⁵	Mining method	Percentage acquired	Acquirer	Date announced	Enterprise value (\$m) ^{1,2}	Resource multiple Resource \$/t ³	Reserve \$/t ⁴
Shanduka Coal Pty Ltd	TC	OC	20.0%	Shanduka Group Pty Ltd	14 Dec 11	422.9	1.84	5.6
Umcebo Mining (Pty) Ltd	TC	OC	43.7%	Glencore International plc	7 Dec 11	309.6	0.46	4.7
Optimum Coal Holdings Limited	TC	OC, UG	67.8%	Glencore International plc, Mr Ramaphosa	1 Sep 11	1,377.7	1.07	4.0
Riversdale Mining Ltd	CC, TC, AC	OC	100.0%	Rio Tinto Ltd	23 Dec 10	3,657.0	0.31	10.8
Mashala Resources	TC	OC, UG	64.1%	Continental Coal Ltd	15 Sep 10	54.6	0.13	n/a
Minas Moatize LDA	TC, CC	OC, UG	100.0%	BHR Mining Ltd	16 Apr 10	35.0	1.06	n/a
Siyanda Coal Pty Ltd	TC	UG	50.0%	Optimum Coal Holdings Limited	12 Feb 10	174.5	0.88	2.5
Khanyisa Mine	TC	OC	100.0%	Wescoal Mining (Pty) Limited	23 Jun 09	5.2	1.04	1.2
Coal of Africa Limited	CC, TC	OC, UG	16.3%	ArcelorMittal South Africa	7 Apr 09	128.4	0.08	n/a
Notes:								
1. Consideration represents the market value of the target, denominated in United States dollars, calculated based on the bidder's closing share price, the prevailing exchange rate on the last trading day prior to the announcement (as applicable) and the number of shares on issue prior to the announcement date.								
2. Where the transaction involved a company acquiring the balance of shares it did not directly own or where the transaction involved less than 100% acquisition, the consideration has been grossed up to reflect an implied acquisition of 100%.								

3. Resources and reserve multiples are calculated using the enterprise value implied by the consideration offered and the target's net debt/cash position reported prior to the announcement of the transaction. Resources and reserves have been sourced from latest resources and reserves statement announced by the company prior to the announcement of the transaction.
4. Reserve multiples are based on proven and probable reserves (exclusive of stockpile). Resource multiples are based on measured, indicated and inferred resources, and are inclusive of reserves.
5. TC: Thermal coal, CC: Coking coal, AC: Anthracite, OC: Open cut mining, UG: Underground mining

Source: Capital IQ, company websites, company announcements, company financial statements and KPMG analysis

Appendix 6 – Technical Specialist Report

Independent Geologist Specialist Report On the Principal South African Operating and Non-Operating Mineral Assets of Coal of Africa Limited

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Reference No.:- VMD1340R

Effective Date :- 30th September 2012

Final Report Date : 10th December 2012

Independent Geologist Specialist Report

On the Principal South African Operating and Non-Operating Mineral Assets of Coal of Africa Limited

Attention : Mr Bill Allen
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Synopsis

KPMG Financial Advisory Services (Australia) Proprietary Limited (KPMG) was engaged by Coal of Africa Limited (CoAL) to prepare an Independent Experts Report (IER) in relation to a potential transaction with Haohua Energy International (Hong Kong) Co. Limited (HEI). In this regard Venmyn Rand (Proprietary) Limited, a subsidiary of Deloitte Consulting South Africa (Proprietary) Limited, known herein as Venmyn Deloitte, was commissioned by the directors of CoAL to provide KPMG with technical assistance in placing a value on CoAL's principal mineral assets. Venmyn Deloitte has independently assessed the value of certain of CoAL's mineral assets and the results have been incorporated into this Specialist Report. Venmyn Deloitte understands that this Specialist Report will be included as an appendix to KPMG's IER on the proposed transaction.

CoAL's mineral assets, considered in this Specialist Report, are all situated in South Africa and have been divided into operating and non-operating (or exploration) assets. The asset type, development status and legal tenure are summarised in the table below. Certain non-material projects attributable to CoAL have not been included in this report as they are considered as currently being sub-economic, immaterial to the transaction or depleted in their entirety.

ASSET TYPE	PROVINCE IN SOUTH AFRICA	REGION	PROJECT / MINE	DEVELOPMENT STATUS	NEW ORDER LICENCE TYPE	TOTAL LICENCE AREA (Ha)	COAL'S ATTRIBUTABLE INTEREST (%)
Operating	Mpumalanga		Mooiplaats	Operating	Mining & Prospecting	4,607	#100%
			Vuna		Mining	712	*100%
			Vele		Mining & Prospecting	10,756	100%
Non - Operating	Limpopo	Makhado	Makhado	Feasibility	Prospecting	8,190	100%
			Telema & Gray	Exploration		2,131	100%
			Mount Stuart	Exploration		9,125	100%
			Generaal	Early Exploration		13,470	74%
		Chapudi	Chapudi	Pre Feasibility		17,948	74%
			Chapudi West	Early Exploration		8,992	74%
			Wildebeesthoek	Early Exploration		10,641	74%
		Mopane	Voorburg	Advanced Exploration		11,325	**74-100%
			Jutland	Early Exploration		14,491	**74-100%
			Notes :				

Notes :

26% of shareholding is under dispute.

* CoAL's legal interest is 49% but the economic interest is 100%.

** CoAL has a 100% interest in the right holder(s) except those acquired as part of the Chapudi Acquisition Transaction. In these right holder(s) CoAL has a 74% interest. CoAL does not own all farms over which it has rights.

It must be noted that a number of the New Order Prospecting Rights (NOPRs) held by CoAL have expired. Venmyn Deloitte confirms that the company has applied to the relevant South African government departments timeously and correctly for the renewal of these rights. According to South African law the minister cannot unreasonably withhold the issuing of these rights provided the application is correct and the license remains valid until it is rejected, or otherwise.

The reader is advised that it is common practise in South Africa for renewals to take an extended amount of time to be re-awarded. However, in respect of certain PRs, the processing of the renewal has taken more than three years from the date of expiry of the initial PR which can only occur once for a maximum of three years. Venmyn Deloitte has been advised by CoAL's legal advisors that it is unlikely that the Minister of Mineral Resources will grant a renewal with retrospective effect. Therefore, there may be a risk associated with the renewal of these specific expired NOPRs.

As part of the preparation of this Specialist Report, Venmyn Deloitte has reviewed CoAL's declared resources and reserves for each of the assets, reviewed the technical input parameters of management's discounted cash flow models for the operating assets and estimated the mineral asset value of the non-operating assets using an appropriate valuation methodology, as at 30th September 2012.

While it is understood that KPMG will separately conduct a mineral asset valuation of the operating assets, Venmyn Deloitte have reviewed certain technical assumptions in CoAL's corporate models, in order to assist KPMG with their valuation.

While it is understood that KPMG will separately conduct a mineral asset valuation of the operating assets, Venmyn Deloitte have reviewed certain technical assumptions in CoAL's corporate models, in order to assist KPMG with their valuation. In addition, Venmyn Deloitte have estimated the mineral asset value of the reserves that fall outside of the life of mine plans considered in CoAL's corporate models ('excess reserves').

This Specialist Report provides a detailed description of each asset, which includes reference to its tenure, status of development, recent exploration and production, resources and reserves, review of technical input parameters, method of valuation and valuation assumptions and results, where appropriate. Venmyn Deloitte has also included a review of the global and South African coal industry. The summary of the operating and non-operating assets for which resources and reserves have been declared are presented in the table to follow.

COALFIELD	COAL TYPE	REGION	PROJECT / MINE	JORC RESOURCES	JORC RESERVES
Mpumalanga	Thermal		Mooiplaats	Yes	Yes
			Vuna	Yes	Yes
Limpopo			Vele	Yes	Yes
Soutpansberg	Thermal & Coking	Makhado	Makhado	Yes	-
			Telema & Gray	Yes	-
			Mount Stuart	Yes	-
			Generaal	-	-
		Chapudi	Chapudi	Yes	-
			Chapudi West	-	-
			Wildebeesthoek	-	-
		Mopane	Voorburg	Yes	-
			Jutland	-	-

Venmyn Deloitte has prepared this Specialist Report in accordance with and to the extent required by each of the Regulatory Guide 111 – Content of expert reports (RG111), the Regulatory Guide 112 – Independence of experts (RG112), prepared by the Australian Securities and Investment Commission (ASIC), and the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, as amended (the Valmin Code). The resources and reserves have been defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, JORC Code, 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.

All Exploration Results, Mineral Resources and Ore Reserves, quoted in this Specialist Report, are based upon information compiled by a Competent Person who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy or the Australian Institute of Geoscientists or a Recognised Overseas Professional Organisation (ROPO). The Competent Persons each have a minimum of five years of experience which is relevant to the style of mineralisation and type of deposit under consideration. These Competent Persons are either in the full-time employ of CoAL or are contracted to CoAL. The specific Competent Person who prepared the Exploration Results, Mineral Resources and Ore Reserves for each project is identified in the relevant project sections to follow.

The Valmin Code requires that site visits be conducted to each asset being valued. The authors of this report have carried out numerous site visits to CoAL's mineral assets between March 2010 and May 2012, as part of previous work assignments for the company.

Since 2010, Venmyn (now Venmyn Deloitte) has prepared a number of valuations of CoAL's mineral projects for both internal and external purposes. Venmyn Deloitte has also prepared four technical documents for CoAL between 2011 and 2012. These included an Independent Competent Persons Report on the Principal Coal Assets of Coal of Africa Limited (October 2012), an Independent Technical Statement as at 18th September 2011, an Independent Technical Statement for the Greater Soutpansberg as at 31st May 2012 and a Best Practise Guideline for Exploration (June 2012).

Neither Venmyn Deloitte nor any of its personnel involved in the preparation of this report have any material interest in either CoAL or HEI or in any of the properties described herein. Venmyn Deloitte was remunerated a fixed fee amount for the preparation of this report, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, Venmyn Deloitte has not received and will not receive any pecuniary or other benefit whether direct or indirect for, or in connection with, the preparation of this report.

Venmyn Deloitte is a subsidiary of Deloitte Consulting South Africa (Proprietary) Limited, a South African member firm of Deloitte Touche Tohmatsu Limited (Deloitte). The reader is advised that Deloitte is currently CoAL's external auditor. Deloitte have considered any potential independence threats as a result of this relationship and have declared in writing that the company is comfortable that this scope of work would not impair their independence of CoAL in respect of their external audit. This assignment and appointment has also been approved by CoAL's internal audit committee.

Venmyn Deloitte has independently reviewed CoAL's resource and reserve statements for each of the mineral assets, as at 30th September 2012, and has concluded that they are reasonable. Venmyn Deloitte confirms that they have been based upon reliable exploration and mining results (where appropriate) and accurately estimated using industry best practise standards of modelling. Venmyn Deloitte also concludes that the resources and reserves have been correctly classified according to the JORC Code. These resources and reserves form a reliable basis on which to carry out the valuation exercises.

The resource statements for the mineral assets are tabulated below, and are presented unaltered from the form that was presented to Venmyn Deloitte, by CoAL, after our review.

PROJECT	RESOURCE CATEGORY	GROSS TONNES IN SITU (GTIS)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	COAL ATTRIBUTABLE INTEREST (%)	COAL ATTRIBUTABLE MTIS RESOURCE
Vele	Measured	149,939,225	134,945,303	87,100,800	100%	87,100,800
Mooiplaats		71,578,459	67,999,536	43,392,900	#100%	43,392,900
Vuna		1,555,019	1,477,268	1,398,900	*100%	1,398,900
Voorburg		109,435,158	98,491,642	94,915,200	**74-100%	92,011,700
Makhado		402,780,570	362,502,513	264,982,700	100%	264,982,700
Telema and Gray		42,244,854	38,020,369	36,240,800	100%	36,240,800
TOTAL MEASURED		777,533,285	703,436,630	528,031,300		525,127,800
Vele	Indicated	426,854,188	362,826,060	200,298,000	100%	200,298,000
Mooiplaats		10,971,597	9,325,857	1,578,000	#100%	1,578,000
Vuna		0	0	0	*100%	0
Voorburg		125,033,852	106,278,774	100,500,000	**74-100%	96,444,000
Makhado		298,594,886	253,805,653	76,390,000	100%	76,390,000
Telema and Gray		29,581,152	25,143,979	23,225,000	100%	23,225,000
TOTAL INDICATED		891,035,675	757,380,324	401,991,000		397,935,000
Vele	Inferred	218,931,575	175,145,260	75,090,000	100%	75,090,000
Mooiplaats		4,275,372	3,420,298	90,000	#100%	90,000
Vuna		0	0	0	*100%	0
Voorburg		36,238,997	28,991,198	23,940,000	**74-100%	21,130,000
Makhado		94,232,132	75,385,706	2,990,000	100%	2,990,000
Telema and Gray		12,301,228	9,840,982	7,320,000	100%	7,320,000
Mount Stuart		407,162,828	325,730,262	55,460,000	100%	55,460,000
Chapudi		6,399,023,436	5,119,218,749	1,318,420,000	74%	975,630,000
TOTAL INFERRED		7,172,165,568	5,737,732,454	1,483,310,000		1,137,710,000
GRAND TOTAL		8,840,734,528	7,198,549,409	2,413,332,300		2,060,772,800

Notes

26% of shareholding is under dispute. * CoAL has a 49% legal interest, but a 100% economic interest.

** CoAL has a 100% interest in the rights holder(s) except those acquired as part of the Chapudi Acquisition Transaction. In these rights holder(s) CoAL has a 74% interest. CoAL does not own all farms over which it has rights.

CoAL's reserve statements for the mineral assets are tabulated below, and are presented unaltered from the form that was presented to Venmyn Deloitte, by CoAL, after our review.

PROJECT / MINE	RESERVE CATEGORY	MINEABLE TONNES IN SITU RESERVE	ROM TONNES	SALEABLE PRIMARY PRODUCT TONNES	SALEABLE SECONDARY PRODUCT TONNES	COAL ATTRIBUTABLE INTEREST (%)
Vele	Proven	24,198,980	25,697,139	4,742,511	9,842,014	100%
Mooiplaats		30,137,105	20,305,836	10,622,143	5,245,811	#100%
Vuna		1,399,277	1,483,189	608,662	384,381	*100%
TOTAL PROVEN		55,735,362	47,486,164	15,973,316	15,472,206	
Vele	Probable	301,371,240	266,114,681	47,847,547	117,751,168	100%
Mooiplaats		0	0	0	0	#100%
Vuna		0	0	0	0	*100%
TOTAL PROBABLE		301,371,240	266,114,681	47,847,547	117,751,168	
GRAND TOTAL		357,106,602	313,600,845	63,820,862	133,223,374	

Notes

26% of shareholding is under dispute.

* CoAL has a 49% legal interest, but a 100% economic interest.

While it is understood that KPMG will separately conduct a mineral asset valuation of the operating assets, Venmyn Deloitte have reviewed certain technical assumptions in CoAL's corporate models, in order to assist KPMG with their valuations. In general, Venmyn Deloitte has concluded that the technical input assumptions are reasonable as at the effective date of this report.

It should be noted, however, that the current increase in industrial action at South African mines would see a general increase in the labour related costs for mining operations. CoAL will not be immune to this, with recent strike action and wage settlement at Mooiplaats being a case in point. CoAL has calculated the impact on the wage settlement reached at Mooiplaats and it translates to an increase of about 1% on Mooiplaats' total cost per saleable tonne. The impact on Mooiplaats was considered immaterial. Venmyn Deloitte cautions that certain on-site employees could have wages increased on other operations. Such potential effects have not been included in the corporate models of CoAL, and Venmyn Deloitte therefore consider that KPMG should run sensitivities to assess the impact of these issues to the valuation results of the projects, although we consider that the overall impact on labour costs would be less than 5%. It is notable that Venmyn Deloitte is not aware of any current labour unrest on any of the other operations owned by CoAL. In addition, Venmyn Deloitte considers that the production forecasts for Mooiplaats (on an annual tonnage basis) may be overstated based on past performance.

Venmyn Deloitte has reviewed and checked the integrity and robustness of CoAL's financial models for completeness, reasonableness and accuracy of technical inputs utilised in the model. Venmyn Deloitte has concluded that, apart from the issues identified above, the models can be relied upon and that the technical inputs have been correctly captured and operates as anticipated.

Venmyn Deloitte conducted independent valuations of the reserves not included in the Life of Mine plans ('excess reserves') in CoAL's corporate models, in order for KPMG to assess 'terminal values' (in addition to their respective DCF value), if applicable. The table below summarises the results of these valuations:-

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE OF EXCESS RESERVES (ZARm)	ATTRIBUTABLE FAIR VALUE OF EXCESS RESERVES (ZARm)
Vele	N/A	1,486	1,486	1,486
Mooiplaats	N/A	384	384	384
TOTAL	N/A	1,870	1,870	1,870

Venmyn Deloitte conducted independent valuations of the non-operating assets. The table to follow summarises the results of these valuations.

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Makhado	2,275	2,259	2,259	2,259
Telema and Gray	224	195	195	195
Mount Stuart	9	28	28	28
Generaal	15	54	54	40
Chapudi	211	527	527	390
Chapudi West	9	27	27	20
Wildebeesthoek	12	43	43	31
Voorburg	103	593	593	572
Jutland	47	58	58	48
TOTAL	2,905	3,783	3,783	3,583

In general, the valuation results from the Cost Approach and the Market Approach are broadly similar. This gives Venmyn Deloitte confidence in the approaches used. Where large differences do occur, these are generally attributed to the effects of the Chapudi Acquisition Transaction, in that only ~USD30m (first tranche) of the total ~USD75m of the transaction price has been paid (and hence allocated to costs) to-date. This has resulted in projects such as Chapudi, Chapudi West, Generaal and Wildebeesthoek recording significantly lower Cost Approach values compared to the Market Approach values (due to the lower associated acquisition cost allocations).

The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the full range in which each mineral asset has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

This, together with the somewhat subjective manner in which certain acquisition and exploration costs have been allocated to the respective projects, gives Venmyn Deloitte less confidence in the Cost Approach Valuations. As a consequence, Venmyn Deloitte considers that the Fair Value of the mineral assets considered, is represented by the Market Approach.

In addition, Venmyn Deloitte's transaction and valuation database provides a comprehensive and reliable benchmark for recent relevant transactions in the coal industry in general and the Soutpansberg Coalfield in particular.

Disclaimer and Risks

Venmyn Deloitte has prepared this Specialist Report and, in so doing, has utilised information provided by CoAL as to its operational methods and forecasts. Where possible, this information has been verified from independent sources with due enquiry in terms of all material issues that are a prerequisite to comply with the JORC and Valmin Code. Venmyn Deloitte and its directors accept no liability for any losses arising from reliance upon the information presented in this report.

The authors of this Specialist Report are not qualified to provide extensive commentary on legal issues associated with CoAL's right to the mineral properties. CoAL and its attorneys have provided certain information, reports and data to Venmyn Deloitte in preparing this Specialist Report which, to the best of CoAL's knowledge and understanding, is complete, accurate and true and CoAL acknowledges that Venmyn Deloitte has relied on such information, reports and data in preparing this Specialist Report. No warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects of this document.

Operational Risks

The businesses of mining and mineral exploration, development and production by their natures contain significant operational risks. The businesses depend upon, amongst other things, successful prospecting programmes and competent management. Profitability and asset values can be affected by unforeseen changes in operating circumstances and technical issues.

Political and Economic Risks

Factors such as political and industrial disruption, currency fluctuation, increased competition from other prospecting and mining rights holders and interest rates could have an impact on CoAL's future operations, and potential revenue streams can also be affected by these factors. The majority of these factors are, and will be, beyond the control of CoAL or any other operating entity.

Forward Looking Statements

This report contains forward-looking statements. These forward-looking statements are based on the opinions and estimates of Venmyn Deloitte and CoAL at the date the statements were made. The statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those forward-looking statements anticipated by Venmyn Deloitte and CoAL. Factors that could cause such differences include changes in world coal markets, equity markets, costs and supply of materials, and regulatory changes. Although Venmyn Deloitte believes the expectations reflected in the forward-looking statements to be reasonable, Venmyn Deloitte does not guarantee future results, levels of activity, performance or achievements.

Independent Geologist Specialist Report

On the Principal South African Operating and Non-Operating Mineral Assets of Coal of Africa Limited

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1. Introduction

KPMG was engaged by CoAL to prepare an IER in relation to a potential transaction with HEI. In this regard, Venmyn Deloitte was commissioned by the directors of CoAL to provide KPMG with technical assistance in placing a value on CoAL's mineral assets. Venmyn Deloitte has independently reviewed the resources and reserves of CoAL and independently assessed the value of the non-operating mineral assets and reviewed certain technical input assumptions for the DCF models of the operating mineral assets. The results have been incorporated into this Specialist Report. Venmyn Deloitte understands that this Specialist Report will be included as an appendix to KPMG's IER on the proposed transaction, and used by KPMG in informing their own view on the value of the mineral assets.

CoAL is a coal mining and exploration company with its principal thermal and coking coal assets located across South Africa in four different coalfields. These assets include mining and prospecting licences for a number of operating mines and exploration projects at various stages of development from early reconnaissance to feasibility stage.

2. Scope of the Opinion

CoAL's mineral assets, considered in this Specialist Report, are all situated in South Africa and have been divided into operating and non-operating assets. The location of the mineral assets is illustrated in relation to South Africa's coalfields in Figure 1. The asset type, development status and legal tenure are summarised in Table 1. Certain non-material projects attributable to CoAL have not been included in this report as they are considered as currently being sub-economic, immaterial to the transaction or depleted in their entirety.

Table 1 : Summary of CoAL's Principal Mineral Assets by Development Status and Tenure

ASSET TYPE	PROVINCE IN SOUTH AFRICA	REGION	PROJECT / MINE	DEVELOPMENT STATUS	NEW ORDER LICENCE TYPE	TOTAL LICENCE AREA (Ha)	COAL'S ATTRIBUTABLE INTEREST (%)
Operating	Mpumalanga		Mooiplaats	Operating	Mining & Prospecting	4,607	#100%
			Vuna		Mining	712	*100%
			Vele		Mining & Prospecting	10,756	100%
Non - Operating	Limpopo	Makhado	Makhado	Feasibility	Prospecting	8,190	100%
			Telema & Gray	Exploration		2,131	100%
			Mount Stuart	Exploration		9,125	100%
			Generaal	Early Exploration		13,470	74%
		Chapudi	Chapudi	Pre Feasibility		17,948	74%
			Chapudi West	Early Exploration		8,992	74%
			Wildebeesthoek	Early Exploration		10,641	74%
		Mopane	Voorburg	Advanced Exploration		11,325	**74-100%
			Jutland	Early Exploration		14,491	**74-100%
Notes :					TOTAL	112,388	

Notes :

26% of shareholding is under dispute.

* CoAL's legal interest is 49% but the economic interest is 100%.

** CoAL has a 100% interest in all right holder(s) except those acquired as part of the Chapudi Acquisition Transaction. In these right holder(s) CoAL has a 74% interest.

As part of the preparation of this Specialist Report, Venmyn Deloitte has reviewed CoAL's declared resources and reserves for each of the assets, and estimated the value of the non-operating mineral assets using an appropriate valuation methodology, as at 30th September. The summary of assets for which resources and reserves have been declared is presented in Table 2.

This Specialist Report provides a detailed description of each asset, which includes reference to its tenure, status of development, recent exploration and production, resources and reserves, method of valuation, valuation assumptions and valuation results. Venmyn Deloitte has also included a review of the South African coal industry.

LOCALITY OF CoAL's PRINCIPAL MINERAL ASSETS IN RELATION TO THE SOUTH AFRICAN COALFIELDS

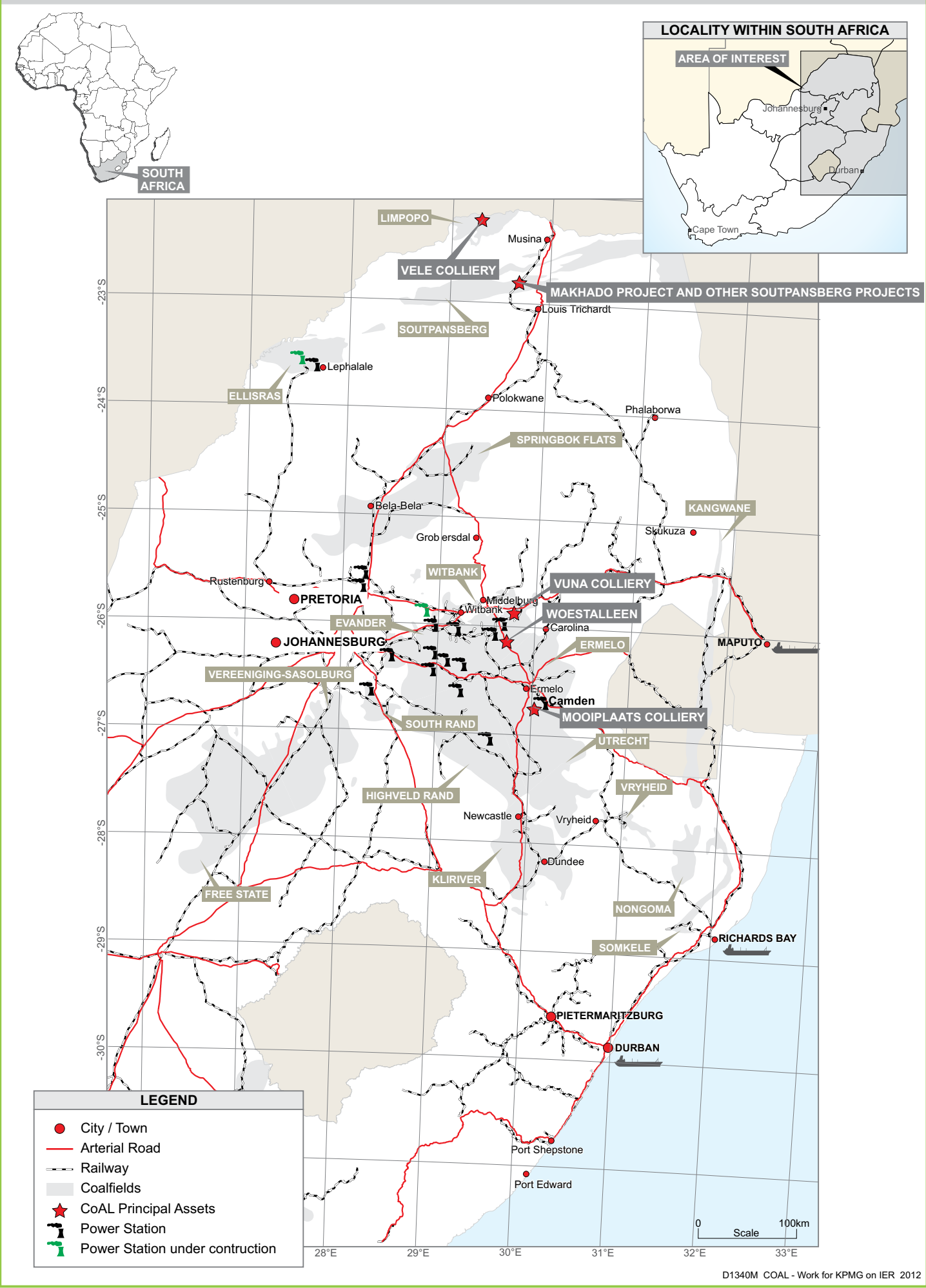


Table 2 : Summary of CoAL's Principal Mineral Assets by Resource and Reserve

COALFIELD	COAL TYPE	REGION	PROJECT / MINE	JORC RESOURCES	JORC RESERVES
Mpumalanga	Thermal		Mooiplaats	Yes	Yes
			Vuna	Yes	Yes
Limpopo			Vele	Yes	Yes
Soutpansberg	Thermal & Coking	Makhado	Makhado	Yes	-
			Telema & Gray	Yes	-
			Mount Stuart	Yes	-
			Generaal	-	-
			Chapudi	Yes	-
		Chapudi	Chapudi West	-	-
			Wildebeesthoek	-	-
			Voorburg	Yes	-
		Mopane	Jutland	-	-

3. Statement of Independence

This report has been prepared by Venmyn Rand (Proprietary) Limited, trading as Venmyn Deloitte, a subsidiary of Deloitte Consulting South Africa (Proprietary) Limited. Venmyn Deloitte has prepared this Specialist Report in accordance with and to the extent required by each of the Regulatory Guide 111 – Content of expert reports (RG111), the Regulatory Guide 112 – Independence of experts (RG112), prepared by the Australian Securities and Investment Commission (ASIC), and the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, as amended (the Valmin Code). The resources and reserves have been defined, by CoAL, in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, JORC Code, 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.

Neither Venmyn Deloitte nor its staff have, or have had, any interest in these projects capable of affecting their ability to give an unbiased opinion and, have not received, and will not receive, any pecuniary or other benefits in connection with this assignment, other than normal consulting fees. Neither Venmyn Deloitte nor any of its personnel involved in the preparation of this Specialist Report have any material interest in either CoAL or HEI or in any of the properties described herein.

Venmyn Deloitte was remunerated a fixed fee amount for the preparation of this report, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, Venmyn Deloitte has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

Since 2010, Venmyn (now Venmyn Deloitte) has prepared a number of valuations of CoAL's mineral projects for both internal and external purposes. Venmyn also prepared four technical documents for CoAL between 2011 and 2012. These included an Independent Competent Persons Report on the Principal Coal Assets of CoAL (October 2012), an Independent Technical Statement as at 18th September 2011, an Independent Technical Statement for the Greater Soutpansberg as at 31st May 2012 and a Best Practise Guideline for Exploration (June 2012).

As of 1st November, Venmyn Deloitte is now a subsidiary of Deloitte Consulting South Africa (Proprietary) Limited, a South African member firm of Deloitte Touche Tohmatsu Limited (Deloitte). The reader is advised that Deloitte is currently CoAL's external auditor.

Auditor independence requirements are set out in section 290 of The Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board (APES110). APES 110 defines two potential threats to auditor independence with respect to the current scope of works. In particular, these were considered in relation to the valuation of the non-operating assets and included:-

- a self-review threat; which would be created where the valuation would be subject to audit procedures by Deloitte; and
- a self-interest threat; which would be created where Deloitte has an interest in the outcome of the Proposed Transaction and therefore compromising our objectivity in providing the valuation.

In considering the above, Deloitte have taken into account the following:-

- KPMG will consider the valuation in reaching their overall view on the value of CoAL and therefore opining on the fairness of the proposed transaction; and
- Venmyn Deloitte will not be opining on the fairness of the proposed transaction and therefore have no self-interest in its outcome.

Deloitte have therefore determined there is no self-review threat because of the following:-

- the valuation is not for financial reporting purposes and will not be incorporated into CoAL's financial statements, and therefore not subject to audit procedures;
- the valuation will be issued after the 30th June 2012 accounts have been issued, so the valuation would not impact those accounts; and
- the elapsed time between the issue of the valuation and the 30th June 2013 balance date means there will be a whole new valuation carried out for 30th June 2013.

Deloitte have declared in writing that the company is comfortable that this scope of work would not impair their independence of CoAL in respect of their external audit. The internal audit committee for CoAL has also approved this assignment.

4. Competent Persons Declaration

Venmyn Deloitte's professional advisors and directors are Independent Experts as defined by the JORC Code. They are also members of the Australasian Institute of Mining and Metallurgy (AusIMM) which embodies the JORC Code and the Valmin Code. The Competent Persons involved in the preparation of this report are members in good standing with their respective professional institutions, and have the required qualifications and experience as defined in the JORC and Valmin Codes.

Venmyn Deloitte is an independent advisory company. Its consultants have extensive experience in preparing competent persons', technical advisers' and valuation reports for mining and exploration companies. Venmyn Deloitte's advisors have, collectively, more than 30 years of experience in the assessment and evaluation of mining and mineral projects. The signatories to this report are qualified to express their professional opinions on the values of the mineral assets described. To this end, Competent Persons' Certificates are presented in Section 27.

The reader is referred to Section 8 for notes on the Competent Persons responsible for the preparation of the CoAL resources and reserves.

5. Site Visits

The Valmin Code requires that site visits be conducted to each asset being valued. The authors of this report have carried out numerous site visits to CoAL's mineral asset between March 2010 and May 2012 as part of previous work assignments for the company.

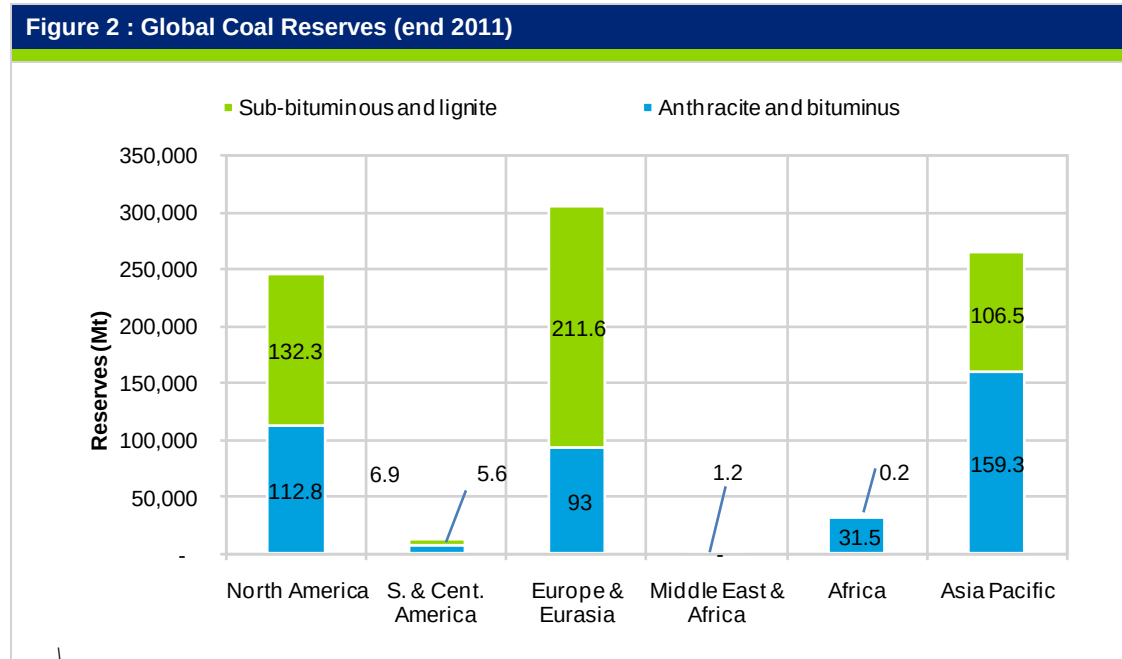
During these site visits, the authors have inspected the mining operations, exploration drilling procedures, core logging and data capture and all available infrastructure in the general area and within the properties themselves. These site visits have substantiated the existence of CoAL's mineral and mining assets which are supported by the exploration and production results detailed in the relevant sections to follow.

6. Global Coal Market Review

Coal is mined commercially in over 50 countries and used in more than 70 countries worldwide. Coal is readily available from a wide variety of sources in a well-supplied worldwide market and it can be transported to demand centres quickly, safely and easily by ship and rail. A large number of suppliers are active in the international coal market, ensuring competitive behaviour and efficient functioning.

6.1. Reserves

Venmyn Deloitte is not aware of any calculation of global coal resources. British Petroleum (BP) provides a list of coal reserves globally (Figure 2, Table 3), although whether these reserves are defined in terms of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) Codes is uncertain.



Source: BP Statistical Review of World Energy June 2012

Table 3 : Global Coal Reserves (end 2011)

REGION/COUNTRY	ANTHRACITE & BITUMINOUS (Mt)	SUB-BITUMINOUS & LIGNITE (Mt)	TOTAL (Mt)	R/P RATIO
US	108,501	128,794	237,295	239
Canada	3,474	3,108	6,582	97
Mexico	860	351	1,211	77
TOTAL NORTH AMERICA	112,835	132,253	245,088	228
Brazil	-	4,559	4,559	*
Colombia	6,366	380	6,746	79
Venezuela	479	-	479	55
Other S. & Cent. America	45	679	724	*
TOTAL SOUTH & CENTRAL AMERICA	6,890	5,618	12,508	124
Bulgaria	2	2,364	2,366	64
Czech Republic	192	908	1,100	19
Germany	99	40,600	40,699	216
Greece	-	3,020	3,020	53
Hungary	13	1,647	1,660	174
Kazakhstan	21,500	12,100	33,600	290
Poland	4,338	1,371	5,709	41
Romania	10	281	291	8
Russia	49,088	107,922	157,010	471
Spain	200	330	530	81
Turkey	529	1,814	2,343	30
Ukraine	15,351	18,522	33,873	390
United Kingdom	228	-	228	12

REGION/COUNTRY	ANTHRACITE & BITUMINOUS (Mt)	SUB-BITUMINOUS & LIGNITE (Mt)	TOTAL (Mt)	R/P RATIO
Other Europe & Eurasia	1,440	20,735	22,175	238
TOTAL EUROPE & EURASIA	92,990	211,614	304,604	242
South Africa	30,156	-	30,156	118
Zimbabwe	502	-	502	202
Other Africa	860	174	1,034	*
Middle East	1,203	-	1,203	*
TOTAL MIDDLE EAST & AFRICA	32,721	174	32,895	126
Australia	37,100	39,300	76,400	184
China	62,200	52,300	114,500	33
India	56,100	4,500	60,600	103
Indonesia	1,520	4,009	5,529	17
Japan	340	10	350	275
New Zealand	33	538	571	115
North Korea	300	300	600	19
Pakistan	-	2,070	2,070	*
South Korea	-	126	126	60
Thailand	-	1,239	1,239	58
Vietnam	150	-	150	3
Other Asia Pacific	1,583	2,125	3,708	88
TOTAL ASIA PACIFIC	159,326	106,517	265,843	53
TOTAL WORLD	404,762	456,176	860,938	112

Source: BP Statistical Review of World Energy 2012

Notes: Proved reserves of coal – Generally taken to be those quantities that geological and engineering information indicates with reasonable certainty can be recovered in the future from known deposits under existing economic and operating conditions.

Reserves-to-production (R/P) ratio – If the reserves remaining at the end of the year are divided by the production in that year, the result is the length of time that those remaining reserves would last if production were to continue at that rate.

Although coal deposits are widely distributed, 75% of the world's recoverable Coal Reserves were located in five countries at the end of 2011: the United States (27.6%), Russia (18.2%), China (13.3%), Australia (8.9%) and India (7.0%).

Anthracite and bituminous coal accounted for 47% of the world's estimated recoverable coal reserves (on a tonnage basis) in 2011, while sub-bituminous and lignite accounted for 53% in 2011.

Regionally, Europe and Eurasia, with 35.4% of recoverable coal reserves, accounted for the largest quantity of proved coal. The Middle East, with the world's largest oil deposits, contains the least coal reserves in the world (0.1%). Africa, meanwhile, accounts for 3.7% of recoverable coal reserves (Table 3).

6.2. Supply

The most significant producers of coal in 2011 are shown in Table 4, which indicates that China was the largest coal producer in 2011 by tonnage, followed by the US, India, Australia, Indonesia and Russia (BP, 2012).

Table 4 : Selected Coal Producers –2011 Production

COUNTRY	PRODUCTION (Mt)
China	3,520
US	993
India	588
Australia	415
Russian Federation	334
Indonesia	325
South Africa	255

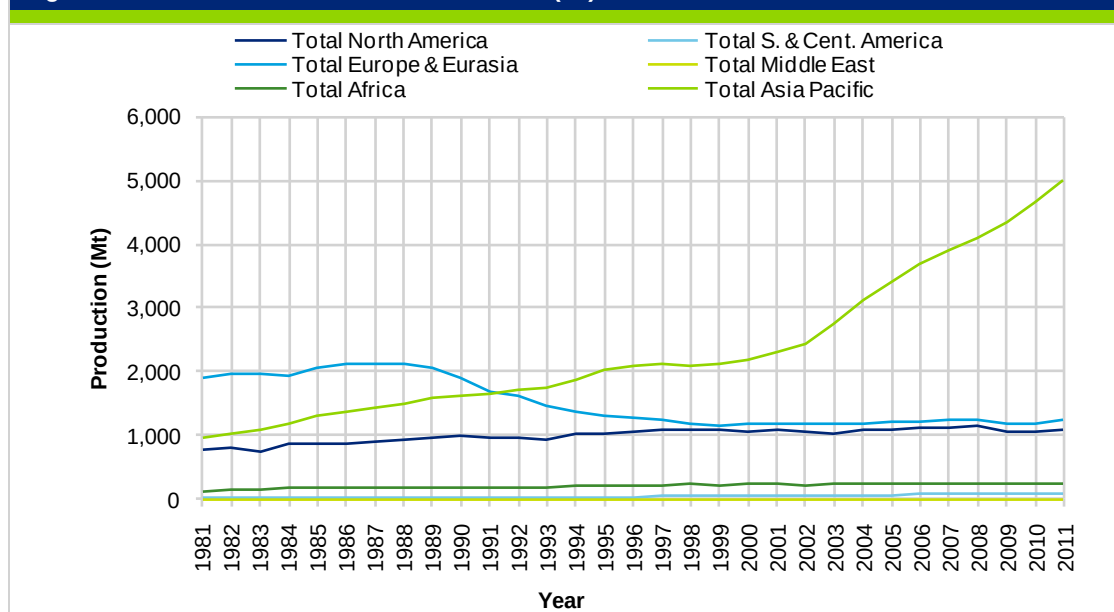
Source: BP Statistical Review of World Energy 2012

The Asia Pacific region was the largest coal producing region in 2011 and accounted for 5Bt of coal produced, or ~68% of coal produced (Figure 3 and Figure 4). China, India, Australia and Indonesia were the dominant producers, but China was the most significant producer, producing more than 70% of Asia Pacific coal in 2011.

Several countries' production was influenced by floods and heavy rains, among other factors. The Asia-Pacific countries that showed a drop in coal production in 2011 as compared to the previous period included Australia, New Zealand and Pakistan. Heavy rains at the beginning of 2012 had again resulted in coal mine closures, with four Australian coal mines closed in eastern Australia in March 2012 (The Huffington Post, 2012).

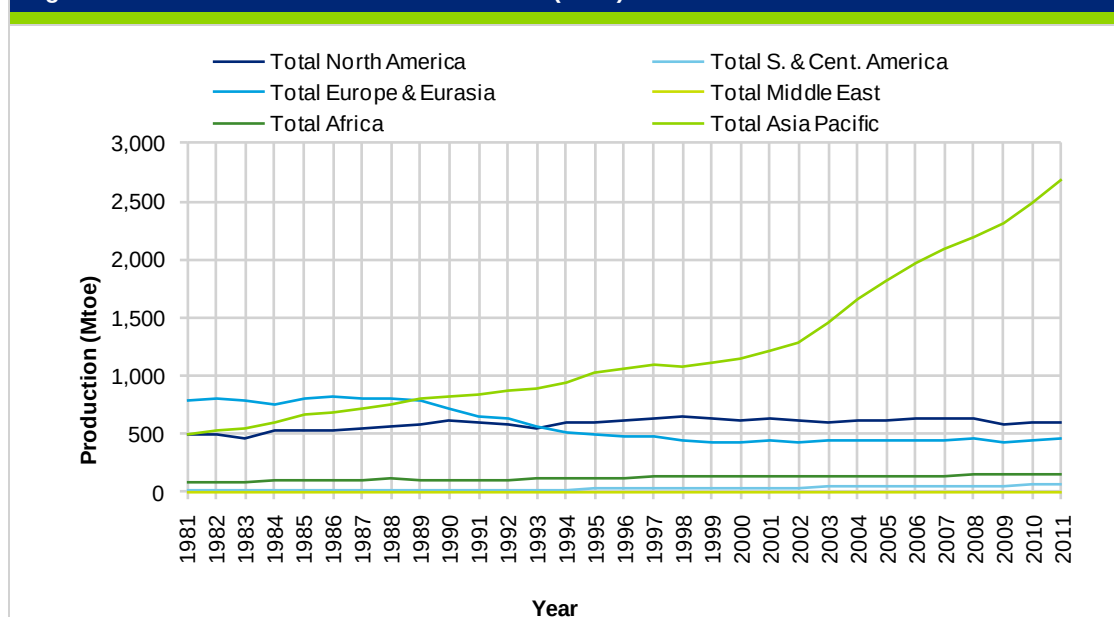
After the Asia Pacific region, North America produces the next highest amount of coal by energy value, although it produces less coal in volume terms than Europe and Eurasia. Africa, South and Central America and the Middle East are the next largest coal producers by volume and energy values. This pattern is observed in consolidated global figures for 2011 (Figure 3 and Figure 4).

Figure 3 : Coal Global Production 1981 – 2011 (Mt)



Source: BP Statistical Review of World Energy 2012

Figure 4 : Coal Global Production 1981 – 2011 (Mtoe)



Source: BP Statistical Review of World Energy 2012

Coal production quantities in North America and Africa had not significantly changed between 1981 and 2008, but production dropped in 2009 in every region, except in the Asia Pacific and Middle East regions, reducing by 9.1% in North America, 7.1% in Central and South America, 6.9% in Europe and Eurasia, and 0.7% in Africa. All regions reversed this trend between 2009 and 2010, and are again increasing their coal production volumes.

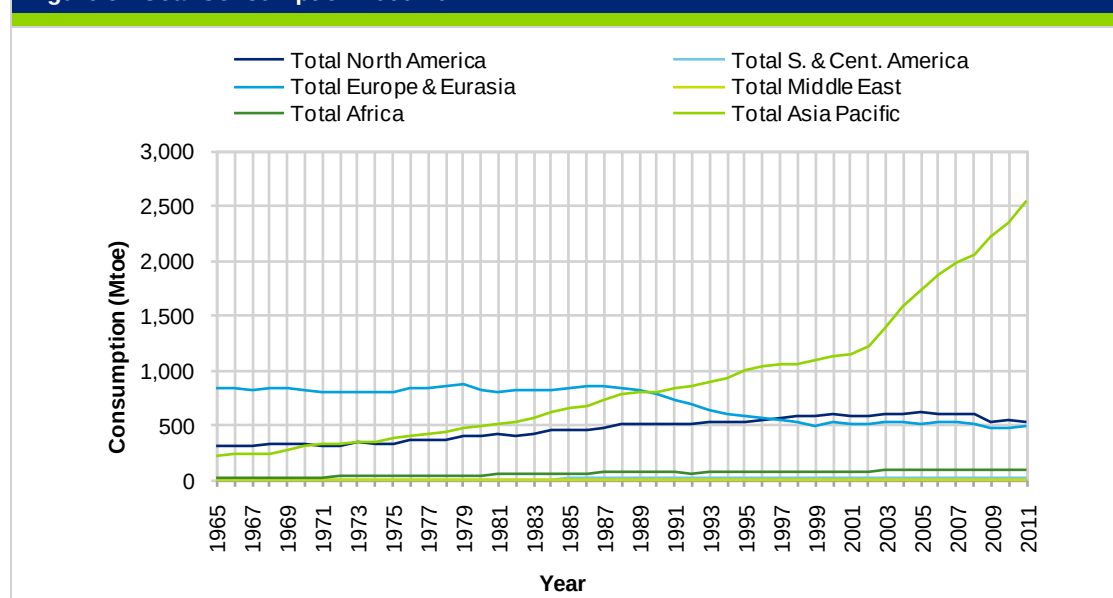
6.3. Demand

2011 has shown a global increase in demand for coal. Among the most significant users of coal was China, which increased its year-on-year consumption (in energy terms) by 9.7%, and India, which increased its consumption by 9.2% (BP, 2012).

In line with this increased demand from China and India, as well as other emerging Asian nations, Asia Pacific demand is growing, whilst growth in coal demand from other regions, and particularly from the US, is subdued or even negative.

The Asia Pacific region accounted for the bulk of coal demand by energy value in 2011, with 69%, or 2,553Mtoe, of global consumption stemming from this region in 2011 (Figure 5).

Figure 5 : Coal Consumption 2000-2011



Source: BP Statistical Review of World Energy 2012

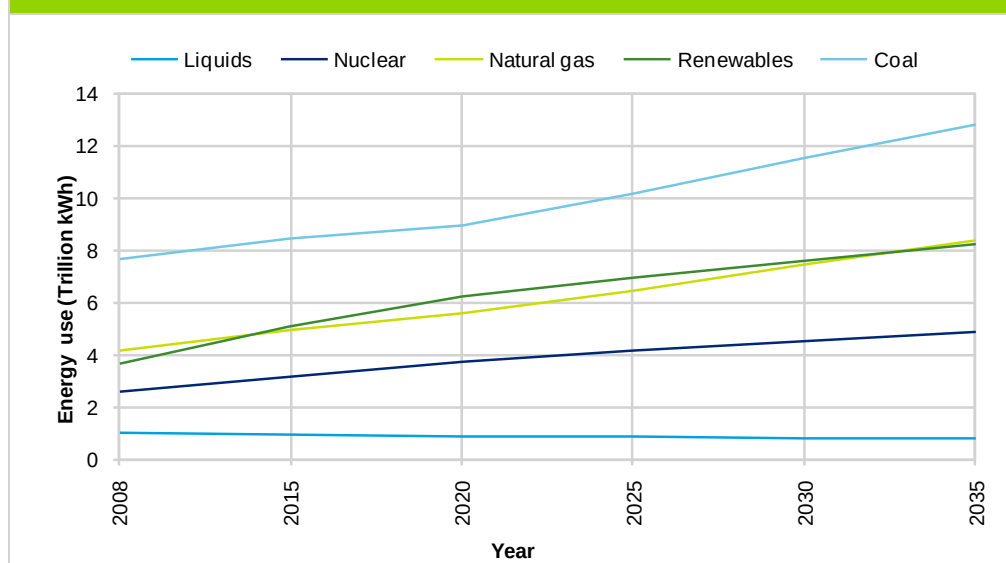
North America was the next largest contributor to consumption by region, at 14.3%, or 534Mtoe, of global demand, followed by Europe and Eurasia, at 13.4% of global demand, or 499Mtoe, in 2011. All regions, with the exception of the Middle East and Asia Pacific, experienced a drop in coal consumption, in energy terms, in 2009, but all of the regions showed an increase in consumption, in energy terms, between 2010 and 2011 (Figure 5).

6.4. Future Demand

The demand for thermal coal in the future will largely depend on the extent of global reliance on coal for electricity production, while the demand for coking coal will depend on the growth in steel production.

6.4.1. Thermal Coal

Thermal coal demand is expected to increase significantly, especially on the back of increases in power and industrial production (Figure 6).

Figure 6 : Projected Demand for Energy

Source: U.S. Energy Information Administration

While coal's share of global electricity generation capacity is expected to grow (in terms of the number of kWhs or GWs produced (Figure 5 and Figure 6)) in most regions, in some regions, notably Europe, there will be a reduction in the amount of electricity produced by coal, because of environmental concerns. The predicted coal-fired generating capacity by region is shown in Table 5.

Unsurprisingly, given many of the Asian countries' high future coal-fired electricity consumption levels (Table 5) and limited domestic supplies of coal, many of the top importers of thermal coal are expected to be from the continent in future.

Table 5 : Predicted World Coal-fired Generating Capacity by Country and Region (GW)

REGION / COUNTRY	HISTORY		PROJECTIONS				AVERAGE ANNUAL % CHANGE 2007-2035
	2007	2015	2020	2025	2030	2035	
NORTH AMERICA	340	345	346	347	352	363	0.2
United States	313	325	326	327	330	337	0.3
Canada	21	14	14	14	15	16	-0.8
Mexico	7	6	6	6	7	10	1.4
OECD EUROPE	200	189	182	176	174	177	-0.4
NON-OECD EUROPE AND EURASIA	98	97	95	96	103	118	0.7
Russia	44	44	44	44	50	61	1.1
Other	54	52	51	51	53	57	0.2
ASIA	729	859	990	1,170	1,381	1,622	3.7
Japan	45	42	41	40	39	39	-0.5
South Korea	23	22	23	27	33	41	2.1
Australia/New Zealand	31	30	31	31	32	33	0.3
China	496	625	750	901	1,062	1,233	3.3
India	84	86	89	98	113	135	1.7
Other Asia	50	53	57	72	102	141	3.8
MIDDLE EAST	6	5	5	5	5	5	-0.4
AFRICA	41	41	43	47	56	70	1.9
CENTRAL AND SOUTH AMERICA	10	10	9	9	9	11	0.1
Brazil	2	2	2	2	2	3	0.8
Other Central and South America	8	8	7	7	7	8	-0.1
TOTAL WORLD	1,425	1,545	1,671	1,849	2,080	2,366	1.8

Note: Totals may not equal sum of components due to independent rounding.

Sources: History: Derived from EIA, International Energy Statistics database (as of November 2009), web site www.eia.doe.gov/emeu/international. Projections: EIA, Annual Energy Outlook 2010, DOE/EIA-0383 (2010) (Washington, DC, April 2010), AEO2010 National Energy Modelling System, run AEO2010R.D111809A, web site www.eia.doe.gov/oi/afo/afo; and World Energy Projection System Plus (2010).

However, coal's share of net electricity generation stood at 40% globally in 2008, but will decrease to 35% of world electricity generation by fuel by 2020 only to increase to 37% by 2035 (Figure 6). This is according to the EIA (2011b), which has predicted that the share of net electricity generation by fuel type of various other energy fuels will increase. The EIA anticipates that renewables will increase their share of net electricity generation by fuel from 19% in 2008 to reach a high of 25% in 2020, followed by a reduction in share of net generation by fuel in 2035 to 23%. The EIA anticipates that natural gas's share of net electricity generation by fuel will similarly increase, rising from 22% in 2008 to 24% in 2035.

Coal's significant share of net electricity generation by fuel, as well as expectations that other energy fuels will not increase their share of net electricity generation so dramatically, suggests that coal's future is secure. Indeed, even if coal's share of electricity generation by fuel falls, in volume terms coal demand is likely to increase.

Predictors of the eventual demand for various fuel types typically have a reference case and then various other cases, and the influence of the green economy and environmental concerns is an important differentiator between the various energy futures that are being outlined by analysts. Coal's future, as a result, might not look so positive if there is a more wide-scale embracing of alternative energy types.

6.4.2. Coking Coal

Those that have been traditionally large consumers of coking coal, including Japan, the European Union (EU) and Korea, are likely to continue to be so, and their year-on-year imports are expected to grow significantly as will India and China's imports (Metalreal, 2010).

Lower-than-expected growth levels out of various countries, however, suggest that coking coal demand will be more subdued than it would have been had economic growth been higher.

6.5. Future Supply

Coal supply appeared to exceed demand at the time of writing this report (early November 2012), in line with:-

- a reduction in GDP growth and growth expectations in China and India;
- the debt crisis in the Eurozone; and
- changes to substitute fuels in the power generation market.

The reduction of once-anticipated GDP growth in China and India has had the most significant impact on the global coal market since it has resulted in a supply glut as coal producers had been producing coal that could not be consumed at current levels of growth.

This had led to power plants and other consumers in China, in particular, not accepting any more coal, despite there sometimes being 'take-or-pay' agreements in place, and cargoes being left at Chinese ports. It had also led to the situation that Chinese power plants were reported to have full inventories and that coal traders were wary of buying coal, since they were uncertain that the price would not fall further (Cooper, 2012).

The Eurozone debt crisis also continues to affect global demand for coal, since growth from this region has become sluggish. The reduced demand for coal from the Eurozone was not considered significant when China and India's growth was at a high; however, the Eurozone crisis is exasperating the situation of reduced growth from India and China and contributing to depressed coal prices.

Other regions that are contributing to a coal supply glut are those in which coal is being replaced by substitute energy fuels in power stations. Such is the case in the US, where natural gas power plants are being built and coal-fired power plants are being converted to gas plants, leading some to prophesy that it is the end of King Coal (Balassi, 2012). US coal producers have responded by redirecting their coal to other regions of the world, contributing to the supply glut and the lower coal prices, or by closing their operations.

However, some believe that the global supply glut will end, as more marginal producers stop production due to the lower prices that they have to be content with obtaining and as they accept the lower growth forecasts for China and India do not support the significant increases in coal production.

7. South African Coal Mining Industry

South Africa has a well-established, low-risk coal mining industry, which has reputable participants, including Anglo Coal, BHP Billiton Energy Coal South Africa (BECSA), Xstrata Coal, Exxaro Resources, and Sasol Mining. There are also an increasingly large number of junior mining companies as a result of their investing in greenfield projects and brownfield projects, divested by the larger mining companies wishing to secure BEE credits and to sell mines that do not fit into their coal portfolios (Ryan, 2011).

Coal is one of South Africa's most important export minerals. The bulk of the exports, particularly when freight charges are low, go to Asia (Economist Intelligence Unit, 2010).

South Africa was the seventh-largest global producer of coal in energy and volume terms in 2011. South Africa's coal reserves rank ninth in the world with a reported 30.2Bt of economically recoverable coal reserves. The country has historically been known for its low-cost, readily-available coal, which makes it a very competitive industry.

7.1. Reserves

The country is currently implementing a review of the national resources and reserves and hopes to have a firmer foundation for national estimates of coal resources and reserves. This should assist in reducing the doubt that surrounds estimates of South Africa's coal reserves. In the current South African Minerals Industry (DMR, 2010a) Handbook, the Department of Mineral Resources (DMR) states that the 2007 South African reserves total 27.9Bt. This contrasts with a higher estimate, given by BP in its 2012 Statistical Review of World Energy, of 30.2Bt of reserves, and the much lower estimate implied by US geologist Mr King Hubert, who estimates that the whole continent of Africa has ~15Bt (Hartnady, 2009).

7.2. Supply

The South African coal-mining industry is highly concentrated, with three companies, namely BECSA, Anglo Coal and Exxaro Resources Limited (Exxaro), dominating production.

South Africa's coal production accounted for 95.2% of Africa's coal production in 2011 (BP, 2012). South Africa's coal sales have been increasing since 1900, but this pattern was broken in 2009, when South Africa's sales dropped from 254.9Mt to 245.2Mt between 2008 and 2009. South Africa's export tonnages, similarly, dropped in 2009, to 60.4Mt, as a result of shortfalls in delivery from Transnet Freight Rail (Ryan 2010, DMR, 2010b and 2010a).

In 2011 South Africa produced 255.1Mt of coal and thus passed 2008 year-on-year production levels. Of this production, 65.7Mt were exported from the Richard Bay Coal Terminal (RBCT) in 2011, marking a significant improvement on 2009 export tonnages (RBCT, 2011).

There are numerous South African coalfields, with the Witbank and Highveld Coalfields being the most economically important, as they produce the highest percentage of South Africa's saleable coal. However, given that these have been mined for many decades, many are looking to the Limpopo Province for South Africa's future production.

7.3. Demand

According to South African Minerals Industry (DMR, 2010a), the main markets for South African coal are:-

- the export market, which took up ~24% of total production in 2009; and
- the domestic market, which consists of:-
 - electricity generation, which consumes 63.7% of coal in the domestic market;
 - petrochemical companies, primarily Sasol, which consume 17.8% of coal in the domestic market;

- general industry, which consumes 7.5% of coal in the domestic market;
- metallurgical industry, primarily ArcelorMittal, Highveld Steel and Columbus Steel, which consumes 4% of coal in the domestic market; and
- about 6.8% of coal for the domestic market which is purchased by merchants, and sold locally for the household market or exported, among other users.

7.3.1. The Export Market

South Africa has the capacity to export 91Mt of coal from the Richards Bay Coal Terminal (RBCT), but it is exporting significantly lower volumes, having exported slightly more than 60Mt in 2009. There has since been an increase in exports, however, with exports reaching 66.4Mt in 2010 and 65.7Mt in 2011 (DMR, 2011; RBCT, 2011).

An alternative option for exporting South African coal is to export via the Matola Coal Terminal, in Maputo, Mozambique. CoAL is making extensive use of this terminal, although it is reported that the CoAL's exports from this terminal almost halved in the September quarter to 224,972t (McKay, 2012).

There are plans to increase the Matola port capacity to 10Mtpa by 2018, which would make Matola an important export terminal for CoAL, which has the option over the full Phase IV 20Mtpa port expansion.

Another alternative is the Durban Bulk Connection (DBC), which currently has a capacity of 2Mtpa for sized coal exports.

7.3.2. The Domestic Market

South Africa dominates the subregion in its maximum electricity demand, its total electricity capacity and its proportional dependency on coal as part of the possible electricity generation mix that is available to it (Table 6) – and this has significant implications for its current and future use of coal, which finds its dominant domestic use in electricity production.

Table 6 : Electricity Generation Mix in Selected Southern African Countries (MW)

COUNTRY	MAXIMUM DEMAND (MW)	CAPACITY BY TYPE (MW)					TOTAL CAPACITY
		COAL	DIESEL	GAS	HYDRO	NUCLEAR	
Botswana	434	132					132
Mozambique	285		127		2,385		2,512
South Africa	33,461	39,863	296	342	600	1,840	42,941
Swaziland	172	10			41		51
Zimbabwe	2,066	1,225			750		1,975

Source: Zhou et al (2009)

This is for a number of reasons, including that:-

- South Africa is the regional economic superpower, and its electricity consumption per capita reflects this dominance;
- South Africa's power stations have been built on the back of the country's abundant coal resources;
- South Africa's power stations were built in the country's apartheid era, which required the country to attract investors into its mining, chemical and agricultural sectors using low-cost power which was created through significant investment into coal-fired power stations capacity (Malzbender, 2005).

Because of its heavy dependence on coal-fired electricity, every year South African State electricity parastatal Eskom consumes more than 60% of domestically-sold coal from which it provides more than 90% of the country's electricity capacity.

Eskom's power stations have been specifically designed to burn low-grade coals which are abundant in South Africa (Table 7).

Table 7 : Weighted Coal Qualities by Sector

SECTOR	COAL TYPE	CV (MJ/kg)	Ash (%)	VOLATILE MATTER (%)
Electricity generation	Bituminous	21	25-33	20
Synfuels	Bituminous	20-22.64	20-29.7	21-26.9

Source:- Steyn, M, et al (2010)

There are, however, other uses of coal domestically, as already indicated.

Sasol, for instance, consumes approximately 17.8% of South Africa's annual domestically-consumed coal and operates coal mines to provide feedstock for synthetic fuels and chemical plants. The company primarily uses the coal mined by Sasol Mining to produce petrol, diesel and petrochemicals and power generation at the chemical plants.

Approximately 6.8% of local consumption also goes to the household market, with the suppliers largely being coal traders in formal and informal residential areas.

The metallurgical sector, in addition, consumes about 4% of the local coal production, with the major players in the industry including ArcelorMittal, Columbus Stainless and Highveld Steel.

Cement manufacturers have also emerged as significant consumers in the medium-term as infrastructure developments in southern Africa have gained momentum, creating demand for cement-based products.

Coking coal, meanwhile, has historically played a minor role in the South African coal industry. In 2006, less than 4Mt of coking coal was produced by Exxaro's Grooteegeluk and Tshikondeni Collieries, the former for export and the latter for ArcelorMittal's steel works in Vanderbijlpark. In 2010, less than 3Mt was sold by South African producers, and all of this was for domestic use but in 2011 exports of coking coal did occur. The lack of development historically has largely been a function of the Witbank/Highveld Coalfields' lower qualities which have been better suited to thermal applications.

7.4. Prices

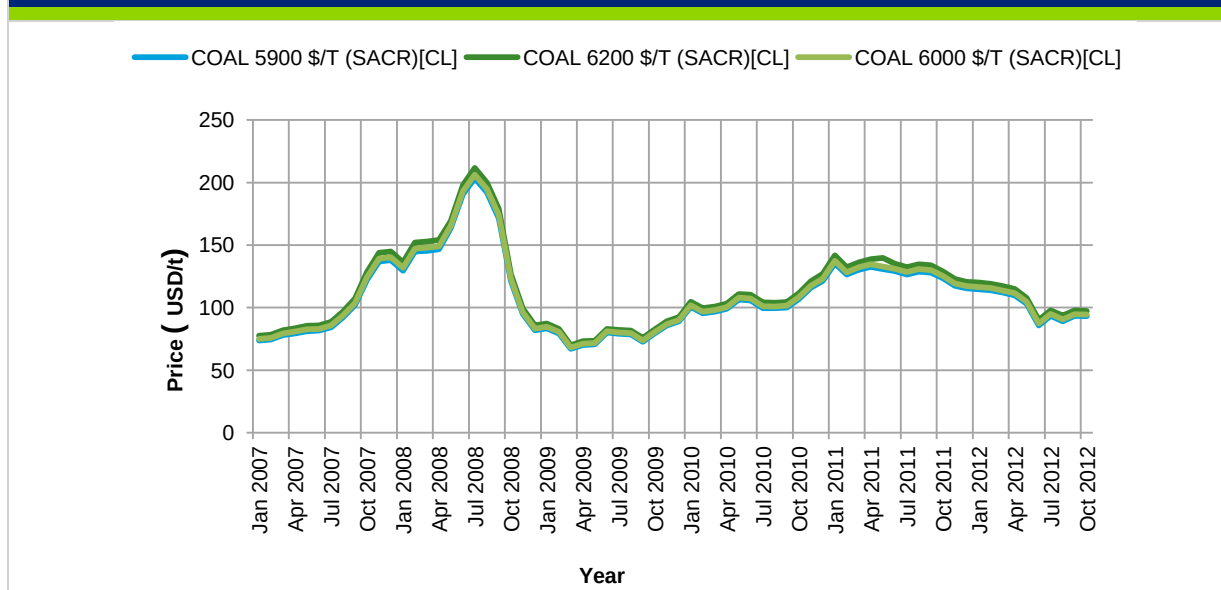
7.4.1. Thermal Coal

The South African export prices of steam coal are determined by their calorific value. The typical export specification for South African coal, RB1, varies between 5,850kcal/kg and 6,000kcal/kg (Steyn et al, 2010). INet Bridge also supplies prices for steam coal described as Coal 5900, Coal 6000 and Coal 6200. The number in the label refers to the number of kcal/kg, with Coal 6000 referring to a coal with a CV of 6,000kcal/kg or 25MJ/kg on a net as received (NAR) basis (or 27.5MJ/kg on a gross specific energy basis) (Steyn et al, 2010). Figure 7 shows prices for Coal 5900, Coal 6000 and Coal 6200.

Prices as at the end of June demonstrated a low point for month-end coal prices, with coal grade prices ranging between USD85.87/t for Coal 5900 and USD87.3/t for Coal 6200. By the end of October coal grade prices ranged between USD93.17/t for Coal 5900 and USD97.32/t for Coal 6200.

Coal prices have shown a generally decreasing price trend in 2012 in line with the trends outlined in Section 6.5 although it must be acknowledged that there was an uptick in prices between June and September.

However, the generally decreasing prices in 2012 do not bode well for South African coal exporters who, at present, are also faced with a challenging labour environment, which has seen labour unrest, calls for above-inflation wage increases and damage to mine property, in some cases. This has resulted in costs increasing while the price obtained for coal has been generally showing a decreasing price trend.

Figure 7 : Coal Price History from July 2002 to March 2011 (USD)

Source: INet Bridge

Note: Coal 5900 CL, 6000 CL and 6200 CL are different grades of coal, with the number referring to the calorific value of the different coal grades.

In the South African market, low grade coal is predominantly used in Eskom operated power stations. Low grade coal prices are based on contracts and are rarely reported in the public domain. The pricing mechanism is usually based on a cost plus basis, where the price of the coal covers cost plus a margin. However, Eskom is considering a new pricing model for its purchases of coal, called the efficiency-cost-plus-fair-return model. Venmyn Deloitte is uncertain what this model will involve but analysts believe that this will increase the price paid for coal by the utility (Creamer, 2011).

CoAL is reported to have signed a new offtake agreement with Eskom, under which it will sell 1.14Mt of coal in the next year to the parastatal (McKay, 2012). As with other offtake agreements with Eskom, the pricing details are believed to not be publicly available.

7.4.2. Coking Coal

South Africa did not export coking coal in 2009, but did sell ~1.9Mt in 2009 domestically at an average local coking coal price of ZAR871/t (DMR, 2010b).

In 2010, South Africa, similarly, did not export any coking coal, but did produce ~3.4Mt locally and sell 2.4Mt of bituminous coking coal to the domestic market. The average unit value of domestic coal sales for 2010 was ZAR764/t.

Between November 2010 and October 2011, South Africa sold 2.3Mt of bituminous coking coal locally and exported 474,223t. The average unit value of domestic bituminous coal sales ranged between ZAR785/t and ZAR1,020/t over this period, while the average unit value of export sales ranged between ZAR512/t and ZAR1,161/t.

The DMR has not provided Venmyn Deloitte with monthly provisional mineral production and sales statistics for December 2011 or for the months that follow.

7.5. Outlook

Export sales and sales to Eskom are the most important sources of demand, and the outlook for these sales avenues are the most important to consider for any new entrant into the coal sector.

7.5.1. Sales to Eskom

South Africa's energy resource base is dominated by coal. Approximately 93% of South Africa's primary energy needs are provided by coal. This is unlikely to change significantly in the next two decades, owing to the relative lack of suitable alternatives to coal as an energy source.

The State utility has re-commissioned three mothballed power stations and has constructed or is constructing additional power stations. Eskom predicts a requirement of 141Mt of coal to feed its power stations by 2018. Some analysts believe that there is not enough coal in South Africa to meet this demand while others believe that the industry is still growing and has not reached peak coal growth.

The Waterberg is key to many of Eskom's plans. It is currently constructing the Medupi power station, which was to become operational in 2012. Medupi Phase 2 is intended to expand the new power station by an additional 2,100MW, and this power is expected to come on stream by around 2016.

However, while coal will remain an important fuel source in South Africa it is likely that its share of the electricity generation market will drop if the Integrated Resource Plan for Electricity 2010, which was approved by Cabinet in March 2011, takes effect.

This is because it is proposed that coal will provide the feed for 15% of South Africa's new power stations coming on stream in the next 20 years, compared to renewable energy and nuclear energy, which will supply 42% and 23%, respectively, of South Africa's electricity that comes from new power stations (Reuters and Sapa, 2011).

However, it is known that there is a large gap between South African electricity policy and how it is implemented, and it is possible that there will not be as significant a change in the electricity supply mix as policy documents suggest, owing to the historical poor implementation of infrastructure-related policy.

7.5.1.1. The Impact of the SAPP

Southern Africa continues to develop the Southern African Power Pool (SAPP), a community of 12 countries which were to sell surplus electricity to each other (Musaba, 2010). Historically, the DRC and Zambia, Zambia and Zimbabwe, and Mozambique and South Africa have had transmission lines linking the countries, but the intention is to invest USD5.6b in transmission projects to construct transmission networks between several countries which have not had transmission networks linking them in the past (Musaba, 2010).

This bodes well for those in the energy sector that can produce electricity for the region, whose electricity demand is growing at an average of 3% a year.

In the north of the SAPP community, hydropower dominates the energy supply mix, with Tanzania, Angola, Zambia, Zimbabwe, Malawi, Mozambique and, most importantly, the DRC having considerable hydropower potential. In the south of the SAPP community, meanwhile, thermal power is integral, with Namibia, Botswana, South Africa, Lesotho, Swaziland and arguably also Mozambique, in the next few years, increasingly building coal-fired power stations or being dependent on them for a large portion of their energy production (Musaba, 2010).

The SAPP community has the potential to change the way that power is generated and transmitted throughout the region and could offer the opportunity for a diverse array of generating possibilities, including additional hydropower and coal-fired generation possibilities for private or national investors. This could result in an increase in the number of coal-fired generators that exist in the sub-region or, if the massive Inga hydropower project, in the DRC, takes off, result in imported hydropower-derived electricity being the dominant form of power generation in the whole SAPP community.

However, the timeframes for the introduction of various power initiatives is still uncertain as is the likely power supply mix for the sub-region in the medium and long term. This indeterminate future for the SAPP community is underscored by the fact that the Inga Project has yet to get off the ground because of its significant cost of USD8bn to USD10bn and its battle to get an anchor project in the DRC to use its electricity, with BHP Billiton indicating in February 2012 that it has decided to abandon its plans for an aluminium smelter (Legalbrief, 2012; Reuters, 2012).

7.5.2. Export Sales

Some 65.7Mt of coal was exported from South Africa from the RBCT in 2011, with additional coal tonnages from South Africa having gone through the ports of Durban and Maputo, the latter of which is an important export hub for CoAL exports (Section 7.3.1).

Export tonnages through RBCT are said to be limited by a lack of rail capacity and operational underperformance, which has included derailments in the past. Exports through the Matola Coal Terminal, meanwhile, have also not been helped by limited rail infrastructure, increasing freight tariffs, and lower throughput capacity through the Matola Terminal (McKay, 2012).

South African rail utility Transnet is considering large infrastructure projects in the Limpopo Province to increase rail capacity for coal produced in the Waterberg and Limpopo regions. It is undertaking a pre-feasibility study for the upgrade of the ZAR8bn line between Groenbult (60km north-east of Polokwane) and the Mozambican port of Maputo and considering a new line between Groenbult and the Waterberg. From Lephalale via Groenbult, the rail distance to Maputo is approximately 148km less than to RBCT. These projects, if they are completed, bode well for the exporting of coal from the Waterberg.

However, the costs of freight rail remain an obstacle. Freight charges, which became effective on the 1st of April 2011, have resulted in increases of 30% and will increase the tariff from ZAR90/t – ZAR100/t to ZAR117/t – ZAR130/t for exports on the Richards Bay line and increases of 17% will increase freight tariffs from ZAR160/t to ZAR190/t on the Matola line to Mozambique (Ryan, 2011b).

8. Reporting and Classification of Coal Resources and Reserves

All Exploration Results, Mineral Resources and Ore Reserves, quoted in this Specialist Report, are based upon information compiled by a Competent Person who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy or the Australian Institute of Geoscientists or a Recognised Overseas Professional Organisation (ROPO). The Competent Persons each have a minimum of five years of experience which is relevant to the style of mineralisation and type of deposit under consideration. These Competent Persons are either in the full-time employ of CoAL or are contracted to CoAL. The specific Competent Person who prepared the Exploration Results, Mineral Resources and Ore Reserves for each project is identified in the relevant project sections to follow.

All coal Resource and Reserves are classified according to the JORC Code and the Australian Guideline for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves. More specifically, the resources are classified according to the distances between points of information as defined in the latter. According to section 4.3 of this guideline, “...*Coal Resources should be estimated and reported for individual seams or seam groupings within a deposit. They should also be subdivided and reported on the basis of key variables, such as thickness, depth range, strip ratio, coal quality parameters, geographic constraints and geological or technical considerations. The key variables and assumptions for each deposit should be clearly stated in order to ensure clarity and transparency of the report.*” Neither the guidelines nor the Code prescribes how this should be undertaken, merely that resources should be quoted as Measured, Indicated and Inferred and reserves should be quoted as Proved and Probable.

Taking this requirement into account, the resources and reserves have been reported in a stepwise process demonstrating the application of each of the technical parameters listed in section 4.3 of the guideline. The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (the SAMREC Code) which embodies the South African National Standard : South African guide to the systematic evaluation of coal resources and coal reserves (SANS10320:2004) outlines a standard method of reporting of coal resources and coal reserves through the application of the various technical parameters described above in the Australian Guideline. This standard is typically applied to South African coal deposits in order to demonstrate the effect of applying each of these parameters to the resources and reserves. Coal resource and reserves are reported in this way to fully demonstrate clarity and transparency and enable comparisons to be made between projects. Venmyn Deloitte believes that this method provides the reader with a full understanding of the resources and reserves quoted.

The resources are presented in the following standard manner for all projects:-

- Gross Tonnes In Situ (GTIS), application of mineral tenure boundaries and a 0.5m seam thickness cutoff. This is the simplest form of resource declaration;
- Total Tonnes In Situ (TTIS), application of geological losses to GTIS; and
- Mineable Tonnes In Situ (MTIS), application of basic mining parameters to TTIS. An example of this would be the application of a minimum seam cutoff for underground mining.

The reserves are presented, post the application of the Modifying Factors, in the following standard manner for all projects:-

- Mineable Tonnes In Situ Reserve, quoted at the specified mining height and including layout losses;
- Run of Mine (RoM) Reserves, application of extraction (or mining recovery), dilution (or contamination) and moisture correction factors; and
- Saleable Tonnes, application of the coal processing yields.

9. Mineral Asset Valuation Requirements & Methods

An asset is defined, according to the International Financial Reporting Standards (IFRS), as “A *resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise*”.

For the purposes of this report, the coal mineral assets of CoAL have been distinguished between:-

- the operating mineral assets, for which Venmyn Deloitte has not conducted an independent mineral asset valuation. Instead, Venmyn Deloitte has reviewed certain technical input assumptions to the CoAL corporate models in order to provide KPMG (who will be conducting the independent mineral asset valuations) with comfort as to their reasonability; and
- the non-operating mineral assets, for which Venmyn Deloitte has conducted an independent mineral asset valuation. These mineral asset valuations will be considered by KPMG in formulating their own opinion of the value of these mineral assets.

It follows therefore, that the mineral asset valuation requirements, as presented in this report, are in support of KPMG's considerations with regards to their valuations of the CoAL mineral assets, as will be presented in KPMG's IER, of which this report forms an appendix.

While Venmyn Deloitte has not conducted mineral asset valuations for the operating mineral assets, mineral asset valuations for the non-operating mineral assets, have been conducted in accordance and in compliance with the VALMIN Code. The VALMIN Code has been prepared by the VALMIN Committee, a joint committee of the Australian Institute of Mining and Metallurgy, the Australasian Institute of Geoscientists and the Mineral Industry Consultants Association.

Most of the international mineral asset valuation codes set out clear approaches and methodologies for the valuation of mineral assets except for the VALMIN Code, with confidence in the Mineral Resource and Ore Reserves estimates being the primary value lever. In the Australian context, the JORC Code governs Mineral Resource and Ore Reserve classifications on the back of demonstrated confidence in the estimates achieved through the exploration process. With regard to valuation methodology, the VALMIN Code 2005 states “*The Expert and Specialist must make use of valuation methods suitable for the Mineral or Petroleum Assets or Securities under consideration. Selection of an appropriate valuation method will depend on such factors as:-*

- (a) the nature of the Valuation;*
- (b) the development status of the Mineral Assets; and*
- (c) the extent and reliability of available information.”*

The VALMIN Code further defines the various categories of Mineral Assets as follows:-

- **Exploration Areas** – properties where mineralisation may or may not have been identified, but where a Mineral or Petroleum Resource has not been identified;
- **Advanced Exploration Areas** – properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A resource estimate may or may not have been made but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the resource category;
- **Pre-Development Projects** – properties where Mineral or Petroleum Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral or Petroleum Resources have been identified, even if no further valuation, technical assessment, delineation or advanced exploration is being undertaken.
- **Development Projects** – properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels; and
- **Operating Mines** – mineral properties, particularly mines and processing plants that have been commissioned and are in production.

According to the VALMIN Code, the Fair Market Value of a mineral asset is “*..the estimated amount of money for which the project should change hands at the valuation date, between a willing buyer and a willing seller in an arm’s length transaction, wherein each party acted knowledgeably, prudently and without compulsion. It is usually comprised of the underlying value (technical value) and premium or discount, relating to market, strategic and other considerations.”*

The VALMIN Code is not prescriptive as to valuation methodology; however, the Code provides that the decisions as to the valuation methodology or methodologies to be used are solely the responsibility of the Expert and must not be influenced by the commissioning entity. Venmyn Deloitte has opted to use provisions in the other internationally accepted mineral asset valuation codes for guidance from the CIMVAL Code from Canada and the SAMVAL Code from South Africa. Table 8 summarises the valuation approaches and the underlying methodologies as stipulated in the CIMVAL Code and the SAMVAL Code:-

Table 8 : Valuation Approach and Methodologies

VALUATION APPROACH	VALUATION METHODOLOGY	EXPLORATION AREAS	DEVELOPMENT PROPERTIES	MINING PROPERTIES	DORMANT PROPERTIES ECONOMICALLY VIABLE	UNVIABLE	DEFUNCT PROPERTIES
Cash Flow	Various DCF methods	N/A	P1	P1	P1	NA	NA
Sales Comparative	Comparable transactions	P1	P3	P2	P2	P1	P1
Cost	Asset Recognition and Impairment Test	P2	NA	NA	NA	P3	P2

P1 = Most acceptable method and widely used

P2 = Acceptable approach and quite widely used

P3 = Less acceptable approach, less widely used and poorly understood.

Any decision to apply a valuation technique depends on:-

- the nature of the valuation;
- the development status of the mineral assets;
- the stage at which the project has been developed;
- the geological confidence;
- the extent and reliability of available information; and
- the potential of the mineral asset to satisfy the requirement for reasonable prospects for eventual economic extraction.

Changes in value of a mineral asset are associated with increasing confidence through increased knowledge, as well as the greater degree of probability of it being brought to account. An appropriate valuation recognises these possibilities.

The valuations presented in this document, for the non-operating mineral assets, aim to identify the mineral asset values on an asset-by-asset basis as a means of identifying the value contribution of each individual asset to the total asset value of the company as at the effective date of this report. Each asset has been valued according to the development stage in which it fits within the different phases in the mining and development cycle. Figure 8 graphically illustrates the different approaches and methodologies that are applicable to different mineral assets at each stage in the mine development cycle.

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The contributing coal assets of CoAL are at different stages of development ranging from early exploration projects to operating mines. Different valuation approaches and methodologies have consequently been used in the valuation of these individual mineral assets on a case by case basis.

9.1. Cost Approach

According to the CIMVAL and SAMVAL Codes, "The Cost Approach relies on historical and/or future amounts spent on the Mineral Asset".

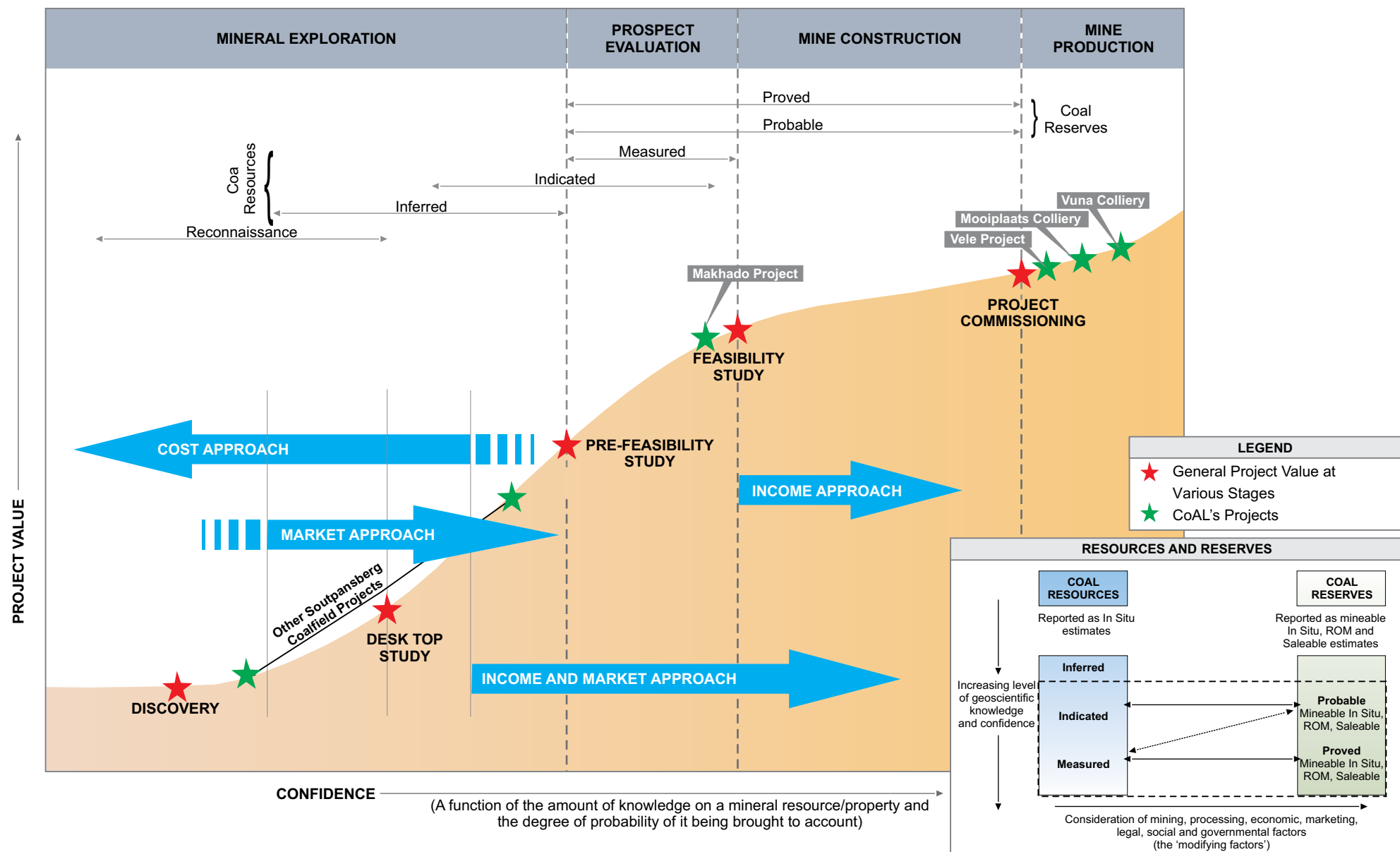
Reference to historical costs, implies that a mineral asset's value is related to the money spent on its acquisition, plus a multiple of the exploration expenditure, depending upon the degree to which its prospectivity has been enhanced by exploration. Reference to future costs, implies that a mineral asset's value is related to the money required to bring the resources to account.

A prospectivity enhancement multiplier (PEM) is a factor applied to the total cost of exploration, at different stages of exploration and project advancement. The magnitude of the PEM is determined by the level of sophistication of the exploration for which positive exploration results, applying the concept of successful efforts, have been obtained. Table 9 summarises Venmyn Deloitte's standard PEM Schedule for coal projects.

In order to conduct Cost Approach valuations, CoAL has provided Venmyn Deloitte with allocated exploration costs to which PEM's could be applied. In addition, Venmyn Deloitte has considered property acquisition costs as follows:-

- acquisition costs associated with any applicable properties in terms of the T1 – T3 transactions (Table 10) were allocated, by Venmyn Deloitte, based on the respective property surface areas. These allocated costs also had PEM's applied to them on the basis that value has been added since their acquisition; and

PROJECT LIFETIME VALUE AND VALUATION METHODOLOGY CURVE FOR MINERAL RESOURCE PROJECTS



- acquisition costs associated with the recent (May 2012) 'Chapudi Acquisition Transaction', were allocated, by Venmyn Deloitte, based on the amount of drilling (as a proxy for the amount of data and/or coal resources) for each respective property acquired. No PEM's were applied to these allocated costs as this is a very recent acquisition and no significant exploration has been conducted by CoAL on these properties since the transaction.

Table 9 : Coal Prospect Exploration Phase Classification and the Corresponding PEM

PHASE	EXPLORATION PHASE	PEM VALUE		EXPLORATION ACTIVITY
		UPPER	LOWER	
0	Exploration Concept	0	0	Project about which nothing is known, but which has potential on a conceptual basis.
1	Desktop Study	1	0	Historical and literature study, records or evidence of coal findings in the area. Historical mining data, if any.
2	Reconnaissance	1	1	Geological mapping if terrain is suitable. Palaeo topographical mapping. Historical drilling with intercept data, no laboratory assay.
3	Ground Follow-up	1	1	Detailed outcrop mapping, identification of coal hosting strata, coal seam outcrop mapping. Sampling of exposed coal seams where available. Historical drilling data with intercept and analyses, but of questionable authenticity.
4	Ground Follow-up	2	1	Ground geophysics, remote sensing techniques. Reliable historical drilling, but correlations difficult due to density of drilling.
5	First-phase Drilling	5	2	Large diameter core drilling, widely spaced grid with preliminary coal analysis. First-pass tonnage estimate. Inferred coal resource.
6	Resource Drilling and Laboratory Testwork	11	5	In-fill drilling, detailed coal analysis and washability test work. Established coal qualities, market potential, detailed resource tonnage estimation, washabilities. Advanced Inferred and Indicated Coal Resource classification.
7	Historic Mining	20	11	Previous commercial production, establishing reliable and well documented quality, tonnage, washability etc. Measured Coal Resource classification.
8	Reserve Classification	>20	20	Complete feasibility assessment, establish economics and design a mine of an appropriate nature. Classification of Coal Reserves.

This valuation method is one of the valuation methods, applied by Venmyn Deloitte, to value the non-operating mineral assets of CoAL. These valuations are detailed, per mineral asset, in the relevant sections below.

9.2. Market Approach

According to the CIMVAL and SAMVAL Codes, "The Market Approach relies on the principal of 'willing buyer, willing seller' and requires that the amount obtainable from the sale of the Mineral Asset is determined as if in an arm's-length transaction".

The Market Approach is based upon other, preferably recent, arm's length transactions of a similar nature, which determines a monetary value per unit of resource (ZAR/t) or value per unit area (ZAR/ha).

To this end, Venmyn Deloitte maintains a database of coal projects, coal resources and reserves, production statistics and financial information of listed coal mining and exploration companies on the various international stock exchanges. Venmyn Deloitte consolidates this information into coal valuation curves using internally developed algorithms to attribute a company's enterprise value to its various projects taking cognisance of the following factors:-

- level of confidence in the Mineral Resource;
- strategic value of the commodity; and
- geological setting.

Table 10 : Summary of Recent Transactions in the Soutpansberg Coalfield, Involving Pre-Resource Mineral Assets

TRANSACTION	DATE	DETAILS	FARMS	% INTEREST ACQUIRED	TOTAL AREA (ha)	TOTAL COST (ZAR)	ZAR/ha
T1	16/02/008	Regulus acquired 74% of six farms (coal prospecting rights) belonging to Sekoko (there were 11 prospects on the NOPR) for ZAR55m.	Salaita 188MT, Telema 190MT, Stubbs 558MS, Mons 557MS, Rissik 367MS and Vleifontein 691MS	74%	6,894	55,000,000	10,781
T2	10/03/2009	Regulus acquired the remaining 26% of the abovementioned six farms for ZAR12.5m.	Salaita 188MT, Telema 190MT, Stubbs 558MS, Mons 557MS, Rissik 367MS and Vleifontein 691MS	26%	6,894	12,500,000	6,974
TOTAL T1 & T2				100%	6,894	67,500,000	9,791
T3	21/10/2009	Regulus acquired the remaining 5 farms on the NOPR belong to Sekoko for ZAR12.5m.	Schalk 542MS, Qualipan 655MS, M'Tambavlei 654MS, Middlefontein 683MS and Sandilands 708MS	100%	3,020	12,500,000	4,139
TOTAL T1, T2 AND T3				100%	9,914	80,000,000	8,069

Based on pre-determined weights for each of these factors, the implied enterprise value per resource is determined. Similarly, recent transactions and compliant public valuations are also analysed and presented on the curves.

Venmyn Deloitte's South African coal database comprises 194 data points (98 market comparative points each representing a mine/mining project, 52 transactions and 44 valuations). This covers over 200 South African coal projects and over 30 listed companies. Of the 98 market comparison points, 18 represent projects located in the Limpopo Province of South Africa. Figure 9 illustrates Venmyn Deloitte's Coal Valuation Curve, which represents the coal transaction database for coal projects with mineral resources. This is used for valuations based on a monetary value per unit of resource (ZAR/t).

Given that Venmyn Deloitte's coal database represents actual transactions and company/project valuations, Venmyn Deloitte have a high degree of confidence in using this data in order to benchmark CoAL's mineral assets with regards to establishing appropriate mineral asset values using the Market Approach.

This is the principal valuation method that has been used by Venmyn Deloitte in order to value the non-operating mineral assets of CoAL with mineral resources and the 'excess reserves' of certain of CoAL's operating assets. These valuations are detailed, per mineral asset, in the relevant sections below. While Venmyn Deloitte have considered the entire coal transaction database, we have paid particular attention to the Limpopo Coalfields data sub-set within our database and on the coal curve for these valuations.

For coal projects, without mineral resources, Venmyn Deloitte have taken guidance from recent transactions by CoAL, through its subsidiaries, in the Soutpansberg Coalfield, in order to establish the value of properties within this coalfield, without mineral resources, to CoAL.

Table 10 demonstrates that there is a wide range in ZAR/ha values for the various transactions, however Venmyn Deloitte notes that the T1 and T2 transactions involve the farm Telema 190MT. This farm forms an important part of the Makhado Project and it is clear that this would have been a strategically important property for CoAL's development of the Makhado Project. In addition, there is significant historical exploration data associated with this property. As a consequence, Venmyn Deloitte have considered that the ZAR/ha values derived from the T3 transaction, more appropriately reflect the value of pre-resource mineral properties to CoAL.

Venmyn Deloitte has therefore considered the unit values derived from T3 in order to value the non-operating mineral assets of CoAL with no declared mineral resources. These valuations are detailed, per mineral asset, in the relevant sections below.

9.3. Cash Flow Approach

According to the CIMVAL and SAMVAL Codes, "The Cash Flow Approach relies on the 'value-in-use' principal and requires determination of the present value of future cash flows over the useful life of the Mineral Asset".

Once technical studies establishing the basis for future economic exploitation have been carried out, DCF methods are applicable and all the methods used to identify a reasonable transaction value.

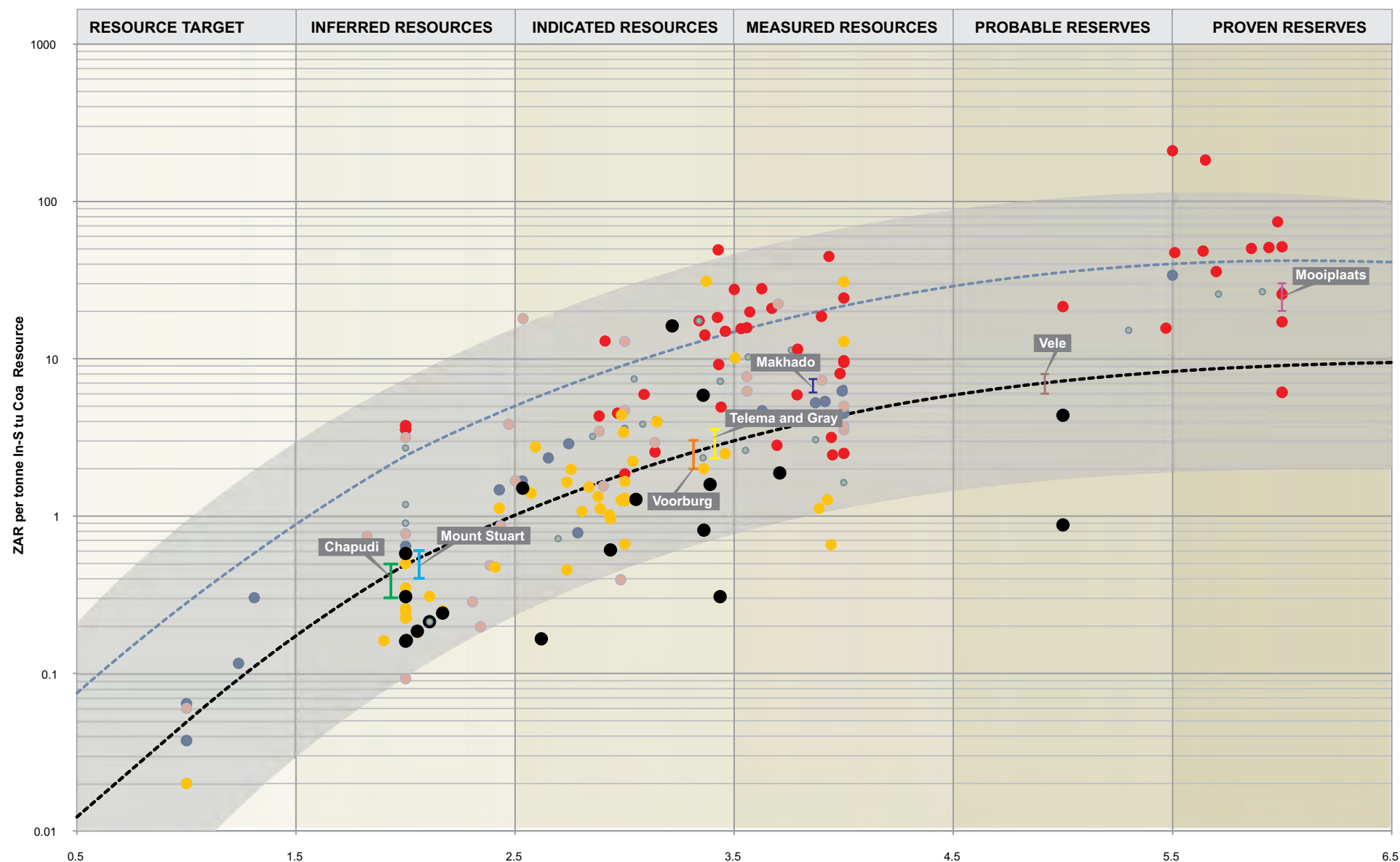
All operating mineral assets will be valued using this approach, by KPMG. While Venmyn Deloitte has not separately valued the operating mineral assets using the Cash Flow Approach, as part of this assignment, Venmyn Deloitte has reviewed certain technical input assumptions to the CoAL corporate models and forecasts, in order to provide KPMG with comfort as to their reasonability, in formulating their own opinion of the DCF value of the operating mineral assets.

While no DCF values of the operating mineral assets are presented herein, details of the technical input parameter reviews, conducted by Venmyn Deloitte on the CoAL corporate models, are presented, per mineral asset, in the relevant sections below.

In addition, Venmyn Deloitte have estimated the mineral asset value of the reserves that fall outside of the life of mine plans ('excess reserves') considered in CoAL's corporate models.

The reader is referred to the KPMG IER for details of the values of the operating assets.

VENMYN DELOITTE COAL VALUATION CURVE



LEGEND			
2012 Company EV	KwaZulu Natal	Witbank and Ermelo Coalfields	Waterberg Coalfield
Historic Transactions	Recent Transactions	Valuations	Limpopo Mean
	Limpopo	Ermelo and Witbank Mean	

Source: Venmyn
D1340M COAL - Work for KPMG on IER 2012

9.4. Architecture and Mechanics of the Financial Model

All operating mines, development projects and advanced exploration properties should be valued using the free cash flow capitalisation DCF valuation methodologies. In our opinion, this methodology yields the most accurate, fair and reasonable results by capturing the pertinent aspects of the business' investment case.

Venmyn Deloitte has reviewed and checked the integrity and robustness of the financial model prepared by CoAL's management for completeness, reasonableness and accuracy of technical inputs utilised in the model.

The transfer of data and information from the Coal Resources/Coal Reserves, mining assumptions, operating cost estimate, capital expenditure estimate, processing yields and coal marketing assumptions into the cash flow worksheets of the financial model was reviewed by Venmyn Deloitte at a high level and found to be correct, robust and reasonable. The financial model thus can be relied upon and that all the technical inputs have been correctly captured and operates as anticipated.

Venmyn Deloitte has reviewed and recommended certain changes of the technical input parameters and assumptions as it deemed necessary. These will be detailed in the relevant sections in this report. Venmyn Deloitte has also reviewed these figures and forecasts and considers these estimates a fair reflection of the current markets and macro-economic environment in the South African Coal industry.

The financial model was prepared as a real model and hence the capital cost estimate escalation and general inflation has been excluded, whilst the financing fees, interest on capitalized costs, and loan interest has been factored into the calculations and were considered accurate based on reasonable underlying assumptions. Any unforeseen changes in the market on any input parameters may affect the cost estimates and the valuation of the project based on the DCF valuation.

The value is derived from estimates of future cash flows to be generated from the mining of the coal reserve on all the operating assets.

10. Vele

The Vele Colliery is an opencast operating mine which commenced mining production in December 2011. The project is currently in its initial ramp up phase to produce approximately 1Mtpa of coking coal, with the potential to increase this production rate to approximately 4Mtpa of saleable coking coal with the subsequent development of an underground mine.

10.1. Location

The Vele Colliery is situated in the magisterial district of Musina in the Limpopo Province of South Africa (Figure 10). The nearest town is Musina, situated approximately 40km to the southeast of the Vele Colliery area. The town of Alldays is located approximately 100km west of the Vele Colliery area.

The Colliery is bound in the north by the Limpopo River, which defines the international border with Zimbabwe. The easternmost boundary of the Mapungubwe National Park (Mapungubwe) is situated approximately 5km to the west of the westernmost boundary of the Vele Colliery area. The Mapungubwe World Heritage Site (Mapungubwe Hill) is situated approximately 20km to the west of the westernmost boundary of the Vele Colliery area (Figure 10).

10.2. Infrastructure

Musina is a regional centre and provides modern conveniences, including accommodation and services. The town is also a source of fuel and labour, includes a police station, a number of schools and a hospital. The town of Musina has a long history of mining, and experienced staff and labour are expected to be sourced from this centre. The colliery is well situated with respect to the major infrastructural aspects of rail, road and power.

The Vele Colliery site plan is presented in Figure 11.

Water is currently sourced from pumping stations on the Limpopo River. Abstraction from these pumping stations is currently limited to 4.2Ml per day. This abstraction rate is sufficient for the current operations. Two potable water treatment plants have been provided for: one to service the proposed underground facility and the other to service the current common/main site infrastructure.

Power is currently supplied by two diesel generators, sufficient for the plant operations. A 132kV power line runs close to the southern boundary of the property. CoAL has negotiated with Eskom for 5MVA rising to 10MVA for the future operations.

No accommodation is provided on site. Accommodation for employees is currently provided at the CoAL owned Dongola Lodge, situated 2.8km south of the southernmost border of the NOMR (Figure 10). Dongola Lodge also serves as the administrative centre for the Vele Colliery. CoAL owns the Dongola Lodge and adjacent gasoline station. The Dongola Lodge, while still open to the public, operates as the administrative centre for the Vele Colliery as well as accommodating various Vele Colliery personnel.

Offices, a laboratory, workshops, stores and change houses are located on site (Figure 11).

