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Application will be made for the whole of the issued share capital of Coal of Africa Limited to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Shares and the New Shares on AIM will commence on 8 March 2016. Following Admission, the Shares and the New Shares will remain admitted to listing and trading on the ASX, and to trading on the JSE.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The London Stock Exchange has not itself examined or approved the contents of this document.

The Directors of CoAL, whose names, business addresses and functions appear on page vii of this document, and CoAL accept individual and collective responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and CoAL (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The whole of this document should be read. Your attention is drawn in particular to Part V of this document entitled “Risk Factors”. The whole of this document should be read in light of those risk factors.

COAL OF AFRICA LIMITED

(incorporated and registered in Western Australia under the Corporations Act 2001 with Australian Company Number 008 905 388)

Proposed Acquisition of Universal Coal plc

Proposed Admission of the Enlarged Issued Share Capital to trading on AIM

Proposed issue of up to 304,011,268 Consideration Shares

Proposed issue of up to 413,793,017 Subscription Shares

and

Notice of General Meeting

PEEL HUNT

Nominated Adviser and Broker

All of the Shares and the New Shares, will, on Admission, rank equally in all respects, including the right to receive all dividends or other distributions declared, made or paid on the Shares and the New Shares after Admission.

This document, which comprises an AIM admission document, has been drawn up in accordance with the AIM Rules for Companies. This document does not constitute an offer or any part of any offer of transferable securities to the public within the meaning of section 102B of the FSMA or otherwise. Accordingly, this document does not constitute a prospectus for the purposes of

section 85 of the FSMA or otherwise, and has not been drawn up in accordance with the Prospectus Rules or filed with or approved by the Financial Conduct Authority or any other competent authority.

Peel Hunt LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for CoAL as nominated adviser and broker in connection with Admission, and will not be responsible to any other person other than the Company for providing the protections afforded to customers of Peel Hunt LLP or advising any other person in connection with Admission, the contents of this document or any matter, transaction or arrangement referred to herein. Peel Hunt LLP's responsibilities as CoAL's nominated adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers will be owed solely to London Stock Exchange and not to CoAL, its shareholders, the Directors or to any other person. Peel Hunt LLP has not authorised or approved the contents or any part of this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Peel Hunt LLP by the FSMA or the regulatory regime established under it, Peel Hunt LLP does not accept any responsibility whatsoever for the contents of this document, and no representation or warranty, express or implied, is made by Peel Hunt LLP with respect to the accuracy of any information or opinions contained in this document or for the omission of any information from this document.

Notice convening a General Meeting of CoAL to be held at Tavistock Communications, 8th Floor, 131 Finsbury Pavement, London, EC2A 1NT, United Kingdom on 3 March 2016 at 10 a.m. is set out at the end of this document. A Form of Proxy accompanies this document. To be valid, the Form of Proxy accompanying this document must be completed and returned so as to be received at the address specified in the Form of Proxy not later than 10 a.m. on 1 March 2016. The completion and depositing of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they wish to do so.

This document is dated 1 February 2016. Copies of the document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the registered offices of CoAL and Peel Hunt LLP's office at Moor House, 120 London Wall, London EC2Y 5ET for one month from the date of this document. This document is also available on CoAL's website, www.coalofafrica.com.

This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or acquire, any shares to any person in any jurisdiction to whom it is unlawful. Neither this document, nor any copy of it, may be sent to or taken into the United States. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. In particular, this document may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever, and in particular may not be forwarded to any US address. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Shares have not been and neither they nor the New Shares will be registered under the US Securities Act, or with any securities regulatory authority of any state of the United States or any other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US Persons.

NEITHER THIS DOCUMENT NOR THE SHARES NOR NEW SHARES HAVE BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES AND ANY RE-OFFER OR RESALE OF ANY OF THE SHARES OR NEW SHARES IN THE UNITED STATES OR TO US PERSONS MAY CONSTITUTE A VIOLATION OF US LAW OR REGULATION.

Holding Shares may have implications for overseas shareholders under the laws of the relevant overseas jurisdictions. Overseas shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

The contents of CoAL's website (www.coalofafrica.com) do not form part of this document.

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OFFER, SUBSCRIPTION AND ADMISSION STATISTICS

Subscription Price	US\$0.0435
Number of Shares in issue as at the date of this document	1,927,001,328
Number of Subscription Shares	413,793,017
Maximum number of Consideration Shares	304,011,268
Maximum number of Provisional Placement Shares	229,885,058
Number of New Shares to be issued assuming the Offer is validly accepted by Universal Shareholders holding 50% of Universal's total issued share capital and no Provisional Placement Shares are issued ⁽¹⁾	464,461,561
New Shares as a percentage of the Enlarged Issued Share Capital assuming the Offer is validly accepted by Universal Shareholders holding 50% of Universal's total issued share capital and no Provisional Placement Shares are issued ⁽¹⁾	19.42%
Number of New Shares to be issued assuming the Offer is validly accepted by Universal Shareholders holding 50% of Universal's total issued share capital and all Provisional Placement Shares are issued ⁽¹⁾	694,346,619
New Shares as a percentage of the Enlarged Issued Share Capital assuming the Offer is validly accepted by Universal Shareholders holding 50% of Universal's total issued share capital and all Provisional Placement Shares are issued ⁽¹⁾	26.49%
Number of New Shares to be issued assuming the Offer is validly accepted in full by all Universal Shareholders and no Provisional Placement Shares are issued ⁽¹⁾	717,804,285
New Shares as a percentage of the Enlarged Issued Share Capital assuming the Offer is validly accepted in full by all Universal Shareholders and no Provisional Placement Shares are issued ⁽¹⁾	27.14%
Number of New Shares to be issued assuming the Offer is validly accepted in full by all Universal Shareholders and all Provisional Placement Shares are issued ⁽¹⁾	947,689,343
New Shares as a percentage of the Enlarged Issued Share Capital assuming the Offer is validly accepted in full by all Universal Shareholders and all Provisional Placement Shares are issued ⁽¹⁾	32.97%
ISIN number	AU000000CZA6
SEDOL number	B0TV1K0
AIM Symbol	CZA

Notes:

- (1) Also assuming (i) that Universal Shareholders holding 40% of Universal's issued share capital elect to take up the Loan Note Alternative, being the number required to satisfy the relevant minimum acceptance Condition under the Offer, (ii) all other Universal Shareholders who accept the Offer accept the Cash and Share Offer and (iv) no options over Shares are exercised between the date of this document and Admission.
- (2) Pursuant to the YBI Subscription Agreement, YBI is entitled to subscribe for 344,827,500 Shares. Depending on the level of acceptances received from Universal Shareholders for the Cash and Share Offer, and any other equity funding that CoAL may obtain prior to completion of the Offer, it is possible that full subscription by YBI of the Shares which are the subject of Resolution 2 would result in YBI obtaining voting power in CoAL of more than 20% (in breach of applicable takeover provisions under the Corporations Act). If it appears that, at completion of the Offer and the YBI Subscription Agreement, that YBI's voting power in CoAL would exceed 20%, CoAL and YBI would make an alternative arrangements to ensure CoAL receives YBI's full funding commitment under the YBI Subscription Agreement whilst still complying with the Corporations Act.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS⁽¹⁾

Publication of this document	1 February 2016
Latest time and date for receipt of Form of Proxy	10 a.m. on 1 March 2016
General Meeting	10 a.m. on 3 March 2016
Last date for acceptance of the Offer	3 March 2016 ⁽²⁾
Expected date of issue of the New Shares	7 March 2016 ⁽³⁾
Expected Date for Admission and commencement of dealings in the Enlarged Issued Share Capital on AIM	8 March 2016 ⁽³⁾

Notes:

- (1) All references to times in this timetable are to London times. Each of the dates and times in the above timetable and elsewhere in this document are indicative only and subject to change. Any such change will be notified by an announcement on a regulatory information service.
- (2) The Company intends to extend the closing date of the Offer. A formal extension of the Offer will be sent to Universal Shareholders after the date of this document.
- (3) This date will be extended in line with the proposed extension of the closing date of the Offer.

PRESENTATION OF CERTAIN INFORMATION

Abridged Competent Person's Reports

Each of the Abridged Competent Person's Reports included in this document is an abridged version of the full competent person's report prepared by the relevant Competent Person and each abridged report has been prepared in accordance with the AIM Rules for Companies for inclusion in this document. The full versions of each competent person's report in respect of the material assets of the CoAL Group and the material assets of the Universal Group are each available on CoAL's website, www.coalofafrica.com. CoAL will provide, without charge, to each person to whom a copy of this document has been sent, a copy of any extended competent person's report on request.

Requests for any such copies should be directed to Celeste Riekert, Coal of Africa Limited, South Block, Summercon Office Park, Cnr Rockery Lane and Sunset Avenue, Lonehill, 2191, South Africa, or by email to Celeste.Riekert@coalofafrica.com.

Save as provided below, all information regarding mineral resources and reserves in this document is presented, and has been compiled, in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and Minerals Council of Australia.

The information regarding mineral resources in this document in respect of Kangala, NCC and Brakfontein and the information in this document regarding reserves at NCC is presented, and has been compiled, in accordance with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves.

Where information contained elsewhere in this document is extracted from a Competent Person's Report it has been extracted directly and presented in a manner which is not misleading and provides a balanced view of the Competent Person's Report.

Exchange Rates

All references in this document to US\$ are to US Dollars, £ are to UK pounds sterling, A\$ are to Australian Dollars and ZAR are to South African Rand. Unless otherwise stated, the rates of exchange of US\$1.00 = ZAR0.0991 and US\$1.00 = A\$0.72 have been used for the purposes of this document.

COMPANY OFFICERS, REGISTERED OFFICE AND ADVISERS

Directors	Bernard Robert Pryor (<i>Chairman and Independent Non-Executive Director</i>) David Hugh Brown (<i>Chief Executive Officer and Executive Director</i>) De Wet Olivier Schutte (<i>Chief Financial Officer and Executive Director</i>) Peter George Cordin (<i>Independent Non-Executive Director</i>) Andrew David Mifflin (<i>Independent Non-Executive Director</i>) Thabo Felix Mosololi (<i>Independent Non-Executive Director</i>) Khomotso Brian Mosehla (<i>Independent Non-Executive Director</i>) Rudolph Henry Torlage (<i>Non-Executive Director</i>)
Company secretary	Anthony Gwynn Bevan
Registered office	Suite 8 7 The Esplanade Mt Pleasant WA 6153 Australia
Principal place of business	South Block Summercon Office Park 96 Sunset Avenue (Cnr Rockery Lane) Lonehill Sandton South Africa
Reporting Accountant to CoAL	BDO LLP 55 Baker Street London W1U 7EU United Kingdom
Auditors to CoAL	Deloitte Touche Tohmatsu Limited Woodside Plaza Level 14, 240 St George's Terrace Perth WA 6837 Australia
Nominated Adviser and broker to CoAL	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET United Kingdom
Financial Advisors to CoAL	Qinisele Resources Proprietary Limited 2 Maude Street 13th Floor, The Forum Building Sandton 2196 Johannesburg South Africa
Legal advisers to CoAL as to English law	Squire Patton Boggs (UK) LLP 7 Devonshire Square London EC2M 4YH United Kingdom
Legal advisers to CoAL as to Australian law	Squire Patton Boggs (AU) Level 21, 300 Murray Street Perth WA 6000 Australia

Legal advisers to CoAL as to South African law	ENS Africa Johannesburg Offices 150 West Street Sandton Johannesburg, 2196 South Africa
Legal advisers to the Nominated Adviser and broker	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA United Kingdom
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ United Kingdom
Website	www.coalofafrica.com
Competent Person - Makhado Project	The MSA Group (Pty) Ltd 20B Rothesay Avenue Craighall Park Gauteng 2196 South Africa
Competent Person - Vele Colliery	VBKom Consulting (Pty) Ltd 95 Lyttleton Road Clubview Centurion Gauteng 0046 South Africa
Competent Person - Greater Soutpansberg Project	Venmyn Deloitte (Pty) Ltd First Floor Building 33 The Woodlands Office Park 20 Woodlands Drive Woodmead Sandton Gauteng 2052 South Africa
Competent Person - Kangala, Brakfontein, Berenice/Cygnus, Somerville and Arnot South (Resources)	Gemecs (Pty) Limited Sentinel House 37 Walter Sisulu Street Middelburg South Africa
Competent Person - Kangala, NCC and Brakfontein (Reserves) and NCC (Resources)	Mindset Mining Consultants (Pty) Ltd 298 Stokkiesdraai Street Erasmusrand Pretoria Gauteng 0181 South Africa

PART I: LETTER FROM THE CHAIRMAN
COAL OF AFRICA LIMITED

(incorporated and registered in Western Australia with Australian Company Number 008905388)

Directors

Bernard Pryor
David Brown
De Wet Schutte
Peter Cordin
Andrew Mifflin
Thabo Mosololi
Khomotso Mosehla
Rudolph Torlage

Registered office

Suite 8,
7 The Esplanade,
Mt Pleasant WA 6153,
Australia

To the Shareholders

Dear Shareholder,

Proposed Acquisition of Universal Coal plc
Proposed Admission of the Enlarged Issued Share Capital to trading on AIM
Proposed issue of up to 304,011,268 Consideration Shares
Proposed issue of up to 413,793,017 Subscription Shares
and
Notice of General Meeting

1 INTRODUCTION

On 26 November 2015 CoAL announced that the Board and the Independent Universal Directors had agreed the terms of a recommended Offer to be made by CoAL for the entire issued and to be issued share capital of Universal. On 21 December 2015 CoAL released an Offer Document to Universal Shareholders which, together with the accompanying documents, contained the terms and conditions of the Offer.

The Board believes that there is compelling strategic, operational and financial logic for the Offer which will, if successful, give CoAL a majority interest in Universal and, indirectly, its portfolio of coal assets and, if sufficient acceptances are received, has the potential to create a leading listed coal mining company with a diverse portfolio of coal assets, including producing mines, and a significant growth profile.

The Independent Universal Directors have unanimously recommended Universal Shareholders to accept the Offer, as they intend to do in respect of their own Universal Shares. In addition, CoAL has received irrevocable undertakings to accept the Offer from Universal Shareholders (including the Independent Universal Directors (subject to the discharge of their statutory and fiduciary duty as directors)) in respect of 229,786,507 Universal Shares, representing 45.35 per cent. of Universal's total issued share capital as at the date of this document.

The Acquisition, which will result from a successful completion of the Offer, constitutes a reverse takeover for CoAL under the AIM Rules for Companies. As a result, CoAL is seeking Shareholder approval for the Acquisition at the General Meeting, the notice of which is set out at the end of this document. Resolutions 1 to 4 are being proposed at the General Meeting to approve the Acquisition and the related issue of the Subscription Shares and the Consideration Shares, and Resolution 5 is being proposed to authorise the potential future issue of Provisional Placement Shares to provide funding for the Group's corporate activities.

This document, which comprises an admission document for the purposes of the AIM Rules for Companies, sets out the reasons for the Acquisition, explains why the Directors consider the Acquisition to be in the best interests of CoAL and the Shareholders as a whole, and asks Shareholders to vote in favour of the Resolutions which will be proposed at the General Meeting of Shareholders to be held at 10 a.m. on 3 March 2016 at Tavistock Communications, 8th Floor, 131 Finsbury Pavement, London, EC2A 1NT, United Kingdom notice of which is set out at the end of this document.

1.1 About Universal

Universal is incorporated in England and Wales and is listed on the ASX under the ticker “UNV”. Further information in respect of Universal is included at Part II of this document.

1.2 Universal’s projects in South Africa

Universal’s assets in South Africa comprise over 2 billion gross tonnes of in-situ coal resources, of which over 1 billion gross tonnes are attributable to the Universal Group, at three thermal coal projects in the Witbank coalfield (Kangala, NCC and Brakfontein) and two prospective coking coal assets in the emerging Soutpansberg and Tuli coalfields (Berenice/ Cygnus and Somerville). Universal has agreed, subject to regulatory approvals, to acquire a 50% interest in the Arnot South prospecting right.

Universal holds a 70.5% interest in and operates the Kangala Colliery, an operating thermal coal mine, and recently completed the acquisition of a 49.0% interest in the NCC. Both mines are located in the Witbank coalfield in Mpumalanga province of South Africa.

Kangala is an operating thermal coal mine located approximately 65km east of Johannesburg. First coal sales from Kangala occurred in April 2014, with steady state production subsequently achieved in October 2014. The entire project consists of three properties; Wolvenfontein (location of the Kangala Mine), Middelbult and Modderfontein located near several coal-fired power stations. The mine’s coal resources are 133.8Mt, of which 77.2Mt are Measured (including 16.8Mt proven reserves), 22.9Mt Indicated and 33.7Mt Inferred. The product is primarily sold in the domestic South African market to power utility Eskom under a long term CSA.

Universal completed the acquisition of NCC from Exxaro on 24 August 2015. NCC hosts a resource of 108Mt Measured and Indicated (including 29.3Mt proven reserves) and 22.4Mt Inferred. The mine will initially be developed as an open pit operation targeting production of 2Mtpa (Phase 1). First coal is expected in the first half of 2016, subject to the finalisation of a CSA with Eskom. This CSA is nearing settlement, with agreement in principle already reached on key commercial terms.

Universal also holds an interest in a number of other South African coal projects which are at various stages of pre-feasibility and feasibility.

Further information in respect of the Universal Group’s projects is contained at Part II of this document and in the Abridged Competent Person’s Reports in Part XII of this document.

Details of the Offer

Under the terms of the Offer:

- Eligible Universal Shareholders will be entitled to elect to receive for each Universal Share held:
 - A\$0.20 in cash and 1 Consideration Share (being the Cash and Share Offer); or
 - subject to eligibility, a non-converting, secured Loan Note with a principal amount of A\$0.25 per Loan Note.
- Restricted Universal Shareholders will not be entitled to participate in the Cash and Share Offer but will instead be entitled to receive, for each Universal Share held:
 - A\$0.25 in cash; or
 - subject to eligibility, a non-converting, secured Loan Note with a principal amount of A\$0.25 per Loan Note.

Eligible Universal Shareholders may elect to receive a combination of the Cash and Share Consideration (or, in the case of Restricted Universal Shareholders, the Cash Consideration) and Loan Notes.

The Cash and Share Offer represents a total offer consideration comparable to A\$0.25 per Universal Share, based on A\$0.20 in cash and 1 Consideration Share valued at A\$0.05, (this is based on CoAL’s closing price on the JSE (applying relevant exchange rates) on 24 November 2015, being the latest practicable date prior to the announcement of the recommended offer) and equates to an aggregate value of approximately A\$126.7 million (US\$91.2 million) for the 505,685,447 Universal Shares in issue as at that date.

The Loan Notes will have a maximum 18 month term and carry interest at a rate of 12.68 per cent. per annum for the first 12 months after the date of issue, and 15 per cent. per annum for the remainder of the term. All or a portion of the Loan Notes will be redeemable by the holder on the date falling 12 months from the date of issue and otherwise will be redeemed in full at the end of the 18 month term. Further details of the terms of the Loan Notes are set out in Section B of Part VI of this document.

The Cash Consideration payable under the Offer will be funded by CoAL's existing cash reserves and through the proceeds of a US\$15 million equity investment from YBI pursuant to the YBI Subscription Agreement and the US\$3 million equity investment from M&G pursuant to the M&G Subscription Agreement.

2 PRINCIPAL TERMS OF THE OFFER

On 21 December 2015, CoAL released the Offer Document to Universal Shareholders pursuant to which it offered to acquire the entire issued share capital of Universal for a purchase price of approximately A\$126.7 million (US\$91.2 million) to be satisfied by the Cash Consideration or the Cash and Share Consideration or the issue of the Loan Notes (subject to eligibility).

Completion of the Acquisition is subject to the Conditions being satisfied including the passing of Resolutions 1-4 by Shareholders at the General Meeting and Admission.

The principal terms and conditions of the Offer are set out in detail in Part VI of this document.

Separately, CoAL has made offers to the many option holders and warrant holders offering on completion of the Offer to pay them the Cash Consideration they would have received had they exercised the options or warrants, less the relevant exercise price.

3 REASONS FOR THE OFFER

CoAL management identified that the acquisition of a cash generative asset would benefit the prospects of the Company, particularly during the development phase of the existing CoAL project pipeline in the coming three to four years. Universal was identified as a highly attractive cash generative company that, if CoAL was able to acquire a sufficient interest, had the potential to provide cashflows during the development phase of CoAL's flagship Makhado Project and its other development assets. The Board believes that the Offer has compelling strategic, operational and financial logic. The two companies have complementary business, development and funding profiles and the Offer, if sufficient acceptances are received, the Board believes has the potential to create a more diverse group with an enhanced financial and market profile, which would be led by a combined management team with proven operational capabilities. In the meantime, and assuming the 50% minimum acceptance condition is satisfied, the Offer will give CoAL a significant interest in Universal and, indirectly, its portfolio of coal assets.

The successful completion of the Offer will create the Enlarged Group, with a portfolio of South African producing and development thermal and coking coal assets including:

CoAL Assets

- the Makhado hard coking and thermal coal project that has been granted a New Order Mining Right and has the potential to produce approximately 5.5 Mtpa of saleable product;
- the Vele Colliery, a semi soft coking and thermal coal mine currently under care and maintenance with the potential to supply approximately 1.2Mtpa of saleable product once all regulatory approvals have been obtained and plant modifications completed; and
- the Greater Soutpansberg Project, comprising four other early stage coking and thermal coal exploration projects, namely Chapudi, Generaal, Telema & Gray and Mopane, in the Soutpansberg coalfield;

Universal Assets

- the Kangala Colliery, in which Universal has a 70.5% interest, an operating thermal coal mine;
- NCC, in which Universal has a 49% interest, initially to be developed as an open pit thermal coal mine targeting production of 2Mtpa (Phase 1) with a potential underground expansion to increase production to 2.8Mtpa (Phase 2);
- a potential 1.2Mtpa thermal coal mine at Brakfontein, with an option to utilise Kangala's excess processing capacity in which Universal has an 50.29% interest;
- the potential to develop a production node point around Arnot South (after completion of the acquisition of a 50% interest in that project, subject to regulatory approval), similar to those developed around Kangala and NCC;
- a long term opportunity to develop a sustainable 10Mtpa semi-soft coking coal and thermal coal operation at Berenice Cygnus in which Universal has a 50% interest; and
- the Somerville exploration project located in the Tuli coalfield 60km west of CoAL's Vele Colliery.

In the event that the Offer is not taken up in full (but is completed), CoAL will have a relevant indirect interest in Universal's assets.

4 FINANCING OF THE OFFER

The cash payable under the Offer will be funded by CoAL's existing cash reserves and through the proceeds of up to US\$18 million equity investment from YBI and M&G at a price of US\$0.0435 (approximately A\$0.061) per Share, pursuant to the Subscription Agreements.

Completion of the Subscription Agreements is subject to:

- (a) approval of the Australian Foreign Investment Review Board, where applicable based on the relevant investor's interest in CoAL;
- (b) the Offer having become unconditional in all respects, other than the Condition that each of the Subscription Agreements has become unconditional in all respects; and
- (c) CoAL Shareholders approving the issue of Shares to YBI and M&G respectively at the General Meeting for the purposes of the ASX Listing Rules and for all other purposes.

Subject to satisfaction of the conditions that apply to each Subscription Agreement, it is expected that CoAL will raise approximately US\$18 million pursuant to the Subscription Agreements, subject to expenses.

The Loan Notes will be secured by a charge over certain Universal Shares received by CoAL pursuant to the Offer, the number of which will be determined as follows:

- (a) the number of Universal Shares received by CoAL pursuant to the Offer for which the Loan Notes will be issued as consideration; plus
- (b) 113 million additional Universal Shares (or, if the number of Universal Shares received by CoAL pursuant to the Offer for which the Cash Consideration and the Cash and Share Consideration is to be paid is less than 113 million, such lower number of Universal Shares).

The Loan Notes will not be convertible into Shares or any other security.

5 INFORMATION ON COAL'S EXISTING ASSETS

CoAL's principal coking and thermal coal assets and projects include:

(a) Makhado Project

The Makhado hard coking and thermal coal project has been granted a New Order Mining Right. Currently the majority of hard coking coal consumed in South Africa is imported and the Directors believe that the Makhado Project will have the capacity to replace a significant proportion of this imported coking coal.

The Makhado Project is located in the Limpopo Province of South Africa, covering an area of 7,634 ha and is well into feasibility stage, with a class two feasibility study having been completed. CoAL has commenced with the project FEED (front end engineering and design).

As previously announced to ASX by CoAL on 2 December 2015, CoAL has signed a non-binding Memorandum of Understanding with Hengshun with respect to a proposed equity investment in Baobab, a subsidiary of CoAL that is the legal owner of the mining rights for the Makhado Project. The transaction terms are expected to be completed in the first half of 2016 and discussions between the parties are ongoing.

(b) Vele Colliery

The project is a semi-soft coking and thermal coal mine currently under care and maintenance with the potential to supply approximately 1.2 million tonnes per annum of saleable product once all regulatory approvals have been obtained and plant modifications completed.

A plant modification is planned, subject to market conditions, which will allow the plant to produce both semi-soft coking coal and a thermal product for either export or domestic consumption. This expansion will improve the total product yields and the economic value of the mine.

The modification comprises of a permanent front-end crushing and screening facility, improved fines processing section, filter presses for the dewatering of ultra-fines waste and facilities for handling multi-products thereby reducing the size of any temporary slurry pond.

(c) Greater Soutpansberg Project

CoAL acquired the Chapudi coal project and several other coal exploration properties, which together comprise the Greater Soutpansberg Project, in the Soutpansberg coal basin in South Africa. The Greater Soutpansberg Project contains potential coking and thermal coal assets grouped into four regions, namely Mopane, Generaal, Telema & Gray and Chapudi.

(d) Other Projects

CoAL's other projects include:

- (i) the Mooiplaats Colliery near Ermelo which is currently on care and maintenance, subject to a formal sale process and not material to the Company's prospects at present; and
- (ii) the Tshipise Energy Gas Exploration Project, contiguous to the Makhado Project in the Soutpansberg area. There are currently no resources or reserves attributable to this project and the Company does not consider this project to be material to its prospects at present.

Further information in respect of CoAL's existing material assets is set out in Part III of this document and the Abridged Competent Person's Reports set out in Part XI of this document.

6 STRATEGY OF THE ENLARGED GROUP

The Board believes that the Offer has compelling strategic, operational and financial logic. The two companies have complementary business, development and funding profiles, and the Offer, if sufficient acceptances are received, has the potential to create a more diverse group with an enhanced financial and market profile, which would be led by a combined management team with proven operational capabilities. The Board believes the proposed acquisition of Universal represents a highly compelling and attractive value proposition for CoAL Shareholders and new investors. Successful completion of the Offer, assuming it is taken up in full, would be value accretive and would be expected to support a re-rating as CoAL transitions from a project developer to having cash generative assets. Positive cash flows from the sale of thermal coal into the domestic South African market under long term coal sale agreements will complement CoAL's flagship Makhado Project and development project pipeline.

If the Offer is successful, CoAL intends, based on the information presently known to it, to continue the business of Universal, not to make any major changes to the business of Universal or the deployment of fixed assets or property associated with the business of

Universal, and to continue the employment of the present employees of Universal and its subsidiaries. CoAL's intentions would be subject to, inter alia, the legal obligations of the Universal Board to act in good faith and in the best interests of the Universal business and for proper purposes, and to have regard to the interests of Universal shareholders, the requirements of the Companies Act and the ASX Listing Rules (particularly requirements relating to conflict of interest and transactions with persons of significant influence) and the outcome of any future reviews to be undertaken by CoAL.

CoAL and Universal have high regard for the skills and experience of the existing management and employees of Universal, and CoAL believes retaining key personnel within Universal would be important for delivering the business' future strategy. CoAL views Universal as an extremely well managed business and, if the Offer is successful, intends to utilise the services of the current Universal executive management team.

Assuming CoAL acquires at least 50% of the total issued Universal Share capital, the strategic intent will be to ensure that each of the CoAL Group and the Universal Group continue to develop their respective projects, whilst CoAL would continue with its review of all of Universal's operations to accurately quantify the potential synergy benefits. The structure and outcome of the Enlarged Group and the composition of the CoAL and Universal boards of directors and senior management teams will be dependent on the Company's ultimate shareholding of Universal following the Offer. CoAL would seek positions on the Universal Board with the objective of assisting Universal with the delivery of their production plans. Regardless of the outcome of the Offer, CoAL is intending to continue with its current plans for its various projects.

If the Company acquires 75% or more of Universal Shares, subject to any regulatory or legal provisions, or if Universal ceases to have the minimum required spread of shareholders under the ASX Listing Rules (or the conditions for listing are otherwise not met), the CoAL directors anticipate that they would apply to delist Universal from the ASX and proceed with CoAL as the sole listed entity, while combining certain functions to leverage synergies. CoAL would then seek to amend the constitution of Universal to remove provisions of the constitution solely in relation to the company being listed on the official list of ASX.

Whilst, if the Offer is successful, CoAL would seek to acquire further Universal Shares over time, as a result of the structure of the Offer, the 'squeeze-out' provisions in Chapter 3 of Part 28 of the Companies Act are not available to CoAL. Therefore, even if CoAL acquires 90% or more of the Universal Shares pursuant to the Offer, it will not be able to require the remaining Universal Shareholders to sell their Universal Shares to CoAL.

CoAL will seek Shareholder approval to issue the Provisional Placement Shares, so that it may issue up to a further 229,885,058 Shares to investors not classified as related parties of the Company under the ASX Listing Rules at an issue price of not less than US\$0.0435 per Share, if Resolution 5 as set out in the Notice of General Meeting is approved at the General Meeting. If all of the Provisional Placement Shares were issued at the Subscription Price, the Company would raise an additional approximately US\$10 million to assist with other corporate activities.

7 COAL DIRECTORS AND EMPLOYEES

7.1 Directors

Bernard Pryor, age 58 – Chairman and Independent Non-Executive Director

Mr Pryor is currently the chief executive officer of Alufer Mining Limited and was previously the chief executive officer of African Minerals Limited and prior to that the chief executive of Q Resources plc. Between 2006 and 2010 he held senior executive positions within Anglo American Plc as head of business development, and chief executive officer of Anglo Ferrous Brazil Inc.

David Brown, age 53 – Chief Executive Officer and Executive Director

Mr Brown is a Chartered Accountant and completed his articles with Ernst & Young, graduating from the University of Cape Town. Mr Brown joined CoAL following a tenure of almost 14 years at Impala Platinum Holdings Limited (Implats). He joined the Impala Group in 1999 and served as chief financial officer and financial director of Impala Platinum Holdings

Ltd before being appointed chief executive officer in 2006. He is currently an independent non-executive director of Vodacom Group Limited. In the past he has served as a non-executive director of Simmer & Jack Limited and chairman of ASX listed Zimplats Holdings Limited.

De Wet Schutte, age 44 – Chief Financial Officer and Executive Director

Mr De Wet Schutte is a Chartered Accountant, CA (SA) and completed an MBA at the University of Virginia in 2002. He has been involved at the senior level in the mining and natural resources industry for the past 16 years, most notably as Managing Director, Natural Resources at Macquarie Bank and chief financial officer at the listed platinum producer, Atlatsa Resources Corporation. Prior to these positions he worked for Harmony Gold Mining (Pty) Ltd as its New Business and Exploration Executive for a period of three years.

Peter Cordin, age 65 – Independent Non-Executive Director

Mr Cordin has a Bachelor of Engineering from the University of Western Australia and is experienced in the evaluation, development and operation of resource projects within Australia and overseas. He is a non-executive director of Vital Metals Limited and Aurora Minerals Limited.

Andrew Mifflin, age 58 – Independent Non-Executive Director

Mr Mifflin obtained his BSc. (Hons) Mining Engineering from Staffordshire University and has a Master's Degree in Business Administration. Andrew has over 30 years' experience specifically in the coal mining arena. His experience spans across various organisations such as British Coal Corporation, MIM Coal, Centennial Coal, AMCI and Xstrata and more recently GVK Resources. He has gained in depth knowledge in coal operation, both thermal and hard coking coal as well as in project development.

Thabo Mosololi, age 46 – Independent Non-Executive Director

Mr Mosololi is a Chartered Accountant qualified in South Africa and brings considerable expertise as a director of various companies as well as from his time as Finance Director and Operations Director with Tsogo Sun. Thabo has 20 years of experience within the South African corporate environment. He currently holds various directorships that include Edcon Holdings (Pty) Ltd, Evraz Highvel Steel and Vanadium Ltd and Pan African Resources PLC.

Khomotso Mosehla, age 43 – Non-Executive Director

After serving articles at KPMG, Mr Mosehla worked for five years at African Merchant Bank Limited, where he gained a broad range of experience, including management buy-out, leveraged buy-out and capital restructuring/raising transactions. In 2003, he established Mvelaphanda Corporate Finance, for the development of Mvelaphanda's mining and non-mining interests. Mr Mosehla historically served as a director on the boards of several companies, including Mvelaphanda Resources Limited.

Rudolph Torlage, age 53 – Non-Executive Director

Mr Torlage is a Chartered Accountant and has over twenty years' experience with ArcelorMittal South Africa. He is currently Executive Director Finance and a Board member of various unlisted ArcelorMittal Group companies.

7.2 Employees

On Admission, it is anticipated that the Enlarged Group will have 166 employees, other than the Directors and Company secretary. Of these 97 will be employed by CoAL and 69 by Universal.

8 CORPORATE GOVERNANCE

The Company is led by the Board which guides and monitors the business and affairs of the Company. The Board currently consists of two Executive Directors and six Non-Executive Directors. The Board is firmly committed to high standards of corporate governance. As at the date of this document, the Company complies with the Australian corporate governance

requirements applicable to a company listed on the ASX. These require ASX listed entities to release an annual corporate governance statement (at the same time as its annual report) which must disclose the extent to which the entity has followed the corporate governance recommendations set by the ASX Corporate Governance Council in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. If an entity has not followed a recommendation for any part of the relevant reporting period, its corporate governance statement must identify that recommendation and the period during which it was not followed and state its reason for not following the recommendations and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period. To enable the Board to perform its duties, the Board has delegated specific responsibilities to the committees described below.

As a company listed on the ASX, Universal is subject to similar standards of corporate governance as the Company.

The Company has established the following Board committees.

8.1 Audit and Risk Committee

The Audit and Risk Committee will have the primary responsibility of monitoring the quality of internal controls and ensuring that the financial performance of the Enlarged Group is properly measured and reported on. The Audit and Risk Committee currently receives and reviews reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit and Risk Committee will meet not less than 4 times in each financial year and will have unrestricted access to the Enlarged Group's external auditors.

The members of the Audit and Risk Committee are Bernard Pryor, Khomotso Mosehla and Thabo Mosololi. Thabo Mosololi is chairman of the committee.

8.2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee will review the performance of the executive directors and make recommendations to the Board on matters relating to their remuneration and terms of service and take responsibility for proposing and considering candidates for appointment to the Board. The Nomination and Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Nomination and Remuneration Committee will meet as and when necessary. In exercising this role, the members of the Nomination and Remuneration Committee shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the UK Corporate Governance Code guidelines.

The members of the Nomination and Remuneration Committee are Bernard Pryor, Thabo Mosololi and David Brown. Bernard Pryor is chairman of the committee.

8.3 Safety, Health and Environment Committee

The Safety, Health and Environment ("SHE") Committee assists the Board in the effective discharge of its responsibilities in relation to SHE issues for CoAL, and the oversight of risks relating to these issues. The Committee's responsibilities include understanding the risks of SHE issues involving CoAL's activities, ensuring that the systems and processes for identifying, assessing and managing SHE risks of CoAL are adequately monitored, regularly reviewing and ensuring compliance with the SHE strategies and policies of CoAL and the supporting management systems and processes and monitoring developments in relevant SHE-related legislation and regulations and monitor CoAL's compliance with relevant legislation, including through internal audits.

The members of the Safety, Health and Environment Committee are Peter Cordin, David Brown and Andrew Mifflin. Peter Cordin is chairman of the committee.

8.4 Share dealing code

The Board intends to continue to comply, and to procure compliance, with Rule 21 of the AIM Rules for Companies relating to dealings in CoAL's securities by the Directors and other employees. To this end, CoAL has adopted a code for directors' dealings appropriate for a company whose shares are admitted to trading on AIM and will take all reasonable steps to

ensure compliance by the directors and any relevant employees. The form of this code is substantially similar to the Model Code on directors' dealings in securities set out in the Listing Rules published by the FCA.

8.5 Anti-corruption policy

In October 2014, the Board resolved to approve CoAL's current anti-corruption policy (the "Bribery Policy"). The Bribery Policy applies to all directors and employees of CoAL (and the CoAL Group) and generally sets out their responsibilities in observing and upholding a zero tolerance position on bribery and corruption as well as providing guidance to those working for CoAL on how to recognise and deal with bribery and corruption issues and the potential consequences. The Bribery Policy details a zero tolerance approach which must be communicated to all contractors and business partners in all business dealings.

Following Admission, the Board will review the Bribery Policy with a view to making modifications to the policy in line with the requirements of the Enlarged Group, if and when appropriate, taking into consideration the size of CoAL.

9 PROSPECTS OF THE ENLARGED GROUP

Financial information on CoAL and Universal is set out (or incorporated by reference in) Part VII of this document. An unaudited *pro forma* statement of net assets for the Enlarged Group is set out in Part VIII of this document.

The directors intend to develop the Enlarged Group and its assets as set out in paragraph 6 of this Part I headed "Strategy of the Enlarged Group".

10 ADMISSION TO AIM, DEALINGS AND CREST

Application will be made to the London Stock Exchange for the Shares and the New Shares to be admitted to trading on AIM. It is expected that Admission will take place, and dealings in the Shares and the New Shares on AIM will commence, on 8 March 2016.

Following Admission, the Shares will remain and the New Shares will be admitted to trading on the JSE and trading on the ASX.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. The Company's articles of association permit the holding and transfer of Shares to be evidenced in uncertificated form in accordance with the CREST Regulations. The Shares can already be transferred by means of the CREST system.

11 UK TAKEOVER CODE NOT APPLYING

As the Company is an Australian incorporated company, the UK Takeover Code does not apply to it. The Company is subject to Australian takeover rules summarised in paragraph 10 of Part IX of this document.

12 DIVIDEND POLICY

The Company does not currently intend to pay a dividend in the foreseeable future as any revenues received by CoAL directly or indirectly from its interest in Universal or the Universal coal assets will be used to develop other assets. The declaration and payment by the Company of any future dividends and the amount of any such dividends will depend upon the Enlarged Group's results, financial distribution and any other factors deemed by the requirements of applicable laws.

13 TAXATION

Your attention is drawn to the taxation section contained in paragraph 9 of Part IX of this document. These details are, however, intended only as a general guide to the current tax position under UK, South African and Australian taxation law. If you are in any doubt as to your tax position, or are subject to tax in jurisdictions other than the UK, South Africa and Australia you are strongly advised to consult your own independent financial adviser immediately.

14 RISK FACTORS AND FURTHER INFORMATION

You should read the whole of this document, which provides additional information on the CoAL Group and the Acquisition and not just rely on the information contained in this Part I. In particular, your attention is drawn to the Risk Factors in Part V of this document. **Prospective investors should, in addition to all other information set out in this document, carefully consider the risks described in those sections before making a decision of whether to invest in CoAL.** Your attention is drawn to the additional information contained in Part IX of this document.

15 GENERAL MEETING

A notice convening the General Meeting is set out on pages 612 to 619 of this document, which is to be held at 10 a.m. on 3 March 2016, for the purpose of considering, and if thought fit, passing the following Resolutions:

Ordinary Resolutions

- Resolution 1 seeks to approve the Acquisition.
- Resolution 2 seeks to approve the issue of Shares to YBI pursuant to the YBI Subscription Agreement.
- Resolution 3 seeks to approve the issue of Shares to M&G pursuant to the M&G Subscription Agreement.
- Resolution 4 seeks to approve the issue of the Consideration Shares.
- Resolution 5 seeks to approve the issue of the Provisional Placement Shares to investors not classified as related parties of the Company under the ASX Listing Rules, at an issue price of not less than US\$0.0435 per Share, without seeking further Shareholder approvals.

Resolutions 2-4 will be conditional on Resolution 1 having been passed. To be passed, each Resolution will require a simple majority of the Shareholders eligible to vote on such Resolution. Shareholders should refer to the voting exclusion statements contained in the Notice of General Meeting for details of which Shareholders are eligible to vote on each Resolution.

16 ACTION TO BE TAKEN

Enclosed with this document you will find the Form of Proxy for use by Shareholders in connection with the General Meeting. Whether or not you intend to be present at the General Meeting, Shareholders are asked to complete, sign and return the Form of Proxy as soon as possible but in any event so as to arrive no later than 10 a.m. on 1 March 2016. The completion and return of a Form of Proxy will not preclude Shareholders from attending at the General Meeting and voting in person should they wish to do so. Accordingly, whether or not Shareholders intend to attend the General Meeting, they are urged to complete and return the Form of Proxy as soon as possible.

17 LETTERS OF INTENT

It is a condition to completion of the Acquisition that Resolutions 1-4 are approved by Shareholders.

Accordingly, certain Shareholders have signed statements of intent to vote in favour of the Resolutions in respect of their own shareholdings. In aggregate, the letters of intent to vote in favour of the Resolutions held by CoAL as at the latest practicable date before the publication of this document amount to 62.63 per cent. of the Issued Share Capital.

18 RECOMMENDATION

The Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do so in respect of their own beneficial shareholdings amounting to, in aggregate, 2,356,059 Shares representing 0.12 per cent of the Issued Share Capital.

Yours faithfully,

Bernard Pryor
Chairman

PART II

INFORMATION ON UNIVERSAL

1 INTRODUCTION

Universal is incorporated in England and Wales and is listed on the ASX under the ticker “UNV”.

Universal holds a 70.5 per cent. interest in and operates the Kangala Colliery, an operating thermal coal mine, and recently completed the acquisition of a 49.0 per cent. interest in the NCC. Both mines are located in the Witbank coalfield in Mpumalanga province of South Africa. Universal also holds an interest in a number of other South African coal projects which are at various stages of pre-feasibility and feasibility.

Kangala is an operating thermal coal mine located approximately 65km east of Johannesburg. First coal sales from Kangala occurred in April 2014, with steady state production subsequently achieved in October 2014. The entire project consists of three properties; Wolvenfontein (location of the Kangala Mine), Middelbult and Modderfontein located near several coal-fired power stations. The mine's coal resources are 133.8Mt, of which 77.2Mt are Measured (including 16.8Mt proven reserves), 22.9Mt Indicated and 33.7Mt Inferred. The product is primarily sold in the domestic South African market to power utility Eskom under a long term CSA.

Universal completed the acquisition of NCC from Exxaro on 24 August 2015. A resource of 108Mt Measured and Indicated (including 29.3Mt proven reserves) and 22.4Mt Inferred exists. The mine will initially be developed as an open pit operation targeting production of 2Mtpa (Phase 1). First coal is expected in the first half of 2016, subject to the finalisation of a CSA with Eskom. This CSA is nearing settlement, with agreement in principle already reached on key commercial terms.

Refer to sections 4 – 6 of this Part II for a detailed resource and reserve statement and related compliance information for Universal.

Universal also has a strong organic development pipeline including:

- a potential underground expansion at NCC, increasing NCC production from 2Mtpa to 2.8Mtpa (Phase 2);
- a potential 1.2Mtpa thermal coal mine at Brakfontein, with an option to utilise Kangala's excess processing capacity;
- a long term opportunity to develop a sustainable 10Mtpa semi-soft coking coal and thermal coal operation at Berenice / Cygnus, in which Universal has a 50% interest;
- the potential to develop a production node point around Arnot South (after completion of the acquisition of a 50% interest in that project), similar to those developed around Kangala and NCC; and
- the Somerville exploration project located in the Tuli coalfield 60km west of CoAL's Vele Colliery.

2 CURRENT TRADING AND RECENT DEVELOPMENTS

2.1 Kangala

In the quarter to 30 September 2015, Universal's Kangala operation delivered coal sales of 524,284 tonnes, from ROM coal of 686,900 tonnes. Unaudited group EBITDA of A\$7.6 million was, in line with Universal's expectations and previous forecasts. Universal Group net cash generated from operations was A\$1.8 million, or A\$3.0 million excluding development costs.

Universal published its quarterly cash flow and activities report for the quarter ended 31 December 2015 on 29 January 2016. During the quarter ended 31 December 2015, Universal reports that Kangala delivered sales of 467,029 tonnes representing a decrease of 11 per cent. from the previous quarter, from ROM coal of 766,522 tonnes, an increase of 12 per cent. on the previous quarter. Universal Group cash flow utilised in operations during the quarter ended 31 December 2015 was A\$3.8 million. Unaudited EBITDA for the six months ended 31 December 2015 was reported at A\$11 million.

Despite the increase in ROM coal quarter-to-quarter, the December 2015 quarterly results were below Universal's expectations. Production was adversely impacted by a combination of factors including a focus on deferred waste stripping activities in line with revised rock mechanic engineering requirements, fluctuations caused by the impact of the wet season and disruptions experienced during the Christmas and New Year period. In addition, sales tonnages were impacted by a brief pause in delivery to Eskom pending finalisation of an extension to the current modified coal supply agreement, which has since been resolved for a further six month period while a longer term extension is finalised. Operating cash flows were further impacted by payment of A\$1.2 million for product sales in the quarter.

The pit reconfiguration at Kangala is as at the date of this document nearing completion, and steady state production is expected by the end of March 2016.

2.2 NCC

At NCC, boxcut drilling and related assays continue in line with increasing the confidence levels in the boxcut area prior to the commencement of mining activities which remain contingent on a final CSA with Eskom being crystallised.

The debt funding solution for the development of NCC continues to be secured through Investec Bank Limited. The debt funding will be utilised to cover contractor site establishment, boxcut development, infrastructure and Coal Handling and Preparation Plant (CHPP) upgrades and related capital expenditures.

Fencing of the mining area on the Roodekop property has now been completed while care and maintenance activities continue to be carried out on the underground workings and coal handling and processing plant. Discussions are ongoing with a contract miner for NCC, conditional upon the conclusion of the CSA. Further on-site development activities await the award of a CSA with Eskom.

2.3 Berenice

A Mining Right application in respect of Berenice was submitted to the Department of Mineral Resources on 4 December 2015.

3 THE UNIVERSAL GROUP'S PROJECTS AND OPERATIONS

3.1 Kangala

Kangala is the Universal Group's first operational mine. Mine development at Kangala commenced in May 2013 and the first saleable coal was delivered from the mine in April 2014.

The greater project consists of three properties; Wolvenfontein (location of the Kangala Mine), Middelbult and Modderfontein. The mine is located near several coal-fired power stations and benefits from excellent road, rail and power infrastructure.

An eight-year CSA with the major South African power utility Eskom was executed in March 2013, renewable for another 8 years. An offtake agreement has also been concluded with Exxaro for the export thermal coal product.

The operation is being run on an outsource model managed by a Universal on-mine management team, with Stefanutti Stocks Mining Services supplying both the mining fleet and skill set to run the mine. The dual circuit processing facility, a 350tph crushing and screening circuit plus the 320tph DMS washing plant, is owned by Universal with the operation outsourced to Mineral Resource Development (Pty) Ltd.

Key details

Location	Approximately 65km east of Johannesburg, in the Witbank coalfield in Mpumalanga province
Universal Group ownership	70.5%
Infrastructure	Universal owns the following surface infrastructure: ● the coal handling and processing plant;

	● all buildings required for offices, stores, workshops, change houses; ● all sub-stations required for power distribution; ● potable water; and ● water distribution system
Mining method	Opencast truck and shovel
Product	Multi-product: export thermal coal and Eskom product
Licence and Permit status	● Mining right granted on 27 September 2010, executed on 3 May 2012; valid until 2 May 2032 ● Renewal of the Middelbult and Modderfontein prospecting rights: granted in March 2014 and registered in December 2015 for an additional three years (expiry date: July 2017) ● Environmental Authorisation granted on 31 January 2012 ● Integrated Water Use Licence granted on 25 May 2012 ● Rezoning approval granted ● Waste licence granted on 27 June 2012
BEE status	Empowerment through 29.5% ownership of the Universal Group entity which owns and operates the mine by Mountain Rush Trading 6 Pty Ltd.
Further information	For further information on Kangala, please refer to the Abridged Competent Person's Report from Gemecs set out in Section A of Part XII of this document and the Abridged Competent Person's Report from Mindset set out in Section B of Part XII of this document.

3.2 NCC

The NCC Project consists of two adjacent coal assets owned by the Universal Group, the NCC and the Roodekop Project, which are planned by the Universal Group to be operated as a consolidated mine.

NCC was on care-and-maintenance when Universal entered its agreement with previous owners Exxaro Resources Limited in early 2014 to acquire the operation. Since then Universal has acquired the assets to operate the mine, including mining machinery, plant and infrastructure, and has received all regulatory approvals required to commence development. Subject to the conclusion of a CSA, onsite development activities are intended to commence with a view to starting production shortly thereafter. First coal is expected in the first half of 2016, subject to the finalisation of a CSA with Eskom. This CSA is nearing settlement, with agreement in principle already reached on key commercial terms. Phase 1 open-cut production will target 2Mtpa ROM of thermal and low-phosphorous metallurgical coal, primarily for the domestic market. Phase 2 development at NCC will target production of 800,000 tonnes per annum ROM of export quality coal.

Key details

Location	Located in the Kriel magisterial district of the Mpumalanga province, South Africa
Universal Group ownership	49% (NCC); 74% (Roodekop Project)
Infrastructure	Universal owns the following surface infrastructure: ● all buildings required for offices, stores, workshops, change houses, lamp room, and coal handling and processing plant; ● all sub-stations required for power distribution; ● water treatment plant for potable water; and

Mining method	● water distribution system Mining methods will consist of ● opencast truck and shovel; and ● underground bord and pillar mining utilising continuous miners
Product	Multi-product: export thermal coal, low phosphorous metallurgical coal (non-coking) and Eskom product.
Licence and Permit status	● NCC mining right expires on 5 December 2019. Registration of the cession in respect of the transfer from Exxaro to the Universal Group was registered on 10 November 2015 ● Roodekop mining right expires on 5 February 2034 ● Roodekop Environmental Authorisation dated 5 November 2012 ● NCC Integrated Water Use Licence is in the process of being transferred to UCD VIII ● Roodekop Integrated Water Licence dated 26 September 2014 ● Roodekop rezoning application lodged: approval is pending ● Environmental Management Programme in the process of being consolidated between UCD VIII and UCD IV
BEE status	Empowerment through Ndalamo Resources Pty Ltd, which owns 51% of the issued share capital of the Universal Group subsidiary which owns the NCC and 26% of the issued share capital of the Universal Group subsidiary which owns the Roodekop Project
Further information	For further information on NCC, please refer to the Abridged Competent Person's Report from Mindset set out in Section B of Part XII of this document

3.3 Brakfontein

The Brakfontein Project is located in the Delmas District of the Mpumalanga Province, South Africa. It consists of a coal deposit with favourable stripping ratios for opencast mining. Universal was granted a mining right for Brakfontein by the Department of Mineral Resources in July 2014. The mining right covers an area of approximately 879 hectares.

It is intended that the Brakfontein run of mine coal will be road-hauled to the existing coal handling and processing plant at Kangala, which has the capacity to process the both the Brakfontein and Kangala coal.

Key details

Location	Located in the Delmas District of the Mpumalanga province, South Africa, 20km south of Kangala
Universal Group ownership	50.29% (with the potential to acquire up to 74%)
Infrastructure	No infrastructure currently exists at Brakfontein but it is expected that following its appointment and under the terms of its appointment, the mining contractor will provide the following surface infrastructure: ● all buildings required for offices, stores, workshops, and change house; ● power requirements (diesel generators); and ● water related infrastucture.
Mining method	Opencast truck and shovel.

Product	Eskom quality thermal coal
Licence and Permit status	● Mining right granted in July 2014. Execution and registration pending. ● Environmental Authorisation granted in January 2015 and Integrated Water Use Licence pending (application submitted). ● Environmental Management Programme has been accepted by the Department of Mineral Resources and is in the process of being executed as part of the mining right execution.
BEE status	Empowerment through Unity Rocks Mining Proprietary Limited, which owns 49.71% of the Universal Group subsidiary which owns the Brakfontein Project. Universal has undertaken to create a community structure and to establish an Employee Share Ownership Plan
Further information	For further information on Brakfontein, please refer to the Abridged Competent Person's Report from Gemecs set out in Section A of Part XII of this document and the Abridged Competent Persons' Report from Mindset set out in Section B of Part XII of this document

3.4 Berenice/Cygnus

The Berenice/Cygnus project is located in the Limpopo Province of South Africa, 120km to the North of Polokwane and to the South East of the settlement of Alldays.

Key details

Location	Soutpansberg coalfield, Limpopo Province, South Africa.
Universal Group ownership	50% (with the option to increase to 74%)
Infrastructure	Universal intends to establish the following surface infrastructure at Berenice/Cygnus: ● the coal handling and processing plant; ● all buildings required for offices, stores, workshops and change houses; ● all sub-stations required for power distribution; ● potable water; ● water distribution system; ● sewerage plant; and ● a rail link.
Mining method	Initially opencast truck and shovel.
Product	Soft coking and thermal coal.
Licence and Permit status	The prospecting right, which covers both Berenice and Somerville was renewed for a period of 3 years commencing on 20 March 2013. A Mining Right application in respect of Berenice was submitted to the Department of Mineral Resources on 4 December 2015. Approval for this licence has not yet been granted. As the application was submitted before expiry, the prospecting right remains valid pursuant to section 19(1)(b) of the MPRDA as the holder of a prospecting right has the exclusive right to apply for a mining right in respect of the mineral and prospecting area in question. Universal has taken advantage of this exclusive right and until such time as a decision is made on

the application, the DMR may not accept any other application for a mining right in respect of the mineral and prospecting area in question.

- Cygnus Project prospecting right: application for renewal submitted prior to expiry of the right.
- Environmental Authorisations and Integrated Water Use Licences to be applied for at the appropriate time.

BEE status

Empowerment at Berenice is through Bono Lithihi Investment Group Pty Ltd, which owns 50% of the issued share capital of the Universal Group subsidiary which owns Berenice

Empowerment at Cygnus is through Solar Spectrum Trading 365 Pty Ltd, which owns 50% of the issued share capital of the Universal Group subsidiary which owns Cygnus

Further information

For further information on Berenice/Cygnus, please refer to the Abridged Competent Person's Report from Gemecs set out in Section A of Part XII of this document

3.5 Somerville

The Somerville project is located in the Tuli coalfield 60km west of CoAL's Vele Colliery.

Key details

Location

Tuli coalfield, Limpopo Province, South Africa, 60km west of the CoAL Group's Vele Colliery

Universal Group ownership

50% (with the option to increase to 74%)

Infrastructure

No infrastructure currently exists at Somerville but it is expected that following its appointment and under the terms of its appointment, the mining contractor will provide the following surface infrastructure:

- all buildings required for offices, stores, workshops, change houses and lamp room;
- all sub-stations required for power distribution;
- water treatment plant for potable water;
- water distribution system; and
- sewerage treatment plant.

Mining method

To be determined

Product

Coking and thermal coal

Licence and Permit status

The prospecting right, which covers both Berenice and Somerville was renewed for a period of 3 years commencing on 20 March 2013.

BEE status

Empowerment at Somerville is through Bono Lithihi Investment Group Pty Ltd, which owns 50% of the issued share capital of the Universal Group subsidiary which owns the Somerville Project.

Further information

For further information on Somerville, please refer to the Abridged Competent Person's Report from Gemecs set out in Section A of Part XII of this document

3.6 Arnot South

The Arnot South Prospecting Area is situated approximately 10 km east of the town of Hendrina and between the towns Hendrina and Carolina in Mpumalanga Province. It is also connected via the towns of Hendrina (Pullenshope), Carolina and Breyten with the Richards Bay Coal Terminal.

Exxaro holds a New Order Prospecting Right over the project area that is currently in application for renewal. The acquisition of the prospecting right by Universal is subject to regulatory approvals and Section 11 and 102 applications, drafting of which is in process. The right is being transferred to UCD VII, a joint venture company in which Universal holds as 50% interest. Currently only the No. 2 seam, which represents 92% of the resource, has economic potential. The No. 2 seam is largely extractable by underground means.

Key details

Location	Mpumulanga province, South Africa
Universal Group ownership	50% subject to regulatory approvals
Infrastructure	No infrastructure currently exists at Arnot South but it is expected that following its appointment and under the terms of its appointment, the mining contractor will provide the following surface: ● all buildings required for offices, stores, workshops, change houses, lamp room, and coal handling and processing plant; ● all sub-stations required for power distribution; ● water treatment plant for potable water; ● water distribution system; and ● sewerage treatment plant.
Mining method	To be determined
Product	To be determined
Licence and Permit status	● Prospecting right renewal application submitted. Approval pending. Acquisition of the prospecting right by the Universal Group is subject to regulatory approvals, which are pending. ● Licence to be determined
BEE status	Empowerment through Ndalamo Resources Pty Ltd, which owns 50% of the issued share capital of the Universal Group subsidiary
Further information	For further information on Arnot South, please refer to the Abridged Competent Person's Report from Gemecs set out in Section A of Part XII of this document

4 UNIVERSAL GROUP RESERVES AND RESOURCES SUMMARY

The information in the table below relating to the Universal Group's reserves and resources has been extracted (save as set out in footnote 3 to the table) without amendment from:

- in the case of Kangala, (1) table 2 on page 13, table 3 on page 16 and table 4 on page 19 of the Abridged Competent Person's Report prepared by Gemecs which is set out in Section A of Part XII of this document and (2) table 2-8 on page 85 of the Abridged Competent Person's Report prepared by Mindset which is set out in Section B of Part XII of this document;
- in the case of NCC, (1) table 1-16 on page 58 of the Abridged Competent Person's Report prepared by Mindset which is set out in Section B of Part XII of this document and (2) table 1-23 on page 64 of the Abridged Competent Person's Report prepared by Mindset which is set out in Section B of Part XII of this document;
- in the case of Brakfontein, (1) table 15 on page 24 of the Abridged Competent Person's Report prepared by Gemecs which is set out in Section A of Part XII of this document and (2) table 3-12 on page 105 of the Abridged Competent Person's Report prepared by Mindset which is set out in Section B of Part XII of this document;
- in the case of Arnot South, table 6 on page 27 of the Abridged Competent Person's Report prepared by Gemecs which is set out in Section A of Part XII of this document;
- in the case of Berenice/Cygnus, table 8 on page 32 of the Abridged Competent Person's Report prepared by Gemecs which is set out in Section A of Part XII of this document; and
- in the case of Somerville, table 9 on page 35 of the Abridged Competent Person's Report prepared by Gemecs which is set out in Section A of Part XII of this document.

Details of the key assumptions, parameters and methods used to estimate mineral reserves and resources in respect of the Universal Group assets included in the table below are set out in the relevant Abridged Competent Person's Reports.

Project	Reserve	Resource				
	Proved Mt	Measured Mt	Indicated Mt	Inferred Mt	Total Mt	Attributable to Universal Mt
Thermal Coal (Witbank)						
Kangala ¹	16.8	77.2	22.9	33.7	133.8	94.3
NCC ²	29.3	82.8	25.2	22.4	130.4	76.3 ³
Brakfontein ⁴	9.1	31.7	39.4	4.7	75.8	38.1
Arnot South ⁵	—	2.3	65.3	139.0	206.6	103.3
Total Thermal Coal	55.2	194.0	152.8	199.8	546.6	312.0
Coking Coal (Limpopo)						
Berenice ⁶ Cygnus ⁷	—	424.9	800.9	124.3	1,350.1	675.1
Somerville ⁶	—	—	—	274.0	274.0	137.0
Total Coking Coal	—	424.9	800.9	398.3	1,624.1	812.1
Total	55.2	618.9	953.7	598.1	2,170.7	1,124.1

Notes:

- Ore resources are stated on a gross in situ basis and inclusive of mineral reserves.
- Rounding may cause computational discrepancies.
- 1. Universal has an attributable interest of 70.5 per cent. of the Kangala Project.
- 2. Universal has an attributable interest of 49 per cent. in the NCC and 74 per cent. in the Roodekop Project, collectively known as the NCC Project.
- 3. The total gross tonnes in situ at Roodekop amount to 49,801Kt resulting in an amount of 36,852.74Kt attributable to Universal. The total gross tonnes in situ at NCC amount to 80,579Kt resulting in an amount of 39,483.71Kt attributable to Universal. Added together, this results in a total of 76,336.45Kt attributable to Universal at the NCC Project.
- 4. Universal has an attributable interest of 50.29 per cent. in the Brakfontein Project and the right to negotiate to acquire up to a 74 per cent. interest upon completion of the BFS and award of a mining right.

5. Subject to satisfaction of the conditions relating to completion of the Arnot South acquisition. Universal has an attributable interest of 50 per cent. in the Arnot South project
6. Universal has an attributable interest of 50 per cent. in the Berenice and Somerville Projects with an option to acquire up to a 74 per cent. interest.
7. Universal has an attributable interest of 50 per cent. in Cygnus with an option to acquire up to a 74 per cent. interest.

5 UNIVERSAL GROUP ABRIDGED COMPETENT PERSON'S REPORTS

The coal resource estimates for Kangala, Brakfontein, Arnot South, Berenice, Cygnus and Somerville were prepared by Mr Nico Denner, who is a registered natural scientist and a member of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Mr Denner is employed by Gemecs (Pty) Ltd and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the JORC Code. Mr Denner consents to the inclusion in this document of this information in the form and context in which it appears.

The coal resource estimate for NCC was prepared by Mr Gavin O'Connell-Jones, who is a registered natural scientist and a member of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation), Registration Number 400387/11. Mr O'Connell-Jones is an associate coal geologist with Mindset Mining Consultants (Pty) Ltd. Mr. O'Connell-Jones has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the JORC Code. Mr O'Connell-Jones consents to the inclusion in this document of this information in the form and context in which it appears.

The Kangala coal reserve estimate was prepared by Mr Michael S Vertue who is a mining consultant associate of Mindset Mining Consultants (Pty) Ltd. Mr Vertue is a registered Professional Certified Mining Engineer and has over 30 years' experience in the mining industry. He is a member of the Engineering Council of South Africa (ECSA) (a Recognised Overseas Professional Organisation) and the South African Collieries Managers Association (SACMA). Mr Vertue has sufficient experience which is relevant to the type of mineralisation and the Kangala deposit and to the activity which he is undertaking to qualify as Competent Person as defined by the JORC Code. Mr Vertue consents to the inclusion in this document of this information in the form and context in which it appears.

The NCC coal reserve estimate was prepared by Messrs Piet van der Linde and Ronnie van Eeden from Mindset Mining Consultants (Pty) Ltd. Mr van der Linde is a registered Professional Certified Mining Engineer and has over 30 years' experience in the mining industry. Mr van Eeden is a qualified Mining Engineer (Mine Managers Certificate of Competency) with other commercial qualifications, and has over 30 years' experience in the coal industry internationally. Mr van der Linde is a member of the Engineering Council of South Africa (ECSA) (a Recognised Overseas Professional Organisation) and member of the South African Collieries Managers Association (SACMA). Messrs van der Linde and van Eeden have sufficient experience which is relevant to the type of mineralisation and the NCC deposit and to the activity which they are undertaking to qualify as Competent Person as defined by the JORC Code. Messrs van der Linde and van Eeden consent to the inclusion in this document of this information in the form and context in which it appears.

The Brakfontein coal reserve estimate was prepared by Mr. Michael S Vertue who is a mining consultant associate of Mindset Mining Consultants (Pty) Ltd. Mr Vertue is a registered Professional Certified Mining Engineer and has over 30 years' experience in the mining industry. He is a member of the Engineering Council of South Africa (ECSA) (a Recognised Overseas Professional Organisation) and the South African Collieries Managers Association (SACMA). Mr Vertue has sufficient experience which is relevant to the type of mineralisation and the Kangala deposit and to the activity which he is undertaking to qualify as Competent Persons Person as defined by the JORC Code. Mr Vertue consents to the inclusion in this document of this information in the form and context in which it appears.

6 PRODUCTION TARGETS & ASX LISTING RULE 5.19

The following information is included in this document in accordance with, and for the purposes of, ASX Listing Rule 5.19.

The information required by ASX Listing Rule 5.16 or 5.17 in respect to the following and similar statements that appear in this document	...was disclosed in the following previously made announcements...	...and in each case...
The mine will initially be developed as an open pit operation targeting production of 2Mtpa (Phase 1).	1. Investor Presentation, 2 March 2015	...it is confirmed that all material assumptions underpinning the production target or the forecast financial information derived from the production target in the original announcement continues to apply and has not materially changed.
Universal also has a strong organic development pipeline including: ● a potential underground expansion at NCC, increasing NCC production from 2Mtpa to 2.8Mtpa (Phase 2)	1. Investor Presentation, 6 July 2015	
● a potential 1.2Mtpa thermal coal mine at Brakfontein, with an option to utilise Kangala's excess processing capacity.	1. Investor Presentation, 6 July 2015 2. Universal Announces Maiden Reserve at Brakfontein, 13 January 2015	

7 LICENCE TABLE

The information in the table below has been extracted without amendment from the Abridged Competent Person's Reports relating to the Universal Group's material assets set out in Part XII of this document.

Company	Asset	Holder Interest %	Licence Expiry Date	Licence Area Hectares	Status (Exploration or Development) & Comment
Universal Coal Development IPty Ltd	Kangala	70.50%	02/05/2032	951	Mining right granted & registered In production
Universal Coal Development I Pty Ltd	Middelbult	70.50%	09/07/2017	942	Prospecting right granted & registered Under development
Universal Coal Development I Pty Ltd	Modderfontein	70.50%	09/07/2017	127	Prospecting right granted & registered
Universal Coal Development II Pty Ltd	Berenice / Somerville	50%	19/03/2016	39,484	Prospecting right granted & registered Renewed for a period of three years commencing on 20 March 2013. Mining right application in respect of Berenice submitted on 4 December 2015 ⁽¹⁾
Universal Coal Development III Pty Ltd	Brakfontein	50.29%	Mining right to be executed	879	Mining right to be executed
Universal Coal Development IV Pty Ltd	Roodekop	74%	05/02/2034	860	Mining right granted & registered Development
Universal Coal Development V Pty Ltd	Cygnus	50%	06/05/2013	12,299	Prospecting right renewal lodged. Approval is pending
Universal Coal Development VII Pty Ltd	Arnot South	50%	29/10/2011	15,531.75	Awaiting Section 11 transfer Renewal submitted and results pending
Universal Coal Development VIII Pty Ltd	New Clydesdale	49.0%	05/12/2019	4,125.40	Mining right granted and registered Under development

Note:

- (1) Approval for this licence has not yet been granted. As the application was submitted before expiry, the prospecting right remains valid pursuant to section 19(1)(b) of the MPRDA as the holder of a prospecting right has the exclusive right to apply for a mining right in respect of the mineral and prospecting area in question. Universal has taken advantage of this exclusive right and until such time as a decision is made on the application, the DMR may not accept any other application for a mining right in respect of the mineral and prospecting area in question.

PART III – INFORMATION ON THE COMPANY

1 INTRODUCTION

CoAL is an emerging coal mining, development and exploration company operating in South Africa. CoAL is incorporated in Australia and its shares are traded on ASX, AIM and the JSE.

CoAL's recent focus has been to restructure its balance sheet, operations and project pipeline to be better positioned to unlock shareholder value and the Directors believe that the combination of CoAL and Universal provides an attractive platform for growth in the junior coal sector.

CoAL is also in ongoing discussions with strategic partners regarding investments into CoAL or the CoAL Group by either equity or debt.

CoAL's principal coking and thermal coal assets and projects include:

- the Makhado hard coking and thermal coal project that has been granted a New Order Mining Right and has the potential to produce approximately 5.5 million tonnes per annum of saleable product. Currently the majority of the hard coking coal consumed in South Africa is imported and it is expected that the Makhado Project will have the capacity to replace a significant proportion of this imported coking coal which has higher logistics costs;
- the Vele Colliery, a semi-soft coking and thermal coal mine currently under care and maintenance with the potential to supply approximately 1.2 million tonnes per annum of saleable product once all regulatory approvals have been obtained and plant modifications completed; and
- four early stage coking and thermal coal exploration projects in the Soutpansberg Coalfield, namely Chapudi, Generaal, Mopane and Telema & Gray which collectively made up the Greater Soutpansberg Project.

CoAL also owns the Mooiplaats Colliery near Ermelo, which is currently on care and maintenance and subject to a formal sale process, and the Tshipise Energy Gas Exploration Project, a coal bed-methane project contiguous to the Makhado Project.

2 CURRENT TRADING AND RECENT DEVELOPMENTS

Since the Company published its 2015 Group Financial Information, it has continued to deliver on the five point turnaround strategy as the execution of this strategy is vital for the survival of the Company. Management has continued to build a successful track record of execution despite the depressed commodities environment. CoAL's journey to establish itself as a project development company is almost complete.

The first three elements of the five point turnaround strategy consisted of the following:

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

These three elements have been completed by the Company.

The fourth element which covers the disposal of non-core assets has been extremely difficult to complete given the continued commodity price weakness and the poor short-term price outlook for commodities in general and coal specifically. The Mooiplaats colliery remains recorded as an asset held for sale and the Company is exploring transactions with potential buyers.

The fifth element was the completion of the regulatory approvals for the Makhado Project and the provision of assistance in finding funding for the BEE participants in the Makhado Project. The Company recently announced (January 2016) that it had been awarded with the Integrated Water Use Licence at Makhado, which was a critical step in ensuring all major regulatory approvals were in place. During December 2015 the North Gauteng High Court heard the Company's counter application against an interim interdict which was granted in December 2014 against the Environmental Authorisation for Makhado. Two matters were heard - the first being the condition compelling the Company to conduct a strategic regional

impact assessment, which was set aside, and secondly the interim interdict which will remain in place pending the review of the authorisation. Despite the outcome the Company believes that the interim interdict remaining in place will not delay the project timeline. On the funding front the Company has made progress which resulted in the signing of a non-binding memorandum of understanding with Hengshun.

The highlights of the deal are as follows:

- Hengshun proposes to acquire up to 34% of Baobab at a mutually agreed consideration. The preliminary terms of negotiation between both parties are based on an indicative cash acquisition price of approximately US\$113.94 million which implies a Makhado Project value of at least US\$335 million. The final transaction valuation would be subject to both parties' negotiation, a valuation report issued by an internationally reputable accounting firm and the conclusion of a formal subscription and sale agreement between both parties.
- The proposed equity investment is subject to an Engineering, Procurement and Construction contract ("EPC") being awarded to Hengshun. The value of the EPC contract is estimated at US\$400 million, but will be confirmed by the completion of a Front End Engineering and Design which will be completed in the first half of 2016.
- The equity investment is subject to a formal due diligence process as well as approval of the transaction from both the CoAL and Hengshun boards respectively.
- The 34% equity investment will entitle Hengshun to nominate a to be agreed number of directors to the board of Baobab, but the effective management of Baobab and operatorship of the Makhado Project will remain the responsibility of CoAL.
- A debt package may also be provided by Hengshun on commercial arm's length terms.
- Hengshun has the right to match any alternative proposals for the provision of the mining contract.
- The memorandum of understanding is a non-binding document which is also subject to CoAL shareholder and any other necessary regulatory approvals.

The transaction terms are expected to be negotiated and an agreement entered into in the first half of 2016. The funding for the BEE stake will run parallel with this process.

With regard to Vele, the South African Minister of the Department of Environmental Affairs ("DEA"), Ms Edna Molewa, dismissed the Appeal against the Environmental Authorisation ("EA") Amendment for the Vele Colliery in the Limpopo Province. The EA Amendment was granted in January 2015 in terms of the National Environmental Management Act ("NEMA") (Act 107 of 1998) and appeals were lodged in April 2015.

In addition at Vele, the Integrated Water Use Licence ("IWUL") was renewed for a further twenty years. In March 2011, Vele's original IWUL was granted for a period of five years. Furthermore, the IWUL has been amended in line with the requirements for the Plant Modification Project ("PMP") at the Vele Colliery. During 2014, the Company commenced a process to obtain approval relating to a non-perennial stream diversion. This decision is anticipated in 2016. Once this regulatory approval in respect of the Vele Colliery has been received, the final decision to proceed with the PMP will be placed before the board, which will include an assessment of forecast global coal prices.

The Company continued to build long term relationships with its strategic shareholders and announced that substantial shareholder, HEI had indicated their intention to subscribe for \$5.0 million in the Company at a price of US\$0.0435 per share. Any subscription by HEI is subject to inter alia CoAL shareholder approval and is conditional on HEI having received any necessary regulatory approvals within the People's Republic of China and approval for the issue of the subscription shares from the Australian Foreign Investment Review Board. At this time, discussions remain incomplete, and no binding agreements have been entered into. The Company will provide a further update to Shareholders in due course.

The Company is a project development company and therefore there has been no trading or production. There has been no trading update in respect of the Greater Soutpansberg Project. As announced in the Company's quarterly report released on 28 January 2016, available cash as at 31 December 2015 was US\$31.1million and restricted cash of \$1.018 million.

3 THE GROUP'S PROJECTS AND OPERATIONS

3.1 Makhado Project

The Makhado Project is located in the Mopane/Soutpansberg coalfield in the Limpopo province, covering an area of 7,634 hectares, and is well into feasibility stage, with a class two feasibility study having been completed. CoAL has commenced with the project FEED (front end engineering and design).

Currently the majority of the hard coking coal consumed in South Africa is imported and it is expected that the Makhado Project will have the capacity to replace a significant proportion of this imported coking coal which has higher logistics costs.

As previously announced by CoAL on the ASX on 2 December 2015 and further detailed above, CoAL has signed a non-binding Memorandum of Understanding with Hengshun with respect to a proposed equity investment in Baobab as legal owner of the mining rights for the Makhado Project. The transaction terms are expected to be completed in the first half of 2016 and discussions between the parties are ongoing.

Key details

Location	Limpopo Province, South Africa, north of Soutpansberg, 65km southwest of Musina, 80km southeast of the Vele Colliery
CoAL Group ownership	100%*
Infrastructure	● It is intended that electricity supply will be secured from existing Eskom infrastructure. ● Makhado is close to the railway line which runs from Musina and is an important link to the Richard's Bay Coal Terminal.
Mining method	Opencast
Product	12.6 Mtpa run of mine coal yielding 2.3 Mtpa hard coking coal and 3.2 Mtpa thermal coal for domestic and/or export markets
Licence and Permit status	● New Order Mining Right granted on 20 April 2015. Execution and registration of the mining right is pending. ● CoAL was granted an integrated water use licence in December 2015. ● CoAL was granted an Environmental Authorisation for the Makhado Project on 29 August 2013.
BEE status	In March 2015, CoAL concluded a suite of agreements in terms of which, <i>inter alia</i> , a trust has been established for the benefit of the communities affected by the Makhado Project (the "Makhado Community Trust") and a 100% black-owned company, Yoright Investments Proprietary Limited ("Yoright"), would be issued 20% and 6% respectively of the issued share capital of Baobab, with the remaining 74% being held by CoAL. The transaction remains subject to the fulfilment or waiver of certain conditions precedent, including the execution and registration of the mining right for the Makhado Project. The mining right was granted on the basis of the implementation of these empowerment arrangements.
Further information	For further information on the Makhado Project, please refer to the Abridged Competent Person's Report from MSA set out in Section A of Part XI this document

* See above in relation to BEE status, which will impact the CoAL Group's ownership of the Makhado Project. Also, as a condition of the grant of the mining right and the consent to transfer the mining right to Baobab, the Group is required to implement an employee share scheme to the value of 1% of the issued share capital in Baobab. This condition must be satisfied within 12 (twelve) months of the date of execution, of the mining right. If the potential investor acquires a 34% shareholding in Baobab, CoAL's shareholding in Baobab will be diluted to 39%, with the Makhado Community Trust's and Yoright's shareholding remaining at 20% and 6% respectively.

3.2 Vele Colliery

The Vele Colliery is a semi-soft coking and thermal coal mine located in the Tuli coal fields in the Limpopo province. Full scale production at Vele Colliery commenced in 2012, but mining was suspended and the mine has been under care and maintenance since September 2013 to prepare for the commencement of the announced plant modifications and a decision to await receipt of all regulatory approvals, environmental approvals and the water use licence (including amendments) and the conclusion of appropriate sale agreements for the thermal and semi-soft coking coal.

A plant modification is planned which will allow the plant to produce both semi-soft coking coal and a thermal product for either export or domestic consumption. This expansion will improve the total product yields and the economic value of the mine.

The modification comprises of a permanent front-end crushing and screening facility, improved fines processing section, filter presses for the dewatering of ultra-fines waste and facilities for handling multi-products thereby reducing the size of any temporary slurry pond.

The Vele Colliery has the potential to supply approximately 1.2 million tonnes per annum of saleable product once all regulatory approvals have been obtained and plant modifications completed.

Key details

Location	Limpopo Province, South Africa, 48km west of Musina
CoAL Group ownership	100%
Infrastructure	● Electricity supply secured from Eskom ● Host properties have existing water uses which have been transferred to the mining operation ● Accessible via existing tarred road network and secondary dirt roads; initially the coal will be transported by truck to a rail siding (approximately 50km from Vele) until rail links have been completed ● Engagement with Transnet Freight Rail to create capacity for domestic and export capacity
Mining method	Opencast for 16 years, and underground mining thereafter
Product	Dual production; semi-soft coking with the option for either thermal export or middlings coal
Licence and Permit status	● New Order Mining Right approved and executed in March 2010. ● Integrated Water Use Licence granted in October 2011 for a period of 5 years and renewed in December 2015 for a further 20 years, with amendments to allow for additional water uses required by the planned plant modifications. ● A consolidated Environmental Authorisation (dated July 2011 and subsequently updated on 31 October 2011) regulates the listed activities undertaken or to be undertaken at the Vele Colliery. Application for amendment of this environmental authorisation was made in 2014 and granted during February 2015. An appeal against the grant of this amendment was launched but it was successfully defended and the appeal was rejected on 14 November 2015.

BEE status	It is intended that the Vele Colliery will be re-empowered. CoAL has been in negotiations with various parties with the view of conducting a BEE transaction for the Vele Colliery.
Further information	For further information on the Vele Colliery, please refer to the Abridged Competent Person's Report set out in Section B of Part XI of this document

3.3 Greater Soutpansberg Project

CoAL acquired the Chapudi coal project and several other coal exploration properties in the Soutpansberg coal basin in South Africa. These projects, which together comprise the Greater Soutpansberg Project, contains potential coking and thermal coal assets grouped into four regions, namely Mopane, Generaal, Chapudi & Telema and Gray. Mineral tenure over the Mopane, Generaal and Chapudi Projects has been secured by accepted applications for new order mining rights, whereas for Telema & Gray, an accepted application for a new order prospecting right has been received.

Key details

Location	Contiguous to the Makhado Project, Limpopo Province, South Africa
CoAL Group ownership	74-100%
Infrastructure	● Good road and rail network ● Exploration phase: Infrastructure requirements currently being established through scoping studies in line with mining right requirements. CoAL expects to construct rail lines to link into the planned Makhado Project infrastructure and existing rail infrastructure in the area. Some road transport will also be required.
Mining method	Both opencast and underground
Product	Both coking and thermal coal
Licence and Permit status	● New order prospecting rights in place. Although certain of the prospecting rights have expired, CoAL has applied for renewal of the relevant rights. Under the MPRDA a prospecting right in respect of which an application for renewal has been lodged shall, despite its stated expiry date, remain in force until such time as the renewal application has been granted or refused. ● Applications for new order mining rights over portions of the project area were applied for in July 2013. The mining rights have not yet been granted. ● Integrated water use licences and Environmental Authorisations to be applied for at the appropriate time.
BEE status	Empowerment through 26% ownership of MbeuYashu (the CoAL subsidiary which owns the projects comprised in the Greater Soutpansberg Project) by Rothe Investment (Pty) Ltd, an HDSA entity.
Further information	For further information on the Greater Soutpansberg Project, please refer to the Abridged Competent Person's Report set out in Section C of Part XI of this document

3.4 Other projects and operations

Mooiplaats Colliery

The Mooiplaats Colliery is a thermal coal colliery situated in the Ermelo coal fields, adjacent to the recently re-commissioned Camden Power Station, operated by Eskom. The underground mine at Mooiplaats was developed from a site consisting originally of only farmland and an abandoned box-cut mine at the start of 2008, to an operational mine by March 2009, with the first extraction of coal taking place in December 2008.

Mining at Mooiplaats was carried out until June 2011 by a contract miner however, following an operational assessment by CoAL management it was decided to terminate the existing arrangements and CoAL subsequently took over operations itself, retaining the existing workforce and equipment.

The Mooiplaats Colliery was placed under care and maintenance in October 2013 and remains in this status at present. The Mooiplaats Colliery is currently subject to a formal sale process.

Tshipise Energy Gas Exploration Project

Tshipise Energy (Pty) Ltd is a 50:50 joint venture between CoAL and BEE partner Vibrant Veterans (Pty) Ltd.

The project comprises a 1,674km² gas exploration rights area which is contiguous to the Makhado Project. Tshipise has completed the collation of desktop studies undertaken by Geogas (Pty) Ltd on the coal bed methane (CBM) potential of the properties located in the Soutpansberg Coalfields. The project does not have any attributable reserves or resources and is not currently considered material to the Group's prospects. No work is planned for the next 12 months.

4 RESERVES AND RESOURCES SUMMARY

The information in the table below relating to the CoAL Group's reserves and resources has been extracted without amendment from the Abridged Competent Person's Reports relating to the CoAL Group's material assets set out in Part XI of this document. Details of the key assumptions, parameters and methods used to estimate mineral reserves and resources are set out in those Abridged Competent Person's Reports.

The information in the table below relating to the CoAL Group's reserves and resources has been extracted without amendment from:

- in the case of the Makhado Project, the table on page 11 and the table on page 14 of the Abridged Competent Person's Report prepared by MSA which is set out in Section A of Part XI of this document;
- in the case of the Vele Colliery, table 1 and table 2 on page 2 of the Abridged Competent Person's Report prepared by VBKom which is set out in Section B of Part XI of this document; and
- in the case of the Greater Soutpansberg Project, the table headed "Current Coal Resources of CoAL's Greater Soutpansberg Project" on page iii of the Abridged Competent Person's Report prepared by Venmyn Deloitte which is set out in Section C of Part XI of this document.

Details of the key assumptions, parameters and methods used to estimate mineral reserves and resources in respect of the CoAL Group assets included in the table below are set out in the relevant Abridged Competent Person's Reports.

PROJECT	Reserve		Resource				
	Proven Mt	Probable Mt	Measured Mt	Indicated Mt	Inferred Mt	Total Mt	Attributable to CoAL Mt
Makhado ¹	—	188.3	402.8	298.6	94.2	795.6	795.6
Vele ²	23.8	301.4	148.2	426.9	218.9	794.0	794.0
Greater Soutpansberg Project ³	—	—	151.7	154.6	6,854.7	7,161.0	5,483.5
Total	23.8	489.7	702.7	880.1	7,167.8	8,750.6	7,073.1

Notes:

- Resources are stated on a gross in situ basis and inclusive of reserves. Reserves are stated as mineable tonnes in situ.
 - Rounding may cause computational discrepancies.
1. CoAL currently has an attributable interest of 100 per cent. of the Makhado Project. See section 3.1 above in relation to certain matters which will impact the CoAL Group's future ownership of the Makhado Project.
 2. CoAL currently has an attributable interest of 100 per cent. in the Vele Colliery. See section 3.2 above in relation to certain matters which will impact the CoAL Group's future ownership of the Vele Colliery.
 3. CoAL has an attributable interest of 74 per cent. in the Greater Soutpansberg Project.

Mooiplaats is currently held for sale and not material to the CoAL Group's prospects, therefore its reserves and resources have been excluded from the above table and the Tshipise project does not have any reserves or resources and is not currently considered material to the Group's prospects.

5 LICENCE TABLE

The information in the table below has been extracted without material amendment from the Abridged Competent Person's Reports relating to the CoAL Group's material assets set out in Part XI of this document.

Company	Asset	Holder Interest %	Licence Expiry Date	Licence Area Hectares	Status & Comment
Baobab Mining and Exploration (Pty) Ltd	Makhado	100% ⁽¹⁾	Not known until mining right granted	8,398	Development. Mining right granted in April 2015. Awaiting execution and registration.
Limpopo Coal Company (Pty) Ltd	Vele	100%	18 March 2040	8,663	Care and Maintenance. Vele Colliery mining right
Silkwood Trading 14 (Pty) Ltd	Vele	100%	24 March 2013 ⁽²⁾	2,092	Exploration. Vele Colliery prospecting right. Acceptance letter for mining right application issued in November 2012
Regulus Investment Holdings (Pty) Ltd	GSP (Voorburg)	100%	May 2013 ⁽²⁾	11,325	Exploration. Prospecting right. Acceptance letter for mining right application issued in May 2013
Regulus Investment Holdings (Pty) Ltd	GSP (Jutland)	100%	April 2013 ⁽²⁾	14,491	Exploration. Prospecting right. Acceptance letter for mining right application issued in May 2013
Limpopo Coal Company (Pty) Ltd	GSP (Telema & Gray)	100%	April 2013 ⁽²⁾	2,131	Exploration. Prospecting right. Acceptance letter for mining right application issued in August 2013
Kwezi Mining & Exploration (Pty) Ltd	GSP (Mount Stuart)	74%	April 2013 ⁽²⁾	9,125	Exploration. Prospecting right. Acceptance letter for mining right application issued in July 2013
Kwezi Mining & Exploration (Pty) Ltd	GSP (Generaal)	74%	May 2013 ⁽²⁾	13,470	Exploration. Prospecting right. Acceptance letter for mining right application issued in July 2013
Chapudi Coal (Pty) Ltd	GSP (Chapudi)	74%	May 2013 ⁽²⁾	17,948	Exploration. Prospecting right. Acceptance letter for mining right application issued in July 2013
Chapudi Coal (Pty) Ltd	GSP (Chapudi West)	74%	May 2013 ⁽²⁾	8,992	Exploration. Prospecting right. Acceptance letter for mining right application issued in July 2013
Chapudi Coal (Pty) Ltd	GSP (Wildebeesthoek)	74%	May 2013 ⁽²⁾	10,641	Exploration. Prospecting right. Acceptance letter for mining right application issued in July 2013

Notes:

- (1) See section 3.1 above in relation to certain matters which will affect the CoAL Group's ownership interest in the Makhado Project.
- (2) Approval for these licences has not yet been granted. As the application was submitted before expiry, the prospecting right remains valid pursuant to section 19(1)(b) of the MPRDA as the holder of a prospecting right has the exclusive right to apply for a mining right in respect of the mineral and prospecting area in question. CoAL has taken advantage of this exclusive right and until such time as a decision is made on the application, the DMR may not accept any other application for a mining right in respect of the mineral and prospecting area in question.

PART IV

THE SOUTH AFRICAN REGULATORY FRAMEWORK

As mining companies operating in South Africa, the Company and Universal are subject to various South African mining, environmental, health and safety laws and regulations. Some of the principal laws and regulations which control the mining industry in South Africa are set out below.

1. The Mineral and Petroleum Resources Development Act (“MPRDA”)

Until 30 April 2004, the right to prospect and mine for minerals was primarily regulated by the Minerals Act, 50 of 1991 (“Minerals Act”). The South African common law, together with the Minerals Act vested the right to mine a particular mineral in the owner or consent holder of the relevant mineral rights. The MPRDA replaced the Minerals Act on 1 May 2004.

The MPRDA, *inter alia*, regulates the prospecting, mining, and optimal exploitation, processing and utilisation of minerals. It, together with the National Environmental Management Act 107 of 1998 (“NEMA”), also provides for the rehabilitation of land disturbed by exploration and mining. The MPRDA introduced a new system in terms of which South Africa’s mineral and petroleum resources are the common heritage of all the people of South Africa. The South African government became the custodian of all rights to mineral and petroleum resources. The new system provided transitional provisions regulating the transition from the old regime to the new regime. These transitional provisions recognised the following three kinds of prospecting and mining rights (“old order rights”), which, if they were in force immediately before 1 May 2004, would continue in force, subject to terms and conditions under which it was granted or issued for the undefined maximum time periods post 1 May 2004:

- unused old order rights, which had a maximum one year period, which expired on 1 May 2005;
- old order prospecting rights, which had a maximum two year period, which period expired on 1 May 2006; and
- old order mining rights, which had a maximum five year period, which period expired on 1 May 2009.

During the above maximum time periods, the holders of old order rights had the following rights or obligations:

- in respect of unused old order rights, holders had the sole and exclusive right to apply for a prospecting or mining right in terms of the MPRDA; and
- in respect of old order prospecting rights and old order mining rights, holders had an obligation to lodge certain documents for the conversion of the relevant old order right into a prospecting right or mining right, as the case may be, under the MPRDA.

Where no valid old order right, whether used or unused mineral, prospecting or mining rights, exists in respect of particular property, and no new order mining rights have been granted, any party is entitled to apply to the DMR for a prospecting right or mining right in respect of such property on a first-come-first served basis.

A mining right or prospecting right under the MPRDA is valid for the period specified in the relevant right. Under the MPRDA, prospecting rights can be granted initially for a period of up to five years, and can be renewed only once, on application, for a further period not exceeding three years. The holder of a prospecting right granted under the MPRDA has the exclusive right to apply for and, subject to compliance with the requirements of the MPRDA, to be granted a mining right in respect of the mineral and exploration area in question. A mining right may be granted for a period not exceeding 30 years and can be renewed, upon application, for an unlimited number of further periods each not exceeding 30 years.

Amongst other requirements for all applications for a mining right, a social and labour plan must be approved by the DMR, committing the mine to various social responsibilities (such as human resources development, local community and rural economic development and procedures in the event of a downscaling of operations and/or retrenchments).

2. BEE in the South African mining industry

The MPRDA seeks to facilitate participation by black people or HDSAs in mining ventures. Complying with the HDSA regime set by the South African government is a prerequisite for being granted prospecting and mining rights. Every application for a mining right under the MPRDA must demonstrate that the granting of such right will:

- substantially and meaningfully expand opportunities for HDSAs, including women, to enter the mineral and petroleum industry in order to benefit from the exploitation of the nation's mineral and petroleum resources; and
- promote employment and advance the social and economic welfare of all South Africans.

South Africa's Minister of Mineral Resources developed the Mining Charter under the MPRDA to give substance and guidance to the above empowerment provisions, which was published on 13 August 2004 ("2004 Mining Charter"). The 2004 Mining Charter was generally applied to determine whether an applicant satisfied the empowerment requirements.

The 2004 Mining Charter set out a range of criteria against which conversion of old order rights was considered and was also referred to by the DMR in considering applications for prospecting rights and mining rights. These criteria covered human resources development, employment equity, procurement, community and rural development and HDSA ownership of mining assets. The 2004 Mining Charter set out a number of targets which were to be achieved by mining companies by 2009.

On 13 September 2010, South Africa's Minister of Mineral Resources announced the release of the reviewed and amended 2004 Mining Charter ("2010 Mining Charter"). The 2010 Mining Charter sets out a number of targets (some of which remain the same as those in the 2004 Mining Charter) to be achieved by mining companies by 2014.

On the issue of ownership, the 2004 Mining Charter required that mining companies achieved a minimum of 15% HDSA ownership or equity participation by 2009 and both the 2004 Mining Charter and the 2010 Mining Charter required a minimum of 26% HDSA ownership or equity participation by 2014.

In respect of employment equity, the 2004 Mining Charter required that mining companies aspired to a minimum of 40% HDSA participation in management at both junior and senior level by 2009. The 2010 Mining Charter required this same level of HDSA participation to be aspired to by 2014. The DMR applies the 2010 Mining Charter to applications for new order prospecting and mining rights, so that no rights are granted unless 26% of the shareholding interest or equity participation in the applicant is held by HDSAs. In addition, most prospecting rights and mining rights issued also require the holder to retain the HDSA shareholding which it had on application for the duration of the right, although there is currently a dispute before the courts regarding whether the DMR has the power to impose and enforce such a requirement. The HDSA shareholding requirement or equity participation also applies where a prospecting right holder applies for a mining right over the same minerals and property.

In terms of the 2010 Mining Charter, mining companies were required to procure a minimum of 40% of capital goods from BEE entities by 2014, ensure that multinational suppliers of capital goods annually contribute a minimum of 0.5% of annual income generated from local mining companies towards socio-economic development of local communities from 2010, and procure 70% of services and 50% of consumer goods from BEE entities by 2014.

In 2009 the Minister of Mineral Resources published a code of good practice for the minerals industry in terms of the MPRDA ("Mining Codes"). The purpose of the Mining Codes is to, *inter alia*: (i) set out administrative principles in order to facilitate the effective implementation of the minerals and mining legislation; and (ii) give effect to the object of developing a code of good practice for the minerals industry in South Africa. The Mining Codes are, however, not being applied by the DMR owing to the possibility that they could be ultra vires.

3. Environmental regulation

3.1. Environmental obligations under the MPRDA

Recent amendments to the MPRDA have had the effect that almost all its environmental provisions have been repealed so that the environmental impacts of mining are regulated through one environmental system under NEMA (as outlined below). Certain environmental

provisions under the MPRDA do, however, remain. In addition, it is now a condition prior to the granting of a prospecting or mining right for the applicant to be the holder of an environmental authorisation under NEMA.

Notwithstanding the aforesaid changes, the MPRDA also still regulates the issue of a closure certificate after the cessation of mining activities.

3.2. NEMA

NEMA provides that every person who causes, has caused or may cause significant pollution to or degradation of the environment must take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring. The persons obliged to take such measures include the owner of land or premises, a person in control of land or premises and a person who has a right to the land or premises on which any such activity occurs. NEMA provides that directors, managers, agents and employees of a company not complying with the provisions of the environmental legislation set out in Schedule 3 of NEMA can be criminally prosecuted, and if such offence has caused loss or damage to any South African organ of state or other person, including costs incurred to rehabilitate the environment, the court is empowered to enquire, without pleadings, into the amount of loss or damage so caused. Upon proof of such damages, the court may give judgment against the convicted person in favour of the person who suffered such loss. NEMA also applies to significant pollution or degradation that: (i) occurred before the entry into force of NEMA; (ii) arises or is likely to arise at a different time from the actual activity that caused the contamination; or (iii) arises through an act or activity of a person that results in a change to pre-existing contamination.

An environmental authorisation issued by the DMR is required in terms of the NEMA for any activity which requires a prospecting or a mining right. This authorisation is only issued once an environmental impact assessment process is undertaken, which involves the identification and quantification of any potential environmental and social impacts and appropriate mitigating measures to minimise any negative impacts and enhance any positive impacts.

The relevant requirements for financial provisioning for rehabilitation under the MPRDA have now been inserted into NEMA. NEMA now requires all applicants for an environmental authorisation relating to prospecting or mining to make the prescribed financial provision for the rehabilitation, closure and ongoing post decommissioning management of negative environmental impacts. The amount must be to the satisfaction of the DMR, and must be reassessed and updated annually. NEMA also provides that the holder of a new order mining right or a holder of an old order right remains responsible for any environmental impacts from the mining operations notwithstanding the issuing of a closure certificate for a mine.

A failure to comply with existing laws or permits or future laws, once implemented, could give rise to civil or criminal penalties, including fines and requirements to cease non-compliant operations. The maximum criminal fines for environmental crimes under NEMA and the National Environmental Management: Air Quality Act, 39 of 2004 ("Air Quality Act") is ZAR10 million and/or 10 years imprisonment.

3.3. National Water Act, 36 of 1998 ("NWA")

Under the NWA, the use of water is allowed without a licence or other authorisation if it is the use of water from a water resource for reasonable domestic use, "small gardening" and the watering of animals. A company may continue with the use of water after the promulgation of the NWA if it legitimately used the water for a period of two years prior to the promulgation of the NWA, provided that such use was lawful under the repealed Water Act, 54 of 1956. A company may also use water if that use is authorised by general authorisation published by the South African Minister of Water Affairs and Environmental Affairs or by the relevant catchment management agency concerned in a specific catchment area. Water use licences are required from the South African Department of Water Affairs for specified water uses in terms of the NWA. Water use includes, *inter alia*: abstraction, diversion of water courses, mine dewatering and discharge of waste water. Regulations published under the NWA regulate water use in relation to mining activities, providing for, *inter alia*, limitations on the location of mining infrastructure, and the requirements for separation of dirty and clean water supplies.