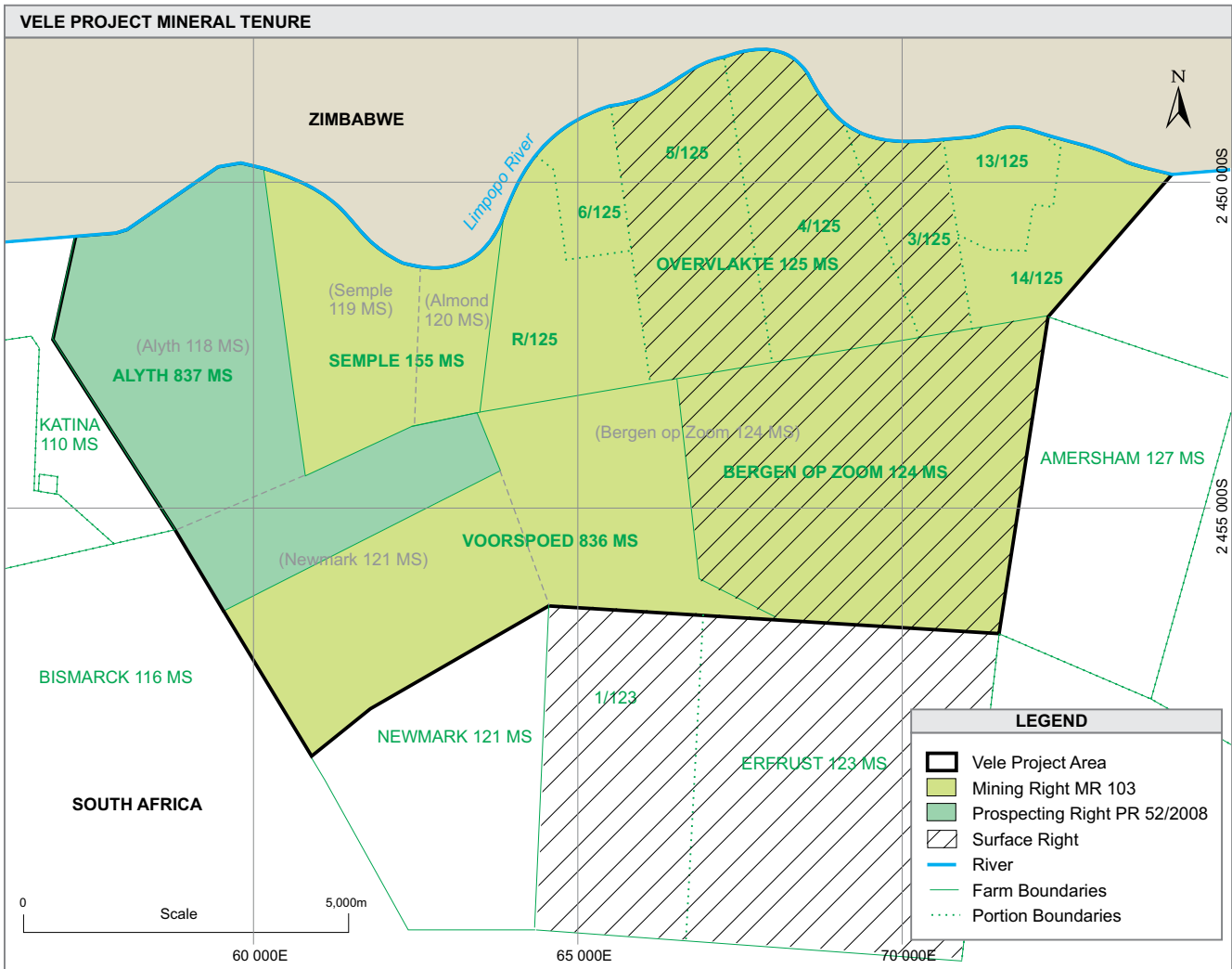
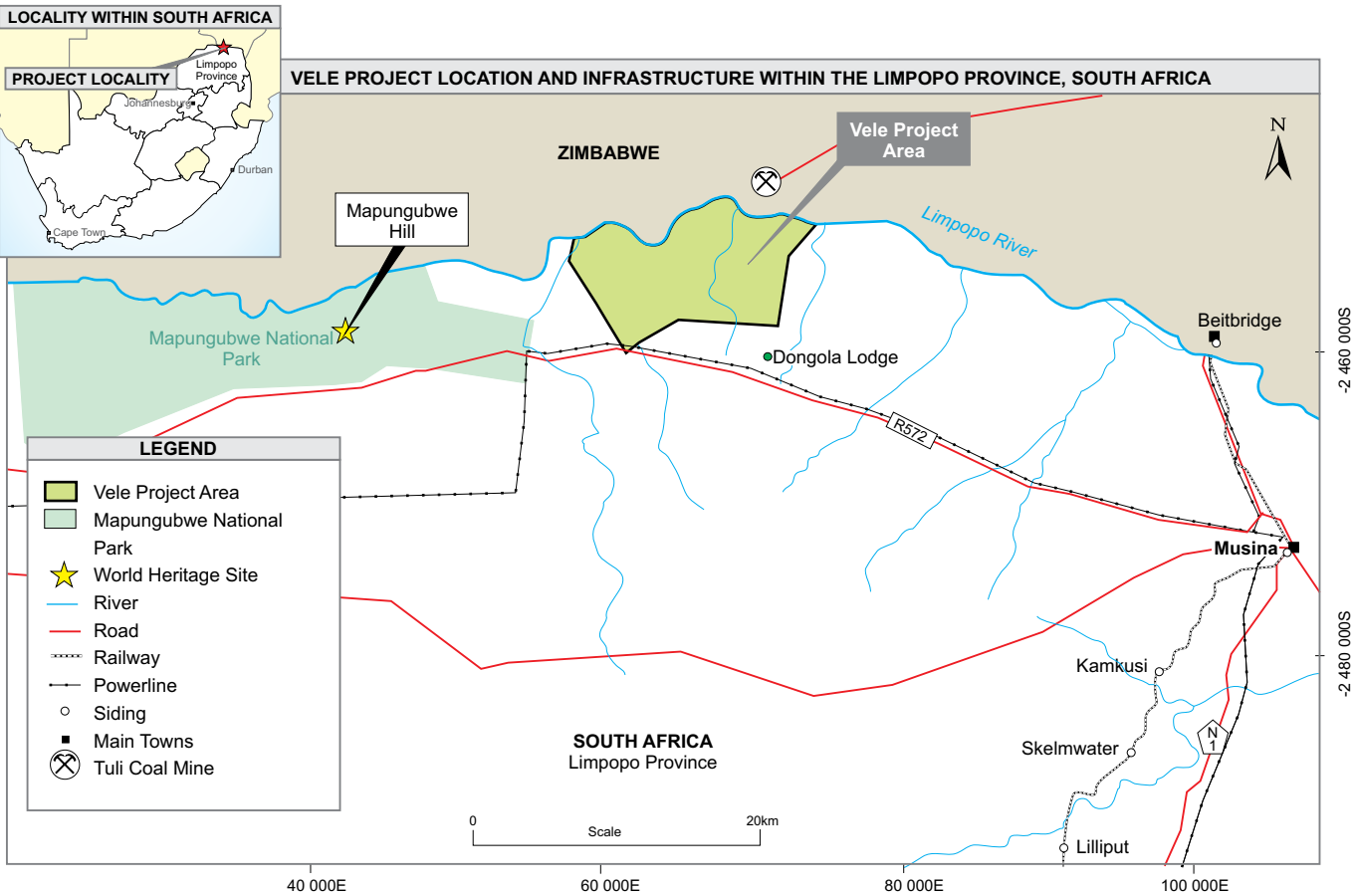
10.3. Mineral Tenure

On the 19th March 2010, a NOMR (MR103) was granted over 8,662.7ha of the greater part of the Vele Colliery area, over the farms Bergen Op Zoom 124MS, Semple 155MS (a consolidation of Almond 120MS and Semple 119MS), portions 3, 4, 5, 6, 13, 14 and the remaining extent of Overvlakte 125MS and Voorspoed 836MS (a consolidation of the remaining extent of Newmark 121MS and portion 1 of Bergen op Zoom 124MS), in the name of Limpopo Coal, a wholly- owned subsidiary of CoAL (Figure 10). This NOMR is valid for 30 years, expiring on the 18th March 2040.

The remainder of the colliery area is held under a NOPR (52/2008) granted to Silkwood, a wholly owned subsidiary of CoAL, on the 25th March 2008. This NOPR is valid until the 24th March 2013 and relates to the farm Alyth 837MS (Figure 10).

The rights relating to the Vele Colliery are summarised in Table 11 and their locations are graphically presented in Figure 10.

VELE - LOCATION IN RELATION TO INFRASTRUCTURE AND MINERAL TENURE



VELE - SITE PLAN

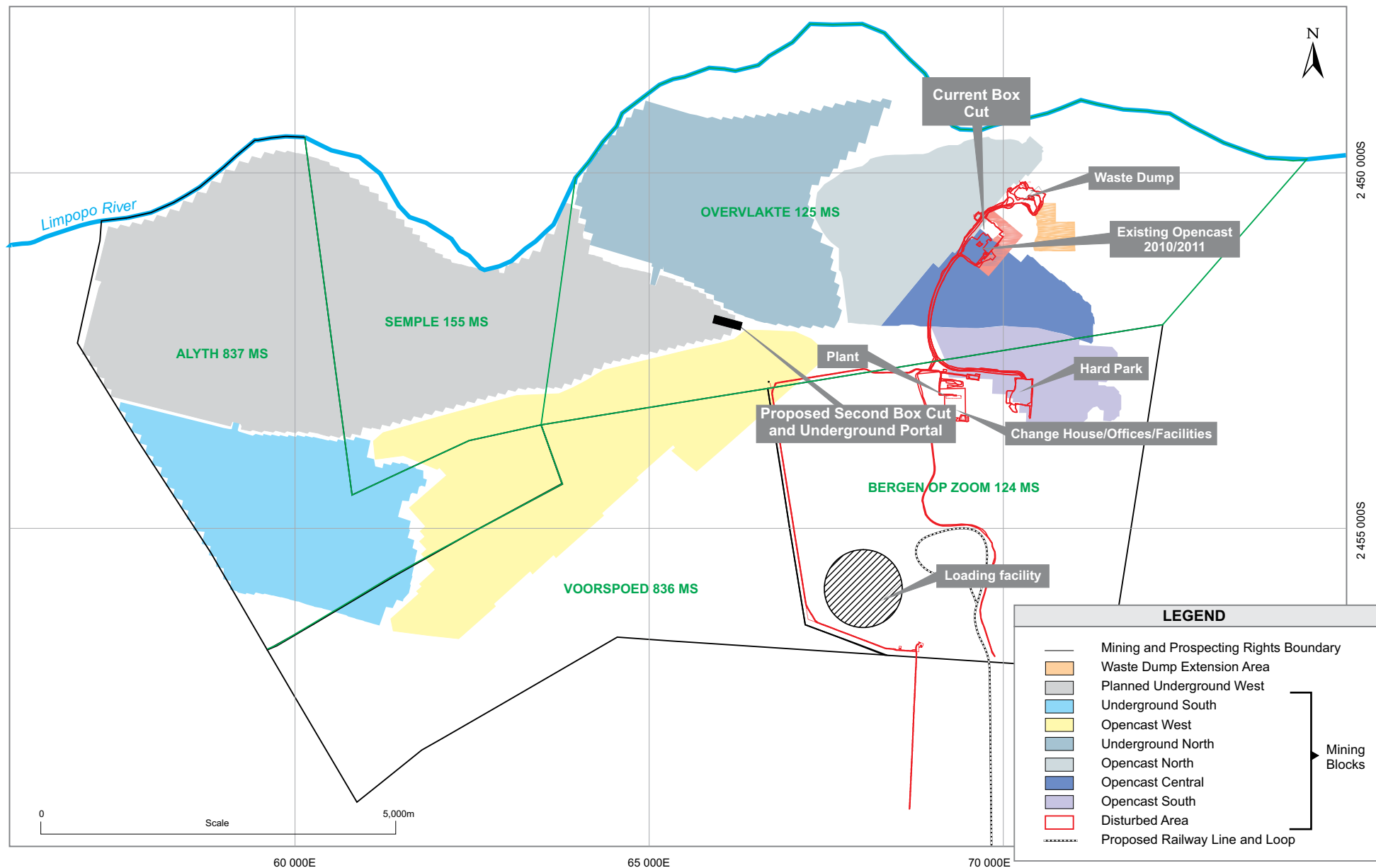


Table 11 : Vele - Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Vele	Alyth 837MS (Consolidation of Alyth 118MS and Newmark 121 MS)	Whole farm	2,092.95	Silkwood Trading 14 (Pty) Ltd	Prospecting	LP 30/5/1/1/2/1136 PR	25/3/2008	24/03/2013	No	N/A	No
	Bergen Op Zoom 124MS	Whole farm	2,078.13	Limpopo Coal Company (Pty) Ltd	Mining	LP 30/5/1/1/2/103 MR (103 MR)	19/03/2010	18/03/2040	N/A	N/A	Yes
	Overvlakte 125MS	Portions 3, 4, 5, 6, 13, 14 & RE	3,554.48								Yes, on ptns 3, 4, 5
	Semple 155MS (Consolidation of Almond 120 and Semple 119 MS)	Whole farm	942.91								No
	Voorspoed 836MS (Consolidation of RE on Newmark 121 MS and Ptn 1 of Bergen Op Zoom)	Whole farm	2,087.22								No
TOTAL VELE			10,755.69								
TOTAL LIMPOPO COALFIELD			10,755.69								

10.4. Geological Setting

The Vele Colliery falls within the Limpopo Coalfield (which forms part of the cross border greater Tuli Coalfield), which is represented by a narrow deposit of the Karoo Sequence in the small Tuli Basin (Figure 12).

10.4.1. Regional Geology

The Karoo age Limpopo Coalfield is generally fault bounded, with the southern extent of the basin controlled by erosion. The deposition of the Karoo sediments occurred with concurrent movement on the pre-existing fault planes. The result is highly truncated sequences of lithologies that are distinctly different to those that are encountered in the main Karoo Basin, to the south in the Mpumalanga Province. The structure of the Tuli Basin reflects the east-west regional structural trend of the Limpopo Mobile Belt.

Dwyka-aged glacial deposits of the Karoo Supergroup have been deposited on the irregular Archaean basement and are overlain by Eccca-equivalent arenaceous mudstones and laminated sandstones. The general stratigraphy of the area is represented by or correlated to the Molteno, Beaufort, and Eccca Formations of the Main Karoo Sequence (Figure 12). The primary lithologies in the region range from pebbly, coarse, arkosic sandstones to carbonaceous mudstones and coal.

The Main Coal Zone is present in the Madzaringwe Formation, which is approximately 15m thick. Three distinct coal horizons occur in the Middle Eccca Formation, named the Top, Middle and Bottom Coal Horizons. All three coal horizons comprise interbedded coal and mudstone units with varying coal quantities and qualities. The coal zone can be subdivided into three sections or composite seams:-

- the Top Seam, which is 2.0 – 3.0m thick and contains 55% to 65% coal;
- the Middle Seam, which is 3.0 - 5.5m thick and contains 20% to 45% coal;
and
- the Bottom Seam, which is 1.5 - 3.5m thick and contains 65% to 80% coal.

The Top Coal Zone is irregularly developed and significant drilling is required to confirm the correlation between boreholes. The Middle Coal Zone is the most consistent of the three coal zones. The Bottom Coal Zone is best developed in palaeo-valleys. The Karoo strata generally dip shallowly to the north and northwest to a maximum of 2°. Several east-west-striking dykes are present. The base of the Bottom Coal Zone mirrors the pre-Karoo Basement topography, occurring generally within 5-15m of the basement.

10.4.2. Local Geology

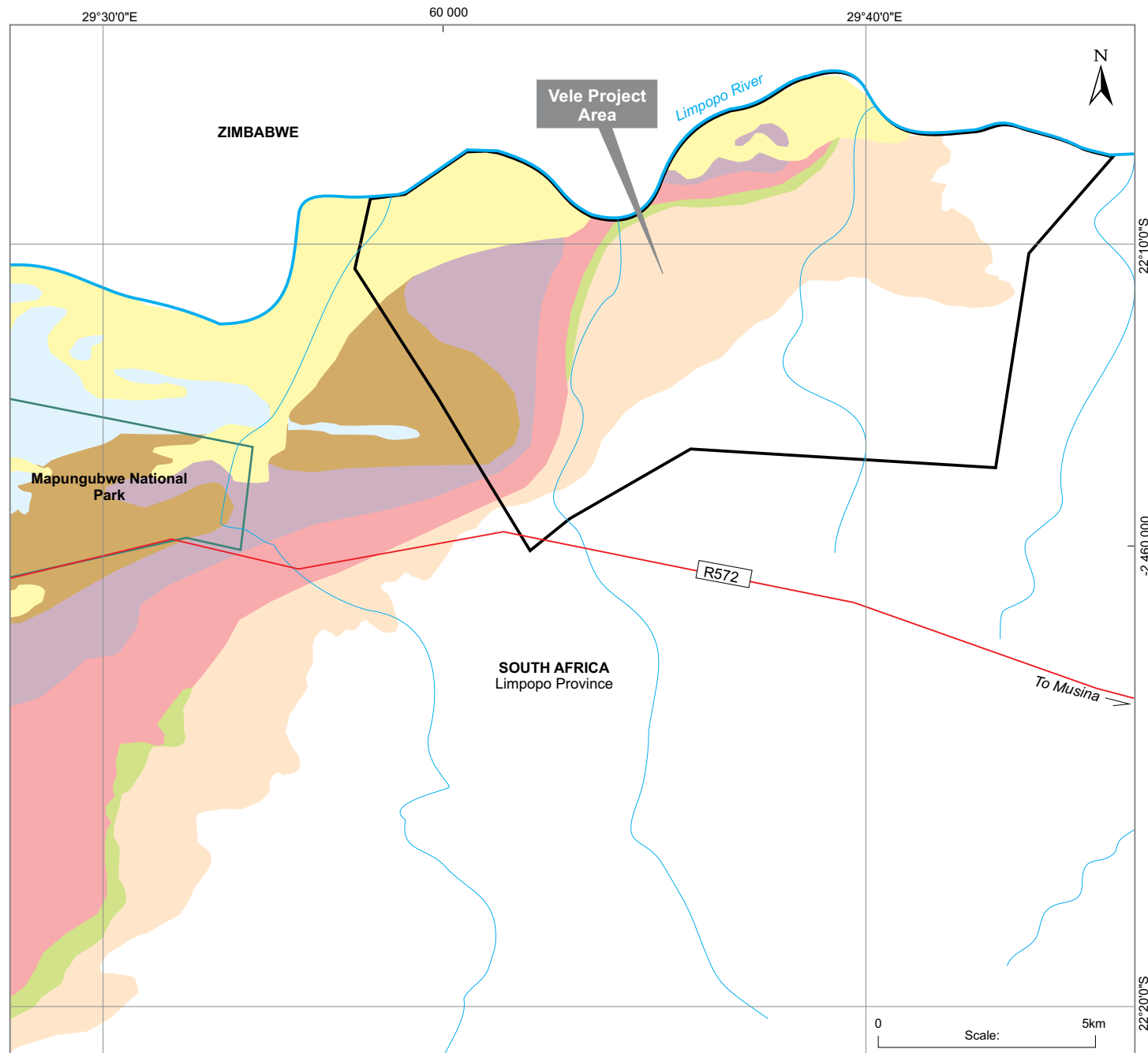
The Main Coal Zone comprises interlaminated carbonaceous shales, mudstones and coal plies (Figure 13). The Top, Middle and Bottom seams are the three main coal zones that have been recognised within the Vele Colliery area. The Top and Bottom Seams can be further differentiated into Top Lower, Top Middle and Top Upper, Bottom Lower and Bottom Upper. The Top Middle and Top Upper Seams are not considered economic.

Individual sub-seams can be correlated over the entire area. Correlation is aided by a distinctly bioturbated marker between the Bottom and Middle seams. The Bottom Seam lies directly over the glacial Dwyka-aged sediments or granite-gneiss basement. The coal seams generally dip gently at not more than 2°N but this can increase to 10°N near faults. A series of dolerite dykes trend east-west over the Colliery site and the largest is over 15m thick. The dykes do not appear to have caused any displacement but have devolatilised the coal in their vicinity.

10.5. Historical Exploration

The historical exploration refers to any activities undertaken prior to CoAL's involvement in the project. The exploration is summarised in Table 12 and the location of those boreholes is indicated on Figure 14.

VELE - REGIONAL GEOLOGICAL MAP



LEGEND	
Geology:	
	Quarternary
	Tshipise Member
	Redrocks (Elliot)
	Bosbokpoort Formation (Elliot)
	Klopferfontein Formation (Molteno)
	Solitude Formation
	Fripp Formation
	Karoo (Mikambeni, Madzaringwe)
General:	
	Road
	River
	Mapungubwe National Park
	Vele Project Area

VELE - LOCAL GEOLOGICAL MAP AND STRATIGRAPHIC COLUMN



LEGEND

- Farm Boundaries
- - - Fault without a Throw
- - - Fault with Throw
- Limit of Karoo

LEGEND

- Coal and Shale
- Shale and Mudstone
- Siltstone/Shale and Siltstone
- Sandstone
- Granite/Gneiss
- Clay

STRATIGRAPHY - SAMPLE BOREHOLE LOG AND DOWNHOLE GEOPHYSICS - Ov125017 AND WIRE - LINE DATA

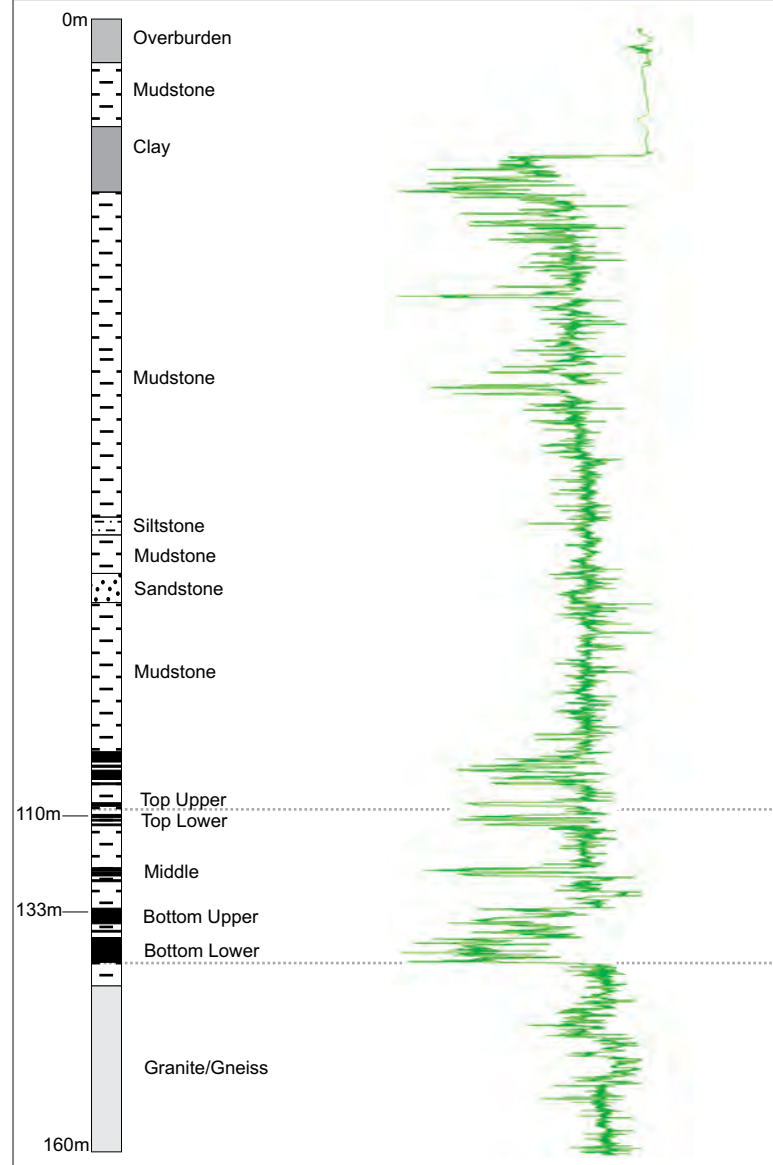
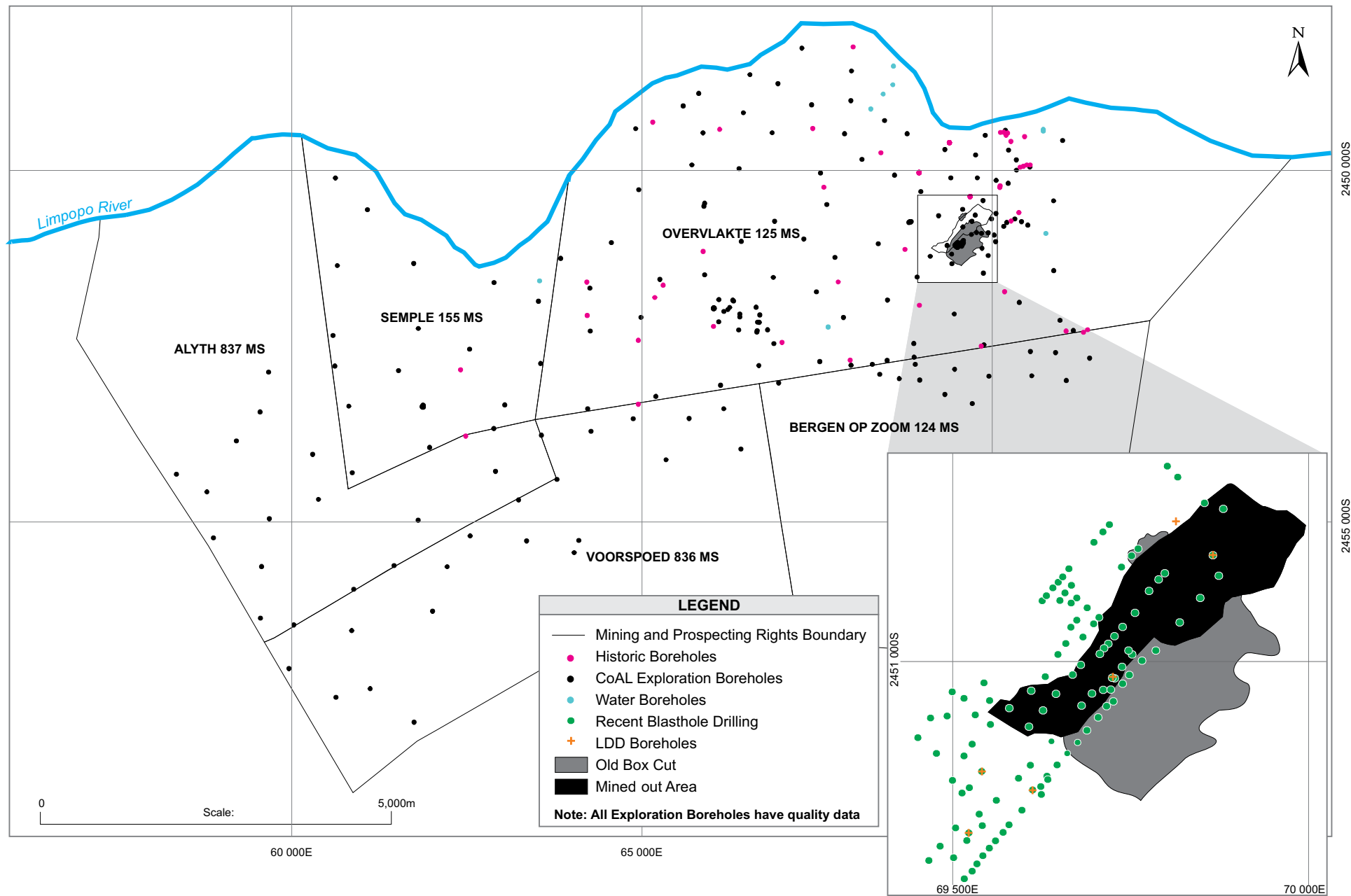


Table 12 : Vele - Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	QUALITY RESULTS	LABORATORY FOR QUALITY	USED IN MODEL
Pre 2008	Southern Sphere	Overvlakte 125MS, Amond 120MS	Early Exploration	Unknown n.	Unknow n.	Diamond core	TNW	Various	61	Yes	All	Yes	Unknown n	Yes
		Overvlakte 125MS	Quality Sampling.		Unknow n.	LDD	36		Yes	All	Yes	Yes		
2008	CoAL. Supervised by MSA.	Overvlakte 125MS, Amond 120MS, Semple 119MS,	Infill Drilling and Resource Estimation.	P Matibe and Associates	Ludikcore & Geomechanics	Diamond core	HQ3, PQ3	R. Hatherley	73	Yes	All	Yes	SABS & Inspectorate	Yes
2008 - 2010	CoAL	Alyth 837MS, Voorspoed 836MS	Infill Drilling and Resource Estimation.		OM Tsehla (Pty) Limited & Gubhani Trading CC		PQ3	T. Maupa	115	Yes	All	Yes	CAM	Yes
		Quality Sampling.	T6				C. Mafiri	31	Yes	All	Yes	ACT	Yes	
2010		Overvlakte 125MS	Refining structural model in area of box cut.			Percussion	8 Inch	T.Maupa, P. Wilken	10	Yes	No	No	-	Yes
May 2012	CoAL	Overvlakte 125MS Portion 3 and 4	Coking coal quality and yield.	180 Degrees	Drillcon (Pty) Ltd	Diamond core	T6-146	N. Masunyane, M. Mashamba	5	Yes	All	Yes	CAM	No
Feb - Sep 2012	CoAL	Overvlakte 125MS Portion 3 and 4	Grade control and structure.	180 Degrees	MCC	Percussion	8 inch	N. Masunyane, M. Mashamba	136	Yes	No	No	-	No
TOTAL									467					

VELE - LOCATION OF HISTORICAL AND RECENT DRILLING



A total of 61 boreholes, drilled by Southern Sphere, were drilled using an air flush coring drill rig. This resulted in TNW size core retrieval. Further details of the drilling methods and sampling protocols employed by Southern Sphere are not available. It is believed that the boreholes were logged using down-hole geophysics but there are no results available. It is assumed, however, that, since Southern Sphere is a reputable exploration company, that industry best practices were adopted and that the data from this programme can be regarded with a reasonable degree of confidence. Venmyn Deloitte understands that the samples were analysed by McLachlan and Lazar Laboratory (now known as Inspectorate).

In 1984, Southern Sphere drilled 36 Large Diameter Drilling (LDD) holes at three sites corresponding to its initial pilot holes, SL18, SL31 and SL32 on the farm Overvakte 125MS, portion 5. This coal was processed at the Iscor Ltd (Iscor) Laboratory in Pretoria for washing and coking testing. These results are not available, but reports suggest that the results were “conclusive and encouraging”.

There are no records of any further exploration within the Vele Colliery area subsequent to the Southern Sphere programme and prior to the work undertaken by CoAL.

10.6. Recent Exploration

Recent exploration at Vele, since CoAL’s involvement in the project, has included exploration drilling, blast hole drilling, LDD drilling, core sampling and geophysical surveys. The exploration is summarised in Table 12 and the location of the boreholes is indicated on Figure 14 across the Vele Colliery area.

10.6.1. Diamond Core Drilling

CoAL contracted MSA GeoServices (Pty) Ltd (MSA) to undertake a programme of exploration drilling between January and June 2008, and a total of 73 boreholes were completed. During the MSA-managed programme, two companies (Ludikore Exploration Drilling Services (Pty) Limited and Geomechanics (Pty) Limited (Geomechanics)) were contracted to undertake the drilling. HQ3 and PQ3 equipment was employed which produces core with nominal diameters of 61mm and 83mm, respectively.

All boreholes were cored from surface and the upper section of each borehole was cased through any soft or weathered surficial material until more competent bedrock was reached. At the end of each run (usually 3m in length), the core was placed in aluminium boxes with the depths clearly marked. The boxes were labelled with the appropriate borehole identifier and depths. The core was transported to the core logging facility by truck, and strapped down to prevent movement or damage to the core.

Samples collected during the MSA-managed drilling programme were packed into double plastic bags which were sealed with staples. The samples were labelled using pre-numbered, sequential cable ties. The bagged samples were stored in a locked core shed prior to despatch to the laboratory.

During the MSA-managed drilling programme, core recoveries were recorded in the field by the geologist responsible. In instances when recovery within coal horizons did not achieve a minimum of 95%, and where the deficiency could be demonstrably attributed to poor drilling technique, a re-drill of the entire borehole was undertaken. In cases where badly fractured or faulted ground was encountered, the drilling company was instructed to take all necessary steps to ensure maximum core recovery.

Core samples from the MSA-managed drilling programme were initially sent to the South African Bureau of Standards (SABS) laboratory in Secunda. SABS is accredited (No T0230) through the South African National Accreditation System (SANAS) and SABS/ISO/IEC 17025:2005. However, as a result of frequent delays in the reporting of analytical results, CoAL relocated all unprocessed samples from SABS to Inspectorate M&L (Pty) Ltd (Inspectorate) which is also a SANAS accredited laboratory (No. T17025).

Subsequent to the MSA programme, CoAL drilled a further 115 diamond core vertical boreholes, five inclined boreholes to test fault geometries, nine boreholes for water, and 31 LDD boreholes for bulk sampling purposes. The subsequent CoAL-managed drilling programme was undertaken by two contractors, OM Tsehla (Pty) Limited and Gubhani Trading CC, with PQ3 (61mm) equipment being used for the diamond drilling.

Samples collected during the CoAL-managed drilling programme were similarly packed and were stored in a secure refrigerated container on site before despatch to the laboratory on a fortnightly basis.

Since December 2008, all samples have been sent to CAM Analytical Laboratories (Pty) Ltd (CAM) in Polokwane. CAM is jointly owned by CoAL and ArcelorMittal on a 50%:50% shareholding basis, and is managed by Inspectorate. CAM is accredited (No. T0476) through SANAS.

Drilling contracts for the CoAL-managed programmes stipulated a minimum core recovery of 98% in coal horizons and 95% in non-coal sediments. Core recoveries were recorded by the driller through comparison of run lengths against recovered core lengths. However, CoAL geologists calculated core recoveries by comparing the seam thicknesses indicated by the down-hole geophysical logs against the amount of coal core presented. Venmyn Deloitte understands that holes that did not meet these criteria were re-drilled.

Venmyn Deloitte has not independently witnessed the drilling and sampling protocols at Vele as no exploration drilling was taking place at the time of writing. However, Venmyn Deloitte is confident that the drilling was carried out to the required standard as the drilling programmes have been independently supervised or verified by other reputable consulting companies. Venmyn Deloitte has witnessed CoAL's drilling at other projects and is satisfied that best practise standards are employed.

10.6.2. Percussion Boreholes

In 2010, CoAL drilled 10 percussion boreholes within the area identified for the initial boxcut in order to better understand the fault located in the area. The purpose of these closely spaced boreholes was to increase geological confidence in the area of boxcut development. This would ensure that no unidentified geological features were encountered during excavation which would have an impact on the mining development schedule or budgeted costs. Percussion drilling was used as it is a cost and time effective method of drilling. The percussion drilling was carried out by a subcontractor to MCC. No geological logging was carried out on the percussion chips produced by the open hole drilling. Wireline logging was carried out on the percussion holes. No samples were taken of the coal chips produced through the open hole drilling.

Between February and September 2012 a series of 136 blast hole boreholes were drilled around the boxcut. The purpose of these holes was to identify structures in the current mining area, as well as for grade control purposes. These boreholes were wireline logged but not sampled. These boreholes have not been included in the geological model as yet.

10.6.3. Down the Hole Geophysics / Wire-Line Logging

Wireline logging is a cost and time effective tool to accurately measure the depth of coal intersections and to provide an indication of coal quality. It has been successfully used across South Africa as a tool to assist with seam correlations and sampling, especially in the Waterberg Coalfield, where coal is difficult to correlate due to interlamination with mudstones.

Since the 2000s, wireline logging is routinely carried out on both diamond and percussion holes across South Africa's coalfields.

During the CoAL exploration programmes, down-hole geophysical wire-line logging was undertaken on a routine basis by Weatherford employing dual-density, gamma and calliper tools. Additional tools such as acoustic televiwer, magnetic susceptibility and electrical resistivity were used occasionally to assist with structural interpretations.

10.6.4. LDD Drilling

CoAL also completed 31 LDD holes to obtain bulk samples at three sites located at intervals of approximately 1,500m and 2,200m east to west across the property. At each site, eight or nine large diameter boreholes, about 5m apart, were drilled in close proximity to a slim core pilot borehole.

LDD core samples were analysed at the Advanced Coal Technology Laboratory (ACT) in Pretoria. ACT is not yet SANAS accredited but is utilised by many South African and international coal mining companies. It has been subjected to laboratory audits and regularly participates in recognised 'round robin' quality control procedures with the results and certificates openly available.

For the LDD core samples, float and sink tests were conducted on all individual samples and the wash fractions were analysed for proximate, calorific value and total sulphur. The material from each seam was proportionally reconstituted to generate a product approximating to 12% ash content. Specialised testwork for coking potential was conducted on the reconstituted seam composites and included ultimate analysis, ash fusion temperatures, ash composition, fluidity and plastometry, hot strength tests, petrographics, abrasiveness and coke making tests.

In May 2012, a series of five LDD holes were drilled to increase the information available on the coking coal quality and yields. These holes were wireline logged. The coal samples were sent to the CAM laboratory in Polokwane for washability, swell index, Roga and phosphorous content testing. The result of this testwork was positive and showed an increase in the yields compared to the previous slimline drilling. These boreholes have not been included in the geological model.

10.6.5. Geophysical Surveys

In 2008, CoAL commissioned Fugro Airborne Surveys (Pty) Limited to undertake high resolution airborne magnetic and radiometric surveys over an area of 111km² over the Vele Colliery area. This was conducted at a line spacing of 50m and covered 2,431 line kilometres. The resultant data was processed by GAP Geophysics (Pty) Limited (GAP) in 2009 and presented as a set of plans depicting radiometric total counts, ternary K-U-Th counts, a digital terrain model, terrain clearance data and both total and vertical magnetic fields. The images were interpreted and a geological plan was generated by GAP.

A LIDAR survey has been flown over the project area, providing ground elevation data to a 15cm vertical and 30cm horizontal accuracy.

10.6.6. Bulk Sampling

No bulk sampling has been carried out at Vele. CoAL has used the LDD drilling to provide information of this nature.

10.7. Orebody Modelling

A number of independent orebody models have been prepared for the Vele Colliery since CoAL's involvement in the project. The latest model was prepared by Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist as at 31st August 2011. The model was prepared in MinexTM Software.

The model takes into account all available historical and recent drilling and other geological information as of the 31st August 2011. This model was based on The Minerals Corporation (Pty) Ltd's (TMC) previous model constructed in September 2010, with minor changes based on geological information interpreted subsequent to the completion of the TMC model. Both CoAL and Venmyn Deloitte have a high level of confidence with respect to the current model and the associated Coal Resource estimates.

Venmyn Deloitte has reviewed the model and interviewed Mr J Sparrow (Pr.Sci.Nat.) concerning his methods of modelling. Venmyn Deloitte has also independently plotted the graphical distribution of the boreholes in Geosoft Target and Micromine and verified the results of the seam thickness variations and resultant volume calculations. Venmyn Deloitte is satisfied with the integrity and results of the model.

Both the physical and quality parameters of the various seams were modelled. Grids with a 25m mesh were estimated using MinexTM's general purpose gridding function using a 3km search radius. The model of the physical parameters of the seam was cut along any significant structures, whilst the quality parameters were modelled across it. All physical and quality parameters were plotted and visually inspected to ensure they were acceptable from the perspective of geological interpretation.

Although the full suite of parameters was modelled, Venmyn Deloitte has only included the results of the coal thickness estimation in Figure 15 of this report. For the full details of this review and the physical and quality results the reader is referred to the 2011 CPR independently prepared by Venmyn Deloitte and published by CoAL.

10.8. Mining

Mining commenced at Vele in December 2011 using the services of a mining contractor, the MCC Group (MCC). The intention is to mine Vele by opencast and underground methods for a period in excess of 50 years with reserves being accessed via boxcuts and portals/adits. Although the initial concept study indicated that mining both the openpit and underground areas concurrently could be achieved at peak production levels of approximately 14Mtpa ROM, CoAL have elected to downscale this production rate to 5.4Mtpa due to current market conditions. The boxcut for the opencast pit has been established in the shallowest area and consist of a mini-pit which will expand as the tonnages increase. Only the first mining phase has been scheduled and included in the financial model, where the openpit mining operation will continue at designed production levels of 2.7Mtpa ROM which is in line with the processing plant design. The boxcut in the deeper reserves will be for underground access where portals/adits will be excavated into the Bottom Lower Seam only. Mining production rates can be increased with limited constraints in line with future processing plant expansions.

10.8.1. Opencast Mining

To access the opencast Coal Reserves, topsoil must initially be stripped to a depth of up to 1m by a truck and shovel operations and stored for later rehabilitation. Overburden and interburden stripping is then to be performed by truck and shovel fleets. Separate coaling fleets transport the coal from the pit to the run of mine (RoM) tip. The main mining equipment for the initial mining phase includes the following:-

- a 9350 Liebherr excavator;
- a 974 Liebherr excavator (or CAT 988 Loader);
- four CAT 785 trucks and four CAT 773 trucks;
- a watercart;
- a D10 dozer; and
- a grader.

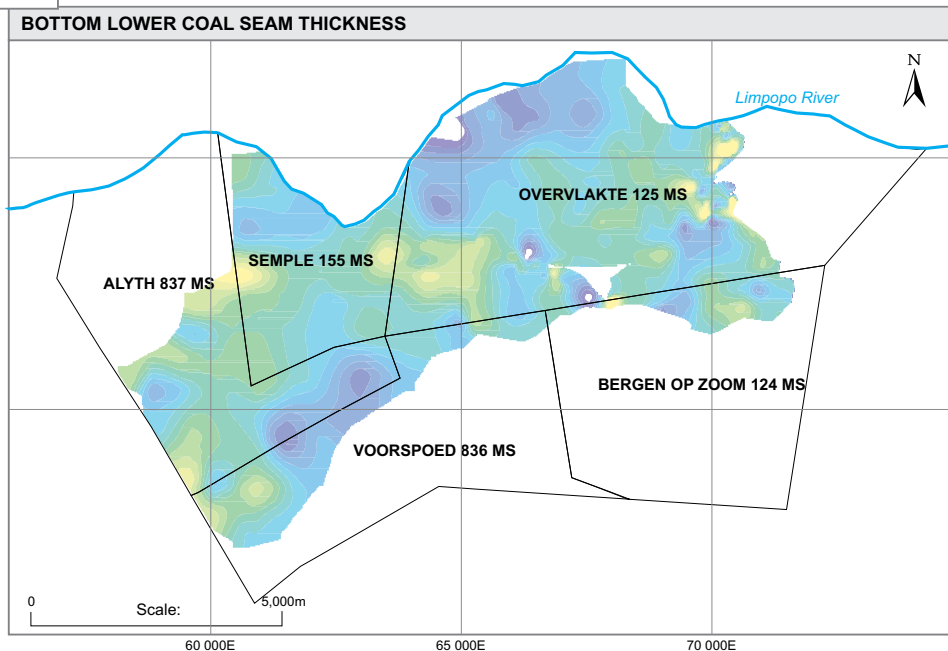
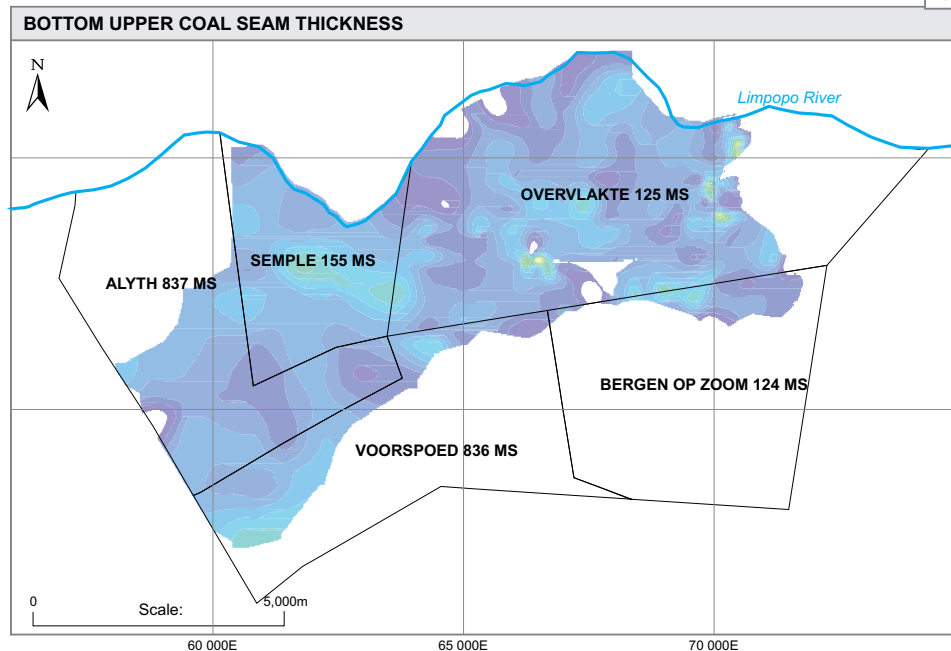
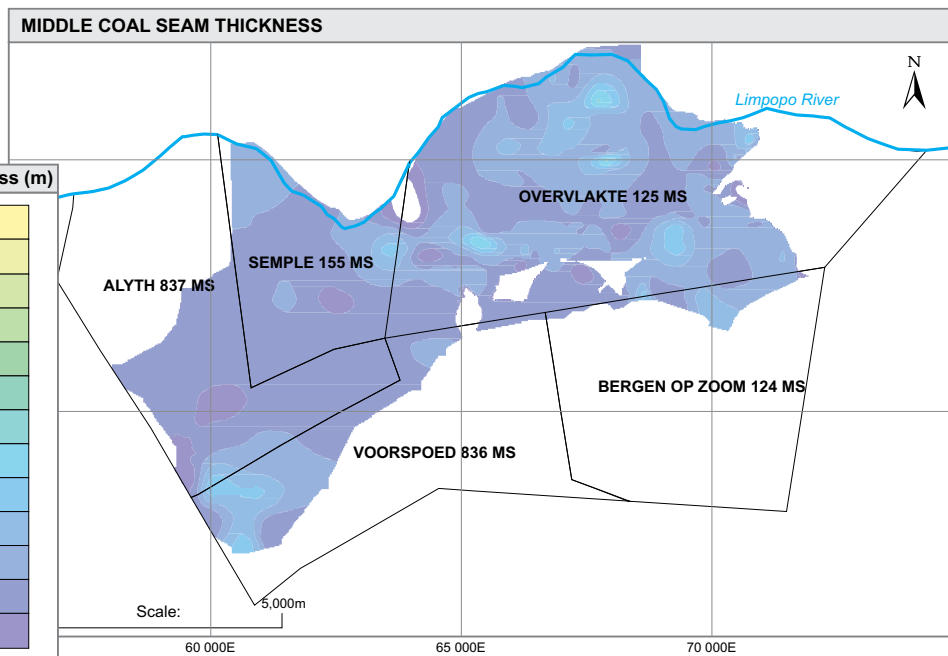
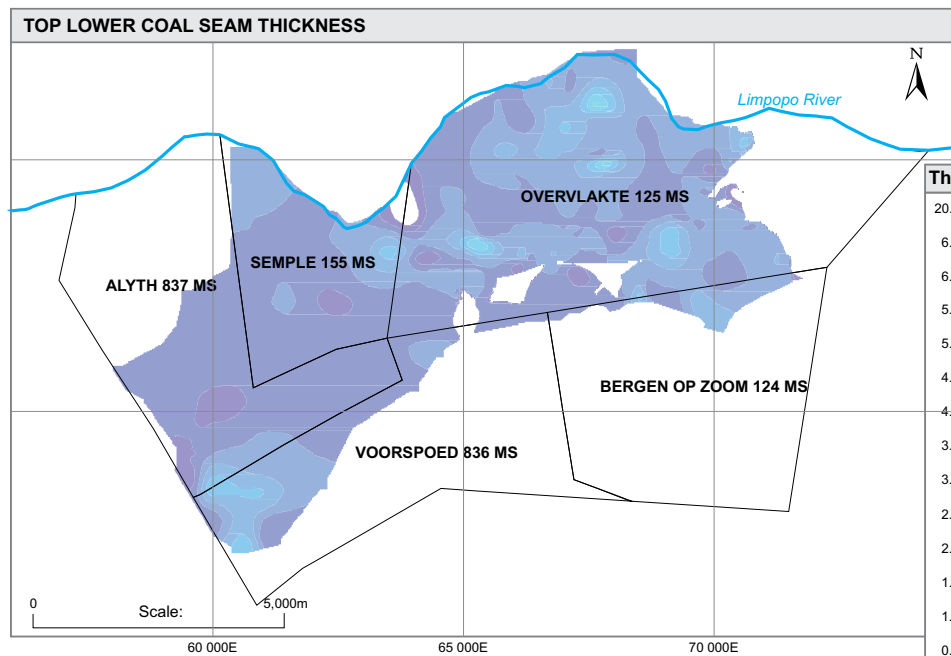
The current mine design includes one opencast pit which is designed to produce up to 2.7Mtpa RoM. The opencast layout has been designed to produce an average of approximately 225,000tpm, depending on the overburden thickness being mined and the number of working shifts per month.

Opencast strips and blocks were designed using the following design criteria:-

- block lengths = 100m;
- block widths = 50m; and
- strip lengths = variable.

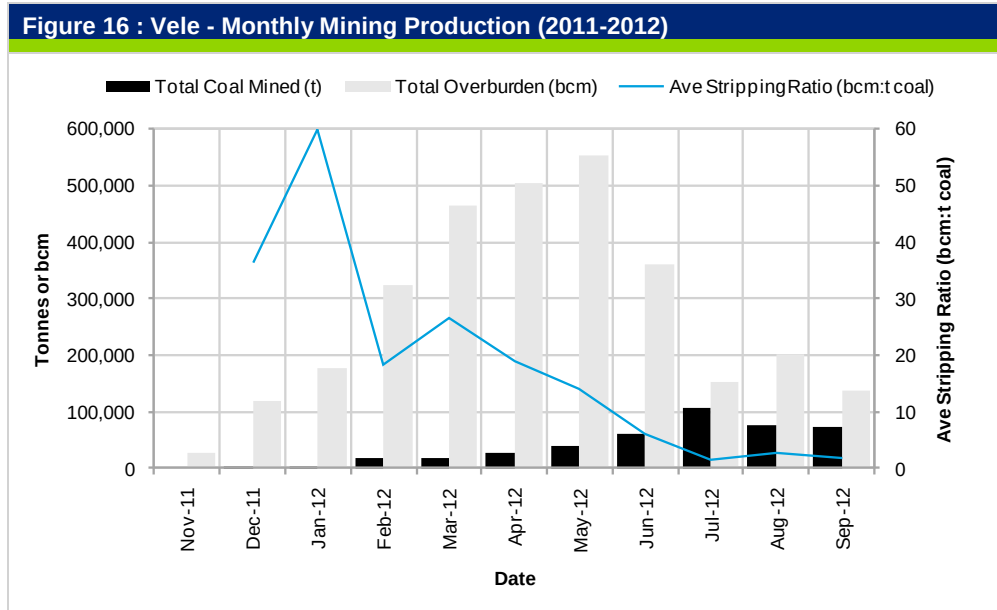
Overburden access is provided by high wall ramps spaced at approximately 200m intervals and terminating in two end-wall ramps. The coaling bench is accessed via low-wall ramps spaced at approximately 200m intervals. An average stripping ratio of 4.2bcm:t will be realised during the opencast operations, with stripping ratios rarely exceeding 5bcm:t on an annual basis. Venmyn Deloitte considers that the applicability of the mining method and geotechnical design to be appropriate for such deposits.

VELE - COAL ISOPACH MODEL



Opencast mining is expected to be undertaken for in excess of 30 years.

The monthly mining production since mining commenced is presented in Figure 16.



10.8.2. Potential Future Underground Mining

Potential future underground mining will target the Lower Seam only, using a bord and pillar mining pattern. Underground mining has only been considered suitable in those areas where the depth of the roof of the Lower Seam generally exceeds 60m depth due to the weak coal strength and poor overburden stability. The bord and pillar mining layout should be achieving a relatively high extraction rate of approximately 65% by virtue of the low seam height to depth ratio.

For underground access, a decline is to be sunk on the border with the opencast Coal Reserves. Staff and material will be transported by trackless vehicles (tractor and trailer or light delivery vehicles), while coal is transported out of the mine on conveyors. Ventilation will be by means of up-cast ventilation shafts, with intake air provided through the decline shafts.

The underground development will continue in a northerly direction and have main developments mining east and west. The East underground mining area will need to negotiate a downthrown fault to access the Coal Reserves in the central graben area.

For the underground mining, five continuous miner sections will be required. Each section will be equipped with a high seam continuous miner, four coal haulers, two roof bolters, a feeder breaker and an LHD. Five continuous miner sections with shuttle cars are planned to meet the production requirements, utilizing five Joy 12 HM 31 AAA high seam production sections at an average of 75,000tpm of RoM coal. Pillars will be designed using the Salamon and Munro formula.

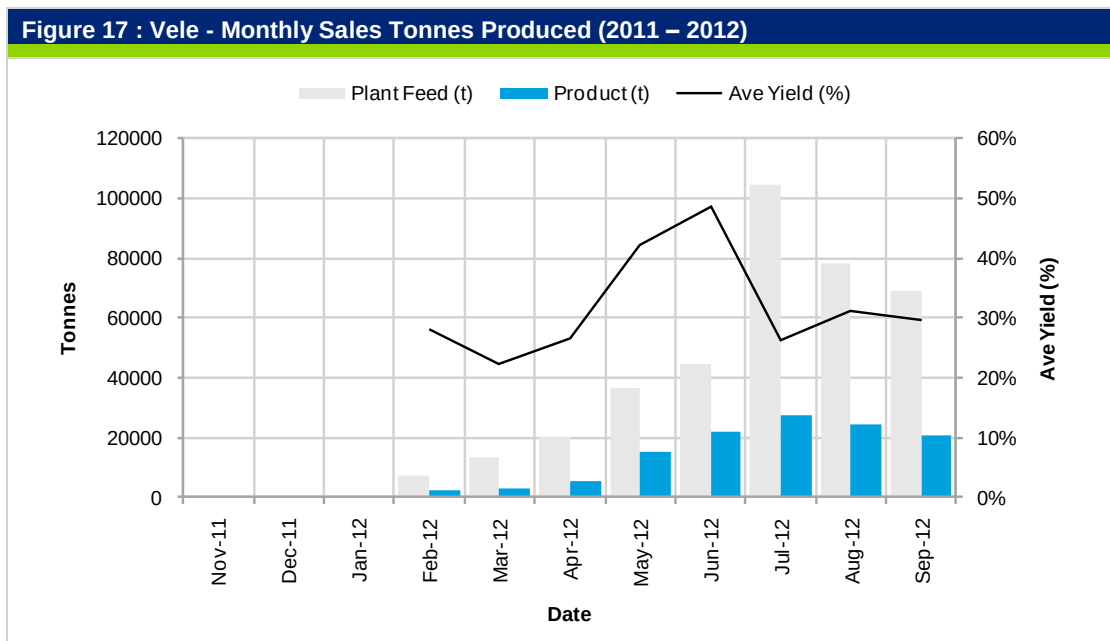
Underground mining was initially expected to be undertaken for approximately 21 years, commencing approximately 12 years after opencast mining commences. However, in the current mine plan the underground mining has been excluded.

10.9. Processing

10.9.1. Current Processing

Coal production through the current temporary (or modular) plant commenced in February 2012. A thermal export product is currently being produced at an average yield of 32% (February – September 2012).

The recent monthly production figures through the plant are presented in Figure 17.



The original Vele mine and plant design was based on a total production output of 2.7Mtpa ROM, producing a single product (semi-soft coking coal) using the temporary plant. As a result of time and capital constraints during construction, the Vele beneficiation plant was constructed to include certain temporary sections resulting in a sub-optimal design in terms of ROM handling and throughput, product recovery, slurry management and operational costs.

It must also be noted that the technical design was based upon borehole core information and not on a bulk mining sample, resulting in certain limitations in processing capability.

Vele currently utilises a contractor, Minopex (Pty) Ltd (Minopex), to operate the CoAL owned modular or temporary plant. The plant consists of the following main sections:-

- crushing and screening plant;
- de-stoning plant (modular);
- secondary washing plant (modular);
- spiral plant (modular); and
- general plant services.

RoM consists of material supplied from the open-cast mining activities. The open-cast material has a top size of 300mm. The plant is designed for a RoM feed of 500tph into the crushing and screening plant. A temporary crushing and screening plant is currently in use with a production capacity of 300tph ROM.

Dirty process water containing slimes is treated and clarified in a thickener and the recovered water is re-used as process water in the preparation plant. The high-density thickener underflow is pumped to a lined temporary slimes dam.

10.9.2. Future Processing

As of January 2013, a primary semi soft coking coal, at 10% ash content, and an Eskom thermal middlings fraction will be produced.

Following the commencement of mining operations in late 2011 and processing operations in early 2012, bulk sample type information and real throughput data have become available. These were used to design the Phase 2 upgrade of the plant.

The original temporary plant was not designed to produce a dual product stream (i.e. semi soft coking coal and thermal middlings product, simultaneously) and did not include a floatation section which is required to capture the ultra-fines (and enhance overall yield).

A Phase 2 plant upgrade has been designed to handle up to 2.7Mtpa and to improve the flow sheet and product handling. The new plant will have the ability to simultaneously produce more than one product and will include a floatation section and filter presses, which enhances yield and reduces the amount of slurry produced. According to CoAL, the benefits of the Phase 2 plant upgrade are expected to be as follows:-

- improve the ROM handling and capacity as well as the crushing and screening sections;
- optimise overall coking product yield by beneficiating 100% of the ROM through all size fractions and improving on current processing sections;
- reduce operational costs by minimising materials handling throughout the plant;
- improve overall plant yield by simultaneously producing more than one product; and
- reduce rehabilitation costs, handling of discard to be returned to the pit; and
- provide flexibility to produce a range of products.

The Phase 2 plant upgrade consists of the following three stages:-

- Stage 1 - totalling ZAR28.7m, to be completed by 31st March 2013, consists of the Front End Engineering Design for the plant upgrade, 30% deposit on the long lead items for the plant upgrade and the filter presses;
- Stage 2 - totalling ZAR9.5m, to be completed by 30th September 2013, consists of the Fines Upgrade section; and
- Stage 3 - totalling ZAR269.6m, to be completed by 31st October 2013, consists of the ROM feed and primary wash, Middlings Plant and Floatation Plant.

The total cost has been estimated at ZAR307.8m, excluding a contingency of 10%.

The funding of the plant upgrade is dependent on existing equity capital, proceeds from the BHE investment and debt financing. According to CoAL, the first phase of the upgrade, totalling ZARR15m has been approved by the Board. The balance of the plant upgrade is dependent on completion of the HEI transaction and receipt of proceeds of USD20m by the end of November 2012 and USD80m by 31st January 2013. This will enable the company to continue with the installation and make the equity investment in the plant upgrade in order to support a moderate amount of debt financing as part of the overall funding of the plant upgrade.

The temporary crushing and screening plant will be discontinued with the commissioning of the Vele Phase 2 plant upgrade.

A coal laboratory will be established on site, which will be owned by CoAL and operated by Inspectorate.

10.10. Mineral Resource Statement

The Coal Resources for the Vele Colliery were estimated and signed off by CoAL's Competent Person, Mr T Maupa (Pr.Sci.Nat.), CoAL's divisional geologist, as at 30th September 2012. The CoAL resource statement is presented in Table 13. The resources have been estimated on a 0.5m initial cutoff to estimate the Total Tonnes In Situ (TTIS) and then also estimated at the required mining heights to estimate the Mineable Tonnes In Situ (MTIS).

Table 13 : Vele – CoAL's Resource Statement (30th September 2012) Inclusive of Reserves**RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS**

MINERAL RIGHT	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU
Prospecting Right (Alyth 837MS)	Measured	Bottom Upper	2.22	1.77	2,509,246	10%	2,258,300
		Bottom Low er	4.49	1.78	5,081,135	10%	4,573,000
	TOTAL / AVE MEASURED		3.74	1.78	7,590,381	10%	6,831,300
	Indicated	Top Low er	1.32	2.09	2,598,533	15%	2,208,000
		Middle	0.76	1.73	2,994,191	15%	2,545,000
		Bottom Upper	1.87	1.77	18,731,848	15%	15,922,000
		Bottom Low er	3.79	1.72	45,604,808	15%	38,764,000
	TOTAL / AVE INDICATED		3.07	1.75	69,929,380	15%	59,439,000
	Inferred	Top Low er	1.12	1.95	12,002,056	20%	9,600,000
		Middle	0.79	1.74	5,562,623	20%	4,450,000
		Bottom Upper	1.70	1.76	12,504,581	20%	10,000,000
		Bottom Low er	3.67	1.75	20,930,651	20%	16,740,000
TOTAL / AVE INFERRED		2.30	1.80	50,999,911	20%	40,790,000	
TAL / AVE PROSPECTING RIGHT		2.81	1.77	128,519,672	17%	107,060,300	
Mining Right (Overvliakte 125MS, Bergen Op Zoom 124MS, Voorspoed 836MS, Semple 155MS)	Measured	Top Low er	1.65	1.87	11,649,452	10%	10,484,500
		Middle	1.11	1.68	12,907,954	10%	11,617,100
		Bottom Upper	2.14	1.80	38,082,200	10%	34,273,900
		Bottom Low er	3.95	1.72	79,709,238	10%	71,738,300
	TOTAL / AVE MEASURED		3.04	1.75	142,348,844	10%	128,113,800
	Indicated	Top Low er	1.66	1.90	69,424,120	15%	59,010,000
		Middle	1.07	1.72	39,402,880	15%	33,492,000
		Bottom Upper	2.05	1.79	83,710,256	15%	71,153,000
		Bottom Low er	3.65	1.76	164,387,552	15%	139,729,000
	TOTAL / AVE INDICATED		2.61	1.79	356,924,808	15%	303,384,000
	Inferred	Top Low er	1.59	1.86	45,306,505	20%	36,245,200
		Middle	1.05	1.69	22,770,534	20%	18,216,400
		Bottom Upper	1.98	1.78	44,906,597	20%	35,925,200
		Bottom Low er	3.54	1.75	54,948,028	20%	43,958,400
	TOTAL / AVE INFERRED		2.26	1.78	167,931,664	20%	134,345,200
TOTAL / AVE MINING RIGHT		2.62	1.78	667,205,316	15%	565,843,000	
TOTAL/AVE VELE PROJECT			2.65	1.78	795,724,988	15%	672,903,300

Notes:

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

AIR DRIED RAW QUALITIES					
CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
13.68	52.78	20.52	24.86	1.80	1.84
13.40	52.71	20.04	25.58	1.20	1.67
13.49	52.73	20.20	25.34	1.40	1.73
6.60	71.36	13.02	13.80	1.91	1.82
16.88	45.41	23.22	29.51	3.57	1.86
14.17	50.73	21.79	25.69	1.83	1.79
15.53	48.04	21.60	28.76	1.56	1.58
14.89	49.51	21.40	27.41	1.73	1.66
9.56	64.06	15.82	17.95	2.49	2.16
16.25	46.62	22.94	28.68	2.30	1.76
14.78	49.50	22.26	26.53	1.72	1.71
14.93	49.36	21.21	27.87	1.80	1.54
13.77	52.56	20.39	25.29	2.00	1.75
14.38	50.88	20.94	26.47	1.81	1.70
12.00	58.55	17.90	21.58	2.02	1.97
18.19	42.14	23.62	32.55	2.88	1.68
14.05	52.38	20.08	25.86	1.58	1.69
16.62	45.27	22.46	30.73	1.66	1.53
15.70	47.98	21.56	28.84	1.78	1.62
11.41	60.10	17.13	20.78	2.05	1.98
17.38	44.22	23.00	31.05	2.82	1.74
14.71	50.94	20.80	26.61	1.61	1.65
15.51	48.19	21.59	28.72	1.54	1.48
14.73	50.71	20.69	26.94	1.80	1.65
11.88	59.18	17.82	21.05	2.19	1.95
17.65	43.60	23.53	31.14	2.23	1.76
14.30	51.92	20.60	25.82	1.68	1.66
15.56	48.05	21.66	28.80	1.57	1.46
14.52	51.48	20.60	26.23	1.86	1.68
14.90	50.28	20.87	27.20	1.81	1.65
14.82	50.37	20.88	27.09	1.81	1.66

RESOURCE CALCULATED FOR 1.4m MIN. MINING HEIGHT AND 4.5m MAX. MINING HEIGHT FOR UNDERGROUND RESOURCES (ONLY BOTTOM LOWER SEAM CONSIDERED FOR UNDERGROUND MINING)

										AIR DRIED RAW QUALITIES					
MINERAL RIGHT	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINEABLE TONNES IN SITU	CV (MJkg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Prospecting Right (Alyth 837MS)	Measured	Bottom Low er	3.76	1.66	3,506,830	10%	3,156,147	10%	2,840,500	16.72	44.33	23.20	30.94	1.20	1.52
	TOTAL / AVE. MEASURED		3.76	1.66	3,506,830	10%	3,156,147	10%	2,840,500	16.72	44.33	23.20	30.94	1.20	1.52
	Indicated	Top Low er	1.05	1.96	1,015,711	15%	863,354	2%	846,000	9.48	64.54	14.75	18.85	2.33	1.86
		Middle	0.76	1.72	611,131	15%	519,461	2%	509,000	18.01	42.46	22.96	32.63	3.74	1.92
		Bottom Upper	1.66	1.78	2,221,934	15%	1,888,644	2%	1,850,000	14.95	48.14	21.40	29.03	1.34	1.42
		Bottom Low er	2.28	1.65	5,731,713	15%	4,871,956	2%	4,774,000	18.95	39.36	24.25	34.99	1.57	1.38
			3.98	1.73	37,383,728	15%	31,776,169	10%	28,598,000	15.25	48.73	21.44	28.22	1.62	1.60
	TOTAL / AVE. INDICATED		3.56	1.73	46,964,217	15%	39,919,584	8%	36,577,000	15.62	47.76	21.67	28.99	1.65	1.57
	Inferred	Top Low er	1.08	1.96	2,433,317	20%	1,946,654	2%	1,900,000	10.12	62.01	16.70	19.68	3.64	1.63
		Middle	0.76	1.73	1,348,760	20%	1,079,008	2%	1,050,000	15.82	46.99	22.19	28.91	2.24	1.92
		Bottom Upper	1.39	1.76	2,712,183	20%	2,169,746	2%	2,120,000	15.79	46.54	22.73	29.20	1.45	1.53
		Bottom Low er	2.65	1.68	2,744,065	20%	2,195,252	2%	2,150,000	17.92	41.56	23.65	33.38	1.51	1.41
			3.88	1.77	12,833,064	20%	10,266,451	10%	9,230,000	14.36	50.82	20.76	26.83	1.94	1.56
	TOTAL / AVE. INFERRED		2.92	1.78	22,071,389	20%	17,657,111	7%	16,450,000	14.61	50.11	21.01	27.30	2.04	1.57
	TOTAL / AVE. PROSPECTING RIGHT		3.38	1.74	72,542,436	16%	60,732,843	8%	55,867,500	15.38	48.27	21.56	28.59	1.74	1.57
Mining Right (Overvakte 125MS, Bergen Op Zoom 124MS, Voorspoed 836MS & Semple 155MS)	Measured	Top Low er	1.76	1.88	4,040,183	10%	3,636,165	2%	3,563,400	11.78	58.99	17.77	21.32	2.14	1.92
		Middle	1.17	1.66	6,818,625	10%	6,136,763	2%	6,014,000	18.54	41.13	24.58	32.60	3.02	1.69
		Bottom Upper	1.90	1.80	18,185,240	10%	16,366,716	2%	16,039,300	14.10	52.09	19.94	26.29	1.61	1.69
		Bottom Low er	3.88	1.70	40,530,070	10%	36,477,063	2%	35,747,500	16.98	44.26	22.72	31.45	1.62	1.57
			3.85	1.72	28,266,836	10%	25,440,152	10%	22,896,100	16.62	45.6	22.51	30.42	1.76	1.45
	TOTAL / AVE. MEASURED		3.24	1.73	97,840,954	10%	88,056,859	4%	84,260,300	16.23	46.51	22.06	29.84	1.78	1.58
	Indicated	Top Low er	1.69	1.87	23,104,430	15%	19,638,766	2%	19,245,000	12.03	57.93	18.12	22.02	2.46	1.93
		Middle	1.06	1.67	13,389,406	15%	11,380,995	2%	11,153,000	18.53	40.99	24.62	32.68	2.92	1.71
		Bottom Upper	1.81	1.77	27,804,034	15%	23,633,429	2%	23,160,000	15.63	48.23	21.79	28.40	1.70	1.59
		Bottom Low er	3.47	1.70	54,526,460	15%	46,347,491	2%	45,420,000	17.05	44.21	22.90	31.43	1.45	1.45
			3.59	1.77	84,631,584	15%	71,936,846	10%	64,743,000	15.31	48.82	21.42	28.28	1.67	1.46
	TOTAL / AVE. INDICATED		2.94	1.76	203,455,914	15%	172,937,527	5%	163,721,000	15.67	48.00	21.71	28.73	1.79	1.55
	Inferred	Top Low er	1.62	1.88	19,169,147	20%	15,335,318	2%	15,020,000	11.89	58.43	18.13	21.53	2.52	1.90
		Middle	1.02	1.68	8,080,854	20%	6,464,683	2%	6,330,000	18.14	41.84	24.36	32.09	2.35	1.69
		Bottom Upper	1.72	1.75	13,276,920	20%	10,621,536	2%	10,400,000	16.29	46.48	22.50	29.46	1.95	1.57
		Bottom Low er	3.60	1.71	19,407,453	20%	15,525,962	2%	15,210,000	16.81	44.80	22.77	30.95	1.52	1.47
			3.27	1.77	16,225,510	20%	12,980,408	10%	11,680,000	14.57	50.61	20.81	27.12	1.63	1.41
	TOTAL / AVE. INFERRED		2.44	1.77	76,159,884	20%	60,927,907	4%	58,640,000	15.15	49.43	21.32	27.63	1.97	1.61
	TOTAL / AVE. MINING RIGHT		2.92	1.75	377,456,752	15%	321,922,293	5%	306,621,300	15.73	47.86	21.73	28.83	1.82	1.57
	TOTAL/AVE. VELE PROJECT			2.98	1.75	449,999,188	15%	382,655,135	5%	362,488,800	15.67	47.93	21.70	28.79	1.81

Notes:

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

The tonnages are based upon the 31st August 2011 geological model, less depletions of approximately 500,000t to take into account the mining to 30th September 2012. In addition, approximately 7.5Mt of coal has been removed from the resource as this coal is potentially weathered. All depletions have come from the Measured Resources pertaining to the OC Central mining block.

This resource statement has been independently verified by Venmyn Deloitte's Competent Person in accordance with the JORC Code and the Australian Guidelines. Venmyn Deloitte's Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No 400049/02) and a longstanding member of AusIMM. She has over 20 years experience in the resources industry.

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 Deloitte is confident that the logging, sampling, data density and distribution are suitable for the Coal Resource and Coal Reserve estimation.

The Vele Colliery seam Coal Resources were classified by CoAL according to the relative spacing of points of observation with both quantitative and qualitative results as defined in the Australian Guidelines. Only Points of Observation with seam quality data, in combination with seam thickness data, have been used to define the Coal Resource categories. The coal seams have been individually classified based on these criteria. Inferred Resources are particularly relevant in the northwestern corner of the Colliery Area, which is devoid of borehole data.

The location of the Coal Resources according to their classification into Measured, Indicated and Inferred is presented in relation to the mineral rights boundary in Figure 18.

All boreholes with seam intersection data were used to generate the seam physical models on which the estimates of seam volumes were based. The geological model which forms the basis for the resource estimation is dated 31st August 2011. The volume of the various seam Coal Resources were estimated using the MinexTM model of the seam thickness. These volumes were then depleted by the mined tonnages until 30th September 2012.

The MinexTM modelled average raw density per Coal Resource block was used to calculate the tonnage from the volume. The raw density of every sample is measured in the laboratory. The Coal Resource tonnages are reported according to the following:-

- Gross Tonnes In Situ (GTIS);
- Total Tonnes in Situ (TTIS); and
- Mineable Tonnes in Situ (MTIS).

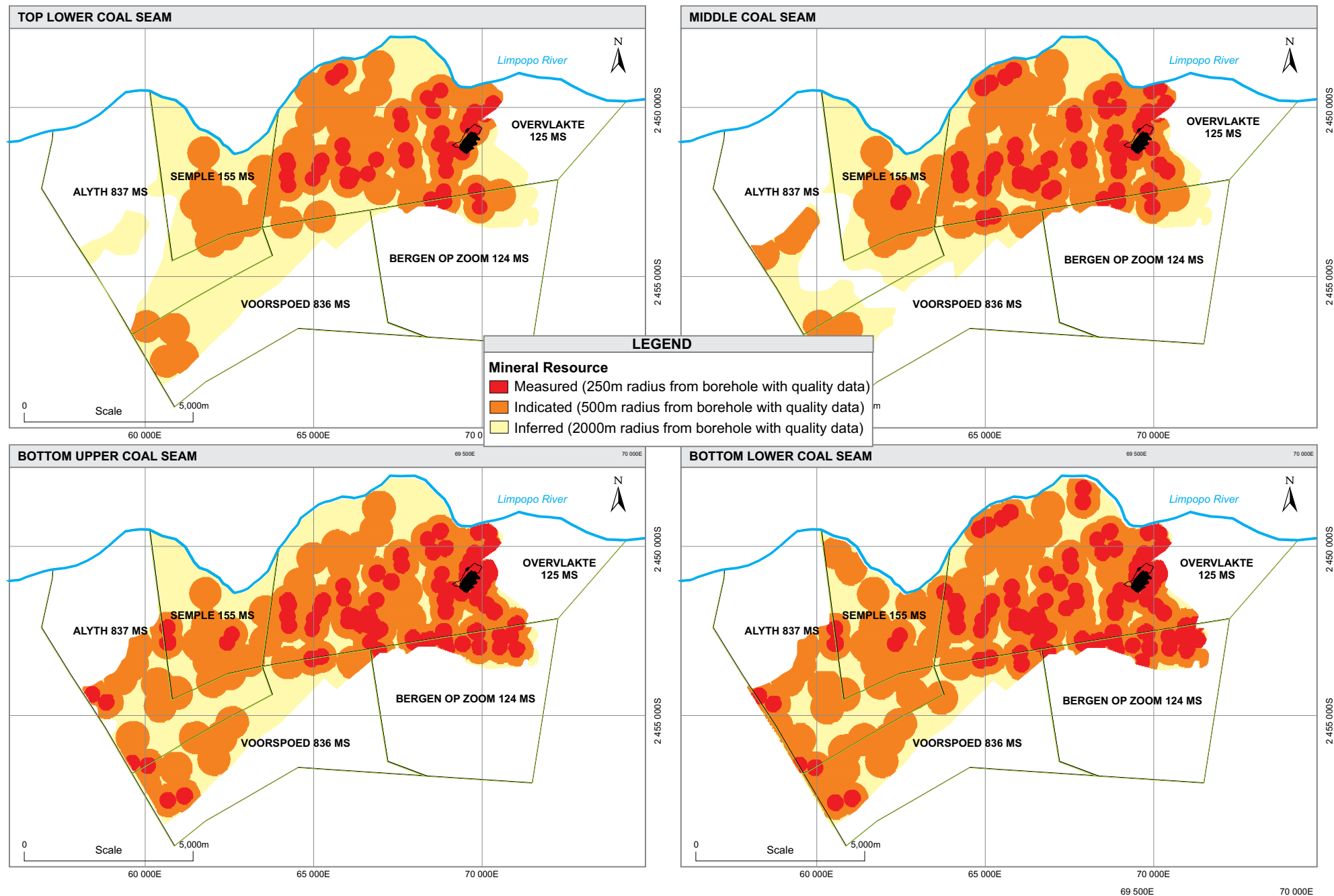
GTIS, TTIS and MTIS Coal Resources have been estimated by CoAL for the Top Lower, Middle, Bottom Upper, and Bottom Lower Seams. The Top Middle and Top Upper seams are not considered economic and have been excluded from the Coal Resource database. The GTIS, TTIS and MTIS Coal Resources have been divided into potential opencast and underground sectors.

Each of the quality parameters are modelled by CoAL in MinexTM and the average quality per block is reported in the Coal Resource Statement. Average raw coal qualities were weighted by MTIS.

The following cutoffs or limits are applied by CoAL to the Coal Resources:-

- the Coal Resources attributed to the NOPR and the NOMR are identified separately;
- the Coal Resource blocks are limited according to the boundaries of the respective mineral licences;
- the Coal Resources blocks are limited to the seam sub-crop;
- the Coal Resource blocks are limited to the Coal Resource extrapolation limits;
- limit of 50m around all known geological structures and dykes;
- the Coal Resource blocks are limited to the base of oxidation;

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Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

- the Coal Resource blocks are limited to the 100 year flood line for the Limpopo River;
- a minimum seam thickness limit of 0.5m is applied prior to the reporting of GTIS;
- a minimum seam height of 1.4m and a maximum seam height of 4.5m has been applied to the underground Coal Resources (Bottom Lower Seam) to calculate MTIS; and
- geological losses of 10%, 15% and 20% are applied to Measured, Indicated and Inferred Coal Resources, respectively, 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. The percentages applied increase with decreasing borehole spacing.

10.11. Mineral Reserve Statement

Coal Reserves were estimated and signed off by CoAL's Competent Person, Mr T Maupa (Pr.Sci.Nat.), CoAL's divisional geologist, as at 30th September 2012 in accordance with the JORC Code. The reserve statement is presented in Table 10 and the location of the reserves is indicated on Figure 19. The Coal Reserves were based upon the Coal Resources prepared by Mr T Maupa (Pr.Sci.Nat.), taking into account the depletions for mining, and dated the 30th September 2012.

The Coal Reserves were independently reviewed and verified by Mr G Njowa, of Venmyn Deloitte, a registered professional engineer with the Engineering Council of South Africa. (Reg. No. 20090204). During the review process, the LoM schedule was checked for consistency, tallying with the Coal Resources from which these Coal Reserves have been converted, and the practical achievability of the mining rates. The current production target of 2.7Mtpa for the first five years is considered reasonable since CoAL has comfortably been producing similar production at its other operations.

With regards to the estimation of the coal tonnages for the Coal Reserve Statement for the Vele Colliery, the geological and economic boundaries of the opencast operations were determined based on the initial quality cutoff for the resources.

The resultant RoM Coal Reserve, after accounting for excluded areas and modifying factors, is estimated by CoAL at 291Mt RoM tonnes for both the opencast and underground Coal Reserves. The OC Central block was classified, by CoAL, as Proven because the company has commenced mining in this block and has drilled LDD holes to provide additional confidence on the yields in this area. The OC Central block represents approximately 8% of the total reserves and comprises the first five years of mining at Vele. The remaining reserves (92%) were classified by CoAL in the Probable Reserve category due to the lower level of confidence attributable to the practical yields where only slimline drilling results are available.

Venmyn Deloitte has reviewed CoAL's financial model based on the estimated production, mining and processing costs and capital expenditure to demonstrate the economic viability of extracting these Coal Reserves.

10.11.1. Modifying Factors

The mining and economic modifying factors that were applied to the Vele Colliery Coal Reserves are as follows:-

- an export semi soft coking coal price of USD124/t for the primary product and a domestic thermal coal price of ZAR274/t for the middlings product. Commodity prices and exchange rates used to estimate the economic viability of Coal Reserves are based on long term forecasts applied at the time the estimate was completed;
- an average operating cost of ZAR300/t was utilised;
- a minimum seam height of 1.4m and a maximum seam height of 4.5m have been applied to the underground Coal Resources (Bottom Lower Seam) to calculate MTIS. Other than the 0.5m cutoff, no additional seam thickness cutoffs have been applied to the opencast Coal Resources. These cutoffs have been applied at the Coal Resource level;

Table 14 : Vele – CoAL's Reserve Statement (30th September 2012)

MINE BLOCK	O/C or U/G	RESERVE CATEGORY	MINEABLE IN SITU RESERVE (t)	MINING EXTRACT. FACTOR (%)	DULUTION (%)	EXTERNAL MOISTURE (%)	ROM TONNAGE (t)	PRIMARY PRODUCT PRACTICAL YIELD (%)	PRIMARY PRODUCT SALEABLE TONNES	SECONDARY PRODUCT PRACTICAL YIELD (%)	SECONDARY PRODUCT SALEABLE TONNES
OC Central	O/c	Proved	24,198,980	95.0%	8.0%	3.5%	25,697,139	18.5%	4,742,511	38.3%	9,842,014
TOTAL /AVE O/C PROVED			24,198,980	95.0%	8.0%	3.5%	25,697,139	18.5%	4,742,511	38.3%	9,842,014
OC North	O/c	Probable	67,895,472	95.0%	8.0%	3.5%	72,098,881	18.3%	13,166,879	43.8%	31,584,033
OC Sou h			25,062,053	95.0%	8.0%	3.5%	26,613,644	18.4%	4,908,065	44.0%	11,704,941
OC West			76,870,133	95.0%	8.0%	3.5%	81,629,163	17.8%	14,554,970	45.7%	37,281,226
TOTAL /AVE O/C PROBABLE			169,827,658	95.0%	8.0%	3.5%	180,341,689	18.1%	32,629,914	44.7%	80,570,199
TOTAL / AVE. OPENCAST			194,026,639	95.0%	8.0%	3.5%	206,038,828	18.1%	37,372,425	43.9%	90,412,214
UG North	U/g	Probable	38,335,074	60.0%	5.0%	3.5%	24,996,385	18.9%	4,714,318	40.8%	10,207,924
UG Sou h			30,317,383	60.0%	5.0%	3.5%	19,768,449	17.8%	3,523,726	39.4%	7,793,859
UG West			62,891,125	60.0%	5.0%	3.5%	41,008,158	17.0%	6,979,589	46.8%	19,179,185
TOTAL / AVE. UNDERGROUND			131,543,582	60.0%	5.0%	3.5%	85,772,992	17.7%	15,217,633	43.3%	37,180,968
GRAND TOTAL / AVERAGE VELE RESERVES			325,570,220	80.9%	7.1%	3.5%	291,811,820	18.0%	52,590,058	43.7%	127,593,182

Notes:

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

PRIME PRODUCT QUALITIES						
YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
18%	30.19	10.00	34.99	53.18	1.10	1.94
18%	30.19	10.00	34.99	53.18	1.10	1.94
18%	30.87	10.00	35.45	55.20	1.08	1.84
18%	30.38	10.00	33.65	54.53	1.00	1.92
18%	30.88	10.00	35.33	55.47	1.17	1.76
18%	30.80	10.00	35.13	55.22	1.11	1.82
18%	34.55	11.27	39.55	61.71	1.24	2.08
19%	30.89	10.00	33.71	56.45	0.96	1.77
18%	30.24	10.00	35.82	52.56	1.25	1.78
17%	30.76	10.00	35.99	54.63	1.17	1.68
18%	30.68	10.00	35.24	54.71	1.12	1.73
18%	33.43	10.90	38.30	59.69	1.21	1.98

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Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

- opencast mining extraction of 95% and a 60% underground mining extraction;
- a 15% increase in the sample yield to ~19% for a 10% semi soft coking coal ash product;
- mining block layout losses of 5% on the underground Coal Reserves and 2% mining block losses on the opencast Coal Reserves has been accounted for at Coal Resource estimation;
- surface/residual moisture of ~3.5% and inherent moisture of 1.6%;
- assumed contamination of 8% for the opencast Coal Reserves and a 5% on the underground Coal Reserves. These figures have been based upon industry averages;
- in the estimation of coal reserves, Venmyn Deloitte assumed that all regulatory applications will be approved and the current approvals will continue to be valid; and
- Coal Resource cutoffs were applied as per the Coal Resource Statement.

Saleable Coal Reserves are reported on as sold basis. The RoM Coal Reserves are adjusted for yield losses in the preparation plant and converted to a saleable moisture basis to give the saleable Coal Reserves.

It should be noted that no bulk sampling and detailed beneficiation analysis was conducted on Vele coal deposit. However, LDD drilling was undertaken to compare yields from slimline holes with larger samples. The results showed that the LDD yields were between 20% and 80% higher than the slimline results. Therefore the borehole yields have been increased by a conservative 15% to take into account this additional expected yield across the deposit. The actual yields will only be able to be accurately estimated after operating the mine for at least a year.

10.12. Verification of DCF Technical and Operating Assumptions

Venmyn Deloitte is not required to perform a mineral asset valuation of the operating assets. Instead, Venmyn Deloitte was mandated by KPMG to review the technical input parameters to CoAL's management DCF model. This review was conducted in order to assist KPMG in forming their own view of value of the operating assets. The results of this review are reported in the relevant sections below.

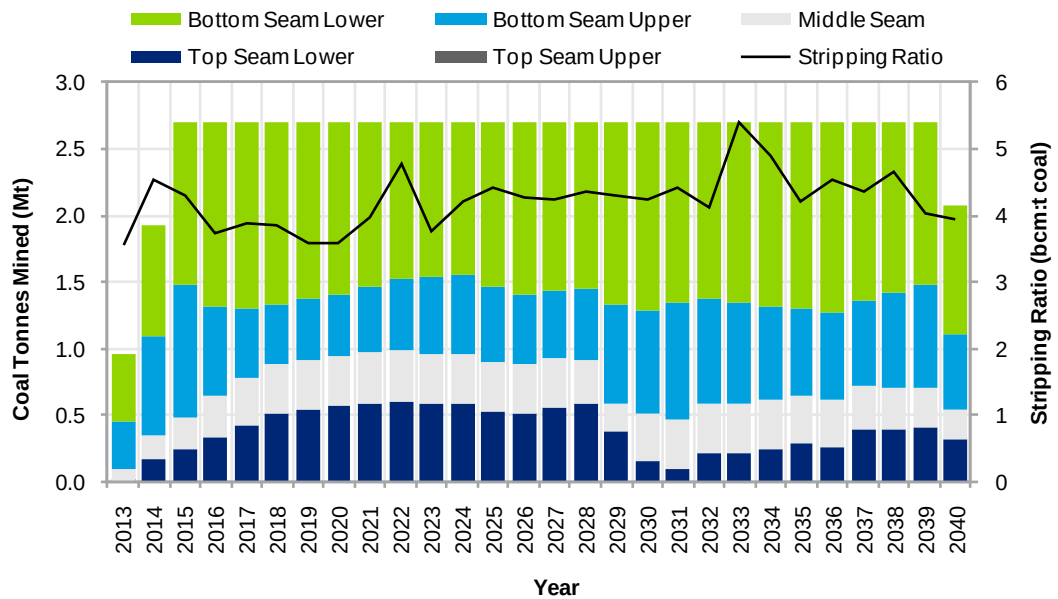
10.12.1. Mining Production Tonnages

The basis for any DCF model is the coal tonnes to be mined. The current LoM plan for Vele Colliery only focuses on exploiting the opencastable coal reserves at a designed capacity of 2.7Mtpa as illustrated in Figure 20.

Based on the current LoM plan depicted in the Figure 20, and in the financial model, CoAL has only included 76Mt out of the 206Mt of RoM Coal Reserves that are available for extraction using opencast mining. Hence the financial model only includes 35% of the available opencast Coal Reserves. The remainder of the Coal Reserves not included in the current business plan have been valued using the market comparables using the Venmyn Coal Curve, as detailed in the next section.

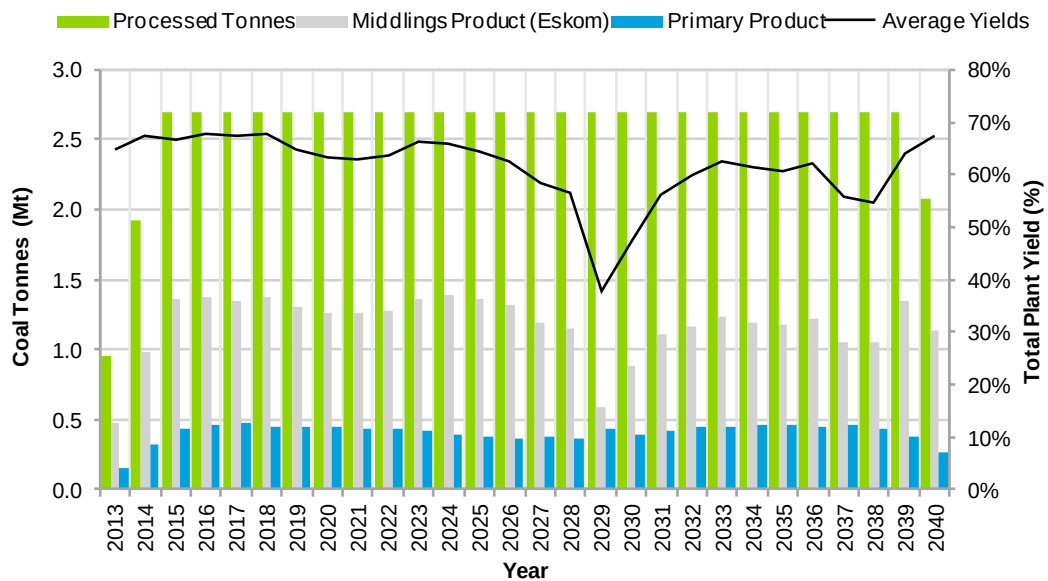
Venmyn Deloitte considers that the LoM projections are achievable providing sufficient exposed coal enables the flexibility in materials handling and any blend requirements that might be required to optimise the beneficiation process.

Venmyn Deloitte is of the opinion that the LoM and production level provided above are achievable and reasonable. It should be noted that, CoAL has considered an underground expansion to double the estimated production and the financial model has been constructed with a provision to include the expansion. However, the underground expansion has been excluded from the base case scenario, but it should still be considered as upside potential for development into the future.

Figure 20 : Vele – LOM Production Plan

10.12.2. Sales Tonnages and Yields

The sales tonnages and beneficiation yields for Vele Colliery are illustrated in Figure 21. CoAL has planned to produce a 10% ash semi-soft coking coal product, as the primary product at approximately 19% yield and an Eskom's middlings product at approximately 45% yield. These yields are in line with typical for the Limpopo Coalfields, where the prime product normally yields at approximately 15% and since the coal in this area is friable; the inclusion of a fines recovery plant enables the recovery of an additional 5% of the prime product from the fines. Venmyn Deloitte has established that similar recoveries are achieved at the Exxaro's Grootegeluk Mine.

Figure 21 : Vele – Sales Tonnes Forecast

Venmyn Deloitte considers that the processing yields used in the financial model are achievable and reasonable. However, in the first year of full production, CoAL is expected to yield relatively less product due to the fine tuning of the processing plant and understanding the qualities of the coal within the deposit. This has been correctly captured in the financial model.

10.12.3. Mining and Processing Operating Cost Estimates

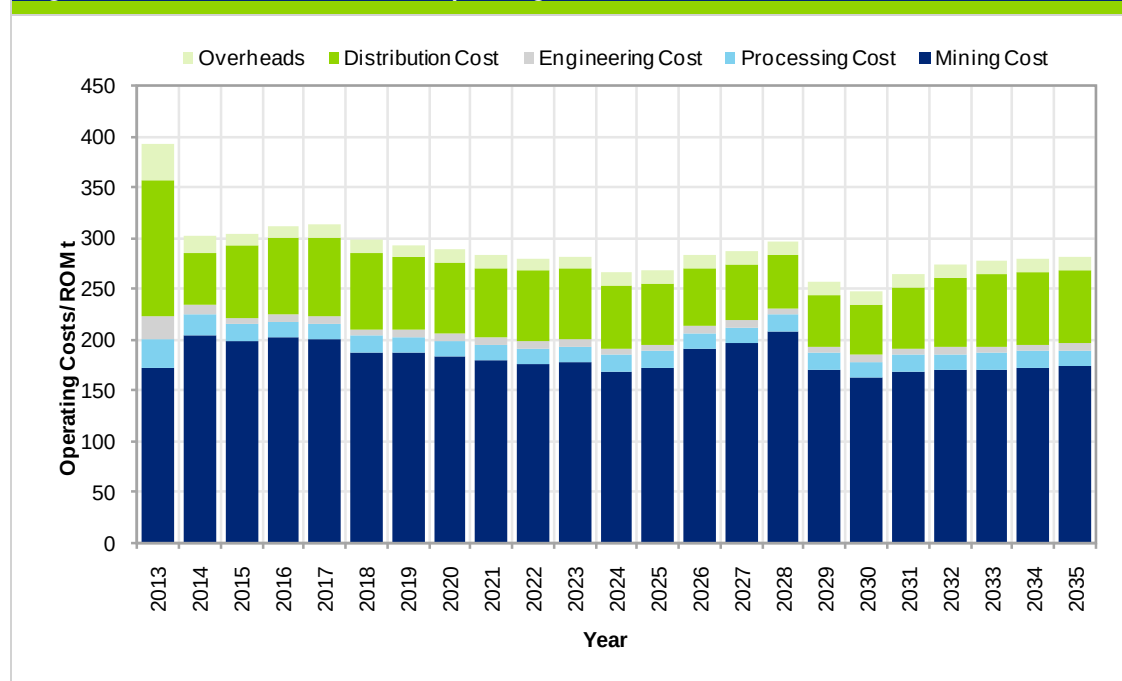
Venmyn Deloitte has reviewed the following operating costs for the project over the initial build-up phase and during the steady state mining (from year 2015 onwards) as illustrated in the Table 15.

Table 15 : Vele - Estimated RoM Operating Costs

DESCRIPTION	2013	2014	2015	2016	2017	LEEUPPAN MINE CASH COST EST	GROOTEGELUK MINE CASH COST EST
Mining Cost	(172.27)	(204.18)	(199.10)	(201.74)	(199.87)		
Processing Cost	(27.96)	(20.03)	(15.61)	(15.61)	(15.61)		
Engineering Cost	(21.90)	(9.21)	(6.76)	(6.76)	(6.76)		
Overheads	(36.18)	(18.04)	(12.86)	(12.86)	(12.86)		
TOTAL (ZAR/ ROM t)	(258.31)	(251.47)	(234.33)	(236.97)	(235.11)	(175.85)	(70.30)
Distribution Cost (ZAR/t)	(135.15)	(51.38)	(70.64)	(75.53)	(77.85)		
ROM Production (t)	960,000	1,925,000	2,700,000	2,700,000	2,700,000	4,900,000	38,000,000

The operating costs during the period when CoAL is in ramp up production, (i.e. 2013 financial year) is expected to be higher compared to the costs at a steady state, where the total operating costs are expected to level off at approximately ZAR240 per RoM tonne mined (excluding the distribution costs), as illustrated in Figure 22.

Figure 22 : Vele – Estimated Future Operating Costs



These operating costs were compared with other similar opencast mining operations in South Africa, (Exxaro's Leeuwpan Mine and the Grootegeluk Mine). It should be noted that these operations are an order of magnitude larger than the current LoM for the Vele Colliery and would benefit more from the economies of scale. The estimated total operating costs for these two mines does not include any distribution costs.

Leeuwpan Mine is a conventional open-pit mine using modified terrace configurations and truck and shovel operations and produces 3Mtpa of metallurgical and power station coal and is located in the Highveld Coalfield.

Grootegeluk Mine is a large open pit truck and shovel mine producing 18.8Mtpa of final coal products which includes soft coking coal, thermal coal and metallurgical coal, and is located in Waterberg Coalfield.

The Grootegeluk Mine was established to supply coking coal to Mittal Steel's steel plants, and under a forty-year contract to supply thermal coal to the Matimba Power Station. The only other mining operation close to Vele is Exxaro's Tshikondeni Mine, located in the Eastern sector of the Soutpansberg Coalfield, where the coal is exploited using underground mining methods. This is therefore not comparable.

Venmyn Deloitte considers that total estimated operating cost used in the financial model is reasonable and comparable to the other open pit operations in South Africa, using contract mining. These costs have been captured correctly in line with the way the different contracts have been structured. With this the fixed, semi fixed and variable costs have been captured correctly.

10.12.4. Capital Cost Estimates

Venmyn Deloitte has reviewed the capital expenditure that CoAL is forecasting to spend at Vele. Most of the capital costs have already been spent, except the minor capital expenditure, as shown in Table 16.

Table 16 : Vele - Estimated Capital Costs

CAPITAL EXPENDITURE AREA	2013	2014	COMMENTS
Plant Infrastructure Area	(244,188,977)	(63,661,635)	Including a fines recovery plant, dual primary wash plant, middlings handling facility and general improvements on the plant
Off Mine Infrastructure	(14,397,000)	(11,517,000)	
Logistics	0	(57,450,000)	Improvement around logistics infrastructure
Power Generation	(24,070,881)	(2,625,000)	
TOTAL (ZAR)	(282,656,858)	(135,253,635)	

The capital expenditure summarised in Table 16, is principally required to augment the existing infrastructure and optimising the process recoveries in the plant. The ZAR308m relating to Plant Infrastructure Area comprise installation of the froth floatation and filter presses, construction of permanent ROM feed, crushing and screening infrastructure, and a dual primary wash plant and middling's handling facility. The capital estimate for these additional modules to produce a middling's product and to treat the fines has been benchmarked against a similar plant at another operation and found to be reasonable. It should be noted that the capital expenditure that has been spent and the additional capital expenditure highlighted in this report only cover phase one of the development for the project, in line with the LOM depicted in Figure 20. Benchmarking a portion of specific capital costs (power generation, logistics and off mine infrastructure) in mining projects is highly subjective. In this case, therefore, Venmyn Deloitte did not consider such benchmarking appropriate.

The following items and phases have not being included in the current capital budget for Vele Collieries:-

- the estimated capital expenditure associated with the underground expansion;
- capital expenditure for the expansion of the openpit operations to double production; and
- any historical capital expenditure. This has been accounted for through the Balance Sheet of the company and has not been accounted for in this report.

The sustaining capital included in the financial model would be typical for mining operations that have most of their core mining related services being conducted by contractors. Therefore, the rates that CoAL pays for the services rendered would be inclusive of maintenance and sustaining capital estimates.

However, in this case, at Vele the mining and related services have been contracted to MCC, whilst the processing plant was built and is owned by CoAL and operated by Minopex. Hence, CoAL has provided approximately 1% of processing costs as the sustaining capital. Venmyn Deloitte is of the opinion that they should provide a minimum of 5% of the processing operating costs. The industry standard is to provide for between 5% and 15% of the relevant operating cost.

10.13. Valuation of Excess Reserves

Venmyn Deloitte has conducted an independent mineral asset valuation of the mineral reserves that fall outside of CoAL's current Life of Mine Plan ('excess reserves') considered in their corporate model for the project. This will assist KPMG in determining a 'terminal value', if applicable, for the project.

Venmyn Deloitte conducted this valuation using the Market Approach, as detailed below.

10.13.1. Market Approach

Venmyn Deloitte was able to carry out a comparable transaction valuation of the 'excess reserves', using the Market Approach, on the basis that recent market valuations of a similar nature provide a proxy for value for the reserves. In order to arrive at a reasonable market value with which to compare the respective 'excess reserves', appropriate recent and historical transactions must form the basis.

Figure 9 summarises Venmyn Deloitte's database of recent unit market valuations within the context of the South African coal market with reference to the respective coal resource and reserve classifications.

The comparable transaction value range selected for the valuation of the 'excess reserves' of the Vele Project has considered the nature of this valuation and the risk factors. Venmyn Deloitte is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the opencastability of the reserves;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Reserves; and
- availability of infrastructure and logistics.

The range of values generated, based upon the 'excess reserves' quantified for the Vele Project, is summarised in Table 17 and illustrated in Figure 9.

Table 17 : Vele – Market Approach Valuation of 'Excess Reserves'

PROJECT	O/C or U/G	RESERVE CATEGORY	'EXCESS' ROM TONNAGE (t)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Vele	O/C	Probable	133,939,947	6.50	8.00	870.61	1,071.52	971.06
	U/G	Probable	85,772,992	5.00	7.00	428.86	600.41	514.64
VELE TOTAL			219,712,939	5.91	7.61	1,299.47	1,671.93	1,485.70

The value range derived from the Market Approach is between ZAR1,299m (low valuation) and ZAR1,672m (high valuation). This valuation range was calculated from the range of unit values as defined by the Market Approach. The value range reflects the level of confidence attached to the respective Coal Reserves and the probability of their being brought to account. The population of historic market transactions and valuations provides an indication of reasonability.

Venmyn Deloitte's preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR1,486m for the contributing properties. All defined unit values fall within the so-called 'Limpopo Coalfields Value Curve' defined by Venmyn Deloitte from its transaction database, and plot about the mean trend for this coalfield.

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arms length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

10.13.2. Valuation Result

The summary valuation results are given in Table 18.

Table 18 : Vele – Summary of 'Excess Reserves' Valuation

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Vele	N/A	1,486	1,486	1,486

CoAL has a 100% interest in the Vele Project. Consequently, Venmyn Deloitte considers that the attributable 'Fair Value' of the 'excess reserves' is **ZAR1,486m**.

The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the full range in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

11. Mooiplaats

Mooiplaats is an underground bituminous coal mining operation, situated in the Ermelo Coalfield, which mines the B Upper Seam at an average rate of 100,000tpm RoM (July 2011 – September 2012). The raw coal is processed in the colliery's two 200tph modular washing plants to produce an export product and a locally sold thermal product. The average saleable tonnes produced at Mooiplaats were 79,000tpm (July 2011 – September 2012). Mining is currently being carried out in the north (Northern Block or Colliery). The mine also intends to develop a Southern Block later in the Life of Mine (LoM).

11.1. Location

Mooiplaats Colliery is located in the Gert Sibande District in the Mpumalanga Province of South Africa (Figure 23). The nearest town is Ermelo, 17km northwest of the mine. The mine is located adjacent to Eskom's Camden Power Station with power lines traversing the property. Although the Richards Bay coal railway line passes through the property, the mine is situated 45km from the Umlabu Siding (Figure 23), which it uses for loading the export coal produced.

11.2. Infrastructure

Ermelo is a large town that has significant infrastructure and services including a police station, a number of schools and a hospital. The Ermelo area has a long history of coal mining and therefore both skilled and unskilled labour is readily available from this town and the surrounding towns.

Mooiplaats has built a tarred road from the N2 to the mine site. All roads in and around the mine and plant are gravel roads. All roads are well maintained by the Colliery.

Water is currently obtained from boreholes sourcing water from the neighbouring and defunct underground Usutu Colliery. A total of six percussion boreholes have been drilled for water supply purposes. A significant portion of the process water is recycled to minimise the operation's water requirements.

The Colliery's peak power demand is 8.5MW. Power is sourced from a combination of the Eskom grid and on site diesel generated electricity. The diesel generated electrical supply will be replaced with additional Eskom supply toward the end of FY2013. The Colliery's current peak power demand is 8.5MW.

No accommodation is provided on site. The Colliery utilises newly built offices, laboratory, workshops, stores and change houses located on site. The Mooiplaats Colliery site plan is presented in Figure 24.

11.3. Mineral Tenure

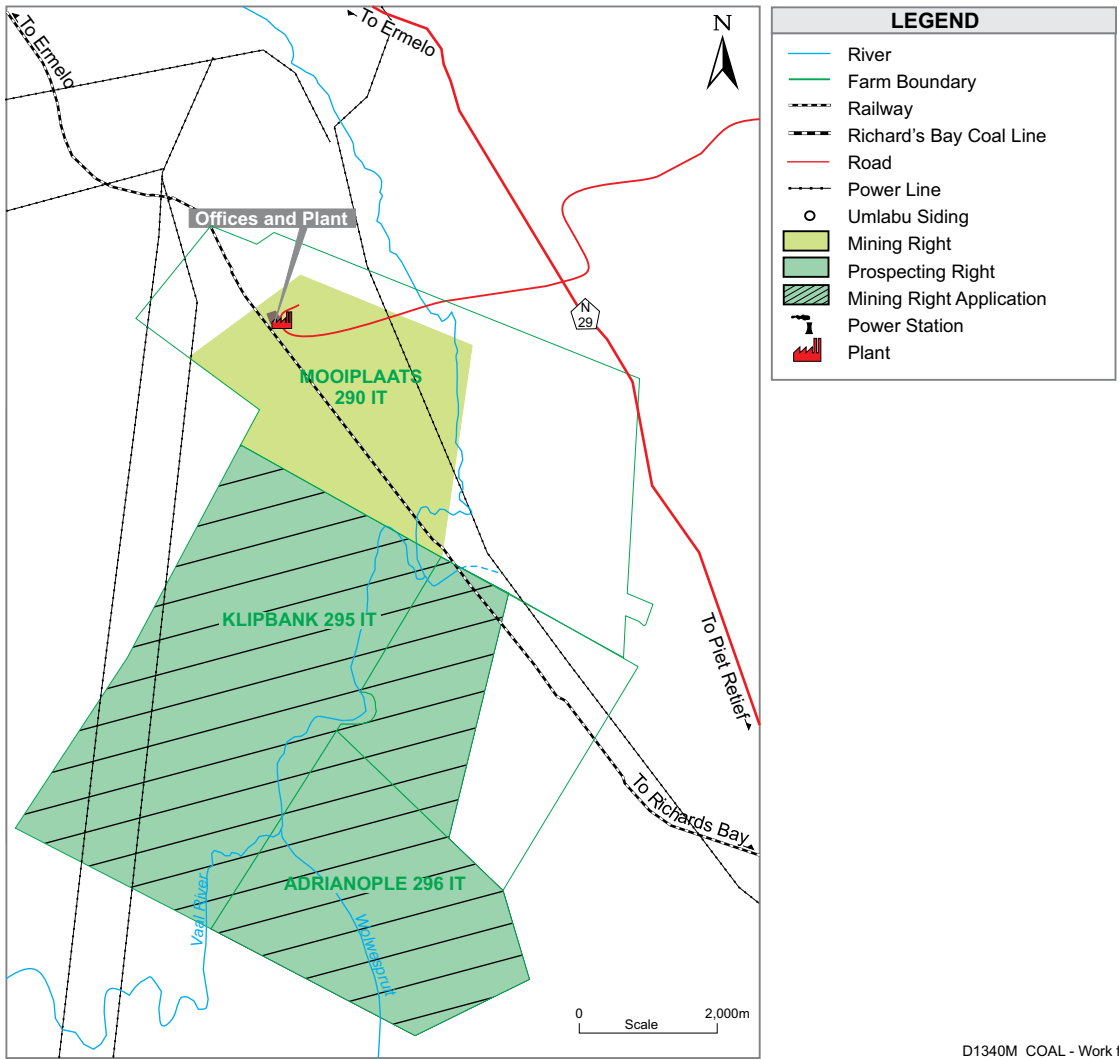
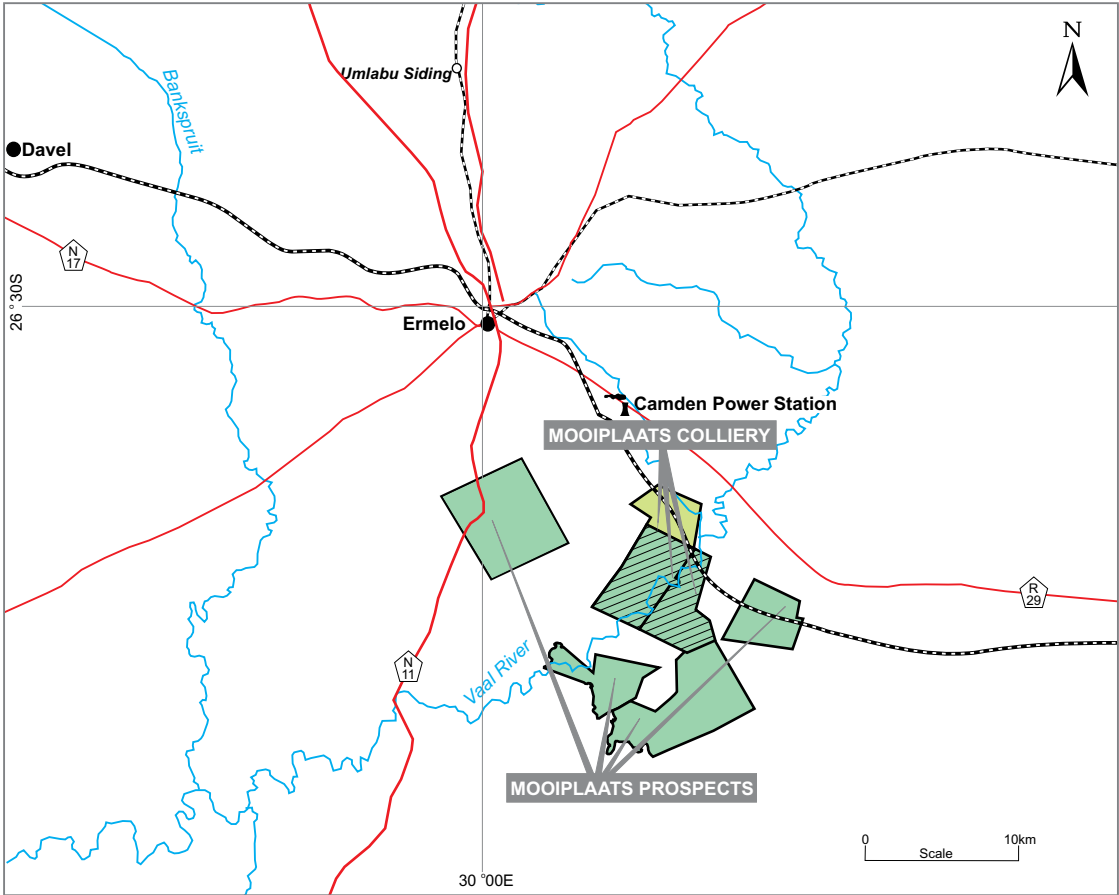
The Mooiplaats Colliery is comprised of eight farm portions on three farms (Mooiplaats 290IT, Klipbank 295IT and Adrianople 296IT) situated to the southeast of Ermelo, Mpumalanga Province. These are held under a NOMR and two NOPRs in the name of Langcarel. The farms and farm portions which comprise the Mooiplaats Colliery and their related legal tenure are listed in Table 19 and illustrated graphically in Figure 23.

The company applied for a renewal of the Mooiplaats Colliery NOPRs in September 2009, but it is likely that the Mooiplaats Colliery's legal tenure will be consolidated under a single NOMR, as the company applied for an extension to the NOMR in March 2009 so as to include the two NOPRs that relate to Adrianople 296IT and Klipbank 295IT under the existing NOMR that relates to Mooiplaats 290IT. The Mooiplaats Colliery's NOMR is valid until 2037.

CoAL also has four additional NOPRs, collectively known as the Mooiplaats Prospects, with the NOPRs issued to Langcarel. The NOPRs lie to the south and west of the Mooiplaats Colliery NOMRs, while the NOMR lies to the north (Figure 23).

The NOPR that relates to Burhmansvallei 297IT was issued on the 4th December 2006 and was to expire on the 3rd December 2009 and would have expired on the 3rd of December 2012 if a retrospective renewal was granted. An application for the renewal of this NOPR had been submitted to the DMR, and a letter dated the 6th August 2010 indicated that this renewal had been received.

MOOIPLAATS - LOCATION IN RELATION TO INFRASTRUCTURE AND MINERAL TENURE



MOOIPLAATS - SITE PLAN AND REGIONAL GEOLOGICAL MAP

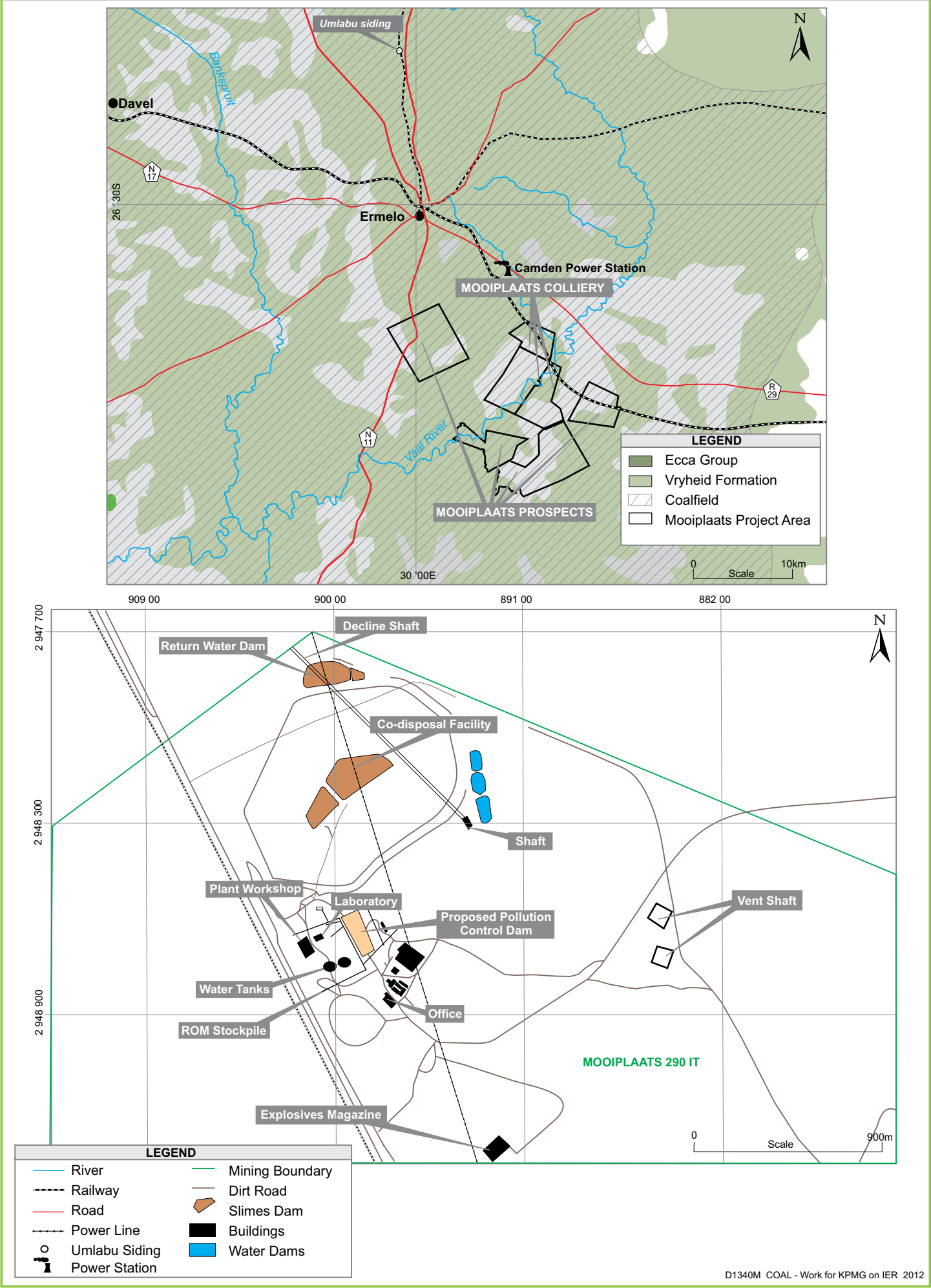


Table 19 : Mooiplaats - Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Mooiplaats	Klipbank 295IT	Portion 3 & RE	2,074.90	Langcarel (Pty) Ltd	Prospecting	MP 30/5/1/1/2/676 PR (203/2006)	2/08/2006	11/10/2009			No
	Adrianople 296IT	Portions 1,2 & RE	1,589.50		Prospecting	MR 30/5/1/1/2/677 PR (204/2006)	12/10/2006	11/10/2009			No
	Mooiplaats 290IT	Portions 1 & 9	942.19		Mining	MP 30/5/1/2/2/68 MR (MR68)	25/09/2007	24/09/2037			No
TOTAL MOOIPLAATS COLLIERY			4,606.59								
Mooiplaats Prospects	Burhmansvallei 297IT	Portions 2, 5, 8, 10, 13 & RE	1,945.86	Langcarel (Pty) Ltd	Prospecting	MP 30/5/1/1/2/795 PR (795PR)	4/12/2006	3/12/2009			No
	Klipfontein 442 IT	Whole farm	4,100.52		Prospecting	MP 30/5/1/1/2/1677 PR (1677 PR)	10/04/2008	9/04/2011			No
	Willemsdal 330 IT	Portions 2 & 3	1,431.24		Prospecting	MP 30/5/1/1/2/1612 PR (1612 PR)	5/02/2008	4/02/2011			No
	De Emigratie 327 IT	Portions 2, 3, 4 & RE	3,727.98		Prospecting	MP 30/5/1/1/2/1613 PR (1613 PR)	5/02/2008	4/02/2011			No
TOTAL MOOIPLAATS PROSPECTS			11,205.60								
Opgooedenhoop	Opgooedenhoop 205IS	Portion 5	573.30	Lumpasa Mining and Exploration (Pty) Ltd	Mining	MP 30/5/1/1/2/279 MR (279MR)	29/10/2009	28/10/2015			
TOTAL OPGOEDENHOOP			573.30								
TOTAL ERMELO COALFIELD			16,385.49								

The NOPRs that relate to Klipfontein 442IT, Willemsdal 330IT and De Emigratie 327IT were issued in early 2008 and had expiry dates in early 2011. Applications for renewals of all the NOPRs were submitted and their submissions acknowledged by the DMR in March 2011, February 2011 and January 2011 for the respective NOPRs.

Vunene Mining (Pty) Ltd has a competing NOPR over a 0.3ha portion of portion 1 of Mooiplaats 290IT, which forms part of the Mooiplaats Colliery and over which CoAL, through Langcarel, has a NOMR. Vunene also has a competing NOPR over Klipfontein 442IT, which CoAL, through Langcarel, has a NOPR that forms part of the Mooiplaats Prospects. Vunene has subsequently been granted a mining right in respect of coal occurring in, on and under, inter alia, a portion of Portion 1 of the farm Mooiplaats 290IT, which forms part of the Mooiplaats Colliery and over which Langcarel holds a mining right. CoAL has advised that the extent of the overlap is approximately 128 hectares, and that Langcarel's mining right remains legally valid. Langcarel will also continue legally mining, as Vunene cannot access these underground Mineral Reserves practically. Langcarel and Vunene are currently in discussions to resolve this matter.

Anker Mining has a competing right over portion 2 of Klipbank 295IT where both Anker Mining and Langcarel have valid prospecting rights. This portion is located to the north of the farm and covers an area of 619ha. CoAL has a prospecting right over the property and has drilled the property extensively. The double granting was identified when CoAL submitted their mining right application to the DME. This matter remains unresolved and places a risk on the current mine plan.

Ferret Mining alleges that the previous owner of Mooiplaats sold 100% of the shares in Mooiplaats Mining to CoAL, however did not have valid ownership of 26% of this share capital as this belonged to Ferret Mining (when it acquired this interest in October 2005). As a consequence Ferret Mining is claiming 26% of the issued share capital of Mooiplaats Mining. While legal action has been launched, Mooiplaats Mining, Langcarel and Ferret are currently in settlement discussions to resolve this matter.

11.4. Geological Setting

11.4.1. Regional Geology

The Ermelo Coalfield is located between Hendrina, Breyten, Davel, Ermelo and Morgenzon in the Mpumalanga Province, South Africa. It is bounded by the Witbank, Highveld, Klip River and Utrecht Coalfields in the northwest, west, southwest and south, respectively (Figure 24).

Coal occurs as five distinct seams in the Coalfield namely the A, B, C, D and E seams. The mining potential of these seams varies considerably by the position in the coalfield, albeit the C seam is the most prospective.

The seams are generally flat lying with a gentle dip to the southwest. Major faulting occurs in the area and increases in a southerly direction with displacements of as much as 250m. These faults are commonly associated with dolerite intrusions. Dykes are common throughout the Coalfield and the frequency of sills increases southwards. Dolerite sills displace the coal seams causing structural complications and also cause devolatilisation of the coal (destruction of quality).

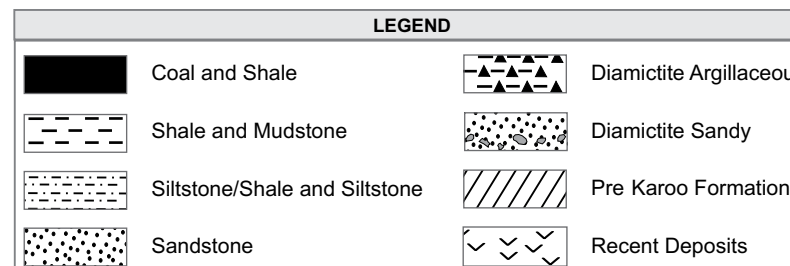
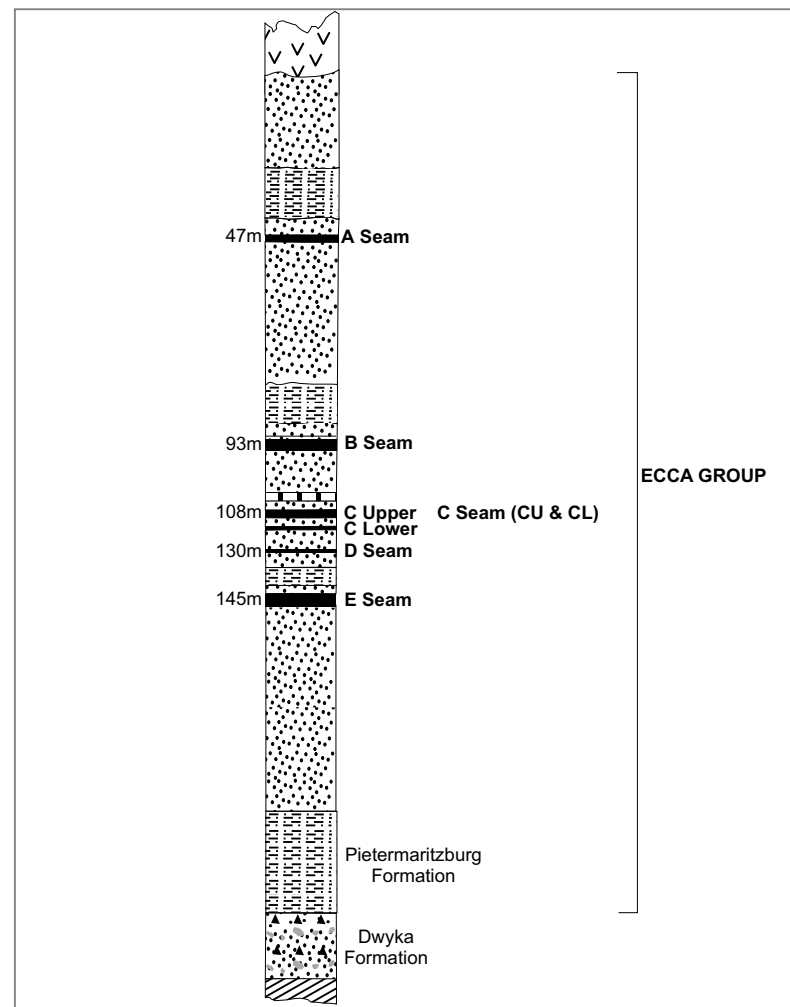
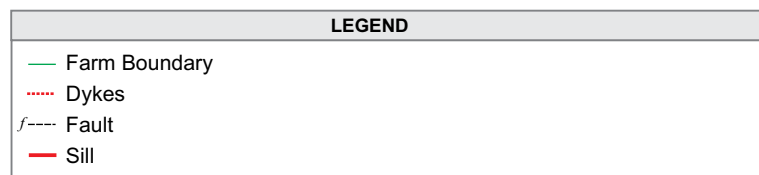
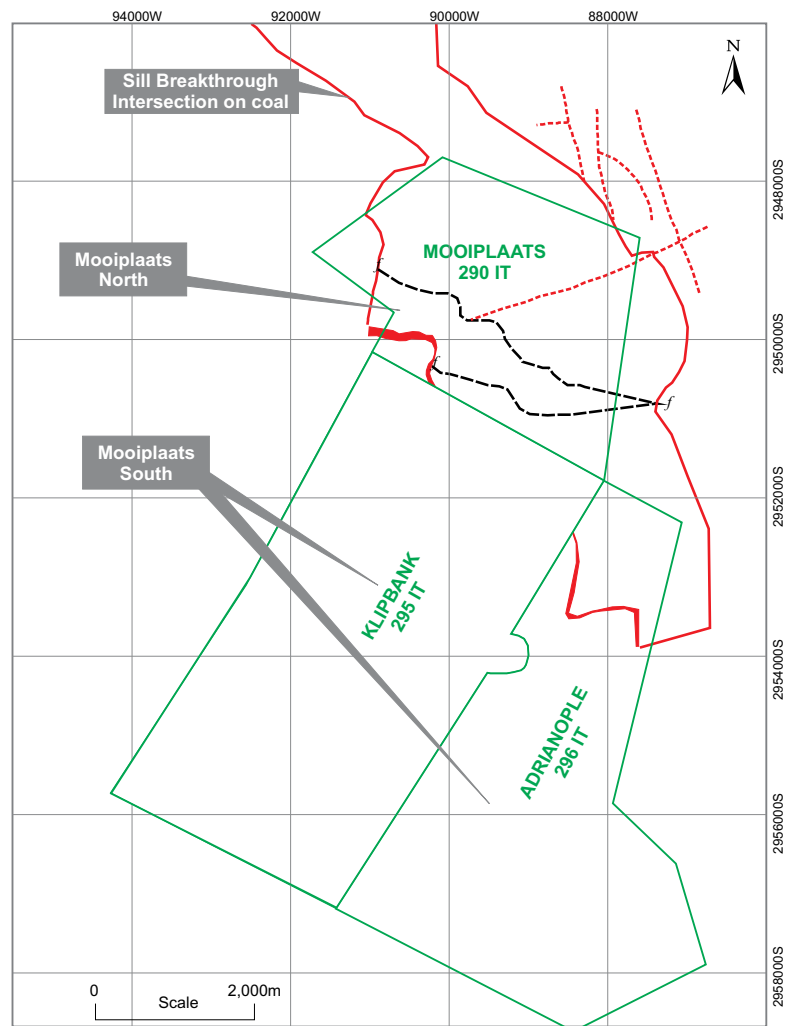
The coal of the Ermelo Coalfield, while variable in quality, is generally bituminous; the following air-dried raw quality parameters apply, including CV of 24MJ/kg, 23% ash, 26% volatiles, 3% inherent moisture, 48% fixed carbon and 1.2% sulphur.

11.4.2. Local Geology

Although all five major coal seams are present within the Mooiplaats Colliery area only the B Seam is considered to be of economic significance.

The B Seam, in the section of the Ermelo Coalfield relevant to the Mooiplaats operations, can be split into Upper and Lower sub-seams (Figure 25). The B Upper Seam represents the primary mining target while the B Lower Seam is too thin to warrant serious consideration for underground exploitation. Similarly, the C Seam exhibits a split into Upper and Lower sub-seams but, due to limited thickness, neither can be considered realistic mining targets.

MOOIPLAATS - LOCAL GEOLOGICAL MAP AND STRATIGRAPHIC COLUMN



Although the C Upper Seam was previously mined at the neighbouring Usutu Colliery, the seam thickness is usually less than 1m in the Mooiplaats Colliery area. The B Upper Seam ranges from a few centimetres in thickness to more than 3m with an average thickness of about 1.5m. Below-average thickness is usually the result of seam shrinkage due to devolatilisation or burning. The B Upper Seam coal usually comprises inter-banded dull and bright coal with occasional shaley partings. The seam is undulatory in nature and, although dips are generally less than 2°, they may steepen in localised areas. Anomalous, abrupt changes in the elevation of the seam have been attributed to sill breakthroughs with resultant displacement, or have been interpreted as dislocations through faulting.

A number of dolerite sills have been intersected in boreholes. The sills are, for the most part, concordant but may transgress to differing stratigraphic levels, resulting in displacement of the coal seams. At the point of transgression, the sills usually adopt a dyke-like attitude and coal occurring within the metamorphic aureole either side of the intrusion is invariably burnt. Coal seams occurring in proximity above and below concordant sills are also devolatilised to varying degrees. Depending on the spatial relationships of the seams to the sills, the effects of heat may produce coals with characteristics ranging from lean, through anthracitic to burnt. A number of dolerite dykes have also been recorded in outcrop, boreholes and mine workings. The frequency of dykes is currently unknown.

11.5. Historical Exploration

Prior to CoAL's involvement and acquisition of Mooiplaats Colliery, historical drilling was undertaken in and around Mooiplaats dating back to 1965. The majority of the drilling in the area, however, was carried out by Goldfields Mining and Development Ltd and Ingwe during the 1970s and 1980s.

A total of 944 boreholes were drilled adjacent to and to the north and east of Mooiplaats Colliery at the now defunct and mined out Usutu Colliery. The historical borehole database was obtained by CoAL in electronic format from Ingwe via Optimum Coal Holdings (OPH). The exploration is summarised in Table 20 and the location of those boreholes directly adjacent to Mooiplaats is indicated on Figure 26.

These exploration boreholes were drilled by large mining companies for their own purposes using standard drilling, logging and sampling protocols. Therefore, these results are expected to be reliable. In addition, the database was verified by CoAL, using standard verification methods in the database and modelling software. No original logs were obtained from OPH. All these boreholes are utilised in the current geological model for Mooiplaats.

According to the history of the project, a boxcut was commenced in 2000 to access the underground Coal Resources but never completed. Therefore, no historical mining took place on the property prior to NuCoal's (now CoAL's) involvement in the project.

The C Seam was mined using underground methods at the Usutu Colliery between the early 1960s and 1988. A large geological fault separates the Usutu Colliery from the Mooiplaats Colliery.

11.6. Recent Exploration

Extensive exploration has been carried out at Mooiplaats since CoAL became involved in the project in 2007. A total of 581 boreholes have been drilled using either percussion or diamond drilling techniques in and around Mooiplaats Colliery. The summary of the exploration by company and drilling method is presented in Table 20, whilst the location of the recent boreholes is indicated on Figure 26. All diamond drilling programmes were carried out with the purpose of defining Measured Coal Resources and, as a result, the collar positions were generally located less than 250m apart.

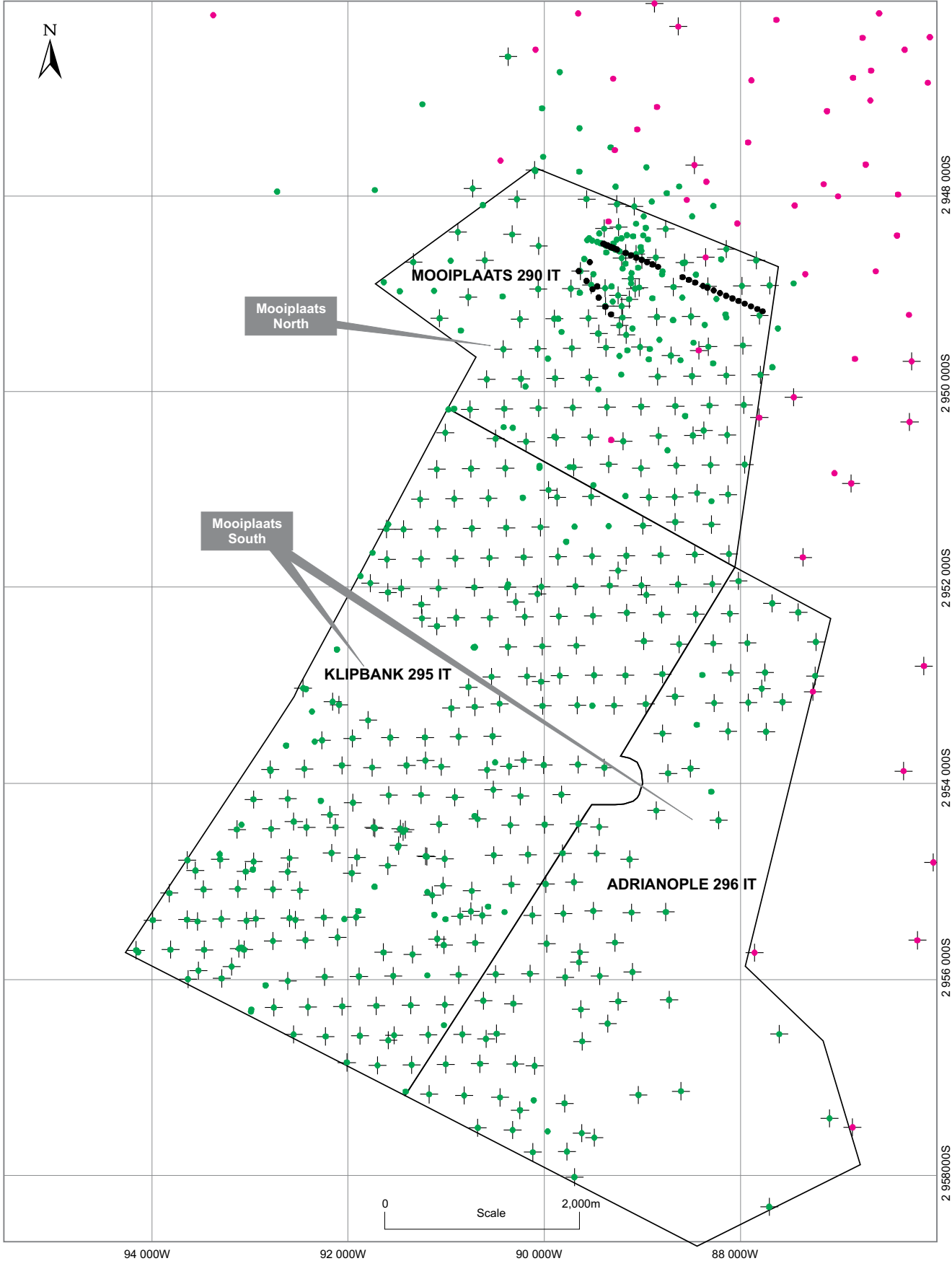
11.6.1. Remote or Geophysical Exploration

According to TMC report (2010), a remote geophysical survey was carried out at Mooiplaats Colliery along the planned line of primary underground development. The purpose of the survey was to identify any faults (using ground resistivity) and dykes (using electromagnetics) which had not been previously identified during the various drilling programmes. Unfortunately, the survey was unsuccessful as the results were adversely affected by the proximity of 220kV powerlines from the Camden Power Station and waterlogged ground at the time of the survey.

Table 20 : Mooiplaats - Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	LABORATORY FOR QUALITY	USED IN MODEL
Pre 2007	Ingwe GFSA	Usutu Colliery & Mooiplaats 290IT	Early exploration & for Usutu Colliery	Unknown, possibly in house.	Unknown, possibly in house.	Diamond core	TNW, NQ	Various, in house	944	No	All	Quality available, laboratory not reported.	Yes
2007 Prospecting Campaign	CoAL. Supervised by SRK.	Mooiplaats 290IT, Klipbank 295IT, Adrianople 296IT	For Measured Resource delineation at 200m grid spacing.	Tradestuff Survey cc	Afrimansi	Diamond core	NQ	R Boshomane	446	No	All	Midlabs	Yes
2008	Badger Mining for CoAL					Diamond core	TNW, NQ	R Boshomane	55	No	B Upper	Midlabs	Yes
2009	CoAL	Mooiplaats 290IT	Confirmation along lines of primary mine development.	ESS Survey	Lesiti Drilling	Percussion		G Naidoo	37	Yes	All	-	Yes
2010 - 2011	CoAL	Mooiplaats 290IT, Klipbank 295IT, Adrianople 296IT	For Measured Resource delineation at 200m grid spacing.		Afrimansi, Dyna D & Lesiti Drilling	Diamond core	TNW, NQ	G Naidoo, G Gemmel	43	Yes	All	SABS Wilge & Inspectorate	Yes
TOTAL									1,525				

MOOIPLAATS - LOCATION OF HISTORICAL AND RECENT DRILLING



LEGEND	
●	Pre 2007 Diamond Boreholes
●	Post 2007 Boreholes
+	Boreholes with quality data
●	Percussion Borehole
—	Mining and Prospecting Rights Boundary

A single feature was, however, identified and this was correlated with a feature identified in an existing borehole. A digital terrain model was flown in 2008 by Premier Mapping for environmental and 3D orebody modelling purposes.

11.6.2. Diamond Drilling

A series of three diamond drilling campaigns have been carried out at Mooiplaats Colliery between 2007 and 2011. All drilling has been undertaken at closely spaced grids with the purpose of delineating Measured Coal Resources.

The 2007 prospecting campaign included the drilling of 446 holes. The drilling was carried out by CoAL in consultation with SRK Consulting (South Africa) (Pty) Ltd (SRK). The location of the boreholes is graphically presented in Table 20. The drilling and sampling was supervised by Mr G van Heerden (Pr.Sci.Nat.), of SRK, and the CoAL responsible geologist was Mr R Boshomane. SRK conducted routine site visits during the exploration programme to inspect logging and sampling standards and procedures. SRK concluded that the data was properly acquired and stored. The culmination of the 2007 prospecting campaign was the preparation of an independent 3D geological model of Mooiplaats Colliery and associated SAMREC compliant Coal Resource Statement.

The following exploration programme was carried out for CoAL by Badger Mining (Pty) Ltd (Badger Mining), under the direction of Mr P Cochran, between November 2007 and November 2008. A total of 55 holes were drilled. Mr Boshomane was again the CoAL geologist responsible for the drilling and sampling.

During this exercise, all the previous drilling by SRK was renamed using the latest borehole nomenclature (MP prefix and consecutive borehole number) and verified by Badger Mining.

The most recent diamond drilling programme was carried out by CoAL, under the supervision of its coal geologists, Mr G Naidoo (Pr.Sci.Nat.) or Mr G Gemmel (Pr.Sci.Nat.). The drilling and sampling were carried out using CoAL's standard logging and sampling protocols. Venmyn Deloitte has not independently witnessed the drilling and sampling protocols as no exploration drilling is currently taking place. However, Venmyn Deloitte is confident that the drilling was carried out to the required standard as the daily programmes have been independently supervised or verified by other reputable consulting companies.

According to the TMC report (2010), prior to 2009, drilling was undertaken by Drillcon (Pty) Ltd. Post 2009, drilling has been carried out by Afrimansi, Dyna D and Lesiti Drilling.

As stated previously, the drilling was supervised by a qualified geologist. All drilling was carried out using NQ or TNW diamond drill bits to produce cores with diameters of 48mm and 60mm, respectively.

SRK noted that 100% core recovery was achieved in competent strata. Mr G Naidoo (Pr.Sci.Nat.) stated that the 2009 and 2010 drilling campaigns achieved 95% core recovery in coal, which satisfied the minimum requirements of JORC. No records of core recovery rates were provided to Venmyn Deloitte for reporting purposes. However, the use of wireline logging has ensured that accurate coal depths and thicknesses are measured, irrespective of the core recovery statistics provided by the drilling company.

According to CoAL and the TMC report (2010), sampling was carried out by the supervising geologist. A single sample was taken of the entire thickness of the core pertaining to a particular seam. All coal greater than 0.30m was typically sampled. However, during the 2007 exploration programme, only the B Upper seam was sampled. No burnt coal was sampled. All samples were bagged, labelled (one inside and one outside bag) and sealed. The samples were transported to the laboratory as soon as possible.

The pre 2009 samples were submitted to Midlab cc (Midlabs) in Middelburg, Mpumalanga Province, for analysis. Midlabs has a reasonable reputation in the coal industry and actively participates in round robin exercises. The post 2009 borehole samples were sent to the South African Bureau of Standards (SABS) Wilge Laboratory, Mpumalanga Province.

Until 2011, Midlabs was contracted to do all on-site ash control, train sampling and analysis, as well as sampling for the Eskom stockpile at the Mooiplaats Colliery. Midlab has SANAS accreditation (No. T0461).

Since 2011, coal samples were sent to Inspectorate in Middelburg, Mpumalanga. Inspectorate is accredited with SANAS (Accreditation No. T0313) and International Standards Organisation (ISO) ISO/IEC 17025:2005 accreditation. Venmyn Deloitte has viewed its accreditation certificate.

11.6.3. Percussion Drilling

A total of 37 percussion or open hole boreholes were drilled at Mooiplaats Colliery during 2009 along the planned northern and southern lines of primary underground development. In addition, three percussion boreholes were drilled for water supply purposes. The location of the boreholes is graphically presented in Figure 26.

The purpose of these closely spaced boreholes was to increase geological confidence in the area of primary underground development. This would ensure that no unidentified geological features were encountered during development that would have an impact on the mining development schedule or budgeted costs. Percussion drilling was used as it is a cost and time effective method of drilling. The percussion drilling was carried out by Lesiti Drilling.

No geological logging nor sampling was carried out on the percussion chips produced by the open hole drilling. Wireline logging was carried out on the percussion holes

11.6.4. Down the Hole Geophysics / Wireline Logging

During the 2009 drilling campaign, wireline logging was carried out by Geoline Services using gamma-gamma, density and caliper tools. During 2010, the wireline logging was contracted to Weatherford UK Limited (Weatherford), which utilised a combination of gamma-gamma, density, neutron, resistivity, acoustic televiwer, magnetic susceptibility and sonic tools. All results were reconciled with the geological logs to verify the accuracy of the driller's measurements on coal depths.

Wireline logging was also carried out on the 37 percussion holes. These holes were also geophysically logged by Geoline Services. Although CoAL has advised Venmyn Deloitte that wireline logging was carried out at Mooiplaats, Venmyn Deloitte has not had sight of the logs.

11.7. Orebody Modelling

A number of independent orebody models have been prepared for Mooiplaats Colliery since CoAL's involvement in the project, including a 2D Surfer model by SRK in 2008 and a 3D MinexTM Software model prepared by TMC in 2010.

The latest model was prepared by Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist, as at 30th June 2011. The model was prepared in MinexTM Software. The model takes into account all available historical and recent drilling and the mined out areas as of the 30th June 2011. Although a large proportion of the boreholes occur outside of CoAL's mining tenure areas, these have been included within the model and the result is an extensive 3D geological model with a grid of closely and evenly spaced data points. Both CoAL and Venmyn Deloitte have a high level of confidence with respect to the model and the associated Coal Resource estimates.

Dolerite sills and dykes, as well as fault planes, were incorporated into a 3D structural model by CoAL. The structural model is presented in Figure 25. The structural model was split along the northwest / southeast trending fault and sill breakthrough, situated in the northern area of Klipbank 295IT. This resulted in Mooiplaats Colliery being comprised of a Northern and Southern Block. The Northern Block is currently being mined.

Both the physical and quality parameters of the B Upper Seam were modelled by CoAL. Grids with a 25m mesh by CoAL were estimated using the MinexTM general purpose gridding function using a 3km search radius. The model of the physical parameters of the seam was cut along any significant structures, whilst the quality parameters were modelled across it.

All physical and quality parameters were plotted and visually inspected to ensure they were acceptable from the perspective of geological interpretation.

Venmyn Deloitte reviewed this CoAL model in 2011 and interviewed Mr J Sparrow (Pr.Sci.Nat.) concerning his methods of modelling. Venmyn Deloitte has also independently plotted the graphical distribution of the boreholes in Geosoft Target and verified the results of the seam thickness variations and resultant volume calculations. Venmyn Deloitte was satisfied with the integrity and results of the model.

Since June 2011, the model has been updated with the faces of the mined out areas to 30th September 2012 and slight modifications have also been undertaken to the resource blocks. These modifications have been carried out by independent consulting geologist, Mr T Ngobeni (Pr.Sci.Nat). No modifications have been undertaken on the coal quality model. Venmyn Deloitte has interviewed Mr Ngobeni and is satisfied with his methods of modelling. These recent modifications have resulted in changes to the latest coal tonnages, as reported in the current coal resource statement. These changes are not material. Venmyn Deloitte has also checked the new tonnage results against the declared mining tonnages and found them to be comparable.

Although the full suite of parameters was modelled, Venmyn Deloitte has only included the results of the coal thickness estimation in Figure 27 of this report. For the full details of this review and the physical and quality results the reader is referred to the 2011 CPR independently prepared by Venmyn Deloitte and published by CoAL.

11.8. Mining

Only the B Upper Coal Seam is of economic value. Due to the fact that the seam is relatively deep, ranging from 80m to 140m, only underground mining methods are suitable for extracting these Coal Resources. Mechanised bord and pillar mining methods, which have proven successful over many years, are being employed at Mooiplaats Colliery. Proven low seam mining equipment including CMs, shuttle-cars or battery haulers and feeder-breakers are readily available from more than one established manufacturer and therefore there is little technology risk to the mining method being applied. The bord and pillar mining layout should be achieving an extraction rate of between 55% and 65% by virtue of the low seam height to depth ratio. CoAL has been consistently achieving approximately 56% extraction for the last 14 months.

Mooiplaats Colliery owns all major mining equipment but has historically utilised a contractor, BRSW, to carry out the underground mining operations. As of the 1st July 2011, the mine moved to an owner operated mine. The major mining equipment includes the following items, which are divided into five mining sections:-

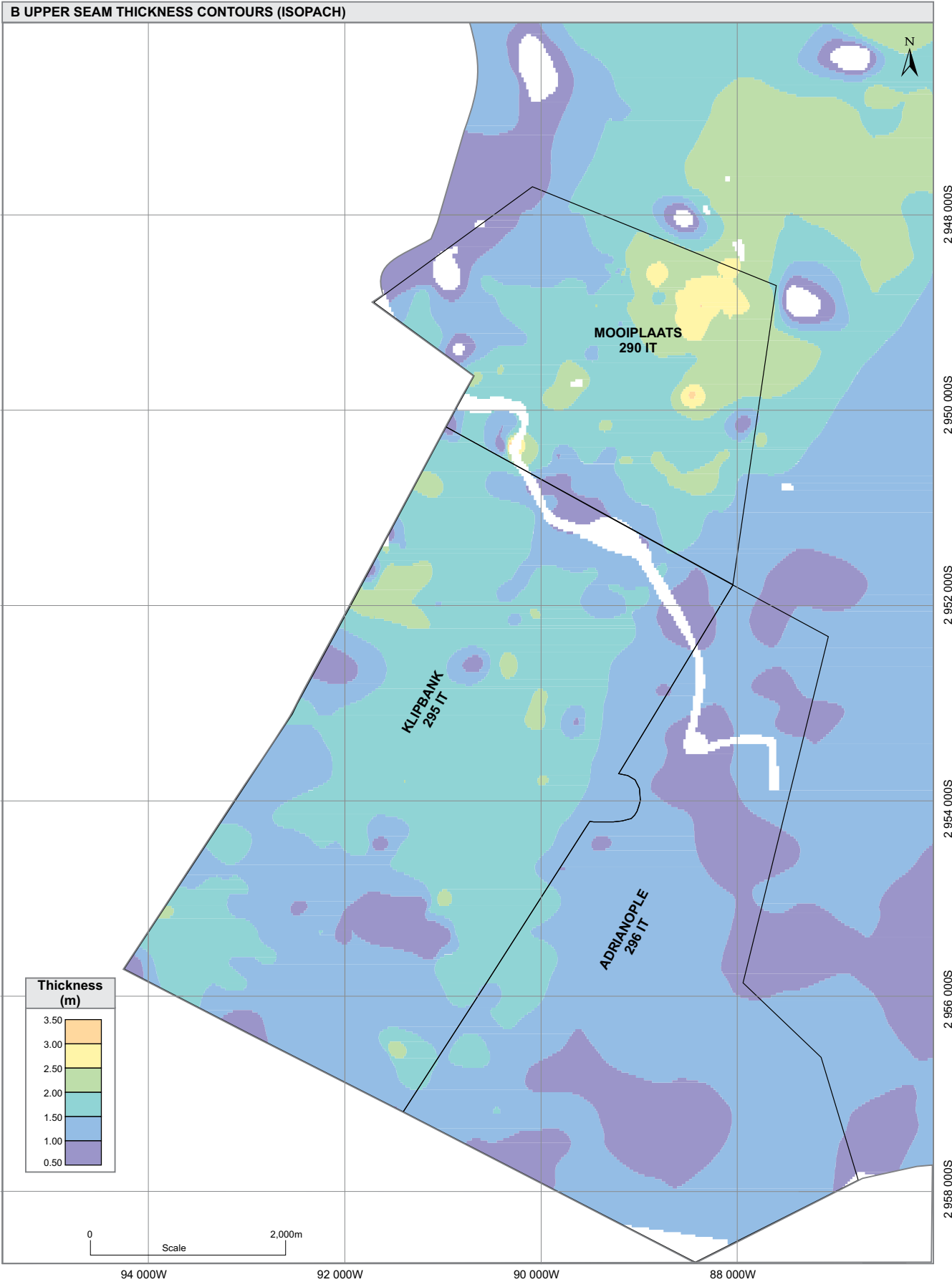
- five continuous miners (CMs);
- 13 shuttle cars; and
- five roof bolters.

Due to the challenging geological conditions, followed by industrial action by operational employees at Mooiplaats Colliery, since the beginning of this financial year (July 2012), CoAL management has restructured the mining operation to be able to manage these challenges. This has resulted in CoAL management reducing the budgeted coal production from approximately 1.7Mt down to 1.2Mt. And as result of this Mooiplaats Colliery will be operated as a four mining section operation.

The CM bord and pillar method utilises a CM for coal cutting from the face. Cut coal is loaded directly at the CM into the coal hauling equipment, in this case electric shuttle cars that offloads into the start of a conveyance network bound for the surface. Coal faces are cut into bords while leaving pillars of uncut virgin coal for support thereby creating a grid of bords and pillars in mined out areas. It is by far the most commonly practiced underground mining method in the South African coal mining industry.

The CM bord and pillar mining method has a production rate that directly depends on the coal seam height being mined. Thicker seam heights achieve higher production rates and the converse is true. The CM bord and pillar mining method is fairly flexible and able to handle faulting and discontinuities.

MOOIPLAATS - COAL ISOPACH MODEL



LEGEND

— Mining and Prospecting Rights Boundary

The major limitation of this method is that increases in the depth of occurrence require larger sizes of pillars to be left, thereby reducing the percentage of extraction of the Coal Resource. This method is therefore not suitable for deep seated coal deposits.

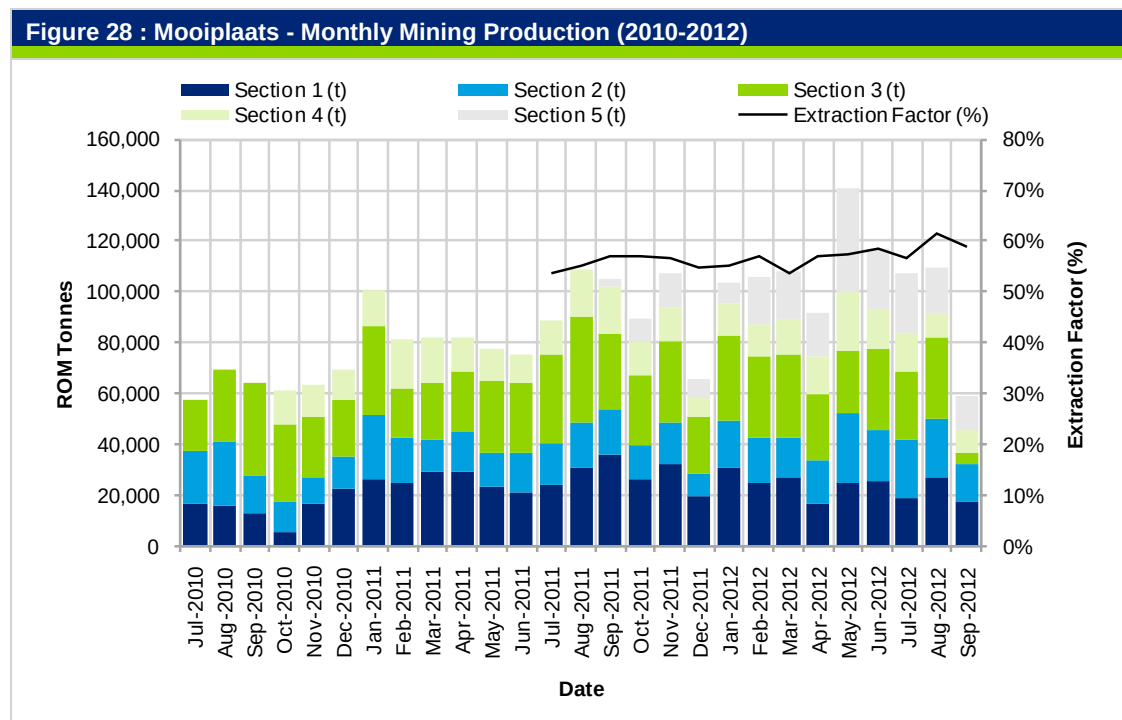
The mining layout and mining extraction losses are applied to the proportion of the Coal Resource lost due to mining efficiencies, regulatory requirements for barrier pillars and mining layout losses from the application of cutoff criteria. A contamination allowance of 14.2% was used to cover for the areas where the seam thickness is lower, and geological disturbances resulting in the shale roof and sandstone floor being mined as part of the ore. In the last 12 months Mooiplaats Colliery has managed to reduce the amount of dilution to an average of 13%. However, Venmyn Deloitte is of the opinion that the estimated contamination of 14.2% is still considered reasonable and appropriate for Coal Reserve estimation.

A bord width of 6.5m was used based on geotechnical considerations. This size is typical for the Coal Resource depth and the anticipated in-situ stress regime of the deposit.

A minimum mining height of 1.4m was used based on machine limitations and a maximum of 3.56m based on the thickest portion of the target seam as per the geological model. The safety factor for main developments and panels were set at 2.20 and 1.90 as per mandatory requirements.

The Coal Reserves within the Mooiplaats Colliery NOMR are broadly categorised as two separate coal mining blocks. These two mining blocks, namely the North and South Block are separated by a 2km horizontal distance of thin lean or anthracitic coals. In the current LOM plan a long underground development has been planned to connect these two mining areas. The cost of developing this access has been included in the capital expenditure budget.

The historical and recent mining production results, by section, are presented in Figure 28.



11.9. Processing

The Mooiplaats Colliery owns a coal processing plant, designed and supplied by Portoclone, which was commissioned in June 2009. The facility is operated by a contractor, Kwena Projects. The coal processing technology in place is based upon gravity separation typically using a DMS plant for coarse material and a spirals plant for fine material. The dense medium material is created through the addition of magnetite to the processing water which is later recovered through magnetic separation. These are standard technologies which have been in common use for over 75 years.

The original design criteria for the processing plant required that it produce an primary export product with a heat generating capacity of 6,000kcal and a secondary product to meet an Eskom specification of CV>20MJ/kg, ash<30% and volatiles>20%. Primary yields were expected to be between 55 - 65% and secondary yields to be 10% - 11% of the RoM.

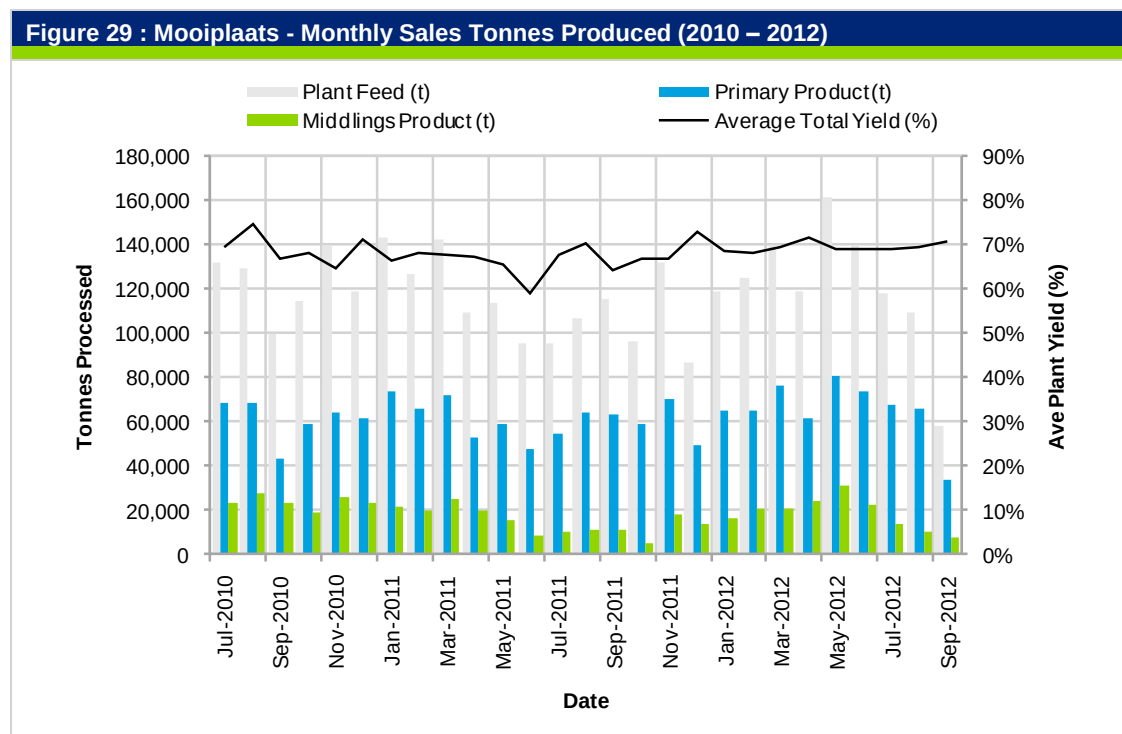
The current processing plant comprises the following:-

- 400tph crushing and screening circuit;
- 2 x 200tph DMS and 40tph spiral plant modules to produce a primary export product;
- 1X120tph DMS plant to produce a secondary Eskom product; and
- 18tph thickener.

The mine also has a coal laboratory present on site. This equipment is owned and operated by Inspectorate M&L (Inspectorate).

The monthly production records, since July 2010, are presented in Figure 29. The plant has produced an average of 79,000tpm of saleable coal in the last 12 months.

The plant treats the Colliery's RoM coal and also has spare capacity to treat coal from the neighbouring Vunene opencast operation. It is for this reason that the saleable tonnes reported may exceed the RoM production tonnages presented in the mining section.



11.10. Mineral Resource Statement

The Coal Resources for Mooiplaats Colliery were estimated and signed off by independent consulting geologist, Mr T Ngobeni (Pr.Sci.Nat.), as at 30th September 2012 in accordance with the JORC Code and the Australian Guidelines. The CoAL resource statement is presented in Table 21. The tonnages are based upon the latest geological model and take into account the depletions due to mining to 30th September 2012.

This resource statement has been independently verified by Venmyn Deloitte's Competent Person in accordance with the JORC Code and the Australian Guidelines.

Table 21 : Mooiplaats – CoAL Resource Statement (30th September 2012) Inclusive of Reserves**RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS**

FARM OR BLOCK	SEAM	RESOURCE CATEGORY	COAL TYPE	AVE WIDTH (m)	COAL RAW RD (t/m³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU
Mooiplaats 290IT (North Block)	BU	Measured	Anthracitic	1.26	1.59	3,381,812	5%	3,212,700
			Lean Bituminous	1.67	1.52	6,375,815	5%	6,057,000
			Bituminous	1.99	1.47	7,144,592	5%	6,787,300
		Indicated	Anthracitic	1.23	1.67	790,303	15%	671,000
			Lean Bituminous	1.22	1.54	180,438	15%	153,000
			Bituminous	2.04	1.45	3,756	15%	3,000
	TOTAL / AVE. MOOPLAATS 290IT			1.65	1.52	17,876,716	6%	16,884,000
Klipbank 295IT (South Block)	BU	Measured	Anthracitic	1.26	1.61	5,793,266	5%	5,503,600
			Lean Bituminous	1.71	1.50	14,442,742	5%	13,720,600
			Bituminous	1.49	1.56	21,171,326	5%	20,112,700
		Indicated	Anthracitic	1.04	1.59	10,220	15%	8,000
			Lean Bituminous	1.20	1.60	789,718	15%	671,000
			Bituminous	1.59	1.48	1,450,902	15%	1,233,000
		Inferred	Lean Bituminous	0.77	1.56	26,739	20%	20,000
			Bituminous	1.29	1.50	310,072	20%	240,000
	TOTAL / AVE. KLIPBANK 295IT			1.52	1.54	43,994,985	6%	41,508,900
Adrianople 296IT (South Block)	BU	Measured	Anthracitic	1.15	1.62	3,241,453	5%	3,079,300
			Lean Bituminous	1.21	1.59	8,034,784	5%	7,633,000
			Bituminous	1.03	1.49	1,992,669	5%	1,893,000
		Indicated	Anthracitic	1.01	1.57	1,731,054	15%	1,471,000
			Lean Bituminous	1.08	1.61	5,879,555	15%	4,997,000
			Bituminous	1.03	1.55	135,651	15%	115,000
		Inferred	Anthracitic	1.01	1.55	429,461	20%	340,000
			Lean Bituminous	1.07	1.63	3,509,100	20%	2,800,000
	TOTAL / AVE. ADRIANOPLE 296IT			1.12	1.59	24,953,727	10%	22,328,300
GRAND TOTAL / AVE. MOOPLAATS COLLIERY				1.40	1.55	86,825,428	7%	80,721,200

AIR DRIED RAW QUALITIES

CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
21.92	27.37	8.09	60.72	2.02	3.20
24.35	21.71	14.09	60.26	2.04	3.28
25.38	17.80	26.00	52.49	1.92	3.61
19.44	31.93	6.64	56.05	1.79	3.01
23.67	22.33	10.71	62.90	1.73	3.23
25.58	15.57	26.63	53.31	1.62	4.55
24.10	21.63	17.41	57.08	1.98	3.39
22.47	29.85	8.27	59.02	2.59	3.16
24.89	19.52	24.06	52.98	2.26	3.47
22.86	25.33	15.94	55.47	2.61	3.24
23.84	27.14	8.99	60.83	3.00	3.10
21.82	27.40	15.07	53.93	2.72	3.14
25.23	18.53	26.53	51.52	2.30	3.55
23.00	24.37	18.86	53.24	2.24	3.31
24.88	19.72	24.77	51.89	2.31	3.51
23.54	23.81	17.96	54.95	2.48	3.31
22.76	30.11	8.82	57.99	2.91	3.11
23.31	27.92	14.24	54.66	2.86	3.16
24.73	19.44	24.02	53.04	2.69	3.48
23.90	26.04	8.24	62.90	3.17	2.81
22.47	29.13	14.40	53.39	3.03	3.09
23.16	25.67	21.39	50.42	3.36	2.52
24.32	25.21	8.83	63.39	3.07	2.58
21.78	30.99	13.95	51.91	2.81	3.21
23.03	27.98	13.88	55.01	2.91	3.14
23.52	24.51	16.72	55.41	2.49	3.28

Notes:

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

RESOURCE CALCULATED FOR MINING CUT AT 1.4m

FARM OR BLOCK	SEAM	RESOURCE CATEGORY	COAL TYPE	AVE WIDTH (m)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINEABLE TONNES IN SITU	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Mooiplaats 290IT (North Block)	BU	Measured	Anthracitic	1.64	1.58	1,556,336	5%	1,478,500	5%	1,404,500	22.17	26.94	8.22	61.34	2.15	3.24
			Lean Bituminous	1.77	1.51	5,540,087	5%	5,263,000	5%	4,999,800	24.57	21.27	14.21	60.97	2.07	3.29
			Bituminous	2.04	1.47	6,886,884	5%	6,542,500	5%	6,215,300	25.40	17.76	26.07	52.46	1.92	3.62
		Indicated	Anthracitic	1.54	1.63	301,409	15%	256,000	5%	243,000	20.54	29.23	7.13	58.30	1.45	3.10
			Lean Bituminous	1.60	1.55	33,556	15%	28,000	5%	26,000	23.42	23.00	10.46	62.33	1.56	3.32
			Bituminous	2.04	1.45	3,756	15%	3,000	5%	2,000	25.58	15.57	26.63	53.31	1.62	4.55
		TOTAL / AVE. MOOIPLAATS 290IT			1.87	1.50	14,322,028	5%	13,571,000	5%	12,890,600	24.63	20.35	19.14	56.86	1.99
	Klipbank 295IT (South Block)	BU	Measured	Anthracitic	1.67	1.61	1,569,673	5%	1,491,100	5%	1,416,500	22.23	29.84	8.27	59.21	2.60
Lean Bituminous				1.65	1.56	15,691,282	5%	14,906,700	5%	14,161,300	22.98	24.88	16.65	55.19	2.61	3.26
Bituminous				1.76	1.49	13,820,365	5%	13,129,300	5%	12,472,800	24.94	19.36	24.25	52.96	2.25	3.47
Indicated			Lean Bituminous	1.50	1.59	259,126	15%	220,000	5%	209,000	21.61	26.70	17.56	51.85	3.02	3.16
			Bituminous	1.66	1.48	1,360,555	15%	1,156,000	5%	1,098,000	25.26	18.53	26.62	51.44	2.28	3.55
Inferred			Bituminous	1.59	1.48	129,489	20%	100,000	5%	90,000	25.54	18.18	26.94	51.22	2.39	3.59
			TOTAL / AVE. KLIPBANK 295IT			1.70	1.53	32,830,490	6%	31,003,100	5%	29,447,600	23.86	22.54	19.88	54.26
Adrianople 296IT (South)		BU	Measured	Anthracitic	1.47	1.61	814,505	5%	773,700	5%	735,000	23.27	29.38	8.87	58.67	3.25
	Lean Bituminous			1.58	1.64	2,202,600	5%	2,092,400	5%	1,987,700	22.30	31.92	15.15	49.89	3.21	2.98
	TOTAL / AVE. ADRIANOPE 296IT			1.55	1.63	3,017,105	5%	2,866,100	5%	2,722,700	22.56	31.23	13.45	52.26	3.22	3.02
GRAND TOTAL / AVE. MOOIPLAATS COLLIERY				1.73	1.53	50,169,623	5%	47,440,200	5%	45,060,900	24.00	22.44	19.28	54.88	2.36	3.36

Notes:

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

Venmyn Deloitte's Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No. 400049/02) and a longstanding member of the Australian Institute of Mining and Metallurgy (AusIMM). She has over 20 years experience in the mineral resources industry.

The classification into the various Coal Resource categories by CoAL is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results.

The Mooiplaats Colliery B Upper Seam Coal Resources were classified according to the relative spacing of points of observation with both quantitative and qualitative results. In order to classify the Coal Resources, a halo diagram was prepared using only the boreholes with quality and quantity results, as presented in Figure 30. This figure indicates that 95% of the Coal Resources at Mooiplaats Colliery are classified as Measured due to the extensive amount of drilling that has been carried out on the property.

Venmyn Deloitte is confident that the logging, sampling, data density and distribution are suitable for the coal resource and coal reserve estimation. The estimation of each of the parameters required for the reporting of coal resources is presented in the sections to follow.

The Coal Resource Statement presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant Coal Resource tonnages and associated qualities. Although only a single seam occurs at Mooiplaats, three different types of coal are present within the seam due to the differences in volatile content. These different types of coal have significantly different markets. Therefore, each coal type is reported separately, within the various classification categories.

The volume of the B Upper Seam Coal Resources was estimated by CoAL using the MinexTM model of the seam thickness, divided into the various Coal Resource blocks according to coal type and classification category. The volumes took into account the survey of the current mining faces as at 30th September 2012.

The MinexTM modelled average raw density per Coal Resource block was used to calculate the tonnage from the volume. The raw density of every sample is measured in the laboratory.

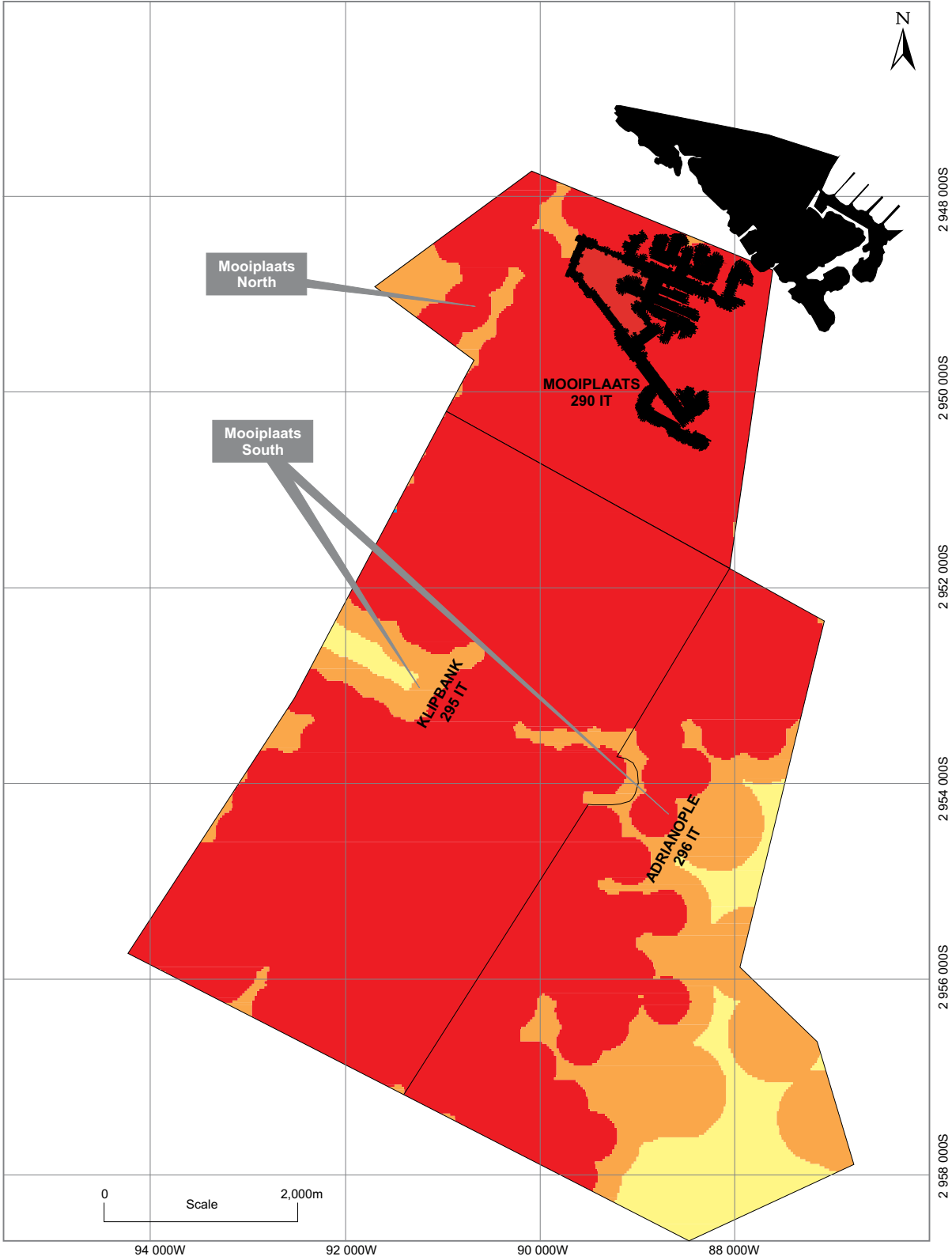
The tonnage is calculated by CoAL on a block by block basis from the volume multiplied by the average raw density. The Coal Resource tonnages are reported by CoAL according to GTIS, TTIS and MTIS. Tonnages are reported at a 0.5m cutoff as well as a 1.4m cutoff, which is the minimum mining height.

Each of the quality parameters are modelled by CoAL in MinexTM and the weighted average quality per block is reported in the Coal Resource Statement.

The following cutoffs or limits were applied by CoAL to the Coal Resources:-

- the Coal Resources are divided into anthracitic, lean bituminous and bituminous coal based on the volatile content intervals of 0 – 10%; 10 – 20% and >20%, respectively;
- the Coal Resource blocks are limited according to the boundaries of the mining licence;
- a minimum seam thickness limit of 0.5m is applied prior to the reporting of GTIS;
- geological losses of 5%, 15% and 20% are applied to Measured, Indicated and Inferred Coal Resources, respectively, 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. The percentages applied increase with decreasing borehole spacing;
- Venmyn Deloitte has utilised a 5% geological loss for the Measured Coal Resources as the drill spacing is 25% less than the JORC required limit of 250m. Also CoAL is currently mining the Measured Coal Resources;
- a minimum seam thickness cutoff of 1.4m is applied prior to the reporting of MTIS. This limit takes into account the underground mining equipment used at Mooiplaats which cannot mine coal seams of less than 1.4m; and
- mining layout losses of 5% were applied to derive the MTIS.

MOOIPLAATS - LOCATION AND CLASSIFICATION OF THE MINERAL RESOURCES



LEGEND

- Mineral Resource - Resource @ 0.5m**
- Measured (250m radius from borehole with quality data)
 - Indicated (500m radius from borehole with quality data)
 - Inferred (2000m radius from borehole with quality data)
 - Mining and Prospecting Rights Boundary
 - Mined Out Area

11.11. Mineral Reserve Statement

Coal Reserves were estimated and signed off by independent consulting geologist, Mr T Ngobeni (Pr.Sci.Nat.), as at 30th September 2012 in accordance with the JORC Code. The reserve statement is presented in Table 22 and the location of the reserves is indicated on Figure 31.

The Coal Reserves were based upon the Coal Resources prepared by Mr T Ngobeni (Pr.Sci.Nat.), taking into account the depletions for mining, and dated the 30th September 2012.

The Coal Reserves were independently reviewed and verified by Mr G Njowa, of Venmyn Deloitte, a registered professional engineer with the Engineering Council of South Africa. (Reg. No. 20090204). During the review process, the LoM schedule was checked for consistency, tallying with the Coal Resources from which these Coal Reserves have been converted, and the practical achievability of the mining rates. The current production target of 1.7Mtpa for the rest of the LOM is considered to be too optimistic since CoAL has not been able to produce more than 120ktpm in the last 18 months.

With regards to estimating the coal tonnages for the Coal Reserve Statement for Mooiplaats Colliery, the geological and economic boundaries of the underground operation had first to be determined based on the initial quality cutoff. Venmyn Deloitte reviewed management's financial model in light of the historical performance to demonstrate the economic viability of extracting these Coal Reserves. Some areas were excluded as a result of physical, geographical and statutory constraints, geological structures and dolerite intrusions.

The detailed Coal Reserve Statement presents the input parameters, the calculations and limits used by CoAL in a stepwise process to obtain the resultant reserve tonnages and associated prime product qualities. Although only a single seam occurs at Mooiplaats, three different types of coal are present within the seam due to the different volatile contents. However, all the anthracitic coal has been excluded by CoAL in the Coal Reserve estimation and is not being reported on. These different types of coal have significantly different markets. Therefore, each coal type is reported separately, within the various classification categories.

11.11.1. Modifying Factors

The mining and economic related modifying factors that were applied by CoAL to the Mooiplaats Colliery Coal Reserves are as follows:-

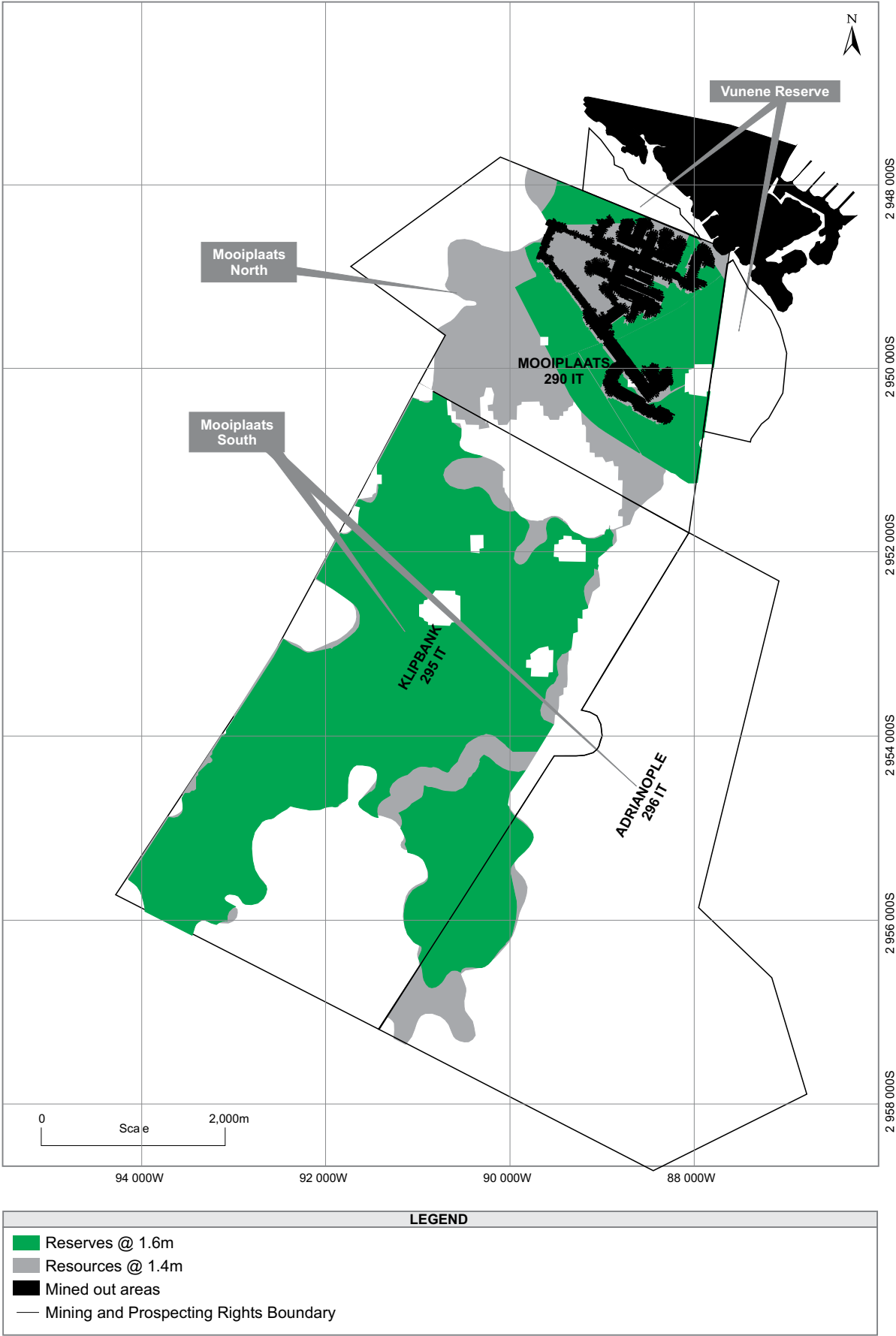
- an export thermal coal price of USD90/t for the primary product and a domestic thermal coal price of ZAR285/t for the middlings product were used. Commodity prices and exchange rates used to estimate the economic viability of Coal Reserves are based on long term forecasts applied at the time the estimate was completed;
- an average operating cost of ZAR456/RoM t was utilised;
- the mineable Coal Reserve excludes all the pockets of anthracitic coal within the project area;
- a coal seam thickness cutoff of >1.6m was included in the LOM plan;
- mining layout losses of 5% on the B Upper Seam have been accounted for at Coal Resource estimation;
- an extraction factor of 57% was applied. This is based upon the extraction achieved in the last year of mining;
- surface or residual moisture of 3.5%;
- assumed dilution or contamination of 14.2% for the B Upper seam. This figure has been based upon recent mining results. CoAL is investigating the reasons for this relatively high level of dilution and aims to reduce this;
- Coal Resource cutoffs were applied as per the Coal Resource Statement; in the estimation of coal reserves, Venmyn Deloitte assumed that all regulatory applications will be approved and the current approvals will continue to be valid; and

Table 22 : Mooiplaats - Summary Reserve Statement (30th September 2012)

FARM OR BLOCK	SEAM	RESERVE CATEGORY	COAL TYPE	MINEABLE IN SITU RESERVE (t)	MINING EXTRACTION FACTOR (%)	DILUTION (%)	EXTERNAL MOISTURE (%)	ROM TONNAGE	PRIMARY PRODUCT PRACTICAL YIELD (%)	PRIMARY PRODUCT SALEABLE TONNES	SECONDARY PRODUCT PRACTICAL YIELD (%)	SECONDARY PRODUCT SALEABLE TONNES
Mooiplaats 290IT; Klipbank 295IT & Adrianople 296IT	BU	Proven	Lean Bituminous	12,056,680	57%	14.2%	3.5%	8,123,573	46.0%	3,733,179	29.2%	2,375,253
			Bituminous	18,080,425	57%	14.2%	3.5%	12,182,263	56.5%	6,888,964	23.6%	2,870,558
GRAND TOTAL / AVE. MOOIPLAATS RESERVES				30,137,105	57%	14.2%	3.5%	20,305,836	52.3%	10,622,143	25.8%	5,245,811

PRIME PRODUCT WASHED QUALITIES					
CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
27.23	14.47	16.98	63.28	1.71	3.55
27.22	12.71	26.83	55.17	1.53	3.75
27.22	13.33	23.37	58.02	1.59	3.68

MOOIPLAATS - LOCATION AND CLASSIFICATION OF THE MINERAL RESERVES



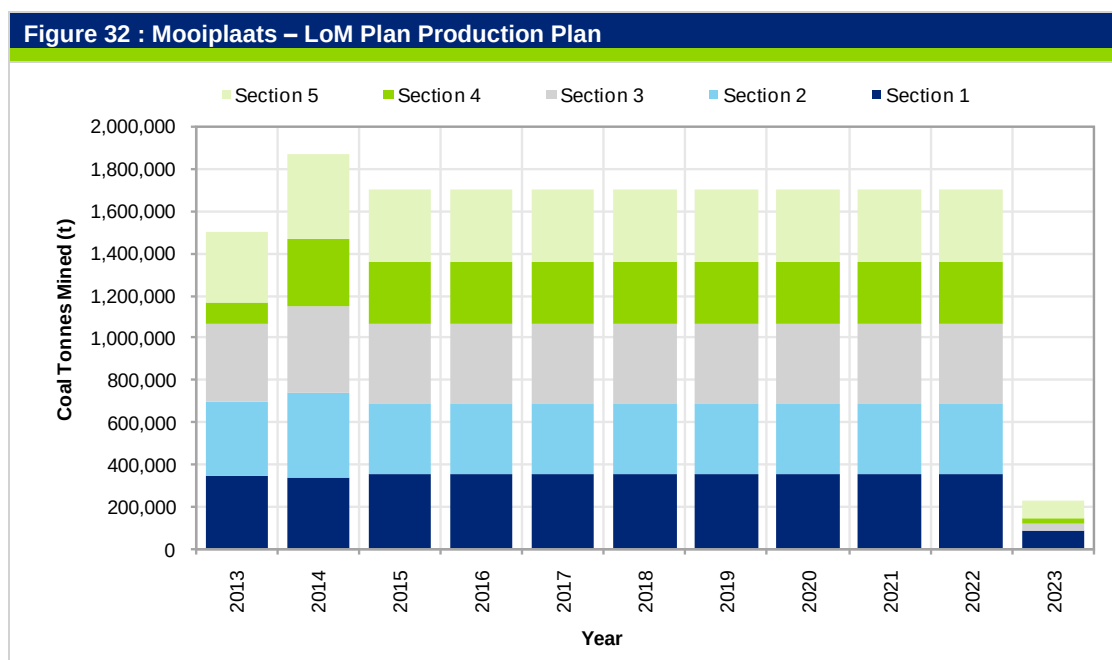
- the resultant RoM Coal Reserve, after accounting for excluded areas and modifying factors, is estimated at 20Mt, of which 0.6Mt is in the Probable Coal Reserve category and 19.5Mt is in the Proven Reserve category.

11.12. Verification of DCF Technical and Operating Assumptions

Venmyn Deloitte is not required to perform a mineral asset valuation of the operating assets. Instead, Venmyn Deloitte was mandated by KPMG to review the technical input parameters to CoAL's management DCF model. This review was conducted in order to assist KPMG in forming their own view of value of the operating assets. The results of this review are reported in the relevant sections below.

11.12.1. Mining Production Tonnages

The basis for any DCF model is the coal tonnes to be mined. The current LOM plan for Mooiplaats Colliery only focuses on exploiting the underground coal reserves at a designed capacity of 1.7Mtpa as illustrated in Figure 32. The current LOM estimate of 10 years for Mooiplaats Colliery has been designed and scheduled within the five mining sections as illustrated. Of the 10 years in the LOM, CoAL has only included the first three years of production in their financial model, due to the fact that 'Klipbank' has been switched 'off' in the model as there is currently a double-granting on portion 2 of the farm Klipbank 295IT. It should be noted that the current LOM plan also includes production from the neighbouring Vunene Mine. However it should be noted, that at the date of this report, CoAL does not have any agreement in place to access this piece of ground (accounting for approximately 1Mt of ROM) and has therefore also been excluded in the valuation model.



Based on the current LOM plan depicted in the Figure 32, and in the financial model, CoAL, has only included 4.9Mt out of the 20Mt of ROM Coal Reserves that are available for extraction using underground mining methods due to the reasons explained above. Hence the financial model only includes 25% of the available underground Coal Reserves and the remaining 75% Coal Reserves would have to be valued or considered using other valuation methods to capture the value attributable to these Coal Reserves.

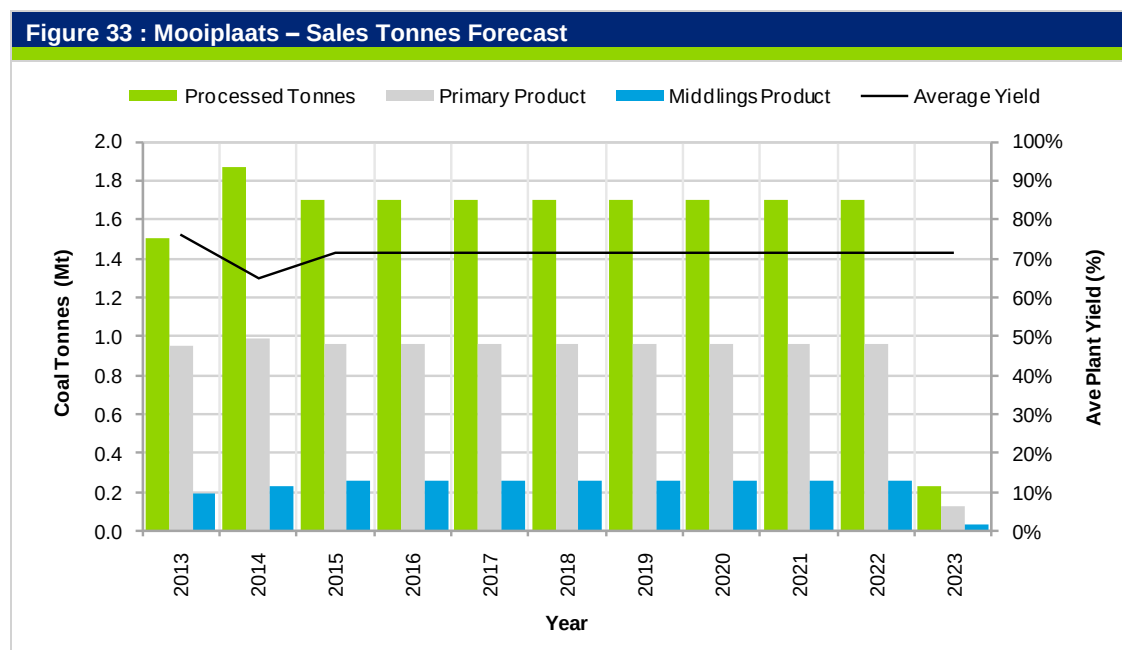
Venmyn Deloitte is concerned that the LOM and production levels planned are somewhat optimistic, specifically in consideration of past performance (of only 1.4Mtpa), as summarised in Section 11.8. Venmyn Deloitte is of the opinion a production level of approximately 1.5Mtpa would be more realistic, unless there are some major changes in the mining operations. To further support

Venmyn Deloitte's concerns, CoAL's production volumes for the financial year 2013 (four months actuals and eight months forecast) have been decreased to 1.2Mtpa, mainly due to complex geology and the industrial action that has recently occurred. The remaining LOM and the Mooiplaats costs are still in the process of being restructured and the product levels are expected to be revised downwards based on the outcomes of the restructuring of the mining operation.

Figure 32 shows the current LOM before the restructuring.

11.12.2. Sales Tonnages and Yields

The sales tonnages and beneficiation yields for Mooiplaats Colliery for the complete LOM schedule is illustrated in Figure 33. CoAL has planned to produce a RB 1 specification export thermal coal product, as the primary product at approximately 56% yields and an Eskom's Middlings product at approximately 15% yield. These yields are typical for the Highveld Coalfields and the Colliery has been achieving these yields consistently for the last 36 months. Hence the forecasted products and yields are considered achievable and reasonable.



Venmyn Deloitte considers that the processing yields used in the financial model are achievable and reasonable. This has been correctly captured and applied in the financial model.

11.12.3. Mining and Processing Operating Cost Estimates

Venmyn Deloitte has reviewed the following operating costs for the project over the initial four years currently included in the financial model (from year 2013 to 2016) as illustrated in the Table 23.

Table 23 : Mooiplaats - Estimated RoM Operating Costs (ZAR/t)

DEPARTMENT	BASIS	HISTORICAL	INDUSTRY AVE	2013	2014	2015
Mining Cost	ROM Tonnages	(185.41)	(140.00)	(145.47)	(124.13)	(134.47)
Processing Cost	ROM Tonnages	(38.51)	(35.00)	(26.54)	(24.88)	(24.99)
Engineering Cost	ROM Tonnages	(25.87)	(45.00)	(59.44)	(51.33)	(57.82)
Overheads	ROM Tonnages	(28.76)	(40.00)	(43.61)	(34.92)	(41.87)
TOTAL OPERATING COSTS (ZAR/ROMt)		(278.55)	(260.00)	(275.05)	(235.27)	(259.15)
Distribution Cost	Primary Saleable	(215.94)	(300.00)	(345.66)	(375.80)	(338.50)

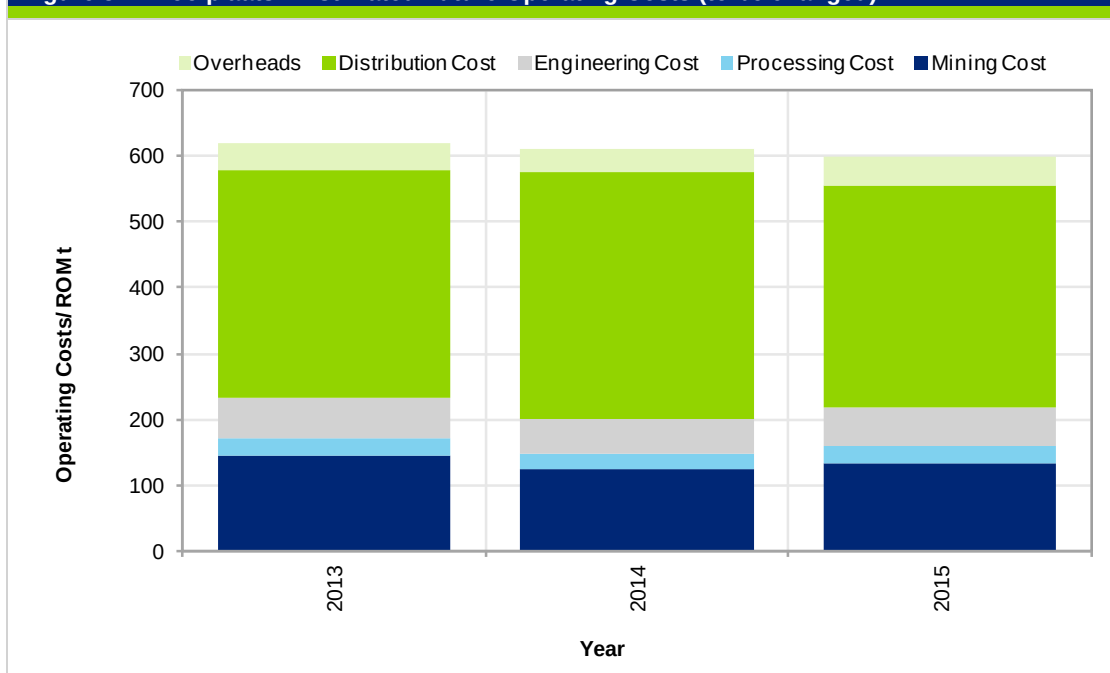
The actual total operating costs that have been spent in the 2012 financial year was approximately ZAR279/ROM tonne mined excluding the distribution costs. The operating costs during the period were considered relatively higher than normal as a consequence of low levels of production.

In addition, the logistics to Matola are much more expensive due to the high rates charged by Transnet Freight Rail on the General Freight Business rail system when exporting coal through this terminal. This has resulted in the Mooiplaats Colliery operating at a loss, even though the mining and processing costs are very competitive.

The costs estimated for the 2013 financial year are expected to be slightly higher than the industry average costs at a steady state for similar mining operations, with total operating costs expected to level off at approximately ZAR600 per ROM tonne mined, as illustrated in Figure 34. The operating costs are directly linked to the levels of production due to the effects of the economies of scale.

It should be noted, however, that the current increase in industrial action at South African mines would see a general increase in the labour related costs for mining operations. CoAL has not been immune to this, with recent strike action and wage settlement at Mooiplaats being a case in point. Venmyn Deloitte noted in a public announcement made by CoAL on 2nd November 2012 that certain on-site waged employees received an increase of 26% cost to company (inclusive of medical aid assistance, housing allowance as well as shift and underground allowances with effect from 1 July 2012). CoAL calculated that the settlement translates to an increase of about 1% on Mooiplaats' total cost per saleable tonne. Such effects have not been included in the corporate models of CoAL as it was considered immaterial. Venmyn Deloitte suggests that KPMG should potentially run sensitivities to confirm the impact of above to the valuation results of the operating projects.

Figure 34 : Mooiplaats – Estimated Future Operating Costs (to be changed)



Venmyn considers that estimated total operating costs used in the financial model is reasonable and comparable to the other underground operations in South Africa, using owner mining teams, except the distribution cost as explained above. These costs have been captured correctly in line with the way the different contracts have been structured. With this the fixed, semi fixed and variable costs have been captured correctly.

11.12.4. Capital Cost Estimates

Venmyn Deloitte has reviewed the capital expenditure for Mooiplaats. Most of the capital costs have already been spent since it is a mature operation. Minor additional capital expenditure is shown in Table 24.

Table 24 : Mooiplaats - Estimated Capital Costs

CAPEX AREA	2013	2014	2015	2016
Plant Infrastructure Area	(10,700,000)	0	0	0
Mine Infrastructure Area	(6,450,000)	(6,390,000)	(5,900,000)	0
Off Mine Infrastructure	(10,475,000)	(32,815,000)	(44,495,000)	0
Power Generation	(16,729,213)	(5,380,000)	(4,780,000)	0
Owners Cost	(4,400,000)	0	0	0
TOTAL EXPANSIONARY CAPEX	(48,754,213)	(44,585,000)	(55,175,000)	0
Total Sustaining Capex	(3,467,160)	(3,748,170)	(3,656,512)	(2,345,512)
TOTAL CAPITAL EXPENDITURE (ZAR)	(52,221,373)	(48,333,170)	(58,831,512)	(2,345,512)

The capital expenditure summarised in Table 24, is required to augment the existing infrastructure and improving and sustaining the processing and power generation plants. It should be noted that the capital expenditure that has been spent and the additional capital expenditure highlighted in this report only covers the mining of the Coal Reserves in the North Block. The capital estimates included in the financial model are considered reasonable at a high level. Venmyn Deloitte understands that there is some capital development required for CoAL to be able to access the South Block and has not been included in the capital expenditure detailed in this report.

Benchmarking of a portion of the capital costs on specific items in mining projects is not possible. The only way to confirm these estimates at a high level of accuracy is to get the specifications and get the suppliers to give quotations on these items. In this case, Venmyn Deloitte did not consider such benchmarking as appropriate.

It is also worth mentioning that the sustaining capital expenditure included in the financial model is considered very low according to South African standards, for owner operated mines where the sustaining capital should be estimated to be in the range of between 5% to 15% of the total operating costs. Venmyn Deloitte is of the opinion that the sustaining capital for Mooiplaats should be increased, since this is an owner operated mine. The sustaining capital included in the financial model would be typical for mining operations that have most of their core mining related services being conducted by contractors.

11.13. Valuation of Excess Reserves

Venmyn Deloitte has conducted an independent mineral asset valuation of the mineral reserves that fall outside of CoAL's current Life of Mine Plan ('excess reserves') considered in their corporate model for the project. This will assist KPMG in determining a 'terminal value', if applicable, for the project.

Venmyn Deloitte conducted this valuation using the Market Approach, as detailed below.

11.13.1. Market Approach

Venmyn Deloitte was able to carry out a comparable transaction valuation of the 'excess reserves', using the Market Approach, on the basis that recent market valuations of a similar nature provide a proxy for value for the reserves. In order to arrive at a reasonable market value with which to compare the respective 'excess reserves', appropriate recent and historical transactions must form the basis.

Figure 9 summarises Venmyn Deloitte's database of recent unit market valuations within the context of the South African coal market with reference to the respective coal resource and reserve classifications.

The comparable transaction value range selected for the valuation of the 'excess reserves' of the Mooiplaats Project has considered the nature of this valuation and the risk factors. Venmyn Deloitte is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the accessibility of the reserves;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Reserves; and
- availability of infrastructure and logistics.

The range of values generated, based upon the 'excess reserves' quantified for the Mooiplaats Project, is summarised in Table 25 and illustrated in Figure 9.

Table 25 : Mooiplaats – Market Approach Valuation of 'Excess Reserves'

PROJECT	COAL TYPE	RESERVE CATEGORY	'EXCESS' ROM TONNAGE (t)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Mooiplaats	Lean Bituminous	Proven	8,123,573	20.00	30.00	162.47	243.71	203.09
	Bituminous	Proven	7,253,242	20.00	30.00	145.06	217.60	181.33
MOOIPLAATS TOTAL			15,376,815	20.00	30.00	307.54	461.30	384.42

The value range derived from the Market Approach is between ZAR308m (low valuation) and ZAR461m (high valuation). This valuation range was calculated from the range of unit values as defined by the Market Approach. The value range reflects the level of confidence attached to the respective Coal Reserves and the probability of their being brought to account. The population of historic market transactions and valuations provides an indication of reasonability.

Venmyn Deloitte's preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR384m for the contributing properties. All defined unit values fall within the so-called 'Witbank/Ermelo Coalfields Value Curve' defined by Venmyn Deloitte from its transaction database, and plot below the mean trend for this coalfield.

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arms length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

11.13.2. Valuation Result

CoAL has a 100% interest in the Mooiplaats Project, although Ferrett is claiming restitution of a 26% interest. Consequently, Venmyn Deloitte considers that the attributable 'Fair Value' of the 'excess reserves' is **ZAR384m**. The summary valuation results are given in Table 26. The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the full range in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

Table 26 : Mooiplaats – Summary of 'Excess Reserves' Valuation

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Mooiplaats	N/A	384	384	384

12. Vuna

Within the Witbank Coalfield, CoAL has NOMRs within the Woestalleen Complex grouped together into three Projects, namely Vuna Colliery, the Klipbank Complex and the Hartogshoop Project. Only the Vuna Colliery is considered as a material coal asset for the purposes of this Specialist Report and is reported upon in detail. CoAL and Venmyn Deloitte does not consider the other two projects, Klipbank Complex and Hartogshoop, as material to the Coal Resources and the valuation of the principal coal assets of CoAL, as they are effectively mined out, with all remaining coal uneconomical to mine.

The Vuna Colliery is an opencast bituminous coal mining operation situated in the Witbank Coalfield which mines the No.1 and No.2 seams at a combined average rate of approximately 310,000tpm ROM (July 2011 – September 2012). The raw coal is transported to CoAL's Woestalleen Plant where it is washed to produce an average of approximately 150,000tpm of saleable product in the form of export and locally sold thermal coal.

12.1. Location

Vuna Colliery is located in the Steve Tshwete District in the Mpumalanga Province of South Africa (Figure 35). The nearest town is Middelburg, 24km west of the mine. Although the railway line passes just west of the property (Figure 35), the mine does not have access to this line and all RoM coal is transported by road, a distance of 37km south southwest, to the Woestalleen Plant for treatment. All product coal is loaded onto trains on the Richards Bay railway line at the Woestalleen Siding, situated adjacent to the plant.

12.2. Infrastructure

The Witbank area has a long history of coal mining and therefore both skilled and unskilled labour is readily available from Witbank and Middelburg. Witbank is a city which has significant infrastructure and services including a police station, a number of schools and hospitals. Middelburg also has good infrastructure including a police station, schools and a hospital.

The Vuna Colliery and Woestalleen Plant are both well situated with respect to infrastructure (Figure 35). The Vuna Colliery and the Woestalleen Plant site plan are presented in Figure 36.

At Vuna Colliery, water is only required for roadway dust suppression as none is required for blast hole drilling or coal processing. In-pit mining water is pumped to a holding dam where it is stored for use. The Woestalleen Plant currently pumps water from the Noodhulp underground dam, West Pit and the Woestalleen Dam.

Vuna Colliery obtains its power from an 87kW Genset generator. No Eskom grid power is available at the mine. Power at Woestalleen Plant is obtained from the Eskom grid. Woestalleen has a total power requirement of 2.5MVA.

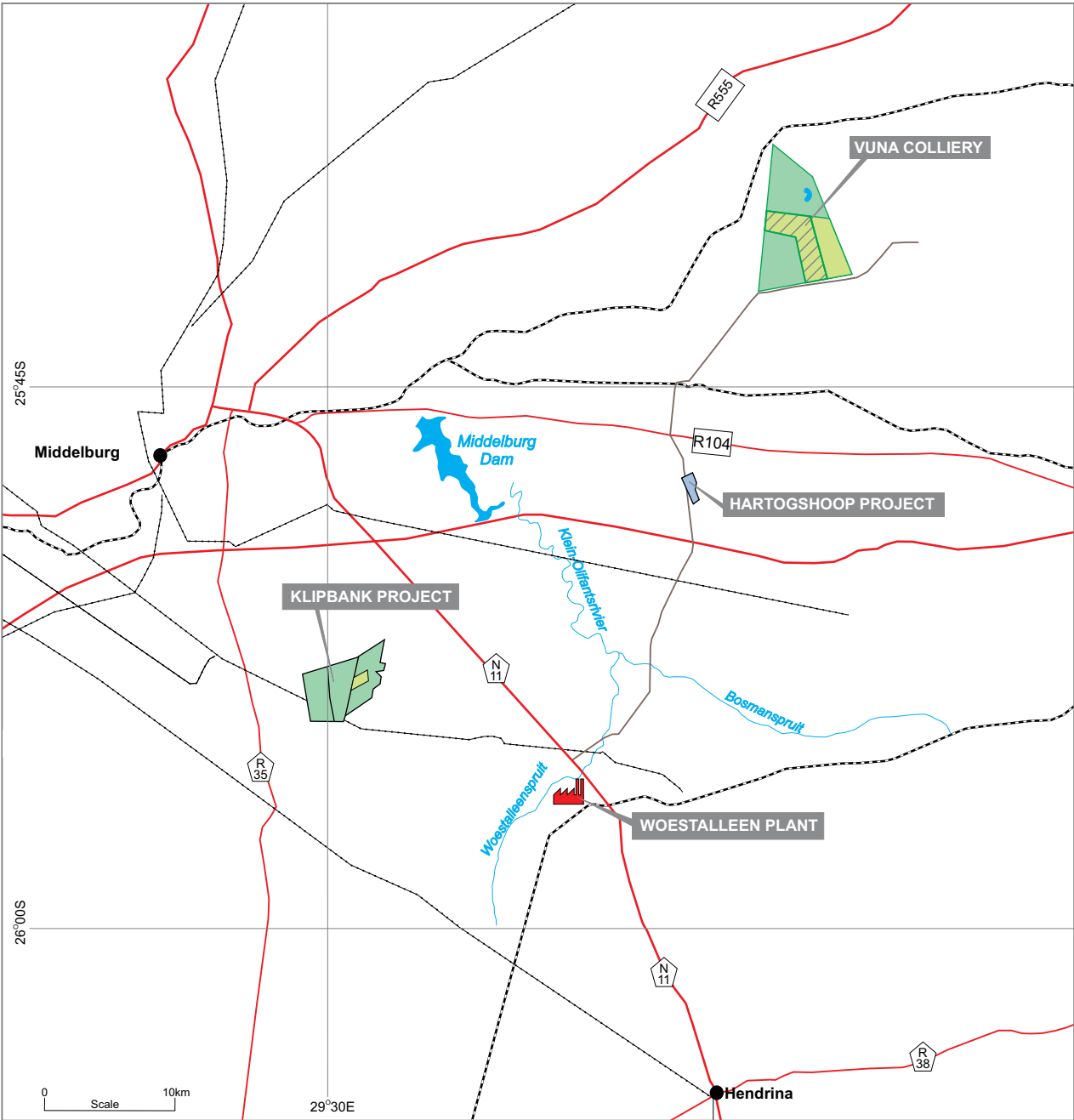
No accommodation is provided on site at Vuna Colliery. The Colliery utilises prefabricated structures for offices. Workshops and stores are permanent structures which were built when the mine started production in 2008 (Figure 36). No accommodation is provided at Woestalleen Plant. Permanent offices, stores and workshops were acquired from NuCoal as part of the sale of the processing plant.

12.3. Mineral Tenure

The Vuna Colliery is comprised of two portions (portions 2 and 5) on the farm Zonnebloem 396JS situated to the east northeast of Middelburg, Mpumalanga Province, all held under a NOMR in the name of VME (Figure 35 and Table 27).

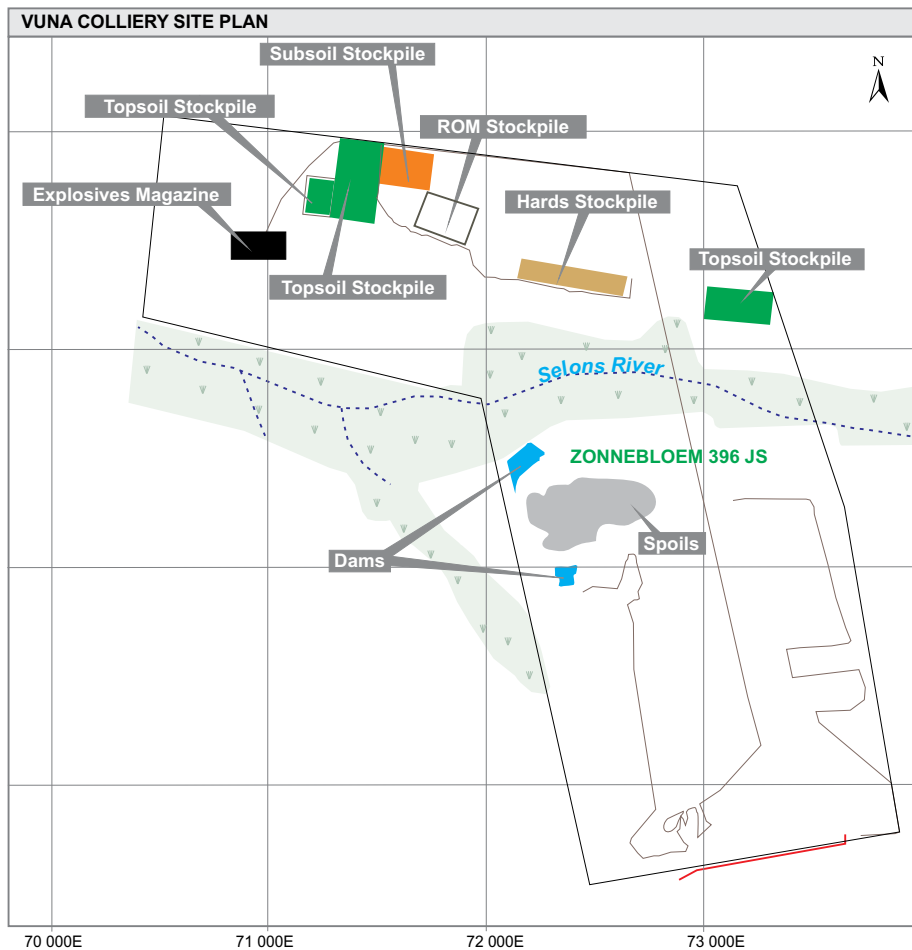
No NOMR was applied for over the areas collectively known as Woestalleen Coal Plant.