Under the NWA the owner of land and controllers or occupiers of land on which any activity or process is or was performed or undertaken or on which any situation exists that causes, has caused or is likely to cause the pollution of a water resource, must take all reasonable measures to prevent such pollution from occurring, continuing or recurring. The South African Department of Water Affairs and Sanitation and the South African Department of Environmental Affairs may issue administrative directives to enforce the provisions of NEMA and the NWA to take specific anti-pollution measures, continue with those measures and/or to complete those measures.

3.4. *Air Quality Act*

The Air Quality Act requires an atmospheric emissions license for the undertaking of certain listed activities. Typically the extraction of minerals does not trigger this requirement however certain identified processing activities do. The Air Quality Act also imposes specific requirements for the management of dust, a particularly relevant requirement for mining operations. The overall objective of the Air Quality Act is to reform the law regulating air quality in order to protect the environment by providing reasonable measures for the prevention of pollution and ecological degradation and for securing ecologically sustainable development while promoting justifiable economic and social development. The Air Quality Act is a statute which provides the authorities responsible for air quality with wide ranging powers to implement the objectives of the act by way of regulations.

3.5. *The National Environmental Management Waste Act 59 of 2008 ("Waste Act")*

The Waste Act has recently been amended so as to apply to residue stockpiles and residue deposits and to prescribe certain management measures in respect thereof. As of 24 July 2015, a waste management licence is also now required for the establishment or reclamation of a residue stockpile or residue deposit resulting from activities which require a prospecting right or mining permit. There are also regulations relevant to the ongoing management of residue stockpiles and deposits which have recently been published under the Waste Act.

3.6. *The National Heritage Resources Act 25 of 1999 ("Heritage Act")*

The Heritage Act provides for the protection and management of heritage resources, which include resources of archaeological, cultural or historical significance, collectively forming South Africa's national estate. Sites containing heritage resources must be investigated. Approval of the South African Heritage Resources Agency is required for the disturbance or destruction of any protected resources. Under the Heritage Act, there are also specific requirements for the relocation of graves over 60 years, in addition to any local bylaw requirements which may apply.

4. Zoning requirements

Pursuant to a series of judgments on this issue, there is parity of law between the MPRDA and the rights it affords and local land use planning legislation. Accordingly, where land that is the subject of a mining right under the MPRDA falls within a municipal area, the use of that land must comply with the zoning scheme regulations of the municipality. A number of town planning schemes across South Africa have been amended to specifically provide for mining activities as an identified land use requiring rezoning, in accordance with the Spatial Planning and Land Use Management Act 16 of 2013 ("SPULMA") which came into force on 1 July 2015. Whilst existing mines are protected from the effects of any amendments to the relevant town planning scheme, greenfields developments are required to comply with SPULMA and will need to apply to the local municipality in order to obtain the required rezoning.

5. Hazardous substances

Hazardous substances are regarded as dangerous goods. The storage of dangerous goods in a facility of more than 80m³ falls within the list of activities published by NEMA and requires an environmental authorisation. Mines that make use of explosives will have conditions prescribed in their approved environmental management plan and environmental authorisation relating to the management of the explosives, such as having the explosives stored safely in a demarcated area and the requirement of a permit to transport the explosives to site. Explosives are also regulated by specific regulations under the Mine Health and Safety Act 29 of 1996 ("MHS Act"). Regulations promulgated under the Occupational Health and Safety Act, 1993 ("OHS Act") are also relevant. These regulations deal with hazardous chemical

substances, asbestos, and general safety issues. They also incorporate various codes of practice which deal with, amongst others, the identification, classification and transport of dangerous substances and goods which relates to any “existing contamination” on the site.

6. Occupational health and safety regulation of the mining industry

Occupational health and safety of all persons working on a mine is governed by the MHS Act. The MHS Act sets out in detail the obligations placed upon an employer to ensure that, as far as is reasonably practicable, work on the mine can be carried out without harm to the health and safety of persons. These obligations include the requirement that employers identify, assess, record and respond to risk to the mine. The MHS Act entrenches basic worker rights, notably the rights of workers to: participate in health and safety issues, receive training, health and safety information, personal protective equipment and withdraw from the workplace in the face of danger. In the event of an accident, the MHS Act sets out the reporting and investigation requirements and allows for a formal inquiry to be convened to determine the causes of an accident and identify remedial measures. The MHS Act sets out various appointments and chains of responsibility, as well as various workplace forums that must be established in order to monitor compliance with the MHS Act. Health and safety, as well as compliance with the MHS Act, are overseen by the Mine Health and Safety Inspectorate, a part of the DMR.

7. Restitution of Land Rights Act, 22 of 1994 (“Restitution of Land Rights Act”)

The Restitution of Land Rights Act provides for the restitution of rights in land to persons or communities who have been dispossessed of such rights as a result of past racially discriminatory laws or practices. Claims under the Restitution of Land Rights Act had to be lodged by 31 December 1998 at the Land Claims Court.

The Land Claims Court may order the: (i) restoration of land or any portion of land; (ii) South African state to grant the claimant an appropriate right in alternative South African state-owned land; (iii) South African state to pay the claimant compensation; (iv) South African state to include the claimant as a beneficiary of a South African state support programme for housing or the allocation and development of rural land; or (v) South African state to grant the claimant any alternative relief. Before the Land Claims Court makes an order of restoration of rights in land, it takes into account the feasibility of such an order. If the land has been developed or is used for mining operations, the Land Claims Court is likely to render restoration not feasible, in which event the claimant would either be compensated or granted alternative South African state-owned land.

The Restitution of Land Rights Act provides the statutory framework for the restitution process. A landowner cannot be compelled to grant rights in land or compensation to any successful claimants. Any restitution claims lies against the South African state and any form of restitution (restoration or equitable redress) must be granted by the South African state. In the unlikely event that land is expropriated for purposes of an expropriation order, the landowner is entitled to just and equitable compensation.

Generally a claim is made only to the surface rights attaching to the land and not to the mineral rights as well. However, the legal position on the question whether a claim under the Restitution of Land Rights Act could include mineral rights is not clear. South African case law, decided before the MPRDA took effect, indicates that a claim under the Restitution of Land Rights Act may include mineral rights. The substantial change to the South African mining and mineral law regime brought about by the MPRDA may arguably prevent a claim in respect of the mineral rights. If a land claim is settled in favour of the claimants, this should not stop mining or prospecting operations, as the mineral rights holder has statutory rights relating to accessing the land. There may however be a delay while access terms and conditions, including terms relating to the right of a land owner to claim compensation for environmental and other damage caused to the land by the mineral rights holder (under section 54 of the MPRDA), are negotiated with any new land owner.

8. Labour-related legislation

Employment in South Africa is regulated by the law of contract and by legislation. There is a network of legislation providing minimum protection for employees out of which employers and employees cannot contract. This legislation is found in a number of acts that regulate, *inter alia*, maximum hours of work, overtime rates, minimum periods of leave, notice of termination,

organisational rights in respect of trade unions, strike law, rights and responsibilities of employers and workers in the event of retrenchments, insolvency and transfers of businesses, protection from unfair dismissal and the prohibition of unfair discrimination. Set out below is an overview of the relevant legislation and its purpose.

The Labour Relations Act, 66 of 1995 (“LRA”) is possibly the most important and far-reaching labour law statute in South Africa. The LRA is applicable to every employer and employee in every undertaking, industry, trade or occupation in South Africa, including the South African state, with the only exclusions being members of the South African National Defence Force, South African National Intelligence Agency and the South African Secret Service. The LRA gives effect to section 23 of the Constitution of South Africa being the right to fair labour practices, promotes the right of freedom of association of employers, employees and trade unions and employers’ organisations, regulates the organisational rights of trade unions, promotes and facilitates collective bargaining at the workplace and at sectoral level, regulates the right to strike and the recourse to lock-out in conformity with the Constitution of South Africa, promotes employee participation in decision-making through the establishment of workplace forums, provides simple procedures for the resolution of labour disputes through statutory conciliation, mediation and arbitration and through independent alternative dispute resolution services accredited for that purpose, contains procedures for the dismissal of employees and remedies for unfair dismissal, regulates temporary employment services or labour brokers and the transfer of a business or a part thereof as a going concern.

The Basic Conditions of Employment Act, 75 of 1997 (“BCEA”) provides for and regulates basic or minimum conditions of employment for employees. Like the LRA, the BCEA applies to both the public and private sector and covers all employees except members of the South African National Defence Force, the South African National Intelligence Agency and the South African Secret Service. Unpaid volunteers working for organisations serving a charitable purpose are also excluded from the BCEA. Certain provisions of the BCEA do not apply to senior managers or employees who earn above the earnings threshold which is determined by the South African Minister of Labour, from time to time. The purpose of the BCEA is to establish and enforce basic or minimum conditions of employment, such as working hours, overtime, work on a Sunday, night work, leave, particulars of employment, termination and severance pay, for the protection of employees.

The Employment Equity Act, 55 of 1998, is intended to achieve equity in the workplace by promoting equal opportunity and fair treatment in employment through the elimination and prohibition of unfair discrimination in the workplace and by implementing affirmative action measures to redress disadvantages in employment experienced by people of designated groups in South Africa. “Designated groups” are defined as black people (which are defined in that Act as meaning African, Coloureds and Indians), women and people with disabilities.

The OSH Act, provides for the health and safety of persons at work, the protection of persons against hazards to health and safety and provides for general duties of employers and employees to maintain a healthy and safe working environment. It applies to non-mining employers and employees. The MHS Act, detailed above, applies to the regulation of health and safety of mining employers and employees.

The Unemployment Insurance Act, 63 of 2001, and the Unemployment Insurance Contributions Act, 4 of 2002, provide for the payment of unemployment benefits to certain employees in certain express circumstances.

Under South African law, all retirement funds (other than certain statutory or public service funds) and medical schemes must be registered in terms of the Pension Funds Act, 24 of 1956, or the Medical Schemes Act, 131 of 1998. Only registered funds may conduct business in South Africa. Therefore it is not possible for a South African employer to provide a pension or medical plan under its own administration, and employers who do offer pension or medical plans to employees (it is not compulsory for any employer to do so) are required to subscribe to registered retirement funds or medical schemes for that purpose or to register as a retirement fund or a medical scheme.

The Skills Development Act, 97 of 1998 (“SDA”), aims to develop the skills of the South African workforce. In terms of the SDA, Sector Education and Training Authorities have been created, the main tasks of which is to establish “learnerships”, to approve workplace skills plans, to allocate grants and monitor education and training in the sector, and to collect and disburse skills development levies. Training is financed by a levy equivalent to 1% of each

employer's payroll, which is levied in terms of the Skills Development Levies Act, 9 of 1999. All employers are required to budget for such levy and it cannot be deducted from workers' pay.

The Compensation for Occupational Injuries and Diseases Act, 130 of 1993 ("COIDA"), provides a system of "no fault" compensation for employees who are injured or killed in accidents that arise out of and in the course of their employment, or who contract occupational diseases. Employees are entitled to compensation based on a tariff as set out in the COIDA irrespective of whether or not their injury or illness was caused by the fault of their employer or a third person. However, if the accident or disease is due to the negligence of the employer, the employee may apply for increased compensation in addition to the compensation normally payable. This may result in a higher assessment fee being payable by the employer to the Compensation Commission. The employer is required to register with the Compensation Commission and is required to pay annual assessment fees to the Compensation Commission. Failure to be registered with the Compensation Commission and to pay the assessed amount will result in a fine being implemented against the employer. In respect of the mining industry, the Rand Mutual Assurance essentially steps into the shoes of the Compensation Commissioner.

COIDA provides for compensation of occupational injury and diseases in all industries. In addition, specific legislation, the Occupational Diseases in Mines and Works Act, 78 of 1973 ("ODIMWA") provides for compensation for specific occupational diseases contracted by employees working in controlled mines. Where the occupational diseases contracted by an employee working on a mine is listed in ODIMWA and the employee meets the applicability criteria as set out in the ODIMWA, the employees' claim must be made in terms of ODIMWA and not in terms of COIDA. Importantly, while COIDA specifically indemnifies employers from liability for injuries incurred or diseases contracted by employees in the course of their employment, so they cannot institute damages claims against their employers the same provision does not appear in ODIMWA and the South African Constitutional Court has held that the provisions of ODIMWA do not bar an employee from seeking damages from the employer in addition to the payment of compensation in terms of ODIMWA.

9. Competition/antitrust law

The Competition Act, 89 of 1998 ("Competition Act") is the key legislation which governs competition in South Africa. The Competition Act aims at promoting and maintaining competition through merger control, as well as through regulating certain prohibited practices between competitors (i.e. in horizontal relationships), between parties in vertical relationships (such as manufacturers and their distributors or retail outlets) and by dominant firms who abuse their dominant position. In terms of the Competition Act, the South African Competition Commission, Competition Tribunal and Competition Appeal Court have been established as independent bodies to enforce the Competition Act.

From a merger control perspective, any mergers or acquisitions which meet certain criteria and thresholds require prior approval from the competition authorities — accordingly, any future acquisitions or mergers by the Company within or having an effect within South Africa may require competition approval.

10. Taxation

South Africa levies tax on a residence basis. A company will be deemed to be a resident in South Africa if it is incorporated, established, formed or has its place of effective management in South Africa. The resident status of a person under any double taxation agreement ("DTA") will, however, take precedence over this definition.

South African resident companies are subject to a corporate tax rate of 28%. The taxable income derived from the carrying on of mining operations is determined in a different manner to the taxable income derived by other (non-mining) entities. In general, all operating expenditure incurred in mining operations would be deductible expenditure. In addition, certain qualifying capital expenditure also is fully deductible, notwithstanding the capital nature thereof. Examples of non-qualifying capital expenditure (i.e. that is not deductible), is expenditures in respect of the acquisition of land, servitudes and mining rights do not rank for deduction.

10.1. CGT

South Africa introduced CGT with effect from 1 October 2001, which in general only applies to South African residents. Pursuant to paragraph 2(1)(b) of the Eighth Schedule of the Income Tax Act 58 of 1962 (the "ITA") a disposal by a non-resident is only subject to CGT where, the disposal is a disposal of immovable property situated in South Africa. In the case of non-resident companies, CGT is payable, subject to certain exceptions, on capital gains arising from the disposal of assets comprising of immovable property such as land, mining rights, shares in immovable property (with certain conditions), etc. At the date of sale by the taxpayer, the intention at the time of acquisition and at the time of disposal must be assessed, in order to determine whether the sale is subject to taxation as revenue gains (subject to normal income tax) or as capital gains (subject to CGT). Where the shares have been held for a period exceeding 3 years, section 9C of the ITA will automatically deem the proceeds from the sale of the shares to be of a capital nature. The capital gain (or loss) on disposal of the shares is equal to the difference between the disposal proceeds and the base cost. Only 33.33% (natural person) and 66.67% (company or trust) per cent of the net capital gain is included in taxable income. However for natural persons, the capital gain is only taxable to the extent that it exceeds the annual exclusion of ZAR30,000 for the year of assessment ending 28 February 2016. Where immovable property sold by a non-South African resident is subject to CGT, a withholding tax per section 35A (range of 5 – 10% of proceeds) of the ITA will apply on the proceeds paid to the non-South African resident. The tax is not a final tax.

10.2. Dividends tax

As of 1 April 2012, the declaration of a dividend by any South African resident, or South African listed company other than a headquarter company will be subject to dividends withholding tax at the rate of 15%. Dividends tax is a shareholder-borne tax, with such tax being withheld by the company / regulated intermediary on behalf of the shareholders and paid over to the South African Revenue Service. This tax may also, where applicable, be subject to reduction (to a minimum of 5%) in terms of South Africa's double tax treaty network. A dividend declared to a South African resident company is exempted from Dividends Tax by section 64F(1)(a) of the ITA, provided the requisite documents (declaration and undertaking) are lodged with the company making the distribution. Where a DTA is in place between South Africa and the jurisdiction of the non-South African resident shareholder, the rate may qualify for a reduction or be reduced to nil, where the necessary conditions to rely on the provisions of the DTA are complied with. The tax is a final tax.

10.3. Interest withholding tax

As of 1 March 2015, all payments of interest by any person to non-South African residents are subject to interest withholding tax of 15% where the source of the interest is deemed to be from South Africa. The source will be deemed to be from South Africa if (1) the interest paid, is attributable to an amount incurred by a resident (unless incurred in terms of a permanent establishment of the resident outside of South Africa) or (2) the interest is paid or accrues, in respect of the utilization or application in South Africa of any funds or credit obtained in terms of any interest-bearing arrangement. Exemptions are available, depending on the profile of the borrower (e.g. the government, any bank, etc.) as well as for non-South African resident individuals outside of South Africa for a period exceeding 183 days; provided the requisite documents (declaration and undertaking) are lodged with the company making the payment. Where a DTA is in place between South Africa and the jurisdiction of the non-South African resident interest instrument holder, the rate may qualify for a reduction or be reduced to nil, where the necessary conditions to rely on the provisions of the DTA are complied with. The tax is a final tax.

10.4 The Mineral and Petroleum Resources Royalty Act, 28 of 2008 ("Royalty Act")

The South African parliament has passed the Royalty Act imposing a royalty on mining companies in favour of the National Revenue Fund on the transfer of mineral resources, which came into force on 1 March 2010.

Royalty rates imposed differ between refined (minimum of 0.5% to maximum of 5%) and unrefined (minimum of 0.5% to maximum of 7%) mineral resources but in both instances are based on a percentage of gross sales. The percentage is derived from a pre-determined formula measuring the ratio of earnings before interest and tax and the gross sales. The

Royalty Act allows the holder of a mining right to enter into an agreement with the tax authorities to fix the percentage royalty that will be payable in respect of all mining operations carried out in respect of that resource for the life of the mine.

10.5. Securities transfer tax ("STT Act")

The STT Act governs the transactional taxes payable on any transfer of South African listed and unlisted South African tax resident securities. A 'transfer' includes any cancellation or redemption of a security, but does not include the issue of a security or an event that does not result in a change of beneficial interest in the security. Transaction tax payable under the STT Act is levied at a rate of 0.25% of the consideration payable in respect of any transfer of a security listed on the JSE, on the higher of the consideration or closing price of the security listed on the JSE on the date of the transaction, whether the transfer is effected by a Central Securities Depository Participant ("CSDP") or in any other manner. Where a JSE listed company or CSDP effects the transfer of such a listed security, the listed company or (as appropriate) CSDP is liable to pay transactional tax payable under the STT Act, but may recover it from the person to whom the security is transferred. If a security listed on the JSE is transferred in a manner other than by a CSDP, the person to whom the security is transferred is liable for such transaction taxes. In respect of an unlisted security, transactional tax payable under the STT Act is payable by the company whose shares are being transferred but is usually reimbursed by the purchaser of the relevant securities. For unlisted securities, such transactional tax is levied at the rate of 0.25% of the higher of the consideration paid or the market value of the security.

11. Exchange Control Regulations

The present South African exchange control system was introduced in 1961. Section 9 of the Currency and Exchanges Act, 9 of 1933, as amended (the "Currency and Exchanges Act"), empowers the President of South Africa to make regulations with regard to any matter directly or indirectly relating to or affecting or having any bearing upon currency, banking and exchanges. The regulations made in terms of the Currency and Exchanges Act are contained in the Exchange Control Regulations, as amended from time to time ("Exchange Control Regulations"). Orders and rules, as amended from time to time, are issued under the Exchange Control Regulations ("Orders and Rules"). The exchange control system is used principally to control capital movements by South African residents to countries outside the Common Monetary Area ("CMA"), which consists of South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland. South Africa's Exchange Control Regulations restrict business transactions between residents of the CMA, and non-residents of the CMA.

In terms of the Exchange Control Regulations and pursuant to the Orders and Rules, certain commercial banks are appointed by the South African Minister of Finance as "authorised dealers" in foreign exchange ("Authorised Dealers"). Their function is to undertake and deal with certain aspects of exchange control on behalf of their clients and in terms of the Exchange Control Rulings (which are rulings issued by the Financial Surveillance Department of the SARB to Authorised Dealers and which set out certain approvals which may be granted by Authorised Dealers to their clients without reference to the SARB) ("Exchange Control Rulings"). All approvals sought, and which do not fall within the ambit of (and are not authorised by) the Exchange Control Rulings, must be referred by an Authorised Dealer to the SARB for its consideration. All applications to the SARB must be made through an Authorised Dealer.

In particular, South African companies (i) are generally not permitted to export capital from South Africa, hold foreign currency in excess of certain limits or incur indebtedness denominated in foreign currencies without the approval of the South African Exchange Control authorities; (ii) are prohibited from using transfer pricing and excessive interest rates on foreign loans as a means of expatriating currency; and (iii) are generally not permitted to acquire an interest in a foreign venture without the approval of the South African Exchange Control authorities and are subject to having complied with the investment criteria of the South African Exchange Control authorities.

Non-residents of the CMA may acquire shares on the JSE, provided that payment is received in foreign currency of ZAR from a non-resident account. Proceeds from the sale of shares by non-residents are freely transferable. Former residents of the CMA who have emigrated may

use emigrant blocked funds to acquire shares, provided that these are endorsed accordingly and brought under the physical control of the Authorised Dealer who controls said emigrants' remaining blocked assets.

While the South African government has relaxed exchange control in recent years, it is difficult to predict what action, if any, the government may take in the future with respect to exchange control.

PART V:

RISK FACTORS

Shareholders should carefully consider the following risk factors in addition to the rest of the information contained or incorporated by reference in this document prior to making any decision as to whether or not to vote in favour of the Resolutions.

The Directors consider the following to be the material risk factors relating to the Acquisition and to which the CoAL Group and, following Completion, the Enlarged Group will be exposed as a result of the Acquisition. If any of the risks described below were to occur, it could have a material adverse effect on the business, results of operations, financial condition and/or growth prospects of the CoAL Group and, if Completion takes place, the Enlarged Group, and the value of Shares could decline and Shareholders could lose all or part of the value of their investment in Shares. The risks described below should not be considered to be an exhaustive statement of all the potential risks and uncertainties that the CoAL Group and the Universal Group face and that the Enlarged Group may face if the Acquisition is completed. There may be additional risks, or risks that are considered to be immaterial at the time of publication of this document that may become material and adversely affect the CoAL Group and, if Completion takes place, the Enlarged Group.

Unless otherwise indicated or the context otherwise requires, references in this Part V to 'the CoAL Group' should be taken as referring to the Enlarged Group if the Acquisition is successfully completed, and the risks summarised in this Part V should be considered as applying to the Enlarged Group.

Shareholders should read this document as a whole and not rely solely on the information set out in this section.

RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE COAL GROUP (AND, IF THE ACQUISITION IS COMPLETED, THE ENLARGED GROUP)

Mineral resource estimates are uncertain and subject to change due to a variety of factors, and resources recovered may be less in terms of volume, quality and yield than the estimates included in this document and may not be able to be brought into profitable production

The exploration of minerals is speculative in nature and is frequently unsuccessful. The CoAL Group may be unable to successfully discover and/or exploit mineral resources. The CoAL Group bases its mineral resource estimates on engineering, economic and geological data assembled and evaluated by its staff and, in certain cases, reviewed by third parties. Reserve estimates as to both quality and quantity are periodically updated to reflect production experience and other new data. The estimation of mineral resources is a subjective process and the accuracy of mineral resource estimates is a function of the quantity and quality of available data, the assumptions used (including assumptions among others as to geological and mining conditions, effects of regulation and taxes, commodity prices, foreign currency exchange rates, operating costs, mining technology improvements, development costs and reclamation costs) and judgements made in interpreting engineering and geological information. There is significant uncertainty in any mineral resource estimate, and the actual deposits encountered and the economic viability of mining a deposit may differ materially from the CoAL Group's estimates. Without limiting the generality of the foregoing, declines in coal prices, increases in production costs, decreases in recovery rates or changes in applicable laws and regulations, including as to environmental, licensing, title or tax matters, could impact the volume of coal that can be feasibly be extracted relative to the reserve and mineral resource estimates indicated in this document.

Estimated mineral resources may also have to be recalculated based on changes in coal or other commodity prices (or other underlying assumptions), further exploration or development activity (for example, upon encountering mineralisation and formations that differ from those expected based on past drilling, sampling and other examinations) and/or actual production experience. In addition, by their very nature, mineral resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates may change, which could result in: (i) alterations to development and mining plans which may, in turn, adversely affect the CoAL Group's operations; and (ii) a material adverse or other important factors that influence mineral resource estimates.

Further, there can be no assurance that any resources recovered can be brought into profitable production. Price fluctuations, increased production costs or reduced recovery rates, or other

factors may render the present estimated or inferred resources of the CoAL Group uneconomical or unprofitable to develop at a particular site. Any significant difference between the CoAL Group's actual resources and its current estimates, or any changes adversely affecting estimates or the profitability of the CoAL Group's resources, could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

The nature of mineral exploration, development and mining activities involves a high degree of risk

The establishment and operation of a commercial mine is complex, and entails significant execution risk as well as the need for effective operational management, purchase of required equipment, creation of necessary infrastructure, and the retention of relevant employees with the required levels of experience and technical skill. The establishment, development and operation of the CoAL Group's operations are therefore subject to a number of risks, including:

- delays or higher than expected costs in obtaining necessary equipment or replacement equipment;
- cost escalation due to changes in the scope of the CoAL Group's projects or general inflationary pressures;
- adverse underground mining conditions, including unanticipated variations in grade and other geological problems, difficult surface or underground conditions and unusual or unexpected ground conditions, which may delay and hamper production;
- adverse opencast mining conditions, including failure of the highwall, flooding, ongoing ingress of underground water, subsidence, lack of storage space for excessive waste and overburden material and other conditions which may have a negative impact on mining and extraction rates;
- mechanical and electrical equipment under-performance and maintenance problems;
- disruption to transport services including air, overland conveyor and other systems;
- governmental or other regulatory action, including suspension or revocation of licences, as a result of actual or alleged safety or environmental risks or other actual or alleged violations of law, regulations or terms of licences, or imposition of additional taxes, fees or other obligations;
- fire, flooding, rock bursts, cave-ins and landslides and mine closures resulting from any such incidents;
- climate change, unusual weather, seismic events or other natural phenomena;
- unavailability of contractors or shortage of skilled personnel, strikes, lock-outs and shut downs;
- inadequate or sub-standard performance by contractors;
- increased or unexpected reclamation, rehabilitation or remediation costs;
- terrorism, sabotage, theft or other interference in the maintenance or provision of infrastructure;
- disruption to the supply of electricity or water;
- the occurrence of accidents in the course and scope of mining activities, which may result in serious injuries to or fatalities of employees; and
- other adverse conditions resulting from drilling, blasting and removal and processing of material associated with surface or underground mining.

The occurrence of these or other risks could result in operational delays, loss of production and decreased revenues and cash flows, and consequently could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

Further, as the scope and extent of the CoAL Group's mining operations are planned to increase substantially in the future, in particular as the Makhado Project is brought into commercial production, the CoAL Group faces significantly greater exposure to these risks and the impact of any of such risks could have an increasingly material effect on the CoAL Group's business, results of operations and/or growth prospects.

The production, processing and product delivery capabilities of the CoAL Group's industrial assets rely on their infrastructure being adequate and remaining available

The mining, drilling, processing, development and exploration activities of the industrial assets in which the CoAL Group holds an interest depend on adequate infrastructure. Certain of these assets are located in areas that are sparsely populated and are difficult to access. Reliable roads, power sources, transport infrastructure and water supplies are essential for the conduct of these operations and the availability and cost of these utilities and infrastructure affect capital and operating costs and, therefore, the CoAL Group's ability to maintain expected levels of production and results of operations. Unusual weather or other natural phenomena, sabotage or other interference in the maintenance or provision of such infrastructure could impact the development of a project, reduce production volumes, increase extraction or exploration costs or delay the transportation of raw materials to the mines and projects and commodities to end customers. Any such issues arising in respect of the infrastructure supporting or on the CoAL Group's sites could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and prospects.

The CoAL Group is exposed to a reduction in the price, and demand for, of its products

Although none of the CoAL Group's existing assets are currently in production, it expects to recommence coal production and sales as soon as feasible. In addition, if the Acquisition is successfully completed, the Enlarged Group's assets will include the Kangala mine, which is currently in production. The CoAL Group's revenues revenue will therefore be affected by the price which the CoAL Group is able to obtain for its thermal and coking coal products. The supply of and demand for (and therefore the prices of) commodities such as coal are volatile and are influenced by factors beyond the CoAL Group's control. These factors include global economic trends and conditions, global demand and supply, the demand for electricity (in the case of thermal coal) and the demand and prices for steel (in the case of coking coal), the costs of freight, prices and availability of alternative energy sources, the introduction of new laws limiting greenhouse gas emissions, costs of raw materials, labour and services related to steel production and electricity generation, exchange rates, commodity trading on the future markets, interest and inflation rates, political events and other market forces.

The CoAL Group's expansion plans involve increasing its coal production, with a significant proportion of future revenue expected to be derived from coking coal. Consequently, the CoAL Group will be particularly affected by the level of demand for such coal from the steel industry, and prices for its coal will be directly impacted by global market conditions in the steel industry. A drop in steel prices and/or demand is likely to put downward pressure on the prices the CoAL Group can charge customers for its coking coal. Similarly consolidation in the steel industry could lead to reduced prices for coking coal. There can be no assurance that the price of, and/or demand for, coal, and in particular coking coal, will not decline in the future.

A significant continuing decrease in the price of coal sold by the CoAL Group, or fluctuations in the volume of coal produced or marketed by the CoAL Group, could therefore have a material adverse effect on the CoAL Group's revenue, and consequently its business, results of operations, financial condition and/or growth prospects.

The CoAL Group may not achieve its production estimates, and production may not be economically viable

The CoAL Group cannot give any assurance that its production estimates are accurate, that it will achieve its production estimates or that production will be economically viable. These production estimates are dependent on, among other things, the accuracy of mineral resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions and physical characteristics of ores, such as hardness and the presence or absence of particular metallurgical characteristics and the accuracy of estimated rates and costs of mining and processing. The CoAL Group's actual production may also vary from its estimates for a variety of reasons, including adverse operating conditions (such as unexpected geological conditions, fire, weather and accidents), compliance with governmental requirements, timely acquisition of mining rights, labour and safety issues, delays in installing or repairing plant and equipment, and any inability to complete, or lack of success of, capital development and exploration drilling.

Even where resources are discovered, it can take a number of years from the initial phases of exploration and drilling until production is possible, during which time the economic feasibility of

production may change. Substantial expenditures are required to establish the viability of coal resources through drilling and, in the cases of new properties, to construct mining and processing facilities. As a result of these uncertainties, there can be no assurance that it will be economically viable to operate a mine at the time production is due to commence.

The profitability of the CoAL Group will depend in large part on its ability to mine coal at competitive costs and meet customer expectations regarding timing and quality. The failure of the CoAL Group to achieve its production estimates, or a change in conditions resulting in production no longer being economically viable, could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

Mining companies are increasingly required to consider and ensure the sustainable development of, and provide benefits to, the communities and countries in which they operate

As a result of public concern about the perceived ill effects of environmental degradation and preservation of sites of historical or cultural significance, businesses face increasing public scrutiny of their activities. Businesses are under pressure to demonstrate that while they seek a satisfactory return on investment for shareholders, other stakeholders including employees and local communities, also benefit from their commercial activities, or at least are not adversely impacted.

In the case of mining, operations often are located at or near existing towns and villages, natural water courses, nature reserves, nature conservancies, mountain ranges, priority conservation areas and other infrastructure or sites of historical, environmental or cultural significance. Mining operations must therefore be designed to minimise their impact on such communities and the environment, either by changing mining plans to avoid such impact, by modifying mining plans and operations, by making specific undertakings in the relevant social and labour plan, by purchasing land as an offset or by relocating the affected people to an agreed location. These measures may include agreed levels of compensation for any adverse impact the mining operation may continue to have upon the community. Also, such measures may involve changes to the nature of mining operations (from opencast to underground, for example) or redesign of a mine's location or layout which can lead to delays in commencing operations and increased capital and operating costs.

With regards to Roodekop, some of the mining area (owned by the relevant local government) has been earmarked by government for redistribution. There is a risk for the Universal Group that the South African government (as the owner of such land and notwithstanding that the Universal Group holds a mining right over it) redistributes portions thereof to third parties for occupation and use, which, in turn, increases the risk of a degree of volatility in the area, particularly with affected future occupiers (or people who will not necessarily occupy the land but who have been allocated same under the redistribution process) who may believe that they will then be entitled to benefit from mining that takes place in close proximity to them and start to make demands which can lead to violence and operational disruption. Although the area in question falls outside the current mine plan for Roodekop, if Universal decided to mine in that area in the future, this could cause significant disruptions to operations in the affected area.

Failure to address community concerns, or a response to such concerns being perceived as inadequate, may lead to an organised opposition to the CoAL Group's business and planned activities, which could impede the CoAL Group's ability to operate and have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

The CoAL Group's operations are subject to strict environmental, heritage and health and safety regulation and enforcement

The CoAL Group's operations are subject to existing and any future environmental, heritage and health and safety legislation, regulations and actions (and which relate to matters as diverse as the deproclamation of nature reserves, 'licence requirements' to handle protected plants and trees and heritage resource permitting) which impose significant costs and burdens on the CoAL Group (the extent of which cannot be predicted) both in terms of compliance and potential penalties, liabilities and remediation or decommissioning costs. Breach of any environmental, heritage, or health and safety obligations could result in penalties and civil liabilities and/or suspension of operations, any of which could adversely affect the CoAL Group.

Mining and mineral processing operations have inherent risks and liabilities associated with damage to the environment, particularly water resources and the disposal of waste products occurring as a result of mineral exploration, production and processing. Mining and mineral processing operations

also increase the level of noise and generally impact on air quality (primarily dust), which could directly impact settlements in the immediate vicinity of such operations. Moreover, the legal and regulatory regimes applicable to the mining industry in South Africa have undergone fundamental changes over the past decade and, in certain key respects (including in relation to protection of the environment and heritage areas), applicable standards remain in flux and subject to change. Approval is required for land clearing, for ground disturbing activities and for other aspects of mining or prospecting operations. Delays in obtaining such approvals can result in delay to anticipated exploration programmes or mining activities.

There are potential heritage sites within some of the Universal Group's project areas which may impact on the Enlarged Group's operations. If any of these heritage sites fell within a planned mining area, a destruction permit may be required from the South African Heritage Resources Agency and, if the destruction permit was not granted, the Enlarged Group would be prevented from mining in the relevant area.

Any failure to comply with applicable environmental, heritage or health and safety laws or regulations, even if based on historical industry practice, or due to changes in laws or regulations (or the interpretation or enforcement thereof) or otherwise inadvertent, and any applications for rectification could result in a material interruption or restriction of the CoAL Group's exploration activities or its development or mining operations, and/or in the imposition of fines, penalties or other liabilities, which could have a material adverse effect on the business, results of operations, financial condition and/or growth prospects of the CoAL Group.

For a discussion of specific environmental compliance issues, see the risk factors set out under the heading "Risks Relating to South Africa" below.

The CoAL Group's environmental rehabilitation obligations may increase materially

The CoAL Group's operations are subject to various laws and regulations governing mine closure and mined-land rehabilitation. Amendments to these laws and regulations may result in an increase in the CoAL Group's regulatory obligations and compliance costs over time. As estimated costs increase, the CoAL Group is required to post increasing amounts of financial assurance to ensure the availability of funds to perform future closure and rehabilitation estimated at rates and on a basis of calculation prescribed by the DMR, which will impact the CoAL Group's financial provisioning and costs at the affected operations. There is no certainty that the basis of calculation prescribed by the DMR will remain stable over time, or that it will prove to be an accurate estimate of the CoAL Group's obligations in remediating the sites of its mining activities.

Should the CoAL Group be required to post other collateral, cash or cash equivalents directly in support of its financial assurance obligations in relation to rehabilitation and remediation, it would have to carry the cost of servicing these additional guarantees and the willingness of each of the banks providing such guarantees to make further debt financing available to the CoAL Group in the future may be reduced, thereby limiting the CoAL Group's future access to additional facilities or further guarantees from such banks, which could materially adversely impact the CoAL Group's operating and financial flexibility.

An interdict order may prevent or delay the CoAL Group from commencing operations at the Makhado Project

There is currently an interim court order interdicting CoAL from commencing any of the activities authorised by the Environmental Authorisation granted to CoAL in respect of the Makhado Project. The interim order effectively prohibits CoAL from conducting mining operations until (and if) the review of the grant of the aforementioned Environmental Authorisation has been finalised in the Company's favour. The Directors are confident of being able to resolve the situation and have the interdict order removed. However, if the Company is not able to achieve this and the interdict order is upheld by the South African courts, this could delay the commencement of operations at Makhado, or prevent the Company from commencing operations at the Makhado Project at all, which could have a material adverse effect on the business, results of operations, financial condition and/or growth prospects of the CoAL Group.

The CoAL Group's operations may be adversely affected by changes resulting from climate change legislation

Coal contains impurities, including sulphur, mercury, chlorine and other elements and compounds, many of which are released into the air when coal is burned. The extraction, processing and transportation of coal generate methane and carbon dioxide, both greenhouse gases. As a result, the CoAL Group's operations may be subject to laws, regulations and policies aimed at limiting or reducing greenhouse gas emissions (such as the Kyoto Protocol). In South Africa, a Carbon Tax Bill was published for comment on 2 November 2015, and it is anticipated that it will come into effect during the course of 2016. This proposed statute seeks to impose a carbon tax on a number of industries, including the mining industry for direct (scope 1) GHG emissions. It is also anticipated to have a notable effect on the cost of electricity.

While the impact of such laws, regulations and policies cannot be quantified at this time, the Directors believe this could increase costs for fossil fuels, electricity and transportation, restrict industrial emission levels, impose added costs for emissions in excess of permitted levels and increase costs for monitoring, reporting and financial accounting. As the CoAL Group incurs certain of these costs in the operation of its business, significant increases in such costs could have a material adverse effect on the business, results of operations, financial condition and/or growth prospects of the CoAL Group.

The CoAL Group operates in a competitive environment and its business will be adversely affected if it is unable to compete effectively

The CoAL Group competes on the basis of a range of factors. In the exploration phase, the CoAL Group must compete to acquire potentially profitable coal mining opportunities. As coal reserves deplete as coal is produced, coal mining companies' ability to sustain or increase production in the long-term depends, in part, on the ability to identify, acquire and develop additional coal reserves that are economically recoverable and to expand existing, or develop new, mining operations. The CoAL Group is likely to encounter competition in identifying exploration and development opportunities for attractive coal properties in South Africa and elsewhere, as well as in acquiring surface rights, both from competing non-mining-related uses for the land and from other mining companies. For the CoAL Group to expand its operations in South Africa or elsewhere, it is likely to face competition from both domestic and international coal mining companies which already have significant operations in targeted regions, together with potential new entrants in such regions, any of which may have greater financial, technological and other resources than the CoAL Group.

The CoAL Group's operations and future growth strategy require continuous acquisition of access to properties or surface rights where required to access properties where coal deposits may be located

In addition to procuring a prospecting or a mining right over a location, the CoAL Group may be unable to access a location for exploration or development without obtaining some type of property rights over the surface, although in certain cases necessary access may be obtained underground. The CoAL Group may purchase properties outright, or may enter into agreements with existing landowners granting access to the sites. The CoAL Group may encounter difficulties in acquiring property rights to promising areas because of inability to agree a fair price with the existing landowner, or because of community opposition to coal mining in the area, or for other reasons. If the CoAL Group is unable to acquire property rights over the surface for its existing and future projects at an acceptable cost, this could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/ or growth prospects.

Growth of the CoAL Group through joint ventures or acceptance of minority investments presents risks in implementation

The Universal Group is currently party to certain joint venture arrangements, and the CoAL Group may seek to enter into joint ventures or accept minority investments for new mining projects or acquisitions. The CoAL Group will therefore be dependent on maintaining good relationships with its joint venture partners and minority investors, whose interests may diverge from the CoAL Group's. Joint venture partners and minority investors may exercise veto rights; may be unable, or unwilling, to fulfil their contractual obligations; or may otherwise take actions contrary to the CoAL Group's policies or objectives with respect to its investments. Deterioration in relationships, or failures to resolve differences, with joint venture partners or minority investors could adversely affect the operations of the applicable venture or entity, delay or result in non-completion of a

mining project, imperil relevant licences and permits or otherwise material adversely affect the CoAL Group's business, results of operations, financial condition and/or growth prospects.

Growth through acquisition involves risks associated with identifying, evaluating and acquiring appropriate operational assets and/or sites for development, prospecting or exploration, and raises the potential for challenges in integrating operations, increased operating costs, exposure to unanticipated delays (including in respect of regulatory approvals), exposure to unanticipated liabilities (or other obligations) that were not discovered during the diligence process or appropriately covered by effective indemnification, and challenges in achieving expected efficiencies, cost savings and other synergies. Acquisitions may also require changes to operations generally, enhancements or expansion of financial and management controls and reporting systems, and additional staff. Failure to properly manage and integrate acquired or expanded operations could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

In addition, joint ventures and acceptance of minority investors could require significant cash outlays, issuing shares or incurring substantial debt, and could require significant commitments of management time and resources. The benefits of any joint venture, acceptance of minority investment or acquisition may take considerable time to achieve and there can be no assurance that any of the foregoing would in fact produce the expected benefits. Any of the foregoing could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

The CoAL Group may not be able to secure financing on suitable terms to finance the operation, development and expansion of its business in the longer term

Mining exploration and production requires significant capital expenditure and additional funding is likely to be required to develop the CoAL Group's projects, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, to meet any unanticipated liabilities or expenses which the CoAL Group may incur and to continue to grow the CoAL Group's business. The CoAL Group may, therefore, seek to raise further funds through equity or debt financing, or to enter into joint ventures or production sharing arrangements, or otherwise bring in a partner to share costs. There can be no assurance that such additional financing or a suitable partner will be available when needed or, if such financing is available, that the terms of the financing will be commercially acceptable to the CoAL Group. Further, any such additional debt financing, if available, may involve onerous restrictions on other financing and on operating activities. For example, the CoAL Group may become subject to increased interest expenses, covenants requiring that the CoAL Group maintain prescribed financial ratios and/or covenants restricting certain aspects of its business, including, for example, restrictions on additional future borrowings and indebtedness levels and permitted future acquisition activity, as well as security interests placed over certain of its assets. If interest costs were to increase significantly in the future, this could hinder the CoAL Group's ability to raise, renew and service its future indebtedness, reduce the funding options available to the CoAL Group and render it more vulnerable to economic downturns.

Failure of the CoAL Group to obtain sufficient financing for its activities and future projects could result in delay, indefinite postponement or complete abandonment of exploration, development or production on the CoAL Group's properties or even loss of a property interest (including any prospecting or mining right), which could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

Fluctuations in exchange rates could have a material adverse effect on the CoAL Group's operating results, cash flows and overall profitability

Historically, a substantial proportion of the CoAL Group's revenues have been generated in US dollars, and the Directors expect this to continue when production and sales commence at the Makhado Project and recommence at the Vele Colliery, while the majority of its costs are incurred in ZAR. The CoAL Group has also previously raised capital and paid for acquisitions in US dollars and pounds sterling. Further, the CoAL Group has adopted the US dollar as its reporting currency. The CoAL Group is therefore exposed to changes in the exchange rate between the ZAR and the US dollar and between the US dollar and pounds sterling.

The CoAL Group does not currently operate a foreign exchange hedging policy in order to reduce its exposure to movements in these currencies. Significant adverse changes in exchange rates

could therefore have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

The CoAL Group relies on certain key personnel

The CoAL Group's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the CoAL Group is, and will continue to be, to a significant extent dependent on the expertise and experience of the Directors and senior management of the CoAL Group. Whilst the CoAL Group has entered into contractual arrangements with the aim of securing the services of the existing management team, the retention of their services cannot be guaranteed.

The loss of key personnel could have a material adverse effect on the CoAL Group's business, financial condition, results of operations and/or growth prospects.

The Enlarged Group is exposed to the failure of non-performance of third parties and exposed to risks that key contracts are of a relatively short term and/or terminable on short notice

The Universal Group is, and the CoAL Group will once operations recommence be, dependent on third parties with whom it has commercial agreements for certain business critical services, such as the mining contractor at the Universal Group's Kangala mine. The efficiency, timelessness and quality of contract performance by third party providers is and will be largely beyond the Universal Group's and CoAL Group's direct control. If one or more of these third parties fails to meet its contractual obligations, or if such services are temporarily or permanently unavailable, or not available on commercially acceptable terms, this could have a material adverse effect on the Enlarged Group's business, results of operations, growth prospects and /or financial condition.

Further, sales and offtake agreements in the South African market are usually for a relatively short term or are terminable by the customer on short notice (typically 3 months) and there can be no guarantee that customers will roll over or renew their agreements. In particular, customers may be affected by market conditions which reduce their demand for coal. If any event or events occurred which caused a significant number of the Universal Group's customers (or, once the CoAL Group has recommended production, the CoAL Group's customers) to terminate their existing sales and offtake agreements or to fail to renew those agreements on expiry, and such agreement cannot be replaced with new agreements on substantially similar terms in a short period of time, this could have a material adverse effect on the Enlarged Group's business, results of operations, financial condition and prospects.

The use of mining contractors in respect of Kangala's operations may expose the CoAL Group to delays or inefficiencies or suspensions in activities and increases in mining costs

The Universal Group uses contractors for its operations at Kangala. The use of these contractors could result in Kangala's operations being disrupted, resulting in loss of revenues and/or additional costs and liabilities, if any of the contractors have financial difficulties, experience equipment shortages or labour disputes or if a dispute arises in renegotiating a mining contract, or if there is a delay in replacing an existing contractor. If the Acquisition is completed, increases in contract mining rates, in the absence of associated productivity increases without suitable contractual protection, or any other occurrence of the foregoing could have a material adverse effect on the CoAL Group's business, financial condition, results of operations and/or growth prospects.

The CoAL Group's operations may be adversely affected by interruptions in its energy supply

The CoAL Group is particularly dependent on reliable and continuous delivery of sufficient quantities of power to its mines at an affordable price. All mines in South Africa are being required to constrain power usage in the long term within pre-agreed limits. In late 2007, South Africa began experiencing a number of widespread rolling power outages due to electricity supplies being insufficient to meet demand. Although the global economic downturn resulted in a reduction of power consumption in South Africa for a limited period, a resumption of rolling power outages, voltage imbalances or reductions in availability of electrical power may restrict, or result in the shut-down or operation below capacity of, the CoAL Group's production facilities.

Eskom is the sole third-party supplier of electricity in South Africa, and no significant alternative sources of supply are available to the CoAL Group. There can be no assurances that Eskom will supply sufficient uninterrupted electricity to the CoAL Group at any stage in the future. Whilst the CoAL Group has back-up power capacity generated by diesel power plants, diesel power is substantially more expensive than power supplied by Eskom, and may be insufficient to meet all of

the CoAL Group's future energy requirements at the relevant time. The generating units may also be subject to mechanical failure, which would result in a partial or total loss in power generating capacity. A significant disruption to the CoAL Group's power supply could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

A significant increase in rail, port and international freight rates could have a material adverse effect on the CoAL Group's profitability

An increase in the Universal Group's (and, once the Makhado Project commences production and coking coal is exported by the CoAL Group, the CoAL Group's) transport costs could have a material impact on domestic and export demand for its coal and its profitability. The CoAL Group's main transport costs are expected to include road haulage from mine to railway sidings, transfer by rail from the mine or railway siding to the port, throughput, loading, berthing and demurrage charges at the port and international freight rates to customers.

Changes in the costs of the CoAL Group's transport costs could occur as a result of unforeseen events, including international and local economic and political events, and could result in changes in profitability or mineral reserve estimates. Any significant increase in the CoAL Group's transport costs could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

The CoAL Group will be dependent on adequate access to rail facilities and there can be no assurance that the CoAL Group will be able to obtain sufficient rail transport facilities to meet its continuing needs

The CoAL Group will rely on Transnet Freight Rail (a division of the South African government owned rail and freight organisation which is the sole third party supplier of freight rail transport in South Africa) for the transportation of coal by rail from the Vele Colliery and the Makhado Project. Contractual arrangements with Transnet Freight Rail typically do not impose any financial or other penalties on Transnet Freight Rail for failure to perform its obligations, and there are no performance guarantees. Historically, Transnet Freight Rail has provided an inconsistent performance, particularly on the line to the Matola Terminal, which was, in part, due to lack of wagons, locomotives and other equipment and inefficiencies in operating the existing railroad network.

The performance of Transnet Freight Rail may continue to be hampered by operational and capacity challenges, and by other circumstances outside of Transnet Freight Rail's control, (including, for example, as a result of a dispute between the South African and Mozambique governments in relation to the cross-border rail link or a terrorist or criminal act which disrupts or severs the rail service or due to badly maintained or outdated rolling stock or rail tracks).

There can be no assurance that the CoAL Group will be able to obtain sufficient rail transport facilities to meet its continuing needs, and the CoAL Group may not be entitled to financial compensation under the Transnet Freight Rail contractual arrangements if such facilities were not available. Any significant disruption to the CoAL Group's rail transportation arrangements or a delay in the delivery of increased rail capacity may have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

The CoAL Group's insurance coverage may be insufficient to cover losses or the CoAL Group could be subject to uninsured liabilities

There are circumstances where insurance will not fully reimburse the CoAL Group for the costs incurred in connection with the occurrence of an event, or where the CoAL Group may become liable for costs incurred in connection with events or incidents against which it either cannot insure or may have elected not to have insured (whether on account of prohibitive premium costs or for other commercial reasons).

Although the CoAL Group maintains insurance that it considers to be adequate, liabilities might exceed policy limits. Insurance fully covering sovereign risk, terrorism and many environmental risks (including potential liability for pollution or other hazards as a result of disposal of waste products occurring from exploration, production and processing) is not generally available to the CoAL Group.

Moreover, the CoAL Group may be subject to large excess payments or time-based excess provision in the event that it has a valid claim, and may not therefore be entitled to recover the full

extent of its loss, or may decide that it is not economical to seek to do so. The realisation by the CoAL Group of any significant liabilities in connection with its mining activities or otherwise could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

The tax residence of CoAL or Universal may change

CoAL is a company incorporated in Australia whose shares are traded on stock exchanges in Australia, the United Kingdom and South Africa and whose assets are located in South Africa. Universal is a company incorporated in England whose shares are traded on the ASX and whose assets are located in South Africa. There can be no guarantee that, as a result of changes in law, regulatory practice or otherwise, the jurisdiction of tax residency of CoAL or Universal will not change in the future. If such change were to occur, CoAL or Universal (as applicable) may become subject to additional tax liabilities as a result of different or more onerous tax laws in the relevant jurisdiction or as a result of, for example, a transfer of assets being deemed to have occurred as a result of the change of tax residency, which could have a material adverse effect on the CoAL Group's financial condition and/or growth prospects.

RISKS RELATING TO SOUTH AFRICA

The CoAL Group is subject to rigorous government regulation in South Africa which could restrict its operations or the continued expansion of its business

The CoAL Group's exploration activities, development projects and any future mining operations are subject to laws and regulations in South Africa governing the acquisition and retention of title to mining and prospecting rights, mine development, worker health and safety, employment standards, waste disposal, protection of water resources, protection of the environment, protection of endangered and protected species, protection and designation of conservation and heritage protected areas, protection of heritage sites and artefacts and other matters. In addition, coal may be deemed to be a strategic mineral or a designated mineral by the South African government, which could subject the CoAL Group's business to political interference. If coal is declared a "designated mineral", coal mining companies could be obliged to sell coal to local beneficiaries at a "mine gate" price or an agreed price. If it is declared a strategic mineral, the South African Minister of Mineral Resources will have the power to restrict the grant of prospecting and mining rights in respect of coal. The "mine gate" price is defined in the proposed amendments to the MPRDA published in 2013 as "the price (excluding VAT) of the mineral or mineral product at the time that the mineral or mineral product leaves the area of the mine or the mine processing site, and excludes charges such as transport and delivery charges from the mine area or the mine processing site to the local beneficiary".

Further, in conjunction with the significant transformation of South African society and related changes to the country's political institutions and economy, the legal and regulatory regimes applicable to the mining industry in South Africa have undergone fundamental changes over the past decade and, in certain key areas, applicable standards remain in flux and subject to change. It is possible that future changes in applicable laws or regulations, or changes in their enforcement, regulatory interpretation or application could result in changes to legal or practical requirements or the terms of existing permits, rights and agreements applicable to the CoAL Group or its projects. Any of the foregoing could have a material adverse impact on the CoAL Group's current exploration activities, planned development projects or future mining operations, including by requiring the CoAL Group to cease, materially delay or restrict exploration, development or mining operations, which could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

South African Exchange Control restrictions could hinder the CoAL Group's ability to make foreign investments, procure foreign denominated financings and to extract dividends from its operating subsidiaries

The ability of the Company, and its South African subsidiaries and their operations, to transfer funds out of South Africa and to enter into agreements which require or potentially require the transfer of funds out of South Africa (for example through payment of the purchase price or in the event of a breach of warranties given) is subject to South African Exchange Control Regulations. The South African Reserve Bank, and in particular its Exchange Control Department, has been delegated the authority to administer the South African exchange control system. The Exchange Control Department has wide discretion that is exercised in accordance with the Exchange Control

Regulations and in particular its exchange control rulings in line with the policy guidelines laid down by the South African Minister of Finance.

Any cash flows out of South Africa are regulated by Exchange Control Regulations. If the CoAL Group makes an application to the South African Reserve Bank for a transfer of funds out of South Africa or to enter into an agreement which will involve such a transfer (including, for example, any future debt financing agreement involving repayment to a foreign lender), there can be no assurance that such transfer will be approved. Any failure to obtain the necessary approval, or the imposition of any restrictions on the CoAL Group in respect of any such transfer or agreement may have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

Water is a scarce resource in South Africa and the CoAL Group may not be able to obtain or use the water required to carry on its operations

The CoAL Group's operations require significant amounts of water and the CoAL Group is dependent on the availability of water in its areas of operations. As a result of South Africa being a water-scarce country, water may not be readily available in a particular location in the quantities required to begin, sustain or increase the CoAL Group's operations at that location. If the CoAL Group was unable to obtain sufficient water supply for any of its projects or the right to use of the local water supply, this could impact on the CoAL Group's ability to continue or commence its operations at the relevant mine, and could thereby have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

Further, mining operations in South Africa generally require an integrated water use licence for all anticipated water uses. Any material breach of a water use licence could, if sufficiently material, result in the licence being revoked or an application for a licence or licence renewal being refused, and in such case the CoAL Group could be required to cease operations at the relevant mine, and could thereby have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

Third parties have the right to appeal to the South African Water Tribunal in respect of any water use licence and, once an appeal is lodged, the water use licence is automatically and immediately suspended by operation of law, and all operations at the relevant mine which require the use of water would have to cease (or would not be able to commence). Any appeal against the granting of a water use licence which prevented the CoAL Group from commencing or continuing operations at one of its mines for an extended period could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

The CoAL Group may not be granted or retain the necessary mining and prospecting rights for the continued operation and expansion of its business

The acquisition and retention of title to mining and prospecting rights is a complex and time consuming process. A wide range of factors and principles must be taken into account by the DMR when considering applications for mining rights or prospecting rights or their extension or renewal. The factors taken into consideration include the applicant's technical ability to conduct the proposed mining operation and the applicant's access to financial resources. The mining operations must not result in unacceptable pollution, ecological degradation or damage to the environment. The applicant must provide financially and otherwise for a prescribed social and labour plan and must have the ability to comply with the relevant provisions of the Mine Health and Safety Act 1996. The applicant must also comply with the HDSA equity/ownership participation requirements of the Mining Charter.

Failure to comply with the MPRDA or the terms of a mining or prospecting right, failure to comply with the Mining Charter or failure to secure the transfer or registration of the necessary mining or prospecting rights, would prevent the CoAL Group from obtaining new mining or prospecting rights, which could materially delay, restrict or prevent the CoAL Group from proceeding with its exploration activities or its future mining operations.

Title to, and the area of, mining or prospecting rights may be disputed or challenged. Although the CoAL Group believes it has taken and is taking reasonable measures to secure and retain title to its projects, there is no guarantee that title to its projects will be granted, that prospecting rights will be converted into mining rights or that title will not be challenged or impaired.

Further, administrative or other errors may also result in title to mining or prospecting rights not being registered in accordance with the relevant legislation, which may lead to such rights being

rendered unenforceable against third parties. Mining or prospecting rights in a particular location may also be granted to two or more applicants simultaneously, which may lead to the relevant rights being challenged. Any such challenges to the title of the CoAL Group's projects could stop, materially delay or restrict the CoAL Group from proceeding with exploration activities, mining activities, any development, or future mining operations, which could have a material adverse effect on the CoAL Group's business, results of operation, financial condition and/or growth prospects.

The CoAL Group's ability to undertake mining operations requires permits and licences from multiple governmental departments, which results in overlapping jurisdiction and multiple legal avenues for third parties to challenge the CoAL Group's permits and licences

The DMR issues the CoAL Group's mining rights, which are subject to compliance with all other applicable laws and regulations, and approves the CoAL Group's environmental management plans/programmes, social and labour plans, and mining work programmes. The South African Department of Water Affairs issues the water use licences for the use of water (including certain waste related water uses in the case of integrated water use licences). The South African Department of Environmental Affairs issues biodiversity permits in respect of protected and threatened species of plants and animals; environmental authorisations in respect of certain specified projects; and waste management licences. Provincial environmental departments issue the environmental authorisations for listed/specified activities published under the National Environmental Management Act, 107 of 1998. The Department of Agriculture, Forestry and Fisheries issues protected tree licences in respect of protected tree species. Municipalities issue air emission licences and authorise rezoning of land for mining use. Each of these regulators has its own regulatory and enforcement priorities, which may not necessarily coincide. The regulatory frameworks that are implemented and enforced by these regulators also have different policies and procedures for appeals and reviews prior to and post the grant of the relevant approval. For example, if a water use licence is appealed by a third party, such licence is immediately suspended and all activities authorised by the licence must cease. If the grant of a new order mining right or approval of an environmental management programme is challenged, the affected company may continue to operate while the appeal is pending.

If an appeal against a new order mining right, a water use license or an environmental management programme is successful, the CoAL Group would be unable to engage in mining of the area covered by the appeal. The administrative process and the conditions that may be attached by the various regulators to the approval of the application for licences, authorisations, and permits may result in delays, a prohibition on mining or mining-related activities or may require an unplanned and unbudgeted expenditure or impose operational constraints. Third parties opposed to the CoAL Group's current or future mining operations could use several legal avenues to challenge the CoAL Group's ability to conduct business. The different parameters, requirements and rights under the various regulatory frameworks, and the competing priorities of the regulators, could result in an inconsistent application of laws and could thereby place unexpected restrictions on the CoAL Group's operations, which could have a material adverse effect on its business, results of operations, financial condition and/or growth prospects.

Mining and/or prospecting rights may be granted for different minerals to persons other than the CoAL Group in respect of portions of the CoAL Group's project areas

Under South African law, it is possible for mining and/or prospecting rights in respect of the same area of land to be granted to different applicants in respect of different minerals. The MPRDA does not contain any provisions regulating the mining of different minerals occurring in the same orebody or in close proximity, or which must of necessity be mined together with other minerals (commonly referred to as 'associated minerals'). The CoAL Group does not, in all cases, hold rights in respect of all associated minerals occurring in the coal orebody of areas covered by the CoAL Group's prospecting and mining rights and, as such, third parties have in the past been and may in the future be granted mining and/or prospecting rights in respect of associated minerals in such areas. In order for third parties to be granted such rights, a consultation process must be followed, during which the CoAL Group will have the right to object to the application. However, there is no guarantee that such objection would be successful and, to the extent that such rights are granted, third party holders of rights to such associated minerals may obstruct the CoAL Group's mining operations or bring claims in respect of associated minerals mined by the CoAL Group, which could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

The CoAL Group's mining rights are subject to termination if the CoAL Group does not comply with its obligations under the provisions of the MPRDA

The MPRDA effectively abolished the private ownership of mineral rights and, with its enactment, the South African state became the custodian of all mineral rights in South Africa. All prospecting and mining rights granted in terms of the MPRDA are 'new order rights'. DMR officials undertake ad hoc or periodic reviews of the CoAL Group's compliance with MPRDA requirements with regard to its mining rights and prospecting rights, and may conclude that the CoAL Group is not complying with certain provisions of these rights and/or statutory provisions, some of which are subjective and whose assessment is dependent upon the views of the DMR as to whether the CoAL Group is in compliance. The MPRDA requires, for instance, that the CoAL Group comply with a social and labour plan which is submitted and agreed to as part of the application process for its mining rights. The social and labour plan contains both quantitative and qualitative goals, targets and commitments relating to the CoAL Group's obligations to its employees and community residents, which can increase over time and the levels of which can be a function of proximity to communities and the level of community activism, the achievement of some of which are not exclusively within the CoAL Group's control. The CoAL Group also must comply with BEE undertakings and the terms and conditions of the approved environmental management plans/programmes, social and labour plans and the mining/prospecting work programmes for each operation.

If the DMR rules that the CoAL Group has breached any material condition or obligation of a mining or prospecting right (including, without limitation, any material health and safety breach, or breach of the mining/prospecting work programme, the social and labour plan or the environmental management plan/programme), or the CoAL Group is deemed to have submitted any inaccurate, incorrect or misleading information to the DMR, the DMR may, subject to following a prescribed process, suspend or cancel the relevant mining or prospecting right. Any suspension or cancellation of any of the CoAL Group's licences or rights could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

The MPRDA provides for two separate stages of consultation with interested and affected parties ("IAPs"). Firstly, when an applicant applies for a prospecting/mining right, the applicant is required to notify and consult all IAPs within specified time periods. Secondly, once the mining/prospecting right is granted, the holder thereof is again required to consult with the landowner/lawful occupier prior to accessing the property(ies) in respect of which such right was granted. Although the CoAL Group believes that it has followed an adequate notice and consultation procedure in relation to its prospecting and mining rights, the risk remains that certain IAPs were not consulted or that the consultation processes followed did not meet the standards as prescribed in recent South African cases, which may affect the CoAL Group's right and interest in its prospecting and mining rights and, as a result, could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

The same principles with regard to suspension and cancellation of a prospecting or mining right following the prescribed process also apply in respect of material (and repeated) health and safety breaches.

The holder of a mining right who is successfully prosecuted on the basis of a negligent act or omission which caused the death of, serious injury or serious illness to any person may be liable to, among other things, the withdrawal or suspension of the mining right. While this provision has not yet been applied, the DMR have indicated that they will seek to implement and enforce this sanction in the event of repeat breaches or catastrophic accidents caused by the negligence of the employer for which the employer may be successfully prosecuted. Material and repeated health and safety incidents could therefore result in the withdrawal of one or more of the CoAL Group's mining rights and thereby have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

The BEE regulatory framework and/or the DMR's approach to compliance with BEE requirements in South Africa may change

Compliance with the BEE requirements set out in the Mining Charter is a prerequisite for the grant, renewal and retention of mining rights and, if the South African Minister of Mineral Resources so determines, prospecting rights in South Africa.

The DMR's approach regarding arrangements which have been established to satisfy the relevant BEE requirements is continuing to evolve and there is a risk that the DMR may determine that

arrangements which previously satisfied the BEE requirements no longer do so. As a result, the DMR may threaten to (and/or take action to) suspend or cancel mining rights or prospecting rights if, in the DMR's view, the requirements of the Mining Charter and the MPRDA are not being satisfied. There is a dispute currently before the South African courts between the South African Chamber of Mines and the DMR in relation to whether the South African Minister of Mineral Resources has the power to take such action, particularly in situations of BEE dilution following the grant of the mining right.

There is a further risk that the South African government may attempt to amend the Mining Charter or otherwise introduce more onerous BEE requirements. Any such change to the BEE requirements, or to the DMR's view regarding the ability of certain arrangements to satisfy the requirements, may force the CoAL Group to change its BEE arrangements, possibly at greater cost and/or on commercially disadvantageous terms, which could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

Some of the properties on which the CoAL Group conducts its mining operations may be subject to land claims

The Restitution of Land Rights Act, 22 of 1994 provides for the restitution of rights in land to persons or communities who have been dispossessed of such rights as a result of past racially discriminatory laws or practices. If a land claim is brought and settled in favour of the claimants with respect to any of the territory covered by the CoAL Group's mining or prospecting rights, it may impede or delay access to the site. Several land claims are currently underway in respect of certain land within the CoAL Group's project areas and there are further land claims in respect of properties within the NCC project area, some of which may have a significant impact on the CoAL Group's planned operations if successful. Any current or future land claim over a significant portion of any of Group's project areas could considerably delay the commencement of production at that project, which could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

Political, social and economic conditions in South Africa may adversely affect the CoAL Group's business, results of operation, financial condition and/or growth prospects

As all of the CoAL Group's revenue generating assets are currently located in South Africa, the CoAL Group's business, results of operations, financial condition and/or growth prospects are dependent on economic and political conditions prevailing in South Africa. Accordingly, the CoAL Group is subject to the risks associated with conducting business in and with a foreign country, including the risks of changes in the country's laws and policies (including those relating to taxation, royalties, acquisitions, disposals, imports and exports, currency, environmental protection, management of natural resources, exploration and development of mines, labour and safety standards, and historical and cultural preservation). The costs associated with compliance with these laws and regulations are substantial, and possible future laws and regulations, or the interpretation or enforcement thereof, as well as changes to existing laws and regulations could impose additional costs on the CoAL Group, require the CoAL Group to incur additional capital expenditures and/or impose restrictions on or suspensions of the CoAL Group's operations and delays or postponement in the development of its assets.

Further, these laws and regulations may allow government authorities and private parties to bring legal claims based on alleged damage to property and injury to persons resulting from the environmental, health and safety impacts of the CoAL Group's past and current operations and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. If material, these compliance costs, claims or fines could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

In addition, South Africa has high levels of unemployment and inequality, and skilled labour can be difficult to obtain in the current environment. Whilst it is difficult to predict the effect of these problems on businesses operating in South Africa or the South African government's efforts to solve them, these problems, or the solutions proposed, could cause the South African mining industry to regress which, in turn, could have a material adverse effect on the CoAL Group's business, results of operations, financial condition and/or growth prospects.

Local health conditions could have an adverse effect on the CoAL Group's business

HIV and AIDS, tuberculosis, malaria and other diseases are prevalent in the areas in which the CoAL Group operates. Increased mortality rates due to these diseases and viruses could result in

loss of employee man-hours, loss of trained and experienced employees, increased absenteeism, depressed morale and reduced productivity, in addition to increased recruitment and replacement costs, insurance premiums, benefits payments and other costs of providing treatment. These could have an adverse effect on the CoAL Group's business, financial condition or results.

RISKS RELATING TO THE ACQUISITION

Acquisition may not complete

The Acquisition is conditional on a number of factors, including:

- CoAL receiving (1) valid acceptances of the Offer in respect of at least 50% of the voting rights carried by Universal Shares, and (2) valid elections for the Loan Note Alternative in respect of at least 40% of the voting rights carried by Universal Shares;
- the Subscription Agreements having becoming unconditional in all respects and not having been terminated in accordance with their terms;
- consents required from certain persons under certain contracts to which members of the Universal Group are a party;
- there having been no material adverse change in the financial or trading position or prospects of the Universal Group as a whole since 30 June 2015; and
- the passing of Resolutions 1-4 at the General Meeting.

There is no guarantee that all of these conditions will be satisfied or waived (as applicable). If these conditions are not satisfied or waived, the Acquisition will not be able to complete and CoAL will not obtain any of the benefits or synergies of the Acquisition.

Acquisition and integration costs may be greater than anticipated

CoAL expects to incur a number of costs in relation to the Acquisition, including integration and post-completion costs in order to successfully combine the operations of CoAL and Universal, assuming the Acquisition completes. The actual costs of the integration process may exceed those estimated and there may be further additional and unforeseen expenses incurred in connection with the Acquisition. In addition, CoAL will incur legal, accounting, financial adviser and transaction fees and other costs relating to the Acquisition, some of which are payable whether or not the Acquisition reaches Completion. Although the CoAL Directors believe that the integration and Acquisition costs will be more than offset by the realisation of the benefits resulting from the Acquisition this net benefit may not be achieved in the short-term or at all, particularly if the Acquisition is delayed or does not complete. These factors could materially adversely affect the business, financial conditions, results of operations and prospects of the CoAL Group.

The Enlarged Group may experience operational difficulties in integrating the businesses of CoAL and Universal

CoAL and Universal currently operate and, until Completion, will continue to operate as two separate and independent businesses. The Acquisition will, if completed, lead to the incorporation of the Universal into the CoAL Group and the success of the Enlarged Group will depend, in part, on the ability of the Enlarged Group to realise the anticipated benefits from combining the respective operations. This process is likely to present significant administrative, managerial and financial challenges, some of which may not be known until after the process begins. Unforeseen difficulties, costs, liabilities or losses could adversely affect the business of the Enlarged Group, the success of which will depend, in part, on the effectiveness of integration and the realisation of the benefits of the Acquisition.

Potential difficulties of combining the businesses include the following:

- co-ordinating services and operations;
- consolidating infrastructure, procedures, systems, facilities, accounting functions, compensation structures and other policies;
- integrating the management teams and retaining and incentivising key employees;
- co-ordinating and communicating with a larger workforce and maintaining employee morale;
- co-ordinating communications with and/or the provision of products by the Enlarged Group to customers;
- operating and integrating a large number of different technology platforms and systems; and
- disruption to the ongoing businesses of each of the CoAL Group and the Universal Group.

The failure of, or any delays or difficulties encountered in connection with, the incorporation of the Universal Group with the CoAL Group could also lead to reputational damage to the Enlarged Group.

Management attention may be diverted from the business of CoAL by the Acquisition

The Acquisition has required, and will continue to require, substantial amounts of both time and focus from the CoAL Group's and the Universal Group's management teams, which could adversely affect their ability to operate the respective businesses. The Enlarged Group's management team will also be required, following completion, to devote significant attention and resources to integrating the businesses. There is a risk that the challenges associated with managing the Acquisition will result in management distraction and that consequently the underlying businesses will not perform in line with expectations.

The loss of one or more members of the Enlarged Group's key employees following the Acquisition could adversely affect the Enlarged Group's business, prospects, financial condition and results of operation

The performance of the Enlarged Group's management and other key employees, taken together, is critical to the success of the Enlarged Group and, while plans are, or will be put in place, for the retention of management and other key employees, there can be no assurance that the Acquisition will not result in the departure of management and/or other key employees from the Enlarged Group. Such departures may take place either before Completion or during the Enlarged Group's integration process following Completion. Failure of the Enlarged Group to maintain or put in place plans or arrangements or otherwise to incentivise employees appropriately could result in the departure of management and/or other key employees. The departure of a significant number of management or other key employees could adversely affect both the Enlarged Group's ability to conduct its businesses (through an inability to execute business operations and strategies effectively) and the value of those businesses which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Universal may remain listed on the ASX

If CoAL does not acquire a sufficiently high interest in Universal through the Offer to permit CoAL to delist Universal from the ASX (or to cause the ASX to delist Universal), Universal will remain listed on the ASX despite CoAL's majority ownership and the market price of the Universal Shares could be subject to significant fluctuations. The fluctuations could result from national and global economic and financial conditions, government plans and proposals with respect to economic conditions, market perceptions as to whether or when Universal will be able to pay dividends on Universal Shares and various other factors and events, including liquidity of financial markets, regulatory changes affecting the Universal Group's operations, variations in the Universal Group's operating results or business developments of the Universal Group and/or its competitors. If the market price of the Universal Shares on the ASX were to decline, the value of the Universal Group to CoAL would also decline. A significant decline in the price of the Universal Shares on the ASX could have a material adverse effect on the CoAL Group's financial condition and/or growth prospects.

CoAL's shareholding of Universal

Whilst on completion of the Offer CoAL will be a majority shareholder in Universal, Universal will continue to be run by its board of directors. Whilst CoAL intends to seek board representation, until CoAL nominated directors are appointed and for so long as CoAL appointees are not a majority of the board of Universal, the board of Universal may have interests or goals that are inconsistent with CoAL's and take action contrary to CoAL's policies or objectives. In addition, whilst completion of the Offer will see CoAL control a majority of the issued shares in Universal, if additional shares are issued for example in connection with a fundraising or pursuant to options and warrants in issue prior to completion of the Offer, CoAL's interest in Universal may be diluted to less than a majority. In such circumstances it may affect CoAL's ability to influence the direction of the Universal business and may have a material effect on the results of CoAL for example where Universal's results cease to be consolidated with those of CoAL.

RISKS RELATING TO SHARES

The price of Shares will fluctuate

The market price of Shares could be subject to significant fluctuations. The fluctuations could result from national and global economic and financial conditions, government plans and proposals with respect to economic conditions, market perceptions as to whether or when CoAL will be able to pay dividends on Shares and various other factors and events, including liquidity of financial markets, regulatory changes affecting the CoAL Group's operations, variations in the CoAL Group's operating results or business developments of the CoAL Group and/or its competitors. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the CoAL Group's operating or performance prospects.

Furthermore, the CoAL Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of Shares.

CoAL's ability to pay dividends to Shareholders may be restricted

CoAL's operating results and its financial condition are dependent on the trading performance of members of the CoAL Group. CoAL's ability to pay dividends will depend on the level of distributions, if any, received from CoAL's subsidiaries. The ability of Group members to make distributions to CoAL will depend on, among other things, the level of earnings, reserves and ongoing working capital requirements. Group members may from time to time also be subject to restrictions on their ability to make distributions to CoAL, as a result of factors such as regulatory restrictions, restrictive covenants contained within loan agreements, foreign exchange limitations, fiscal or other restrictions. Such restrictions could limit the payment of future dividends and distributions to CoAL, which could in turn restrict CoAL's ability to fund other operations or to pay a dividend to Shareholders. CoAL can give no assurance that it will be able to pay a dividend on Shares in the future.

Future issues or sales of Shares could adversely affect the price of CoAL Shares

CoAL may issue additional Shares in the future, which may adversely affect the market price of Shares. Significant sales of Shares by major Shareholders or the public perception that an offering or sale may occur could also have an adverse effect on the market price of Shares.

The ability of Shareholders outside Australia or South Africa to bring an action or enforce judgements against CoAL or a Director may be limited

The ability of a Shareholder resident outside Australia or South Africa to bring an action or to enforce a judgement against CoAL may be limited by law. CoAL is incorporated under the laws of Western Australia. The rights of Shareholders are governed by Australian law and the Constitution of CoAL. These rights may differ from the rights of shareholders in typical UK or other non-Australian corporations.

Further, a Shareholder resident outside Australia or South Africa may not be able to enforce a judgement against some or all of the Directors. CoAL's Directors and officers are not citizens of the United States and reside outside the United Kingdom and the United States, and all or a substantial portion of its assets and the assets of its Directors and officers are located outside the United Kingdom and the United States. Consequently, it may not be possible for a Shareholder located outside those jurisdictions to effect service or process within the United Kingdom or the United States upon CoAL or its Directors and officers or to enforce against them any judgements of the courts of England and Wales or in the United States courts, including, without limitation, judgements predicated upon the civil liability provisions of the UK, European or US federal securities laws or the laws of any states or territory within the United States. In addition, there is doubt as to the enforceability in the United Kingdom and Australia, in original actions or in actions for enforcement of United States court judgements, of civil liabilities predicated solely upon US federal securities laws. In addition, awards for punitive damages in actions brought in the United States or elsewhere may be unenforceable in the United Kingdom and Australia.

PART VI:

TERMS AND CONDITIONS OF THE OFFER

Section A Offer Terms and Conditions

1. CONDITIONS

The Offer is conditional upon:

- (a) CoAL receiving valid acceptances of the Offer by no later than the close of the Offer Period in respect of not less than 50 per cent. of the voting rights carried by Universal Shares (including for this purpose, any voting rights attaching to any Universal Shares which are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of conversion of subscription rights or otherwise);
- (b) CoAL receiving valid elections for the Loan Note Alternative by the close of the Offer Period in respect of Universal Shares representing not less than 40 per cent. of the total voting rights carried by Universal Shares (including for this purpose, any voting rights attaching to any Universal Shares which are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of conversion of subscription rights or otherwise);
- (c) Resolutions 1-4 being passed at the General Meeting;
- (d) (i) the admission to trading on AIM of the Consideration Shares to be issued in connection with the Offer becoming effective in accordance with the AIM Rules for Companies or if CoAL and Universal so determine, the London Stock Exchange having acknowledged to CoAL or its agent (and such acknowledgement not having been withdrawn) that the Consideration Shares will be admitted to trading on AIM; and (ii) the readmission to trading on AIM of Shares becoming effective in accordance with the AIM Rules for Companies for the purposes of Rule 14 of the AIM Rules for Companies or, if CoAL and Universal so determine, the London Stock Exchange having acknowledged to CoAL or its agent (and such acknowledgement not having been withdrawn) that the Shares will be readmitted to trading on AIM for the purposes of Rule 14 of the AIM Rules for Companies;
- (e) each of the Subscription Agreements having become unconditional in all respects, and not having been terminated in accordance with its terms;
- (f) the Offer not becoming subject to the UK Takeover Code;
- (g) the South African Competition Commission unconditionally approving in writing the implementation of the Acquisition;
- (h) Investec Bank Limited (in its capacity as lender, arranger and facility agent under the Facility Agreements) having provided its written consent to the implementation of the Acquisition on terms acceptable to CoAL, acting reasonably;
- (i) Mountain Rush Trading 6 Proprietary Limited having provided its written consent to the implementation of the Acquisition on terms acceptable to CoAL, acting reasonably;
- (j) all Authorisations required by applicable law or regulation for the making or implementation of the Offer being obtained on terms acceptable to CoAL, acting reasonably;
- (k) there having been no material adverse change in the financial or trading position of, or prospects for, the Universal Group taken as a whole since 30 June 2015, and that none of the following events occur between the date of the Joint Announcement and the end of the Offer Period:
 - (i) Universal consolidates or sub-divides all or any of its shares into a larger or smaller number of shares;
 - (ii) Universal or a member of the Universal Group resolves to reduce its share capital in any way;
 - (iii) Universal or a member of the Universal Group enters into a buy-back agreement in respect of its shares or resolves to approve the terms of such a buy-back agreement;

- (iv) Universal or a member of the Universal Group issues shares or grants an option or right over its shares, or agrees to make such an issue or grant such an option or right (other than as between Universal and members of the Universal Group and other than any options granted under the Universal Share Plan before the date of the Joint Announcement, or as otherwise disclosed in Universal's Annual Report for the year ended 30 June 2015);
 - (v) Universal or a member of the Universal Group issues, or agrees to issue, convertible notes or other convertible securities, other than any options granted under the Universal Share Plan before the date of the Joint Announcement;
 - (vi) Universal or a member of the Universal Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property and which is material to the Universal Group taken as a whole;
 - (vii) Universal or a member of the Universal Group grants, or agrees to grant, a charge, encumbrance or other security interest in or over the whole, or a substantial part, of its business or property and which is material to the Universal Group taken as a whole;
 - (viii) Universal or a member of the Universal Group resolves to be wound up;
 - (ix) the appointment of a liquidator or provisional liquidator of Universal or of a member of the Universal Group;
 - (x) a court makes an order for the winding up of Universal or of a member of the Universal Group;
 - (xi) an administrator of Universal, or of a member of the Universal Group, is appointed;
 - (xii) Universal or a member of the Universal Group executes a deed of company arrangement with its creditors;
 - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Universal or of a member of the Universal Group;
 - (xiv) Universal enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or senior manager, or pays or agrees to pay any retirement benefit or allowance to any director, senior manager or other employee, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, senior manager or employees generally (except as required by law or provided under any superannuation, provident or retirement scheme as in effect on the date of the Joint Announcement) would give rise to a cost for the Universal Group of more than US\$500,000 per annum;
 - (xv) Universal, or a member of the Universal Group, acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than US\$10 million;
 - (xvi) Universal, or a member of the Universal Group, disposes, offers to dispose or agrees to dispose of, or creates, or offers to create an equity interest in one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than US\$10 million;
 - (xvii) Universal, or a member of the Universal Group, enters into, offers to enter into or announces that it proposes to enter into any joint venture or partnership or dual listed company structure;
 - (xviii) Universal, or a member of the Universal Group, incurs or commits to, or grants to another person a right the exercise of which would involve Universal or any subsidiary of Universal incurring or committing to any capital expenditure or liability for one or more related items of greater than US\$10 million,
- provided that it will not include any occurrence:
- (i) fairly disclosed to CoAL on or before the date of the Joint Announcement;
 - (ii) disclosed publicly by Universal through the Universal ASX Announcement Platform under the code "Universal" on or before the date of the Joint Announcement;

- (iii) fairly disclosed in Universal's 2015 Annual Report;
- (iv) expressly permitted under the Cooperation Agreement;
- (v) occurring as a result of any matter, event or circumstance required by the Cooperation Agreement, the Offer or the transactions contemplated by them; or
- (vi) approved in writing by CoAL.

2. WAIVER OF CONDITIONS

- (a) CoAL reserves the right to waive any of the above Conditions, subject to applicable laws and regulations and the terms set out below.
- (b) CoAL shall be under no obligation to waive (if capable of waiver) or to treat as fulfilled any Condition by a date earlier than the latest date for the fulfilment of that Condition notwithstanding that the other Conditions may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.
- (c) The Cooperation Agreement includes agreement between the parties regarding the ability of CoAL to invoke the Conditions and to implement the Offer by way of a Scheme. In particular, CoAL has agreed that, although the UK Takeover Code does not apply to the Offer, it shall not invoke any of the Conditions set out in paragraph 1(k) of this section A (other than the Conditions in paragraphs 1 (k)(xiv), (xv), (xvi) and (xviii)) in order to cause the Offer to lapse or be withdrawn unless the circumstances giving rise to CoAL wishing to invoke the Condition are such that, if the UK Takeover Code did apply to the Offer, the UK Takeover Panel would or could reasonably be expected to permit the relevant Condition to be invoked.
- (d) CoAL has agreed that it will not waive the minimum acceptance condition set out in paragraph 1 (a) of this section A.

3. OPERATION OF CONDITIONS

- (a) Each of the Conditions:
 - (i) constitutes and is to be construed as a separate, several and distinct Condition; and
 - (ii) until the expiration of the Offer Period (or, in the case of the Condition referred to in paragraphs 1 (k)(i) to (xiii) of this section A until three Business Days after the end of the Offer Period) will be for the benefit of CoAL alone and may be relied upon only by CoAL.
- (b) Each of the Conditions is for CoAL's benefit and may only be waived by CoAL.
- (c) Each of the Conditions is a condition subsequent and will not prevent a contract with Universal Shareholders to sell their Shares arising from acceptance of this Offer. However, any non-fulfilment of such a Condition without waiver by CoAL will entitle CoAL, by written notice, to rescind the contract resulting from acceptance of this Offer.

4. FREEING THE OFFER FROM CONDITIONS

Subject to and in accordance with the ASIC Relief, CoAL may declare the Offer free from any or all of the Conditions by giving notice in writing to Universal and ASX. Any declaration made under this section 4 may be made by CoAL in its sole discretion but in compliance with the ASIC Relief:

- (a) in the case of the Conditions in paragraphs 1 (k)(i) to (xiii) of this section A above any time up until three Business Days after the end of the Offer Period;
- (b) in any other case, no later than seven days before the end of the Offer Period.

5. NOTICE ON STATUS OF CONDITIONS

CoAL will give notice of the status of the Conditions in accordance with section 1019HG(1) of the Corporations Act (as notionally inserted by the ASIC Relief) on 25 February 2016, or such later date in the event the Offer Period is extended in accordance with section 1019HB or 1019HC of the Corporations Act (as notionally inserted by the ASIC Relief).

6. NON-FULFILMENT OF CONDITIONS

The non-fulfilment of any of the Conditions does not, until the end of the Offer Period, prevent a contract resulting from acceptance of this Offer. If at the end of the Offer Period (or, in the case of the Condition in paragraphs 1 (k)(i) to (xiii) of this section A above at the end of three Business Days after the end of the Offer Period), in respect of any of the Conditions:

- (a) CoAL has not declared the Offer to be free from that Condition; and
- (b) that Condition has not been fulfilled,

all contracts resulting from the acceptance of Offers and all Offers that have been accepted and from which binding contracts have not yet resulted, are void.

If any Condition becomes incapable of satisfaction or is invoked in accordance with the terms of the Cooperation Agreement so as to cause the Offer not to proceed, the Cooperation Agreement will terminate.

7. CONDITIONS THAT HAVE ALREADY BEEN SATISFIED

As at the date of this document, the following Conditions set out in section 1 of this Part VI have been satisfied:

- (a) paragraph (g) (South African Competition Commission approval); and
- (b) paragraph (i) (Mountain Rush Trading 6 Proprietary Limited consent).

Section B Key Terms of the Loan Notes

Principal	A\$0.25
Term	18 months from the issue date
Interest	● 12.68 per cent. per annum from the Loan Note issue date until the first anniversary of the Loan Note issue date; and ● subject to early redemption, 15.00 per cent. per annum from the first anniversary of the issue date until the end of the 18 month term. Interest will accrue annually for the first 12 months and bi-annually for the final 6 months, and will be capitalised at the end of each period.
Redemption	● Unless redeemed early by the holder, the Loan Notes will be automatically redeemed in full at the end of the 18 month term. ● Each Loan Noteholder may redeem all or a portion (provided that such portion must be Loan Notes with a principal amount of at least A\$1,000) of their Loan Notes on the date which is 12 months after the issue date (Put Date) by giving CoAL at least 30 days but up to 60 days prior written notice. Payment of the redemption amount shall be made to the Loan Noteholder within 10 business days of the Put Date. ● See also CoAL's right to redeem the notes under "Transferability" below. ● Each Loan Noteholder may redeem all or a portion (provided that such portion must be Loan Notes with a principal amount of at least A\$1,000) of their Loan Notes in the event CoAL gives prompt written notice of a direct or indirect change of control in CoAL. If CoAL fails to give prompt written notice to the Loan Noteholders, for the purposes of the Loan Noteholders' right to redeem the Loan Notes, CoAL will be deemed to have given notice on the 15th day following the change of control. The Loan Noteholders have up to 30 days following CoAL's notice to exercise their right to require redemption. ● CoAL may redeem all but not some of the Loan Notes at their principal amount, together with interest accrued to the date fixed for redemption, on giving not less than 30 and not more than 60 days' notice to the Noteholders if, immediately before giving such notice, CoAL satisfies the Trustee (see under "Trustee and paying agent" below) that it has or will be obliged to pay unavoidable additional tax as a result of changes in Australian laws, regulations or political subdivisions or authorities. On redemption (whether early or at the end of the term), all outstanding principal and interest on the Loan Notes will be paid to the Loan Noteholder.
No conversion	The Loan Notes are not convertible into Shares or any other security.

Transferability	Loan Noteholders shall be entitled to transfer their Loan Notes to any other person only with CoAL's written approval, provided that if an offer to transfer any Loan Notes occurs within 12 months of the Loan Note issue date, CoAL is satisfied that the transferee is a person who does not require disclosure under Chapter 6D of the Corporations Act because of section 708 of the Corporations Act. If CoAL declines to register a proposed transfer of Loan Notes, it must redeem the relevant Loan Notes in full.
Board nominee	At any time where Loan Notes with an aggregate principal amount in excess of A\$35 million are outstanding, the Loan Noteholders will be entitled to nominate one director to the Board and one director to the Universal board of directors, by a simple majority vote of the Loan Noteholders. The appointment of any person nominated by the Loan Noteholders to be a CoAL or Universal director shall be subject to confirmation by CoAL that such person is a fit and proper person to be a director of CoAL or Universal (as applicable).
Information rights	Loan Noteholders shall not have any special or additional rights to information regarding CoAL or Universal.
Undertakings	Standard negative covenants will be given in favour of the Loan Noteholders, including: ● CoAL not disposing, or agreeing to dispose, of any of the Secured Shares (as defined below); ● CoAL not granting or agreeing to grant any further security or encumbrance over the Secured Shares; ● CoAL not taking any action which would materially prejudice or impair the security over the Secured Shares; ● Universal not declaring or paying any dividends or distributions to Universal Shareholders that would negatively impact on the solvency or liquidity of Universal; ● Universal not disposing of any material assets (subject to certain exemptions) or any shares in any of its subsidiaries; ● Universal not granting any security to any person in connection with new financial indebtedness, loans or similar arrangements to any person, which would rank in priority to the security over the Secured Shares or otherwise prejudice or impair the ability of the Loan Noteholders to enforce the security over the Secured Shares; ● Universal not furnishing any encumbrances over any assets or furnishing any guarantees, suretyships, undertakings or indemnities for the obligations of third parties or making or granting any guarantees to any person, in each case outside the ordinary course of business; ● Universal not issuing any new shares or securities convertible into shares (other than pursuant to existing employee incentive schemes) or entering into any profit sharing arrangements; ● Universal not making any material changes to its business insurance policies for its material assets in place as at the Loan Note issue date; ● there being no material change to the nature or scope of Universal's business;

	● there being no change to Universal's articles of association having a material adverse effect on the holders of the Loan Notes or the security mentioned under "Security" below; ● Universal not entering into any related party transactions or making any change to existing intercompany arrangements which would have a material adverse effect on the Universal business; and ● Universal not making any material changes to the approved levels of authority relating to financing, expenditures and commitments as in force at the Loan Note issue date. These negative covenants will be subject to standard carve-outs, including Loan Noteholder consent. For the avoidance of doubt, other than the restrictions on disposing of, or granting security over, the Secured Shares, none of the negative covenants will apply to CoAL or its business.
Security	The Loan Notes will be secured by a charge over certain Universal Shares received by CoAL pursuant to the Offer (Secured Shares), the number of which will be determined as follows: ● the number of Universal Shares received by CoAL pursuant to the Offer for which the Loan Notes will be issued as consideration ; plus ● 113 million additional Universal Shares (or, if the number of Universal Shares received by CoAL pursuant to the Offer for which the Cash Consideration and the Cash and Share Consideration is to be paid is less than 113 million, such lower number of Universal Shares).
Substitution	The trust deed (see under "Trustee and paying agent" below) contains provisions allowing the Trustee to agree (subject to certain conditions) to the substitution of a subsidiary of CoAL or its successor in business in place of CoAL as issuer of the Loan Notes.
Events of default	Standard events of default apply, including non-payment of principal by CoAL for more than three business days or interest by CoAL for more than 14 days, other un-remedied or irremediable default of the loan note terms by CoAL, enforcement of security over all or a substantial part of the assets or undertaking of CoAL, Universal or any other member of the CoAL or Universal Group, insolvency/winding-up of CoAL and Universal or the Loan Note nominee director on the Board or Universal Board being removed by CoAL's shareholders or Universal's shareholders, as applicable (provided that the Loan Noteholders have not, within one month of such removal, nominated another person as the Loan Noteholder nominee director to replace the removed director). On the occurrence of an event of default, the Trustee may at its discretion, and if so requested in writing by the holders of not less than one fifth in principal amount of the Loan Notes then outstanding or if so directed by an extraordinary resolution of Loan Noteholders, demand that the entire principal and accrued interest on the Loan Notes is paid immediately.

Trustee and paying agent	The terms and conditions of the Loan Notes will be subject to (1) a trust deed to be entered into between CoAL and GLAS Trust Corporation Limited (the “Trustee”) and (2) a paying agency to be entered into between CoAL and its chosen paying agent. The Loan Noteholders will be deemed to have notice, and will be bound by, this trust deed and paying agency agreement. Some of the key provisions relating to the Trustee are set out below. ● The terms and conditions of the Loan Notes and the trust deed may only be modified if sanctioned by an extraordinary resolution of Loan Noteholders. ● Under the trust deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Loan Noteholders. ● No Loan Noteholder may bring proceedings directly against CoAL unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.
Governing law	English law

PART VII:

HISTORICAL FINANCIAL INFORMATION

SECTION A: COAL GROUP HISTORICAL FINANCIAL INFORMATION

The following financial information on the Company and the CoAL Group is available at www.coalofafrica.com, and is incorporated by reference into this document:

- Annual consolidated accounts for the financial year ended 30 June 2013;
- Annual consolidated accounts for the financial year ended 30 June 2014; and
- Annual consolidated accounts for the financial year ended 30 June 2015.

CoAL will provide, without charge, to each person to whom a copy of this document has been sent, upon their written or verbal request, a copy of any information incorporated by reference in this document. Copies of any information incorporated by reference in this document will not be provided unless such a request is made. These documents will also be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Peel Hunt LLP from the date of this document until one month from the date of Admission.

Requests for any such copies should be directed to Celeste Riekert, Coal of Africa Limited, South Block, Summercon Office Park, Cnr Rockery Lane and Sunset Avenue, Lonehill, 2191, South Africa, or by email to Celeste.Riekert@coalofafrica.com.

SECTION B: UNIVERSAL GROUP HISTORICAL FINANCIAL INFORMATION

Consolidated and Company statement of financial position

		Group		Company	
All figures are stated in Australian dollars		2013	2012	2013	2012
	Notes	A\$'000	A\$'000	A\$'000	A\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	23,054	166	4	6
Intangible assets	5	64,331	19,799	—	—
Investments in subsidiaries	6	—	—	42,718	30,811
Investments in associated undertakings	7	5	15,282	—	—
		87,390	35,247	42,722	30,817
Current assets					
Trade and other receivables	8	3,081	1,652	172	251
Cash and cash equivalents (including restricted amounts)	9	7,442	8,826	2,275	2,478
		10,523	10,478	2,447	2,729
Total assets		97,913	45,725	45,169	33,546
EQUITY AND LIABILITIES					
Equity					
Share capital	10	26,054	17,534	26,054	17,534
Share premium	10	41,792	35,358	41,792	35,358
Reserves	11	10,175	8,293	6,920	6,750
Retained deficit		(19,899)	(26,695)	(35,867)	(31,813)
		58,122	34,490	38,899	27,829
Non-controlling interest		27,641	4,973	—	—
Attributable to equity holders of parent		85,763	39,463	38,899	27,829
Liabilities					
Non-current liabilities					
Long-term loans	13	3,172	—	—	—
Converted notes	14	5,524	5,315	5,524	5,315
Provisions	15	896	—	—	—
		9,592	5,315	5,524	5,315
Current liabilities					
Trade and other payables	16	2,558	947	746	402
Total liabilities		12,150	6,262	6,270	5,717
Total equity and liabilities		97,913	45,725	45,169	33,546

The notes on pages 40 to 72 form part of the financial statements.

Consolidated statement of comprehensive income

		Group	
		2013	2012
All figures are stated in Australian dollars		A\$'000	A\$'000
Operating expenses	Notes	(4,155)	(6,051)
Share-based payment charge	12	(339)	(1,051)
Operating loss	17	(4,494)	(7,102)
Finance income	18	546	283
Foreign exchange gain/(loss)		13	(13)
Share of operating (loss)/profit of associated undertakings		(10)	3
Gain arising on step up of interest in associated undertaking	7	6,644	8,778
Gain arising on step up of associated undertaking to subsidiary	6	5,464	899
Foreign exchange differences recycled on step up		(643)	—
Finance expenses	19	(968)	(69)
Profit before taxation for the year		6,552	2,779
Taxation	20	—	—
Profit after taxation for the year		6,552	2,779
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(984)	(1,249)
Total comprehensive income for the year		5,568	1,530
Profit for the year attributable to:			
Owners of the parent		6,627	2,900
Non-controlling interest		(75)	(121)
		6,552	2,779
Total comprehensive income attributable to:			
Owners of the parent		5,643	1,651
Non-controlling interest		(75)	(121)
		5,568	1,530
Earnings per share (cents)			
Basic earnings	27	2.45	1.40
Diluted earnings	27	2.32	1.40

The notes on pages 71 to 106 form part of the financial statements.

Consolidated statement of changes in equity

All figures are stated in Australian Dollars											
	Share capital A\$'000	Share premium A\$'000	Total share capital A\$'000	Foreign currency translation reserve A\$'000	Capital contribution reserve A\$'000	Share-based payment reserve A\$'000	Total reserves A\$'000	Retained deficit A\$'000	Total attributable to equity holders of the Group A\$'000	Non-controlling interest A\$'000	Total equity A\$'000
Balance at 1 July 2011	17,077	34,495	51,572	3,414	—	3,373	6,787	(29,634)	28,725	(548)	28,177
Profit for the year	—	—	—	—	—	—	—	2,900	2,900	(121)	2,779
Other comprehensive income	—	—	—	(1,249)	—	—	(1,249)	—	(1,249)	—	(1,249)
Total comprehensive income for the year	—	—	—	(1,249)	—	—	(1,249)	2,900	1,651	(121)	1,530
Issue of shares	457	863	1,320	—	—	—	—	—	1,320	—	1,320
Share-based payments	—	—	—	—	—	2,794	2,794	—	2,794	—	2,794
Transfer between reserves	—	—	—	—	—	(39)	(39)	39	—	—	—
Non-controlling interest on acquisition of subsidiary	—	—	—	—	—	—	—	—	—	5,642	5,642
Other movements within equity	457	863	1,320	—	—	2,755	2,755	39	4,114	5,642	9,756
Balance at 1 July 2012	17,534	35,358	52,892	2,165	—	6,128	8,293	(26,695)	34,490	4,973	39,463
Profit for the year	—	—	—	—	—	—	—	6,627	6,627	(75)	6,552
Other comprehensive income	—	—	—	(984)	—	—	(984)	—	(984)	—	(984)
Total comprehensive income for the year	—	—	—	(984)	—	—	(984)	6,627	5,643	(75)	5,568
Issue of shares	8,520	7,239	15,759	—	—	—	—	—	15,759	—	15,759
Share issue expenses	—	(805)	(805)	—	—	—	—	—	(805)	—	(805)
Share-based payments	—	—	—	—	—	339	339	—	339	—	339
Fair value adjustment	—	—	—	—	2,053	(169)	2,053	—	2,053	—	2,053
Transfer between reserves	—	—	—	—	—	—	(169)	169	—	—	—
Non-controlling interest on acquisition of subsidiary	—	—	—	—	—	—	—	—	—	22,743	22,743
Foreign exchange differences recycled on step up	—	—	—	643	—	—	643	—	643	—	643
Other movements within equity	8,520	6,434	14,954	643	2,053	170	2,866	169	17,989	22,743	40,732
Balance at 30 July 2013	26,054	41,792	67,846	1,824	2,053	6,298	10,175	(19,899)	58,122	27,641	85,763
Notes	10	10	10	11	11	12	11	11	11	11	11

The notes on page 71 to 106 form part of the financial statements

Company statement of changes in equity

All figures are stated in Australian Dollars	Share capital A\$'000	Share premium A\$'000	Total share capital A\$'000	Foreign currency translation reserve A\$'000	Share- based payment reserve A\$'000	Total reserves A\$'000	Retained deficit A\$'000	Total equity A\$'000
Balance at 1 July 2011	17,077	34,495	51,572	622	3,373	3,995	(26,665)	28,902
Loss for the year	—	—	—	—	—	—	(5,187)	(5,187)
Total comprehensive income for the year	—	—	—	—	—	—	(5,187)	(5,187)
Issue of shares	457	863	1,320	—	—	—	—	1,320
Share-based payments	—	—	—	—	2,794	2,794	—	2,794
Transfer between reserves	—	—	—	—	(39)	(39)	39	—
Other movements within equity	457	863	1,320	—	2,755	2,755	39	4,114
Balance at 1 July 2012	17,534	35,358	52,892	622	6,128	6,750	(31,813)	27,829
Loss for the year	—	—	—	—	—	—	(4,223)	(4,223)
Total comprehensive income for the year	—	—	—	—	—	—	(4,223)	(4,223)
Issue of shares	8,520	7,239	15,759	—	—	—	—	15,759
Share issue expenses	—	(805)	(805)	—	—	—	—	(805)
Share-based payments	—	—	—	—	339	339	—	339
Transfer between reserves	—	—	—	—	(169)	(169)	169	—
Other movements within equity	8,520	6,434	14,954	—	170	170	169	15,293
Balance at 30 July 2013	26,054	41,792	67,846	622	6,298	6,920	(35,867)	38,899
Notes	10	10	10	11	12		11	

The notes on pages 71 to 106 form part of the financial statements

Consolidated and Company statement of cash flows

		Group		Company	
All figures are stated in Australian dollars		2013 A\$'000	2012 A\$'000	2013 A\$'000	2012 A\$'000
Cash flows from operating activities					
Cash used in operations	22	(4,948)	(7,110)	(3,100)	(4,305)
Cash flows from investing activities					
Acquisition of property, plant and equipment	4	(14,299)	(130)	—	(6)
Proceeds of sale of property, plant and equipment	4	—	3	—	—
Acquisition of other intangible assets	5	(598)	(1,374)	—	—
Proceeds on sale of other intangible assets	5	24	—	—	—
Subsidiary undertakings acquired		(1,801)	—	—	—
Investment in subsidiary		—	—	(11,907)	(12,318)
Investment in associated undertakings		(5)	(3,644)	—	—
Transfer to restricted cash		(945)	(1,010)	—	—
Finance income	18	546	283	412	204
Finance expense	18	(384)	(69)	(384)	(69)
Net cash for investing activities		(17,462)	(5,941)	(11,879)	(12,189)
Cash flows from financing activities					
Proceeds on share issue, net of share issue expenses	10	14,763	1,320	14,763	1,320
Proceeds from issue of Converting Notes		—	7,000	—	7,000
Cash inflow from shareholders' loans	13	5,225	—	—	—
Net cash from financing activities		19,988	8,320	14,763	8,320
Total cash movement for the year		(2,422)	(4,731)	(216)	(8,174)
Cash at the beginning of the year		7,816	12,830	2,478	10,607
Effect of exchange rate movement on cash balances		93	(283)	13	45
Total unrestricted cash and cash equivalents at the end of the year	9	5,487	7,816	2,275	2,478
Restricted cash	9	1,955	1,010	—	—
Total cash	9	7,442	8,826	2,275	2,478

The notes on pages 40 to 72 form part of the financial statements.

Notes to the Consolidated and Company annual financial statements

1. Significant accounting policies

General information

The Company is domiciled in the UK. The address of the registered office is One America Square, Crosswall, London EC3N 2SG. The registered number of the Company is 4482856.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards IFRS's and IFRIC interpretations, issued by the International Accounting Standards Board and as adopted by the European Union (IFRS).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Group profit for the year includes a loss after tax of A\$ 4,223,429 (2012: loss of A\$ 5,187,502) which is dealt with in the financial statements of the parent Company.

Going concern

The accounts have been prepared on the going concern basis. At the year-end the Group had A\$ 5,487,114 (2012: A\$ 7,815,998) of unrestricted cash reserves and is reliant on the timing of cash flows from the Kangala Colliery. The Directors are therefore satisfied that the Group has adequate resources to continue in business for the foreseeable future.

Functional and presentation currency

Items included in the consolidated annual financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The Company's functional currency is Australian Dollar ("A\$"). The consolidated annual financial statements are presented in Australian Dollar ("A\$") which is the Group's presentation currency. The accounts are presented in A\$'000 unless otherwise stated.

1.1 Basis of consolidation

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 'Business combinations' are recognised at their fair values at acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

Subsidiaries are entities that are, directly or indirectly, controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights are taken into account. Subsidiaries are fully consolidated from the date on which control is transferred until the date that the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Inter-company transactions, balances and unrealised gains on transactions between Group entities are eliminated.

The consolidated financial statements have been prepared in accordance with IAS 27 'Consolidated and Separate Financial Statements' and IFRS 3 'Business Combinations'.

The Company's investment in its subsidiaries are carried at cost, less any impairment recognised.

Associated undertakings

An associated undertaking is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The degree of control and contractual ability to direct the use of funding provided by the Group are taken into consideration.

Investments in associated undertakings are accounted for using the equity method of accounting and are initially recognised at cost. Any premium paid for an associated undertaking above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associated undertaking. The carrying amount of investment in an associated undertaking is subject to impairment in the same way as described below.

An increase in the holding of an entity already classified as an associated undertaking, which does not result in control being passed to the Company, is accounted for by determining the fair value of the consideration paid to acquire the additional interest and the fair value of the share of net assets. The difference between the two is recognised as goodwill. Any negative goodwill is taken to the profit and loss as a gain on step up.

An increase in the holding of an entity already classified as an associated undertaking, which results in control being passed to the Company, is accounted for by determining the fair value of the consideration paid to acquire the additional interest and the fair value of the share of net assets. The difference between the two is recognised as goodwill. Any negative goodwill is taken to the profit and loss as a gain on step up of associated undertaking to subsidiary.

The Group's share of its associated undertakings' post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated undertaking equals or exceeds its interest in the associated undertaking no further losses are recognised.

1.2 Finance income

Finance income is accrued on a timely basis using the effective interest method, which exactly discounts estimated future cash flows through the expected life of the financial asset, to which the finance income derived, to its net carrying value. The only finance income in the year related to bank interest received in the year. The impact of discounting was immaterial.

Interest income and expense are reported on an accrual basis.

1.3 Intangible assets

Exploration and evaluation assets

The Group capitalises the fair value of the consideration paid for exploration and prospecting rights together with all other costs incurred, provided they meet the recognition criteria. The Group has taken into consideration the degree to which expenditure can be associated with finding specific mineral resources. Once all relevant mining and operating licences have been granted, the intangible assets will be reclassified to an item of property, plant and

equipment as development and production assets and will be amortised per the policy below. The amortisation expense will be included within the cost of sales in the Statement of Comprehensive Income.

Computer software

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Average Useful life
Computer software	2 years

1.4 Impairment of assets

Where appropriate the Group reviews the carrying amounts of its property, plant and equipment, intangible assets and investments to determine whether there is any indication that those assets have suffered an impairment.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment. Depreciation is charged so as to write off the costs of assets, over their estimated useful lives, on the following basis:

Item	Average useful life
Mining assets	
Mineral properties	Units of production method
Development and production assets	Units of production method
Other Assets	
Furniture and fixtures	5 years straight line
Computer equipment	3 years straight line

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Capital work in progress

Capital expenditure relating to mine development projects are accounted for as capital work in progress until steady state is reached, at which point it is transferred to development and production assets.

1.6 Financial instruments

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

Financial assets and liabilities are initially recognised and subsequently measured based on their classification as “loans and receivables” or “financial liabilities measured at amortised costs”.

Financial instruments designated as at fair value through profit or loss

This category comprises derivatives that were not designated and effective for hedge accounting at inception. The liabilities are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value in the Consolidated Statement of Comprehensive Income in the finance income or finance expense line.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Group's loans and receivables comprise a trade and other receivables which are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Other financial liabilities

Other financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise. Derivatives are classified as financial assets at fair value through profit or loss – held for trading.

Hedging activities

Designated hedging instruments are excluded from the definition of financial instruments at fair value through profit or loss.

The group enters into financial transactions to ensure a degree of interest rate certainty and to guarantee the interest rate changes through economic conditions beyond management's control is hedged through interest rate swaps. Financial instruments entered into in pursuit of this objective are specifically designated as hedges of the planned future interest rate variances.

Gains and losses on interest rate hedging instruments that effectively establish interest rate fluctuations in the future are recognised in income or expense at the earlier of any cash flow or delivery of the related hedged production.

1.7 Converting notes

On initial recognition the converting notes have been split into a financial liability and a derivative financial liability. The financial liability is subsequently recognised at amortised cost and the derivative financial liability measured at fair value through the profit and loss.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

1.9 Tax

Current taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the end of the reporting period. Current taxation assets and liabilities are measured at the amount expected to be recovered from or paid to the local taxation authorities.

Deferred tax

Deferred tax is calculated using the balance sheet liability method, which requires provision for temporary differences between the tax bases of assets and liabilities and their carrying amounts on the Statement of Financial Position. Tax rates enacted at the end of the reporting period are used to determine the deferred tax balances. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

1.10 Foreign currencies

Company

Assets and liabilities in foreign currencies are translated into Australian Dollar ("A\$") at the rates of exchange ruling at the end of the reporting period. Transactions in foreign currencies are translated into Australian Dollar ("A\$") at the rate of exchange ruling at the date of transaction. Such exchange differences are taken into account in arriving at the operating result.

Group

The Group translates its foreign operations into Australian Dollars using the closing rate method. At the end of the reporting period:

- assets and liabilities for each balance sheet presented (including comparatives) are translated at the closing rate;
- income and expenses for each income statement (including comparatives) is translated at exchange rates at the rate of exchange ruling at the date of transaction.

Exchange differences arising from the translation of the net assets of foreign operations are taken to the foreign exchange reserve. Other exchange differences are taken to the Statement of Comprehensive Income.

1.11 Share-based payments

The Company has granted equity-settled share-based payments. The fair value of the incentive granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employees or third parties become unconditionally entitled to the incentives. When identifiable, the fair value is determined by the value of the services provided. When a fair value for the services provided cannot be ascertained, the fair value is measured by reference to the fair value of the equity instrument granted.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.13 Environmental expenditure

Long-term environmental obligations comprising decommissioning, restorations and rehabilitation provisions are based on the group's environmental management plans, in compliance with the current environmental and regulatory requirements as determined by the regulatory authorities within South Africa.

Site restoration and dismantling cost

The Company has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss;
- (c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

Decommissioning and rehabilitation provisions

Provision is made for the net present value of the estimated future decommissioning costs at the end of the operating life of the mine. When this provision gives access to future economic benefits, an asset is recognised and included within mining assets. The unwinding of the decommissioning obligation is included in the Statement of Comprehensive Income. The estimated future cost of decommissioning obligations are regularly reviewed and adjusted as appropriate for new circumstances or changes in law or technology. The estimates are discounted at a pre-tax rate that reflects current market assessments of the time value of money.

Restoration costs

Estimated restoration costs are accrued and expended over the operating life of each mine using the units-of-production method based on estimated proved and probable mineral reserves. Expenditure on ongoing rehabilitation costs is brought to account when incurred.

1.14 Financial guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such.

1.15 Judgements made in applying accounting policies and key sources of estimation uncertainty

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were:

Impairment of intangible assets and property, plant and equipment (notes 4 and 5)

In formulating accounting policies the Directors are required to apply their judgement, and where necessary engage professional advisors, with regard to the impairment review assumptions used in assessing the carrying value of its assets.

These assets of the Group are subject to periodic review by the Directors.

On review during the year, the Directors have noted no circumstances which would suggest that at this time any impairment is necessary, given the preliminary results on surveys obtained to date. The situation will be closely monitored and adjustments made in future periods if there are indications that the assets held are not recoverable.

Share-based payments (note 12)

In determining the fair value of equity-settled share-based payments and the related charge to the Statement of Comprehensive Income, the Group must make assumptions about inputs into valuation models, future events and market conditions. Judgement is made as to the likely number of shares that will vest, and inputs into valuation models, in order to determine the fair value of each award granted.

Share options are measured at fair value at the grant date using the Black-Scholes model. The fair value is expensed on a straight-line basis over the vesting period, based on an estimate of the number of options that will eventually vest.

Associated undertakings (note 7)

The Directors believe, after careful consideration of the contractual earn-in arrangements, that the Group, as a matter of fact, exercises significant influence over the activities and operations of Universal Coal Development VI (Pty) Ltd. Therefore, the associated undertaking is accounted for on the equity basis.

Subsidiaries (note 6)

Judgement has been applied by management in assessing control over entities in which the Company hold a total shareholding of 50%. Where the Company has an option to exercise a further share purchase, the investment has been accounted for as a subsidiary.

Exploration and development assets (note 5)

On valuation of exploration and development assets, reliance is placed on the valuation opinion which has been derived from competent persons' reports.

Fair value of derivatives

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Rehabilitation provision (note 15)

Provision has been made for the net present value of the estimated initial rehabilitation costs as at the commencement of mine development. This provision gives access to future economic benefits, and an asset has been recognised and included within mining assets. At year-end no unwinding of the rehabilitation obligation has occurred and, as such, has not been included in the Statement of Comprehensive Income. The effects of discounting are considered negligible and have not been taken into account in the carrying value of the rehabilitation provision.

2. New standards and interpretations

The financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period. The following new standards, interpretations and amendments to published standards effective in the year have not been adopted by the Group:

Standards	Details of amendment	Annual periods beginning on or after
IFRS 7 Financial Instruments: Disclosures	Amendments require entities to disclose gross amounts subject to rights of set off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set off on the entity's rights and obligations.	1 January 2013
IFRS 9 Financial Instruments	New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement.	1 January 2015
IFRS 10 Consolidated Financial Statements	New standard that replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities, and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2014
	Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.	1 January 2013
	IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must be accounted for at fair value under IFRS 9 Financial Instruments, or IAS 39 Financial Instruments: Recognition and Measurement.	1 January 2014
IFRS 11 Joint Arrangements	New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.	1 January 2014
	Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.	1 January 2014
	Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.	1 January 2013
	New disclosures required for Investment Entities (as defined in IFRS 10).	1 January 2014
IFRS 13 Fair Value Measurement	New guidance on fair value measurement and disclosure requirements.	1 January 2014
IAS 1 Presentation of Financial Statements	Annual Improvements 2009 – 2011 Cycle: Amendments clarifying the requirements for comparative information including minimum and additional comparative information required.	1 January 2013
IAS 16 Property, Plant and Equipment	Annual Improvements 2009 – 2011 Cycle: Amendments to the recognition and classification of servicing equipment.	1 January 2013
IAS 19 Employee Benefits	Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.	1 January 2013
IAS 27 Consolidated and Separate Financial Statements	Consequential amendments resulting from the issue of IFRS 10, 11 and 12.	1 January 2014
	Requirement to account for interests in 'Investment Entities' at fair value under IFRS 9 Financial Instruments, or IAS 39 Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent.	1 January 2014

Standards	Details of amendment	Annual periods beginning on or after
IAS 28 Investments in Associates	Consequential amendments resulting from the issue of IFRS 10,11 and 12.	1 January 2014
IAS 32 Financial Instruments: Presentation	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations. Annual Improvements 2009 – 2011 Cycle: Amendments to clarify the tax effect of distribution to holders of equity instruments.	1 January 2013 1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	Capitalisation of stripping costs in the production phase of a surface mine until they meet the definition of inventory in IAS 2 Inventories.	1 January 2013

The Group have not yet assessed the impact of IFRS 9, IFRS 10 or IFRIC 20. Except for the amended disclosure requirements of IAS 24 Revised, the above new standards, amendments and interpretations are not expected to materially affect the Group's reporting or reported numbers.

New IFRS issued by the IASB and applied in these financial statements are as follows.

The amendments as set out below are relevant in the year but considered not to be material:

Standards	Details of amendment	Annual periods beginning on or after
IAS 1 Presentation of Financial Statements	New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.	1 July 2012
IAS 12 Income Taxes	Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.	1 January 2012

3. Segmental report

All investments in associates and subsidiaries operate in one geographical location, being South Africa, and are organised into one business unit from which the Group's expenses are incurred and future revenues are expected to be earned, being for the exploration for and extraction of coal and production of coal. The segments have similar economic characteristics and are therefore aggregated in accordance with IFRS 8. The reporting on these investments to the Chief Operating Decision-Makers and the Board of Directors, focuses on the use of the profit and loss and capitalisation of the coal projects.

The non-current assets relating to the capitalisation expenditure associated with the coal projects are located in South Africa. All corporate expenditure, assets and liabilities relate to incidental operations carried out in the United Kingdom, Australia and South Africa.

	indirect interest in exploration and development of coal A\$'000	Corporate (unallocated) A\$'000	Total A\$'000
For the year ended 30 June 2013			
Operating expenses (excluding share-based payments)	(224)	(3,931)	(4,155)
Share-based payments expense	—	(339)	(339)
Share of loss of associate undertakings	(10)	—	(10)
Gain arising on step-up of interest in associated undertaking	6,444	—	6,644
Foreign exchange gain	—	13	13
Gain arising on step up of associated undertaking to subsidiary	5,464	—	5,464
Foreign exchange differences recycled on step up	(643)	—	(643)
Net finance expenses	—	(422)	(422)
Profit/(loss) before and after taxation	11,231	(4,679)	6,552
Total non-current assets	87,289	101	87,390
Total assets	91,256	6,657	97,913
Total liabilities	(5,538)	(6,612)	(12,150)

4 Property, plant and equipment

	Group					
	2013			2012		
	Cost/ Valuation A\$'000	Accumulated Depreciation A\$'000	Carrying Value A\$'000	Cost/ Valuation A\$'000	Accumulated Depreciation A\$'000	Carrying Value A\$'000
Mineral properties	4,053	—	4,053	—	—	—
Development and production assets	7,016	—	7,016	—	—	—
Furniture and fixtures	39	(16)	23	31	(8)	23
Computer equipment	58	(25)	33	38	(13)	25
Capital work in progress	11,929	—	11,929	118	—	118
	23,095	(41)	23,054	187	(21)	166

Reconciliation of property, plant and equipment	Group				
	Opening balance A\$'000	Additions A\$'000	Transfers from intangible assets A\$'000	Depre- ciation A\$'000	Total A\$'000
2013					
Mineral properties	—	4,053	—	—	4,053
Development and production assets	—	—	7,016	—	7,016
Furniture and fixtures	23	8	—	(8)	23
Computer equipment	25	20	—	(12)	33
Capital work in progress	118	11,811	—	—	11,929
	166	15,892	7,016	(20)	23,054

Reconciliation of property, plant and equipment	Group					
	Opening balance A\$'000	Additions A\$'000	Disposals A\$'000	Foreign exchange movements A\$'000	Depreciation A\$'000	Total A\$'000
2012						
Furniture and fixtures	30	5	(4)	—	(8)	23
Computer equipment	26	9	—	(1)	(9)	25
Capital work in progress	—	118	—	—	—	118
	56	132	(4)	(1)	(17)	166

Details of mineral properties	Group	
	2013 A\$'000	2012 A\$'000
	4,053	—

Portion 1 of farm Wolvenfontein, 244 IR, Gauteng Province

5. Intangible Assets

	Group					
	2013			2012		
	Cost/ valuation A\$'000	Accumulated depreciation A\$'000	Carrying value A\$'000	Cost/ valuation A\$'000	Accumulated depreciation A\$'000	Carrying value A\$'000
Mining and prospecting rights – held by:						
Universal Coal Development I (Pty) Ltd	1,202	—	1,202	8,024	—	8,024
Universal Coal Development II (Pty) Ltd	36,970	—	36,970	—	—	—
Universal Coal Development III (Pty) Ltd	12,215	—	12,215	11,709	—	11,709
Universal Coal Development IV (Pty) Ltd	9,808	—	9,808	—	—	—
Universal Coal Development V (Pty) Ltd	4,079	—	4,079	—	—	—
Other intangible asset						
Computer software	121	(64)	57	113	(47)	66
	64,395	(64)	64,331	19,846	(47)	19,799

	Group							
	Opening balance A\$'000	Additions A\$'000	Disposals A\$'000	Transfers to property, plant and equipment A\$'000	Acquired via business combinations A\$'000	Foreign exchange move- ments A\$'000	Depre- ciation A\$'000	Total A\$'000
Reconcillation of intangible assets								
2013 Mining and prospecting rights								
Universal Coal Development I (Pty) Ltd	8,024	194	—	(7,016)	—	—	—	1,202
Universal Coal Development II (Pty) Ltd	—	—	—	—	36,517	453	—	36,970
Universal Coal Development III (Pty) Ltd	11,709	506	—	—	—	—	—	12,215
Universal Coal Development IV (Pty) Ltd	—	—	—	—	9,448	360	—	9,808
Universal Coal Development V (Pty) Ltd	—	—	—	—	4,041	38	—	4,079
Other intangible assets								
Computer software	66	60	(19)	—	—	—	(50)	57
	19,799	760	(19)	(7,016)	50,006	851	(50)	64,331

	Group				
	Opening balance A\$'000	Additions A\$'000	Foreign exchange movements A\$'000	Depre- ciation A\$'000	Total A\$'000
Reconcillation of intangible assets					
2012					
Mining and prospecting rights					
Universal Coal Development I (Pty) Ltd	6,970	1,058	(4)	—	8,024
Universal Coal Development III (Pty) Ltd	—	11,619	90	—	11,709
Other intangible asset					
Computer software	67	46	—	(47)	66
	7,037	12,723	86	(47)	19,799

Supplementary information on intangible assets

The following detailed schedule provides additional information pertaining specifically to the interests held by Universal Coal Plc in the identifiable Mining Rights (MR) and Prospecting Rights (PR) as at year-end:

Project and entity	Asset	Registration Number	Permit number	Interest %	Licence expiry date	Renewal submitted	Area (ha)
Kangala Project: Universal Coal Development I (Pty) Ltd	Middelbult 235 IR, Portions 40 and 82	588/2006 PR	MP30/5/1/1/641 PR	70.50	06/11/2011	12/08/2011	942
Kangala Project: Universal Coal Development I (Pty) Ltd	Wolvenfontein 244 IR, Portion 1 and RE of Portion 2#	48/2013 PR	MP30/5/1/2/429 MR	70.50	02/05/2032	—	951
Kangala Project: Universal Coal Development I (Pty) Ltd	Modderfontein 236 IR, Portion 1	93/2007 PR	MP30/5/1/1/2/639 PR	70.50	06/11/2011	18/08/2011	127
Roodekop Project: Universal Coal Development IV (Pty) Ltd	Roodekop 63 IS IR, the whole farm	To be registered	MP30/5/1/1/2/492 MR	74.00	20 years from execution	—	860
Brakfontein Project: Universal Coal Development III (Pty) Ltd	Brakfontein 264 IR, Portions 6, 8, 9, 10, 20, 26, 30 and RE of 264 IR	245/2008 PR	MP30/5/1/1/2/1879 PR	50.29	09/07/2011	12/04/2011	879
Berenice and Somerville Projects: Universal Coal Development II (Pty) Ltd	Berenice and Somerville Projects, several farms	342/2009 PR	LP30/5/1/1/2/376 PR	50.00	19/03/2016	—	39,484
Cygnus Project: Universal Coal Development V (Pty) Ltd	Cygnus Project	227/2008 PR	LP30/5/1/1/2/1276 PR	50.00	06/05/2013	25/02/2013	12,299
Donkin Project: Universal Coal Development VI (Pty) Ltd	Donkin Project	16/2010 PR	LP30/5/1/1/2/1074 PR	15.00	08/12/2014	—	1,178

On review during the year, the directors have noted no circumstances which would suggest that at this time any impairment is necessary, given the preliminary results on surveys obtained to date. The situation will be closely monitored and adjustments made in future periods if there are indications that the assets held are not recoverable.

6. Investments in subsidiaries

Name of company	% Holding 2013	% Holding 2012	Carrying Amount 2013 A\$'000	Carrying Amount 2012 A\$'000
Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA)	100.00	100.00	42,718	30,811
Held indirectly				
Universal Coal Development I (Pty) Ltd	70.50	70.50	—	—
Universal Coal Development II (Pty) Ltd	50.00	n/a	—	—
Universal Coal Development III (Pty) Ltd	50.29	50.29	—	—
Twin Cities Trading 374 (Pty) Ltd	74.00	74.00	—	—
Episolve (Pty) Ltd	74.00	74.00	—	—
Epsimax (Pty) Ltd	74.00	74.00	—	—
Bold Moves 1765 (Pty) Ltd	74.00	74.00	—	—
Universal Coal Development IV (Pty) Ltd	74.00	n/a	—	—
Universal Coal Development V (Pty) Ltd	50.00	n/a	—	—
Universal Coal Development VII (Pty) Ltd	50.00	n/a	—	—
Universal Coal Power Generation (Pty) Ltd	100.00	n/a	—	—
			42,718	30,811

	A\$'000
Investment in directly held subsidiaries at 30 June 2013	Total
Country of incorporation	South Africa
Class of share	Ordinary
Proportion held of the ordinary shares (%)	100
Reconciliation of movements for the 2013 year	
Balance at the beginning of year	30,811
Investment in the year	11,907
Total carrying value at the end of the year	42,718

	A\$'000
Investment in directly held subsidiaries at 30 June 2012	Total
Country of incorporation	South Africa
Class of share	Ordinary
Proportion held of the ordinary shares (%)	100
Reconciliation of movements for the 2012 year	
Balance at the beginning of year	18,208
Investment in the year	12,603
Total carrying value at the end of the year	30,811

Universal Coal Development II (Pty) Ltd

On 15 January 2013, a further twenty shares of Universal Coal Development II (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement representing a total shareholding in Universal Coal Development II (Pty) Ltd of 50%. Within the shareholder arrangement Universal Coal and Energy Holdings South Africa (Pty) Ltd has an option to exercise over a further 24% share purchase in Universal Coal Development II (Pty) Ltd. This has been deemed a potential voting right and included in management's assessment as to whether Universal Coal and Energy Holdings South Africa (Pty) Ltd has control. Therefore the investment has been included as a subsidiary in the year.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value A\$'000	Adjustment A\$'000	Fair value A\$'000
Intangible asset	5,292	31,225	36,517
Total net assets (100%)	5,164	31,225	36,388

	A\$'000
Fair value of consideration paid:	
Fair value of previous share recognised as investment in associated undertaking	14,606
Cash consideration paid	1,144
Total consideration	15,750
Gain arising on step up of associated undertaking to subsidiary	2,444
Fair value of asset acquired (50% interest)	18,194

The gain arising on step up of associated undertaking to subsidiary has been recognised in the Consolidated Statement of Comprehensive Income.

Universal Coal Development IV (Pty) Ltd

On 23 January 2013, Universal Coal exercised its option to acquire an additional 24% of the share capital of Universal Coal Development IV (Pty) Ltd for a consideration of ZAR 5 million. On this date forty-eight ordinary shares were transferred from Xakwa Investments (Pty) Ltd to Universal Coal and Energy Holdings South Africa (Pty) Ltd resulting in an effective ownership of 74% of Universal Coal Development IV (Pty) Ltd.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value A\$'000	Adjustment A\$'000	Fair value A\$'000
Intangible asset	2,507	6,941	9,448
Total net assets (100%)	2,770	6,941	9,711

	A\$'000
Fair value of consideration paid:	
Fair value of previous share recognised as investment in associated undertaking	4,724
Cash consideration paid	618
Total consideration	5,342
Gain arising on step up of associated undertaking to subsidiary	1,844
Fair value of asset acquired (74% interest)	7,186

The gain arising on step up of associated undertaking to subsidiary has been recognised in the Consolidated Statement of Comprehensive Income.

Universal Coal Development V (Pty) Ltd

On 22 April 2013, a further sixty-seven shares of Universal Coal Development V (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement increasing the Group's total shareholding in Universal Coal Development V (Pty) Ltd to 50%. As Universal Coal has an option to exercise over a further 24% share purchase, the investment has been accounted for as a subsidiary for the 2013 financial period.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value A\$'000	Adjustment A\$'000	Fair value A\$'000
Intangible asset	276	3,765	4,041
Total net assets (100%)	283	3,765	4,048

	A\$'000
Fair value of consideration paid:	
Fair value of previous share recognised as investment in associated undertaking	808
Cash consideration paid	39
Total consideration	847
Gain arising on step up of associated undertaking to subsidiary	1,177
Fair value of asset acquired (50% interest)	2,024

The gain arising on step up of associated undertaking to subsidiary has been recognised in the Consolidated Statement of Comprehensive Income

7. Investments in associated undertakings

Name of company	% Holding 2013	% Holding 2012	Carrying Amount 2013 A\$'000	Carrying Amount 2012 A\$'000
Universal Coal Development II (Pty) Ltd ("UCDII")	50.00	40.00	—	11,702
Universal Coal Development IV (Pty) Ltd ("UCDIV")	74.00	50.00	—	3,278
Universal Coal Development V (Pty) Ltd ("UCDV")	50.00	20.00	—	302
Universal Coal Development VI (Pty) Ltd ("UCDVI")	15.00	15.00	5	—
Universal Coal Logistics (Pty) Ltd ("UCL")	49.00	n/a	—	—
			5	15,282

Universal Coal Development II (Pty) Ltd

On 15 January 2013, a further (20) twenty shares of Universal Coal Development II (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement increasing the Group's total shareholding in Universal Coal Development II (Pty) Ltd to 50%. As Universal Coal has an option to exercise over a further 24% share purchase, the investment has been accounted for as a subsidiary for the 2013 financial period.

Universal Coal Development IV (Pty) Ltd

On 23 January 2013, Universal Coal exercised its option to acquire an additional 24% of the share capital of Universal Coal Development IV (Pty) Ltd for a consideration of ZAR 5 million. On this date (48) forty-eight ordinary shares were transferred from Xakwa Investments (Pty) Ltd to Universal Coal and Energy Holdings South Africa (Pty) Ltd resulting in an effective ownership of 74% of Universal Coal Development IV (Pty) Ltd.

Universal Coal Development V (Pty) Ltd

On 22 April 2013, a further (67) sixty-seven shares of Universal Coal Development V (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement increasing the Group's total shareholding in Universal Coal Development V (Pty) Ltd to 50%. As Universal Coal has an option to exercise over a further 24% share purchase, the investment has been accounted for as a subsidiary in the 2013 financial year.

Universal Coal Development VI (Pty) Ltd

There was no change in the Group's ownership percentage in the year under review.

Universal Coal Logistics (Pty) Ltd

On 28 June 2013, Universal Coal and Energy Holdings South Africa acquired (49) forty-nine ordinary shares Universal Coal Logistics (Pty) Ltd representing a 49% ownership, the balance of which is held by Camiscope (Pty) Ltd. This entity was formed to enable Universal Coal to apply for and participate in the Quattro Export Entitlement Programme allowing junior coal miners in South Africa to export coal to international markets through the 91 Mtpa Richards Bay Coal Terminal

	UCD II	UCD IV	UCD V	UCD VI	UCL	Total at
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	30 June
Associated undertakings						2013
						A\$'000
Country of incorporation:	South Africa	South Africa	South Africa	South Africa	South Africa	
Class of share:	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary	
Proportion held of the ordinary shares:	n/a*	n/a*	n/a*	15%	49%	
Reconciliation of movements for the 2013 years						
Balance at the beginning of the year	11,702	3,278	302	—	—	15,282
Investments in the year	—	—	—	6	—	6
Share of (loss)/profit of associated undertaking	(6)	1	(4)	(1)	—	(10)
Gain arising on stepup of interest	4,059	2,033	552	—	—	6,644
Movements in exchange rates	1149	588	42	—	—	(1,779)
Disposals (transfer to subsidiaries)	(14,606)	(4,724)	(808)	—	—	(20,138)
Total carrying value at the end of the year	—	—	—	5	—	5

* In the 2013 period this entity is classified as a subsidiary and consolidated.

	UCD II	UCD III	UCD IV	UCD V	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Associated undertakings at 30 June 2012					
Country of incorporation:	South Africa	South Africa	South Africa	South Africa	
Class of share:	Ordinary	Ordinary	Ordinary	Ordinary	
Proportion held of the ordinary shares:	40%	40%	50%	20%	
Reconciliation of movements for the 2012 year					
Balance at the beginning of the year	2,293	2,922	3,300	157	8,672
Investments in the year	2,485	475	532	152	3,644
Share of (loss)/profit of associated undertaking	(3)	(3)	10	(1)	3
Gain arising on step up of interest	7,028	1,750	—	—	8,778
Movements in exchange rates	(101)	(338)	(564)	(6)	(1,009)
Disposals (transfer to subsidiaries)	—	(4,806)	—	—	(4,806)
Total carrying value at the end of the year	11,702	—	3,278	302	15,282

Financial information of associated undertakings

All the associated undertakings have prepared audited financial statements for the year ended 30 June 2013 and are accounted for in Universal Coal Plc using the equity method of accounting.

Associates with less than 20% holding

Universal Coal & Energy Holdings South Africa (Pty) Ltd exercises significant influence over the entities above as it has significant operating influence, or has authority to influence the policies and procedures of the company.

8. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Trade receivables	74	—	—	—
Pre-payments	1,495	1,454	150	138
Deposits	9	108	—	95
Value-added taxation	1,168	90	22	18
Other receivables	335	—	—	—
	3,081	1,652	172	251

Pre-payments: Universal Coal Development Vii (Pty) Ltd

On 19 April 2012, Universal Coal & Energy Holdings South Africa (Pty) Ltd acquired one ordinary share (50%) of Universal Coal Development VII (Pty) Ltd, a special purpose entity formed with the intention of acquiring additional prospecting rights in South Africa. The contribution of A\$ 1,327,197 continues to be treated as a pre-payment during the 2013 financial period as certain conditions precedent still have to be concluded.

9. Cash and cash equivalents (including restricted amounts)

	Group		Company	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Cash and cash equivalents consist of:				
Bank balances	2,318	492	2,275	478
Fixed term deposits	3,169	7,324	—	2,000
Restricted cash	1,955	1,010	—	—
	7,442	8826	2,275	2,478

Restricted cash and cash equivalents

Restricted cash and cash equivalents consist of standby equity and financial guarantees.

	Group		Company	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Financial guarantees	293	1,010	—	—
Standby equity account	1,662	—	—	—
	1,955	1,010	—	—

The Standby Equity account relates to a reserve cash account that is earmarked for possible Kangala capital project cost overruns.

Financial guarantees

A rehabilitation guarantee for the full amount of the rehabilitation provision has been provided to Universal Coal Development I (Pty) Ltd by a registered financial institution and is partly secured by a cash investment account with a cash balance of A\$ 292,659. Monthly contributions are made to the cash investment account and revised annually in agreement with the registered financial institution.

	Group	
	2013	2012
	A\$'000	A\$'000
A summary of the guarantees is below:		
Xakwa Investments (Pty) Ltd	6	6
Department of Minerals and Energy	287	1,000
	293	1,006

10. Share capital

Number	Class	Nominal Value 2013	Nominal Value 2012
Authorised:		£	£
500,000,000	Ordinary	0.05	0.05

Number	Class	Nominal Value £	2013 A\$'000	2012 A\$'000
Alotted, issued and fully paid:				
2013: 319,575,447	Ordinary	0.05	26,054	
2012: 209,684,554	Ordinary	0.05		17,534

	Group		Company	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Share capital reconciliation				
Opening balance	17,534	17,077	17,534	17,077
Issue of shares	8,520	457	8,520	457
Closing balance	26,054	17,534	26,054	17,534
Share premium reconciliation				
Opening balance	35,358	34,495	35,358	34,495
Issue of shares	7,239	863	7,239	863
Share issue expenses	(805)	—	(805)	—
Closing balance	41,792	35,358	41,792	35,358

Significant changes in the share capital of the Company during the 2013 financial year were as follows:

Company			
Shares	Date	Number of shares issued	Cumulative shares issued
Opening balance as at 30 June 2012	1 July 2012	—	209,684,554
Issue of shares	2 July 2012	343,431	210,027,985
Issue of shares	13 August 2012	12,264,521	222,292,506
Issue of shares	2 October 2012	1,442,265	223,734,771
Issue of shares	31 December 2012	95,840,676	319,575,447
			<u>319,575,447</u>

Significant changes in the share capital of the Company during the 2012 financial year were as follows:

Company			
Shares	Date	Number of shares issued	Cumulative shares issued
Opening balance as at 30 June 2011	1 July 2011	—	203,684,554
Issue of shares	1 November 2011	6,000,000	209,684,554
			<u>209,684,554</u>

11. Reserves

Share capital relates to the nominal value of the shares issued. The share premium relates to the excess of consideration paid over the nominal value of the shares after deducting related expenses.

The foreign currency translation reserve relates to the foreign exchange effect of the retranslation of the Group's overseas subsidiaries on consolidation into the Group's financial statements.

The share-based payment reserve holds the equity element of the share option transactions adjusted for transfer on exercise, cancellation or expiry of options.

The retained deficit reserve is the cumulative net losses recognised in the statement of comprehensive income adjusted for transfer on exercise, cancellation or expiry of options from the share option reserve.

Non-controlling interest is the non-controlling shareholders' interest in the net assets of the group.

The capital contribution reserve relates to discounting of shareholder's loan to its fair value at year-end.

12. Share-based payments

The Company has share-based payment arrangements relating to share options granted, which are as below:

Grant date	Expiry date	Exercise price A\$	Number issued	Outstanding 2013
09/12/2010	09/12/2015	0.26	490,617	490,617
09/12/2010	09/12/2015	0.20	3,800,001	3,800,001
09/12/2010	09/12/2015	0.39	5,200,001	5,200,001
09/12/2010	09/12/2015	0.26	4,618,000	4,618,000
09/12/2010	31/12/2013	0.26	1,972,180	1,972,180
09/12/2010	31/12/2013	0.286	1,972,180	1,972,180
09/12/2010	31/12/2013	0.312	986,090	986,090
09/12/2010	24/11/2015	0.26	3,007,110	3,007,110
09/12/2010	03/11/2015	0.34	3,200,000	3,200,000
09/01/2012	15/03/2014	0.40	7,999,998	7,999,998
22/06/2012	31/12/2014	0.40	500,000	500,000
04/06/2012	03/06/2017	0.263	16,855,735	16,855,735
04/06/2012	03/06/2017	0.275	5,618,579	5,618,579
01/04/2013	01/04/2018	0.26	3,300,001	3,300,001
			59,520,492	59,520,492

Grant date	Expiry date	Exercise price A\$	Number issued	Outstanding 2012
09/12/2010	09/12/2015	0.26	490,617	490,617
09/12/2010	09/12/2015	0.2	4,400,000	4,400,000
09/12/2010	09/12/2015	0.39	5,800,000	5,800,000
09/12/2010	03/11/2015	0.26	4,618,000	4,618,000
09/12/2010	31/12/2013	0.26	1,972,180	1,972,180
09/12/2010	31/12/2013	0.286	1,972,180	1,972,180
09/12/2010	31/12/2013	0.312	986,090	986,090
09/12/2010	24/11/2015	0.26	3,007,110	3,007,110
09/12/2010	03/11/2015	0.34	3,200,000	3,200,000
07/01/2011	31/12/2011	0.26	500,000	—
09/01/2012	15/03/2014	0.4	8,000,000	8,000,000
22/06/2012	31/12/2014	0.4	500,000	500,000
04/06/2012	03/06/2017	0.263	16,855,735	16,855,735
04/06/2012	03/06/2017	0.275	5,618,579	5,618,579
			57,920,491	57,420,491

The fair value of the share-based payment is based upon the Black-Scholes formula, a commonly used option pricing model. The calculation of volatility used in the model is based upon an average of market prices against current market prices of listed companies operating in the mining industry.

All options are equity settled and it has been assumed that all options will vest.

	Group	
	year ended 30 June 2013	Year ended 30 June 2012
Group share options		
Outstanding at start of the year		
Weighted average exercise price (A\$)	57,420,491 0.30	26,646,177 0.29
Granted		
Weighted average exercise price (A\$)	3,300,001 0.26	30,974,314 0.30
Cancelled		
Weighted average exercise price (A\$)	(1,200,000) 0.34	(200,000) 0.26
Outstanding at the end of the year	59,520,492	57,420,491
Exercisable at the end of the year	59,520,492	31,546,517
Exercise date within one year	—	25,873,974
Group share options		
Outstanding at the beginning of the year	57,420,491	26,646,177
Granted during the year	3,300,001	30,974,314
Forfeited during the year	(1,200,00)	(200,00)
Outstanding at the end of the year	59,520,492	57,420,495
Weighted average contractual life (years)	4	4
Weighted average exercise price (A\$)	0.30	0.30

	1 April 2013
Grant Date	
information on options granted during the 2013 financial year	
Number of options	3,300,001
Expected volatility (%)	79.17
Risk-free interest rate (%)	5.38
Weighted average share price at grant date (A\$)	0.09
Expected life (years)	5
Expected dividend	zero
Fair value per option (A\$)	0.04

	9 January 2012	22 June 2012	4 June 2012	4 June 2012
Grant date				
information on options granted during the 2012 financial year				
Number of options	8,000,000	500,000	16,855,735	5,618,579
Expected volatility (%)	80.03	75.85	75.80	75.80
Risk-free interest rate (%)	5.38	5.38	5.38	5.38
Weighted average share price at grant date (A\$)	0.21	0.16	0.145	0.145
Expected life (years)	3	3	5	5
Expected dividend	zero	zero	zero	zero
Fair value per option (A\$)	0.08	0.04	0.08	0.08

Share-based payments represent the value of unexercised share options to employees. The charge for share options in the year amounted to A\$ 339,485 (2012: A\$ 1,051,263).

13. Long-term loans

	Group		Company	
	2013 A\$'000	2012 A\$'000	2013 A\$'000	2012 A\$'000
Shareholder loans				
Mountain Rush Trading 6 (Pty) Ltd	3,172	—	—	—

The loan is unsecured, bears no interest and has no fixed repayment terms.

In accordance with IAS 39, the loan has been present valued at the prime rate of interest in South Africa plus 2% over five years with the equity component being recognised in a capital contribution reserve.

Kangala Project Finance Facility

Universal Coal, through its 100% owned subsidiary Universal Coal & Energy Holdings South Africa (Pty) Ltd (UCEHSA) entered into a secured funding agreement with FirstRand Bank Limited, acting through its Rand Merchant Bank division, for a project financing facility with a maximum commitment value of A\$ 33,2 million (ZAR 300 million). These funds will be on lent to a 70.5% subsidiary Universal Coal Development I (Pty) Ltd (UCDI) through means of an inter-company loan agreement for the purposes of developing the Kangala Mine.

As security, UCEHSA has pledged its shares in UCDI together with any claims and loans to UCDI and UCDI has ceded its right, title and interest to the Project Accounts, Insurances, Intellectual Property, Investments and any claims against third parties.

The Kangala Project Financing Facility attracts an interest rate of Johannesburg Interbank Agreed Rate (JIBAR) plus 4.95% pre-completion and JIBAR plus 4.25% post-completion. On 19 June 2013, as a condition of the financing, UCEHSA executed an interest rate hedge to cover at least 50% of its interest rate exposure on the outstanding loan balance. The exposure on the hedge at 30 June 2013 was immaterial and, as such, has not been accounted for in the 30 June 2013 consolidated annual financial statements of Universal Coal.

The Kangala Project Financing Facility is to be repaid in eighteen equal quarterly instalments commencing on 31 January 2015 and any interest incurred on the outstanding loan balance prior to this date will be capitalised in line with IAS 23 Borrowing Costs.

Facility Close was achieved on 19 June 2013, however at 30 June 2013 the full Kangala Project Financing Facility remained undrawn and available.

14. Converting notes

	Group		Company	
	2013 A\$'000	2012 A\$'000	2013 A\$'000	2012 A\$'000
Converting Notes	5,524	5,315	746	5,315

On 5 April 2012, Universal Coal Plc entered into a binding Converting Note Agreement with Susquehanna Pacific Pty Ltd for a maximum of 12,000,000 unlisted and secured Converting Notes at a coupon rate of 9.5% per annum and a maturity date of seven years to be issued in two tranches together with a maximum of 38,527,394 share options, as follows:

Tranche 1

7,000,000 unlisted and secured Convertible Notes at a face value of A\$ 1 each and a maximum of 22,474,314 options (Tranche A). The Tranche A options will be issued at a maximum of:

- 16,855,735 options (low) at an exercise price of A\$ 0.2628 per option with a grant date of 4 June 2012 and an expiry date of 3 June 2017;

- 5,618,579 options (high) at an exercise price of A\$ 0.2745 per option with a grant date of 4 June 2012 and an expiry date of 3 June 2017.

See also note 12: Share-Based Payments

Tranche 2

5,000,000 unlisted and secured Convertible Notes at a face value of A\$ 1 each and a maximum of 16,053,080 options (Tranche B) executable from 1 September 2012 at the election of Susquehanna Pacific Pty Ltd. The Tranche B options will be issued at a maximum of:

- 12,039,810 options (low) at an exercise price of 112.5% of the Close Price per option with a grant date of the date on which the Tranche 2 Converting Notes are issued under the Converting Note Agreement and an expiry date of 3 June 2017;
- 4,013,270 options (high) at an exercise price of 117.5% of the Close Price per option with a grant date of the date on which the Tranche 2 Converting Notes are issued under the Converting Note Agreement and an expiry date of 3 June 2017.

Subject to the terms of the Converting Note Agreement, the rate at which Converting Notes convert into CDI shares is equal to the principal amount outstanding on the Converting Notes divided by the Conversion Price.

The Conversion Price for the Converting Notes is equal to 110% of the Close Price. The Close price is determined as follows:

Close price

- A\$ 0.25 per CDI if at any time during an eight week notice period the five day VWAP is equal to or greater than A\$ 0.25 per CDI; or
- A\$ 0.2336.

Specific terms of the Converting Notes:

- Other than a conversion permitted as a result in a change of control or default event, no conversion is permitted for the first 7 1/2 months.

Noteholders are not permitted to hold in excess of 19.99% of the CDI's in issue.

- A monthly cap of 5% of the principal amount of the Converting Notes if they are first ranking in the capital structure of the Company.
- A monthly cap of 10% of the principal amount of the Converting Notes if they are subordinated in the capital structure of the Company.
- Converting Notes may be converted or redeemed if a change of control event occurs.
- All outstanding Converting Notes must be converted on the maturity date.
- If by 3 1/2 years all of the Converting Notes have not been converted or redeemed, then the Noteholder may on a monthly basis convert as many of or a proportion of the Converting Notes.

The coupon rate of 9.5% fixed per annum is payable quarterly in arrears in cash or for the first 18 months, in shares at a 10% discount to the lower of the 5, 10 and 30-day VWAP.

	Group		Company	
	2013 A\$'000	2012 A\$'000	2013 A\$'000	2012 A\$'000
Reconciliation of converting notes				
Opening balance	5,315	—	5,315	—
Convertible notes issued	—	7,000	—	7,000
Capitalised financing costs	—	(1,744)	—	(1,744)
Accrued interest costs	—	41	—	—
Accrued interest paid	(41)	—	(41)	—
Amortised financing costs	250	18	250	18
	5,524	5,315	746	402

15. Provisions

	Group		
	Opening balance A\$'000	Additions A\$'000	Total A\$'000
2013			
Reconciliation of provisions			
Environmental rehabilitation	—	896	896

The rehabilitation provision relates to the estimated costs of correcting any disturbance relating to mining activities and those incidental thereto for the first year of the Kangala mine development. The level of provision is commensurate with work completed to date.

The effects of discounting are considered negligible and have not been taken into account in the rehabilitation provision presented.

16. Trade and other payables

	Group		Company	
	2013 A\$'000	2012 A\$'000	2013 A\$'000	2012 A\$'000
Trade payables	2,316	738	557	201
Other accrued expenses	242	209	189	201
	2,558	947	746	402

17. Operating loss

	Group	
	2013 A\$'000	2012 A\$'000
Operating loss for the year is stated after accounting for the following:		
Operating lease charges		
Premises	76	86
– Contractual amounts		
Equipment	17	17
– Contractual amounts		
	93	103
Remuneration receivable by the Company's auditor or an associate of the Company's auditor for the auditing of these accounts	113	123
Profit on sale of fixed assets	3	—
Depreciation on property, plant and equipment	20	17
Depreciation on intangibles (software)	50	47
Employee costs	1,477	1,771
Financial advisory fees	246	1,851
Share-based payments	339	1,051

18. Finance income

	Group	
	2013	2012
	A\$'000	A\$'000
Interest revenue		
Bank and fixed deposit interest	546	283

19. Finance expenses

	Group	
	2013	2012
	A\$'000	A\$'000
Converting notes – interest	718	51
Amortised finance expense	250	18
	968	69

20. Taxation

No provision has been made for 2013 tax as the Group has no taxable income. The estimated tax loss available for set-off against future taxable income is A\$ 40,262,907 (2012: A\$ 35,688,907).

No provision has been made for the 2013 deferred taxation as no taxable income has been received to date. The estimated deferred tax asset available for set-off against future taxation liabilities is A\$ 10,365,615 (2012: A\$ 9,279,116) arising from the availability of tax losses but has not been recognised as there is no certainty that sufficient profits will arise in future accounting periods from which these losses could be offset.

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 30 June 2013 or for the year ended 30 June 2012.

Factors affecting the tax charge

The tax assessed for the year is different to the standard rate of corporation tax in the UK.

	Group	
	2013	2012
	A\$'000	A\$'000
Profit on ordinary activities before tax	6,552	2,779
Profit on ordinary activities multiplied by the average rate of corporate tax in SA of 28% (2012: 26% UK#)	1,835	723
Effects of:		
Non-deductible expenditure	95	273
Non-taxable income	(3,390)	(2,516)
Tax losses for which no deferred asset was recognised	1,460	1,520
Total tax		

21. Operating lease commitments

	Group	
	2013	2012
	A\$'000	A\$'000
Minimum lease payments due		
– within one year	101	92
– in second to fifth years inclusive	95	87
	196	179

22. Cash used in operations

	Group		Company	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Profit/(loss) before taxation	6,552	2,779	(4,223)	(5,187)
Adjustments for:				
Depreciation and amortisation	70	64	2	—
Profit on sale of assets	(3)	—	—	—
Gain arising on step up of associated undertaking to subsidiary	(5,464)	(899)	—	—
Gain arising on step up of interest in associated undertakings	(6,644)	(8,778)	—	—
Foreign exchange differences recycled on step up	643	—	—	—
Finance income	(546)	(283)	(412)	(204)
Finance expenses	968	69	968	69
Share of operating loss/(profit) of associated undertakings	10	(3)	=	—
Foreign exchange (gain)/loss	(13)	13	(12)	13
Share-based payment transactions	339	1,051	339	766
Changes in working capital:				
Trade and other receivables	(1,429)	(1,213)	79	4
Trade and other payables	569	90	159	234
	(4,948)	(7,110)	(3,100)	(4,305)

23. Significant non-cash transactions

	Group		Company	
	2013 A\$'000	2012 A\$'000	2013 A\$'000	2012 A\$'000
Operating activities				
Depreciation and amortisation	70	64	2	—
Share of operating loss/(profit) of associated undertakings	10	(3)	—	—
Share-based payment transactions	339	1,051	339	766
	419	1,112	341	766
Investment activities				
Gain arising on step up of associated undertaking to subsidiary	(5,464)	(899)	—	—
Gain arising on step up of interest in associated undertakings	(6,644)	(8,778)	—	—
Foreign exchange differences recycled on step up	643	—	—	—
Profit on sale of intangible assets	(3)	—	—	—
Purchase of tangible assets	1,593	—	—	—
Purchase of intangible assets	161	—	—	—
	(9,714)	(9,677)	—	—
Financing activities				
Non-cash interest on financing activities	393	59	393	59

24. Related parties

Relationships

Subsidiaries	Universal Coal & Energy Holdings South Africa (Pty) Ltd Universal Coal Development I (Pty) Ltd Universal Coal Development II (Pty) Ltd Universal Coal Development III (Pty) Ltd Universal Coal Development IV (Pty) Ltd Universal Coal Development V (Pty) Ltd Universal Coal Development VII (Pty) Ltd Twin Cities Trading 374 (Pty) Ltd Epsimax (Pty) Ltd Episolve (Pty) Ltd Bold Moves 1765 (Pty) Ltd Universal Coal Power Generation (Pty) Ltd
Associated undertakings	Universal Coal Development VI (Pty) Ltd Universal Coal Logistics (Pty) Ltd Black Economic Empowerment Partners Bono Lithihi Investments Group (Pty) Ltd Unity Rocks Mining (Pty) Ltd Xakwa Investments (Pty) Ltd Mountain Rush Trading 6 (Pty) Ltd Solar Spectrum Trading 365 (Pty) Ltd Proper Health (Pty) Ltd Pacific Breeze Trading 725 (Pty) Ltd Azaramix Investments (Pty) Ltd Idada Trading 368 (Pty) Ltd Camiscope (Pty) Ltd

Other related parties and connected persons

KEE Enterprises (Pty) Ltd
Hendrik Bonsma
Zander Investments Limited
Ofhani Phaswana
African Minerals Exploration and Development GP SARL
Coal Development Holding B.V.

	Group		Company	
	2013 A\$'000	2012 A\$'000	2013 A\$'000	2012 A\$'000
Related party transactions and balances				
Consulting fees paid to related parties:				
Ofhani Phaswana	33	150	—	—
Zander Investments Limited	—	347	—	347
African Minerals Exploration and Development Fund SICAR	75	—	75	—
Rent paid to related party				
NEE Enterprises (Pty) Ltd	68	80	—	—
Loan from related party				
Mountain Rush Trading 6 (Pty) Ltd	3,172	—	—	—

A consultancy agreement was entered into with Ofhani Phaswana, a director of Bono Lithihi Investments Group (Pty) Ltd, on

15 February 2010 for facilitation services in the mining sector in South Africa and to represent Universal Coal Plc as a “Black- Economic Empowerment” partner. Monthly fees of A\$ 11,000 are payable, the last of which was settled on 30 September 2012.

A lease agreement was entered into with KEE Enterprises on 31 May 2011 for office rental in South Africa. The controlling shareholder of KEE Enterprises (Pty) Ltd, Hendrik Bonsma, is also a non-executive director of Universal Coal Plc. The period of the lease is for three years at a market-related rental of A\$ 5,667 per month with an annual escalation clause of 8% per annum. This transaction is considered to be at “arm’s length”.

A consultancy agreement was entered into on 1 July 2010 with Zander Investments Limited for the provision of the executive services of Antony Harwood and Anton Weber. The expiry date of the contract is 30 June 2013. Annual consultancy fees of A\$ 160,979 for Antony Harwood and A\$ 160,979 for Anton Weber were payable by Universal Coal Plc.

Effective 1 July 2011, the agreement with Zander Investments limited was amended in respect of the services of Anton Weber who was directly employed by Universal Coal Plc from that date. The consultancy agreement with Zander Investments Limited was terminated on 18 April 2012 in accordance with the resignation of Antony Harwood and termination fees of A\$ 178,100 was paid on 1 March 2013.

Universal Coal Plc entered into various “arm’s length” transactions with Black Economic Empowerment Partners as identified above in relation to the application, acquisition and earn-in of coal prospecting licences in South Africa. Refer to notes 6, 7 and 8 for details of the transactions.

On 5 December 2012, the Company entered into a private placement agreement with Coal Development Holding B.V. (CDH) for the acquisition of 29.99% of the issued share capital of Universal Coal Plc. One of the key terms of the placement was that CDH has the right to nominate two non-executive directors to the Company's Board. Following Shareholder approval at the Company's Annual General Meeting on 21 December 2012, the Board of Universal Coal Plc approved the appointment of Mr David Twist and Mr Carlo Baravalle as non-executive directors effective from 7 January 2013. Monthly fees of A\$ 12,500 are payable to American Minerals Explorations and Development GP SARL.

Universal Coal Development I (Pty) Ltd secured a portion of the 100% Kangala equity funding requirement of A\$ 17.7 million (ZAR: 160 million) through a shareholders' loan of A\$ 5.2 million (ZAR: 47.2 million) from Black Economic Empowerment partner Mountain Rush Trading 6 (Pty) Ltd.

25. Risk management

Financial risk management

The Group's activities expose it to a variety of financial risks: in particular market risk (including currency risk, fair value interest rate risk and price risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Group's performance. The Board on behalf of the members carries out risk management.

	Group			
	2013		2012	
	Loans and receivables A\$'000	Financial liabilities A\$'000	Loans and receivables A\$'000	Financial Liabilities A\$'000
Financial instruments of the Company:				
Loans and receivables				
Financial assets				
Trade and other receivables	418	—	198	—
Cash and cash equivalents	7,442	—	8,826	—
Financial liabilities				
Shareholders loan	—	3,172	—	—
Trade payables	—	2,552	—	938
Converting Notes	—	5,524	—	5,315
	7,860	11,248	8,024	6,253

Prepaid expenses and Value Added Taxation of A\$ 2,662,804 (2012: A\$ 1,454,339) and provisions of A\$ 5,797 (2012: A\$ 5,797) have been excluded

	Company			
	2013		2012	
	Loans and receivables A\$'000	Financial liabilities A\$'000	Loans and receivables A\$'000	Financial Liabilities A\$'000
Financial instruments of the Company:				
Loans and receivables				
Financial assets				
Trade and other receivables	—	—	95	—
Cash and cash equivalents	2,275	—	2,478	—
Financial liabilities				
Trade payables	—	746	—	400
Converting Notes	—	5,524	—	5,315
	2,275	6,270	2,573	5,715

Pre-paid expenses and Value-Added Taxation of A\$ 171,594 (2012: A\$ 156,244) and provisions of A\$ nil (2012: A\$ nil) have been excluded.

The current fair value of the Group's and Company's financial assets and financial liabilities is not considered to be materially different to the book value disclosed above.

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while optimising the debt and equity balance. The capital structure of the Group consists of equity, comprising issued capital, equity and retained deficit and debt comprising of Converting Notes and shareholder's loan.

The Group enters into financial transactions to ensure a degree of interest rate certainty and to guarantee the interest rate changes through economic conditions beyond management's control is hedged through interest rate swaps. Financial instruments entered into in pursuit of this objective are specifically designated as hedges of the planned future interest rate variances.

Where future investment in the interest in associates or other Group projects is required the Board will assess the structure of whether it can be funded from existing resources or financing arrangements, as appropriate.

The Group finances its operations through equity and debt. During the current year the Group raised finance through the fresh issuing of equity and raising debt from a minority shareholder of Universal Coal Development I (Pty) Ltd. Furthermore, the Group secured a 65% project finance debt facility to finance the Kangala mine development. During the prior year the Group raised finance through the issuing of Converting Notes (refer to note 14). No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without prior consent of the Company.

Foreign exchange risk

Universal Coal Plc operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the South African Rand and British Pound. Universal Coal Plc is exposed to currency risk on cash reserves, deposits paid, trade receivables, trade payables and shareholder's loan.

However, the majority of the Group's exposure is indirect resulting from those transactions entered into by its associated undertakings and subsidiaries, consequently the direct currency risk facing the Group is not considered to materially affect its financial position and operating results.

Group					
Exchange rates used for conversion of foreign items:	2013	% Change	2012	% Change	2011
ZAR:AUD (Average)	9.0669	13.16	8.0120	16.82	6.8962
ZAR:AUD (Spot)	9.0334	7.90	8.3717	15.67	7.2360
GBP:AUD (Average)	0.6548	0.49	0.6516	4.89	0.6212
GBP:AUD (Spot)	0.6008	(7.65)	0.6506	(1.63)	0.6614

The table below classifies the Group's foreign currency risk between the different functional currencies as at year-end, and the respective balance thereof:

	Group			
	British Pound A\$'000	South African Rand A\$'000	Australian Dollar A\$'000	Total A\$'000
Current assets 2013				
Trade and other receivables	—	418	—	418
Cash and cash equivalents	4	5,167	2,271	7,442
Liabilities 2013				
Trade and other payables	75	1,806	671	2,552
Shareholders' loan	—	3,172	—	3,172
Converting Notes	—	—	5,524	5,524
Current assets 2012				
Trade and other receivables	18	86	94	198
Cash and cash equivalents	40	6,348	2,438	8,826
Liabilities 2012				
Trade and other payables	74	538	326	938
Converting Notes	—	—	5,315	5,315

The Company's financial assets and liabilities are denominated in the different currencies as set out below:

	Company			
	British Pound A\$'000	South African Rand A\$'000	Australian Dollar A\$'000	Total A\$'000
Current assets 2013				
Trade and other receivables	—	—	—	—
Cash and cash equivalents	4	—	2,271	2,275
Liabilities 2013				
Trade and other payables	75	—	671	746
Converting Notes	—	—	5,524	5,524
Current assets 2012				
Trade and other receivables	—	—	95	95
Cash and cash equivalents	40	—	2,438	2,478
Liabilities 2012				
Trade and other payables	74	—	326	400
Converting Notes	—	—	5,315	5,315

Foreign currency risk sensitivity analysis:	2013	2012
	A\$'000	A\$'000
Change in profit/(loss) – (AUD:ZAR)		
Improvement in AUD to ZAR by 10%	(1,149)	(809)
Decline in AUD to ZAR by 10%	1,149	809

Price risk

Prices ultimately received for minerals in relation to the Group's investments will have significant impact on the profitability and viability of all projects in which the Group has an interest. Increase in prices may have significant and leveraged effect to the current and future values of projects and shares held, the converse will apply where prices fall.

Interest rates on financial assets and liabilities

The Group's and Company's financial assets consist of cash and cash equivalents and other receivables. The Group and Company earn interest on its cash and cash equivalents, consequently the Group and Company are exposed to cash flow interest rate risk on its financial assets which earn interest based on variable interest rates. To mitigate this risk the cash balances maintained by the Group and Company are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group and Company require.

The Group's interest rate risk arises from cash held, short-term deposits and interest on Converting Notes and hedges.

At 30 June 2013, if interest rates on Australian Dollar-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax profit for the year would have been A\$ 23,770 (2012: A\$ 24,380) higher/(lower), mainly as a result of higher/(lower) interest rates.

At 30 June 2013, if interest rates on Rand-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax profit for the year would have been A\$ 49,270 (2012: A\$ 63,480) higher/(lower), mainly as a result of higher/ (lower) interest rates.

The Group's and Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

	Group				
	Fixed interest rate	Floating interest rate	Fixed interest maturing within one year	Non-interest bearing	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
2013					
Financial assets					
Trade and other receivables	—	—	—	418	418
Cash and cash equivalents	—	7,442	—	—	7,442
Weighted average interest rate	—	3.2%	—	—	
Financial liabilities					
Trade and other payables	—	—	—	2,552	2,552
Converting Notes	5,524	—	—	—	5,524
Shareholder's loan	—	—	—	3,172	3,172
Weighted average interest rate	9.5%	—	—	0%	
2012					
Financial assets					
Trade and other receivables	—	—	—	198	198
Cash and cash equivalents	—	492	8,334	—	8,826
Weighted average interest rate	—	2.50%	4.65%	—	
Financial liabilities					
Trade and other payables	—	—	—	938	938
Converting Notes	5,315	—	—	—	5,315
Weighted average interest rate	9.5%	—	—	0%	

Credit risk

The carrying amount of the Group's financial assets represents its maximum exposure to credit risk.

The Group is exposed to credit risk on cash deposits, however it does not consider that it has significant exposure because it banks with reputable institutions in various locations, including HSBC Bank Australia Limited, ANZ Bank Australia, ABSA Bank Limited, Investec Limited and FirstRand Bank.

Financial assets exposed to credit risk at year-end were as follows:

	Group		Company	
	2013	2012	2013	2012
	A\$'00	A\$'000	A\$'000	AS'000
Financial instrument				
Trade and other receivables	418	198	—	95
Cash and cash equivalents	7,442	8,826	2,275	2,478

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors rolling forecasts of the Group's and Company's liquidity reserve. The review consists of considering the liquidity of local markets, projecting cash flows and the level of liquid assets to meet these. Management raises additional capital financing when the review indicates this to be necessary.

	Group	
	Less than one year	Greater than one year
	A\$'000	A\$'000
At 30 June 2013		
Trade and other payables	2,552	—
Converting Notes	—	7,000
Shareholder's loan	—	3,172
At 30 June 2012		
Trade and other payables	938	—
Converting notes	—	6,667
	938	6,667
	938	6,667
	Company	
	Less than one year	Greater than one year
	A\$'000	A\$'000
At 30 June 2013		
Trade and other payables	746	—
Converting Notes	—	7,000
At 30 June 2012		
Trade and other payables	400	—
Converting Notes	—	6,667
	400	6,667
	400	6,667

26. Employees and directors

	Group	
	2013	2012
Average number of employees		
Staff (operational resources)	12	9
Directors	6	3
	18	12

	Group	
	2013 A\$'000	2012 A\$'000
Wages and salaries	1,477	1,585
Termination payments	—	186
Share-based payments	339	1,051
	1,816	2,822

There are no pension contributions paid by the Group in the current or prior year.

Certain employee costs directly attributable to the development of the Kangala mine have been capitalised to Development and Production Assets.

Directors' remuneration was paid in cash. In the previous financial year all directors have received options to purchase ordinary shares of the Company at exercise prices that vary in accordance to the year of grant (see note 12).

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company listed on page 17

	Group	
	2013 A\$'000	2012 A\$'000
Salary/fees	1,707	1,476
Share-based payments	87	630
Termination payments	—	186
	1,794	2,292

27. Earnings per share

	Group	
	2013 A\$	2012 A\$
Numerator		
Profit used in basic earnings per share	6,626,821	2,900,175
Adjusted for convertible loan interest	343,897	69,000
Adjusted profit used in diluted earnings per share	6,970,718	2,969,175

	2013	2012
Denominator		
Weighted average number of shares used in basic earnings per share	270,506,171	207,668,161
Potential ordinary shares that could dilute earnings per share in future		
Weighted average number of shares used in basic earnings per share	270,506,171	207,668,161
Adjusted for effect of Converting Notes in issue	29,965,753	7,060,424
Weighted average number of shares used in diluted earnings per share	300,471,924	214,728,585

All share options have not been included in the calculation of diluted earnings per share because they are out of the money. The total number of options issued is disclosed in note 12.

28. Going concern

The accounts have been prepared on the going concern basis. At the year-end the Group had A\$ 5,487,114 (2012: A\$ 7,815,998) of unrestricted cash reserves and is reliant on the timing of cash flows from the Kangala Colliery. The directors are therefore satisfied that the Group has adequate resources to continue in business for the foreseeable future.

29. Events subsequent to reporting period

On 30 July 2013, Universal Coal successfully effected its 1st drawdown of the Kangala Project Finance Facility in the amount of A\$ 2.8 million (ZAR 25 million) and on 6 September the 2nd drawdown in the amount of A\$ 3.7 million (ZAR 35 million) was effected.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL COAL PLC

We have audited the financial statements of Universal Coal Plc for the year ended 30 June 2013 which comprise the Consolidated and Company Statement of Financial Position, the Consolidated Statement of comprehensive Income, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditor

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

Anne Sayers (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

27 September 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

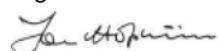
**Consolidated and Company Statement of Financial Position
for the year ending 30 June 2015**

		Group		Company	
	Note	2015 A\$'000	2014 A\$'000	2015 A\$'000	2014 A\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	60,952	51,607	—	—
Intangible assets	5	60,560	56,836	—	—
Investments in subsidiaries	6	—	—	65,162	44,842
Investments in associated undertaking	7	12	5	—	—
Loan receivable	8	1,813	—	—	—
		123,337	108,448	65,162	44,842
Current assets					
Inventories	10	1,039	3,273	—	—
Trade and other receivables	11	9,580	6,068	31	19
Cash and cash equivalents (including restricted amounts)	12	26,539	7,033	628	71
		37,158	16,374	659	90
Total assets		160,495	124,822	65,821	44,932
EQUITY AND LIABILITIES					
EQUITY					
Share Capital	13	42,989	26,253	42,989	26,253
Share Premium	13	52,605	41,967	52,605	41,967
Reserves	15	3,962	836	5,334	6,743
Accumulated loss		(22,070)	(22,870)	(42,939)	(39,228)
Attributed to Equity Holders of Parent		77,486	46,186	57,989	35,735
Non-controlling Interest	6	26,086	25,114	—	—
Total Equity		103,572	71,300	57,989	35,735
LIABILITIES					
Non-current liabilities					
Borrowings	16	3,715	26,609	—	—
Convertible notes	17	6,021	7,742	6,021	7,742
Derivative financial liability	18	1,375	1,357	1,375	1,357
Deferred tax	9	1,745	589	—	—
Provisions	19	4,446	3,869	—	—
		17,302	40,166	7,936	9,099
Current liabilities					
Borrowings	16	30,393	6,464	—	—
Trade and other payables	20	9,228	6,892	436	98
		39,621	13,356	436	98
Total liabilities		56,923	53,522	7,832	9,197
Total equity and liabilities		160,495	124,822	65,821	44,932

The notes on pages 113 to 162 form part of the financial statements

The financial statement of Universal Coal plc, registered number 4482856 were approved by the Board of Directors and authorised for issue on 28th September 2015.

Signed on behalf of the Board of Directors



MR JOHN HOPKINS OAM
CHAIRMAN

28 September 2015

**Consolidated and Company Statement of Financial Position
for the year ending 30 June 2015**

		Group	
	Note	2015 A\$'000	2014 A\$'000
Gross revenue		74,964	11,838
Cost of sales	22	(59,900)	(6,905)
Gross profit		15,064	4,933
Operating expenses		(7,826)	(5,021)
Operating profit/(loss)	21	7,238	(88)
Finance Income	23	1,259	242
Foreign exchange loss		(9)	(39)
Share of operating loss of associated undertakings		(5)	(2)
Derivative financial liability	18	(18)	(1,357)
Finance expenses	24	(6,151)	(1,954)
Profit/(loss) before taxation		2,314	(3,198)
Taxation	25	(1,121)	(589)
Profit/(loss) for the year		1,193	(3,787)
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translating foreign operations		4,982	(8,668)
Other comprehensive income/(loss) for the year net of taxation		4,982	(8,668)
Total comprehensive income/(loss) for the year		6,175	(12,455)
Profit/(loss) attributed to:			
Owners of the parent		665	(4,166)
Non-controlling interest		528	379
Profit/(loss) for the year attributed to owners of the Parent		1,193	(3,787)
Total comprehensive income (loss) attributable to:			
Owners of the parent		5,203	(12,834)
Non-controlling interest		972	379
Earnings/(loss) per share			
Per share information			
Basic earnings/(loss) per share (c)	31	0.15	(1.30)
Diluted earnings/(loss) per share (c)	31	0.13	(1.30)

The Company loss after tax for the year was A\$3,846,033 (2014: loss A\$4,556,150)

The notes on pages 113 to 162 form part of the financial statements

Company Statement of Changes in Equity for the year ended 30 June 2015

	Share Capital A\$'000	Share Premium A\$'000	Total Share Capital A\$'000	Foreign Currency Translation Reserve A\$'000	Convertible Instrument Reserve A\$'000	Share- Based Payment Reserve A\$'000	Total Reserves A\$'000	Accumulated Loss A\$'000	Total Equity A\$'000
Balance at 1 July 2013	26,054	41,792	67,846	622	—	6,298	6,920	(35,867)	38,899
Loss for the year	—	—	—	—	—	—	—	(4,556)	(4,556)
Total comprehensive loss for the year	—	—	—	—	—	—	—	(4,556)	(4,556)
Transactions with owners									
Issue of shares	199	175	374	—	—	(374)	(374)	—	—
Transfer between reserves	—	—	—	—	—	(1,195)	(1,195)	1,195	—
Fair value adjustment	—	—	—	—	1,392	—	1,392	—	1,392
Balance at 1 July 2014	26,253	41,967	68,220	622	1,392	4,729	6,743	(39,228)	35,735
Loss for the year	—	—	—	—	—	—	—	(3,846)	(3,846)
Total comprehensive loss for the year	—	—	—	—	—	—	—	(3,846)	(3,846)
Transactions with owners									
Issue of ordinary shares	10,255	4,299	14,554	—	(1,392)	—	(1,392)	—	13,162
Issue of preferred shares	6,481	6,339	12,820	—	—	—	—	—	12,820
Transfer between reserves	—	—	—	—	—	(20)	(20)	20	—
Recycling finance charge on convertible loan note	—	—	—	—	—	—	—	115	115
Exchange differences on translation	—	—	—	3	—	—	3	—	3
Balance at 30 June 2015	42,989	52,605	95,594	625	—	4,709	5,334	(42,939)	57,989
Note(s)	13	13	13	15	15	14		15	

The notes on page 113 to 162 form part of the Financial Statements

Consolidated and Company Statement of Cash Flows for the year ended 30 June 2015

	Note	Group		Company	
		2015 A\$'000	2014 A\$'000	2015 A\$'000	2014 A\$'000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	26	14,708	(608)	(2,541)	(2,574)
Cash flows from investing activities					
Acquisition	4	(12,784)	(30,334)	—	—
Acquisition of other intangible assets	5	(543)	(775)	—	—
Investments in subsidiaries	6	—	—	(20,320)	(2,124)
Investment in associated undertakings	7	(12)	(2)	—	—
Loans to related parties	8	(1,813)	—	—	—
Transfer to restricted cash		(15,472)	(2,421)	—	—
Finance income	23	1,259	242	35	23
		(29,365)	(33,290)	(20,285)	(2,101)
Net cash used in investing activities					
Cash flows from financing activities					
Proceeds from share issues, net of share issue expenses	13	24,124	—	24,124	—
Proceeds from issue of converting notes	17	—	3,250	—	3,250
Proceeds from RMB project finance facility		2,925	29,043	—	—
Repayment of RMB finance facilities		(6,930)	—	—	—
Finance expenses	24 & 27	(1,831)	(740)	(741)	(740)
Net cash from financing activities		18,288	31,553	23,383	2,510
Total cash movement for the year		3,631	(2,345)	557	(2,165)
Unrestricted cash at the beginning of the year		2,657	5,487	71	2,275
Effect of exchange rate movement on cash balances		403	(485)	—	(39)
Total cash and cash equivalents	12	6,691	2,657	628	71
Restricted cash	12	19,848	4,376	—	—
Total cash and cash equivalents (including restricted cash)	12	26,539	7,033	628	71

The notes on pages 113 to 162 form part of the financial statements.

Notes to the consolidated and company annual financial statements for the year ended 30 June 2015

1 Significant accounting policies

General Information

The Company is domiciled in the UK. The address of the registered office is One America Square, Crosswall, London EC3N 2SG. The registered number of the Company is 4482856.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. Both the Parent Company financial statements and the Group financial statements have been prepared on a historical cost basis and approved by the Directors in accordance with International Financial Reporting Standards IFRS's and IFRIC interpretations, issued by the International Accounting Standards Board and as adopted by the European Union (IFRS).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2008 and has not presented its own statement of comprehensive income in these financial statements. The Group loss for the year includes a loss after tax of A\$3,846,033 (2014: loss of A\$4,556,150), which is dealt with in the financial statements of the Parent Company.

Going concern

The accounts have been prepared on the going concern basis. At year end the Group had A\$6,691,131 (2014: A\$2,657,801) of unrestricted cash reserves and A\$19,848,017 (2014: A\$4,374,901) of restricted cash.

Of the restricted cash held at year end, an amount of A\$15,928,640 (2014: nil) was provided by way of a purchase price guarantee to Exxaro Coal Mpumalanga (Pty) Ltd (Exxaro) for the acquisition of the New Clydesdale Colliery (NCC). Post year end, on 30 July 2015, an addendum to the Sale of Assets Agreement for the acquisition of NCC was concluded by which the acquisition price was adjusted downwards to A\$8,087,039. This amount was paid in full to Exxaro on 31 July 2015. The balance of A\$7,841,601, less A\$6,052,883 which was used to provide surety over the rehabilitation obligation for NCC, was released to cash.

Current liabilities reflected on the Statement of Financial Position at 30 June 2015 reflect an amount of A\$39,620,782 which was fully settled post the year end through existing cash reserves and through a five year refinancing agreement of the Kangala Project Finance Facility with Investec Bank Limited, acting through its Corporate and Institutional Banking division. On 31 July 2015 an amount of A\$30,402,688 was drawn down and used to settle the existing Rand Merchant Bank project finance facilities and to fund transactional costs relating to the Investec Facility. Repayments of A\$1,520,134 will be made quarterly for twenty quarters from cash flows generated from the Kangala Colliery through the production and sale of coal.

Group corporate costs for the 2015 financial year per the Segmental Report in note 3 reflect an annualised cost of A\$3.9 million. The Directors do not expect a material deviation in Group corporate costs in the 2016 financial year and are therefore satisfied that the Group has adequate resources to continue in business for the foreseeable future.

The performance of the Kangala Colliery over the second half of the 2015 financial year has demonstrated its ability to generate sufficient cash flows to support the Group's project debt repayments, operating costs and to cover the Group overheads. The development of the New Clydesdale Colliery will be funded through an Investec debt finance facility and NCC, during the first half of 2016, is expected to begin to contribute further positive cash flows for the Group to cover the additional project debt repayments and operating costs of the colliery as well as providing further additional cash flows for the Group.

Functional and presentation currency

Items included in the consolidated annual financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the South African business operations is South African Rand (ZAR).

The Company's functional currency is Australian Dollar (A\$). The consolidated annual financial statements are presented in Australian Dollar (A\$), which is the Group's presentation currency. Further details are provided on the foreign currency accounting policy in note 1.8

1.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

Any difference arising between the fair value and the tax base of the acquiree's assets and liabilities that give rise to a deductible difference result in the recognition of a deferred tax liability.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination and disclosed in the note for business combinations.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. Any gain on a bargain purchase is recognised in profit or loss immediately.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A parent entity has power over the subsidiary, when it has existing rights to direct the relevant activities of the subsidiary. The relevant activities are those which significantly affect the subsidiary's returns. Subsidiaries are fully consolidated from the date on which control is transferred until the date that the control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Inter-company transactions, balances and unrealised gains on transactions between Group entities are eliminated.

The Company's investments in its subsidiaries are carried at cost, less any impairment recognised.

Non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. The non-controlling interests' share of

losses, where applicable, are attributed to the non-controlling interests irrespective of whether the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

Associated undertakings

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The degree of control and contractual ability to direct the use of funding provided by the Group are taken into consideration.

Investments in associated undertakings are accounted for using the equity method of accounting and are initially recognised at cost. Any premium paid for an associated undertaking above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associated undertaking. The carrying amount of investment in an associated undertaking is subject to impairment in the same way as described below.

The Group's share of its associated undertakings' post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated undertaking equals or exceeds its interest in the associated undertaking no further losses are recognised.

1.2 Intangible assets

Exploration and evaluation assets

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity include researching and analysing historical exploration data, gathering exploration data through geophysical studies, exploratory drilling and sampling, determining and examining the volume and grade of resources, surveying transportation and infrastructure requirements, conducting market and finance studies and borrowing cost.

Exploration and evaluation expenditure for each area of interest is capitalised and carried forward as an asset if:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively by its sale; or
- it is planned to continue with active and significant operations in relation to the area, or at the reporting period end, the activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves.

Purchased exploration and evaluation assets are recognised as assets at cost of acquisition or at fair value if purchased as part of a business combination.

Capitalised exploration and evaluation expenditure is recorded as a component of intangible assets. No amortisation is charged during the exploration and evaluation phase.

Exploration and evaluation assets are transferred to "Mine development assets" once the technical feasibility and commercial viability of extracting the mineral resource supports the future development of the property and such development has been appropriately approved. Prior to transferring the exploration and evaluation assets to mine development assets, an impairment test is completed.

Computer software

Externally acquired intangible assets, such as computer software, are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives as noted below:

item	useful life
Computer software	2 years

Where appropriate the Group reviews the carrying amounts of its property, plant and equipment, intangible assets and investments to determine whether there is any indication that those assets have suffered an impairment.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. (Refer to 1.22)

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income.

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

1.3 Property, plant and equipment

Mining assets

Mine assets, including capitalised exploration and evaluation expenditures and capitalised mine development expenditure, is stated at cost less accumulated depreciation and less accumulated impairment losses.

Upon transfer of Exploration and evaluation assets to Mine development assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities are capitalised. Development expenditure is net of proceeds from the incidental sale of coal extracted during the development phase.

Stripping costs incurred in the development phase of a mine before production commences are capitalised, where they give rise to future benefits, as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units of production basis.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed.

After production starts, all assets included in Mine development assets are transferred to Mine assets.

Capital expenditure relating to mine development projects is accounted for as capital work in progress until a steady state of production is reached, at which point it is transferred to development and production assets.

Depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Depreciation is charged so as to write off the costs of assets, over their estimated useful lives:

Item	Average useful life
Mineral properties	Units of production
Development and production assets	Units of production
Land rehabilitation asset	Units of production
Mine development asset	Units of production
Mining infrastructure	Units of production
Mine owners assets	Units of production
Processing plant	Units of production
Deferred stripping costs	Units of production
Motor vehicles	4 years straight-line
Furniture and fixtures	5 years straight-line
Computer equipment	3 years straight-line

Depreciation costs calculated using the units of production method are included in cost of goods sold in the statement of comprehensive income, as these costs pertain to mining assets while depreciation resulting from the straight lining method are included in operating expenses in the Statement of Comprehensive Income.

The units of production depreciation method refers to the estimated economically recoverable reserves which are used in determining the depreciation of mine-specific assets proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has limitations resulting from both its physical life and the present assessment of economically recoverable reserves to which the asset is related.

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Capital work in progress

Capital work in progress is disclosed as an asset category of property, plant and equipment, which is measured at cost and is not depreciated.

1.4 Financial instruments

Classification

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

Financial assets and financial liabilities are initially recognised and subsequently measured based on their classification.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise trade and other receivables and loan receivable, which are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Restricted cash

Restricted cash comprises cash balances which are restricted through the granting of security in favour of various financial institutions.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of interest rate swaps and embedded conversion options in convertible loan notes, are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Other financial liabilities

Other financial liabilities, including trade and other payables and loans with financial institutions are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Trade payables and other short-term and long-term monetary liabilities, which are initially recognised at fair value, are subsequently carried at amortised cost using the effective interest method.

1.5 Converting notes

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. Interest on the debt element of the loan accretes over the term of the loan. The remainder of the proceeds is allocated to the convertible instrument reserve within shareholders' equity, net of income tax effects.

In terms of the Convertible Loan Note Agreement the conversion to ordinary shares takes place at the effective price per ordinary share. The financial liability is reclassified to equity and no gain or loss is recognised in profit or loss.

1.6 Leases

Leases, where substantially all the risks and rewards of ownership do not pass to the Group, are classified as operating leases. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

1.7 Tax**Current taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the end of the reporting period. Current taxation assets and liabilities are measured at the amount expected to be recovered from or paid to the local taxation authorities.

Deferred tax

Deferred income tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts and their carrying amounts on the statement of financial position.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or joint venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

1.8 Foreign currencies

Foreign currency transactions

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

On consolidation, the results of overseas operations are translated into A\$ at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the Consolidated Statement of Comprehensive Income as part of the profit or loss on disposal.

1.9 Share-based payments

The Company has granted equity-settled share-based payments in the form of share options and warrants. The fair value of the incentive granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employees or third parties become unconditionally entitled to the incentives. When identifiable, the fair value is determined by the value of the services provided. When a fair value for the services provided cannot be ascertained the fair value is measured based upon commonly used valuation models.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.11 Inventories

Inventories, which includes finished product and run of mine, are stated at the lower of cost of production on the weighted average basis or estimated net realisable value. Cost of production includes direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less marketing costs. Net realisable value also incorporates costs of processing in the case of the run of mine stockpiles.

Consumables are stated at the lower of cost or net realisable value.

1.12 Stripping costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine are capitalised. Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realised in the form of improved access to coal to be mined in the future, the costs are recognised as a non-current asset, referred to as a "stripping activity asset", if the following criteria are met:

- future economic benefits (being improved access to the coal body) are probable;
- the component of the coal body for which access will be improved can be accurately identified; and
- the costs associated with the improved access can be reliably measured.

If one of the criteria is not met, the production stripping costs are charged to the Statement of Comprehensive Income as operating costs as they are incurred. The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal, plus an allocation of directly attributable overhead costs.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the "Mine asset" in the Statement of Financial Position. The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

1.13 Revenue

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur as determined by customer offtake arrangements and delivery terms for the supply of coal. At this point the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the commodities and the costs incurred, or to be incurred, in respect of which the sale can be reliably measured.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) is capitalised up to the date when the qualifying asset is ready for its intended use as part of the cost of the respective asset and amortised over the useful life of the asset. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

Capitalisation is suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Fair value disclosure

A number of assets and liabilities included in the Group and Company's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group and Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs.
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group and Company measures a number of financial instruments at fair value. All instruments are categorised as level 3, there are no level 1 or level 2 instruments.

For more detailed information in relation to the fair value measurement of the items above, please refer to note 29.

1.16 Short-term and long-term loans

Finance income is accrued on a timely basis using the effective interest method, which exactly discounts estimated future cash flows through the expected life of the financial asset, to which the finance income derived, to its net carrying value.

The only finance income during the year related to bank interest received. The impact of discounting was immaterial. Interest income and expense are reported on an accrual basis.

1.17 Provisions

Rehabilitation provisions

The Group records the present value of estimated costs of legal and constructive obligations required to restore mining and other operations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and revegetation of affected areas. The obligation generally arises when the Mine development asset is installed or the ground/environment is disturbed at the mining production location.

The provision is discounted using a current market-based pre-tax discount rate. Over time, the discounted liability is increased for the change in present value based on the discount rates and the unwinding of the discount is included in finance expenses. The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations.

At the time of establishing the provision, a corresponding asset is capitalised by increasing the carrying amount of the related mine assets. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

Additional disturbances or changes in rehabilitation costs are recognised as additions to the corresponding mine assets and rehabilitation liability when they occur. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Costs related to restoration of site damage (subsequent to start of commercial production) which is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

Other provisions

Provisions are recognised when there is a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and that amount can be reliably estimated. Where the effect is material, the provision is discounted to net present value using an appropriate current market-based pre-tax discount rate. Over time, the discounted liability is increased for the change in present value based on the discount rates and the unwinding of the discount is included in finance expenses.

1.18 Financial guarantees

Where the Company enters into financial guarantee contracts for purposes of rehabilitation and other loan guarantees against the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such.

1.19 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.20 Preferred shares

Where the contractual terms of preferred shares do not meet the definition of a financial liability, they are recognised in equity. If the contractual terms meet the financial liability definition the preferred shares will be accounted for in terms of accounting policy 1.4. The preferred shares are convertible into ordinary shares at the election of the holder in the ratio of one preferred share to one ordinary share.

1.21 Finance income and finance expenses

The Group's finance income and finance expenses include:

- Finance income on cash and cash equivalents;
- Finance expenses on financial liabilities

Finance income and finance expenses are recognised using the effective interest method.

1.22 Judgements made in applying accounting policies and key sources of estimation uncertainty

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were:

Impairment of intangible assets and property, plant and equipment (notes 5 and 4)

In formulating accounting policies the Directors are required to apply their judgement, and where necessary engage professional advisors, with regard to the impairment review assumptions used in assessing the carrying value of its assets.

These assets of the Group are subject to periodic review by the Directors.

Property, plant and equipment (note 4)

Property, plant and equipment primarily consists of mining assets at the Kangala Colliery. The Group assesses each asset or cash-generating unit (CGU) in each reporting period to determine whether any indication of impairment exists. These assessments require the use of estimates and assumptions such as commodity prices, discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and resources and operating performance. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Estimated economically recoverable coal reserves at the Kangala Colliery are used in determining the depreciation of mine specific assets proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has limitations resulting from either its physical life or the present assessment of economically recoverable reserves to which the asset is related. This requires the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure, as explained in more detail below under coal resource estimate.

Coal resource estimate

The Group discloses its coal reserves and resources in accordance with The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) which is set by the Australian Joint Ore Reserves Committee (The JORC Committee). The JORC Committee comprises representatives of The Minerals Council of Australia (MCA), The Australasian Institute of Mining and Metallurgy (The AusIMM), the Australian Institute of

Geoscientists (AIG); as well as representatives of the Australian Securities Exchange (ASX), the Financial Services Institute of Australasia (FinSIA) and the accounting profession. The JORC Code is a binding standard for Public Reporting and disclosure in Australasia, applied by appropriately qualified and experienced persons (Competent Persons), and sets out minimum standards, recommendations and guidelines that requires the use of information relating to the geological and technical data on the size, depth, shape and grade of the coal body and suitable production techniques and recovery rates. Further, the JORC Code requires estimates of foreign exchange rates, commodity prices, future capital requirements and production costs. Due to the change of such information over time as well as additional data that may be collected, estimates of reserves and resources may change and may subsequently affect the financial results and positions of the Group, including:

- the carrying value of exploration and evaluation assets, mine properties, and property, plant and equipment may be affected due to changes in estimated future cash flows, which may result in accelerated depreciation or impairment;
- depreciation and amortisation charges in the statement of comprehensive income may change where such charges are determined using the units of production method, or where the useful life of the related assets change;
- provisions for rehabilitation and environmental provisions may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities; and
- contingent liabilities may change where the level of future obligations and economic outflows are based on reserve estimates.

Intangible assets (note 5)

The application of the Group's accounting policy for exploration and evaluation expenditure requires estimates and assumptions to determine whether future commercial exploitation or sale are likely. This requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Exploration and evaluation assets are assessed by management for impairment when there are facts and circumstances that suggests that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

Management considers the following indicators in assessing if an impairment test is required:

- The period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area.
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In the event that an impairment indicator is identified by management the recoverable amount of the exploration and evaluation asset is required to be determined. The determination of the recoverable amount requires the use of valuation estimates, judgments and assumptions such as techniques and methodologies contained within competent person's reports, commodity prices, discount rates, future capital requirements, exploration potential and reserves and resources.

These estimates and assumptions are subject to risk and uncertainty and may change if new information becomes available or if there are significant fluctuations in commodity markets. There is therefore, the possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the intangible asset.

Inventories (note 10)

Inventory stockpiles are measured by appropriately qualified persons, applying surveying methodologies, which consider the size and grade of the coal stockpile. The estimated recovery percentage is based on the expected processing method. In addition, net realisable value tests are performed at each reporting date and represent the estimated future sales price of the run-of-mine (ROM) coal the entity expects to realise when the ROM coal is processed and sold, less estimated costs to bring the ROM coal to sale.

Judgment is applied in estimating the variables noted above.

Fair value determination (note 29)

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of zero interest converting notes and shareholder loans are calculated as the present value of the converting loan notes and shareholder loans discounted at market related interest rates from the respective maturity date.

Rehabilitation provision (note 19)

The Group assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and discount rates. Estimates and assumptions may change if new information becomes available, which could have a material effect on the carrying value of the mine rehabilitation provision and the related mineral asset.

Recovery of deferred tax assets (note 9)

Deferred tax assets require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. This requires estimates of future taxable income based on forecasted cash flows as well as judgement about the application of existing tax legislation in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be adversely impacted.

Subsidiaries (note 6)

The Group consolidates certain subsidiaries on the basis of effective control in accordance with IFRS 10. In assessing control, potential voting rights are only considered if they are substantive. Areas reviewed by the Group which may evidence effective control include:

- Holding a significant voting interest (even if less than half of the voting rights).
- The ability to establish policies and guide operations appointing the investee's senior management.
- The minority shareholders have no participating rights or other preferential rights, excluding standard protective rights.
- Ownership of a majority of the voting power that participates in the general meetings and ability to appoint the majority of directors and indirectly, senior management.

Refer to note 6 for specific considerations in assessing control of the various subsidiaries.

2 Standards and interpretations

The consolidated annual financial statements have been prepared on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period.

Standards and interpretations effective and adopted in the current year

The following standards, interpretations and amendments became effective during the year and were adopted by the Group and Company. These have no material effect on the Group or Company.

Standards	Details of amendment	Annual periods beginning on or after
IFRS 10 Consolidated Financial Statements	IFRS 10 introduces a single control model to determine whether an investee should be consolidated. The IFRS supersedes IAS 27 <i>Consolidated and Separate Financial Statements</i> and SIC-12 <i>Consolidation-Special Purpose Entities</i> .	1 January 2014
IFRS 11 Joint Arrangements	The IFRS supersedes IAS 31 <i>Interests in Joint Ventures</i> and SIC-13 <i>Jointly Controlled Entities-Non- Monetary Contributions by Venturers</i> . Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the major factor in determining the type of joint arrangement and therefore the subsequent accounting	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	IFRS 12 <i>Disclosure of Interests in Other Entities</i> applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.	1 January 2014
IAS 27 Separate Financial Statements	IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. IFRS 10 <i>Consolidated Financial Statements</i> addresses the principle of control and the requirements relating to the preparation of consolidated financial statements.	1 January 2014
IAS 28 Investments in Associates and Joint Ventures	IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the company does not re-measure the retained interest.	1 January 2014
IAS 32 Offsetting Financial Assets and Financial liabilities	The amendments clarify when an entity can offset financial assets and financial liabilities.	1 January 2014
IAS 36 Recoverable Amounts (amendments)	The amendments reverse the unintended requirement in IFRS 13 <i>Fair Value Measurement</i> to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.	1 January 2014
Annual improvements to IFRS 1 (2010 -2012 and 2011 – 2013 cycles)	Clarifications as provided on various standards within the cycles have been considered in preparation of the current year financial statements.	1 January 2014
IFRIC 21 Levies	IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 <i>Provisions, Contingent Liabilities and Assets</i> for the entity that is paying the levy.	1 January 2014

Standards and interpretations not yet effective

Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standards	Details of amendment	Annual periods beginning on or after
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception (amendments)	1 January 2016
IAS 1	Disclosure initiative (amendments)	1 January 2016
IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture (amendment)	1 January 2016
IAS 27	Equity method in separate financial statement (amendments)	1 January 2016
IFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016

Management is currently assessing the impact of the above standards, interpretations on the financial statements. Management does not expect the impact to be material.