VUNA - LOCATION IN RELATION TO INFRASTRUCTURE AND MINERAL TENURE

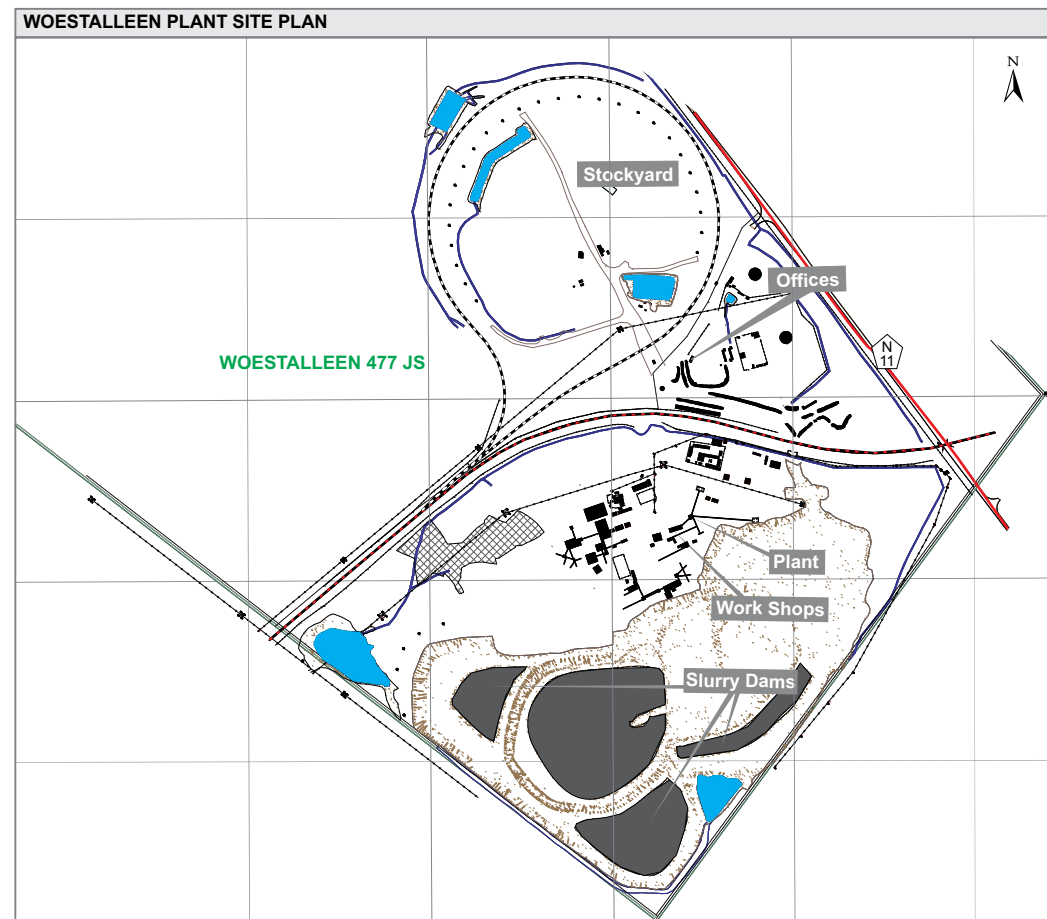


Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

VUNA AND WOESTALLEEN - SITE PLAN



LEGEND	
— Mining Right Boundary	
— Dirt Road	
— Road	
Marsh	
..... Non perennial River	
Topsoil Stockpile	
Subsoil Stockpile	
Hard Overburden Stockpile	
Dams	
Spoils	



LEGEND	
Other Railway Line	Mine Boundary
National Railway Line	Previous Opencast Mining
Fencing	Dam
Powerlines	Slurry Dams
Pipeline	Buildings & Plant
Dirt Road	

Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

Table 27 : Vuna - Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Vuna	Zonnebloem 396JS	Portions 5 & RE of Portion 2	796.67	Vuna Mining Enterprises (Pty) Ltd	Mining	MP 30/5/1/1/2/232 MR (232 MR)	10/06/2008	9/6/2023			Yes, on ptn 5
TOTAL VUNA			796.67								
Klipbank Complex	Klipbank 467JS	Portions 15,16 & 17 (also known as Mining Area 1)	64.00	Woestalleen Colliery (Pty) Ltd	Mining	MP30/5/1/2/2/211 MR	1/04/2008	31/03/2012			
	Sterkwater 317JS	Portion 1	433.68		Old Order Mining	OT 5/3/2/548	29/11/2002	28/11/2007			Yes
	Klipbank 467JS	Portions 4–27	518.35	Kusile Mining (Pty) Ltd (subsequently transferred to NuCoal (Pty) Ltd)	Prospecting	MP 30/5/1/1/2/1638 (1638 PR)	4/12/2007	3/12/2010			
	Sterkwater 317JS	Portion 2	425.53		Prospecting	MP30/5/1/1/2/173 OPR (1730PR)	29/04/2008	28/04/2011			
TOTAL KLIPBANK COMPLEX			1,441.56								
Hartogshoop	Hartogshoop 410JS	RE	39.38	NuCoal Mining (Pty) Ltd	Mining	MP30/5/1/2/2/320 MR (320MR)	26/11/2009	25/11/2012			
TOTAL HARTSOGSHOOP			39.38								
Woestalleen Coal Plant	Noodhulp 474JS	Portion 4 & RE	186.00	Fraser Alexander Coal (Pty) Ltd (subsequently changed its name to Nu-Coal Mining (Pty) Ltd under Nucoal Mining (Pty) Ltd - a subsidiary of Nucoal Holdings (Pty) Ltd	Old Order Mining	44/95 (OT 5/3/2/75) (later MP30/5/1/2/2/404 MR)	21/12/1995	Not stated			RE (Nu-Coal (Pty) Ltd
	Woestalleen 477JS	RE	329.00								Yes, on 11, 14 (a ptn of ptn 1),18
	De Groote Rietpan 479JS	Portion 2	197.00								
TOTAL WOESTALLEEN COAL PLANT			712.00								
TOTAL WITBANK COALFIELD			2,989.61								

12.4. Geological Setting

12.4.1. Regional Geology

The Vuna Colliery is situated within the Witbank Coalfield, where five coal seams have been developed within the Vryheid Formation (Figure 37). These seams are named from Seam No.1 at the base of Seam No.5 at the top of the sequence. The formation consists of a series of vertically stacked upward-coarsening and upward-fining facies assemblages. In the Witbank Coalfield, the coal-bearing sequences lie either directly on the pre-Karoo basement, or on the Dwyka Group glacial strata. The Witbank Coalfield is currently South Africa's most important coalfield, and accounts for in excess of 50% of South Africa's total coal sales.

12.4.2. Local Geology

The Vuna Colliery is located on the northeast edge of the Witbank Coalfield, where there are known coal deposits of the Vryheid Formation (Figure 38). The Vryheid Formation is underlain by Dwyka Group sediments, comprising glacial tillites and fluvio-glacial outwash siltstones. Coal occurrences are controlled by the variable undulating palaeo-topography defined by the scoured Dwyka Group landscape.

Both the No.1 and No.2 seams are developed on the Vuna property. They are separated by a shale / siltstone parting with an average thickness of 0.46m. The No.2 Seam is the most extensively occurring seam in the Coal Resource area. The occurrence of both coal seams has been affected and limited by weathering, especially where the Selons River passes through the centre of the property. This, along with a palaeo-topographic high in the same area where the seams are not developed, has effectively separated the Vuna Colliery into two areas – the Northern and Southern Blocks.

Dolerite is present in the southwestern corner of the Southern Block, where it has affected the quality of the No.1 Seam. There is no apparent displacement of the coal seams on either side of the dyke. Thin dolerite stringers are present within the coal in this area.

12.5. Historical Exploration

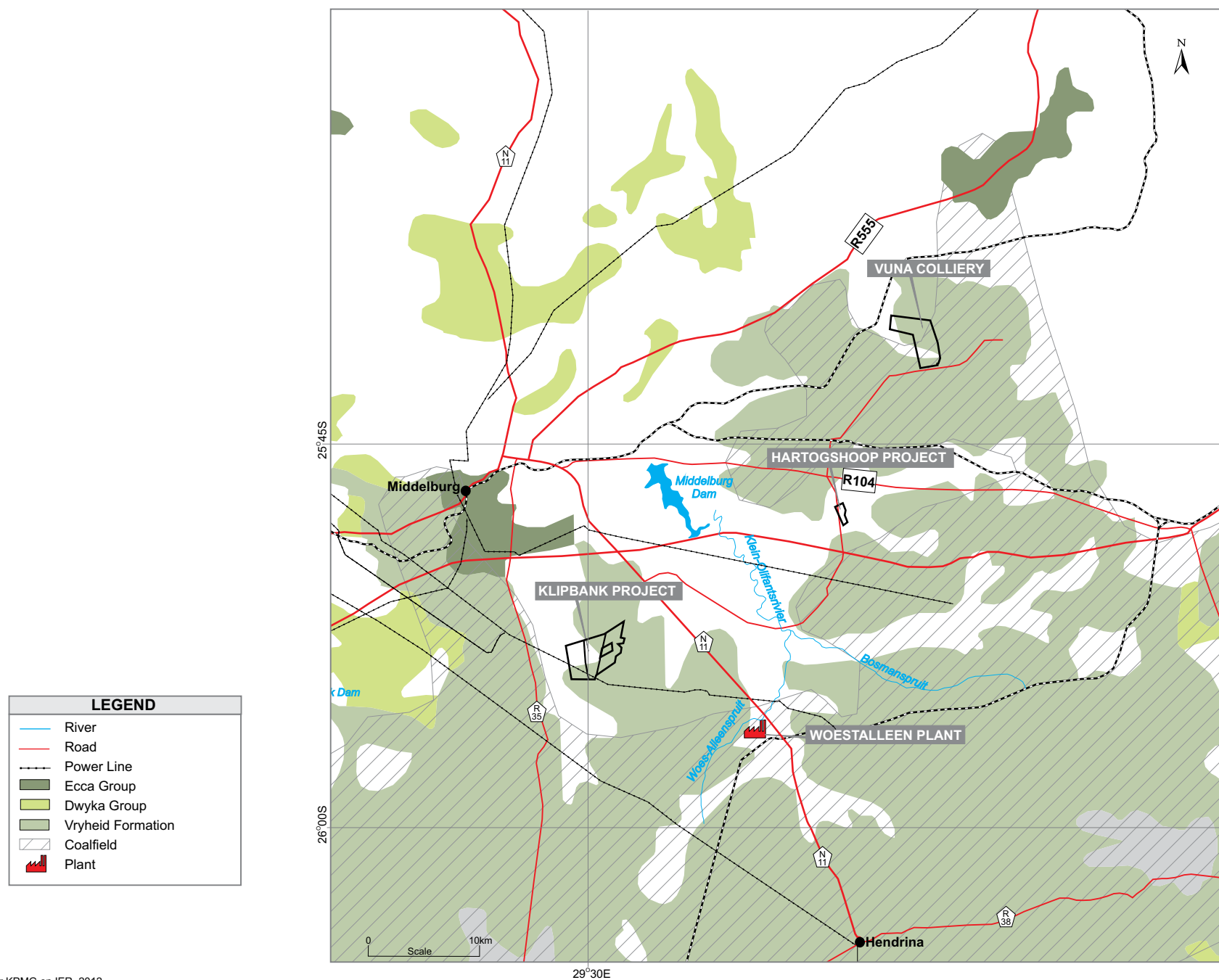
Prior to CoAL's involvement in the Vuna Colliery, historical drilling was undertaken by Anglo Coal and Shell on portions 2 and 5 of Zonnebloem 396JS (Table 28). An electronic database of these exploration boreholes were obtained from the CGS by GeoCoal. Only limited borehole logs and washability data was obtained from CGS at this time. These holes were drilled by large mining companies for their own purposes using standard drilling, logging and sampling protocols. Although these results are expected to be reliable, they have not been verified and have not been used in the current modelling in any manner or form.

In 2006, GeoCoal assessed the historical data relating to 38 boreholes and prepared an associated report. In 2007, GeoCoal prepared a further report on 53 boreholes which included a Coal Resource Statement and an exploration programme and associated budget. It is unknown whether the boreholes proposed by GeoCoal in 2007 were ever drilled.

In 2007, NuCoal became involved in the Vuna Project. The company drilled an initial exploration programme between 2007 and 2008 with the purpose of defining Measured Coal Resources (Table 28). A total 157 diamond core holes were drilled by Isongo Drilling under the supervision of independent consulting company, BMA GeoServices (BMA). The location of the boreholes is graphically presented in Figure 39. The drilling and sampling was supervised by Dr D Gold (Pr.Sci.Nat.) who was also the responsible geologist.

Samples were sent to Midlabs or Inspectorate for proximate, CV and sulphur analyses. Washability testwork was carried out by Inspectorate at 0.10 intervals from 1.45 to 1.75. The majority of the boreholes, however, were sent to Midlabs which only performed a washability test at 1.65. This resulted in insufficient data being available to prepare a full washability curve for the coal.

VUNA - REGIONAL GEOLOGICAL MAP



VUNA - LOCAL GEOLOGICAL MAP AND STRATIGRAPHIC COLUMN

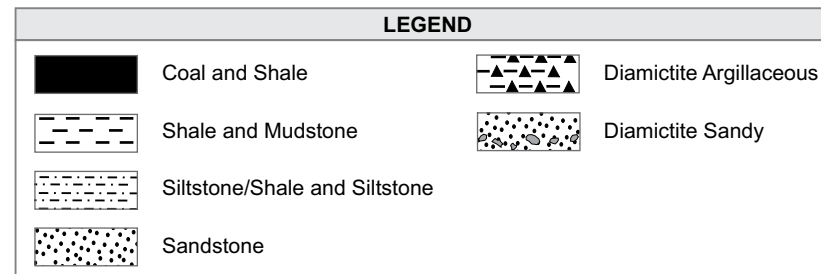
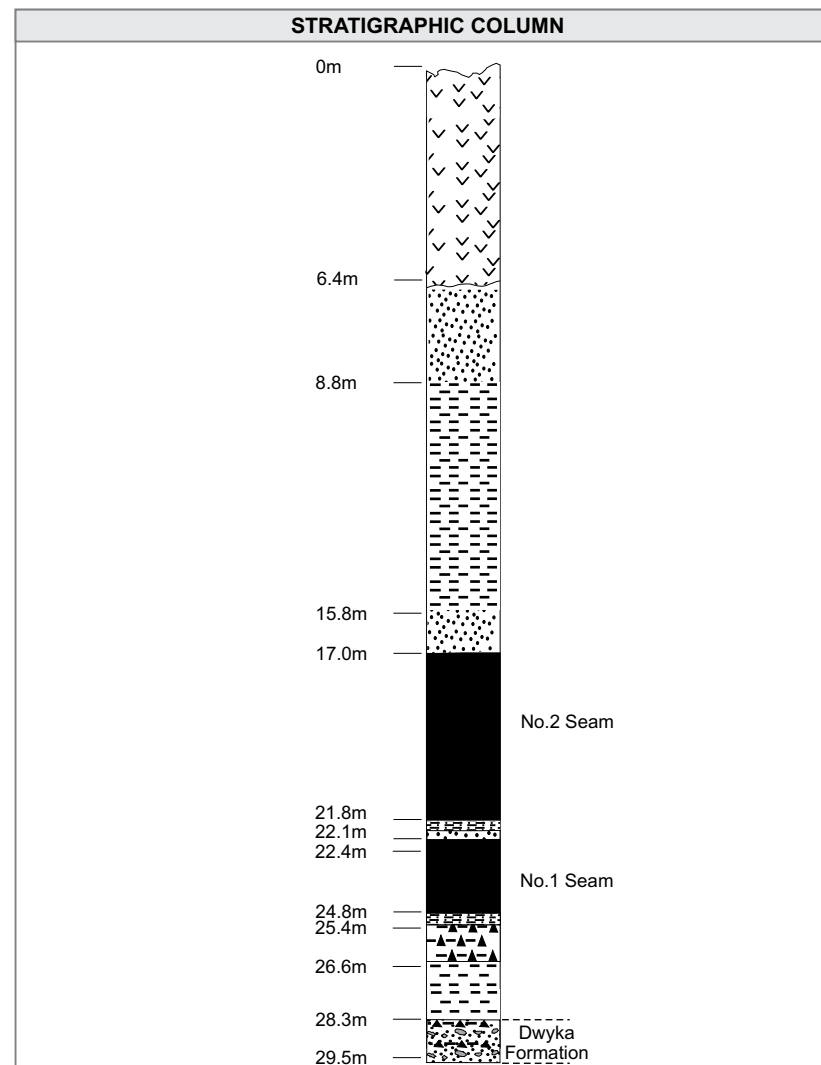
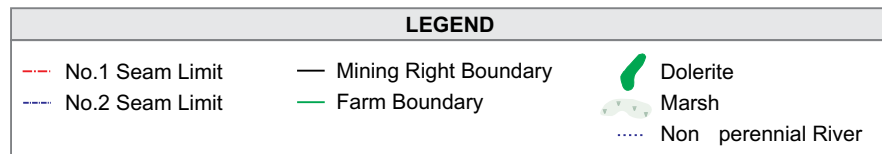
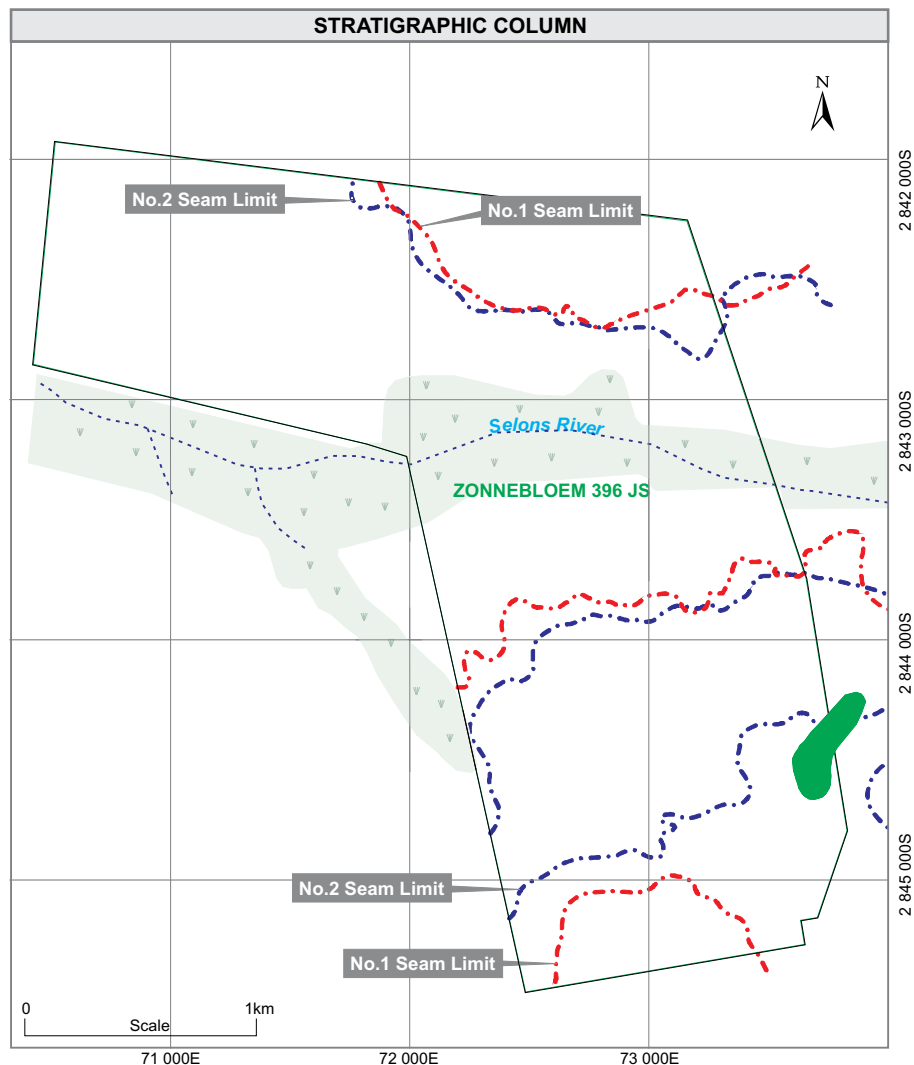
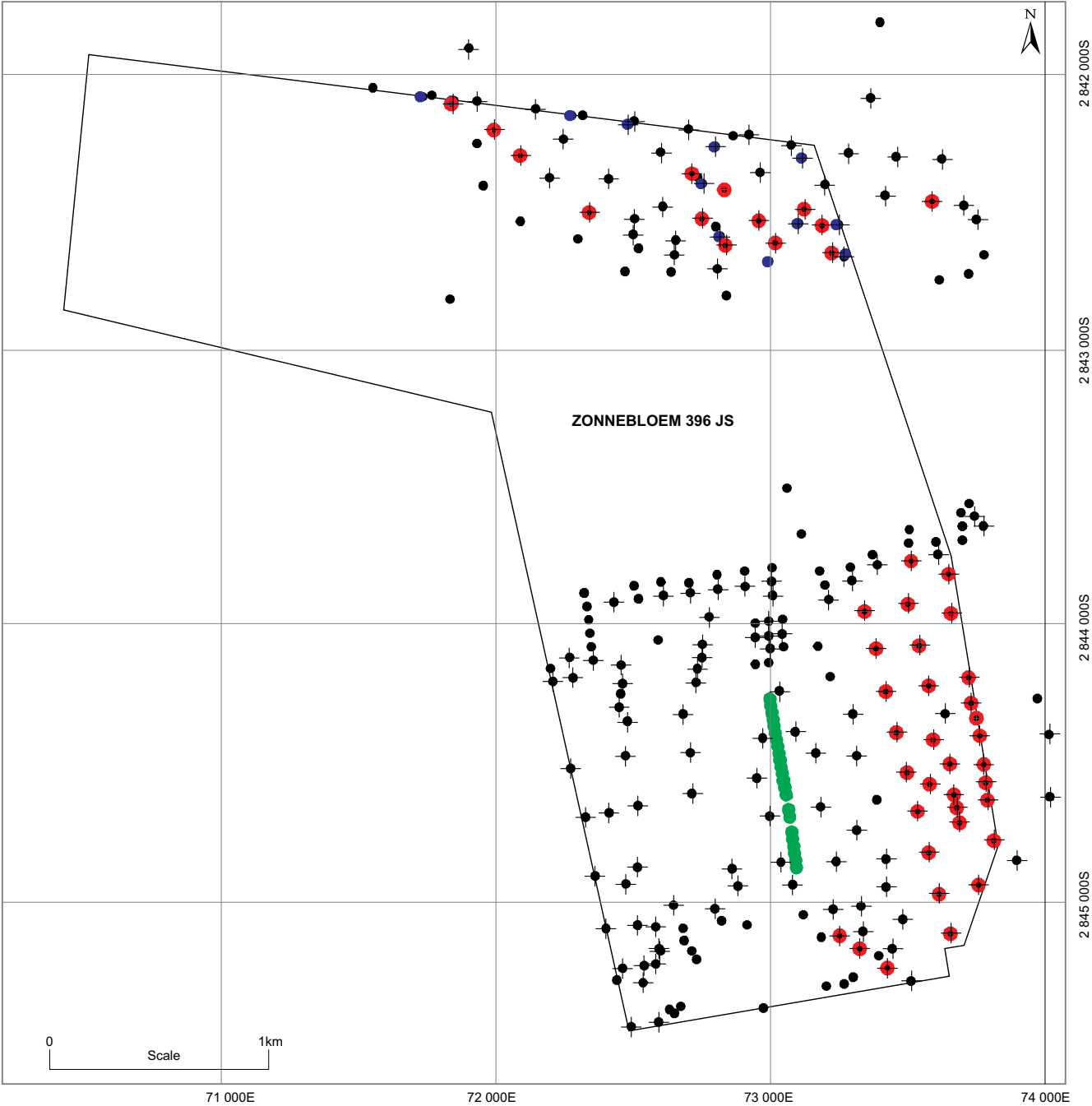


Table 28 : Vuna - Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	LABORATORY FOR QUALITY	USED IN MODEL
Unknown	Shell (from CGS)	Portion 2 & 5, Zonnebloem 396JS	Exploration	In house	In house	Diamond core	TNW	In house	53	No	No.1 & No.2	Limited quality data - Anglo Coal or Witlab	No
Unknown	Anglo Coal (from CGS)												
2007 - 2008	BMA GeoServices for NuCoal	Portion 2 & 5, Zonnebloem 396JS	For Measured Resource delineation at 200m grid spacing.	Handheld GPS	Isongo Drilling	Diamond core	TNW	D Gold	157	No	No.1 & No.2 together.	Midlabs & Inspectorate	Yes
2008	NuCoal								Diamond core	TNW	G Muller	32	No
2009 - 2010	CoAL	South Reserve	Grade contol	SCS Survey & Consulting Services cc	Blast holes by CoAL	Percussion	TNW	T Ngobeni	26	No	-	-	Yes
2010	CoAL	Portion 2 & 5, Zonne	For Measured Resource delineation at 200m grid spacing.		Zaaiman Drilling	Diamond core	TNW		53	No	No.1 & No.2	Inspectorate	Yes
2011	CoAL	North Reserve			Lesiti Drilling	Diamond core	TNW		14	8 Holes			Yes
								TOTAL	335				

VUNA - LOCATION OF HISTORICAL AND RECENT DRILLING



LEGEND

- Pre 2010 Diamond Boreholes
- 2010 Diamond Boreholes
- 2011 Diamond Boreholes
- + Boreholes with quality data
- Percussion Borehole
- Mining Rights Boundary

The 2007/2008 boreholes drilled by NuCoal have been used in the current modelling, to a limited degree. During the process of borehole verification, two issues were raised with respect to this exploration campaign which resulted in nine holes being rejected for incorrect coordinates and 12 holes being excluded during structural modelling due to the seams being combined

During 2008, NuCoal carried out a further drilling programme comprising 32 diamond core holes (Table 38). These holes were drilled by Isongo Drilling with the geologist responsible for the drilling, logging and sampling being Mr G Muller (Pr.Sci.Nat.). These holes were also drilled to prove Measured Coal Resources and were spaced at distances of less than 200m apart. The No.1 and No.2 seams were logged and sampled separately with all samples sent to Midlabs for analysis. These boreholes are used in the current model and were verified prior to their incorporation. No historical mining took place on this property prior to NuCoal opening up the boxcut in 2008.

12.6. Recent Exploration

CoAL has drilled a total of 93 holes on portions 2 and 5 of Zonnebloem 396JS since it became involved in the project (through NuCoal) in 2009 as a series of three drilling campaigns, two diamond core programmes and one percussion programme. The summary of the exploration by company and drilling method is presented in Table 28, whilst the location of the boreholes is indicated on Figure 39. All diamond drilling programmes were carried out with the purpose of defining Measured Coal Resources and the collar positions were located less than 200m apart.

12.6.1. Remote or Geophysical Exploration

A digital terrain model was flown in 2008 by Premier Mapping for environmental and 3D orebody modelling purposes.

12.6.2. Diamond Drilling

Two diamond drilling campaigns have been carried out at Vuna Colliery between 2010 and 2011. All drilling has been undertaken at closely spaced grids with the purpose of delineating Measured Coal Resources. The drilling programmes are summarised in Table 28.

Venmyn Deloitte has not independently witnessed the drilling and sampling protocols as no exploration drilling is currently taking place. However, Venmyn Deloitte is confident that the drilling was carried out to the required standard as they have been independently supervised.

In 2010, an exploration drilling campaign of 53 holes was carried out on Zonnebloem 396JS. The drilling was carried out by Zaaiman Drilling on behalf of CoAL. All drilling was carried out using TNW diamond drill bits to produce cores with diameters of 60mm. The drilling was carried out under the supervision of Mr T Ngobeni (Pr.Sci.Nat.) of independent consultancy, Siyaphambili Geological Services.

The most recent diamond drilling programme was carried out in 2011 by CoAL, using Lesiti Drilling. A total of 14 holes were drilled into the North Reserve on Zonnebloem 396JS. Mr T Ngobeni (Pr.Sci.Nat.) was again the responsible geologist. All drilling was carried out using TNW diamond drill bits to produce cores with diameters of 60mm.

Although no core recoveries were recorded on the logging sheet or in a separate spreadsheet, the supervising geologist checked the core recovery during the logging of each of the holes. If the core recovery was less than 95% in coal Mr T Ngobeni (Pr.Sci.Nat.) instructed the driller to redrill the hole.

Mr T Ngobeni (Pr.Sci.Nat.) was the responsible geologist who also carried out all the logging and sampling in the recent drilling campaigns. This was carried out according to CoAL's standard protocols.

Two samples were typically taken of the No.2 Seam due to the relatively large width of the seam and resultant sample sizes. The parting within the No.2 Seam was sampled separately and sent for raw analysis only. This information was required for Coal Resource estimation purposes should the parting not be able to be mined separately to waste.

Either one or two samples were taken of the No.1 Seam, depending on the variations in coal brightness. The No.1 Seam typically has bright coal at the top of the seam with dull coal beneath. These two types of coal were sampled separately. This provided the necessary information to assess whether the upper bright coal should be selectively mined.

Burnt coal was sampled and sent for raw analysis only. No weathered coal was sampled. All samples were bagged, labelled (with one label inside and one label outside the bag) and sealed. The samples were transported to the laboratory as soon as possible by the responsible geologist.

All recent coal samples were sent to Inspectorate in Middelburg, Mpumalanga. Inspectorate is accredited with SANAS (Accreditation No. T0313) and International Standards Organisation (ISO) ISO/IEC 17025:2005. Venmyn Deloitte has viewed Inspectorate's accreditation certificate.

12.6.3. Percussion or Open Hole Drilling

A total of 26 percussion or open hole boreholes were drilled at Vuna Colliery during 2009 in the South Reserve for grade control purposes. The percussion drilling was carried out by the Colliery using the blast hole rig. The location of the boreholes is graphically presented in Figure 39.

The boreholes were drilled to assist the mining process with grade control (i.e. to identify the areas of waste above the seams) below the seams and within the seams which were required to be removed as waste. Percussion drilling was used as it is a cost and time effective method of drilling.

No geological logging or sampling was carried out on the percussion chips produced by the open hole drilling. Wireline logging was carried out on eight of the 14 holes.

12.6.4. Down the Hole Geophysics / Wireline Logging

During the 2009 drilling campaign, wireline logging was carried out on eight of the 14 holes by Geoline Services using gamma-gamma, density and calliper tools.

12.7. Orebody Modelling

A number of independent orebody models have been prepared for Vuna Colliery since 2007, including a 2D Surfer model by GeoCoal in 2007, a 3D MinexTM Software model prepared by Mr T Ngobeni (Pr.Sci.Nat.) on behalf of CoAL in 2009 and a 3D model prepared by CCIC using Datamine Studio 3 software in 2010.

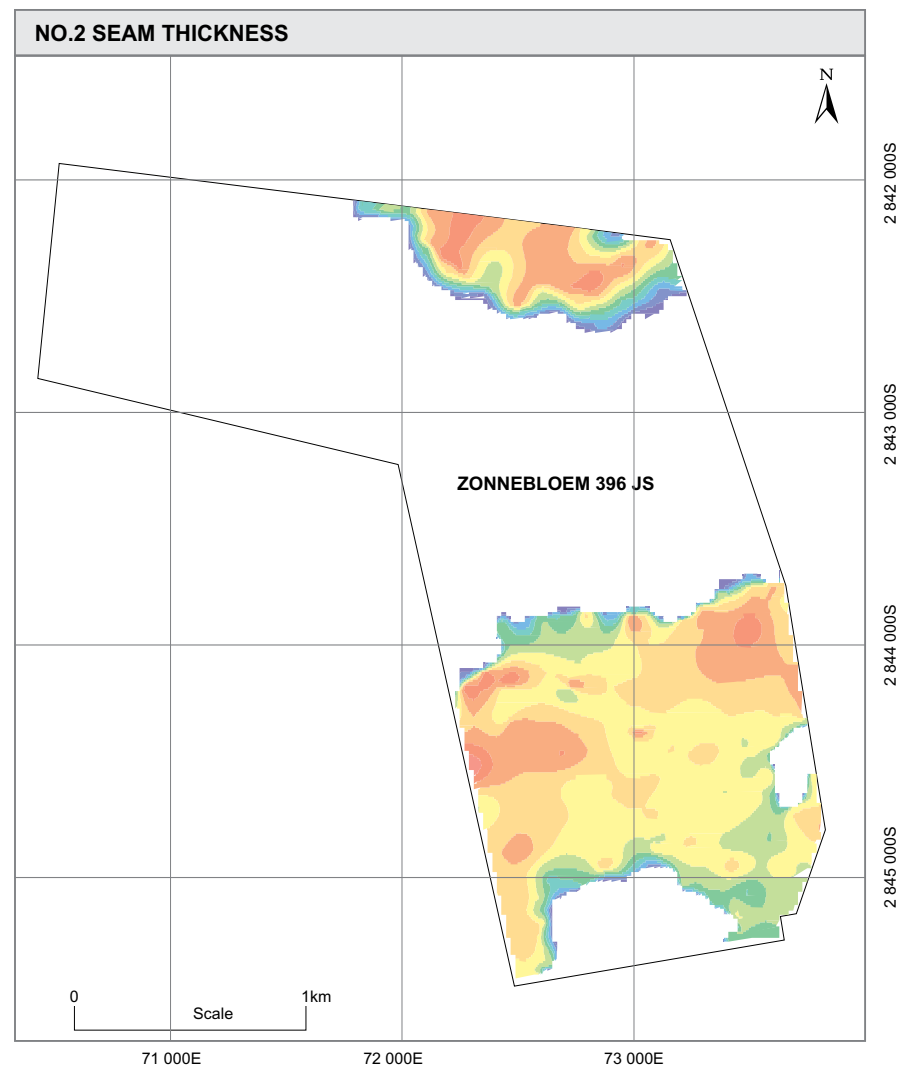
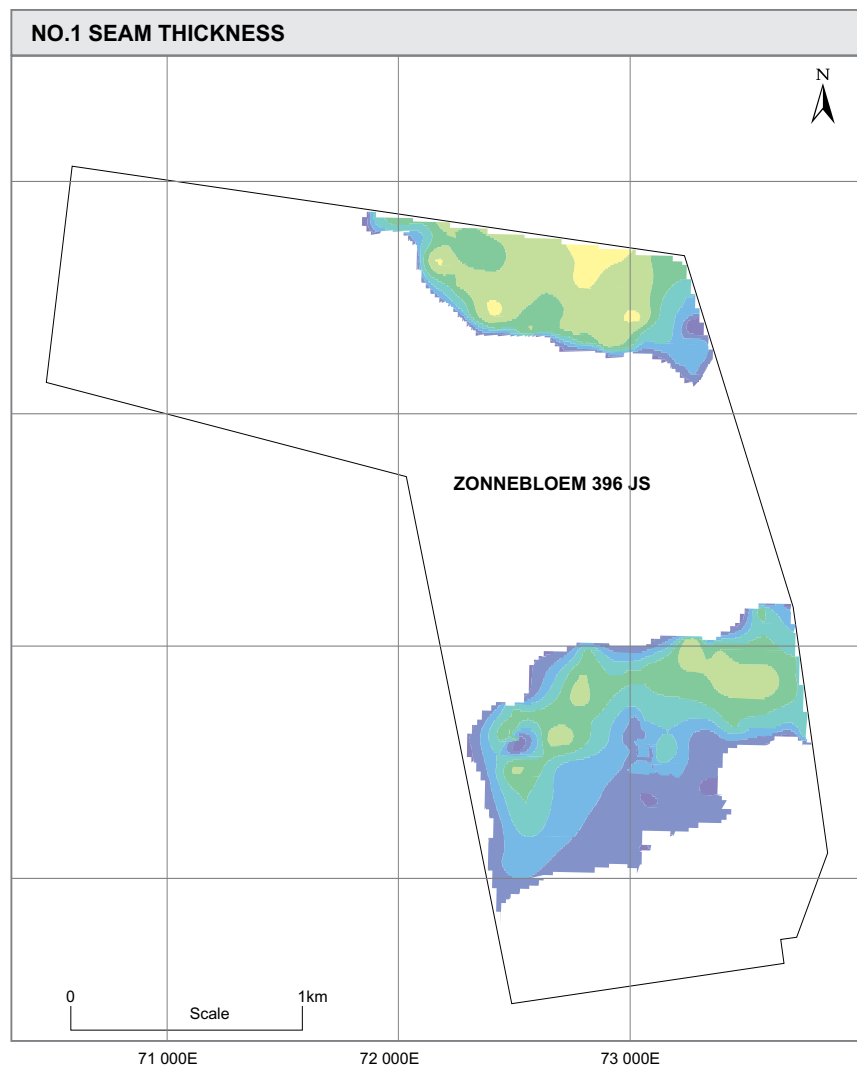
The latest model was prepared by Mr T Ngobeni (Pr.Sci.Nat.), an independent consulting geologist contracted by CoAL, as at 30th June 2011. The model was prepared in MinexTM Software. A number of the boreholes occur outside of CoAL's mining tenure area and these have been included within the model. The result is a 3D geological model with a grid of closely and evenly spaced data points. The model takes into account all available previous and recent drilling as of 30th June 2011.

This model has been subsequently updated with the following and the estimations re-run:-

- the position of a washout in the No.2 seam which has effectively removed this seam in southwest / northeast band across the deposit. This washout was only identified when mining commenced in the North Pit in March 2012; and
- the survey positions of the mined out areas, as at 30th September 2012. Note that the South Pit is completely mined out.

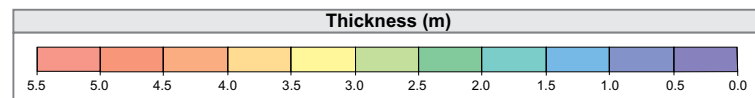
Both CoAL and Venmyn Deloitte have a high level of confidence with respect to the model and the associated Coal Resource estimates. Venmyn Deloitte has reviewed the 30th June 2011 model and interviewed Mr Ngobeni (Pr.Sci.Nat.) concerning his methods of modelling. Venmyn Deloitte has found the methods appropriate and compliant with JORC classification of Coal Resources.

VUNA - COAL ISOPACH MODEL



LEGEND

— Mining Rights Boundary



Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

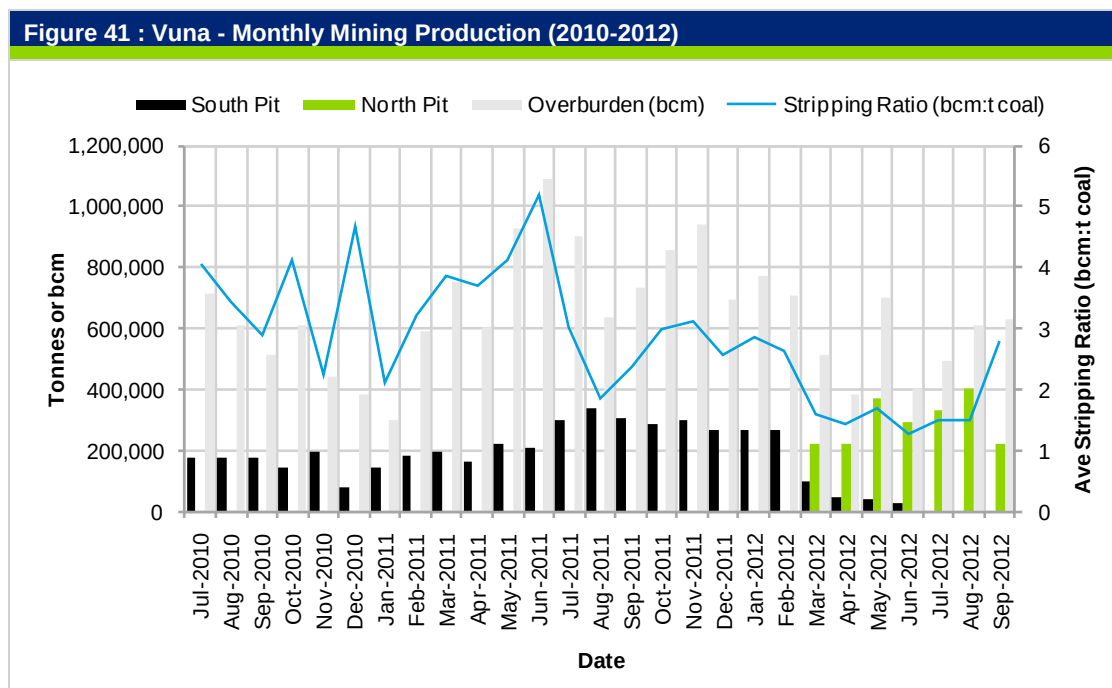
Venmyn Deloitte has also independently verified the results of the seam volume calculations. Venmyn Deloitte is satisfied with the integrity and results of the model. Venmyn Deloitte has also checked the new tonnage results against the declared mining tonnages and found them to be comparable.

Both the physical and quality parameters of the No.1 and No.2 seams were modelled. Grids with a 20m mesh were estimated using MinexTM's general purpose gridding function using a 2km search radius. The model was truncated by the limit of the coal seams and the NOMRs boundaries. All physical and quality parameters were plotted and visually inspected to ensure they were acceptable for geological interpretation.

Although the full suite of parameters was modelled, Venmyn Deloitte has only included the results of the coal thickness estimation in Figure 40 of this report. For the full details of this review and the physical and quality results the reader is referred to the 2011 CPR independently prepared by Venmyn Deloitte and published by CoAL.

12.8. Mining

Mining of the No.1 and No.2 seams is carried out using opencast methods at Vuna Colliery as a result of the relatively thick seams at shallow depths which combine to form a favourable stripping ratio. Mining commenced in the South Block in 2008. Vuna Colliery is contractor mined by Atlantis Mining SA cc. All mining equipment is owned and operated by this company. The mining contractor is remunerated proportionally to the production being achieved. The monthly mining production, since July 2010, is presented in Figure 41.



Mining is carried out using conventional opencast rollover methods. The Coal Reserves are divided into a series of mining blocks of 40m by 100m in size, orientated in a north-northwesterly / south-southeasterly direction, semi parallel to the boundary of the NOMR. A boxcut, with a 1.4km face, was opened up in this direction and the mining face was advanced towards the east, mining the blocks sequentially. The importance of the rollover method is that rehabilitation is a continuous process with only approximately 40m of boxcut open at any point in time along the 1.4km length of the face.

The face advances by stripping the topsoil and overburden and stockpiling them separately behind the open void. The No.2 Seam is then blasted, mined using an excavator and hauled to the RoM stockpile using dump trucks. The interburden is then blasted, loaded, hauled and dumped into the open void behind the face. The No.1 Seam is then blasted, mined and hauled to the RoM stockpile. The overburden is then dozed to fill the void, while the face continues to advance. Finally, the topsoil is replaced onto the redeposited overburden.

Opencast mining operations started from the South pit and this was depleted in June 2012. The North pit is currently in production and it is expected to be depleted in March 2013 according to the LOM plan as at 30th September 2012. The coal resources from this operation will be depleted and the mining operation on these farms will be rehabilitated and the mine closed.

12.9. Processing

The Vuna Colliery produces RoM coal only which is transported by truck, a distance of 37km, to the Woestalleen coal processing facility (Woestalleen Plant). This facility has been operational for over 30 years and has a nameplate capacity to treat 350,000tpm of RoM coal.

The Woestalleen Plant is owned and operated by CoAL and Frazer Alexander (plant 3) and includes the following processing plants:-

- an 880tph ROM crushing and screening plant;
- Plant 1 - 180tph drum, DMS cyclone and spiral plant which produces five different sized products for sale locally; this plant is currently utilized to re-wash Middlings from Plant 1 and 3;
- Plant 2 - 180tph DMS cyclone and spiral plant which produces three different sized products for sale locally;
- Plant 3 - 300tph drum, DMS cyclone and spiral plant which produce peas for sale locally and an export product; and
- A conveyor system is used to re-feed Middlings into either Plant 1 and/or 2.

All RoM ore is fed into a crushing and screening plant which has a maximum capacity of 880tph. The plant crushes and screens coal to -110mm+0mm which is fed directly into one of the three processing plants.

Plant 1 has a feed rate capacity of 180tph and is comprised of a drum plant receiving feed at 110tph, a cyclone plant receiving feed at 64tph and a spiral plant receiving feed at 6tph. The drum plant produces large nuts, small nuts and peas; the cyclone plant, a -8.0+1.0mm product; and the spiral plant, a -1.0+0.1mm product. Discards from the drum and cyclone are fed to the Middling process conveyor system to be re-washed. Spiral discards are pumped to the slimes dam.

Plant 2 has a capacity of 180tph and consists of a cyclone plant receiving 150tph of feed and a spiral plant receiving feed at 30tph. The cyclone produces washed coal at -50+15mm. Currently Plant 2 is processing Middlings / discard that is fed from plant 1 and 3. This product, at a yield of approximately 40%, is supplied to Eskom.

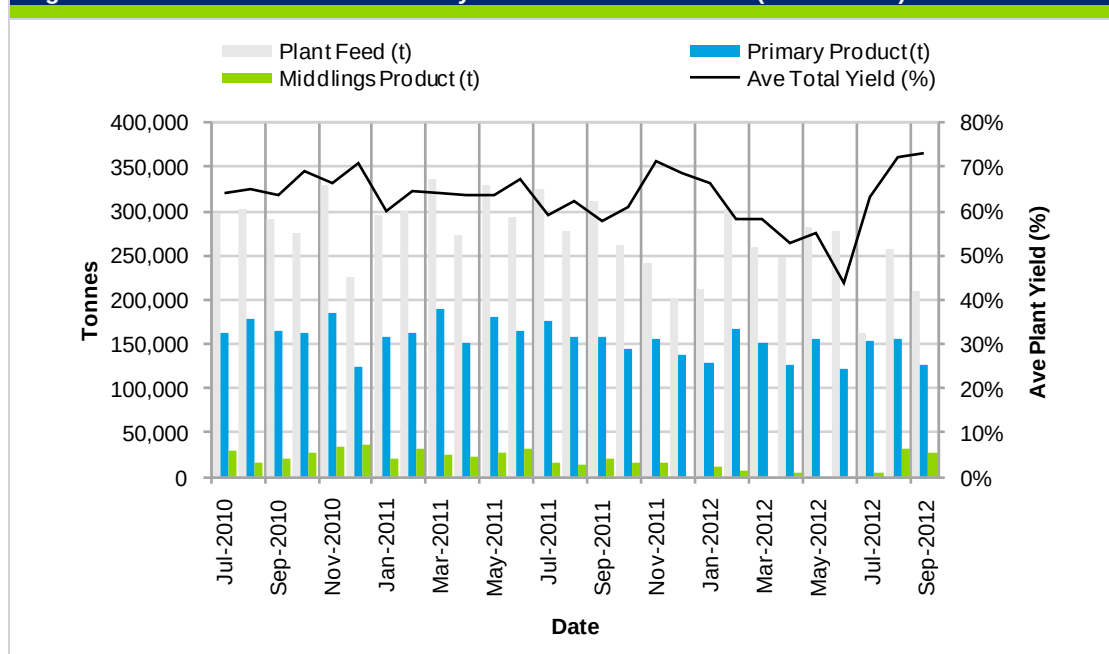
Plant 3 has a feed rate capacity of 300tph and is comprised of a drum plant receiving feed at 185tph, a cyclone plant receiving feed at 80tph and a spiral plant receiving feed at 35tph. The drum plant produces peas and an export fraction, whilst both the cyclone and spiral plants produce an export fraction.

Discards from the drum and cyclone plants are fed to the Middlings conveyor system to Plant 2

Woestalleen Plant also has a coal laboratory which is also owned by CoAL and operated by Midlabs.

The monthly production records and yields for the Woestalleen Plant, since July 2010, are presented in Figure 42. The plant has produced an average of approximately 140,000tpm of saleable coal in the last 12 months to 30th September 2012. The plant treats Vuna Colliery's RoM coal and also has spare capacity to treat coal from other operations to meet its capacity of 350,000tpm. It is for this reason that the saleable tonnes reported may exceed the RoM production tonnages presented in the mining section.

Two different saleable coal products are produced at Woestalleen, namely an export and a domestic middlings thermal product. The export thermal product is either sold locally or exported through Richards Bay or Matola. The domestic thermal product is sold locally to power stations.

Figure 42 : Woestalleen Plant - Monthly Sales Tonnes Produced (2010 – 2012)

12.10. Mineral Resource Statement

The Coal Resources for Vuna Colliery were estimated and signed off by Mr T Ngobeni (Pr.Sci.Nat.), an independent consulting geologist, as at 30th September 2012 in accordance with the JORC Code and the Australian Guidelines. The resource statement is presented in Table 29. The tonnages are based upon the 30th June 2011 geological model, rerun as at 30th September 2012, to take into account the depletions and the washout portion of the No.2 seam.

This resource statement has been independently verified by Venmyn Deloitte's Competent Person in accordance with the JORC Code and the Australian Guidelines. Venmyn Deloitte's Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No. 400049/02) and a longstanding member of the Australian Institute of Mining and Metallurgy (AusIMM). She has over 20 years experience in the mineral resources industry.

The Vuna Colliery No.1 and No.2 seams' Coal Resources were classified by CoAL according to the relative spacing of points of observation with both quantitative and qualitative results. In order to classify the Coal Resources, a halo diagram was prepared using only the boreholes with quality and quantity results, as presented in Figure 43. This figure indicates that, due to the close spacing of the boreholes, 100% of the Coal Resources at Vuna Colliery are classified as Measured.

The volume of the No.1 and No.2 seams' Coal Resources were estimated, by CoAL, using the MinexTM model of the seam thickness, divided into the various Coal Resource blocks. The volumes were reduced by the mined out areas, as surveyed at the 30th September 2012 and the washout.

The MinexTM modelled average raw density per Coal Resource block was used to calculate the tonnage from the volume. The raw density of every sample is measured in the laboratory.

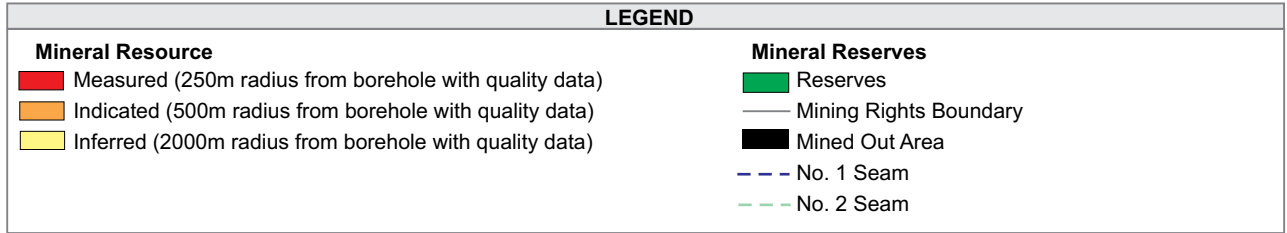
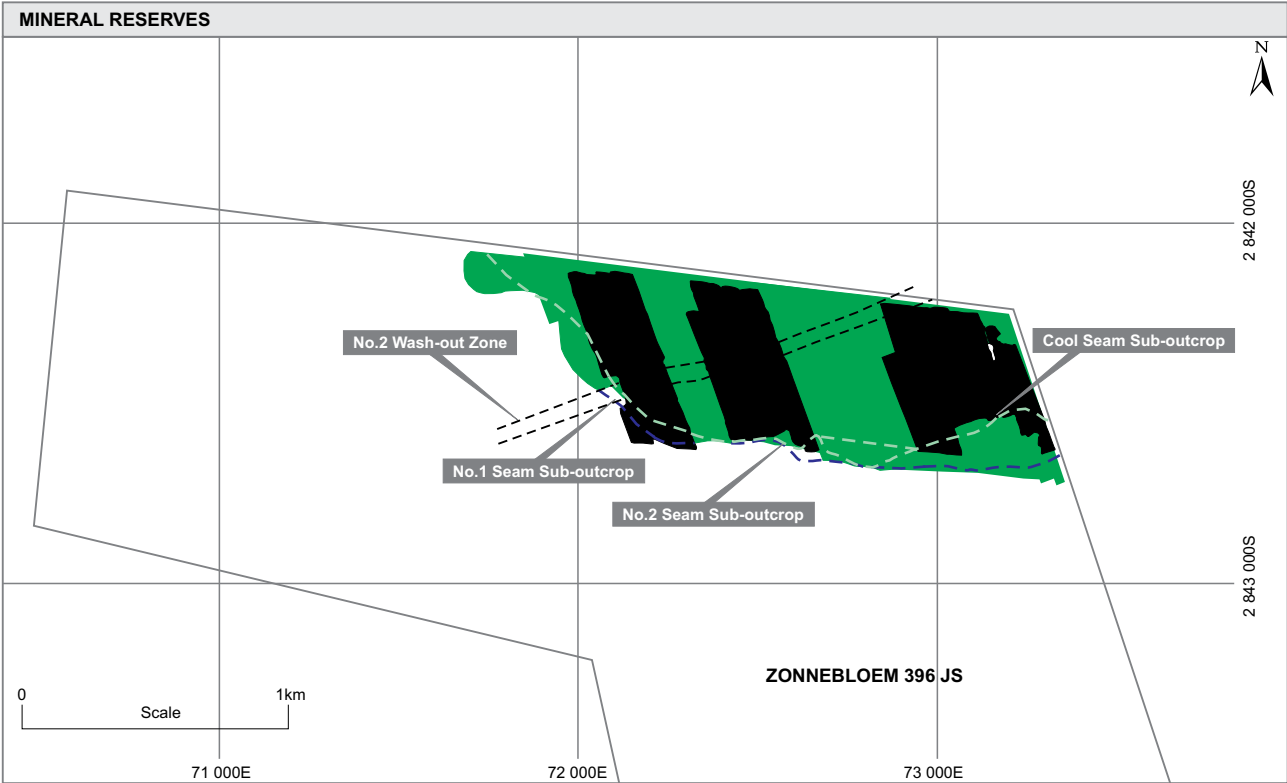
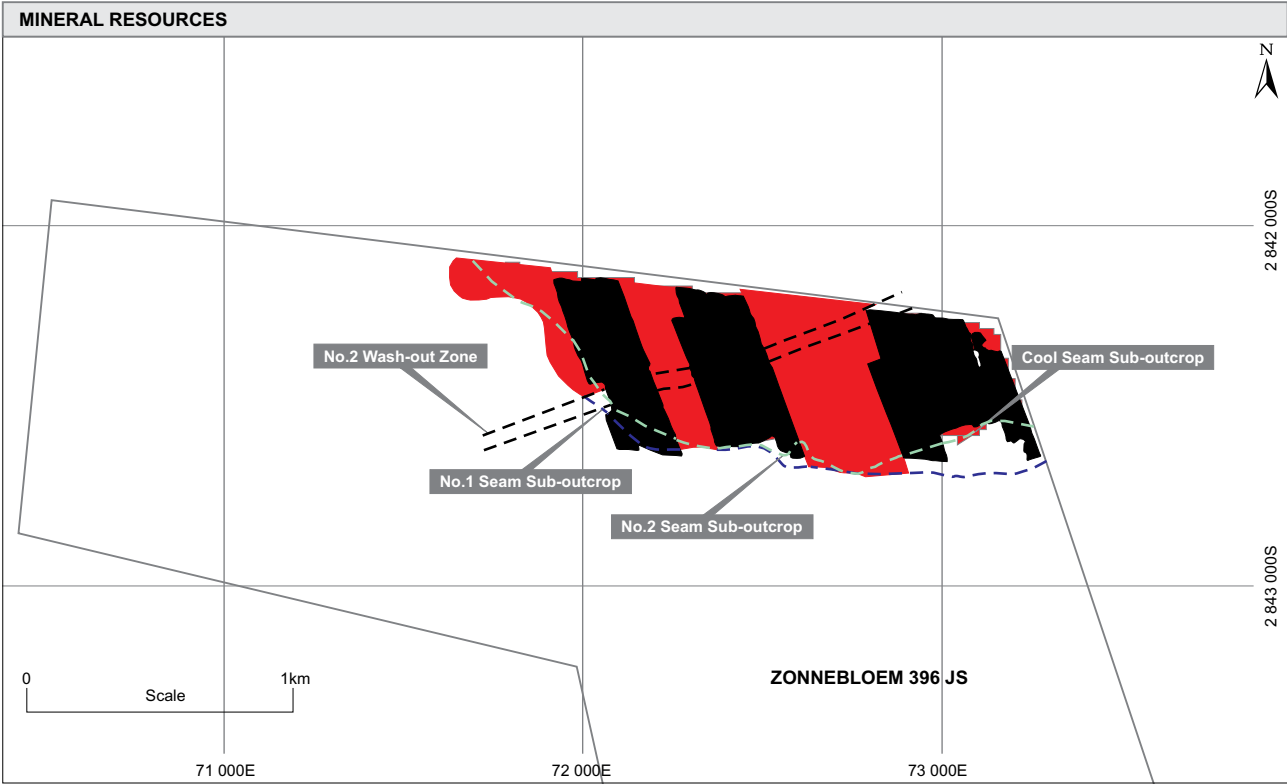
The tonnage is calculated, by CoAL, on a block by block basis from the volume multiplied by the average raw density.

Each of the quality parameters were modelled in MinexTM and the average quality per block is reported in the Coal Resource Statement.

Table 29 : Vuna - Resource Statement (30th September 2012) Inclusive of Reserves

											AIR DRIED RAW QUALITIES					
BLOCK	RESOURCE CATEGORY	COAL SEAM	O/C or U/G	AVE WIDTH (m)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU (GTIS)	GEOL. LOSSES (%)	TOTAL TONNES IN SITU (TTIS)	MINING BLOCK LAYOUT LOSSES (%)	MINEABLE TONNES IN SITU (MTIS)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
West	Measured	No. 1	O/C	1.45	1.60	81,054	5%	77,001	5%	72,900	21.58	28.05	24.66	43.90	0.62	3.36
N Central				2.40	1.53	97,210	5%	92,350	5%	87,400	22.63	25.01	24.54	46.59	0.68	3.86
S Central				2.39	1.50	62,407	5%	59,287	5%	56,100	23.64	22.42	26.27	47.44	0.81	3.86
N East				2.83	1.53	82,646	5%	78,514	5%	74,300	22.22	25.59	24.32	46.42	0.54	3.65
S East				2.58	1.52	371,927	5%	353,331	5%	334,700	22.72	25.22	26.78	44.21	1.02	3.77
East				2.93	1.53	46,135	5%	43,828	5%	41,500	22.39	25.93	26.28	44.07	0.64	3.71
Central				2.76	1.51	19,484	5%	18,510	5%	17,500	23.25	23.24	25.87	47.02	0.82	3.86
TOTAL NO.1 SEAM				2.39	1.53	760,863	5%	722,820	5%	684,400	22.60	25.30	25.91	45.05	0.84	3.73
West	Measured	No. 2	O/C	1.20	1.58	37,288	5%	35,424	5%	33,500	18.60	31.99	23.36	39.82	0.73	4.83
N Central				4.20	1.60	177,937	5%	169,040	5%	160,100	19.37	28.86	21.88	45.13	1.32	4.11
S Central				1.29	1.63	23,089	5%	21,935	5%	20,700	16.89	32.51	20.83	41.50	0.76	5.13
N East				4.12	1.57	122,615	5%	116,484	5%	110,300	21.78	24.89	22.03	48.99	0.88	4.10
S East				3.16	1.65	433,227	5%	411,566	5%	389,900	19.68	31.03	22.20	42.73	0.93	4.05
East				0												
Central				0												
TOTAL NO. 2 SEAM				3.08	1.62	794,156	5%	754,448	5%	714,500	19.80	29.68	22.12	44.06	1.00	4.14
GRAND TOTAL VUNA RESOURCES				2.69	1.57	1,555,019	5%	1,477,268	5%	1,398,900	21.17	27.54	23.97	44.55	0.92	3.94

VUNA - LOCATION AND CLASSIFICATION OF THE MINERAL RESOURCES AND RESERVES



The following cutoffs or limits were applied, by CoAL, to the Coal Resources:-

- the limit of the mining boundary;
- the limit of the occurrence of the coal seams in the North and South Blocks;
- a minimum seam thickness limit of 0.5m was applied prior to the reporting of GTIS. All coal within the Vuna NOMR is greater than 0.5m in thickness; however, the MinexTM software tapers the coal to zero along its limit of occurrence;
- all Coal Resources were classified as Measured and therefore geological losses of 5% 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. The relatively low percentage of geological losses applied is due to the drill spacing being less than 200m; and
- mining layout losses of 5% were applied prior to the calculation of MTIS.

12.11. Mineral Reserve Statement

The LOM Coal Reserve schedule for the North Block was prepared by Mr O Geyser, Vuna Colliery's Mine Surveyor, whereas the Coal Reserve estimation for the North Block was prepared by Mr T Ngobeni (Pr.Sci.Nat.), on behalf of CoAL.

The Coal Reserves were independently reviewed and verified by Mr G Njowa, of Venmyn Deloitte, a registered professional engineer with the Engineering Council of South Africa (Reg. No. 20090204), who has the relevant experience in Coal Reserve estimation and valuations. During the review process, the mining schedule was checked for consistency, tallying with the Coal Resources from which these Coal Reserves have been converted and the practical achievability on the mining rates. The current production target of 270,000tpm is considered reasonable since CoAL have comfortably been producing more than the set target.

Venmyn Deloitte has reviewed management's financial model to demonstrate the economic viability of extracting these Coal Reserves and review how the Coal Reserves have been captured into the financial model. It should be noted that the Coal Reserves results presented in this report were different to the Coal Reserves that were captured in the financial model titled "Coal Valuation Model 20121026 (sent to KPMG)." The financial model had Coal Reserves amounting approximately 2.7Mt (ROM), whereas the Coal Reserves estimation reflected that only approximately 2.4Mt were available for exploitation. Coal Management has been alerted of this mismatch and are expected to update the financial model in the subsequent version.

The Vuna Project Coal Reserve Statement as at the 30th September 2012 is shown in Table 30, and Figure 43 graphically presents the location of No.1 and No.2 Seam Coal Reserves in the Vuna Colliery. All the remaining North Blocks have been included in the Coal Reserve estimate.

It should be noted that currently the North Block has been scheduled after all the other blocks have been mined out, due to the fact that CoAL had been waiting for environmental authorisation for this area. Now that the outstanding authorisations have been issued and they are the only Coal Reserve Blocks remaining before the mine closure. These blocks are currently being exploited.

Coal Reserves take into account geological losses, mining losses, contamination and with mined moisture adjustments. Coal Reserves are reported on a RoM moisture basis. Coal Reserves are included in the Coal Resources within the mine plan.

Saleable Coal Reserves are reported on an as sold basis. The RoM Coal Reserves are adjusted for yield losses in the washing plant and converted to a saleable moisture basis to give the Saleable Coal Reserves.

Table 30 : Vuna – Coal Reserve Statement (30th September 2012)

FARM OR BLOCK	RESERVE CATEGORY	COAL SEAM	MINEABLE IN SITU RESERVE (t)	MINING EXTRACTIO N FACTOR (%)	MINING DILUTION (%)	EXTERNAL MOISTURE (%)	ROM TONNAGE	PRIMARY PRODUCT PRACTICAL YIELD (%)	PRIMARY PRODUCT SALEABLE TONNES	SECONDARY PRODUCT PRACTICAL YIELD (%)	SECONDARY PRODUCT SALEABLE TONNES
West	Proven	No.1	72 949	98%	4%	4%	77 324	25.55	19 756	38.47	29 746
N Central			87 489	98%	4%	4%	92 736	41.73	38 699	29.68	27 524
S Central			56 166	98%	4%	4%	59 534	59.10	35 185	11.72	6 977
N East			74 381	98%	4%	4%	78 841	45.53	35 897	25.90	20 420
S East			334 734	98%	4%	4%	354 807	39.19	139 049	27.33	96 969
East			41 522	98%	4%	4%	44 012	43.18	19 004	27.53	12 117
Central			17 536	98%	4%	4%	18 588	53.91	10 021	17.20	3 197
TOTAL NO.1 SEAM			684 777	98%	4%	4%	725 842	41.00	297 610	27.13	196 950
West	Proven	No.2	33 500	98%	4%	4%	35 509	49.41	17 545	21.05	7 475
N Central			160 100	98%	4%	4%	169 701	48.88	82 950	22.78	38 658
S Central			20 700	98%	4%	4%	21 941	45.27	9 933	24.02	5 270
N East			110 300	98%	4%	4%	116 914	41.55	48 578	27.41	32 046
S East			389 900	98%	4%	4%	413 282	36.79	152 046	25.16	103 982
East											
Central											
TOTAL NO.2 SEAM			714 500	98%	4%	4%	757 347	41.07	311 052	24.75	187 431
TOTAL VUNA RESERVES			1 399 277	98%	4%	4%	1 483 189	41.04	608 662	25.92	384 381

PRIMARY PRODUCT QUALITIES @ CV=27.2MJ/kg					
CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
27.20	13.77	31.03	51.64	0.32	3.56
27.20	13.02	27.39	55.65	0.29	3.93
27.20	13.19	29.21	53.39	0.36	4.20
27.20	12.89	26.73	56.53	0.28	3.85
27.20	13.39	30.47	52.08	0.40	4.06
27.20	12.89	29.36	53.87	0.32	3.88
27.20	13.10	28.83	53.90	0.34	4.14
27.20	13.24	29.38	53.38	0.35	3.99
27.20	11.36	25.04	58.65	0.36	4.94
27.20	11.59	25.97	57.64	0.43	4.80
27.20	11.96	24.46	57.87	0.42	5.70
27.20	11.65	27.84	55.96	0.32	4.55
27.20	11.78	29.20	54.46	0.35	4.56
27.20	11.69	27.74	55.89	0.37	4.68
27.20	12.45	28.54	54.66	0.36	4.34

Note:

Borehole yield adjusted by 0.8023 to obtain practical yield estimate.

12.11.1. Modifying Factors

The mining and economic related modifying factors that were applied by CoAL to the Vuna Colliery Coal Reserves are as follows:-

- an export thermal coal price of USD90/t for the primary product and a domestic thermal coal price of ZAR243/t for the middlings product were used. Commodity prices and exchange rates used to estimate the economic viability of Coal Reserves are based on long term forecasts applied at the time the estimate was completed;
- an average cash operating cost of ZAR350/t was utilised;
- a coal seam thickness cutoff of greater than 1.0m was included in the LOM ;
- mining block layout losses of 5% on the No.1 and No.2 seams have been accounted for at Coal Resource estimation;
- surface or residual moisture of approximately 4.0% and inherent moisture of 4%;
- assumed dilution of 4% for the No.1 and No.2 seams. This figure has been based upon recent mining results. Mining practices at Vuna is of a high standard, as evidenced with a well contained contamination levels;
- Coal Resource cutoffs were applied as per the Coal Resource Statement;
- in the estimation of coal reserves, Venmyn Deloitte assumed that all regulatory applications will be approved and the current approvals will continue to be valid; and
- the resultant RoM Coal Reserve, after accounting for excluded areas and modifying factors, is estimated that 1.48Mt is classified as Proven Reserves.

12.12. Verification of DCF Technical and Operating Assumptions

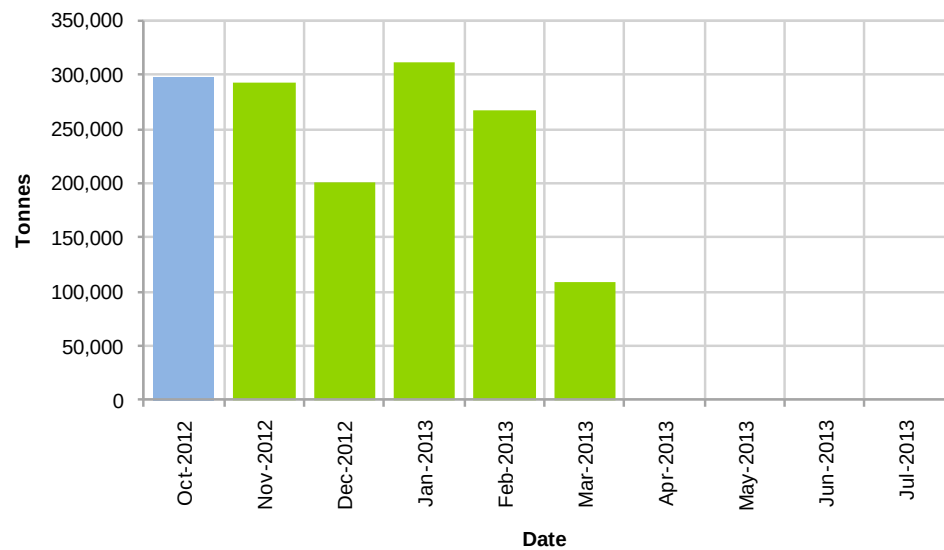
Venmyn Deloitte is not required to perform a mineral asset valuation of the operating assets. Instead, Venmyn Deloitte was mandated by KPMG to review the technical input parameters to CoAL's management DCF model. This review was conducted in order to assist KPMG in forming their own view of value of the operating assets. The results of this review are reported in the relevant sections below.

12.12.1. Mining Production Tonnages

The basis for any DCF model is the tonnes to be mined. The LoM for this project is limited to 10 months. The available coal reserves will be depleted within the next financial year. CoAL will process stockpiles for two financial periods past this. These stockpiles would only require re-handling, processing costs and distribution costs.

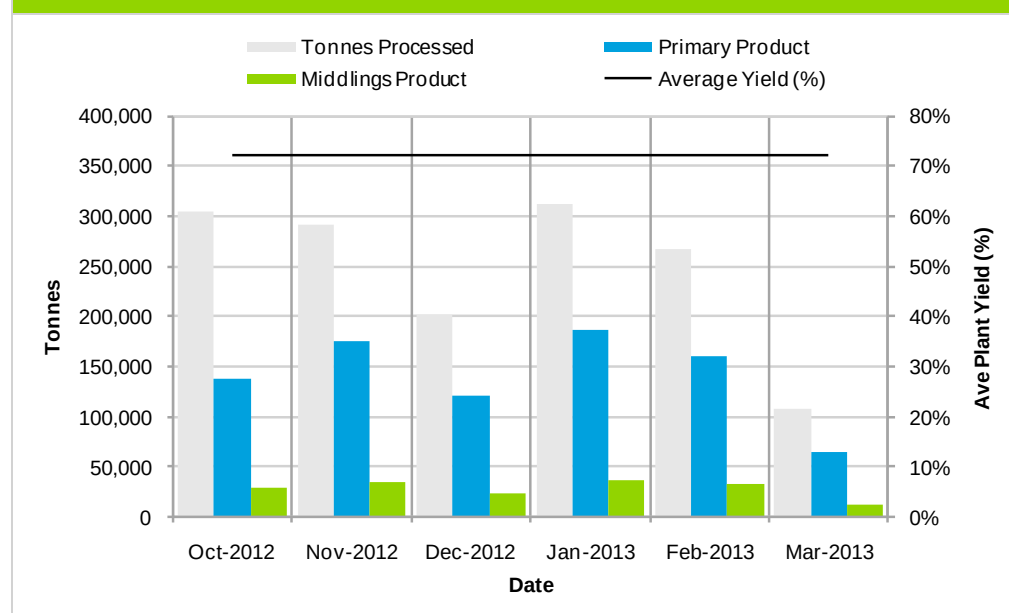
The production tonnages budgeted in the remaining months of production from the pit is considered reasonable and achievable since historically this operation has achieved significantly higher tonnages compared to the budgeted production. Hence the contractor would have unutilised production capacity, since the mining operation will be operating below designed capacity and the mining operation would be closing down during the 2013 financial period. The budgeted monthly production for the next six months from the open pit is summarised in Figure 44.

The mining production for the month of October 2012 has been shaded in blue, whilst the rest of the months are shaded in green. The October production was the actual achieved production and the rest are forecasted production.

Figure 44 : Vuna – LOM Plan Production Plan

12.12.2. Sales Tonnages and Yields

The sales tonnages and the associated yields to be achieved from the RoM to be produced for the open pit for the next six months are illustrated in Figure 45.

Figure 45 : Vuna – Sales Tonnes Forecast

12.12.3. Mining and Processing Operating Cost Estimates

Venmyn Deloitte has reviewed the following operating costs for the project, bench marking these forecasted costs against the historical performance of the operation (Table 31).

Table 31 : Vuna - Estimated RoM Operating Costs

DEPARTMENT	BASIS	HISTORICAL COST (ZAR/t)	FORECASTED COST (ZAR/t)
Mining Cost	ROM Tonnages	(118.40)	(153.20)
Processing Cost	Processing Tonnages	(40.99)	(52.65)
Engineering Cost	ROM Tonnages	(15.57)	(11.66)
Overheads	ROM Tonnages	(15.90)	(18.20)
TOTAL		(190.86)	(235.72)
Distribution Cost	Primary Saleable	(173.59)	(187.58)

The historical performance on the Vuna openpit operation has been based on almost full capacity during the period under review. For the forecasted period, operating costs assumptions are approximately 20% higher than historical costs due to the fact that the mining operation is ramping down to closure during this financial period. As a consequence the operation is exposed to the effects of inflation and the diminishing economies of scale as the coal production decreases. It should be noted that the mining operation will be closed down during the financial year ending 30th June 2013 and in the 2014 financial year Vuna Colliery will only be treating the discard dump.

Venmyn Deloitte considered the forecasted operating costs as fair and reasonable for this operation, given that the operation will be operating at low volumes and hence little or no economies of scale would be realised. Therefore, the operating costs utilised in the financial model are considered reasonable as the basis of the economic evaluation and the declaration of coal reserves.

12.12.4. Capital Cost Estimates

Venmyn Deloitte has reviewed the capital costs for Vuna as summarised in Table 32.

Table 32 : Vuna - Estimated Capital Costs

DEPARTMENT	2013	2014	2015
Water Management (Pollution Control)	(15,218,500)		
Sustaining Capital Expenditure	(1,862,499)	(764,344)	
Mine Closure Costs			(70,831,018)
TOTAL (ZAR)	(17,080,999)	(764,344)	(70,831,018)

The major capital expenditure budgeted for relates to environmental issues. This includes upgrading the water management system and pollution control around the operation. It should be noted that there is no capital expenditure budgeted for the mining operations, since the coal reserves will be exhausted within the current financial year. The only capital expenditure budgeted going forward is related to the sustaining capital expenditure, to enable the mining and the coal processing to proceed until the discard dump has been depleted. The ZAR70m budgeted for 2015 is to be spent on mine closure and environmental rehabilitation. Venmyn Deloitte considers this estimate sufficient for the rehabilitation required, if CoAL makes a management decision to close down the processing facility.

However, it should be noted that the Woestalleen Plant could potentially continue to toll treat coal from other mining operations in the area. This business proposition has not been included in the capital budgeting, since CoAL has not taken any management decision on how it will deal with this facility, when Vuna Colliery closes down. The final outcome on the future capital expenditure on the processing facility will depend on CoAL's management decision and hence there could be some value.

13. Makhado Project

The Makhado Project is currently CoAL's anchor and most developed project within the greater Soutpansberg Project area (Figure 1 and Figure 46). A Definitive Feasibility Study (DFS) is currently being conducted on the Makhado Project and will be completed by the end of 2012.

13.1. Location

The Makhado Project area is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 46). This figure illustrates the location of the Makhado Project area in relation to regional infrastructure and the mineral tenure in the Greater Soutpansberg Project area. The nearest town is Louis Trichardt, 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 47).

13.2. Infrastructure

Louis Trichardt and Musina are regional centres and provide modern conveniences, including accommodation and services. The towns are also sources of fuel and labour. The Project is well situated with respect to the major infrastructural aspects of rail, road and power (Figure 47). The railway linking Gauteng (in South Africa) and Zimbabwe also traverses the area with the nearest rail sidings located at Huntleigh.

The Makhado Project is divided into three distinct mining areas, namely the West, Central and East Pits, which extend over a distance of approximately 17.5km (Figure 47). The elongated mine footprint will be limited to suitable plant sites as it is restricted by the Mutamba River, that traverses the northern side of the pits, and the Mapaliome, Donwa and the Pfumembe mountains, south of the mining area. The placement of the proposed infrastructure (Figure 48) has been limited by the mountains on the south, the mining pits and the Mutamba River to the north.

The topography of the land necessitates the construction of large terraces to provide platforms for the major items of infrastructure. Platforms have been designed to be constructed on a hillside, where slopes of up to 12° are encountered. Major earthworks will be required to establish these terraces considering the topography of the area.

The proposed infrastructural requirements for the Makhado Project are described in the DFS and are summarised in the following paragraphs.

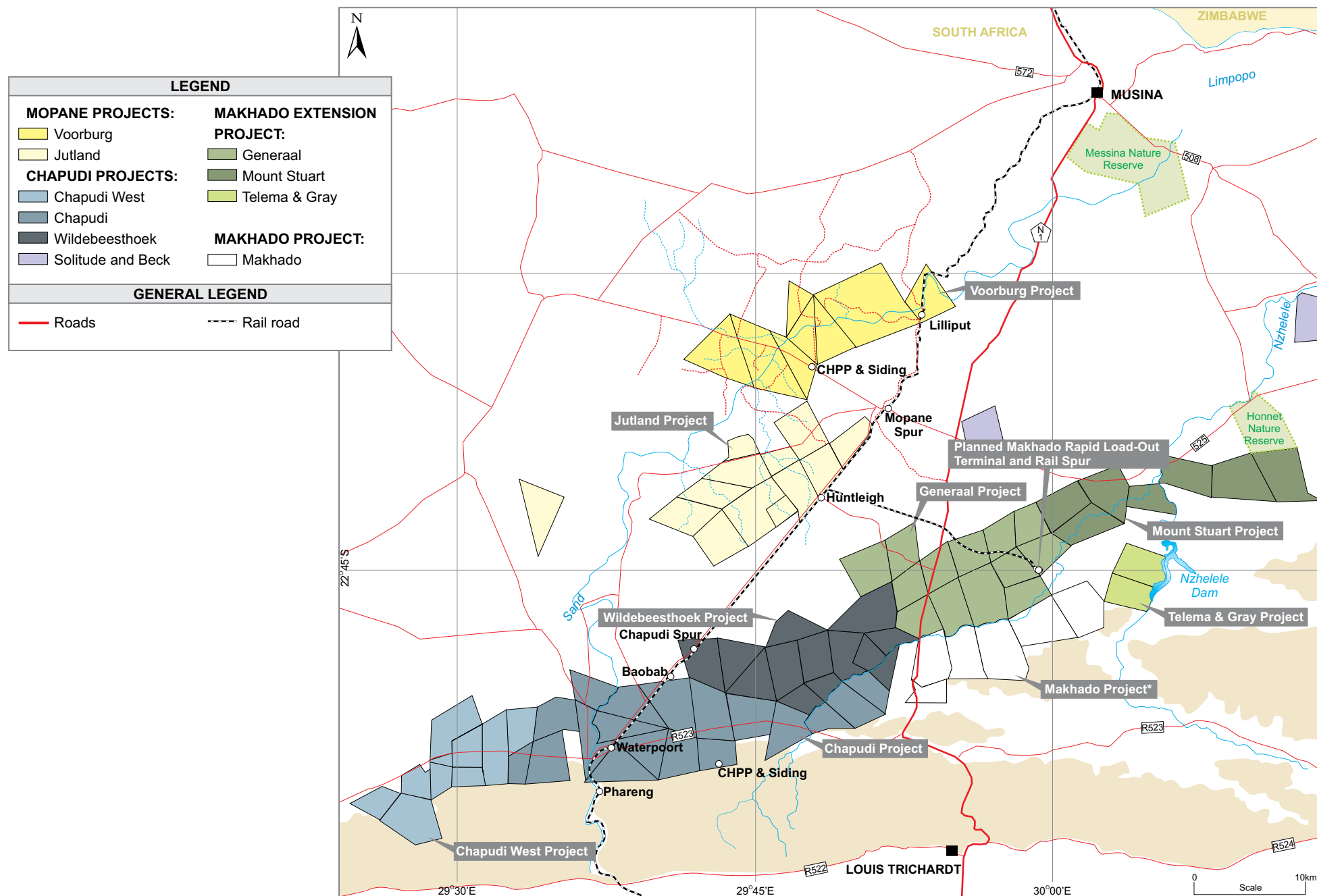
Water in the northern parts of the Limpopo Province is scarce and there is strong competition between various water users for the limited water resources. Due to this competition, the availability of water for supply to the mine is considered one of the major risks to the project meeting its production deadlines. Information provided by the DWA shows that conventional water resources have been fully or, in most cases, overdeveloped in all the surrounding catchments. Obtaining approval to further develop the limited water resources therefore poses a significant challenge.

The preliminary water balance set up for the proposed Makhado Project shows that a maximum of 9,540m³/day of water is required at full production of the mine which will occur in Year 2032. Local water resources, mainly from pit inflows and local groundwater could provide up to 2,540m³/day, leaving 6,800m³/day which is required from other sources. A total of 11 different water sources have been investigated in detail during the Feasibility Study. These options or a combination of these options should enable the Makhado Project to meet its long term bulk water demands.

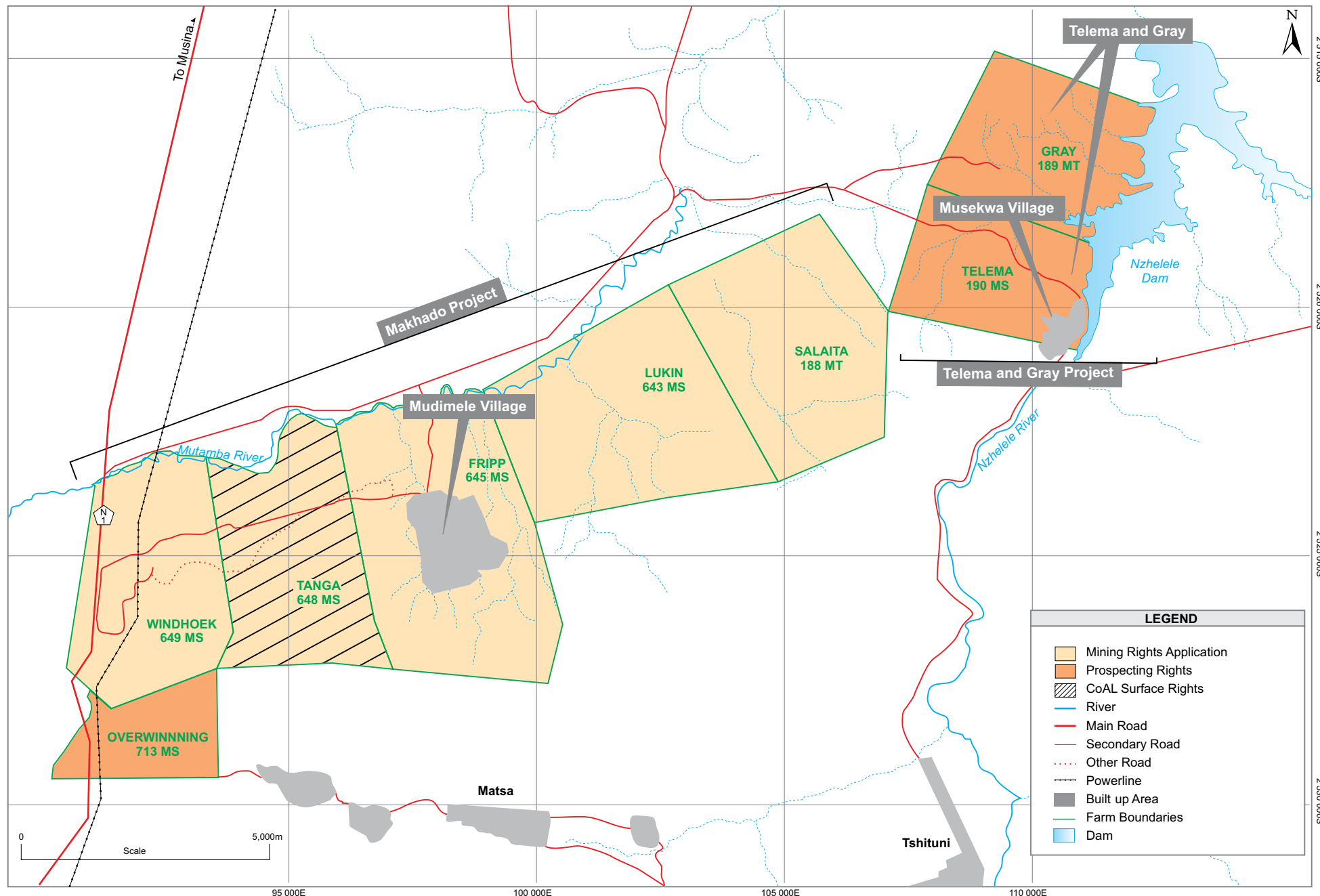
Clean water run-off from the mountain catchments and the water courses will be diverted around the proposed infrastructure, the mine pits and stockpile areas. A network of clean water cut-off drains and deflection berms have been positioned along the southern boundary of the proposed mine to collect and convey clean water into the closest natural river course.

The main power supply is planned to be provided from the Eskom Switch Yard situated at the West Pit via a radial 132kV overhead line to a 132/11kV substation at the Mine Infrastructure Area (MIA). However, if Eskom is delayed in meeting Makhado's target date on start-up, then supplementary generation of 5MVA will be provided and included in the Capex.

LOCATION OF GREATER SOUTPANSBERG PROJECTS IN RELATION TO REGIONAL INFRASTRUCTURE

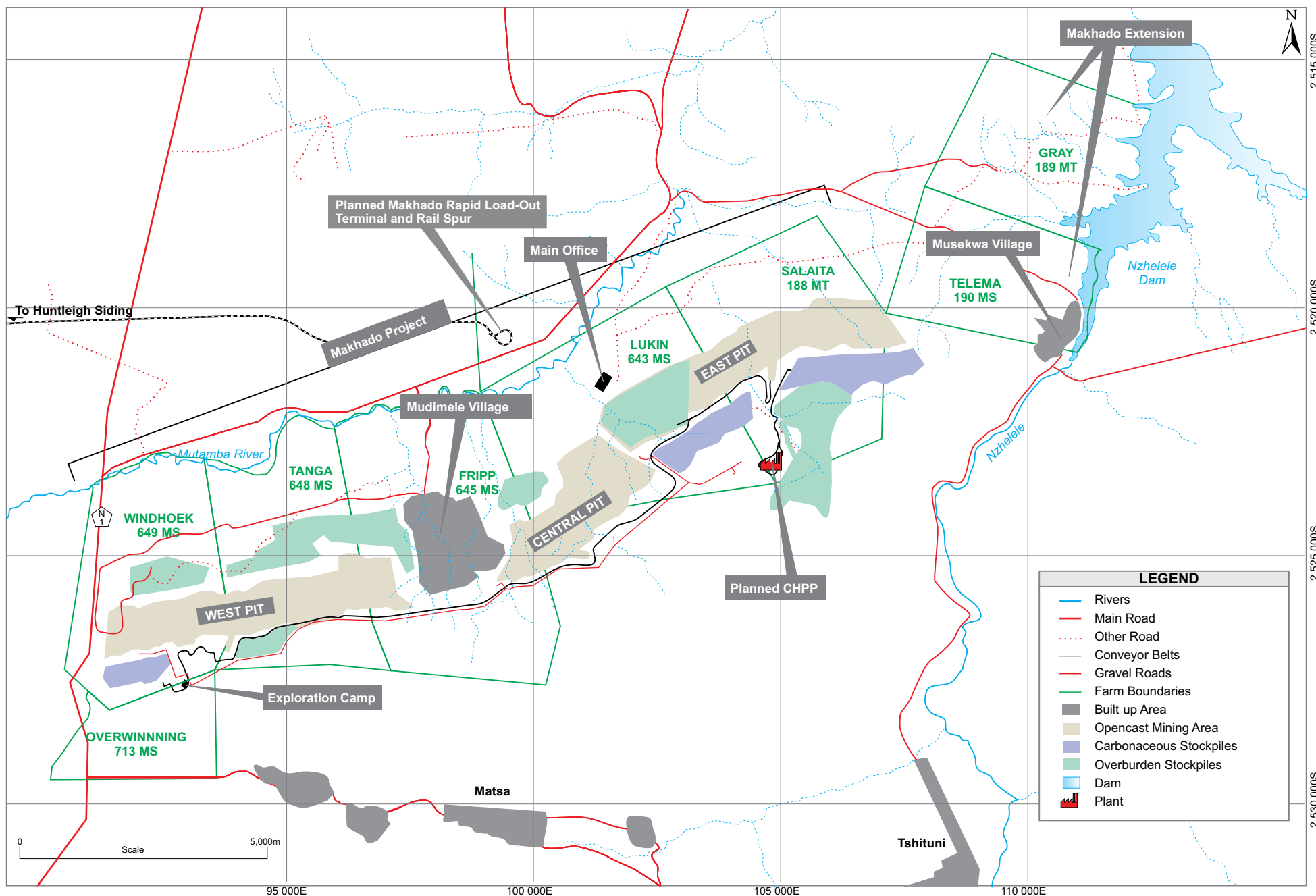


MAKHADO, TELEMA AND GRAY - LOCATION IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE



D1340M COAL - Work for KPMG on IER 2012

MAKHADO - PROPOSED SITE PLAN



D1340M COAL - Work for KPMG on IER 2012

Construction power of 5MVA will be provided from Eskom's 22kV Paradise Substation. This 5MVA supply will cater for the initial infrastructure, plant, contractors' camp, and the materials handling loads during construction. If Eskom power is delayed, this 5MVA supply and the supplementary generation of another 5MVA will be sufficient to run the East Pit. Eskom has confirmed that it is able to supply a load of 1MVA from the existing 132kV network in 2013 for this project. It proposes to create a new substation on the farm Windhoek 649MS, which is adjacent to the western boundary of the farm Tanga 648MS. Eskom plans to make supply available from two different sources for the construction and permanent (operational) phases of the project.

CoAL's subsidiary Fumaria Property Holdings (Pty) Ltd purchased Castaro Lodge on the farm Martha 185MT (approximately 3.5km from the proposed plant location) and the transfer was registered on the 13th December 2011. CoAL's uses the lodge as offices and limited accommodation. The majority of contractors and mine personnel will commute from either Louis Trichardt and/or Musina, with no other specific accommodation planned on-site.

The Tanga Exploration Camp is located on the farm Tanga 648MS. This camp provides basic accommodation and office facilities that are suitable for the existing operations.

The Nzhelele Road runs to the north of the mine property connecting the N1 and the R70 to Tshipise. Access to site from the N1 Toll road will be via an existing gravel road to the Nzhelele Dam. This road will be upgraded and tar surfaced for approximately 7.5km before reaching the mine access turn off. The access road onto the mine property is via the Nzhelele Road and access to the main infrastructure will be via the area sterilised by the fault separating the East and Central Pits. Haul roads will interlink the West, Central and East pits, the stockpile areas and the infrastructure areas to one another on the southern side of the mining pits. Haul roads have been designed to be 35m wide gravel road surfaces built for CAT 793 trucks.

During its initial production phase, the Makhado Project intends to supply the ArcelorMittal plant in Vanderbijlpark. The service is expected to consist of 40 wagon block loads with a payload of 2,400t per train. CoAL will be constructing a rapid load-out facility on site with a railway spur joining it with the Huntleigh siding (Figure 47 and Figure 48).

If the Makhado Project intends to increase the saleable production to support the export market, it intends to utilise the Matola Terminal in Maputo. The route serving Matola Terminal comprises a diesel service from Huntleigh siding.

13.3. Mineral Tenure

CoAL holds an NOPR over the farms Fripp 645MS and Tanga 648MS. This NOPR expired on the 1st October 2011. CoAL applied for a renewal on the 30th June 2011 and is awaiting approval of the application.

In addition, CoAL holds NOPRs on the farms Overwinning 719MS, Windhoek 649MS and Lukin 643MS by virtue of the tri-party Farm Swap Agreement. The agreement also outlined the transfer of the NOPRs on the farms Salaita 188MT, Gray 189MT and Telema 190MS to CoAL's wholly owned subsidiary Regulus. The renewed NOPRs on Telema 190MS and Salaita 188MT will expire on the 18th April 2013, while the renewed NOPRs on Overwinning 719MS, Windhoek 649MS, Lukin 643MS and Gray189 will expire on the 13th June 2013.

The 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 NOMR was expected to be granted by July 2012, but is pending the outcome of the review of the EIA and scoping report that were submitted by CoAL shortly after the application and pending the conclusion of agreements with a suitable BBBEE partner that are currently being negotiated.

The rights relating to the Makhado Project area are summarised in Table 33 and their locations are graphically presented in Figure 47.

Table 33 : Makhado - Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Makhado	Fripp 645MS	Whole farm	1,925.00	Coal of Africa (Pty) Ltd	Prospecting	LP 30/5/1/1/2/38 PR	02/10/2006	01/10/2011	No		No
	Tanga 648MS	Whole farm	1,280.00								Yes
	Lukin 643MS *	Whole farm	1,667.00	Kwezi Mining & Exploration (Pty) Ltd	Prospecting	LP 30/5/1/1/2/61 PR		13/06/2009	Yes	13/06/2013	No
	Overwinning 713MS	Portion 1 & RE	541.00		Prospecting	LP 30/1/1/2/46 PR	14/06/2006	13/06/2010	Yes	13/06/2013	No
	Windhoek 649MS	Portions 1, 2 & RE	1,290.00		Prospecting	LP 30/1/1/2/171 PR	14/06/2006	13/06/2010	Yes	13/06/2013	No
	Salaita 188MT *	Whole farm	1,487.00	Sekoko Coal (Pty) Ltd	Prospecting	LP 30/5/1/1/2/161 PR	19/04/2005	18/04/2010	Yes	18/04/2013	No
TOTAL MAKHADO			8,190.00								

Note: * Access to prospect is currently being derived on these farms and is the subject of a court application. A negotiated solution is also being sought.

13.4. Geological Setting

13.4.1. Regional Geology

The Soutpansberg Coalfield is situated north of the Soutpansberg Mountain Range in the Limpopo Province of South Africa and stretches for $\pm 190\text{km}$ from Waterpoort in the west to the Kruger National Park in the east (Figure 1). The greater Soutpansberg Coalfield has been divided into three subdivisions:-

- the Mopane Coalfield, between the towns of Mopane and Waterpoort in the west;
- the Tshipise Coalfield, stretching east of Mopane in the area of the town of Tshipise; and
- the Pafuri Coalfield, terminating at the northern limit of the Kruger National Park in the east.

The generalized stratigraphic sequence across the Coalfield is illustrated in Figure 49.

The Soutpansberg Coalfield is preserved within a down-faulted, graben structure, at the north-eastern edge of the Kaapvaal Craton. The Karoo Sequence rocks, containing the Soutpansberg Coalfield, overly the Soutpansberg rocks and dip between 3° and 20° northwards, terminating against east-west trending strike faults on the northern margin.

The region is faulted, becoming more severe in the far east, and has throws of between 60m and 200m, leading to the formation of horst and graben structures. A further subordinate set of faults, orientated at right angles to that mentioned above, subdivides the eastern portion of the Soutpansberg Coalfield region into a set of irregular blocks.

The nature of the coal deposits gradually changes from a multi-seam coal-mudstone association, approximately 40m thick in the west and comprising up to seven discrete coal seams (Mopane Coalfield in the Waterpoort area), to two individual seams in the east (Pafuri Coalfield in the Tshikondeni area), with a 3m thick Upper Seam and a 2m thick Lower Seam approximately 100m deeper.

Where developed, the coal is generally bright and high in vitrinite and the coal rank (carbon/energy content) increases towards the east. Dull coal occurs locally at the base of the multi-seam coal-mudstone association in the Waterpoort area as well as in the upper part of the lower seam at Tshikondeni. The volatile content in the west (Waterpoort) is approximately 35% which decreases to 25% in the east (Tshikondeni).

Figure 50 shows a schematic geological cross section through the Greater Soutpansberg project.

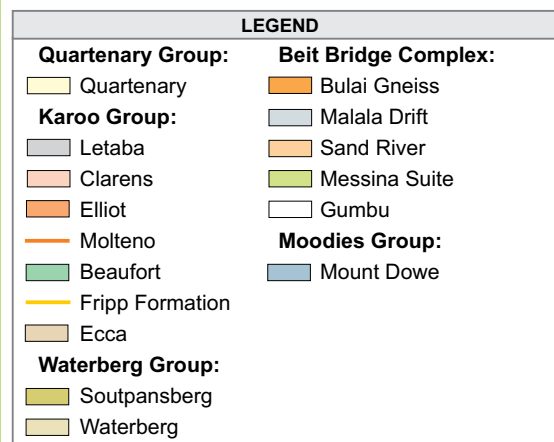
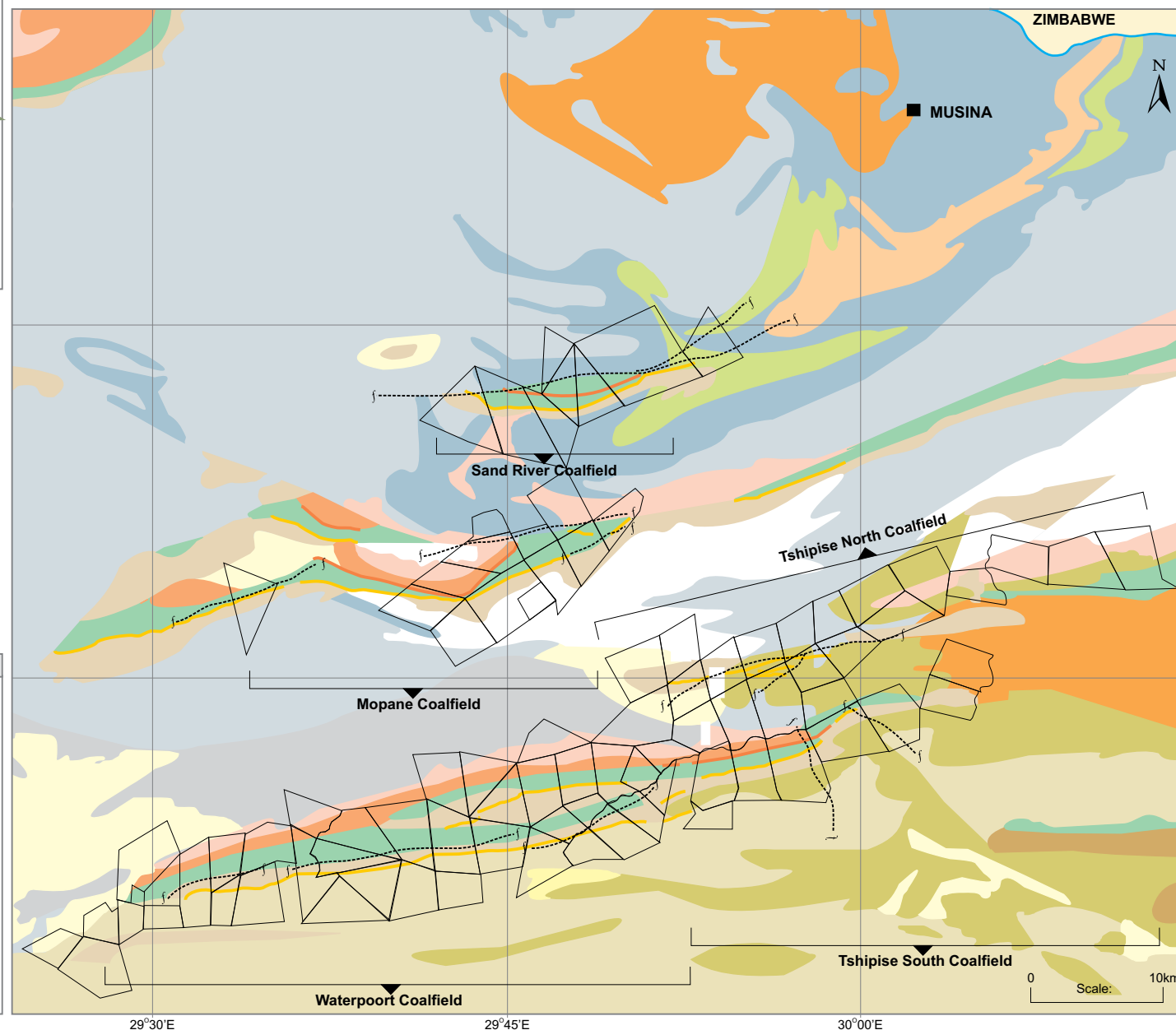
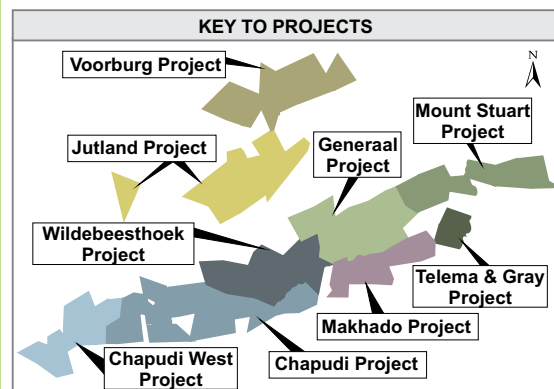
13.4.1.1. Pafuri Coalfield

In the Pafuri Coalfield, composite seams consisting of thin bands, generally less than 0.5m, of alternating coal and mudstone occur in the Mikambeni Formation. The Main Seam, of approximately 3.5m in thickness, occurs in the Madzaringwe Formation and consists of up to nine coal bands separated by carbonaceous mudstone. The 2.5m thick Lower Seam forms the lowermost part of the composite unit directly above the diamictite of the Tshidzi Formation.

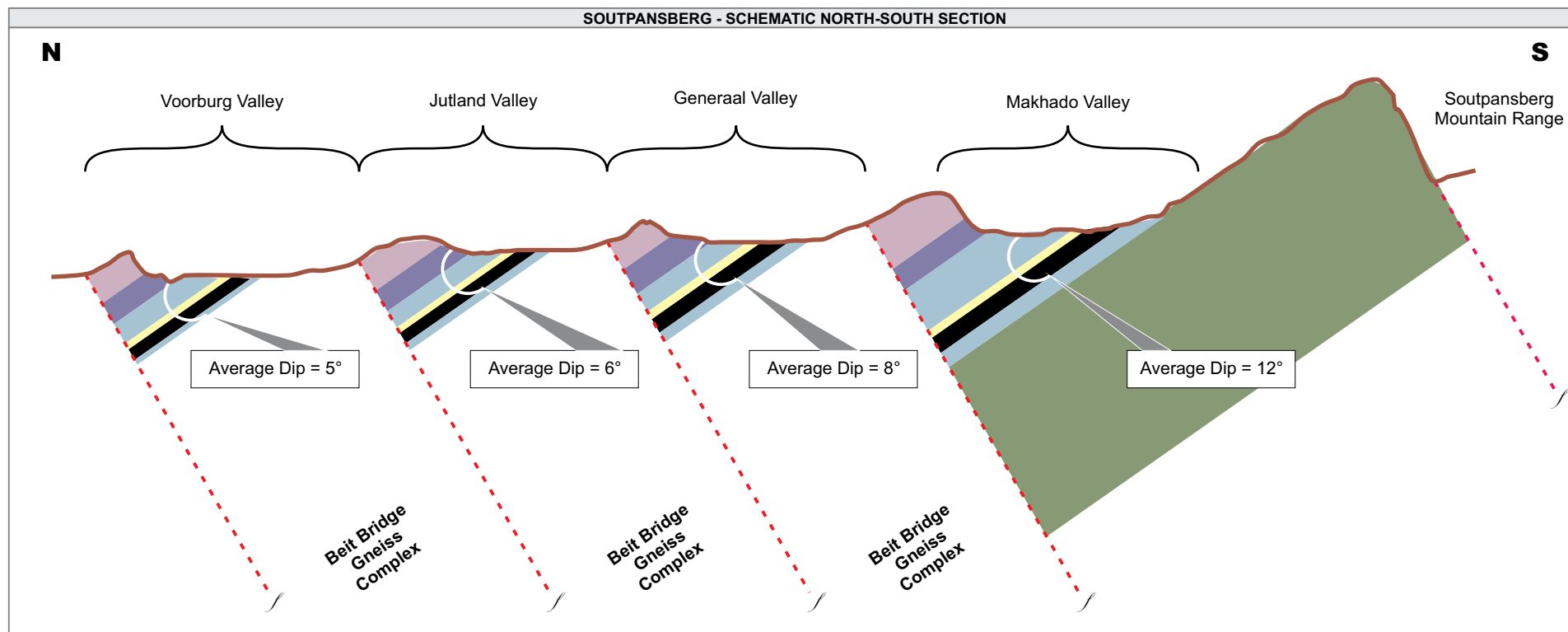
In general, the vitrinite content tends to decrease with increasing depth, whereas the rank tends to increase.