3 Segmental reporting

All investments in associates and subsidiaries operate in one geographical location being South Africa, and are organised into two business units from which the Group's expenses are incurred and revenues are earned, being (1) for the exploration and development of coal and (2) mining and sale of coal. The reporting on these investments to the Chief Operating Decision makers, the Board of Directors, focuses on the on the key performance indicators that the Directors monitor on a regular basis which are:

- Run-of-Mine (ROM) tonnages, processing plant yields and sales tonnages.
- Revenue per tonne.
- Cash cost per run-of-mine tonne (ROMt).
- Gross margin in percentage and gross margin per sales tonne.
- Earnings before interest taxation and depreciation (EBITDA) and EBITDA percentage of revenue on a monthly and year-to-date basis.
- Management of liquid resources through regular analysis of working capital requirements, bank balances, stay in business capital requirements, cash flow forecasts, accounts receivable and accounts payable ageing metrics.

The non-current assets relating to the capitalisation expenditure associated with the coal projects are located in South Africa. All corporate expenditure, assets and liabilities relate to incidental operations carried out in the United Kingdom, Australia and South Africa.

For the year ended 30 June 2015	Mining and sale of coal A\$'000	Exploration and development of coal A\$'000	Corporate (unallocated) A\$'000	Total A\$'000
Revenue	74,964	—	—	74,964
Cost of sales	(59,900)	—	—	(59,900)
Cost of sales – depreciation	(6,144)	—	—	(6,144)
Cost of sales excluding depreciation	(53,756)	—	—	(53,756)
Gross profit	15,064	—	—	15,064
Operating expenses (excluding share-based payments)	(4,198)	(142)	(3,488)	(7,828)
Share of loss of associated undertakings	—	(5)	—	(5)
Foreign exchange loss	—	—	(9)	(9)
Net finance cost	(4,477)	—	(413)	(4,890)
Derivative financial liability	—	—	(18)	(18)
Profit/(loss) before taxation	6,389	(147)	(3,928)	2,314
Taxation	(1,121)	—	—	(1,121)
Profit/(loss) after taxation	5,268	(147)	(3,928)	2,314
Total non-current assets	54,181	67,174	1,982	123,337
Total capital expenditure	12,870	425	32	13,327
Total assets	71,997	67,764	20,734	160,495
Total liabilities	(48,757)	(62)	(8,104)	(56,923)

Revenue to the amount of A\$69,568,000 was received from a single customer, being Eskom Holdings SOC Limited.

For the year ended 30 June 2014	Mining and sale of coal A\$'000	Exploration and development of coal A\$'000	Corporate (unallocated) A\$'000	Total A\$'000
Revenue	11,838	—	—	11,838
Cost of sales	(6,905)	—	—	(6,905)
Cost of sales – depreciation	(1,326)	—	—	(1,326)
Cost of sales excluding depreciation	(5,579)	—	—	(5,579)
Gross profit	4,933	—	—	4,933
Operating expenses (excluding share-based payments)	(2,090)	(129)	(2,802)	(5,021)
Share of loss of associated undertakings	—	(2)	—	(2)
Foreign exchange loss	—	—	(39)	(39)
Net finance cost	(759)	—	(953)	(1,712)
Derivative financial liability	—	—	(1,357)	(1,357)
Profit/(loss) before taxation	2,084	(131)	(51,51)	(3,198)
Taxation	(589)	—	—	(589)
Profit/(loss) after taxation	1,495	(131)	(5,151)	(3,787)
Total non-current assets	51,773	56,604	71	108,448
Total capital expenditure	32,066	775	—	32,841
Total assets	63,642	57,844	3,336	124,822
Total liabilities	(44,168)	(59)	(9,295)	(53,522)

Revenue to the amount of A\$9,861,000 was received from a single customer, being Eskom SOC Limited.

4 Property, plant and equipment

	Group					
	2015			2014		
	Cost A\$'000	Accumulated depreciation A\$'000	Carrying value A\$'000	Cost A\$'000	Accumulated depreciation A\$'000	Carrying value A\$'000
Mine development	12,255	(1,629)	10,626	11,545	(295)	11,250
Mining infrastructure	11,961	(1,636)	10,325	11,243	(332)	10,911
Processing plant	15,719	(1,669)	14,050	6,138	(180)	5,958
Mine owners' assets	5,093	(695)	4,398	4,803	(140)	4,663
Mineral properties	9,074	(542)	8,532	3,742	(110)	3,632
Development and production assets	5,513	(754)	4,759	5,208	(153)	5,055
Land rehabilitation asset	4,115	(560)	3,555	3,869	(114)	3,755
Furniture and fixtures	41	(26)	15	36	(20)	16
Computer equipment	103	(55)	48	69	(34)	35
Motor vehicles	212	(86)	126	201	(31)	170
Capital work in progress	2,665	—	2,665	6,162	—	6,162
Deferred stripping costs	1,935	(82)	1,853	—	—	—
	68,686	(7,734)	60,952	53,016	(1,409)	51,607

Reconciliation of property, plant and equipment – Group – 2015

	Opening balance A\$'000	Additions A\$'000	Transfers A\$'000	Foreign exchange movements A\$'000	Depreciation A\$'000	Total A\$'000
Mine development	11,250	33	—	676	(1333)	10,626
Mining infrastructure	10,911	—	—	718	(1,304)	10,325
Processing plant	5,958	2,995	6,162	423	(1,488)	14,050
Mine owners' assets	4,663	—	—	290	(555)	4,398
Mineral properties	3,632	5,101	—	231	(432)	8,532
Development and production assets	5,055	—	—	305	(601)	4,759
Land rehabilitation asset	3,755	19	—	228	(447)	3,555
Furniture and fixtures	16	4	—	2	(7)	15
Computer equipment	35	32	—	2	(21)	48
Motor vehicles	170	—	—	11	(55)	126
Capital work in progress	6,162	2,665	(6,162)	—	—	2,665
Deferred stripping costs	—	1,935	—	—	(82)	1,853
	51,607	12,784	—	2,886	(6,325)	60,952

Reconciliation of property, plant and equipment – Group – 2014

	Opening balance A\$'000	Additions A\$'000	Transfers A\$'000	Foreign exchange movements A\$'000	Depreciation A\$'000	Total A\$'000
Mine development	—	—	11,545	—	(295)	11,250
Mining infrastructure	—	—	11,243	—	(332)	10,911
Processing plant	—	—	6,138	—	(180)	5,958
Mine owners' assets	—	—	4,803	—	(140)	4,663
Mineral properties	4,053	—	—	(311)	(110)	3,632
Development and production assets	7,016	—	—	(1,808)	(153)	5,055
Land rehabilitation asset	—	3,057	811	—	(113)	3,755
Furniture and fixtures	23	7	—	(10)	(4)	16
Computer equipment	33	28	—	(16)	(10)	35
Motor vehicles	—	201	—	—	(31)	170
Capital work in progress	11,929	28,773	(34,540)	—	—	6,162
	23,054	32,066	—	(2,145)	(1,368)	51,607

Pledged as security

As part of the Kangala Project Financing Agreements, the following bonds were passed as security for the obligations of Universal Coal Development I (Pty) Ltd in favour of Rand Merchant Bank, a division of the FirstRand Bank Limited:

- a general notarial bond for an amount of A\$45,741,800 (ZAR456,000,000);
- a covering mortgage bond over Portion 1 of the Farm Wolvenfontein No. 244 IR, for an amount of A\$45,741,800 (ZAR456,000,000); and
- a mining bond over the mining right awarded by the Department of Mineral Resources under reference number MP30/5/1/2/2/429MR, measuring a combined area of 950.9112 hectares in extent, for an amount of A\$45,741,800 (ZAR456,000,000).

The following cession and pledge agreements were also concluded to and in favour of Rand Merchant Bank, a division of the FirstRand Bank Limited:

- by Universal Coal Development I (Pty) Ltd which has pledged and ceded all of its rights, title and interest in its banking accounts, insurances, contractors agreements, intellectual property, investments and all claims against third parties;
- Universal Coal and Energy Holdings South Africa (Pty) Ltd which has pledged and ceded all of its rights, title and interest in equity instruments, claims against and all loans to Universal Coal Development I (Pty) Ltd;
- Universal Coal and Energy Holdings South Africa (Pty) Ltd which has subordinated all of its claims against Universal Coal Development I (Pty) Ltd.

Refer to Note 33 for changes in security due to new financing facilities.

Borrowing costs capitalised

Borrowing costs in the amount of A\$nil (2014: A\$1,471,747 (ZAR14,671,49)) were incurred at JIBAR + 4.95% per annum and capitalised in accordance with the Group's accounting policy as found under note 1.14, to mine owners assets.

5 Intangible assets

Group	Project	2015			2014		
		Cost A\$'000	Accumulated amortisation A\$'000	Carrying value A\$'000	Cost A\$'000	Accumulated amortisation A\$'000	Carrying value A\$'000
Mining and prospecting rights (held by:)							
Universal Coal Development I (Pty) Ltd	Kangala	965	—	965	912	—	912
Universal Coal Development II (Pty) Ltd	Berenice & Somerville	35,237	—	35,237	33,249	—	33,249
Universal Coal Development III (Pty) Ltd	Brakfontein	10,745	—	10,745	9,894	—	9,894
Universal Coal Development IV (Pty) Ltd	Roodekop	9,513	—	9,513	8,878	—	8,878
Universal Coal Development V (Pty) Ltd	Cygnus	3,886	—	3,886	3,671	—	3,671
Other Intangible Assets							
Computer software		453	(239)	214	335	(103)	232
Total		60,799	(239)	60,560	56,939	(103)	56,836

Reconciliation of intangible assets – Group – 2015

	Project	Opening balance A\$'000	Additions A\$'000	Foreign exchange movements A\$'000	Amortisation A\$'000	Total A\$'000
Universal Coal Development I (Pty) Ltd	Kangala	912	—	53	—	965
Universal Coal Development II (Pty) Ltd	Berenice & Somerville	33,249	39	1,949	—	35 237
Universal Coal Development III (Pty) Ltd	Brakfontein	9,894	271	580	—	10,745
Universal Coal Development IV (Pty) Ltd	Roodekop	8,878	115	520	—	9,513
Universal Coal Development V (Pty) Ltd	Cygnus	3,671	—	215	—	3,886
Computer software		232	118	—	(136)	214
Total		56,836	543	3,317	(136)	60,560

Reconciliation of intangible assets – Group – 2014

	Project	Opening balance A\$'000	Additions A\$'000	Foreign exchange movements A\$'000	Amortisation A\$'000	Total A\$'000
Universal Coal Development I (Pty) Ltd	Kangala	1,202	—	(290)	—	912
Universal Coal Development II (Pty) Ltd	Berenice & Somerville	36,970	159	(3,880)	—	33,249
Universal Coal Development III (Pty) Ltd	Brakfontein	12,215	35	(2,356)	—	9,894
Universal Coal Development IV (Pty) Ltd	Roodekop	9,808	327	(1,257)	—	8,878
Universal Coal Development V (Pty) Ltd	Cygnus	4,079	10	(418)	—	3,671
Computer software		57	244	(30)	(39)	232
Total		64,331	775	(8,231)	(39)	56,836

Supplementary information on intangible assets

The following detailed schedule provides additional information pertaining specifically to the interests held by Universal Coal Plc in the identifiable Mining Rights (MR) and Prospecting Rights (PR) as at year end:

Project	Entity	Location	Property	Size (hectare)	Permit type & number	Expiry date	Comment	% Interest
Kangala	Universal Coal Development I (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Wolvenfontein 244IR: Portion 1 and RE of Portion 2	951	Mining right: MP30/5/1/2/2/429MR	02/05/2032	Refer to Note 4 for security provided	70.50%
Kangala	Universal Coal Development I (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Middelbult 235IR: Portions 40 and 82	942	Prospecting Right MP30/5/1/1/2/641PR	09/07/2017	—	70.50%
Kangala	Universal Coal Development I (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Modderfontein 236IR: Portion 1	127	Prospecting Right: MP30/5/1/1/2/639PR	09/07/2017	—	70.50%
Berenice & Somerville	Universal Coal Development II (Pty) Ltd	Waterpoort, Limpopo Province, South Africa	Berenice 548 MS; Celine 547 MS;	39,484	Prospecting Right: LP30/5/1/1/2/376PR	19/03/2016	—	50.00%
			Doncaster 414 MS; Doornvaart 355 MS; Duinen 419 MS; Gezelschap 395 MS; Hastings 485 MS; Longford 354 MS; Matsuri 358 MS; Monmouth 294 MS; Scot 465 MS; Secrabje 470 MS; Smithfield 456 MS; Trekpad 455 MS; Troy 458 MS; Twyfelfontein 483 MS; Vriendschap 460 MS; Wintersveld 427 MS; Ratho 1 MS; Parma 40 MP30/5/1/1/2/639PR 39,484 Prospecting Right: LP30/5/1/1/2/376PR					
Brakfontein	Universal Coal Development III (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Brakfontein 264IR: Portions 6, 8, 9, 10, 20, 26, 30 and Remaining Extent	879	Mining Right: MP30/5/1/2/2/10027MR	2034	Execution and registration of the right is pending	50.29%
Roodekop	Universal Coal Development IV (Pty) Ltd	Kriel, Mpumalanga Province, South Africa	Roodekop 63IS	835	Mining Right: MP30/5/1/1/2/492MR	05/02/2034	—	74.00%
Cygnus	Universal Coal Development V (Pty) Ltd	All Days, Limpopo Province, South Africa	Cygnus 543MS and adjacent farms	12,299	Prospecting Right: LP30/5/1/1/2/1276PR	In renewal	Renewal of the prospecting right for a further three years is pending	50.00%

On review during the year, the Directors have not noted any circumstances which would suggest that at this time any impairment is necessary given the preliminary results on surveys obtained to date. The situation will be closely monitored and adjustments made in future periods if there are indications that the assets held are not recoverable.

The Donkin project previously, held under Universal Coal Development VI Proprietary Limited was not considered to be prospective and the farm-in agreement was terminated.

6 Investments in subsidiaries

Significant subsidiaries of the Group, which are those with the most significant contribution to the Group's net profit or net assets, is currently limited to Universal Coal Development I (Pty) Ltd and Universal Coal Development IV (Pty) Ltd.

Subsidiaries with non-controlling interests

Subsidiaries	Country of Incorporation	Physical activity	Effective interest	
			2015%	2014%
Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA)	South Africa	Mining and energy holding company and matters related thereto	100%	100%
Bold Moves 1765 (Pty) Ltd	South Africa	Coal prospecting and mining company and matters related thereto	74%	74%
Episolve (Pty) Ltd	South Africa	Coal prospecting and mining company and matters related thereto	74%	74%
Epsimax (Pty) Ltd	South Africa	Coal prospecting and mining company and matters related thereto	74%	74%
Twin Cities Trading 374 (Pty) Ltd	South Africa	Coal prospecting and mining company and matters related thereto	74%	74%
Universal Coal Power Generation (Pty) Ltd	South Africa	Coal prospecting and mining company and matters related thereto	100%	100%
Universal Coal Development I (Pty) Ltd	South Africa	Coal prospecting and mining company and matters related thereto	70.50%	70.50%
Universal Coal Development II (Pty) Ltd	South Africa	Coal prospecting and mining company and matters related thereto	50%	50%
Universal Coal Development III (Pty) Ltd	South Africa	Coal prospecting and mining company and matters related thereto	50.29%	50.29%
Universal Coal Development IV (Pty) Ltd	South Africa	Coal prospecting and mining company and matters related thereto	74%	74%
Universal Coal Development V (Pty) Ltd	South Africa	Trading and investment as principal in its widest form	50%	50%
Universal Coal Development VII (Pty) Ltd	South Africa	Trading and investment as principal in its widest form	50%	50%
Universal Coal Development VIII (Pty) Ltd	South Africa	No restriction on business activities	49%	49%
Country of incorporation			2015 A\$'000 South Africa Ordinary	2014 A\$'000 South Africa Ordinary
Class of share			100%	100%
Portion held of the ordinary shares				
Reconciliation of movements for the year:				
Balance at beginning of the year			44,842	42,718
Investment in the period			20,320	2,124
Total carrying value at the end of the year			65,162	44,842

Universal Coal Development II (Pty) Ltd

Although the Group owns half of Universal Coal Development II (Pty) Ltd, management has determined that the Group controls the entity because within the shareholder arrangement Universal Coal and Energy Holdings South Africa (Pty) Ltd has an option to purchase a further 24% of shares in Universal Coal Development II (Pty) Ltd. Universal Coal and Energy Holdings South Africa (Pty) Ltd has the practical ability to exercise the option as no restriction exists on the exercise of the option. This potential voting right has therefore, been considered to be substantive and has been included in management's assessment as to whether Universal Coal and Energy Holdings South Africa (Pty) Ltd has control.

Universal Coal Development V (Pty) Ltd

Although the Group owns half of Universal Coal Development V (Pty) Ltd, management has determined that the Group controls the entity because Universal Coal and Energy Holdings South Africa (Pty) Ltd has an option to exercise a further 24% share purchase and has the practical ability to exercise the option as no restriction exists on the exercise of the option. Therefore, the right to exercise this option is considered substantive and has been included in management's assessment as to whether Universal Coal and Energy Holdings South Africa (Pty) Ltd has control. The investment has been accounted for as a subsidiary for the 2015 financial period.

Universal Coal Development VII (Pty) Ltd

Although the Group owns half of Universal Coal Development VII (Pty) Ltd, management has determined that the Group controls the entity because the chairman of the Board of Universal Coal Development VII (Pty) Ltd, who has the casting vote at Directors' meetings is a Director of and appointed by Universal Coal and Energy Holdings South Africa (Pty) Ltd. The Board is responsible for the management of Universal Coal Development VII (Pty) Ltd.

Universal Coal Development VIII (Pty) Ltd

Although the Group owns less than half of Universal Coal Development VIII (Pty) Ltd, management has determined that the Group controls the entity because Universal Coal and Energy Holdings South Africa (Pty) Ltd manages and directly controls the entity by virtue of an Operating and Management agreement, receiving substantially all of the returns related to their operations and net assets and has the current ability to direct the entities activities that most significantly affect these returns. The relevant activities are the mining, processing and selling of coal.

The following tables summarise the information relating to each of the Group's material subsidiaries that has a material non- controlling interest (NCI):

30 June 2015

summarised statement of financial position	NCI Percentage%	Non- current assets AS'000	Current assets AS'000	Total assets AS'00	Non current liabilities AS'000	Current liabilities AS'000	Total liabilities AS'000	Intra-group eliminations AS'000	Carrying amount of non- controlling interest AS'000
Universal Coal Development I (Pty) Ltd	29.50%	54,181	17,816	71,997	(58,438)	(8,459)	(66,897)	21,854	414
Universal Coal Development IV (Pty) Ltd	26.00%	8,561	16	8,577	—	(17)	(17)	—	2,359
Non-controlling interest in all other subsidiaries									23,313
Non-controlling interest per statement of financial position									26,086

summarised statement of comprehensive income	NCI Percentage	Revenue	Profit/(loss) before tax	Tax expense	Profit/(loss)	Other comprehensive income	Total comprehensive income	Intra-group eliminations	Profit/(loss) allocated to non-controlling interest
Universal Coal Development I (Pty) Ltd	29.50%	74,964	3,074	(1,106)	(1,969)	—	(1,969)	—	658
Universal Coal Development IV (Pty) Ltd	26.00%	—	(9)	—	—	—	(9)	—	121
Profit or loss allocated to non-controlling interest of other subsidiaries									193
Total profit or loss allocated to non-controlling interest									972

Summarised statement of cash flows

	NCI percentage	Cash flow from operating activities	Cash flow from financing activities	Cash flow from investing activities	Net Increase/(decrease) in cash flow	Intra-group eliminations
	%	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Universal Coal Development I (Pty) Ltd	29.50%	15,977	131	(4,454)	4,645	(7,008)
Universal Coal Development IV (Pty) Ltd	26.00%	(11)	5 831	(5,821)	—	—
		15,966	5,962	(10,275)	4,645	(7,008)

	NCI Percentage	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Carrying amount of non-controlling interest
	%	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Universal Coal Development I (Pty) Ltd	29.50%	52,681	12,010	64,691	(27,518)	(34,240)	(61,758)	(243)
Universal Coal Development IV (Pty) Ltd	26.00%	2,588	—	2,588	—	(3)	(3)	2,238
Profit or loss allocated to non-controlling interest of other subsidiaries								23,119
Total profit or loss allocated to non-controlling interest								25,114

	NCI Percentage	Revenue	Profit before tax	Tax expense	profit/(loss)	Other comprehensive income	Total comprehensive income	Profit (loss) allocated to non-controlling interest
	%	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Universal Coal Development I (Pty) Ltd	29.50%	10,220	2,078	(617)	(1 461)	—	(1,461)	412
Universal Coal Development IV (Pty) Ltd	26.00%	—	(87)	—	(87)	—	(87)	(22)
Profit or loss allocated to non-controlling interest of other subsidiaries								(11)
Total profit or loss allocated to non-controlling interest								379

Summarised statement of cash flows

	NCI percentage	Cash flow from operating activities	Cash flow from financing activities	Cash flow from investing activities	Net Increase/(decrease) in cash flow
	%	A\$'000	A\$'000	A\$'000	A\$'000
Universal Coal Development I (Pty) Ltd	29.50%	4,926	30,031	(32,495)	2,462
Universal Coal Development IV (Pty) Ltd	26.00%	(91)	406	(315)	—
Total		4,891	30,437	(32,810)	2,462

7 investments in associated undertakings

The Group has interests in two associates neither of which is regarded as individually material. The following table summarises, in aggregate, the carrying amount and share of profit and other comprehensive income of these individually immaterial associated undertakings:

	Group	
	2015	2014
	A\$'000	A\$'000
Carrying amount of investments accounted for using the equity method		
Opening balance	5	5
Share of loss of associated undertakings	(5)	(2)
Investment in the period	12	2
Total carrying value at the end of the year	12	5

8 Loan receivable

	Group		Company	
	2015	2014	2015	2014
	A\$'000	A\$'000	A\$'000	A\$'000
Ndalamo Resources Proprietary Limited	1,813	—	—	—

The above loan is secured through a share pledge, bears interest at prime plus 7.5% per annum and is fully repayable by 30 June 2020 in varying capital installments.

9 Deferred tax

	Group	
	2015	2014
	A\$'000	A\$'000
Reconciliation of deferred tax liability		
Balance at the beginning of year	539	—
Foreign exchange adjustments to balance at beginning of the year	35	—
Statement of comprehensive income charge	1,121	589
Balance at the end of the year	1,745	589
Comprising		
Deferred tax liability	1,757	1,165
Deferred tax asset	(12)	(576)
Total net deferred tax liability	1,745	589

The deferred tax assets and liabilities are offset to determine the amounts stated in the Consolidated Statements of Financial Position when the taxes can be legally offset and will be settled net. Both the deferred tax liability and the deferred tax asset relate to one entity.

	Group	
	2015	2014
	A\$'000	A\$'000
Deferred tax comprises		
Deferred tax liability		
– Accelerated capital allowances for tax purposes	1,757	1,165
Deferred tax asset		
– Tax losses	(12)	(576)
Net deferred tax liability	1,745	589

Deferred tax assets of A\$12,000 (2014:A\$576,000) have been recognised in respect of tax losses to be utilised by future taxable profits at Kangala (UCDI). The Directors believe it will be probable that these tax assets will be recovered through future taxable profits generated by the Kangala Colliery.

All other tax losses carried forward are in entities for which no taxable profit is anticipated to arise in the near future. No deferred tax asset has been recognised on these losses as there is no certainty that sufficient profits will arise in future accounting periods from which these losses could be offset. The estimated unrecognised deferred tax asset is A\$8,013,243 (2014:A\$9,032,840).

10 Inventories

	Group		Company	
	2015	2014	2015	2014
	A\$'000	A\$'000	A\$'000	A\$'000
ROM stockpiles	687	2,828	—	—
Coal product stockpiles	308	379	—	—
Diesel on hand	44	66	—	—
	1,039	3,273	—	—

11 Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	A\$'000	A\$'000	A\$'000	A\$'000
Trade receivables	6,257	3,896	—	—
Deposits	78	510	—	—
Prepayments	1,640	1,221	3	—
Financial assets	7,975	5,627	3	—
Value Added Taxation	1,605	441	28	19
	9,580	6,068	31	19

Prepayments: Universal Coal Development VII (Pty) Ltd

On 19 April 2012, Universal Coal & Energy Holdings South Africa Proprietary Limited acquired 1 (one) ordinary share (50%) of Universal Coal Development VII Proprietary Limited, a special purpose entity formed with the intention of acquiring additional prospecting rights in South Africa. The contribution of A\$1,620,919 (2014: A\$1,216,508) continues to be treated as a prepayment as certain conditions precedent still have to be concluded.

12 Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	A\$'000	A\$'000	A\$'000	A\$'000
Cash and cash equivalents consist of:				
Bank balances	6 691	2 657	628	51
Restricted cash	19,848	4,376	—	20
	26,539	7,033	628	71

Restricted cash and cash equivalents

Restricted cash and cash equivalents consist of stand-by equity and security for financial guarantees provided by financial institutions on behalf of the Group.

Cash security in respect of financial guarantees	1,067	755	—	—
Standby equity account	2	1,595	—	—
Acquisition guarantee	15,928	2,026	—	—
Debt service reserve account	2,851	—	—	—
	19,848	4,376	—	—

Financial guarantees

Certain financial guarantees have been entered into by Universal Coal and Energy Holdings South Africa Proprietary Limited in relation to rehabilitation guarantees to the Department of Minerals and Energy and are secured against a cash at bank balance of A\$1,066,651 (2014: A\$754,970).

Standby equity account

The standby equity account related to a reserve cash account that was earmarked for possible Kangala capital project cost overruns. The balance of the standby equity account has been released by Rand Merchant Bank, a division of FirstRand Bank Limited (RMB) as a result of the successful technical completion testing and transferred to the Debt Service Reserve Account.

Acquisition guarantees

A deposit guarantee in the amount of A\$2,109,260 (2014: A\$2,026,219) has been provided to Exxaro Coal Mpumalanga Proprietary Limited as a non-refundable deposit and a provisional purchase price guarantee of A\$15,928,640 (2014: A\$nil) for the acquisition of the assets of the New Clydesdale Colliery.

The deposit guarantee has been provided by RMB and is repayable in 18 equal monthly repayments from the date the guarantee is called upon. This deposit guarantee is not collateralised by cash, however the provisional purchase price guarantee is fully collateralised by cash.

Debt service reserve account (DSRA)

The DSRA is a restricted cash account of A\$2,850,993 (2014: A\$nil) held in favour of RMB which is funded to the extent required to cover the following quarter's capital and interest repayments to RMB under the Project Financing Facility agreement.

13 Share capital

	Group		Company	
	2015 A\$'000	2014 A\$'000	2015 A\$'000	2014 A\$'000
Allotted, issued and fully paid				
434,465,447 (2014: 321,775,447) Ordinary shares of £0.05	36,508	26,253	36,508	26,253
71,220,000 (2014: nil) Preferred shares of £0.05	6,481	—	6,481	—
Share premium	52,605	41,967	52,605	41,967
	95,594	68,220	95,594	68,220
Reconciliation of ordinary and preferred shares issued:				
Reported as at 01 July 2014	26,253	26,054	26,253	26,054
Issue of ordinary shares	10,225	199	10,255	199
Issue of preferred shares	6,481	—	6,481	—
	42,989	26,253	42,989	26,253
Reconciliation of share premium:				
Reported as at 01 July 2014	41,967	41,792	41,967	41,792
Issue of ordinary shares	10,638	175	10,638	175
	52,605	41,967	52,605	41,967

Significant changes in the share capital of the Group and Company during the 2015 financial year were as follows:

Ordinary shares	Date of issue	Number of shares issued	Cumulative shares issued
Opening balance	—	321,775,447	
Issue of ordinary shares	16 October 2014	86,690,000	408,465,447
Conversion of loan notes	16 October 2014	26,000,000	434,465,447
Closing balance			434,465,447

Preferred shares	Date of issue	Number of shares issued	Cumulative shares issued
Issue of preferred shares	16 October 2014	71,220,000	71,220,000

These shares attract a 2% per annum non-cumulative preferred dividend, if declared or paid by the Company and do not have voting rights. Refer to note 33 for conversion of preferred shares. Significant changes in the share capital of the Group and Company during the 2014 financial year were as follows:

Ordinary shares	Date of issue	Number of shares issued	Cumulative shares issued
Opening balance	—	—	319,575,447
Issue of ordinary shares	14 January 2014	2,200,000	321,775,447
Closing balance			321,775,447

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

14 Share-based payments

Share Options

The Company has share-based payment arrangements relating to share options granted, which are as below:

2014 Grant	expiry date	exercise price	Number issued	Outstanding 2014
09/12/2010	09/12/2015	A\$0.26	490,617	490,617
09/12/2010	09/12/2015	A\$0.20	3,800,000	3,800,000
09/12/2010	09/12/2015	A\$0.26	4,618,000	4,618,000
09/12/2010	24/11/2015	A\$0.26	3,007,110	3,007,110
09/12/2010	09/12/2015	A\$0.39	5,200,000	5,200,000
09/12/2010	03/11/2015	A\$0.34	3,200,000	3,200,000
04/06/2012	03/06/2017	A\$0.26	16,855,736	16,855,736
04/06/2012	03/06/2017	A\$0.28	5,618,579	5,618,579
01/04/2013	01/04/2018	A\$0.26	3,300,001	3,300,001
			46 090 043	46 090 043

2014 Grant	expiry date	exercise price	Number issued	Outstanding 2014
09/12/2010	09/12/2015	A\$0.26	490,617	490,617
09/12/2010	09/12/2015	A\$0.20	3,800,000	3,800,000
09/12/2010	09/12/2015	A\$0.26	4,618,000	4,618,000
09/12/2010	24/11/2015	A\$0.26	3,007,110	3,007,110
09/12/2010	09/12/2015	A\$0.39	5,200,000	5,200,000
09/12/2010	03/11/2015	A\$0.34	3,200,000	3,200,000
22/06/2012	31/12/2014	A\$0.40	500,000	500,000
04/06/2012	03/06/2017	A\$0.26	16,855,736	16,855,736
04/06/2012	03/06/2017	A\$0.28	5,618,579	5,618,579
01/04/2013	01/04/2018	A\$0.26	3,300,001	3,300,001
			46,590,043	46,590,043

The fair value of the share-based payment is based upon the Black-Scholes formula, a commonly used option pricing model. The calculation of volatility used in the model is based upon an average of market prices against current market prices of listed companies operating in the mining industry.

All options are equity settled and it has been assumed that all options will vest.

	Year ended 30 June 2015	Year ended 30 June 2014
Group share options		
Outstanding at start of year	46,590,043	59,520,492
Weighted average exercise price	A\$0.28	A\$0.30
Granted	—	—
Weighted average exercise price	—	—
Lapsed	(500,000)	(12,930,449)
Weighted average exercise price	A\$0.40	A\$0.35
Outstanding at the end of the year	46,090,043	46,590,043
Exercisable at the end of the year	46,090,043	46,590,043
Exercise date within one year	20,315,727	500,000
Weighted average contractual life	1.5 years	2.5 years
Weighted average exercise price	A\$0.28	A\$0.28

Share-based payments represent the value of unexercised share options to employees. The charge for share options in the year amounted to A\$nil (2014: A\$nil).

Warrants

The company has unlisted warrants in issue in favour of certain shareholders as set out below:

2015 Grant	Expiry date	exercise price	Number issued	Outstanding
27/01/2014	31/12/2015	A\$0.23	19,500,000	19,500,000
16/10/2014	16/04/2016	A\$0.36	71,220,000	71,220,000
			90,720,000	90,720,000
2014 Grant	Expiry date	Exercise price	Number issued	Outstanding
27/01/2014	31/12/2015	A\$0.23	19,500,000	19,500,000
			19,500,000	19,500,000

15 Reserves

Share capital relates to the nominal value of the shares issued. The share premium relates to the excess consideration paid over the nominal value of the shares after deducting related expenses.

The foreign currency translation reserve relates to the foreign exchange effect of the retranslation of the Group's overseas subsidiaries on consolidation into the Group's financial statements.

The share based payment reserve, holds the equity element of the share option transactions adjusted for transfer on exercise, cancellation or expiry of options.

The convertible instrument reserve consists of the equity component recognised by fair valuing shareholder loans and converting loan note liabilities.

The accumulated loss reserve is the cumulative net losses recognised in the statement of comprehensive income adjusted for transfer on exercise, cancellation or expiry of options from the share option reserve.

16 Borrowings

	Group		Company	
	2015 A\$'000	2014 A\$'000	2015 A\$'000	2014 A\$'000
Shareholder's loan				
Mountain Rush Trading 6 Proprietary Limited	3,715	3,176	—	—
The above loan is unsecured, interest free and has no specified terms of repayment. In accordance with IAS 39, the present value of the loan has been calculated at the prime rate of interest in South Africa plus 2% over 3 (2014:4) years with the present value of the equity component being recognised in a capital contribution reserve.				
Finance facilities				
RMB Kangala Project Finance Facility	30,393	4,458	—	—
RMB Short term loan	—	2,006	—	—
	30,393	6,464	—	—

RMB Kangala Project Finance Facility

Universal Coal Plc, through its 100% owned subsidiary Universal Coal and Energy Holdings South Africa Proprietary Limited (UCEHSA) entered into a secured funding agreement with FirstRand Bank Limited, acting through its Rand Merchant Bank division for a project financing facility with a maximum commitment value of A\$34.2 million (ZAR325 million). These funds have been on-lent to a 70.5% subsidiary, Universal Coal Development I Proprietary Limited (UCDI) through means of an intercompany loan agreement for the purposes of developing the Kangala Mine.

As security, UCEHSA has pledged its shares in UCDI together with any claims and loans to UCDI and UCDI has ceded its right, title and interest to the Project Accounts, Insurances, Intellectual Property, Investments and any claims against third parties. The Kangala Project Financing Facility attracts an interest rate of the Johannesburg Interbank Agreed Rate (JIBAR) plus 4.95% pre-completion and JIBAR plus 4.25% post completion. The Kangala Project Financing Facility is to be repaid in 18 (eighteen) equal quarterly installments commencing on 31 January 2015 and any interest incurred on the outstanding loan balance has been capitalised in line with the Groups accounting policy as found under note 1.14. Refer to note 33 for new financing facilities.

RMB short term loan

A short-term uncommitted demand facility of A\$2.6 million (ZAR25 million) has been provided to the Kangala Colliery by FirstRand Bank Limited, acting through its Rand Merchant Bank division which is secured in line with the security package for the project financing facility. At 30 June 2015 the balance drawn against this working capital facility was A\$nil (2014: A\$2,006 219). Interest on the daily outstanding balance is levied at JIBAR plus 2.85% per annum.

The RMB Kangala Project Finance Facility has been reclassified from being classified as a non-current liability at 30 June 2014 to a current liability at 30 June 2015. This is as a result of the RMB finance facility becoming payable within 12 months after the reporting period due to Universal Coal Plc entering into a new financing agreement with Investec Bank Limited (Refer to note 33).

Non-current liabilities

Shareholder's loans	3,715	3,176	—	—
RMB Kangala Project Finance Facility	—	23,433	—	—
	<u>3,715</u>	<u>26,609</u>	<u>—</u>	<u>—</u>

Current liabilities

Current portion of RMB Kangala Project Finance Facility	30,393	27,891	—	—
	<u>—</u>	<u>2,006</u>	<u>—</u>	<u>—</u>
RMB Short term loan	<u>30,393</u>	<u>29,897</u>	<u>—</u>	<u>—</u>

17 Converting notes

	Group		Company	
	2015	2014	2015	2014
	A\$'000	A\$'000	A\$'000	A\$'000
Held at amortised cost				
Coal Development Holding BV	—	1,970	—	1,970
Susquehanna Pacific Proprietary Limited	6,021	5,772	6,021	5,772
	<u>6,021</u>	<u>7,742</u>	<u>6,021</u>	<u>7,742</u>

Converting notes and options issued to Susquehanna Pacific (Pty) Ltd

On 5 April 2012, Universal Coal Plc entered into a binding Converting Note Agreement with Susquehanna Pacific (Pty) Ltd for 7,000,000 unlisted and secured Converting Notes at a coupon rate of 9.5% per annum and a maturity date of seven years to be issued together with a maximum of 22,474,314 share options as follows:

7,000,000 unlisted and secured Convertible Notes at a face value of A\$1 each and a maximum of 22,474,314 options (Tranche A).

The Tranche A options will be issued at a maximum of:

- 16,855,735 options (low) at an exercise price of A\$0.2628 per option with a grant date of 4 June 2012 and an expiry date of 3 June 2017
- 5,618,579 options (high) at an exercise price of A\$0.2745 per option with a grant date of 4 June 2012 and an expiry date of 3 June 2017

See also note 14: Share-based payments

Subject to the terms of the Converting Note Agreement, the rate at which converting notes convert into CDI shares is equal to the principal amount outstanding on the converting notes divided by the conversion price.

The conversion price for the converting notes is equal to 110% of the close price. The close price is determined as follows:

Close price =

- (a) A\$0.25 per CDI if at any time during an eight week notice period the five day VWAP is equal to or greater than A\$0.25 per CDI or
- (b) A\$0.2336

Specific terms of the converting notes:

- Other than a conversion permitted as a result in a change of control or default event, no conversion is permitted for the first 7¹/₂ months.
- Noteholders are not permitted to hold in excess of 19.99% of the CDIs in issue. A monthly cap of 5% of the principal amount of the Converting Notes if they are first ranking in the capital structure of the Company; and
- A monthly cap of 10% of the principal amount of the Converting Notes if they are subordinated in the capital structure of the Company.
- Converting Notes may be converted or redeemed if a change of control event occurs.
- All outstanding Converting Notes must be converted on the maturity date.
- If by the date three years and six months after the closing date, the five day, 10-day and 30-day VWAP on the first day of the month is equal to or greater than the conversion price, the noteholder may issue a conversion notice to convert as many Converting Notes as it wishes.
- If by the date three years and six months after the closing date, the five day, 10-day and 30-day VWAP on the first day of the month is lower than the conversion price then the noteholder must issue a conversion notice to convert between 2.45% and 5% of the principal, being A\$7,000,000 or 7,000,000 converting notes. Once the conversion notice is issued, Universal Coal may elect to redeem the converting notes for cash or convert the converting notes into ordinary share capital by dividing the cash amount that is payable by 90% x lower of the five day, 10-day and 30-day VWAP on the first day of the month.
- The coupon rate of 9.5% fixed per annum is payable quarterly in arrears in cash or for the first 18 months, in shares at a 10% discount to the lower of the five, 10 and 30-day VWAP.

Converting notes and warrants issued to Coal Development Holding B.V. (CDH)

On 24 January 2014 3,250,000 unsecured zero interest convertible loan notes of A\$1.00 each convertible at an ordinary share price of A\$0.125 per ordinary share and 19,500,000 warrants to subscribe for Ordinary Shares at A\$0.23 were issued to Coal Development Holding B.V.

On 16 October 2014, Coal Development Holding B.V. exercised its conversion rights under the existing A\$3.25 million Convertible Loan Note Agreement.

Each loan note has a value of A\$1.00 and may be converted into ordinary shares at a ratio of eight (8) ordinary shares in respect of one loan note, up to a maximum of 26 million ordinary shares. The ordinary shares issued on conversion will rank equally with existing fully paid ordinary shares on issue.

No interest will be payable on the Loan Notes.

The Warrants will be convertible to Ordinary Shares on the payment of A\$0.23 per Warrant, subject to the following Conditions:

- (a) The Warrants cannot be exercised unless the Loan Notes have been converted to Ordinary Shares;
- (b) In the event of conversion of the total number of Loan Notes, all of the Warrants may be exercised;
- (c) In the event of conversion of only part of the Loan Notes, the Warrants may be exercised in accordance with the relevant percentage of Converted Loan Notes – for example if 50% of the Loan Notes are converted, 50% of the Warrants may be exercised; and
- (d) The Warrants will be able to be exercised and Ordinary Shares issued on exercise, at any time following conversion of the convertible loan notes up to 31 December 2015.

The Company will not seek quotation of the Warrants on any stock exchange. On exercise, each Warrant will convert into one Ordinary Share. The Ordinary Shares issued will rank equally with fully paid Ordinary Shares on issue.

In the event the Company reorganises its capital, then the number of Ordinary Shares over which a Loan Note or Warrant exists will be adjusted pursuant to the ASX Listing Rules.

	Group		Company	
	2015	2014	2015	2014
	A\$'000	A\$'000	A\$'000	A\$'000
Fair value of the financial liabilities carried at amortised cost				
Opening balance	7,742	5,524	7,742	5 524
Issue of converting notes	—	3,250	—	3,250
Fair value adjustment	1,392	(1,392)	1,392	(1,392)
Accretion of deferred financing cost	(111)	112	(111)	112
Converting notes converted to equity	(3,250)	—	(3,250)	—
Amortised financing cost	248	248	248	248
	6,021	7,742	6,021	7,742

18 Derivative financial liability

	Group		Company	
	2015	2014	2015	2014
	A\$'000	A\$'000	A\$'000	A\$'000
Opening balance	1,357	—	1,357	—
Movements in the period	18	1,357	18	1,357
	1,375	1,357	1,375	1,357

Contained within the Susquehanna Pacific Proprietary Limited converting notes is an acceleration option which in the event that the Universal Coal Plc share price is equal to or above the conversion price on or after 30 November 2015, there is an option to convert all outstanding loan notes. This is considered to be an embedded derivative (Converting Option) contained within the converting notes.

The conversion price is A\$0.25696 per share, calculated as 110% of the lower of A\$0.2336 and A\$0.25. Refer to note 17: converting notes.

Brokers and financial analysts have provided valuation reports on Universal Coal Plc which indicate a rising share price potential above the conversion price over time. Based on this, a rational investor would in all likelihood not exercise the Converting Option and rather continue to earn the coupon on the converting notes (9.5% per annum) and only convert all of the outstanding converting notes at the maturity date.

The fair value of the Converting Option has been determined by using the Black-Scholes option pricing model, a commonly used option pricing model.

The following key inputs were used in the valuation of the Derivative Financial Liability:

Share price	A\$0.14	A\$0.09
Strike price	A\$0.25696	A\$0.25696
Volatility	93%	93%
Risk free rate	3.55%	3.55%
Time to maturity	4.41 years	4.92 years

The indicative fair value of the Converting Option at 30 June 2015 is A\$0.0505 (2014: A\$0.0498) per option.

There are still 7,000,000 loan notes (with a face value of A\$1 each) in issue which are convertible at a price of A\$0.25696. On exercise, this would result in the issue of the total of 27,241,594 new shares. The total indicative fair value of the Converting Option over these new shares is A\$1,375,388 (2014: A\$1,356,683).

19 Provisions

Reconciliation of provisions – Group – 2015

	Opening balance A\$'000	Provision raised A\$'000	unwinding of provision A\$'000	Foreign exchange movement A\$'000	total A\$'000
Environmental rehabilitation	3,869	19	331	227	4,446

Reconciliation of provisions – Group – 2014

	Opening balance A\$'000	Provision raised A\$'000	unwinding of provision A\$'000	Foreign exchange movement A\$'000	total A\$'000
Environmental rehabilitation	896	3,057	—	(84)	3,869

The rehabilitation provision relates to the estimated costs of correcting any disturbance relating to mining activities and those incidental thereto for the Kangala Colliery. The level of provision is commensurate with work completed to date.

The cost of rehabilitation was estimated at A\$5,197,773 (R48,947,425) (2014: A\$4,612,150 (R45,978,521)). The future value of the provision was calculated by escalating estimated costs at CPI of 6% per annum over the life of the mine of eight years.

This amount is discounted at the 10 year South African Government Bond Rate of 8.09% to arrive at a carrying value of A\$4,446,109 (2014: A\$3,868,891).

Refer to note 12 for financial guarantee undertaken on the environmental rehabilitation provision.

20 Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	A\$'000	A\$'000	A\$'000	A\$'000
Trade payables	7,672	6,218	118	64
Finance lease obligation	—	79	—	—
Financial liabilities	7,672	6,297	118	64
Accrued expenses	1,556	595	318	34
	9,228	6,892	436	98

21 Operating profit/(loss)

	Group	
	2015	2014
	A\$'000	A\$'000
Operating profit/(loss) for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
> Contractual amounts	96	91
Equipment		
> Contractual amounts	12	10
	108	101
Amortisation on intangible assets (software)	136	39
Depreciation on property, plant and equipment	181	45
Remuneration receivable by the Company's auditor	176	100
Remuneration receivable by the auditor of Group companies	68	50

22 Cost of sales

	Group	
	2015	2014
	A\$'000	A\$'000
Sale of goods		
Mining costs	25,939	6,768
Processing costs	4,604	799
Materials handling	2,482	735
Inventory movement	2,228	(3,208)
Indirect costs	4,557	—
Royalties and commissions	327	49
Ancillary costs	4,818	435
Depreciation	6,144	1,327
Distribution costs	8,801	—
	59,900	6,905

23 Finance income

	Group	
	2015	2014
	A\$'000	A\$'000
Interest revenue		
Bank and fixed deposit interest	1,259	242

24 Finance expenses

	Group	
	2015	2014
	A\$'000	A\$'000
Interest revenue		
RMB Kangala Project finance facility	4,384	855
Unwinding of provision	331	—
Converting notes – interest	987	1,011
Interest rate hedge expense	449	88
	6,151	1,954

25 Taxation

	Group	
	2015	2014
	A\$'000	A\$'000
No provision has been made for 2015 tax as the Group has no taxable income. The estimated tax loss available for set off against future taxable income is A\$32,316,029 (2014: A\$32,978,604). For the assessment of the deferred tax asset, refer to note 9. Analysis of the tax charge No liability to UK corporation tax arose on ordinary activities for the year ended 30 June 2015 or for the year ended 30 June 2014. Factors affecting the tax charge The tax assessed for the year is different to the standard rate of corporation tax in South Africa.		
Profit/(loss) on ordinary activities before tax	2,314	(3,198)
Profit/(loss) on ordinary activities multiplied by the average rate of corporation tax in South Africa of 28% (2014: 28%)	(648)	876
Effects of:		
Non-deductible expenses	(75)	(671)
Tax losses utilised	(576)	—
Tax losses recognised	—	576
Timing differences	(592)	(1,165)
Tax losses not recognised	770	(205)
Total taxation	(1,121)	(589)

26 Cash generated from/(utilised in) operations

	Group		Company	
	2015 A\$'000	2014 A\$'000	2015 A\$'000	2014 A\$'000
Profit/(loss) before taxation	2,314	(3,198)	(3,846)	(4,556)
Adjustments for:				
Depreciation and amortisation	6,461	1,407	—	4
Share of operating loss of associated undertakings	5	2	—	—
Foreign exchange loss	9	39	8	39
Finance Income	(1,259)	(242)	(35)	(23)
Finance expenses	6,151	1,954	988	1,099
Movements in provisions	—	51	—	—
Derivative financial liability	18	1,357	18	1,357
Changes in working capital:				
Decrease/(increase) in inventories	2,228	(3,273)	—	—
(Increase)/decrease in trade and other receivables	(3,156)	(3,316)	(12)	153
Increase/(decrease) in trade and other payables	1,937	4,611	338	(647)
	14,708	(608)	(2,541)	(2,574)

27 Significant non-cash transactions

	Group		Company	
	2015 A\$'000	2014 A\$'000	2015 A\$'000	2014 A\$'000
Operating activities				
Depreciation and amortisation	6,461	1,407	—	—
Share of loss of associated undertaking	5	2	—	—
Trade and other receivables	—	329	—	—
Trade and other payables	—	(328)	—	—
	6,466	1,410	—	—
Investment activities				
Purchase of property, plant and equipment	—	(1,732)	—	—
Financing activities				
Non-cash interest on financing activities	4,320	1,214	247	359
Derivative financial liability	18	1,357	18	1,357
	4,338	2,571	265	1,716

28 Related parties

Holding company	Subsidiaries	Universal Coal and Energy Holdings South Africa Proprietary Limited (UCEHSA) Universal Coal Development I (Pty) Ltd Universal Coal Development II (Pty) Ltd Universal Coal Development III (Pty) Ltd Universal Coal Development IV (Pty) Ltd Universal Coal Development V (Pty) Ltd Universal Coal Development VII (Pty) Ltd Universal Coal Development VIII (Pty) Ltd Twin Cities Trading 374 (Pty) Ltd Epsimax (Pty) Ltd Episolve (Pty) Ltd Bold Moves 1765 (Pty) Ltd Universal Coal Power Generation (Pty) Ltd
Associated undertakings		Universal Coal Development VI (Pty) Ltd Universal Coal Logistics (Pty) Ltd
Black Empowerment Economic Partners		Unity Rocks Mining (Pty) Ltd Mountain Rush Trading 6 (Pty) Ltd Solar Spectrum Trading 365 (Pty) Ltd Proper Health (Pty) Ltd Pacific Breeze Trading 725 (Pty) Ltd Azaramix Investments (Pty) Ltd Identity Coal (Pty) Ltd Ndalamo Resources (Pty) Ltd Bono Lithihi Investments Group (Pty) Ltd
Other related parties and connected persons		KEE Enterprises (Pty) Ltd Hendrik Bonsma Coal Development Holding B.V. Ofhani Phaswana African Minerals Exploration and Development GP SARL IchorCoal N.V.

	Group		Company	
	2015 A\$'000	2014 A\$'000	2015 A\$'000	2014 A\$'000
Related party balances				
Loan from related parties				
Mountain Rush Trading 6 (Pty) Limited	3,715	3,176	—	—
Converting notes from related party				
Coal Development Holding B.V.	—	3,250	—	3,250
Loan to related party				
Ndalamo Resources (Pty) Limited	1,813	—	—	—
Related party transactions				
Consulting fees paid to related parties				
Ofhani Phaswana	21	100	—	—
African Minerals Exploration and Development GP SARL	160	154	160	154
IchorCoal N.V.	113	—	113	—
Mountain Rush Trading 6 (Pty) Limited	5,698	924	—	—
Rent paid to related parties				
KEE Enterprises (Pty) Limited	90	84	—	—

In the prior year Universal Coal Development I Proprietary Limited secured a portion of the 100% Kangala equity funding requirement of A\$16.9 million (ZAR160 million) through a shareholders loan of A\$4.98 million (ZAR47.2 million) from Black Economic Empowerment partner Mountain Rush Trading 6 Proprietary Limited.

On 12 August 2014, a financing term sheet was entered into between Universal Coal and Energy Holdings South Africa Proprietary Limited and Ndalamo Resources Proprietary Limited for the financing of the NCC Roodekop project. The loan is secured against a share pledge, bears interest at prime plus 7.5% per annum and is fully repayable by 30 June 2020 in varying capital installments.

A consultancy agreement was extended with Ofhani Phaswana, a director of Bono Lithi Investments Group Proprietary Limited, on 1 September 2013 for facilitation services in the mining sector in South Africa and to represent Universal Coal Plc as a Black-Economic Empowerment partner. Monthly fees of A\$10 500 have been paid, the last of which occurred on 31 August 2014.

On 5 December 2012, the Company entered into a private placement agreement with Coal Development Holding B.V. (CDH), a wholly owned investment vehicle of African Minerals Exploration and Development GP SARL for the acquisition of 29.99% of the issued share capital of Universal Coal Plc. One of the key terms of the placement was that CDH has the right to nominate two Non-executive Directors to the Company's Board. Following shareholder approval at the Company's Annual General Meeting on 21 December 2012, the Board of Universal Coal Plc approved the appointment of Mr David Twist and Mr Carlo Baravalle as Non-executive Directors effective from 7 January 2013. Monthly fees of A\$13 334 are payable to African Minerals Exploration and Development GP SARL.

Fees paid to Mountain Rush Trading 6 Proprietary Limited relate to facilitation and service fees permitted in the Facilitation and Service Fee Agreement entered into on 6 May 2013 between Mountain Rush Trading 6 Proprietary Limited, Universal Coal Development I Proprietary Limited and Universal Coal and Energy Holdings South Africa Proprietary Limited. The transaction is considered to be at arm's-length.

On 1 September 2014, Universal Coal Plc entered into a subscription agreement with IchorCoal N.V. for the strategic investment of A\$24,483,400 and furthermore entered into a Warrant Instrument with IchorCoal N.V. whereby IchorCoal N.V. would subscribe for 71,220,000 warrants, exercisable for a period of 18 months at a strike price of A\$0.36. As part of the investment and effective from 16 October 2014, Messrs Nonkululeko Nyembezi-Heita and Andries Engelbrecht were appointed to the Board of Universal Coal as nominee directors of IchorCoal N.V. Monthly fees of A\$13,334 are payable to IchorCoal N.V.

A lease agreement was entered into with KEE Enterprises on 1 June 2014 for office rental in South Africa. The controlling shareholder of KEE Enterprises Proprietary Limited, Hendrik Bonsma, is also a Non-executive Director of Universal Coal Plc. The period of the lease is for five years at a market-related rental of A\$7,500 per month with an annual escalation clause of 8% per annum. This transaction is considered to be at arm's-length.

29 Risk management

Financial risk management

A. Accounting classifications and fair values

The Group's activities expose it to a variety of financial risks in particular market risk (including currency risk, fair value and interest rate risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's performance. The Board carries out risk management on behalf of the members.

			Loans and receivables		Financial liabilities	
			Carrying amount	Fair value	Carrying amount	Fair value
The financial instruments of the Group are:	Note	Fair value hierarchy	A\$'000	A\$'000	A\$'000	A\$'000
30 June 2015						
Financial Assets						
Trade and other receivables ¹	11	level 3	6,257	6,257	—	—
Unrestricted cash ¹	12	level 3	6,691	6,691	—	—
Restricted cash ¹	12	level 3	19,848	19,848	—	—
Loan receivable ¹	8	level 3	1,813	1,813	—	—
			34,609	34,609		
Financial liabilities						
Shareholder's loan ²	16	level 3	—	—	3,715	3,715
Trade payables ¹	20	level 3	—	—	7,672	7,672
Derivative financial liability ³	18	level 3	—	—	1,375	1,375
Borrowings ²	16	level 3	—	—	30,393	30,393
Converting notes ²	17	level 3	—	—	6,021	6,021
			34,609	34,609	49,176	49,176

			Loans and receivables		Financial liabilities	
			Carrying amount	Fair value	Carrying amount	Fair value
The financial instruments of the Group are:	Note	Fair value hierarchy	A\$'000	A\$'000	A\$'000	A\$'000
30 June 2014						
Financial Assets						
Trade and other receivables ¹	11	level 3	4,411	4,411	—	—
Unrestricted cash ¹	12	level 3	2,657	2,657	—	—
Restricted cash ¹	12	level 3	4,376	4,376	—	—
			11,444	11,444		
Financial liabilities						
Shareholder's loan ²	16	level 3	—	—	3,176	3,176
Trade payables ¹	20	level 3	—	—	6,837	6,837
Derivative financial liability ³	18	level 3	—	—	1,357	1,357
Borrowings ²	16	level 3	—	—	29,897	29,897
Converting notes ²	17	level 3	—	—	7,742	7,742
			11,444	11,444	49,009	49,009

1 The carrying amount of these financial assets and liabilities are a reasonable approximation of their fair values.

2 Financial liabilities recognised as at amortised cost.

3 Financial liabilities designated as at fair value through profit or loss.

Prepaid expenses and Value Added Taxation of A\$3,323,366 (2014: A\$1,657,343) and provisions of A\$4,569,607 (2014: A\$3,920,050) have been excluded as these do not meet the definition of a financial asset or financial liability as defined in *IAS 32 Financial Instruments: Presentation*.

The financial instruments of the Group are:	Note	Fair value hierarchy	Loans and receivables		Financial liabilities	
			Carrying amount A\$'000	Fair value A\$'000	Carrying amount A\$'000	Fair value A\$'000
30 June 2015						
Financial Assets						
Bank balances ¹	12	level 3	628	628	—	—
Financial liabilities						
Trade and other payables ¹	20	level 3	—	—	118	118
Derivative financial liability ³	18	level 3	—	—	1,375	1,375
Converting notes ²	17	level 3	—	—	6,021	6,021
			628	628	7,541	7,514

The financial instruments of the Group are:	Note	Fair value hierarchy	Loans and receivables		Financial liabilities	
			Carrying amount A\$'000	Fair value A\$'000	Carrying amount A\$'000	Fair value A\$'000
30 June 2014						
Financial Assets						
Bank balances ¹	12	level 3	51	51	—	—
Restricted cash ¹	12	level 3	20	20	—	—
			71	71		
Financial liabilities						
Trade and other payables	20	level 3	—	—	98	98
Derivative financial liability	18	level 3	—	—	1,357	1,357
Converting notes	17	level 3	—	—	7,742	7,742
			71	71	9,197	9,197

1 The carrying amount of these financial assets and liabilities are a reasonable approximation of their fair values.

2 Financial liabilities recognised as at amortised cost.

3 Financial liabilities designated as at fair value through profit or loss.

Prepaid expenses and Value Added Taxation of A\$31,484 (2014: A\$18,929) have been excluded as these do not meet the definition of a financial asset or financial liability as defined in *IAS 32 Financial Instruments: Presentation*.

B. Valuation Techniques and significant unobservable inputs

The Group has assessed the different levels in the fair value hierarchy, for its financial instruments, based on the inputs used in the valuation techniques. The Group's instruments have level 3 fair values only.

The following tables show the valuation techniques used in measuring level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Converting notes and derivative financial liabilities	Market Comparison Technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments	Not applicable	Not applicable

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable input
Shareholder loan, borrowings	Amortised cost which approximates fair value	Not applicable

Transfers between levels 1 and 2

There were no transfers in either direction during 2014 or 2015 as there were no level 1 fair values.

Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values:

	Note	Derivative financial liability A\$'000	Converting notes A\$'000
Balance at 1 July 2014	17 & 18	1,357	7,742
Gain or loss included in profit and loss		—	137
Net change in fair value (unrealised)		18	1,392
Converting notes converted to equity		—	(3,250)
Balance at 30 June 2015		1,375	6,021

Sensitivity of Level 3 financial assets and liabilities

The carrying amount of financial assets and liabilities that are valued using inputs other than observable market data are calculated using appropriate valuation models, including discounted cash flow modelling, with inputs such as term of instruments, risk free interest rate, volatility and consumer price index. The potential effect of using reasonably possible alternative assumptions in these models, based on change in the most significant input by 10 Percent while holding all other variables constant would have the following effects:

	Carrying amount A\$'000	10% increase in input A\$'000	10% decrease in input A\$'000
30 June 2015			
Derivative financial liability	1,375	1,551	1,189
Converting notes	6,021	6,623	5,473
	7,396	8,174	6,662
	Carrying amount A\$'000	10% increase in input A\$'000	10% decrease in input A\$'000
30 June 2014			
Derivative financial liability	1,357	1,518	1,182
Converting notes	7,742	8,516	6,968
	9,099	10,034	8,150

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while optimising the debt and equity balance. The capital structure of the Group consists of equity comprising issued share capital, equity reserves and retained deficit and debt comprising of converting notes, shareholders' loan, long-term loans and short-term loans.

The Group enters into financial transactions to ensure a degree of interest rate certainty and to guarantee the interest rate changes through economic conditions beyond management's control is hedged through interest rate swaps.

Where future investment in the interest in associates or other Group projects is required the Board will assess the structure of whether it can be funded from existing resources or financing arrangements as appropriate.

The Group finances its operations through equity and debt. During the current year the Group raised finance through issuing ordinary and preferred shares and draw downs from the project finance debt facility. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without prior consent of the Company.

Foreign exchange risk

Universal Coal Plc operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the South African Rand and British Pound. Universal Coal Plc is exposed to currency risk on cash reserves, deposits paid, trade receivables, trade payables, shareholder's loan and project finance debt facility.

However, the majority of the Group's exposure is indirect resulting from those transactions entered into by its associated undertakings and subsidiaries, consequently the direct currency risk facing the Group is not considered to materially affect its financial position and operating results.

The table below classifies the Group's foreign currency risk between the different functional currencies as at year end, and the respective balance thereof:

Exchange rates used for conversion of foreign items were:

	2015	% change	2014	% change	2013
ZAR:AUD (Average)	9.5506	0.32	9.5202	5.00	9.0669
ZAR:AUD (Spot)	9.4173	(5.79)	9.9960	10.66	9.0334
GBP:AUD (Average)	0.5298	(6.26)	0.5652	(13.68)	0.6548
GBP:AUD (Spot)	0.4884	(11.76)	0.5535	(7.87)	0.6008

The Group's financial assets and liabilities are denominated in the different currencies as set out below:

	British pound A\$'000	South African Rand A\$'000	Australian Dollar A\$'000	Total A\$'000
Assets – 2015				
Loan receivable	—	1,813	—	1,813
Trade and other receivables	—	6,257	—	6,257
Cash and cash equivalents	14	25,911	614	26,539
Liabilities – 2015				
Trade and other payables	115	7,554	3	7,672
Shareholders' loan	—	3,715	—	3,715
Borrowings	—	30,393	—	30,393
Converting notes	—	—	6,021	6,021
Derivative financial liability	—	—	1,375	1,375
Assets – 2014				
Trade and other receivables	—	4,411	—	4,411
Cash and cash equivalents	4	6,962	67	7,033
Liabilities – 2014				
Trade and other payables	42	6,738	56	6,836
Shareholders' loan	—	3,176	—	3,176
Borrowings	—	29,897	—	29,897
Converting notes	—	—	7,742	7,742
Derivative financial liability	—	—	1,357	1,357

The Company's financial assets and liabilities are denominated in the different currencies as set out below:

	British pound A\$'000	Australian Dollar A\$'000	Total A\$'000
Current assets – 2015			
Trade and other receivables	—	—	—
Cash and cash equivalents	14	614	628
Liabilities – 2015			
Trade and other payables	115	3	118
Converting notes	—	6,021	6,021
Derivative financial liability	—	1,375	1,375
Current assets – 2014			
Cash and cash equivalents	4	67	71
Liabilities – 2014			
Trade and other payables	42	56	98
Converting notes	—	7,742	7,742
Derivative financial liability	—	1,357	1,357

Foreign currency risk sensitivity analysis:

	2015 A\$'000	2014 A\$'000
Change in profit/(loss) – (Aud:ZAR)		
Improvement in AUD to ZAR by 10%	(560)	(70)
Decline in AUD to ZAR by 10%	616	77

Price risk

Prices ultimately received for minerals in relation to the Group's investments will have significant impact on the profitability and viability of all projects in which the Group has an interest. Increase in prices may have significant and leveraged effect to the current and future values of projects and shares held, the converse will apply where prices fall.

However, the Kangala Colliery has a contracted price with a majority customer in Eskom Holdings SOC Limited, which is not subject to global commodity pricing fluctuations.

Interest rate on financial assets and liabilities

The Group and Company's financial assets consist of cash and cash equivalents and other receivables. The Group and Company earn interest on cash and cash equivalents, consequently the Group and Company are exposed to cash flow interest rate risk on its financial assets which earn interest based on variable interest rates. To mitigate this risk the cash balances maintained by the Group and Company are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group and Company require.

The Group's interest rate risk arises from cash held, short-term deposits and interest on long-term loans, converting notes and hedges. At 30 June 2015, if interest rates on Australian Dollar-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax profit for the year would have been A\$2,735 (2014: A\$11,397) higher/(lower), mainly as a result of higher/(lower) interest rates.

At 30 June 2015, if interest rates on Rand-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax profit for the year would have been A\$94,465 (2014: A\$55,398) higher/(lower), mainly as a result of higher/(lower) interest rates.

The Group and Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

Group

	Fixed interest rate A\$'000	Floating interest rate A\$'000	Fixed interest maturing within one year A\$'000	Non- interest bearing A\$'000	Total A\$'000
30 June 2015					
Financial assets					
Loan receivable	—	1,813	—	—	1,813
Trade and other receivables	—	—	—	6,257	6,257
Cash and cash equivalents	—	26,539	—	—	26,539
Weighted average interest rate	—	8.67%	—	—	—
Financial liabilities					
Trade and other receivables	—	—	—	7,672	7,672
Converting notes	6,021	—	—	—	6,021
Derivative financial liability	1,375	—	—	—	1,375
Shareholders' loan	—	—	—	3,715	3,715
Long-term loan	15,197	15,196	—	—	30,393
Weighted average interest rate	10.75%	10.45%	—	—	—
30 June 2014					
Financial assets					
Trade and other receivables	—	—	—	4,411	4,411
Cash and cash equivalents	—	7,033	—	—	7,033
Weighted average interest rate	—	3.10%	—	—	—
Financial liabilities					
Short-term loan	—	2,006	—	—	2,006
Trade and other payables	—	79	—	6,757	6,836
Converting notes	5,772	—	—	1,970	7,742
Derivative financial liability	1,357	—	—	—	1,357
Shareholders' loan	—	—	—	3,176	3,176
Long-term loan	13,946	13,945	—	—	27,891
Weighted average interest rate	10.75%	10.47%	—	—	—

Company

	Fixed interest rate A\$'000	Floating interest rate A\$'000	Fixed interest maturing within one year A\$'000	Non- interest bearing A\$'000	Total A\$'000
30 June 2015					
Financial assets					
Cash and cash equivalents	—	628	—	—	628
Weighted average interest rate	—	2.5%	—	—	—
Financial liabilities					
Trade and other payables	—	—	—	—	—
Converting notes	6,021	—	—	—	6,021
Derivative financial liability	1,375	—	—	—	1,375
Weighted average interest rate	9.5%	—	—	—	—
30 June 2014					
Financial assets					
Cash and cash equivalents	—	71	—	—	71
Weighted average interest rate	—	2.5%	—	—	—
Financial liabilities					
Trade and other payables	—	—	—	98	98
Converting notes	5,772	—	—	1,970	7,742
Derivative financial liability	1,357	—	—	—	1,357
Weighted average interest rate	9.5%	—	—	—	—

Credit risk

The carrying amount of the Group's financial assets represents its maximum exposure to credit risk.

The Group is exposed to credit risk on payments from customers and cash deposits, however, it does not consider that it has significant exposure because its major customer is Eskom Holdings SOC Limited (Eskom) and it banks with reputable institutions in various locations, including HSBC Bank Australia Ltd, ANZ Bank Australia, ABSA Bank Ltd, Investec Ltd and FirstRand Bank. Eskom is a state-owned company and is backed by the South African government. Eskom continues to pay their outstanding balance on a monthly basis.

Financial assets exposed to credit risk at year end were as follows:

	Group		Company	
	2015 A\$'000	2014 A\$'000	2015 A\$'000	2014 A\$'000
Trade and other receivables	6,257	4,411	—	—
Cash and cash equivalents	26,539	7,033	628	71

At 30 June 2015, the Group's most significant customer, Eskom Holdings SOC Limited, accounted for A\$6,021,072 of the trade and other receivables carrying amount (2014: A\$3,722,068).

At 30 June 2015, the ageing of trade and other receivables that were not impaired was as follows:

	Group		Company	
	2015	2014	2015	2014
	A\$'000	A\$'000	A\$'000	A\$'000
Past due 1 – 30 days	6,021	3,722	—	—
Past due 31 – 90 days	—	—	—	—
Past due 91 – 120 days	236	689	—	—
	6,257	4,411	—	—

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customer's credit rating if they are available.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors rolling forecasts of the Group's and Company's liquidity reserve. The review consists of considering the liquidity of local markets, projecting cash flows and the level of liquid assets to meet these. Management raises additional capital financing when the review indicates this to be necessary.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group

	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
30 June 2015	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Borrowings	30,393	30,393	—	—	—
Derivative financial instruments	1,375	—	—	1,375	—
Trade and other payables	7,672	7,672	—	—	—
Converting notes	7,000	—	—	7,000	—
Shareholders' loan	5,013	1,206	—	3,807	—

	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
30 June 2015	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Borrowings	29,897	6,464	23,433	—	—
Derivative financial instruments	1,357	—	1,357	—	—
Trade and other payables	6,892	6,892	—	—	—
Converting notes	10,250	—	10,250	—	—
Shareholders' loan	4,735	—	4,735	—	—

Company

		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	Total A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
30 June 2015					
Derivative financial instruments	1,375	—	—	1,375	—
Trade and other payables	118	118	—	—	—
Converting notes	7,000	—	—	7,000	—

		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	Total A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
30 June 2015					
Derivative financial instruments	1,357	—	1,357	—	—
Trade and other payables	98	98	—	—	—
Converting notes	10,250	—	10,250	—	—

30 Commitments

There are commitments in relation to the acquisition of the New Clydesdale Colliery. Refer to note 33: Events after the reporting period.

31 Earnings/(Loss) per share

	2015	2014
Numerator	664,546	(4,165,468)
Earnings/(loss) used in basic earnings/(loss) per share (A\$)	—	1,010,544
Adjusted profit for convertible loan interest (A\$)	—	1,356,683
Adjusted for fair value of Susquehanna conversion option (A\$)	664,546	(1,798,241)
Denominator		
Weighted average number of shares used in basic earnings/(loss) per share	451,268,242	320,582,022
Potential ordinary shares that could dilute earnings/(loss) per share in future:		
Weighted average number of shares used in basic earnings/(loss) per share	451,268,242	320,582,022
Adjusted for effect of converting notes	—	53,241,594
Adjusted for convertible preferred shares in issue	71,220,000	—
Weighted average number of shares used in diluted earnings/(loss) per share	522,488,242	373,823,616

Convertible loan notes, share options and warrants have not been included in the calculation of diluted earnings/(loss) per share because they are out of the money. The total number of options and warrants issued is disclosed in note 14.

32 Employees and directors

	2015	2014
Average number of employees are as follows:		
Staff (Operational resources)	69	27
Directors	8	6
	77	33
	A\$'000	A\$'000
Wages and salaries	3,799	1,424

There are no pension contributions paid by the Group in the current or prior year.

Certain employee costs directly attributable to the development of mining assets have been capitalised to Development and Production Assets.

The key management personnel of the business are considered to be the directors of the Company, as well as senior management being the chief financial officer, director corporate affairs, chief geologist and chief development engineer. Refer to Section 9: Remuneration Report of the Directors' Report.

	2015	2014
Executive directors	652	948
Senior Management	706	681
	<u>1,358</u>	<u>1,629</u>

33 Events after the reporting period

Conversion of preferred shares

The Company received a conversion notice from IchorCoal N.V. (Ichor) regarding the conversion of 71,220,000 non-cumulative convertible preferred shares ordinary shares. The preferred shares were issued to Ichor at a price per share of A\$0.18 by the Company on 16 October 2014, following shareholder approval on 6 October 2014. On 14 August 2015, all the preferred shares in issue of 71,220,000 were converted into ordinary shares in the ratio of 1:1 increasing the ordinary and total share capital of the Company to 505,685,447 ordinary shares. Ichor has increased its holding of ordinary shares in the Company from 18.51% to 29.99%.

Takeover Offers

The Company notes the announcement made by IchorCoal N.V. (Ichor) on 21 August 2015 setting out its intention to make an unsolicited and conditional offer for ordinary shares of the Company it does not already hold at a price of A\$0.16 per share. Ichor has further advised on 18 September 2015 that it will dispatch the formal offer on or about 29 September 2015. Furthermore, the Company has also been approached by another group expressing an interest in making an alternative offer which is reflected in a written, non-binding indicative proposal (Proposal). The Proposal involves a conditional cash offer of A\$0.20 per share, which represents a 25% premium to the proposed offer price set out in Ichor's announcement dated 18 September 2015 of A\$0.16 per share. There can be no certainty that any formal offers will be made or as to the terms of any such offers, should they be made. To assess the offers, a sub-committee of the Board of Directors has been formed comprising John Hopkins OAM, Tony Weber, Hendrik Bonsma and Shammy Luvhengo. Universal Coal will keep shareholders informed of the status of any proposed takeover offers.

New financing facilities

On 31 July 2015 Universal Coal entered into new financing agreements with Investec Bank Limited (Investec), acting through its Corporate and Institutional Banking division, replacing the existing banking facilities with Rand Merchant Bank, a division of FirstRand Bank Limited.

Funds from the Investec facility are available as follows:

- Tranche A: Settlement of the current Kangala project finance facility of A\$30 million (ZAR285 million).
- Working capital facility: A\$2.6 million (ZAR25 million) facility for working capital for the Kangala Colliery.
- Tranche B: A\$23 million (ZAR215 million) facility to fund the balance of capital development activities at NCC.

Interest rates over the new facilities will be considerably reduced after the completion of the NCC project to three-month JIBAR plus a margin of 3.5% p.a. (current: 4.25% p.a.). Prior to completion, interest will be levied by Investec at three-month JIBAR plus a margin of 4% p.a. (historic: 4.95% p.a.).

Repayment of Tranche A will follow a quarterly cycle over 20 repayment periods, with interest being serviced simultaneously. The revolving working capital facility has a tenor of five years and must be repaid at the end of the period. Repayment of Tranche B will benefit from a repayment holiday for the first 12 months, and 16 quarterly repayments will be made thereafter. Interest on this second tranche will be serviced quarterly following drawdown.

Security over the debt facilities are standard for a facility of this nature, and will involve first ranking security over assets, including bonds over movable, immovable, mining and surface rights. A project completion guarantee for NCC has been provided from the parent company; Universal Coal plc.

Acquisition of the New Clydesdale Colliery (NCC)

On 31 January 2014, Universal Coal Development VIII (Pty) Ltd (UCD VIII) entered into a binding sale of assets agreement with Exxaro Coal Mpumalanga (Pty) Ltd (Exxaro) to acquire all the assets and assume certain liabilities of the New Clydesdale Colliery (NCC), located adjacent to Universal Coal's Roodekop deposit in the Witbank coalfield. The transaction was concluded after the 2015 year end date of 30 June 2015, following satisfaction of conditions precedent including Ministerial consent in terms of section 11 of the Mineral Resources and Petroleum Development Act 28 of 2002 (as amended) (MPRDA). UCD VIII is owned 49% by Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA), a wholly owned subsidiary of Universal Coal Plc, and a BEE partner, Ndalamo Resources (Pty) Ltd (Ndalamo), holds the balance of 51% of the equity of UCD VIII.

The final purchase consideration has been adjusted through an addendum to the sale of assets agreement from A\$18,052,458 (ZAR170,000,000) inclusive of Value Added Tax to A\$8,087,039 (ZAR76,155,647) which was finally settled with Exxaro on 31 July 2015.

Restricted cash of A\$7,841,601 (ZAR73,844,353) was released back to Universal Coal and A\$6,084,740 (ZAR57,300,000) will be utilised as a deposit to procure a rehabilitation liability over the existing NCC rehabilitation liabilities.

A financing facility with Rand Merchant Bank, a division of FirstRand Bank Limited, for the balance of the original deposit of A\$2,123,819 (ZAR20,000,000) has been terminated in line with the refinancing agreements with Investec Bank Limited, acting through its Corporate and Institutional Banking division.

On 24 August 2015 UCD VIII acquired all of the assets and assumed certain liabilities of the NCC.

Taking control of NCC will grant the Group access to the coal reserves that are located adjacent to the Universal Coal's Roodekop deposit in the Witbank Coalfield. The assets (plant, rail sidings and underground mine infrastructure) of NCC will be utilised to expand operations of the Group. NCC and the already 74% owned contiguous Roodekop project will be developed and operated as one complex, taking advantage of the natural synergies in place.

At the time that these financial statements were authorised for issue the Company was in the process of determining the fair values of the identifiable assets acquired and the liabilities and contingent liabilities to be assumed, as well as identifying all transaction costs. At present, the Directors are therefore unable to provide the IFRS3 disclosures for this transaction. These disclosures are anticipated to be provided in the interim financial statements at 31 December 2015.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF UNIVERSAL COAL PLC

We have audited the financial statements of Universal Coal Plc for the year ended 30 June 2015 which comprise the Consolidated and Company Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

Anne Sayers

Senior statutory auditor

For and on behalf of BDO LLP, statutory auditor

55 Baker Street

United Kingdom

28 September 2015

BDO LLP is a limited liability partnership registered in England and Wales
(with registered number OC305127).

Statement of financial position as at 30 June 2014

		Group		Company	
		2014	2013	2014	2013
		AS'000	AS'000	AS'000	AS'000
All figures are stated in Australian Dollars					
ASSETS					
Non-current assets					
Property, plant and equipment	4	51,607	23,054	—	4
Intangible assets	5	56,836	64,331	—	—
Investments in subsidiaries	6	—	—	44,842	42,718
Investments in associated undertakings	7	5	5	—	—
		108,448	87,390	44,842	42,722
Current assets					
Inventories	9	3,273	—	—	—
Trade and other receivables	10	6,068	3,081	19	172
Cash and cash equivalents	11	7,033	7,442	71	2,275
		16,374	10,523	90	2,447
Total assets		124,822	97,913	44,932	45,169
EQUITY AND LIABILITIES					
EQUITY					
Share capital	12	26,253	26,054	26,253	26,054
Share premium	12	41,967	41,792	41,967	41,792
Reserves	14	836	10,175	6,743	6,920
Accumulated loss		(22,870)	(19,899)	(39,228)	(35,867)
Attributable to equity holders of Parent		46,186	58,122	35,735	38,899
Non-controlling interest		25,114	27,641	—	—
Total equity		71,300	85,763	35,735	38,899
LIABILITIES					
Non-current liabilities					
Long-term loans	15	26,609	3,172	—	—
Converting notes	16	7,742	5,524	7,742	5,524
Derivative financial liability	17	1,357	—	1,357	—
Deferred tax	8	589	—	—	—
Provisions	18	3,869	896	—	—
		40,166	9,592	9,099	5,524
Current liabilities					
Trade and other payables	19	6,892	2,558	98	746
Short-term loans	15	6,464	—	—	—
		13,356	2,558	98	746
Total liabilities		53,522	12,150	9,197	6,270
Total equity and liabilities		124,822	97,913	44,932	45,169

The notes on pages 169 to 214 form part of the financial statements.

Statement of comprehensive income
For the year ended 30 June 2014

		Group	
	Notes	2014 A\$'000	2013 A\$'000
All figures are stated in Australian Dollars			
Gross revenue		11,838	—
Cost of Sales	20	(6,905)	—
Gross profit		4,933	—
Operating expenses		(5,021)	(4,155)
Share-based payment charge	13	—	(339)
Operating loss	21	(88)	(4,494)
Finance income	22	242	546
Foreign exchange (loss)/gain		(39)	13
Foreign exchange differences recycled on step up		—	(643)
Share of operating loss of associated undertakings		(2)	(10)
Gain arising on step up of interest in associated undertaking	7	—	6,644
Gain arising on step up of associated undertaking to subsidiary	6	—	5,464
Finance expenses	23	(1,954)	(968)
Derivative financial liability		(1,357)	—
(Loss)/profit before taxation		(3,198)	6,552
Taxation	24	(589)	—
(Loss)/profit before taxation		(3,787)	6,552
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(8,668)	(984)
Total comprehensive (loss)/income for the year		(12,455)	5,568
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(12,834)	5,643
Non-controlling interest		379	(75)
		(12,455)	5,568
(Loss)/profit attributable to:			
Owners of the parent		(4,166)	6,627
Non-controlling interest		379	(75)
		(3,787)	6,552
(Loss)/earnings per share			
Basic (loss)/earnings per share (cents)	32	(1.30)	2.45
Diluted (loss)/earnings per share (cents)	32	(1.30)	2.45

The notes on pages 169 to 214 form part of the financial statements.

Company statement of changes in equity for the year ended 30 June 2014

All figures stated in Australian Dollars	Share capital A\$000	Share premium A\$000	Total share capital A\$000	Foreign currency translation reserve A\$000	Convertible instrument reserve A\$000	Share-based payment reserve A\$000	Total reserves A\$000	Accumulated loss A\$000	Total equity A\$000
Balance at 1 July 2012	17,534	35,358	52,892	622	—	6,128	6,750	(31,644)	27,998
Loss for the year	—	—	—	—	—	—	—	(4,223)	(4,223)
Total comprehensive loss for the year	—	—	—	—	—	—	—	(4,223)	(4,223)
Issue of shares	8,520	7,239	15,759	—	—	—	—	—	15,759
Share issue expense	—	(805)	(805)	—	—	—	—	—	(805)
Share-based payments	—	—	—	—	—	339	339	—	339
Transfer between reserves	—	—	—	—	—	(169)	(169)	—	(169)
Other movements within equity	8,520	6,434	14,954	—	—	170	170	—	15,124
Balance at 1 July 2013	26,054	41,792	67,846	622	—	6,298	6,920	(35,867)	38,899
Loss for the year	—	—	—	—	—	—	—	(4,556)	(4,556)
Total comprehensive loss for the year	—	—	—	—	—	—	—	(4,556)	(4,556)
Issue of shares	199	175	374	—	—	(374)	(374)	—	—
Fair value adjustment	—	—	—	—	1,392	—	1,392	—	1,392
Transfer between reserves	—	—	—	—	—	(1,195)	(1,195)	1,195	—
Other movements within equity	199	175	374	—	1,392	(1,569)	(177)	1,195	1,392
Balance at 30 June 2014	26,253	41,967	68,220	622	1,392	4,729	6,743	(39,228)	35,735
Notes	12	12	12	14	14	13		14	

The notes on pages 169 to 214 form part of the financial statements.

Consolidated and Company statement of cash flows for the year ended 30 June 2014

		Group		Company	
		2014	2013	2014	2013
All figures are stated in Australian Dollars	Note(s)	A\$'000	A\$'000	A\$'000	A\$'000
Cash flows from operating activities					
Cash used in operations	25	(608)	(4,948)	(2,574)	(3,100)
Cash flows from investing activities					
Acquisition of property, plant and equipment	4	(30,334)	(14,299)	—	—
Acquisition of other intangible assets	5	(775)	(598)	—	—
Proceeds on sale of other intangible assets		—	24	—	—
Investment in subsidiary		—	—	(2,124)	(11,907)
Subsidiary undertakings acquired		—	(1801)	—	—
Investment in associated undertakings		(2)	(5)	—	—
Transfer to restricted cash		(2,421)	(945)	—	—
Finance income	22	242	546	23	412
Net cash from investing activities		(33,290)	(17,078)	(2,101)	(11,495)
Cash flows from financing activities					
Proceeds on share issue, net of share issue expenses	12	—	14,763	—	14,763
Proceeds from issue of converting notes	16	3,250	—	3,250	—
Cash inflow from shareholders loans	—	5,225	—	—	—
Proceeds from long-term loans		29,043	—	—	—
Finance expense	23	(740)	(384)	(740)	(384)
Net cash from financing activities		31,553	19,604	2,510	14,379
Total cash movement for the year		(2,345)	(2,422)	(2,165)	(216)
Cash at the beginning of the year		5,487	7,816	2,275	2,478
Effect of exchange rate movement on cash balances		(485)	93	(39)	13
Total unrestricted cash and cash equivalents at end of the year	11	2,657	5,487	71	2,275
Restricted cash	11	4,376	1,955	—	—
Total cash	11	7,033	7,442	71	2,275

The notes on pages 46 to 92 form part of the financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

General information

The Company is domiciled in the UK. The address of the registered office is One America Square, Crosswall, London,

EC3N 2SG. The registered number of the Company is 4482856.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards IFRS's and IFRIC interpretations, issued by the International Accounting Standards Board and as adopted by the European Union (IFRS).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Group loss for the year includes a loss after tax of A\$4,556,150 (2013: loss of A\$4,223,429) which is dealt with in the financial statements of the parent Company.

Going concern

The accounts have been prepared on the going concern basis. At the year-end the Group had A\$2,657,801 (2013: A\$5,487,114) of unrestricted cash reserves and is reliant on the timing of cash flows from the Kangala Colliery and entering into finance arrangements for the release of certain restricted cash reserves which were successfully concluded on 9 September 2014. The going concern premise is further contingent on the successful conclusion of the IchorCoal NV and the Coal Development Holding B.V. strategic investments. Both these transactions are conditional upon a vote in favour of the proposed resolutions to be held at a general meeting of shareholder on 6 October 2014. Irrevocable undertakings to vote in favour of the proposed resolutions have already been received by the Company, totalling more than 50% of the eligible votes. The Directors are therefore satisfied that the Group has adequate resources to continue in business for the foreseeable future, however should the transactions not be approved by shareholders, the Group would need to raise further financing either through an equity capital raise, debt capital or a combination of both. These conditions indicate the existence of an uncertainty related to events or conditions that may cast doubt about the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

Functional and presentation currency

Items included in the consolidated annual financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the South African business operations is South African Rand (ZAR).

The Company's functional currency is Australian Dollar ("A\$"). The consolidated annual financial statements are presented in Australian Dollar ("A\$") which is the Group's presentation currency. Further details are provided on the foreign currency accounting policy in note 1.8.

The accounts are presented in A\$'000 unless otherwise stated.

1.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

Subsidiaries

Subsidiaries are entities that are, directly or indirectly, controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights are taken into account. Subsidiaries are fully consolidated from the date on which control is transferred until the date that the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. Inter-company transactions, balances and unrealised gains on transactions between Group entities are eliminated.

The consolidated financial statements have been prepared in accordance with IAS 27 'Consolidated and Separate Financial Statements' and IFRS 3 'Business Combinations'.

The Company's investment in its subsidiaries are carried at cost, less any impairment recognised.

Non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. The non-controlling interests' share of losses, where applicable, are attributed to the non-controlling interests irrespective of whether the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

Associated undertakings

An associated undertaking is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The degree of control and contractual ability to direct the use of funding provided by the Group are taken into consideration. Investments in associated undertakings are accounted for using the equity method of accounting and are initially recognised at cost. Any premium paid for an associated undertaking above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associated undertaking. The carrying amount of investment in an associated undertaking is subject to impairment in the same way as described below.

An increase in the holding of an entity already classified as an associated undertaking, which does not result in control being passed to the company, is accounted for by determining the fair value of the consideration paid to acquire the additional interest and the fair value of the share of net assets. The difference between the two is recognised as goodwill. Any negative goodwill is taken to the profit and loss as a gain on step up.

An increase in the holding of an entity already classified as an associated undertaking, which results in control being passed to the company, is accounted for by determining the fair value of the consideration paid to acquire the additional interest and the fair value of the share of net assets. The difference between the two is recognised as goodwill. Any negative goodwill is taken to the profit and loss as a gain on step up of associated undertaking to subsidiary.

The Group's share of its associated undertakings' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated undertaking equals or exceeds its interest in the associated undertaking no further losses are recognised.

Changes in ownership

Changes in the ownership interest of subsidiaries, without a loss of control, are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When changes in the ownership interest of subsidiaries result in a loss of control, the Group derecognises the assets and liabilities, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity of the subsidiary. The Group further recognises the fair value of the consideration received, the fair value of any investment retained and recognises any surplus or deficit in profit or loss.

All intra-group balances, transactions, profits and losses are eliminated by consolidation.

1.2 Intangible assets Exploration and evaluation assets

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity include researching and analysing historical exploration data, gathering exploration data through geophysical studies, exploratory drilling and sampling, determining and examining the volume and grade of resources, surveying transportation and infrastructure requirements, conducting market and finance studies and borrowing cost.

Exploration and evaluation expenditure for each area of interest is capitalised and carried forward as an asset if:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- it is planned to continue with active and significant operations in relation to the area, or at the reporting period end, the activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves.

Purchased exploration and evaluation assets are recognised as assets at cost of acquisition or at fair value if purchased as part of a business combination.

Capitalised exploration and evaluation expenditure is recorded as a component of intangible assets. No amortisation is charged during the exploration and evaluation phase.

Exploration and evaluation assets are transferred to "Mine development assets" once the technical feasibility and commercial viability of extracting the mineral resource supports the future development of the property and such development has been appropriately approved. Prior to transferring the "mine development assets" to property, plant and equipment an impairment test is completed.

Computer software

Externally acquired intangible assets, such as Computer Software, are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives as noted below:

Item	Useful life
Computer software	2 years

Where appropriate the Group reviews the carrying amounts of its property, plant and equipment, intangible assets and investments to determine whether there is any indication that those assets have suffered an impairment.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

1.3 Property, plant and equipment Mine assets

Mine assets including capitalised exploration and evaluation expenditures and capitalised mine development expenditure is stated at cost less accumulated depreciation and less accumulated impairment losses.

Upon transfer of “Exploration and evaluation assets” to “Mine development assets”, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised. Development expenditure is net of proceeds from the incidental sale of coal extracted during the development phase.

Stripping costs incurred in the development phase of a mine before production commences are capitalised, where they give rise to future benefits, as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units of production basis.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed.

After production starts, all assets included in “Mine development assets” are transferred to “Mine assets”.

Capital expenditure relating to mine development projects is accounted for as capital work in progress until a steady state of production is reached, at which point it is transferred to development and production assets.

Depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment. Depreciation is charged so as to write off the costs of assets, over their estimated useful lives:

Item	Average useful life
Mineral properties	Units of production
Development and production assets	Units of production
Land rehabilitation asset	Units of production
Mine development asset	Units of production
Mine infrastructure	Units of production
Mine owners assets	Units of production
Processing plant	Units of production
Motor vehicles	Four years straight line
Furniture and fixtures	Five years straight line
Computer Equipment	Three years straight line

The units of production depreciation method refers to the estimated economically recoverable reserves which are used in determining the depreciation of mine specific assets proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has limitations resulting from either its physical life and the present assessment of economically recoverable reserves to which the asset is related.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Financial instruments

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

Financial assets and liabilities are initially recognised and subsequently measured based on their classification.

Financial instruments designated as at fair value through profit or loss

This category comprises derivatives that were not designated and effective for hedge accounting at inception. The liabilities are carried in the consolidated statement of financial position at fair value with changes in fair value in the consolidated statement of comprehensive income in the finance income or derivative finance expense line.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Group's loans and receivables comprise of trade and other receivables which are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Restricted cash

Restricted cash comprises cash balances which are restricted through the granting of security in favour of various financial institutions.

Other financial liabilities

Other financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Trade payables and other short-term and long-term monetary liabilities.

Trade payables and other short-term and long-term monetary liabilities, which are initially recognised at fair value, are subsequently carried at amortised cost using the effective interest method.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of interest rate swaps and embedded conversion options in convertible loan notes, are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

1.5 Converting notes

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. Interest on the debt element of the loan accrete over the term of the loan. The remainder of the proceeds is allocated to the convertible instrument reserve within shareholders' equity, net of income tax effects.

1.6 Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments during the lease term calculated using the interest rate implicit in the lease agreement. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases, where substantially all the risks and rewards of ownership do not pass to the Group, are classified as operating leases. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

1.7 Tax Current taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the end of the reporting period. Current taxation assets and liabilities are measured at the amount expected to be recovered from or paid to the local taxation authorities.

Deferred tax

Deferred income tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts and their carrying amounts on the statement of financial position.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or joint venturer and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

1.8 Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

On consolidation, the results of overseas operations are translated into Australia Dollar at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating

the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

1.9 Share-based payments

The Company has granted equity-settled share-based payments. The fair value of the incentive granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employees or third parties become unconditionally entitled to the incentives. When identifiable, the fair value is determined by the value of the services provided. When a fair value for the services provided cannot be ascertained the fair value is measured based upon commonly used valuation models.

1.10 Employee benefits

Short-term employee benefits The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.11 Inventories

Inventories, which includes finished product and run of mine, are stated at the lower of cost of production on the weighted average basis or estimated net realisable value. Cost of production includes direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less marketing costs. Net realisable value also incorporates costs of processing in the case of the run of mine stockpiles.

Consumable stores are stated at the lower of cost on the weighted average basis or estimated replacement value.

1.12 Stripping costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine are capitalised as set out in section 1.5 Mine development assets.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to coal to be mined in the future, the costs are recognised as a non-current asset, referred to as a "stripping activity asset", if the following criteria are met:

- future economic benefits (being improved access to the coal body) are probable
- the component of the coal body for which access will be improved can be accurately identified
- the costs associated with the improved access can be reliably measured.

If one of the criteria is not met, the production stripping costs are charged to the statement of profit or loss as operating costs as they are incurred.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal, plus an allocation of directly attributable overhead costs.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the "Mine asset" in the statement of financial position.

The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

No stripping costs were incurred during the production phase and as such, no stripping asset was recognised at 30 June 2014.

1.13 Revenue

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur as determined by customer off-take arrangements and delivery terms for the supply of coal. At this point the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the commodities and the costs incurred, or to be incurred, in respect of the sale can be reliably measured.

1.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised up to the date when the qualifying asset is ready for its intended use as part of the cost of the respective asset and amortised over the useful life of the asset. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

Capitalisation is suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Fair value disclosure

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)

- Level 2: Observable direct or indirect inputs other than level 1 inputs.
- Level 3: Unobservable inputs (ie not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of financial instruments at fair value. All instruments are categorised as level 3, there are no level 1 or level 2 instruments.

Financial Instrument	Fair value at 30 June 2014	Valuation technique
	A\$'000	
Embedded derivative on Susquehanna conversion option	1,357	The embedded derivatives are measured using discounted cash flows and option model valuation techniques.
Interest rate hedge	101	The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on the observable yield curves.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

1.16 Short-term and long-term loans

Finance income is accrued on a timely basis using the effective interest method, which exactly discounts estimated future cash flows through the expected life of the financial asset, to which the finance income derived, to its net carrying value.

The only finance income in the year related to bank interest received in the year. The impact of discounting was immaterial. Interest income and expense are reported on an accrual basis.

1.17 Environmental expenditure

Long-term environmental obligations comprising decommissioning, restorations and rehabilitation provisions are based on the Group's environmental management plans, in compliance with the current environmental and regulatory requirements as determined by the regulatory authorities within South Africa.

Site restoration and dismantling cost

The Company has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The obligation to restore environmental damage caused through mining is raised as the relevant mining takes place. Assumptions have been made as to the remaining life of existing operations based on studies conducted by independent technical advisers.

The estimated cost of decommissioning and rehabilitation will generally occur on or after the closure of the mine, based on current legal requirements and existing technology. A provision is raised based on the present value of the estimated costs. These costs are included in the cost of the related asset. The capitalised assets are depreciated in accordance with the accounting policy for property, plant and equipment. Increases in the provision, as a result of the unwinding of discounting are charged to the Consolidated Statement of Comprehensive Income within finance expense. The cost of the ongoing programmes to prevent and control pollution, and ongoing rehabilitation costs of the Group's operations, is charged against income as incurred. Changes to the present value of the obligation due to changes in assumptions are recognised as adjustments to the provision together with an associated increase/(decrease) in the related decommissioning asset to the extent that a decommissioning asset exists. In circumstances where the decommissioning asset has been fully amortised the adjustment is recognised within profit or loss.

1.18 Provisions Rehabilitation provisions

The Group records the present value of estimated costs of legal and constructive obligations required to restore mining and other operations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and revegetation of affected areas. The obligation generally arises when the “Mine development asset” is installed or the ground/environment is disturbed at the mining production location.

The provision is discounted using a current market-based pre-tax discount rate. Over time, the discounted liability is increased for the change in present value based on the discount rates and the unwinding of the discount is included in interest expense. The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations.

At the time of establishing the provision, a corresponding asset is capitalised by increasing the carrying amount of the related mine assets. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

Additional disturbances or changes in rehabilitation costs are recognised as additions to the corresponding mine assets and rehabilitation liability when they occur. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss. If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Costs related to restoration of site damage (subsequent to start of commercial production) which is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

Other provisions

Provisions are recognised when there is a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and that amount can be reliably estimated. Where the effect is material, the provision is discounted to net present value using an appropriate current market-based pre-tax discount rate. Over time, the discounted liability is increased for the change in present value based on the discount rates and the unwinding of the discount is included in interest expense.

1.19 Financial guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such.

1.20 Judgements made in applying accounting policies and key sources of estimation uncertainty

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation were:

Impairment of intangible assets and property, plant and equipment (notes 4 and 5)

In formulating accounting policies the Directors are required to apply their judgement, and where necessary engage professional advisors, with regard to the impairment review assumptions used in assessing the carrying value of its assets.

These assets of the Group are subject to periodic review by the Directors.

The Group assesses each asset or cash generating unit (CGU) in each reporting period to determine whether any indication of impairment exists. These assessments require the use of estimates and assumptions such as commodity prices, discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and resources and operating performance. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

On review during the year, the Directors have noted no circumstances which would suggest that at this time any impairment is necessary given the preliminary results on surveys obtained to date. The situation will be closely monitored and adjustments made in future periods if there are indications that the assets held are not recoverable.

Coal resource estimate

For accounting purposes, the Group discloses its coal reserves and resources in accordance with “The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (the ‘JORC Code’) which is set by the Australian Joint Ore Reserves Committee (‘The JORC Committee’). The JORC Committee comprises representatives of The Minerals Council of Australia (MCA), The Australasian Institute of Mining and Metallurgy (The AusIMM), the Australian Institute of Geoscientists (AIG); as well as representatives of the Australian Securities Exchange (ASX), the Financial Services Institute of Australasia (FinSIA) and the accounting profession. The JORC Code is a binding standard for Public Reporting and disclosure in Australasia, applied by appropriately qualified and experienced persons (Competent Persons), and sets out minimum standards, recommendations and guidelines that requires the use of information relating to the geological and technical data on the size, depth, shape and grade of the coal body and suitable production techniques and recovery rates. Further, the JORC Code requires estimates of foreign exchange rates, commodity prices, future capital requirements and production costs. Due to the change of such information over time as well as additional data that may be collected, estimates of reserves and resources may change and may subsequently affect the financial results and positions of the Group, including:

- The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charges in profit or loss may change where such charges are determined using the units of production method, or where the useful life of the related assets change.
- Provisions for rehabilitation and environmental provisions may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
- Contingent liabilities may change where the level of future obligations and economic outflows are based on reserve estimates.

Units of production depreciation (note 4)

Estimated economically recoverable reserves are used in determining the depreciation of mine specific assets proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has limitations resulting from either its physical life or the present assessment of economically recoverable reserves to which the asset is related. This requires the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

Rehabilitation provision (note 18)

The Group assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and discount rates. Estimates and assumptions may change if new information becomes available, which could have a material effect on the carrying value of the mine rehabilitation provision and the related mineral asset.

Exploration and development assets (note 5)

On valuation of exploration and development assets, reliance is placed on the valuation opinion which has been derived from competent persons' reports.

The application of the Group's accounting policy for exploration and evaluation expenditure requires estimates and assumptions to determine whether future commercial exploitation or sale are likely. This requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available.

Subsidiaries (note 6)

Judgement has been applied by management in assessing control over entities in which the Company hold a total shareholding of 50%. Where the Company has an option to exercise a further share purchase, the investment has been accounted for as a subsidiary.

Associated undertakings (note 7)

The Directors believe, after careful consideration of the contractual earn-in arrangements, that the Group, as a matter of fact, exercises significant influence over the activities and operations of Universal Coal Development VI (Pty) Ltd. Therefore, the associated undertaking is accounted for on the equity basis.

Inventories (note 9)

Inventory stockpiles are measured by appropriately qualified persons, applying surveying methodologies, which consider the size and grade of the coal stockpile. The estimated recovery percentage is based on the expected processing method. In addition, net realisable value tests are performed at each reporting date and represent the estimated future sales price of the run-of-mine (ROM) coal the entity expects to realise when the ROM coal is processed and sold, less estimated costs to bring the ROM coal to sale.

Judgement is applied in estimating the variables noted above.

Fair value determination (note 15 and 16)

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of zero interest converting notes and shareholder loans are calculated as the present value of the converting loan notes and shareholder loans discounted at market related interest rates from the respective maturity date.

Share-based payments (note 13)

In determining the fair value of equity-settled share-based payments and the related charge to the statement of comprehensive income, the Group must make assumptions about inputs into valuation models, future events and market conditions. Judgement is made as to the likely number of shares that will vest, and inputs into valuation models, in order to determine the fair value of each award granted.

Share options are measured at fair value at the grant date using the Black-Scholes model. The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest.

Recovery of deferred tax assets (note 8)

Deferred tax assets require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. This requires estimates of future taxable income based on forecasted cash flows as well as judgement about the application of existing tax legislation in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be adversely impacted.

Contingencies (note 34)

Management assesses the existence and the economic effects of contingencies at each reporting date. The estimate of the economic effect is based on the outcome and the possibly resulting obligation and outflow of economic benefits

2 STANDARDS AND INTERPRETATIONS

The consolidated annual financial statements have been prepared on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period.

The following standards, interpretations and amendments became effective during the year and were adopted by the Company.

Standards	Details of amendment	Annual periods beginning on or after
IFRS 1 First-time Adoption of International Financial Reporting Standards.	Annual improvements 2011 -2013 Cycle: Amendments to the Basis of Conclusion clarify the meaning of "effective IFRs"	1 January 2013
IFRS 7 Financial Instruments: Disclosures	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.	1 January 2013
IFRS 13 Fair Value Measurement	Annual Improvements 2010-2012 Cycle: Amendments to clarify the measurement requirements for those short term payables and receivables. Annual improvements 2011-2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with IAS39 or IFRS 9.	1 January 2013
IAS 19 Employee Benefits	Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS19 for contributions for employees or third parties that are linked to service have been amended.	1 July 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	Capitalisation of stripping costs in the production phase of a surface mine until they meet the definition of inventory in IAS:2: Inventories.	1 January 2013

2.1 Standards and interpretations not yet effective

Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Description	Effective Date
IFRS 9	Financial Instruments	1 January 2019
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interest in Other Entities	1 January 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments)	1 January 2014
IAS 36	Recoverable Amounts (Amendments)	1 January 2014
IAS 39	Novation of Derivatives (Amendments)	1 January 2014
IFRIC 21	Levies	1 January 2014
IAS 19	Defined Benefit Plans (Amendments)	1 July 2014
IFRS 15	Revenue from contracts with customers	1 January 2017
Annual Improvements to IFRSs 1 (2010-2012 Cycle)		1 July 2014
Annual Improvements to IFRSs 1 (2011-2013 Cycle)		1 July 2014

Management is currently assessing the impact of the above standards, interpretations on the financial statements. Management does not expect the impact to be material.

Notes to the consolidated and Company annual financial statements (continued) for the year ended 30 June 2014

3 SEGMENTAL REPORT

All investments in associates and subsidiaries operate in one geographical location being South Africa, and are organised into two business units from which the Group's expenses are incurred and revenues are earned, being (1) for the exploration and extraction of coal and (2) mining and sale of coal. The reporting on these investments to the Chief Operating Decision Makers, the Board of Directors, focuses on the use of the profit and loss and capitalisation of the coal projects.

The mining and sale of coal represents a new operating segment in the year. During 2013 the business engaged purely in the development, exploration and extraction of coal.

The non-current assets relating to the capitalisation expenditure associated with the coal projects are located in South Africa. All corporate expenditure, assets and liabilities relate to incidental operations carried out in the United Kingdom, Australia and South Africa.

For the year ended 30 June 2014	Production and sale of coal	Indirect interest in exploration and development of coal A\$'000	Corporate (Unallocated) A\$'000	Total A\$'000
Revenue	11,838	—	—	11,838
Cost of sales	(6,905)	—	—	(6,905)
Cost of sales – Depreciation	(1,326)	—	—	(1,326)
Cost of sales – excluding depreciation	(5,579)	—	—	(5,579)
Gross profit	4,933	—	—	4,933
Operating expenses (excluding share-based payments)	(2,090)	(129)	(1,802)	(5,021)
Share of loss of associate undertakings	—	(2)	—	(2)
Foreign exchange loss	—	—	(39)	(39)
Net Finance cost	(759)	—	(953)	(1,712)
Derivative financial liability	(1357)	(1357)	—	(2,714)
Profit/(loss) before taxation	2,084	(131)	(5,151)	(3,198)
Taxation	(589)	—	—	(589)
Profit/(loss) after taxation	1,495	(131)	(5,151)	(3,787)
Total non-current assets				
Total Capital expenditure	51,773	56,604	71	108,448
Total assets	32,066	775	—	32,841
Total liabilities	63,642	57,844	3,336	124,822
Revenue to the amount of A\$11,838 was received from a single customer	(44,168)	(59)	(9,295)	(53,522)

	Indirect interest in exploration and development of coal A\$'000	Corporate (Unallocated A\$'000)	Total A\$'000
For the year ended 30 June 2013			
Operating expenses			
(excluding share-based payments)	(224)	(3,931)	(3,931)
Share-based payments expense	—	(339)	(339)
Share of operating loss of associate undertakings	(10)	—	—
Gain arising on step-up of interest in associated undertaking	6,644	—	—
Foreign exchange loss	—	13	13
Gain arising on step up of associated undertaking to subsidiary	5,464	—	—
Foreign exchange differences recycled on step up	(643)	—	—
Net finance income	—	(422)	(422)
Profit/(loss) before and after taxation	11,231	(4,679)	(4,679)
Total non-current assets	87,289	101	101
Total assets	91,256	6,657	6,657
Total liabilities	(5,538)	(6,612)	(12,150)

4 PROPERTY, PLANT AND EQUIPMENT

	2014			2013		
Group	Cost/ Valuation A\$'000	Accumulated depreciation A\$'000	Carrying value A\$'000	Cost/ Valuation A\$'000	Accumulated depreciation A\$'000	Carrying value A\$'000
Mine development	11,545	(295)	11,250	—	—	—
Mining infrastructure	11,243	(332)	10,911	—	—	—
Processing plant	6,138	(180)	5,958	—	—	—
Mine owners assets	4,803	(140)	4,663	—	—	—
Mineral properties	3,742	(110)	3,632	4,053	—	4,053
Development and production assets	5,208	(153)	5,055	7,016	—	7,016
Land rehabilitation asset	3,869	(114)	3,755	—	—	—
Furniture and fixtures	36	(20)	16	39	(16)	23
Computer equipment	69	(34)	35	58	(25)	33
Motor vehicles	201	(31)	170	—	—	—
Capital work in progress	6,162	—	6,162	11,929	—	11,929
Total	53,016	(1,409)	51,607	23,095	(41)	23,054

Notes to the consolidated and Company annual financial statements (continued) for the year ended 30 June 2014

For the year ended 30 June 2014 Group	Opening balance A\$'000	Additions A\$'000	Transfers A\$'000	Foreign exchange movements A\$'000	Depreciation A\$'000	Total A\$'000
Mine development	—	—	11,545	—	(295)	11,250
Mining infrastructure	—	—	11,243	—	(332)	10,911
Processing plant	—	—	6,138	—	(180)	5,958
Mine owners assets	—	—	4,803	—	(140)	4,663
Mineral properties	4,053	—	—	(311)	(110)	3,632
Development and production assets	7,016	—	(1,808)	(153)	5,055	—
Land rehabilitation asset	—	3,057	811	—	(113)	3,755
Furniture and fixtures	23	7	—	(10)	(4)	16
Computer equipment	33	28	—	(16)	(10)	35
Motor vehicles	—	201	—	—	(31)	170
Capital work in progress	11,929	28,773	(34,540)	—	—	6,162
	<u>23,054</u>	<u>32,066</u>	<u>—</u>	<u>(2,145)</u>	<u>(1,368)</u>	<u>51,607</u>

Reconciliation of property, plant and equipment

For the year ended 30 June 2013 Group	Opening balance A\$'000	Additions A\$'000	Transfers from intangible assets A\$'000	Depreciation A\$'000	Total A\$'000
Mineral properties	—	4,053	—	—	4,053
Development and production assets	—	—	7,016	—	7,016
Furniture and fixtures	23	8	—	(8)	23
Computer equipment	25	20	—	(12)	33
Capital work in progress	118	11,811	—	—	11,929
	<u>166</u>	<u>15,892</u>	<u>7,016</u>	<u>(20)</u>	<u>23,054</u>

Pledged as security

As part of the Kangala Project Financing Agreements, the following bonds were passed as security for the obligations of Universal Coal Development I (Pty) Ltd in favour of Rand Merchant Bank, a division of FirstRand Bank Limited:

- a general notarial bond for an amount of A\$45,741,800 (ZAR456,000,000);
- a covering mortgage bond over Portion 1 of the Farm Wolvenfontein No 244 IR, for an amount of A\$45,741,800 (ZAR456,000,000); and a mining bond over the mining right awarded by the Department of Mineral Resources under reference number MP30/5/1/2/2/429MR, measuring a combined area of 950.9112 hectares in extent, for an amount of A\$45,741,800 (ZAR456,000,000).

The following cession and pledge agreements were also concluded to and in favour of Rand Merchant Bank, a division of the FirstRand Bank Limited:

- by Universal Coal Development I (Pty) Ltd which has pledged and ceded all of its rights, title and interest in its banking accounts, insurances, contractors agreements, intellectual property, investments and all claims against third parties;
- Universal Coal and Energy Holdings South Africa (Pty) Ltd which has pledged and ceded all of its rights, title and interest in equity instruments, claims against and all loans to Universal Coal Development I (Pty) Ltd;
- Universal Coal and Energy Holdings South Africa (Pty) Ltd which has subordinated all of its claims against Universal Coal Development I (Pty) Ltd.

Refer to note 19: Trade and other payables for information relating to security over motor vehicles.

Borrowing costs capitalised Borrowing costs in the amount of A\$1,471,747 (ZAR14,671,849) were incurred at JIBAR + 4.95% per annum and capitalised in accordance with IAS 23 to mine owners assets

Details of mineral properties

	Group	
	2014	2013
	A\$'000	A\$'000
Portion 1 of farm Wolvefontein, 244 IR Mpumalanga province	3632	4,053

5 INTANGIBLE ASSETS

	2014			2013		
Group	Cost/ Valuation A\$'000	Accumulated depreciation A\$'000	Carrying value A\$'000	Cost/ Valuation A\$'000	Accumulated depreciation A\$'000	Carrying value A\$'000
Mining and Prospecting Rights (held by)						
Universal Coal Development I (Pty) Ltd	912	—	912	1,202	—	1,202
Universal Coal Development II (Pty) Ltd	33,249	—	33,249	36,970	36,970	
Universal Coal Development III (Pty) Ltd	9,894	—	9,894	12,215	12,215	
Universal Coal Development IV (Pty) Ltd	8,878	—	8,878	9,808	—	9,808
Universal Coal Development V (Pty) Ltd	3,671	—	3,671	4,079	—	4,079
Other intangible assets						
Computer software	335	(103)	232	121	(64)	57
Total	56,939	(103)	56,836	64,395	(64)	64,331

For the year ended 30 June 2014	Opening balance A\$'000	Additions A\$'000	Amortisation A\$'000	Foreign exchange movements A\$'000	Total A\$'000
Group					
Other intangible assets					
Computer software	57	244	(39)	(30)	232
Mining and Prospecting Rights					
Universal Coal Development I (Pty) Ltd	1,202	—	—	(290)	912
Universal Coal Development II (Pty) Ltd	36,970	159	—	(3,880)	33,249
Universal Coal Development III (Pty) Ltd	12,215	35	—	(2,356)	9,894
Universal Coal Development IV (Pty) Ltd	9,808	327	—	(1,257)	8,878
Universal Coal Development V (Pty) Ltd	4,079	10	—	(418)	3,671
	64,331	775	(39)	(8,231)	56,836

	Opening Balance A\$'000	Additions A\$'000	Disposals A\$'000	Transfers A\$'000	Combination A\$'000	Move- ments A\$'000	Amorti- sation A\$'000	Total A\$'000
Mining and Prospecting Rights								
Universal Coal Development I (Pty) Ltd	8,024	194	—	(7,016)	—	—	—	1,202
Universal Coal Development II (Pty) Ltd	—	—	—	—	36,517	453	—	36,970
Universal Coal Development III (Pty) Ltd	11,709	506	—	—	—	—	—	12,215
Universal Coal Development IV (Pty) Ltd	—	—	—	—	9,448	360	—	9,808
Universal Coal Development V (Pty) Ltd	—	—	—	—	4,041	38	—	4,079
Other intangible assets								
Computer software	66	60	(19)	—	—	—	(50)	57
	19,799	760	(19)	(7,016)	50,006	851	(50)	64,331

Supplementary information on intangible assets

The following detailed schedule provides additional information pertaining specifically to the interests held by Universal Coal Plc in the identifiable Mining Rights (MR) and Prospecting Rights (PR) as at year-end:

Project Property	Entity	Location	Size hectare	Permit type & number	Expiry date	Comment	% Interest
Kangala	Universal Coal Development I (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Wolvenfontein 244IR: Portion 1 and RE of Portion 2	951 Mining Right: MP30/5/1/2/2/429MR	02/05/2032	Refer to note 4 for security provided	70.5
Kangala	Universal Coal Development I (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Middelbult 235IR: Portions 40 and 82	942 Prospecting Right: MP30/5/1/1/2/641PR	09/07/2017	Renewal of the prospecting right was granted in July 2014 for a further three years	70.5
Kangala	Universal Coal Development I (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Modderfontein 236IR: Portion 1	127 Prospecting Right: MP30/5/1/1/2/639PR	09/07/2017	Renewal of the prospecting right was granted in July 2014 for a further three years	70.5
Berenice Somerville	Universal Coal Development II Limpopo (Pty) Ltd	Waterpoort Province, South Africa	Berenice 548 MS; Celine547 MS; Doncaster 414 MS; Doornvaart 355 MS; Duinen 419 MS; Gezelschap 395 MS; Hastings 485 MS; Longford 354 MS; Matsuri 358 MS; Monmouth 294 MS; Scot 465 MS; Secrabjie 470 MS; Smithfield 456 MS; Trekpad 455 MS; Troy 458 MS; Twyfelfontein 483 MS; Vriendschap 460 MS; Wintersveld 427 MS; Ratho 1 MS; Parma 40 MS; Pont Drift 12 MS; Princess Royal 10 MS; Montrow 6 MS; Somerville 9 MS and Patricia 65 MS	39,484 Prospecting Right: LP30/5/1/1/2/376PR	19/03/2016	Right was granted in March 2013 for a further three years	50
Brakfontein	Universal Coal Development II (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Brakfontein 264IR: Portions 6, 8, 9, 10, 20, 26, 30 and Remaining extent	879 Mining Right: MP30/5/1/2/2/100 27MR	2034	A mining right was granted in July 2014 for 20 years. Execution and registration of the right is pending	50.29
Roodekop	Universal Coal Development IV (Pty) Ltd	Kriel Mpumalanga Province, South Africa	Roodekop 631S	835 Mining Right: MP30/5/1/1/2/492MR	05/02/2034	—	74
Cygnus	Universal Coal Development V (Pty) Ltd	Limpopo Province, South Africa	Cygnus 543MS and adjacent farms	12,299 Prospecting Right: LP30/5/1/1/2/1276PR	—	Renewal of the prospecting right for a further three years is pending.	50
Donkin	Universal Coal Development VI (Pty) Ltd	Limpopo Province, South Africa	Donkin 72MS	1,178 Propsiecting right: LP30/5/1/1/2/2074PR	08/12/2014	—	15

On review during the year, the Directors have noted no circumstances which would suggest that at this time any impairment is necessary given the preliminary results on surveys obtained to date. The situation will be closely monitored and adjustments made in future periods if there are indications that the assets held are not recoverable.

6 INVESTMENTS IN SUBSIDIARIES

Name of Company	% holding 2014	% holding 2013	Carrying amount 2014 A\$'000	Carrying amount 2013 A\$'000
Universal Coal and Energy Holdings South Africa				
(Pty) Ltd (UCEHSA) Held indirectly	100.00	100.00	44,842	42,718
Bold Moves 1765 (Pty) Ltd	74.00	74.00	—	—
Episolve (Pty) Ltd	74.00	74.00	—	—
Epsimax (Pty) Ltd	74.00	74.00	—	—
Twin Cities Trading 374 (Pty) Ltd	74.00	74.00	—	—
Universal Coal Power Generation (Pty) Ltd	100.00	100.00	—	—
Universal Coal Development I (Pty) Ltd	70.50	70.50	—	—
Universal Coal Development II (Pty) Ltd	50.00	50.00	—	—
Universal Coal Development III (Pty) Ltd	50.29	50.29	—	—
Universal Coal Development IV (Pty) Ltd	74.00	74.00	—	—
Universal Coal Development V (Pty) Ltd	50.00	50.00	—	—
Universal Coal Development VII (Pty) Ltd	50.00	50.00	—	—
Universal Coal Development VIII (Pty) Ltd	49.00	—	—	—
			44,842	42,718

The investment in the directly held subsidiaries at 30 June 2014 was	Total A\$'000
Country of incorporation	South Africa
Class of share	Ordinary
Proportion held of the ordinary shares (%)	100
Reconciliation of movements for the 2014 year	
Balance at beginning of the year	42,718
Investment in the period	2,124
	44,842
Total carrying value at the end of the year	44,842

The investment in the directly held subsidiaries at 30 June 2013 was	Total A\$'000
Country of incorporation	South Africa
Class of share	Ordinary
Proportion held of the ordinary shares (%)	100
Reconciliation of movements for the 2014 year	
Balance at beginning of the year	30,811
Investment in the period	11,907
	42,718
Total carrying value at the end of the year	42,718

The gain arising on step up of associated undertaking to subsidiary was recognised in the consolidated statement of comprehensive income.

Universal Coal Development II (Pty) Ltd

On 15 January 2013, a further 20 (twenty) shares of Universal Coal Development II (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement representing a total shareholding in Universal Coal Development II (Pty) Ltd of 50%. Within the shareholder arrangement Universal Coal and Energy Holdings South Africa (Pty) Ltd has an option to exercise over a further 24% share purchase in Universal Coal Development II (Pty) Ltd. This has been deemed a potential voting right and included in Management's assessment as to whether Universal Coal and Energy Holdings South Africa (Pty) Ltd has control. Therefore the investment has been included as a subsidiary in the year.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value	Adjustment	Fair value
	A\$'000	A\$'000	A\$'000
Intangible assets	5,292	31,225	36,517
Total net assets (100%)	5,164	31,225	36,388
Fair value of consideration paid			A\$'000
Fair value of previous share recognised as investment in associated undertaking			14,606
Cash consideration paid			1,144
Total consideration			15,750
Gain arising on step up of associated undertaking to subsidiary			2,444
Fair value of asset acquired (50% interest)			18,194

The gain arising on step up of associated undertaking to subsidiary has been recognised in the consolidated statement of comprehensive income.

Universal Coal Development IV (Pty) Ltd

On 23 January 2013, Universal Coal exercised its option to acquire an additional 24% of the share capital of Universal Coal Development IV (Pty) Ltd for a consideration of ZAR5 million. On this date 48 (forty-eight) ordinary shares were transferred from Xakwa Investments (Pty) Ltd to Universal Coal and Energy Holdings South Africa (Pty) Ltd resulting in an effective ownership of 74% of Universal Coal Development IV (Pty) Ltd.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value	Adjustment	Fair value
	A\$'000	A\$'000	A\$'000
Intangible assets	2,507	6,941	9,448
Total net assets (100%)	2,770	6,941	9,711
Fair value of consideration paid			A\$'000
Fair value of previous share recognised as investment in associated undertaking			4,724
Cash consideration paid			618
Total consideration			5,342
Gain arising on step up of associated undertaking to subsidiary			1,844
Fair value of asset acquired (50% interest)			7,186

Universal Coal Development V (Pty) Ltd

On 22 April 2013, a further 67 (sixty-seven) shares of Universal Coal Development V (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement increasing the Group's total shareholding in Universal Coal Development V (Pty) Ltd to 50%. As Universal Coal has an option to exercise over a further 24% share purchase, the investment has been accounted for as a subsidiary for the 2013 financial period.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value	Adjustment	Fair value
	A\$'000	A\$'000	A\$'000
Intangible assets	276	3,765	4,041
Total net assets (100%)	283	3,765	4,048
Fair value of consideration paid			A\$'000
Fair value of previous share recognised as investment in associated undertaking			808
Cash consideration paid			39
Total consideration			847
Gain arising on step up of associated undertaking to subsidiary			1,177
Fair value of asset acquired (50% interest)			2,024

The gain arising on step up of associated undertaking to subsidiary has been recognised in the consolidated statement of comprehensive income.

7 INVESTMENTS IN ASSOCIATED UNDERTAKINGS

Name of Company	% holding	% holding	Carrying amount	Carrying amount
	2014	2013	2014	2013
			A\$'000	A\$'000
Universal Coal Development VI (Pty) Ltd (UCDVI)	15.00	15.00	5	5
Universal Coal Logistics (Pty) Ltd ("UCL")	49.00	49.00	—	—
			5	5

Universal Coal Development II (Pty) Ltd

On 15 January 2013, a further 20 (twenty) shares of Universal Coal Development II (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement increasing the Group's total shareholding in Universal Coal Development II (Pty) Ltd to 50%. As Universal Coal has an option to exercise over a further 24% share purchase, the investment has been accounted for as a subsidiary for the 2013 financial period.

Universal Coal Development IV (Pty) Ltd

On 23 January 2013, Universal Coal exercised its option to acquire an additional 24% of the share capital of Universal Coal Development IV (Pty) Ltd for a consideration of ZAR5 million. On this date 48 (forty-eight) ordinary shares were transferred from Xakwa Investments (Pty) Ltd to Universal Coal and Energy Holdings South Africa (Pty) Ltd resulting in an effective ownership of 74% of Universal Coal Development IV (Pty) Ltd.

Universal Coal Development V (Pty) Ltd

On 22 April 2013, a further 67 (sixty-seven) shares of Universal Coal Development V (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement increasing the Group's total shareholding in Universal Coal Development V (Pty) Ltd to 50%. As Universal Coal has an option to exercise over a further 24% share purchase, the investment has been accounted for as a subsidiary in the 2013 financial year.

Associated undertakings at 30 June 2014	UCD VI A\$'000	UCL A\$'000	Total A\$'000
Country of incorporation	South Africa	South Africa	
Class of share	Ordinary	Ordinary	
Proportion held of the ordinary shares (%)	15	49	
Reconciliation of movements for the 2014 year			
Balance at beginning of year	5	—	5
Investments in the period	2	—	2
Share of loss of associated undertaking	(2)	—	(2)
Total carrying value at the end of the year	5	—	5

Associated undertakings at 30 June 2013	UCD II A\$'000	UCD IV A\$'000	UCD V A\$'000	UCD VI A\$'000	Total A\$'000
	South Africa	South Africa	South Africa	South Africa	
Country of incorporation					
Proportion held of the Ordinary shares	n/a*	n/a*	n/a*	15%	
Reconciliation of movements for the 2013 financial year					
Balance at the beginning of the year	11,702	3,278	302	—	15,282
Investments in the year	—	—	—	6	6
Share of (loss)/profit of associated undertakings	(6)	1	(4)	(1)	(10)
Gain arising on step up of interest	4,059	2,033	552	—	6,644
Movements in exchange rates	(1,149)	(588)	(42)	—	(1,779)
Disposals (transfer to subsidiaries)	(14,606)	(4,724)	(800)	—	(20,138)
Total carrying value at the end of the year	—	—	—	5	5

* In the 2013 period this entity is classified as a subsidiary and consolidated.

Financial information of associated undertakings

All the associated undertakings have prepared audited financial statements for the year ended 30 June 2014 and are accounted for in Universal Coal Plc using the equity method of accounting.

8 DEFERRED TAX

	Group		Company	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Balance at the beginning of the year	—	—	—	—
Income statement charge	589	—	—	—
Balance at the end of the year	589	—	—	—
Comprising:	—	—	—	—
Deferred tax asset	(576)	—	—	—
Deferred tax liability	1,165	—	—	—
	589	—	—	—

The deferred tax assets and liabilities are offset to determine the amounts stated in the statement of financial position when the taxes can be legally offset and will be settled net.

Deferred tax companies

Deferred tax liability

– Accelerated capital allowances for tax purposes 1,165

Deferred tax asset:

– Tax losses (576)

Net deferred tax liability 589

Deferred tax assets of A\$576,000 (2013: \$nil) have been recognised in respect of tax losses to be utilised by future taxable profits at Kangala. The Directors believe it will be probable that these tax assets will be recovered through future taxable profits generated by Kangala as production continues to ramp up.

Movements in deferred tax include amounts recognised in the statement of comprehensive income. The income statement charge for the year was A\$588,918 (2013: A\$nil).

9 INVENTORIES

ROM stockpiles	2,828	—	—	—
Coal product stockpiles	379	—	—	—
Diesel on hand	66	—	—	—
	<u>3,273</u>	<u>—</u>	<u>—</u>	<u>—</u>

10 TRADE AND OTHER RECEIVABLES

Trade receivables	3,896	74	—	—
Prepayments	1,221	1,495	—	150
Deposits	510	9	—	—
Value added taxation	441	1,168	19	22
Other receivables	—	335	—	—
	<u>6,068</u>	<u>3,081</u>	<u>19</u>	<u>172</u>

Prepayments: Universal Coal Development VII (Pty) Ltd

On 19 April 2012, Universal Coal and Energy Holdings South Africa (Pty) Ltd acquired 1 (one) ordinary share (50%) of Universal Coal Development VII (Pty) Ltd, a special purpose entity formed with the intention of acquiring additional prospecting rights in South Africa. The contribution of A\$1,216,508 continues to be treated as a prepayment during the 2014 financial period as certain conditions precedent still have to be concluded.

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Bank balances	2,657	5,487	51	2,275
Restricted cash	4,376	1,955	20	—
	<u>7,033</u>	<u>7,442</u>	<u>71</u>	<u>2,275</u>

Restricted cash and cash equivalents

Restricted cash and cash equivalents consist of standby equity and financial guarantees and deposits.

	Group		Company	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
	Group		Company	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Financial guarantees	755	293	—	—
Standby equity account	1,595	1,662	—	—
Deposit guarantee	2,026	—	—	—
	4,376	1,955	—	—

Standby equity account

The standby equity account relates to a reserve cash account that is earmarked for possible Kangala capital project cost overruns.

Deposit guarantee account

A deposit guarantee in the amount of A\$2,026,219 (2013: A\$nil) has been provided to Exxaro Coal Mpumalanga (Pty) Ltd as a non-refundable deposit for the acquisition of the assets of the New Clydesdale Colliery. This guarantee is fully collateralised by cash.

Financial guarantees

A rehabilitation guarantee for the full amount of the rehabilitation provision has been provided to Universal Coal Development I (Pty) Ltd and Universal Coal Development IV (Pty) Ltd by a registered financial institution and is partly secured by a cash investment account with a cash balance of A\$754,970 (2013: A\$292,569). Monthly contributions are made to the cash investment account and revised annually in agreement with the registered financial institution.

	Group	
	2014	2013
	A\$'000	A\$'000
Department of Minerals and Energy	755	293

12 SHARE CAPITAL

Authorised:

Number	Class	Nominal value	Nominal value
		2014	2013
		£	£
500,000,000	Ordinary		0.05

Allotted, issued and fully paid:

Number	Class	Nominal value	2014	2013
		£	A\$'000	A\$'000
2014: 321,775,447	Ordinary	0.05	26,253	
2013: 319,575,447				26,504

	Group		Company	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Share capital – Reconciliation				
Opening balance	26,054	17,534	26,054	17,534
Issue of Shares	199	8,520	199	8,520
Closing balance	26,253	26,054	26,253	26,054
Opening balance	41,792	35,358	41,792	35,358
Issue of shares	175	7,239	175	7,239
Share issue expenses	—	(805)	—	(805)
Closing balance	41,967	41,792	41,967	41,792

Significant changes in the share capital of the Company during the 2014 financial year were as follows:

Shares	Date	Number of shares issued	Cumulative shares issued
Opening balance as at 1 July 2013		—	319,575,447
Issue of shares	14 January 2014	2,200,000	321,775,447
			321,775,447

Significant changes in the share capital of the Company during the 2013 financial year were as follows:

Shares	Date	Number of shares issued	Cumulative shares issued
Opening balance as at 1 July 2012	1 July 2012	—	209,684,554
Issue of shares	2 July 2012	343,431	210,027,985
Issue of shares	13 August 2012	12,264,521	222,292,506
Issue of shares	2 October 2012	1,442,265	223,734,771
Issue of shares	1 November 2011	95,840,676	319,575,447

13 SHARE-BASED PAYMENTS

The Company has share-based payment arrangements relating to share options granted, which are as below:

2014				Outstanding
Grant date	Expiry date	Exercise price	Number issued	2014
09/12/2010	09/12/2015	A\$0.26	490,617	490,617
09/12/2010	09/12/2015	A\$0.20	3,800,000	3,800,000
09/12/2010	09/12/2015	A\$0.26	4,618,000	4,618,000
09/12/2010	09/12/2015	A\$0.26	3,007,110	3,007,110
09/12/2010	09/12/2015	A\$0.39	5,200,000	5,200,000
09/12/2010	09/12/2015	A\$0.34	3,200,000	3,200,000
22/06/2012	31/12/2014	A\$0.40	500,000	500,000
04/06/2012	04/06/2017	A\$0.263	16,855,736	16,855,736
04/06/2012	04/06/2017	A\$0.275	5,618,579	5,618,579
01/04/2013	01/04/2018	A\$0.26	3,300,001	3,300,001
Total			46,590,043	46,590,043

2013				Outstanding
Grant date	Expiry date	Exercise price	Number issued	2013
09/12/2010	09/12/2015	A\$0.26	490,617	490,617
09/12/2010	09/12/2015	A\$0.20	3,800,001	3,800,001
09/12/2010	09/12/2015	A\$0.39	5,200,001	5,200,001
09/12/2010	09/12/2015	A\$0.26	4,618,000	4,618,000
09/12/2010	31/12/2013	A\$0.26	1,972,180	1,972,180
09/12/2010	31/12/2013	A\$0.286	1,972,180	1,972,180
09/12/2010	31/12/2013	A\$0.312	986,090	986,090
09/12/2010	09/12/2015	A\$0.26	3,007,110	3,007,110
09/12/2010	09/12/2015	A\$0.34	3,200,000	3,200,000
09/01/2012	15/03/2014	A\$0.40	7,999,998	7,999,998
22/06/2012	31/12/2014	A\$0.40	500,000	500,000
04/06/2012	04/06/2017	A\$0.263	16,855,735	16,855,735
04/06/2012	04/06/2017	A\$0.275	5,618,579	5,618,579
01/04/2013	01/04/2018	A\$0.26	3,300,001	3,300,001
Total			59,520,492	59,520,492

The fair value of the share-based payment is based upon the Black-Scholes formula, a commonly used option pricing model. The calculation of volatility used in the model is based upon an average of market prices against current market prices of listed companies operating in the mining industry.

All options are equity settled and it has been assumed that all options will vest.

	Year ended 30 June 2014	Year ended 30 June 2013
Group share options		
Outstanding at start of year	59,520,492	57,420,1491
Weighted average exercise price	A\$0.30	A\$0.30
Granted	—	3,300,001
Weighted average exercise price	A\$0.26	
Lapsed	(12,930,449)	(1,200,000)
Weighted average exercise price	A\$0.35	A\$0.34
Outstanding at end of year	46,590,043	59,520,492
Exercisable at end of year	46,590,043	59,520,492
Exercisable date within one year	500,000	—
Group share options		
Outstanding at end of the year	59,520,492	57,420,491
Granted during the year	—	3,300,001
Forfeited during the year	—	(1,200,000)
Lapsed during the year	(12,930,449)	—
Outstanding at the end of the year	46,590,043	59,520,492
Weighted average contractual life	2.5 years	4 years
Weighted average exercise price	A\$0.28	A\$0.30
Information on options granted during the 2013 year		
Grant date		1 April 2013
Number of options		3,330,001
Expected volatility		79.17%
Risk-free interest rate		5.38%
Weighted average share price at grant date		A\$0.09
Expected life		5 years
Expected dividend		Zero
Fair value per option		A\$0.04

Share-based payments represent the value of unexercised share options to employees. The charge for share options in the year amounted to A\$nil (2013: A\$339,485).

14 RESERVES

Share capital relates to the nominal value of the shares issued. The share premium relates to the excess of consideration paid over the nominal value of the shares after deducting related expenses.

The foreign currency translation reserve relates to the foreign exchange effect of the retranslation of the Group's overseas subsidiaries on consolidation into the Group's financial statements.

The share-based payment reserve holds the equity element of the share option transactions adjusted for transfer on exercise, cancellation or expiry of options.

The convertible instrument reserve consists of the equity component recognised by fair valuing shareholder loans and converting loan note liabilities.

The retained deficit reserve is the cumulative net losses recognised in the statement of comprehensive income adjusted for transfer on exercise, cancellation or expiry of options from the share option reserve.

Non-controlling interest is the non-controlling shareholders' interest in the net assets of the Group.

15 SHORT-TERM AND LONG-TERM LOANS

	Group		Company	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Current liabilities				
Current portion of long-term loan	4,458	—	—	—
Short-term loan	2,006	—	—	—
	6,464	—	—	—

Short-term loans

A short-term uncommitted demand facility of A\$2.5 million (ZAR25 million) has been provided to the Kangala Colliery by FirstRand Bank Limited, acting through its Rand Merchant Bank division which is secured in line with the security package for the project financing facility. At 30 June 2014 the balance drawn against this working capital facility was A\$2,006,219 (2013: A\$nil). Interest on the daily outstanding balance is levied at JIBAR plus 2.85% per annum.

Non-current liabilities

Shareholders' loan				
– Mountain Rush Trading 6 (Pty) Ltd	3,176	3,172	—	—
Project financing facility				
– Rand Merchant Bank	27,891	—	—	—
Current portion of project financing facility	(4,458)	—	—	—
	26,609	3,172	—	—

Shareholders' loan

The loan is unsecured, bears no interest and has no fixed repayment terms.

Kangala Project Finance Facility

Universal Coal, through its 100% owned subsidiary Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA) entered into a secured funding agreement with FirstRand Bank Limited, acting through its Rand Merchant Bank division for a project financing facility with a maximum commitment value of A\$33.2 million (ZAR300 million). These funds are on-lent to a 70.5% subsidiary Universal Coal Development I (Pty) Ltd (UCDI) through means of an inter-company loan agreement for the purposes of developing the Kangala Mine.

The Kangala Project Financing Facility attracts an interest rate of Johannesburg Interbank Agreed Rate (JIBAR) plus

4.95% pre-completion and JIBAR plus 4.25% post-completion. On 19 June 2013, as a condition of the financing, UCEHSA executed an interest rate hedge to cover at least 50% of its interest rate exposure on the outstanding loan balance.

The Kangala Project Financing Facility is to be repaid in 18 (eighteen) equal quarterly instalments commencing on 31 January 2015 and any interest incurred on the outstanding loan balance has been capitalised up to 31 March 2014. The first interest payment is due on 31 January 2015.

Refer to note 4, property, plant and equipment, for securities and encumbrances relating to the Kangala Project Finance Facility.

16 CONVERTING NOTES

	Group		Company	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Converting Notes				
– Coal Development Holding B.V.	1,970	—	1,970	—
Converting Notes				
– Susquehanna Pacific Pty Ltd	5,772	5,524	5,772	5,524
	7,742	5,524	7,742	5,524

Converting notes and options issued to Susquehanna Pacific Pty Ltd

On 5 April 2012, Universal Coal Plc entered into a binding Converting Note Agreement with Susquehanna Pacific Pty Ltd for 7,000,000 unlisted and secured Converting Notes at a coupon rate of 9.5% per annum and a maturity date of seven years to be issued together with a maximum of 22,404,304 share options as follows:

7,000,000 unlisted and secured Convertible Notes at a face value of A\$1 each and a maximum of 22,474,314 options ("Tranche A").

The Tranche A options will be issued at a maximum of:

- 16,855,735 options (low) at an exercise price of A\$0.2628 per option with a grant date of 4 June 2012 and an expiry date of 3 June 2017
- 5,618,579 options (high) at an exercise price of A\$0.2745 per option with a grant date of 4 June 2012 and an expiry date of 3 June 2017

See also note 13: Share-based payments

Subject to the terms of the Converting Note Agreement, the rate at which Converting Notes convert into CDI shares is equal to the principal amount outstanding on the Converting Notes divided by the Conversion Price.

The Conversion Price for the Converting Notes is equal to 110% of the Close Price. The Close Price is determined as follows:

Close price =

- A\$0.25 per CDI if at any time during an eight-week notice period the five-day SWAP is equal to or greater than A\$0.25 per CDI or
- A\$0.2336

Specific terms of the Converting Notes:

- Other than a conversion permitted as a result in a change of control or default event, no conversion is permitted for the first 71/2 months.

- Noteholders are not permitted to hold in excess of 19.99% of the CDI's in issue. A monthly cap of 5% of the principal amount of the Converting Notes if they are first ranking in the capital structure of the Company.
- A monthly cap of 10% of the principal amount of the Converting Notes if they are subordinated in the capital structure of the Company.
- Converting Notes may be converted or redeemed if a change of control event occurs.
- All outstanding Converting Notes must be converted on the maturity date.
- If by 3½ years all of the Converting Notes have not been converted or redeemed, then the Noteholder may on a monthly basis convert as many of or a proportion of the Converting Notes.
- The coupon rate of 9.5% fixed per annum is payable quarterly in arrears in cash or for the first 18 months, in shares at a 10% discount to the lower of the 5, 10 and 30-day SWAP.

Converting Notes and Warrants issued to Coal Development Holding B.V. ("CCH")

On 24 January 2014 3,250,000 unsecured zero interest convertible loan notes of A\$1.00 each convertible at an Ordinary Share Price of A\$0.125 per Ordinary Share and 19,500,000 warrants to subscribe for Ordinary Shares at A\$0.23 were issued to Coal Development Holding B.V.

Each Loan Note has a value of A\$1.00 and may be converted into Ordinary Shares at a ratio of eight (8) Ordinary Shares in respect of one Loan Note, up to a maximum of 26 million Ordinary Shares. The Ordinary Shares issued on conversion will rank equally with existing fully paid Ordinary Shares on issue.

No interest will be payable on the Loan Notes.

CCH will have the right to convert the Loan Notes into Ordinary Shares when either:

- (a) the Company has issued additional Ordinary Shares so as to permit the conversion of the Loan Notes without any Loan Noteholder and persons Acting in Concert with any Loan Noteholder thereby holding more than 29.99% of the issued and outstanding Ordinary Shares after giving effect to such conversion; or
- (b) a Whitewash Resolution under the City Code on Takeovers and Mergers (UK) has been passed permitting the waiver of an offer under the City Code in respect of any such holding.

The Redemption Date for the Loan Note is the fourth anniversary of the date the Loan Note is issued (if conversion has not occurred prior to that date).

As part of the agreement between the Company and CCH, the Company will provide CCH with a warrant instrument. The warrant instrument provides that Warrants to subscribe for Ordinary Shares will be issued on the issue of the Loan Notes. 19,500,000 Warrants will be issued.

The Warrants will be convertible to Ordinary Shares on the payment of A\$0.23 per Warrant, subject to the following conditions:

- (a) The Warrants cannot be exercised unless the Loan Notes have been converted to Ordinary Shares;
- (b) In the event of conversion of the total number of Loan Notes, all of the Warrants may be exercised;
- (c) In the event of conversion of only part of the Loan Notes, the Warrants may be exercised in accordance with the relevant percentage of Converted Loan Notes – for example if 50% of the Loan Notes are converted, 50% of the Warrants may be exercised; and
- (d) The Warrants will be able to be exercised and Ordinary Shares issued on exercise, at any time following conversion of the convertible loan notes up to 31 December 2015.

The Company will not seek quotation of the Warrants on any stock exchange. On exercise, each Warrant will convert into one Ordinary Share. The Ordinary Shares issued will rank equally with fully paid Ordinary Shares on issue.

In the event the Company reorganises its capital, then the number of Ordinary Shares over which a Loan Note or Warrant exists will be adjusted pursuant to the ASX Listing Rules.

	Group		Company	
	2014	2013	2014	2013
Fair value of the financial liabilities carried at amortised cost	A\$'000	A\$'000	A\$'000	A\$'000
Opening balance	5,524	5,315	5,524	5,315
Issue of converting notes	3,250	—	3,250	—
Fair value adjustment	(1,392)	—	(1,392)	—
Accretion of deferred financing cost	112	—	112	—
Accrued interest	—	(41)	—	(41)
Amortised financing cost	248	250	248	250
	7,742	5,524	7,742	5,524

17 DERIVATIVE FINANCIAL LIABILITY

	Group		Company	
	2014	2013	2014	2013
Fair value of the financial liabilities carried at amortised cost	A\$'000	A\$'000	A\$'000	A\$'000
Derivative financial liability	1,357	—	1,357	—

Contained within the Susquehanna Pacific Pty Ltd Converting Notes is an acceleration option which in the event that the Universal Coal Plc share price is equal to or above the Conversion Price on or after 30 November 2015, there is an option to convert all outstanding loan notes. This is an accelerated embedded derivative ("Converting Option") contained within the Converting Notes.

The Conversion Price is A\$0.25696 per share, calculated as 110% of the lower of A\$0.2336 and A\$0.25. Refer to note 16: Converting Notes.

Brokers and financial analysts have provided valuation reports on Universal Coal Plc which indicate a rising share price potential above the Conversion Price over time. Based on this, a rational investor would in all likelihood not exercise the Converting Option and rather continue to earn the coupon on the Converting Notes (9.5% per annum) and only convert all of the outstanding Converting Notes at the maturity date.

The fair value of the Converting Option has been determined by using the Black-Scholes option pricing model, a commonly used option pricing model.

The following key inputs were used in the valuation of the:

Current share price (as at 30 June 2014)	A\$0.09
Strike price	A\$0.25696
Volatility	93%
Risk-free rate	3.55%
Time to maturity (30 June 2014 to 30 May 2019)	4.92 years

The indicative fair value of the Converting Option at 30 June 2014 is A\$0.0498 per option.

There are still 7,000,000 loan notes (with a face value of A\$1 each) in issue which are convertible at a price of A\$0.25696. On exercise, this would result in the issue of the total of 27,241,594 new shares. The total indicative fair value of the Converting Option over these new shares is A\$1,356,683.

18 PROVISIONS

Reconciliation of provisions

	Opening balance A\$'000	Additions A\$'000	Total A\$'000
For the year ended 30 June 2014			
Group			
Environmental rehabilitation	896	2,973	3,869
Reconciliation of provisions – Group – 2013			
Environmental rehabilitation	—	896	896

The rehabilitation provision relates to the estimated costs of correcting any disturbance relating to mining activities and those incidental thereto for the Kangala Colliery. The level of provision is commensurate with work completed to date.

The cost of rehabilitation was estimated at A\$4,612,150 (R45, 978,521). The fair value of the provision was calculated by escalating estimated costs at CPI of 6% per annum over the life of the mine of nine years.

This amount is discounted at the 10-year South African Government Bond Rate of 8.09% to arrive at a fair value of A\$3,868,891.

19 TRADE AND OTHER PAYABLES

	Group		Company	
Trade payables				
Accrued expenses				
Instalment sale agreement	6,218	2,316	64	557
	595	242	34	189
	79	—	—	—
	6,892	2,558	98	746

The instalment sale agreement is repayable in 36 monthly instalments of A\$3,160. The loan bears interest at prime lending rate less 1%. The loan is secured over vehicles with a book value amounting to A\$169,765.

The instalment sale agreement has been classified as a current liability, as the intention of management is to repay the loan within the next 12 months.

20 COST OF SALES

	Group	
	2014 A\$'000	2013 A\$'000
Sale of goods		
Mining costs	3,561	—
Materials handling	738	—
Processing costs	799	—
Ancillary costs	484	—
Depreciation	1,323	—
	6,905	—

21 OPERATING LOSS

Operating loss for the year is stated after accounting for the following:

	Group	
	2014	2013
	A\$'000	A\$'000
Operating lease charges		
Premis		
● Contractual Amounts	91	76
Equipment		
● Contractual Amounts	10	17
	101	93
Remuneration receivable by the Company's auditor	100	79
Remuneration receivable by the auditor of group companies	50	34
Profit on sale of fixed assets	—	3
Depreciation on property, plant and equipment	45	20
Depreciation on intangibles (software)	39	50
Employee costs	1,449	1,477
Financial advisory fees	—	246
Share-based payments	—	339

22 FINANCE INCOME

Interest revenue		
Bank and fixed deposit interest	242	546

23 FINANCE EXPENSES

Converting notes – interest	1,011	968
Long-term liabilities – finance cost	855	—
Interest rate hedge expense	88	—
	1,954	968

24 TAXATION

No provision has been made for 2014 tax as the Group has no taxable income. The estimated tax loss available for set off against future taxable income is A\$32,978,604 (2013: A\$40,262,907).

The Group has recognised a deferred tax asset of A\$576,000 (2013: A\$nil) which represents tax losses carried forward in UCD I which will be set off against future taxable profits. All other tax losses carried forward are in entities for which no taxable profit is anticipated to arise in the near future. No deferred tax asset has been recognised on these losses as there is no certainty that sufficient profits will arise in future accounting periods from which these losses could be offset. The estimated unrecognised deferred tax asset is A\$9,032,840 (2013:A\$10,365,615).

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 30 June 2014 or for the year ended 30 June 2013.

Major components of the tax expense

	Group	
	2014 A\$'000	2013 A\$'000
Factors affecting the tax charge		
The tax assessed for the year is different to the standard rate of corporation tax in the UK.		
(Loss)/profit on ordinary activities before tax	(3,198)	6,552
(Loss)/profit on ordinary activities multiplied by the average rate of corporation tax in the UK and SA of 27.39% (2013: 26.94%)	(876)	1,835
Effects of:		
Non-deductible expenditure	848	95
Non-taxable income	—	(3,390)
Tax losses and timing differences not recognised	(561)	1,460
Total tax	(589)	—

25. CASH USED IN OPERATIONS

	Group		Company	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
(Loss)/profit before taxation	(3,198)	6,552	(4,556)	(4,223)
Adjustments for:				
Depreciation and amortization	1,407	70	4	2
Profit on sale of assets	—	(3)	—	—
Gain arising on step up of associated undertaking to subsidiary	—	(5,464)	—	—
Gain arising on step up of interest	—	(6,644)	—	—
Finance income	(242)	(546)	(23)	(412)
Finance expenses	1,954	968	1,099	968
Foreign exchange differences recycled on step up	—	643	—	—
Share of operating loss of associated undertakings	2	10	—	—
Foreign exchange loss/(gain)	39	(13)	39	(12)
Share-based payment transactions	—	339	—	339
Derivative financial liability	1,357	—	1,357	—
Movements in provisions	51	—	—	—
Changes in working capital:				
Inventories	(3,273)	—	—	—
Trade and other receivables	(3,316)	(1,429)	153	79
Trade and other payables	4,611	569	(647)	159
	608	4,948	2,547	3,100

26. SIGNIFICANT NON-CASH TRANSACTIONS

	Group		Company	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Operating activities				
Depreciation and amortisation	1,407	70	—	2
Share of loss of associated undertakings	2	10	—	—
Share-based payment transactions	—	339	—	339
Trade and other receivables	329	—	—	—
Trade and other payables	(328)	—	—	—
	1,410	419	—	341
Investment activities				
Gain arising on step up of associated undertaking to subsidiary	—	(5464)	—	—
Gain arising on step up of interest	—	(6644)	—	—
Foreign exchange differences recycled on step up	—	643	—	—
Profit on sale of intangible asset	—	(3)	—	—
Purchase of tangible assets	(1,732)	1,593	—	—
Purchase of intangible assets	—	162	—	—
	(1,732)	(9,713)	—	—
Financing activities				
Non-cash interest on financing activities	1,214	393	359	393
Derivative financial liability	1,357	—	1,357	—
	2,571	393	1,716	393

27. COMMITMENTS

Authorised capital expenditure

At year-end A\$2.5 million (ZAR25 million) has been committed to the extension of a Kangala Kidney stockpile.

Acquisition of the New Clydesdale Colliery ("NCC")

On 31 January 2014, Universal Coal Plc entered into a binding sale of assets agreement with Exxaro Coal Mpumalanga (Pty) Ltd for an amount of A\$17,052,864 to acquire all the assets and assume certain liabilities of the New Clydesdale Colliery ("NCC"), located adjacent to the Universal Coal's Roodekop deposit in the Witbank coalfield. A deposit of A\$2,006,219 has already been paid and the balance of A\$15,046,645 remains as a potential financial commitment at 30 June 2014. The transaction remains subject to the fulfilment, or to the extent possible, the waiver of suspensive conditions for transactions of this nature such as Ministerial consent in terms of section 11 of the Mineral Resources and Petroleum Development Act, 28 of 2002 (as amended) ("MRPDA").

28. RELATED PARTIES RELATIONSHIPS

Relationships

Holding company	Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA)
Subsidiaries	Universal Coal Development I (Pty) Ltd Universal Coal Development II (Pty) Ltd Universal Coal Development III (Pty) Ltd Universal Coal Development IV (Pty) Ltd Universal Coal Development V (Pty) Ltd Universal Coal Development VII (Pty) Ltd Universal Coal Development VIII (Pty) Ltd Twin Cities Trading 374 (Pty) Ltd Epsimax (Pty) Ltd Episolve (Pty) Ltd Universal Coal Power Generation (Pty) Ltd
Associated undertakings	Universal Coal Logistics (Pty) Ltd Universal Coal Development VI (Pty) Ltd
Black Empowerment Economic Partners	Unity Rocks Mining (Pty) Ltd Xakwa Investments (Pty) Ltd Mountain Rush Trading 6 (Pty) Ltd Solar Spectrum Trading 365 (Pty) Ltd Proper Heath (Pty) Ltd Pacific Breeze Trading 725 (Pty) Ltd Azaramix Investments (Pty) Ltd Identity Coal (Pty) Ltd Camiscope (Pty) Ltd Ndalamo Resources (Pty) Ltd
Other related parties and connected persons	KEE Enterprises (Pty) Ltd Hendrik Bonsma Coal Development Holding B.V. Ofhani Phaswana African Minerals Exploration and Development GP SARL

Related party transactions and balances

	Group		Company	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Consulting fees paid to related parties				
Ofhani Phaswana	100	33	—	—
African Minerals Exploration and Development GP SARL	154	75	—	75
Mountain Rush Trading 6 (Pty) Ltd	924	—	—	—
Rent paid to related parties				
KEE Enterprises (Pty) Ltd	84	68	—	—
Loans from related parties				
Mountain Rush Trading 6 (Pty) Ltd	4,735	5,225	—	—
Converting notes from related party				
Coal Development Holding B.V.	3,250	—	3,250	—

A lease agreement was entered into with KEE Enterprises on 1 June 2014 for office rental in South Africa. The controlling shareholder of KEE Enterprises (Pty) Ltd, Hendrik Bonsma is also a non-executive director of Universal Coal Plc. The period of the lease is for five years at a market-related rental of A\$7,234 per month with an annual escalation clause of 8% per annum. This transaction is considered to be at “arm’s length”.

Fees paid to Mountain Rush Trading 6 (Pty) Ltd relate to facilitation and service fees permitted in the Facilitation and Service Fee Agreement entered into on 6 May 2013 between Mountain Rush Trading 6 (Pty) Ltd, Universal Coal Development I (Pty) Ltd and Universal Coal and Energy Holdings South Africa (Pty) Ltd. The transaction is considered to be at “arm’s length”.

Universal Coal Plc entered into various “arm’s length” transactions with Black Economic Empowerment Partners as identified above in relation to the application, acquisition and earn-in of coal prospecting licences in South Africa. Refer to notes 5, 6 and 7 for details of the transactions.

A consultancy agreement was extended with Ofhani Phaswana, a director of Bono Lithihi Investments Group (Pty) Ltd, on 1 September 2013 for facilitation services in the mining sector in South Africa and to represent Universal Coal Plc as a “Black Economic Empowerment” partner. Monthly fees of A\$10,000 are payable, the last of which is scheduled to occur on 31 August 2014.

On 5 December 2012, the Company entered into a private placement agreement with Coal Development Holding B.V. (CDH) for the acquisition of 29.99% of the issued share capital of Universal Coal Plc. One of the key terms of the placement was that CDH has the right to nominate two Non-executive Directors to the Company’s Board. Following Shareholder approval at the Company’s Annual General Meeting on 21 December 2012, the Board of Universal Coal Plc approved the appointment of Mr David Twist and Mr Carlo Baravalle as Non-executive Directors effective from 7 January 2013. Monthly fees of A\$12,833 are payable to African Minerals Exploration and Development GP SARL.

Universal Coal Development I (Pty) Ltd secured a portion of the 100% Kangala equity funding requirement of A\$17.7 million (ZAR:160 million) through a shareholders loan of A\$5.2 million (ZAR:47.2 million) from Black Economic Empowerment partner Mountain Rush Trading 6 (Pty) Ltd.

On 24 January 2014 at a meeting of the Members of Universal Coal Plc, approval was granted for the issuance of 3,250,000 unsecured zero interest convertible loan notes of A\$1.00 each and 19,500,000 warrants to subscribe for Ordinary Shares at A\$0.23 each to Coal Development Holding B.V. (CDH) which holds 29.99% of the shares in the Company and has appointed two Directors to the Board of the Company. While CDH is not defined as a related party under the ASX Listing Rules, in light of CDH’s cornerstone investment in the Company and its position as a substantial shareholder of the Company, the transaction has been disclosed accordingly.

29. RISK MANAGEMENT

Financial risk management

The Group's activities expose it to a variety of financial risks: in particular market risk (including currency risk, fair value interest rate risk and price risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's performance. The Board on behalf of the members carries out risk management.

	2014		2013	
The financial instruments of the Group are:	Loans and receivables A\$'000	Financial liabilities A\$'000	Loans and receivables A\$'000	Financial liabilities A\$'000
Financial Assets				
Trade and other receivables	4,411	—	418	—
Unrestricted cash	2,657	—	5,487	—
Restricted cash	4,376	—	1,955	—
Financial liabilities				
Shareholders' loan	—	3,176	—	3,172
Trade payables	—	6,836	—	2,552
Converting Notes	—	7,742	—	5,524
Derivative financial liability	—	1,357	—	—
Short-term and long-term loans	—	29,897	—	—
	11,444	49,008	7,860	11,248

Prepaid expenses and Value Added Taxation of A\$1,657,343 (2013: A\$2,662,804) and provisions of A\$3,920,050 (2013: A\$901,521) have been excluded.

	2014		2013	
The financial instruments of the Group are:	Loans and receivables A\$'000	Financial liabilities A\$'000	Loans and receivables A\$'000	Financial liabilities A\$'000
Financial Assets				
Bank balances	51	—	2,275	—
Restricted cash	20	—	—	—
Financial liabilities				
Trade and other payables	—	98	—	746
Derivative financial liability	—	1,357	—	—
Converting notes	—	7,742	—	5,524
	71	9,197	2,275	6,270

Prepaid expenses and Value Added Taxation of A\$18,929 (2013: A\$171,594) have been excluded.

The current fair value of the Group and Company's financial assets and financial liabilities is not considered to be materially different to the book value disclosed above.

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while optimising the debt and equity balance. The capital structure of the Group consists of equity comprising issued capital, equity and retained deficit and debt comprising of converting notes, shareholder's loan, long-term loans and short-term loans.

The Group enters into financial transactions to ensure a degree of interest rate certainty and to guarantee the interest rate changes through economic conditions beyond management's control is hedged through interest rate swaps. Financial instruments entered into in pursuit of this objective are specifically designated as hedges of the planned future interest rate variances.

Where future investment in the interest in associates or other Group projects is required the Board will assess the structure of whether it can be funded from existing resources or financing arrangements as appropriate.

The Group finances its operations through equity and debt. During the current year the Group raised finance through the issuing of converting notes (refer to note 16). Furthermore, the Group secured a 65% project finance debt facility and a shareholder loan for the balance of the equity requirement to finance the Kangala mine development. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without prior consent of the Company.

Foreign exchange risk

Universal Coal Plc operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the South African Rand and British Pound. Universal Coal Plc is exposed to currency risk on cash reserves, deposits paid, trade receivables, trade payables, shareholder's loan and project finance debt facility.

However, the majority of the Group's exposure is indirect resulting from those transactions entered into by its associated undertakings and subsidiaries; consequently the direct currency risk facing the Group is not considered to materially affect its financial position and operating results.

The table below classifies the Group's foreign currency risk between the different functional currencies as at year-end, and the respective balance thereof.

Exchange rates used for conversion of foreign items were:

	2014	% change	2013	% change	2012
ZAR:AUD (Average)	9.5202	5	9.0669	13.16	8.0120
ZAR:AUD (Spot)	9.9960	10.36	9.0334	7.90	8.3717
GBP:AUD (Average)	0.5652	(13.68)	0.6548	0.49	0.6516
GBP:AUD (Spot)	0.5535	(7.87)	0.6008	(7.65)	0.6506

	British Pound A\$'000	South African Rand A\$'000	Australian Dollar A\$'000	Total A\$'000
Current assets – 2014				
Trade and other receivables	—	4,411	—	4,411
Cash and cash equivalents	4	6,962	67	7,033
Liabilities – 2014				
Trade and other payables	42	6,738	56	6,836
Shareholders' loan	—	3,176	—	3,176
Short-term and long-term loans	—	29,897	—	29,897
Converting Notes	—	—	7,742	7,742
Derivative financial liability	—	—	1,357	1,357
Current assets – 2013				
Trade and other receivables	—	418	—	418
Cash and cash equivalents	4	5,167	2,271	7,442
Liabilities – 2013				
Trade and other payables	75	1,806	671	2,552
Shareholders' loan	—	3,172	—	3,172
Converting Notes	—	—	5,524	5,524

The Company's financial assets and liabilities are denominated in the different currencies as set out below:

	British Pound A\$'000	South African Rand A\$'000	Australian Dollar A\$'000	Total A\$'000
Current assets – 2014				
Cash and cash equivalents	4	—	67	71
Liabilities – 2014				
Trade and other payables	42	—	56	98
Converting Notes	—	—	7,742	7,742
Derivative financial liability	—	—	1,357	1,357
Current assets – 2013				
Cash and cash equivalents	4	—	2,271	2,275
Liabilities – 2013				
Trade and other payables	75	—	671	746
Converting Notes	—	—	5,524	5 524

Foreign currency risk sensitivity analysis:

	2014 A\$'000	2013 A\$'000
Change in profit/(loss) – (AUD:ZAR)		
Improvement in AUD to ZAR by 10%	(77)	(1149)
Decline in AUD to ZAR by 10%	77	1149

Price risk

Prices ultimately received for minerals in relation to the Group's investments will have significant impact on the profitability and viability of all projects in which the Group has an interest. Increase in prices may have significant and leveraged effect to the current and future values of projects and shares held, the converse will apply where prices fall.

However, the Kangala Colliery has a contracted price with a majority customer in Eskom Holdings SOC Limited, which is not subject to global commodity pricing fluctuations.

Interest rates on financial assets and liabilities

The Group and Company's financial assets consist of cash and cash equivalents and other receivables. The Group and Company earn interest on its cash and cash equivalents, consequently the Group and Company are exposed to cash flow interest rate risk on its financial assets which earn interest based on variable interest rates. To mitigate this risk the cash balances maintained by the Group and Company are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group and Company require.

The Group's interest rate risk arises from cash held, short-term deposits and interest on long-term loans, converting notes and hedges.

At 30 June 2014, if interest rates on Australian Dollar-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax loss for the year would have been A\$11,397 (2013: A\$23,770) higher/(lower), mainly as a result of higher/(lower) interest rates.

At 30 June 2014, if interest rates on Rand-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax loss for the year would have been A\$55,398 (2013: A\$49,270) higher/(lower), mainly as a result of higher/(lower) interest rates.

The Group and Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

2014 Group

	Fixed interest rate A\$'000	Floating interest rate A\$'000	Fixed interest maturing within one year A\$'000	Non- interest- bearing A\$'000	Total A\$'000
Financial assets					
Trade and other receivables	—	—	—	4,411	4,411
Cash and cash equivalents	—	7,033	—	—	7,033
Weighted average interest rate (%)	—	3.1	—	—	—
Financial liabilities					
Short-term loan	—	2,006	—	—	2,006
Trade and other payables	—	79	—	6,757	6,836
Converting Notes	5,772	—	—	1,970	7,742
Derivative financial liability	1,357	—	—	—	1,357
Shareholder's loan	—	—	—	3,176	3,176
Long-term loan	13,946	13,945	—	—	27,891
Weighted average interest rate (%)	10.75%	10.47%	—	—	—

2013 Group

	Fixed interest rate A\$'000	Floating interest rate A\$'000	Fixed interest maturing within one year A\$'000	Non- interest- bearing A\$'000	Total A\$'000
Financial assets					
Trade and other receivables	—	—	—	418	418
Cash and cash equivalents	—	7,442	—	—	7,442
Weighted average interest rate (%)	—	3.2	—	—	—
Financial liabilities					
Trade and other payables	—	—	—	2,552	2,552
Converting Notes	5,524	—	—	—	5,524
Shareholder's loan	—	—	—	3,172	3,172
Weighted average interest rate (%)	9.5%	—	—	—	—
2014 Company					
Financial assets					
Cash and cash equivalents	—	71	—	—	71
Weighted average interest rate (%)	—	2.5	—	—	—
Financial liabilities					
Trade and other payables	—	—	—	98	98
Converting Notes	5,772	—	—	1,970	7,742
Derivative financial liability	1,357	—	—	—	1,357
Weighted average interest rate (%)	9.5%	—	—	—	—
2013 Company					
Financial assets					
Cash and cash equivalents	—	2,275	—	—	2,275
Weighted average interest rate (%)	—	2.5	—	—	—
Financial liabilities					
Trade and other payables	—	—	—	746	746
Converting Notes	5,524	—	—	—	5,524
Weighted average interest rate (%)	9.5%	—	—	—	—

Credit risk

The carrying amount of the Group's financial assets represents its maximum exposure to credit risk.

The Group is exposed to credit risk on payments from customers and cash deposits, however, it does not consider that it has significant exposure because its major customer is Eskom Holdings SOC Limited and it banks with reputable institutions in various locations, including HSBC Bank Australia Ltd, ANZ Bank Australia, ABSA Bank Ltd, Investec Ltd and First Rand Bank. Eskom Holdings SOC Limited is a state-owned company and is backed by the South African Government.

Financial assets exposed to credit risk at year-end were as follows:

	Group		Company	
	2014	2013	2014	2013
Financial instrument	A\$'000	A\$'000	A\$'000	A\$'000
Trade and other receivables	4411	418	—	—
Cash and cash equivalents	7033	7442	71	2275

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors rolling forecasts of the Group's and Company's liquidity reserve. The review consists of considering the liquidity of local markets, projecting cash flows and the level of liquid assets to meet these. The Management raises additional capital financing when the review indicates this to be necessary.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group

	Less than 1 year	Greater than 1 year
As at 30 June	A\$'000	A\$'000
Long-term loans	4,458	23,433
Short-term loan	2,006	—
Derivative financial instruments	—	1,357
Trade and other payables	6,892	—
Converting Notes	—	10,250
Shareholders' loan	—	4,735
At 30 June 2013		
Trade and other payables	2,552	—
Converting Notes	—	7,000
Shareholders' loan	—	5,225
Company		
At 30 June 2014		
Derivative financial instruments	—	1,357
Trade and other payables	98	—
Converting Notes	—	10,250
At 30 June 2013		
Trade and other payables	746	—
Converting Notes	—	7,000

30. GOING CONCERN

The accounts have been prepared on the going concern basis. At the year-end the Group had A\$2,657,801 (2013: A\$5,487,114) of unrestricted cash reserves and is reliant on the timing of cash flows from the Kangala Colliery and entering into finance arrangements for the release of certain restricted cash reserves which were successfully concluded on 9 September 2014. The going concern premise is further contingent on the successful conclusion of the IchorCoal NV and the Coal Development Holding B.V. strategic investments. Both these transactions are conditional upon a vote in favour of the proposed resolutions to be held at a general meeting of shareholder on 6 October 2014. Irrevocable undertakings to vote in favour of the proposed resolutions have already been received by the Company, totalling more than 50% of the eligible votes. The Directors are therefore satisfied that the Group has adequate

resources to continue in business for the foreseeable future, however should the transactions not be approved by shareholders, the Group would need to raise further financing either through an equity capital raise, debt capital or a combination of both. These conditions indicate the existence of an uncertainty related to events or conditions that may cast doubt about the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

31. EVENTS SUBSEQUENT TO REPORTING PERIOD Strategic investment by IchorCoal NV

On 1 September 2014, Universal Coal Plc entered into a Subscription Agreement with IchorCoal NV for the strategic investment of A\$24,483,400 comprising as follows:

- a subscription for 80,440,000 ordinary shares of Universal Coal Plc (and CHES Depositary Interests to which the ordinary shares relate on a one for one basis) at a price of A\$0.145 per Ordinary Share for proceeds of A\$11,663,800; and
- a subscription for 71,220,000 non-voting, non-cumulative convertible preferred shares at a price of A\$0.18 per Preferred Share for proceeds of A\$12,819,600.

Furthermore, on 1 September 2014, Universal Coal Plc entered into a Warrant Instrument with IchorCoal NV whereby IchorCoal NV would subscribe for 71,220,000 Warrants, exercisable for a period of 18 months at a strike price of A\$0.36.

Further investment by Coal Development Holding B.V.

A further agreement was entered into with Coal Development Holding BV where, Coal Development Holding BV will exercise its conversion rights under the existing A\$3.25 million Convertible Loan Notes, which will convert at an effective price of A\$0.125 per Ordinary Share for the issue of 26,000,000 Ordinary Shares and entered into a Subscription Letter Agreement, by which Coal Development Holding will subscribe for 6,250,000 Ordinary Shares at A\$0.16 per Ordinary Share for total consideration of A\$1,000,000.

The above agreements and transactions are all subject to Shareholder approval which is due to be sought at a General Meeting of Shareholders to be conducted on 6 October 2014.

Brakfontein Mining Right

On 25 July 2014, Universal Coal Development III (Pty) Ltd was granted a Mining Right over portions 6, 8, 9, 10, 20, 26, 30 and the remaining extent of the farm Brakfontein 264 IR in the Magisterial District of Delmas by the South African Department of Mineral Resources.

32. (LOSS)/EARNINGS PER SHARE

	2014 A\$	2013 A\$
Numerator		
(Loss)/Earnings used in basic (loss)/earnings per share	(4,165,468)	6,626,821
Adjusted profit for convertible loan interest	1,010,544	343,897
Adjusted for fair value of Susquehanna conversion option	1,356,683	—
Adjusted (loss)/profit used in diluted (loss)/earnings per share	(1,798,241)	6,970,718
	2014	2013
Denominator		
Weighted average number of shares used in basic (loss)/earnings per share	320,582,022	270,506,171
Potential ordinary shares that could dilute (loss)/earnings per share in future:	2014	2013
Weighted average number of shares used in basic (loss)/earnings per share	320,582,022	270,506,171
Adjusted for effect of converting notes in issue	53,241,594	29,965,753
Weighted average number of shares used in diluted (loss)/earnings per share	373,823,616	300,471,824

All share options have not been included in the calculation of diluted (loss)/earnings per share because they are out of the money. The total number of options issued is disclosed in note 13.

33. EMPLOYEES AND DIRECTORS

	Group 2014	Group 2013
Average number of employees are as follows:		
Staff (Operational resources)	27	12
Directors	6	6
	33	33
	Group 2014 A\$'000	Group 2013 A\$'000
Wages and salaries	1,424	1,477
Share-based payments	—	339
	1,424	1,816

There are no pension contributions paid by the Group in the current or prior year.

Certain employee costs directly attributable to the development of the Kangala Mine have been capitalised to Development and Production Assets.

Directors' remuneration was paid in cash. In the previous financial year all Directors have received options to purchase Ordinary Shares of the Company at exercise prices that vary in accordance to the year of grant (see note 13).

The key management personnel of the business are considered to be the directors of the Company. Refer to section 9: Remuneration report of the Directors' report.

34. CONTINGENT LIABILITIES

Rehabilitation guarantee

Rehabilitation guarantees have been provided by a financial institution to the Department of Mineral Resources in South Africa in the amount of A\$2,247,185 (2013: A\$895,667) which are secured against investment accounts which have a balance of A\$754,970 (2013: A\$292,569) at year-end. The unsecured amount of A\$1,492,295 (2013: A\$603,098) is considered to be a contingent liability at year-end.

Eskom guarantee

A financial guarantee in favour of Eskom Holdings SOC Limited in the amount of A\$254,680 (ZAR:2,538,900) has been provided by Rand Merchant Bank which is secured in accordance with the security package forming part of the Kangala project finance facility. Refer to note 15.

Engen guarantee

A financial guarantee in favour of Engen Petroleum Limited in the amount of A\$802,488 (ZAR:8,000,000) has been provided by Rand Merchant Bank which is secured in accordance with the security package forming part of the Kangala project finance facility. Refer to note 15.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Universal Coal Plc

We have audited the financial statements of Universal Coal Plc for the year ended 30 June 2014 which comprise the consolidated and Company statement of financial position, the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity, consolidated and company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act

2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' responsibility for the financial statements

Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and as regards the parent company financial statements in accordance with the provisions of the Companies Act 2006, and for such internal control as the directors determine is necessary to enable the preparation the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group's ability to continue as a going concern is reliant on the timing of future cash flows from the Kangala Colliery and the successful conclusion of the IchorCoal NV and the Coal Development Holding B.V. strategic investments. Both these transactions are conditional upon a vote in favour of the proposed resolutions to be held at a general meeting of shareholders on 6 October 2014. These conditions indicate the existence of an material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic and the Directors' reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anne Sayers

Senior statutory auditor

For and on behalf of BDO LLP, statutory auditor

London United Kingdom 29 September 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

PART VIII

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following unaudited *pro forma* statement of net assets of the Enlarged Group (the “*pro forma* financial information”) has been prepared to illustrate the effect on the consolidated net assets of the CoAL Group as if the proposed acquisition of Universal had taken place on 30 June 2015.

The *pro forma* financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Group’s actual financial position or results.

The *pro forma* financial information is based on the consolidated net assets of the CoAL Group as at 30 June 2015, set out in the audited consolidated financial statements of CoAL for the year ended 30 June 2015, and has been prepared in a manner consistent with the accounting policies adopted by CoAL in preparing such information and on the basis set out in the notes set out below.

	Adjustments					Memorandum	
	CoAL Group as at 30 June 2015 US\$000	Universal Group as at 30 June 2015 (note 2) US\$000	Acquisition of NCC (note 3) US\$000	YBI loan agreement and subscription agreement (note 4, 5) US\$000	Subscription Agreements (note 6) US\$000	Acquisition with 50% acceptances (note 7, 8, 9) US\$000	Pro forma net assets of the Group – 50% acceptances US\$000
						Further adjustments – acquisition with 100% acceptances (note 11, 12) US\$000	Illustrative Pro forma net assets of the Group – 100% acceptances US\$000
ASSETS							
Non-current assets							
Development, exploration and evaluation expenditure	232,813	—	—	—	—	—	232,813
Property, plant and equipment	16,259	46,860	49,524	—	—	—	112,643
Intangible assets	11,682	46,559	—	—	—	7,759	74,343
Other receivables	1,746	—	—	—	—	—	1,746
Other financial assets	3,411	—	—	—	—	—	3,411
Investments in associated undertakings	—	9	—	—	—	—	9
Loan receivable	—	1,394	—	—	—	—	1,394
Restricted cash	1,023	15,259	(8,934)	—	—	—	7,348
Deferred tax assets	2,320	—	—	—	—	—	2,320
	269,254	110,081	40,590	—	—	7,759	436,027
Current assets							
Inventories	236	799	2,737	—	—	—	3,772
Trade and other receivables	792	7,365	—	—	—	—	8,157
Other financial assets	468	—	—	—	—	—	468
Cash and cash equivalents	17,759	5,144	611	24,532	18,000	(35,602)	19,616
	19,255	13,308	3,348	24,532	18,000	(35,602)	32,013
	18,118	—	—	—	—	—	18,118
Assets classified as held for sale							
	306,627	123,389	43,938	24,532	18,000	(27,843)	486,158
TOTAL ASSETS							

Notes:

1. The net assets of the CoAL Group at 30 June 2015 have been extracted without material adjustment from the audited consolidated financial statements of the CoAL Group for the year ended 30 June 2015.

Adjustments:

2. The consolidated net assets of the Universal Group have been extracted without material adjustment from the audited consolidated financial statements of the Universal Group for the year ended 30 June 2015, set out in Section B of Part VII of this document, converted into US dollars at the exchange rate of US\$:A\$ of 0.7688:1 prevailing on 30 June 2015.
3. On 24 August 2015, Universal assumed ownership of NCC, located in the Witbank coalfields of South Africa. A subsidiary of Universal, Universal Coal Development VIII (Pty) Ltd ("UCD VIII"), acquired all the assets and assumed certain liabilities of NCC. The following transactions occurred as a result of the NCC acquisition:
 - a) UCD VIII paid the final purchase consideration amount;
 - b) UCD VIII acquired assets consisting of plant, rail sidings and underground mine infrastructure and assumed certain liabilities of NCC;
 - c) Restricted cash amounts were released back to Universal and a portion was utilised as a deposit to procure a rehabilitation liability over existing NCC rehabilitation liabilities; and
 - d) The termination of a financing facility with Rand Merchant Bank for the balance of the original deposit paid.
4. CoAL has entered into a loan agreement with YBI. Under the loan agreement, YBI has provided US\$10 million to CoAL on an interest free basis. This loan is to be used by CoAL to finance pre-construction costs at its Makhado coking and thermal coal project and for general working capital.
5. CoAL has entered into a subscription agreement with YBI whereby CoAL has issued 183,231,261 ordinary shares, at 5.15 pence per share, to raise £9,436,663 (US\$14.5 million), including accrued interest. The funds received under this subscription agreement are to be used by CoAL to finance pre-construction costs at its Makhado coking and thermal coal project and for general working capital.
6. To assist with the funding of the acquisition of Universal, CoAL has entered into the Subscription Agreements, being collectively the YBI Subscription Agreement and the M&G Subscription Agreement.
 - a) Under the YBI Subscription Agreement, YBI will provide US\$15 million at a subscription price of US\$0.0435 per CoAL Share;
 - b) Under the M&G Subscription Agreement, M&G will provide US\$3 million at a subscription price of US\$0.0435 per CoAL Share.
7. An adjustment has been made to reflect the acquisition of Universal, assuming that the acquisition of Universal had been completed as at 30 June 2015, on the basis that CoAL receives 50 per cent. (plus one) acceptances under the Offer (as the Offer is conditional upon CoAL receiving valid acceptances of the Offer by the close of the Offer Period in respect of not less than 50 per cent. of the voting rights carried by Universal Shares). Of those acceptances it is assumed:
 - a) Loan Note Eligible Universal Shareholders holding a total of 40 per cent. (202,674,179) Universal Shares accept a non-converting, secured Loan Note with a principal amount of A\$0.25 per Loan Note (as it is a Condition of the Offer that CoAL receives valid elections for the Loan Note Alternative by the close of the Offer Period in respect of Universal Shares representing not less than 40 per cent. of the total voting rights carried by Universal Shares); and

- b) The remaining 10 per cent. of Universal Shareholders accepting the Offer (accounting for 50,668,545 Universal Shares) elect to receive the Cash and Share Offer in respect of their Universal Shares.

	50% acceptances **US\$000
Consideration payable in cash	7,120
Loan Note consideration	35,602
Consideration payable in CoAL shares*	1,635
Total consideration	44,357
Book value of net assets of the Universal Group as at 30 June 2015	79,627
Effect on net assets following the NCC acquisition	12,456
Adjusted net assets of the Universal Group as at 30 June 2015	92,083
Non-controlling interest in Universal Group as at 30 June 2015	(20,055)
Adjusted net assets attributable to equity holders of Universal as at 30 June 2015	72,028
CoAL's 50% share of the adjusted net assets attributable to equity holders of Universal as at 30 June 2015	36,014
Estimated intangible assets arising on the Acquisition	8,343

* Based on the closing price of CoAL's shares of 2.25 pence per share on 22 January 2016, being the latest practicable date prior to publication of the Admission Document, converted into US\$ at the exchange rate of US\$:£ of 1.4335:1

** The value of the consideration in Australian dollars is converted into US dollars at the exchange rate of US\$:A\$ of 0.7026:1 being the exchange rate on 22 January 2016, the latest practicable date prior to publication of the Admission Document.

8. For the purposes of this *pro forma* information, no adjustment has been made to the separate assets and liabilities of the Universal Group to reflect their fair value. The difference between the net assets of the Universal Group as stated at their book value at 30 June 2015 and the estimated consideration has therefore been presented as a single value in "Intangible assets". The net assets of the Universal Group will be subject to a fair value restatement as at the actual effective date of the Acquisition. Actual intangible assets included in the CoAL's next published consolidated financial statements may therefore be materially different from that included in the *pro forma* statement of net assets.
9. The decrease in cash comprises the consideration payable in cash of US\$7.12 million and estimated transaction costs of the CoAL Group of US\$3.71 million (ZAR 45 million) as disclosed in paragraph 18.1 of Part IX of this document, converted into US\$ at the exchange rate of US\$:ZAR of 1:12.14).
10. No account has been taken of the financial performance of the CoAL Group since 30 June 2015, the financial performance of the Universal Group since 30 June 2015, nor of any other event save as disclosed above.

Further adjustments illustrated in the memorandum

11. Under the scenario illustrated in the memorandum, a further adjustment has been made to reflect the acquisition of Universal, assuming that the acquisition of Universal had been completed as at 30 June 2015 on the basis that CoAL receives 100 per cent. acceptances under the Offer. An adjustment has been made to reflect the acquisition of Universal, Of those acceptances it is assumed:
 - a) Loan Note Eligible Universal Shareholders holding a total of 40 per cent. (202,674,179) Universal Shares accept a non-converting, secured Loan Note with a principal amount of A\$0.25 per Loan Note (as set out in note 7(a) above); and

- b) The remaining 60 per cent. of Universal Shareholders accepting the Offer (accounting for 304,011,268 Universal Shares) elect to receive the Cash and Share Offer in respect of their Universal Shares.

		Memorandum	
	50% acceptances **US\$000	Incremental change **US\$000	100% acceptances **US\$000
Consideration payable in cash	7,120	35,602	42,722
Loan Note consideration	35,602	—	35,602
Consideration payable in CoAL shares*	1,635	8,171	9,806
Total consideration	44,357	43,773	88,130
Book value of net assets of the Universal Group as at 30 June 2015	79,627	—	79,627
Effect on net assets following the NCC acquisition	12,456	—	12,456
Adjusted net assets of the Universal Group as at 30 June 2015	92,083	—	92,083
Non-controlling interest in Universal Group as at 30 June 2015	(20,055)	—	(20,055)
Adjusted net assets attributable to equity holders of Universal as at 30 June 2015	72,028	—	72,028
CoAL's 50% (memorandum: 100%) share of the adjusted net assets attributable to equity holders of Universal as at 30 June 2015	36,014	36,014	72,028
Estimated intangible assets arising on the Acquisition	8,343	7,759	16,102

* Based on the closing price of CoAL's shares of 2.25 per share on 22 January 2016, being the latest practicable date prior to publication of the Admission Document

** The value of the consideration in Australian dollars is converted into US dollars at the exchange rate of US\$:A\$ of 0.7026:1 being the exchange rate on 22 January 2016, the latest practicable date prior to publication of the Admission Document.

12. The decrease in cash comprises the consideration payable in cash of US\$42.72 million and estimated transaction costs of the CoAL Group of US\$3.71 million, as set out in note 9.

PART IX:

ADDITIONAL INFORMATION

1 RESPONSIBILITY

- 1.1 The Directors, whose names and functions appear on page vii, and the Company whose registered office appears on page vii accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge of the Directors and the Company (having taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Independent Universal Directors accept responsibility for the information contained in paragraphs 1.1 and 1.2 of Part I of this document and the information contained in Part II of this document. To the best of the knowledge of the Independent Universal Directors (having taken all reasonable care to ensure that such is the case) the information contained in this document for which the Independent Universal Directors are responsible is in accordance with the facts and, where appropriate, does not omit anything likely to affect the import of such information.
- 1.3 MSA, whose registered office appears on page viii of this document, has accepted responsibility for the information contained in Section A of Part XI of this document. To the best of the knowledge and belief of MSA (having taken all reasonable care to ensure that such is the case) the information contained in this document for which MSA is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.4 VBKom, whose registered office appears on page viii of this document, has accepted responsibility for the information contained in Section B of Part XI of this document. To the best of the knowledge and belief of VBKom (having taken all reasonable care to ensure that such is the case) the information contained in this document for which VBKom is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.5 Venmyn Deloitte, whose registered office appears on page viii of this document has accepted responsibility for the information contained in Section C of Part XI of this document. To the best of the knowledge and belief of Venmyn Deloitte (having taken all reasonable care to ensure that such is the case) the information contained in this document for which Venmyn Deloitte is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.6 Gemecs, whose registered office appears on page viii of this document, has accepted responsibility for the information contained in Section A of Part XII of this document. To the best of the knowledge and belief of Gemecs (having taken all reasonable care to ensure that such is the case) the information contained in this document for which Gemecs is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.7 Mindset, whose registered office appears on page viii of this document has accepted responsibility for the information contained in Section B of Part XII of this document. To the best of the knowledge and belief of Mindset (having taken all reasonable care to ensure that such is the case) the information contained in this document for which Mindset is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 THE COMPANY AND REGISTERED OFFICE

The Company's legal and commercial name is Coal of Africa Limited. The Company was formerly known as GVM Metals Limited and was incorporated and registered in Australia on 6 December 1979 as a no liability company. The Company subsequently converted to a public company regulated under the Corporations Act and the Shareholders' liability is limited. The Company changed its name to Coal of Africa Limited in December 2007.

The Company is domiciled in Australia. Its registered office is at Suite 8, 7 The Esplanade, Mt Pleasant, Western Australia 6153, Australia and its corporate headquarters is at South Block, Summercon Office Park, 96 Sunset Avenue (Cnr Rockery Lane), Lonehill, Sandton, South Africa. The Company's telephone number is 0061 8 9316 9100.

The principal legislation under which the Company operates, and under which the Shares have been created, is the Corporations Act and the regulations made thereunder.

The address of the Company's website which discloses the information required by Rule 26 of the AIM Rules for Companies is www.coalofafrica.com.

3 SUBSIDIARIES

3.1 CoAL Group

The Company is the ultimate holding company of the CoAL Group. The following table shows details of the significant subsidiaries of the CoAL Group and the undertakings of the CoAL Group which the Company considers are likely to have a significant effect on the assessment of the CoAL Group's assets and liabilities, financial position or profits and losses.

Name of subsidiary	Country of incorporation	Principal Activity/ Project	% held by the Company
Limpopo Coal Company (Pty) Limited	South Africa	Vele	100
Silkwood Trading 14 (Pty) Limited	South Africa	Vele	100
Regulus Investment Holdings (Pty) Limited	South Africa	GSP	100
Langcarel (Pty) Limited	South Africa	Mooiplaats	74 ⁽¹⁾
Mooiplaats Mining Limited	South Africa	Mooiplaats	74
MbeuYashu (Pty) Limited	South Africa	GSP	74
Kwezi Mining Exploration (Pty) Limited	South Africa	GSP	74 ⁽²⁾
Chapudi Coal (Pty) Limited	South Africa	GSP	74 ⁽³⁾
Baobab Mining and Exploration (Pty) Limited	South Africa	Makhado ⁽⁴⁾	100
Harrisia Investment Holdings Pty Ltd	South Africa	Vele	100
Bakstaar Boerdery Pty Ltd	South Africa	Makhado	100
Fumaria Property Holdings Pty Ltd	South Africa	Makhado	100

(1) Indirect holding, through Mooiplaats Mining Limited's 100% shareholding of Langcarel (Pty) Limited

(2) Indirect holding through MbeuYashu (Pty) Limited's 100% shareholding of Kwezi Mining Exploration (Pty) Limited

(3) Indirect holding through MbeuYashu (Pty) Limited's 100% shareholding of Chapudi Coal (Pty) Limited

(4) As a condition of the grant of the mining right and the consent to transfer the mining right to Baobab, the Group is required to implement an employee share scheme to the value of 1% of the issued share capital in Baobab. This condition must be satisfied within 12 (twelve) months of the date of execution, of the mining right. If the potential investor acquires a 34% shareholding in Baobab, CoAL's shareholding in Baobab will be diluted to 39%, with the Makhado Community Trust's and Yoright Investments Proprietary Limited's shareholding remaining at 20% and 6% respectively.

3.2 Universal Group

Universal is the ultimate holding company of the Universal Group. The following table shows details of the significant subsidiaries of the Universal Group and the undertakings of the Universal Group which the Company considers are likely to have a significant effect on the assessment of the Universal Group's assets and liabilities, financial position or profits and losses.

Name of subsidiary	Country of incorporation	Principal Activity/Project	% held by Universal
Universal Coal and Energy Holdings South Africa Pty Ltd	South Africa	South African Holding Company	100
Universal Coal Development I Pty Ltd	South Africa	Kangala Colliery	70.5 ⁽¹⁾
Universal Coal Development II Pty Ltd	South Africa	Berenice Somerville	50 ⁽²⁾
Universal Coal Development III Pty Ltd	South Africa	Brakontein	50.29 ⁽¹⁾
Universal Coal Development IV Pty Ltd	South Africa	Roodekop	74 ⁽¹⁾
Universal Coal Development V Pty Ltd	South Africa	Cygnus	50 ⁽¹⁾
Universal Coal Development VI Pty Ltd	South Africa	Dormant	15 ⁽¹⁾
Universal Coal Development VII Pty Ltd	South Africa	Arnot South	50 ⁽¹⁾
Universal Coal Development VIII Pty Ltd	South Africa	NCC	49

(1) Indirect holding, through UCEHSA.

(2) Indirect holding, through UCEHSA. A subscription agreement was entered into between UCEHS and Ndalamo on 3 March 2015 under which Ndalamo subscribed for 102 new ordinary shares in UCD IV, for a subscription price of ZAR 40,000,000. The completion of this subscription would increase Ndalamo's shareholding in UCD IV from 26% to 51%. This subscription agreement is subject to the fulfilment or waiver of the conditions precedent, under section 11(1) of the MPRDA, which has not yet been approved and as such, the subscription agreement is not unconditional. As a consequence the 102 ordinary shares have not yet transferred to Ndalamo.

4 SHARE CAPITAL OF THE COMPANY

- 4.1 The Company has one class of share, which is ordinary shares in the capital of the Company. The rights attached to the Shares are set out in Section 3 of this Part IX. In accordance with Australian law, the Shares have no nominal or par value. Shares issued pursuant to the exercise of options are recorded in the CoAL Group's financial statements at their exercise price, unless the options are accounted for as derivative liabilities, in which case Shares issued are recorded at the market value as at the issue date.
- 4.2 As at 28 January 2016 (being the latest practicable date prior to the date of this document) the issued share capital of the Company is:

Class of Shares	Issued and fully paid
Ordinary Shares	1,927,001,328

Assuming (i) the Offer is validly accepted by Universal Shareholders holding 50% of Universal's total issued share capital, (ii) that Universal Shareholders holding 40% of Universal's issued share capital elect to take up the Loan Note Alternative, being the number required to satisfy the relevant minimum acceptance Condition under the Offer, (iii) all other Universal Shareholders who accept the Offer accept the Cash and Share Offer, (iv) all Provisional Placement Shares are issued, and (v) no options over Shares are exercised between the date of this document and Admission, the issued share capital of the Company immediately following Admission will be:

Class of Shares	Issued and fully paid
Ordinary Shares	2,621,347,947

Assuming (i) the Offer is validly accepted in full by all Universal Shareholders, (ii) that Universal Shareholders holding 40% of Universal's issued share capital elect to take up the Loan Note Alternative, being the number required to satisfy the relevant minimum acceptance Condition under the Offer, (iii) all other Universal Shareholders who accept the Offer accept the Cash and Share Offer, (iv) all Provisional Placement Shares are issued, and (v) no options over Shares are exercised between the date of this document and Admission, the issued share capital of the Company immediately following Admission will be:

Class of Shares	Issued and fully paid
Ordinary Shares	2,874,690,671

- 4.3 The following table shows the changes to the share capital (which includes treasury shares) of the Company which have occurred between 1 July 2012 and 28 January 2016 (being the latest practicable date prior to the date of this document):

Date	Number of Shares	Subscription Price	Purpose
Total issued shares as at 1 July 2012	666,323,828		
19 July 2012	16,850,599	£0.2921	Cash placing
19 July 2012	2,297,809	A\$0.4370	Cash placing
7 August 2012	80,570,166	£0.25	Cash placing
11 September 2012	34,908,632	£0.25	Cash placing
23 January 2013	49,483,516	£0.25	Cash placing
31 January 2013	197,934,063	£0.25	Cash placing
Total issued shares as at 30 June 2013	1,048,368,613		
Total issued shares as at 30 June 2014	1,048,368,613		
11 November 2014	251,000,000	£0.055	Cash placing with institutional investors in relation to Stage 1 of the Subscription Agreement dated 26 August 2014 further details of which are set out at para. 12.2 (d) of Part IX of this document
19 December 2014	300,000,000	£0.055	Cash placing with institutional investors in relation to Stage 2 of the Subscription Agreement dated 26 August 2014 further details of which are set out at para. 12.2 (d) of Part IX of this document
5 March 2015	200,000	n/a	Issue of shares to three long term employees of the Company
3 June 2015	144,000,000	£0.055	Cash placing with institutional investors in relation to Stage 3 of the Subscription Agreement dated 26 August 2014 further details of which are set out at para. 12.2 (d) of Part IX of this document
Total issued shares as at 30 June 2015	1,743,568,613		
21 September 2015	183,231,261	£0.0515	Cash placing with institutional investor, further details of which are set out at para. 12.2 (e) of Part IX of this document
14 October 2015	201,454	ZAR 24.8	Issued to Basane Investment Holdings Proprietary Limited and Ndilo Mineral Resources Proprietary Limited as part consideration for the purchase of 60% of the shares in Tshikunda Mining (Pty) Ltd
Total issued shares as at 29 January 2016 being the latest practicable date on publication of this document	1,927,001,328		

4.4 Other than:

- (a) the issue of the Provisional Placement Shares which existing substantial shareholder of the Company, HEI, has expressed an interest in acquiring, the Subscription Shares and the Consideration Shares;
- (b) pursuant to the exercise of any share options described in paragraph 4.9; and
- (c) the issue of 40 million options with an exercise price of ZAR0.3 per share exercisable for 12 months from 1 June 2015 to TMM (Pty) Ltd

the Company has no present intention to issue any Shares in the share capital of the Company.

- 4.5 The Company does not have in issue any securities not representing share capital.
- 4.6 The Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register.
- 4.7 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 4.8 Save as disclosed in this paragraph 4, there has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-group issues by wholly owned subsidiaries) in the three years immediately preceding the date of this document and (other than the issue of Subscription Shares, Consideration Shares and any Provisional Placement Shares and on exercise of the share options as described in paragraph 4.9) no such issues are proposed.

4.9 Options

The CoAL Group maintains an Employee Share Option Plan for executives and senior employees of the CoAL Group. In accordance with the terms of the Employee Share Option Plan, executives and senior employees may be granted options to purchase ordinary shares. The key terms of the Employee Share Option Plan are as follows:

- (a) options can only be granted to eligible persons, being a director (excluding alternate directors) or an employee of CoAL or of any associated company of CoAL;
- (b) options may be granted subject to exercise conditions;
- (c) options granted pursuant to the Employee Share Option Plan are not transferable;
- (d) Shares allotted pursuant to the exercise of options granted under the Employee Share Option Plan will rank *pari passu* to the Shares then in issue; and
- (e) the Board has discretion to require an eligible person to provide consideration for the grant of an option pursuant to the Employee Share Option Plan.