These trends are related to a higher geothermal gradient associated with the tectonic instability which led to pronounced block faulting and the northward tilting of the strata. These tectonic activities have been compounded by the presence of numerous dolerite intrusions.

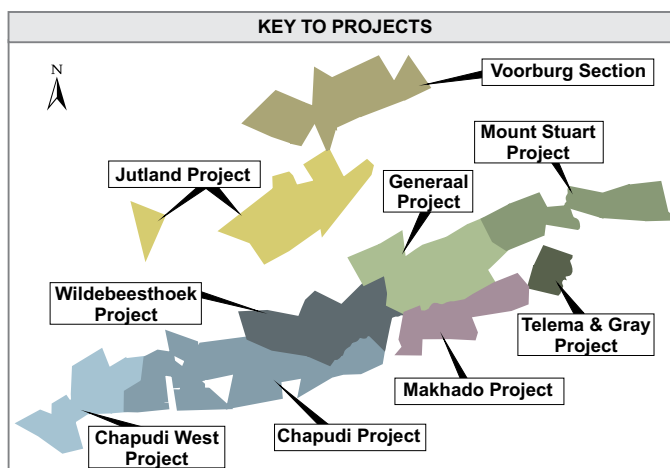
REGIONAL GEOLOGICAL MAP OF THE GREATER SOUTPANSBERG



SCHEMATIC CROSS SECTION THROUGH THE GREATER SOUTPANSBERG



PROJECT LEGEND	
MOPANE PROJECTS:	
	Voorburg
	Jutland
CHAPUDI PROJECTS:	
	Chapudi West
	Chapudi
	Wildebesshoek
MAKHADO EXTENSION PROJECT:	
	Generaal
	Mount Stuart
	Telema & Gray
MAKHADO PROJECT:	
	Makhado



LEGEND	
	Beaufort shale / mudstones "Red beds"
	Mudstone / siltstones
	Fripp formation sandstone
	Coal seams (Upper, Middle, Lower)
	Soutpansberg quartzites
	Fault

The Main Seam has been the only seam exploited in the Pafuri Coalfield due to its coking properties and medium phosphorous content. The Lower Seam also has coking properties but the high phosphorus content is not acceptable to steel manufacturers.

The small Tshikondeni Mine (owned by Exxaro) is the only currently operating coal mine in the Soutpansberg Coalfield, and yields high-grade coking coal for ArcelorMittal's steel mill in Vanderbijlpark.

This underground coal mine, situated 140km northeast of Musina, alongside the Kruger National Park, exploits the coking quality coal of the Main Seam. The coal is accessed by four surface declines, and is processed through a single coal preparation plant with an operating capacity of 75ktpm.

Typical of most Soutpansberg coal horizons, the 7B and 7C Seams, forming the 2.5m thick Main Seam dip relatively steeply at between 2° and 18° to the north. Although mining has followed the seam down to a maximum of 350m at the Nyala Shaft, most mining takes place in difficult conditions at depths of between 200m to 300m.

Structurally, the Tshikondeni Mine is very complex, with faulting and dolerite intrusions having a significant impact on mining in terms of displacement and devolatilisation of the coal. Steps and grabens delineate mining blocks and dykes and sills have been identified as having thicknesses of up to 15m to 30m, respectively.

13.4.1.2. Tshipise Coalfield

The stratigraphic column in the Tshipise Coalfield is very similar to that of the Pafuri Coalfield, except that the coal-bearing interval is dominated by shale, mudstone and siltstone.

The Madzaringwe Formation, therefore, thins markedly towards the east. The coal seams are also composite, consisting of alternating bands of coal and mudstone, and the coal bands exhibit the same trend of decreasing vitrinite content (from 90% to 80%) with increasing depth. The raw coal has an ash content of approximately 25%.

In 1911, Messina Transvaal Development Company Limited (MTDC) sunk a decline shaft on the farm Cavan 508MS (now part of CoAL's Voorburg Project). Between 1911 and 1918, MTDC mined coal from its Lilliput Colliery, to supply the company's furnace in Messina (now Musina).

In 1918, the Colliery ceased production, and there has not been any mining within the Sandriver Sub-basin of the Tshipise Coalfield since.

13.4.1.3. Mopane Coalfield

The Mopane Coalfield comprises a number of east-west trending half-graben structures in which upper Eccra measures are preserved. The geology is generally broken up into fault blocks by a number of parallel strike faults.

There has never been any commercial mining within the Mopane Coalfield. CoAL's Makhado Project, on commissioning, would therefore represent the first such mining operation in the Mopane Coalfield and only the second active coal mine within the greater Soutpansberg Coalfield.

13.4.2. Local Geology

The Makhado Project area is located in the Mopane Sector of the greater Soutpansberg Coalfield. 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 (Figure 51). 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.

It is important to note that, while the coal units are referred to as “seams”, they are effectively selected, potential mining horizons within the coal bearing-package. As such, they may be subject to future re-evaluation and re-selection, resulting in changes to the stated resources (Section 16.19).

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 (Figure 51). 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 of 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. From an economic aspect, it is important to note that significant devolatilisation effectively destroys the coking properties of coal.

The frequency of dolerite dykes is unknown; however, examination of aeromagnetic data (Figure 51) suggests there are relatively few magnetic dykes within the potential open pit area. GAP Geophysics has interpreted that identified dykes are about 2m to 5m in thickness and steeply dipping. A thin, discontinuous dyke can be observed in the highwall of the former Iscor bulk sample pit on the farm Fripp 645 MS.

13.5. Historical Exploration

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. A total of 316 diamond core boreholes had been drilled by Iscor within the Makhado Project area. The exploration is summarised in Table 34 and the location of those boreholes is indicated on Figure 52.

The drilling and sampling protocols used by Iscor are unknown; however, it is assumed that the drilling methods were conventional and pre-date the more efficient triple-tube wireline techniques that are commonly employed today. TMC, during its review in September 2010, has suggested that it is possible that, due to the use of single or double tube core barrels, there were biased losses of the brittle, higher quality, vitrinitic coal during drilling.

TMC, as part of its review in September 2010, examined a subset of the Iscor field logging sheets which recorded core recoveries on a per-sample basis. TMC reported that the recoveries appeared to be generally good.

It is not known whether the Iscor borehole collars were professionally surveyed. However, TMC, during its review in September 2010, compared borehole elevations at the recorded northing and easting co-ordinates against elevations estimated from the LIDAR (Light Detection and Ranging) survey, or from topographic maps in areas where there was no LIDAR coverage, and found the data to be within acceptable tolerance.

Except for a number of deflections of the mother holes, the Iscor boreholes are believed to have been drilled vertically but no directional survey data has been provided.

MAKHADO, TELEMA AND GRAY - LOCAL GEOLOGICAL MAP AND STRATIGRAPHIC COLUMN

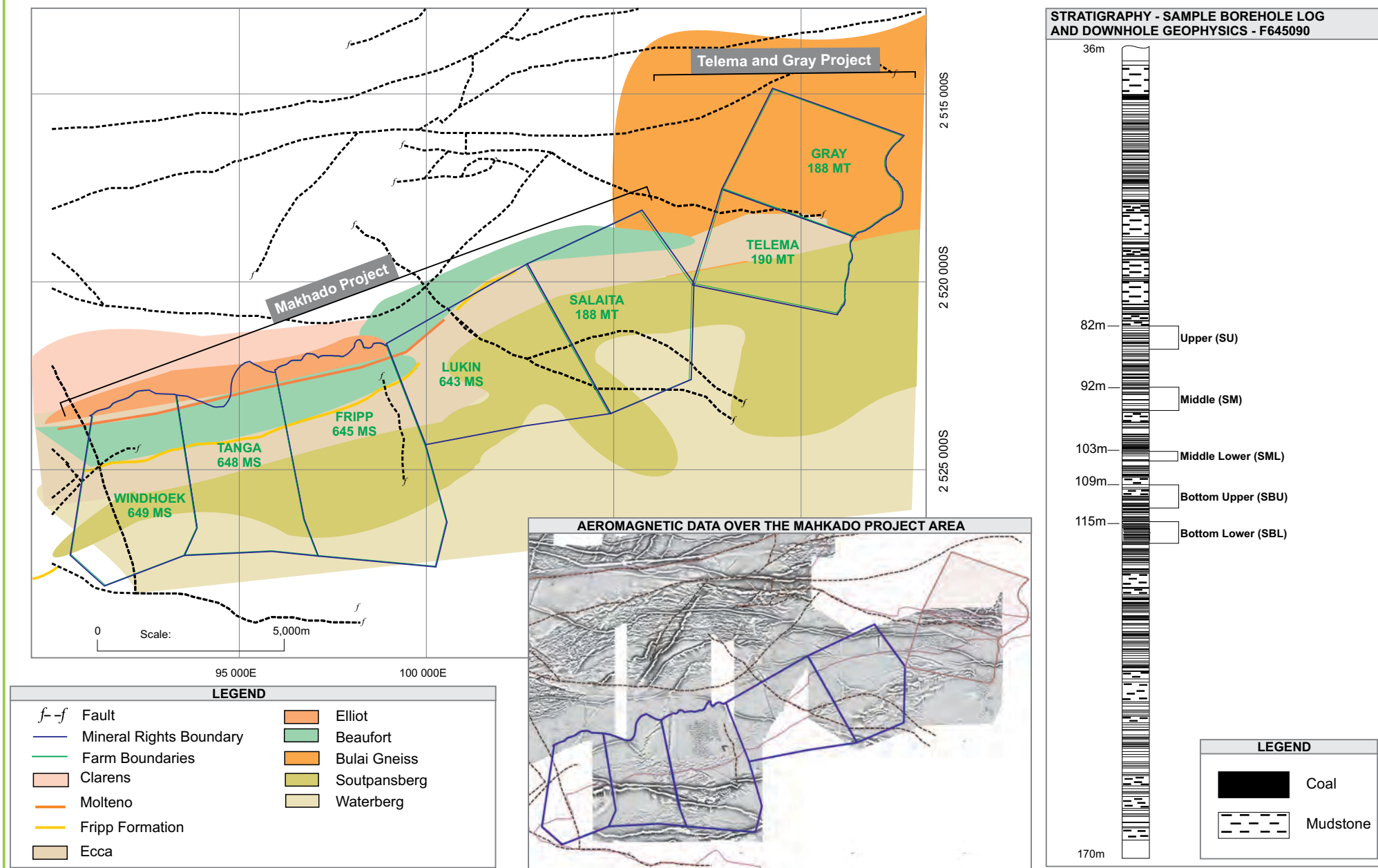
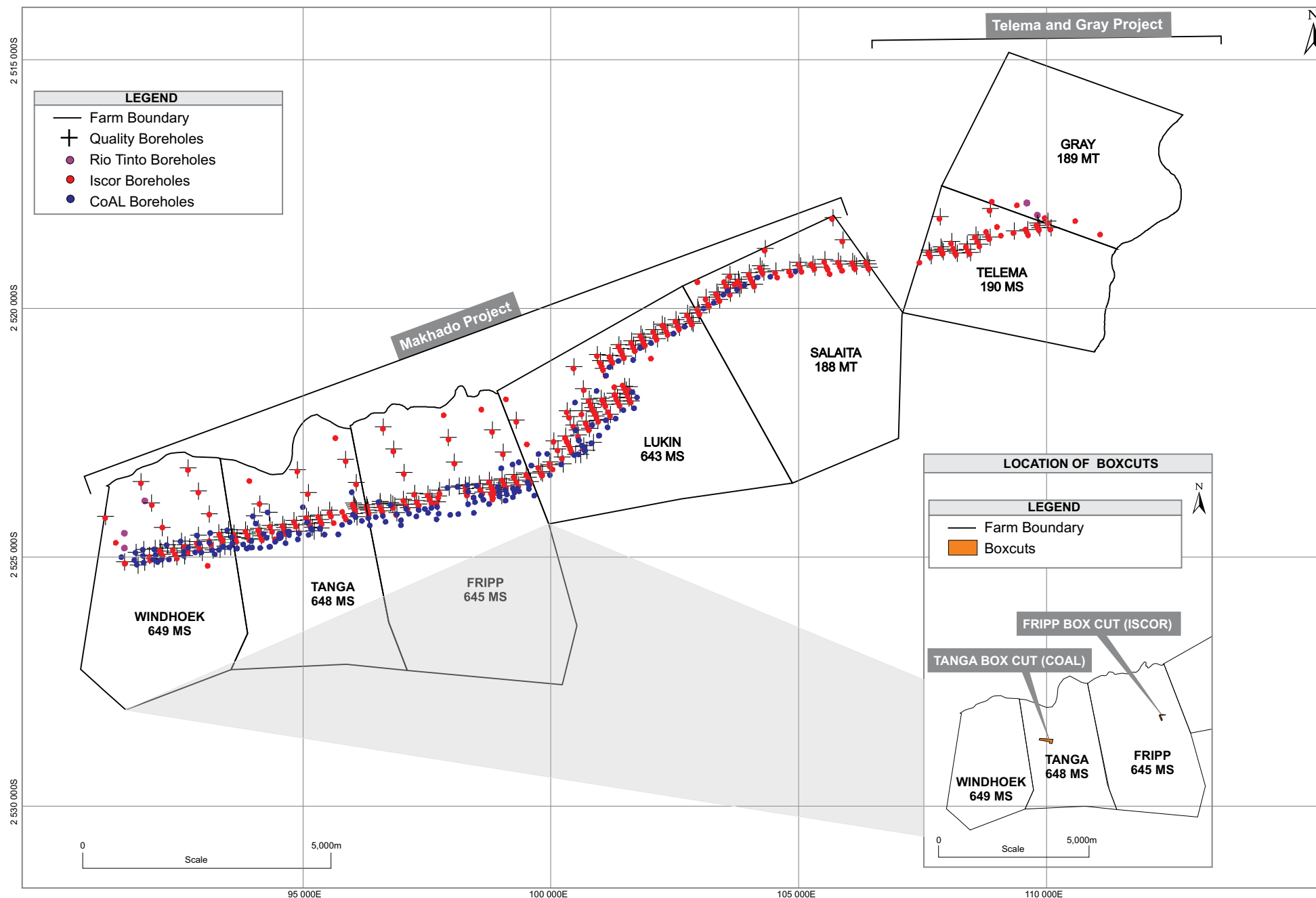


Table 34 : Makhado - Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	QUALITY RESULTS	LABORATORY RESULTS	USED IN MODEL
Pre 2008	Iskor	Windhoek 649MS, Tanga 648MS, Fripp 645MS, Lukin 643MS and Sala ia 188MT	Early exploration and resource estimation.	Unknow n	Unknow n	Diamond core	NQ	Various	278	No	All	Yes	Iskor Laboratories	Yes
2006 -2007	Rio Tinto	Windhoek 649 MS and Lukin 643MS	Resource estimation.	Unknow n	Unknow n	Diamond core	PQ3	D Hirstov	4	Yes	All	Yes	ALS Brisbane	No
2008-2010	CoAL	Windhoek 649MS, Tanga 648MS, Fripp 645MS and Salaita 188MT	In-fill drilling and Measured Resourec definition.	P Ma ibe and Associates	GeoMechanics, Scott Drilling, Ludibore	Diamond core	PQ3	C Mafiri	172	Yes	All	Yes	SABS & CAM	Yes
	CoAL	Tanga 648MS	Quality samples.			LDD	T6		24	Yes	All	Yes	ACT	Yes
2010	CoAL	Tanga 648MS	Structural model refinement in area of box cut.			Percussion	8 Inch		13	Yes (3)	No	No	-	Yes (3)
2011	CoAL	Lukin 643MS, Boas 642MS	Geotechnical logging.			Geotech	PQ3		5	Yes	Yes	Yes	CAM	No
TOTAL									536					

MAKHADO, TELEMA AND GRAY - LOCATION OF HISTORICAL AND RECENT DRILLING



(Note: The Farms Solitude 111 MT and Beck 568 MS have not been included, as no Mineral Resources have been declared)

No historical mining has taken place within the Makhado Project area; however, a bulk sample pit (boxcut) was excavated on the farm Fripp 645MS (Figure 52) by Iscor during its exploration programme. The results of the testwork that Iscor may have conducted are not available.

13.6. Recent Exploration

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, were provided to CoAL as part of the Farm Swap Agreement. These boreholes were all cored boreholes. Limited details are available concerning the drilling and sampling procedures for the Rio Tinto drilling. The core recoveries are unknown.

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. Aerial magnetic and radiometric surveys have also been undertaken.

The exploration is summarised in Table 34 and the location of those boreholes is indicated on Figure 52.

13.6.1. Remote or Geophysical Exploration

CoAL commissioned EPA to conduct a photographic/LIDAR survey in 2008 over the properties it held at that time. This survey was flown in a fixed wing aircraft and provided ground elevation data to a 15cm vertical and 30cm horizontal accuracy.

In March 2008, Fugro Geophysics (Pty) Limited conducted helicopter-borne, aerial magnetic and radiometric surveys. The line spacing was 50m with a nominal sensor ground clearance of 15m to 25m.

In July 2010, Fugro Airborne Surveys (Pty) Limited conducted a LIDAR survey over all the Makhado Project properties, subsequent to the Section 11 transfer of the properties previously held by Rio Tinto.

CoAL acquired aeromagnetic data in Geosoft® format for the properties Gray 189MS and Windhoek 649MS from Rio Tinto in 2010.

13.6.2. Diamond Drilling

Details of the diamond drilling methods used by Rio Tinto are not available.

The CoAL exploration drilling was undertaken by Geomechanics (Pty) Ltd and Ludikcore Exploration Services (Pty) Ltd. Drilling since 2009 has been conducted by South African Drilling Services (Pty) Ltd and Geomechanics. All drilling has been managed by CoAL, with Mr C Mafiri as the geologist responsible for the drilling and sampling.

Venmyn Deloitte has not independently witnessed the drilling and sampling protocols as no exploration drilling is currently taking place. However, Venmyn Deloitte is confident that the drilling was carried out to the required standard as the drilling programmes have been independently supervised or verified by other reputable consulting companies. Venmyn Deloitte has witnessed CoAL's drilling at other projects and is satisfied that best practise standards are employed by the company.

All boreholes were drilled using triple tube techniques in order to minimise core loss. The first 25 exploration boreholes employed HQ3 equipment producing a core with a nominal diameter of 61mm. The core size was subsequently increased to PQ3 (83mm) in order to obtain more sample material and maximise core recovery.

The CoAL drilling contracts demanded a minimum recovery of 98% within coal horizons and 95% in non-coal sediments. CoAL has reported that, throughout the exploration drill programmes, every effort was made to achieve maximum core recovery and minimise loss of fines.

Core was transported to the core shed by the drilling contractor, received by the geologist and stacked. In the case of coal intersections, the core was stored in a refrigerated container. When both the core and the geophysical logs were received, the borehole was considered to have been completed. Core recovery within individual coal plies was measured with reference to the geophysical logs and, if found to be acceptable, logging commenced. CoAL did not retain records of core recovery.

Borehole core photography using a hand-held digital camera was initiated in January 2009 and was sporadic until November 2009. Since that time, all core has been photographed.

Geotechnical logging has recently been introduced and incorporated in the last 15 to 20 boreholes on Lukin 643MS and Salaita188MT.

On the basis of the Iscor data, CoAL defined seams or selected mining cuts by firstly selecting intervals comprising predominantly coal and then by identifying the sample names associated with those intervals and automatically allocating them to the seam. This process was recently revised for Iscor boreholes by re-selecting the seam intervals based on a visual assessment of the Iscor hand-written graphic logs. The process was deemed necessary as CoAL geologists were not satisfied that the allocation of sample numbers to seams by Iscor was sufficiently consistent.

Samples collected by Rio Tinto were allotted numbers corresponding to one of 55 recognised sub-seams or sections. Not all seams were sampled. The sampling protocol is unknown.

CoAL conducted whole core sampling and sample intervals were selected on the basis of the geophysical logs. Samples were numbered from the base upwards and correspond to the same stratigraphic interval in every borehole. CoAL has identified six potentially mineable seams within the Coal Zone.

Samples were double-bagged with each bag sealed with cable ties and labelled. Bagged samples were stored in a locked refrigerated container prior to transportation to the laboratory in a closed truck.

Samples from the Rio Tinto drilling campaign were analysed at ALS Brisbane (ISO 17025 accredited). Products were returned to South Africa for petrographic analysis.

Samples from the first 25 boreholes drilled by CoAL were sent to the SABS laboratory in Secunda. SABS is accredited (No T0230) through the South African National Accreditation System (SANAS) and SABS/ISO/IEC 17025:2005. However, due to delays in the reporting of analytical results, CoAL relocated all unprocessed samples from SABS to Inspectorate which is also a SANAS accredited laboratory (No T0313).

Since July 2009, two laboratories have been used by CoAL. Core exploration samples have been sent to the CAM Laboratory in Polokwane. CAM is accredited (No. T0476) through SANAS.

13.6.3. Percussion or Open Hole Drilling

The only percussion or open hole drilling conducted within the Makhado Project area is that by CoAL in 2010. This programme included 13 straight percussion holes within the area identified for the bulk sample (boxcut). The percussion drilling was carried out by MCC.

The purpose of these closely spaced boreholes was to increase geological confidence in the area of boxcut development. This would ensure that no unidentified geological features were encountered during excavation that would have an impact on the mining development schedule or budgeted costs. Percussion drilling was used as it is a cost and time effective method of drilling.

No geological logging and sampling was carried out on the percussion chips produced by the open hole drilling. Wireline logging was carried out on the percussion holes.

13.6.4. Down the Hole Geophysics / Wireline Logging

Downhole geophysical surveys were conducted on the majority of the Rio Tinto boreholes and included calliper, natural gamma, long and short-spaced density, magnetic susceptibility, resistivity, long and short-spaced neutron, directional survey and acoustic televiewer data.

No downhole geophysical logging of the first 25 boreholes drilled by CoAL was undertaken. Some of the subsequent boreholes drilled up to July 2009 were surveyed by Geoline Logging Services (Pty) Ltd and Quickline Geophysics (Pty) Limited. Since July 2009, a dedicated Weatherford geophysical logging unit has been shared between the Vele and Makhado projects. Heavy dependence is placed on the geophysical log and a borehole is not considered complete until a geophysical log has been generated. A basic suite of tools is run for dual density, natural gamma and calliper measurements.

13.6.5. LDD Drilling

A series of 12 LDD boreholes were drilled conventionally using a T6 (146mm) drill bit, which produces a core of 122.8mm in diameter. The purpose of these boreholes is to obtain additional material for laboratory testwork on coking coal properties.

Large diameter core samples were analysed at the ACT Laboratory in Pretoria. ACT is not yet SANAS accredited but is utilised by many South African and international coal mining companies particularly with regard to coking coal. It has been subjected to laboratory audits and regularly participates in recognised 'round robin' quality control procedures with the results and certificates openly available.

13.6.6. Bulk Sampling

Isacor excavated a boxcut on the farm Fripp 645MS (Figure 52) between November 1978 and May 1979 for the purpose of extracting a bulk sample and conducting an economic study on its project. No details of this bulk sampling programme, or the results there from, are available.

Between August 2010 and April 2011, CoAL excavated a boxcut on the farm Tanga 648MS (Figure 52). From this, 45,849t of ore has been processed, producing 21,800t of coal, which was transported to Tshikondeni for process testing. This bulk sample was excavated in order 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 its Newcastle and Vanderbijlpark plants and the results indicate good coking potential.

CoAL has compiled sample batches which has been despatched to potential clients worldwide as well as to ALS Brisbane to be incorporated in the Coking Coal Brand Database.

13.7. Orebody Modelling

The latest model was prepared by Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist, as at 31st August 2011. The model was prepared in MinexTM Software. The model takes into account all available historical and recent drilling and other geological information as of the 31st August 2011. This model remains unchanged to 30th September 2012. This model also extends to include the Telema & Gray Project area.

Venmyn Deloitte has reviewed the CoAL model and interviewed Mr J Sparrow (Pr.Sci.Nat.) concerning his methods of modelling. Venmyn Deloitte has also independently plotted the graphical distribution of the boreholes in Geosoft Target and Micromine and verified the results of the seam thickness variations and resultant volume calculations. Venmyn Deloitte is satisfied with the integrity and results of the model. Both CoAL and Venmyn Deloitte have a high level of confidence with respect to the current model and the associated resource estimates.

Dolerite dykes, as well as fault planes, were incorporated into the 3D structural model. The structural model (Figure 51) has resulted in the identification of a number of opencast mining areas (Figure 48).

Both the physical and quality parameters of the various seams were modelled by CoAL. Grids with a 20m mesh were estimated using the MinexTM general purpose gridding function using a 2.5km search radius. The model of the physical parameters of the seam was cut along any significant structures, whilst the quality parameters were modelled across it. All physical and quality parameters were plotted and visually inspected to ensure they were acceptable for geological interpretation.

Although the full suite of parameters was modelled, Venmyn Deloitte has only included the results of the coal thickness estimation in Figure 53 of this report. For the full details of this review and the physical and quality results the reader is referred to the 2011 CPR independently prepared by Venmyn Deloitte and published by CoAL.

13.8. Proposed Mining

No commercial mining has taken place at the Makhado Project to date as the NOMR is still to be granted. A DFS is currently being conducted on the Makhado Project in order to understand the operational environment and define the project economics. Mining will be conducted using initial opencast and later underground methods.

For the base mine modelling case, a depth cut-off of 200m has been used as the maximum mining depth, and this has been calculated to the floor of the Bottom Lower Seam. This cutoff limit is based on a strip ratio of 7:1 bcm/RoM t coal. The seams included in the mineable resource are:-

- the Upper Seam;
- the Middle Upper Seam;
- the Middle Lower Seam;
- the Bottom Upper Seam; and
- the Bottom Lower Seam.

The mining method selected is truck and shovel opencast mining. The overburden removal will be independent of the coaling operation in that the burden benches will be horizontal and unaffected by the dip of the coal until the upper coal horizon is reached. The feasibility study is considering the implementation of owner operated mining equipment. The mining equipment will include a conventional truck and shovel fleet, sized according to the outcomes of the current mine planning and scheduling study.

At the time of the designing of the open pits, limited geotechnical information was available. Geotechnical information from the Fripp and Tanga boxcuts was included in the geotechnical designs. Certain information assumptions based on industry norms have been made for the calculation of the final high wall slope angle. Maximum waste bench heights of 15m and a minimum offset bench width of 10m were assumed.

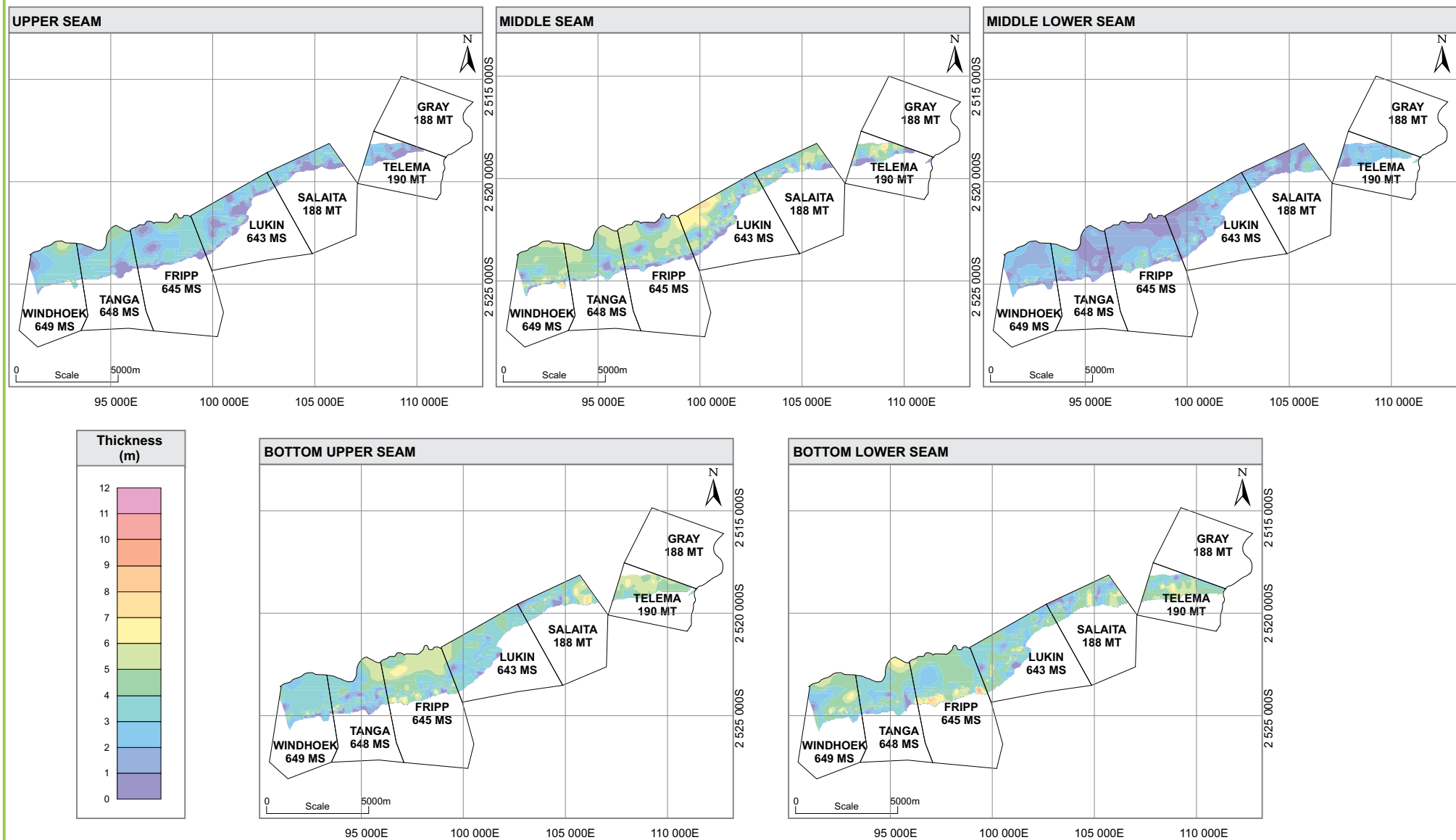
The average dip of the coal over the extent of the project area is 12°N with a variability of between 4° N and 18°N. Access into the pits for coal mining activities will be from ramps on the southern edge of the respective pits starting at surface and declining at a 10° slope to intersect the floor of the Bottom Lower Coal Seam. In all cases, the coaling ramps will be at 30m below surface as any coal shallower than this is deemed to be weathered.

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 by the village of Mudimele (Figure 48).

13.9. Proposed Processing

The feasibility study is also considering the implementation of an owner operated plant, which will be designed according to the outcomes of the current mine planning and scheduling study.

MAKHADO, TELEMA AND GRAY - COAL ISOPACH MODEL



Full coal washability analyses have been conducted on the recent (CoAL) samples of the Makhado coal, from which a range of potential products can be calculated. The Makhado coal lends itself to the pulling of multi-products, and ongoing studies are investigating the potential and benefits of producing a coking coal at a various ash contents (8% - 12%). Currently, the base case being considered in the Feasibility Study for the production scenario is for a 10% ash primary product and an Eskom thermal middlings fraction.

It is anticipated that the plant will include the following, conventional main sections:-

- a crushing and screening section;
- a double stage washing plant;
- general plant services; and
- a rapid load-out station.

Crushability tests indicated that if the RoM is crushed to -50mm, then 38% of the material will be +20mm and 62% of the material will be -20mm plant feed. The +20mm fraction is the source of the thermal coal.

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

A coal laboratory will be established on site, which will be owned and operated by CoAL.

13.10. Mineral Resource Statement

The Coal Resources for Makhado were estimated and signed off by CoAL's Competent Person, Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist, as at 30th September 2012 in accordance with the JORC Code and the Australian Guidelines. The resource statement is presented in Table 35. The tonnages are based upon the 31st August 2011 geological model, and represents no change from that date to 30th September 2012.

This resource statement has been independently verified by Venmyn Deloitte's Competent Person in accordance with the JORC Code and the Australian Guidelines. Venmyn Deloitte's Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No. 400049/02) and a longstanding member of the Australian Institute of Mining and Metallurgy (AusIMM). She has over 20 years experience in the mineral resources industry.

The classification, by CoAL, into the various resource categories is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results. Venmyn Deloitte is confident that the logging, sampling, data density and distribution are suitable for the Coal Resource estimation. The location of the resources in relation to the mineral rights boundary is illustrated in Figure 54. This Coal Resource Statement, by property, presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant resource tonnages and associated qualities.

All boreholes with seam intersection data were used, by CoAL, to generate the physical seam models on which the estimates of seam volumes were based. The volume of the various seam resources were estimated, by CoAL, using the MinexTM model of the seam thickness.

The MinexTM modelled average raw density per resource block was used to calculate the tonnage from the volume. The raw density of every sample is measured in the laboratory.

The tonnage is calculated, by CoAL, on a block by block basis from the volume multiplied by the average raw density. GTIS, TTIS and MTIS resources have been estimated for the Upper Seam, Middle Upper Seam, Middle Lower Seam, Bottom Upper Seam and Bottom Lower Seam. The Bottom Middle Seam is not considered economic and has been excluded from the resource database. The MTIS resources have only considered potential opencastable coal to a maximum depth of 200m.

Each of the quality parameters are modelled in MinexTM and the average quality per block is reported in the Coal Resource Statement. Average coal qualities were weighted by MTIS. The qualities at an RD of 1.4t/m³ reflect an average ash content of 10%.

Table 35 : Makhado – Coal Resource Statement (30th September 2012)

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS

FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	AIR DRIED WASHED QUALITIES @ RD=1.40						
								YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Windhoek 649MS	Measured	Upper	3.43	1.86	10,687,150	10%	9,618,400	12.51	30.64	11.86	28.12		1.05	0.88
		Middle Upper	4.47	1.78	17,113,376	10%	15,402,000	16.04	31.41	9.73	29.13		1.27	0.70
		Middle Low er	2.16	1.86	9,109,745	10%	8,198,700	28.69	30.95	11.11	30.54		1.11	0.68
		Bottom Upper	3.44	1.73	13,944,339	10%	12,549,900	25.95	31.34	10.05	29.18		0.84	0.78
		Bottom Low er	4.31	1.87	19,398,228	10%	17,458,400	15.14	31.53	9.72	29.80		0.88	0.75
	TOTAL / AVE MEASURED		3.77	1.82	70,252,838	10%	63,227,400	18.86	31.25	10.29	29.35		1.02	0.75
	Indicated	Upper	3.25	2.00	15,238,750	15%	12,952,000	6.92	31.29	10.32	25.22		1.05	0.55
		Middle Upper	4.36	1.80	17,298,610	15%	14,703,000	13.93	31.56	9.58	26.97		1.20	0.45
		Middle Low er	1.96	1.91	8,006,489	15%	6,805,000	24.99	31.17	10.61	28.33		1.07	0.45
		Bottom Upper	3.30	1.74	12,506,943	15%	10,630,000	24.27	31.40	10.01	27.12		0.80	0.54
		Bottom Low er	3.80	1.92	15,937,288	15%	13,546,000	12.79	31.53	9.76	27.75		0.86	0.54
	TOTAL / AVE INDICATED		3.53	1.87	68,988,080	15%	58,636,000	15.28	31.42	9.98	26.95		1.00	0.51
	Inferred	Upper	2.24	2.03	1,681,803	20%	1,340,000	5.24	31.53	9.78	24.15		1.01	0.34
		Middle Upper	5.05	1.79	1,680,659	20%	1,340,000	12.85	31.48	9.96	25.95		1.28	0.24
		Middle Low er	2.35	1.85	811,708	20%	640,000	31.85	31.37	10.12	26.12		1.06	0.22
		Bottom Upper	3.42	1.69	1,114,974	20%	890,000	27.56	31.46	9.94	25.56		0.80	0.34
		Bottom Low er	4.33	1.89	1,558,345	20%	1,240,000	15.38	31.66	9.42	26.00		0.86	0.35
	TOTAL / AVE INFERRERD		3.65	1.86	6,847,489	20%	5,450,000	16.19	31.52	9.81	25.48		1.01	0.30
	TOTAL / AVE WINDHOEK		3.65	1.85	146,088,407	13%	127,313,400	17.10	31.34	10.13	28.08		1.01	0.62
Tanga 648MS	Measured	Upper	3.27	1.90	12,464,309	10%	11,217,800	11.59	31.17	10.48	25.22		1.05	0.73
		Middle Upper	4.30	1.82	20,661,722	10%	18,595,500	13.44	31.38	9.91	26.71		1.32	0.64
		Middle Low er	2.07	1.92	7,373,938	10%	6,636,500	22.93	31.24	10.68	29.10		1.16	0.71
		Bottom Upper	3.34	1.77	17,156,432	10%	15,440,700	24.57	31.63	9.53	27.04		0.84	0.59
		Bottom Low er	3.59	1.89	19,811,452	10%	17,830,300	14.25	31.58	9.72	28.01		0.91	0.65
	TOTAL / AVE MEASURED		3.54	1.85	77,467,853	10%	69,720,800	16.72	31.44	9.94	27.10		1.05	0.65
	Indicated	Upper	2.97	1.94	12,585,667	15%	10,697,000	9.58	31.20	10.39	23.96		1.04	0.54
		Middle Upper	4.35	1.85	14,997,372	15%	12,747,000	11.06	31.65	9.45	23.29		1.28	0.39
		Middle Low er	1.90	1.92	6,664,384	15%	5,664,000	19.98	31.51	9.86	26.74		1.17	0.47
		Bottom Upper	3.50	1.77	11,851,322	15%	10,073,000	22.58	31.62	9.53	25.06		0.83	0.42
		Bottom Low er	3.84	1.87	14,186,815	15%	12,058,000	14.63	31.36	10.23	26.83		0.88	0.48
	TOTAL / AVE INDICATED		3.52	1.87	60,285,560	15%	51,239,000	14.84	31.47	9.89	24.99		1.04	0.46
	Inferred	Upper	3.82	1.90	2,059,343	20%	1,640,000	9.40	31.40	10.10	25.04		1.04	0.26
		Middle Upper	4.97	1.84	2,687,366	20%	2,140,000	9.87	31.64	9.54	22.07		1.30	0.23
		Middle Low er	1.39	1.90	1,447,862	20%	1,150,000	20.26	31.58	9.63	25.53		1.15	0.36
		Bottom Upper	4.03	1.76	2,154,825	20%	1,720,000	20.95	31.79	9.12	22.95		0.78	0.24
		Bottom Low er	4.98	1.83	2,701,216	20%	2,160,000	13.91	30.87	11.34	24.80		0.84	0.45
	TOTAL / AVE INFERRERD		4.12	1.84	11,050,612	20%	8,810,000	14.29	31.43	10.02	23.92		1.02	0.31
	TOTAL / AVE TANGA		3.57	1.86	148,804,025	13%	129,769,800	15.81	31.45	9.93	26.05		1.04	0.55
Fripp 645MS	Measured	Upper	2.93	1.91	8,089,206	10%	7,280,200	13.52	30.85	11.52	30.56		1.13	0.74
		Middle Upper	4.34	1.77	19,462,530	10%	17,516,200	16.50	31.43	10.05	28.81		1.24	0.53
		Middle Low er	2.25	1.88	12,204,080	10%	10,983,600	23.37	31.13	10.71	28.87		1.24	0.53
		Bottom Upper	4.30	1.80	25,345,200	10%	22,810,600	20.56	31.80	8.90	27.94		0.95	0.54
		Bottom Low er	4.21	1.88	25,429,604	10%	22,886,600	17.25	31.62	9.57	28.10		0.93	0.54
	TOTAL / AVE MEASURED		3.90	1.84	90,530,620	10%	81,477,200	18.51	31.49	9.81	28.53		1.06	0.55
	Indicated	Upper	2.86	2.04	6,667,358	15%	5,667,000	11.77	31.17	10.83	27.68		1.10	0.61
		Middle Upper	4.31	1.81	21,362,260	15%	18,157,000	12.74	31.55	9.72	27.87		1.13	0.40
		Middle Low er	1.59	1.87	7,205,476	15%	6,124,000	20.48	31.13	10.73	27.95		1.22	0.40
		Bottom Upper	4.88	1.80	25,801,430	15%	21,931,000	19.18	31.80	9.00	26.86		0.87	0.43
		Bottom Low er	4.21	1.87	24,322,782	15%	20,674,000	17.07	31.50	9.82	26.86		0.86	0.47
	TOTAL / AVE INDICATED		4.13	1.85	85,359,306	15%	72,553,000	16.50	31.55	9.70	27.27		0.98	0.45
	Inferred	Upper	2.84	2.07	21,643,244	20%	17,310,000	10.93	31.76	9.27	24.40		0.98	0.56
		Middle Upper	3.79	1.87	8,180,836	20%	6,540,000	10.45	31.72	9.29	27.12		1.11	0.32
		Middle Low er	1.09	1.90	927,942	20%	740,000	16.10	31.02	10.96	26.85		1.13	0.27
		Bottom Upper	5.33	1.83	7,846,954	20%	6,270,000	17.00	31.97	8.69	26.28		0.77	0.26
		Bottom Low er	3.99	1.84	6,135,756	20%	4,900,000	16.96	31.44	9.95	24.88		0.76	0.33
	TOTAL / AVE INFERRERD		3.62	1.96	44,734,732	20%	35,760,000	12.84	31.73	9.30	25.34		0.94	0.43
	TOTAL / AVE FRIPP		3.93	1.86	220,624,658	14%	189,790,200	16.67	31.56	9.67	27.45		1.01	0.49

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS

FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU
Lukin 643MS	Measured	Upper	2.56	1.96	11,883,556	10%	10,695,200
		Middle Upper	4.03	1.80	27,668,524	10%	24,901,600
		Middle Low er	2.23	1.88	14,626,680	10%	13,164,000
		Bottom Upper	3.39	1.78	24,011,334	10%	21,610,200
		Bottom Low er	3.70	1.90	28,285,960	10%	25,457,300
	TOTAL / AVE MEASURED		3.40	1.85	106,476,054	10%	95,828,300
	Indicated	Upper	2.38	2.20	7,011,332	15%	5,959,000
		Middle Upper	4.61	1.87	14,794,522	15%	12,575,000
		Middle Low er	1.89	1.99	6,102,734	15%	5,187,000
		Bottom Upper	3.57	1.78	13,478,906	15%	11,457,000
		Bottom Low er	3.28	1.93	14,001,561	15%	11,901,000
	TOTAL / AVE INDICATED		3.47	1.92	55,389,055	15%	47,079,000
	Inferred	Upper	2.86	2.21	10,045,482	20%	8,030,000
		Middle Upper	6.40	1.92	7,220,583	20%	5,770,000
		Middle Low er	0.86	2.24	2,439,191	20%	1,950,000
		Bottom Upper	4.48	1.81	4,724,045	20%	3,770,000
		Bottom Low er	3.83	1.91	4,297,002	20%	3,430,000
	TOTAL / AVE INFERRED		4.09	2.03	28,726,303	20%	22,950,000
	TOTAL / AVE LUKIN		3.52	1.90	190,591,412	13%	165,857,300
Salaia 188MT	Measured	Upper	2.44	1.99	6,614,848	10%	5,953,300
		Middle Upper	3.78	1.80	14,463,214	10%	13,016,800
		Middle Low er	2.15	1.91	6,930,708	10%	6,237,600
		Bottom Upper	3.94	1.78	14,346,096	10%	12,911,400
		Bottom Low er	3.63	1.90	15,698,339	10%	14,128,500
	TOTAL / AVE MEASURED		3.45	1.86	58,053,205	10%	52,247,600
	Indicated	Upper	2.55	2.11	4,798,944	15%	4,079,000
		Middle Upper	4.10	1.79	4,224,967	15%	3,591,000
		Middle Low er	1.49	2.01	2,394,305	15%	2,035,000
		Bottom Upper	4.06	1.88	9,009,065	15%	7,657,000
		Bottom Low er	3.63	1.94	8,145,604	15%	6,923,000
	TOTAL / AVE INDICATED		3.51	1.93	28,572,885	15%	24,285,000
	Inferred	Upper	2.84	2.00	505,012	20%	400,000
		Middle Upper	4.60	1.80	602,595	20%	480,000
		Middle Low er	1.15	2.10	257,074	20%	200,000
		Bottom Upper	3.87	1.77	461,396	20%	360,000
		Bottom Low er	4.15	1.98	1,046,919	20%	830,000
	TOTAL / AVE INFERRED		3.74	1.92	2,872,996	20%	2,270,000
	TOTAL / AVE SALAITA		3.48	1.88	89,499,086	12%	78,802,600
	TOTAL / AVE MAKHADO		3.66	1.87	795,607,588	13%	691,533,300

AIR DRIED WASHED QUALITIES @ RD=1.40

YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
10.69	31.45	9.84	29.85		1.23	0.51
15.94	31.99	8.62	29.90		1.26	0.56
25.38	31.47	9.92	29.36		1.21	0.53
27.32	32.19	8.12	29.65		0.95	0.57
16.77	31.78	9.16	29.54		0.95	0.57
19.44	31.85	8.97	29.67		1.10	0.56
9.24	31.63	9.53	30.02		1.22	0.40
11.06	32.17	8.24	30.30		1.18	0.49
20.40	31.40	10.02	29.15		1.21	0.44
25.79	32.08	8.40	29.22		0.92	0.46
14.05	31.80	9.10	28.31		0.90	0.51
16.20	31.90	8.86	29.37		1.05	0.47
10.65	31.71	9.37	28.32		1.12	0.46
7.23	32.00	8.65	29.98		1.10	0.39
13.59	31.30	10.26	29.63		1.26	0.32
21.19	32.07	8.42	28.98		0.89	0.39
12.97	31.77	9.17	26.58		0.88	0.48
12.12	31.82	9.08	28.70		1.05	0.42
17.51	31.86	8.95	29.45		1.08	0.51
8.01	31.71	9.31	30.08		1.19	0.59
15.15	31.40	9.87	29.73		1.15	0.53
20.23	31.57	9.68	29.79		1.19	0.42
26.04	32.03	8.54	30.20		0.97	0.53
18.36	32.01	8.61	30.15		0.89	0.48
18.50	31.78	9.11	30.01		1.04	0.51
7.09	32.37	7.74	30.71		1.02	0.50
15.00	31.56	9.67	29.51		1.01	0.57
19.40	31.42	10.03	28.44		1.13	0.47
26.00	32.13	8.30	29.90		0.97	0.44
15.38	32.07	8.46	30.07		0.88	0.53
17.62	32.01	8.60	29.90		0.97	0.50
7.24	32.61	7.18	31.02		0.91	0.42
14.41	31.57	9.65	29.93		0.96	0.61
18.96	30.90	11.24	29.05		1.09	0.35
31.60	32.19	8.16	28.73		0.97	0.33
12.00	32.05	8.51	29.04		0.78	0.52
15.39	31.97	8.70	29.53		0.90	0.48
18.14	31.85	8.94	29.96		1.02	0.51
16.96	31.60	9.55	28.07		1.03	0.53

Notes

Rounding down of TTIS tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively, may result in computational discrepancies.

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR OPENCAST MINING. NO U/G MINING CONSIDERED.
COAL WITH VOLATILE CONTENT <20% EXCLUDED.

										AIR DRIED WASHED QUALITIES @ RD=1.40						
FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINEABLE TONNES IN SITU	YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Windhoek 649MS	Measured	Upper	3 21	1.83	7,151,540	10%	6,436,386	2%	6,307,600	15.27	30.56	12.01	30.92		1.08	1.17
		Middle Upper	4.42	1.78	9,626,663	10%	8,663,997	2%	8,490,700	17.41	31.19	10.01	31.68		1.36	1.01
		Middle Low er	2 34	1.82	5,509,173	10%	4,958,256	2%	4,859,000	33.35	30.90	11.20	32.15		1.16	0.90
		Bottom Upper	3.46	1.72	8,117,340	10%	7,305,606	2%	7,159,400	28.71	31.35	9 93	31.34		0.87	1.04
		Bottom Low er	4 21	1.85	11,014,257	10%	9,912,831	2%	9,714,500	16.43	31.52	9.72	31.62		0.94	0.97
	TOTAL / AVE. MEASURED		3.69	1.80	41,418,973	10%	37,277,076	2%	36,531,200	21.11	31.16	10.42	31.53		1.08	1.02
	Indicated	Upper	3 21	1.91	1,604,972	15%	1,364,226	2%	1,336,000	13.85	30.68	11.69	29.90		1.03	1.24
		Middle Upper	3 65	1.80	1,926,873	15%	1,637,842	2%	1,605,000	16.49	31.22	10.00	30.79		1.30	1.02
		Middle Low er	1.72	1.79	687,061	15%	584,002	2%	572,000	34.57	30.76	11.49	31.39		1.14	0.96
		Bottom Upper	2.48	1.73	956,390	15%	812,932	2%	796,000	27.09	31.34	9 96	30.28		0.95	1.15
		Bottom Low er	2 80	1.89	1,110,173	15%	943,647	2%	924,000	13.25	31.44	10.06	31.31		1.02	1.07
	TOTAL / AVE. INDICATED		2.99	1.83	6,285,469	15%	5,342,649	2%	5,233,000	18.83	31.09	10.60	30.64		1.11	1.10
	Inferred	Middle Upper	6 64	1.82	5,293	20%	4,234	2%	4,000	17.25	31.07	10.89	32.83		1.30	1.15
		Bottom Upper	2 50	1.91	5,175	20%	4,140	2%	4,000	15.85	31.06	10.85	30.37		1.07	1.12
		Bottom Low er	4 00	1.99	23,501	20%	18,801	2%	10,000	9.24	31.24	10.55	32.16		1.11	1.13
	TOTAL / AVE. INFERRED		4.21	1.95	33,969	20%	27,175	2%	18,000	12.49	31.16	10.69	31.91		1.14	1.13
	TOTAL / AVE. WINDHOEK		3.60	1.81	47,738,411	11%	42,646,900	2%	41,782,200	20.83	31.15	10.44	31.42		1.08	1.03
Tanga 648MS	Measured	Upper	3 28	1.87	6,753,204	10%	6,077,884	2%	5,956,300	12.79	30.75	11.37	29.10		1.08	0.88
		Middle Upper	4 09	1.78	10,945,457	10%	9,850,911	2%	9,653,800	15.40	31.13	10.41	30.20		1.37	0.83
		Middle Low er	1.72	1.94	4,619,538	10%	4,157,584	2%	4,074,400	22.23	31.24	10.76	30.47		1.18	0.83
		Bottom Upper	2 97	1.77	8,677,275	10%	7,809,548	2%	7,653,300	25.82	31.60	9 63	29.45		0.84	0.72
		Bottom Low er	3.42	1.90	10,835,623	10%	9,752,061	2%	9,557,000	14.08	31.75	9.43	30.18		0.94	0.74
	TOTAL / AVE. MEASURED		3.30	1.84	41,831,097	10%	37,647,987	2%	36,894,800	17.55	31.34	10.19	29.89		1.08	0.79
	Indicated	Upper	2 56	1.96	2,031,876	15%	1,727,095	2%	1,692,000	11.59	31.13	10.39	25.44		1.07	0.79
		Middle Upper	3 01	1.79	1,413,548	15%	1,201,516	2%	1,177,000	14.10	31.51	9 65	26.65		1.33	0.76
		Middle Low er	1 31	1.96	777,382	15%	660,775	2%	647,000	20.50	31.35	10.47	28.74		1.16	0.90
		Bottom Upper	2.10	1.79	1,160,696	15%	986,592	2%	966,000	22.95	31.66	9 54	26.87		0.84	0.73
		Bottom Low er	2 87	1.91	1,889,858	15%	1,606,379	2%	1,574,000	13.36	31.93	9 21	28.74		0.93	0.74
	TOTAL / AVE. INDICATED		2.53	1.89	7,273,360	15%	6,182,356	2%	6,056,000	15.30	31.52	9.81	27.11		1.06	0.77
	TOTAL / AVE. TANGA		3.19	1.85	49,104,457	11%	43,830,343	2%	42,950,800	17.24	31.36	10.14	29.50		1.08	0.79
Fripp 645MS	Measured	Upper	2 99	1.90	7,886,915	10%	7,098,224	2%	6,956,200	13.75	30.82	11.61	30.90		1.13	0.74
		Middle Upper	4.18	1.76	13,879,402	10%	12,491,462	2%	12,241,600	18.13	31.31	10.38	30.06		1.30	0.57
		Middle Low er	2.49	1.87	9,555,059	10%	8,599,553	2%	8,427,500	25.54	31.10	10.78	29.88		1.28	0.59
		Bottom Upper	4 00	1.80	15,296,993	10%	13,767,294	2%	13,491,900	22.95	31.67	9 08	29.51		1.03	0.64
		Bottom Low er	4.41	1.89	17,955,068	10%	16,159,561	2%	15,836,300	17.68	31.71	9 36	29.13		0.99	0.62
	TOTAL / AVE. MEASURED		3.81	1.84	64,573,437	10%	58,116,093	2%	56,953,500	19.71	31.42	10.00	29.75		1.13	0.62
	Indicated	Upper	2 89	2.05	5,378,242	15%	4,571,506	2%	4,480,000	12.84	31.12	11.00	29.11		1.12	0.57
		Middle Upper	3 89	1.77	4,628,826	15%	3,934,502	2%	3,855,000	17.08	31.35	10.23	29.54		1.22	0.48
		Middle Low er	2 22	1.82	2,677,416	15%	2,275,804	2%	2,230,000	27.54	31.07	10.88	29.43		1.30	0.54
		Bottom Upper	4.17	1.80	4,984,745	15%	4,237,033	2%	4,152,000	21.08	31.54	9 31	28.97		1.01	0.69
		Bottom Low er	5 06	1.92	8,030,938	15%	6,826,297	2%	6,689,000	17.31	31.66	9.44	29.53		0.99	0.65
	TOTAL / AVE. INDICATED		3.93	1.89	25,700,167	15%	21,845,142	2%	21,406,000	18.13	31.41	10.03	29.32		1.09	0.60
	Inferred	Upper	2 92	2.15	1,303,038	20%	1,042,430	2%	1,020,000	12.75	31.27	10.54	28.49		1.14	0.40
		Middle Upper	2.72	1.79	27,006	20%	21,605	2%	20,000	16.05	31.52	9 81	29.20		1.13	0.34
		Bottom Low er	4 87	2.09	74	20%	59	2%	0	20.22	31.93	8 81	31.22		0.98	0.61
	TOTAL / AVE. INFERRED		2.92	2.14	1,330,118	20%	1,064,094	2%	1,040,000	12.81	31.27	10.53	28.50		1.14	0.40
	TOTAL / AVE. FRIPP		3.84	1.86	91,603,722	12%	81,025,330	2%	79,399,500	19.19	31.41	10.01	29.62		1.12	0.61

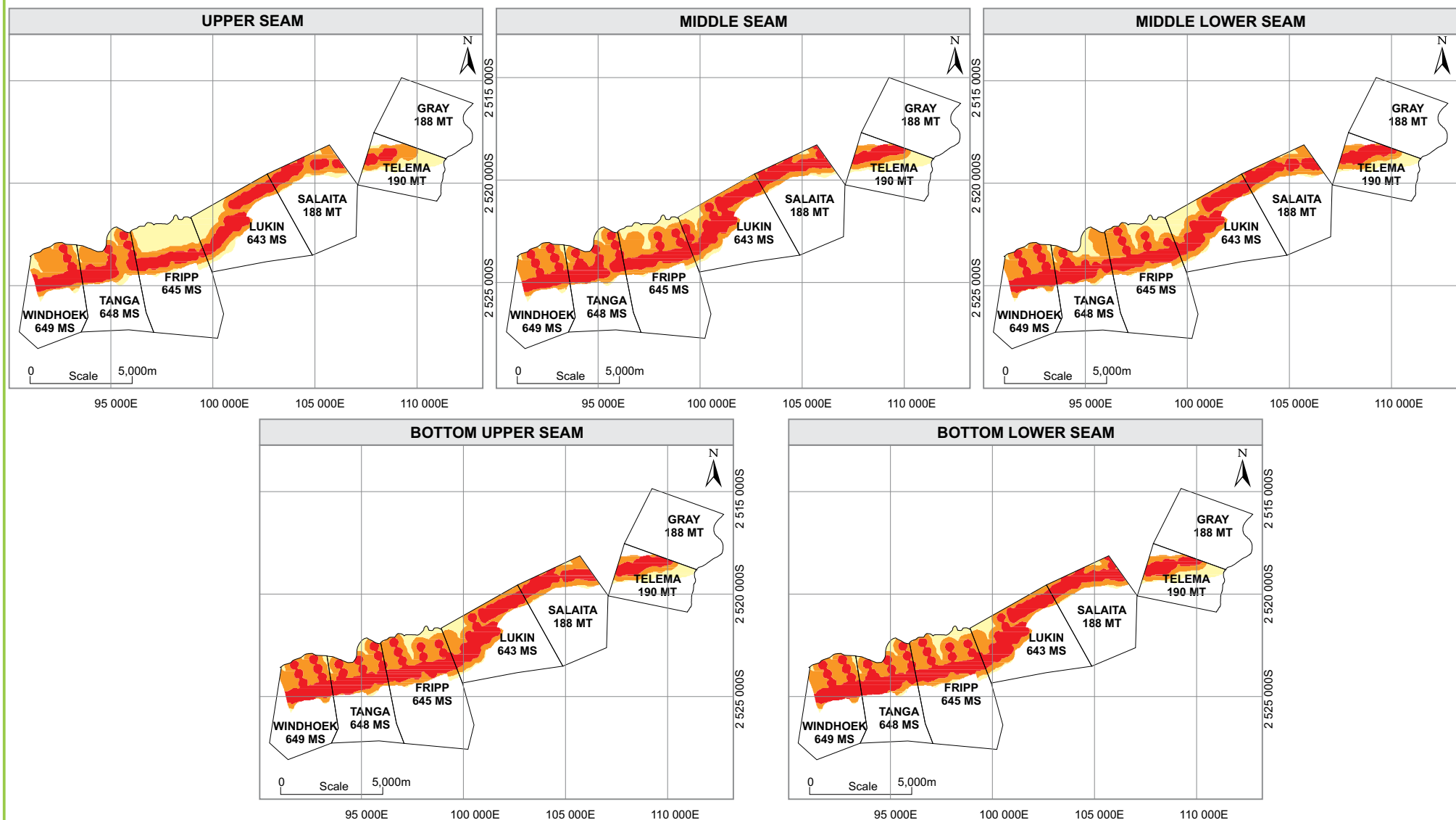
RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR OPENCAST MINING. NO U/G MINING CONSIDERED.
COAL WITH VOLATILE CONTENT <20% EXCLUDED.

FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINEABLE TONNES IN SITU	AIR DRIED WASHED QUALITIES @ RD=1.40						
										YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Lukin 643MS	Measured	Upper	2.57	1.96	11,740,561	10%	10,566,505	2%	10,355,100	10.73	31.44	9.85	29.97		1.24	0.51
		Middle Upper	3.86	1.78	23,184,320	10%	20,865,888	2%	20,448,500	17.51	31.92	8.80	30.40		1.30	0.56
		Middle Low er	2.24	1.88	14,219,768	10%	12,797,791	2%	12,541,800	25.70	31.44	9.98	29.65		1.21	0.52
		Bottom Upper	3.38	1.77	22,441,630	10%	20,197,467	2%	19,793,500	28.28	32.17	8.17	29.71		0.95	0.57
		Bottom Low er	3.68	1.89	27,016,470	10%	24,314,823	2%	23,828,500	17.17	31.77	9.19	29.48		0.94	0.57
	TOTAL / AVE. MEASURED		3.33	1.84	98,602,749	10%	88,742,474	2%	86,967,400	20.24	31.81	9.06	29.83		1.10	0.55
	Indicated	Upper	2.40	2.19	6,618,941	15%	5,626,100	2%	5,513,000	9.56	31.62	9.54	29.97		1.21	0.42
		Middle Upper	3.92	1.83	8,496,711	15%	7,222,204	2%	7,077,000	13.53	32.13	8.32	30.77		1.22	0.50
		Middle Low er	1.98	1.98	5,282,440	15%	4,490,074	2%	4,400,000	20.92	31.41	10.00	29.13		1.21	0.45
		Bottom Upper	3.35	1.76	6,563,429	15%	5,578,915	2%	5,467,000	28.93	32.10	8.34	29.82		0.94	0.50
		Bottom Low er	3.28	1.93	6,983,151	15%	5,935,678	2%	5,816,000	15.16	31.78	9.15	29.57		0.92	0.52
	TOTAL / AVE. INDICATED		3.12	1.93	33,944,672	15%	28,852,971	2%	28,273,000	17.22	31.84	8.99	29.93		1.10	0.48
	Inferred	Upper	2.27	2.30	1,886,602	20%	1,509,282	2%	1,470,000	12.99	31.61	9.58	29.03		1.11	0.54
		Middle Upper	4.08	1.82	101,134	20%	80,907	2%	70,000	15.08	32.05	8.55	30.53		1.18	0.45
		Middle Low er	1.28	2.25	92,247	20%	73,798	2%	70,000	18.98	31.35	10.15	29.01		1.25	0.32
	TOTAL / AVE. INFERRERD		2.34	2.27	2,079,983	20%	1,663,986	2%	1,610,000	13.34	31.62	9.56	29.09		1.12	0.53
	TOTAL / AVE. LUKIN		3.26	1.87	134,627,404	11%	119,259,432	2%	116,850,400	19.42	31.81	9.05	29.84		1.10	0.54
Salaïta 188MT	Measured	Upper	2.43	1.98	6,345,560	10%	5,711,004	2%	5,596,700	8.25	31.69	9.36	30.57		1.20	0.58
		Middle Upper	3.76	1.80	12,799,074	10%	11,519,167	2%	11,288,700	15.47	31.39	9.87	30.10		1.19	0.51
		Middle Low er	2.16	1.90	6,769,873	10%	6,092,886	2%	5,971,000	20.50	31.58	9.66	29.87		1.19	0.41
		Bottom Upper	3.95	1.78	13,750,395	10%	12,375,356	2%	12,127,800	26.22	32.04	8.52	30.40		0.96	0.52
		Bottom Low er	3.68	1.90	14,344,298	10%	12,909,868	2%	12,651,600	18.37	32.01	8.62	30.24		0.89	0.48
	TOTAL / AVE. MEASURED		3.45	1.86	54,009,200	10%	48,608,280	2%	47,635,800	18.76	31.78	9.11	30.24		1.05	0.50
	Indicated	Upper	2.43	2.10	3,299,411	15%	2,804,499	2%	2,748,000	8.05	32.12	8.35	30.78		1.12	0.53
		Middle Upper	4.02	1.77	2,586,836	15%	2,198,811	2%	2,154,000	16.01	31.60	9.56	30.21		1.07	0.49
		Middle Low er	1.71	2.00	1,666,499	15%	1,416,524	2%	1,388,000	18.06	31.53	9.77	28.27		1.15	0.52
		Bottom Upper	3.99	1.86	5,085,186	15%	4,322,408	2%	4,235,000	19.46	32.22	8.07	30.72		0.97	0.54
		Bottom Low er	3.83	1.95	5,879,078	15%	4,997,216	2%	4,897,000	15.31	32.12	8.37	30.49		0.89	0.55
	TOTAL / AVE. INDICATED		3.49	1.93	18,517,010	15%	15,739,459	2%	15,422,000	15.50	32.02	8.58	30.37		1.00	0.53
	Inferred	Upper	2.63	1.99	89,535	20%	71,628	2%	70,000	7.79	32.39	7.73	31.58		0.99	0.50
		Middle Low er	0.55	2.23	19,706	20%	15,765	2%	10,000	15.09	30.41	12.40	29.63		1.22	0.24
		Bottom Upper	4.95	2.05	1,980	20%	1,584	2%	0	4.03	32.94	6.30	31.93		0.83	0.78
		Bottom Low er	4.85	2.12	319,538	20%	255,630	2%	250,000	5.84	32.34	7.83	30.28		0.74	0.62
	TOTAL / AVE. INFERRERD		4.18	2.10	430,759	20%	344,607	2%	330,000	6.53	32.29	7.95	30.54		0.81	0.58
	TOTAL / AVE. SALAITA		3.46	1.88	72,956,969	11%	64,692,346	2%	63,387,800	17.40	31.87	8.91	30.29		1.03	0.51
	TOTAL / AVE MAKHADO		3.46	1.86	396,030,963	11%	351,454,350	2%	344,370,700	18.89	31.60	9.55	30.02		1.09	0.64

Notes:

Rounding down of MTIS tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively, may result in computational discrepancies.

MAKHADO, TELEMA AND GRAY - LOCATION AND CLASSIFICATION OF THE MINERAL RESOURCE



LEGEND

Mineral Resource

- Measured (250m radius from borehole with quality data)
- Indicated (500m radius from borehole with quality data)
- Inferred (2,000m radius from borehole with quality data)

The following cutoffs or limits are applied, by CoAL, to the resources:-

- the resource blocks are limited according to the boundaries of the respective NOPRs;
- the resource blocks are limited to the seam sub-crop;
- the resource blocks are limited to the resource extrapolation limits;
- a minimum seam thickness limit of 0.5m is applied prior to the reporting of GTIS;
- a limit of oxidation of 18m, based on the actual results from the bulk sampling pit;
- limit of 20% volatile matter. All material less than 20% volatiles were excluded;
- a limit of 50m around all known geological structures and dykes;
- maximum depth of 200m for opencastable resources in the calculation of MTIS; and
- geological losses of 10%, 15% and 20% are applied to Measured, Indicated and Inferred Resources, respectively, 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. The percentages applied increase with decreasing borehole spacing.

13.11. Mineral Reserve Statement

No mineral reserve statement has been estimated by CoAL for the Makhado Project. This is expected to be issued in conjunction with the results of the Definitive Feasibility Study at the end of 2012.

13.12. Mineral Asset Valuation

Venmyn Deloitte has conducted an independent mineral asset valuation of the Makhado Project, using both the Market Approach and the Cost Approach, as detailed in the sections below.

13.12.1. Cost Approach

Since the value of the Makhado Project is intrinsically linked to its associated mineral resources, the Cost Approach is based on previous expenditure by CoAL on property acquisition, prospecting and development related activities (as explained in Section 9.1), in order to estimate these resources.

Venmyn Deloitte considered the prospectivity of the respective coal properties according to the classification of exploration phases and their associated prospectivity enhancement multipliers (PEM), as illustrated in Table 9, which is Venmyn Deloitte's standard PEM schedule for coal projects.

In order to establish an appropriate PEM, each property was classified with the understanding that each new exploration phase was carried out contingent upon the successful outcome of the preceding phase. In addition, the PEM selected was reviewed taking into consideration proximity to well understood resource areas, drillhole density and a qualitative assessment of the prospects for eventual extraction.

This has allowed Venmyn Deloitte to determine the project value using the Cost Approach. This valuation method aims at assigning the value of the information and the level of geological confidence that has been achieved during the exploration and development activities.

In consideration of Table 9, Venmyn Deloitte consider that PEM's of between 20 and 30 can be applied to the previous acquisition and exploration costs, due to the very advanced stage of project development and the fact that a Feasibility Study is nearing completion.

Table 36 summarises the dynamics of the Cost Approach valuation. This approach results in a value range of between ZAR1,820m and ZAR2,730m using the Cost Approach. Venmyn Deloitte's preferred value using the Cost Approach is the mean value of ZAR2,275m.

Table 36 : Makhado - Cost Approach Valuation

PROJECT	ALLOCATED COAL EXPLORATION AND HISTORICAL PROPERTY ACQUISITION EXPENDITURE (ZARm)	ALLOCATED HISTORICAL DATA ACQUISITION EXPENDITURE (ZARm)	TOTAL (ZARm)	LOWER PEM	UPPER PEM	ALLOCATED CHAPUDI ACQUISITION EXPENDITURE (ZARm)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Makhado	81.05	9.96	91.00	20.00	30.00	0.00	1,820.05	2,730.07	2,275.06
TOTAL	81.05	9.96	91.00	20.00	30.00	0.00	1,820.05	2,730.07	2,275.06

13.12.2. Market Approach

Since Coal Resources have been estimated, by CoAL, for the Makhado Project, Venmyn Deloitte was able to carry out a comparable transaction valuation, using the Market Approach, on the basis that recent market valuations of a similar nature provide a proxy for value. In order to arrive at a reasonable market value with which to compare the respective projects, appropriate recent and historical transactions must form the basis.

Figure 9 summarises Venmyn Deloitte's database of recent unit market valuations within the context of the South African coal market with reference to the respective coal resource and reserve classifications.

All coal zones at the Makhado Project are present, and accessible at relatively shallow depths and all coal resources in this area are amenable to opencast mining.

The comparable transaction value range selected for the valuation of the contributing properties of the Makhado Project has considered the nature of this valuation and the risk factors. Venmyn Deloitte is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the opencastability of the resources;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Resources;
- availability of infrastructure and logistics; and
- the timing of potential exploitation.

The range of values generated, based upon the coal resources quantified by CoAL for the contributing properties of the Makhado Project, is summarised in Table 37 and illustrated in Figure 9.

Table 37 : Makhado - Market Approach Valuation

PROJECT	RESOURCE CATEGORY	MINEABLE TONNES IN SITU (MTIS)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Makhado	Measured	264,982,700	7.00	8.00	1,854.88	2,119.86	1,987.37
	Indicated	76,390,000	3.00	4.00	229.17	305.56	267.37
	Inferred	2,998,000	1.00	2.00	3.00	6.00	4.50
GRAND TOTAL / AVE		344,370,700	6.06	7.06	2,087.05	2,431.42	2,259.23

The value range derived from the Market Approach is between ZAR2,087m (low valuation) and ZAR2,431m (high valuation). This valuation range was calculated from the range of unit values as defined by the Market Approach. The value range reflects the level of confidence attached to the respective Coal Resources and the probability of their being brought to account. The population of historic market transactions and valuations provides an indication of reasonability.

Venmyn Deloitte's preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR2,259m for the contributing properties. This results in an average unit value of ~ZAR6.5/t. All defined unit values fall within the so-called 'Limpopo Coalfields Value Curve' defined by Venmyn Deloitte from its transaction database, and plot above the mean trend for this coalfield. This is consistent with its development status (close to completion of a Feasibility Study) and more comparable with other Limpopo Coalfields producing mines such as Grootegeeluk (Waterberg, opencast) and Tshikondeni (Soutpansberg, underground).

The market comparison valuation results were computed using the MTIS coal resources declared, by CoAL, in the Coal Resource Statement due to the greater variability in the beneficiation yields, mineability and mining extraction factors achieved in the different coalfields, especially in the Soutpansberg Coalfields.

The market comparative valuation using GTIS has been disregarded since these results are not comparable and consistent with valuation results expected for these types of coal qualities. In addition, some material included in the GTIS, cannot be mined using the available known technology and hence cannot satisfy the “reasonable prospects of eventual economic extraction”.

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arms length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

13.12.3. Valuation Result

The summary valuation results of the respective valuations carried out are given in Table 38.

Table 38 : Makhado - Mineral Asset Valuation Summary

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Makhado	2,275	2,259	2,259	2,259

There is very close agreement between the preferred Cost Approach and the preferred Market Approach value. However, Venmyn Deloitte places more confidence in the Market Approach valuation as it considers the full resource base and the actual transactions and market values, and allows for a thorough review of the logistical, infrastructural and strategic merits of the project. In addition, Venmyn Deloitte's database provides a comprehensive and reliable benchmark for recent relevant transactions in the coal industry in general, and the Soutpansberg Coalfield in particular. The Cost Approach by contrast relies on a number of cost allocation assumptions on which Venmyn Deloitte places less reliance.

Venmyn Deloitte consequently considers that the 'Fair Value' of the Makhado Project is reflected by the Market Approach valuation. Since CoAL has a 100% interest in the Makhado Project, Venmyn Deloitte considers that the attributable 'Fair Value' of the Makhado Project is **ZAR2,259m**.

The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the full range in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

14. Telema and Gray

The farms Telema 190MS and Gray 189MT lie adjacent to the Makhado Project and comprise part of the Makhado Extension Project. The farms are at an advanced stage of exploration and host coking coal resources (Figure 46).

14.1. Location

The farms Telema 190MS and Gray 189MT are situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 46 and Figure 47). The nearest town is Louis Trichardt, situated approximately 35km to the south of the farms. The town of Musina is located approximately 50km north and the village of Musekwa is located on the farm Telema 190MS.

14.2. Infrastructure

The project is well situated with respect to the major infrastructural aspects of rail, road and power.

The railway linking Gauteng (in South Africa) and Zimbabwe occurs approximately 40km to the west of the westernmost boundary of the project area (Figure 47). CoAL has negotiated the rights to the Huntleigh Siding, located approximately 40km to the west of the project area.

Eskom grid powerlines pass approximately 15 km to the west of the project area (Figure 47). Water for drilling can be sourced from the Nzhelele River.

Due to the fact that Telema and Gray is still at an exploration stage, details on the availability and requirements of power, water, tailings disposal and other infrastructural items have not been investigated in detail and is therefore not reported upon in this document. Telema and Gray will, however, benefit from the mining infrastructure being considered and being put in place for the adjacent Makhado Project, a distance of less than 10km away to the west.

14.3. Mineral Tenure

Coal's wholly owned subsidiary, Regulus, holds the NOPRs on the farms Telema 190MS and Gray 189MT, by virtue of an Exchange of Prospecting Rights Agreement between CoAL, Regulus, Chapudi Coal and KME, otherwise known as the Farm Swap Agreement. The renewed NOPR on Telema 190MS will expire on the 18th April 2013, while the renewed NOPR on Gray 189MS will expire on the 13th June 2013.

The rights relating to the farms Telema 190MS and Gray 189MT are summarised in Table 39 and their locations are graphically presented in Figure 47.

14.4. Geological Setting

14.4.1. Regional Geology

The Telema and Gray are situated within the Mopane Sector of the Greater Soutpansberg Coalfield (Figure 49). The reader is referred to Section 13.4.1 on the regional geology of this coalfield, as described for the Makhado Project.

14.4.2. Local Geology

Within Telema and Gray, a number of seams occur within a 30m to 40m thick carbonaceous zone of the Madzaringwe Formation. Six potential mining horizons or seams have been identified by CoAL and include the Upper Seam, Middle Upper Seam, Middle Lower Seam, Bottom Upper Seam, Bottom Middle Seam and Bottom Lower Seam (Figure 51). 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.

All seams comprise interbanded carbonaceous mudstones and coal dipping approximately 12°N. The coal component is usually bright and brittle and contains a high proportion of vitrinite.

Table 39 : Telema & Gray - Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Telema & Gray	Gray 189MT	Whole farm	1,200.00	Kwezi Mining Exploration (Pty) Ltd	Prospecting	LP 30/1/1/2/48 PR	14/06/2006	13/06/2010	Yes	13/06/2013	No
	Telema 190MS	Whole farm	931.00	Sekoko Coal (Pty) Ltd	Prospecting	LP 30/5/1/1/2/161 PR	19/04/2005	18/04/2010	Yes	18/04/2013	No
TOTAL TELEMA & GRAY			2,131.00								

The frequency of smaller scale faulting is not well understood. The frequency of dolerite dykes is unknown; however, examination of aeromagnetic data (Figure 51) 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.

14.5. Historical Exploration

The Soutpansberg Coalfield was extensively explored by Iscor in the 1970s and 1980s. The reader is referred to a description of this work in Section 13.5 on Makhado. Of these boreholes, a total of 38 diamond core boreholes were drilled by Iscor within the Telema and Gray area. The exploration is summarised in Table 40 and the location of those boreholes is indicated on Figure 52. The reader should be aware that the focus of the ISCOR's exploration programme (an additional 278 boreholes) was on the adjacent farms, which now comprise CoAL's Makhado Project.

No historical mining has taken place within the Telema and Gray area.

14.6. Recent Exploration

Recent exploration has only been conducted, within the Telema and Gray area, by Rio Tinto. The data from two diamond cored boreholes, drilled by Rio Tinto, were provided to CoAL as part of a previous Farm Swap Agreement in October 2009. The exploration is summarised in Table 40 and the location of those boreholes is indicated on Figure 52.

14.6.1. Remote or Geophysical Exploration

CoAL commissioned EPA to conduct a photographic/LIDAR survey in 2008 over the properties it held at that time. This survey was flown in a fixed wing aircraft and provided ground elevation data to a 15cm vertical and 30cm horizontal accuracy.

In March 2008, Fugro Geophysics (Pty) Limited (Fugro) conducted helicopter-borne, aerial magnetic and radiometric surveys. The line spacing was 50m with a nominal sensor ground clearance of 15m to 25m.

In July 2010, Fugro conducted a LIDAR survey over all the Makhado Project properties, subsequent to the Section 11 transfer of the properties previously held by Rio Tinto. CoAL acquired aeromagnetic data in Geosoft® format for the property Gray 189MS from Rio Tinto in 2010.

14.6.2. Diamond Drilling

Details of the diamond drilling methods used by Rio Tinto are not available and the core recoveries are unknown.

Samples collected by Rio Tinto were allotted numbers corresponding to one of 55 recognised sub-seams or sections. Not all seams were sampled and the detailed sampling protocol is unknown. Samples from the Rio Tinto drilling campaign were analysed at ALS Brisbane (ISO 17025 accredited). Products were returned to South Africa for petrographic analysis.

14.6.3. Down the Hole Geophysics / Wireline Logging

Downhole geophysical surveys were conducted on the Rio Tinto boreholes and included calliper, natural gamma, long and short-spaced density, magnetic susceptibility, resistivity, long and short-spaced neutron, directional survey and acoustic televiewer data.

14.6.4. Bulk Sampling

No bulk sampling has been conducted within the Telema and Gray area.

14.7. Orebody Modelling

The latest model was prepared by Mr. J. Sparrow (Pr.Sci.Nat.), CoAL's Competent Person, as at 31st August 2011. The model was prepared in conjunction with the adjacent Makhado Project in Minex™ Software and takes into account all available historical and recent drilling and other geological information to this date. There is no change to this model as at 30th September 2012.

Table 40 : Telema and Gray - Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	QUALITY RESULTS	LABORATORY RESULTS	USED IN MODEL
Pre 2008	Iskor	Telema 190MT & Gray 189MT	Early exploration and resource estimation.	Unknown	Unknown	Diamond core	NQ	Various	38	No	All	Yes	Iskor Laboratories	Yes
2006 -2007	Rio Tinto	Gray 189MT	Resource estimation.	Unknown	Unknown	Diamond core	PQ3	D Hirstov	2	Yes	All	Yes	ALS Brisbane	No
TOTAL									40					

Venmyn Deloitte has reviewed the CoAL model and interviewed Mr. J. Sparrow (Pr.Sci.Nat.) concerning his methods of modelling. Venmyn Deloitte has also independently plotted the graphical distribution of the boreholes in Geosoft Target and Micromine and verified the results of the seam thickness variations and resultant volume calculations. Venmyn Deloitte is satisfied with the integrity and results of the model. Both CoAL and Venmyn Deloitte has a high level of confidence with respect to the current model and the associated resource estimates.

Given the location of reliable borehole data, an orebody model has only been constructed, by CoAL, on the farm Telema 190MT.

Both the physical and quality parameters of the various seams were modelled. Grids with a 20m mesh were estimated using the MinexTM general purpose gridding function using a 2.5km search radius. The model of the physical parameters of the seam was cut along any significant structures, whilst the quality parameters were modelled across it. All physical and quality parameters were plotted and visually inspected to ensure they were acceptable for geological interpretation.

Although the full suite of parameters was modelled, Venmyn Deloitte has only included the results of the coal thickness estimation in Figure 53 of this report. For the full details of this review and the physical and quality results the reader is referred to the 2011 CPR independently prepared by Venmyn Deloitte and published by CoAL.

14.8. Proposed Mining and Processing

Due to the stage of development of Telema and Gray, no detailed investigations have been carried out on the potential mining and processing of the deposit. However, this project will be considered as an extension to the Makhado Project and is most likely to utilise this infrastructure. Upon considering the depth from surface of the coal zones, any future mining is expected to be mostly opencast, with limited additional underground methods.

The Telema and Gray coal is most likely to yield a hard coking coal product and it is envisaged that the coal may be treated through an extension to the Makhado Plant.

14.9. Mineral Resource Statement

The Coal Resources for Telema & Gray were estimated and signed off by CoAL's Competent Person, Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist, as at 30th September 2012 in accordance with the JORC Code and the Australian Guidelines. The resource statement is presented in Table 41. The tonnages are based upon the 31st August 2011 geological model, and represents no change from that date to 30th September 2012.

The CoAL resource statement has been independently verified by Venmyn Deloitte's Competent Person in accordance with the JORC Code and the Australian Guidelines. Venmyn Deloitte's Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No. 400049/02) and a longstanding member of the Australian Institute of Mining and Metallurgy (AusIMM). She has over 20 years experience in the mineral resources industry.

The classification into the various resource categories, by CoAL, is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results. Venmyn Deloitte is confident that the logging, sampling, data density and distribution are suitable for the Coal Resource estimation. The location of the resources in relation to the mineral rights boundary is illustrated in Figure 54.

The Coal Resource Statement, by property, presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant resource tonnages and associated qualities. Table 41 presents the estimated resources and qualities for a theoretical washed coal product (RD=1.4) with an ash content of approximately 10%. Only opencast resources have been considered in the reporting of MTIS.

All boreholes with seam intersection data were used, by CoAL, to generate the physical seam models on which the estimates of seam volumes were based. The volume of the various seam resources were estimated using the MinexTM model of the seam thickness.

Table 41 : Telema and Gray – Coal Resource Statement (30th September 2012)

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS

FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	AIR DRIED WASHED QUALITIES @ RD=1.40						
								YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Telema 190MT	Measured	Upper	1.89	1.99	2,514,692	10%	2,263,200	7.72	31.57	9.65	29.96		1.04	0.69
		Middle Upper	4.20	1.80	9,303,701	10%	8,373,300	14.48	30.43	12.43	29.06		1.12	0.52
		Middle Low er	2.29	1.80	5,897,314	10%	5,307,500	27.10	31.56	9.67	28.15		1.06	0.62
		Bottom Upper	5.01	1.75	13,083,456	10%	11,775,100	29.47	31.83	9.02	27.86		0.85	0.63
		Bottom Low er	4.32	1.95	11,445,691	10%	10,301,100	20.53	31.83	9.01	29.55		1.12	0.51
	TOTAL / AVE. MEASURED		4.09	1.84	42,244,854	10%	38,020,200	22.12	31.47	9.90	28.75		1.02	0.58
	Indicated	Upper	1.98	2.13	2,668,764	15%	2,268,000	5.64	31.73	9.29	30.25		1.03	0.57
		Middle Upper	3.75	1.78	3,692,748	15%	3,138,000	15.14	30.54	12.16	29.03		1.14	0.49
		Middle Low er	2.29	1.79	3,894,195	15%	3,310,000	28.83	31.52	9.79	28.11		1.13	0.70
		Bottom Upper	4.97	1.74	9,130,168	15%	7,760,000	30.38	31.80	9.11	27.77		0.89	0.63
		Bottom Low er	4.23	1.98	10,195,277	15%	8,665,000	19.31	31.92	8.79	29.71		1.20	0.56
	TOTAL / AVE. INDICATED		3.97	1.87	29,581,152	15%	25,141,000	22.23	31.64	9.49	28.86		1.07	0.59
	Inferred	Upper	2.18	2.05	369,507	20%	290,000	6.86	32.21	8.15	30.26		0.94	0.57
		Middle Low er	2.92	1.66	1,260,302	20%	1,000,000	44.81	31.28	10.38	27.31		1.34	1.01
		Bottom Upper	4.49	1.68	3,319,263	20%	2,650,000	36.18	31.99	8.64	28.63		1.17	0.72
		Bottom Low er	4.58	1.98	7,352,156	20%	5,880,000	19.63	32.25	8.03	30.55		1.54	0.76
	TOTAL / AVE. INFERRED		4.30	1.87	12,301,228	20%	9,820,000	26.28	32.08	8.44	29.69		1.40	0.77
TOTAL / AVE TELEMA & GRAY			4.08	1.85	84,127,234	13%	72,981,200	22.72	31.61	9.56	28.92		1.09	0.61

Notes:

Rounding down of TTIS tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred.
No resources have been estimated on Gray 188MT.

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR OPENCAST MINING. NO U/G MINING CONSIDERED.
COAL WITH VOLATILE CONTENT <20% EXCLUDED.

AIR DRIED WASHED QUALITIES @ RD=1.40										AIR DRIED WASHED QUALITIES @ RD=1.40						
FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINEABLE TONNES IN SITU	YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	TOTAL SULPH. (%)	MOIST. (%)
Telema 190MT	Measured	Upper	1.89	1.99	2,514,692	10%	2,263,223	2%	2,217,900	7.72	31.57	9.65	29.96		1.04	0.69
		Middle Upper	4.20	1.80	9,303,701	10%	8,373,331	2%	8,205,800	14.48	30.43	12.43	29.06		1.12	0.52
		Middle Low er	2.27	1.79	5,591,880	10%	5,032,692	2%	4,932,000	27.98	31.53	9.75	28.81		1.06	0.60
		Bottom Upper	5.03	1.75	12,233,712	10%	11,010,341	2%	10,790,100	30.59	31.82	9.04	28.65		0.87	0.61
		Bottom Low er	4.32	1.95	11,445,691	10%	10,301,122	2%	10,095,000	20.53	31.83	9.01	29.55		1.12	0.51
	TOTAL / AVE MEASURED		4.09	1.84	41,089,676	10%	36,980,708	2%	36,240,800	22.39	31.45	9.93	29.10		1.03	0.57
	Indicated	Upper	1.98	2.13	2,668,764	15%	2,268,449	2%	2,223,000	5.64	31.73	9.29	30.25		1.03	0.57
		Middle Upper	3.75	1.78	3,692,748	15%	3,138,836	2%	3,076,000	15.14	30.54	12.16	29.03		1.14	0.49
		Middle Low er	2.29	1.78	3,672,048	15%	3,121,241	2%	3,058,000	29.52	31.51	9.83	28.37		1.13	0.70
		Bottom Upper	4.99	1.73	8,305,104	15%	7,059,338	2%	6,918,000	31.08	31.81	9.08	28.23		0.91	0.63
		Bottom Low er	4.24	1.98	9,544,196	15%	8,112,567	2%	7,950,000	19.68	31.95	8.73	29.85		1.22	0.57
	TOTAL / AVE INDICATED		3.96	1.87	27,882,860	15%	23,700,431	2%	23,225,000	22.43	31.64	9.49	29.10		1.09	0.59
	Inferred	Upper	2.18	2.05	369,507	20%	295,606	2%	280,000	6.86	32.21	8.15	30.26		0.94	0.57
		Middle Low er	2.86	1.66	925,071	20%	740,057	2%	720,000	44.81	31.28	10.38	27.31		1.34	1.01
		Bottom Upper	4.60	1.68	2,435,331	20%	1,948,265	2%	1,900,000	36.18	31.99	8.64	28.63		1.17	0.72
		Bottom Low er	4.79	1.98	5,639,986	20%	4,511,989	2%	4,420,000	19.63	32.25	8.03	30.55		1.54	0.76
	TOTAL / AVE INFERRED		4.43	1.87	9,369,895	20%	7,495,916	2%	7,320,000	25.91	32.09	8.42	29.72		1.40	0.77
TOTAL / AVE TELEMA & GRAY			4.08	1.85	78,342,431	13%	68,177,055	2%	66,785,800	22.79	31.59	9.61	29.17		1.09	0.60

Notes:

Rounding down of MTIS tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively.
No resources have been estimated on Gray 188MT.

The MinexTM modelled average raw density per resource block was used to calculate the tonnage from the volume. The raw density of every sample is measured in the laboratory.

The tonnage is calculated on a block by block basis from the volume multiplied by the average raw density. The resource tonnages are reported according to GTIS, TTIS and MTIS for the Upper Seam, Middle Upper Seam, Middle Lower Seam, Bottom Upper Seam and Bottom Lower Seam. The Bottom Middle Seam is not considered economic and has been excluded from the resource database. The MTIS resources have only considered potential opencastable coal to a maximum depth of 200m.

Each of the quality parameters are modelled in MinexTM and the average quality per block is reported in the Coal Resource Statement. Average raw coal qualities were weighted by GTIS.

The following cutoffs or limits are applied to the resources:-

- the resource blocks are limited according to the boundaries of the respective NOPRs;
- the resource blocks are limited to the seam sub-crop;
- the resource blocks are limited to the resource extrapolation limits;
- a minimum seam thickness limit of 0.5m is applied prior to the reporting of GTIS;
- a limit of oxidation of 18m, based on the actual results from the bulk sampling pit at the Makhado Project;
- limit of 20% volatile matter. All material less than 20% volatiles were excluded;
- a limit of 50m around all known geological structures and dykes;
- maximum depth of 200m for opencastable resources in the calculation of MTIS; and
- geological losses of 10%, 15% and 20% are applied to Measured, Indicated and Inferred Resources, respectively, 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. The percentages applied increase with decreasing borehole spacing.

14.10. Mineral Reserve Statement

As a result of the current stage of development of Telema and Gray, no reserves have yet been declared. Reserves can only be declared once a mining plan has been prepared. This will be undertaken during the next stage of development of the project i.e. at Pre-feasibility Stage.

14.11. Mineral Asset Valuation

Venmyn Deloitte has conducted an independent mineral asset valuation of Telema and Gray, using both the Market Approach and the Cost Approach, as detailed in the sections below.

14.11.1. Cost Approach

Since the value of Telema and Gray is intrinsically linked to its associated mineral resources, the Cost Approach is based on previous expenditure by CoAL on property acquisition, prospecting and development related activities (as explained in Section 9.1), in order to estimate these resources.

Venmyn Deloitte considered the prospectivity of the respective coal properties according to the classification of exploration phases and their associated prospectivity enhancement multipliers (PEM), as illustrated in Table 9, which is Venmyn Deloitte's standard PEM schedule for coal projects.

In order to establish an appropriate PEM, each property was classified with the understanding that each new exploration phase was carried out contingent upon the successful outcome of the preceding phase. In addition, the PEM selected was reviewed taking into consideration proximity to well understood resource areas, drillhole density and a qualitative assessment of the prospects for eventual extraction.

This has allowed Venmyn Deloitte to determine the project value using the Cost Approach. This valuation method aims at assigning a value of the information and the level of geological confidence that has been achieved during the exploration and development activities.

In consideration of Table 9, Venmyn Deloitte consider that PEM's of between 11 and 20 can be applied to the previous acquisition and exploration costs, due to the presence of Measured resources and its proximity to the Makhado Project.

Table 42 summarises the dynamics of the Cost Approach valuation.

This approach results in a value range of between ZAR159m and ZAR289m using the Cost Approach. Venmyn Deloitte's preferred value using the Cost Approach is the mean value of ZAR224m.

14.11.2. Market Approach

Since Coal Resources have been estimated, by CoAL, over Telema and Gray, Venmyn Deloitte was able to carry out a comparable transaction valuation, using the Market Approach, on the basis that recent market valuations of a similar nature provide a proxy for value. In order to arrive at a reasonable market value with which to compare the respective projects, appropriate recent and historical transactions must form the basis.

Figure 9 summarises Venmyn Deloitte's database of recent unit market valuations within the context of the South African coal market with reference to the respective coal resource and reserve classifications.

The comparable transaction value range selected for the valuation of the contributing properties of Telema and Gray has considered the nature of this valuation and the risk factors. Venmyn Deloitte is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the opencastability of the resources;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Resources;
- availability of infrastructure and logistics; and
- the timing of potential exploitation.

The range of values generated, based upon the coal resources quantified, by CoAL, for the contributing properties of Telema and Gray is summarised in Table 43 and illustrated in Figure 9.

The value range derived from the Market Approach is between ZAR165m (low valuation) and ZAR226m (high valuation). This valuation range was calculated from the range of unit values as defined by the Market Approach.

The value range reflects the level of confidence attached to the respective Coal Resources and the probability of their being brought to account. The population of historic market transactions and valuations provides an indication of reasonability.

Table 42 : Telema & Gray - Cost Approach Valuation

PROJECT	ALLOCATED COAL EXPLORATION AND HISTORICAL PROPERTY ACQUISITION EXPENDITURE (ZARm)	ALLOCATED HISTORICAL DATA ACQUISITION EXPENDITURE (ZARm)	TOTAL (ZARm)	LOWER PEM	UPPER PEM	ALLOCATED CHAPUDI ACQUISITION EXPENDITURE (ZARm)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Telema and Gray	11.83	2.64	14.47	11.00	20.00	0.00	159.17	289.41	224.29
TOTAL	11.83	2.64	14.47	11.00	20.00	0.00	159.17	289.41	224.29

Table 43 : Market Approach Valuation

PROJECT	RESOURCE CATEGORY	MINEABLE TONNES IN SITU (MTIS)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Telema and Gray	Measured	36,240,800	3.50	4.50	126.84	163.08	144.96
	Indicated	23,225,000	1.50	2.50	34.84	58.06	46.45
	Inferred	7,320,000	0.40	0.60	2.93	4.39	3.66
GRAND TOTAL / AVE		66,785,800	2.46	3.38	164.61	225.54	195.07

Venmyn Deloitte's preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR195m for the contributing properties. This results in an average unit value of ~ZAR3/t. All defined unit values fall within the so-called 'Limpopo Coalfields Value Curve' defined by Venmyn Deloitte from its transaction database, and plot about the mean trend for this coalfield.

The market comparison valuation results were computed using the MTIS coal resources declared, by CoAL, in the Coal Resource Statement due to the greater variability in the beneficiation yields, mineability and mining extraction factors achieved in the different coalfields especially in the Soutpansberg Coalfields. The market comparative valuation using GTIS has been disregarded since these results are not comparable and consistent with valuation results expected for these types of coal qualities. In addition, some material included in the GTIS, cannot be mined using the available known technology and hence cannot satisfy the "reasonable prospects of eventual economic extraction".

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arms length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

14.11.3. Valuation Result

The summary valuation results of the respective valuations carried out are given in Table 44.

Table 44 : Telema and Gray - Mineral Asset Valuation Summary

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Telema and Gray	224	195	195	195

There is close agreement between the preferred Cost Approach and the preferred Market Approach value. However, Venmyn Deloitte places more confidence in the Market Approach valuation as it considers the full resource base and the actual transactions and market values, and allows for a thorough review of the logistical, infrastructural and strategic merits of the project. In addition, Venmyn Deloitte's database provides a comprehensive and reliable benchmark for recent relevant transactions in the coal industry in general and the Soutpansberg Coalfield in particular. The Cost Approach by contrast relies on a number of cost allocation assumptions on which Venmyn Deloitte places less reliance.

Venmyn Deloitte consequently considers that the 'Fair Value' of Telema and Gray is reflected by the Market Approach valuation. Since CoAL has a 100% interest in Telema and Gray, Venmyn Deloitte considers that the attributable 'Fair Value' of Telema and Gray is **ZAR195m**.

The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the range in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

15. Mount Stuart

The Mount Stuart Project, located within the Soutpansberg Coalfield, is an advanced exploration project which contains coking coal resources. It represents the most advanced area of the Makhado Extension Project.

15.1. Location

The Mount Stuart Project is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 46). The nearest town is Musina, situated approximately 35km to the north of the Mount Stuart Section area. Louis Trichardt is located approximately 40km to the southwest of the project area.

15.2. Infrastructure

The nearest towns of Louis Trichardt and Musina are regional centres and provide modern conveniences, including accommodation and services. The towns are also sources of fuel and labour. The project is well situated with respect to the major infrastructural aspects of rail, road and power.

The railway linking Gauteng (in South Africa) and Zimbabwe occurs approximately 20km to the west of the westernmost boundary of the Mount Stuart Project area (Figure 55). CoAL has negotiated the rights to the Huntleigh Siding, located approximately 20km to the west of the project area.

Eskom grid powerlines traverse the farm Riet 182MT. The powerlines then follow the R525 to the town of Tshipise. The Paradise substation occurs at the village of Ha-Rabali, south of the Mount Stuart Section area (Figure 55). Water for drilling can be sourced from the Nzhelele River.

15.3. Mineral Tenure

The Mount Stuart Project comprises the seven farms namely, Stayt 183MT, Nakab 184MT, Riet 182MT, Schuitdrift 179MT, Mount Stuart 153MT, Ter Blanche 155MT, and Septimus 156MT (Figure 55).

CoAL holds an NOPR on portion 2 and the remaining extent of Mount Stuart 153MT, the farms Nakab 184MT and Septimus 156MT, as well as on portion 1 and the remaining extent of Ter Blanche 155MT, which expired on the 1st October 2011. CoAL applied for a renewal of these rights on the 30th June 2011 and is awaiting approval of the application. These properties form part of the Exchange of Prospecting Rights Agreement between CoAL, Regulul, Chapudi Coal and KME.

CoAL also applied for a renewal of its NOPRs on the farms Stayt 183MT and Riet 182MT, held by its wholly owned subsidiary Limpopo Coal. The right expired on the 15th May 2009 and the DMR is yet to grant the renewal. If the renewal is granted retrospectively, the renewal period would have expired. Webber Wentzel believes that it is unlikely that the DMR will grant the renewal retrospectively.

Through its wholly owned subsidiary Regulul, CoAL holds a NOPR on the farm Schuitdrift 179MT which will expire on the 18th April 2013.

The rights relating to Mount Stuart are summarised in Table 45 and their locations are presented graphically in Figure 55.

15.4. Geological Setting

15.4.1. Regional Geology

Mount Stuart is situated within the Tshipise North Coalfield subdivision of the greater Soutpansberg Coalfield (Figure 49 and Figure 50). The reader is referred to Section 13.4.1 on the regional geology of this coalfield, as described for the Makhado Project.

15.4.2. Local Geology

Mount Stuart 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 (Figure 56). The Karoo strata represented in the project area is underlain by the 10m thick conglomerate-diamictite of the Tshidzi Formation, which can be correlated to the glacial Dwyka tillite in the Main Karoo Basin.

MOUNT STUART - LOCATION IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE

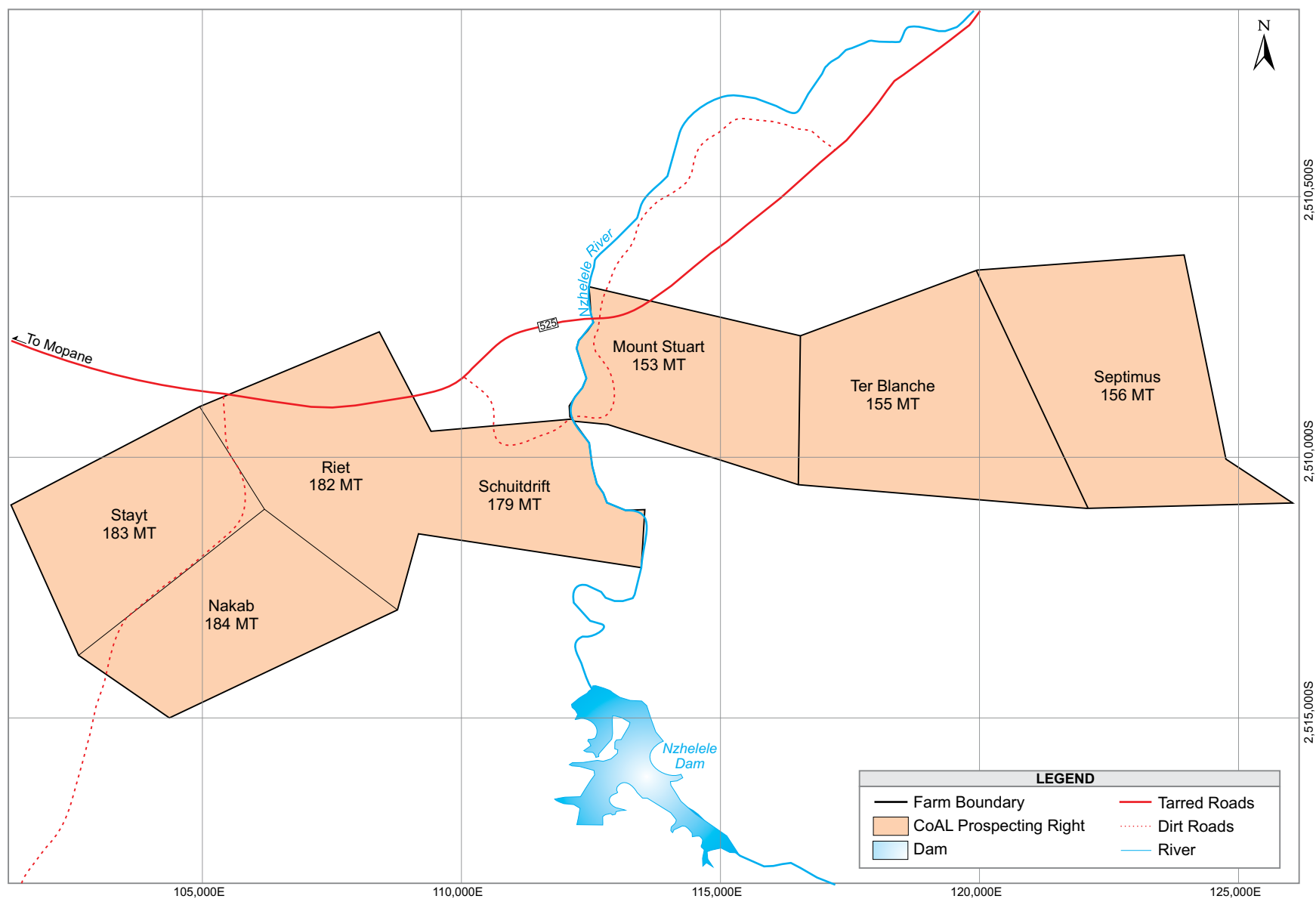
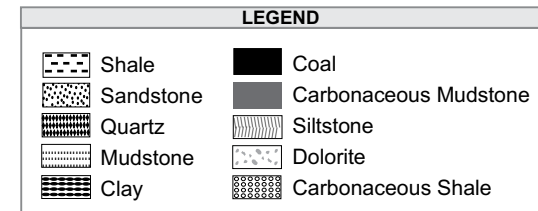
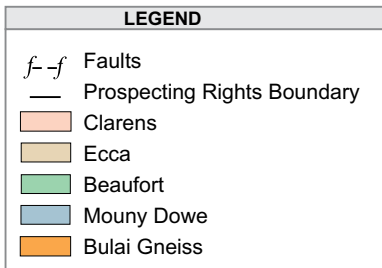
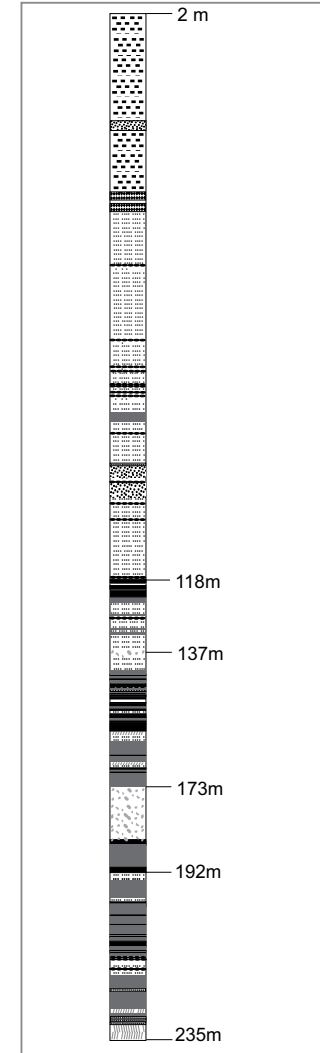
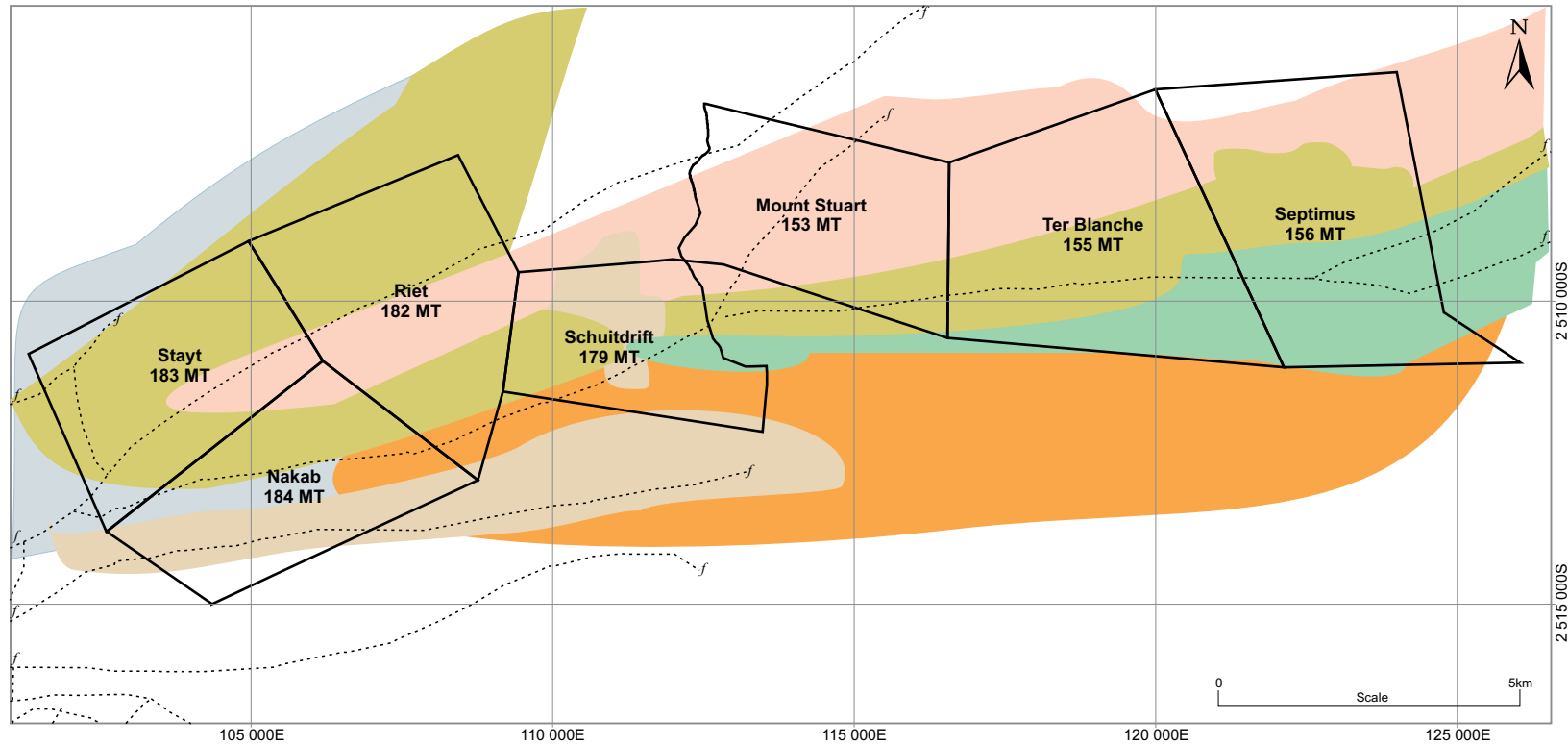


Table 45 : Mount Stuart - Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Mount Stuart	Mount Stuart 153MT	Portion 2 & RE	1,150.00	Coal of Africa (Pty) Ltd	Prospecting	LP 30/5/1/1/2/38 PR	02/10/2006	01/10/2011	No		No
	Nakab 184MT	Whole farm	1,156.00								No
	Septimus 156MT	Whole farm	1,676.00								No
	Ter Blanche 155MT	Portion 1 & RE	1,732.00								No
	Schuitdrift 179MT	Whole farm	868.00	Regulus Investment Holdings (Pty) Ltd	Prospecting	LP 30/5/1/1/2/161 PR	19/04/2005	18/04/2010	Yes	18/04/2013	No
	Riet 182MT	Whole farm	1,354.00	Zingaro Trade 39 (Pty) Ltd	Prospecting	LP 30/5/1/1/2/431 PR	16/05/2006	15/05/2009	No		No
	Stayt 183MT	Whole farm	1,189.00								
TOTAL MOUNT STUART			9,125.00								

MOUNT STUART - LOCAL GEOLOGICAL MAP AND STRATIGRAPHIC COLUMN



The basal unit is overlain by the 190m thick succession of alternating black shale, micaceous sandstone, siltstones and interbedded coal seams of the Madzaringwe Formation. The formations overlying these units are described below, from the Madzaringwe Formation upwards:-

- 140m thick Mikambeni Formation – dark mudstone and shale with subordinate sandstone;
- 60m thick Fripp Formation – coarse feldspathic sandstone bands that form an E-W trending line of low hills;
- 110m thick Solitude Formation – interlayered grey and purple shale with minor sandstone and grit intercalations;
- Klopfontein Formation – resembles the Fripp Formation as coarse feldspathic gritty sandstone; and
- the 300m thick Bosbokpoort Formation – red, very fine sandstone and dark red silty mudstone.