The following awards of options have been made under the Employee Share Option Plan:

Date of Grant	Number of Ordinary Shares	Exercise Price	Exercise period expiry	Vesting Conditions
16/09/2011	2,670,000.00	A\$1.40	14/02/2017	Shares granted
22/11/2013	3,932,928.00	ZAR1.75	30/06/2017	Shares granted
30/01/2015	3,525,000.00	ZAR1.20	01/02/2019	Shares granted
30/01/2015	3,525,000.00	ZAR1.32	01/02/2019	Shares granted
30/01/2015	3,525,000.00	ZAR1.40	01/02/2019	Shares granted
27/11/2015	9,080,188.00	—	—	Vesting of the Performance Rights will be subject to a hurdle based on the compound annual growth rate (CAGR) in total shareholder return (TSR) across the 3 years commencing on the grant date of the Performance Rights (Performance Period). TSR is a measure of the increase in the price of a Share (assuming dividends are reinvested) as determined by the Company.
27/11/2015	5,094,340.00	—	—	Vesting of the Performance Rights will be subject to a hurdle based on the compound annual growth rate (CAGR) in total shareholder return (TSR) across the 3 years commencing on the grant date of the Performance Rights (Performance Period). TSR is a measure of the increase in the price of a Share (assuming dividends are reinvested) as determined by the Company.
27/11/2015	1,000,000.00	GBP0.055	3 Years	Shares granted
27/11/2015	1,000,000.00	GBP0.055	3 Years	Shares granted
27/11/2015	1,000,000.00	GBP0.055	3 Years	Shares granted
27/11/2015	1,000,000.00	GBP0.055	3 Years	Shares granted
27/11/2015	1,000,000.00	GBP0.055	3 Years	Shares granted

Save as disclosed in this paragraph, on Admission no share or loan capital of the Company or any other member of the Group will be under option or will have been agreed conditionally or unconditionally to be put under option.

4.10 Depositary Interests

CREST is a computerised paperless share transfer and settlement system, which allows shares and other securities, including depositary receipts, to be held in electronic rather than paper form. Foreign securities cannot be held electronically or traded in the CREST system. To enable UK investors in the Shares to settle their transactions in CREST, the Company has appointed Computershare Investor Services PLC as the Depositary to hold the Shares on trust for the Shareholders and issue dematerialised Depositary Interests representing the underlying Shares to the individual Shareholders' CREST accounts.

The Depositary Interests are independent securities constituted under English law and are held on a register maintained by the Depositary. The Depositary Interests have the same ISIN as the Shares which they represent and do not require a separate listing.

The Depositary Interests were created pursuant to and issued on the terms of a deed poll executed by the Depositary in favour of the holders of the Depositary Interests from time to time (the "Deed Poll"). The Deed Poll also sets out the procedure for Depositary Interest holders to vote at Shareholder meetings and to exercise their rights as Shareholders. Each Depositary Interest will be treated as one Share for the purposes of determining, for example, eligibility for any dividends. Shares will be transferred to the Depositary's nominated custodian entity and the Depositary will issue Depositary Interests to participating members and provide the necessary custodial services. In relation to those Shares held by Shareholders in uncertificated form, although the Company's register shows the custodian as the legal holder

of the Shares, the beneficial interest in the Shares remains with the Depositary Interest holder, who has the benefit of all the rights attaching to the Shares as if the Depositary Interest holder were named on the certificated share register itself.

5 SUMMARY OF THE COMPANY'S CONSTITUTION

Voting Rights

Subject to any special rights or restrictions as to voting attached to any Shares by or in accordance with the Constitution or their terms of issue, each Shareholder who is present in person or by proxy, attorney, or corporate representative at any meeting of the Shareholders and entitled to vote will have one vote on a show of hands, and one vote for each fully paid share held on a poll. On a poll, in respect of partly paid shares, each Shareholder will have a fraction of a vote for each partly paid share equivalent to the amount paid (not credited or paid in advance of a call) as a fraction of the full value.

Annual General Meeting and General Meetings

The Directors may, whenever they think fit, convene a general meeting of Shareholders. A general meeting will also be convened on requisition as is provided for by the Corporations Act. A notice of a general meeting will be given in accordance with the requirements of the Corporations Act, and will specify the place, day and time of the meeting and the general nature of the business to be transacted at the meeting. An annual general meeting will be held in accordance with the requirements of the Corporations Act. Two Shareholders present in person, by proxy, attorney or representative and entitled to vote will be a quorum.

Dividends

Subject to the Corporations Act, the Directors may from time to time declare a dividend and such dividends will be paid to Shareholders in accordance with their respective rights. Dividends are only declared and payable at the discretion of the Directors. No dividend will be payable except out of the profits of the Company as determined by the Directors, such determination to be conclusive, and no dividend will carry interest as against the Company.

Subject to the terms of issue of shares, the Company may pay a dividend on one class of shares to the exclusion of another class. Each share of a class on which the Directors resolve to pay a dividend carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share bears to the total issue price of the share.

The Directors may pay any cash dividend, interest or other money payable in respect of shares by cheque, and may distribute assets by sending the certificates or other evidence of title to them through the post directed to the Shareholder's address as shown on the register or any other address the Shareholder directs in writing, or by any other method of payment or distribution the Directors decide.

The Directors may direct that such dividend be payable to particular Shareholders wholly or partly out of any particular fund or reserve or out of profits derived from any particular source and to the remaining Shareholders wholly or partly out of any other particular fund or reserve or out of profits derived from any other particular source.

The Directors may resolve to pay a dividend (either generally or to specific Shareholders) in cash or satisfy it by distribution of specific assets (including shares or securities of any other corporation), the issue of shares or the grant of options.

If the Directors satisfy a dividend by the distribution of assets, the Directors may fix the value of any asset distributed, make cash payments to Shareholders on the basis of the value fixed so as to adjust the rights of Shareholders between themselves, and vest an asset in trustees.

Distribution of Assets on a liquidation

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as they consider fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such

trusts for the benefit of the Shareholders as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

Transfer of Shares

Subject to the Constitution, the Shares are freely transferable, however the Constitution gives the Directors the right to refuse a transfer of Shares. The Directors may only refuse to register a transfer of Shares only if that refusal would not contravene the ASX Listing Rules or the ASTC Settlement Rules, and must not register a transfer if the Corporations Act, ASX Listing Rules or the ASTC Settlement Rules forbid registration.

Purchase of Own Shares / Reduction of Share Capital

The Company may reduce its share capital: (i) in accordance with Division 1 of Part 2J.1 of the Corporations Act; (ii) through a buyback of Shares in accordance with Division 2 of Part 2J.1 of the Corporations Act; (iii) in accordance with section 258E of the Corporations Act ("Other share cancellations"); (iv) in accordance with section 258F of the Corporations Act ("Reductions because of lost capital"); or (v) in any other way permitted by the Corporations Act.

Issue and Allotment of Shares

Subject to the Corporations Act and the ASX Listing Rules, the Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights and at the times that the Directors decide. The Company may issue preference shares (including preference shares that are liable to be redeemed). The rights attached to preference shares are, unless other rights have been approved by special resolution of the Company, the rights set out in the schedule to the Constitution.

Variation of Rights

Subject to the Corporations Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

Directors

(a) Number of Directors

The Board may decide the number of Directors but that number must be at least three or the number of Directors (not counting alternate Directors) in office when the decision is made, whichever is greater.

(b) Directors' shareholding qualification

A Director is not required to hold any Shares in CoAL.

(c) Rotation of Directors

No Director other than the managing Director will be entitled to hold office for more than three years without rotation. At every annual general meeting of the Company, one-third (or if that is not a whole number, the whole number nearest to a third) of the Directors (other than alternate Directors and the managing Director) for the time being will retire from office. The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire will (unless they otherwise agree among themselves) be determined by drawing lots. A retiring Director is eligible for re-election.

(d) Appointment of Directors

At the general meeting at which a Director retires, the Company may fill the vacated office by electing the retiring Director (if they offer themselves for re-election and are not disqualified under the Corporations Act from holding office) or another person to that office by ordinary resolution. The Directors may at any time appoint a person to be a Director, provided that the maximum number of Directors determined in accordance with the Constitution is not exceeded. Any Director so appointed holds office only until the

next following annual general meeting and is then eligible for re-election but will not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

(e) Removal of Directors

In addition to the provisions regarding removal of Directors under the Corporations Act, a Director may be removed by either the Company by ordinary resolution or in writing by members holding a majority of the issued Shares of the Company conferring a right to vote.

(f) Vacation of office

The office of director will automatically become vacant if the Director:

- (1) becomes prohibited from being a director by the Corporations Act;
- (2) becomes disqualified from managing corporations and is not given permission or leave to manage the Company;
- (3) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental health;
- (4) fails to attend Board meeting for a continuous period of three months without a leave of absence from the Board;
- (5) resigns their office by notice in writing to the Company;
- (6) is removed from office in accordance with the Constitution; or
- (7) ceases to qualify as a Director in accordance with the Constitution (that is a person who is the auditor or any partner or employee of the auditor of the Company).

(g) Proceedings of Directors

The quorum necessary for the transaction of business at any Board meeting is two Directors who are present in person or by instantaneous communication device.

(h) Remuneration of Directors

The Board may fix the remuneration of each executive CoAL Director which may consist of salary, bonuses or any other elements, but may not be a commission on or a percentage of profits or operating revenue.

The Non-Executive Directors will be paid by the Company by way of remuneration for their services, such sum as does not exceed in aggregate the amount determined by the Company at a general meeting from time to time.

Fees payable to Non-Executive Directors must not consist of a commission on or percentage of profits or operating revenue.

Unless otherwise determined by the Directors, fees payable to Non-Executive Directors will be allocated among them on an equal basis having regard to the proportion of the relevant year for which each Non-Executive Director held office, and will be provided in the manner decided by the Directors, which may include provision of non-cash benefits.

The Directors will be entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors. If any of the Directors being willing are called upon to perform extra services or make any special exertions on behalf of the Company or the business of the Company, the Company may remunerate such Director in accordance with such services or exertions, and such remuneration may be either in addition to or in substitution for their share in the remuneration.

(i) Retirement benefits for Directors

Subject to the Corporations Act and the ASX Listing Rules, the Company may agree with the Director (or a person about to become a Director) that the Company will pay a pension or lump sum benefit to that person or after that person's death, any of the surviving spouse, dependents or legal personal representatives of that person.

(j) *Directors' interests*

A Director may hold any other office or place of profit in or in relation to the Company (except that of the auditor) in conjunction with their office of director and on such terms as to remuneration or otherwise as the Directors approve. A Director may be or become a shareholder or credit of any corporation (including the Company) or partnership other than the auditor.

A Director must disclose his interest in accordance with the Corporations Act.

(k) *Restrictions on voting*

Where a Director has a material personal interest in a matter that relates to the affairs of the Company, the Director must, where required by the Corporations Act, give the other Directors notice of the nature and extent of the interest and the relation of the interest to the affairs of the Company at a Board meeting as soon as practicable after the Director becomes aware of the interest. Unless otherwise permitted under the Corporations Act, the Director must not be present while the matter is being considered at a Board meeting or vote on the matter.

(l) *Directors' powers*

Subject to the Corporations Act and the Constitution, the business of the Company will be managed by the Directors, who may exercise every right, power or capacity of the Company as are not required to be exercised by the Company at a general meeting. Any sale or disposal of the Company's main undertaking will only be made subject to the prior approval or ratification of the sale or disposal by the Company at a general meeting.

(m) *Indemnity*

To the extent permitted by law, every Director will be indemnified out of the property of the Company against any liability to another person (other than the Company or a related body corporate) incurred by the Director in their capacity as a director of the Company or of a related body corporate.

Notices

Notice may be given by the Company to any Shareholder by serving it on the person personally, by sending it by post, or by sending it to the fax number (if any), electronic address or by other electronic means (if any) nominated by that person.

6 DIRECTORS' AND OTHERS' INTERESTS

- 6.1 The interests in Shares of the Directors, their respective immediate families and (so far as is known to the Directors or could, with reasonable diligence, be ascertained by them) the persons connected with them (within the meaning of sections 252 to 255 of the Companies Act) all of which are beneficial, save where otherwise stated, as at the date of this document, and as they are expected to be immediately following Admission, are as follows:

Name of Director	As at the date of this document		Immediately following Admission (assuming minimum Offer acceptances) ⁽¹⁾		Immediately following Admission (assuming maximum Offer acceptances) ⁽²⁾	
	Number of Shares	Percentage of Issued Share Capital	Number of Shares	Percentage of Issued Share Capital	Number of Shares	Percentage of Issued Share Capital
Bernard Pryor	150,000	0.008%	150,000	0.006%	150,000	0.005%
David Brown	825,000	0.043%	825,000	0.031%	825,000	0.029%
De Wet Schutte	—	—	—	—	—	—
Peter Cordin	—	—	—	—	—	—
Cordin (Pty) Ltd (The Cordin Family Trust)	412,759	0.021%	412,759	0.016%	412,759	0.014%
Cordin (Pty) Ltd (The Cordin Super Fund a/c)	958,300	0.050%	958,300	0.037%	958,300	0.033%
Andrew Mifflin	—	—	—	—	—	—
Thabo Mosololi	10,000	0.0005%	10,000	0.0004%	10,000	0.0003%
Khomotso Mosehla	—	—	—	—	—	—
Rudolph Torlage	—	—	—	—	—	—
Total	2,356,059	0.12%	2,356,059	0.089%	2,356,059	10.082%

Notes:

- (1) Assuming (i) the Offer is validly accepted by Universal Shareholders holding 50% of Universal's total issued share capital, (ii) that Universal Shareholders holding 40% of Universal's issued share capital elect to take up the Loan Note Alternative, being the number required to satisfy the relevant minimum acceptance Condition under the Offer, (iii) all other Universal Shareholders who accept the Offer accept the Cash and Share Offer, (iv) all Provisional Placement Shares are issued, and (v) no options over Shares are exercised between the date of this document and Admission.
- (2) Assuming (i) the Offer is validly accepted in full by all Universal Shareholders, (ii) that Universal Shareholders holding 40% of Universal's issued share capital elect to take up the Loan Note Alternative, being the number required to satisfy the relevant minimum acceptance Condition under the Offer, (iii) all other Universal Shareholders who accept the Offer accept the Cash and Share Offer and (iv) no options over Shares are exercised between the date of this document and Admission.

6.2 The following options and/or warrants over Shares have been granted to the Directors and management:

Name of Director/Manager	Number of Options	Exercise Price	Vesting Date	Expiry Date
Bernard Pryor ⁽¹⁾	1 000 000	GBP 0.055	27 Nov 2015	1 Dec 2018
David Brown ⁽²⁾	3 525 000	ZAR 1.2	1 Feb 2015	1 Feb 2019
	3 525 000	ZAR 1.32	1 Feb 2016	1 Feb 2019
	3 525 000	ZAR 1.45	1 Feb 2017	1 Feb 2019
	9 714 021	ZAR 0.49	27 Nov 2015	1 Dec 2018
De Wet Schutte	5 449 944	ZAR0.49	27 Nov 2015	1 Dec 2018
Peter Cordin	1 000 000	GBP 0.055	27 Nov 2015	1 Dec 2018
Andrew Mifflin	1 000 000	GBP 0.055	27 Nov 2015	1 Dec 2018
Thabo Mosololi	1 000 000	GBP 0.055	27 Nov 2015	1 Dec 2018
Khomotso Mosehla	1 000 000	GBP 0.055	27 Nov 2015	1 Dec 2018
Rudolph Torlage	—	—	—	—
Total	30 738 965			

Notes:

- (1) Mr Pryor was issued with 1,000,000 share options on 28 November 2012 with an exercise price of GBP0.25 expiring 3 years from date of issue, vesting immediately and a further 1,000,000 share options with an exercise price GBP0.375, and expiring three years from date of issue, to be issued on 6 August 2015.
- (2) Mr Brown was issued with 2,500,000 share options on 28 November 2012 with an exercise price of GBP0.25 expiring 3 years from date of issue, vesting immediately. On appointment as Chief Executive Officer and Executive Director on 1 February 2014, Mr Brown agreed to forfeit a further 2,500,000 unissued share options allocated to him in his contract as Non-executive Chairman. Mr Brown will instead receive 10,575,000 options to be granted in 3 equal tranches over a 3 year period (Year 1: 3,525,000 at ZAR1.20; Year 2: 3,525,000 at ZAR1.32; Year 3: 3,525,000 at ZAR 1.45). These are granted in accordance with the Company's employee share option plan and are subject to shareholder approval. Should there be a change of control event, the options will vest immediately. The forfeiture of the unissued options and granting of 10,575,000 shares was outstanding as at 30 June 2014.

6.3 Save as described in paragraphs 6.1 and 6.2 of this Part IX, none of the Directors (or any member of their respective families, nor any person connected with the Directors within the meaning of sections 252 to 255 of the Companies Act) has any interest, beneficial or non-beneficial, in the share capital of the Company.

Other than in relation to the Company, the Directors currently hold, and have during the last five years immediately preceding the date of this document held, the following directorships or partnerships:

Director	Current	Past five (5) years
Bernard Pryor	Alufer Mining Limited	African Minerals Limited Q Resources plc Anglo Ferrous Brazil Inc. African Minerals Engineering Limited African Power Limited African Railway and Port Services Limited Tonkolili Iron Ore Limited African Power (SL) Limited Tonkolili Iron Ore (SL) Limited African Railway and Port Services (SL) Limited African Minerals (SL) Limited TIO Trading Limited
David Brown	Vodacom Group Limited Mudande Investments (Pty) Limited	Impala Platinum Holdings Limited Impala Platinum Limited Mimosa Mining Company (PVT) Limited Barplats Limited Two Rivers Platinum (Pty) Limited Zimplats Holdings Limited Edcon Limited
De Wet Schutte	Future Solutions Holdings (Pty) Ltd	Co Prop 110 (Pty) Limited Macquarie Bank Anooraq Resources Corporation
Peter Cordin	Aurora Minerals Limited Vital Metal Limited North Queensland Tungsten Pty Ltd Mainland Minerals Pty Ltd Golden Valley Services Pty Limited Cove Mining Pty Ltd Cordin Pty Ltd Sweetpea Petroleum Pty Ltd	Dragon Mining Limited Kalgoorlie Mining Company Limited Dragon Mining Investments Pty Limited Greenstones Gold Mines Pty Ltd Romany Resources Limited Weld Range Metals Limited Evoc Mining Pty Ltd Mt Alexander Resources Pty Ltd
Andrew Mifflin	—	Carbon Energy Pty Ltd

Director	Current	Past five (5) years
Thabo Mosololi	Evraz Highveld Steel & Vanadium Limited MTF Investment Holdings ((Pty) Ltd Kuncedzana Investment Holding (Pty) Ltd 4 Blueberry Fields Knysna (Pty) Ltd Sunmart 005 Property Holding (Pty) Ltd Javas-Tbos Properties (Pty) Ltd Pan African Resources PLC Mabuza Family Trust Mosololi Family Trust Edcon Holdings (Pty) Ltd Verneular Investment CC Vendiline Vendiline(Pty) Ltd Pamodzi Investment Holdings (Pty) Ltd Foresure Risk & Advisory Services Irablox (Pty) Ltd	First Uranium Ltd Tsogo Sun Gaming (and subsidiaries) (Pty) Ltd Chebo-Pele Logistics Support (Pty) Ltd
Khomoto Mosehla	—	Net 1 UEPS Technologies, Inc.,
Rudolph Torlage	ArcelorMittal South Africa Operations (Pty) Ltd Vicva Investments and Trading Nine (Pty) Ltd Lanzigyn Investments October Wind Investments 91 (Pty) Ltd Oakwood Trading 21 Coza Mining (Pty) Ltd Microsteel (Pty) Ltd	ArcelorMittal South Africa Limited ArcelorMittal African Investments (Alternate Director) Pietersburg Iron Ore Company (Pty) Ltd Consolidated Wire Industries (Pty) Ltd Collect a Can Pty (Ltd) Toyota Tsusho SA Processing (Pty) Ltd Saldanha Steel (Pty) Ltd Macsteel International Holdings B.V.

- 6.4 The business address of each of the Directors is the Company's principal place of business.
- 6.5 As at the date of this document, save as set out below, none of the Directors has:
- any unspent convictions in relation to indictable offences; or
 - been declared bankrupt or entered into any individual voluntary arrangement; or
 - been a director of a company at the time of or within the twelve months preceding any receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, voluntary arrangements or any composition or arrangement with creditors generally or any class of creditors; or
 - been a partner or in a partnership at the time of or within the twelve months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or
 - had any asset subject to receivership or been a partner of any partnership at the time of or within the twelve months preceding any asset of such partnership being subject to a receivership; or
 - been subject to any public criticism by statutory or regulatory authorities (including recognised professional bodies), nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.6 Thabo Mosololi was a director of Evraz Highveld Steel Ltd when it went into voluntary business rescue in April 2015.
- 6.7 Each of African Minerals Engineering Limited and African Minerals Limited went into administration within 12 months of Bernard Pryor ceasing to be a director.

7 DIRECTORS

7.1 Each Executive Director entered into a service agreement and/or appointment letter with the Group on the dates shown below, in respect of the provision to the Group of their services:

Director	Employer	Date of Service Agreement	Commencement of period of office
Mr David Brown	GVM Metals Administration (South Africa) (Pty) Ltd	05 February 2014	6 August 2012
Mr De Wet Schutte	GVM Metals Administration (South Africa) (Pty) Ltd	11 June 2015	22 June 2015
Mr De Wet Schutte	CoAL	28 July 2015	22 June 2015

(a) Mr David Brown

Mr Brown was appointed as Chief Executive Officer effective 1 February 2014. The terms of employment for his role as a Chief Executive Officer are contained in the service agreement dated 5 February 2014. Mr Brown will receive a salary of ZAR5,500,000 per annum, reviewed annually. Mr Brown is entitled to a bonus of up to 100% of his annual package. The Company is obliged to issue to Mr Brown 10,575,000 share options over a three year period.

Mr Brown's notice period is 6 months.

Mr Brown will be required to retire by his 63rd birthday from his position as the Chief Executive Officer. Mr Brown is not entitled to receive any benefits on termination of his employment.

(b) Mr De Wet Schutte

Appointment Letter

Mr Schutte was appointed as Executive Director effective 22 June 2015. The terms of his appointment as Executive Director are contained in the appointment letter dated 28 July 2015.

Mr Schutte will not receive a director's fee but he is entitled to receive other fees (as determined by the Board) if he performs special duties outside the scope of the ordinary duties of a director.

Service Agreement

Mr Schutte was appointed as Chief Financial Officer effective 22 June 2015. The terms of employment for his role as Chief Financial Officer are contained in the service agreement dated 11 June 2015. Mr Schutte will receive a salary of ZAR3,600,000 per annum, reviewed annually. Mr Schutte is entitled to a bonus of up to 100% of his annual package. The Company is obliged to issue to Mr Schutte 6,600,000 share options over a three year period.

Mr Schutte's notice period is 3 months.

Mr Schutte will be required to retire by his 63rd birthday from his position as the Chief Financial Officer. Mr Schutte is not entitled to receive any benefits on termination of his employment.

- 7.2 Each Non-Executive Director entered into an appointment letter with the Company on the dates shown below, in respect of the provision to the CoAL Group of their services:

Director	CoAL Group contracting entity	Date	Commencement of period of office
Mr Bernard Pryor	CoAL	6 August 2012	6 August 2012
Mr Peter Cordin	CoAL	17 October 2011	8 December 1997
Mr Andrew Mifflin	CoAL	1 December 2014	12 December 2014
Mr Thabo Mosololi	CoAL	1 December 2014	12 December 2014
Mr Khomotso Mosehla	CoAL	18 November 2010	18 November 2010
Mr Rudolph Torlage	CoAL	18 November 2010	18 November 2010

(a) Mr Bernard Pryor

Mr Pryor is entitled to receive a director's fee of £40,000 per annum. Pursuant to Mr Pryor's appointment letter, he was entitled to receive, subject to shareholder approval, 1,000,000 unlisted options exercisable at GBP 0.25 on or before the date that was three years after their issue date and 1,000,000 unlisted options exercisable at GBP 0.375 on or before the date that was three years after their issue date, to be issued on or around the 3 year anniversary of appointment on 6 August 2015. Mr Pryor is restricted from being connected with any competing business without the prior written consent of the Company. Mr Pryor is not entitled to receive any benefits on termination of his employment.

The appointment letter stipulates that the appointment is not for a fixed term.

(b) Mr Peter Cordin

Mr Cordin is entitled to receive a director's fee of A\$35,000 per annum. With the exception of the director's fee and entitlement to options contained in paragraph 9 of Mr Pryor's appointment letter, the terms of Mr Cordin's appointment letter are the same as Mr Pryor's appointment letter. Mr Cordin is not entitled to receive any benefits on termination of his employment.

(c) Mr Andrew Mifflin

Mr Mifflin is entitled to receive a director's fee of £35,000 per annum. Mr Mifflin agrees to apply and adhere to the Company's corporate governance statement and with the relevant corporate governance standards in each applicable jurisdiction. With the exception of the director's fee and entitlement to options contained in paragraph 9 of Mr Pryor's appointment letter and the requirements for adherence to corporate governance, the terms of Mr Mifflin's appointment letter are the same as Mr Pryor's appointment letter. Mr Mifflin is not entitled to receive any benefits on termination of his employment.

(d) Mr Thabo Mosololi

Mr Mosololi is entitled to receive a director's fee of £30,000 per annum. With the exception of the director's fee contained in paragraph 9 of Mr Mifflin's appointment letter, the terms of Mr Mosololi's appointment letter are the same as Mr Mifflin's appointment letter. Mr Mosololi is not entitled to receive any benefits on termination of his employment.

(e) Mr Khomotso Mosehla

Mr Mosehla is entitled to receive a director's fee of A\$30,000 per annum. With the exception of the director's fee and entitlement to options contained in paragraph 9 of Mr Pryor's appointment letter, the terms of Mr Mosehla's appointment letter are the same as Mr Pryor's appointment letter. Mr Mosehla is not entitled to receive any benefits on termination of his employment.

(f) Mr Rudolph Torlage

Mr Torlage is entitled to receive a director's fee of A\$30,000 per annum. With the exception of the director's fee and entitlement to options contained in paragraph 9 of Mr Pryor's appointment letter, the terms of Mr Torlage's appointment letter are the same as Mr Pryor's appointment letter. Mr Torlage is not entitled to receive any benefits on termination of his employment.

7.3 Save as disclosed in this document, there is no contract or arrangement to which the Company is a party and in which any Director is materially interested and which is or was unusual in its nature or conditions or significant in relation to the business of the Enlarged Group and no amount or benefit has been or is intended to be paid or given to any promoter of the company. Further, save as disclosed in this document, no Director is entitled to any benefits or payments from the Company on termination of his employment.

7.4 No loans made or guarantees granted or provided by the Company or any member of the Enlarged Group to or for the benefit of any Director are outstanding.

The aggregate remuneration (including any contingent or deferred compensation) payable and benefits in kind granted to the Directors is estimated to be approximately £614,957 for the year ended 30 June 2015 under arrangements in force at the date of this document.

8 SIGNIFICANT SHAREHOLDERS

8.1 As at the date of this document and on Admission, save for the interests of the Directors which are set out in paragraph 6.3 above, the Company is aware of the following persons who are or will hold, directly or indirectly, voting rights representing three per cent or more of the issued share capital of the Company to which voting rights are attached.

Name	As at the date of this document		Immediately following Admission (assuming minimum Offer acceptances) ⁽¹⁾		Immediately following Admission (assuming maximum Offer acceptances) ⁽²⁾	
	Number of Shares	Percentage of Issued Share Capital	Number of Shares	Percentage of Issued Share Capital	Number of Shares	Percentage of Issued Share Capital
HE	462,417,579	24.00	577,360,108	22.03	577,360,108	20.08
M&G	346,128,850	17.96	415,094,367	15.84	415,094,367	14.44
TMM Holdings (Pty) Limited	215,000,000	11.16	215,000,000	8.20	215,000,000	7.48
YBI	183,231,261	9.51	528,058,761	19.99 ⁽³⁾	528,058,761	18.37
Investec Limited	139,948,544	7.26	139,948,544	5.34	139,948,544	4.87
ArcelorMittal S.A.	126,133,423	6.55	126,133,423	4.81	126,133,423	4.39

Notes:

(1) Assuming (i) the Offer is validly accepted by Universal Shareholders holding 50% of Universal's total issued share capital, (ii) that Universal Shareholders holding 40% of Universal's issued share capital elect to take up the Loan Note Alternative, being the number required to satisfy the relevant minimum acceptance Condition under the Offer, (iii) all other Universal Shareholders who accept the Offer accept the Cash and Share Offer and (iv) all Provisional Placement Shares are issued and that HEI subscribes for 50% of the Provisional Placement Shares.

(2) Assuming (i) the Offer is validly accepted in full by all Universal Shareholders, (ii) that Universal Shareholders holding 40% of Universal's issued share capital elect to take up the Loan Note Alternative, being the number required to satisfy the relevant minimum acceptance Condition under the Offer, (iii) all other Universal Shareholders who accept the Offer accept the Cash and Share Offer and (iv) all Provisional Placement Shares are issued and that HEI subscribes for 50% of the Provisional Placement Shares.

(3) Pursuant to the YBI Subscription Agreement, YBI is entitled to subscribe for 344,827,500 Shares. Depending on the level of acceptances received from Universal Shareholders for the Cash and Share Offer, and any other equity funding that CoAL may obtain prior to completion of the Offer, it is possible that full subscription by YBI of the Shares which are the subject of Resolution 2 would result in YBI obtaining voting power in CoAL of more than 20% (in breach of applicable takeover provisions under the Corporations Act). If it appears that, at completion of the Offer and the YBI Subscription Agreement, that YBI's voting power in CoAL would exceed 20%, CoAL and YBI would make alternative arrangements to ensure CoAL receives YBI's full funding commitment under the YBI Subscription Agreement whilst still complying with the Corporations Act.

- 8.2 Save as disclosed in paragraph 8.1 above, the Company is not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 8.3 All Shareholders have the same voting rights. The persons including the Directors, referred to in paragraphs 7.1 above, do not have voting rights that differ from those of other Shareholders.
- 8.4 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 8.5 To the best of the Directors' knowledge, as at the date of this document, the Company is not directly or indirectly owned or controlled by any Shareholder.
- 8.6 Notification of Shareholdings

Under the Corporations Act and the AIM Rules for Companies, a person has a "substantial holding" if that person and that person's Associates have a relevant interest in 5% or more of the voting shares in the company.

A person who:

- begins to or ceases to have a substantial holding in a listed company (representing 5 per cent. or more of the company); or
- has a substantial holding in a listed company and there is movement by at least 1 per cent in their holding,

must give notice to the Company and to the ASX. The contents of the notice are prescribed in the Corporations Act, section 671B(3) and (4).

Under the AIM Rules for Companies, a person who:

- begins to or ceases to have a substantial holding in a non-UK AIM listed company (representing 3 per cent. or more of the company); or
- has a substantial holding in a listed company and there is movement by at least 1 per cent. in their holding,

must give notice to the Company without delay. The form of the notice is prescribed by the FCA.

9 TAXATION

9.1 UK Taxation

The following paragraphs, which are intended as a general guide based on current legislation and published HMRC practice as at the date of this document, summarises the UK tax position of Shareholders who are resident in the United Kingdom for tax purposes and who beneficially hold their shares as investments (otherwise than under an individual savings account. They do not constitute tax advice. Any Shareholder who is in doubt as to his or its tax position, or who is subject to tax in a jurisdiction other than the United Kingdom, is strongly recommended to consult his or its professional advisors.

The information in this paragraph is based on current tax law and other legislation and any changes in the legislation or in the levels and bases of, any reliefs from, taxation may affect the value of an investment in the Company.

(a) Taxation of Dividends

Under current UK taxation legislation, credit is given to UK resident shareholders for any tax withheld at source from dividend payments made by the Company. The credit is given by aggregating any tax withheld at source with the net cash dividend received for the purposes of calculating the taxable income.

An individual Shareholder who is resident (for tax purposes) in the United Kingdom and who receives a dividend paid by the Company will currently be entitled to receive a tax credit equal to 1/9th of the aggregate of the cash dividend received and any tax withheld at source. The individual Shareholder will be taxable upon the aggregate of the net cash dividend together with any tax withheld at source and the related 1/9th tax credit (the "gross dividend")

which will be regarded as the top slice of the individual's income. An individual Shareholder who is not liable to income tax at a rate greater than the basic rate (currently 20 per cent.) will pay tax on the gross dividend at the dividend ordinary rate, currently 10 per cent. Accordingly, the tax credit will be treated as satisfying the individual's liability to income tax in respect of the dividend and there will be no further tax to pay. To the extent that the gross dividend (taken together with other taxable income) exceeds the individual's threshold for the higher or additional rate of income tax the individual will, to that extent, pay tax on the gross dividend at the dividend higher or additional rate (currently 32.5 per cent. and 37.5 per cent. respectively).

Accordingly, an individual Shareholder who is a higher or additional rate tax payer will have further income tax to pay at the rate of 22.5 per cent. or 27.5 per cent. on the gross dividend (equivalent to 25 per cent. or 30.6 per cent. respectively of the net cash dividend received and any tax withheld at source). Tax credits are generally no longer repayable to Shareholders with no income tax liability or whose liability to income tax does not exceed the amount of tax credit.

The position for an individual Shareholder who is resident for tax purposes in the United Kingdom and who receives dividend payments from the Company will change with effect from 6 April 2016. The individual Shareholder will continue to get credit for tax withheld at source on any dividend payments made by the Company but such a shareholder will no longer be entitled to receive a tax credit equal to 1/9th of the cash dividend received and any tax withheld at source. For UK tax purposes the gross dividend will be treated as being the aggregate of the cash dividend received and any tax withheld at source. The first £5,000 of gross dividend income received will be free of UK tax. Gross dividend income falling within the basic rate band will be taxed at the rate of per cent. with gross dividend income falling within the higher and additional rate bands being taxed at the 32.5 per cent. and the 38.1 per cent. rates respectively.

Persons within the charge to UK corporation tax will be subject to UK corporation tax on dividend income received from the Company (with credit being given for any tax withheld at source) unless the dividend income falls within one of the exemptions from UK corporation tax for dividends.

(b) Taxation on capital gains for Shareholders

If a Shareholder who is resident in the UK for tax purposes disposes of all or any of his or its Shares, he or it may, depending on the Shareholder's particular circumstances, incur a liability to taxation on chargeable gains.

(c) Stamp duty and stamp duty reserve tax ("SDRT")

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT, or to persons connected with depositary arrangements or clearance services, who may be liable at a higher rate.

The allotment and issue of the New Shares will not give rise to a liability to stamp duty or SDRT.

As from 28 April 2014, transfers of shares in AIM quoted companies are no longer subject to stamp duty or SDRT. For this to apply to transfers of shares, AIM must continue to be recognised by HMRC as a recognised growth market and the shares must not be listed on any other market.

9.2 Australian Taxation

The following is a general description of the Australian income and CGT consequences for Shareholders who are residents of Australia. The comments set out below are relevant only to those Shareholders who hold their Shares on capital account. Shareholders who hold their Shares for the purposes of speculation or a business of dealing in securities (e.g. as trading stock) or who acquired their Shares pursuant to an employee share or option plan should seek their own advice.

The following description is based upon the Australian law and administrative practice in effect at the date of the Admission Document, but it is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of every Shareholder. Shareholders should seek independent professional advice in relation to their own particular circumstances.

(a) Australian resident shareholders

(i) Tax implications of holding Shares

Dividends (and any attaching franking credits) received by an Australian resident Shareholder would generally be required to be included in the assessable income of the Shareholder. The Shareholder may be entitled to a credit for any franking credits attached to the dividend.

However the dividend will be subject to South African dividends withholding tax at the rate of 15%. Australian resident Shareholders holding 10% or more of CoAL may qualify for a reduction in the rate to 5% under the Australia – South Africa double tax treaty. Australian resident Shareholders may be able to claim a foreign tax offset in their Australian tax return for any tax withheld.

(ii) CGT on subsequent disposal of Shares

A disposal of Shares should generally result in Australian CGT implications for Australian resident Shareholders.

A disposal of Shares by Shareholders holding less than 20% of the Shares who are not resident of South Africa will not be subject to South African CGT, unless the Shares are attributable to a permanent establishment of such Shareholder in South Africa. The Shares will then be subject to South African CGT irrespective of the percentage shareholding held by the Shareholder.

(b) Non-resident Shareholders

(i) Tax Implications of holding Shares

Dividends paid by CoAL will be subject to South African dividends withholding tax at the rate of 15%. However non-resident Shareholders may qualify for a reduction in the rate if there is a double tax agreement in place between South Africa and the jurisdiction of the Shareholder.

(ii) CGT on subsequent disposal of Shares

For a Shareholder who:

- is not a resident of Australia for Australian tax purposes; and
- does not hold their Shares in carrying on a business through a permanent establishment in Australia,

the disposal of Shares should generally not have any Australian CGT implications as less than 50% of CoAL's value is due to direct or indirect interests in Australian real property, which is defined to include mining and exploration leases and licences.

A non-resident Shareholder who has previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident may be subject to Australian CGT consequences on disposal of the Shares

Shareholders holding less than 20% of the Shares in CoAL who are not resident of South Africa will not be subject to South African CGT, unless the shares are attributable to a permanent establishment of such Shareholder in South Africa. The shares will then be subject to South African CGT irrespective of the percentage shareholding held by the Shareholder.

Shareholders not resident in South Africa and holding at least 20% of Shares will however only be subject to South African CGT, if 80% or more of the market value of the shares is attributable to immovable property. The sale will be subject to a withholding tax on the purchase consideration, of 5% for natural persons, 7.5% for companies and 10% for trusts. The withholding tax is not a final tax and therefore as and when the liability for CGT falls due, it will be adjusted for the withholding tax already paid.

Shareholders not resident in South Africa and subject to CGT as a result of the Shares being attributable to a permanent establishment of such Shareholder in South Africa will not be subject to a withholding tax.

9.3 South African Taxation

Please see paragraph 10 of Part IV for a summary of taxation policy in South Africa.

10 OTHER RELEVANT LAWS AND REGULATIONS

Corporations Act

Below is a general description of relevant corporate laws and policy in Australia. The law, policies and practice are subject to change from time to time and should not be relied upon by Shareholders or any other person. It does not purport to be a comprehensive analysis of all the consequences resulting from holding, acquiring or disposing of Shares or interests in Shares. If you are in any doubt as to your own legal position, you should seek independent advice without delay.

The Company is obliged to comply with the Corporations Act and also with specific obligations arising from other laws that relate to its activities.

ASIC is responsible for administering and enforcing the Corporations Act.

Takeovers

The Company is incorporated in Australia. Its central place of management and its principal operational office is in South Africa. Accordingly, transactions in Shares will not be subject to the provisions of the UK Takeover Code published by the Panel on Takeovers and Mergers. There are, however, provisions under Australian law and regulations applicable to the Company, particularly Chapter 6 of the Corporations Act, that are, in part, similar or analogous to certain provisions of the UK Takeover Code.

As an Australian public listed company, a takeover of the Company is governed by the Corporations Act. The Corporations Act contains a general rule that a person must not acquire a 'relevant interest' in issued voting shares of a company as a result of a transaction in relation to securities entered into by or on behalf of the person if, because of the transaction, a person's voting power in the company:

- increases from 20 per cent or below to more than 20 per cent; or
- increases from a starting point which is above 20 per cent but less than 90 per cent.

A person's voting power is deemed to be that of that person and his/her Associates.

Certain acquisitions of relevant interests are exempt from the above rule including among others, acquisitions under takeover bids, acquisitions approved by Shareholders, acquisitions of less than 3 per cent. in any 6 month period, and acquisitions that result from rights issues, dividend reinvestment schemes and underwritings.

If a person wishes to acquire more than 20 per cent. of a company, or increase a holding which is already beyond 20 per cent., but not under one of the exemptions (including those noted above), the person must undertake a takeover bid in accordance with the Corporations Act.

A person who holds more than 90 per cent of the shares in a company may conduct a compulsory acquisition of all remaining shares under the Corporations Act.

Substantial Shareholdings

Under the Corporations Act, a person has a "substantial holding" if that person and that person's Associates have a relevant interest in 5% or more of the voting shares in the company.

A person who:

- begins to or ceases to have a substantial holding in a listed company (representing 5% or more of the company); or
- has a substantial holding in a listed company and there is movement by at least 1 per cent in their holding,

must give notice to the company and to the ASX. The contents of the notice are prescribed in the Corporations Act, section 671B(3) and (4).

Foreign Investment

In Australia, foreign investment in, and ownership of, companies and property is regulated by the Foreign Acquisitions and Takeovers Act 1975 (Cth) ("FATA"), which is administered by the FIRB. FIRB's functions are advisory only, and responsibility for making decisions on proposals rests with the Treasurer of the Australian federal government ("**Treasurer**").

FATA provides a notification and approval process for certain proposed investments in Australia by "foreign persons" (individuals, corporations or trusts), which may result in foreign control or ownership of Australian businesses or companies. Small proposals are generally exempt from notification, and larger proposals are approved unless judged contrary to the national interest.

FATA provides that where an acquisition, requiring approval, would be contrary to the national interest the Treasurer may make an order prohibiting the acquisition.

If a foreign person must give notice to FIRB under FATA it must await the decision of the Treasurer before entering into an unconditional binding agreement to acquire shares which will result in a foreign person acquiring a controlling interest in a corporation.

ASX Listing Rules

As a company admitted to the official list of the ASX, the Company is bound to comply with the Listing Rules, as amended from time to time. The ASX Listing Rules address such matters as admission to listing, quotation of securities, continuous disclosure, periodic disclosure, certain requirements for terms of securities, issues of new capital, transfers of securities, escrow (lock-in) arrangements, transactions with related/controlling parties, significant transactions, shareholder meetings, trading halts and suspensions and fees payable. The ASX also publishes guidance notes regarding the interpretation of parts of the ASX Listing Rules.

11 EMPLOYEES

- 11.1 The table below sets out the average number of employees of the Enlarged Group during the financial period stated:

Company and its subsidiaries

Year ended 30 June	2013	2014	2015
Employees (excluding Directors and the Company secretary)	448	107	88

Universal and its subsidiaries

Year ended 30 June	2013	2014	2015
Employees	12	27	69

- 11.2 As from Admission, it is anticipated that the Enlarged Group will have 166 employees other than the Directors and the Company secretary. All employees are located in South Africa.

12 MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of Enlarged Group have been entered into in the two years immediately preceding the date of this document or are subsisting agreements which are included within or which relate to the assets and liabilities of the Enlarged Group (notwithstanding whether such agreements are (i) within the ordinary course or (ii) were entered into outside of two years immediately preceding the date of this document).

12.1 Material contracts relating to the Offer

(a) *Cooperation Agreement*

The Company entered into the Cooperation Agreement with Universal on 26 November 2015, which governs their relationship during the period from the date of the Joint Announcement until the Offer is completed. Amongst other things, CoAL and Universal have agreed to co-operate with regard to the process required to implement the Offer and Universal has entered into certain undertakings concerning the conduct of its business during that period.

CoAL has agreed to adhere to certain obligations in relation to the making and implementation of the Offer including to:

- use all reasonable endeavours to make and implement the Offer in accordance with the terms summarised in the Joint Announcement;
- use all reasonable endeavours to secure the necessary financing for the Cash Consideration and cash component of the Cash and Share Consideration;
- use all reasonable endeavours to procure that as many Shareholders as possible (with a minimum of Shareholders holding at least 50 per cent. of CoAL's share capital) enter into letters of intent, pursuant to which they confirm their intention (subject to applicable law) to vote in favour of the Offer at the General Meeting);
- use all reasonable endeavours to procure that the Consideration Shares are admitted to trading on ASX, AIM and the JSE as soon as possible, but in any event within seven business days of the date of their issue; and
- use all reasonable endeavours to obtain all necessary consents, authorisations, waivers, exemptions or dispensations required under applicable law or regulation for CoAL to make and implement the Offer.

Universal has also agreed to adhere to certain obligations in relation to the Offer, including to:

- use reasonable endeavours to implement the Offer in accordance with the terms and conditions of the Joint Announcement;
- assist CoAL in the preparation of all documents to implement the Offer subject to the terms summarised in the Joint Announcement; and
- use reasonable endeavours to assist CoAL to procure that:
 - as many Universal Shareholders as possible (and as a minimum in respect of Universal Shares comprising 50 per cent. of the total voting rights carried by Universal Shares plus one Universal Share) irrevocably undertake to accept the Offer; and
 - Universal Shareholders representing at least 40 per cent. of the voting rights in Universal Shares accept the Loan Note Alternative.

Universal warrants that the Independent Universal Directors have resolved that they intend to unanimously recommend Universal Shareholders accept the Offer. The recommendation may only be withdrawn in limited circumstances.

Universal's obligations in respect of the recommendation to Universal Shareholders to accept the Offer will cease to apply in respect of an Independent Universal Director if that Independent Universal Director takes legal advice in relation to his or her fiduciary duties or duties under applicable law or regulation and consequently decides that to give or continue to give, or to fail to withdraw, modify or qualify, the recommendation in favour of the Offer would be inconsistent with his or her fiduciary duties or his or her duties under applicable law or regulation.

CoAL and Universal will keep each other informed of developments which are material to the satisfaction of any condition and promptly notify each other as soon as reasonably practicable of any matter of which they are aware, which is reasonably likely to result in any condition not being satisfied in all material respects.

Universal has agreed that, until the earlier of the Offer being or being declared to be unconditional, members of the Universal Group will not, without the approval of the joint integration committee (comprising three representatives of CoAL and Universal respectively), or the prior written consent of CoAL, amongst other things:

- carry on its business other than in the ordinary and usual course and in all material respects consistent with its practice at the date of the Cooperation Agreement;
- alter the nature or scope of its business in any way which is material in the context of the Universal Group as a whole;
- resolve, set aside, declare or pay any dividend in Universal, or make any other distribution from Universal to Universal Shareholders;
- allot or issue, or agree to allot or issue, any shares in Universal or any instrument or security convertible or exchangeable into shares in Universal (except to satisfy the valid vesting of any options or awards under the Universal share plan granted before the date of the Cooperation Agreement or any other options or award disclosed in Universal's annual report for the year ended 30 June 2015);
- do or omit to do anything which might knowingly result in the termination, revocation, suspension or non-renewal of any of its material licences, permits or consents (other than in the ordinary and usual course of business) or otherwise commit a material breach of a condition of any such licences, permits or consents.

Separately, Universal has also agreed that, until the earlier of the Offer being or being declared to be unconditional, members of the Universal Group must not, without having first consulted CoAL and to the extent practicable, taken into account its views, take certain actions, including:

- enter into any binding commitments in connection with the acquisition of a material asset or disposal of its business or any material asset of its business, or which encumbers any material asset of its business; or
- terminate any binding commitment or contract which involves annual operating expenditure by the Universal Group in excess of US\$5 million per annum per commitment or contract, in each case exclusive of VAT.

In consideration for CoAL pursuing the Offer, Universal has agreed to pay CoAL ZAR5 million if: (1) a competing proposal is announced before the Offer lapses or is withdrawn which is recommended by the directors of Universal and/or which becomes unconditional in all respects or is otherwise consummated, or (2) the Independent Universal Directors (i) fail to recommend the Offer, provided that the Offer made in the Offer Document is made in compliance with the terms of the Cooperation Agreement or (ii) withdraw or amend their recommendation of the Offer and subsequently the Offer lapses or is withdrawn.

Universal has agreed that it shall, among other things:

- not directly or indirectly, enter into, continue or participate in any discussions or negotiations in connection with a competing proposal or the preparation of a competing proposal; and
- notify CoAL as soon as reasonably practicable if it becomes aware of any competing proposal or potential competing proposal;

The "no talk" obligation does not prevent the Independent Universal Directors responding to or holding discussions with a *bona fide* offeror that has submitted in writing a superior proposal provided that the Independent Universal Directors, having taken legal advice, consider that a failure to respond to such an approach would be inconsistent with their fiduciary duties or duties under applicable law or regulation.

Until the day on which the Offer closes, lapses or is withdrawn or the Cooperation Agreement is otherwise terminated in accordance with its terms, Universal shall not, directly or indirectly, solicit, or do anything else which might reasonably be expected to result in, a competing proposal.

Universal must notify CoAL of an approach by any persons who might reasonably be expected to make a competing proposal or announcement as soon as practicable.

Universal must not enter into any agreement or understanding to undertake or give effect to a competing proposal or keep the identity of the relevant person confidential, unless, in summary:

- any one or more of the Independent Universal Directors, having taken legal advice, and in order to act in a manner that is not inconsistent with what any of those Independent Universal Directors considers to be his fiduciary duties or duties under applicable law or regulation determine that a competing proposal constitutes a superior proposal;

Universal has given CoAL notice of its intention to enter into an agreement, arrangement or understanding to effect a competing proposal or vary or amend its recommendation, which provides CoAL with the material terms of the superior proposal and, subject to applicable law, and to such disclosure not causing any one or more of Universal's directors to breach their fiduciary duties or duties under law or regulation, the identity of the competing offeror.

CoAL will have 5 Business Days to provide a counter proposal to Universal Shareholders.

If the directors of Universal determine the counter proposal from CoAL provides a benefit for Universal Shareholders taken as a whole that is at least equal to the superior proposal, the directors of Universal must recommend the counter proposal by CoAL to Universal Shareholders and not the applicable superior proposal.

The Cooperation Agreement will terminate with immediate effect on the earliest to occur of certain events, including the following:

- an event triggering the payment of the above mentioned inducement fee occurs;
- CoAL varies the terms of the Offer or the proposals to holders of convertible securities (other than to extend the timetable or as required to comply with applicable law) without Universal's prior written consent;
- any Condition becomes incapable of satisfaction or is invoked (as applicable, in accordance with the terms of the Cooperation Agreement), so as to cause the Offer not to proceed;
- if the Offer does not become or is not declared unconditional in all respects before 31 March 2016; and
- any subscription agreement, other than the YBI Subscription Agreement, is subject to any conditions to which the YBI Subscription Agreement is not subject which, in the reasonable opinion of Universal, adversely impact the ability of CoAL to implement the Offer.

The material obligations of Universal and those of the Independent Universal Directors are subject to carve-outs that have the effect that neither Universal, nor the Independent Universal Directors, are required to act in any way which would consider them to breach any applicable law or regulatory requirement, including the ASX Listing Rules or any fiduciary or statutory duty.

(b) YBI Subscription Agreement

To assist with the funding of the acquisition of Universal, the Company entered into the YBI Subscription Agreement with YBI on 25 November 2015.

Pursuant to the YBI Subscription Agreement, YBI will subscribe for 344,827,500 Shares at the Subscription Price, for an aggregate subscription amount of US\$15 million.

The obligations of YBI to subscribe for the YBI Subscription Shares and the obligations of CoAL to issue the YBI Subscription Shares under the YBI Subscription Agreement are conditional upon:

- YBI either receiving approval from the FIRB ("FIRB Approval") or confirming to CoAL in writing that FIRB Approval is not required under applicable law;
- the Offer having become unconditional in all respects, other than the Offer condition regarding the Subscription Agreements having become unconditional in all respects; and

- Shareholder approval for the issue of the Subscription Shares for the purposes of ASX Listing Rule 7.1 and for purposes of any other statutory, regulatory or listings requirement, having been obtained.

If any of the conditions have not been fulfilled by the subscription cut-off date (31 March 2016, or, if the Offer remains unconditional and has not lapsed or been withdrawn by CoAL on 29 February 2016, the date which is 20 Business Days after the Offer becomes unconditional, or lapses, or is withdrawn), or CoAL notifies YBI that any of the conditions will not be able to be fulfilled prior to the subscription cut-off date, the YBU Subscription Agreement and all obligations of each of the parties under it shall terminate with immediate effect.

Depending on the level of acceptances received from Universal Shareholders of the Cash and Share Offer, and any other equity funding that CoAL may obtain prior to completion of the Offer, it is possible that full subscription by YBI of the YBI Subscription Shares under the YBI Subscription Agreement would result in YBI obtaining voting power in CoAL of more than 20 per cent. If it appears that, at completion of the Offer and the YBI Subscription Agreement, that YBI's voting power in CoAL would exceed 20 per cent, CoAL and YBI would need to make alternative arrangements to ensure CoAL receives YBI's full funding commitment under the YBI Subscription Agreement whilst still complying with the Corporations Act and ensuring that YBI holds less (but as close to) 20 per cent. of CoAL's total issued share capital.

(c) *M&G Subscription Agreement*

To assist with the funding of the acquisition of Universal, the Company entered into a subscription agreement with M&G on 3 December 2015.

Pursuant to the M&G Subscription Agreement, M&G will provide US\$3 million and in return is entitled to subscribe for the M&G Subscription Shares at the Subscription Price.

The terms of the M&G Subscription Agreement are substantively the same as the terms of the YBI Subscription Agreement.

(d) *Offer Document*

The Offer Document was published and sent to Universal Shareholders on 21 December 2015 and contains, among other things, the background to the Offer and the terms and conditions of the Offer, a summary of which is contained at Part VI.

(e) *Loan Note Instrument*

The Company will enter into a loan note instrument pursuant to which the Loan Notes will be created. This loan note instrument will contain the terms and conditions attaching to the Loan Notes. Further information in respect of the key terms of the Loan Notes is contained at Section B of Part VI.

12.2 Other CoAL Group material contracts

(a) *Rio Tinto and Kwezi Cession in Security Agreements*

On 8 May 2015 the Company entered into separate cession in security agreements (the "Cession Agreements") with Rio Tinto Minerals Development Limited ("Rio Tinto") and Kwezi Mining (Pty) Ltd ("Kwezi").

Under the Cession Agreements, CoAL ceded and assigned to Rio Tinto and Kwezi all of its present and future right, title and interest in, in the case of Rio Tinto, 115 ordinary shares in MbeuYashu (Pty) Ltd ("MbeuYashu"), and, in the case of Kwezi, 33 ordinary shares in MbeuYashu, in each case including any future shareholding and together with all cash entitlements of whatsoever nature due by MbeuYashu to CoAL.

These cessions and assignments were made as continuing covering security for the payment and performance in full by CoAL and MbeuYashu of all of their obligations in terms of the deferred consideration payment terms (the "Deferred Consideration Payment Terms") set out in schedule 1 of the addendum to the sale of shares and claims agreement between, among others, CoAL, Rio Tinto and Kwezi dated 24 February 2012 (as amended on 26 April 2012, 27 July 2012, 1 October 2012 and 22 October

2012) (the “GSP SPA”), and in consideration for Rio Tinto and Kwezi agreeing to permit CoAL extended terms of payment in the Deferred Consideration Payment Terms. Under the GSP SPA, the Company had agreed to acquire (and subsequently did acquire):

- 100% of the issued share capital of each of Chapudi Coal (Proprietary) Limited (“Chapudi Coal”) and Kwezi Mining Exploration (Proprietary) Limited (“KME”) (the holders of the prospecting rights over the properties comprised in the Greater Soutpansberg Project); and
- all shareholder loans reflected in the closing balance sheets for each of Chapudi Coal and KME and all claims which Rio Tinto or Kwezi may have against either of Chapudi Coal and/or KME at the closing date of the GSP SPA.

The Cession Agreements only terminate on the date on which all the obligations of MbeuYashu or CoAL to Rio Tinto under the Deferred Consideration Payment Terms have been irrevocably and unconditionally discharged in full. As at December 2015 US\$19.2m remained outstanding. Interest accrues monthly and CoAL repays a minimum of US\$100,000 per month with the final settlement proposed to be June 2017.

(b) Hengshun Memorandum of Understanding

Under this memorandum of understanding, Hengshun proposes to acquire up to 34% of Baobab at a mutually agreed consideration. The preliminary terms of negotiation between both parties are based on an indicative cash acquisition price of approximately US\$113.94 million which implies a Makhado Project value of at least US\$335 million. The final transaction valuation would be subject to both parties’ negotiation, a valuation report issued by an internationally reputable accounting firm and the conclusion of a formal subscription and sale agreement between both parties.

The proposed equity investment is subject to an engineering, procurement and construction contract being awarded to Hengshun, and to a formal due diligence process, as well as approval of the transaction from both the CoAL and Hengshun boards respectively.

The 34% equity investment will entitle Hengshun to nominate a to be agreed number of directors to the board of Baobab, but the effective management of Baobab and operatorship of the Makhado Project will remain the responsibility of CoAL.

A debt package may also be provided by Hengshun on commercial arm’s length terms.

Hengshun has the right to match any alternative proposals for the provision of the mining contract.

The memorandum of understanding is a non-binding document which is also subject to Shareholder and any other necessary regulatory approvals.

The transaction terms are expected to be completed in the first half of 2016.

(c) 2014 Subscription Agreements

The Company entered into subscription agreements with HEI, M&G, Investec Asset Management (Proprietary) Limited (“IAM”) and TMM Holdings (Proprietary) Limited (“TMM”) (together “the Placees”) in August 2014 (“the 2014 Subscription Agreements”) to raise up to approximately £38.225 million (or approximately US\$64.9 million) through the issue of up to 695,000,000 new Shares (“Placement Shares”) at an issue price of £0.055 per Share (“Placement”).

The Placement Shares were to be issued in two stages, and were eventually issued in three stages following agreement between the Company and the Placees to split the second stage, which was previously conditional on receipt from TMM of confirmation that it had received sufficient funding to fulfil its second stage funding commitment, into two parts. The first stage took place on 11 November 2014 and 251,000,000 Placement Shares were issued. The second stage took place on 19 December 2014 and 300,000,000 Placement Shares were issued. The final stage took place on 3 June 2015 and 144,000,000 Placement Shares were issued.

(d) August 2015 YBI Subscription Agreement and Loan Agreement

The Company entered into a subscription agreement with YBI on 4 August 2015 (“the August 2015 YBI Subscription Agreement”).

Under this agreement, YBI agreed to acquire up to 183,231,261 Shares at a price of £0.0515 per Share, equal to the volume weighted average price of CoAL's Shares for the 30 days up to 17 July 2015, making an aggregate subscription amount of £9.4 million. Completion of the subscription took place in September 2015.

In connection with the August 2015 YBI Subscription Agreement, CoAL and YBI also entered into a loan agreement pursuant to which YBI agreed to lend CoAL US\$10 million, conditional upon the Company's shareholders approving the issue of the 2015 Subscription Shares. The loan bears no interest and is only repayable in certain limited circumstances relating to the Makhado Project mining right and operations, or YBI's participation in the ownership of the Makhado Project.

(e) Introduction Agreement

The Company, the Directors and Peel Hunt entered into an agreement on 1 February 2016 in relation to Peel Hunt's obligations as nominated adviser to the Company in connection with Admission and the Acquisition (the "Introduction Agreement").

Under the Introduction Agreement and the engagement letter with Peel Hunt, the Company has agreed to pay certain fees and to reimburse certain expenses to Peel Hunt in respect of the services to be provided to the Company by Peel Hunt in connection with Admission and the Acquisition.

The Introduction Agreement contains customary warranties from the Company in favour of Peel Hunt in relation to the Group, the Universal Group, their respective businesses, this document and certain related matters, and more limited warranties from the Directors. The liability of the Directors in respect of the warranties given by them and otherwise under the Introduction Agreement is limited. The Company has also agreed to indemnify Peel Hunt and its associated companies, officers and employees in respect of losses incurred in connection with Admission and the Acquisition, subject to certain carve-outs.

Peel Hunt can terminate the Introduction Agreement in certain circumstances, including as a result of any material breach of the warranties in the Introduction Agreement by the Company or a Director, or a material adverse change in either the Group's or the Universal Group's financial or trading position or prospects having occurred since the date of the Introduction Agreement.

(f) Makhado Project BEE agreements

In March 2015, CoAL concluded a suite of agreements under which, inter alia, a trust which has been established for the benefit of the communities affected by the Makhado Project (the "Makhado Community Trust") and a 100% black-owned company, Yoright Investments Proprietary Limited, would be issued 20% and 6% respectively of the issued share capital of Baobab, the holder of the Makhado Project mining right. The transaction remains subject to the fulfilment or waiver of certain conditions precedent, including the execution and registration of the mining right for the Makhado Project.

12.3 Universal Group material contracts

(a) UCD I Investec facility agreement

A facility agreement between UCD I and Investec entered into on 15 July 2015 pursuant to which a term loan facility of ZAR285 million ("the Term Loan Facility") is made available to UCD I which shall be applied by UCD I to, *inter alia*, the repayment, on behalf of UCEHSA, of all amounts owing by UCEHSA to FirstRand Bank Limited. A revolving loan facility of ZAR25 million (the "Revolving Facility") is also made available to UCD I under this facility agreement which must be applied by UCD I to the working capital requirements of UCD I's obligations under this facility agreement are secured in favour of Investec by a first ranking security over certain assets.

An additional amount of ZAR5 million is made available to UCD I as part of the Term Loan Facility which shall be applied to fund the initial legal and banking arranging fees.

The loans advanced under the Term Loan Facility (and interest accrued thereon) are repayable in 20 equal quarterly instalments over a 60 month period with the final maturity date, being 31 July 2020. The loans advanced under the Revolving Facility are also repayable on this final maturity date. Interest accrued on loans advanced under the Revolving Facility is repayable on the last day of each calendar month.

(b) UCD IV Investec facility agreement

UCD IV entered into a facility agreement with Investec on 15 July 2015 pursuant to which a term loan facility of ZAR215 million ("The Term Loan Facility") is made available to UCD IV which must be applied by UCD IV to, amongst other things, the payment of capital and development expenditure for the construction and development of the Roodekop opencast coal mine owned and operated by UCD IV and the NCC colliery owned and operated by Universal Coal Development VIII Pty Ltd ("UCD VIII"). UCD IV's obligations under this agreement are secured in favour of Investec a first ranking security over certain assets and UCEHSA and UCD VIII are guarantors of UCD IV's obligations.

An additional amount of ZAR5 million is made available to UCD IV as part of this Term Loan Facility which shall be applied to fund the initial legal and banking arranging fees.

All amounts outstanding, including interest, are repayable in 16 quarterly instalments with the final maturity date being 31 July 2020.

(c) Exxaro Agreement for the Supply and Purchase of Coal

UCD I (as the "Seller") entered into an agreement with Exxaro International Trading AG (the "Buyer") on 22 July 2013 as amended on 28 November 2014 for the supply and purchase of coal ("Exxaro CSA") pursuant to which the Seller undertakes to supply to the Buyer, and the Buyer undertakes to purchase coal mined and produced at Kangala. The amount of coal the Seller is obliged to supply and the Buyer is obliged to purchase from the Seller is 6,000 tons per month and 80,000 tons per annum.

Either party may, on three months' written notice, terminate the Exxaro CSA. Should the Exxaro CSA be terminated in this manner, no party shall have any further contractual liability or claim, save for those that have accrued up to the termination date. If the agreement has not ceased prior to then, the Exxaro CSA terminates on 31 December 2021.

(d) New Clydesdale Acquisition

UCD VIII entered into a binding sale of assets agreement with Exxaro Coal Mpumalanga (Pty) Ltd ("Exxaro") on 31 January 2014 to acquire all the assets and assume certain liabilities of the New Clydesdale Colliery ("NCC"), located adjacent to Universal's Roodekop deposit in the Witbank coalfield, as amended on 25 November 2014 and 30 April 2015. The transaction was concluded after the 2015 financial year end date of 30 June 2015, following satisfaction of conditions precedent including the award of Ministerial consent in terms of section 11 of the Mineral Resources and Petroleum Development Act 28 of 2002 (as amended) ("MPRDA"). UCD VIII is owned 49% by UCEHSA, a wholly owned subsidiary of Universal and a BEE partner, Ndalamo Resources (Pty) Ltd ("Ndalamo"), holds the balance of 51% of the equity of UCD VIII.

The final purchase consideration has been adjusted through an addendum to the sale of assets agreement from A\$18 million (ZAR170 million) inclusive of VAT to A\$8.1 million (ZAR76 million). This amount was finally settled and paid to Exxaro on 31 July 2015.

Restricted cash of A\$7.8 million (ZAR73.8 million) was released back to Universal and A\$6.1 million (ZAR57.3 million) of this has been utilised as a deposit to procure an environmental rehabilitation guarantee over the existing NCC rehabilitation liabilities.

(e) Eskom Coal Supply Agreement

UCD I entered into a CSA with Eskom on 26 March 2013 pursuant to which UCD I agreed to supply coal from Kangala to Eskom ("Eskom CSA").

The Eskom CSA calls for the delivery of 285,450,000 gigajoules, approximately equivalent to 16,5000,000 tonnes over a nine year period.

(f) *Ndalamo Resources Pty Ltd Subscription Agreement*

UCEHSA entered into a subscription agreement with Ndalamo Resources Pty Ltd ("Ndalamo") on 3 March 2015 under which Ndalamo subscribed for 102 new ordinary shares in UCD IV, for a subscription price of ZAR40,000,000. The completion of this subscription would increase Ndalamo's shareholding in UCD IV from 26% to 51%.

The subscription agreement is subject to the fulfilment or waiver of the conditions precedent under section 11(1) of the MPRDA, which has not yet been approved and as such, the subscription agreement is not unconditional. As a consequence the 102 ordinary shares have not yet transferred to Ndalamo.

(g) *Susquehanna Pacific (Pty) Ltd Converting Note Agreement*

On 5 April 2012, Universal entered into a binding converting note agreement with Susquehanna Pacific (Pty) Ltd ("Converting Note Agreement") for:

- a maximum of 12,000,000 converting notes ("Converting Notes") in two tranches of 7,000,000 Converting Notes and 5,000,000 Converting Notes (respectively) at a coupon rate of 9.5% per annum and a maturity date of seven years to be issued; and
- a maximum of 22,474,314 share options.

The tranche 1 drawdown date was 4 June 2012, at which point 7,000,000 Converting Notes were issued to Susquehanna. Tranche 2 which was exercisable from 1 September 2012; but has not yet been exercised.

The share options will be issued at a maximum of:

- 16,855,735 options (low) at an exercise price of A\$0.2628 per option with a grant date of 4 June 2012 and an expiry date of 3 June 2017; and
- 5,618,579 options (high) at an exercise price of A\$0.2745 per option with a grant date of 4 June 2012 and an expiry date of 3 June 2017.

Subject to the terms of the Converting Note Agreement, the rate at which converting notes convert into shares is equal to the principal amount outstanding on the converting notes divided by the conversion price.

The conversion price for the converting notes is equal to 110% of the close price. The close price is determined as follows:

Close price =

- a. A\$0.25 per CDI if at any time during an eight week notice period the 5 day VWAP is equal to or greater than A\$0.25 per CDI; or
- b. A\$0.2336

The terms of the converting notes outline that, other than a conversion permitted as a result in a change of control or default event, no conversion is permitted for the first seven and a half months. The terms also state that the noteholders are not permitted to hold in excess of 19.99% of the CDIs in issue.

There is a monthly cap of 5% of the principal amount of the Converting Notes if they are first ranking in the capital structure of the Company and a monthly cap of 10% of the principal amount of the Converting Notes if they are subordinated in the capital structure of the Company.

The Converting Notes may be converted or redeemed if a change of control event occurs but all outstanding Converting Notes must be converted on the maturity date. If by the date three years and six months after the closing date, the 5-day, 10-day and 30-day VWAP on the first day of the month is equal to or greater than the conversion price, the noteholder may issue a conversion notice to convert as many Converting Notes as it wishes. If by the date three years and six months after the closing date, the 5-day, 10-day and 30-day VWAP on the first day of the month is lower than the conversion price then the noteholder must issue a conversion notice to convert between 2.45% and 5% of the principal, being A\$7,000,000 or 7,000,000 converting notes. Once the conversion notice is issued, Universal may elect to redeem the converting notes for

cash or convert the converting notes into ordinary share capital by dividing the cash amount that is payable by 90% x lower of the 5-day, 10-day and 30-day VWAP on the first day of the month.

A coupon rate of 9.5% fixed per annum is payable quarterly in arrears in cash or for the first 18 months, in shares at a 10% discount to the lower of the 5-day, 10-day and 30-day VWAP.

Universal granted security over its entire shareholding in UCEHSA to Susquehanna by way of:

- a share mortgage granted by Universal over the shares in UCEHSA; and
- a cession and pledge in security agreement dated 29 May 2012. This agreement secures all present and future indebtedness or other liability which Universal may now or at any time owe to Susquehanna.

(h) Steffanutti Stocks Mining Services Mining Kangala

UCD I entered into an agreement with Steffanutti Stocks Mining Services for the mining and boxcut, mining works to steady state, ongoing mining operations, and discard facility management at Kangala, on 14 April 2013, as amended 1 July 2013.

This agreement expires on the later of eight years from 1 April 2013, or when the total quantity of coal mined and delivered reaches 20,798,979 ROM tonnes.

Alternatively the contracts can be terminated by the parties entitled to terminate this agreement on 90 days' notice, provided that in the case of UCD I, it will first have to obtain the lender's consent.

(i) UCD II Option Agreement

On 5 February 2010 (and subsequently amended by a first addendum dated 16 April 2010 and a second addendum dated 20 July 2010), UCEHSA and UCD II entered into an acquisition and option agreement with Bono Lithihi Investment Group Pty Ltd ("BLIG"), pursuant to which, amongst other things and subject to certain conditions, BLIG granted UCEHSA an option to acquire up to 24% of the ordinary shares of UCD II (in addition to the 50% already owned by UCEHSA). The option is valid for an indefinite period and may be exercised in the sole discretion of UCEHSA. The option has not yet been exercised.

(j) UCD III Option Agreement

On 17 April 2009, UCEHSA and UCD III entered into an acquisition and option agreement with Unity Rocks Mining Pty Ltd ("Unity Rocks"), pursuant to which, amongst other things, Unity Rocks, UCEHSA and UCD III agree to discuss in good faith, upon the satisfaction of certain payment obligations under the agreement, whether UCEHSA will be entitled to exercise an option to acquire up to 24% of the ordinary shares of UCD III (in addition to the 50% already owned by UCEHSA). The option in respect of these UCD III has not yet been formalised by UCEHSA and Unity Rocks.

(k) UCEHSA and Mountain Rush Facilitation and Service Fee Agreement

On 6 May 2013, UCEHSA and UCD I entered into a facilitation and service fee agreement with Mountain Rush Trading 6 Proprietary Limited ("Mountain Rush"). Under this agreement, as consideration for the provision of certain ongoing facilitation and management services relating to operational requirements at the Kangala Colliery, UCD I agreed to pay Mountain Rush a facilitation fee and UCEHSA and Mountain Rush service fees.

(l) Ndalamo Term Loan

On 12 August 2014, a financing term sheet was entered into between Universal, Energy Holdings South Africa Proprietary Limited and Ndalamo for the financing of the NCC Project. The loan is secured against a share pledge, bears interest at prime plus 7.5% per annum and is fully repayable by 30 June 2020 in varying capital instalments.

(m) Ichor Warrant Instrument

On 16 October 2014, Universal entered into a warrant instrument with IchorCoal N.V. pursuant to which IchorCoal N.V. was entitled to subscribe for 71,220,000 warrants, each exercisable in respect of one Universal Share for a period of 18 months at an exercise price of A\$0.36 per Universal Share. The warrants were issued to IchorCoal N.V. on 16 October 2014, and expire on 16 April 2016. As at the date of this document, none of the warrants have been exercised.

13 RELATED PARTY TRANSACTIONS

13.1 The CoAL Group

Save as set out in paragraphs 12.1(b) and (c) and 12.2(d) and in note 35 to the 2013 Group Financial Information, note 35 to the 2014 Group Financial Information and note 35 to the 2015 Group Financial Information, neither CoAL nor any other member of the CoAL Group is, nor has been, party to any transactions with related parties which were material to the CoAL Group respectively during the three year period ended on 30 June 2015 up to the date of this document.

13.2 Universal Group

Save as set out in paragraph 12.3, note 28 to the 2015 Universal Historical Financial Information, note 28 to the 2014 Universal Historical Financial Information and note 24 to the 2013 Universal Historical Financial Information, neither Universal nor any other member of the Universal Group is, or has been, party to any transactions with related parties which were material to Universal or the Universal Group during the three year period ending on 30 June 2015.

14 LITIGATION

14.1 CoAL Group

Save as set out below, no member of the CoAL Group is, nor has been, involved in the previous 12 months in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any member of the CoAL Group is aware) which may have, or have had in the recent past, a significant effect on the CoAL Group's financial position or profitability.

The CoAL Group is currently involved in the following material litigation and administrative proceedings.

(a) Administrative proceedings

Since the grant of the mining right for the Makhado Project, two groups of interested and affected parties have lodged separate appeals in terms of section 96 of the MPRDA to have the grant of the Makhado mining right set aside. On 16 June 2015, the Vhembe Minerals Resources Stakeholder Forum, Mudimeli Community and the Makhado Action Group lodged an appeal to state that the decision to grant the mining right was flawed on the basis of certain procedural deficiencies, namely that the Mudimeli Community was never consulted and that the environmental impact assessment process was deficient in certain respects. On 18 June 2015, the Kuvule Community also lodged an appeal stating that the decision was flawed as the community was never consulted during the application process. CoAL lodged responding statements in respect of both of the abovementioned appeals on 31 July 2015. The DMR is currently still considering the appeals and CoAL's responses thereto.

(b) Litigation

The appellants in the abovementioned proceedings also launched separate legal proceedings in the High Court of South Africa. The Vhembe Minerals Resources Stakeholder Forum, Mudimeli Community and the Makhado Action Group launched proceedings to prohibit CoAL from commencing activities authorised in the Makhado Project environmental authorisation (Vhembe High Court Application). The Kuvule Community launched High Court proceedings with an aim to prohibit CoAL from implementing the intended structure of the BEE scheme proposed for the Makhado Project (Kuvule High Court Application).

Vhembe High Court Application

On 24 October 2014, the Vhembe Mineral Resources Stakeholders Forum, the Makhado Action Group and a further group, which describes itself as the “Mudimeli Community”, initiated a review application against an administrative decision to grant an environmental authorisation with respect of the Makhado Project. This review application was accompanied by an application for an interim interdict which sought to interdict CoAL from “commencing with and/or implementing” certain listed activities on a number of farms situated in the Makhado local municipality.

An interim interdict was granted by the North Gauteng High Court on 9 December 2014 in the absence of CoAL as the application was served at CoAL’s old offices and therefore never came to the attention of CoAL. The interim interdict was granted, prohibiting CoAL from commencing with the listed activities, subject to, among other things, CoAL carrying out a Regional Strategic Environmental Impact Assessment in respect of the Makhado Project.

CoAL subsequently sought to oppose the relief sought by the applicants and filed a counter application in which it sought an order to set aside the interim interdict. The counter application, to have the interim interdict set aside was heard on 3 December 2015. After hearing arguments from counsel from both parties, judgement was reserved and the matter postponed to consider the papers filed and arguments made.

Judgement was handed down on 8 December 2015 on two matters, firstly being the condition to compel CoAL to conduct a Strategic Regional Impact Assessment and secondly a review of the Environmental Authorisation. The condition compelling CoAL to conduct a Strategic Regional Impact Assessment has been set aside. The interim interdict against the Environmental Authorisation remains in place pending the review of the authorisation.

Kuvule High Court Application

On 3 September 2014, Joseph Muthuphei Nekuvule and the Kuvule Community launched an application in the High Court of South Africa seeking to restrain CoAL from (1) establishing a trust or entity for ownership of any rights or shares in the Makhado Project and/or receiving fruits from the Makhado Project, (2) taking any resolution of the Makhado Project mining operation, entering into any transaction and/or agreement with and/or allocating any shares to any trust and/or person and/or community and/or entity other than the Kuvule Community in respect of any mineral rights and/or royalties, and/or entering into any leases pertaining to the Makhado Project mining area, and (3) paying benefits and/or royalties and/or monies emanating from the Makhado Project to any trust and/or person and/or community and/or entity other than the Kuvule Community in respect of any mineral rights, royalties, monies and/or lease(s) pertaining to the Makhado Project mining area.

CoAL subsequently opposed the Kuvule High Court Application and filed an interlocutory application to, among other things, challenge the authority of Joseph Muthuphei Nekuvule to act on behalf of the Kuvule Community. To date, CoAL’s application has not been expedited and the matter is yet to be set a hearing date.

14.2 Universal Group

No member of the Universal Group is, nor has been, involved in the previous 12 months in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any member of the Universal Group is aware) which may have, or have had in the recent past, a significant effect on the Universal Group’s financial position or profitability.

15 SIGNIFICANT CHANGE

15.1 Save as set out at paragraph 15.1(a) below, there has been no significant change in the trading or financial position of the CoAL Group since 30 June 2015, the date to which CoAL’s last audited consolidated financial statements were prepared.

- (a) The subscription and loan agreement entered into by the CoAL and YBI announced on 5 August 2015 (further details of which are set out in paragraph 12.2(e) of Part IX of this document.

15.2 Save as set out at paragraphs 15.2(a) to 15.2(d) below, there has been no significant change in the trading or financial position of the Universal Group since 30 June 2015, the date to which Universal's last audited consolidated financial statements were prepared.

- (a) The acquisition of NCC from Exxaro on 24 August 2015 (further details of which are set out in paragraph 12.3(d) of Part IX of this document);
- (b) Increased capital expenditure at the Kangala mine in the second half of calendar year 2015 (further details of which are set out in paragraph 2 of Part II of this document)
- (c) The increased legal, financial, advisory and investor relations costs relating to recent corporate activities.
- (d) Foreign currency losses due to the depreciation of the South African rand against the Australian Dollar.

16 WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, and after taking into account the net proceeds of the Subscription Agreements and the bank and other facilities available to Universal, that the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

17 THIRD PARTY INFORMATION

17.1 The Company confirms that the information in this document which has been sourced from third parties has been accurately reproduced and that as far as it is aware and able to ascertain from information published by each of those parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

17.2 The source of the third party information is indicated on the relevant pages.

18 GENERAL

18.1 The total costs and expenses payable by the Company in connection with or incidental to the Acquisition and Admission, including registration and London Stock Exchange fees, corporate finance, accountancy and legal fees, consulting and investor relation services and the costs of printing and despatching this document, are estimated to be approximately ZAR45,000,000 (excluding VAT) all of which will be payable by the Company.

18.2 The expenses in relation to Admission will be funded by the Company's existing cash balances. Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

- (a) received, directly or indirectly, from the Company within 12 months preceding the date of this document; or
- (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (i) fees totalling £10,000 or more; or
 - (ii) securities in the Company with a value of £10,000 or more; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.

18.3 Save as disclosed in this document, no person (excluding professional advisers engaged in connection with the Offer or otherwise disclosed in this document and trade suppliers) has:

- (a) received, directly or indirectly, from Universal within 12 months preceding the date of this document; or
- (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from Universal on or after Admission any of the following:
 - (i) fees totalling £10,000 or more; or
 - (ii) securities in Universal with a value of £10,000 or more (calculated by reference to the subscription price or, in the case of an introduction, the expected opening price); or

- (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 18.4 There have been no payments in excess of £10,000 made by or on behalf of the Company to any government or regulatory body with regard to the acquisition or maintenance of any of the Company's assets.
- 18.5 Save in relation to the payment of:
- (a) licence renewal fees of A\$29,458.56 by UCD II to the Department of Mineral Resources; and
 - (b) royalties of A\$330,549.28 on coal sales in respect of Kangala by UCD I to the South African Revenue Service,
- there have been no payments in excess of £10,000 made by or on behalf of Universal to any government or regulatory body with regard to the acquisition or maintenance of any of Universal's assets.
- 18.6 The Directors are not aware of any exceptional factors that have influenced the Company's activities on those of the Universal Group.
- 18.7 No commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities.
- 18.8 Save as disclosed in this document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.
- 18.9 Where information contained in this document has been sourced from a third party this information has been reproduced without material adjustment. So far as the Company and Directors are aware and are able to ascertain from the information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 18.10 Save as disclosed in this document in relation to paragraph 12.3, there are no patents or other intellectual property rights, licences or particular contracts which are, or may be, of fundamental importance to the business of the CoAL Group or the Universal Group.
- 18.11 Save as disclosed in this document in relation to the Acquisition, there are no investments in progress which are significant for either the CoAL Group or the Universal Group.
- 18.12 The Directors are not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 18.13 Deloitte Touche Tohmatsu has audited the financial statements of the Company for the three financial years ending 30 June 2015.
- 18.14 The nominated adviser and broker, Peel Hunt LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.
- 18.15 MSA has given and not withdrawn its written consent to the issue of this document with the inclusion of its abridged report and references to its name in the form and context in which they appear.
- 18.16 VBKom has given and not withdrawn its written consent to the issue of this document with the inclusion of its abridged report and references to its name in the form and context in which they appear.
- 18.17 Venmyn Deloitte has given and not withdrawn its written consent to the issue of this document with the inclusion of its abridged report and references to its name in the form and context in which they appear.
- 18.18 Gemecs has given and not withdrawn its written consent to the issue of this document with the inclusion of its abridged report and references to its name in the form and context in which they appear.
- 18.19 Mindset has given and not withdrawn its written consent to the issue of this document with the inclusion of its abridged report and references to its name in the form and context in which they appear.

19 AVAILABILITY OF THIS DOCUMENT

Copies of this document are available free of charge from the Company's registered office and in electronic form at www.coalofafrica.com and for at least one month after Admission, at the offices of Peel Hunt LLP, Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom during normal business hours on any weekday (Saturday, Sunday and public holidays excepted).

Date: 1 February 2016

PART X

DEFINITIONS AND GLOSSARY

DEFINITIONS

2013 Group Financial Information	the audited financial statements of the CoAL Group for the financial year ended 30 June 2013, which are incorporated by reference into this document
2014 Group Financial Information	the audited financial statements of the CoAL Group for the financial year ended 30 June 2014, which are incorporated by reference into this document
2015 Group Financial Information	the audited financial statements of the CoAL Group for the financial year ended 30 June 2015, which are incorporated by reference into this document
A\$ and c	Australian dollars and cents respectively
Abridged Competent Person's Reports	the abridged competent person's reports in relation to the material assets of the CoAL Group and the Universal Group set out in Part XI and Part XII of this document respectively
Acquisition	the proposed acquisition by CoAL of up to the entire issued share capital of Universal, which is currently intended by way of the Offer but which may, if the Directors so determine, be implemented by way of a Scheme
Admission	the admission of the entire issued share capital of CoAL to trading on AIM becoming effective in accordance with the AIM Rules for Companies
AIM	the AIM market of the London Stock Exchange
AIM Rules for Companies	the AIM Rules for Companies published by the London Stock Exchange from time to time
AIM Rules for Nominated Advisers	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
Arnot South or the Arnot South Project	the Universal Group's Arnot South project, details of which are set out in Part II of this document
ASIC	the Australian Securities and Investments Commission
ASIC Relief	the ASIC relief issued to CoAL under subsection 1020F(1) of the Corporations Act in relation to the Offer, by way of a declaration set out in ASIC instrument [15-1129]
Associates	means persons and entities closely associated with an entity, as defined in sections 10 to 17 of the Corporations Act.
ASTC Settlement Rules	the ASTC Settlement Operating Rules of the ASX
ASX	ASX Limited and, where the context requires, the financial market it operates which is known as the Australian Securities Exchange
ASX Listing Rules	the listing rules of the ASX from time to time
Authorisations	All consents, clearances, permissions and waivers
Baobab	Baobab Mining and Exploration Proprietary Limited, the Company's subsidiary which owns the mining rights to the Makhado Project
BEE	broad-based black economic empowerment in South Africa
Berenice/Cygnus or the Berenice/Cygnus Project	the Universal Group's Berenice and Cygnus projects, details of which are set out in Part II of this document
Board	the board of directors of CoAL
Brakfontein or the Brakfontein Project	the Universal Group's Brakfontein project, details of which are set out in Part II of this document

Business Day	means a day (except Saturday or Sunday) on which banks are generally open for business in the United Kingdom, South Africa and Australia
Cash Consideration	the sum of A\$0.25 for each Universal Share held
Cash and Share Consideration	A\$0.20 plus one Consideration Share for each Universal Share held
Cash and Share Offer	the proposed offer by CoAL to acquire Universal Shares for the Cash and Share Consideration
CDI	a CHESS depositary interest, being a unit of beneficial ownership that confers a beneficial interest in an underlying and corresponding security
Chairman	means the Chairman of the General Meeting
CHESS	Clearing House Electronic Subregister System
CGT	capital gains tax
CoAL or the Company	Coal of Africa Limited
Companies Act	the Companies Act 2006 (as amended)
Completion	Successful completion of the Offer pursuant to the terms set out in the Offer Document
Conditions	the conditions of the Offer set out in section A of Part VI, and Condition means any one of them
Consideration Shares	up to 304,011,268 New Shares proposed to be issued to certain of the Universal Shareholders pursuant to the Offer
Constitution	the constitution of CoAL
Cooperation Agreement	the cooperation agreement between Universal and CoAL governing the terms under which it is proposed that CoAL will acquire the Universal Shares pursuant to the Offer
Corporations Act	means the <i>Australian Corporations Act 2001</i> (Cth)
CREST	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear which facilitates the transfer of title to shares in uncertificated form (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
CSA	coal supply agreement
Depository	means Computershare Investor Services plc, registration number 3498808, a company incorporated in England and Wales
Depository Interest	means the dematerialised depositary interest in respect of the Shares constituted under, and issued or to be issued by, the Depository
Directors	the directors of CoAL as at the date of this document, whose names appear on page vii of this document
DMR	the South African Department of Mineral Resources
DWA	Department of Water Affairs of South Africa
Eligible Universal Shareholders	all Universal Shareholders other than Restricted Universal Shareholders and includes Eligible South African Universal Shareholders
Employee Share Option Plan	the employee share option plan pursuant to which eligible executives and senior employees may be granted options to purchase ordinary shares adopted for executives and senior employees of the Group as per the rules approved by shareholders on 30 November 2009

Enlarged Group	CoAL and its subsidiaries following completion of the Acquisition, which, for the avoidance of doubt, will include the Universal Group
Enlarged Issued Share Capital	the issued ordinary share capital of the Company as enlarged by the Consideration Shares and the Subscription Shares proposed to be issued pursuant to, or to fund the Offer and, if applicable, the Provisional Placement Shares
Equity Securities	has the meaning given to that term in the ASX Listing Rules
Eskom	Eskom Holdings SOC Limited
Exxaro	Exxaro Coal Proprietary Limited
Facility Agreements	the facility agreements, each dated 15 July 2015, between Investec Bank Limited and certain members of the Universal Group
FCA or Financial Conduct Authority	the Financial Conduct Authority of the United Kingdom
FIRB	Foreign Investment Review Board, a division of the Treasury Department of the Australian Federal Government
FSMA	the Financial Services and Markets Act 2000, as amended
Form of Proxy	the form of proxy which is enclosed with this document for use by holders of Shares in connection with the General Meeting
Gemecs	Gemecs (Pty) Limited
General Meeting	the general meeting of the Company convened for 10 a.m. on 3 March 2016, notice of which is set out at the end of this document
Greater Soutpansberg Project or GSP	the CoAL Group's Greater Soutpansberg project, details of which are set out in Part III of this document
Group or the CoAL Group	CoAL and its subsidiaries and subsidiary undertakings (in each case as defined in the Companies Act) as at the date of this document.
Group Historical Financial Information	the audited financial statements of the CoAL Group for the three years ended 30 June 2015, comprising the 2013 Group Financial Statements, the 2014 Group Financial Statements and the 2015 Group Financial Statements, which are incorporated by reference into this document
HDSA	Historically Disadvantaged South Africans
HEI	Haohua Energy International (Hong Kong) Resource Co. Limited
Hengshun	Qingdao Hengshun Zhongsheng Group Co Ltd
IFRS	International Financial Reporting Standards as endorsed by the European Union
Independent Universal Directors	John Hopkins, Hendrik Bonsma, Tony Weber and Shammy Luvhengo
Investec	Investec Bank Limited
Issued Share Capital	the issued ordinary share capital of the Company prior to Admission
JIBA	the Johannesburg Interbank Agreed Rate
JORC Code	the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition) published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and Minerals Council of Australia

JSE	JSE Limited (Registration No. 2005/022939/06), a public company registered and incorporated in South Africa, licensed as an exchange under the Securities Services Act, 2004
Joint Announcement	the public announcement of the Offer published jointly by CoAL and Universal on 26 November 2015.
Kangala or the Kangala Colliery	the Universal Group's Kangala colliery, details of which are set out in Part II of this document
Loan Note Alternative	the option whereby Universal Shareholders may (subject to eligibility requirements) elect to receive Loan Notes instead of the Cash and Share Consideration (or, in the case of Restricted Universal Shareholders, the Cash Consideration) to which they would otherwise be entitled under the Offer
Loan Noteholder	the holder of Loan Notes from time to time
Loan Notes	the loan notes with a nominal value of A\$0.25 being offered to Universal Shareholders under the Offer, the principal terms of which are summarised in Section B of Part VI of this document
London Stock Exchange	London Stock Exchange plc
M&G	M&G Investment Management Ltd
M&G Subscription Agreement	the subscription agreement entered into between CoAL and M&G pursuant to which M&G will subscribe for the M&G Subscription Shares at a price of US\$0.0435 per M&G Subscription Share, for total proceeds of US\$3 million
M&G Subscription Shares	the 68,965,517 New Shares proposed to be issued to M&G pursuant to the M&G Subscription Agreement
Makhado or the Makhado Project	the CoAL Group's Makhado project, details of which are set out in Part III of this document
Mindset	Mindset Mining Consultants (Pty) Ltd
Minister	the Minister of Natural Resources in South Africa
MPRD	The Mineral and Petroleum Resources Development Act 2012 (South Africa) (as amended)
MSA	The MSA Group (Pty) Ltd
NCC or the NCC Project	the Universal Group's NCC project, comprising the New Clydesdale colliery and the Roodekop project, details of which are set out in Part II of this document
New Shares	the Consideration Shares, YBI Subscription Shares, M&G Subscription Shares and the Provisional Placement Shares.
Notice of General Meeting	means the notice of general meeting convening the General Meeting, which accompanies this Admission Document.
Offer	the offer made by CoAL to acquire all the issued Universal Shares, on the terms and subject to the conditions set out in the Offer Document
Offer Document	the offer document published by CoAL and sent to Universal Shareholders on 21 December 2015, which comprises the Offer
Offer Period	the period during which the Offer remains open beginning on and including 21 December 2015 and ending on 1.00pm (London time) on 3 March 2016 or such later date or dates as may be determined by CoAL from time to time, unless the Offer is withdrawn by CoAL, provided that in no circumstances will the Offer Period end any later than 12 months after 21 December 2015
Panel	the Panel on Takeovers and Mergers
Peel Hunt	Peel Hunt LLP, CoAL's nominated adviser and broker

Provisional Placement Shares	the 229,885,058 Shares which may be issued to investors not classified as related parties of the Company under the ASX Listing Rules, at an issue price of not less than US\$0.0435 per Share, if Resolution 5 as set out in the Notice of General Meeting is approved at the General Meeting.
Prospectus Rules	the prospectus rules made by the FCA under Part VI of the FSMA, as amended
Regulation S	Regulation S under the US Securities Act
Resolutions	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting
Restricted Territory	the United Kingdom or any other jurisdiction where the extension or availability of the Cash and Share Offer in that jurisdiction would breach any applicable law or regulation
Restricted Universal Shareholders	subject to certain exceptions detailed in this document, Universal Shareholders with a registered address in, or who are located in, a Restricted Territory
SARB	South African Reserve Bank
Scheme	a scheme of arrangement under Part 26 of the Companies Act between Universal and the relevant Universal Shareholders to effect the Acquisition
Shareholders	holders of Shares
Shares	ordinary shares in the capital of CoAL
Somerville or the Somerville Project	the Universal Group's Somerville project, details of which are set out in Part II of this document
Subscription Agreements	collectively, the M&G Subscription Agreement and the YBI Subscription Agreement
Subscription Price	US\$0.0435 per Share
Subscription Shares	collectively, the M&G Subscription Shares and the YBI Subscription Shares
subsidiary	has the meaning given in the Companies Act
UCD I	Universal Coal Development I Pty Limited
UCD II	Universal Coal Development II Pty Ltd
UCD III	Universal Coal Development III Pty Ltd
UCD IV	Universal Coal Development IV Pty Limited
UCD VII	Universal Coal Development VII Pty Ltd
UCD VIII	Universal Coal Development VIII Pty Ltd
UCEHSA	Universal Coal and Energy Holdings South Africa Pty Limited
UK Takeover Code	the Takeover Code which is published and administered by the UK Takeover Panel
UK Takeover Panel	the Panel on Takeovers and Mergers (UK)
Universal	Universal Coal plc
Universal ASX Announcement Platform	the "ASX Announcements" page of Universal's website
Universal Directors	the directors of Universal as at the date of this document
Universal Group	Universal and its subsidiaries
Universal Historical Financial Information	the audited financial statements of the Universal Group for the three years ended 30 June 2015, which are set out in Section B of Part VII of this document
Universal Shareholders	holders of Universal Shares

Universal Shares	ordinary shares of £0.05 each in the capital of Universal
US or United States	the United States of America
US Persons	has the meaning given in Regulation S
US Securities Act	the US Securities Act of 1933
US\$ and c	United States of America dollars and cents respectively
VAT	means in relation to any jurisdiction within the European Union, the value added tax imposed by the Council Directive of the European Union (2006/112/EC) and any national legislation implementing that directive or its predecessor directives and, in relation to any other jurisdiction, the equivalent value added tax, federal, state or local sales tax or similar tax (if any) in that jurisdiction
VBKom	VBKom Consulting (Pty) Ltd
Vele or the Vele Colliery	the CoAL Group's Vele Colliery, details of which are set out in Part III of this document
Venmyn Deloitte	Venmyn Deloitte (Pty) Ltd
VWAP	volume weighted average price
YBI	means Yishun Brightrise Investment Pte Ltd.
YBI Subscription Agreement	the subscription agreement entered into between CoAL and pursuant to which YBI will subscribe for the YBI Subscription Shares at a price of US\$0.0435 per YBI Subscription Share, for total proceeds of US\$15 million
YBI Subscription Shares	the 344,827,500 New Shares proposed to be issued to YBI pursuant to the YBI Subscription Agreement
ZAR and c	South African rand and cents respectively
£ and p	United Kingdom pounds sterling and pence respectively

GLOSSARY OF TECHNICAL TERMS

bituminous coal	a class of coal high in carbonaceous matter, having less than 86% fixed carbon and more than 14% volatile matter on a dry mineral-free basis
box-cut	the initial cut driven in a property, where no open side exists resulting in a highwall on both sides of the cut
coal	a readily combustible black or brownish-black combustible rock containing more than 50% by weight and 70% by volume of carbonaceous material, including inherent moisture. It is formed from plant remains that have been compacted, indurated, chemically altered and metamorphosed by heat and pressure during geological time
coal reserves	that part of a coal resource which has been demonstrated to be economically exploitable
coking coal	high volatile coal used to create coke
colliery	a coal mine and all of its associated processing facilities
deposit/deposits	an area of coal resources or reserves identified by surface mapping, drilling or development
disposal	the final placement or destruction of toxic, radioactive or other wastes, surplus or banned pesticides or other chemicals, polluted soils and drums containing hazardous material from removal actions or accidental releases
exploitation	a method of deriving a benefit from a resource
exploration	prospecting, sampling, mapping, drilling and other work involved in the search for mineralisation
feasibility study	an extensive technical and financial study to assess the commercial viability of a product
hard coking coal	a type of coking coal which enables the coke to be more efficient in/ for steel making when it converts to iron ore to raw steel
indicated mineral resources	the part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable 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 too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed
inferred mineral resources	the part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability
in situ	in place, i.e. within broken rock
lean coal	generally in South African bituminous coal which contains less than 15% volatile matter
life of mine	the length of time a mine is or could be in production
measured mineral resources	the part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as

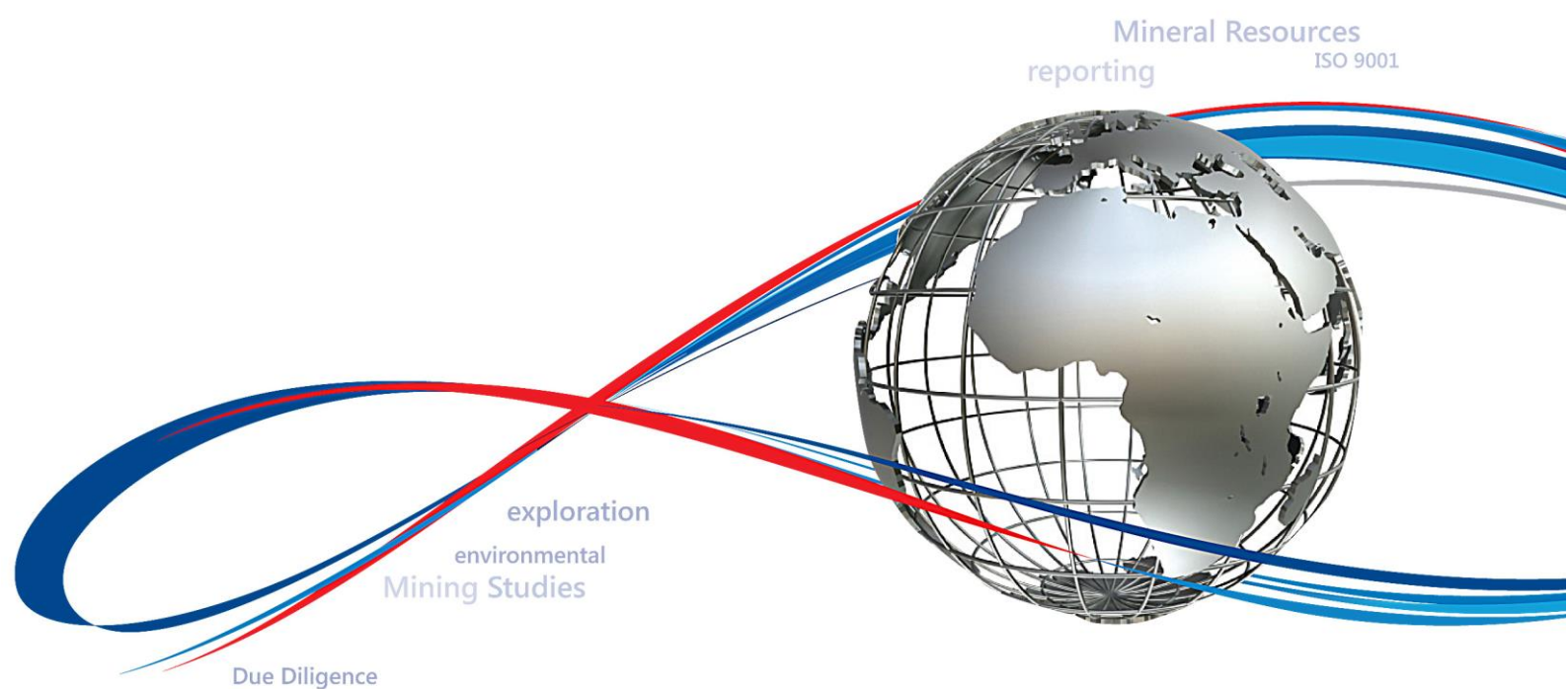
	outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity
metallurgical coal	an informally recognised name for bituminous coal. Generally this coal will have less than 1% sulphur and less than 8% ash on an air dried basis. Metallurgical coal is sometimes referred to as coking coal
mine	any operation where mineral is extracted from the ground. This may be by surface or underground mining methods
mineral resources	a concentration or occurrence of natural, solid, inorganic, fossilised organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated, or interpreted from specific geological evidence and knowledge
mineralisation	the presence of a mineral of economic interest in a rock
ores	rock that cannot be mined and processed at a profit
overburden	sterile soil and rock overlying the coal
probable reserves	the economically mineable part of an indicated, and in some circumstances, a measured mineral resource. A probable reserve has a lower level of confidence than a proven reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit
proven reserves	is the economically mineable part of a measured mineral resource. A proven reserve represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that proven reserve are not achievable in some deposits
prospect	a mineral deposit with sufficient data available on the mineralisation, indicative planning and licensing to show it is economically recoverable, within acceptable limits, and included in the relevant Group's future mining plans, but warranting further detailed investigation
ramp up	an increase in operations in both throughput and production
ROM	run-of-mine
run-of-mine	coal as it comes from the mine prior to screening or treatment
sample	a representative fraction of a coal seam collected by approved methods, guarded against contamination and analysed to determine the nature chemical, mineralogical or petrographic composition, percentage content of specified constituents and heat value
seam	a geological structure containing a series of layers of coal, shale and other mineral materials of various thickness within a defined zone
thermal coal	coal that is used primarily for its heating value. Thermal coal tends not to have the carbonisation properties possessed by metallurgical coals
underground mining	the extraction of coal or its products from layers of rock by underground mining methods whereby the overburden is not removed in order to extract the coal or its products

PART XI:

**ABRIDGED COMPETENT PERSON'S REPORTS ON THE COAL GROUP'S
MATERIAL ASSETS**

SECTION A: ABRIDGED COMPETENT PERSON'S REPORT ON THE MAKHADO PROJECT

Abridged Independent Competent Person's Report On the Makhado Coal Project of Coal of Africa Limited



J3283

Submitted on 29 January 2016

Report prepared by The MSA Group (Pty) Ltd on behalf of: Coal of Africa Limited and their nominated advisor Peel Hunt LLP

Author(s): Philip Mostert Principal Coal Consultant Pr.Sci.Nat.

Date: 29 January 2016

Project Code: J3283

pm.

Primary Author
Philip Mostert

Reviewed by
Andre van der Merwe

This document has been prepared for the exclusive use of **Coal of Africa Limited** on the basis of instructions, information and data supplied by them. For the purposes of the AIM Rules for Companies, MSA is responsible for this Abridged CPR as part of the Admission Document and declares that it has taken all reasonable care to ensure that the information contained in this Abridged CPR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. MSA consents to the inclusion of this Abridged CPR, and reference to any part of this Abridged CPR and/or the full CPR, in the Admission Document.



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1 EXECUTIVE SUMMARY

Coal of Africa Limited ("CoAL") appointed The MSA Group ("MSA") to prepare an Independent Competent Person's Report and Valuation in respect of CoAL's Makhado Project in South Africa. The CPR is being prepared in connection with CoAL's application for readmission of its shares to trading on the AIM market of the London Stock Exchange ("AIM"), which is being made as a consequence of its takeover offer for Universal Coal plc.

This report (the "Abridged CPR") is an abridged version of the full CPR. MSA understands that the full CPR has been made available on CoAL's website, www.coalofafrica.com

MSA understands that this Abridged CPR will be included as part of an AIM admission document to be published by CoAL (the "Admission Document").

Both the full CPR and this Abridged CPR have been prepared:

- in accordance with the AIM Note for Mining and Oil & Gas Companies (2009) published by the London Stock Exchange;
- in compliance with and to the extent required by the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and Minerals Council of Australia (the "JORC Code"); and
- in respect of the valuation of reserves, the Australasian Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Export Reports (2005 Edition) (the "VALMIN Code").

For the purposes of the AIM Rules for Companies, MSA is responsible for this Abridged CPR as part of the Admission Document and declares that it has taken all reasonable care to ensure that the information contained in this Abridged CPR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. MSA consents to the inclusion of this Abridged CPR, and reference to any part of this Abridged CPR and/or the full CPR, in the Admission Document.

This report replaces the previous Competent Person's Report dated 27 June 2013. No additional geological information or boreholes were added since then, and the geological model was not changed in any way. All Coal Resources and Reserves reported are identical to previous estimations.

A site visit was conducted on 19 August 2015 by Mr Philip Mostert, as part of the high-level due diligence review of the geology and Coal Resources.

MSA will be paid a fee for the preparation of this Report in accordance with normal consulting practice. MSA's remuneration is not linked to the readmission of CoAL or the value of CoAL or its projects. Neither MSA nor any of its employees and associates employed in the preparation of this CPR has any pecuniary or beneficial interest in CoAL, Universal Coal plc or in the Makhado Coal Project. MSA considers itself to be independent.

The CPR was reviewed internally to MSA, by suitably qualified geologists and mining engineers.



The competent person with overall responsibility for reporting of Mineral Resources is Philip Mostert Pr.Sci.Nat, B.Sc Hons (Geology), MGSSA, who is a full time Principal Coal Consultant at The MSA Group. Mr Mostert is a geologist with 14 years' experience in the mining industry.

The competent person with overall responsibility for reporting of Mineral Asset Valuation is André van der Merwe Pr.Sci.Nat, B.Sc Hons (Geophysics), FGSSA, MAUSIMM, MSEG who is the full time Head of Mining Studies at The MSA Group. Mr van der Merwe is a geophysicist with 28 years' experience in the mining industry.

The Makhado Project is housed under Boabab Mining and Exploration, which is 100% owned by Coal of Africa Ltd (CoAL) a company listed on various stock exchanges namely: ASX in Australia, AIM in the UK and JSE in South Africa.

The Makhado Project represents CoAL's first project in the Soutpansberg Coalfield, Limpopo Province, South Africa. It is a thermal and coking coal project expected to mine at an average steady state rate of 12.6 Mtpa (Run of Mine (ROM)) to produce an average product of 2.3 Mtpa of coking coal (including fines) and 3.2 Mtpa of thermal coal.

The project is situated in the Limpopo Province 35 km north of the town Makhado (Louis Trichardt). The town of Musina is located approximately 50 km north of the Makhado Project area. The village of Mudimeli is located within the Makhado Project area on the farm Fripp 645MS.

CoAL holds an New Order Prospecting Right (NOPR) (LP 30/5/1/1/2/38 PR) over all or sections of the farms Overwinning 713MS, Mutamba 668MS, Windhoek 649MS, Daru 848MS, Tanga 849MS, Fripp 645MS and Lukin 643MS. The DMR accepted an NOMR application by CoAL on the farms Mutamba 668MS, Windhoek 649MS, Daru 848MS, Tanga 849MS, Fripp 645MS, Lukin 643MS and Salaita 188MT on the 25th February 2011, and granted in 15 May 2015. The application covers a Mining Right Area of 7,634 ha. This right will supersede the current NOPRs and the required renewals thereof.

The planned opencast mine is to mine at a ROM production rate averaging approximately 12.6 Mtpa ROM to produce approximately 2.3 Mtpa of primary product (10% Ash coking coal, including fines) of which 1 Mtpa has been earmarked for the local market and the remainder for export. In addition to coking coal, the Makhado Project will also produce 3.2 Mtpa of middlings secondary product (maximum 30% ash, thermal coal) for power generation.

All Mineral Resources and Ore Reserves, quoted in this CPR, 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 are required to 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 in the full-time employ of CoAL.

The JORC compliant Coal Resource for the Makhado Project, and inclusive of Reserves, were estimated and signed off by CoAL's Competent Person, Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist. MSA reviewed the estimation procedures and independently validated the results. MSA agrees with the Coal Resource and classification as declared by CoAL. The Makhado



Project contains 344,765,500 MTIS, 74% attributable to CoAL (265,025,500 Measured, 76,743,000 Indicated and 2,998,000 Inferred)

Coal Reserves were estimated and signed off by CoAL's Competent Person, Mr C Bronn, CoAL's Mining Engineer and Optimisation Manager, as at 1st May 2013 and in accordance with the JORC Code. The Reserve Statement is presented in the table below. This excludes the estimated 4% of additional tonnage for fines (-0.5mm) recovery. The Coal Reserves were based upon the block model prepared by Mr B Bruwer, VBKom's Senior Mining Engineer, the information to which was originally sourced from the Minex model dated 31st August 2011. MSA reviewed the estimation procedures and independently validated the results. MSA agrees with the Coal Reserve and classification as declared by CoAL. The total ROM Reserves, all in the Probable category, is 172,756,000 tonnes.

To the best of the knowledge of MSA, there have been no material changes since 4 December 2015 being the date of the Resources and Reserves, and the date of this document.

MSA took into consideration the AIM Rules and with specific reference to the AIM June 2009 - Note for Mining and Oil & Gas Companies, which prescribes a valuation based on NPV (post-tax) at a discount rate of 10%. MSA thus considers the results of the Income approach to be most applicable, due to the high level of techno-economic study that was completed recently. MSA then estimates a Value of ZAR 6,960 million (USD497 million) for CoAL interest in the Makhado Project.

2 PROJECT

The Makhado Project represents CoAL's first project in the Soutpansberg Coalfield, Limpopo Province, South Africa. It is a thermal and coking coal project expected to mine at an average steady state rate of 12.6 million tonnes per annum (Mtpa) (Run of Mine (ROM)) to produce an average product of 2.3 Mtpa of hard coking coal (including fines) and 3.2 Mtpa of thermal coal.

The project is situated in the Limpopo Province 35 km north of the town Makhado (Louis Trichardt). The town of Musina is located approximately 50 km north of the Makhado Project area. The village of Mudimeli is located within the Makhado Project area on the farm Fripp 645MS.

3 OWNERSHIP & MINERAL TENURE

The Makhado Project is housed under Boabab Mining and Exploration, which is 100% owned by Coal of Africa Ltd (CoAL) a company listed on various stock exchanges namely: ASX in Australia, AIM in the UK and JSE in South Africa.

CoAL holds an New Order Prospecting Right (NOPR) (LP 30/5/1/1/2/38 PR) over all or sections of the farms Overwinning 713MS, Mutamba 668MS, Windhoek 649MS, Daru 848MS, Tanga 849MS, Fripp 645MS and Lukin 643MS. The right was initially granted until October 2011. CoAL submitted a renewal application in July 2011 to extend the Right for a further three years. A notarial deed of amendment or variation of a prospecting right executed by CoAL and DMR on 19 January 2011 records that CoAL applied to amend 38 PR by relinquishing the farms Albert 686 MS, Bekaf 650 MS, Castle Koppies 652 KS, Chase 576 MS, Enfield 521 MS, Fanie 578 MS, Joffre 584 MS, Kleinberg 636 MS, Wildgoose 577 MS and by adding Portion 2 and the Remaining Extent of Mount Stuart 153 MT, Portion 1 and the Remaining Extent of Terblanche 155 MT, Septimus 156 MT, Nakab 184 MT,



Lukin 643 MS, Remaining Extent and Portion 1 of Overwinning 713 MS, Remaining Extent, Portions 1 and 2 of Windhoek 649 MS, measuring 15 569.9679 hectares. CoAL, through its subsidiary Regulus Investment Holdings (Pty) Ltd (Regulus), holds an NOPR (LP 30/5/1/1/2/161 PR) over the farm Salaita 188MT which expired on 8th April 2013. This NOPR has been renewed.

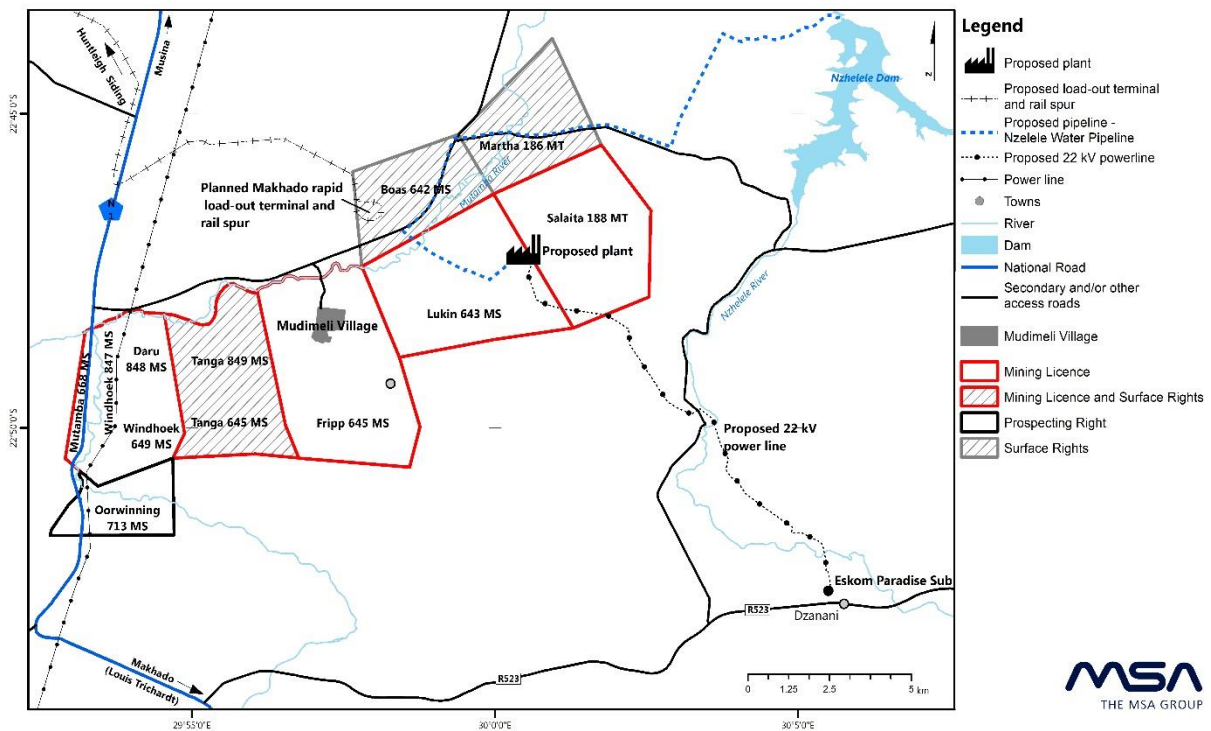
The DMR accepted an NOMR application by CoAL on the farms Mutamba 668MS, Windhoek 649MS, Daru 848MS, Tanga 849MS, Fripp 645MS, Lukin 643MS and Salaita 188MT on the 25th February 2011, and granted in 15 May 2015. The application covers a Mining Right Area of 7,634 ha. This right will supersede the current NOPRs and the required renewals thereof. The Integrated Water Use License has been granted by the Department of Water and Sanitation.

Summary of the Mineral Right approved for the Makhado Project

Asset	Holder	Interest %	Status	Licence expiry date	Farm Name & no	Licence area (ha)	Comments
South Africa Makhado	Boabab Mining Exploration (Pty) Ltd	74%	Development	To be advised on execution of the NOMR	Mutamba 688MS	674	License no: LP 30/5/1/2/2/204 MR
					Windhoek 847MS	549	
					Daru 848MS	832	
					Tanga 849MS	1255	
					Fripp 645MS	1932	
					Lukin 643MS	1650	
					Salaita 188MT	1506	

A Definitive Feasibility Study (DFS) was completed on the project by CoAL and its external consultants in May 2013.

Farm Boundaries, Surface Rights and Mineral Tenure



4 LEGAL ISSUES

CoAL has informed MSA of land claims on the farms Fripp 645 MS, Tanga 648 MS, Lukin 643 MS and Salaita 188 MS. The land claims on the various properties have been gazetted by the Department of Rural Development and Land Reform (DRDLR). CoAL recognises land claimants as key stakeholders, and the company's engagement is governed by the company's stakeholder engagement strategy that ensures regular, meaningful and transparent engagement. CoAL recognises the legislative framework of the land claims process and will work within that framework.

5 ACCESSIBILITY, PHYSIOGRAPHY, CLIMATE, LOCAL RESOURCES AND INFRASTRUCTURE

The topography of the Makhado Project comprises a relatively flat plain towards the north, whilst the southern portion of the Project area abuts the northern foothills of the Soutpansberg mountain range. More specifically, the Mapaliome, Donwa and the Pfumembe mountains lie to the south of the mining area. Slopes of up to 12° are encountered on the hillsides. The average elevation is 750 mamsl (metres above mean sea level), with the Soutpansberg Mountains, bordering the project area to the south, reaching a maximum elevation of 1,747 mamsl.

The Makhado Project area experiences a warm to hot, semi-arid climate. It typically has four seasons with summer extending from November to February, and winter from May to August. The nearest weather station, Tshipise No. 07662771, is situated approximately 32 km northeast of the project area. Temperatures average an annual minimum of 16° C in winter and an average maximum of 30° C in summer. The lowest temperature measured at Tshipise between 1994 and 2006 is -1° C in July and the highest recorded temperature is 43° C in December.



6 GEOLOGICAL SETTING

The Makhado Project area is located in the Tshipise South subdivision of the greater Soutpansberg Coalfield. The Project is characterised by a number of seams which occur within a 30 to 40 metre thick carbonaceous zone of the Madzaringwe Formation.

All seams comprise interbedded 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°.

Six potential mining horizons or seams which were identified by CoAL namely: Upper Seam, Middle Seam, Middle Lower Seam, Bottom Upper Seam, Bottom Middle Seam and Bottom Lower Seam. The Bottom Middle Seam usually comprises predominantly mudstone and for this reason it has not been included in the Resource estimate; however, in certain areas it has sufficient coal to be considered a potential mining target.

A major northwest-southeast trending fault referred to as the Siloam Fault has been identified on the farm Lukin 643MS, which has displaced the Coal Zone and offsets the sub-outcrop. The fault has been considered when positioning the infrastructure layout such that the access roads have been positioned along the fault line, thereby reducing potential sterilisation of Coal Resources.

Other significant faults mark the western and eastern limits of the Resource area along strike. The frequency of smaller scale faulting will be investigated through closely spaced drilling ahead of the mining face.

A dolerite sill of up to 50 m in thickness has been identified through drilling which has resulted in devolatilised coal in close proximity to the sill. This sill is located above the Coal Zone on the farms Tanga 849 MS and Lukin 643 MS and vertically transgresses below the Coal Zone on the farm Fripp 645 MS. The economic effect of devolatilisation is that it effectively destroys the coking properties of coal. In areas where the sill is above and below coal measures it has had no impact on the coal and it is only in the limited areas where the sill transgresses the coal measures that it has impacted on the coal quality. The coal that has been affected by the dolerite sill transgression has been excluded from the Resource, and mine planning and scheduling that formulated the reserve determinations.

7 EXPLORATION

Prior to the involvement of CoAL's involvement in the project all historic exploration activities was undertaken by Iscor and Rio Tinto, and it can be expected that best practices were followed and that the data can be regarded as acceptable for Coal Resource estimation. The source data that provided input into the Coal Resource include the following:

- 316 NQ-size diamond core holes drilled by Iscor before. 2007 No wireline logging was completed on these boreholes.
- 4 PQ3-size diamond core holes drilled by Rio Tinto between 2006 and 2007 with wireline logging data. These boreholes were excluded from the estimation.



- 172 PQ3-size triple tubed diamond cores holes and 24 LDD holes drilled by CoAL between 2008 and 2010. Both diamond core holes and the LDD have wireline logging data.
- 13 percussion holes drilled by CoAL in 2010 which have wireline logging information.

The CoAL exploration drilling was undertaken by Geomechanics (Pty) Ltd and Ludikore Exploration Services (Pty) Ltd. Drilling since 2009 has been conducted by South African Drilling Services (Pty) Ltd and Geomechanics. The CoAL drilling procedure has been independently supervised or verified by other reputable consulting companies and MSA is satisfied that best practice standards have been employed by the company. The core size was changed from HQ3 to PQ3 after the initial 25 exploration boreholes in order to obtain more sample material and maximise core recovery. The CoAL drilling contracts required a minimum recovery of 98% within coal horizons and 95% in non-coal sediments.

Samples from the Rio Tinto drilling campaign were analysed at ALS Brisbane (ISO 17025 accredited) and products were returned to South Africa for petrographic analysis. The 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, namely:

- Core exploration samples have been sent to the CAM Laboratory in Polokwane. CAM is accredited (No. T0476) through SANAS.

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.

8 COAL RESOURCE STATEMENT AND CLASSIFICATION

All Mineral Resources and Ore Reserves, quoted in this CPR, 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 are required to 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 in the full-time employ of CoAL.

The following cut-offs 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 0.5 m is applied prior to the reporting of GTIS;



- a limit of oxidation of 30 m, based on the actual results from the bulk sampling pit indicate 18m;
- limit of 20% volatile matter. All material less than 20% volatiles were excluded;
- a limit of 50 m around all known geological structures and dykes;
- maximum depth of 200 m 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.

The JORC compliant Coal Resource for the Makhado Project, and inclusive of Reserves, is summarised in the table to follow. These were estimated and signed off by CoAL's Competent Person, Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist. MSA reviewed the estimation procedures and independently validated the results. MSA agrees with the Coal Resource and classification as declared by CoAL. The table below summarises the Makhado Coal Project Coal Resources as at 4 December 2015.

Project	Resource Category	Seam	Gross Tonnes In Situ (GTIS) (ad)	Geological Loss (%)	Total Tonnes In situ (TTIS) (ad)	Mineable Tonnes In Situ (MTIS) (ad)	MTIS Attributable to CoAL (74%)
Makhado	Measured	Upper	49 739 069	10%	44 765 162	34 617 700	25 617 098
		Middle Upper	99 369 366	10%	89 432 429	61 795 200	45 728 448
		Middle Lower	50 245 151	10%	45 220 636	35 721 100	26 433 614
		Bottom Upper	94 803 401	10%	85 323 061	61 067 900	45 190 246
		Bottom Lower	108 623 583	10%	97 761 225	71 822 600	53 148 724
	Total / Ave Measured Resource		402 780 570	10%	362 502 513	265 024 500	196 118 130
	Indicated	Upper	46 302 051	15%	39 356 743	15 854 000	11 731 960
		Middle Upper	72 677 731	15%	61 776 071	16 015 000	11 851 100
		Middle Lower	30 373 388	15%	25 817 380	9 242 000	6 839 080
		Bottom Upper	72 647 666	15%	61 750 516	15 682 000	11 604 680
		Bottom Lower	76 594 050	15%	65 104 943	19 950 000	14 763 000
	Total / Ave Indicated Resource		298 594 886	15%	253 805 653	76 743 000	56 789 820
	Inferred	Upper	35 934 884	20%	28 747 907	2 560 000	1 894 400
		Middle Upper	20 372 039	20%	16 297 631	94 000	69 560
		Middle Lower	5 883 777	20%	4 707 022	80 000	59 200
		Bottom Upper	16 302 194	20%	13 041 755	4 000	2 960
		Bottom Lower	15 739 238	20%	12 591 390	260 000	192 400
	Total / Ave Inferred Resource		94 232 132	20%	75 385 706	2 998 000	2 218 520
	Total Resource Makhado		795 607 588		691 693 872	344 765 500	255 126 470

9 MINING

No commercial mining has taken place at the Makhado Project to date, even though the NOMR has been granted but execution and registration is still pending.



A DFS has assessed the mining of the Makhado Project using opencast mining methods. The DFS details the planned mining design, mining methods, mine scheduling and the proposed processing methodologies for Makhado Project. The LOM for the proposed opencast mining operations is estimated to be approximately 15 years. The LOM schedules, LOM plans, capital costs and operating costs had been provided by CoAL, Caterpillar and VBKom Consulting Engineers (Pty) Limited (VBKom) in January 2013. The results of these studies are summarised in this section.

The project will mine the coal from three opencast pits (referred to as the West Pit, Central Pit and East Pit) located east of the N1 National Road and to the south of Provincial Road D745. Intermediate crushers will be located to the south of each of these pits. The coal processing plant will be located to the south of the East Pit, so as to minimise the haulage distances. The East Pit will be the largest pit with the greatest portion of the Coal Reserves.

The planned opencast mine is to mine at a ROM production rate averaging approximately 12.6 Mtpa ROM to produce approximately 2.3 Mtpa of primary product (10% Ash coking coal, including fines) of which 1 Mtpa has been earmarked for the local market and the remainder for export. In addition to coking coal, the Makhado Project will also produce 3.2 Mtpa of middlings secondary product (maximum 30% ash, thermal coal) for power generation. This is anticipated for sale domestically as a domestic thermal coal product.

10 PROCESSING

DRA Mineral Projects (Pty) Ltd (DRA) was contracted by CoAL to carry out the portion of the feasibility study covering the coal handling and processing plant (CHPP) for the Makhado Coal Project. The plant needs to be efficient in terms of energy and water usage and should apply technology that is proven in the coal processing industry.

The plant is designed to accommodate different yielding material with the West Pit yielding the lowest product and the East, the highest. According to the latest production schedule document received, the plant will receive a blend of ore from the East, West and Central Pits for the major duration of the life of mine. The ore from these three sources is treated according to the mining production schedule where the East coal is first treated for the first two years, followed by a blend of the East and Central coal and finally a blend of all three pits for the last six years of the life of mine. The average annual ROM supply from the pits to the processing plant is 12,330,442 t (calculated from taking an average of the different ROM figures for each year), and the maximum annual ROM supply is read from the same production schedule as 12,600,000 t. Therefore, if during actual mining it happens that more of the material from the West is frequently sent to the plant, the plant will frequently operate at the higher throughput limit compared to when say more of the East material is sent to the plant.

The process was designed employing cost-effective and well-proven technologies while conforming to the required operational capability.

11 COAL RESERVE STATEMENT AND CLASSIFICATION

Coal Reserves were estimated and signed off by CoAL's Competent Person, Mr C Bronn, CoAL's Mining Engineer and Optimisation Manager, and in accordance with the JORC Code. The Reserve Statement is presented in the table below. This excludes the estimated 4% of additional tonnage



for fines (-0.5mm) recovery. The Coal Reserves were based upon the block model prepared by Mr B Bruwer, VBKom's Senior Mining Engineer, the information to which was originally sourced from the Minex model dated 31st August 2011. MSA reviewed the estimation procedures and independently validated the results. MSA agrees with the Coal Reserve and classification as declared by CoAL.

The minimum requirements for the conversion of Coal Resources to Coal Reserves and the resultant declaration and signoff of a Reserve statement requires that a mine plan has been prepared and that the modifying factors have been considered and applied to the Resource for the conversion process. The modifying factors include consideration of the mining, processing, metallurgical, infrastructure, economic, marketing, legal, environment, social and government factors in order to derive an ore Reserve which is demonstrated to be economically extractable in present day conditions. The Coal Reserves were declared on the basis of the recently completed DFS on Makhado Project.

In the case of Makhado, the Competent Person has classified all the Makhado Reserves into the Probable category, although 85% of the Resources from which they are derived, are classified as Measured Resources. The reason for this classification relates to the uncertainty around the yields. The yields estimated across the orebody model have been estimated based on slim-line drilling only and using crushing. Recent bulk sampling results at isolated locations across the deposit have suggested that higher yields may be obtained using this different drilling methods and crushing methods, and indeed when the deposit is mined and processed. There is currently insufficient data currently available to accurately prove statistically or geostatistically that the yield across the deposit would be higher than currently estimated and therefore the classification of Probable Reserves have been decided.

The modifying factors applied to derive the Makhado Ore Reserves are as follows:-

- an export/ domestic hard coking coal price of USD225 per tonne for the primary product, at an exchange rate of ZAR7 to the USD. A domestic thermal coal price of ZAR250 per tonne for the middlings product was not considered in the evaluation during the Whittle Pit Optimisation to define the pit size as this exercise was carried out prior to the decision to produce the middlings fraction. The inclusion of the middlings fraction would result in upside potential to the project. 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. Even though the forecast coal prices have retreated in the short term, the significant depreciation of the South African Rand to ~ZAR14.1 to the USD results in no material changes ;
- an average total cash operating cost of ZAR244 per ROM tonne was utilised;
- processing plant efficiency of 90%;
- an average primary product practical yield of 15% and an average middlings product practical yields of 26% was estimated based on the results from the slim line borehole results. It should be noted that these yields exclude the recoveries for the coal fines and the result of the recent large diameter boreholes results and therefore yields may be higher;



- mining recovery efficiency factor of 92% and geological losses of 5% on the opencast Coal Reserves;
- surface/residual moisture of ~3.0% and inherent moisture of 1.6%;
- assumed contamination of 5% for the opencast Coal Reserves. This figures was based upon industry averages;
- in the estimation of Coal Reserves, MSA assumed that all regulatory applications will be approved and the current approvals will continue to be valid; and
- primary product yield percentages excludes fines recovery. CoAL plans to implement a full fines recovery system in the plant for the -0.500 mm to +0.075 mm fraction. The estimated fines (-0.5 mm) recovery for the 10% ash primary product are 4.07% of ROM tonnes.

Saleable Coal Reserves are reported on an as sold and air dried basis. No superficial moisture is added as the Saleable Reserves are sold on an air dried basis. For logistical purposes relating to coal transport, the addition of 3% moisture to the Saleable Tonnes is required to account for superficial moisture.

The table below summarises the Makahdo Coal Project Coal Reserves as at 4 December 2015.

Mining Block	Reserve Category	Mineable Tonnes In Situ (MTIS) Reserve (ad)	Geologic al Loss (%)	Extractable Reserves (t)	Contaminati on	Mine Recovery Factor	ROM Reserves (t)	ROM Reserves Attributable to CoAL (74%)	Primary Marketable Reserves (t)	Middlings Marketable Reserves (t)
East Pit	Probable	94 585 936	5%	89 856 639	5%	92%	86 801 000	64 232 740	14 773 000	24 330 000
Central Pit		53 472 256	5%	50 798 643	5%	92%	49 071 000	36 312 540	6 747 000	10 560 000
West Pit		40 192 263	5%	38 182 650	5%	92%	36 884 000	27 294 160	4 116 000	9 645 000
Total Makhado Reserves		188 250 455	5%	178 837 932	5%	92%	172 756 000	127 839 440	25 636 000	44 535 000

12 VALUATION OF THE MAKHADO PROJECT

Discounted Cashflow Analysis

Principal Sources of Information

The principal source of information in this section of the report is an Excel spreadsheet detailing the operations of the Project. The spreadsheet was provided by CoAL, Celeste Riekert (Group Finance Manager), dated 9 November 2015.

Introduction

The financial evaluation has been performed in real terms and has been undertaken on an after-tax, un-leveraged, real rate of return basis. The inflate/deflate methodology has been incorporated in order that the quantum and timing of tax and royalty payments is correct

The base date for the NPV and IRR calculations for the financial model is 9 November 2015. All production, costs and revenues are based on financial years and all cash inflows and outflows are assumed to occur in the middle of each year, i.e. 1st July of each year. To the best of the knowledge of MSA, there have been no material changes since 4 December 2015 being the date of the financial analysis and the date of this document.



Review of Cash Flow Forecast

The spreadsheet model was checked for formula consistency and for the correct flow-through of data between the various sections of the spreadsheet. A few errors were found and corrected.

The input parameters were also reviewed and a number of changes made as outlined below.

Changes made to the Model

Foreign Exchange Rate

A foreign exchange rate of ZAR13.00 for USD1.00 is considered to be low in the light of current economic circumstances and a more appropriate rate of ZAR14.00:USD1.00 was implemented. Over the last 6 months, the rand has averaged R13:00 to the USD but the general consensus of investment analysts is that the Rand will continue its downward trend and Rand Merchant Bank is forecasting ZAR15.42 to the USD in 12 months' time. Another commentator has forecast a rate of R15.90 to the USD in the next 12 months.

The exchange rate was allowed to change according to the purchasing power parity ("PPP") between the two currencies. The inflation rate for South Africa is forecast to be 6% per annum and the US inflation is forecast to be 2.5% per annum giving a PPP of 3.41% per annum. A sensitivity analysis of exchange rate vs coking coal price is included.

Discount Rate

The valuation must comply with the AIM rules of using a real discount rate of 10%. The NPVs will be in real terms determined after the inflate/deflate methodology has been implemented. With a South African inflation rate estimated at 6% per annum, a 10% discount rate equates to a 16.71% nominal discount rate.

Other

Other inputs covering tax and royalties were checked and found to be correct. All other inputs are considered to be acceptable.

Methodology Applied

The costs and revenues were originally in 2013 money terms for the Definitive Feasibility Study completed in June 2013. These costs and revenues have been adjusted to mid-2015 money terms by applying appropriate escalation factors. Inflation is applied from 2016 onwards and then deflated back to 2016, thus preserving the mid-2015 money terms.

The inflation applied to the East Pit capital expenditure was based on a combined SEIFSA Weighted Indices Forecast up to 2020 which covers the capital expenditure for the East Pit. The average SEIFSA index year on year was 5.3% from 2016 to 2020; this has been applied to capital expenditure beyond 2020 for the Central and West Pits.



12.1 Results of Financial Model

Base Case Variables	
Discount rate (real)	10.0%
Discount Rate (nominal)	16.7%
ZAR:US\$ Exchange Rate	R14.00:US\$1.00
Average price per tonne Hard Coking Coal	US\$135.00
Overall Yield (hard coking coal)	19.7%
Overall Yield (thermal coal)	24.7%
Life of Mine	15 years

Summary of selected financial inputs and corresponding results (Real)– post tax valuation		
Item	ZAR	US\$
Post Tax Valuation		
Capital investment	6.39bn	456.6m
Cash flow before Tax and Royalty	31.91bn	2,279.5m
Project cash flow (real) (including royalty)	21.59bn	1,542.4m
Maximum funding required	2.4bn	171m
Payback period from Project start (years)	4.3	
Payback period from start of production (years)	3.3	
Post-tax NPV @ 10 % (real discount rate)	6.96bn	497.0m
Post-tax IRR (Real)	30.4%	

The table below shows the NPVs in real terms as well as the internal rate of return (IRR) at various discount rates based on the assumptions and inputs as outlined above.

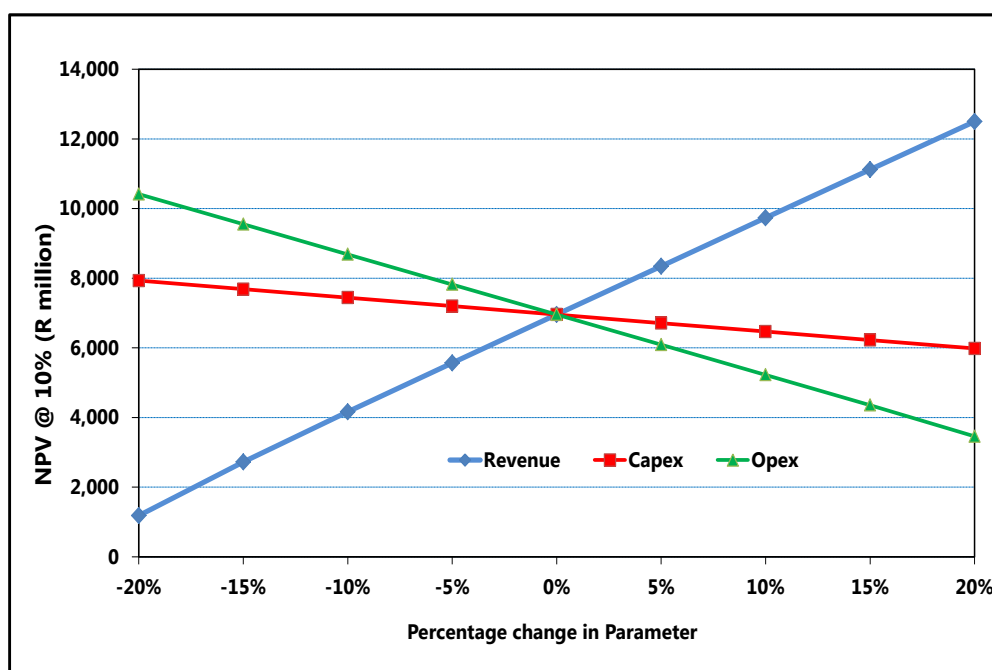
NPVs of the Makhado Project			
		Net Present Values (Real)	
Discount rate (nominal)	Discount rate (real)	NPV (ZAR mill)	NPV (US\$ mill)
0.0%	0.0%	21,594	1,542
11.4%	5.0%	12,174	870
15.1%	8.5%	8,229	588
16.7%	10.0%	6,955	497
19.4%	12.5%	5,233	374

22.0%	15.0%	3,898	278
27.3%	20.0%	2,024	145
	IRR =	30.44%	30.44%

12.2 Sensitivity Analysis

The sensitivity chart, below, shows the real NPV @ 10% variation for the Base Case due to changes in revenue, capital and operating costs, holding all other inputs constant. The Project is most sensitive to the coal prices and more sensitive to Opex than Capex. The revenue sensitivity assumes that all coal prices change by the same percentage.

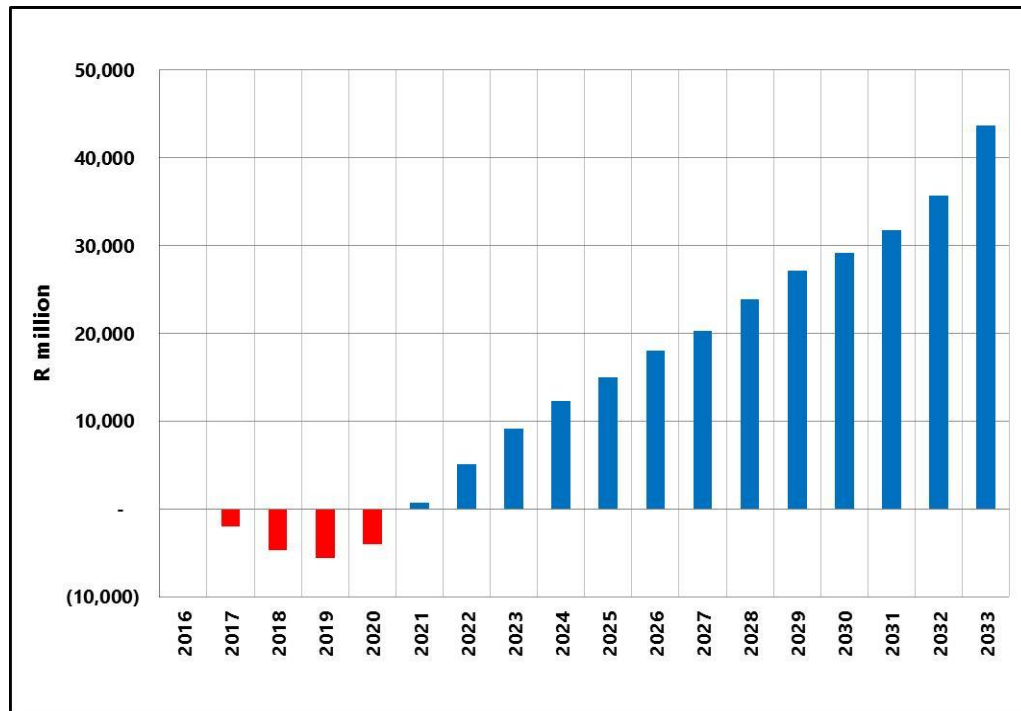
NPV @ 10% (Real) Sensitivity Analysis



Maximum negative cash flow of ZAR2.4 billion occurs in 2019 as shown in the cumulative cash flow graph below



Cumulative Annual Cash Flow (Real)



The Table below shows the matrices of the NPV for percentage variations in revenue, capital and operating expenditure.

Sensitivity of NPV (Real) to changes in Coal prices, Capex and Opex								
		Revenue						
PERCENTAGE CHANGE IN REVENUE	Change	NPV R million						
		0.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
	20%	35,622	20,735	15,257	12,501	10,274	7,680	4,715
	15%	32,114	18,595	13,619	11,116	9,093	6,736	4,044
	10%	28,609	16,457	11,983	9,732	7,912	5,792	3,373
	5%	25,098	14,314	10,341	8,343	6,727	4,845	2,699
	0%	21,593	12,174	8,702	6,955	5,543	3,898	2,024
	-5%	18,088	10,032	7,061	5,566	4,358	2,951	1,350
	-10%	14,589	7,883	5,410	4,165	3,159	1,989	660
	-15%	10,954	5,664	3,709	2,724	1,928	1,003	(45)
	-20%	7,087	3,295	1,892	1,184	613	(50)	(797)

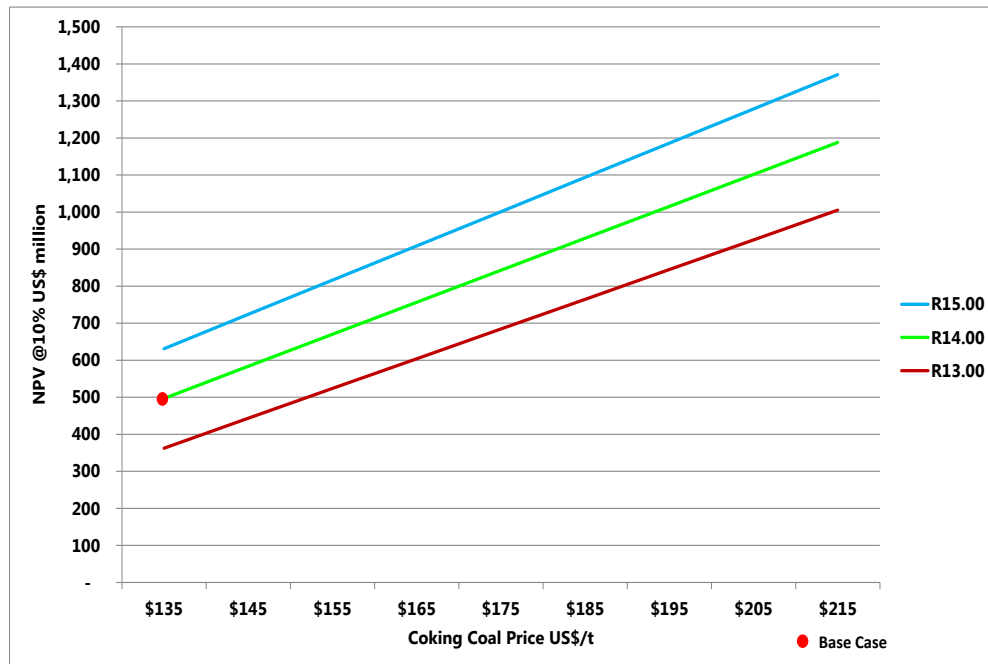


		Opex						
PERCENTAGE CHANGE IN OPEX	Change	NPV R million						
		0.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
	20%	12,533	6,715	4,552	3,457	2,570	1,532	347
	15%	14,862	8,114	5,615	4,353	3,331	2,138	777
	10%	17,102	9,468	6,646	5,224	4,072	2,729	1,197
	5%	19,345	10,821	7,674	6,090	4,808	3,314	1,612
	0%	21,593	12,174	8,702	6,955	5,543	3,898	2,024
	-5%	23,838	13,524	9,728	7,819	6,277	4,482	2,437
	-10%	26,088	14,877	10,755	8,684	7,012	5,065	2,850
	-15%	28,338	16,230	11,783	9,549	7,746	5,649	3,262
	-20%	30,588	17,583	12,811	10,414	8,481	6,233	3,675

		Capex						
PERCENTAGE CHANGE IN CAPEX	Change	NPV R million						
		0.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
	20%	20,297	11,064	7,679	5,981	4,613	3,027	1,234
	15%	20,621	11,342	7,934	6,224	4,846	3,245	1,432
	10%	20,945	11,619	8,190	6,468	5,078	3,463	1,629
	5%	21,269	11,896	8,446	6,711	5,310	3,681	1,827
	0%	21,593	12,174	8,702	6,955	5,543	3,898	2,024
	-5%	21,918	12,451	8,958	7,198	5,775	4,116	2,222
	-10%	22,242	12,728	9,214	7,442	6,008	4,334	2,419
	-15%	22,566	13,006	9,470	7,685	6,240	4,552	2,617
	-20%	22,890	13,283	9,726	7,929	6,473	4,770	2,814



Sensitivity Analysis: NPV10% (US\$), Coal Price, ZAR/US\$ Exchange Rate



Market-based Approach

The Makhado Project hosts hard coking and thermal coal which is expected to provide reasonable yields from washing. The average depths below surface indicate that eventual extraction is likely to be by both opencast and underground mining methods. The range of values selected from the researched transactional values reflects these realities, as shown in the table below.

Range of selected values – Makhado Project						
Coal Resource Reserve Classification	Coal Reserves / Resources ¹ (Mt)	Value in situ (ZAR/t)		Value (100 % Interest) (ZAR million)		
		Lower	Higher	Lower	Higher	Preferred
Probable Reserve	172.8	8.00	12.00	1,380	2,070	1,720
Inferred Resource	75.4	0.50	1.00	40	75	55
TOTAL				1,420	2,145	1,775



Cash Flow Model– Makhado Project

DESCRIPTION	UNIT	TOTAL	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
MINING																				
Waste mined	t	99 710 514	-	-	-	814 307	3 551 169	6 128 097	7 028 539	7 060 098	7 467 096	7 692 018	7 450 938	7 378 820	7 293 721	7 310 203	7 486 594	7 296 941	7 317 250	8 434 723
Strip ratio	W/O	1.65																		
ROM tonnes	t	164 530 897	-	-	-	1 461 402	6 719 977	10 652 345	12 000 000	12 000 000	12 000 000	12 000 000	12 000 000	12 000 000	12 000 000	12 000 000	12 000 000	12 000 000	12 000 000	13 697 173
SALEABLE PRODUCT																				
Saleable Coking Tonne	t	25 637 839	-	-	-	284 672	1 252 909	1 820 576	2 192 402	2 123 037	1 811 772	1 728 695	1 859 357	1 781 241	1 823 062	1 685 760	1 658 220	1 832 078	1 758 423	2 025 635
Saleable Coking Tonne - 4% fines	t	32 334 247	-	-	-	344 151	1 526 412	2 254 127	2 680 802	2 611 437	2 300 172	2 217 095	2 347 757	2 269 641	2 311 462	2 174 160	2 146 620	2 320 478	2 246 823	2 583 110
Saleable Thermal	t	40 712 682	-	-	-	376 015	1 978 396	2 802 739	2 890 660	2 928 464	2 832 732	2 690 887	2 801 306	2 951 539	2 994 817	3 115 637	2 966 786	2 982 581	3 035 926	3 364 199
TOTAL SALEABLE TONNES	t	98 684 768	-	-	-	1 004 838	4 757 716	6 877 442	7 763 863	7 662 939	6 944 676	6 636 677	7 008 419	7 002 421	7 129 341	6 975 557	6 771 625	7 135 137	7 041 173	7 972 943
OPERATING INCOME (NOMINAL)																				
Sales	ZARm	206 490	-	-	-	1 300	6 529	10 051	12 000	12 571	12 169	12 362	13 784	14 618	15 757	16 391	16 890	18 779	19 675	23 614
Less royalty	ZARm	3 386	-	-	-	6	26	40	237	392	267	199	257	259	304	219	69	94	287	729
NET REVENUE (NOMINAL)	ZARm	203 104	-	-	-	1 294	6 503	10 010	11 762	12 179	11 902	12 162	13 527	14 360	15 453	16 172	16 821	18 684	19 389	22 886
OPERATING EXPENDITURE (NOMINAL)																				
Mining opex	ZARm	87 497	-	-	-	292	1 018	1 922	2 735	3 826	4 836	5 665	6 126	6 430	6 835	8 072	10 113	10 884	9 272	7 131
Plant Opex	ZARm	7 825	-	-	-	181	277	325	366	396	428	463	501	542	587	635	688	746	808	883
Engineering Opex	ZARm	69	-	-	-	2	3	4	4	4	4	5	5	5	5	6	6	6	7	2
Distribution	ZARm	36 876	-	-	-	191	1 233	1 956	2 196	2 213	2 165	2 213	2 405	2 623	2 744	2 923	3 027	3 227	3 561	4 197
Overheads (fixed)	ZARm	2 341	-	-	-	154	131	153	141	136	160	150	121	189	183	152	148	159	176	188
TOTAL CASH OPERATING COSTS (NOMINAL)	ZARm	134 608	-	-	-	292	1 547	4 778	5 443	6 575	7 594	8 496	9 158	9 788	10 354	11 787	13 983	15 022	13 824	12 401
CAPITAL EXPENDITURE (NOMINAL)																				
East Pit	ZARm	4 829	-	1 783	2 408	573	64	-	-	-	-	-	-	-	-	-	-	-	-	-
Central Pit	ZARm	1 094	-	-	-	-	920	54	38	-	33	49	-	-	-	-	-	-	-	-
West Pit	ZARm	1 851	-	-	-	-	-	4	40	42	44	14	117	1 444	30	-	-	117	-	-
Commitment and Working Cap - East Pit	ZARm	345	-	212	24	77	32	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CAPEX (NOMINAL)	ZARm	8 119	-	1 996	2 433	649	1 017	57	78	42	78	62	117	1 444	30	-	117	-	-	-
PRE-TAX CASH FLOW (NOMINAL)																				
Net operating income	ZARm	203 104	-	-	-	1 294	6 503	10 010	11 762	12 179	11 902	12 162	13 527	14 360	15 453	16 172	16 821	18 684	19 389	22 886
Less cash costs	ZARm	134 608	-	-	-	292	1 547	4 778	5 443	6 575	7 594	8 496	9 158	9 788	10 354	11 787	13 983	15 022	13 824	12 401
EBITDA	ZARm	68 496	-	-	-	-292	-253	2 936	6 320	5 605	4 308	3 666	4 369	4 571	5 099	4 385	2 838	3 663	5 565	10 485
Less taxation	ZARm	16 690	-	-	-	-	-	265	1 760	1 565	1 187	1 005	1 185	871	1 409	1 221	747	1 003	1 542	2 932
PROFIT AFTER TAX	ZARm	51 806	-	-	-	(292)	(253)	2 936	4 968	4 040	3 121	2 661	3 184	3 701	3 690	3 164	2 091	2 660	4 023	7 553
Less capital expenditure	ZARm	8 119	-	1 996	2 433	649	1 017	57	78	42	78	62	117	1 444	30	-	117	-	-	-
Less change in working capital	ZARm	-	-	-	(24)	4	264	190	106	(46)	(117)	(58)	62	17	47	(66)	(139)	70	172	(481)
POST TAX CASH FLOW NOMINAL	ZARm	43 687	-	(1 996)	(2 701)	(905)	1 655	4 720	4 377	4 044	3 160	2 657	3 005	2 240	3 613	3 230	2 113	2 590	3 951	8 034
POST TAX CASH FLOW REAL	ZARm	21 594	-	(1 881)	(2 400)	(758)	1 307	3 513	2 674	1 970	1 561	1 664	1 169	1 778	1 498	924	1 067	1 496	2 942	6 434

Disc Rate (Nominal)	Disc Rate (Real)	ZAR mill	US\$ mill
0.0%	0.0%	R 21,594	R 1,542
11.4%	5.0%	R 12,174	R 870
15.1%	8.5%	R 8,229	R 588
16.7%	10.0%	R 6,955	R 497
19.4%	12.5%	R 5,233	R 374
22.0%	15.0%	R 3,898	R 278
27.3%	20.0%	R 2,024	R 145
	IRR=	30.4%	30.4%

NPVs as at 1 January 2015 in July 2015 Money Terms



12.3 Valuation Summary

MSA took into consideration the AIM Rules and with specific reference to the AIM June 2009 - Note for Mining and Oil & Gas Companies, which prescribes a valuation based on NPV (post-tax) at a discount rate of 10%. MSA thus considers the results of the Income approach to be most applicable, due to the high level of techno-economic study that was completed recently. MSA then estimates a Value of ZAR 6,960 million (USD497 million) for CoAL interest in the Makhado Project.

13 CONCLUSIONS

The Makhado Project is housed under Boabab Mining and Exploration, which is 100% owned by Coal of Africa Ltd (CoAL) a company listed on various stock exchanges namely: ASX in Australia, AIM in the UK and JSE in South Africa.

The Makhado Project represents CoAL's first project in the Soutpansberg Coalfield, Limpopo Province, South Africa. It is a thermal and coking coal project expected to mine at an average steady state rate of 12.6 Mtpa (Run of Mine (ROM)) to produce an average product of 2.3 Mtpa of coking coal (including fines) and 3.2 Mtpa of thermal coal.

The project is situated in the Limpopo Province 35 km north of the town Makhado (Louis Trichardt). The town of Musina is located approximately 50 km north of the Makhado Project area. The village of Mudimeli is located within the Makhado Project area on the farm Fripp 645MS.

The JORC compliant Coal Resource for the Makhado Project, and inclusive of Reserves, were estimated and signed off by CoAL's Competent Person, Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist. MSA reviewed the estimation procedures and independently validated the results. MSA agrees with the Coal Resource and classification as declared by CoAL. The Makhado Project contains 344,765,500 MTIS, 74% attributable to CoAL (265,025,500 Measured, 76,743,000 Indicated and 2,998,000 Inferred)

Coal Reserves were estimated and signed off by CoAL's Competent Person, Mr C Bronn, CoAL's Mining Engineer and Optimisation Manager, as at 1st May 2013 and in accordance with the JORC Code. The Reserve Statement is presented in the table below. This excludes the estimated 4% of additional tonnage for fines (-0.5mm) recovery. The Coal Reserves were based upon the block model prepared by Mr B Bruwer, VBKom's Senior Mining Engineer, the information to which was originally sourced from the Minex model dated 31st August 2011. MSA reviewed the estimation procedures and independently validated the results. MSA agrees with the Coal Reserve and classification as declared by CoAL. The total ROM Reserves, all in the Probable category, is 172,756,000 tonnes.

MSA took into consideration the AIM Rules and with specific reference to the AIM June 2009 - Note for Mining and Oil & Gas Companies, which prescribes a valuation based on NPV (post-tax) at a discount rate of 10%. MSA thus considers the results of the Income approach to be most applicable, due to the high level of techno-economic study that was completed recently. MSA then estimates a Value of ZAR 6,960 million (USD497 million) for CoAL interest in the Makhado Project.



APPENDIX 1: Glossary of Technical Terms

<i>analyses</i>	Process of determining critical chemical properties of a coal sample
<i>Ash %</i>	The solid residue that remains after the complete combustion of coal
<i>borehole</i>	Core or chips extracted from a cylindrical hole during drilling
<i>bulk sample</i>	Large sample which is processed through a small-scale plant, not a laboratory
<i>Cambrian</i>	The oldest of the systems into which the Palaeozoic stratified rocks are divided, 545 to 490 million years ago.
<i>carbonate</i>	A rock, usually of sedimentary origin, composed primarily of calcium, magnesium or iron and CO ₃ . Essential component of limestones and marbles
<i>Coal</i>	Carbonaceous sedimentary rock with an ash content of less than 50%. Coal is a plentiful source of energy. Thermal (energy) coal provides a reliable fuel for baseload electricity generation and coking coal is also an important ingredient in the production of steel used to build cities, railways and other vital infrastructure
<i>Coal Seam</i>	Portion of the strata that contains solid fossil fuels
<i>Calorific Value (MJ/kg)</i>	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
<i>Coking Coal or Metallurgical Coal</i>	A coal suitable for carbonisation in coke ovens, used in the production of steel
<i>collar</i>	Geographical co-ordinates of a drillhole or shaft starting point
<i>colliery</i>	A coal mine and the buildings and equipment associated with it
<i>Coal washing</i>	Treatment to reduce impurities in coal
<i>Cretaceous</i>	Applied to the third and final period of the Mesozoic era, 141 to 65 million years ago



*DAF vols or DAFVM or
Dry-ash-free volatiles
density*

The volatiles expressed as a percentage without the other proximate analyses (Ash and moisture)

The density of a coal sample is dependent on the rank, type, mineral matter and moisture contents of the coal. The moisture content of a sample will be affected by the manner in which it has been handled, broken, dried, or analysed. The determination (best estimate) of the density of coal in situ requires the conversion of those densities and moistures determined in a laboratory. The industry standard method follows the Preston and Sanders formula (Preston and Sanders, 1993) which utilises the best estimate of the in situ moisture (from a Moisture Holding Capacity test or an Equilibrium Moisture test on a higher rank coal) in conjunction with the laboratory-determined air dry density and air dry moisture content of the sample. For further information refer to Q4 (Appendix C) and Preston (2005)

Devonian

The fourth period, in order of decreasing age, of the periods comprising the Palaeozoic era, 410 to 354 million years ago

diamond drilling

Method of obtaining cylindrical core of rock by drilling with a diamond set or diamond impregnated bit.

DMS

Dense medium separation

dolomite

A mineral composed of calcium and magnesium carbonate; a rock predominantly comprised of this mineral is also referred to as dolomite or dolostone

drilling

The primary method of exploration used to define the geology of the lease area and the coal deposits available

eluvium

Incoherent material resulting from the chemical decomposition or physical disintegration of rock in situ.

fault

A fracture or fracture zone, along which displacement of opposing sides has occurred

felsic

Light coloured rocks containing an abundance of feldspars and quartz

fluvial

Pertaining to streams and rivers

fold

A planar sequence of rocks or a feature bent about an axis

GJ

Gigajoules, a unit of energy

granitoid

A generic term for coarse grained felsic igneous rocks, including granite

gravity survey

Recording the specific gravity of rock masses in order to determine their distribution



<i>Grade (coal)</i>	Coal Grade refers to the inorganic constituents of a coal (the mineral matter) in terms of their total proportion (% mineral matter or its residue on combustion, ash) and in terms of their individual constituents (e.g. % Na, S, P etc.)
<i>GTIS</i>	Gross Tonnes in situ with no modifying factors
<i>HQ</i>	Diamond drill core size 63.5 mm in diameter
<i>ilmenite</i>	An iron, magnesium and titanium oxide ((Fe,Mg)TiO ₃). The magnesium-rich ilmenite in kimberlite is called micro-ilmenite
<i>imaging</i>	Computer processing of data to enhance particular features
<i>Indicated Coal Resource</i>	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
<i>Inferred Coal Resource</i>	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
<i>in situ</i>	In situ refers to the condition of the coal as being undisturbed in the ground. An estimate of Coal Resources should state the condition of the coal in the ground and the values for moisture and density.
<i>in situ tonnage</i>	Measure of mass of coal in the ground containing inherent moisture
<i>joints</i>	Regular planar fractures or fracture sets in massive rocks, usually created by unloading, along which no relative displacement has occurred
<i>Kcal/kg</i>	Kilocalorie per kilogramme



<i>Licence, Permit, Lease or other similar entitlement</i>	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
<i>Ma</i>	Million years
<i>mamsl</i>	Metres above mean sea level
<i>mineable</i>	That portion of a Resource for which extraction is technically and economically feasible
<i>Mineral Reserve</i>	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 are likely to be incurred during extraction
<i>Mineral Resource</i>	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
<i>Mining dilution</i>	The contamination of defined ore with designated waste during the mining process
<i>Mining loss</i>	Ore material that is not recovered during the mining process
<i>MPRDA</i>	South African Minerals and Petroleum Resources Development Act of 2002 (Act No 28 of 2002)
<i>Mt</i>	Million tonnes
<i>MTIS</i>	Mineable tonnes in situ
<i>Mtpa</i>	Million tonnes per annum
<i>MW</i>	Mega Watt
<i>Open pit or open cut</i>	The main type of mine designed to extract minerals close to the surface



<i>Ore or orebody</i>	Natural mineral accumulations which can be extracted for use under existing economic conditions and using existing extraction techniques
<i>Ordovician</i>	The second of the periods comprising the Palaeozoic era, 490 to 434 million years ago
<i>orogeny</i>	A deformation and/or magmatic event in the earth's crust, usually caused by collision between tectonic plates
<i>Palaeozoic</i>	An era of geologic time between the Late Precambrian and the Mesozoic era, 545 to 251 million years ago
<i>PCI</i>	Pulverised coal injection
<i>Precambrian</i>	Pertaining to all rocks formed before Cambrian time (older than 545 million years)
<i>Proterozoic</i>	An era of geological time spanning the period from 2,500 to 545 million years before present
<i>Quality (coal)</i>	Quality is a term that encompasses all aspects of rank, type and grade that contribute to giving a coal its properties, as indicated by a standard suite of tests. Quality is normally considered in the context of coal's potential utilisation and how it might favourably or unfavourably affect the utilisation process.
<i>Rank (coal)</i>	Rank is a concept that describes the degree of coalification (physical and chemical transformation from vegetable material to coal) that has been achieved by plant materials, as a consequence of elevated temperature maintained over time and to a much lesser degree, pressure. The causal factor is principally deep burial of plant materials within the earth's crust. Rank is indicated by a range of properties, including moisture and calorific value for low rank coals and mean maximum reflectance of vitrinite for higher rank coals
<i>RBCT</i>	Richards Bay Coal Terminal
<i>RC drilling</i>	(Reverse Circulation) A percussion drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination.
<i>RD</i>	Relative density
<i>Recovery</i>	The percentage of minerals produced compared to the amount of minerals contained in the feedstock in the context of a processing plant or the percentage of metal produced compared to the amount of metal contained in the feed concentrates in the context of a smelting plant
<i>ROM</i>	Run of mine



<i>sandstone</i>	A sedimentary rock composed of cemented or compacted detrital minerals, principally quartz grains
<i>satellite positioning system (global positioning system GPS)</i>	An instrument used to locate or navigate, which relies on three or more satellites of known position to identify the operators location
<i>siltstone</i>	A rock intermediate in character between a shale and a sandstone. Composed of silt sized grains
<i>stratigraphic drill hole</i>	A drill hole completed to determine the nature of rocks, rather than to identify mineral deposits, frequently applied for research or in the early stages of petroleum exploration
<i>strike</i>	Horizontal direction or trend of a geological structure
<i>tectonic</i>	Pertaining to the forces involved in, or the resulting structures of, movement in the earth's crust
<i>Thermal Coal</i>	The Resource used for power generation and cement production
<i>trough</i>	A large sediment-filled and fault-bounded depression resulting from extension of the crust
<i>Tonnes</i>	Metric tonnes
<i>Type (Coal)</i>	Coal type refers to the composition of a coal in terms of its organic components, recognised as its macerals. The macerals are recognised according to a standard classification system, which refers to the original plant material from which they were formed and the degree of subsequent decomposition and degradation



APPENDIX 2: Certificates of Authors

CERTIFICATE OF INDEPENDENT SENIOR SPECIALIST

I, Philip Mostert, Professional Natural Scientist (Geology) (Pr.Sci.Nat.) do hereby certify that:

1. I am Principal Coal Consultant of:
The MSA Group (Pty) Ltd, 20B Rothesay Avenue, Craighall Park, Gauteng, South Africa, 2196
2. This certificate applies to the Independent Competent Person and Valuation Report titled "Independent Competent Persons Report on the Makhado Coal Project of Coal of Africa Limited", that has an effective date of 29 January 2016 and a report date of 29 January 2016 (the Independent Competent Person Report).
3. I graduated with a BSc Hons degree in Geology from the University of Pretoria in 2001. In addition, I have obtained a BSc degree in Geology from the University of Pretoria in 2000.
4. I am a Registered Professional Natural Scientist (Pr.Sci.Nat No. 400442/11) with The South African Council for Natural Scientific Professions and a Member of the Geological Society of South Africa.
5. I have worked as a geologist for a total of 13 years, during which time I have worked as a geologist, senior geologist, chief geologist, senior manager (acting) of technical services and a consultant. I have undertaken independent competent persons' reports and Mineral Resource statements since 2009.
6. I have read the definition of "Senior Specialist" set out in The VALMIN Code 2005 and certify that by reason of my education, affiliation with a professional association and past relevant work experience, I fulfil the requirements to be a "Senior Specialist" for the purposes of The VALMIN Code 2005.
7. I am responsible for, or co-responsible for, the preparation of sections 1 – 9 the the Independent Competent Person and Valuation Report.
8. I have not had prior involvement with the properties that are the subject of the Independent Competent Person and Valuation Report.
9. I am not aware of any material fact or material change with respect to the subject matter of Independent Competent Person and Valuation Report that is not reflected in the Independent Competent Person and Valuation Report, the omission to disclose which makes Independent Competent Person and Valuation Report misleading.
10. I am independent of the issuer according to the definition of independence described in The VALMIN Code 2005
11. I have read The VALMIN Code 2005 and, as of the date of this certificate, to the best of my knowledge, information and belief, those portions of the Independent Technical Assessment and Valuation Report for which I am responsible have been prepared in compliance with the Code.
12. I consent to the filing of Independent Competent Person and Valuation Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Independent Technical Assessment and Valuation Report

Dated this 29th Day of January, 2016

Philip Mostert, Professional Natural Scientist (Geology) (Pr.Sci.Nat.)



CERTIFICATE OF REPRESENTATIVE EXPERT

I, André Johannes van der Merwe, Professional Natural Scientist (Geology) (Pr.Sci.Nat.) do hereby certify that:

I am Head of Department – Mining Studies of: The MSA Group (Pty) Ltd, 20B Rothesay Avenue, Craighall Park, Gauteng, South Africa, 2196

1. This certificate applies to the Independent Competent Person and Valuation Report titled "Independent Competent Persons Report on the Makhado Coal Project of Coal of Africa Limited", that has an effective date of 29 January 2016 and a report date of 29 January 2016 (the Independent Competent Person Report).
2. I obtained a BSc Degree in Geology and Physics from the University of Stellenbosch in 1985. In addition I graduated with a BSc Hons Degree in Geophysics from the University of the Witwatersrand in 1988 and a Graduate Diploma in Engineering (Mining) from the University of the Witwatersrand in 1996.
3. I am a Member of the Australasian Institute of Mining and Metallurgy, a Fellow of the Geological Society of South Africa and a Registered Professional Natural Scientist (Pr.Sci.Nat No. 400329/04) with The South African Council for Natural Scientific Professions.
4. I have worked as a geologist and geophysicist for a total of 28 years, during which time I have worked as an exploration geophysicist, exploration geologist, mine geologist and rock engineer. I have undertaken independent valuations of mineral assets since 2000.
5. I have read the definition of "Representative Expert" set out in The VALMIN Code 2005 and certify that by reason of my education, affiliation with a professional association and past relevant work experience, I fulfil the requirements to be a "Representative Expert" for the purposes of The VALMIN Code 2005 and this report.
6. I have not visited any of the mineral properties which are the subject of this report, since the site visits were carried out by the other co-authors of this Independent Competent Person and Valuation Report.
7. I am responsible for, or co-responsible for, the preparation of sections 7 – 9 of the Independent Competent Person and Valuation Report.
8. I have not had prior involvement with the properties that are the subject of the the Independent Competent Person and Valuation Report.
9. I am not aware of any material fact or material change with respect to the subject matter of the the Independent Competent Person and Valuation Report that is not reflected in the Independent Competent Person and Valuation Report, the omission to disclose which makes the the Independent Competent Person and Valuation Report misleading.
10. I am independent of the issuer according to the definition of Independence described in The VALMIN Code 2005
11. I have read The VALMIN Code 2005 and, as of the date of this Certificate, to the best of my knowledge, information and belief, those portions of the Independent Technical Assessment and Valuation Report for which I am responsible have been prepared in compliance with the Code.
12. I consent to the filing of the Independent Competent Person and Valuation Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Independent Technical Assessment and Valuation Report

Dated this Dated this 29th Day of January, 2016

André Johannes van der Merwe, Professional Natural Scientist (Geology) (Pr.Sci.Nat.)



Independent Competent Person's Report for the Vele Colliery operated by Coal of Africa Limited in the Limpopo Province, South Africa

Abridged independent CPR:

**Prepared for Coal of Africa Limited
&
Peel Hunt LLP**

Effective date of CPR: 29 January 2016



Executive Summary

Coal of Africa Limited (CoAL) requested VBKom Consulting (Pty) Limited (VBKom) to provide them with an Independent Competent Person's Report and Valuation in respect of CoAL's Vele Colliery in South Africa. The CPR is being prepared in connection with CoAL's application for readmission of its shares to trading on the AIM market of the London Stock Exchange (AIM), which is being made as a consequence of its takeover offer for Universal Coal plc.

This report (the "Abridged CPR") is addressed to CoAL and Peel Hunt, its Nominated Adviser, and is an abridged version of the full CPR. VBKom understands that the full CPR has been made available on CoAL's website, www.coalofafrica.com

VBKom understands that this Abridged CPR will be included as part of an AIM admission document to be published by CoAL (the "Admission Document").

Both the full CPR and this Abridged CPR have been prepared:

- in accordance with the AIM Note for Mining and Oil & Gas Companies (2009) published by the London Stock Exchange;
- in compliance with and to the extent required by the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and Minerals Council of Australia (JORC Code); and
- in respect of the valuation of reserves, the Australasian Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Export Reports (2005 Edition) (VALMIN Code).

For the purposes of the AIM Rules for Companies, VBKom is responsible for this Abridged CPR as part of the Admission Document and declares that it has taken all reasonable care to ensure that the information contained in this Abridged CPR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. VBKom consents to the inclusion of this Abridged CPR, and reference to any part of this Abridged CPR and/or the full CPR, in the Admission Document.

The Vele Coal Operation is located in South Africa, 40km west from the town of Musina, the last major town before the Beitbridge border crossing between South Africa and Zimbabwe.

The extent of the mineral tenement, Prospecting and Mining Rights, is approximately 10,755Ha over 11 farms. CoAL, through its wholly owned subsidiary, Harrissia Investments Holdings (Pty) Ltd, is the surface right owners of the areas considered for opencast mining. For the remainder of farms within the Vele Colliery area CoAL has compensation agreements in place. The company also has an approved Environmental Management Programme under the National Environmental Management Act (NEMA), an approved Water Use License under the Department of Water Affairs and Forestry (DWAF) and an approved Social and Labour Plan under the MRPDA. A total of 573 drill holes have been used in the geological model and the Coal Resource estimation. VBKom is of the opinion that the dataset is robust and sufficient to be used for geological modelling and resource estimation.

The dataset has been subjected to various audits and reviews to check discrepancies in drill hole collar coordinates, seam depths, sample intervals and end-of hole depths and verified captured analytical results with original laboratory certificates.

The resource summary in Table 1.1.1 is an extract of the totals from the resource statement.

Table 1: Resource categories totals (all tonnages reported is 100% attributable to CoAL) – extract from resource statement

Vele Colliery Resource Category	Gross Tonnes in Situ (GTIS) Mt	Total Tonnes in Situ (TTIS) Mt	Mineable Tonnes in Situ (MTIS) Mt
Total Measured Resources	148.17	133.35	86.11
Total Indicated Resources	426.85	362.83	200.3
Total Inferred Resources	218.93	175.15	75.15
Grand Total Resources	793.95	671.32	361.57

Vele Colliery is an existing operation with Coal Reserves reported for an opencast mine plan and an underground mine plan. It is important to note that the current business case is only considering a portion of the opencast reserve blocks (16 years LoM) for financial modelling. The additional Coal Reserves outside the 16-year period does not significantly influence the NPV of the project. The current business case scenario is referred to as the Plant Modification Project (PMP).

The coal plant upgrade aims to produce a semi-soft coking coal (SSCC) to be sold locally as well as a thermal coal for the export market. Sedgeman did the plant upgrade design and cost based on proven technology. The 10% ash SSCC and 30% ash thermal coal product is based on parallel processing, and not a middling product washed from a primary product. Rail, siding and harbour capacity has been allocated to CoAL.

The conversion of Coal Resources to Coal Reserves is based on technical studies. It is the opinion of VBKom that the various studies CoAL has done in addition to the existing infrastructure and opencast mine, are sufficient in detail to warrant the conversion of Coal Resources to Coal Reserves.

Table 2: Reserve categories totals (all tonnages reported is 100% attributable to CoAL) – extract from resource statement

Operation	Reserve Category	Mineable Tonnes in situ Reserve (Mt)	Run Of Mine Tonnes (ROM) (Mt)	Saleable Primary Product Tonnes (Mt)	Saleable Secondary Product Tonnes (Mt)
Opencast	Proven	23.81	25.28	2.70	8.34
Opencast & Underground	Probable	301.37	266.11	28.47	87.82
Grand Total Reserves		325.18	291.39	31.18	96.16

The valuation of Vele Colliery was done using a combination of the Market Approach and Discounted Cash Flow (DCF) methods. The DCF valuation is only applicable to the Plant Modification Project and Market Approach method applicable to the "additional" RoM reserve tonnage, not included in the DCF model. All currency references made in the report is South African Rand's (ZAR).

A Monte Carlo simulation indicated that the project is robust, and will still be profitable under various scenarios. The DCF NPV (NPV calculated at 10% discount rate) provides a value of ZAR 889.3M. The market method valuation of “additional” RoM to Vele Colliery is ZAR 837.3M. The two methods provide the terminal value for the project. In considering the result of both methods, the terminal value for the Vele Colliery is ZAR 1,726.6M. In the opinion of VBKom, this value is a fair value for the asset considering the current market demand and forecasted coal price.

VBKom Consulting (Pty) Ltd prepared this Independent Competent Person’s Report for Coal of Africa Limited’s Vele Colliery with this short form version of the report specifically as a AIM Listing Compliant document. The full CPR document can be obtained from the CoAL website.

Authors:

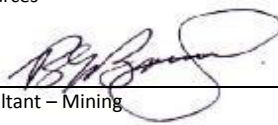
 B Botha: Principal Consultant – Geology MSc (ESPM); M(MRM); Pri.Sci.Nat In his capacity as: Competent Person: Resources Competent Evaluator	29.01.2016 Signature Date
 B Bruwer: Principal Consultant – Mining B.Eng (Mining); MSAIMM In his capacity as: Competent Person: Reserves	29.01.2016 Signature Date
 B Steyn: Consultant - Mining B.Eng (Mining) In his capacity as: Technical Specialist: Reserves	29.01.2016 Signature Date

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1 Introduction:

Coal of Africa Limited (CoAL) requested VBKom Consulting (Pty) Limited (VBKom) to provide them with an Independent Competent Person's Report and Valuation in respect of CoAL's Vele Colliery in South Africa. The CPR is being prepared in connection with CoAL's application for readmission of its shares to trading on the AIM market of the London Stock Exchange (AIM), which is being made as a consequence of its takeover offer for Universal Coal plc.

This report (the "Abridged CPR") is addressed to CoAL and Peel Hunt, its Nominated Adviser, and is an abridged version of the full CPR. VBKom understands that the full CPR has been made available on CoAL's website, www.coalofafrica.com

VBKom understands that this Abridged CPR will be included as part of an AIM admission document to be published by CoAL (the "Admission Document").

Both the full CPR and this Abridged CPR have been prepared:

- in accordance with the AIM Note for Mining and Oil & Gas Companies (2009) published by the London Stock Exchange;
- in compliance with and to the extent required by the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and Minerals Council of Australia (JORC Code); and
- in respect of the valuation of reserves, the Australasian Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Export Reports (2005 Edition) (VALMIN Code).

For the purposes of the AIM Rules for Companies, VBKom is responsible for this Abridged CPR as part of the Admission Document and declares that it has taken all reasonable care to ensure that the information contained in this Abridged CPR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. VBKom consents to the inclusion of this Abridged CPR, and reference to any part of this Abridged CPR and/or the full CPR, in the Admission Document.

1.1 Source of Information

All information used to complete the CPR was provided by CoAL to VBKom. VBKom reviewed the data presented and assessed it in terms of the JORC Code (2012). VBKom could not verify all third party information as most of the work completed for the Vele Colliery pre-dates the appointment of VBKom. Information provide for review is contained in the following list:

- › The Mineral Corporation (Pty) Ltd's Independent Competent Persons Report dated 2010
- › The Independent Competent Persons ' Report on the Principle Coal Assets of CoAL Limited by Venmyn Rand (Pty) Ltd
- › Independent Assessment and Evaluation of CoAL by Venmyn Deloitte (Pty) Ltd
- › Sedgman report on the Process Plant Modifications
- › Integrated Environmental Management Plan
- › MRM Runge report on the Mine Optimisation and Mine Planning Study

The CPR is based in whole or in part on information and data provided to us by CoAL and/or third parties. We represent that we have exercised reasonable care in the preparation of this report and that the report complies with published industry standards for such reports, to the extent such published industry standards exist and are applicable. However, CoAL agrees that VBKom is not responsible for confirming the accuracy of information and data supplied by third parties and that VBKom does not attest to or assume responsibility for the accuracy of such information or data. CoAL confirms that it has provided all data which is relevant to this CPR and available at the time of its preparation.

1.2 Units and Currency

All currency references made in the report is South African Rand's (ZAR) unless otherwise mentioned. All units used in the report is metric, unless otherwise stated i.e. tonnes are reported as metric tonnes, all tonnages are quoted on an air-dry basis.

1.3 Site Visit

Mr's B.W. Botha and B.Steyn visited the site on 25 November 2015. The reason for the visit was to inspect the assets reported on in the Competent Person's Report. This included:

- › Verification of randomly selected drill hole collars
- › Inspection of the current plant and associated infrastructure
- › Visit to the section of the eastern opencast that has been excavated

1.4 Participants

The participants consist of technical experts who are in the employment of VBKom to complete the 2015 CPR on the Vele Colliery for Coal of Africa Limited. They are the "Competent Persons" as defined in Section 10 and 11 of the JORC Code (2012) and the AIM Note for Mining and Oil & Gas Companies (2009) (AIM Note)

VBKom has 20 professional mining engineers and geologist in their employment and has offered professional consulting services since 2008. The team has been involved in numerous technical mining studies, project development studies, Mineral Resource and Ore Reserve estimations, due diligence studies and technical reviews in a variety of commodities.

The Competent Persons who have compiled the CPR are as follows:

Brendan Botha, Principle Consultant (Geology) – Competent Person Coal Resources and Evaluation

BSc (Hons) Geology, MSc (ESPM), M(MRM), Pri.Sci.Nat (400224/09)

Brendan Botha has more than 16 years' experience in the field of exploration, production geology, geological modelling and Mineral Resource Estimation. He is a Competent Person under Section 10 and 11 of the JORC Code (2012) and the AiM Note. He is a standing member of the South African Council for Natural Scientific Professions (SACNASP), which is a "Recognised Professional Organisation" under the JORC Code (2012). He has more than 10 years' experience in thermal and coking coal with reference to the estimation, assessment and evaluation of Coal Resources.

Ben Bruwer, Principle Consultant (Mining) – Competent Person Coal Reserves

BEng (Mining), MSAIMM

Ben Bruwer has over 17 years' experience as a mining engineer and has experience in technical studies, project evaluations and Ore Reserve estimations. He is a Competent Person under Section 10 and 11 of the JORC Code (2012) and the AIM Note. He is a standing member of the South African Institute of Mining and Metallurgy (SAIMM), which is a "Recognised Professional Organisation" under the JORC Code (2012). He has more than 5 years' experience in thermal and coking coal with reference to the estimation, assessment, evaluation and economic extraction of Coal Reserves.

The Competent Person's Report was subjected to an internal peer review process to ensure objectivity in the reporting of Coal Resource and Coal Reserve Statements, the Independent Evaluation, and that the report complies with the guidelines of the JORC Code (2012).

1.5 Statement of Independence

VBKom Consulting (Pty) Ltd was contracted by Coal of Africa Limited in its capacity as independent consultancy firm to prepare this report in accordance with the JORC Code (2012) (the Australian Code for Reporting of Exploration Results, Coal Resources and Ore Reserves). VBKom and its employees are independent of Coal of Africa Limited, its directors, senior management and advisors. VBKom was remunerated on agreed time-based rates, which is not linked to the "Admission" or the value of the assets owned by Coal of Africa Limited.

In accordance with the requirements of the AIM Note, VBKom confirm that we:

- › are professionally qualified and members in good standing of a self-regulatory organisation of engineers and/or geoscientists
- › each have at least five years' relevant experience in the estimation, assessment and evaluation of coal projects
- › are independent of CoAL, its directors, senior management and advisors
- › have no director or Competent Person currently or previously holding ownership or any interest in CoAL or Universal Coal plc.
- › will be remunerated by way of a time-based fee and not by way of a fee that is linked to the Admission or value of CoAL
- › are not a sole practitioner
- › have the relevant and appropriate qualifications, experience and technical knowledge to appraise professionally and independently the mineral assets, owned by CoAL; and
- › consider that the scope of the CPR is appropriate and includes and discloses all information required to be included therein and was prepared to a standard expected in accordance with the AIM Note

1.6 No Material Change

We confirm that there has been no material change of circumstances or available information since the CPR was compiled until 29 January 2016 and we are not aware of any significant matters arising from our evaluation that are not covered by the CPR which might be of a material nature with respect to the proposed Admission.

The previous resource and reserves are tabled below:

Table 3: Previous Coal Resource estimation completed in 2010 and 2012 by The Mineral Corporation and Venmyn respectively

			2010		2012			DIFFERENCE	
Project	Resource Category	Seam	GROSS TONNES IN SITU (GTIS) (Mt)	MINEABLE TONNES IN SITU (MTIS) (Mt)*	GROSS TONNES IN SITU (GTIS) (Mt)	TMC COMPARABLE TONNES IN SITU*	MINEABLE TONNES IN SITU (MTIS) (Mt)**	GROSS TONNES IN SITU (GTIS) (Mt)	MINEABLE TONNES IN SITU (MTIS) (Mt)
VELE COLLIERY	Measured	Top Lower	18.603	16.743	17.110	15.093	8.379	-1.493	-8.364
		Middle	16.140	14.527	14.275	12.922	7.220	-1.865	-7.307
		Bottom Upper	44.553	40.097	40.818	31.137	16.240	-3.735	-23.858
		Bottom Lower	92.127	82.914	85.832	69.329	62.403	-6.295	-20.511
	TOTAL/AVERAGE MEASURED RESOURCES		171.423	154.281	158.035	128.482	94.241	-13.388	-60.040
	Indicated	Top Lower	74.969	63.724	72.023	59.113	20.091	-2.946	-43.633
		Middle	49.144	41.772	42.397	36.592	11.662	-6.747	-30.110
		Bottom Upper	107.973	91.777	102.442	88.249	25.010	-5.531	-66.767
		Bottom Lower	220.849	187.721	209.992	178.959	143.535	-10.857	-44.186
	TOTAL/AVERAGE INDICATED RESOURCES		452.935	384.994	426.854	362.912	200.298	-26.081	-184.696
	Inferred	Top Lower	58.317	46.654	57.309	41.948	16.920	-1.008	-29.734
		Middle	33.597	26.878	28.333	19.511	7.380	-5.264	-19.498
		Bottom Upper	45.362	36.289	57.411	37.440	12.520	12.049	-23.769
		Bottom Lower	51.834	41.467	75.879	39.840	38.270	24.045	-3.197
	TOTAL/AVERAGE INFERRED RESOURCES		189.110	151.288	218.932	138.380	75.090	29.822	-76.198
GRAND TOTAL/AVERAGE OPENCAST			332.767	285.632	N/A	250.867	229.642	N/A	-55.990
GRAND TOTAL/AVERAGE UNDERGROUND			480.701	404.931	N/A	378.907	139.988	N/A	-264.943
GRAND TOTAL/AVERAGE VELE COLLIERY			813.468	690.563	803.821	629.774	369.626	-9.647	-320.934

Table 4: Coal Reserves as reported on 30 September 2012 (Venmyn Rand)

Mining Block	OC \ UG	Reserve Category	Mineable Insitu Reserve (Mt)	RoM Tonnage (Mt)	Primary Product Practical Yield (%)	Primary Product Saleable Tonnes (Mt)	Secondary Product Practical Yield (%)	Secondary Product Saleable Tonnes (Mt)
OC central	OC	Proven	24.199	25.697	18.5%	4.743	38.3%	9.842
Total Proved OC			24.199	25.697	18.5%	4.743	38.3%	9.842
OC North	OC	Probable	67.895	72.099	18.3%	13.167	43.8%	31.584
OC South	OC		25.062	26.614	18.4%	4.908	44.0%	11.705
OC west	OC		76.870	81.629	17.8%	14.555	45.7%	37.281
Total Probable OC			169.828	180.342	18.1%	32.630	44.7%	80.570
Total Opencast			194.027	206.039	18.1%	37.372	43.9%	90.412
UG North	UG	Probable	38.335	24.996	18.9%	4.714	40.8%	10.208
UG South	UG		30.317	19.768	17.8%	3.524	39.4%	7.794
UG West	UG		62.891	41.008	17.0%	6.980	46.8%	19.179
Total Probable Underground			131.544	85.773	17.7%	15.218	43.3%	37.181
Grand Total Vele project			325.570	291.812	18.0%	52.590	43.7%	127.593

1.7 Responsibility Statement

For the purpose of the AIM Rules, VBKom (Pty) Ltd accept responsibility for the information contained in this report and declares that it has taken all reasonable care to ensure that the information in this report is to the best of our knowledge and belief in accordance with the facts and makes no omission likely to effect its import.

2 Project Description

Southern Sphere commenced the first noted exploration from 1973 to 1983. After a hiatus of 22 years, Limpopo Coal acquired the prospecting rights to various properties within the current Vele Colliery tenure. Coal of Africa Limited acquired a 78% stake in Limpopo Coal in 2006. In 2008 Silkwood Trading 14 (Pty) Ltd obtained additional Prospecting Right on the Vele Colliery are, but was subsequently acquired by CoAL in the same year. In 2011, CoAL was awarded a Mining Right over a greater part of the Vele Colliery area.

The geological and metallurgical investigation was geared to produce a single product with a clean coal ash value of 12% for metallurgical use. Coal of Africa Limited started with mining activities in late 2011 and produced for a year before the mine was placed under care and maintenance. The collapse of a bridge on the Matola railway line and the fact that predicted yields were not obtainable through the current plant configuration, lead to the decision to re-evaluate the analytical methods used to define product recoveries and to optimise the plant accordingly.

A programme of large diameter drilling was initiated on the two areas targeted for opencast (O/C) mining. The samples gathered for these campaigns were sent for drop shatter and wet tumble test to determine the particle size distribution on the material after mining, crushing and beneficiation. Different yields for different product scenarios were evaluated to determine a new process design that is better aligned with the inherent properties of the coal deposit.

The new plant up-grade is based on a 10% ash semi-soft coking product and a 5500kcal (NAR) thermal coal product.

3 Project Location

The Vele Coal Operation is located in South Africa, 40km west from the town of Musina, the last major town before the Beitbridge border crossing between South Africa and Zimbabwe. The locality of the Vele Coal Operation is provided in Figure 1.



Figure 1: Locality of the Vele Colliery in the Limpopo Province, South Africa (source Google Maps™ – 18.11.2015)

3.1 Accessibility, Physiography, Climate, Local Resources and Infrastructure

The area that the Vele Colliery occupies is generally flat with a gentle northward slope towards the Limpopo River. The average elevation is 550m amsl. The climate is classified as semi-arid with an annual rainfall of about 238mm per year occurs mostly during summer. No climate factors occur that will influence exploration or mining activities in the Vele area.

CoAL has a 100% stake in the Vele Colliery and the details are presented in Table 3.

Table 5: Summary Table of Assets

Asset	Holder	CoAL's attributable Interest	Status	Licence expiry date	License area (km ²)	Comments
Vele Colliery Mining Right	Limpopo Coal Company (Pty) Ltd	100%	Development	18 March 2040	86.63	A total 573 drill holes have been drilled and used in the geological modelling and Coal Resource estimation. A total of 39 LDD holes have been drilled in the Plant Modification Project Area and submitted for metallurgical test work. The result of the test work has indicated that the current plant has to be reconfigured to be aligned with the characteristics of the deposit. The plant upgrades and changes are required before Vele Colliery will return to operation
Vele Colliery Prospecting Right	Silkwood Trading 14 (Pty) Ltd	100%	Development	24 March 2013*	20.92	

*Note: The renewal of the Prospecting Right was submitted and approval by the Department of Mineral Resources is still being awaited

4 Ownership & Mineral Tenure

The extent of the mineral tenement, Prospecting and Mining Rights, is approximately 10,755Ha over 11 farms. CoAL, through its wholly owned subsidiary, Harrissia Investments Holdings (Pty) Ltd, is the surface right owners of the areas considered for opencast mining. For the remainder of farms within the Vele Colliery area CoAL has compensation agreements in place.

Table 6: A summary of the Mineral Right approved for the Vele Colliery

Farm Name	Portion	Area (Ha)	Company	Type	Permit Number	Date Issued	Expiry Date	Renewed	Surface Rights
Alyth 837MS	N/A	2 092.95	Silkwood Trading 14 (Pty) Ltd	Prospecting Right	LP 1136 PR	25.03.2008	24.03.2013	Yes	No
Bergen op Zoom 124MS	N/A	2 078.13	Limpopo Coal Company (Pty) Ltd	Mining Right	LP 103 MR	19.03.2010	18.03.2040	N/A	Yes
Overvlakte 125MS	Portion 3, 4, 5, 6, 13, 14 & RE	3 554.48							Partial: portion 3, 4 & 5
Sempele 155MS	N/A	942.91							No
Voorspoed 836MS	N/A	2 087.22							No

The Alyth Prospecting Right was renewed in 2013 but the approval for the renewal has not yet been received by CoAL.

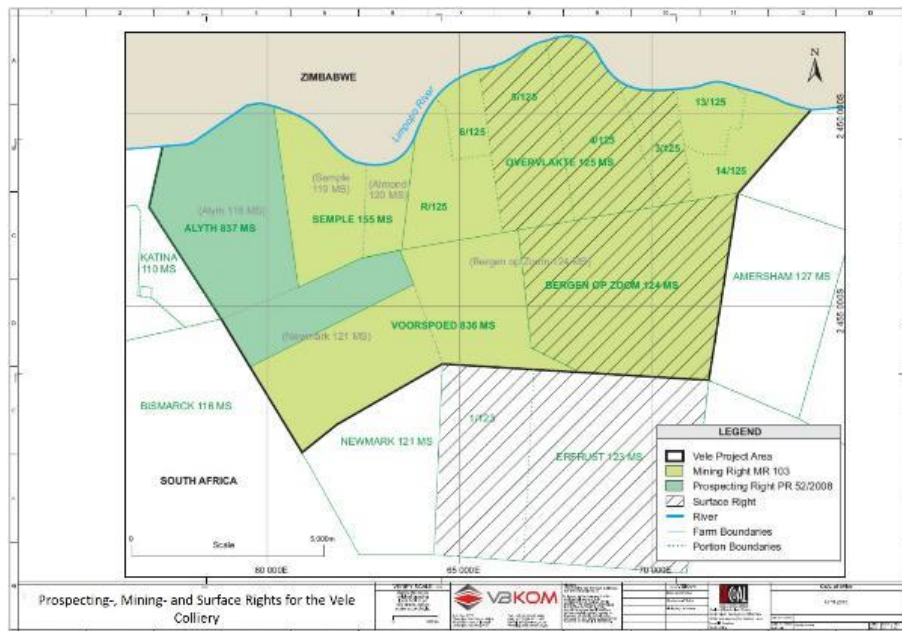


Figure 2: Locality map of Prospecting Rights, Mining Rights and Surface Rights for the Vele Colliery

The company also has an approved Environmental Management Programme under the National Environmental Management Act (NEMA), an approved Water Use License under the Department of Water Affairs and Forestry (DWAF) and an approved Social and Labour Plan under the MRPD.

4.1 Land Claims

There are potential land claims on the farms Farm Bergen Op Zoom 124 MS and Farm Semple 155 MS. The land claims on the various properties have not been gazetted by the Department of Rural Development and Land Reform (DRDLR). CoAL recognises land claimants as key stakeholders. The company's stakeholder engagement strategy ensures that regular, meaningful and transparent engagement does occur with the stakeholders. Land Claims do not affect the Mining Right, but may influence surface access once successful; which in turn may influence time lines and costs. The time required to finalise a land claims process is unknown as the DRDLR (through the Land Claims Commissioner) and the relevant claimant/community will determine the unfolding and progressing of the process to finalise security of surface tenure.

5 Geological setting

The Karoo age Limpopo Coalfield is generally fault bounded, with the southern extent of the basin controlled by erosion. The Main Coal Zone is present in the Madzaringwe Formation, which is approximately 15m thick. Three distinct coal horizons occur in the Middle Ecga Group, locally referred to 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 deposition of the Vele Colliery occurred within and intra-continental basin bounded by extensional faulting. Major faults have been interpreted, through field observations and geophysics, for the area. The faults divide the deposit in blocks with varying seam depths.

A series of dolerite dykes trend predominantly east west across the project Colliery area, the largest is estimated to be more than 15m thick. These dykes were emplaced during the extension tectonics that formed the intra continental basin. The dykes did not have significant displacement associated with their emplacement but have resulted in minor de-volatilisation of coal in the immediate contact.

The Top, Middle and Bottom seams were all intersected through drilling and mining activities within the Vele Colliery area. Top and Bottom seams can further be differentiated into a Top Lower, Top Middle, Top Upper, Bottom Lower and Bottom Upper. The Top Middle and Top Upper are not considered economic.

Coal petrography was done on the coal seams from the Vele Colliery and it indicates that the coal is a medium rank, high vitrinite content, and C-grade bituminous coal. The coal falls into a semi-soft coking coal category. Figure 5.3.5 indicates the coal quality of the Vele Colliery in relation to petrographic images.