In the Mount Stuart area only four seams of commercial interest have been identified (Upper, Middle Upper, Bottom Upper and Lower seams). No Middle Lower Seam has been identified from the Iscor sample nomenclature.

15.5. Historical Exploration

Between 1975 and 1978, Iscor drilled a total of 238 boreholes, excluding a number of borehole deflections, over the Mount Stuart area. This included four boreholes on the farm Nakab 184MT, 63 boreholes on the farm Mount Stuart 153MT, 143 boreholes on Ter Blanche 155MT and 28 boreholes on the farm Septimus 156MT (Table 46). The location of the holes is indicated on Figure 57. The Iscor boreholes are believed to have been drilled vertically, with deflections drilled on a number of the boreholes.

There is evidence that Iscor also drilled LDD holes, however no specific locality or sampling information is available.

The drilling and sampling protocols used by Iscor are unknown. However, it is assumed that the drilling methods were conventional and pre-date the more efficient triple-tube wireline techniques that are commonly employed today.

It is not known whether the Iscor borehole collars were professionally surveyed. This together with the absence of recent confirmatory drilling, in the resource area, has resulted in all resources within the Mount Stuart resource area being downgraded to the Inferred Category.

The Iscor holes were sampled and sent to their in-house laboratory for analysis. Typically 13 samples were taken from the top to the base of the coal bearing strata, and numbered consecutively in this order. Raw analyses were carried out on the coal samples. Washed analyses were only undertaken at an RD=1.40. Proximate, CV, Roga and Swell Index testwork was carried out.

The Iscor borehole database was acquired in 2007 by CoAL.

15.6. Recent Exploration

Limited recent exploration has been conducted, within the Mount Stuart area, by both Rio Tinto and CoAL.

Data from nine boreholes drilled over the Mount Stuart area, by Rio Tinto, were provided to CoAL as part of the Farm Swap Agreement signed in October 2009. Seven of these boreholes (over Nakab 184MT, Schuitdrift 179MT, Mount Stuart 153MT and Ter Blanche 155MT) were diamond core boreholes, while two (over Nakab 184MT) were percussion boreholes.

MOUNT STUART - LOCATION OF HISTORICAL AND RECENT DRILLING

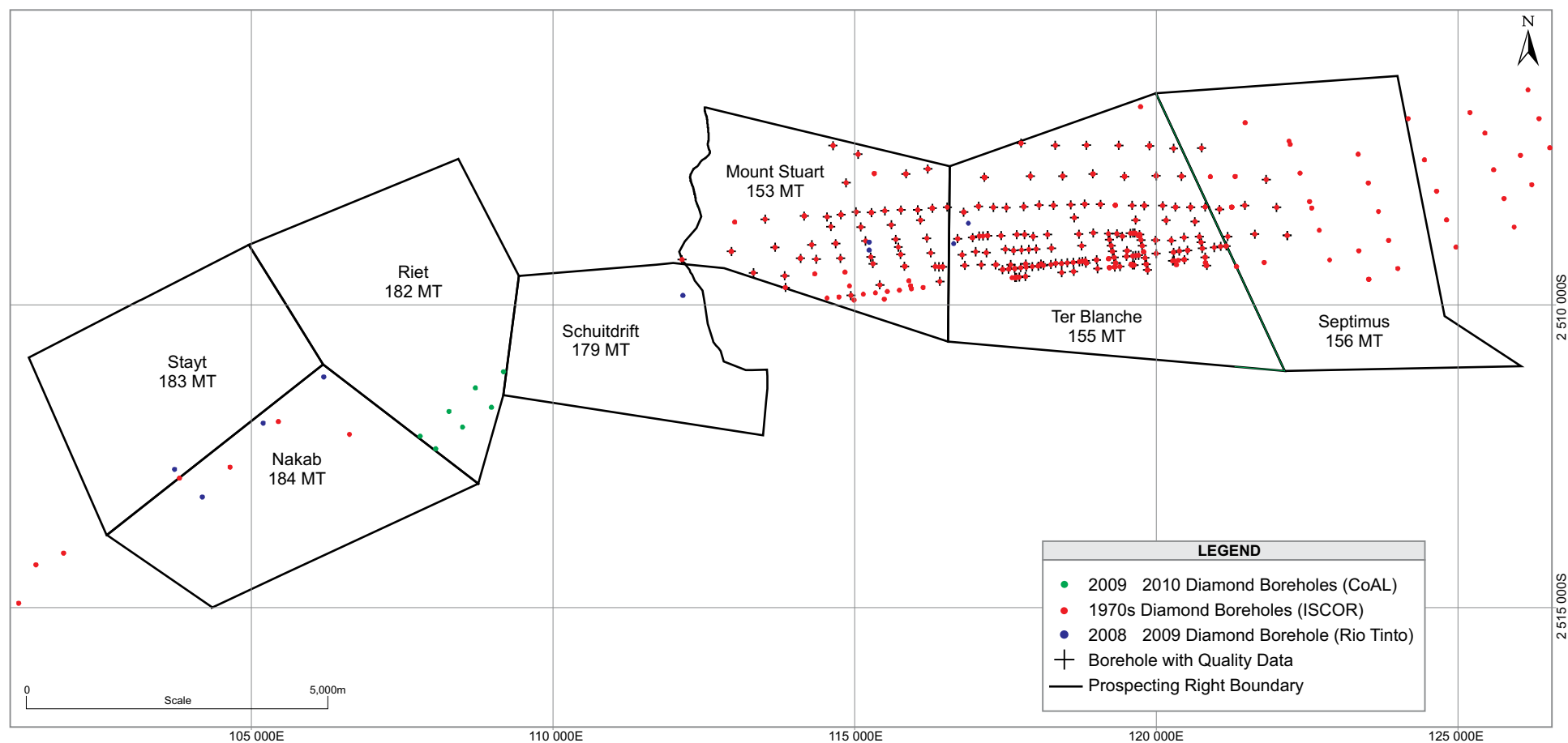


Table 46 : Mount Stuart - Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	QUALITY RESULTS	LABORATORY FOR QUALITY	USED IN MODEL
1975 -1978	Isco	Nakab 184MT, Mount Stuart 153MT, Ter Blanche 155MT and Septimus 156MT	Early exploration and resource estimation.	Unknown.	Unknown.	Diamond core	NQ	Various	238	No	All	Yes	Isco	Yes
2002 -2009	Rio Tinto	Nakab 184MT, Schuitdrift 179MT, Mount Stuart 153MT and Septimus 156MT	Confirmatory drilling.	Unknown.	Unknown.	Diamond core	PQ3	D. Hirstov	7	Yes	All	Yes	ALS Brisbane	No
		Nakab 184MT		Unknown.	Unknown.	Reverse Circulation	8 inch	D. Hirstov	2	Yes	All	Yes		No
2008 - 2010	CoAL	Riet 182 MT	In-fill drilling and Measured Resource definition.	P Mat be and Associates	Unknown.	Diamond core	PQ3	C. Mafiri	7	Yes	All	Yes	Inspectorate	No
TOTAL									254					

Limited exploration drilling by CoAL commenced in 2009 on the farm Riet 182MT, with only seven boreholes having been drilled to-date. The exploration is summarised in Table 46 and the location of those boreholes is indicated on Figure 57.

15.6.1. Remote or Geophysical Exploration

CoAL acquired ground magnetic data over the farm Nakab 184MT and aeromagnetic data over the farm Schuitdrift 179MT from Rio Tinto, as part of the Farm Swap Agreement

15.6.2. Diamond Drilling

Only limited information is available on the Rio Tinto drilling and sampling and the core recoveries are unknown. Samples from the Rio Tinto drilling campaign were analysed at ALS Brisbane (ISO 17025 accredited). Products were returned to South Africa for petrographic analysis.

CoAL's diamond drilling was carried out by Scott Drilling. The geologist responsible for the drilling and sampling was Mr. C. Mafiri (Pr.Sci.Nat). The purpose of the drilling was to look for possible extensions of the Mount Stuart Resource.

Venmyn Deloitte has not independently witnessed the drilling and sampling protocols as no exploration drilling is currently taking place. However, Venmyn Deloitte is confident that the drilling was carried out to the required standard as the drilling programmes have been independently supervised or verified by other reputable consulting companies. Venmyn Deloitte has witnessed CoAL's drilling at other projects in the Soutpansberg and is satisfied that best practise standards are actively employed by the company.

All boreholes were drilled at a core size of PQ3 (83mm) to obtain sufficient sample material for analytical purposes and to reduce core loss. Drilling was undertaken using triple tube techniques in order to minimise core loss. The CoAL drilling contracts demanded a minimum recovery of 98% within coal horizons and 95% in non-coal sediments. CoAL reported that, throughout the exploration drill programmes, every effort was made to achieve maximum core recovery and minimise loss of fines.

Core was transported to the core shed by the drilling contractor, received by the geologist and stacked. In the case of coal intersections, the core was stored in a refrigerated container. When both the core and the geophysical logs were received, the borehole was considered to have been completed. Core recovery within individual coal plies was measured with reference to the geophysical logs and, if found to be acceptable, logging commenced. CoAL did not retain records of core recovery.

Borehole core photography using a hand-held digital camera was initiated in January 2009 and was sporadic until November 2009. Since that time all core has been photographed.

Geotechnical logging has not been undertaken.

On the basis of the Iscor data, CoAL defined seams or selected mining cuts by firstly selecting intervals comprising predominantly coal and then by identifying the sample names associated with those intervals and automatically allocating them to the seam. This process was recently revised for the Iscor boreholes by re-selecting the seam intervals based on a visual assessment of the Iscor hand-written graphic logs. The process was deemed necessary as CoAL geologists were not satisfied that the allocation of sample numbers to seams by Iscor was sufficiently consistent.

CoAL conducted whole core sampling and sample intervals were selected on the basis of the geophysical logs. Samples were numbered from the base upwards and correspond to the same stratigraphic interval in every borehole.

Samples were double-bagged with each bag sealed with cable ties and labelled. Bagged samples were stored in a locked refrigerated container prior to transportation to the laboratory in a closed truck. Samples were sent to Inspectorate's SANAS accredited laboratory in Polokwane (No. T0476).

15.6.3. Percussion or Open Hole Drilling

Two boreholes drilled by Rio Tinto were percussion boreholes. While it is understood that samples were taken every 1m, no other details of the drilling and sampling protocols are available.

15.6.4. Down the Hole Geophysics / Wireline Logging

Downhole geophysical surveys were conducted on all Rio Tinto and CoAL boreholes. Heavy dependence is placed on the geophysical log and a borehole is not considered complete until a geophysical log has been generated. The geophysical logs are used as the basis for identifying, correlating and sampling the coal horizons. A basic suite of tools is run for dual density, natural gamma and calliper measurements.

15.6.5. Bulk Sampling

No recent bulk sampling has been carried out on the Mount Stuart Project.

15.7. Orebody Modelling

The orebody model on Mount Stuart has been prepared by Mr. J. Sparrow (Pr.Sci.Nat), CoAL's Competent Person, as at 31st August 2011. The model was prepared in MinexTM Software. The model takes into account all available historical drilling and other geological information over the resource area (Mount Stuart, Ter Blanche and Septimus) as of the 31st August 2011. There is no change to this model as at 30th September 2012.

Venmyn Deloitte has reviewed the model and interviewed Mr. J. Sparrow (Pr.Sci.Nat) concerning his methods of modelling. Venmyn Deloitte has also independently plotted the graphical distribution of the boreholes and morphology of the seams in Geosoft Target and Micromine and found the results to be satisfactory. Venmyn Deloitte is satisfied with the integrity and results of the model. Both CoAL and Venmyn Deloitte have a reasonable level of confidence with respect to the current model and the associated resource estimates.

A major northeast – southwest trending fault is apparent in the western sector of the farm Mount Stuart 153MT, which has displaced the coal seams (Figure 58). A number of other faults over the area (Figure 56) have not noticeably displaced the coal.

Both the physical and quality parameters of the various seams were modelled, by CoAL, across the area of closely spaced exploration data points (i.e. from Mount Stuart 153MT in the west to Septimus 156MT in the east). Grids with a 25m mesh were estimated using the MinexTM general purpose gridding function using a 3km search radius. The model of the physical parameters of the seam was cut along any significant structures, whilst the quality parameters were modelled across it.

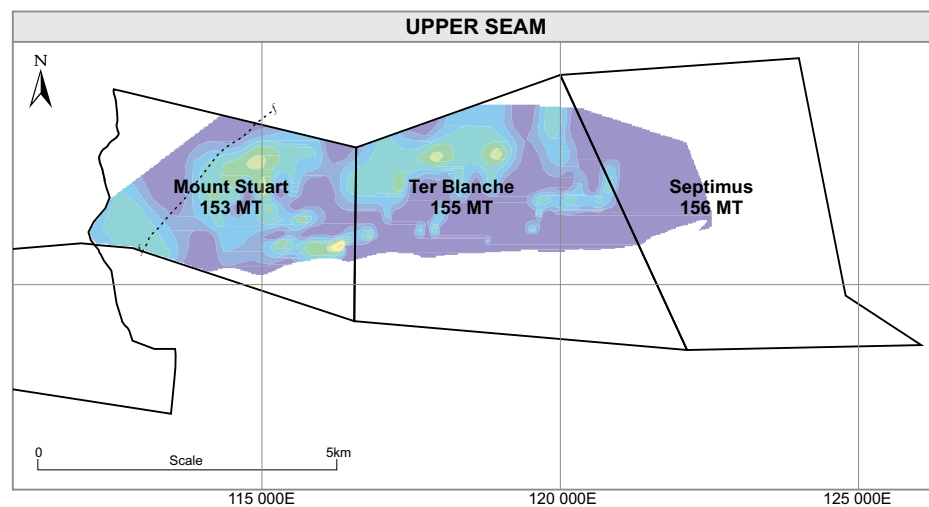
All physical and quality parameters were plotted and visually inspected to ensure they were acceptable from the perspective of geological interpretation. The coal isopach model is presented in Figure 58. For the full details of this review and the physical and quality results the reader is referred to the 2011 CPR independently prepared by Venmyn Deloitte and published by CoAL.

15.8. Proposed Mining and Processing

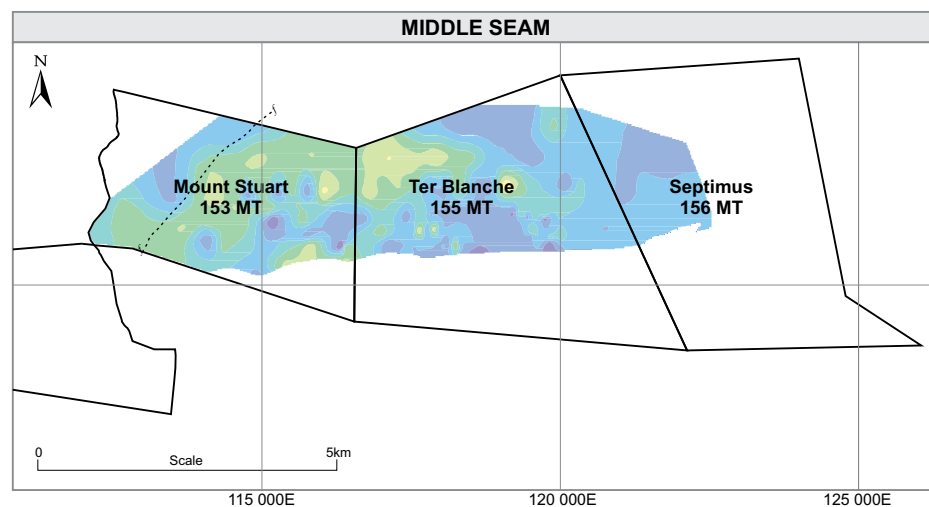
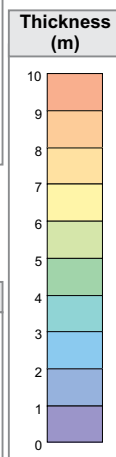
Due to the stage of development of Mount Stuart, no detailed investigations have been carried out on the potential mining and processing of the deposit. However, this project will be considered as an extension to the Makhado Project and is most likely to utilise this infrastructure. Upon considering the depth from surface of the coal zones, any future mining is expected to be mostly opencast, with limited additional underground methods.

The indications are that the Mount Stuart product will be a hard coking coal, based on current geological data and plant assumptions, with RoVmax of 1.2. It is envisaged that the coal may be treated through an extension to the Makhado Plant.

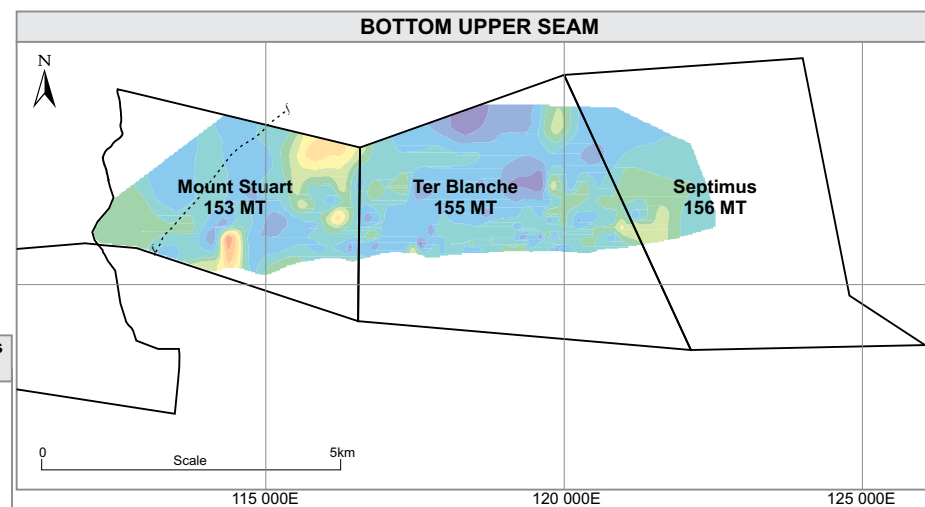
MOUNT STUART - COAL ISOPACH MODEL



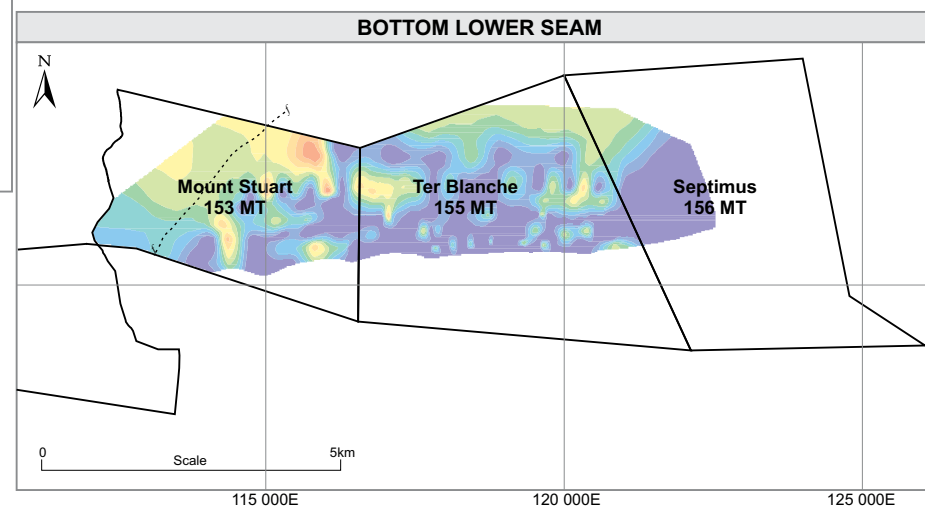
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15.9. Mineral Resource Statement

The Coal Resources for Mount Stuart were estimated and signed off by CoAL's Competent Person, Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist, as at 30th September 2012 in accordance with the JORC Code and the Australian Guidelines. The resource statement is presented in Table 47. The tonnages are based upon the 31st August 2011 geological model, and represents no change from that date to 30th September 2012.

The CoAL resource statement has been independently verified by Venmyn Deloitte's Competent Person in accordance with the JORC Code and the Australian Guidelines. Venmyn Deloitte's Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No. 400049/02) and a longstanding member of the Australian Institute of Mining and Metallurgy (AusIMM). She has over 20 years experience in the mineral resources industry. Venmyn Deloitte is confident that the logging, sampling, data density and distribution are suitable for the Coal Resource estimation.

The classification into the various resource categories, by CoAL, is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results. While cognisance has been taken of the resource categories defined by the JORC Code, all resources have been classified, by CoAL, 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 location of the resources in relation to the mineral rights boundary is illustrated in Figure 59.

A detailed Coal Resource Statement, by property, is available and this presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant resource tonnages and associated qualities. Table 47 presents the estimated resources and qualities for a theoretical washed coal product at an ash content of 10%. Resources have been categorised as Inferred according to JORC Code guidelines. Only opencast resources have been considered in the reporting of MTIS.

The volume of the seams was estimated, by CoAL, using the MinexTM model of the seam thickness, divided into the various farms or blocks. The MinexTM modelled average raw density per resource block was used to calculate the tonnage from the volume. The raw density of every sample is measured in the laboratory. The tonnage is calculated on a block by block basis from the volume multiplied by the average raw density.

Each of the quality parameters were modelled in MinexTM and the average quality per farm is reported in the Coal Resource Statement.

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

- the limit of the NOPRs 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;
- a minimum volatile content of 18% for the calculation of MTIS. This is due to the fact that the rank of the coal at Mount Stuart is significantly higher than at Makhado;
- 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; and
- mining layout losses of 2% were applied prior to the calculation of MTIS.

15.10. Mineral Reserve Statement

As a result of the current stage of development of the Mount Stuart Section, no reserves have yet been declared. Reserves can only be declared once a mining plan has been prepared. This will be undertaken during the next stage of development of the project i.e. at Pre-feasibility Stage.

Table 47 : Mount Stuart – Coal Resource Statement (30th September 2012)**RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS**

FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU
Mount Stuart 153MT	Inferred	Upper	2.46	1.92	33,367,022	20%	26,690,000
		Middle Upper	3.66	1.82	55,499,570	20%	44,390,000
		Bottom Upper	3.73	1.69	52,650,930	20%	42,120,000
		Bottom Low er	4.26	1.93	62,926,086	20%	50,340,000
	TOTAL / AVE. INFERRED		3.55	1.84	204,443,608	20%	163,540,000
TOTAL / AVE. MOUNT STUART			3.55	1.84	204,443,608	20%	163,540,000
Ter Blanche 155MT	Inferred	Upper	2.34	1.96	27,322,124	20%	21,850,000
		Middle Upper	2.86	1.78	48,979,847	20%	39,180,000
		Bottom Upper	2.86	1.64	44,940,267	20%	35,950,000
		Bottom Low er	2.96	1.98	45,126,342	20%	36,100,000
	TOTAL / AVE. INFERRED		2.79	1.82	166,368,580	20%	133,080,000
TOTAL / AVE. TER BLANCHE			2.79	1.82	166,368,580	20%	133,080,000
Septimus 156MT	Inferred	Upper	1.21	1.83	529,443	20%	420,000
		Middle Upper	2.05	1.72	9,665,623	20%	7,730,000
		Bottom Upper	3.56	1.68	17,952,506	20%	14,360,000
		Bottom Low er	3.38	1.93	8,203,068	20%	6,560,000
	TOTAL / AVE. INFERRED		2.88	1.75	36,350,640	20%	29,070,000
TOTAL / AVE. SEPTIMUS			2.88	1.75	36,350,640	20%	29,070,000
GRAND TOTAL / AVE MOUNT STUART			3.13	1.82	407,162,828	20%	325,690,000

AIR DRIED WASHED QUALITIES @ RD=1.40						
YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
2.59		8.02	26.65	64.94	0.98	0.39
9.40		10.64	23.61	65.29	1.00	0.46
21.84		11.06	23.96	64.48	0.78	0.49
3.21		8.49	24.01	66.99	0.84	0.52
9.59		9.66	24.32	65.55	0.89	0.47
9.59		9.66	24.32	65.55	0.89	0.47
2.80		7.15	24.88	67.48	0.89	0.49
14.47		11.43	23.53	64.54	0.93	0.50
29.26		11.52	23.88	64.18	0.73	0.42
2.02		8.04	24.44	66.89	0.73	0.63
13.17		9.83	24.09	65.56	0.81	0.51
13.17		9.83	24.09	65.56	0.81	0.51
1.96		6.31	23.91	68.84	0.88	0.94
14.61		10.30	22.20	67.15	0.95	0.35
22.82		10.42	23.58	65.68	0.76	0.32
2.08		6.90	20.21	72.25	0.73	0.64
15.66		9.53	22.46	67.60	0.81	0.41
15.66		9.53	22.46	67.60	0.81	0.41
11.59		9.72	24.06	65.74	0.85	0.48

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR OPENCAST MINING. NO U/G MINING CONSIDERED. COAL WITH VOLATILE CONTENT <18% EXCLUDED.

FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINING BLOCK LAYOUT LOSSES (t)	MTIS No rounding	MINEABLE TONNES IN SITU
Mount Stuart 153MT	Inferred	Upper	2.33	1.97	6,211,181	20%	4,968,945	2%	99,379	4,869,566	4,860,000
		Middle Upper	3.27	1.79	10,233,374	20%	8,186,699	2%	163,734	8,022,965	8,020,000
		Bottom Upper	3.78	1.75	9,824,154	20%	7,859,323	2%	157,186	7,702,137	7,700,000
		Bottom Low er	2.98	1.96	4,774,622	20%	3,819,698	2%	76,394	3,743,304	3,740,000
	TOTAL / AVE. INFERRED		3.13	1.84	31,043,331	20%	24,834,665	2%	496,693	24,337,972	24,320,000
TOTAL / AVE. MOUNT STUART			3.13	1.84	31,043,331	20%	24,834,665	2%	496,693	24,337,972	24,320,000
Ter Blanche 155MT	Inferred	Upper	1.53	1.94	2,277,591	20%	1,822,073	2%	36,441	1,785,631	1,780,000
		Middle Upper	2.33	1.72	12,759,480	20%	10,207,584	2%	204,152	10,003,432	10,000,000
		Bottom Upper	3.23	1.69	16,182,106	20%	12,945,685	2%	258,914	12,686,771	12,680,000
		Bottom Low er	1.71	1.95	3,054,226	20%	2,443,381	2%	48,868	2,394,513	2,390,000
	TOTAL / AVE. INFERRED		2.52	1.74	34,273,403	20%	27,418,722	2%	548,374	26,870,348	26,850,000
TOTAL / AVE. TER BLANCHE			2.52	1.74	34,273,403	20%	27,418,722	2%	548,374	26,870,348	26,850,000
Septimus 156MT	Inferred	Upper	0.53	1.88	32	20%	26	2%	1	25	
		Middle Upper	2.38	1.72	3,501,716	20%	2,801,373	2%	56,027	2,745,345	2,740,000
		Bottom Upper	4.48	1.68	1,985,775	20%	1,588,620	2%	31,772	1,556,848	1,550,000
		Bottom Low er									
	TOTAL / AVE. INFERRED		2.87	1.71	5,487,523	20%	4,390,018	2%	87,800	4,302,218	4,290,000
TOTAL / AVE. SEPTIMUS			2.87	1.71	5,487,523	20%	4,390,018	2%	87,800	4,302,218	4,290,000
GRAND TOTAL / AVE MOUNT STUART			2.78	1.78	70,804,257	20%	56,643,406	2%	1,132,868	55,510,537	55,460,000

AIR DRIED WASHED QUALITIES @ RD=1.40						
YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
1.82		9.11	27.85	62.64	1.00	0.40
13.12		11.12	24.24	63.96	1.04	0.68
20.51		11.43	24.03	63.93	0.73	0.61
3.20		9.19	24.73	65.63	0.95	0.44
11.67		10.52	24.97	63.94	0.92	0.56
11.67		10.52	24.97	63.94	0.92	0.56
2.57		8.19	27.84	65.14	0.98	0.56
18.94		12.10	25.38	61.61	0.90	0.47
32.22		11.89	24.66	62.69	0.71	0.50
4.43		9.06	26.97	63.63	0.74	0.53
22.83		11.47	25.35	62.53	0.80	0.50
22.83		11.47	25.35	62.53	0.80	0.50
1.62		6.75	25.19	67.05	0.96	1.01
15.63		11.36	23.36	64.88	1.07	0.40
27.63		11.15	24.81	63.38	0.76	0.47
19.97		11.28	23.88	64.34	0.96	0.43
19.97		11.28	23.88	64.34	0.96	0.43
17.72		11.04	25.07	63.29	0.87	0.52

Notes :

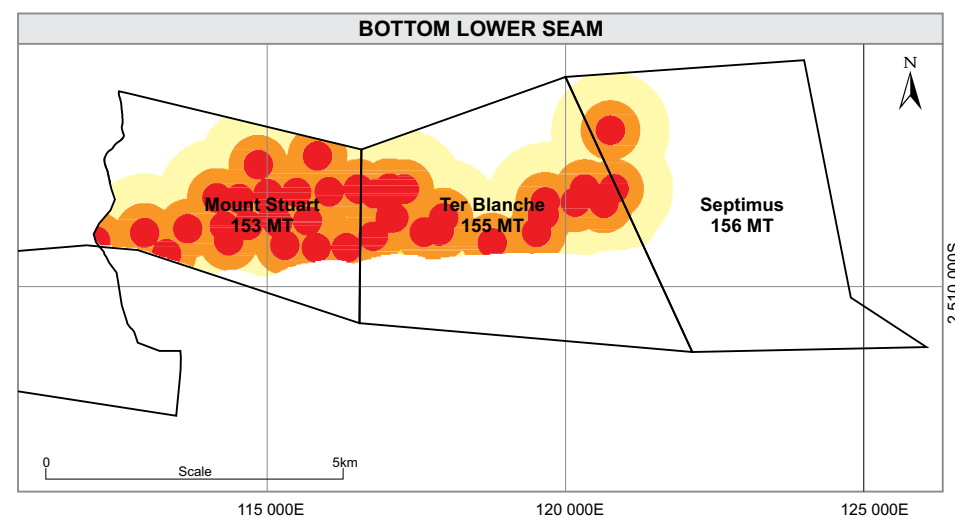
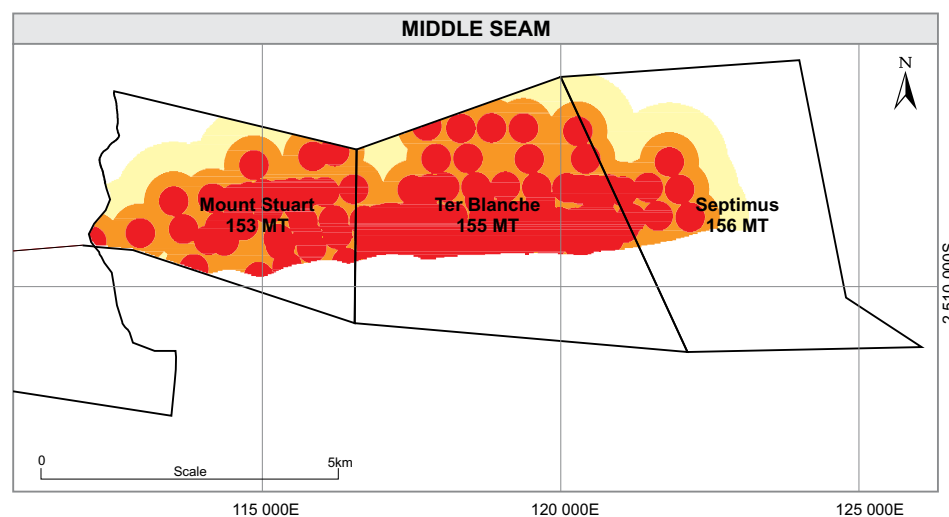
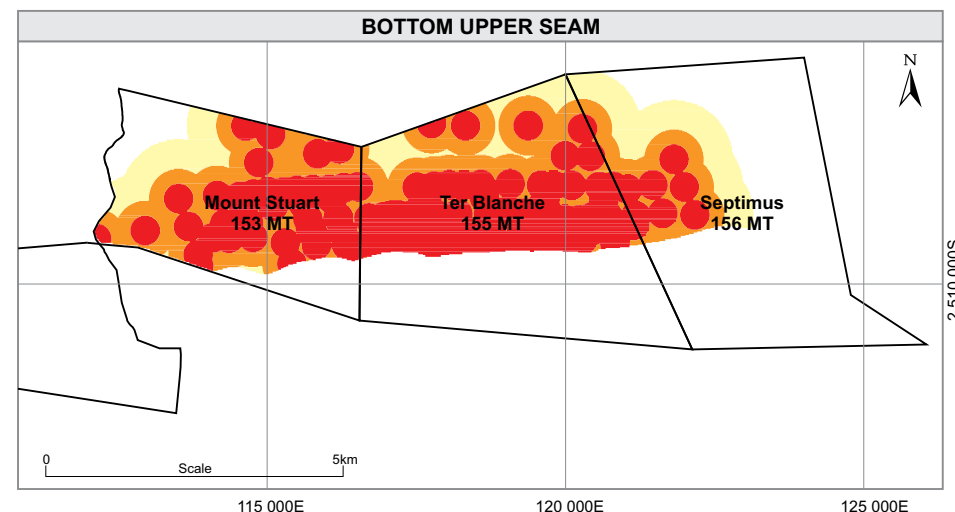
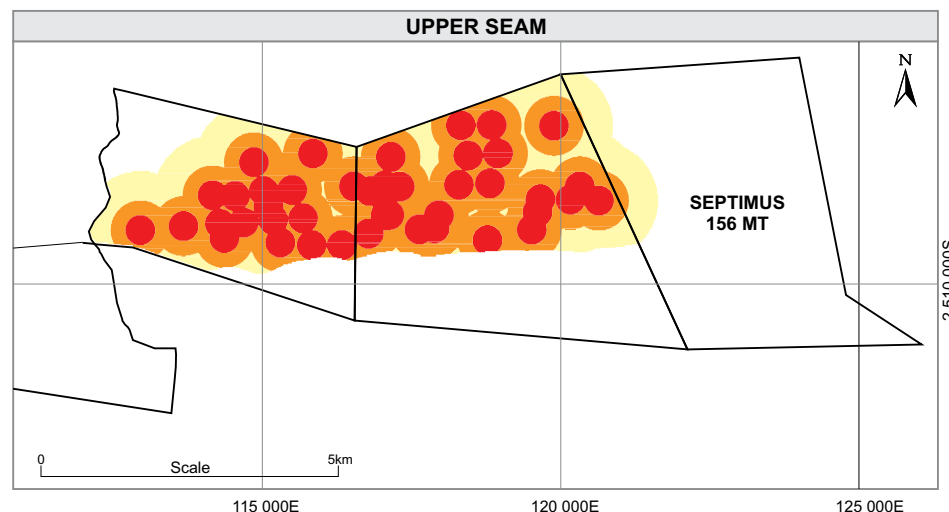
GTIS & TTIS - At minimum seam thickness cutoff of 0.5m.

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.

MOUNT STUART - LOCATION AND CLASSIFICATION OF THE MINERAL RESOURCES



LEGEND

Mineral Resource

- Measured (250m radius from borehole with quality data)
- Indicated (500m radius from borehole with quality data)
- Inferred (2,000m radius from borehole with quality data)
- Prospecting Rights Boundary

Note: All resources downgraded to Inferred Category

15.11. Mineral Asset Valuation

Venmyn Deloitte has conducted an independent mineral asset valuation of the Mount Stuart Project, using both the Market Approach and the Cost Approach, as detailed in the sections below.

15.11.1. Cost Approach

Since the value of Mount Stuart is intrinsically linked its associated mineral resources, the Cost Approach is based on previous expenditure by CoAL on property acquisition, prospecting and development related activities (as explained in Section 9.1), in order to estimate these resources.

Venmyn Deloitte considered the prospectivity of the respective coal properties according to the classification of exploration phases and their associated prospectivity enhancement multipliers (PEM), as illustrated in Table 5, which is Venmyn Deloitte's standard PEM schedule for coal projects.

In order to establish an appropriate PEM, each property was classified with the understanding that each new exploration phase was carried out contingent upon the successful outcome of the preceding phase. In addition, the PEM selected was reviewed taking into consideration proximity to well understood resource areas, drillhole density and a qualitative assessment of the prospects for eventual extraction.

This has allowed Venmyn Deloitte to determine the project value using the Cost Approach. This valuation method aims at assigning a value of the information and the level of geological confidence that has been achieved during the exploration and development activities.

In consideration of Table 9, Venmyn Deloitte considers that PEM's of between 2 and 5 can be applied to the previous acquisition and exploration costs, due to the presence of Inferred Resources. Table 48 summarises the dynamics of the Cost Approach valuation.

This approach results in a value range of between ZAR5m and ZAR14m using the Cost Approach. Venmyn Deloitte's preferred value using the Cost Approach is the mean value of ZAR9m.

15.11.2. Market Approach

Since Coal Resources have been estimated, by CoAL, over the Mount Stuart Project, Venmyn Deloitte was able to carry out a comparable transaction valuation, using the Market Approach, on the basis that recent market valuations of a similar nature provide a proxy for value. In order to arrive at a reasonable market value with which to compare the respective projects, appropriate recent and historical transactions must form the basis.

Figure 9 summarises Venmyn Deloitte's database of recent unit market valuations within the context of the South African coal market with reference to the respective coal resource and reserve classifications.

The comparable transaction value range selected for the valuation of the contributing properties of Mount Stuart has considered the nature of this valuation and the risk factors. Venmyn Deloitte is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the opencastability of the resources;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Resources;
- availability of infrastructure and logistics; and
- the timing of potential exploitation.

Table 48 : Mount Stuart - Cost Approach Valuation

PROJECT	ALLOCATED COAL EXPLORATION AND HISTORICAL PROPERTY ACQUISITION EXPENDITURE (ZARm)	ALLOCATED HISTORICAL DATA ACQUISITION EXPENDITURE (ZARm)	TOTAL (ZARm)	LOWER PEM	UPPER PEM	ALLOCATED CHAPUDI ACQUISITION EXPENDITURE (ZARm)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Mount Stuart	2.71	0.00	2.71	2.00	5.00	0.00	5.42	13.56	9.49
TOTAL	2.71	0.00	2.71	2.00	5.00	0.00	5.42	13.56	9.49

The range of values generated, based upon the coal resources quantified, by CoAL, for the contributing properties of the Mount Stuart Project, is summarised in Table 49 and illustrated in Figure 9.

Table 49 : Mount Stuart - Market Approach Valuation

PROJECT AREA	RESOURCE CATEGORY	MINEABLE TONNES IN SITU (MTIS)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Mount Stuart	Inferred	55,460,000	0.40	0.60	22.18	33.28	27.73
GRAND TOTAL / AVE		55,460,000	0.40	0.60	22.18	33.28	27.73

The value range derived from the Market Approach is between ZAR22m (low valuation) and ZAR33m (high valuation). This valuation range was calculated from the range of unit values as defined by the Market Approach. The value range reflects the level of confidence attached to the respective Coal Resources and the probability of their being brought to account. The population of historic market transactions and valuations provides an indication of reasonability.

Venmyn Deloitte's preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR28m for the contributing properties. This results in an average unit value of ~ZAR0.5/t. All defined unit values fall within the so-called 'Limpopo Coalfields Value Curve' defined by Venmyn Deloitte from its transaction database, and plot about the mean trend for this coalfield.

The market comparison valuation results were computed using the MTIS coal resources declared, by CoAL, in the Coal Resource Statement due to the greater variability in the beneficiation yields, mineability and mining extraction factors achieved in the different coalfields especially in the Soutpansberg Coalfields. The market comparative valuation using GTIS has been disregarded since these results are not comparable and consistent with valuation results expected for these types of coal qualities. In addition, some material included in the GTIS, cannot be mined using the available known technology and hence cannot satisfy the "reasonable prospects of eventual economic extraction".

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arms length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

15.11.3. Valuation Result

The summary valuation results of the respective valuations carried out are given in Table 50.

Table 50 : Mount Stuart - Mineral Asset Valuation Summary

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Mount Stuart	9	28	28	28

The Cost Approach results in a lower value than the Market Approach. This can be explained by the relatively low allocated costs associated with the Mount Stuart Project, and the fact that the resource estimation has benefitted significantly from knowledge gained from other project in the area.

Nevertheless, Venmyn Deloitte places more confidence in the Market Approach valuation as it considers the full resource base and the actual transactions and market values, and allows for a thorough review of the logistical, infrastructural and strategic merits of the project.

In addition, Venmyn Deloitte's database provides a comprehensive and reliable benchmark for recent relevant transactions in the coal industry in general and the Soutpansberg Coalfield in particular. The Cost Approach by contrast relies on a number of cost allocation assumptions on which Venmyn Deloitte places less reliance.

Venmyn Deloitte consequently considers that the 'Fair Value' of the Mount Stuart Project is reflected by the Market Approach valuation. Since CoAL has a 100% interest in the Mount Stuart Project, Venmyn Deloitte considers that the attributable 'Fair Value' of the Mount Stuart Project is **ZAR28m**.

The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the range in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

16. Generaal

The Generaal Project, located within the Soutpansberg Coalfield, is an early-stage exploration project. It represents the least developed section within the Makhado Extension Project.

16.1. Location

The Generaal Project is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 46). The nearest town is Louis Trichardt, situated approximately 30km to the south of the Generaal Section area. Musina is located approximately 40km to the north of the project area.

16.2. Infrastructure

The project is well situated with respect to the major infrastructural aspects of rail, road and power. The railway linking Gauteng (in South Africa) and Zimbabwe occurs approximately 20km to the west of the westernmost boundary of the Generaal area (Figure 60). CoAL has negotiated the rights to the Huntleigh Siding, located approximately 14.5km to the northwest of the project area.

Eskom grid powerlines traverse the centre the project area (Figure 60). Water for drilling can be sourced from farmers' dams.

16.3. Mineral Tenure

The rights relating to Generaal are summarised in Table 51 and their locations are graphically presented in Figure 60. Currently the three NOPRs in respect of the farms or portions of the farms Boas 642MS, Generaal 587MS, Phantom 640MS, Van Deventer 641MS, Coen Britz 646MS and Juliana 647MS are held by KME. These NOPRs will all expire on the 13th June 2013. A single NOPR on the farms Fanie 578MS, Joffre 584MS, Rissik 637MS, Bekaf 650MS, Chase 576MS, Kleinenberg 636MS and Wild Goose 577MS is held by Chapudi Coal and will expire on the 27th May 2013.

16.4. Geological Setting

The Generaal Project is situated within the Tshipise North Coalfield subdivision of the greater Soutpansberg Coalfield (Figure 49).

16.4.1. Regional Geology

The Generaal Project is situated within the Tshipise North Coalfield subdivision of the greater Soutpansberg Coalfield (Figure 49 and Figure 50). The reader is referred to Section 13.4.1 on the regional geology of this coalfield.

16.4.2. Local Geology

The Generaal Project represents a 20km long, east-west striking, up-faulted block within the northern part of the Waterpoort Basin, immediately north of the Makhado Project (Figure 61).

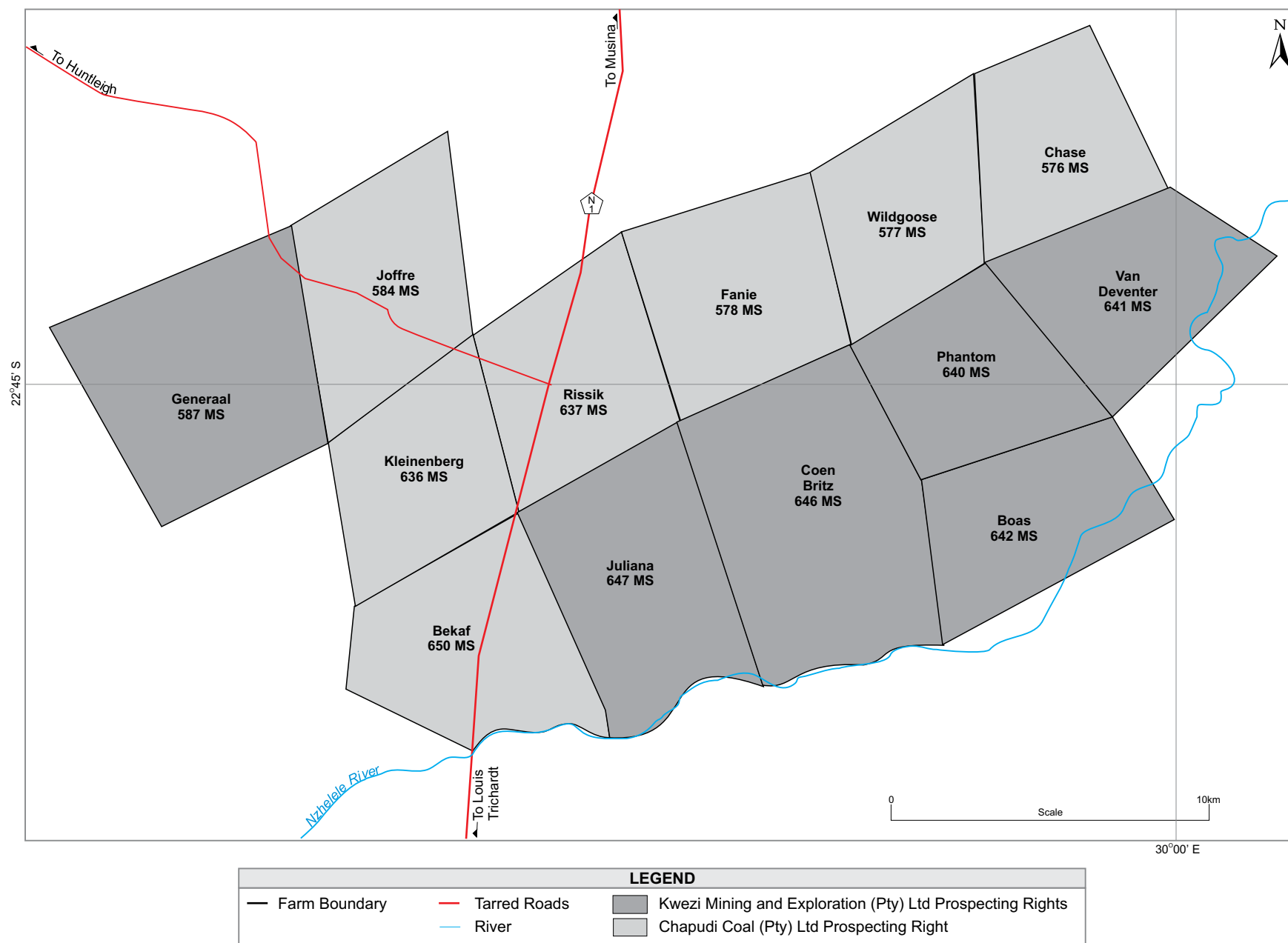
The coal bearing Mikabeni Formation is present within the northern parts of the project area (Figure 61), and contains a thick (20m – 30m) package of heavily stone banded coal units. Within this package, three 'cleaner' coal seams have been identified with average thicknesses of 2.9m – 3.9m. Dips in the area are generally 4°-5°, although the central portion of the block is associated with steeper dips.

16.5. Historical Exploration

Between 1975 – 1982, Iscor drilled a total of 38 boreholes over the Generaal area. The location of the holes is indicated on Figure 62. The Iscor boreholes are believed to have been drilled vertically.

There is evidence that Iscor also drilled LDD holes; however, no specific locality or sampling information is available.

GENERAAL - LOCATION IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE



GENERAAL - LOCAL GEOLOGICAL MAP AND STRATIGRAPHIC COLUMN

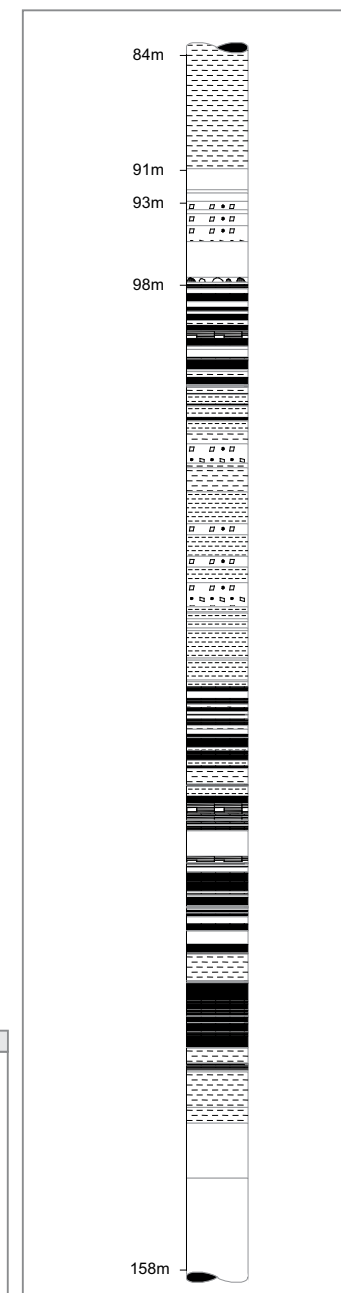
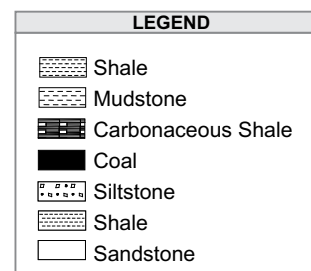
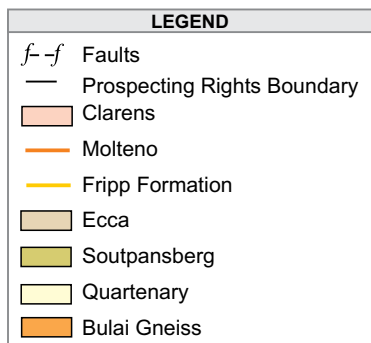
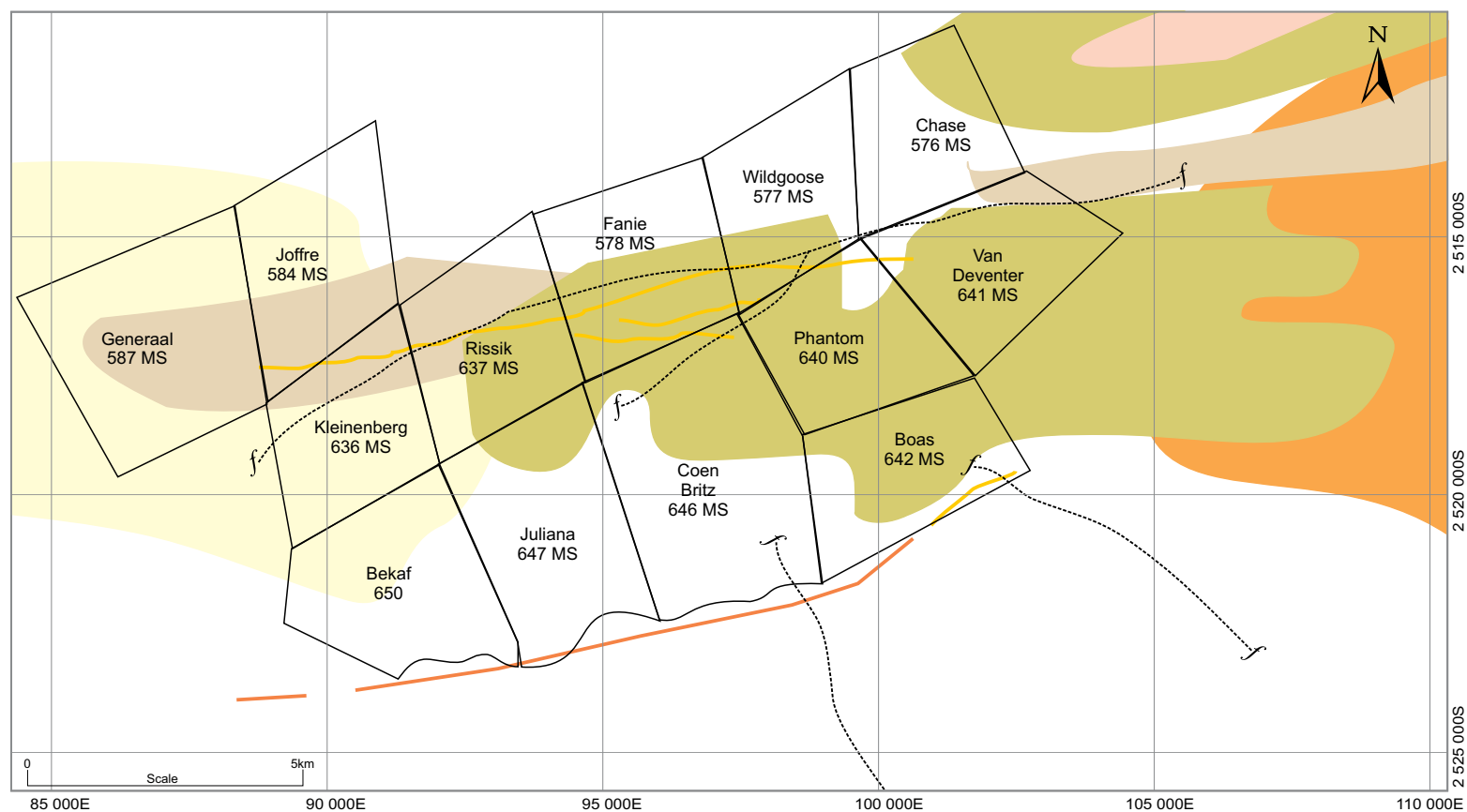


Table 51 : Generaal - Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Generaal	Bekaf 650MS	Whole farm	1,055.00	Chapudi Coal (Pty) Ltd	Prospecting	LP 30/5/1/1/2/676 PR	13/11/2005	15/11/2009	Yes	27/05/2013	No
	Chase 576MS	Whole farm	845.00								
	Fanie 578MS	Whole farm	1,047.00								
	Joffre 584MS	Whole farm	1,010.00								
	Kleinenberg 636MS	Whole farm	886.00								
	Rissik 637MS	Whole farm	827.00								
	Wild Goose 577MS	Whole farm	801.00								
	Boas 642MS	Portion 1 & RE	855.00	Kwezi Mining Exploration (Pty) Ltd	Prospecting	LP 30/5/1/1/2/153 PR	14/06/2006	13/06/2010	Yes	13/06/2013	No
	Coen Britz 646MS	Whole farm	1,669.00		Prospecting	LP 30/5/1/1/2/46 PR	14/06/2006	13/06/2010	Yes	13/06/2013	No
	Generaal 587MS	Portions 1, 2 & RE	1,446.00								No
	Juliana 647MS	Whole farm	1,208.00								No
	Phantom 640MS	Whole farm	870.00								No
Van Deventer 641MS	Whole farm	951.00	No								
TOTAL GENERAAL			13,470.00								

The drilling and sampling protocols used by Iscor are unknown. However, it is assumed that the drilling methods were conventional and pre-date the more efficient triple-tube wireline techniques that are commonly employed today.

It is not known whether the Iscor borehole collars were professionally surveyed.

The Iscor holes were sampled and sent to their in-house laboratory for analysis. Typically 13 samples were taken from the top to the base of the coal bearing strata, and numbered consecutively in this order. Raw analyses were carried out on the coal samples. Washed analyses were only undertaken at an RD=1.40. Proximate, CV, Roga and Swell Index testwork was carried out.

The Iscor borehole database was acquired in 2007 by CoAL. Downhole logging and partial coal quality data is available for 13 of these boreholes.

16.6. Recent Exploration

Rio Tinto drilled five boreholes within the Generaal area on the farms Generaal 587MS, Fanie 578MS and Van Deventer 641MS, as well as two holes on the farm Boas 642MS. No specific details are available regarding Rio Tinto's drilling and sampling protocols, but it is assumed that they implemented the same protocols as discussed for the Chapudi Project. The location of these boreholes is indicated on Figure 62.

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 Project area.

Samples from the Rio Tinto drilling campaign were analysed at ALS Brisbane (ISO 17025 accredited). Products were returned to South Africa for petrographic analysis. Washability and coal quality data has been obtained from all four diamond core boreholes.

Coal rank, across the Generaal area, varies from 0.9 in the west to 1.1 in the east, following the regional trend of rank increase to the east. There is a general high vitrinite content of between 85% -90%. This corresponds well with rank and vitrinite contents established from the historical data.

No specific details are available regarding Rio Tinto's analytical, QA/QC and security protocols for the Generaal Project, but it is assumed that they implemented the same protocols as discussed for the Chapudi Project.

CoAL completed confirmatory diamond drilling of a single hole on the farm Boas 642MS between 2011 and 2012.

16.7. Orebody Modelling

No orebody modelling has been undertaken on the Generaal Project.

16.8. Proposed Mining and Processing

Due to the stage of development of the Generaal Project, no detailed investigations have been carried out on the potential mining and processing of the deposit. However, this project will be considered as an extension to the Makhado Project and is most likely to utilise this infrastructure.

The indications are that Generaal will be a hard coking coal. It is envisaged that the coal may be treated through an extension to the Makhado Plant.

16.9. Mineral Resource Statement

The contributing coal assets of the Generaal Project can be defined as early exploration projects, with no JORC Code compliant coal resources.

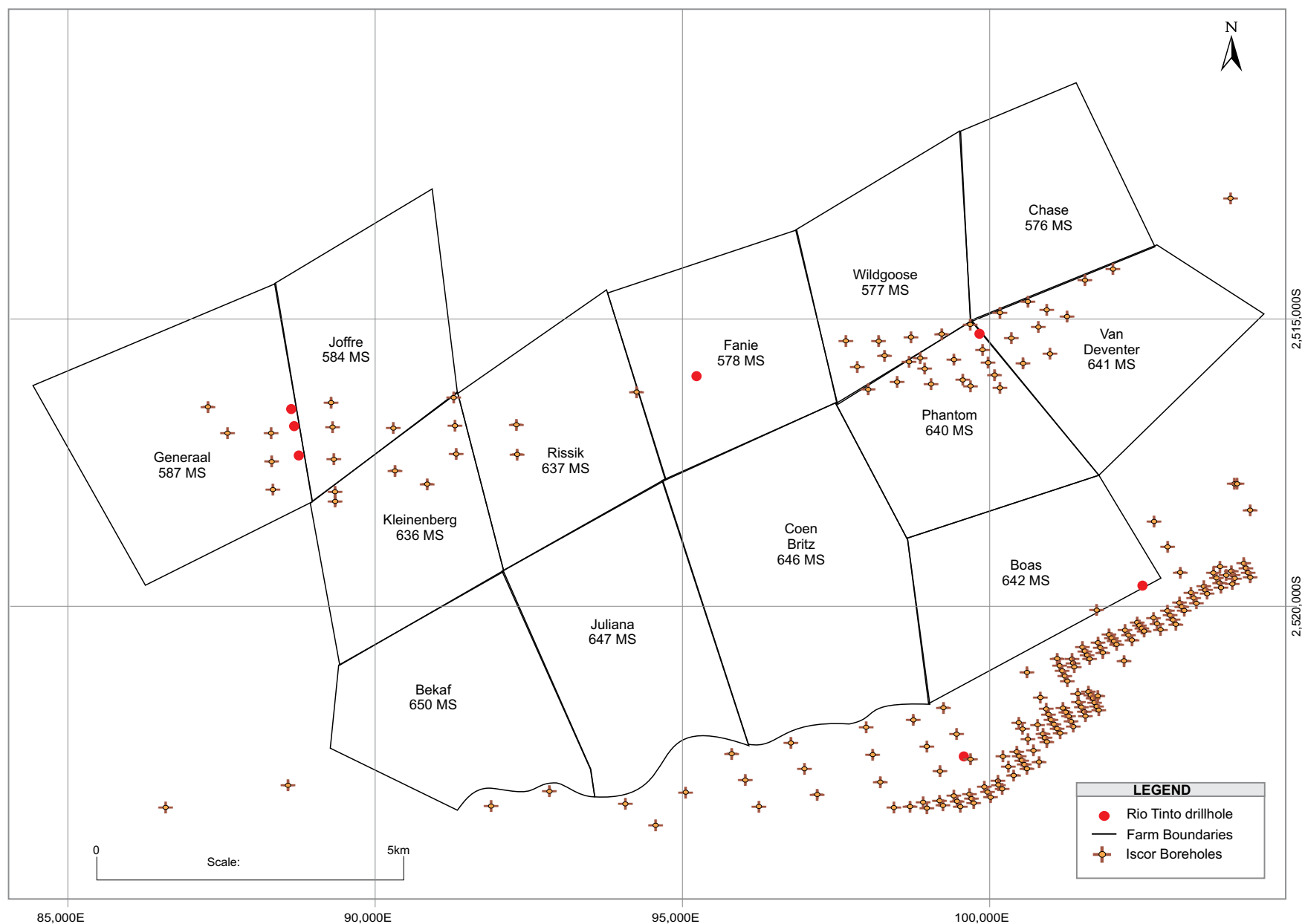
16.10. Mineral Reserve Statement

As a result of the current stage of development of the Generaal Project, no reserves have yet been declared.

Table 52 : Generaal - Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	QUALITY RESULTS	LABORATORY FOR QUALITY	USED IN MODEL
1975 - 1982	Iscor	Generaal 587MS, Joffre 584MS, Kleinenberg 636MS, Rissik 637MS, Wildgoose 577MS, Phantom 640MS, Boas 642MS, Van Deventer 641MS	Early exploration and resource estimation.	Unknown.	Unknown.	Diamond core	NQ	H. Van den Berg	38	No	All	Yes	Iscor	No
2006 - 2007	Rio Tinto	Generaal 587MS, Fanie 578MS, Boas 642MS, Van Deventer 641MS	Reconnaissance Drilling	Unknown.	Unknown.	Reverse Circulation	8 inch	D. Hirstov	7	Yes	Unknown	No	-	No
2011- 2012	CoAL	Boas 642MS	Confirmatory Drilling	Unknown.	Unknown.	Diamond	PQ3	Unknown	1	Unknown	Unknown	Unknown	Unknown	No
TOTAL									46					

GENERAAL - LOCATION OF HISTORICAL AND RECENT DRILLING



Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

16.11. Mineral Asset Valuation

Venmyn Deloitte has conducted an independent mineral asset valuation of the Generaal Project, using both the Market Approach and the Cost Approach, as detailed in the sections below.

16.11.1. Cost Approach

The Cost Approach is based on previous expenditure by CoAL on property acquisition, prospecting and development related activities (as explained in Section 8.1).

Venmyn Deloitte considered the prospectivity of the respective coal properties according to the classification of exploration phases and their associated prospectivity enhancement multipliers (PEM), as illustrated in Table 9, which is Venmyn Deloitte's standard PEM schedule for coal projects.

In order to establish an appropriate PEM, each property was classified with the understanding that each new exploration phase was carried out contingent upon the successful outcome of the preceding phase. In addition, the PEM selected was reviewed taking into consideration proximity to well understood resource areas, drillhole density and a qualitative assessment of the prospects for eventual extraction.

This has allowed Venmyn Deloitte to determine the project value using the Cost Approach. This valuation method aims at assigning a value of the information and the level of geological confidence that has been achieved during the exploration and development activities.

In consideration of Table 9, Venmyn Deloitte consider that PEM's of between 1 and 2 can be applied to the previous acquisition and exploration costs, due to the very early stage of project development and the absence of estimated mineral resources.

Table 53 summarises the dynamics of the Cost Approach valuation.

This approach results in a value range of between ZAR14m and ZAR17m using the Cost Approach. Venmyn Deloitte's preferred value using the Cost Approach is the mean value of ZAR15m.

16.11.2. Market Approach

The contributing properties of the Generaal Project, represent properties on which varying amounts of exploration data is available. In general, however, relatively little recent exploration has been conducted on the contributing properties. In the absence of coal resources, it is therefore only possible to conduct a Market Approach Valuation on a ZAR/ha basis.

As discussed in Section 9.2, Venmyn Deloitte has considered the unit values derived from the T3 transaction. Based on this transaction, Venmyn Deloitte considers that a unit value range of between ZAR3,000/ha and ZAR5,000/ha is appropriate in valuing the mineral assets within the Soutpansberg Coalfield, without mineral resources, and that this reflects the strategic value of such properties to CoAL. Table 54 summarises the value range of the contributing properties of the Generaal Project.

The total value range derived from the Market Approach is estimated at between ZAR40m and ZAR67m. Venmyn Deloitte's preferred total value, using the Market Approach, is reflected by the mean value. This results in a total preferred value, using the Market Approach, of ZAR54m for the contributing properties of the Generaal Project.

Table 53 : Cost Approach Valuation

PROJECT	ALLOCATED COAL EXPLORATION AND HISTORICAL PROPERTY ACQUISITION EXPENDITURE (ZARm)	ALLOCATED HISTORICAL DATA ACQUISITION EXPENDITURE (ZARm)	TOTAL (ZARm)	LOWER PEM	UPPER PEM	ALLOCATED CHAPUDI ACQUISITION EXPENDITURE (ZARm)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Generaal	2.78	0.00	2.78	1.00	2.00	11.26	14.04	16.81	15.42
TOTAL	2.78	0.00	2.78	1.00	2.00	11.26	14.04	16.81	15.42

Table 54 : Generaal - Market Approach Valuation

PROJECT	FARM	AREA (ha)	LOW ZAR/ha	HIGH ZAR/ha	LOW VALUE BASED ON TOTAL AREA (ZARm)	HIGH VALUE BASED ON TOTAL AREA (ZARm)	MEAN VALUE BASED ON TOTAL AREA (ZARm)
Generaal	Generaal 587MS	1,446	3,000	5,000	40.41	67.35	53.88
	Joffre 584MS	1,010					
	Kleinenberg 636MS	886					
	Bekaf 650MS	1,055					
	Rissik 637MS	827					
	Juliana 647MS	1,208					
	Coen Britz 646MS	1,669					
	Fanie 578MS	1,047					
	Wildgoose 577MS	801					
	Phantom 640MS	870					
	Boas 642MS	855					
	van Deventer 641MS	951					
	Chase 576MS	845					
TOTAL		13,470	3,000	5,000	40.41	67.35	53.88

16.11.3. Valuation Result

The summary valuation results of the respective valuations carried out are given in Table 55.

Table 55 : Generaal - Mineral Asset Valuation Summary

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Generaal	15	54	54	40

The Cost Approach results in a significantly lower value than the Market Approach. This can be explained by the low allocated costs associated with the Generaal Project by CoAL since their acquisition of the project, and the fact only portion (first tranche of ~USD30m) of the total transaction value, associated with the Chapudi Acquisition Transaction, has been spent by CoAL to-date.

Nevertheless, Venmyn Deloitte places more confidence in the Market Approach valuation as it considers actual transactions and market values, and consider the strategic importance of the project to CoAL within the area. The Cost Approach by contrast relies on a number of cost allocation assumptions on which Venmyn Deloitte places less reliance.

Venmyn Deloitte consequently considers that the 'Fair Value' of the Generaal Project is reflected by the Market Approach valuation. Since CoAL has a 74% interest in the Generaal Project, Venmyn Deloitte considers that the attributable 'Fair Value' of the Generaal Project is **ZAR40m**.

The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the range in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

17. Chapudi

The Chapudi Section is a large and advanced exploration project, with potential for coking coal and possibly a middlings fraction for power generation. The Chapudi Section was acquired by CoAL pursuant to the Soutpansberg Properties Acquisition with Rio Tinto. The Chapudi Project represents the most advanced section of the area.

17.1. Location

The Chapudi Project 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 46). The Chapudi Project lies along strike and to the west of the Makhado Project and is directly adjacent to the south of the Generaal Project.

The nearest town is Louis Trichardt, situated approximately 35km to the south of the easternmost extent of the Chapudi area (Figure 46). The town of Musina is located approximately 50km north of the Chapudi area. The village of Waterpoort is located within the Chapudi area on the farm Dorpsrivier 696MS.

17.2. Infrastructure

Louis Trichardt and Musina are regional centres and provide modern conveniences, including accommodation and services. The towns are also sources of fuel and labour. A small village exists at Waterpoort. The project is well situated with respect to the major infrastructural aspects of rail, road and power.

The railway linking Gauteng (in South Africa) and Zimbabwe traverses several of the farms in the centre of the project area with the nearest rail siding, Waterpoort, being located on the farm Dorpsrivier 696MS (Figure 63).

Eskom grid powerlines are located parallel to the N1 and are situated approximately 5km west of the farm Kalkbult 709MS at their closest point (Figure 63). Although an Options Study on power was undertaken by Rio Tinto in 2009, Venmyn Deloitte has not had sight of this report.

Water for drilling and potable requirements is currently available from the local surface owner's farm dams.

17.3. Mineral Tenure

The Chapudi Project comprises six NOPRs held by Chapudi Coal and KME over 20 farms. CoAL's interest in the mineral rights within the Chapudi Project is a consequence of the Soutpansberg Properties Acquisition Agreement. The rights are graphically represented in Figure 63 and summarised in Table 56.

17.4. Geological Setting

17.4.1. Regional Geology

The Chapudi Project is situated within an extension of the Tshipise Coalfield, a subdivision of the Soutpansberg Coalfield (Figure 49 and Figure 50). This extension is referred to as the Waterpoort Coalfield in some of the literature. The reader is referred to Section 13.4.1 on the regional geology of the Tshipise Coalfield, as described for the Makhado Project.

17.4.2. Local Geology

Within the Chapudi Project 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, near the gritty sandstone marker horizon of the Fripp Formation which occurs in the Beaufort Group. The Fripp Formation reaches a maximum thickness of 40m in the Chapudi Section area.

CHAPUDI, CHAPUDI WEST - LOCATION IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE

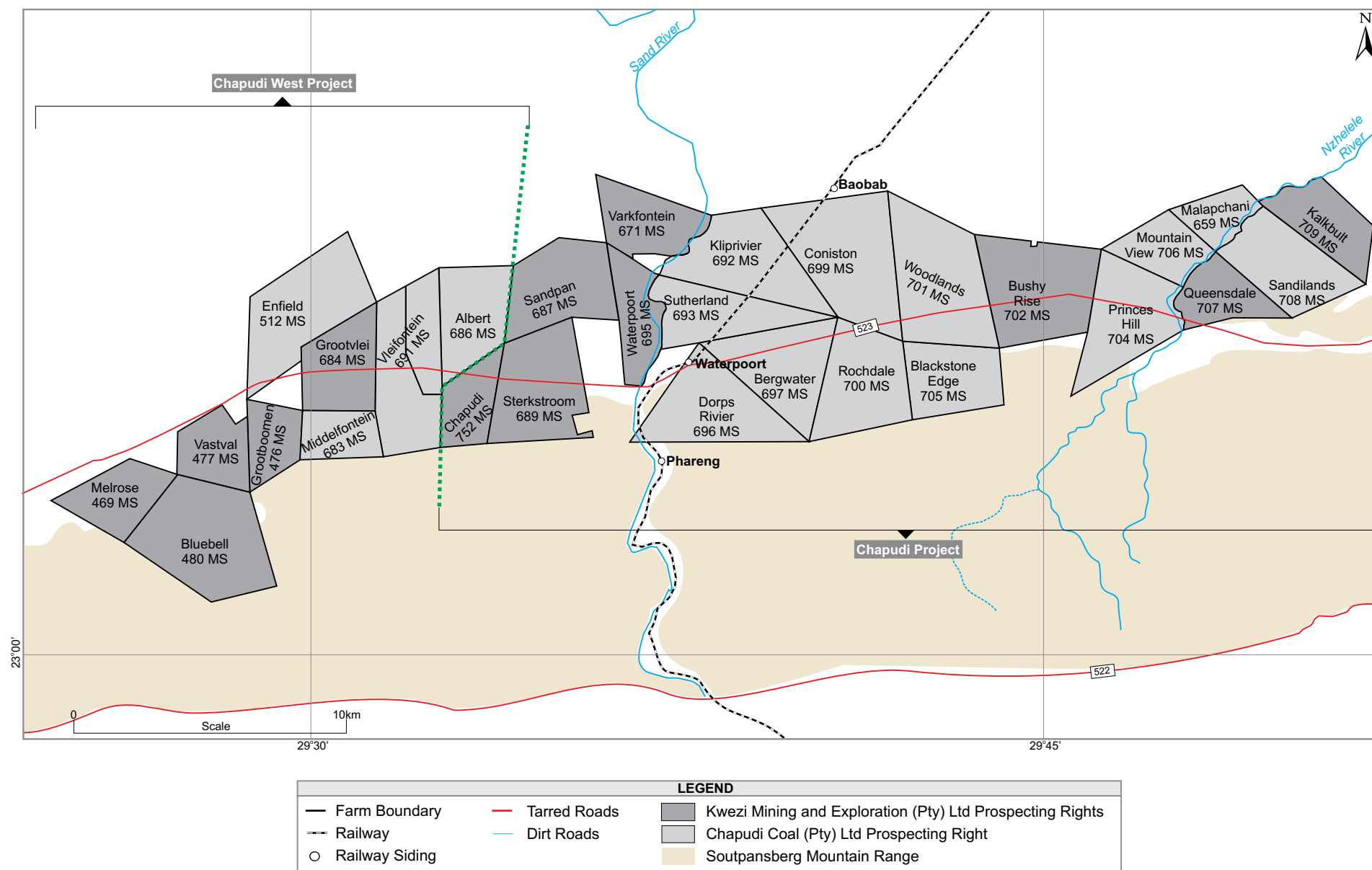


Table 56 : Chapudi - Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Chapudi	Bergwater 697MS	Portion 2	380.00	Chapudi Coal (Pty) Ltd	Prospecting	LP 30/5/1/1/1/51 PR	14/12/2011	13/12/2015	No		No
	Bergwater 712MS	Whole farm	335.00								No
	Blackstone Edge 705MS	Whole farm	865.00								No
	Coniston 699MS	Portions 1, 3, 4 & RE	1,652.00								No
	Dorpsrivier 696 MS	Whole farm	1,193.00								No
	Kliprivier 692MS	Portions 1, 4, 5, 6, 7 & 8, RE of portions 2 & 3, and RE	1,263.00		Prospecting	LP 30/5/1/1/2/676 PR	16/11/2005	15/11/2009	Yes	27/05/2013	No
	Malapchani 659MS	Whole farm	417.00								No
	Mountain View 706MS	Whole farm	571.00								No
	Princes Hill 704MS	Portion 1 & RE	1,161.00								No
	Rochdale 700MS	Portion 1 & RE	1,149.00								No
	Sandilands 708MS	Whole farm	1,072.00								No
	Sutherland 693MS	Whole farm	920.00								No
	Waterpoort 695MS	Portions 3, 4, 5 & 6	417.00	Kwezi Mining Exploration (Pty) Ltd	Prospecting	LP 30/5/1/1/2/1157 PR	14/12/2011	13/12/2015	No		No
	Queens Dale 707MS	Whole farm	630.00		Prospecting	LP 30/5/1/1/2/170 PR	14/06/2006	13/06/2010	Yes	13/06/2013	No
	Bushy Rise 702MS	Portion 1 & RE	1,427.00								No
	Kalkbult 709MS	Whole farm	768.00		Prospecting	LP 30/5/1/1/2/30 PR	14/06/2006	13/06/2010	Yes	13/06/2014	No
	Sterkstroom 689MS	RE of portions 2 & 3	1,287.00								No
	Chapudi 752MS	Whole farm	563.00								No
	Sandpan 687MS	Portions 1 & 2	1,099.00		Prospecting	LP 30/5/1/1/2/51 PR	14/06/2006	13/06/2011	Yes	13/06/2014	No
	Varkfontein 671MS	Portion 1 & RE	779.00								No
	TOTAL CHAPUDI		17,948.00								

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°.

Rio Tinto initially considered Seams 6 and 7 as having potential for economic consideration as they were the best developed seams within the package. 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 only Seam 6 has economic potential at present. Upon consideration of the exploration results, Rio Tinto came to the same conclusion as CoAL. This was due to Seam 7 having a high ash content and a low yield, i.e. a 40% ash product with a yield of 10%.

CoAL has divided Rio Tinto's Seam 6 into six potential mining horizons or coal dominated seams. These have been named as the Upper Seam, Middle Upper Seam, Middle Lower Seam, Bottom Upper Seam, Bottom Middle Seam and Bottom Lower Seam (Figure 64).

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.

A major fault marks the western and eastern limits of the resource area along strike (Figure 64) and another fault divides the project area along the Sand River into the western section of the Chapudi Project area. The frequency of smaller scale faulting is not well understood.

Dolerite intrusions within the project area are significant and are generally E-W trending (Figure 64). Only minor intrusion occurs in the western and central parts of the area, with a single 5-10m wide dyke being identified. Only minor portions of Seam 7 material have been replaced within this area. Dolerite intersections of up to 80m thick in places are common within the eastern section. However, these do not impact significantly on Seam 6 above depths of 150m.

17.5. Historical Exploration

Venmyn Deloitte is not aware of any historical exploration or mining that has occurred within the Chapudi Project prior to Rio Tinto's involvement in the projects.

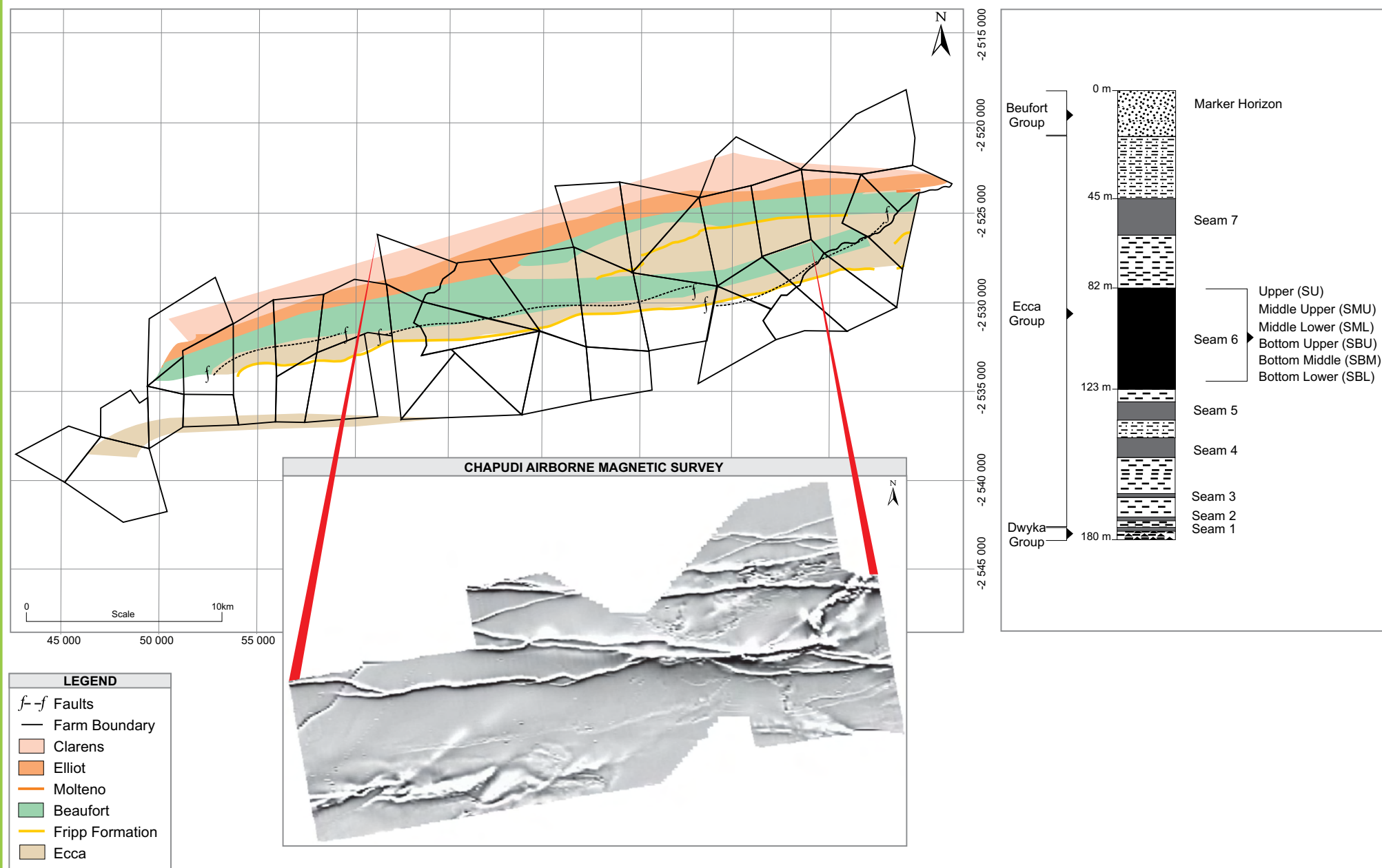
17.6. Recent Exploration

Recent and comprehensive exploration has been conducted, within the Chapudi Project area, by Rio Tinto. The exploration has included a number of phases of drilling and sampling, as well as remote forms of exploration. It is important to note that Rio Tinto considered this property as having potential to produce thermal power station coal and/or a coking export coal fraction. CoAL's interest in the Chapudi Section is primarily as a source of coking coal, with the possibility of producing a middlings fraction for use in power generation. As a result of this change in strategy, CoAL will reassess all previous results in light of this and plan future work streams to meet this goal. Therefore, Venmyn Deloitte has only reported on the relevant exploration and testwork results, (i.e. only relevant testwork and results relating to Seam 6).

Rio Tinto's exploration drilling commenced in 2003 on the farm Chapudi 752MS. 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. Three deep holes were drilled to verify down dip continuity. The exploration boreholes comprised both diamond and open hole drilling methods.

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. The drilling is summarised in Table 57 and shown graphically on Figure 65. Neither CoAL nor Venmyn Deloitte have independently witnessed the drilling and sampling protocols as no exploration drilling is currently taking place.

CHAPUDI, CHAPUDI WEST - LOCAL GEOLOGICAL MAP AND STRATIGRAPHIC COLUMN

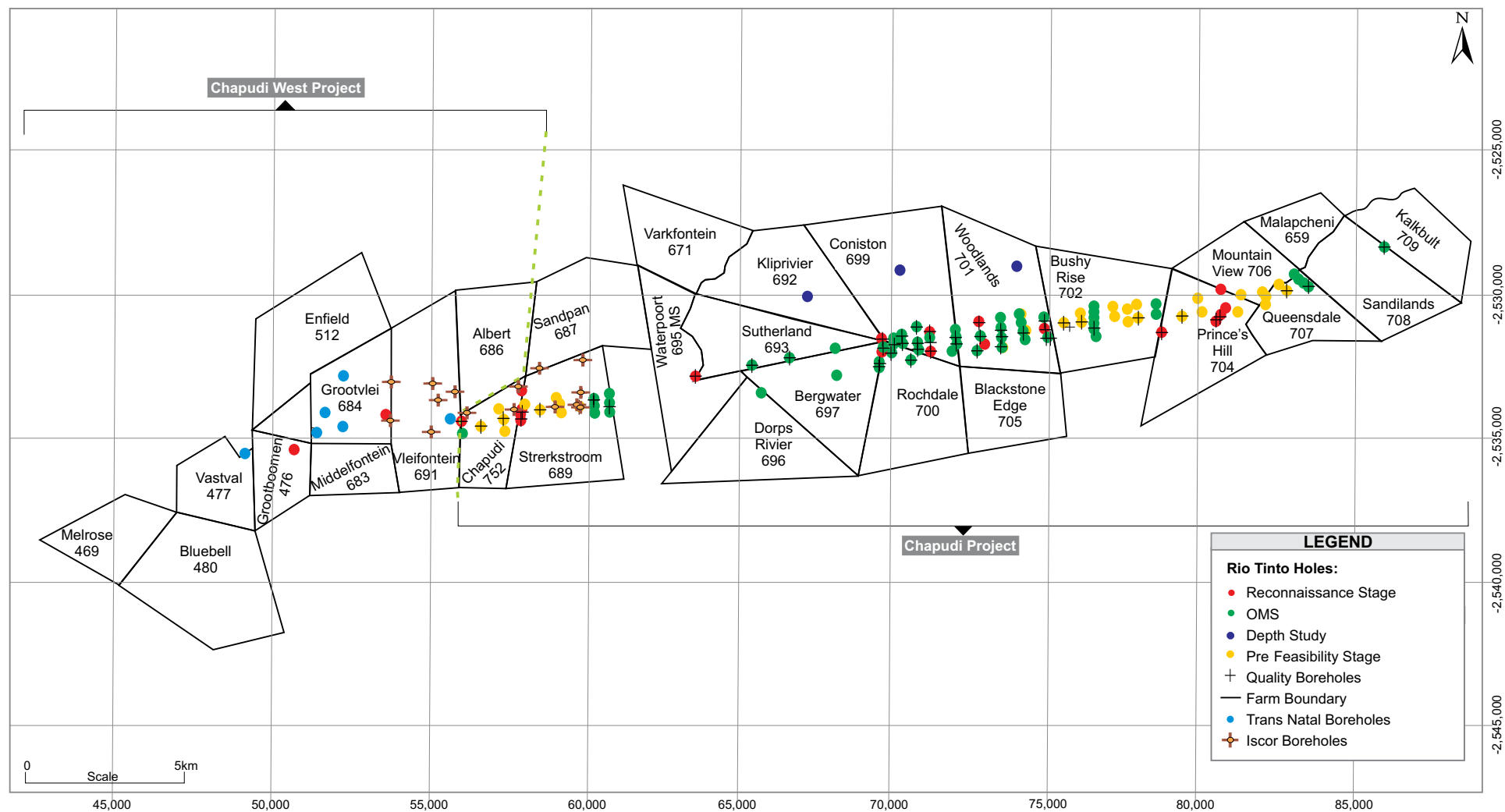


Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

Table 57 : Chapudi - Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	LABORATORY FOR QUALITY	USED IN MODEL	
2003 - 2005	Rio Tinto	Sterkstroom 689MS, Sutherland 693MS, Rochdale 700MS, Woodlands 701MS, Prince's Hill 704MS, Blackstone Edge 705MS & Chapudi 752MS.	Regional reconnaissance to evaluate coking potential.	In house	Earth Resources	Diamond	PQ3	D. Hristov	20	Yes	Seams 6 & 7	Inspectorate, SABS & ALS	Yes	
						RC	-		1	Yes	None		Yes	
						Diamond	LDD		1	Yes	Seams 6 & 7		Yes	
2006 - 2008		Sterkstroom 689MS, Sutherland 693MS, Coniston 699MS, Rochdale 700MS, Woodlands 701MS, Bushy Rise 702MS, Queen's Dale 707MS & Kalkbult 709MS.	OMS Domestic Thermal for bulk mining			Along suboutcrop to identify line of oxidation.	Diamond		PQ3	22	Yes	Seam 6	SABS	Yes
							Diamond		HQ	8	Yes	Seam 6	SABS	Yes
							RC		-	12				
							Diamond		LDD	4	Yes	Seam 6	SABS	Yes
							RC-LOX		-	23	Yes	None		Yes
2009		Kliprivier 692MSr, Coniston 699MS & Woodlands 701MS.	Depth study			PFS stage and for low ash product.	Diamond		PQ3	3	Yes	Seam 6	SABS	Yes
							Diamond		PQ3	16	Yes	Seam 6	SABS	Yes
		Sterkstroom 689MS, Waterpoort, Sutherland 693MS, Coniston 699MS, Woodlands 701MS, Bushy Rise 702MS & Prince's Hill 704MS .	Diamond				HQ		11	Yes	Seam 6	SABS	Yes	
			RC				-		4	Yes	None	SABS	Yes	
TOTAL									125					

CHAPUDI, CHAPUDI WEST - LOCATION OF HISTORICAL AND RECENT DRILLING



However, Venmyn Deloitte is confident that the drilling was carried out to the required standard as these programmes were undertaken by a large international and reputable company utilising best practise standards. The details on the drilling, sampling and analytical methods and protocols are very well documented in reports prepared by Rio Tinto, as summarised in this section, and this adds to the confidence which CoAL and Venmyn Deloitte have in the integrity of the data and accuracy of the results.

In 2011, when the companies began negotiations for CoAL to acquire the Chapudi Project area assets, Rio Tinto provided CoAL with the full borehole database, detailed reports on the dataset, sampling, analytical and modelling methodologies utilised, as well as the complete geological model. The content of these reports are described in the section to follow.

CoAL has not drilled any confirmatory boreholes into this project. This is now a priority for CoAL, especially in light of the change of product direction which CoAL would take for the project.

17.6.1. Remote or Geophysical Exploration

In 2005, Fugro Geophysics (Pty) Limited (Fugro) conducted a 124km² helicopter-borne, aerial magnetic and radiometric survey. A total of 1,330 line kilometres were flown at a line spacing of 100m. The results of the reduced to pole airborne magnetic data were used to identify intrusions and lineaments over the central area of the Chapudi Project. The results are presented on Figure 64. The Fugro survey also provided DTM data of the surface.

In 2006, GAP Geophysics carried out three resistivity traverses and four vertical electrical sounding traverses along a distance of approximately 1,500m on the farms Coniston 699MS, Rochdale 700MS, Woodlands 701MS and Blackstone Edge 705MS.

In 2007, two north/south seismic traverses were carried out on Sterkstroom 689MS and Coniston 699MS. Although these were useful in identifying the depth of weathering, they did not prove useful for the mapping of the deeper coal.

Additional DTM data was obtained from aerial photograph interpretation with a resolution of 25m by 25m. This was obtained from the South African Chief Directorate: Surveys and Mapping datasets.

17.6.2. Diamond Drilling

All the exploration drilling was undertaken by Earth Resources. All drilling has been managed by Rio Tinto, with Mr. D. Hristov as the geologist responsible for the drilling and sampling.

Diamond drilling was carried out using PQ3 drilling, at a core size of 82mm, or LDD, at a core size of 123mm. HQ drilling was used where RC holes failed due to technical reasons. These holes were treated the same as the PQ3 holes. All boreholes were drilled vertically. All holes were drilled between 5m and 10m below the target Seam 6.

During the Reconnaissance drilling, a total of 20 diamond boreholes were drilled along the strike length of the Chapudi Project, 20 of PQ3 diameter and one LDD hole.

In 2006, Rio Tinto commenced with the OMS stage which focused on the potential to bulk mine the deposit and produce a domestic thermal product. During this phase, 36 diamond boreholes were drilled along the strike length of the Chapudi Project, 22 of PQ3 diameter, 8 of HQ diameter and four LDD holes.

In 2009, Rio Tinto carried out a so-called Depth Study. This entailed the drilling of three deep PQ3 holes to confirm the potential for down dip extensions to the coal.

Later in 2009, Rio Tinto commenced with the PFS Stage exploration. This stage was very similar to the OMS except that a low ash composite was investigated. During this phase, 27 diamond boreholes were drilled along the strike length of the Chapudi Section, 16 of PQ3 diameter and 11 HQ holes.

No core recovery data was provided to Venmyn Deloitte.

Geotechnical and initial lithological logging was carried out whilst the core was in the split inner tube. Core was then transferred into numbered core trays. The core boxes were then transported to a refrigerated container for storage.

Geotechnical logging was introduced in 2006 and based upon the Laubscher system logging sheet. Data captured on the logging sheets included rock mass, recovery, RQD and MRQD, rock type, colour and strength. Fractures were classified according to fracture type, class, index, spacing, micro roughness coefficient, infill and wall characteristics.

Detailed lithological logging was carried out once the depths were finalised after reconciliation with the geophysical wireline logs and during the sampling process. The detailed coal logging was carried out at the refrigerator.

All cores were photographed, on site, as they were removed from the barrel as well as later when packed in the core trays.

Downhole visual geotechnical logging on non-orientated drillcore was undertaken from the OMS stage drilling onwards. This information, together with the Acoustic Televiewer dataset, was used to make geotechnical interpretations on the core. It was also used to confirm the physical logging of the borehole cores.

Two types of samples were collected from the Rio Tinto drilling. These included samples for coal quality and washability testing and samples for petrographical analysis. The two boreholes on Chapudi West were only sampled for petrographical analysis.

The Rio Tinto field geologist would have been responsible for the selection of seam intervals.

During the reconnaissance stage, samples were selected based upon the proportion of coal. Any waste bands thicker than 50cm were not sampled and any coal bands thinner than 50cm associated with waste were also not sampled.

During the OMS stage of exploration, a change in focus resulted in a bulk sampling procedure being implemented. This meant that Seam 6 was sampled over its entire thickness, including the partings, and all samples were combined or composited into a single bulk mineable seam. This *modus operandi* was modified after the acoustic televiewer results of the first six holes when three thick (3.5m – 5.5m) and correlated waste partings were identified. Thereafter, it was decided that both coal plies and waste intervals will be sampled and analysed separately, but using the same analytical flowsheet. This would enable the recombination of the samples into a bulk seam, or alternatively into selected mining horizons.

During the PFS stage of exploration, the sampling was carried out in much the same way as the OMS sampling, i.e. sampling according to the three main coal horizons with two thick parting samples.

CoAL has re-interpreted all the Rio Tinto boreholes according to their own nomenclature in order for the previous drilling results to be comparable to CoAL's conventions used across the Soutpansberg and to future drilling which CoAL will carry out.

According to general best practise, coal quality samples would have been double-bagged with each bag sealed with cable ties and labelled. Bagged samples were not stored in a locked refrigerated container prior to transportation to the laboratory.

The early reconnaissance samples were sent to Inspectorate, a SANAS accredited laboratory (No T0313). According to Rio Tinto, Inspectorate provided some invalid analytical data due to not maintaining a mass balance between fractions post the drop shatter stage in the analysis process.

As a result, Rio Tinto then sent the remaining samples to the SABS laboratory in Secunda. SABS is accredited (No T0230) through the South African National Accreditation System (SANAS) and SABS/ISO/IEC 17025:2005. All the OMS samples were sent to the SABS laboratory.

Some samples from the Rio Tinto drilling campaign were also analysed at ALS Brisbane (ISO 17025 accredited). Products were returned to South Africa for petrographic analysis. This laboratory is highly rated for the analysis, particularly, of coking coal samples.

Due to the interbanded nature of the coal horizons, the flowsheet for sample analysis focussed on the following testwork during the various exploration stages with minor variations:-

- drop testing to determine the breakage characteristics;
- tumble testing to determine further breakage characteristics during transport and processing; and
- high resolution washing characteristics at 13 different relative density settings between RD = 1.03 to 2.20, in increments of 0.05.

17.6.3. Reverse Circulation (RC) or Open Hole Drilling

Two types of open hole drilling were carried out by Rio Tinto, one for general exploration and the other specifically for the determination of the depth of weathering. All the RC drilling was carried out by Earth Resources.

A single RC hole was drilled during the Reconnaissance Phase. A series of 12 RC holes were drilled as part of the OMS stage of exploration, and four holes during the PFS.

A series of 23 short RC holes were drilled along strike on the Chapudi Section. These holes were drilled specifically to map the depth of weathering or level of coal oxidation near the coal suboutcrop (Figure 65), and were separately identified as the Line of Oxidation (LOX) holes in the database. This is an important parameter, as the quality of weathered or oxidised coal typically deteriorates to such an extent that it will not meet the required quality specification and therefore cannot be included in the resources.

The RC drill cuttings or chips were collected in poly weave bags at 1m intervals using a cyclone attached to the rig. Each bag was labelled according to the hole number and depth. For each metre interval a small sub sample was placed into a chip tray for logging. A spade full from each bag was also laid out in 20m lengths for logging. All bags are sealed and then stored in a refrigerated container.

The chips of the LOX holes were logged to identify the depth of weathering. Chips were collected at 1m intervals for this purpose. These holes were also logged using an acoustic televiewer. The chips of the LOX holes were logged to identify the depth of weathering. These holes were also logged using an acoustic televiewer.

No samples were taken of the coal chips produced through the open hole drilling, except for borehole 499MS_001 on the Chapudi West Project, which was sampled and subject to coal quality and washability testing.

17.6.4. Down the Hole Geophysics / Wireline Logging

Detailed downhole geophysical surveys were conducted on the majority of the Rio Tinto boreholes and included the use of an acoustic televiewer. The company responsible for the geophysical logging was initially Reeves and later GAP Geophysics.

17.6.5. Bulk Sampling

No bulk sampling has been carried out on the Chapudi Project.

17.7. Orebody Modelling

An orebody model was prepared by Rio Tinto, which was used to generate the resource statement issued in 2008. 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.

The latest model was prepared by Mr. J. Sparrow (Pr.Sci.Nat), CoAL's Competent Person, as at 29th February 2012. The model was prepared in MinexTM Software. The model takes into account all available recent drilling and other geological information as of the 29th February 2012. There is no change in the model between this date and 30th September 2012.

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 Project NOPRs. 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.

CoAL plans to drill the Chapudi Project and log and sample the holes according to their methods and protocols in order to carefully evaluate the deposit in line with their 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 Deloitte have a reasonable level of confidence with respect to the current model and the associated resource estimates based upon the currently available information.

Venmyn Deloitte has reviewed the CoAL model and interviewed Mr. J. Sparrow (Pr.Sci.Nat) concerning his methods of modelling. Venmyn Deloitte has also independently plotted the graphical distribution of the boreholes in Geosoft Target and Micromine and verified the results of the seam thickness variations and resultant volume calculations. Venmyn Deloitte is satisfied with the integrity and results of the model.

Dolerite dykes, as well as fault planes, were incorporated into the 3D structural model. The structural model is presented in Figure 64.

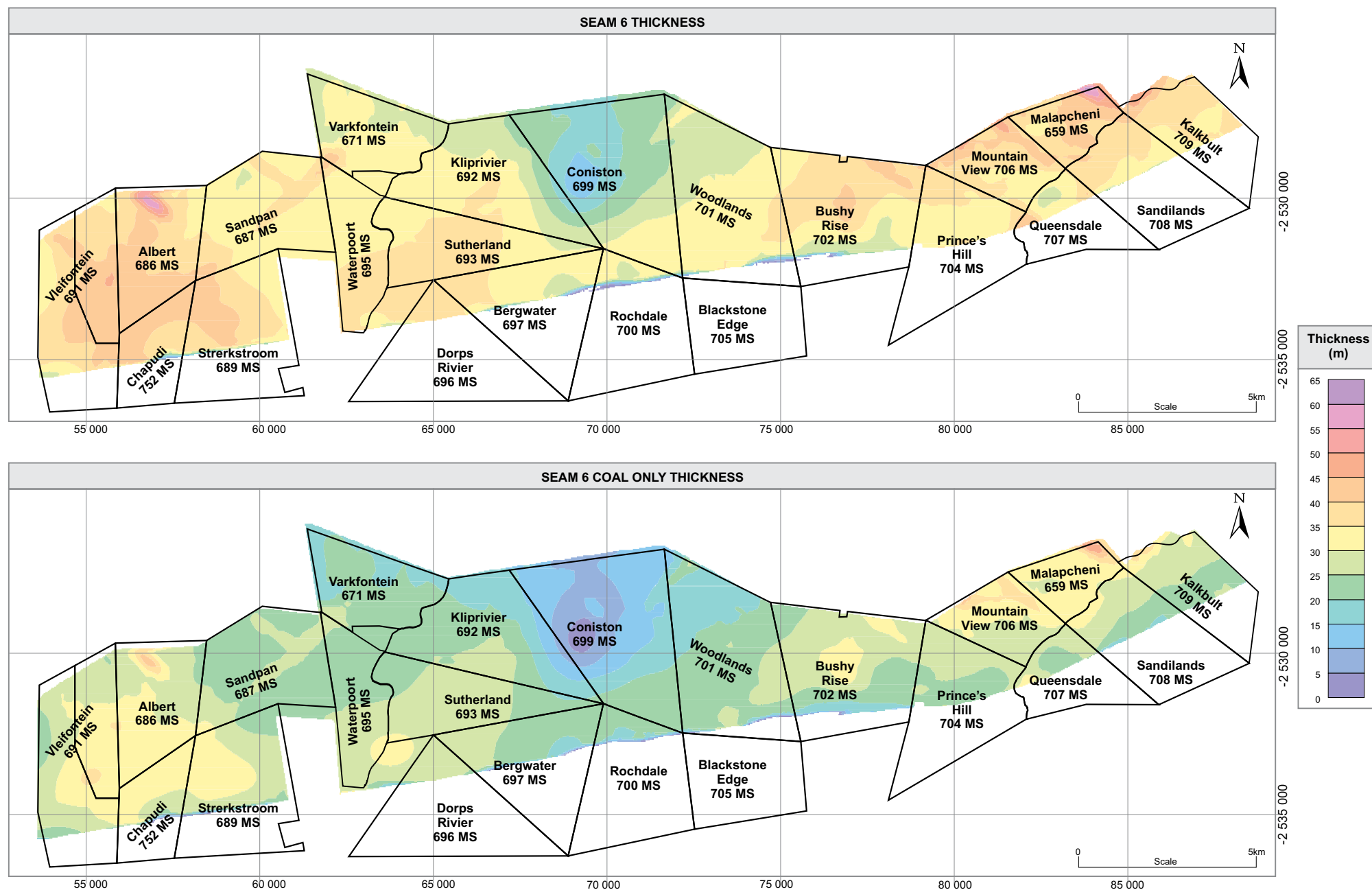
Both the physical and quality parameters of the coal within Seam 6 only were modelled by CoAL. Grids with a 20m mesh were estimated using MinexTM's general purpose gridding function using a 2.5km search radius. The model of the physical parameters of the seam was cut along any significant structures, whilst the quality parameters were modelled across it. All physical and quality parameters were plotted and visually inspected to ensure they were acceptable from the perspective of geological interpretation.

The isopach model is presented in Figure 66. For the full details of this review and the physical and quality results the reader is referred to the 2011 CPR independently prepared by Venmyn Deloitte and published by CoAL.

17.8. Proposed Mining

No commercial mining has taken place at the Chapudi Project. However, an Options Study was conducted by Snowden Mining Industry Consultants (Pty) Ltd (Snowden) in June 2009, which outlined the various mining methods and associated costs which were considered by Rio Tinto.

CHAPUDI, CHAPUDI WEST - COAL ISOPACH MODEL



Both opencast and underground methods were considered in the Snowden reports (2009). Snowden considered truck & shovel methods as well as dragline methods of overburden removal for a single seam (Seam 6 only) and a two seam (Seam 6 and Seam 7) operation. A truck & shovel operation was considered for coal extraction. In the case of opencast truck & shovel overburden removal, two methods were considered, namely Down Dip Mining and Along Strike Mining.

CoAL plans to re-assess the mine plan and associated costs in light of the planned mining of up to five separate seams using opencast methods. Experience gained from the Makhado Project will be considered when preparing a mine plan for the Chapudi Project.

17.9. Proposed Processing

Extensive and highly detailed testwork has been carried out by Rio Tinto on the samples derived from the various exploration campaigns carried out at the Chapudi Project. 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.

Significant testwork was undertaken to determine the breakage characteristics of the coal. The aim of this testwork was to identify if the “stony” or high ash coal preferentially reported to the large size fraction during crushing. The results of Rio Tinto’s analyses showed that the ash preferentially reported to the +63mm fraction. This fraction typically contained in excess of 75% ash. As a result this, in order to produce a low ash coal the +63mm fraction would be “scalped” off during processing. Desliming of the 0.075mm fraction would take place prior to washing.

These tests have revealed that the coking potential is good and improves with increasing depth.

For a domestic thermal coal product, a typical CV to be extracted from Seam 6 would be in the order of 22MJ/kg at a yield of approximately 40%. Washed volatile content of this product would typically be 28%. This meets the requirements for a domestic thermal product.

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 Project. The report concluded conventional gravity processes to produce a saleable product. It must be noted that all recommendations assume that the entire Seam 6 material represents the RoM feed to the processing plant. CoAL will consider the selective mining and then processing of 5 individual seams rather than the entire package. This change in strategy, i.e. selective mining, would be expected to increase the potential yields in comparison to the Rio Tinto figures, although the overall tonnage of material available for mining would decrease.

CoAL will initiate a pre-feasibility study for the project in order to consider the optimal product stream. This will be done in light of CoAL’s strategy for the Soutpansberg and their experience gained at the Makhado Project. It should be noted that Rio Tinto evaluated the project to produce a thermal product.

17.10. Mineral Resource Statement

The Coal Resources for Chapudi were estimated and signed off by CoAL’s Competent Person, Mr J Sparrow (Pr.Sci.Nat.), CoAL’s chief consulting geologist, as at 30th September 2012 in accordance with the JORC Code and the Australian Guidelines. The resource statement is presented in Table 58. The tonnages are based upon the 29th February 2012 geological model, and represents no change from that date to 30th September 2012.

This resource statement has been independently verified by Venmyn Deloitte’s Competent Person in accordance with the JORC Code and the Australian Guidelines. Venmyn Deloitte’s Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No. 400049/02) and a longstanding member of the Australian Institute of Mining and Metallurgy (AusIMM). She has over 20 years experience in the mineral resources industry. Venmyn Deloitte is confident that the logging, sampling, data density and distribution are suitable for the Coal Resource estimation.

Table 58 : Chapudi - Summary Resource Statement (30th September 2012)**RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS**

FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m³)	GROSS TONNES IN SITU (GTIS)	GEOL. LOSSES (%)	TOTAL TONNES IN SITU (TTIS)
Bergw ater 697MS	Inferred	Coal horizons in Seam 6	36.61	2.00	67,580,040	20%	54,060,000
Bergw ater 697MS			31.80	2.00	233,368,480	20%	186,690,000
Bushy Rise 702MS			34.82	2.00	758,357,696	20%	606,680,000
Chapudi 752MS			38.12	2.00	161,975,200	20%	129,580,000
Coniston 699MS			22.79	2.00	743,123,328	20%	594,490,000
Dorpsrivier 696MS			38.12	2.00	36,675,492	20%	29,340,000
Kalkbult 709MS			37.11	2.00	325,130,688	20%	260,100,000
Kliprivier 692MS			30.31	2.00	759,053,056	20%	607,240,000
Malapcheni 659MS			41.11	2.00	337,437,248	20%	269,940,000
Mountain View 706MS			37.55	2.00	432,923,008	20%	346,330,000
Prince's Hill 704MS			34.10	2.00	289,911,616	20%	231,920,000
Queensdale 707MS			33.43	2.00	92,603,448	20%	74,080,000
Rochdale 700MS			24.30	2.00	37,282,280	20%	29,820,000
Sandilands 708MS			36.39	2.00	284,823,520	20%	227,850,000
Sterkstroom 689MS			37.21	2.00	413,309,600	20%	330,640,000
Sutherland 693MS	35.23	2.00	638,265,152	20%	510,610,000		
Woodlands 701MS	30.35	2.00	787,203,584	20%	629,760,000		
TOTAL / AVE CHAPUDI SECTION			32.30	2.00	6,399,023,436	20%	5,119,130,000

Notes

Qualities reported as -63mm+0.075mm fraction.

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

RAW QUALITIES OF -63mm+0.075mm FRACTION ON DMMF

YIELD (%) (-63+0.075mm)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
	35.06	31.97	39.74			
	35.19	32.32	41.78			
	35.38	42.47	40.07			
	34.85	44.13	40.45			
	35.07	31.33	41.06			
	35.10	29.83	40.67			
	35.18	33.23	40.36			
	35.13	32.72	41.40			
	35.21	39.88	40.37			
	35.37	40.59	40.54			
	35.47	39.08	40.69			
	35.33	42.06	40.02			
	35.13	31.33	42.65			
	35.03	37.44	40.41			
	35.01	38.91	40.31			
	35.13	32.01	41.14			
	35.12	35.86	40.85			
	35.17	36.24	40.75			

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR OPENCAST MINING. NO UNDERGROUND MINING CONSIDERED.

FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU (GTIS)	GEOL. LOSSES (%)	TOTAL TONNES IN SITU (TTIS)	MINING BLOCK LAYOUT LOSSES (%)	MINEABLE TONNES IN SITU (MTIS)
Bergw ater 697MS	Inferred	Coal horizons in Seam 6	36.61	2.00	67,580,040	20%	54,064,032	2%	52,980,000
Bergw ater 697MS			31.76	2.00	233,050,672	20%	186,440,538	2%	182,710,000
Bushy Rise 702MS			28.75	2.00	246,136,192	20%	196,908,954	2%	192,970,000
Chapudi 752MS			34.97	2.00	126,749,520	20%	101,399,616	2%	99,370,000
Coniston 699MS			26.37	2.00	77,145,680	20%	61,716,544	2%	60,480,000
Dorpsrivier 696MS			38.12	2.00	36,675,492	20%	29,340,394	2%	28,750,000
Kalkbult 709MS			29.30	2.00	83,771,560	20%	67,017,248	2%	65,670,000
Kliprivier 692MS			9.47	2.00	350,811	20%	280,649	2%	270,000
Malapcheni 659MS									
Mountain View 706MS			24.10	2.00	3,851,371	20%	3,081,097	2%	3,010,000
Prince's Hill 704MS			29.96	2.00	144,293,072	20%	115,434,458	2%	113,120,000
Queensdale 707MS			31.28	2.00	63,764,528	20%	51,011,622	2%	49,990,000
Rochdale 700MS			24.30	2.00	37,278,388	20%	29,822,710	2%	29,220,000
Sandilands 708MS			29.94	2.00	113,577,952	20%	90,862,362	2%	89,040,000
Sterkstroom 689MS			34.11	2.00	202,578,880	20%	162,063,104	2%	158,820,000
Sutherland 693MS			22.31	2.00	69,689,344	20%	55,751,475	2%	54,630,000
Woodlands 701MS	28.65	2.00	175,242,480	20%	140,193,984	2%	137,390,000		
TOTAL / AVE CHAPUDI SECTION			30.20	2.00	1,681,735,982	20%	1,345,388,786	2%	1,318,420,000

RAW QUALITIES OF -63mm +0.075mm FRACTION ON DMMF						
YIELD (%) (-63+0.075mm)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
59.15	35.06	31.97	39.74			
54.33	35.19	32.33	41.78			
74.83	35.43	44.62	39.82			
78.21	34.84	44.71	40.44			
58.61	35.07	30.07	41.55			
55.38	35.10	29.83	40.67			
72.87	35.18	32.03	40.39			
57.35	35.33	30.07	41.47			
72.43	35.44	41.33	40.85			
72.00	35.49	38.89	40.97			
71.93	35.33	42.06	40.06			
58.59	35.13	31.33	42.65			
70.76	34.97	36.91	40.46			
69.57	35.01	39.07	40.21			
55.35	35.14	32.23	40.93			
68.20	35.23	38.04	41.27			
67.22	35.18	37.52	40.72			

Notes

Minimum seam thickness of 0.5m applied to GTIS.

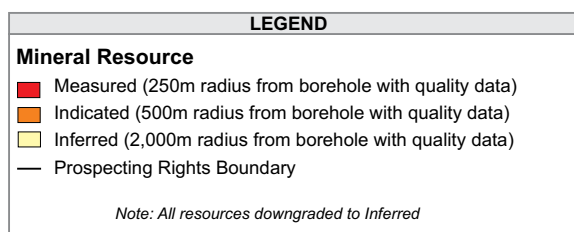
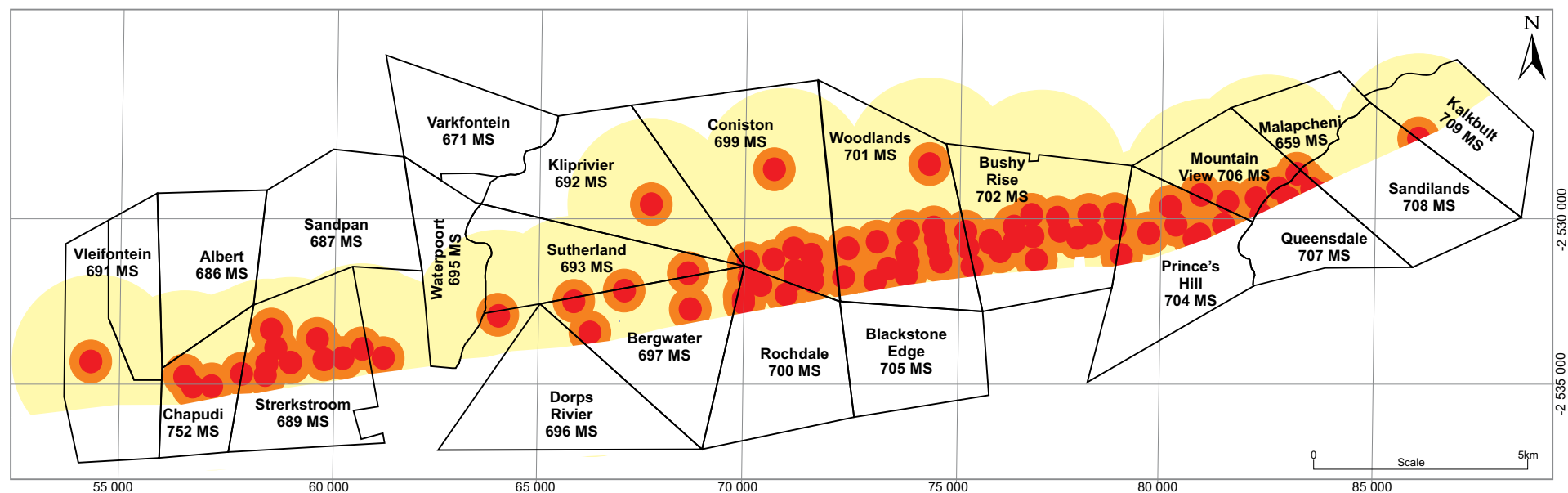
Maximum seam depth of 200m for opencast mining.

No underground mining.

Qualities reported as -63mm+0.075mm fraction.

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

CHAPUDI, CHAPUDI WEST - LOCATION AND CLASSIFICATION OF THE MINERAL RESOURCE



The classification into the various resource categories, by CoAL, is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results. While cognisance has been taken of the resource categories defined by the JORC Code, all resources have been classified, by CoAL, 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, i.e. into the Upper, Middle Upper, Middle Lower, Bottom Upper, Bottom Middle and Bottom Lower seams. As a result, CoAL has adopted the Rio Tinto approach and has modelled coal only within Seam 6. The resource location and classification is presented on Figure 67.

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

A detailed Coal Resource Statement, by farm, is available which presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant resource tonnages and associated qualities.

The volume of the seam was estimated, by CoAL, using the MinexTM model of the Seam 6 volume and percentage of coal within it, divided into the various farms or blocks. It must be noted that this calculated volume may change once CoAL has reclassified Seam 6 into their recognised coal seam nomenclature.

The MinexTM modelled average raw density per resource block was used to calculate the tonnage from the volume. The raw density was measured from either the downhole geophysics or in the laboratory. The laboratory densities were measured using a density bottle from 1m HQ core samples over the entire seam thickness.

The tonnage is calculated, by CoAL, on a farm by farm basis from the volume multiplied by the average raw density.

Each of the quality parameters were modelled in MinexTM and the average quality per farm is reported in the Coal Resource Statement. The coal quality represents the +0.075mm-63mm fraction of the coal within Rio Tinto's Seam 6, on a dmmf basis.

The following cutoffs or limits were applied, by CoAL, 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;
- 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; and
- no resources were classified on the farms Vleifontein 691MS and Albert 686MS (part of the Chapudi West Section) 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 (Figure 67) 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.

17.11. Mineral Reserve Statement

As a result of the current stage of development of the Chapudi Project, no reserves have yet been declared. Reserves can only be declared once a mining plan has been prepared by CoAL.

17.12. Mineral Asset Valuation

Venmyn Deloitte has conducted an independent mineral asset valuation of the Chapudi Project, using both the Market Approach and the Cost Approach, as detailed in the sections below.

17.12.1. Cost Approach

Since the value of the Chapudi Project is intrinsically linked its associated mineral resources, the Cost Approach is based on previous expenditure by CoAL on property acquisition, prospecting and development related activities (as explained in Section 9.1), in order to estimate these resources.

Venmyn Deloitte considered the prospectivity of the respective coal properties according to the classification of exploration phases and their associated prospectivity enhancement multipliers (PEM), as illustrated in Table 9, which is Venmyn Deloitte's standard PEM schedule for coal projects.

In order to establish an appropriate PEM, each property was classified with the understanding that each new exploration phase was carried out contingent upon the successful outcome of the preceding phase. In addition, the PEM selected was reviewed taking into consideration proximity to well understood resource areas, drillhole density and a qualitative assessment of the prospects for eventual extraction.

This has allowed Venmyn Deloitte to determine the project value using the Cost Approach. This valuation method aims at assigning a value of the information and the level of geological confidence that has been achieved during the exploration and development activities.

In consideration of Table 9, Venmyn Deloitte considers that PEM's of between 2 and 5 can be applied to the previous acquisition and exploration costs, due to the presence of Inferred Resources.

Table 59 summarises the dynamics of the Cost Approach valuation.

This approach results in a value range of between ZAR207m and ZAR215m using the Cost Approach. Venmyn Deloitte's preferred value using the Cost Approach is the mean value of ZAR211m.

17.12.2. Market Approach

Since Coal Resources have been estimated, by CoAL, over the Chapudi Project, Venmyn Deloitte was able to carry out a comparable transaction valuation, using the Market Approach, on the basis that recent market valuations of a similar nature provide the proxy for value. In order to arrive at a reasonable market value with which to compare the respective projects, appropriate recent and historical transactions must form the basis.

Figure 9 summarises Venmyn Deloitte's database of recent unit market valuations within the context of the South African coal market with reference to the respective coal resource and coal reserve classifications.

Table 59: Chapudi - Cost Approach Valuation

PROJECT	ALLOCATED COAL EXPLORATION AND HISTORICAL PROPERTY ACQUISITION EXPENDITURE (ZARm)	ALLOCATED HISTORICAL DATA ACQUISITION EXPENDITURE (ZARm)	TOTAL (ZARm)	LOWER PEM	UPPER PEM	ALLOCATED CHAPUDI ACQUISITION EXPENDITURE (ZARm)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Chapudi	2.73	0.00	2.73	2.00	5.00	201.08	206.55	214.75	210.65
TOTAL	2.73	0.00	2.73	2.00	5.00	201.08	206.55	214.75	210.65

The comparable transaction value range selected for the valuation of the contributing properties of the Chapudi Project has considered the nature of this valuation and the risk factors. Venmyn Deloitte is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the opencastability of the resources;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Resources;
- availability of infrastructure and logistics; and
- the timing of potential exploitation.

The range of values generated, based upon the coal resources quantified, by CoAL, for the contributing properties of the Chapudi Project, is summarised in Table 60 and illustrated in Figure 9.

Table 60 : Chapudi - Market Approach Valuation

PROJECT	RESOURCE CATEGORY	MINEABLE TONNES IN SITU (MTIS)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Chapudi	Inferred	1,318,420,000	0.30	0.50	395.53	659.21	527.37
GRAND TOTAL / AVE		1,318,420,000	0.30	0.50	395.53	659.21	527.37

The value range derived from the Market Approach is between ZAR396m (low valuation) and ZAR659m (high valuation). This valuation range was calculated from the range of unit values as defined by the Market Approach. The value range reflects the level of confidence attached to the respective Coal Resources and the probability of their being brought to account. The population of historic market transactions and valuations provides an indication of reasonability.

Venmyn Deloitte's preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR527m for the contributing properties. This results in an average unit value of ~ZAR0.4/t. All defined unit values fall within the so-called 'Limpopo Coalfields Value Curve' defined by Venmyn Deloitte from its transaction database, and plot below the mean trend for this coalfield.

The market comparison valuation results were computed using the MTIS coal resources declared, by CoAL, in the Coal Resource Statement due to the greater variability in the beneficiation yields, mineability and mining extraction factors achieved in the different coalfields especially in the Soutpansberg Coalfields. The market comparative valuation using GTIS has been disregarded since these results are not comparable and consistent with valuation results expected for these types of coal qualities. In addition, some material included in the GTIS, cannot be mined using the available known technology and hence cannot satisfy the "reasonable prospects of eventual economic extraction".

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arms length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

17.12.3. Valuation Result

The summary valuation results of the respective valuations carried out are given in Table 61.

Table 61 : Chapudi - Mineral Asset Valuation Summary

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Chapudi	211	527	527	390

The Cost Approach results in a significantly lower value than the Market Approach. This can be explained by the low allocated costs associated with the Chapudi Project by CoAL since their acquisition of the project, and the fact only portion (first tranche of ~USD30m) of the total transaction value, associated with the Chapudi Acquisition Transaction, has been spent by CoAL to-date.

Nevertheless, Venmyn Deloitte places more confidence in the Market Approach valuation as it considers the full resource base and the actual transactions and market values, and allows for a thorough review of the logistical, infrastructural and strategic merits of the project. In addition, Venmyn Deloitte's database provides a comprehensive and reliable benchmark for recent relevant transactions in the coal industry in general and the Soutpansberg Coalfield in particular. The Cost Approach by contrast relies on a number of cost allocation assumptions on which Venmyn Deloitte places less reliance.

Venmyn Deloitte consequently considers that the 'Fair Value' of the Chapudi Project is reflected by the Market Approach valuation. Since CoAL has a 74% interest in the Chapudi Project, Venmyn Deloitte considers that the attributable 'Fair Value' of the Chapudi Project is **ZAR390m**.

This valuation appears to be supported by the implied value from the recent Chapudi Acquisition Transaction in May 2012. The total purchase consideration was USD75m in aggregate, which amounted to approximately ZAR600m at the time. Venmyn Deloitte's valuation suggests therefore that the vast majority of the transaction value can be allocated to the Chapudi Project. This appears reasonable, since the Chapudi Project was by far the most advanced project, with considerable mineral resources defined, and development work conducted. The balance of the purchase consideration would therefore reflect the other associated projects such as Wildebeesthoek and Generaal, which have demonstrated significantly lower values as a consequence of the absence of mineral resources and low level of project development. These observations provide Venmyn Deloitte with additional comfort as to the reasonability of the values estimated above (as well as those associated with the Wildebeesthoek and Generaal projects).

The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the range in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

18. Chapudi West

The Chapudi West Project is at an early stage of exploration, with potential for coking coal and possibly a middlings fraction for power generation.

18.1. Location

The Chapudi West Project 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 46 illustrates the location of the Chapudi West Section area in relation to regional infrastructure and the mineral tenure in the Greater Soutpansberg Project area. The Chapudi West Section lies adjacent to and along strike to the west of the Chapudi Section.

The nearest town is Louis Trichardt, situated approximately 70km to the south of the easternmost extent of the Chapudi Section area (Figure 63). The town of Musina is located approximately 85km north of the Chapudi Section area.

18.2. Infrastructure

The project is well situated with respect to the major infrastructural aspects of rail, road and power. The railway linking Gauteng (in South Africa) and Zimbabwe is situated approximately 5km east of the Chapudi West area with the nearest rail siding, Waterpoort, being located on the farm Dorpsrivier 696MS in the Chapudi Project (Figure 63).

Eskom grid powerlines are located parallel to the N1 and are situated approximately 35km west of the Chapudi West Project at their closest point. Water for drilling and potable requirements is currently available from the local surface owner's farm dams.

18.3. Mineral Tenure

The Chapudi West Project comprises three NOPRs held by Chapudi Coal and KME in respect of nine farms. Figure 63 graphically represents the ownership of the Chapudi West Project. The rights relating to the Chapudi West Project are summarised in Table 62.

18.4. Geological Setting

The Chapudi West Project is situated within an extension of the Tshipise Coalfield, a subdivision of the Soutpansberg Coalfield (Figure 49 and Figure 50). This extension is referred to as the Waterpoort Coalfield in some of the literature.

18.4.1. Regional Geology

The reader is referred to Section 13.4.1 on the regional geology of the Tshipise Coalfield.

18.4.2. Local Geology

Within the Chapudi West 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. The reader is referred to Section 17.4.2 for a description of the local geology of the Chapudi Project which is applicable to Chapudi West (Figure 64).

18.5. Historical Exploration

Between 1968 and 1975, Trans Natal Coal Mining Company drilled a total of five holes on the farms Grootvlei 648MS and Vastval 477MS. Thereafter, Iscor drilled a six holes on the farm Vleifontein 691MS between 1975 and 1982. The location of the holes is indicated on Figure 65. The Iscor boreholes are believed to have been drilled vertically.

Table 62 : Chapudi West - Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Chapudi West	Albert 686MS	Whole farm	899.00	Chapudi Coal (Pty) Ltd	Prospecting	LP 30/5/1/1/2/676 PR	16/11/2005	15/11/2009	Yes	27/05/2013	No
	Enfield 521MS	Whole farm	1,831.00								No
	Middelfontein 683MS	Whole farm	491.00								No
	Vleifontein 691MS	Whole farm	1,410.00								No
	Bluebell 480MS	Portion 1 & RE	1,550.00	Kwezi Mining Exploration (Pty) Ltd	Prospecting	LP 30/5/1/1/2/39 PR	14/06/2006	13/06/2010	Yes	13/06/2013	No
	Grootboomen 476MS	Whole farm	531.00								No
	Melrose 469MS	Whole farm	724.00								No
	Vastval 477MS	Portion 2, RE of portion 1 & RE	709.00								No
	Grootvlei 684MS	Whole farm	847.00		Prospecting	LP 30/5/1/1/2/51 PR	14/06/2006	13/06/2011	Yes	13/06/2014	No
TOTAL CHAPUDI WEST			8,992.00								

Table 63 : Chapudi West - Summary of Historical and Recent Exploration

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	QUALITY RESULTS	LABORATORY FOR QUALITY	USED IN MODEL
1968 - 1975	Trans Natal Coal Mining Company	Grootvlei 684MS, Vastval 477MS	Early exploration and resource estimation.	Unknown.	Unknown.	Diamond core	NQ	J. Raubenheimer, J Liebenberg	5	No	All	Yes	Fuels Research Institute of South Africa	No
1975 - 1982	Iskor	Vleifontein 691MS	Early exploration and resource estimation.	Unknown.	Unknown.	Diamond core	NQ	H. Van den Berg	6	No	All	Yes	Iskor	No
2003 - 2005	Rio Tinto	Vleifontein 691MS, Grootvlei 684MS, Grootboomen 476MS	Reconnaissance Drilling	Unknown.	Unknown.	Reverse Circulation	8 inch	D. Hirstov	3	Yes	Unknown	No	-	Yes
TOTAL									14					

18.6. Recent Exploration

The Chapudi West Project was only the subject of the Reconnaissance drilling programme by Rio Tinto between 2003 and 2005, during which three boreholes were drilled on the farms Vleifontein 691MS, Grootvlei 684 MS and Grootboomen 476 MS (Table 63). The location of these two boreholes is presented in Figure 65.

CoAL has not drilled any confirmatory boreholes into this section. This is now a priority for CoAL, especially in light of the change of product direction which CoAL would take for the project.

All the exploration drilling was undertaken by Earth Resources. All drilling has been managed by Rio Tinto, with Mr. D. Hristov as the geologist responsible for the drilling and sampling.

Neither CoAL nor Venmyn Deloitte have independently witnessed the drilling and sampling protocols as no exploration drilling is currently taking place. However, Venmyn Deloitte is confident that the drilling was carried out to the required standard as these programmes were undertaken by a large international and reputable company utilising best practise standards. The details on the drilling, sampling and analytical methods and protocols are very well documented in reports prepared by Rio Tinto, as summarised in this section, and this adds to the confidence which CoAL and Venmyn Deloitte have in the integrity of the data and accuracy of the results.

Geotechnical and initial lithological logging was carried out whilst the core was in the split inner tube. Core was then transferred into numbered core trays. Core was not split prior to logging in order to minimise the effects of oxidation. The core boxes were then transported to a refrigerated container for storage.

Two types of samples were collected from the Rio Tinto drilling. These included samples for coal quality and washability testing and samples for petrographical analysis. The two boreholes on Chapudi West were only sampled for petrographical analysis.

No downhole geophysical surveys were conducted on two boreholes drilled in the Chapudi West Project.

18.7. Orebody Modelling

The three boreholes situated in the Chapudi West Project were included in the orebody model prepared by Rio Tinto, which was used to generate the resource statement issued in 2008. This resource statement for the Chapudi Project 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.

The latest model for the Chapudi Project was prepared by Mr. J. Sparrow (Pr.Sci.Nat), CoAL's Competent Person, as at 29th February 2012. However, the majority of the Chapudi West Project was excluded from this model due to the paucity of boreholes. The newly obtained historical boreholes have not yet been included into the model.

18.8. Proposed Mining and Processing

No mine planning has been undertaken specifically on the Chapudi West Section. However, an Options Study was conducted by Snowden, in June 2009, on the mining of the Chapudi Section.

Extensive and highly detailed testwork has been carried out on the samples derived from the various exploration campaigns carried out at the Chapudi Section. However, no studies have been carried out at Chapudi West Project due to its early stage of development.

18.9. Mineral Resource Statement

No specific resources have been declared for the Chapudi West Project, although the presence of coal has been demonstrated. Although a previous Mineral Resource Statement for the Chapudi Project was prepared and signed off by Rio Tinto in February 2008, no resources were declared for Chapudi West due to the paucity of recent boreholes.

18.10. Mineral Reserve Statement

As a result of the early stage of development of the Chapudi West Project and current lack of resources, no reserves can be declared.

18.11. Mineral Asset Valuation

Venmyn Deloitte has conducted an independent mineral asset valuation of Chapudi West, using both the Market Approach and the Cost Approach, as detailed in the sections below.

18.11.1. Cost Approach

The Cost Approach is based on previous expenditure by CoAL on property acquisition, prospecting and development related activities (as explained in Section 9.1).

Venmyn Deloitte considered the prospectivity of the respective coal properties according to the classification of exploration phases and their associated prospectivity enhancement multipliers (PEM), as illustrated in Table 9, which is Venmyn Deloitte's standard PEM schedule for coal projects.

In order to establish an appropriate PEM, each property was classified with the understanding that each new exploration phase was carried out contingent upon the successful outcome of the preceding phase. In addition, the PEM selected was reviewed taking into consideration proximity to well understood resource areas, drillhole density and a qualitative assessment of the prospects for eventual extraction.

This has allowed Venmyn Deloitte to determine the project value using the Cost Approach. This valuation method aims at assigning a value of the information and the level of geological confidence that has been achieved during the exploration and development activities.

In consideration of Table 9, Venmyn Deloitte considers that PEM's of between 1 and 2 can be applied to the previous acquisition and exploration costs, due to the very early stage of project development and the absence of estimated mineral resources.

Table 64 summarises the dynamics of the Cost Approach valuation.

This approach results in a value range of between ZAR8m and ZAR10m using the Cost Approach. Venmyn Deloitte's preferred value using the Cost Approach is the mean value of ZAR9m.

18.11.2. Market Approach

The contributing properties of the Chapudi West Project, represent properties on which varying amounts of exploration data is available. In general, however, relatively little recent exploration has been conducted on the contributing properties. In the absence of coal resources it is therefore only possible to conduct a Market Approach Valuation on a ZAR/ha basis.

As discussed in Section 9.2, Venmyn Deloitte had considered the unit values derived from the T3 transaction. Based on this transaction Venmyn Deloitte considered that a unit value range of between ZAR3,000/ha and ZAR5,000/ha is appropriate in valuing the mineral assets within the Soutpansberg Coalfield, without mineral resources, and that this reflects the strategic value of such properties to CoAL. Table 65 summarises the value range of the contributing properties of the Chapudi West Project.

The total value range derived from the Market Approach is estimated at between ZAR20m and ZAR33m. Venmyn Deloitte's preferred total value, using the Market Approach, is reflected by the mean value. This results in a total preferred value, using the Market Approach, of ZAR27m for the contributing properties of the Chapudi West Project.

Table 64 : Chapudi West - Cost Approach Valuation

PROJECT	ALLOCATED COAL EXPLORATION AND HISTORICAL PROPERTY ACQUISITION EXPENDITURE (ZARm)	ALLOCATED HISTORICAL DATA ACQUISITION EXPENDITURE (ZARm)	TOTAL (ZARm)	LOWER PEM	UPPER PEM	ALLOCATED CHAPUDI ACQUISITION EXPENDITURE (ZARm)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Chapudi West	2.74	0.00	2.74	1.00	2.00	4.83	7.56	10.30	8.93
TOTAL	2.74	0.00	2.74	1.00	2.00	4.83	7.56	10.30	8.93

Table 65 : Chapudi West - Market Approach Valuation

PROJECT	FARM	AREA (ha)	LOW ZAR/ha	HIGH ZAR/ha	LOW VALUE BASED ON TOTAL AREA (ZARm)	HIGH VALUE BASED ON TOTAL AREA (ZARm)	MEAN VALUE BASED ON TOTAL AREA (ZARm)
Chapudi West	Albert 686MS		Value ascribed to Chapudi Project				
	Vleifontein 691MS						
	Middelfontein 683MS	491					
	Grootvlei 684MS	847					
	Grootboomen 476MS	531					
	Enfield 521MS	1,831					
	Vastval 477MS	709					
	Bluebell 490MS	1,550					
	Melrose 469MS	724					
TOTAL		6,683	3,000	5,000	20.05	33.42	26.73

18.11.3. Valuation Result

The summary valuation results of the respective valuations carried out are given in Table 66.

Table 66 : Chapudi West - Mineral Asset Valuation Summary

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Chapudi West	9	27	27	20

The Cost Approach results in a significantly lower value than the Market Approach. This can be explained by the low allocated costs associated with the Chapudi West Project by CoAL since their acquisition of the project, and the fact only portion (first tranche of ~USD30m) of the total transaction value, associated with the Chapudi Acquisition Transaction, has been spent by CoAL to-date.

Nevertheless, Venmyn Deloitte places more confidence in the Market Approach valuation as it considers actual transactions and market values, and consider the strategic importance of the project to CoAL within the area. The Cost Approach by contrast relies on a number of cost allocation assumptions on which Venmyn Deloitte places less reliance.

Venmyn Deloitte consequently considers that the 'Fair Value' of the Chapudi West Project is reflected by the Market Approach valuation. Since CoAL has a 74% interest in the Chapudi West Project, Venmyn Deloitte considers that the attributable 'Fair Value' of the Chapudi West Project is **ZAR20m**.

The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the range in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

19. Wildebeesthoek

The Wildebeesthoek Project, located within the Soutpansberg Coalfield, is an early-stage exploration project. It represents the least developed section of the Chapudi Project. There are currently no coal resources associated with the project, but the presence of coal is known.

19.1. Location

The Wildebeesthoek Project is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa. Figure 46 illustrates the location of the Wildebeesthoek Project area in relation to regional infrastructure and the mineral tenure in the greater Soutpansberg Project area. The nearest town is Louis Trichardt, situated approximately 25km to the southeast of the Wildebeesthoek Project area (Figure 68). Musina is located approximately 50km to the northeast of the project area.

19.2. Infrastructure

The project is well situated with respect to the major infrastructural aspects of rail, road and power. The railway linking Gauteng (in South Africa) and Zimbabwe traverses the western most corner of the project area (Figure 68). CoAL has negotiated the rights to the Huntleigh Siding, located approximately 15km to the north of the project area.

Eskom grid powerlines run parallel to the N1 and are located 3km from the easternmost boundary of the project area (Figure 68). Water for drilling can be sourced from farmers' dams or from boreholes.

Due to the fact that the Wildebeesthoek Section is still at an exploration stage, details on the availability and requirements of power, water, tailings disposal and other infrastructural items have not been investigated in detail and are therefore not reported upon in this document.

19.3. Mineral Tenure

The rights relating to the Wildebeesthoek Project are summarised in Table 67 and their locations are graphically presented in Figure 68.

Chapudi Coal holds an NOPR in respect of the farms Mopani Ridge 660MS, Castle Koppies 652MS, M'Tamba Vlei 654MS, Qualipan 655MS and Wildebeesthoek 661MS, which will expire on the 27th May 2013. The prospecting rights relating to the farms Castle Koppies 652MS, M'Tamba Vlei 654MS and Qualipan 655MS were ceded to Chapudi Coal under two variations of NOPR agreements dated the 19th January 2011.

The NOPRs in respect of the farms Driehoek 631MS, Mopani Kop 656MS and Sandstone Edge 658MS, as well as on portion 1 of Pienaar 635MS and the remaining extent of both Koodoobult 665MS and Ridge End 662MS are held by KME, both expiring on the 16th June 2013.

19.4. Geological Setting

The Wildebeesthoek Project is situated within the Waterpoort Coalfield subdivision of the Greater Soutpansberg Coalfield (Figure 49).

19.4.1. Regional Geology

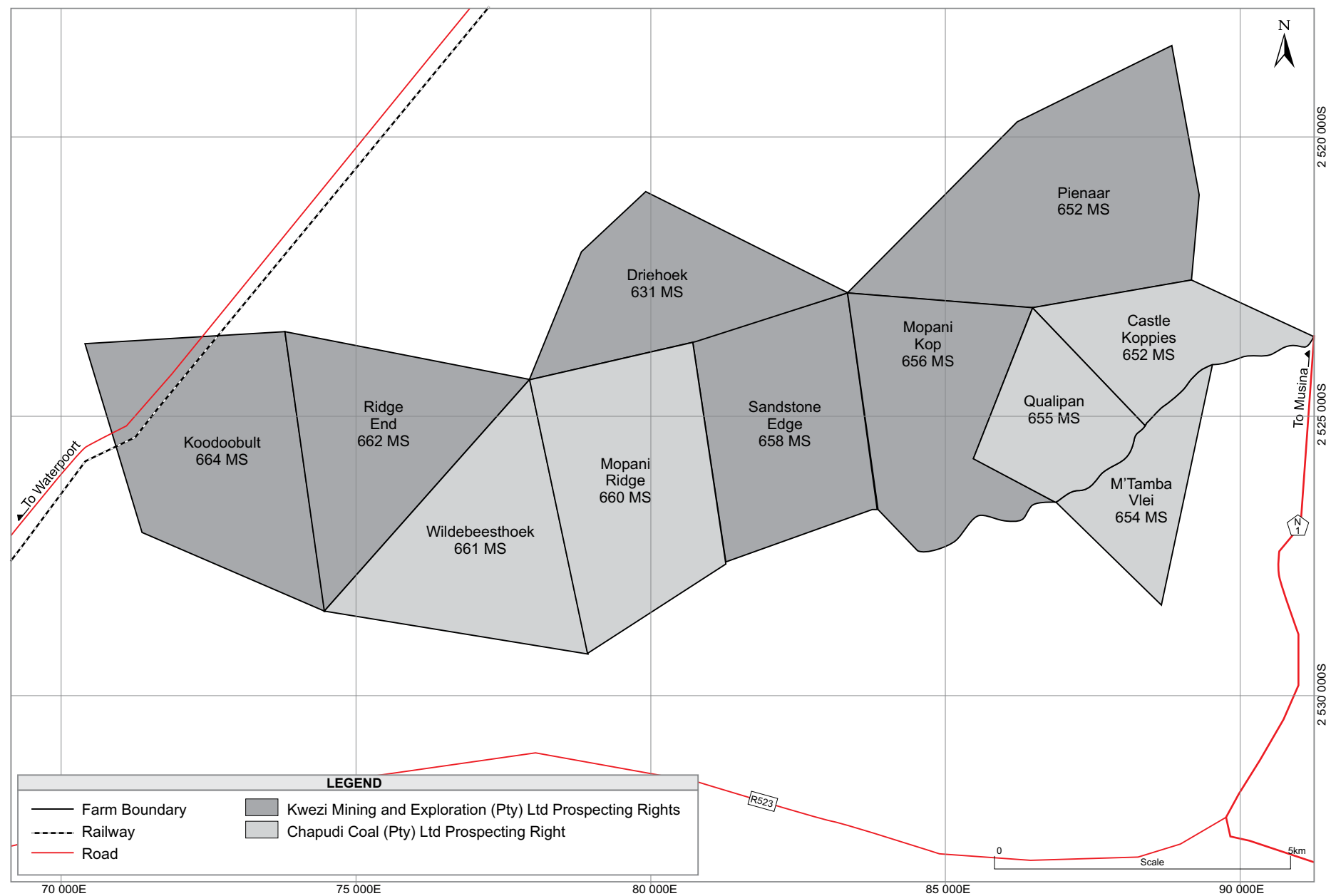
The reader is referred to Section 13.4.1 on the regional geology of this coalfield.

19.4.2. Local Geology

The Wildebeesthoek Project represents an isolated and upfaulted block of Karoo age sediments, which lies adjacent to the Chapudi Section (Figure 69). The area is interpreted as representing an up-faulted extension of the coal seams from down dip of the main Chapudi Project.

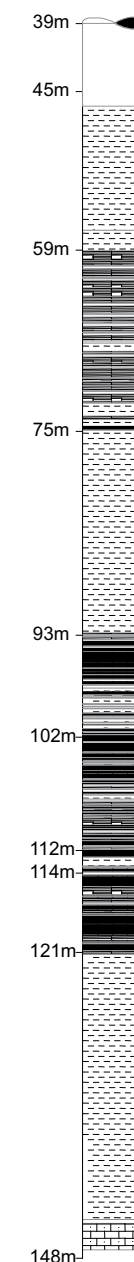
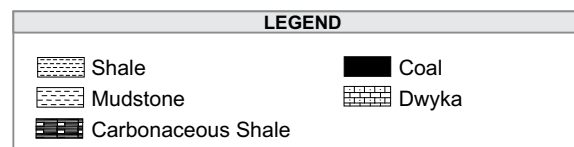
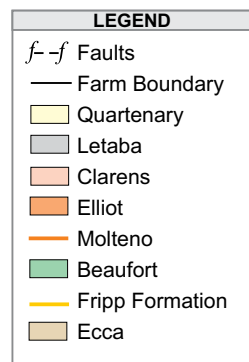
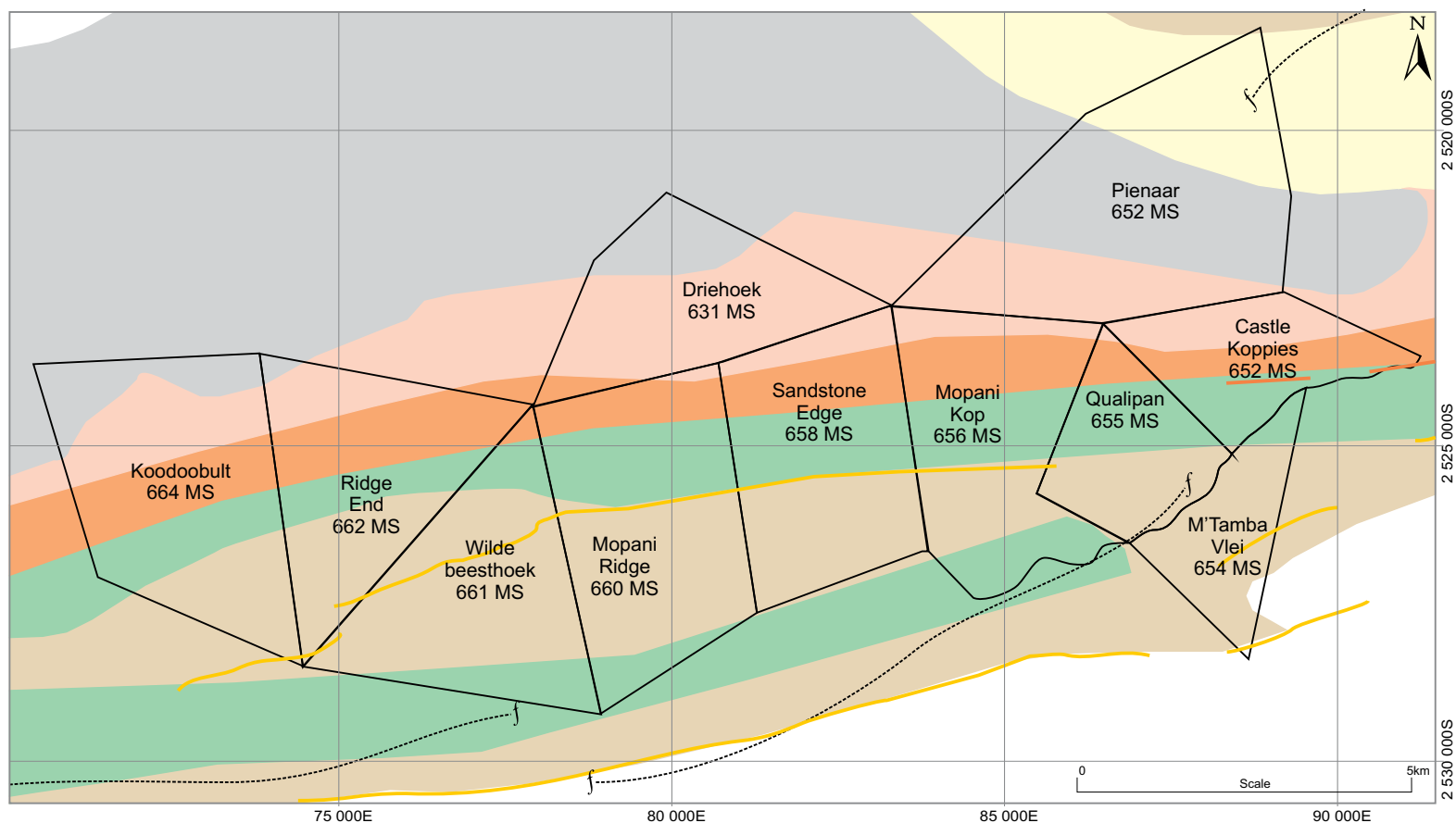
The project area comprises the typical local Karoo strata as elsewhere within the basin, and most similar to that of the Chapudi Project (Section 17.4.2). The coal bearing strata sub-crops and is again, very similar to that of the adjacent Chapudi Section (Section 17.4.2).

WILDEBEESTHOEK - LOCATION IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE



Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

WILDEBEESTHOEK - LOCAL GEOLOGICAL MAP AND STRATIGRAPHIC COLUMN



Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

Table 67 : Wildebeesthoek - Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Wildebeesthoek	Castle koppies 652MS	Whole farm	554.00	Chapudi Coal (Pty) Ltd	Prospecting	LP 30/5/1/1/2/676 PR	16/11/2005	15/11/2009	Yes	27/05/2013	No
	Mapani Ridge 660MS	Whole farm	1,193.00								No
	M'Tamba Vlei 654MS	Whole farm	451.00								No
	Qualipan 655MS	Whole farm	524.00								No
	Wildebeesthoek 661MS	Whole farm	1,034.00								No
	Driehoek 631MS	Whole farm	874.00	Kwezi Mining & Exploration (Pty) Ltd	Prospecting	LP 30/5/1/1/2/45 PR	14/06/2006	13/06/2010	Yes	13/06/2013	No
	Pienaar 635MS	Portion 1	1,590.00								No
	Koodoobult 665MS	RE	1,338.00		Prospecting	LP 30/5/1/1/2/170 PR	14/06/2006	13/06/2010	Yes	13/06/2013	No
	Koschade 657MS (formerly Mapani Kop 656MS)	Whole farm	969.00								No
	Ridge End 662MS	RE	1,037.00								No
	Sandstone Edge 658MS	Whole farm	1,077.00								No
	TOTAL WILDEBEESTHOEK										10,641.00

Airborne geophysics and limited exploration drilling, within the project 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 project could have better coal qualities than that encountered at the Chapudi Project, especially down dip, due to the increase in rank observed with depth.

19.5. Historical Exploration

Between 1975 and 1978, Iscor drilled a total of 70 boreholes over the current Wildebeesthoek Project area. The location of each hole is indicated on Figure 70. The Iscor boreholes are believed to have been drilled vertically. It appears that one Trans Natal borehole was drilled between 1968 and 1975, but no information other than collar position is available.

The drilling and sampling protocols used by Iscor are unknown. However, it is assumed that the drilling methods were conventional and pre-date the more efficient triple-tube wireline techniques that are commonly employed today.

It is not known whether the Iscor borehole collars were professionally surveyed.

The Iscor holes were sampled and sent to their in-house laboratory for analysis. Typically 13 samples were taken from the top to the base of the coal bearing strata, and numbered consecutively in this order. Raw analyses were carried out on the coal samples. Washed analyses were only undertaken at an RD=1.40. Proximate, CV, Roga and Swell Index testwork was carried out.

The Iscor borehole database was acquired in 2007 by CoAL; however, quality data is only available for two boreholes.

19.6. Recent Exploration

Rio Tinto drilled 4 boreholes within the Wildebeesthoek Section area on the farms Wildebeesthoek 661MS and Mapani Ridge 660MS. No specific details are available regarding Rio Tinto's drilling and sampling protocols, but it is assumed that they implemented the same protocols as discussed for the Chapudi Project (Section 17.6). The location of these boreholes is indicated on Figure 70.

Seam 6 was sampled on a ply-by-ply basis.

CoAL has not conducted any exploration drilling within the Wildebeesthoek Section area to-date.

Samples from the Rio Tinto drilling campaign were analysed at ALS Brisbane (ISO 17025 accredited). Products were returned to South Africa for petrographic analysis.

Coking quality analyses were not undertaken, however a sample taken from Seam 6 (6A) did produce a RoVmax of 1.74%, which is considered by Venmyn Deloitte as encouraging.

No specific details are available regarding Rio Tinto's analytical, QA/QC and security protocols for the Wildebeesthoek Section, but it is assumed that they implemented the same protocols as discussed for the Chapudi Section (Section 18.13.7).

19.7. Orebody Modelling

No orebody modelling has been undertaken on the Wildebeesthoek Project.

19.8. Proposed Mining and Processing

Due to the stage of development of the Wildebeesthoek Section, no detailed investigations have been carried out on the potential mining and processing of the deposit.

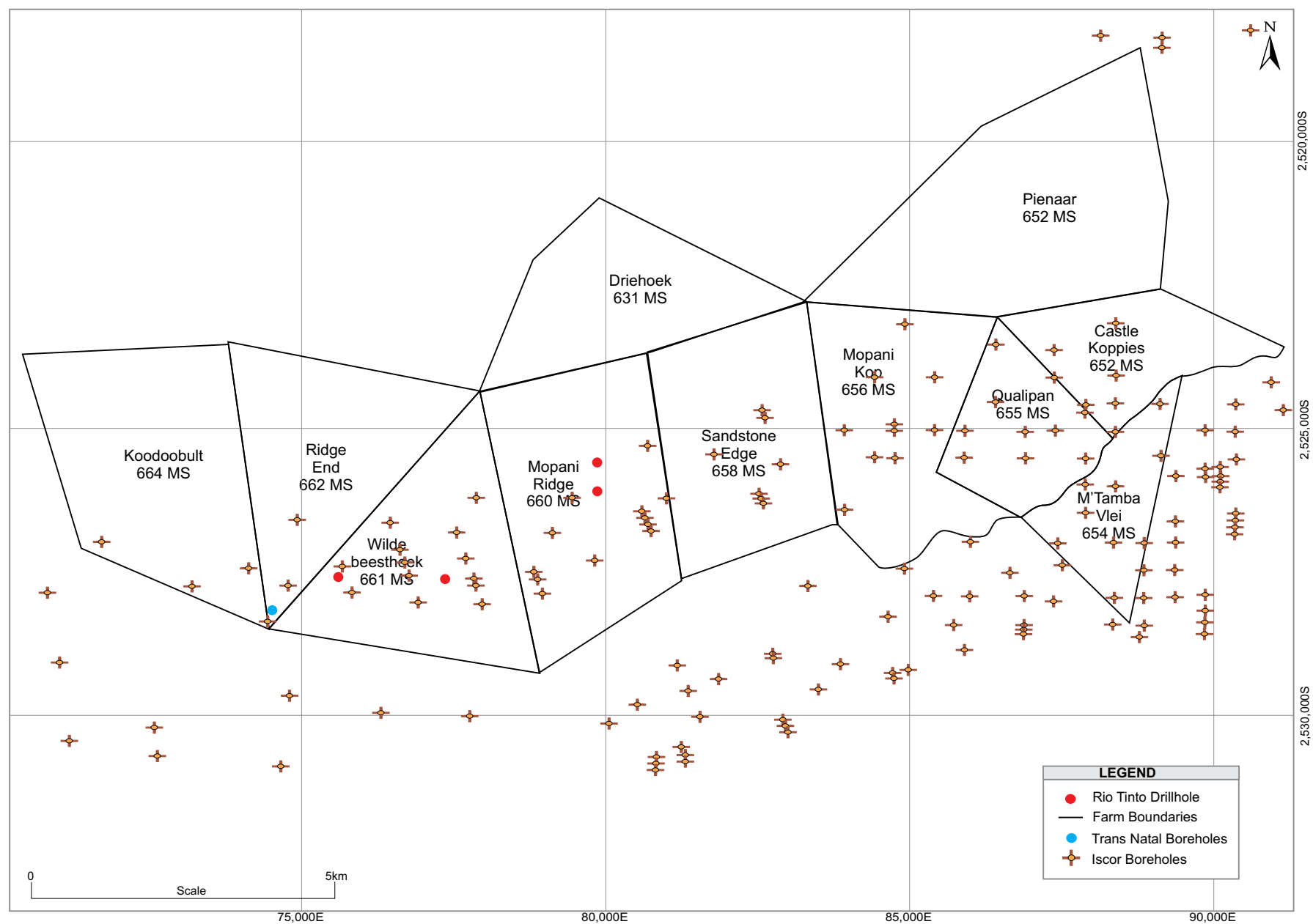
19.9. Mineral Resource Statement

There is no current resource estimate for the Wildebeesthoek Project.

Table 68 : Wildebeesthoek - Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	QUALITY RESULTS	LABORATORY FOR QUALITY	USED IN MODEL
1975 - 1982	Iskor	Koodoobult 664MS, Ridge End 662MS, Wildebeesthoek 661MS, Mapani Ridge 660MS, Sandstone Edge 658MS, Koschade 657MS, Qualipan 655MS, Castle Koppies 652MS, MTamba Vlei 654MS	Early exploration and resource estimation.	Unknown.	Unknown.	Diamond core	NQ	H. Van den Berg	70	No	All	Yes	Iskor	No
2006 - 2007	Rio Tinto	Wildebeesthoek 661MS, Mapani Ridge 660MS	Reconnaissance Drilling	Unknown.	Unknown.	Reverse Circulation	8 inch	D. Hirstov	4	Yes	Unknown	No	-	No
TOTAL									74					

WILDEBEESTHOEK - LOCATION OF HISTORICAL AND RECENT DRILLING



Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

19.10. Mineral Reserve Statement

As a result of the current stage of development of the Wildebeesthoek Project, no reserves have yet been declared.

19.11. Mineral Asset Valuation

Venmyn Deloitte has conducted an independent mineral asset valuation of the Wildebeesthoek Project, using both the Market Approach and the Cost Approach, as detailed in the sections below.

19.11.1. Cost Approach

The Cost Approach is based on previous expenditure by CoAL on property acquisition, prospecting and development related activities (as explained in Section 9.1).

Venmyn Deloitte considered the prospectivity of the respective coal properties according to the classification of exploration phases and their associated prospectivity enhancement multipliers (PEM), as illustrated in Table 9, which is Venmyn Deloitte's standard PEM schedule for coal projects.

In order to establish an appropriate PEM, each property was classified with the understanding that each new exploration phase was carried out contingent upon the successful outcome of the preceding phase. In addition, the PEM selected was reviewed taking into consideration proximity to well understood resource areas, drillhole density and a qualitative assessment of the prospects for eventual extraction.

This has allowed Venmyn Deloitte to determine the project value using the Cost Approach. This valuation method aims at assigning a value of the information and the level of geological confidence that has been achieved during the exploration and development activities.

In consideration of Table 9, Venmyn Deloitte consider that PEM's of between 1 and 2 can be applied to the previous acquisition and exploration costs, due to the very early stage of project development and the absence of estimated mineral resources.

Table 69 summarises the dynamics of the Cost Approach valuation.

This approach results in a value range of between ZAR10m and ZAR13m using the Cost Approach. Venmyn Deloitte's preferred value using the Cost Approach is the mean value of ZAR12m.

19.11.2. Market Approach

The contributing properties of the Wildebeesthoek Project represent properties on which varying amounts of exploration data is available. In general, however, relatively little recent exploration has been conducted on the contributing properties. In the absence of coal resources it is therefore only possible to conduct a Market Approach Valuation on a ZAR/ha basis.

As discussed in Section 9.2, Venmyn Deloitte has considered the unit values derived from the T3 transaction. Based on this transaction, Venmyn Deloitte consider that a unit value range of between ZAR3,000/ha and ZAR5,000/ha is appropriate in valuing the mineral assets within the Soutpansberg Coalfield, without mineral resources, and that this reflects the strategic value of such properties to CoAL. Table 70 summarises the value range of the contributing properties of the Wildebeesthoek Project.

The total value range derived from the Market Approach is estimated at between ZAR32m and ZAR53m. Venmyn Deloitte's preferred total value, using the Market Approach, is reflected by the mean value. This results in a total preferred value, using the Market Approach, of ZAR43m for the contributing properties of the Wildebeesthoek Project.

Table 69 : Wildebeesthoek - Cost Approach Valuation

PROJECT	ALLOCATED COAL EXPLORATION AND HISTORICAL PROPERTY ACQUISITION EXPENDITURE (ZARm)	ALLOCATED HISTORICAL DATA ACQUISITION EXPENDITURE (ZARm)	TOTAL (ZARm)	LOWER PEM	UPPER PEM	ALLOCATED CHAPUDI ACQUISITION EXPENDITURE (ZARm)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Wildebeesthoek	2.75	0.70	3.45	1.00	2.00	6.43	9.89	13.34	11.61
TOTAL	2.75	0.70	3.45	1.00	2.00	6.43	9.89	13.34	11.61

Table 70 : Wildebeesthoek - Market Approach Valuation

PROJECT	FARM	AREA (ha)	LOW ZAR/ha	HIGH ZAR/ha	LOW VALUE BASED ON TOTAL AREA (ZARm)	HIGH VALUE BASED ON TOTAL AREA (ZARm)	MEAN VALUE BASED ON TOTAL AREA (ZARm)
Wildebeesthoek	Koodoobult 664MS	1,338	3,000	5,000	31.92	53.21	42.56
	Ridge End 662MS	1,037					
	Wildebeesthoek 661MS	1,034					
	Mapani Ridge 660MS	1,193					
	Driehoek 631MS	874					
	Sandstone Edge 658MS	1,077					
	Koschade 657MS	969					
	Pienaar 635MS	1,590					
	Qualipan 655MS	524					
	Castle Koppies 652MS	554					
	M'Tamba Vlei 654MS	451					
TOTAL		10,641	3,000	5,000	31.92	53.21	42.56

19.11.3. Valuation Result

The summary valuation results of the respective valuations carried out are given in Table 71.

Table 71 : Wildebeesthoek - Mineral Asset Valuation Summary

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Wildebeesthoek	12	43	43	31

The Cost Approach results in a significantly lower value than the Market Approach. This can be explained by the low allocated costs associated with the Wildebeesthoek Project by CoAL since their acquisition of the project, and the fact only portion (first tranche of ~USD30m) of the total transaction value, associated with the Chapudi Acquisition Transaction, has been spent by CoAL to-date.

Nevertheless, Venmyn Deloitte places more confidence in the Market Approach valuation as it considers actual transactions and market values, and consider the strategic importance of the project to CoAL within the area. The Cost Approach by contrast relies on a number of cost allocation assumptions on which Venmyn Deloitte places less reliance.

Venmyn Deloitte consequently considers that the 'Fair Value' of the Wildebeesthoek Project is reflected by the Market Approach valuation. Since CoAL has a 74% interest in the Wildebeesthoek Project, Venmyn Deloitte considers that the attributable 'Fair Value' of the Wildebeesthoek Project is **ZAR31m**.

The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the range in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

20. Voorburg

The Voorburg Area, located within the Soutpansberg Coalfield, is an advanced exploration project which contains coking coal resources.

20.1. Location

The Voorburg Project is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 46), and represents the Mopane Project's most advanced exploration section. This figure illustrates the location of the Voorburg area in relation to regional infrastructure and the mineral tenure of CoAL in the Greater Soutpansberg Project area. The nearest town is Musina, situated approximately 30km to the north of the Voorburg area.

20.2. Infrastructure

The Voorburg Project is well situated with respect to major infrastructure, including rail, road and power.

The railway linking Gauteng (in South Africa) and Zimbabwe traverses the farm Cavan 508MS in the east of the Section area with the nearest rail siding, Lilliput, being located on this farm (Figure 71). Although this siding is located on CoAL's property, the company has negotiated the rights to the Huntleigh Siding, located approximately 20km to the south of Lilliput.

Eskom grid powerlines are located parallel to the N1 and are situated 6km east of the farm Cavan 508MS at their closest point (Figure 71). Water for drilling and potable requirements is currently available from the local landowners' dams and boreholes.

Due to the fact that the Voorburg Area is still at an exploration stage, details on the availability and requirements of power, water, tailings disposal and other infrastructural items have not been investigated in detail and are therefore not reported upon in this document.

20.3. Mineral Tenure

CoAL holds an NOPR in respect of the farms Ancaster 501MS and Cavan 508MS that expired on the 1st October 2011. CoAL applied for a renewal on the 30th June 2011 and is awaiting approval of the application.

An NOPR on Voorburg 503 MS, that was originally held by Motjoli, was transferred to CoAL and lapsed on the 29th May 2011. CoAL applied for a renewal on the 9th February 2011 and is awaiting approval of the application.

The farms Banff 502 MS, Delft 499 MS, Krige 495MS, Scheveningen 500MS and Vera 815MS now form part of the Voorburg Project. CoAL's interest in these farms is a consequence of the Chapudi Acquisition Agreement.

Webber Wentzel informs Venmyn Deloitte that Scheveningen 500MS was held by KME and expired on the 13th of June 2012. Keynote, a subsidiary of CoAL, has since applied afresh for an NOPR over Scheveningen 500MS, according to information supplied to Webber Wentzel by CoAL directors.

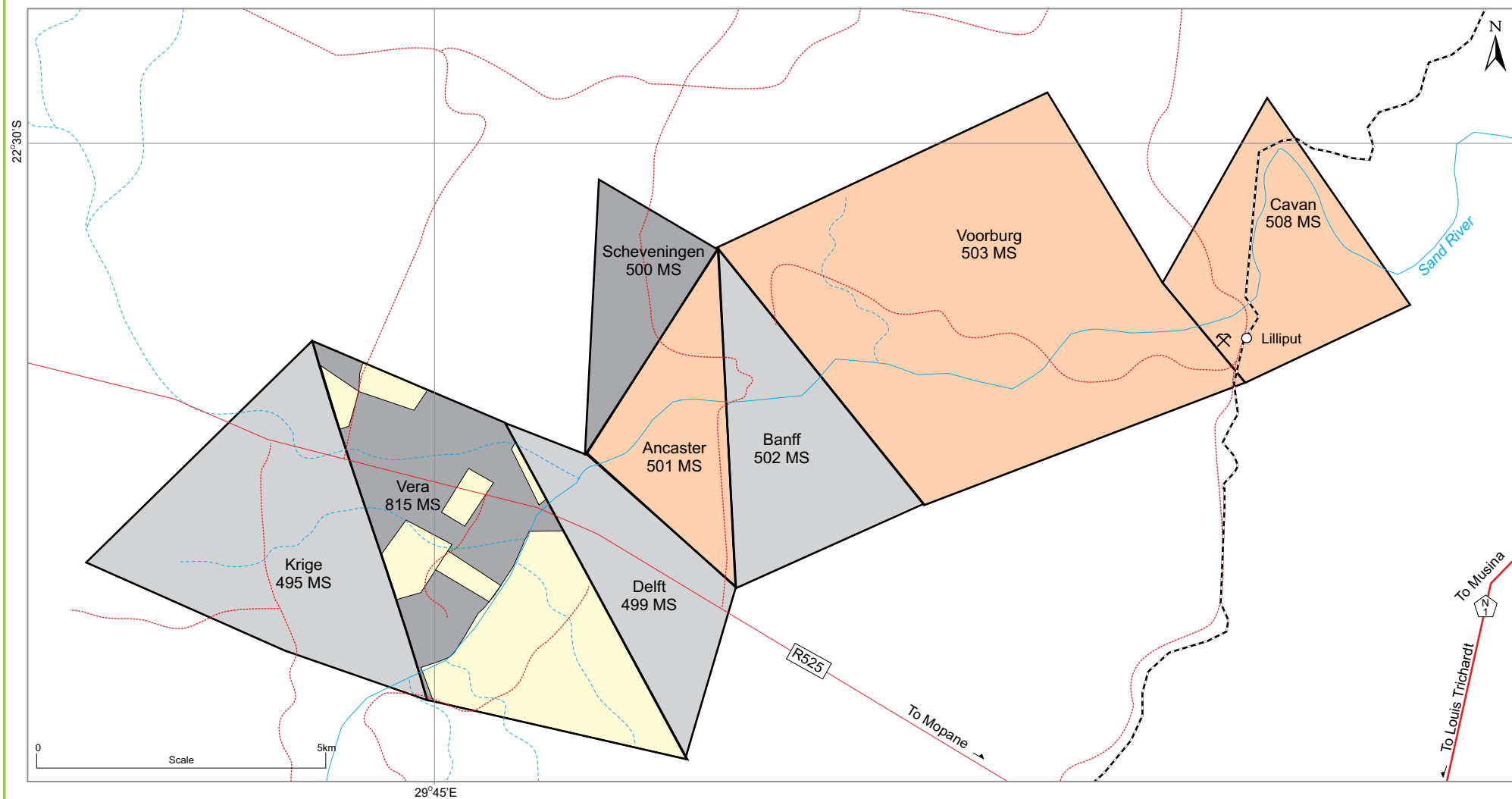
The rights relating to the Voorburg Project are summarised in Table 72 and their locations are graphically presented in Figure 71.

20.4. Geological Setting

20.4.1. Regional Geology

A description of the regional geology of the Soutpansberg Coalfield is presented in Section 13.4.1 (Figure 49 and Figure 50).

VOORBURG - LOCATION IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE



LEGEND			
— Farm Boundary	— Tarred Roads	CoAL Prospecting Right	
— Railway Station	... Dirt Roads	Kwezi Mining and Exploration (Pty) Ltd Prospecting Rights	
⌘ Lilliput Mine	— River	Chapudi Coal (Pty) Ltd Prospecting Right	
○ Lilliput Siding		Portions of Farm not held under Prospecting Right	

Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

Table 72 : Voorburg – Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Voorburg / Sandrivier	Banff 502MS	Whole farm	1,133.00	Chapudi Coal (Pty) Ltd	Prospecting	LP 30/5/1/1/2/676 PR	16/11/2005	15/11/2009	Yes	27/05/2013	No
	Delft 499MS	Portions 1, 2 & RE	788.00								No
	Krige 495MS	Whole farm	1,855.00								No
	Ancaster 501MS	Whole farm	834.00	Coal of Africa (Pty) Ltd	Prospecting	LP 30/5/1/1/2/38 PR	02/10/2006	01/10/2011	No		No
	Cavan 505MS	Whole farm	1,224.00								No
	Scheveningen 500MS	Whole farm	575.00	Kwezi Mining & Exploration (Pty) Ltd	Prospecting	LP 30/5/1/1/2/61 PR		14/06/2009	Yes	13/06/2012	No
	Vera 815MS	Portions 1, 3-9, 13-24, 26-27, 29-30, 35-41, 44-46, 48-52 & 54, RE of portions 10	998.00		Prospecting	LP 30/5/1/1/2/50 PR	14/06/2006	13/06/2010	Yes	13/06/2013	No
	Voorburg 503MS	Whole farm	3,918.00	Motjoli Resources (Pty) Ltd	Prospecting	LP 30/5/1/1/2/433 PR	30/05/2006	29/05/2011	No		No
TOTAL VOORBURG			11,325.00								

20.4.2. Local Geology

The Voorburg Project represents an isolated and upfaulted block of Karoo age sediments, which lies approximately 10km to the north of the remainder of the Coalfield (Figure 49 and Figure 50). The basin represents a half graben with an unconformable southern contact and a fault bounded northern contact.

The Karoo age sediments were deposited onto basement granite gneisses. The lowermost sediments include Dwyka tillites, which were followed by the deposition of the coal bearing strata (Figure 72) of the Eccra Group. The Eccra Group sediments comprise sandstones and shales. The Lower Eccra Group appears absent in the area. The coal bearing sediments occur as alternating mudstone laminae and coal bands within the Upper Eccra 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 coal bearing strata are overlain by red shales and mudstones belonging to the Beaufort Group. The coarse sandstone and conglomerate marker bed of the Fripp Formation is present within the area and forms the small flat topped hill into which the Lilliput Shaft was excavated (Figure 71).

These sediments are limited in the north by a 25km long west southwesterly / east northeasterly trending fault. This is a normal fault with an upthrow of approximately 1,000m to the south. The Sand River roughly follows this fault plane in an easterly direction by exploiting this zone of weakness. A semi parallel fault occurs as an offshoot to the main fault. This fault has a throw of between 5m and 10m.

The coal seams exhibit an average dip 5°N. Minor faulting and dolerite intrusions have been noted from historical borehole data and mapping. One dolerite sill was intersected in the basement of one of the new boreholes. It measured 0.4m in thickness, and is the only dolerite that has been intersected in the current and historical drilling.

20.5. Historical Exploration

The earliest known exploration on the Voorburg Project was undertaken on Cavan 508MS by Rapbern in the early 1970s (Table 73). A total of seven holes were drilled, six of which were sampled and sent for analysis. The results are presented in a report by Mr. S. Tolmay (1975). No information is available on the drilling, logging, sampling and surveying methods and standards used, except that the exploration was carried out for reconnaissance purposes. These boreholes are not used in the current resource model.

During 1976, Iscor drilled 39 diamond boreholes on the farms Banff 502MS and Voorburg 503MS (Table 10). The location of the holes is indicated on Figure 73. The drilling was widely spaced and carried out for reconnaissance purposes. The Iscor boreholes are believed to have been drilled vertically.

The drilling and sampling protocols used by Iscor are unknown. However, it is assumed that the drilling methods were conventional and pre-date the more efficient triple-tube wireline techniques that are commonly employed today. It is not known whether the Iscor borehole collars were professionally surveyed.

The Iscor holes were sampled and sent to its in-house laboratory for analysis. Typically 13 samples were taken from the top to the base of the coal bearing strata, and numbered consecutively in this order. Raw analyses were carried out on the coal samples. Washed analyses were only undertaken at an RD=1.40. Proximate, CV, Roga and swell index testwork was carried out.

Iskor produced two reports in the mid 1970s assessing the potential for opencast and underground mining on the properties which it had drilled. It recognised the high coking properties of the coal and also estimated "reserves" on these properties. Iskor concluded that, under the prevalent economic circumstances, opencast mining was not feasible, but that underground mining might be feasible.

The Iscor borehole database was acquired in 2007 by CoAL.

VOORBURG - LOCAL GEOLOGICAL MAP AND STRATIGRAPHIC COLUMN

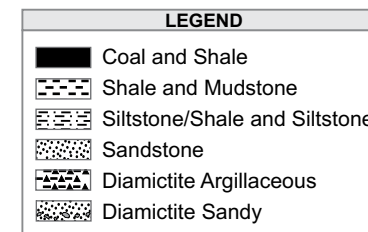
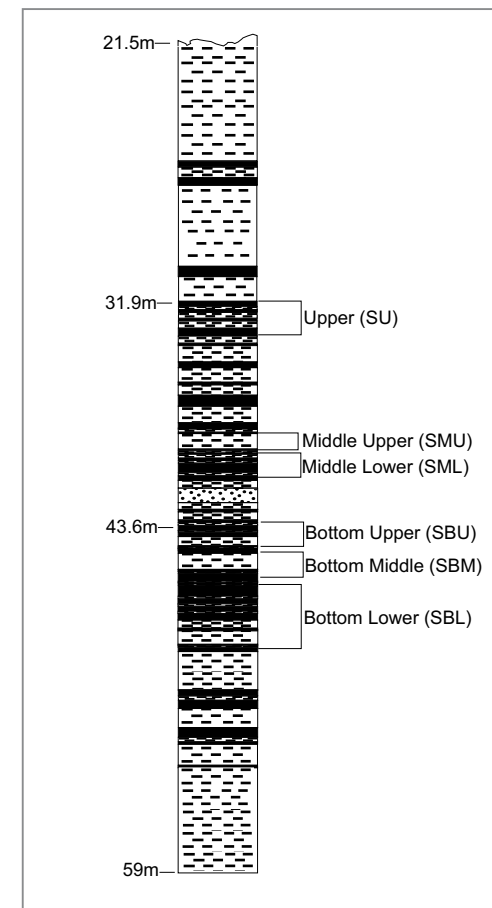
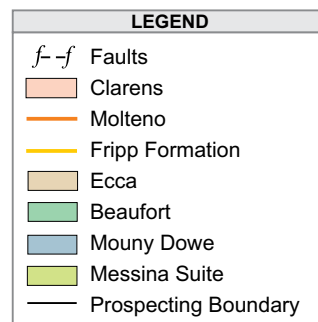
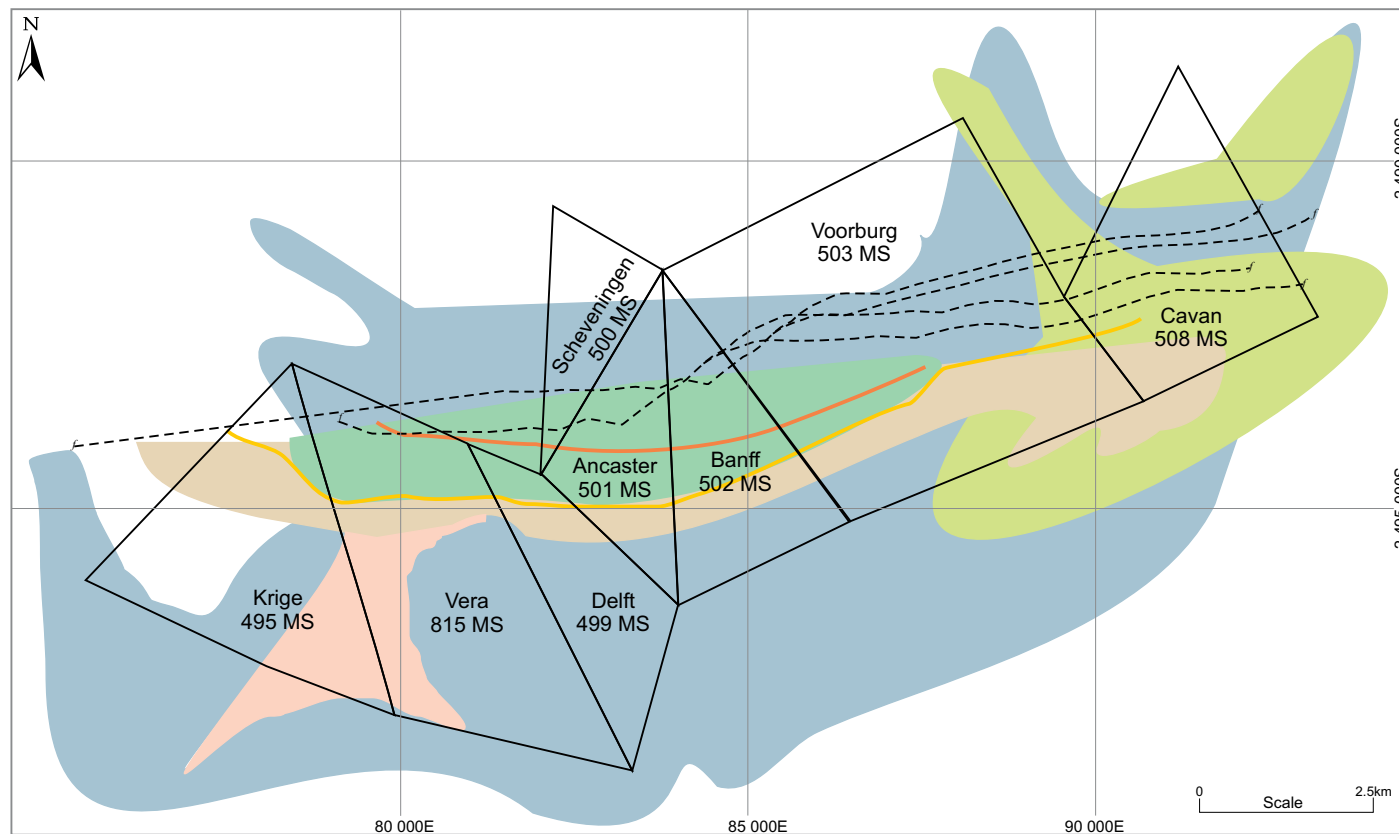


Table 73 : Voorburg - Summary of Historical and Recent Drilling

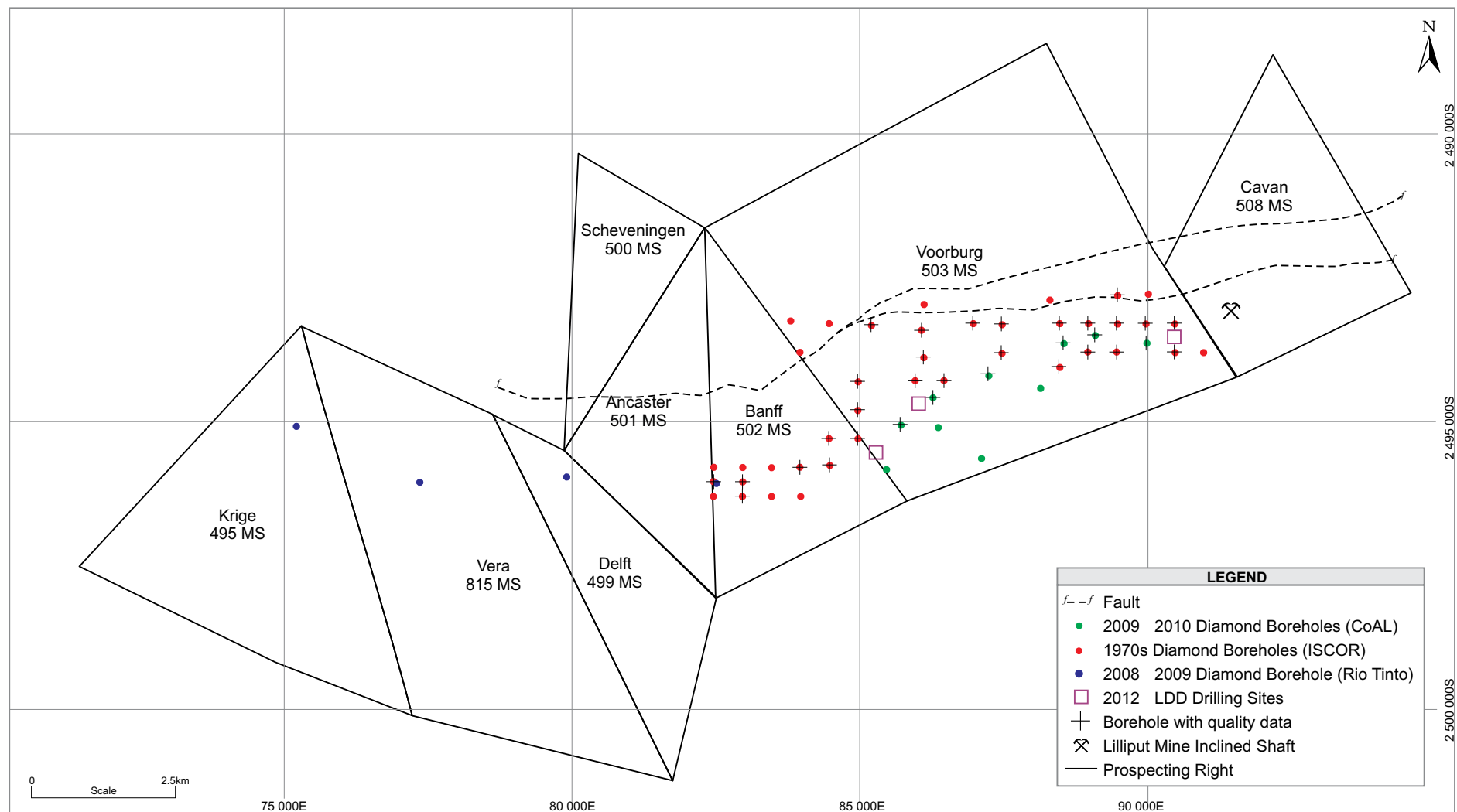
DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	LABORATORY FOR QUALITY	USED IN MODEL	
1974	Rapburn	Cavan 508MS	Reconnaissance	Unknown	Unknown	Unknown	N/A	Possibly S Tolmay	7	-	Unknown	6 holes sampled. Sent to TCOA* & Iscor Laboratories.	No	
1976	Iscor (now Exxaro)	Banff 502MS & Voorburg 503MS	Reconnaissance	In house	In house	Diamond	N/A	In house	39	-	All	Iscor. Analyses only on 1.4RD fraction.	Yes - 38 holes	
2008 - 2009	Rio Tinto	Banff 502MS, Delft 499MS, Vera 815MS & Krige 495MS	Regional exploration	In house	Earth Resources	2 Diamond, 2 RC	PQ3	D Hristov	4	Unknown	Seams 6 & 7**	ALS	No	
2009 - 2010	CoAL	Voorburg 503MS	Confirmation of Iscor holes and resource declaration.	P Mathe & Associates	Scott Drilling	Diamond	PQ3	C Mafiri	10	Yes	Upper, Middle, Middle Lower, Bottom Upper and Bottom Lower	Inspectorate	Yes	
2012			Quality sampling.		Drillcon	LDD	T6 146		15			CAM	No	
TOTAL									75					

Notes:

* TCOA - Transvaal Coal Owners Association (1923) (Pty) Ltd

** Rio Tinto nomenclature. Seam 6 includes the CoAL defined Upper, Middle, Middle Lower, Bottom Upper and Bottom Lower seams.

VOORBURG - LOCATION OF HISTORICAL AND RECENT DRILLING



Rio Tinto drilled four diamond boreholes into the properties associated with their NOPRs (held in the name of Chapudi Coal and KME), namely Banff 502MS, Delft 499MS, Vera 815MS and Krige 495MS (Table 73). One hole was drilled in each of the farms as part of their regional exploration programme.

The diamond hole on Banff 502MS was sampled on a ply-by-ply basis and analysed for washability results. A petrography sample was also collected and subjected to proximate, ultimate, CV and vitrinite reflectance analysis.

The borehole on Delft 499MS was an RC hole with the sample chips being analysed for proximate, CV, total sulphur and vitrinite reflectance result on the RD=1.40 fraction from each subsection. Rio Tinto reported that because the RC drilling method has the potential to partially lose high quality coal in the fine fractions, these results should be regarded as representing a worst case scenario.

The borehole on Krige 495MS was also an RC hole. A petrography sample was collected from this hole and subjected to proximate, ultimate, CV and vitrinite reflectance analyses. No samples have been collected from the diamond borehole drilled on Vera 815MS.

Although the results of these boreholes have been provided to CoAL by Rio Tinto, these have not yet been included in the modelling and resource estimation as CoAL have their own boreholes adjacent to the hole located on Banff 502MS (Figure 73). The other three holes are situated as outliers to the west of the current extent of the drilling and outside of CoAL's immediate area of interest governed by their NOPRs and have therefore not been included in the resource modelling at this stage.

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. According to the Fuel Research Institute of South Africa (Report No.53 of 1942) a total of 14,488t of coal was mined from an inclined shaft excavated into the small flat topped hill situated a few hundred metres west of the Lilliput Siding (Figure 73). No information was available on the coal qualities produced and the extent of the mined out area.

20.6. Recent Exploration

CoAL obtained NOPRs over the Voorburg farms in 2006 and proceeded to drill ten diamond boreholes between 2009 and 2010 on the farm Voorburg 503MS (Table 10 and Figure 19). In 2012, CoAL identified three sites for LDD drilling, and drilled five LDD boreholes at each of these three sites. All drilling has been managed by CoAL, with Mr. C. Mafiri (Pr.Sci.Nat.) as the responsible geologist. The location of the all exploration is presented on Figure 73.

20.6.1. Remote or Geophysical Exploration

CoAL commissioned EPA to conduct a photographic/LIDAR survey in 2008 over the properties it held at that time. This survey was flown in a fixed wing aircraft at a height of approximately 1,100m above ground surface. A 70kHz laser provided ground elevation data to a 15cm vertical and 30cm horizontal accuracy. The survey was based on WGS84 datum and Lo29E projection.

20.6.2. Diamond Drilling

Diamond drilling was carried out by Scott Drilling. The geologist responsible for the drilling and sampling was Mr. C. Mafiri (Pr.Sci.Nat.). The purpose of the drilling was to confirm the Iscor borehole results and to drill sufficient boreholes to declare resources.

Most holes were drilled at a core size of PQ3 (83mm) to obtain sufficient sample material for analysis and to reduce core loss. Drilling was undertaken using triple tube techniques in order to minimise core loss. The boreholes were consecutively named from V503001 to V503010. Two holes, namely V503008 and V503010, had to be redrilled due to excessive core loss in the coal horizons. The re-drills are indicated with a letter "A" suffix.

The CoAL drilling contracts demanded a minimum recovery of 98% within coal horizons and 95% in non-coal sediments. CoAL reported that, throughout the exploration drill programmes, every effort was made to achieve maximum core recovery and minimise the loss of fines.

Core was transported to the core shed by the drilling contractor, received by the geologist and stacked. In the case of coal intersections, the core was stored in a refrigerated container. When both the core and the geophysical logs were received, the borehole was considered to have been completed. Core recovery within individual coal plies was measured with reference to the geophysical logs and, if found to be acceptable, logging commenced. CoAL did not retain records of core recovery.

On the basis of the Iscor data, CoAL defined seams or selected mining cuts by firstly selecting intervals comprising predominantly coal and then by identifying the sample names associated with those intervals and automatically allocating them to the seam. This process was recently revised for Iscor boreholes by re-selecting the seam intervals based on a visual assessment of the Iscor hand-written graphic logs. The process was deemed necessary as CoAL geologists were not satisfied that the allocation of sample numbers to seams by Iscor was sufficiently consistent.

For the CoAL boreholes, the field geologists were responsible for the selection of seam intervals under the supervision of the responsible geologist, Mr. C. Mafiri (Pr.Sci.Nat.).

CoAL conducted whole core sampling and sample intervals were selected on the basis of the geophysical logs. Samples were numbered from the base upwards and correspond to the same stratigraphic interval in every borehole. CoAL has identified six potentially mineable seams within the Coal Zone.

Samples were double-bagged with each bag sealed with cable ties and labelled. Bagged samples were stored in a locked refrigerated container prior to transportation to the laboratory in a closed truck.

All samples were sent to Inspectorate's SANAS accredited laboratory in Polokwane (No. T0476).

20.6.3. Percussion or Open Hole Drilling

Venmyn Deloitte is not aware of any recent percussion or open hole drilling having been conducted by CoAL at the Voorburg Project.

20.6.4. Down the Hole Geophysics / Wireline Logging

Downhole geophysical surveys were conducted on all the boreholes by a dedicated Weatherford geophysical logging unit. Heavy dependence is placed on the geophysical log and a borehole is not considered complete until a geophysical log has been generated. The geophysical logs are used as the basis for identifying, correlating and sampling the coal horizons. A basic suite of tools is run for dual density, natural gamma and calliper measurements.

20.6.5. LDD Drilling

CoAL also completed 15 LDD holes to obtain bulk samples located at three previously drilled holes. At each site, five large diameter boreholes, positioned about 5m apart, were drilled in close proximity to a slim core pilot borehole. LDD boreholes were drilled conventionally using a T6 (146mm) drill bit, which produces a core of 122.8mm in diameter.

The purpose of the LDD holes was to increase the information available on the coking coal quality and yields. These holes were wireline logged. The coal samples were sent to the CAM laboratory in Polokwane for proximate analysis, washability testwork, swell index, Roga and phosphorous content testing. The result of this testwork was positive and showed an increase in the yields compared to the previous slimline drilling. These boreholes have not been included in the geological model.

Venmyn has witnessed this drilling programme and is satisfied that best practise exploration standards were employed.

20.6.6. Bulk Sampling

No bulk sampling has been carried out on the Voorburg Project, other than that associated with the LDD drilling discussed above.

20.7. Orebody Modelling

The orebody model on the Voorburg Project was prepared by Mr. J. Sparrow (Pr.Sci.Nat.), CoAL's Competent Person, in MinexTM Software. The model takes into account all available historical and recent drilling and other geological information, as at the 29th February 2012. It does not include the four Rio Tinto boreholes and therefore has not been extended across all the farms. The model also does not include the 2012 LDD boreholes. There is no change to the model between this date and 30th September 2012.

Venmyn Deloitte has reviewed the model and interviewed Mr. J. Sparrow (Pr.Sci.Nat.) concerning his methods of modelling. Venmyn Deloitte has also independently plotted the graphical distribution of the boreholes and morphology of the seams in Geosoft Target and Micromine and found the results to be satisfactory. Venmyn Deloitte is satisfied with the integrity and results of the model.

The model of the coal is limited in the north by the fault and in the south by the suboutcrop of the coal seams. It must be noted that the model was limited in the east, along the farm boundary of Cavan 508MS, due to the lack of drilling on this farm. Similarly, the model was limited by the extent of the drilling towards the west, along the eastern boundary of the farm Ancaster 501MS. It is expected that additional drilling along strike will identify further coal in both a westerly and easterly direction.

Both the physical and quality parameters of the various seams were modelled. Grids with a 25m mesh were estimated using MinexTM's general purpose gridding function, using a 3km search radius. The model of the physical parameters of the seam was cut along any significant structures, whilst the quality parameters were modelled across it. All physical and quality parameters were plotted and visually inspected to ensure they were acceptable for geological interpretation.

The coal thickness model is presented in Figure 74. For the full details of this review and the physical and quality results the reader is referred to the 2011 CPR independently prepared by Venmyn Deloitte and published by CoAL.

20.8. Proposed Mining and Processing

Due to the stage of development of the Voorburg Section, 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 initially be opencast, possibly followed later by underground methods on selected seam horizons only. Opencast mining to a maximum depth of 200m has been utilised for the purposes of the declaration of MTIS resources. This is the economic depth currently being used on CoAL's nearby Makhado Project. Details on mining methods and recoveries will be investigated during a Pre-Feasibility Study on the project.

The Voorburg coal is most likely to yield a semi-hard coking coal product. No details are currently available on the envisaged processing plant. This study will be undertaken as part of a Pre-Feasibility Study.

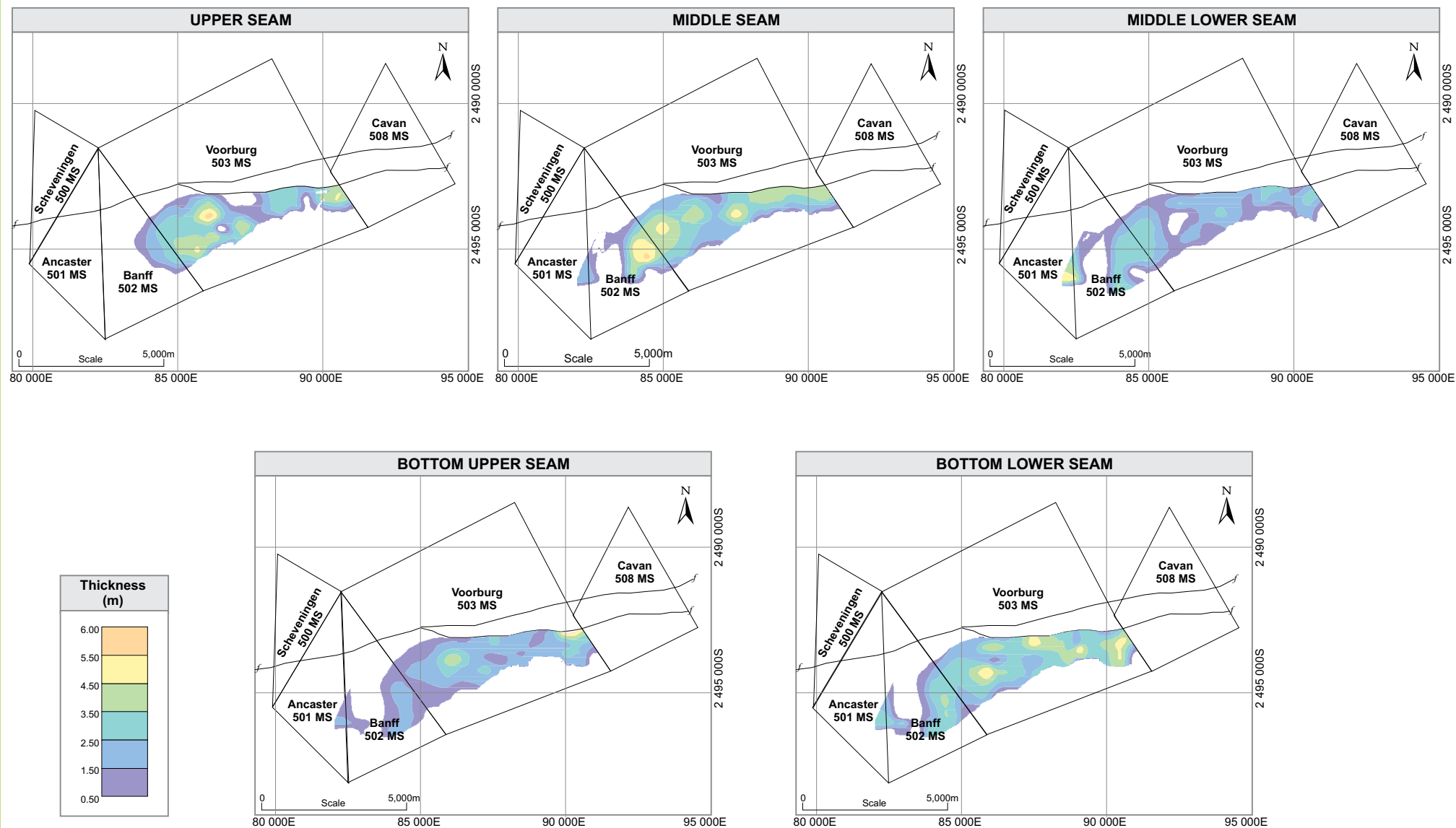
20.9. Mineral Resource Statement

The mineral resource statement was prepared and signed off by CoAL's Competent Person, Mr. J. Sparrow (Pr.Sci.Nat.), as at 30th September 2012. The resource remains unchanged from that reported by the company in the Independent Technical Statement of 31st May 2012. The location of the resources is identified on Figure 75, whilst the statement is presented in Table 74.

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

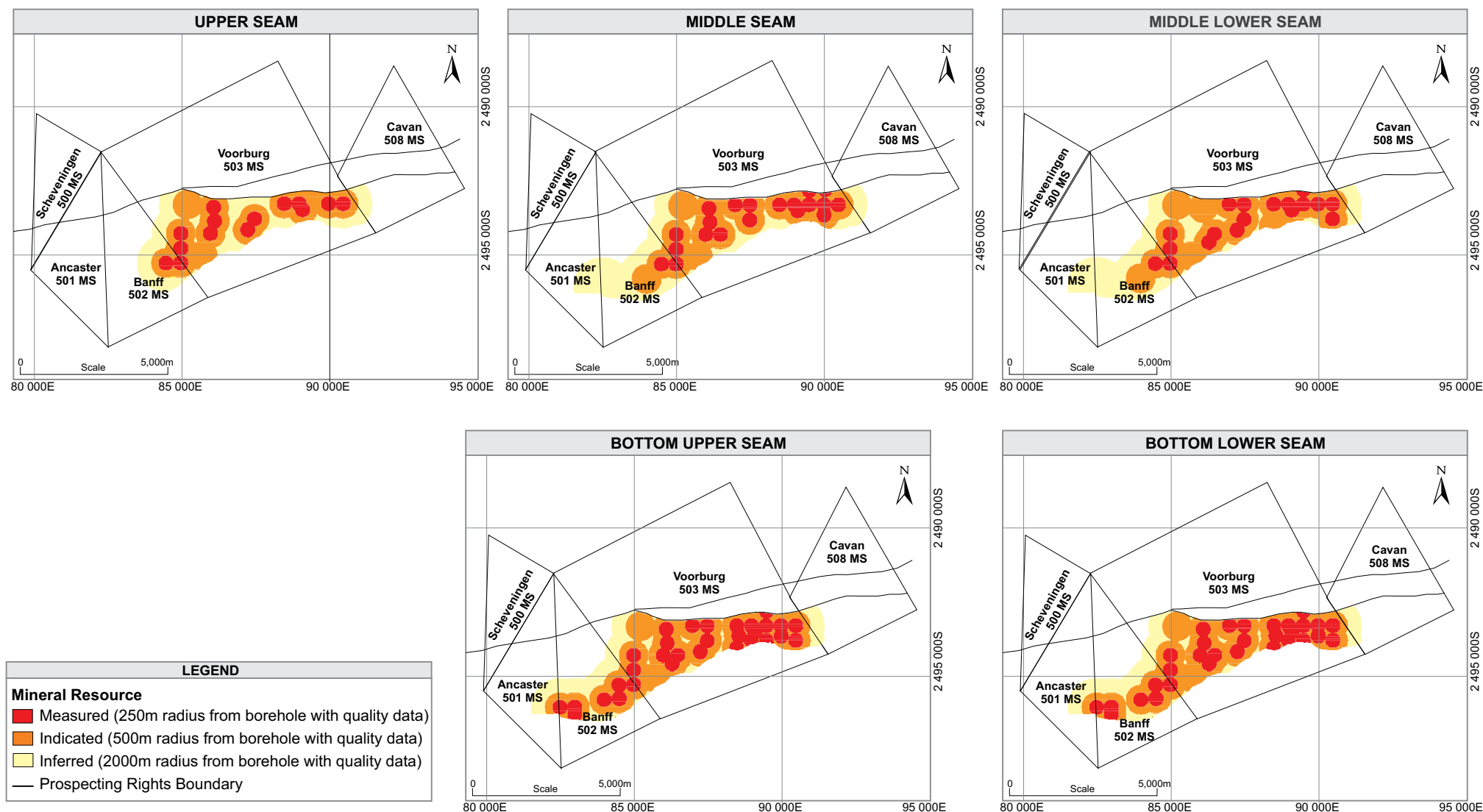
- the limit of the NOPRs boundary;
- the limit of the coal seams in the north along the fault line;

VOORBURG - COAL ISOPACH MODEL



Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

VOORBURG - LOCATION AND CLASSIFICATION OF THE MINERAL RESOURCES



Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

Table 74 : Voorburg – Coal Resource Statement (30th September 2012)

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS								AIR DRIED WASHED QUALITIES @ RD=1.40						
FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Voorburg 503MS	Measured	Upper	3 21	2.02	16,321,018	10%	14,688,900	19 64		10.04	32 57	56.75	1.15	0.64
		Middle Upper	3 26	1.94	21,621,666	10%	19,459,400	28.46		11.57	32 81	55.05	1 24	0.57
		Middle Low er	2 04	1.92	12,410,134	10%	11,169,100	34 65		12.07	32 33	54.89	1.18	0.72
		Bottom Upper	2 06	1.87	16,890,762	10%	15,201,600	30 31		11.33	31 86	56.07	1 09	0.73
		Bottom Low er	3 27	1.85	27,120,868	10%	24,408,700	26 51		10.80	31.41	56.42	0 99	0.71
	TOTAL / AVE MEASURED		2.75	1.91	94,364,448	10%	84,927,700	27.52		11.11	32.13	55.90	1.12	0.67
	Indicated	Upper	2 57	2.03	23,657,570	15%	20,108,000	16 99		9.98	32.44	56.81	1.13	0.80
		Middle Upper	2 79	1.96	25,033,496	15%	21,278,000	27 36		11.44	32 33	55.53	1 27	0.71
		Middle Low er	1 62	1.91	15,624,062	15%	13,280,000	32 09		12.07	31 27	55.90	1.14	0.77
		Bottom Upper	1 81	1.87	15,432,803	15%	13,117,000	30.40		11.31	31 09	56.85	1 02	0.75
		Bottom Low er	2 73	1.84	23,312,932	15%	19,815,000	25 26		10.11	29 39	55.77	0 86	0.70
	TOTAL / AVE INDICATED		2.29	1.92	103,060,863	15%	87,598,000	25.68		10.88	31.34	56.13	1.09	0.74
	Inferred	Upper	1 79	1.97	4,827,979	20%	3,860,000	19 31		10.32	32.47	56.47	1.10	0.79
		Middle Upper	2 15	1.95	4,715,050	20%	3,770,000	26 22		11.07	32 57	55.82	1.14	0.55
		Middle Low er	1 38	1.93	2,142,872	20%	1,710,000	32 24		12.30	30 50	56.66	1.10	0.57
		Bottom Upper	1 33	1.86	1,495,843	20%	1,190,000	32 08		11.01	30 65	57.59	0 91	0.60
Bottom Low er		2 07	1.82	2,321,918	20%	1,850,000	28 53		9.97	30 63	59.09	0 80	0.58	
TOTAL / AVE INFERRED		1.78	1.92	15,503,662	20%	12,380,000	25.81		10.84	31.78	56.80	1.05	0.64	
TOTAL / AVE VOORBURG		2.42	1.92	212,928,973	13%	184,905,700	26.53		10.98	31.74	56.07	1.10	0.70	
Ancaster 501MS	Measured	Bottom Upper	1 37	1.83	200,203	10%	180,100	48 86		14.79	35.72	48.87	0 99	0.29
		Bottom Low er	2 49	1.86	388,168	10%	349,300	44 03		11.28	35 50	53.67	0 98	0.39
	TOTAL / AVE MEASURED		1.95	1.85	588,371	10%	529,400	45.67		12.47	35.57	52.04	0.98	0.36
	Indicated	Bottom Upper	1 34	1.83	397,472	15%	337,000	50.43		14.94	35.49	48.87	0 98	0.27
		Bottom Low er	2 45	1.87	772,198	15%	656,000	45.14		11.39	35 38	53.67	0 99	0.37
	TOTAL / AVE INDICATED		1.91	1.86	1,169,670	15%	993,000	46.94		12.59	35.42	52.04	0.99	0.34
	Inferred	Middle Upper	1 70	1.84	885,837	20%	700,000	23.48		10.48	35 52	53.56	1 09	0.36
		Middle Low er	3 83	1.73	1,963,917	20%	1,570,000	32.17		12.90	36.49	50.44	1 62	0.23
		Bottom Upper	1 10	1.85	83,804	20%	60,000	52.12		14.81	34 52	49.80	0 95	0.25
		Bottom Low er	2 08	1.85	158,387	20%	120,000	44.16		11.35	34.70	55.41	0 98	0.34
	TOTAL / AVE INFERRED		2.64	1.77	3,091,945	20%	2,450,000	30.76		12.18	36.08	51.56	1.42	0.27
	TOTAL / AVE ANCASTER		2.33	1.80	4,849,986	18%	3,972,400	36.79		12.32	35.85	51.74	1.25	0.30
Banff 502MS	Measured	Upper	2 37	2.02	1,715,648	10%	1,544,000	24 05		10.73	34 36	54.49	0 96	0.43
		Middle Upper	4 19	1.91	2,901,002	10%	2,610,900	42 60		11.95	34.77	52.91	1.12	0.37
		Middle Low er	2 85	1.93	1,989,230	10%	1,790,300	38.43		13.35	34 57	51.71	1 27	0.37
		Bottom Upper	1 29	1.86	2,675,415	10%	2,407,800	33 59		11.11	29 22	59.23	0 91	0.44
		Bottom Low er	2 31	1.88	5,201,044	10%	4,680,900	32 36		10.52	30.15	58.86	0 81	0.43
	TOTAL / AVE MEASURED		2.24	1.90	14,482,339	10%	13,033,900	34.49		11.33	32.01	56.24	0.97	0.41
	Indicated	Upper	1 71	2.02	1,952,024	15%	1,659,000	25 35		10.02	33 38	56.12	0 96	0.53
		Middle Upper	2 73	1.90	6,092,697	15%	5,178,000	44 80		11.75	34 94	52.86	1.10	0.45
		Middle Low er	2 21	1.96	5,347,964	15%	4,545,000	30 66		13.83	34 98	50.81	2 59	0.37
		Bottom Upper	1 30	1.86	2,474,691	15%	2,103,000	35.12		11.03	29 04	59.43	0 87	0.46
		Bottom Low er	2 19	1.89	4,935,943	15%	4,195,000	33 06		10.62	29 99	58.81	0 78	0.42
	TOTAL / AVE INDICATED		2.09	1.92	20,803,319	15%	17,680,000	35.40		11.77	32.93	54.83	1.37	0.43
	Inferred	Upper	1 58	1.92	1,767,701	20%	1,410,000	23.75		9.02	32 04	58.55	0 92	0.50
		Middle Upper	2 38	1.90	4,731,549	20%	3,780,000	33.45		11.00	33 65	54.95	1 01	0.34
		Middle Low er	2 03	1.86	5,570,655	20%	4,450,000	37 04		13.19	33 99	52.64	1.46	0.25
		Bottom Upper	1 16	1.85	1,850,789	20%	1,480,000	39 33		11.80	33.44	54.09	0 78	0.35
		Bottom Low er	1 96	1.88	3,722,696	20%	2,970,000	38 07		11.12	34 06	56.05	0 78	0.37
	TOTAL / AVE INFERRED		1.89	1.88	17,643,390	20%	14,090,000	35.20		11.60	33.66	54.72	1.07	0.33
	TOTAL / AVE BANFF		2.05	1.90	52,929,048	15%	44,803,900	35.07		11.59	32.89	55.21	1.16	0.40
GRAND TOTAL / AVE VOORBERG			2.34	1.91	270,708,007	14%	233,682,000	28.34		11.12	32.03	55.83	1.11	0.64

Notes

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

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR O/C MINING. NO U/G MINING CONSIDERED. COAL WITH VOLATILE CONTENT >20% EXCLUDED.

FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINEABLE TONNES IN SITU	
Voorburg 503MS	Measured	Upper	3.21	2.02	16,321,018	10%	14,688,916	2%	14,395,100	
		Middle Upper	3.26	1.94	21,621,666	10%	19,459,499	2%	19,070,300	
		Middle Low er	2.04	1.92	12,410,134	10%	11,169,121	2%	10,945,700	
		Bottom Upper	2.06	1.87	16,890,762	10%	15,201,686	2%	14,897,600	
		Bottom Low er	3.27	1.85	27,120,868	10%	24,408,781	2%	23,920,600	
	TOTAL / AVE MEASURED		2.75	1.91	94,364,448	10%	84,928,003	2%	83,229,300	
	Indicated	Upper	2.60	2.03	23,424,614	15%	19,910,922	2%	19,512,000	
		Middle Upper	2.83	1.96	24,574,338	15%	20,888,187	2%	20,470,000	
		Middle Low er	1.63	1.91	15,209,852	15%	12,928,374	2%	12,669,000	
		Bottom Upper	1.85	1.87	15,085,002	15%	12,822,252	2%	12,565,000	
		Bottom Low er	2.77	1.84	22,575,806	15%	19,189,435	2%	18,805,000	
	TOTAL / AVE INDICATED		2.32	1.92	100,869,612	15%	85,739,170	2%	84,021,000	
	Inferred	Upper	1.86	1.99	4,102,004	20%	3,281,603	2%	3,210,000	
		Middle Upper	2.20	1.95	4,656,435	20%	3,725,148	2%	3,650,000	
Middle Low er		1.39	1.93	2,128,200	20%	1,702,560	2%	1,660,000		
Bottom Upper		1.35	1.86	1,456,315	20%	1,165,052	2%	1,140,000		
Bottom Low er		2.10	1.82	2,291,481	20%	1,833,185	2%	1,790,000		
TOTAL / AVE INFERRED		1.82	1.93	14,634,435	20%	11,707,548	2%	11,450,000		
TOTAL / AVE VOORBURG		2.45	1.92	209,868,495	13%	182,374,721	2%	178,700,300		
Ancaster 501MS	Measured	Bottom Upper	1.37	1.83	200,203	10%	180,183	2%	176,500	
		Bottom Low er	2.49	1.86	388,168	10%	349,351	2%	342,300	
	TOTAL / AVE MEASURED		1.95	1.85	588,371	10%	529,534	2%	518,800	
	Indicated	Bottom Upper	1.33	1.83	359,672	15%	305,721	2%	299,000	
		Bottom Low er	2.44	1.87	700,210	15%	595,179	2%	583,000	
	TOTAL / AVE INDICATED		1.90	1.86	1,059,882	15%	900,900	2%	882,000	
	Inferred	Middle Upper	1.76	1.83	683,946	20%	547,157	2%	530,000	
		Middle Low er	4.08	1.70	1,509,655	20%	1,207,724	2%	1,180,000	
		Bottom Upper	1.13	1.83	2,318	20%	1,854	2%	0	
		Bottom Low er	2.12	1.88	4,500	20%	3,600	2%	0	
	TOTAL / AVE INFERRED		2.93	1.74	2,200,419	20%	1,760,335	2%	1,710,000	
	TOTAL / AVE ANCASTER		2.41	1.79	3,848,672	17%	3,190,769	2%	3,110,800	
	Banff 502MS	Measured	Upper	2.51	2.03	1,547,979	10%	1,393,181	2%	1,365,300
			Middle Upper	4.19	1.91	2,901,002	10%	2,610,902	2%	2,558,600
Middle Low er			2.85	1.93	1,989,230	10%	1,790,307	2%	1,754,500	
Bottom Upper			1.20	1.86	2,071,499	10%	1,864,349	2%	1,827,000	
Bottom Low er			2.15	1.88	4,151,622	10%	3,736,460	2%	3,661,700	
TOTAL / AVE MEASURED		2.61	1.91	12,661,332	10%	11,395,199	2%	11,167,100		
Indicated		Upper	2.05	2.06	1,596,215	15%	1,356,783	2%	1,329,000	
		Middle Upper	2.74	1.90	6,091,440	15%	5,177,724	2%	5,074,000	
		Middle Low er	2.19	1.96	5,141,010	15%	4,369,859	2%	4,282,000	
		Bottom Upper	1.26	1.86	1,917,006	15%	1,629,455	2%	1,596,000	
		Bottom Low er	2.09	1.89	3,981,934	15%	3,384,644	2%	3,316,000	
TOTAL / AVE INDICATED		2.24	1.92	18,727,605	15%	15,918,464	2%	15,597,000		
Inferred		Upper	2.53	2.10	461,848	20%	369,478	2%	360,000	
		Middle Upper	2.48	1.90	4,559,246	20%	3,647,397	2%	3,570,000	
		Middle Low er	1.99	1.87	4,104,781	20%	3,283,825	2%	3,210,000	
		Bottom Upper	1.16	1.85	1,535,236	20%	1,228,189	2%	1,200,000	
		Bottom Low er	1.95	1.88	3,118,181	20%	2,494,545	2%	2,440,000	
TOTAL / AVE INFERRED		2.06	1.89	13,779,292	20%	11,023,434	2%	10,780,000		
TOTAL / AVE BANFF		2.29	1.91	45,168,229	15%	38,337,097	2%	37,544,100		
GRAND TOTAL / AVE VOORBERG PROJECT			2.38	1.92	258,885,396	14%	223,902,587	2%	219,355,200	

AIR DRIED WASHED QUALITIES @ RD=1.40						
YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
19.64		10.04	32.57	56.75	1.15	0.64
28.46		11.57	32.81	55.05	1.24	0.57
34.65		12.07	32.33	54.89	1.18	0.72
30.31		11.33	31.86	56.07	1.09	0.73
26.51		10.80	31.41	56.42	0.99	0.71
27.52		11.11	32.13	55.90	1.12	0.67
17.00		9.99	32.50	56.74	1.14	0.80
27.57		11.45	32.44	55.40	1.27	0.71
31.76		12.07	31.39	55.78	1.14	0.77
30.19		11.33	31.20	56.71	1.02	0.76
25.40		10.15	29.48	55.51	0.86	0.71
25.65		10.90	31.45	55.99	1.09	0.75
19.31		10.32	32.47	56.47	1.10	0.79
26.22		11.07	32.57	55.82	1.14	0.55
32.24		12.30	30.50	56.66	1.10	0.57
32.08		11.01	30.65	57.59	0.91	0.60
28.53		9.97	30.63	59.09	0.80	0.58
26.10		10.86	31.75	56.81	1.05	0.63
26.55		10.99	31.79	56.00	1.10	0.70
48.86		14.79	35.72	49.05	0.99	0.29
44.03		11.28	35.50	53.14	0.98	0.39
45.67		12.47	35.57	51.75	0.98	0.36
50.43		14.94	35.49	48.87	0.98	0.27
45.14		11.39	35.38	53.67	0.99	0.37
46.94		12.59	35.42	52.04	0.99	0.34
23.48		10.48	35.52	53.56	1.09	0.36
32.17		12.90	36.49	50.44	1.62	0.23
52.12		14.81	34.52	49.80	0.95	0.25
44.16		11.35	34.70	55.41	0.98	0.34
29.51		12.15	36.18	51.42	1.45	0.27
37.11		12.33	35.87	51.65	1.24	0.30
24.05		10.73	34.36	54.49	0.96	0.43
42.60		11.95	34.77	52.91	1.12	0.37
38.43		13.35	34.57	51.71	1.27	0.37
36.48		11.98	33.71	53.91	0.87	0.39
37.47		11.30	33.89	54.42	0.83	0.41
36.99		11.81	34.23	53.57	0.99	0.39
25.35		10.02	33.38	56.12	0.96	0.53
44.80		11.75	34.94	52.86	1.10	0.45
30.66		13.83	34.98	50.81	2.59	0.37
38.68		11.87	32.95	54.73	0.82	0.38
37.86		11.35	33.18	55.25	0.79	0.37
37.16		12.10	34.24	53.27	1.40	0.41
23.75		9.02	32.04	58.55	0.92	0.50
33.45		11.00	33.65	54.95	1.01	0.34
37.04		13.19	33.99	52.64	1.46	0.25
39.56		11.85	33.66	53.83	0.78	0.34
38.30		11.15	34.22	55.91	0.78	0.37
35.97		11.71	33.83	54.47	1.06	0.33
36.77		11.90	34.12	53.71	1.18	0.38
28.45		11.17	32.24	55.55	1.12	0.64

Notes

Minimum seam thickness of 0.5m applied to GTIS; Maximum seam depth of 200m for opencast mining; No underground mining; Rounding down of tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively.

- the limit of the occurrence of the coal seams in the south;
- no resources were classified on Cavan 505MS due to the paucity of drill holes on the farm and the proximity of the historical mining area;
- a minimum seam thickness limit of 0.5m was applied prior to the reporting of GTIS;
- geological losses of between 10 - 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;
- all coal with a volatile content of <20% was excluded;
- only opencast mining was considered for the derivation of MTIS. The maximum depth of opencast mining was set at 200m, which is the current depth of potential economic mining at the nearby Makhado Project; and
- mining layout losses of 2% were applied prior to the calculation of MTIS.

Resource categories were defined in accordance with the JORC Code according to the relative spacing of points of observation with both quantitative and qualitative results. In order to classify the coal resources, a halo diagram is prepared using only the boreholes with quality and quantity results. Figure 75 presents the halo diagram which illustrates the resource categories and their location in relation to the farm boundaries. The resources have been divided into Measured, Indicated and Inferred categories.

This resource statement has been independently verified by Venmyn Deloitte's Competent Person in accordance with the JORC Code and the Australian Guidelines and reasonable in its estimates of the coal tonnages and coal qualities. Venmyn Deloitte's Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No. 400049/02) and a longstanding member of the Australian Institute of Mining and Metallurgy (AusIMM). She has over 20 years experience in the mineral resources industry.

20.10. Mineral Reserve Statement

As a result of the current stage of development of the Voorburg Section, no coal reserves have yet been declared. Coal reserves can only be declared once a mining plan has been prepared. This will be undertaken during the next stage of development of the project i.e. at Pre-feasibility Stage.

20.11. Mineral Asset Valuation

Venmyn Deloitte has conducted an independent mineral asset valuation of the Voorburg Section, using both the Market Approach and the Cost Approach, as detailed in the sections below.

20.11.1. Cost Approach

Since the value of Voorburg is intrinsically linked its associated mineral resources, the Cost Approach is based on previous expenditure by CoAL on property acquisition, prospecting and development related activities (as explained in Section 9.1), in order to estimate these resources.

Venmyn Deloitte considered the prospectivity of the respective coal properties according to the classification of exploration phases and their associated prospectivity enhancement multipliers (PEM), as illustrated in Table 9, which is Venmyn Deloitte's standard PEM schedule for coal projects.

In order to establish an appropriate PEM, each property was classified with the understanding that each new exploration phase was carried out contingent upon the successful outcome of the preceding phase. In addition, the PEM selected was reviewed taking into consideration proximity to well understood resource areas, drillhole density and a qualitative assessment of the prospects for eventual extraction.

This has allowed Venmyn Deloitte to determine the project value using the Cost Approach. This valuation method aims at assigning a value of the information and the level of geological confidence that has been gathered during the exploration and development activities.

In consideration of Table 9, Venmyn Deloitte considers that PEM's of between 11 and 20 can be applied to the previous acquisition and exploration costs, due to the presence of Measured resources and its proximity to the Makhado Project. Table 75 summarises the dynamics of the Cost Approach valuation.

This approach results in a value range of between ZAR75m and ZAR132m using the Cost Approach. Venmyn Deloitte's preferred value using the Cost Approach is the mean value of ZAR103m.

20.11.2. Market Approach

Since Coal Resources have been estimated, by CoAL, over the Voorburg Section, Venmyn Deloitte was able to carry out a comparable transaction valuation, using the Market Approach, on the basis that recent market valuations of a similar nature provide the proxy for value. In order to arrive at a reasonable market value with which to compare the respective projects, appropriate recent and historical transactions must form the basis.

Figure 9 summarises Venmyn Deloitte's database of recent unit market valuations within the context of the South African coal market with reference to the respective coal resource and coal reserve classifications.

The comparable transaction value range selected for the valuation of the contributing properties of the Voorburg Section has considered the nature of this valuation and the risk factors. Venmyn Deloitte is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the opencastability of the resources;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Resources;
- availability of infrastructure and logistics; and
- the timing of potential exploitation.

The range of values generated, based upon the coal resources quantified, by CoAL, for the contributing properties of the Voorburg Section, is summarised in Table 76 and illustrated in Figure 9.

The value range derived from the Market Approach is between ZAR493m (low valuation) and ZAR693m (high valuation). This valuation range was calculated from the range of unit values as defined by the Market Approach. The value range reflects the level of confidence attached to the respective Coal Resources and the probability of their being brought to account. The population of historic market transactions and valuations provides an indication of reasonability.

Venmyn Deloitte's preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR593m for the contributing properties. This results in an average unit value of ~ZAR2.7/t. All defined unit values fall within the so-called 'Limpopo Coalfields Value Curve' defined by Venmyn Deloitte from its transaction database, and plot about the mean trend for this coalfield.

The market comparison valuation results were computed using the MTIS coal resources declared, by CoAL, in the Coal Resource Statement due to the greater variability in the beneficiation yields, mineability and mining extraction factors achieved in the different coalfields especially in the Soutpansberg Coalfields. The market comparative valuation using GTIS has been disregarded since these results are not comparable and consistent with valuation results expected for these types of coal qualities. In addition, some material included in the GTIS, cannot be mined using the available known technology and hence cannot satisfy the "reasonable prospects of eventual economic extraction".

Table 75 : Voorburg - Cost Approach Valuation

PROJECT	ALLOCATED COAL EXPLORATION AND HISTORICAL PROPERTY ACQUISITION EXPENDITURE (ZARm)	ALLOCATED HISTORICAL DATA ACQUISITION EXPENDITURE (ZARm)	TOTAL (ZARm)	LOWER PEM	UPPER PEM	ALLOCATED CHAPUDI ACQUISITION EXPENDITURE (ZARm)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Voorburg	2.73	3.52	6.25	11.00	20.00	6.43	75.23	131.53	103.38
TOTAL	2.73	3.52	6.25	11.00	20.00	6.43	75.23	131.53	103.38

Table 76 : Voorburg - Market Approach Valuation

PROJECT AREA	RESOURCE CATEGORY	MINEABLE TONNES IN SITU (MTIS)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Voorburg	Measured	94,915,200	3.50	4.50	332.20	427.12	379.66
	Indicated	100,500,000	1.50	2.50	150.75	251.25	201.00
	Inferred	23,940,000	0.40	0.60	9.58	14.36	11.97
GRAND TOTAL / AVE		219,355,200	2.25	3.16	492.53	692.73	592.63

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arms length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

20.11.3. Valuation Result

The summary valuation results of the respective valuations carried out are given in Table 77.

Table 77 : Voorburg - Mineral Asset Valuation Summary

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Voorburg	103	593	593	572

The Cost Approach results in a significantly lower value than the Market Approach. This can be explained by the low allocated costs associated with the Voorburg Project by CoAL and the fact that the resource estimation has benefitted from knowledge gained from other project in the area. In addition, only a portion (first tranche of ~USD30m) of the total transaction value, associated with the Chapudi Acquisition Transaction, has been spent by CoAL to-date.

Nevertheless, Venmyn Deloitte places more confidence in the Market Approach valuation as it considers the full resource base and the actual transactions and market values, and allows for a thorough review of the logistical, infrastructural and strategic merits of the project. In addition, Venmyn Deloitte's database provides a comprehensive and reliable benchmark for recent relevant transactions in the coal industry in general and the Soutpansberg Coalfield in particular. The Cost Approach by contrast relies on a number of cost allocation assumptions on which Venmyn Deloitte places less reliance.

Venmyn Deloitte consequently considers that the 'Fair Value' of the Voorburg Project is reflected by the Market Approach valuation. While CoAL, has a 100% interest in certain farms, CoAL only has a 74% interest in those farms acquired as part of the Chapudi Acquisition Transaction (Table 72). As a consequence, the attributable 'Fair Value' has considered the differential interests associated with the various properties with the resources (in this case only a 74% interest in the farm Banff 502MS). This results in an attributable 'Fair Value' of the Voorburg Project of **ZAR572m**.

The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the range in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

21. Jutland

The Jutland Project, located within the Soutpansberg Coalfield, is classified as an early stage exploration project. Currently there is no coal resources associated with the project, but the presence of coal is known. It represents one of the least developed sections of the Mopane Region.

21.1. Location

The Jutland Project is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa. Figure 46 illustrates the location of the Jutland Project in relation to regional infrastructure and the mineral tenure in the Greater Soutpansberg Region area. The nearest town is Musina, situated approximately 35km to the northeast of the Jutland Area.

21.2. Infrastructure

The project is well situated with respect to the major infrastructural aspects of rail, road and power.

The railway linking Gauteng (in South Africa) and Zimbabwe passes along the southeastern boundary of the project area. The Huntleigh Siding, for which CoAL has negotiated the rights, occurs on this stretch of the railway (Figure 76) on the farm Du Toit 563MS.

Eskom grid powerlines are located 17km to the east of the project area along the N1 (Figure 76).

Water for drilling and potable requirements is currently available from local farmers' dams.

21.3. Mineral Tenure

The rights relating to the Jutland Project are summarised in Table 78 and their locations are graphically presented in Figure 76.

CoAL holds an NOPR in respect of the farms Cohen 591MS and Jutland 536MS, which lapsed on the 1st October 2011. An application for renewal was lodged with the DMR on the 30th June 2011 and is awaiting renewal. In addition, CoAL's wholly owned subsidiary Regulus holds an NOPR over the farms Mons 557MS and Stubbs 558MS, which will expire on the 18th April 2013.

In addition, the NOPR relating to the farms Faure 562MS, Hermanus 533MS, Pretorius 531MS and Bierman 599MS, as well as on the remaining extent of the farms Du Toit 563MS, and Verdun 535MS respectively is held by KME and will expire on the 13th June 2013. KME also holds an NOPR over the farm Ursa Minor 551MS which will expire on the 13th June 2014.

Also, Chapudi Coal holds an NOPR over the farms Schalk 542MS and Maseri Pan 520MS, which will expire on the 27th May 2013.

21.4. Geological Setting

The Jutland Section is situated within the Mopane Coalfield subdivision of the Soutpansberg Coalfield (Figure 49 and Figure 50).

21.4.1. Regional Geology

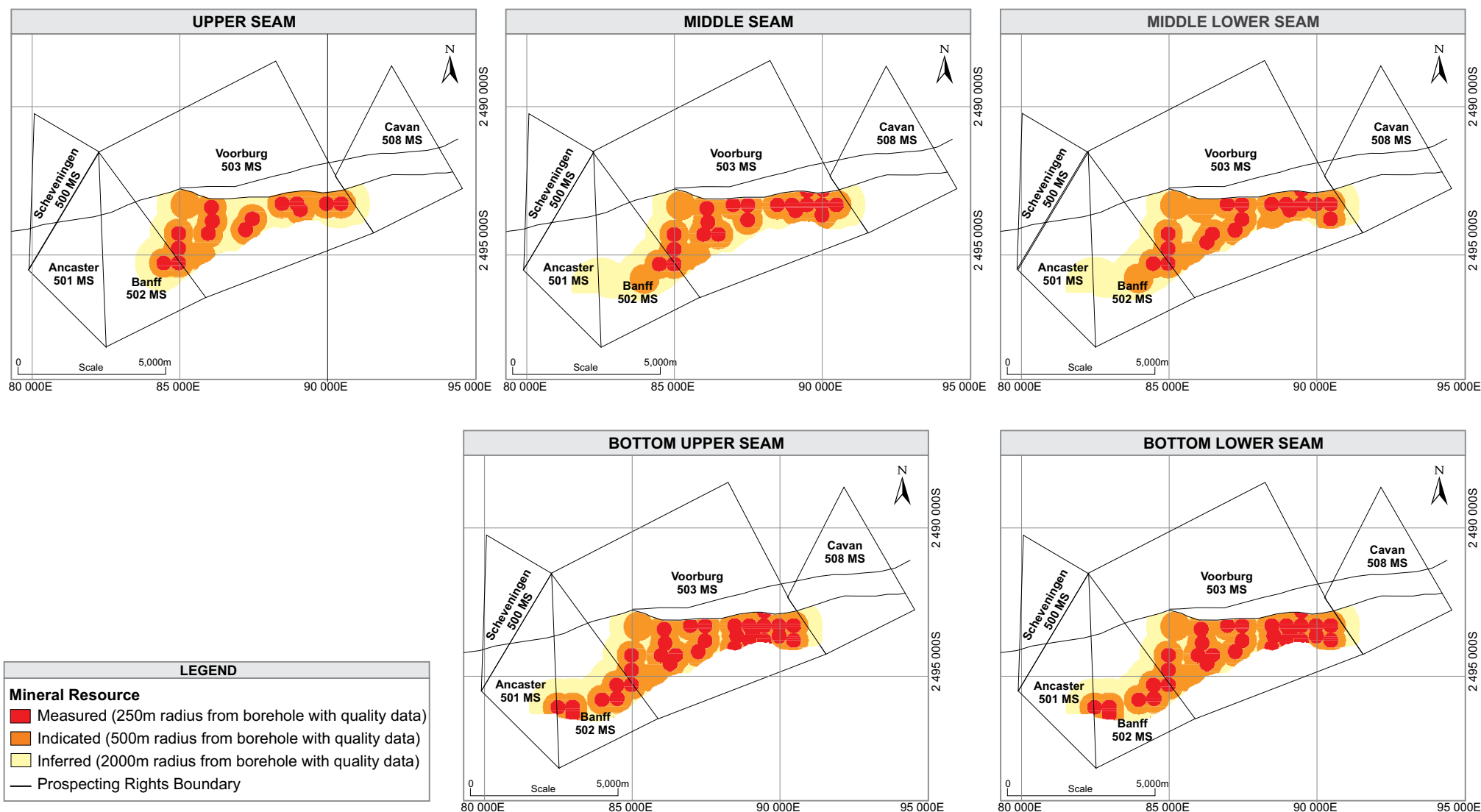
The reader is referred to Section 13.4.1 on the regional geology of this coalfield.

21.4.2. Local Geology

The Karoo sediments of the Jutland Project 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 Project area contains sub-cropping coal seams that dip towards the north at between approximately 10° - 12°.

The Karoo age sediments were deposited onto basement granite gneisses. The lowermost sediments include Dykwa tillites, which was followed by the deposition of the coal bearing strata of the Eccia Group. The Eccia Group sediments comprised sandstones and shales. The Lower Eccia Group appears absent in the area.

VOORBURG - LOCATION AND CLASSIFICATION OF THE MINERAL RESOURCES



Source: Coal of Africa
D1340M COAL - Work for KPMG on IER 2012

Table 78 : Jutland - Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Jutland	Maseri Pan 520MS	RE	1,302.00	Chapudi Coal (Pty) Ltd	Prospecting	LP 30/5/1/1/2/676 PR	16/11/2005	15/11/2009	Yes	27/05/2013	No
	Schalk 542MS	Whole farm	482.00								No
	Cohen 591MS	Whole farm	1,772.00	Coal of Africa (Pty) Ltd	Prospecting	LP 30/5/1/1/2/38 PR	02/10/2006	01/10/2011	No	No	
	Jutland 536MS	Whole farm	1,051.00							No	
	Ursa Minor 551MS	Whole farm	1,278.00	Kwezi Mining & Exploration (Pty) Ltd	Prospecting	LP 30/5/1/1/2/30 PR	14/06/2006	13/06/2010	Yes	13/06/2014	No
	Bierman 599MS	Whole farm	1,293.00		Prospecting	LP 30/5/1/1/2/169 PR	14/06/2006	13/06/2010	Yes	13/06/2013	No
	Du Toit 563MS	RE	927.00								No
	Faure 562MS	Whole farm	1,033.00								No
	Hermanus 533MS	Whole farm	1,385.00								No
	Otto 560MS (formerly Honeymoon 610MS)	RE	464.00								No
	Pretorius 531MS	Portion 1 & RE	758.00								No
	Verdun 535MS	RE	511.00								No
	Mons 557MS	Whole farm	1,199.00	Regulus Investment Holdings (Pty) Ltd	Prospecting	LP 30/5/1/1/2/161 PR	19/04/2005	18/04/2010	Yes	18/04/2013	No
	Stubbs 558MS	Whole farm	1,036.00								No
TOTAL JUTLAND			14,491.00								

The coal bearing sediments occur as alternating mudstone laminae and coal bands within the Upper Ecca or Mikabeni Formation (Figure 32). 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 coal bearing strata are overlain by red shales and mudstones belonging to the Beaufort Group. The coarse sandstone and conglomerate marker bed of the Fripp Formation is present within the project area.

21.5. Historical Exploration

The earliest known exploration on the Jutland Section was undertaken by Trans Natal Coal Mining Corporation (Trans Natal), between 1968 and 1975 (Figure 78 and Table 79). During this time 40 boreholes were drilled within the Jutland Section area, 19 of which fall within the current project boundaries. No information is available on the drilling, logging, sampling and surveying methods and standards used, except that the exploration was carried out for reconnaissance purposes.

Iscor carried out extensive exploration work within the Jutland Section area between 1975 and 1982, including bulk sampling on the farms Jutland 536MS, Stubbs 558MS, Mons 557MS and Cohen 591MS. The target is believed to have been coking coal. A total of 84 holes were drilled, although information on bulk sampling was not available.

Published coal quality data and coking qualities for a washed low ash fraction from the bulk sample on the farm Cohen 591MS, is available.

The drilling and sampling protocols used by Iscor are unknown. However, it is assumed that the drilling methods were conventional and pre-date the more efficient triple-tube wireline techniques that are commonly employed today.

The Iscor boreholes were sampled and sent to their in-house laboratory for analysis. Typically, 13 samples were taken from the top to the base of the coal bearing strata, and numbered consecutively in this order. Raw analyses were carried out on the coal samples. Washed analyses were only undertaken at an RD=1.40. Proximate, CV, Roga and Swell Index testwork was carried out.

In 1982, Iscor conducted a Pre-Feasibility Study for a proposed mining operation over the farms Mons 557MS, Stubbs 558MS, Jutland 536MS, and Cohen 591MS. This study concluded that approximately 40.7Mt of RoM (25.13Mt of coal) could be economically extracted by underground mining of the No.5 Coal Zone (Middle Lower Seam), using board and pillar methods. Annual production of 2.16Mt of RoM was suggested, for a 20 year 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 Pre-Feasibility Study suggested that additional exploration data was required to make final mine design decisions. It does not appear however, that any additional exploration was carried out.

21.6. Recent Exploration

Recent exploration conducted within the Jutland Project area was started by Rio Tinto over the farms in which they had an interest. Between 2006 and 2007, Rio Tinto drilled three reconnaissance, vertical RC holes over the farms Hermanus 533MS, Verdun 535MS and Ursa Minor 551MS. The location of the recent boreholes is indicated on Figure 78.

CoAL conducted confirmatory drilling on the farm Jutland 536MS by drilling five diamond boreholes between 2011 and 2012. Table 79 summarises the details of the recent exploration that has been conducted at the Jutland Project area.

21.6.1. Percussion or Open Hole Drilling

Three vertical RC boreholes were drilled by Rio Tinto between 2006 and 2007. One RC borehole was drilled on each of the farms Hermanus 533MS, Verdun 535MS and Ursa Minor 551MS. No specific details are available on the drilling, logging and sampling protocols employed by Rio Tinto at the Jutland Project; however, it is assumed that these were the same as that employed at the Chapudi Project.

JUTLAND - LOCAL GEOLOGICAL MAP AND STRATIGRAPHIC COLUMN

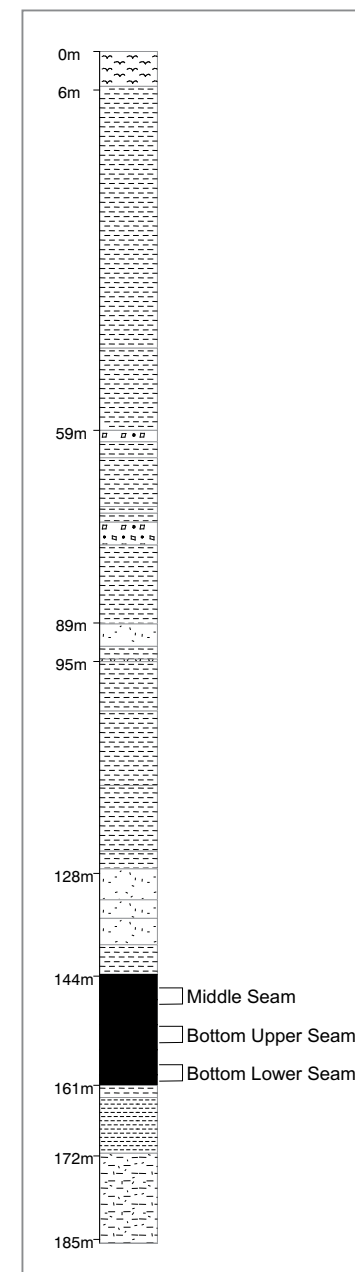
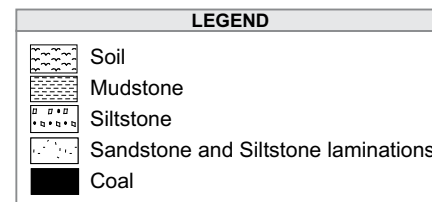
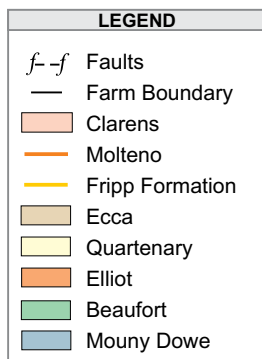
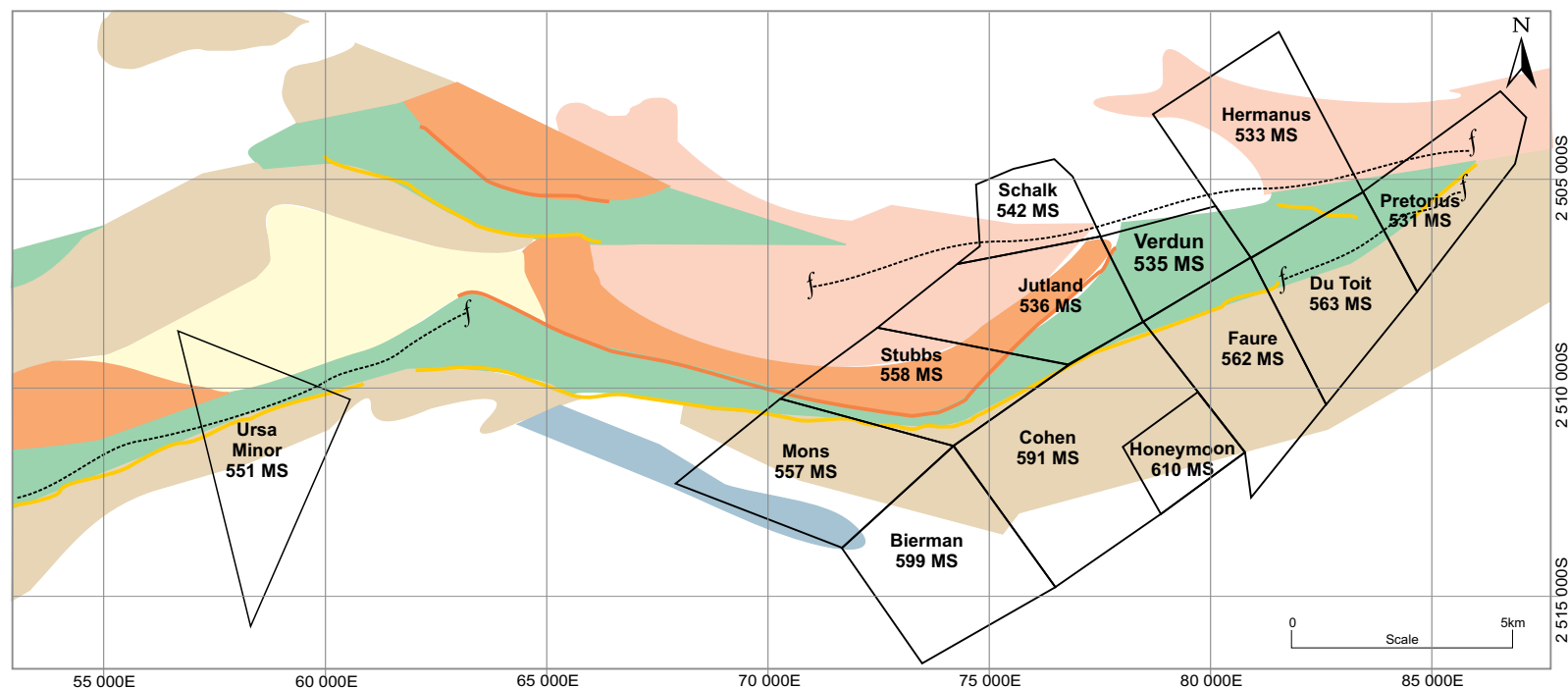
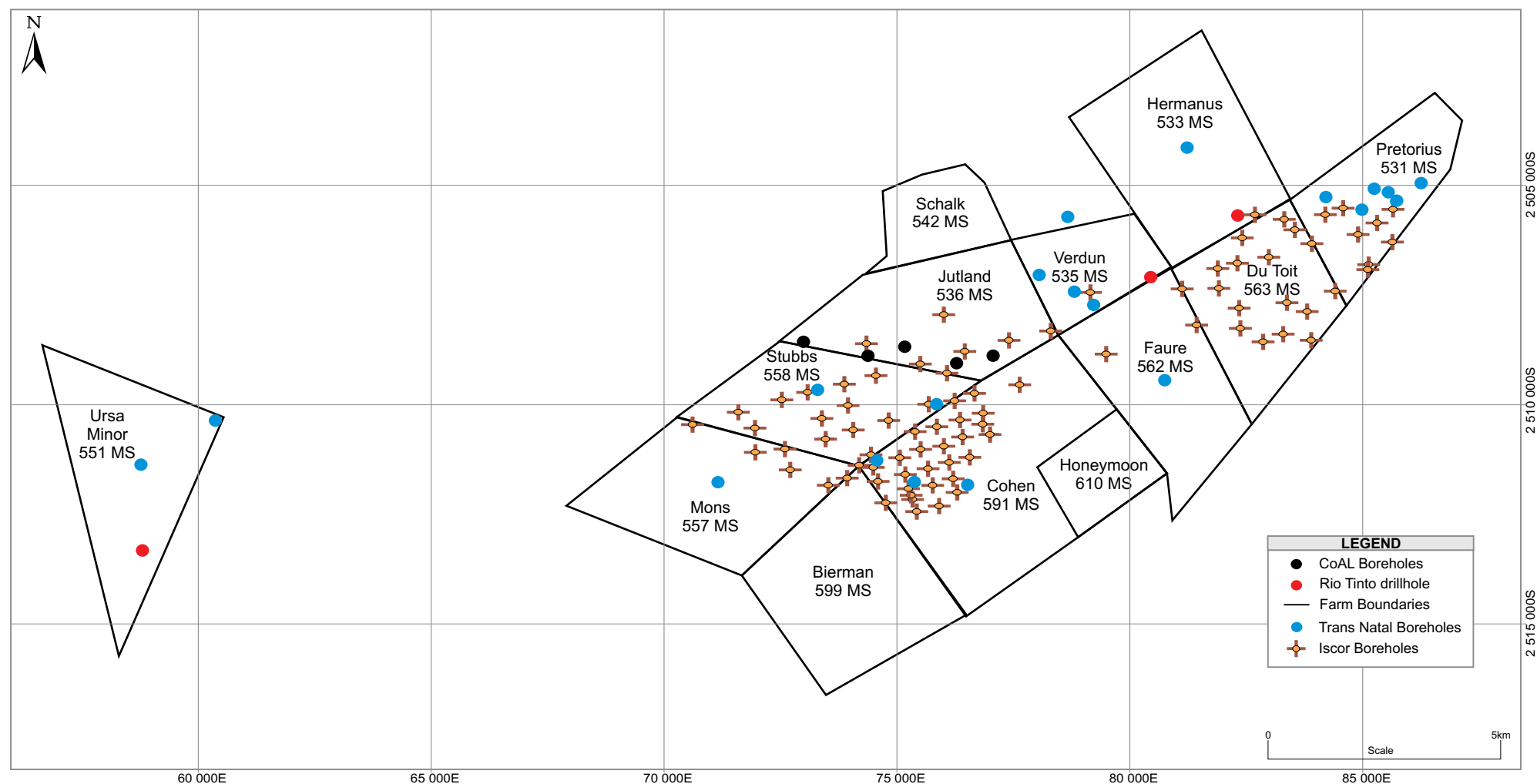


Table 79 : Jutland - Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	QUALITY RESULTS	LABORATORY FOR QUALITY	USED IN MODEL
1968 - 1975	Trans Natal Coal Mining Company	Mons 557MS, Stubbs 558MS, Cohen 591MS, Jutland 536MS, Verdun 535MS, Faure 562MS, Hermanus 533MS, Ursa Minor 551MS and Pretorius 531MS	Early exploration and resource estimation.	Unknown.	Unknown.	Diamond core	NQ	J. Raubenheimer, J Liebenberg	40	No	All	Yes	Fuels Research Institute of South Africa	No
1975 - 1982	Isacor	Mons 557MS, Stubbs 558MS, Cohen 591MS, Jutland 536MS, Verdun 535MS, Faure 562MS, Hermanus 533MS, Du Toit 563MS and Pretorius 531MS	Early exploration and resource estimation.	Unknown.	Unknown.	Diamond core	NQ	H. Van den Berg	84	No	All	Yes	Isacor	No
2006 - 2007	Rio Tinto	Hermanus 533MS, Verdun 535MS and Ursa Minor 551MS.	Reconnaissance Drilling	Unknown.	Unknown.	Reverse Circulation	8 inch	D. Hirstov	3	Yes	Unknown	No	-	No
2011-2012	CoAL	Jutland 536MS	Confirmatory Drilling	Mathibe & Associates	Drillcon	Diamond core	PQ3	M. Maphisa	5	Yes	Yes	Awaiting	CAM	No
TOTAL									132					

JUTLAND - LOCATION OF HISTORICAL AND RECENT DRILLING



21.6.2. Down the Hole Geophysics / Wireline Logging

Downhole geophysical surveys were conducted on all the Rio Tinto boreholes.

21.6.3. Diamond Drilling

The purpose of the drilling was to confirm the historical and previous Rio Tinto results with respect to coal intersections, to obtain diamond core holes which have been logged according to CoAL's current coal seam nomenclature and to obtain recent coal quality results for this project.

CoAL contracted Drillcon to carry out the drilling confirmatory diamond drilling on Jutland. A total of five holes were drilled to produce a PQ3 core. The boreholes were logged and sampled by Mr C Mafiri in accordance with CoAL's standard exploration practises. The results confirmed the historical drilling results on the property with respect to coal intersections.

CoAL requires that all boreholes return a 95% recovery in coal. Any holes not achieving this will be redrilled.

All seams were sampled and sent to CAM for testwork. Testwork included proximate analyses and washabilities. As at 30th September 2012, the laboratory results had not yet been received.

Although Venmyn Deloitte has not witnessed this drilling, logging and sampling, the company is confident that industry best practise standards were applied. Venmyn Deloitte witnessed these practises on the recent drilling conducted on the Voorburg project also in 2012.

21.7. Orebody Modelling

No orebody modelling had been undertaken on the Jutland Project due to the paucity of recent boreholes and the previous lack of coordinates for the historical boreholes. Now that CoAL has obtained the historical borehole coordinates, and has drilled five boreholes on the property, the company will utilise this information to prepare an orebody model which may be used for future resource derivation.

21.8. Proposed Mining and Processing

No recent mining and processing work has been carried out due to the early stage of exploration.

21.9. Mineral Resource Statement

There is no current resource estimate for the Jutland Project, although the presence of coal has been confirmed.

21.10. Mineral Reserve Statement

There is no current reserve estimate for the Jutland Project.

21.11. Mineral Asset Valuation

Venmyn Deloitte has conducted an independent mineral asset valuation of the Jutland Project, using both the Market Approach and the Cost Approach, as detailed in the sections below.

21.11.1. Cost Approach

The Cost Approach is based on previous expenditure by CoAL on property acquisition, prospecting and development related activities (as explained in Section 9.1).

Venmyn Deloitte considered the prospectivity of the respective coal properties according to the classification of exploration phases and their associated prospectivity enhancement multipliers (PEM), as illustrated in Table 9, which is Venmyn Deloitte's standard PEM schedule for coal projects.

Table 80 summarises the dynamics of the Cost Approach valuation.

Table 80 : Jutland - Cost Approach Valuation

PROJECT	ALLOCATED COAL EXPLORATION AND HISTORICAL PROPERTY ACQUISITION EXPENDITURE (ZARm)	ALLOCATED HISTORICAL DATA ACQUISITION EXPENDITURE (ZARm)	TOTAL (ZARm)	LOWER PEM	UPPER PEM	ALLOCATED CHAPUDI ACQUISITION EXPENDITURE (ZARm)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Jutland	24.64	3.17	27.81	1.00	2.00	4.83	32.64	60.46	46.55
TOTAL	24.64	3.17	27.81	1.00	2.00	4.83	32.64	60.46	46.55

In order to establish an appropriate PEM, each property was classified with the understanding that each new exploration phase was carried out contingent upon the successful outcome of the preceding phase. In addition, the PEM selected was reviewed taking into consideration proximity to well understood resource areas, drillhole density and a qualitative assessment of the prospects for eventual extraction.

This has allowed Venmyn Deloitte to determine the project value using the Cost Approach. This valuation method aims at assigning a value of the information and the level of geological confidence that has been gathered during the exploration and development activities.

In consideration of Table 9, Venmyn Deloitte considers that PEM's of between 1 and 2 can be applied to the previous acquisition and exploration costs, due to the very early stage of project development and the absence of estimated mineral resources.

This approach results in a value range of between ZAR33m and ZAR60m using the Cost Approach. Venmyn Deloitte's preferred value using the Cost Approach is the mean value of ZAR47m.

21.11.2. Market Approach

The contributing properties of the Jutland Project represent properties on which varying amounts of exploration data is available. In general, however, relatively little recent exploration has been conducted on the contributing properties. In the absence of coal resources it is therefore only possible to conduct a Market Approach Valuation on a ZAR/ha basis.

As discussed in Section 9.2, Venmyn Deloitte has considered the unit values derived from the T3 transaction. Based on this transaction, Venmyn Deloitte considers that a unit value range of between ZAR3,000/ha and ZAR5,000/ha is appropriate in valuing the mineral assets within the Soutpansberg Coalfield, without mineral resources, and that this reflects the strategic value of such properties to CoAL. Table 81 summarises the value range of the contributing properties of the Jutland Project.

Table 81 : Jutland - Market Approach Valuation

PROJECT	FARM	AREA (ha)	LOW ZAR/ha	HIGH ZAR/ha	LOW VALUE BASED ON TOTAL AREA (ZARm)	HIGH VALUE BASED ON TOTAL AREA (ZARm)	MEAN VALUE BASED ON TOTAL AREA (ZARm)
Jutland	Maseri Pan 520MS	1,302	3,000	5,000	43.47	72.46	57.96
	Mons 557MS	1,199					
	Stubbs 558MS	1,036					
	Cohen 591MS	1,772					
	Jutland 536MS	1,051					
	Honeymoon 610MS	464					
	Bierman 599MS	1,293					
	Schalk 542MS	482					
	Verdun 535MS	511					
	Faure 562MS	1,033					
	Hermanus 533MS	1,385					
	Du Toit 563MS	927					
	Ursa Minor 551MS	1,278					
	Pretorius 531MS	758					
TOTAL		14,491	3,000	5,000	43.47	72.46	57.96

The total value range derived from the Market Approach is estimated at between ZAR43m and ZAR72m. Venmyn Deloitte's preferred total value, using the Market Approach, is reflected by the mean value. This results in a total preferred value, using the Market Approach, of ZAR58m for the contributing properties of the Jutland Project.

21.11.3. Valuation Result

The summary valuation results of the respective valuations carried out are given in Table 82.

Table 82 : Jutland - Mineral Asset Valuation Summary

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Jutland	47	58	58	48

There is very close agreement between the preferred Cost Approach and the preferred Market Approach value. However, Venmyn Deloitte places more confidence in the Market Approach valuation as it considers actual transactions and market values, and consider the strategic importance of the project to CoAL within the area. The Cost Approach by contrast relies on a number of cost allocation assumptions on which Venmyn Deloitte places less reliance.

Venmyn Deloitte consequently considers that the 'Fair Value' of the Jutland Project is reflected by the Market Approach valuation. While CoAL, has a 100% interest in certain farms, CoAL only has a 74% interest in those farms acquired as part of the Chapudi Acquisition Transaction (Table 78). As a consequence, the attributable 'Fair Value' has considered the differential interests associated with the various Jutland properties. This results in an attributable 'Fair Value' of the Jutland Project of **ZAR48m**.

The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the range in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

22. CoAL Resource and Reserve Summary

The mineral resources for CoAL's principal South African coal assets are presented in Table 83. These resources were prepared by CoAL as at 30th September 2012, and are classified according to the JORC Code. The reader is referred to Section 8 for a description of the classification and reporting methods.

All resources were estimated by CoAL at an initial 0.5m seam width for GTIS. Thereafter suitable geological losses were applied to generate the TTIS estimates. Finally the initial mining parameters were applied in order to estimate the MTIS. Venmyn Deloitte has independently verified the resources and found them to be reasonable.

Table 83 : Summary of CoAL's Principal South African Coal Resources (30th September 2012)

PROJECT	RESOURCE CATEGORY	GROSS TONNES IN SITU (GTIS)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	COAL ATTRIBUTABLE INTEREST (%)	COAL ATTRIBUTABLE MTIS RESOURCE
Vele	Measured	149,939,225	134,945,303	87,100,800	100%	87,100,800
Mooiplaats		71,578,459	67,999,536	43,392,900	#100%	43,392,900
Vuna		1,555,019	1,477,268	1,398,900	*100%	1,398,900
Voorburg		109,435,158	98,491,642	94,915,200	**74-100%	92,011,700
Makhado		402,780,570	362,502,513	264,982,700	100%	264,982,700
Telema and Gray		42,244,854	38,020,369	36,240,800	100%	36,240,800
TOTAL MEASURED		777,533,285	703,436,630	528,031,300		525,127,800
Vele	Indicated	426,854,188	362,826,060	200,298,000	100%	200,298,000
Mooiplaats		10,971,597	9,325,857	1,578,000	#100%	1,578,000
Vuna		0	0	0	*100%	0
Voorburg		125,033,852	106,278,774	100,500,000	**74-100%	96,444,000
Makhado		298,594,886	253,805,653	76,390,000	100%	76,390,000
Telema and Gray		29,581,152	25,143,979	23,225,000	100%	23,225,000
TOTAL INDICATED		891,035,675	757,380,324	401,991,000		397,935,000
Vele	Inferred	218,931,575	175,145,260	75,090,000	100%	75,090,000
Mooiplaats		4,275,372	3,420,298	90,000	#100%	90,000
Vuna		0	0	0	*100%	0
Voorburg		36,238,997	28,991,198	23,940,000	**74-100%	21,130,000
Makhado		94,232,132	75,385,706	2,990,000	100%	2,990,000
Telema and Gray		12,301,228	9,840,982	7,320,000	100%	7,320,000
Mount Stuart		407,162,828	325,730,262	55,460,000	100%	55,460,000
Chapudi		6,399,023,436	5,119,218,749	1,318,420,000	74%	975,630,000
TOTAL INFERRED		7,172,165,568	5,737,732,454	1,483,310,000		1,137,710,000
GRAND TOTAL		8,840,734,528	7,198,549,409	2,413,332,300		2,060,772,800

Notes

26% of shareholding is under dispute.

* CoAL has a 49% legal interest, but a 100% economic interest.

** CoAL has a 100% interest in all farms except those acquired as part of the Chapudi Acquisition Transaction. In these farms CoAL has a 74% interest.

Venmyn Deloitte has tested this reasonableness using the following method:-

- interviewing the persons responsible for preparing the geological models and resource statements to ensure that industry best practise standards of modelling were applied;
- independently plotting the graphical distribution of the boreholes in Geosoft Target software;
- independently modelling the coal seam thicknesses and verifying the resultant volume calculations;
- checking the resource quality results for reasonableness against the geological model;
- ensuring that the correct classification of the coal resources was applied through the use of halo diagrams of points of information with quality estimates only;
- reviewing each of the various factors applied by CoAL to generate the TTIS and MTIS estimates and finding them to be reasonable and in accordance with industry standards and the characteristics of the orebody; and

- checking for any differences between the previous and current resource tonnages with recent mining depletions and modifications to the model. Venmyn Deloitte has identified differences in the operating assets but these are not material.

The mineral reserves for CoAL's operating South African coal assets are presented in Table 84. These reserves were prepared by CoAL as at 30th September 2012, and are classified according to the JORC Code. All reserves were estimated by CoAL according to the current operating parameters of each mine.

A series of modifying factors were applied to MTIS reserves in order to generate the saleable coal tonnages. Venmyn Deloitte has independently verified the reserves and found them to be reasonable.

Table 84 : Summary of CoAL's Principal South African Coal Reserves (30th September 2012)

PROJECT / MINE	RESERVE CATEGORY	MINEABLE TONNES IN SITU RESERVE	ROM TONNES	SALEABLE PRIMARY PRODUCT TONNES	SALEABLE SECONDARY PRODUCT TONNES	COAL ATTRIBUTABLE INTEREST (%)
Vele	Proven	24,198,980	25,697,139	4,742,511	9,842,014	100%
Mooiplaats		30,137,105	20,305,836	10,622,143	5,245,811	#100%
Vuna		1,399,277	1,483,189	608,662	384,381	*100%
TOTAL PROVEN		55,735,362	47,486,164	15,973,316	15,472,206	
Vele	Probable	301,371,240	266,114,681	47,847,547	117,751,168	100%
Mooiplaats		0	0	0	0	#100%
Vuna		0	0	0	0	*100%
TOTAL PROBABLE		301,371,240	266,114,681	47,847,547	117,751,168	
GRAND TOTAL		357,106,602	313,600,845	63,820,862	133,223,374	

Notes

26% of shareholding is under dispute.

* CoAL has a 49% legal interest, but a 100% economic interest.

Venmyn Deloitte has tested this reasonableness using the following method:-

- interviewing the persons responsible for preparing the reserve estimates to ensure that industry best practise standards were applied;
- ensuring that the correct classification of the coal reserves was applied;
- reviewing each of the modifying factors applied by CoAL to generate the saleable tonnage estimate. These factors have been tested for reasonableness in accordance with industry standards and the characteristics of the orebody. Where appropriate these have been verified against recent production results; and
- checking any differences between the previous and current reserve tonnages with recent mining depletions and modifications to the model. Venmyn Deloitte has identified differences in the operating assets but these are not material.

23. Valuation Summary

While it is understood that KPMG will separately conduct a mineral asset valuation of the operating assets, Venmyn Deloitte have reviewed certain technical assumptions in CoAL's corporate models, in order to assist KPMG with their valuations. In general, Venmyn Deloitte has concluded that the technical input assumptions are reasonable as at the effective date of this report.

It should be noted, however, that the current increase in industrial action at South African mines would see a general increase in the labour related costs for mining operations. CoAL will not be immune to this, with recent strike action and wage settlement at Mooiplaats being a case in point. CoAL has calculated the impact on the wage settlement reached at Mooiplaats and it translates to an increase of about 1% on Mooiplaats' total cost per saleable tonne. The impact on Mooiplaats was considered immaterial. Venmyn Deloitte cautions that certain on-site employees could have wages increased on other operations.

Such potential effects have not been included in the corporate models of COAL, and Venmyn Deloitte therefore consider that KPMG should run sensitivities to assess the impact of these issues to the valuation results of the projects, although we consider that the overall impact on labour costs would be less than 5%. It is notable that Venmyn Deloitte is not aware of any current labour unrest on any of the other operations owned by CoAL. In addition, Venmyn Deloitte considers that the production forecasts for Mooiplaats (on an annual tonnage basis) may be overstated based on past performance.

Venmyn Deloitte conducted independent valuations of the reserves not included in the Life of Mine plans ('excess reserves') in CoAL's corporate models, in order for KPMG to assess 'terminal values' (in addition to their respective DCF value), if applicable. The table below summarises the results of these valuations:-

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE OF 'EXCESS RESERVES' (ZARm)	ATTRIBUTABLE FAIR VALUE OF 'EXCESS RESERVES' (ZARm)
Vele	N/A	1,486	1,486	1,486
Mooiplaats	N/A	384	384	384
TOTAL	N/A	1,870	1,870	1,870

Venmyn Deloitte conducted independent valuations of the non-operating assets. The table below summarises the results of these valuations:-

PROJECT	PREFERRED COST APPROACH VALUE (ZARm)	PREFERRED MARKET APPROACH VALUE (ZARm)	TOTAL FAIR VALUE (ZARm)	ATTRIBUTABLE FAIR VALUE (ZARm)
Makhado	2,275	2,259	2,259	2,259
Telema and Gray	224	195	195	195
Mount Stuart	9	28	28	28
Generaal	15	54	54	40
Chapudi	211	527	527	390
Chapudi West	9	27	27	20
Wildebeesthoek	12	43	43	31
Voorburg	103	593	593	572
Jutland	47	58	58	48
TOTAL	2,905	3,783	3,783	3,583

In general, the valuation results from the Cost Approach and the Market Approach are broadly similar. This gives Venmyn Deloitte confidence in the approaches used. Where large differences do occur, these are generally attributed to the effects of the Chapudi Acquisition Transaction, in that only ~USD30m (first tranche) of the total ~USD75m of the transaction price has been paid by CoAL to-date. This has resulted in projects such as Chapudi, Chapudi West, Generaal and Wildebeesthoek recording significantly lower Cost Approach values compared to the Market Approach values (due to the lower associated acquisition cost allocations).

This, together with the somewhat subjective manner in which certain acquisition and exploration costs have been allocated to the respective projects, gives Venmyn Deloitte less confidence in the Cost Approach Valuations. As a consequence, Venmyn Deloitte considers that the Fair Value of the mineral assets considered, is reflected by the Market Approach.

In addition, Venmyn Deloitte's transaction and valuation database provides a comprehensive and reliable benchmark for recent relevant transactions in the coal industry in general and the Soutpansberg Coalfield in particular.

The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the full range in which each mineral asset has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

24. Conclusions

In the execution of our mandate, Deloitte has:-

- independently reviewed the principal mineral resources and reserves of CoAL;
- reviewed the technical input assumptions of CoAL's corporate models for the operating mineral assets;
- independently valued the 'excess reserves' of CoAL's operating mineral assets; and
- independently valued the mineral assets of CoAL's principal non-operating mineral assets.

In forming our opinions, Venmyn Deloitte has reviewed the technical and strategic merits of each project area, provided a detailed description of each asset (including reference to its tenure, status of development, recent exploration and production, resources and reserves, review of technical input parameters, method of valuation and valuation assumptions and results, where appropriate). Venmyn Deloitte has also included a review of the global and South African coal industry.

Venmyn Deloitte has independently reviewed CoAL's resource and reserve statements for each of the mineral assets, as at 30th September 2012, and has concluded that they are reasonable and have been correctly classified, by CoAL, according to the JORC Code.

Venmyn Deloitte confirms that they have been based upon reliable exploration and mining results (where appropriate) and accurately estimated, by CoAL, using industry best practise standards of modelling. These resources and reserves form a reliable basis on which to carry out the valuation exercises.

While it is understood that KPMG will separately conduct a mineral asset valuation of the operating assets, Venmyn Deloitte have reviewed certain technical assumptions in CoAL's corporate models, in order to assist KPMG with their valuations. In general, Venmyn Deloitte has concluded that the technical input assumptions are reasonable as at the effective date of this report. It should be noted, however, it is noted that the current increase in industrial action at South African mines would see a general increase in the labour related costs for mining operations.

CoAL will not be immune to this, with recent strike action and wage settlement at Mooiplaats being a case in point. Such effects have not been included in the corporate models of COAL, and Venmyn Deloitte therefore considers that KPMG should run sensitivities to assess the impact of these issues to the valuation results of the projects.

In addition, Venmyn Deloitte considers that the production forecasts for Mooiplaats (on an annual tonnage basis) may be overstated based on past performance.

Venmyn Deloitte has reviewed and checked the integrity and robustness of CoAL's financial models for completeness, reasonableness and accuracy of technical inputs utilised in the model. Venmyn Deloitte has concluded that the models can be relied upon and that the technical inputs have been correctly captured and operates as anticipated.

In addition, Venmyn Deloitte has conducted independent valuations of the non-operating assets. Venmyn Deloitte have attributed significant value to the non-operating mineral assets, suggesting that the future development of operations within the Soutpansberg Coalfield provides significant opportunities for CoAL to establish itself as an important producer of coal, particularly coking coal, in the region and South Africa as a whole.

Yours Faithfully,



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26. Glossary and Abbreviations

TERM		EXPLANATION
Ash (%)		The solid residue that remains after the complete combustion of coal.
Bulk sample		Large sample which is processed through a small-scale plant, not a laboratory
Calorific Value (MJ/kg)		A known mass of air-dried coal is burned under standard conditions in an oxygen atmosphere contained in a bomb (i.e. at constant volume). The gross CV is calculated from the temperature rise of the water in the calorimeter vessel, and the mean effective heat capacity of the system.
Coal		Carbonaceous sedimentary rock with an ash content of less than 50%.
Coal 5900CL, Coal 6000CL, Coal 6200CL		Different grades of South African coal. The number in the label refers to the number of kcal/kg, with Coal 60CL referring to a coal with a CV of 6,000kcal/kg or 25MJ/kg. The typical export specification for South African coal, RB1, varies between 5,850kcal/kg and 6,000kcal/kg.
Coking properties	coal	When vitrinite –rich coals of suitable rank are heated in the absence of air, they become plastic, swell due to devolatilisation and reconsolidate to form a porous, coherent, carbon-rich residue called coke. A good coking coal has good thermoplasticity, a high dilation and a high caking or agglutinating power. Four indices are normally used to assess the coking properties of coal: the crucible swelling index/number (or free swelling index), the Roga index, the dilation and the plasticity.
Defunct Property		A Mineral Asset on which the Mineral Resources and Mineral Reserves have been exhausted and exploitation has ceased and which may or may not have residual assets and liabilities.
Density		Measure of the relative “heaviness” of objects with a constant volume, density = mass/volume
Deposit		Any sort of earth material that has accumulated through the action of wind, water, ice or other agents
Development Property		A Mineral Property that is being prepared for mineral production and for which economic viability has been demonstrated.
Dip		The angle that a structural surface, i.e. a bedding or fault plane, makes with the horizontal measured perpendicular to the strike of the structure.
Dolerite		A medium grained igneous rock which is emplaced within the earth's crust in the form of dykes and sills, which result in burnt coal where intrusions intersect coal horizons.
Dormant Property		A Mineral Asset which is not currently being actively explored or exploited, where the Mineral Resources and Mineral Reserves have not been exhausted, and which may or may not be economically viable.
Estimation		The quantitative judgement of a variable.
Exploration		Prospecting, sampling, mapping, diamond drilling and other work involved in the search for mineralization.
Exploration Property		A Mineral Asset which is being actively explored for Mineral deposits or petroleum fields, but for which economic viability has not been demonstrated
Fault		A fracture in earth materials, along which the opposite sides have been displaced parallel to then plane of the movement
Feasibility study		A definitive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the economic viability of a project and to support the search for project financing.
Hardgrove grindability index		The ease with which coal can be pulverized, the higher the index the softer the coal.
In situ		In its original place, most often used to refer to the location of the mineral resources.
Indicated Resource	Coal	That part of a coal resource for which tonnage, densities, shape, physical characteristics, grade and coal quality can be estimated with a moderate level of confidence. It is based on exploration sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are appropriate to confirm physical continuity, while the locations are too widely or inappropriately spaced to confirm coal quality continuity. However, such locations are spaced closely enough for coal quality continuity to be assumed.
Inferred Resource	Coal	That part of a coal resource for which tonnage, grade and coal quality can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified physical continuity with or without coal quality continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which is limited or of uncertain quality or reliability.
JSE		JSE Securities Exchange South Africa
Licence, Permit, Lease or other similar entitlement		Any form of licence, permit, lease or other entitlement granted by the relevant Government department in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract minerals that might be contained in the land, or ownership title that may prove ownership of the minerals
Mineable		That portion of a resource for which extraction is technically and economically feasible.
Mineral Asset(s)		any right to explore and / or mine which has been granted (“property”), or entity holding such property or the securities of such an entity, including but not limited to all corporeal and incorporeal property, mineral rights, mining titles, mining leases, intellectual property, personal property (including plant equipment and infrastructure), mining and exploration tenures and titles or any other right held or acquired in connection with the finding and removing of minerals and petroleum located in, on or near the earth's crust. Mineral Assets can be classified as Dormant Properties, Exploration Properties, Development Properties, Mining Properties or Defunct Properties.
Mineral Reserve		Is the economically mineable material derived from a Measured and /or Indicated Mineral Resource, It is inclusive of diluting materials and allows for losses that Reserves to denote progressively increasing uncertainty in their recoverability. Proved Reserve can be categorised as Developed or Undeveloped.
Mineral Resource		A concentration of material of economic interest in or on Earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, estimated from specific geological evidence and knowledge, or interpreted from a well constrained and portrayed geological model. Mineral Resources are subdivided, in order of increasing confidence in respect of geoscientific evidence, into Inferred, Indicated and Measured categories. A deposit is a concentration of material of possible economic interest in, on or near the Earth's crust. Portions of a deposit that do not have reasonable and realistic prospects for eventual economic extraction must not be included in a Mineral resource.

ABBREVIATION	EXPLANATION
ACT	Advanced Coal Technologies (Pty) Limited
amsl	Above mean sea level
ANC	African National Congress
Anglo American	Anglo American plc
Anglo Coal	Anglo American plc's Coal Division
AusIMM	Australasian Institute of Mining & Metallurgy
BBBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BHPB	BHP Billiton plc
BIC	Bushveld Igneous Complex
BP	British Petroleum
B.Sc	Bachelor of Science degree
B.Sc (Hons)	Bachelor of Science Honours degree
Bt	Billion tonnes
Capex	Capital Expenditure
CBM	Coal Bed Methane
CGS	Council for Geoscience
CIF	Cost, insurance and freight
CIH	Community Investment Holdings Limited
City Square	City Square Trading 379 (Pty) Limited (City Square), now Temo
CPR	Competent Person's Report
CTL	Coal to Liquids
CV	Calorific Value

27. Certificates of Competent Persons

Name of Staff: Catherine Anne Telfer
Position: Executive Lead, Minerals Industry Advisor and Competent Person
Name of Firm: Venmyn Deloitte, a subsidiary of Deloitte Consulting South Africa (Pty) Ltd
Address: 1st Floor, Block G, 173 Rivonia Road, Sandton, 2146
Profession: Geologist
Date of Birth: 23 August 1969
Years with Firm/Entity: 20
Nationality: South African

Membership in Professional Societies:

CLASS	PROFESSIONAL SOCIETY	YEAR OF REGISTRATION
Member (Reg. No. 400049/02)	The South Africa Council for Natural Scientific Professions	2002
Longstanding Member	Australasian Institute of Mining and Metallurgy	1996
Member	Geological Society of South Africa	1992
Fellow	Geological Society of South Africa	2010
Member	South African Institute of Directors	2012

Fair and Reasonable Opinions:

YEAR	CLIENT	SECURITIES EXCHANGE JURISDICTION	TRANSACTION TYPE	IMPLIED VALUE (USDm)	DESCRIPTION
2005	LionOre International	TSX	Acquisition notification documentation.	110.0	Tati Nickel Review of Mineral Resources.
2003	Amplats	JSE	Acquisition price calculation for Unki Platinum.	Confidential	Preparation of an Independent Techno-Economic Valuation Report and Fair and Reasonable Opinion. Document not used as the transaction became immaterial for reporting purposes.
2002	Consolidated African Mines Limited.	JSE	CAM acquired 40% of the Letšeng diamond mine for CAM shares.	10.0	Preparation of an Independent Techno-Economic Valuation Report and Fair and Reasonable Opinion. Document used in full.
1999	New Mining Corporation	JSE	Listing and acquisition documentation.	50.0	Complicated transaction and full Independent Techno-Economic Valuation prepared with Fair and Reasonable Opinion included in our report. This satisfied the JSE and the SRP.
1996	West Witwatersrand Gold Holdings Limited	JSE	Section 440k Offer	20.0	Independent Competent Persons Report on the Offer by Durban Deep to West Wits under Section 440k. Document included in circulars to both shareholders. Our Fair and Reasonable Opinion was specifically requested by the SRP.

Detailed Tasks Assigned:

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2012	Namakwa Diamonds Ltd	Diamonds	Technical Resource Statements for the company's main projects in South Africa and Lesotho.
	Nedbank Ltd	Diamonds	High level due diligence and fatal flaw analysis on Gem Diamonds Ltd's Letseng Mine's expansion project.
	Gem Diamonds Ltd	Diamonds	NI43-101 report on operating diamond mines in Australia and Lesotho and development project in Botswana.
	Coal of Africa Ltd	Coal	Design of Best Practise Guidelines for Exploration
	Coal of Africa Ltd	Coal	Preparation of CPR on their Soutpansberg Coal Assets.
	MBAC Fertiliser Corporation	Rare Earths	Preliminary Economic Assessment and NI 43-101 Report on the Araxa Project, Brazil.

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2011	Standard Atlantic	Rare Earths	Resource review of the Buru Hill Deposit, Kenya.
	Coal of Africa Ltd	Coal	Competent Persons Report and valuation of Coal of Africa's South African coal assets for a London Main Board Listing, including two operating mines and 8 exploration projects at various stages of development.
	SEW Trident	Coal	Technical Review and Valuation of the Ikoti Coal Project.
			Technical Review, resource declaration and valuation of the Nkomati Coal Project.
	Tanzanian Royalty	Gold	Update on the resources for the Masonga, Luhwaika and Igunda Projects in Tanzania.
	Namane Energy Ltd	Coal	Competent Persons Report on the Temo Coal Project for Listing on the JSE.
	Sudor Coal	Coal	SAMREC compliant short-form Technical Resource Statement of their Coal Projects in Bethal, Mpumalanga
2010	Dunrose Investments 244 (Pty) Ltd	Coal	JORC Compliant Resource Statement for the Colenso Coal Project, KZN
	Namane Resources Ltd	Coal	Competent Persons Report in their Waterberg Coalfield Assets for the JSE.
	UltraTech Cement	Coal	Detailed due diligence and valuation of all Xstrata's Mpumalanga Coal Assets for potential purchase by UltraTech Cement.
	Miranda Coal Pty (Ltd)	Coal	SAMREC compliant short-form Technical Resource and Valuation Statements for 6 exploration properties.
	Namakwa Diamonds	Diamonds	Competent Persons Report on their Diamond Assets in Africa.
	Sekoko Resources	Coal	Update of Independent Mineral Resource Statement
	Worldwide Coal Carolina (Pty) Ltd	Coal	Update of Independent Mineral Resource Statement
2009	Gem Diamonds Ltd	Diamonds	Preparation of independent resource and reserve statements for all diamond projects and operating mines in Africa, southeast Asia and Australia.
	Tanzanian Royalty	Gold	Preparation of a NI43-101F report on the Kigosi Project (in progress).
	Pangea Diamondfields plc	Diamond	Preparation of Independent Resource Statements for their alluvial diamond projects in DRC and South Africa.
2009	Worldwide Coal Carolina	Coal	Preparation of an Independent Mineral Resource Statement and audit of exploration results on behalf of ABSA Capital
	Gem Diamonds Ltd	Diamonds	Update of independent resource and reserve statements for all diamond projects and operating mines in Africa, southeast Asia and Australia.
	Sekoko Resources	Coal	Preparation of an Independent Mineral Resource statement for the company's Waterberg Projects.
2008	Pioneer Coal	Coal	Competent Persons Report on their coal assets for listing on the JSE.
	Trans Hex Group	Diamonds	Competent Person Report on the company's Angolan assets.
	Pangea DiamondFields plc	Diamonds	NI43-101 report on 10 diamond projects in 4 African countries.
	Gem Diamonds Ltd	Diamonds	Preparation of independent resource and reserve statements for all diamond projects and operating mines in Africa, southeast Asia and Australia.
2007	Espirito dos Santos (Portuguese Bank)	Diamonds	Competent Persons Report and Valuation of two diamond mines and a number of exploration projects situated in northeastern Angola.
	Gem Diamonds Ltd	Diamonds	High level due diligence and valuation report on Gope Project
	Standard Bank plc	Coal	Due diligence on the Maamba Colliery, Zambia
	Pangea DiamondFields plc	Diamonds	Independent exploration audit on the Dimbi Project, Central African Republic
	Trade & Investment KwaZulu Natal (via Mintek)	Coal	Assessment of the remaining coal resources in KwaZulu Natal and the identification of projects for further development (In progress)
2006	International Ferro Metals	Chromite	Independent audit of resource and reserve statements.
	Letseng Diamonds Ltd	Diamonds	CPR for listing of Gem Diamonds
	JCI, Matodzi & Investec	Diamonds	Update of Competent Persons Report on Letseng Diamonds
	Carbon Technologies	Diamonds	Plant verification report on the Laser Recovery Unit.
	Carbon Technologies	Diamonds	Prospectivity and geological mapping report on Grasfontein.
	Pangea DiamondFields plc	Diamonds	AIM Listing document for 9 projects in 4 African countries.
	Trans Hex Group	Diamonds	Competent Persons Report on the Middle Orange Operations.

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2005	Eyesizwe Coal (Pty) Ltd	Coal	Due diligence of reserves and resources of all Kumba Resources' coal mines required as part of a BEE transaction.
	Eyesizwe Coal (Pty) Ltd	Coal	Due diligence of reserves and resources of Sasol Mining's Twistdraai Colliery required as part of a BEE transaction.
	JCI, Matodzi & Investec	Diamonds	Competent Persons Report on Letseng Diamonds
	LionOre International	Nickel	Technical Report on the Tati Nickel Mine in National Instrument format for Canadian Stock Exchange
	Energem	Diamonds	Technical Report on the Koidu Project in National Instrument format for Canadian Stock Exchange
	Two private and one listed company	Diamonds	Preparation of Report for AIM on 18 projects in five African countries
2004	LionOre International Ltd	Nickel	Due Diligence on the Nkomati Nickel Mine.
	Dwyka Diamonds	Diamonds	Prospectivity Report on Blaauwbosch Mine
	Dwyka Diamonds	Diamonds	Technical due diligence and valuation report on Dancarl Diamonds for the sales bid to De Beers
	Rosy Blue NV	Diamonds	Field exploration and prospectivity report on property.
	SouthernEra Resources	Diamonds, Platinum	Independent valuation of 22 exploration properties and mining operations located in five African countries
	Sudor Coal (Pty) Ltd	Coal	Competent Persons Report and Valuation to be used in the raising of finance for a new coal project in Bethal, South Africa
	Tangent Coal (Pty) Ltd	Coal	Technical and Valuation Report for a new project in the Free State, South Africa
2003	Transvaal Ferrochrome	Ferrochrome	CPR and Listing Document for ASX
	Anglo American Corporation	Platinum	Valuation of Zimbabwe platinum deposit
	Aquarius Platinum	Platinum	Due Diligence on Everest South Project
	Mineral rights owner	Coal	Evaluation of mineral rights potential
	Metallon	Gold	Valuation and due diligence on gold mine
	Hernic Ferrochrome	Chromite	Capital Gains Tax Valuation on Hernic
	Hernic Ferrochrome	Chromite	Capital Gains Tax Valuation on Ilitha Project
2002	Mining company	Platinum	Independent technical and financial competent persons report and valuation on a platinum dump retreatment project
	Anglo Platinum	Platinum	Independent valuation report on selected platinum group metal properties located in the Pilanesberg area

Key Qualifications:

Mrs Telfer has had extensive experience in the valuation and technical due diligence of mining and mineral projects in South Africa, and in Africa as far north as Egypt. She has written and compiled a large number of Competent Persons Reports for both local and international stock exchanges. She has represented the Geological Society of South Africa's disciplinary committee with respect to the implementation of the SAMREC Code and the JSE Listing Rules. Mrs Telfer's particular areas of expertise are in the coal and diamond industries where she has been involved in projects ranging from exploration management through to the development and valuation of projects and mining operations. A detailed list of the project she has completed and their respective dates are tabled above.

Education:

DEGREE/DIPLOMA	FIELD	INSTITUTION	YEAR
B.Sc	Geology	University of the Witwatersrand	1991
B.Sc (Hons)	Geology	University of the Witwatersrand	1992
Dip.Bus.Man	Diploma in Business Management	Damelin College	1996

Employment Record:

POSITION	COMPANY	JOB DESCRIPTION	DURATION
Executive Lead	Venmyn Deloitte	Venmyn Rand was bought out by Deloitte Consulting South Africa (Pty) Ltd in November 2012. Employment transferred to new entity in similar capacity.	2012 - Present
Consultant & Director (2001 – 2002); (2003 – 2012); Shareholder (2006 – 2012)	Venmyn Rand (Pty) Ltd	Part of the consulting team with the majority of assignments being Competent Persons Reports, Due Diligences and valuations. Also undertaking capital gains tax, mineral rights, projects and mine valuations and geological exploration work in the coal mining industry. Projects worked on include:- - Valuation of mineral projects; - Market studies; - Independent Competent Persons Reports for listings on London, Johannesburg and Australian Stock Exchanges; - Qualified Persons Reports in the form of NI43-101 for various Canadian Stock Exchanges; - Calculation and sign off of resources in multiple mineral commodities; - Advising clients on exploration programme development and implementation; - Advising clients on compliance documentation; - Orebody modelling in Surfer®; - Compilation of international and local databases on mining costs, small mining operations, etc.; - Management of a number of coal exploration drilling programmes; - Assessment of compliance of CPR's for the Disciplinary Committee of the GSSA; and - Presentations on compliance and valuations of mineral projects for Venmyn Deloitte's Course on International Reporting Rules and Valuation Standards in the Minerals Industry.	2000 - 2012
Consultant (Non-Executive Director to Venmyn Rand (Pty) Ltd until April 1999)	Sole proprietor in own consulting business	- Techno-economic evaluation of the Ferreira Opencast Coal Reserve, Ermelo, for Wholetrade 1 (Pty) Ltd; - Advising on, managing and undertaking geological work on various coal exploration drilling programmes - Modelling of coal reserves and resources and coal quality variations; - Development of mining plans; - Ore reserve auditing for DRD, Blyvooruitzicht, Buffelsfontein, West Wits and Crown gold mining; - Digitising of assay plans for DRD; - Competent Persons Report on the non-gold assets of JCI Gold and Consolidated African Mines for the JSE; and - Mineral rights investigations.	1998 - 2000
Director and Consultant	Venmyn Rand (Pty) Ltd	Techno-economic evaluations of mining and minerals project for the company and Technical Advisers Reports for JSE listings. Specific projects included:- - Merger between Western Areas Gold Mine (North Section) and Randfontein Estates Gold Mine; - Disposal of Lindum Reefs Gold Mine to Randfontein Estates Gold Mine; and - Technical Advisers Report and Valuation of the Abu Tartur Phosphate Mining and Chemical Complex, Egypt.	1997 - 1998

POSITION	COMPANY	JOB DESCRIPTION	DURATION
Minerals Management Consultant	Resources Division Rand Merchant Bank	Techno-economic evaluations of mining and minerals project for the company and Technical Advisers Reports for JSE listings. Also involved in the research, valuation and management of the technical aspects of RMB Resources' mining investment project. Specific projects included:- • Techno-economic valuation of various coal projects and management of exploratory drilling programmes; • Independent opinion on the input parameters and cashflow model for the agreement between Knights Gold Mining Company and Witwatersrand Gold Mining Company; • Independent Competent Persons Report on the proposed disposal by Benoni Gold Holdings of Benoni Gold Mining Company to East Rand Proprietary Mine; • Mineral rights investigations in South Africa and in Africa; • Research and evaluation of various African exploration projects; • Independent Valuation of the merger between DRD, Blyvooruitzicht, Buffelsfontein Gold Mines and South Wits Project; • Independent Valuation of the merger between Harmony and Unisel Gold Mines; and • Technical Advisers Report on the Randgold Resources listing.	1996 - 1997
Mineral Analyst	Project Venmyn Rand (Pty) Ltd	Involved in 90% of Venmyn Rand's consulting projects over the last five years. Gained skills in data collation, data analysis, geostatistics, ore reserve modeling, ore reserve calculation, mineral rights searches, graphical presentation of technical data, mine valuations and techno-economic cashflow modelling over a wide range of minerals and deposit types for clients ranging from miners to investors.	1992 - 1996

Languages:

English: Excellent
Afrikaans: Good

Certification:

I, the undersigned, certify that to the best of my knowledge and belief, these data correctly describe me, my qualifications, and my experience.



Date: 10th December 2012

Full name of staff member: Catherine Anne Telfer

Name of Staff: Godknows Njowa
Position: Mineral Industry Advisor
Name of Firm: Venmyn Deloitte, a subsidiary of Deloitte Consulting South Africa (Pty) Ltd
Address: 1st Floor, Block G, 173 Rivonia Road, Sandton, 2146
Profession: Mining Engineer (Mineral Resources)
Date of Birth: 4 June 1978
Years with Firm/Entity: 6
Nationality: Zimbabwean

Membership in Professional Societies:

CLASS	PROFESSIONAL SOCIETY	YEAR OF REGISTRATION
Professional Engineer	Engineering Council of South Africa	2009
Candidate Engineer	Engineering Council of South Africa	2007
Member	South African Institute of Mining and Metallurgy	2006
Graduate	Institute of Chartered Secretaries and Administrators	2004
Graduate	Zimbabwe Institute of Engineers	2000

Fair and Reasonable Opinions:

YEAR	CLIENT	SECURITIES EXCHANGE JURISDICTION	TRANSACTION TYPE	IMPLIED VALUE (USDm)	DESCRIPTION
2011	Optimum Colliery	JSE	Fairness Opinion		Independent Fair and Reasonable Opinion on the Glencore Transaction
2008	BDO & Nkwe Platinum	ASX	Category I Merger	276.0	Independent Technical Report and Mineral Asset Valuation of the Tubatse Project Nkwe, including a Fair and Reasonable Opinion on the transaction for BDO
	Metorex	JSE	Fairness Opinions		Independent Fair and Reasonable Opinion on the rights issue offer to its shareholder in a debt and equity capital restructuring programme.
	Sephaku Holdings	JSE	Offer to the Minority	110.0	Independent Fair and Reasonable Opinion on the rights issue offer to the minority shareholder in a corporate restructuring programme
2007	BRC & Diamond Core	JSE & TSX	Category I Merger	150.0	Independent Fair and Reasonable Opinion on the merger between BRC Diamonds and Diamond Core in a merger transaction.
2006	LionOre International	TSX	Acquisition notification documentation.	650.0	Independent Technical and Valuation Fatal Flaws Report and F&R opinion for the Board of LionOre. Not published as an F&R.

Detailed Tasks Assigned:

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2011	ZYL Limited	Coal	High Level Coal Reserve Estimation and Mining for the purposes of Mining Right Application
	CoAL	Coal	An Independent Competent Person's Report on the principal Coal Assets held by Coal of Africa as part of LSE listing particulars on the Main Board.
	SIOC Community Development Trust	Coal	Technical Review in a form of a Due Diligence and Fatal Flaws Analysis on the Coal Mineral Assets held by Continental Coal Limited (CCL) for the purposes of purchasing a stake in CCL by SIOC Community Development Trust
	Sew Trident	Coal	Independent High Level Prospectivity and Resource Review and Valuation on the Komatipoort Coal Project, Mpumalanga
	Scinta	Coal	Independent Technical and Economic Review in the form of a Technical and Economic Due Diligence, Mineral Asset Valuation and Fatal Flaw Assessment of BHP Billiton Energy Coal South Africa (BECSA)'s coal mineral assets
	Identity Partners	Limestone or Cement	An Independent Mineral Asset Valuation for a Limestone Prospect held by Canyon Springs
	Sephaku Cement	Limestone or Cement	Independent Competent Person's Report on the Mineral Asset and Cement Plants held by Sephaku Cement
	Metorex	Copper & Cobalt	Independent Mineral Resources and Mineral Reserves Review on Chibuluma Mine.
	SSC Joyspring	Diamonds	Mineral Asset Valuation and Project Options Evaluation
	Sylvania Platinum Resources	PGE	An Independent Technical Review on the Volspruit Project, in the form of a Techno-Economic Statement.

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2010	Buildmax	Aggregates	Independent Competent Person Report on the Sand Mineral Assets held by Buildmax
	Kalagadi Manganese	Mn	Independent Technical Review and Fatal Flaws Analysis on the Bankable Feasibility Study prepared on the Mineral Asset held by Kalagadi Manganese (Phase 2)
	Coal of Africa	Coal	Mineral Asset Valuation of all the contributing Coal Mineral Asset
	Afrisam	Cement & Aggregates	Independent Technical Review on the Mineral Assets held by Afrisam
	Lesego Platinum	PGM	Independent Competent Person Report on the mineral assets held by Lesego Platinum (Village Transaction)
	Sephaku Cement	Cement	Independent Technical Review on the Bankable Feasibility Study on the Mineral Asset and Cement Plants to be constructed by Sephaku Cement (Updates)
	Sephaku Cement	Cement	Independent Competent Person's Report on the Mineral Asset and Cement Plants held by Sephaku Cement (Updates)
	Absolute Platinum	PGM & Aggregates	Independent Competent Person's Report on the Mineral Assets held by Absolute Holdings
	African Global Capital	Gold	Technical Review in a form of a Due Diligence and Fatal Flaws Analysis on the Gold Mineral Assets held by Duration Gold
	Absolute Holdings	Quartzite & Aggregates	Independent Mineral Asset Valuation on Lekkersing Quartzite Mine
2009	Unki Platinum Mines	PGM	Independent Mineral Asset Valuation and Due Diligence on Unki Platinum Mines
	Makomo Resources	Coal	High Level Due Diligence and Coal Resources and Coal Reserve Estimation on Entuba Coal Project
	Kalagadi Manganese	Mn	Independent Technical Review and Fatal Flaws Analysis on the Bankable Feasibility Study prepared on the Mineral Asset held by Kalagadi Manganese
	Sephaku Cement	Cement	Independent Technical Review on the Bankable Feasibility Study on the Mineral Asset and Cement Plants to be constructed by Sephaku Cement
	Sephaku Cement	Cement	Independent Competent Person's Report on the Mineral Asset and Cement Plants held by Sephaku Cement
	Tegan International	Coal	Prospectivity Review, Coal Resources Estimation and Valuation on the Ceza Mountain Coal Project.
	Zambezi Gas	Coal	High Level Due Diligence and Coal Resource Estimation on the Entuba Coalfield and Exploration Planning
	Batla Minerals	Tungsten	Conceptual Mine Design and Schedule for the Riviera Open Cast operation (Preliminary Assessment)
2008	DGI Investments	Copper & Cobalt	Mineral Asset Valuation of the Kabolelo Co Project in the DRC
	DGI Investments	Copper & Cobalt	Mineral Asset Valuation of the Mashitu Co Project in the DRC
	Nkwe Platinum	PGM	Independent Technical Report and Mineral Asset Valuation of the Tubatse Project
	Nkwe Platinum	PGM	Independent Competent Person Report on the mineral assets held by Nkwe Platinum
	Hwange Colliery	Coal	Review of the Coal Resources and Coal Reserves for an investment purposes (unpublished report).
	Lesego Platinum	PGM	Independent Competent Person Report on the mineral assets held by Lesego
	Sephaku Holdings	Cement, Au, PGM	Independent Mineral Asset Valuation of the contributing mineral assets
	Investec	Aggregates	Independent Review of Bankable Feasibility Study on behalf of the Debt Providers (Investec)
	Industrial Base Metals	Nickel & PGM	Independent Technical Inventory Verification on ENR
	Anglo Platinum	PGM	Independent Mineral Asset Valuation and Due Diligence on Unki Platinum Mines
	Bongani Minerals	Tungsten	Preliminary Scoping Study of the Riviera Tungsten Prospect
2007	Namakwa Diamonds	Diamonds	Competent Persons Report and Independent Mineral Assets Valuation on the alluvial and Kimberlite Diamond assets held by Namakwa Diamonds in Africa
	BRC Diamond Core Diamonds	Diamonds	NI 43-101 Technical Report on the Diamond Projects in the DRC
	Adsani Tantalite Refinery	Tantalite	Independent Technical Report
	Afrisam Consortium	Limestone	Independent Technical Review of the Mineral Assets of Holcim SA for a BEE Transaction
	Caledonia Mining	Gold	Technical Information memorandum and Independent Valuation on Barbrook for disposal
	Caledonia Mining	Gold	Technical Information memorandum and Independent Valuation on Eersteling for disposal

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2007	DRDGold	Gold	Emperor Gold Mines independent forensic review
	Signet Mining	Coal	An independent Technical Assessment of the Coal Resources and Coal Reserves on the Thuli Coal in Zimbabwe
	GVM Metals	Coal	An Independent Competent Person's Report on certain of the mining assets of Coal of Africa on Behalf of GVM metals
	Signet Mining	Coal	An Independent Evaluation of the Coal Resources in the Tete Province for an investment purposes.
	Great Basin Gold	Gold	Independent Transaction Report
	LionOre International	Nickel and PGM	Independent Technical and Economic Review and Mineral Asset Valuation of BCL Ltd for the Debt providers
	Mintek (DME)	Mineral Policy Review	South African system for Mine Closure Financial Provision Legislation
	PWC - Highveld Steel	Iron and Vanadium	Independent Mineral Resource Review and Valuation for apportionment calculations
	West Wits Mining	Gold	Competent Persons report on the prospects on the Witwatersrand Basin for Gold Exploration in South Africa
2006	Anglo Platinum	PGM	An Independent Mineral Asset Valuation on the Union Section
	Crushco	Aggregates	Independent Techno-Economic Assessment
	Harmony Gold Mining Company Ltd	Gold	Development and Implementation of Sarbanes Oxley Compliance to the Ore Reserve process: South African and Australian Operations
	Imbani Resources	Coal	Coal Resources and Coal Reserves Estimation for annual declaration
	Imbani Resources	Coal	High Level Review of Coal Resources and Coal Reserve held by Imbani
	Kurils Islands	Gold	Independent Technical Report NI43-101
	LionOre International	Nickel and PGM	Independent Technical and Economic Assessment of BCL Ltd
	Mgart Armenia	Gold	Independent Assessment and Valuation for AIM
	Mintek	Chromite	Strategic Industry Review
	Rhovan	Vanadium	Valuation report
	Salestalk 32	Vanadium	Resources and Reserve Statement Audit and Update
	Various	Mineral Policy Review	An Independent opinion on the Zimbabwe Amendment Bill
	Western Areas	Gold	Technical Assessment and Mineral Asset Valuation Report of the Gold Assets
	Worldwide Coal	Coal	Techno-Economic Valuation Report for the RBCT Tender and An Independent Review of the Coal Reserves.
	Xstrata	PGM	An Independent Mineral Asset Valuation on the Mototolo JV
2004	Rio Tinto Zimbabwe	Gold, Coal and Nickel	Strategic Assessment of the Company and Internal Financial Auditing for the mining and processing operations
2003	Rio Tinto Zimbabwe	Coal and Gold	Assisting in the Evaluation of Advanced projects in the Rio Tinto Zimbabwe including Spot Mine, Sengwa Coal and other special grants in Zimbabwe
2002	Rio Tinto Zimbabwe	Gold	Pre Feasibility Study on the re-development of Spot Mine to access underground resources from the current Adit.

Key Qualifications:

Mr Njowa's key areas of expertise lie in the combination of skills in Financial Accounting, Corporate Governance and Mining Engineering. Coupled with experience in both technical and corporate finance he has consolidated his expertise in detailed financial valuation of mineral and mining projects using discounted cashflow models, technical and economic review, due diligences and mineral resources and mineral reserve estimation.

Mr Njowa has special interests in the public reporting of mineral assets and their valuation, with focus on the following codes and standards:- International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), South African Code for the Reporting of Mineral Resources and Reserves (SAMREC Code) and the current draft of The South African Code for the Valuation of mineral projects (SAMVAL Code).

He has been involved in the writing of numerous codes the South African Code for the Reporting of Mineral Resources and Reserves (SAMREC Code) and is currently on the committee writing the South African Code for the Valuation of mineral projects (SAMVAL Code) and on JSE Listing requirements committee and involved in the drafting of the JSE listing requirements for the minerals and exploration companies.

Education:

DEGREE/DIPLOMA	FIELD	INSTITUTION	YEAR
B. Sc Hons	Mining Engineering	University of Zimbabwe	2003
Professional Qualification	Corporate Governance and Financial Accounting	Institute of Chartered Secretaries and Administrators	2004
GDE	Graduate Diploma in Mining Engineering specialising in Mineral Resources Management and Mineral Asset Valuations	University of the Witwatersrand	2005
M. Sc	Mining Engineering specialising in Mineral Resources Management (Cum Laude)	University of the Witwatersrand	2007
Certificate	Securities Investment Analysis	Investment Analyst Society	2008

Employment Record:

POSITION	COMPANY	JOB DESCRIPTION	DURATION
Mineral Industry Advisor	Venmyn Deloitte	Part of the consulting team, with the majority of assignments being Due Diligence and valuation exercises. Also undertaking capital gains tax, mineral rights, projects and mine valuations in the minerals industry. Projects worked on include:- - Valuation and strategic analysis of mining companies and mineral projects using the discounted cashflow and other comparative methods; - Financial Modelling for Mining Projects; - Evaluation and Reviewing Short and Long Term mine plans - Valuation of various mineral rights and projects. - Mineral reserve Estimation and conversions - Independent Technical Reviews and Due Diligences studies	2005 - Present
Mineral Industry and Shareholder (2008-2012) Mineral Project Analyst (2005-2008)	Venmyn Rand (Pty) Ltd		
Head Office Accountant (Mining Analyst)	Rio Tinto Zimbabwe (Head Office)	Management responsibilities as outlined below but now at the Corporate level involving four different mining and processing operations. Further responsibilities include:- - Processing foreign payments through the reserve bank; - Statutory tax, royalties provisions, calculations and payments - Assist the External and Internal Auditing functions in the group; - Evaluation of Mining projects in the Group; - Arranging project and working capital funding; and - Group cashflow management in liaison with the Group Accountant.	2004 - 2005
Mineral Industry and Shareholder (2008-present) Mineral Project Analyst (2005-2008)	Venmyn Deloitte	Part of the consulting team, with the majority of assignments being Due Diligence and valuation exercises. Also undertaking capital gains tax, mineral rights, projects and mine valuations in the minerals industry. Projects worked on include:- - Valuation and strategic analysis of mining companies and mineral projects using the discounted cashflow and other comparative methods; - Financial Modelling for Mining Projects; - Evaluation and Reviewing Short and Long Term mine plans - Valuation of various mineral rights and projects. - Mineral reserve Estimation and conversions - Independent Technical Reviews and Due Diligences studies	2005 - Present
Head Office Accountant (Mining Analyst)	Rio Tinto Zimbabwe (Head Office)	Management responsibilities as outlined below but now at the Corporate level involving four different mining and processing operations. Further responsibilities include:- - Processing foreign payments through the reserve bank; - Statutory tax, royalties provisions, calculations and payments - Assist the External and Internal Auditing functions in the group; - Evaluation of Mining projects in the Group; - Arranging project and working capital funding; and - Group cashflow management in liaison with the Group Accountant.	2004 - 2005

POSITION		COMPANY	JOB DESCRIPTION	DURATION
Student Engineer	Mining	AA Mines (Shabanie Mine)	- Massive ore body production management; - Safety and quality management; - Sub-level block caving with a trackless tramming system; - Chystolite asbestos production.	1999 - 2000

Languages:

English: Excellent

Shona: Excellent

Certification:

I, the undersigned, certify that to the best of my knowledge and belief, these data correctly describe me, my qualifications, and my experience.


Date: 10th December 2012

Full name of staff member: Godknows Njowa, Pr Eng.

PART TWO – FINANCIAL SERVICES GUIDE

Dated 10 December 2012

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) and Bill Allen and Jason Hughes as an authorised representative of KPMG Corporate Finance (**Authorised Representative**), authorised representative number 405336 and 484183 respectively.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities, and
- superannuation,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by Coal of Africa Limited or CoAL (Client) to provide general financial product advice in the form of a Report to be included in Notice of Meeting and Explanatory Memorandum (Document) prepared by CoAL in relation to the Proposed Transaction (Transaction). You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of

the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance \$150,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report. Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership. From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. KPMG entities have provided, and continue to provide, a range of tax and advisory services to the Client for which professional fees are received. Over the past two years professional fees of AU\$0.4 million have been received from the Client. None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please

telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint. Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08

Facsimile: (03) 9613 6399 Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance

A division of KPMG Financial Advisory Services (Australia) Pty Ltd

10 Shelley St
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213

Telephone: (02) 9335 7000

Facsimile: (02) 9335 7200

Bill Allen
C/O KPMG
PO Box H67
Australia Square
NSW 1213

Telephone: (02) 9335 7000

Facsimile: (02) 9335 7000



COAL of AFRICA LIMITED
ABN 98 008 905 388

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

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

Proxy Form

For your vote to be effective it must be received by 10:00am (London Time) Wednesday 23 January 2013

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions

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

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

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

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

Attending the Meeting

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

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

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com



Review your securityholding



Update your securityholding

Your secure access information is:

SRN/HIN:



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

☐

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

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

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

☐

the Chairman
of the meeting OR



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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Coal of Africa Limited to be held at Tavistock Communications, 8th Floor, 131 Finsbury Pavement, London EC2A 1NT on Friday, 25 January 2013 at 10:00am (London time) and at any adjournment of that meeting.

STEP 2 Items of Business



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

		For	Against	Abstain
Resolution 1	Approval of issue of Shares - Initial Placement	☐	☐	☐
Resolution 2	Ratification of issue of Shares - Initial Placement	☐	☐	☐
Resolution 3	Proposed issue of Shares - Conditional Placement	☐	☐	☐

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

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

COAL of AFRICA LIMITED

(previously, GVM Metals Limited)
(Incorporated and registered in Australia)
(Registration number: ABN 98 008 905 388)
Share code on the JSE Limited: "CZA"
ISIN: AU000000CZA6
("CoAL" or "the Company")



Computershare Investor Services (Pty) Ltd
Reg No 2004/003647/07

FORM OF PROXY – GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON FRIDAY, 25 JANUARY 2013 AT 10:00 AM (GMT)

Only for use by certificated shareholders or dematerialised shareholders of Coal of Africa Limited who have selected "own-name" registration.

For use by CoAL shareholders at the General Meeting of shareholders to be held at Tavistock Communications, 8th Floor, 131 Finsbury Pavement, London, EC2A 1NT, United Kingdom on Friday, 25 January 2013 at 10:00 am (GMT) and at any adjournment of that meeting.

If you have dematerialised your shares with a Central Securities Depository Participant ("CSD Participant") or broker and have not selected "own-name" registration, you must arrange with your CSD Participant or broker to provide you with the necessary letter of representation to attend the General Meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSD Participant or broker.

I/We (Names in full – please print)

of (address – please print):

being the holder of shares in CoAL hereby appoint:

1. _____ of _____ or failing him/her,

2. _____ of _____ or failing him/her,

the Chairman of the Meeting, as my/our proxy to attend and vote for me/us at the General Meeting of shareholders to be held at Tavistock Communications, 8th Floor, 131 Finsbury Pavement, London, EC2A 1NT, United Kingdom on Friday, 25 January 2013 at 10:00 am (GMT) and at any adjournment thereof, and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat in accordance with the following instructions (see notes):

	For	Against	Abstain
Ordinary Resolution 1 Approval of issue of Shares – Initial Placement			
Ordinary Resolution 2 Ratification of issue of Shares – Initial Placement			
Ordinary Resolution 3 Proposed issue of Shares – Conditional Placement			

Signed at _____ on _____ 2013

Name

(In block letters)

Signature/s

Assisted by me

(If applicable)

Full name/s of signatory/ies if signing in a representative capacity

(In block letters and authority to be attached – see note 11)

Please read the notes below:

Notes

- (1) Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of CoAL) to attend, speak, vote or abstain from voting in place of that shareholder at the General Meeting of shareholders.
- (2) A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the Meeting," but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
- (3) **Forms of proxy must be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 10:00 AM on 23 January 2013.**
- (4) The completion and lodging of this form of proxy will not preclude the shareholder from attending the General Meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
- (5) **If the signatory does not indicate in the appropriate place on the face hereof how he/she wishes to vote in respect of any resolutions, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution. Please see information on how the Chairman of the Meeting will vote proxies contained in the Notice of Meeting accompanying this Form of Proxy.**
- (6) The Chairman of the Meeting shall be entitled to decline to accept the authority of a person signing this form of proxy:
 - under a power of attorney; or
 - on behalf of a company;unless the power of attorney or authority is deposited at the office of CoAL's transfer secretaries, not less than 48 hours before the time appointed for the holding of the General Meeting.
- (7) The Chairman of the Meeting may reject or accept any form of proxy, which is completed and/or received other than in accordance with these notes, provided that the Chairman is satisfied as to the manner in which the shareholder concerned wishes to vote.
- (8) A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alterations must be signed, not initialled.
- (9) If the shareholding is not indicated on the form of proxy, the proxy will be deemed to be authorised to vote the total shareholding registered in the shareholder's name.
- (10) A vote given in terms of an instrument of proxy shall be valid in relation to the General Meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in CoAL in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the transfer secretaries no less than 48 hours before the commencement of the General Meeting.
- (11) Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by CoAL or its transfer secretaries or waived by the Chairman of the Meeting.
- (12) Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has previously been registered with CoAL or the transfer secretaries.
- (13) Where there are joint holders of shares and if more than one such joint holder is present or represented thereat, then the person whose name appears first in the register of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
- (14) Where shares are held jointly, all joint holders are required to sign.
- (15) A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of CoAL.
- (16) Dematerialised shareholders who have not selected "own-name" registration and who wish to attend the General Meeting or to vote by way of proxy, must advise their CSDP or broker who will issue the necessary letter of representation in writing for a dematerialised shareholder or proxy to do so.

Transfer Secretaries
Computershare Investor Services (Pty) Ltd
Reg. No. 2004/003647/07
Proxy Dept. PO Box 61051, Marshalltown, 2107, South Africa
Fax: +27 11 688-5238

Form of Instruction
COAL OF AFRICA LIMITED

I/We (Please print full names):

Of (address – please print):

.....

hereby instruct the Custodian “Computershare Clearing PTY Limited A/c CCNL DI” to vote on my/our behalf at the General Meeting of Coal of Africa Limited to be held at Tavistock Communications, 8th Floor, 131 Finsbury Pavement, London EC2A 1NT, on 25 January 2013 at 10:00 a.m. (London time) and at any adjournment thereof.

(Indicate with an "X", in the applicable space, how you wish your votes to cast).

Resolutions	For	Against	Abstain
Ordinary Resolution 1 Approval of issue of Shares - Initial Placement			
Ordinary Resolution 2 Ratification of issue of Shares - Initial Placement			
Ordinary Resolution 3 Proposed issue of Shares - Conditional Placement			

Signature

In the case of joint holders, only one holder need sign. In the case of a corporation, the Form of Instruction should be signed by a duly authorised official whose capacity should be stated, or by an attorney.

DD / MM / YYYY

Explanatory Notes:

1. Please indicate, by placing "X" in the appropriate space above, how you wish your votes to be cast in respect of each of the Resolutions. If this form is duly signed and returned, but without specific direction as to how you wish your votes to be cast, the form will be rejected.
2. The 'Abstain' option is provided to enable you to vote withheld on any particular Resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a Resolution.
3. Any alterations made in this form should be initialled.
4. The Notice of General Meeting and Explanatory Memorandum to Shareholders is available online, simply visit: www.coalofafrica.com

To be effective, all forms of instruction must be lodged at the office of the Depositary at:
Computershare Investor Services PLC, The Pavilions, Bridgwater Rd, Bristol BS99 6ZY by 22 January 2013
at 10:00 am.