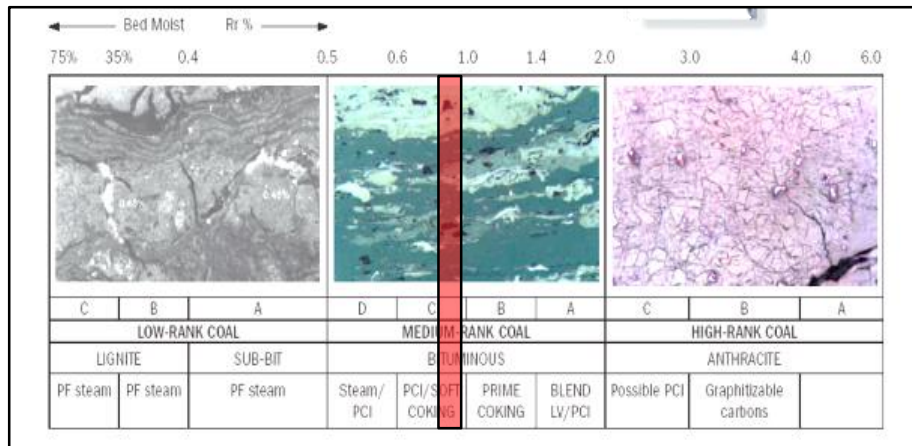


Figure 3: Classification of the coal at Vele Colliery (Highlighted section in red indicates typical Vele coal category)

6 Exploration

Prior to CoAL's involvement in the project all historic exploration activities was undertaken by Southern Sphere, a reputable exploration company, and it can be expected that best practices were followed and that the data can be regarded as acceptable for Coal Resource estimation.

Two previous Coal Resource estimates were compiled for the Vele Colliery. By The Mineral Corporation (Pty) Ltd in 2010 and by Venmyn Rand (Pty) Ltd (Venmyn) in 2012. Both these Coal Resource estimates are in accordance to the JORC Code (2007). Comparisons between the various models are reported in the CPR.

In 2008, CoAL undertook high-resolution airborne magnetic and radiometric surveys over an area of 111km² over the Vele Colliery area. The images were further interpreted and a geological map was generated indicating major structures in the area.

Drill holes incorporated into the geological model are primarily diamond core drilling with secondary percussion drilling to verify the structure of the boxcut area, as well as understanding the structural and quality continuity. The last phase of drilling was Large Diameter Drill holes for metallurgical test work for the plant modification project.

All logging of drill hole data was done in accordance to best practices and has been consistent since CoAL's involvement in the project. The data is captured on a SABLE™ Database, which is checked by a competent geologist on a regular basis. All holes drilled during CoAL's involvement has down-hole geophysics for seam correlation and structural interpretations.

A total of 573 drill holes have been used in the geological model and the Coal Resource estimation. VBKOM is of the opinion that the dataset is robust and sufficient to be used for geological modelling and resource estimation.

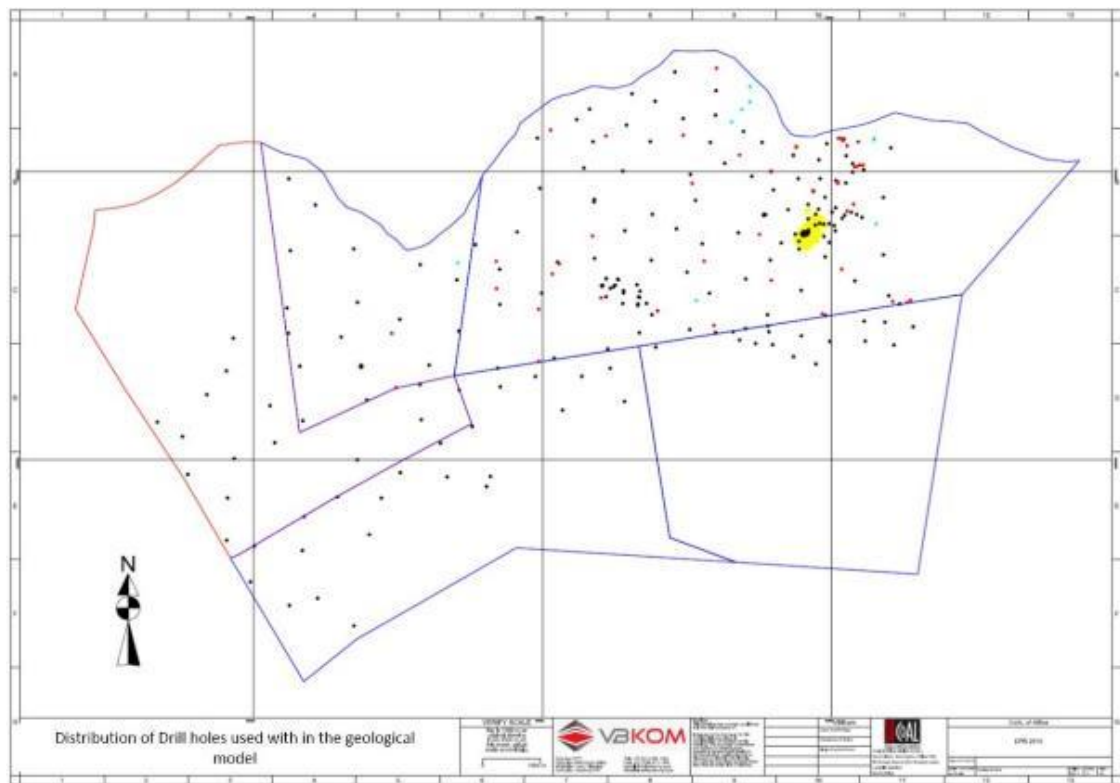


Figure 4: Distribution of drill holes used in the geological model at Vele Colliery

7 Sampling

Sampling of whole core samples (in accordance to SANS10320:2004) was done in intervals of between 50cm and 150cm. Samples were initially sent to the South African Bureau of Standards (SABS) laboratory in Secunda, then to Inspectorate M&L, and since December 2008, all samples have been sent to the CAM Analytical Laboratories (Pty) Ltd (CAM) in Polokwane, Limpopo Province. All the laboratories are SANAS accredited for coal analyses.

CoAL geologists do random validations of the results by doing basic tests on cumulative results and testing the values with neighbouring drill holes and the seam characteristics.

The dataset has been subjected to various audits and reviews to check discrepancies in drill hole collar coordinates, seam depths, sample intervals and end-of hole depths and verified captured analytical results with original laboratory certificates.

8 Coal Resource

The latest geological model was created in Minex™ software. The model incorporates all available historical and recent drilling and other geological information up to January 2015. The model is based on the Mineral Corporation's model of 2010, with minor changes based on geological information collected subsequently to the completion of the Mineral Corporation's model. From previous audits and reviews there is a high level of confidence in the current geological model and Coal Resource estimate.

The upper surface of the model is a digital terrain model (DTM) based on the LIDAR survey conducted with a high level of spatial accuracy. The physical parameters namely elevation (asml), and depth from surface for the floor and roof of each seam was modelled. The coal seam thickness is also modelled and forms the basis for the calculation of the Coal Resource volumes.

The yields in the model are based on a factorisation exercise based on the information gathered from the metallurgical test work. It is a composite yield for the 10% ash product and the 5500kcal (NAR) product that is the business base case of the PMP (Plant Modification Project).

The following cut-offs were applied before the gross in situ tonnes (GTIS) were calculated for the Vele Colliery:

- › The coal was reported separately for the mining right and prospecting right respectively
- › The Coal Resource Blocks were limited to the Mineral Right boundaries
- › The Coal Resources are limited to the seam sub-crop
- › Coal Resource blocks are limited to the extrapolation limits in the model
- › Boundary pillars of 50m wide on either side of geological structures and dykes
- › Coal Resource blocks are limited to the base of oxidation
- › Coal Resource blocks are limited to the 100m year flood line for the Limpopo River
- › A seam thickness cut-off of 0.5m are applied

The following cut-off was applied to calculate total tonnes in situ (TTIS):

- › Geological losses (confidence in structural continuity and oxidation profiles) of 10%, 15% and 20% are applied to Measured, Indicated and Inferred Coal Resources respectively.

The following cut-off was applied to calculate mineable tonnes in situ (MTIS) resources:

- › A minimum seam height of 1.4m and a maximum seam height of 4.5m have been applied to the Bottom Lower Seam for the underground resources

8.1 Coal Resource Statement and Classification

The first Coal Resource classification criteria were based on the spacing between points of observation. This method stated that points of observation spaced at 500m are Measured Resources, Indicated Resources were spaced at 1000m and Inferred Resources the spacing was 3km.

In order to bring the resources in line with the guidelines of the JORC Code 2012 a correlation cross was drilled to determine the optimal spacing between drill holes to determine lateral continuity. It was determined that 500m is sufficient for structural estimation and 1000m for quality estimations. This indicates that the current classification used by Vele Colliery is a conservative approach and is acceptable for the current Resource Reporting cycle.

Other criteria was also considered for the Coal Resource Classification criteria, i.e. confidence in drill hole position, confidence in coal analyses and confidence in structural interpretation of a drill hole.

Various economic studies with the consideration of mining metallurgical and environmental modifying factors have been concluded. The factors in these studies form the basis for the reasonable prospect for economic extraction for the resources reported. No resources have been excluded due to this process.

Variation between the 2012 Coal Resource statements and the 2015 Coal Resource statements is the result of depletion that occurred during the operational period of Vele Colliery.

8.2 Coal Resource Statement

The updated Coal Resource statement is reported in two statements. The first Coal Resource statement provides only the TTIS based on the 0.5m seam thickness cut-off. The second statement reports the MTIS resource based on the minimum seam thickness of 1.4m and the maximum seam thickness of 4.5m (theoretical mining height) for the underground resources. The resources are stated inclusive of reserves detailed in paragraph 12.

8.3 Coal Resource Reconciliation

The variation between the 2012 Coal Resource statements and the 2015 Coal Resource statements is the result of depletion that occurred during the operational period of Vele Colliery.

Table 7: Coal Resource Statement for the Vele Colliery at 30 November 2015. Resource reported as TTIS (based on 0.5m cut-off)

Mineral Right	Resource Category	Seam	Avg width (m)	Coal Raw RD (t/m²)	Gross tonnes Insitu (GTIS) (Mt) (ad)	Geol. losses (%)	Total Tonnes in situ (TTIS) (Mt) (ad)	Net Attributable to CoAL (TTIS) (Mt) (ad)	CV (MJ/kg)	Ash %	Vol (%)	Fixed Carbon (%)	Total Sulp (%)	Inherent Moist (%)
Mining Right	Measured	Top Lower	1.65	1.87	11.65	10%	10.48	126.52	12	58.55	17.9	21.58	2.02	1.97
		Middle	1.11	1.68	12.77	10%	11.61		18.19	42.14	23.62	32.56	2.88	1.68
		Bottom Upper	2.14	1.8	37.55	10%	34.14		14.05	52.38	20.08	25.85	1.58	1.69
		Bottom Lower	3.95	1.72	78.6	10%	71.46		16.62	45.27	22.46	30.74	1.66	1.53
	Total Measured		8.85	1.75	140.58	10%	126.52		15.69	47.99	21.55	28.84	1.78	1.62
	Indicated	Top Lower	1.66	1.9	69.42	15%	59.01	303.39	11.41	60.1	17.13	20.79	2.05	1.98
		Middle	1.07	1.72	39.4	15%	33.49		17.38	44.22	23	31.04	2.82	1.74
		Bottom Upper	2.05	1.79	83.71	15%	71.15		14.71	50.94	20.8	26.61	1.61	1.65
		Bottom Lower	3.65	1.76	164.39	15%	139.73		15.51	48.19	21.59	28.74	1.54	1.48
	Total Indicated		8.43	1.79	356.92	15%	303.39		14.73	50.71	20.69	26.95	1.8	1.65
	Inferred	Top Lower	1.59	1.86	45.31	20%	36.25	134.35	11.88	59.18	17.82	21.05	2.19	1.95
		Middle	1.05	1.69	22.77	20%	18.22		17.65	43.6	23.53	31.11	2.23	1.76
		Bottom Upper	1.98	1.78	44.91	20%	35.93		14.3	51.92	20.6	25.82	1.68	1.66
		Bottom Lower	3.54	1.75	54.95	20%	43.96		15.56	48.05	21.66	28.83	1.57	1.46
	Total Inferred		8.16	1.78	167.93	20%	134.35		14.51	51.48	20.59	26.24	1.86	1.69
	Total MR	All	8.45	1.78	665.43	15%	564.25	562.25	14.88	50.33	20.85	27.17	1.81	1.65
Prospecting Right	Measured	Top Lower						6.831						
		Middle												
		Bottom Upper	2.22	1.77	2.509	10%	2.258		14.05	52.38	20.08	25.85	1.58	1.69
		Bottom Lower	4.49	1.78	5.081	10%	4.573		16.62	45.27	22.46	30.74	1.66	1.53
	Total Measured		6.71	1.78	7.59	10%	6.831		15.69	47.99	21.55	28.84	1.78	1.62
	Indicated	Top Lower	1.32	2.09	2.599	15%	2.209	59.44	11.41	60.1	17.13	20.79	2.05	1.98
		Middle	0.76	1.73	2.994	15%	2.545		17.38	44.22	23	31.04	2.82	1.74
		Bottom Upper	1.87	1.77	18.732	15%	15.922		14.71	50.94	20.8	26.61	1.61	1.65
		Bottom Lower	3.79	1.72	45.605	15%	38.764		15.51	48.19	21.59	28.74	1.54	1.48
	Total Indicated		7.74	1.75	69.929	15%	59.44		14.73	50.71	20.69	26.95	1.8	1.65
	Inferred	Top Lower	1.12	1.95	12.002	20%	9.602	40.8	11.88	59.18	17.82	21.05	2.19	1.95
		Middle	0.79	1.74	5.563	20%	4.45		17.65	43.6	23.53	31.11	2.23	1.76
		Bottom Upper	1.7	1.76	12.505	20%	10.004		14.3	51.92	20.6	25.82	1.68	1.66
		Bottom Lower	3.67	1.75	20.931	20%	16.745		15.56	48.05	21.66	28.83	1.57	1.46
	Total Inferred		7.28	1.8	51	20%	40.8		14.51	51.48	20.59	26.24	1.86	1.69
	Total PR	All	7.49	1.77	128.52	17%	107.071	107.071	14.88	50.33	20.85	27.17	1.81	1.65
Vele Colliery			8.3	1.78	793.95	15%	671.32	671.32	14.8	50.43	20.86	27.05	1.81	1.66

Table 8: Coal Resource Statement for the Vele Colliery at 30 November 2015. Resource reported as MTIS (resources) (based on minimum seam thickness of 1.4m and a max seam thickness of 4.5m for the U/G Bottom Lower resources)

Mineral Right	Resource Category	Seam	Avg width (m)	Coal Raw RD (t\m³)	Gross tonnes Insitu GTIS (Mt) (ad)	Geol. losses (%)	Total Tonnes in situ TTIS (Mt) (ad)	Mining Method	Mining Layout Losses	Mineable tonnes in situ MTIS (Mt) (ad)	Net Attributable to CoAL (MTIS) (Mt) (ad)	CV (MJ\kg)	Ash %	Vol (%)	Fixed Carbon (%)	Total Sulp (%)	Inherent Moist (%)
Mining Right	Measured	Top Lower	1.76	1.88	4.04	10%	3.636	OC	2%	3.563	83.271	11.78	59	17.8	21.32	2.14	1.9
		Middle	1.17	1.66	6.742	10%	6.129	OC	2%	6.009		18.54	41.1	24.6	32.6	3.02	1.7
		Bottom Upper	1.9	1.8	17.853	10%	16.23	OC	2%	15.912		14.1	52.1	19.9	26.28	1.61	1.7
		Bottom Lower	3.88	1.7	39.817	10%	36.197	OC	2%	35.487		16.98	44.3	22.7	31.45	1.62	1.6
	Total Measured		3.85	1.72	28.267	10%	25.44	UG	10%	22.896	83.271	16.62	45.6	22.5	30.44	1.76	1.5
			8.71	1.73	96.719	10%	87.047		4%			16.23	46.5	22.1	29.86	1.78	1.6
	Indicated	Top Lower	1.69	1.87	23.104	15%	19.639	OC	2%	19.246	163.724	12.03	57.9	18.1	22.02	2.46	1.9
		Middle	1.06	1.67	13.389	15%	11.381	OC	2%	11.153		18.53	41	24.6	32.68	2.92	1.7
		Bottom Upper	1.81	1.77	27.804	15%	23.633	OC	2%	23.161		15.63	48.2	21.8	28.39	1.7	1.6
		Bottom Lower	3.47	1.7	54.526	15%	46.347	OC	2%	45.421		17.05	44.2	22.9	31.44	1.45	1.5
	Total Indicated		3.59	1.77	84.632	15%	71.937	UG	10%	64.743	58.671	15.31	48.8	21.2	28.52	1.67	1.5
			8.03	1.76	203.456	15%	172.938		5%	163.724		15.66	48	21.6	28.82	1.79	1.5
	Inferred	Top Lower	1.62	1.88	19.169	20%	15.335	OC	2%	15.029	58.671	11.89	58.4	18.1	21.54	2.52	1.9
		Middle	1.02	1.68	8.081	20%	6.465	OC	2%	6.335		18.14	41.8	24.4	32.11	2.35	1.7
		Bottom Upper	1.72	1.75	13.277	20%	10.622	OC	2%	10.409		16.29	46.5	22.5	29.45	1.95	1.6
		Bottom Lower	3.6	1.71	19.407	20%	15.526	OC	2%	15.215		16.81	44.8	22.8	30.96	1.52	1.5
Total Inferred		3.27	1.77	16.226	20%	12.98	UG	10%	11.682	305.686	14.57	50.6	20.8	27.17	1.63	1.4	
		7.96	1.77	76.16	20%	60.928		4%	58.671		15.14	49.4	21.3	27.64	1.96	1.6	
Total MR	All		8.19	1.75	376.335	15%	320.913		5%	305.686		15.7	47.92	21.67	28.85	1.82	1.57
Prospecting Right	Measured	Top Lower									36.579						
		Middle															
		Bottom Upper															
		Bottom Lower	3.76	1.66	3.507	10%	3.156	UG	10%	2.841		16.72	44.33	23.2	30.95	1.2	1.52
	Total Measured		3.76	1.66	3.507	10%	3.156		10%	2.841	36.579	16.72	44.33	23.2	30.95	1.2	1.52
			1.05	1.96	1.016	15%	0.863	OC	2%	0.846		9.48	64.54	14.75	18.85	2.33	1.86
	Indicated	Top Lower	0.76	1.72	0.611	15%	0.519	OC	2%	0.509	36.579	18.01	42.46	22.96	32.66	3.74	1.92
		Middle	1.66	1.78	2.222	15%	1.889	OC	2%	1.851		14.95	48.14	21.4	29.04	1.34	1.42
		Bottom Upper	2.28	1.65	5.732	15%	4.872	OC	2%	4.775		18.95	39.36	24.25	35.01	1.57	1.38
		Bottom Lower	3.98	1.73	37.384	15%	31.776	UG	10%	28.599		15.25	48.73	21.44	28.23	1.62	1.6
	Total Indicated		5.75	1.73	46.964	15%	39.92		8%	36.579	16.483	15.6	47.82	21.66	28.95	1.64	1.57
			1.08	1.96	2.433	20%	1.947	OC	2%	1.908		10.12	62.01	16.7	19.66	3.84	1.63
	Inferred	Top Lower	0.76	1.73	1.349	20%	1.079	OC	2%	1.057	16.483	15.82	46.99	22.19	28.9	2.24	1.92
		Middle	1.39	1.76	2.712	20%	2.17	OC	2%	2.126		15.79	46.54	22.76	29.17	1.45	1.53
		Bottom Upper	2.65	1.68	2.744	20%	2.195	OC	2%	2.151		17.92	41.56	23.65	33.38	1.51	1.41
		Bottom Lower	3.88	1.77	12.833	20%	10.266	UG	10%	9.24		14.36	50.82	20.76	26.86	1.94	1.56
Total Inferred		5.88	1.78	22.071	20%	17.657		7%	16.483	55.92	14.6	50.14	21	27.29	2.05	1.57	
	All	5.7	1.74	72.542	16%	60.733		8%	55.92		15.35	48.36	21.53	28.54	1.75	1.57	
Veale Project			7.79	1.75	448.877	15%	381.646		5%	361.576	361.576	15.65	47.99	21.65	28.8	1.81	1.57

9 Mining

Vele Colliery is an existing operation with Coal Reserves reported for an opencast mine plan and an underground mine plan. It is important to note that the current business case is only considering a portion of the opencast reserve blocks (16 years LoM) for financial modelling. The additional Coal Reserves outside the 16-year period does not significantly influence the NPV of the project. The current business case scenario is referred to as the Plant Modification Project (PMP).

In addition to the PMP business case, a high-level financial model was compiled for the mining areas that were “additional” RoM reserve tonnes (excluded from the financial model). The reserves are scheduled consecutively and the results indicated viability with long-term price forecasts. Due to the planned mining rate of 2.7Mtpa ROM feed to the plant, the mining of the “additional” reserve tonnages will be only after the PMP’s 16 year LoM.

Mining, which will be contracted out, is a truck and shovel operation by using the modified strip-mining technique previously employed where rollover mining was achieved. Existing pre-stripped mining blocks will be utilised and additional pre-stripping done to create sufficient exposed benches to achieve the mining rate.

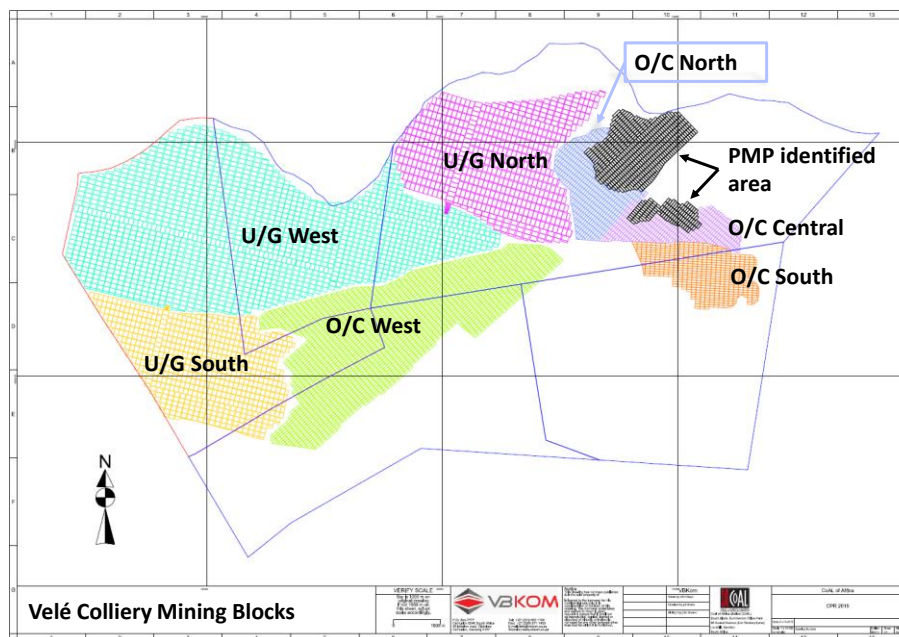


Figure 5: Different mining blocks – the PMP mining area is indicated

10 Environmental

Vele Colliery complies to regulatory requirements under the Mining Right allocated with environmental impact and baseline studies done in 2009 prior to the start of mining in 2011. An approved Environmental Management Programme under National Environmental Management Act (NEMA), an approved Water Use License under the Department of Water Affairs and Forestry (DWAF) and an approved Social and Labour Plan under the MRPDA exists for the colliery. Continuous assessment and monitoring feedback is provided to an Environmental Management Committee (EMC) that include all relevant government departments. On 13 Jan 2016 the Integrated Water Use License (IWUL) was renewed (for a further 20 years) and amended.

11 Processing

The coal plant upgrade aims to produce a semi-soft coking coal (SSCC) to be sold locally as well as a thermal coal for the export market. Sedgeman did the plant upgrade design and cost based on proven technology. The 10% ash SSCC and 30% ash thermal coal product is based on parallel processing, and not a middling product washed from a primary product. Rail, siding and harbour capacity has been allocated to CoAL.

The current process plant and the proposed modification to the plant is well known technology in the coal mining industry. The metallurgical test work is based on drop shatter and wet tumble test. The yield distribution per sink fraction was used to optimise the product mix and the coal preparation plant. The samples tested are representative for the PMP project. The current plant consists of the following main sections:

- › Temporary crushing and screening plant;
- › de-stoning plant (modular);
- › secondary washing plant (modular);
- › spiral plant (modular); and
- › product and discard stockpiles
- › general plant services and
- › a slurry pond

The efficiency of the spiral plant, the size distribution produced by the crusher section and the higher revenue available by producing a dual stream product is the basis for the Plant Modification Project.

The Front End Engineer & Design (FEED) study was performed by Sedgman to modify the existing coal handling and processing (CHPP) plant to process 500tph RoM and produce a semi soft coking coal and a thermal coal product. The plant upgrade study included:

- › A new RoM dual tip hopper, with an 800mm top size,
- › A new feeder breaker to size the RoM coal to nominal 50mm
- › New and extending conveyors to transport coal between new plant modules, discard and stockpiles,
- › A feed bin for surge capacity
- › Upgrading of the de-stoning plant
- › New discard bin and discard extraction system
- › Tertiary screening plant for nuts & peas as well as stacking system
- › Modification to coking coal plant feed system (larger openings, vibrating feeder chutes)
- › Upgrading the existing metallurgical DMS cyclone
- › New thermal coal stockpile facilities
- › The upgrade for the fines beneficiation by incorporation of reflux classifier and flotation circuit, and
- › Dewatering using a high frequency screen for thermal coal and screen bowl centrifuge for coking coal.
- › Dust and fire suppressing systems as well as integrated control and communication system.

12 Reserves

The conversion of Coal Resources to Coal Reserves is based on technical studies. It is the opinion of VBKom that the various studies CoAL has done in addition to the existing infrastructure and opencast mine, are sufficient in detail to warrant the conversion of Coal Resources to Coal Reserves.

Table 9: Primary product, yield - 1.4m Minimum mining height and 4.5m max mining height (U/G mining of Bottom Lower coal seam only)

Mining Block	OC \ UG	Reserve Category	RoM Tonnage (Mt)	Primary Product Stream Practical Yield (%)	Primary Product Saleable Tonnes (Mt)	Primary Product, Air dried qualities					
						Ash %	Vol (%)	Fixed Carbon (%)	Total Sulp (%)	Inherent Moist (%)	
OC Central	OC	Proved	25.280	10.7%	2.70	10.00	34.99	53.07	1.10	1.94	
Total Proved OC			25.280	10.7%	25.280	10.00	34.99	53.07	1.10	1.94	
OC North	OC	Probable	72.099	10.7%	7.71	10.00	35.45	52.71	1.08	1.84	
OC South	OC		26.614	10.7%	2.85	10.00	33.65	54.43	1.00	1.92	
OC West	OC		81.629	10.7%	8.73	10.00	35.33	52.91	1.17	1.76	
Total Probable OC			180.342	10.7%	180.342	10.00	35.13	53.05	1.11	1.82	
Total Opencast			205.622	10.7%	205.622	10.00	35.11	53.06	1.11	1.83	
UG North	UG	Probable	24.996	10.7%	2.67	10.00	33.71	54.52	0.96	1.77	
UG South	UG		19.768	10.7%	2.12	10.00	35.82	52.40	1.25	1.78	
UG West	UG		41.008	10.7%	4.39	10.00	35.99	52.33	1.17	1.68	
Total Probable Underground			85.773	10.7%	85.773	10.00	35.29	52.98	1.13	1.73	
Grand Total Vele project			291.395	10.7%	291.395	10.00	35.16	53.04	1.11	1.80	

Table 10: Secondary product, yield - 1.4m Minimum mining height and 4.5m max mining height (U/G mining of Bottom Lower coal seam only)

Mining Block	Reserve Category	RoM Tonnage (Mt)	Secondary Product Stream Practical Yield (%)	Secondary Product Saleable Tonnes (Mt)	CV (MJ/kg)	Ash %	Vol (%)	Fixed Carbon (%)	Total Sulphur (%)	Inherent Moist (%)	
OC Central	OC	25.28	33.00%	8.34	25.32	23.7	31.6	43	1.1	1.7	
Total Proved OC		25.28	33.00%	25.28	25.32	23.7	31.6	43	1.1	1.7	
OC North	OC	72.099	33.00%	23.79	25.32	23.7	31.6	43	1.1	1.7	
OC South	OC	26.614	33.00%	8.78	25.32	23.7	31.6	43	1.1	1.7	
OC West	OC	81.629	33.00%	26.94	25.32	23.7	31.6	43	1.1	1.7	
Total Probable OC		180.342	33.00%	180.342	25.32	23.7	31.6	43	1.1	1.7	
Total Opencast		205.622	33.00%	205.622	25.32	23.7	31.6	43	1.1	1.7	
UG North	UG	24.996	33.00%	8.25	25.32	23.7	31.6	43	1.1	1.7	
UG South	UG	19.768	33.00%	6.52	25.32	23.7	31.6	43	1.1	1.7	
UG West	UG	41.008	33.00%	13.53	25.32	23.7	31.6	43	1.1	1.7	
Total Probable Underground		85.773	33.00%	85.773	25.32	23.7	31.6	43	1.1	1.7	
Grand Total Vele project		291.395	33.00%	291.395	25.32	23.7	31.6	43	1.1	1.7	

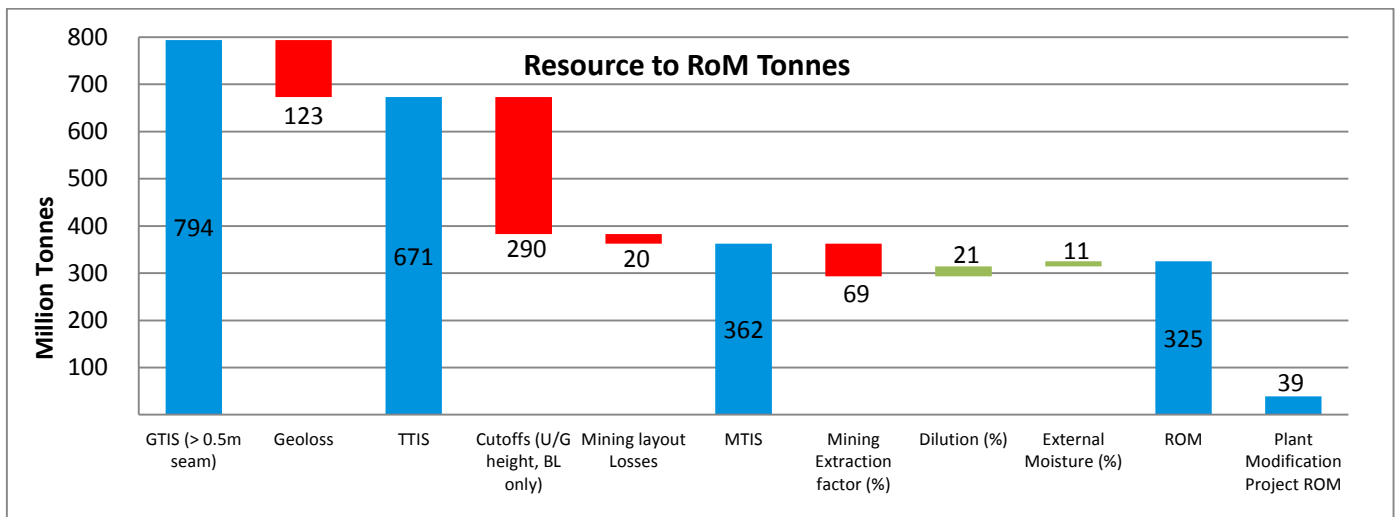


Figure 6: Graphical representation of RoM tonnes conversion from GTIS tonnes

The updated Coal Reserve Statement is reported in two statements. The first reserve statement MTIS reserve based on the minimum seam thickness of 1.4m and the maximum seam thickness of 4.5m (theoretical mining height) for the underground resources.

Table 11: Reserve tonnes for Vele Colliery

Mining Block	OC \ UG	Reserve Category	Mineable Insitu Reserve MTIS (Mt) (ad)	Mining Extraction factor (%)	Dilution (%)	External Moisture (%)	RoM Tonnage (Mt)	Net Attributable to CoAL Rom Tonnage (Mt)	Primary Product Stream Practical Yield (%)	Primary Product Saleable Tonnes (Mt)	Secondary Product Stream Practical Yield (%)	Secondary Product Saleable Tonnes (Mt)	Combined Yield (%)
OC central	OC	Proven	23.806	95%	8%	3.5%	25.280	25.280	10.7%	2.705	33.0%	8.342	43.7%
Total Proved OC			23.806	95%	8%	3.5%	25.280		10.7%	2.705	33.0%	8.342	43.7%
OC North	OC	Probable	67.895	95%	8%	3.5%	72.099	180.342	10.7%	7.715	33.0%	23.793	43.7%
OC South	OC		25.062	95%	8%	3.5%	26.614		10.7%	2.848	33.0%	8.783	43.7%
OC west	OC		76.870	95%	8%	3.5%	81.629		10.7%	8.734	33.0%	26.938	43.7%
Total Probable OC			169.828	95%	8%	3.5%	180.342		10.7%	19.297	33.0%	59.513	43.7%
Total Opencast			193.634	95%	8%	3.5%	205.622	205.662	10.7%	22.002	33.0%	67.855	43.7%
UG North	UG	Probable	38.335	60%	5%	3.5%	24.996	85.773	10.7%	2.675	33.0%	8.249	43.7%
UG South	UG		30.317	60%	5%	3.5%	19.768		10.7%	2.115	33.0%	6.524	43.7%
UG West	UG		62.891	60%	5%	3.5%	41.008		10.7%	4.388	33.0%	13.533	43.7%
Total Probable Underground			131.544	60%	5%	3.5%	85.773		10.7%	9.178	33.0%	28.305	43.7%
Grand Total Vele project			325.178	80.8%	7.1%	3.5%	291.395	291.395	10.7%	31.179	33.0%	96.160	43.7%

13 Valuation Summary

The valuation of Vele Colliery was done using a combination of the Market Approach and Discounted Cash Flow (DCF) methods. The DCF valuation is only applicable to the Plant Modification Project and Market Approach method applicable to the “additional” RoM reserve tonnage, not included in the DCF model.

A Monte Carlo simulation indicated that the project is robust, and will still be profitable under various scenarios. The DCF NPV (NPV calculated at 10% discount rate) provides a value of ZAR 889.3M.

The market method valuation of “additional” RoM to Vele Colliery is ZAR 837.3M. In considering the result of both methods, the terminal value for the Vele Colliery is ZAR 1,726.6M. In the opinion of VBKOM, this value is a fair value for the asset considering the current market demand and export coal prices.

Exchange rates and prices used in forecasts are summarised in Table 12 and Table 13 as part of market studies. United States of America (USA) inflation forecasts are based on four-year historic averages supplied by Statista.

South African inflation was calculated on indexes for the specific escalation bucket, with historic values from Statistics South Africa. A factor was applied to relevant costs based on Mining PPI (6% p.a.), CPI (6% p.a.) and Labour inflation rate (CPI +2.5%) as well as a diesel cost (3% p.a. – Investec oil price growth forecast) and electricity (CPI + 3%).

The values used for South African CPI are conservative, viewed based on current SA Reserve bank target of between 3% and 6%.

Coal of Africa Limited provided the financial model used to calculate the viability of the Vele reserve. To understand the variability within the cost model the following inputs, represented in Table 14, from the financial model were adjusted to align the financial model with the 2017 start date of the PMP.

An average forecasted ZAR/US\$ exchange rate and long term view was used in the financial model based on September 2015 forecasts by Morgan Stanley, RBC, Macquarie, Merrills, UBS and Citi.

Table 12 Mean forecasted exchange rate from reputable financial institutions

ZAR /US\$ Exchange:	2016	2017	2018	2019	LT
Consensus	13.59	13.52	13.43	13.42	13.82

International coal price forecasts indicate that various financial institutions (Bloomberg, Investec, UBS, Morgan Stanley, Goldman Sachs, Merrills, RBC, Macquarie and Credit Suisse) in September 2015 forecast different coal prices have a strong relationship with each other and price increases.

Table 13 Coke, Coal and Carbon forecasts mean values from reputable sources

Consensus	Currency:	2016	2017	2018	2019	LT	Growth Geometric μ	Growth Arithmetic μ
Hard coking coal	US\$/tonne	92	99	110	120	132	4.6%	5.1%
Semi soft coking	US\$/tonne	69	75	81	86	91	3.2%	3.4%
Low Volatile PCI	US\$/tonne	73	80	89	96	100	4.4%	4.8%
Thermal coal	US\$/tonne	60	62	66	71	73	2.4%	2.5%

Table 14: Financial Model Adjusted Input Parameters

	Unit	Original Model Fixed Input	Distribution	@Risk	Min	Most Likely	Max
Selling Price							
Middlings Product Calorific Value	MJ/Kg GAD	23.5	Trigen	23.50	18	23.5	24
API4 (Export Coal, RBCT)	US\$/t	61.81	Trigen	61.81	59	61.81	65
HCC (Hard Coking Coal)	US\$/t	99.57	Trigen	99.57	90	99.57	110
SSCC (Semi Soft Coking Coal) % of HCC	%	25%	Trigen	0.25	0.2	0.25	0.3
Currency							
Dollar Start out	ZAR/US\$	13.52	Trigen	13.52	13	13.52	13.6
Nominal increase in Price - Dollar Terms	% pa	2.50%	Trigen	0.025	0.02	0.025	0.04
Economic Parameters							
CPI (Consumer Price Index)	% pa	6.00%	Trigen	0.06	0.05	0.06	0.065
PPI (Production Price Index)	% pa	6.00%	Trigen	0.06	0.05	0.06	0.065
Labour inflation rate	% pa	9.00%	Trigen	0.09	0.05	0.09	0.1
Consumables							
Diesel Inflation	% pa	3.00%	Trigen	0.03	0.02	0.03	0.06
Electricity Cost	% pa	12.50%	Trigen	0.125	0.1	0.125	0.2
Yields							
SSCC Yield	%/t	10.70%	Trigen	0.107	0.08	0.107	0.15
Average Eskom Yield	%/t	33.00%	Trigen	0.33	0.25	0.33	0.4

14 Conclusion

The data used in the geological modelling and Coal Resource estimation was done in accordance too the JORC Code (2012). All data used are of a sufficient quality to assist in a Coal Resource estimation with a high level of confidence.

Mineral tenure is secured through a mining right over most of the Vele Colliery area. All other regulatory requirement for the commencement of mining activities are in place. All the resource included in the resources falls within the reasonable prospect for eventual economic extraction. This is based on the technical studies completed to convert the Coal Resources into Coal Reserves.

It is the opinion of VBKom that the Coal Resource Estimate and Statement is a reasonable representation of the coal deposit. Since the mine has been out onto care and maintenance the plant design and product mix was further investigated. A plant modification project was started to re-configure the current plant at the mine to produce a 10% ash semi-soft coking coal and a 5500kcal (NAR) thermal coal product. This is because the fine fraction, which got lost to the slimes, contained most of the vitrinite rich coals.

The business case for the PMP is a 16-year opencast design and schedule, which makes out a part of the Central – and Northern Pit. The remainder of the additional RoM will be extracted through opencast and underground methods. Although the current business case only includes the PMP, sufficient studies which corresponds to pre-feasibility and feasibility study levels, have been conducted on the additional RoM. It is the opinion of VBKom that these studies are sufficient in nature to convert the Coal Resource to Coal Reserves.

The economical criteria and financial modelling of the Vele Colliery indicates a that the project will be NPV positive with a relative high confidence level. The DCF indicates a NPV for the project of ZAR 889.3M over the 16-year period.

An evaluation of the Vele Colliery was based on the DCF and a market approach for the “additional” RoM. The two methods provide the terminal value for the project. In considering the result of both methods, the terminal value for the Vele Colliery is ZAR 1,726.6M. In the opinion of VBKom, this value is a fair value for the asset considering the current market demand and export coal prices.

List of Abbreviations and Acronyms

CAPEX	Capital Expenditure
CoAL	Coal of Africa Limited
CV	Calorific Value
DCF	Discounted cash flow
DEA	Department of Environmental Affairs
EMC	Environmental Management Committee
ESKOM	Electricity Supply Commission of South Africa
IAP	Interested and Affected Parties
IWUL	Integrated Water Use License
JORC	Australian Code for Reporting of Exploration Results, Coal Resources and Ore Reserves of 2012 (JORC Code)
ktpa	Kilo tonne per annum
LDD	Large diameter drill hole
M	million
MCL	Mapungubwe Cultural Landscape
MJ/kg	Mega joule per kilogram
MPRDA	Mineral & Petroleum Resources Development Act
Mtpa	Million tonnes per annum
NAR	Nett as received
NEMA	National Environmental Management Act
NEMWA	National Environmental Management Waste Act
NWA	National Water Act
O/C	Opencast
OPEX	Operational Expenditure
PMP	Plant Modification Project
RD	Relative density
RoM	Run-of-Mine
t/cub m	Tonne per cubic meter
U/G	Underground
UNESCO	United Nations Educations, Social and Cultural Organisation
VBKom	VBKom Consulting (Pty) Ltd
WHS	World Heritage Site



Abridged Independent Competent Persons Report on Coal of Africa Limited's Greater Soutpansberg Projects

Prepared for Coal of Africa Limited and Peel Hunt LLP

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Abridged Independent Competent Persons Report on Coal of Africa Limited's Greater Soutpansberg Projects

Synopsis

Coal of Africa Limited (CoAL or the Company) is a coal mining and exploration company with 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.

The directors of CoAL requested that Venmyn Deloitte (Pty) Ltd (Venmyn Deloitte) compile an independent Technical Report, in the form of a Competent Persons' Report (CPR) on certain of their coal assets within the Soutpansberg Coalfield of South Africa. These coal assets are those belonging to CoAL's so called "Greater Soutpansberg Project" (GSP) and comprise all coal assets within the Soutpansberg Coalfield, excluding the Makhado Project (which was reported on in detail in a CPR in 2011 compiled by Venmyn Deloitte, reference number D1010R).

Venmyn Deloitte understands that the updated 2015 CPR will form part of the documentation in support of readmission of CoAL to the AIM Market of the London Stock Exchange (LSE). The readmission of CoAL to AIM is in connection with a proposed acquisition with Universal Coal Plc (Universal Coal).

This abridged version of the 2015 CPR has been prepared by Venmyn Deloitte for inclusion in the Admission Document for AIM and contains a summary of the information detailed in the complete 2015 CPR. All of the information required under the AIM 'Note for Mining and Oil & Gas Companies, June 2009' has been documented in this abridged version of the 2015 CPR and the full version of the 2015 CPR is available on CoAL's website (www.coalofafrica.com).

This CPR is addressed to CoAL and Peel Hunt LLP in its capacity as nominated advisor.

Two CPR's have previously been published by CoAL on the GSP assets. In October 2011, CoAL published a CPR, titled "Independent Competent Persons' Report on the Principal Coal Assets of Coal of Africa Limited (CoAL)". This 2011 CPR included the technical details of all CoAL's principle coal assets at that time. Since then, CoAL acquired a number of additional coal assets from Rio Tinto Minerals Development Ltd (Rio Tinto) and Kwezi Mining Exploration (Pty) Ltd (KME) within the Soutpansberg Coalfield of South Africa. In 2012, CoAL published a follow-up CPR, title "Independent Competent Persons' Report on Certain Coal Assets within the Soutpansberg Coalfield of Coal of Africa Limited (CoAL)", reference number D1121R. The 2012 CPR documents the technical details of the newly acquired coal assets and certain contiguous assets reported on in the 2011 CPR and includes a detailed technical review of all the coal assets of CoAL within the GSP. No changes have been made to the Coal Resource statements for the GSP assets from the 2012 CPR to this 2015 update.

The GSP assets include the following grouping of projects:-

- the Mopane Project, comprising the Voorburg and Jutland sections;
- the Generaal Project, comprising the Mount Stuart and Generaal sections;
- the Makhado Extension, comprising the Telema and Gray section; and
- the Chapudi Project, comprising the Chapudi, Chapudi West and Wildebeesthoek sections.

The GSP assets specifically exclude CoAL's Makhado and Vele Projects also located in the Limpopo Province.

The CoAL corporate structure is currently made up of 18 subsidiary companies as illustrated in the organogram below. CoAL's GSP assets are held by four of the subsidiary companies, namely:-

- Regulus Investment Holdings (Pty) Ltd - Mopane Project;
- Kwezi Mining & Exploration (Pty) Ltd – Generaal Project;
- Chapudi Coal (Pty) Ltd – Chapudi Project; and
- Limpopo Coal Company (Pty) Ltd – Telema & Grey Project.

This updated 2015 CPR serves the purpose of documenting the technical aspects of CoAL's assets (excluding the Makhado Project) and describes each of these mineral assets in terms of its historical and recent exploration and mining data, which would have a bearing on the techno-economic value of the assets.

The coal assets discussed in this CPR are graphically portrayed in a mineral-asset portfolio triangle, together with the other principle coal assets of CoAL, in order for the reader to obtain an understanding of the relative development of the various projects and their location with respect to the coalfields. The table below summarises CoAL's assets, and highlights those assets which are discussed in the 2015 CPR.

Summary of CoAL's GSP Assets

ASSET ¹	HOLDER	INTEREST (%)	STATUS	LICENCE EXPIRY DATE ²	LICENCE AREA (ha)	COMMENTS
1. Voorburg	Regulus Investment Holdings (Pty) Ltd (a 100% owned subsidiary of CoAL)	*74-100%	Advanced Exploration	May-13	11,325	Acceptance letter for NOMR issued in May 2013
2. Jutland	Regulus Investment Holdings (Pty) Ltd (a 100% owned subsidiary of CoAL)	*74-100%	Early Exploration	Apr-13	14,491	Acceptance letter for NOMR issued in May 2013
3. Telema and Gray	Limpopo Coal Company (Pty) Ltd (a 100% owned subsidiary of CoAL)	100%	Exploration	Apr-13	2,131	Acceptance letter for NOPR issued in August 2013
4. Mount Stuart	Kwezi Mining & Exploration (Pty) Ltd (a 74% owned subsidiary of CoAL)	100%	Exploration	Apr-13	9,125	Acceptance letter for NOMR issued in July 2013
5. Generaal	Kwezi Mining & Exploration (Pty) Ltd (a 74% owned subsidiary of CoAL)	100%	Early Exploration	May-13	13,470	Acceptance letter for NOMR issued in July 2013
6. Chapudi	Chapudi Coal (Pty) Ltd (a 74% owned subsidiary of CoAL)	74%	Pre-Feasibility	May-13	17,948	Acceptance letter for NOMR issued in July 2013
7. Chapudi West	Chapudi Coal (Pty) Ltd (a 74% owned subsidiary of CoAL)	74%	Early Exploration	May-13	8,992	Acceptance letter for NOMR issued in July 2013
8. Wildebeesthoek	Chapudi Coal (Pty) Ltd (a 74% owned subsidiary of CoAL)	74%	Early Exploration	May-13	10,641	Acceptance letter for NOMR issued in July 2013

¹ All assets are located in Limpopo Province, Republic of South Africa

² Although certain prospecting rights have expired, CoAL has applied for renewal of the relevant rights. Under the MPRDA a prospecting right in respect of which an application for renewal has been lodged shall, despite its stated expiry date, remain in force until such time as the renewal application has been granted or refused.

* 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.

This 2015 CPR has been compiled, to the extent required and in accordance with:-

- the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition;
- the Australian Guidelines for the Estimation and classification of Coal Resources, 2014 edition;
- the AIM Note for Mining and Oil & Gas Companies- June 2009;
- the Prospectus Rules published by the Financial Services Authority (FSA) and governed by the United Kingdom Listing Authority (UKLA) (Prospectus Rules);
- the Prospectus Directive (2003/71/EC) and the Prospectus Regulation (809/2004); and
- Sections 131 to 133 and Appendices I to III of the document titled 'ESMA update of the CESR recommendations: The consistent implementation of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive' and dated the 23 March 2011.

The Coal Resources for the GSP project were originally estimated and signed off by CoAL's Competent Person, Mr J Sparrow (Pr.Sci.Nat.) (CoAL's Group Geologist), Venmyn Rand (Pty) Ltd and independent contractor Liz de Klerk (Pr.Sci.Nat) (Glanvill Geoconsulting) in 29 February 2012. At that time Venmyn Deloitte reviewed CoAL's estimation procedures and considered the Coal Resource estimates and classification as prepared and declared by CoAL to be reasonable and compliant with the reporting standard of JORC.

There has been no material change in the Coal Resource statement since 29 February 2012 and have been accordingly re-presented without change in this 2015 CPR. The following two tables illustrate the 29 February 2012 and 31 December 2015 Coal Resource statement. The Coal Resource statement cannot be presented in the standard AIM tabular format as the suggested columns are not applicable to coal. No Coal Reserves have been declared for any of the GSP assets.

Previous Coal Resources of CoAL's Greater Soutpansberg Project (excluding Makhado Project) (29 February 2012) (Inclusive of Reserves)

PROJECT	SECTION	RESOURCE CATEGORY	GROSS TONNES IN SITU (GTIS)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	COAL ATTRIBUTABLE %	COAL ATTRIBUTABLE (GTIS)
Mopane	Voorburg	Measured	109,435,158	98,491,000	94,915,200	*74-100%	105,669,749.86
Makhado Ext.	Telema and Gray		42,244,854	38,020,200	36,240,800	100%	42,244,854.00
TOTAL/WT. AVE MEASURED			151,680,012	136,511,200	131,156,000	*74-100%	147,914,603.86
Mopane	Voorburg	Indicated	125,033,852	106,271,000	100,500,000	74-100%	119,624,989.06
Makhado Ext.	Telema and Gray		29,581,152	25,141,000	23,225,000	100%	29,581,152.00
TOTAL/WT. AVE INDICATED			154,615,004	131,412,000	123,725,000	*74-100%	149,206,141.06
Mopane	Voorburg	Inferred	36,238,997	28,920,000	23,940,000	*74-100%	31,651,715.60
Generaal	Mount Stuart		407,162,828	325,690,000	55,460,000	100%	407,162,828.00
Makhado Ext.	Telema and Gray		12,301,228	9,820,000	7,320,000	100%	12,301,228.00
Chapudi	Chapudi		6,399,023,436	5,119,130,000	1,318,420,000	74%	4,735,277,342.64
TOTAL/WT. AVE INFERRED		6,854,726,489	5,483,560,000	1,405,140,000	*74-100%	5,186,393,114	
GRAND TOTAL RESOURCES			7,161,021,505	5,751,483,200	1,660,021,000	*74-100%	5,483,513,859

Source: CoAL 2012

* 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.

Current CoAL Coal Resources of CoAL's Greater Soutpansberg Project (excluding Makhado Project) (31 December 2015) (Inclusive of Reserves)

PROJECT	SECTION	RESOURCE CATEGORY	GROSS TONNES IN SITU (GTIS)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	COAL ATTRIBUTABLE %	COAL ATTRIBUTABLE (GTIS)
Mopane	Voorburg	Measured	109,435,158	98,491,000	94,915,200	*74-100%	105,669,749.86
Makhado Ext.	Telema and Gray		42,244,854	38,020,200	36,240,800	100%	42,244,854.00
TOTAL/WT. AVE MEASURED			151,680,012	136,511,200	131,156,000	*74-100%	147,914,603.86
Mopane	Voorburg	Indicated	125,033,852	106,271,000	100,500,000	74-100%	119,624,989.06
Makhado Ext.	Telema and Gray		29,581,152	25,141,000	23,225,000	100%	29,581,152.00
TOTAL/WT. AVE INDICATED			154,615,004	131,412,000	123,725,000	*74-100%	149,206,141.06
Mopane	Voorburg	Inferred	36,238,997	28,920,000	23,940,000	*74-100%	31,651,715.60
Generaal	Mount Stuart		407,162,828	325,690,000	55,460,000	100%	407,162,828.00
Makhado Ext.	Telema and Gray		12,301,228	9,820,000	7,320,000	100%	12,301,228.00
Chapudi	Chapudi		6,399,023,436	5,119,130,000	1,318,420,000	74%	4,735,277,342.64
TOTAL/WT. AVE INFERRED			6,854,726,489	5,483,560,000	1,405,140,000	*74-100%	5,186,393,114
GRAND TOTAL RESOURCES			7,161,021,505	5,751,483,200	1,660,021,000	*74-100%	5,483,513,859

Source: CoAL 2015

* 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.

Venmyn has independently reviewed the Coal Resource estimates of CoAL's GSP assets discussed in this report, and these are considered to have been defined, by CoAL, in accordance with the JORC Code 2012 Edition Since submission of the 2012 CPR, the 2004 edition of the JORC Code has been updated to a 2012 edition. As such this 2015 CPR has been updated to comply with requirements in the 2012 JORC Code.

The key amendments to the code that are relevant to this CPR are as follows:-

- the requirement to report against Table 1 on an 'if not, why not' basis;
- Competent Person attributions;
- at least a Pre-Feasibility Study required for an Ore Reserve declaration;
- Technical Studies definitions;
- metal equivalents;
- in situ or in ground values; and
- additional guidance on reporting requirements for Competent Persons.

To comply with the JORC Code 2012 edition, a Table 1 checklist has been included as an Appendix 1 to this abridged 2015 CPR. The 2015 CPR has been prepared based on exploration, feasibility study, legal tenure and environmental status information available up to and including 31 December 2015 and Coal Resource information as at 29 February 2012.

Disclaimer and Risks

Venmyn Deloitte has compiled this Competent Persons Report and, in so doing, has utilised information provided by CoAL as to its geological models, resource estimates, operational methods and forecasts. Venmyn Deloitte does not accept responsibility for the information prepared and provided by CoAL. Where possible, this information has been verified independently with due enquiry in terms of all material issues that are a prerequisite to comply with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 edition). 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 Competent Persons 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 compiling this Competent Persons 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 Competent Persons 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 Abridged Competent Persons Report on Coal of Africa Limited's Greater Soutpansberg Projects

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1. Introduction

The directors of CoAL requested that Venmyn Deloitte (Pty) Ltd (Venmyn Deloitte) compile an independent Technical Report, in the form of a Competent Persons' Report (CPR) on certain of their coal assets within the Soutpansberg Coalfield of South Africa. These coal assets are those belonging to CoAL's so called "Greater Soutpansberg Project" (GSP) and comprise all coal assets within the Soutpansberg Coalfield, excluding the Makhado Project (which was reported on in detail in a CPR in 2011 compiled by Venmyn Deloitte, reference number D1010R).

Venmyn Deloitte understands that the update 2015 CPR will form part of the documentation in support of readmission of CoAL to the Alternate Market (AIM) of the London Stock Exchange (LSE). The readmission of CoAL to AIM is in connection with a proposed acquisition with Universal Coal Plc (Universal Coal).

The complete 2015 CPR was prepared by Venmyn Deloitte to the extent required and in accordance with:-

- the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition;
- the Australian Guidelines for the Estimation and classification of Coal Resources, 2014 edition;
- the AIM Note for Mining and Oil & Gas Companies- June 2009;
- the Prospectus Rules published by the Financial Services Authority (FSA) and governed by the United Kingdom Listing Authority (UKLA) (Prospectus Rules), so far as incorporated by the AIM Rules for companies (January 2016) (AIM Rules);
- the Prospectus Directive (2003/71/EC) and the Prospectus Regulation (809/2004), so far as incorporated by the AIM Rules for companies (January 2016) (AIM Rules); and
- Sections 131 to 133 and Appendices I to III of the document titled 'ESMA update of the CESR recommendations: The consistent implementation of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive' and dated the 23 March 2011.

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This abridged CPR is addressed to CoAL and Peel Hunt LLP in its capacity as nominated advisor.

1.1. Coal Assets

CoAL is a coal mining and exploration company with its principle 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. This CPR documents the technical details of the coal assets of CoAL within the GSP. The GSP includes the following groups of projects all of which are located in the Limpopo province, South Africa:-

- the Mopane Project, comprising the Voorburg and Jutland sections;
- the Generaal Project, comprising the Generaal and Mount Stuart sections;
- the Chapudi Project, comprising the Chapudi, Chapudi West and Wildebeesthoek sections; and
- the Telema and Gray project, comprising Telema and Gray (formerly Makhado Extension).

The GSP specifically excludes CoAL's Makhado and Vele Projects also located in the Limpopo Province.

CoAL has extensive thermal and coking coal assets located across South Africa in four different Coalfields. The GSP assets include projects at various stages of development from early reconnaissance exploration to Pre-Feasibility Study (PFS) (Table 1).

Table 1: Summary of CoAL's GSP Assets

COMPANY	PROJECT	SECTION	NO. OF FARMS HELD	DEVELOPMENT STATUS	NEW ORDER LICENCE TYPE	TOTAL LICENCE AREA (Ha)	COAL'S ATTRIBUTABLE INTEREST (%)	TOTAL NO. OF RECENT B/H DRILLED	**TOTAL TONNES IN SITU
Regulus Investment Holdings (Pty) Ltd	Mopane	Voorburg	8	Advanced Exploration	Mining	11,325	*74-100%	29	223,902,587
		Jutland	14	Early Exploration		14,491	*74-100%	8	-
Limpopo Coal Company (Pty) Ltd	Makhado Extension	Telema & Gray	2	Exploration	Prospecting	2,131	100%	2	68,177,055
Kwezi Mining & Exploration (Pty) Ltd	Generaal Project	Mount Stuart	7	Exploration	Mining	9,125	100%	16	56,643,406
		Generaal	13	Early Exploration		13,470	100%	5	-
		Chapudi	21	Pre-Feasibility		17,948	74%	125	1,345,388,786
Chapudi Coal (Pty) Ltd	Chapudi	Chapudi West	9	Early Exploration		8,992	74%	3	-
		Wildebeesthoek	11	Early Exploration		10,641	74%	4	-

Notes:

*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.

**Resource calculated for maximum seam of 200m for opencast mining. No underground mining considered.

CoAL's GSP assets comprise all coal projects within the Soutpansberg Coalfield, excluding the Makhado Project (reported on in detail in the 2011 CPR). The location of CoAL's GSP assets in relation to the Soutpansberg Coalfield and the Makhado Project (not reported on herein) are illustrated in Figure 1

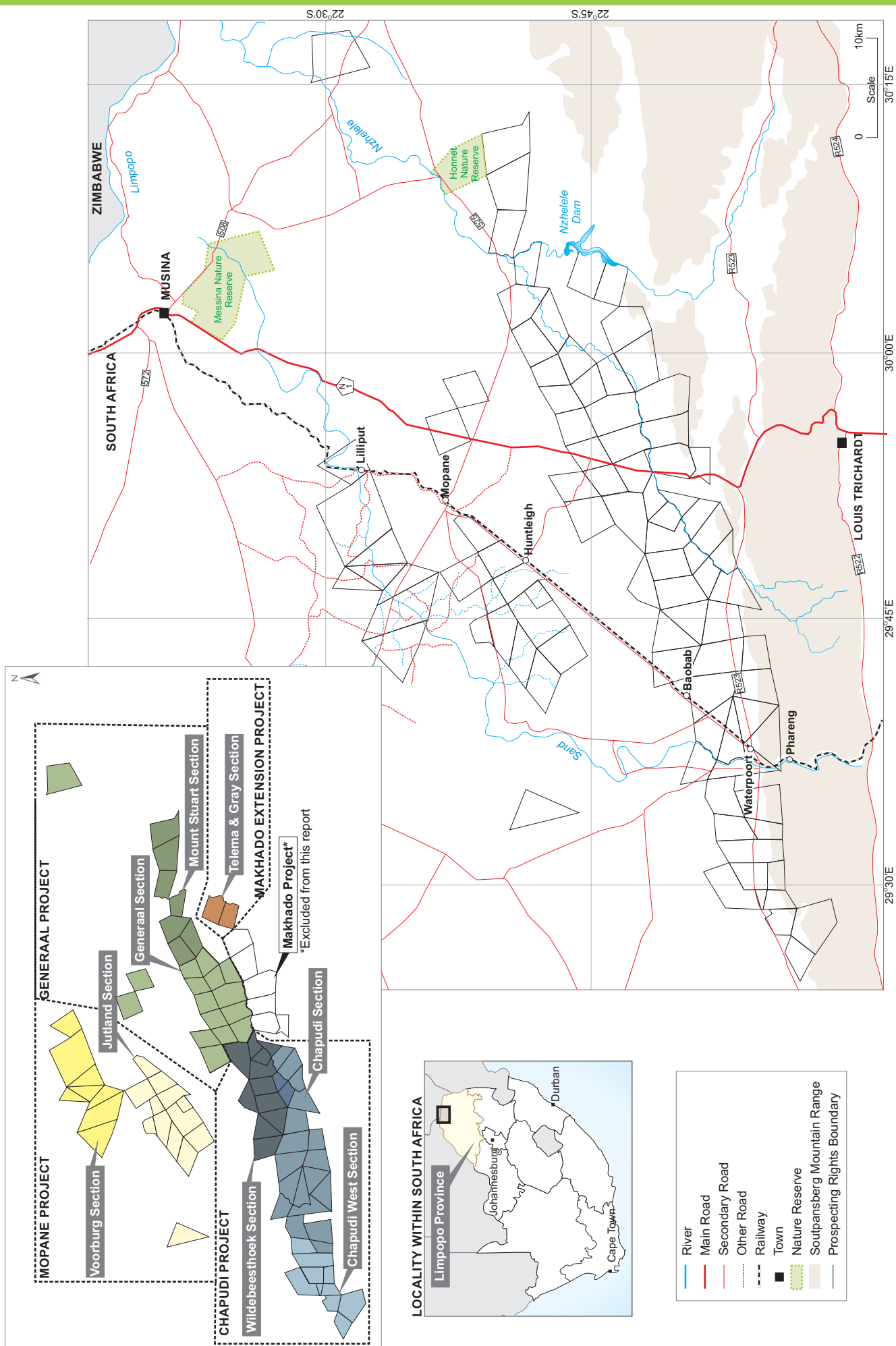
1.2. Scope of the Opinion

This updated 2015 CPR has been compiled in order to incorporate all currently available and material information that will enable potential investors to make a reasoned and balanced judgement regarding the technical merits of the GSP coal assets. As part of the preparation of this CPR, Venmyn Deloitte has reviewed CoAL's declared Coal Resources for each of the assets under consideration, as at 31 December 2015. None of the GSP assets have associated Coal Reserves.

This CPR provides a detailed description of each GSP asset as highlighted in Figure 1.

The independent technical review by Venmyn Deloitte has been based upon technical information which has been supplied by CoAL and its subsidiary companies, and which has been independently due diligenced by Venmyn Deloitte, where possible. CoAL has warranted in writing that it has openly provided all material information to Venmyn Deloitte which, to the best of its knowledge, understanding, and belief is complete, accurate and true, having made all reasonable enquiries and has not omitted anything likely to affect its import. CoAL has also confirmed that disclosure of the information presented herein, with respect to the properties subject to the Soutpansberg Properties Acquisition Agreement, has been authorised by the sellers.

Venmyn Deloitte confirms in compliance with the JORC requirements that, to the best of its knowledge and having taken all reasonable care to ensure that such is the case, declares, that the information contained in the 2015 CPR is, in accordance with the facts, has been obtained in a manner consistent with the requirements of JORC 2012, contains no omission likely to affect its import and is not misleading. No material change has occurred from 31 December 2015 to the date hereof that would require any amendment to the CPR. Venmyn Deloitte reserves the right to, but will not be obliged to, revise this report or sections therein, and conclusions thereto, if additional information becomes known to Venmyn Deloitte subsequent to the date of this report.



1.3. Competent Persons Declaration

Venmyn Deloitte's professional advisors are Competent Persons as defined by the JORC Code. They are also members of the Australasian Institute of Mining and Metallurgy (AusIMM), the South African Institute for Mining and Metallurgy (SAIMM) and the Geological Society of South Africa (GSSA), which are Recognised Professional Organisations as defined by the JORC Code. The Competent Persons involved in the compilation 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 Code.

None of the Venmyn Deloitte employees, have or have had, any interest in any of CoAL projects capable of affecting their ability to give an unbiased opinion, and have not and will not, receive any pecuniary or other benefits in connection with this assignment, other than normal consulting fees.

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 technical aspects of the coal assets described. To this end, Competent Persons' Certificates are presented in Appendix 4.

1.4. Statement of Independence

1.4.1. JORC Compliance and Independent Review

This report has been compiled by Venmyn Deloitte, a subsidiary of Deloitte Consulting South Africa (Proprietary) Limited. Venmyn Deloitte has compiled this CPR in accordance with and to the extent required by the Regulatory Guide 111 – Content of expert reports (RG111) and the Regulatory Guide 112 – Independence of experts (RG112), prepared by the Australian Securities and Investment Commission (ASIC) and the JORC Code.

Prior to 1 November 2012, Venmyn Deloitte was an independent consultancy called Venmyn Rand (Pty) Ltd and consequently had no audit independence requirements in relation to CoAL or its auditors Deloitte Touche Tohmatsu Services, Inc. The Coal Resources for the GSP project were originally estimated and signed off by CoAL's Competent Person, Mr J Sparrow (Pr.Sci.Nat.) (CoAL's Group Geologist), Venmyn Rand (Pty) Ltd and independent contractor Liz de Klerk (Pr.Sci.Nat.) (Glanvill Geoconsulting (Pty) Ltd) in 29 February 2012. For the 29 February 2012 Coal Resource statement, Venmyn Rand (Pty) Ltd reviewed CoAL's estimation procedures and considered the Coal Resource estimates and classification as prepared and declared by CoAL to be reasonable and compliant with the reporting standards of JORC. There has been no material change in the Coal Resource statements since 29 February 2012 and Venmyn Deloitte has accordingly re-presented them without change in this 2015 CPR.

Venmyn Deloitte has acted as independent reviewer of the information provided by CoAL management and declares in compliance with the JORC requirements, that it has taken all reasonable care to ensure that the information contained in the 2015 CPR is, to the best of its knowledge, in accordance with the facts, has been obtained in a manner consistent with the requirements of JORC 2012, contains no omission likely to affect its import and is not misleading.

No Coal Reserves have been declared for the GSP assets, therefore this 2015 CPR does not include a net present value valuation as required by Appendix 2 of the AIM Rules.

1.4.2. Venmyn Deloitte Independence

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 CPR have any material interest in CoAL 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 Deloitte (previously Venmyn Rand) has compiled a number of CPRs and technical reports on CoAL's mineral projects for both internal and external purposes. These included an Independent Competent Persons Report on the Principal Coal Assets of CoAL (October 2012), an Independent Technical Statement as at 18 September 2011, an Independent Technical Statement for the Greater Soutpansberg as at 31 May 2012 and a Best Practise Guideline for Exploration (June 2012), the 2011 CPR and the 2012 CPR.

As of 1 November 2012, Venmyn Deloitte became 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 three potential threats to auditor independence with respect to the current scope of work. In particular, these were considered in relation to the technical review of the GSP assets and included:-

- a self-review threat; which would be created if the Coal Resources were subject to audit procedures by Deloitte;
- the potential implication of the performance of management functions by Venmyn Deloitte; and
- a self-interest threat; which would be created if Venmyn Deloitte were to be remunerated on a contingent basis.

In considering the above, Venmyn Deloitte and Deloitte Touche Tohmatsu Services, Inc. have taken into account the following:-

- the 29 February 2012 Coal Resources were independently signed off by Glanvill GeoConsulting (Pty) Ltd, Competent Person, John Sparrow, Group Geologist of CoAL and reviewed by Venmyn Rand (Pty) Ltd;
- no material changes have taken place on the GSP projects since that date; and
- the original 29 February 2012 Coal Resources can be re-presented in the 31 December 2015 Coal Resource statements as they were been independently signed off, remain unchanged and have been independently reviewed for compliance with the JORC 2012 edition reporting standards.

Deloitte has determined that there is no significant threat to its independence of CoAL because of the following:-

- Coal Resources have been signed off by Competent Person, John Sparrow, Group Geologist of CoAL and Glanvill Geoconsulting (Pty) Ltd with no change to date;
- Venmyn Deloitte is not performing any advisor role in the CoAL / Universal Coal transaction;
- the Coal Resources have not changed materially since last reported in the public domain on 29 February 2012, and as such, Deloitte can rely upon the 29 February 2012 Coal Resource statements in future audits;
- the 2015 CPR will not be used for financial reporting purposes and will not be incorporated into CoAL's financial statements, and therefore not subject to audit procedures; and
- the Venmyn Deloitte team working on the 2015 COR has not and will not be involved in the audit of CoAL; and
- Venmyn Deloitte has been and will be remunerated on a fixed fee basis only and according to a signed agreement with CoAL.

Deloitte has declared it is comfortable that this scope of work would not impair its independence of CoAL in respect of its external audit. The audit committee for CoAL has also approved this assignment. Venmyn Deloitte has acted as independent reviewer of the information provided by CoAL management and declares in compliance with the JORC requirements, that it has taken all reasonable care to ensure that the information contained in the 2015 CPR is, to the best of its knowledge, in accordance with the facts, has been obtained in a manner consistent with the requirements of JORC 2012, contains no omission likely to affect its import and is not misleading.

1.4.3. Statements on AIM Rules

Venmyn Deloitte has given and has not withdrawn its consent to the inclusion of its updated 2015 CPR contained in Part IX (Mineral Expert's Report) of the Admission Document in the form and context in which it appears, and has authorised the contents of that part of the Admission Document which comprises its report for the purposes of Prospectus Rule 5.5.3R(2)(f) and for the purposes of paragraph 23.1 of Annex I of the Prospectus Rule 5.5.3R(2)(f), Venmyn Deloitte ".....has authorised the contents" of the 2015 CPR in the Admission Document as provided for by Prospectus Rule 5.5.8.

Venmyn Deloitte has not prepared the Coal Resource estimate provided in the 2015 CPR which remains identical to the 29 February 2012 estimate, the latter of which was prepared and independently signed-off on 29 February 2012 signed off by Glanvill GeoConsulting and Competent Person J Sparrow, and in accordance with the JORC requirements, is the responsibility of CoAL management.

Venmyn Deloitte has acted as independent reviewer of the information provided by CoAL management and declares in compliance with the JORC requirements and Item 1.2 of Annex 1 of the Prospectus Rules, that it has taken all reasonable care to ensure that the information contained in the 2015 CPR is, to the best of its knowledge, in accordance with the facts, has been obtained in a manner consistent with the requirements of JORC 2012, contains no omission likely to affect its import and is not misleading.

1.5. Sources of Information and Reliance on Other Experts

Venmyn Deloitte has based its review of CoAL's Soutpansberg coal assets, reported herein, on information provided by CoAL and its subsidiary companies, along with technical reports by its contractors and associates and other relevant published data. A full list of all sources of information is provided in Appendix 1. Drafts of this CPR have been provided to CoAL and its relevant subsidiary companies, in order to identify and address any factual errors or omissions prior to finalisation.

In addition to relying on general information contained within the reports and articles detailed in Appendix 2 Venmyn Deloitte has relied specifically on the opinions of the following experts, detailed in Table 2, which have had a material impact on the conclusions drawn in this report.

Table 2: List of Other Experts

COMPANY	EXPERT	ASPECTS OF RELIANCE	PROJECTS
CoAL	John Sparrow	Coal Resources 2012 and 2015	All projects for which Coal Resources are declared
Glanvill GeoConsulting	Liz de Klerk	Verification of databases, methods and results with particular reference to the Coal Resources 2012	All projects for which Coal Resources are declared

The CPR has been compiled based on exploration and feasibility study information available up to and including the 31 December 2015 and Coal Resource information as at the 31 December 2015. To the best of the knowledge of Venmyn Deloitte, there have been no material changes between 31 December 2015, being the effective date and the date of the information, and the date of this document.

The authors of this report are not qualified to provide extensive commentary on the legal issues associated with CoAL's and/or its subsidiaries' right to the mineral properties. Venmyn Deloitte has reviewed and is satisfied with the the NOPR and NOMR documentation and acceptance letters from the DMR at the CoAL offices in Johannesburg. 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.

1.6. Personal Inspections

The JORC Code requires that site visits be conducted to the asset under consideration. 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 operations including exploration sites, 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 results detailed in the relevant sections to follow. Since 2012 there have been no material changes to the procedures in place, Mineral Resources or infrastructure and for this reason, no further site visits were considered necessary.

2. Overview of the Region

South Africa has a mature minerals industry developed from gold and diamond discoveries in the late 1800s. The country is the world's largest producer of platinum, chrome and vanadium and ranks highly in the production of diamonds, coal, iron ore and base metals. The South African Government has an extensive legal framework within which mining, environmental and social aspects are managed. Inclusive within the framework are international treaties and protocols, and national acts, regulations, standards, and guidelines which address international, national, provincial and local management areas.

One of the greatest challenges associated with the minerals and mining industry in South Africa is the rising costs of labour, electricity, diesel and steel, among other costs.

South African statutory legislation and requirements relevant to the projects and considered as part of this assessment included:-

- Mineral and Petroleum Resources Development Act (Act 28 of 2002) (MPRDA);
- Mineral and Petroleum Resources Development Amendment Act 49 of 2008;
- Mineral and Petroleum Resources Development Draft Amendment Bill (2013);
- Broad-Based Socio-Economic Charter (and associated amendments, 2010);
- Promotion of Beneficiation Bill;
- Mineral and Petroleum Resources Royalty Act (Act 28 of 2008) (MPRRA);
- National Environmental Management Act (Act 107 of 1998) (NEMA);
- National Environmental Management: Air Quality Act (Act 39 of 2004) (NEM:AQA); and
- National Environmental Management: Waste Act (Act 59 of 2008) (NEM:WA).

2.1. Location of the GSP Assets

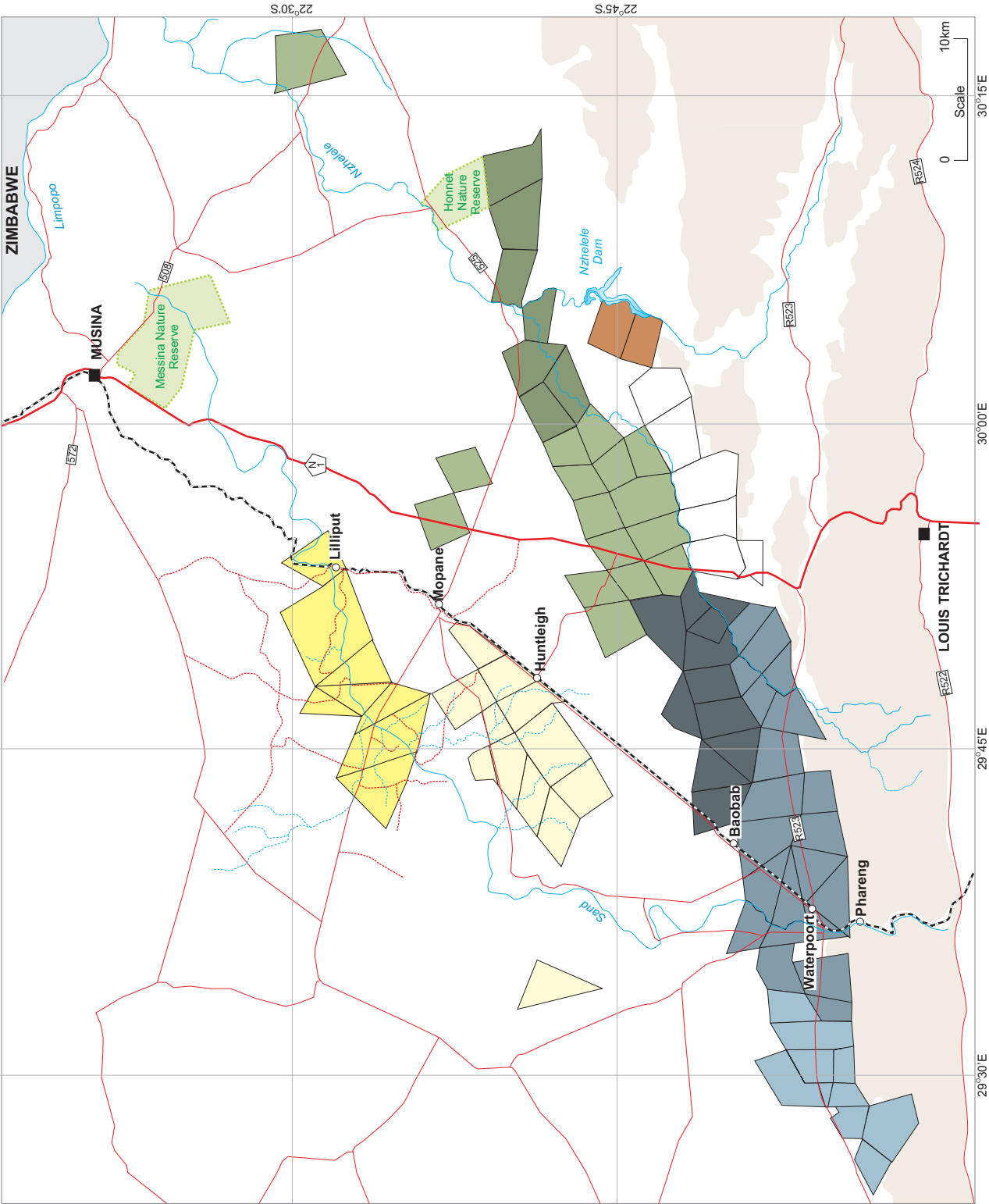
The GSP projects are located in four regions covering a total of 88,123ha. The four regions are split into eight projects. CoAL also holds the right to three further projects, namely Mooiplaats, located in Mpumalanga Province, and Vele and Makhado, located in the Limpopo Province, which are not included in the 2015 CPR and are reported in detail in the 2011 CPR.

The location of the GSP assets in relation to local infrastructure is illustrated in Figure 2.

The various properties can be accessed by a network of gravel roads that branch off the N1 and R525. The gravel roads are in a good condition, whilst the N1 road is in an excellent condition.

The GSP projects typically experience a warm, semi-arid climate. Temperatures average 15°C during the winter months (April to September) and may be in excess of 37°C during the summer. Rainfall is highly variable and usually falls during the summer months (October – March).

DIAGRAMMATIC REPRESENTATION OF THE RELATIVE DEVELOPMENTAL STAGES OF CoAL'S GSP ASSETS



PROJECTS	Developmental Stages			
	Early Exploration	Advanced Exploration	PFS	
Mopane:				
Voorburg		X		
Juland	X			
Chapudi:				
Chapudi West	X			
Chapudi	X			
Wildebeesthoek			X	
Generaal:				
Generaal	X			
Mount Stuart	X			
Teima and Gray		X		
Teima & Gray:				
Teima & Gray		X		
Makhado:				
Makhado				

River

Main Road

Secondary Road

Other Road

Railway

Town

Nature Reserve

Soutpansberg Mountain Range

Mean annual rainfall is approximately 490mm. Operations can occur all year around and the climatic conditions generally do not prevent exploration or mining. However, during times of heavy downpours, temporary delays may be experienced.

The topography of the GSP project areas is generally relatively flat and is traversed by non-perennial and perennial rivers. Vegetation is North Eastern Mountain Sour Veld and the Soutpansberg Arid Mountain Bushveld biomes, characterised predominantly by a grassy ground layer and an upper layer of woody plants, dominated by sweet thorn and mopane. The land is mainly used for cattle grazing and game ranching with localised arable farming.

2.2. Material Agreements

On 26 November 2010, CoAL, RTMD, Kwezi, Keynote Trading, Chapudi Coal and KME, entered into a sale of shares and claims agreement in terms of which 100% of the shares and claims held by RTMD and Kwezi in Chapudi Coal and KME were acquired by Keynote Trading (a wholly owned subsidiary of CoAL) for a total consideration of USD75m. This transaction has been called the Soutpansberg Acquisition Transaction.

All the conditions precedent for the Soutpansberg Acquisition Transaction with Rio Tinto and Kwezi have been fulfilled. CoAL has negotiated a settlement agreement with RTMD with the balance at 31 December 2015 currently at USD19.2million.

The shareholdings before and after the Soutpansberg Acquisition Transaction is illustrated in Figure 3.

2.3. Soutpansberg BEE Transaction

As part of the BEE requirements for the Section 11 transfer, CoAL has concluded a transaction with Rothe Investment (Pty) Limited (Rothe), to acquire a 26% shareholding in Keynote Trading and Investment 108 (Pty) Limited (Keynote Trading). Rothe is 100% owned by BEE companies, one of which represents local communities.

As part of this transaction, CoAL bears the funding risk for the Soutpansberg Properties Transaction and the initial costs up to definitive feasibility study (DFS) level. Upon successful completion of the DFS, Rothe will undertake to fund its pro-rata portion of the funding costs and acquisition costs. Should Rothe be unable to raise the necessary financing, the Shareholders Agreement will facilitate the introduction of a new BEE shareholder/s in Keynote Trading.

2.4. Soutpansberg Properties Acquisition Transaction

The Soutpansberg Properties Acquisition Transaction details the terms by which CoAL, through its wholly owned subsidiary Keynote Trading, have acquired 100% of various NOPRs in various properties from Rio Tinto, within the Soutpansberg Coalfield. This results in extensions to CoAL's pre-existing projects (e.g. Voorburg Section and Jutland Section) and new project areas (e.g. Wildebeesthoek Section and Generaal Section). The shareholding structure before and after the Soutpansberg properties acquisition transaction is illustrated in Figure 3.

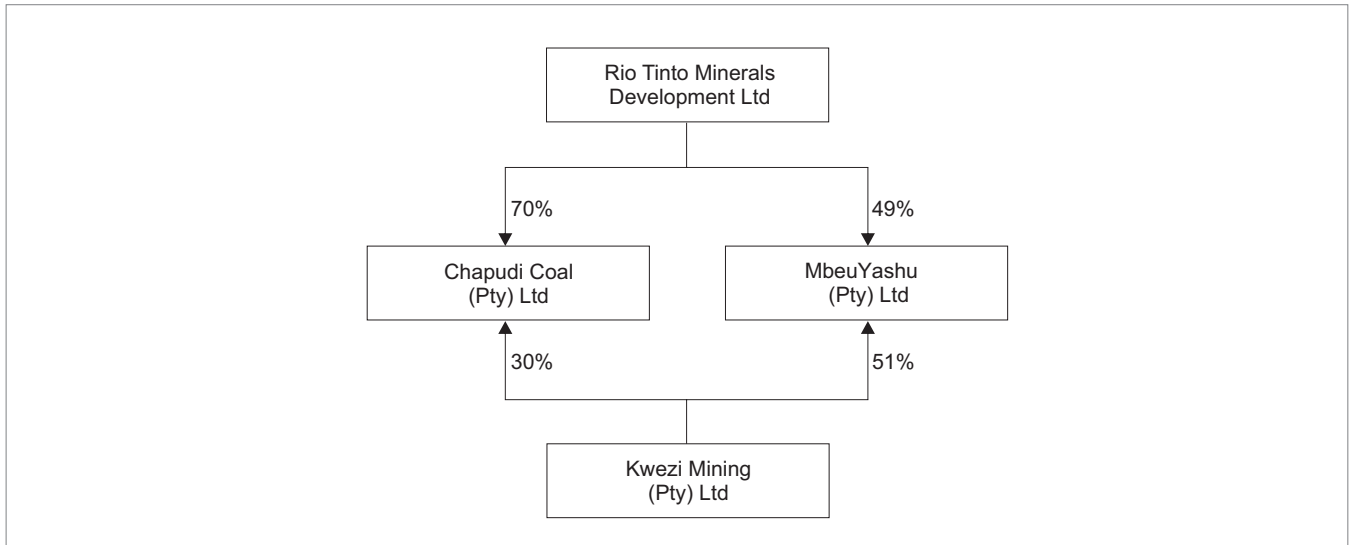
2.5. Regional Geology

The Soutpansberg Coalfield is situated north of the Soutpansberg Mountain Range in the Limpopo Province of South Africa and stretches for ± 190km from Waterpoort in the west to the Kruger National Park in the east.

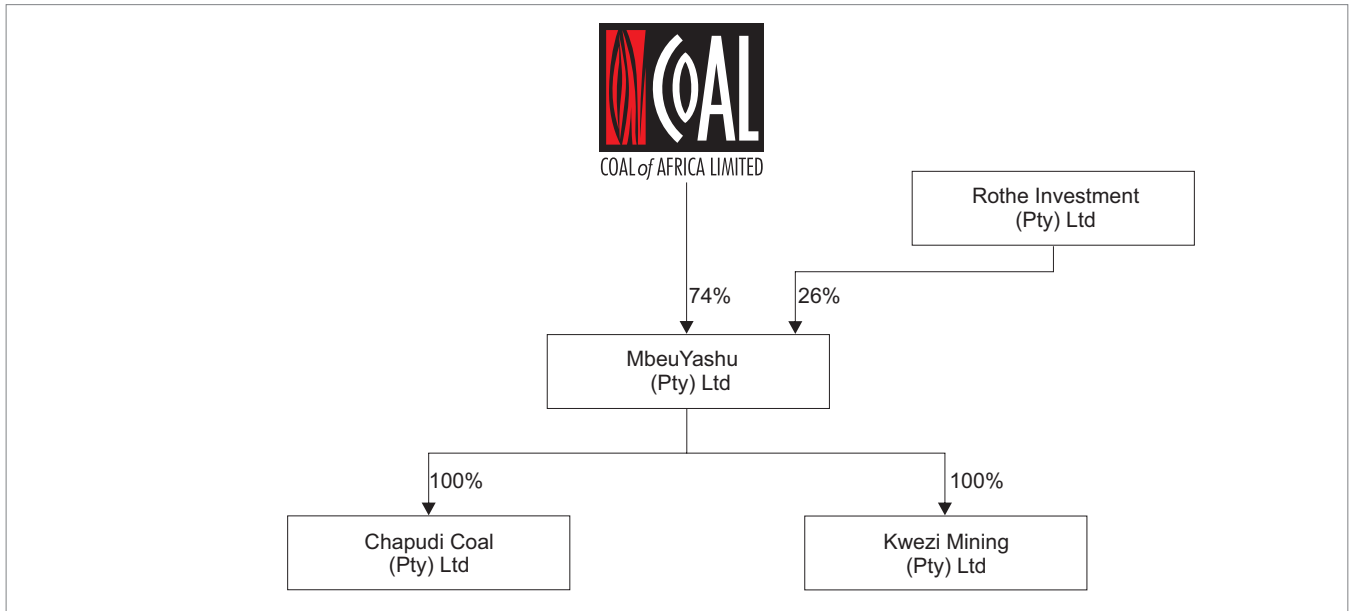
The Soutpansberg Coalfield is preserved within a down-faulted, graben structure, at the north-eastern edge of the Kaapvaal Craton. The Karoo Sequence rocks, containing the Soutpansberg Coalfield, overly the Soutpansberg rocks and dip between 3° and 20° northwards, terminating against east-west trending 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.

SHAREHOLDINGS BEFORE AND AFTER THE SOUTPANSBERG PROPERTIES ACQUISITION TRANSACTION

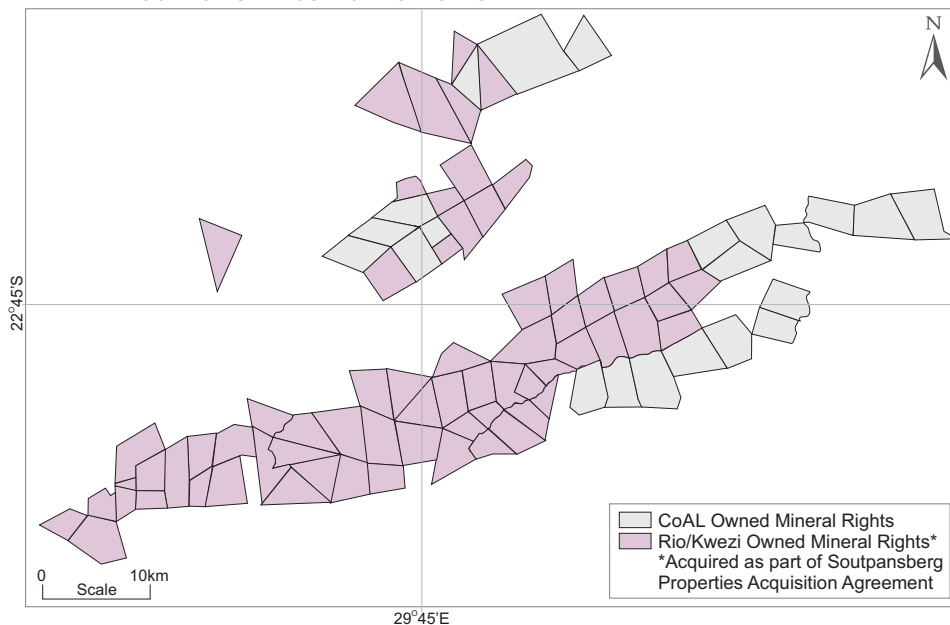
SHAREHOLDING BEFORE SOUTPANSBERG PROPERTIES ACQUISITION TRANSACTION



SHAREHOLDING AFTER SOUTPANSBERG PROPERTIES ACQUISITION TRANSACTION



RELATIVE LOCATION OF PROSPECTING RIGHTS



The greater Soutpansberg Coalfield has been divided into three subdivisions:-

- the **Mopane Coalfield**, between the towns of Mopane and Waterpoort in the west that hosts the Voorburg and Jutland Sections (Figure 4);
- the **Tshipise Coalfield**, stretching east of Mopane in the area of the town of Tshipise that hosts the Telema and Gray Section in the Tshipise South Coalfield and the Mount Stuart Section in the Tshipise North Coalfield (Figure 4). The Generaal, Chapudi, Chapudi West and Wildebeesthoek Sections are located within an extension of the Tshipise Coalfield, also known as the Waterpoort Coalfield; and
- the **Pafuri Coalfield**, terminating at the northern limit of the Kruger National Park in the east (Figure 4).

The coal bearing sediments occur as alternating mudstone laminae and coal bands within the Middle Ecca or Madzaringwe Formation, although there is coal in the 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 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). A high geothermal gradient associated with tectonic instability led to increased structural activity in the Soutpansberg Coalfield resulting in the development of potential coking coal.

In order to identify the coking potential of a coal, a specific suite of tests can be carried out in addition to the regular laboratory tests. These parameters are graphically presented in Figure 5 as ranges with the optimal coking potential for each highlighted in red. The typical results for each of CoAL's projects (for which results are available) with coking potential is also indicated on the diagram.

3. Voorburg Section

The Voorburg Section comprises eight contiguous farms within the Sand River Coalfield subdivision of the greater Soutpansberg Coalfield. The project is at an advanced exploration stage, with quantified Coal Resources over the CoAL properties. It represents the most advanced section of the Mopane Project. The Voorburg Section is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa. The nearest town is Musina, situated approximately 30km to the northeast of the Voorburg Section area.

3.1. Mineral Tenure

Through its wholly owned subsidiary company Regulus Investment Holdings (Pty) Ltd (subsequent to Section 11 transfer and Section 102 approval), CoAL holds an accepted application for a New Order Mining Right (NOMR) on the farms that make up the Voorburg Section. The rights relating to the Voorburg Section are summarised in Table 3.

3.2. Legal Matters

CoAL has informed Venmyn Deloitte of land claims on the farms Cavan 505MS and Vera 815MS.

The land claims on the various properties have been gazetted by the Department of Rural Development and Land Reform (DRDLR). CoAL recognises land claimants as key stakeholders, and the company's engagement is governed by the company's stakeholder engagement strategy that ensures regular, meaningful and transparent engagement.

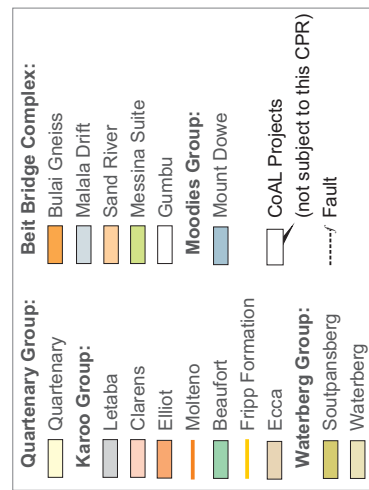
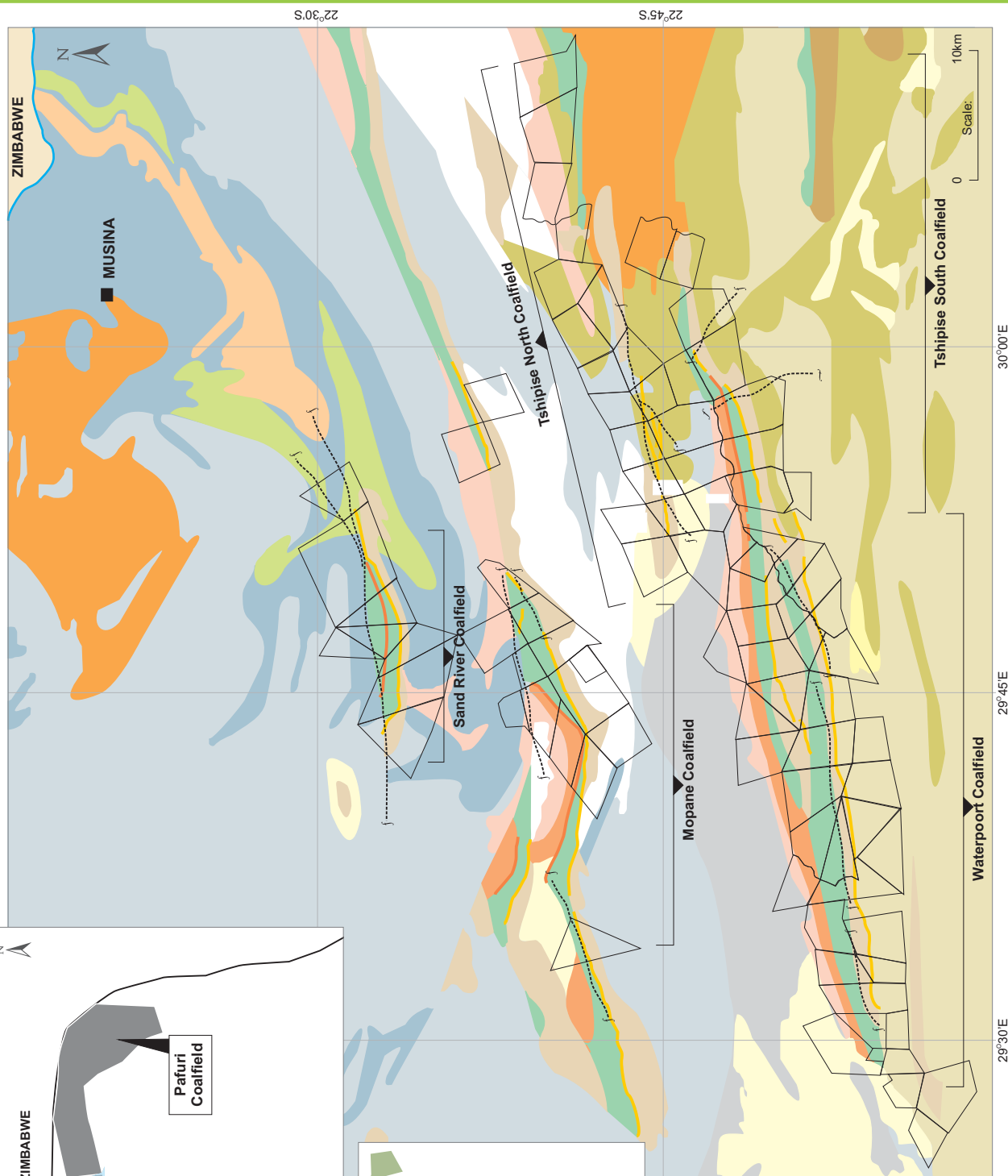
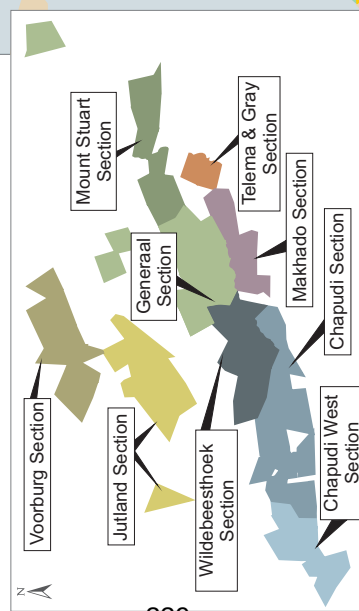
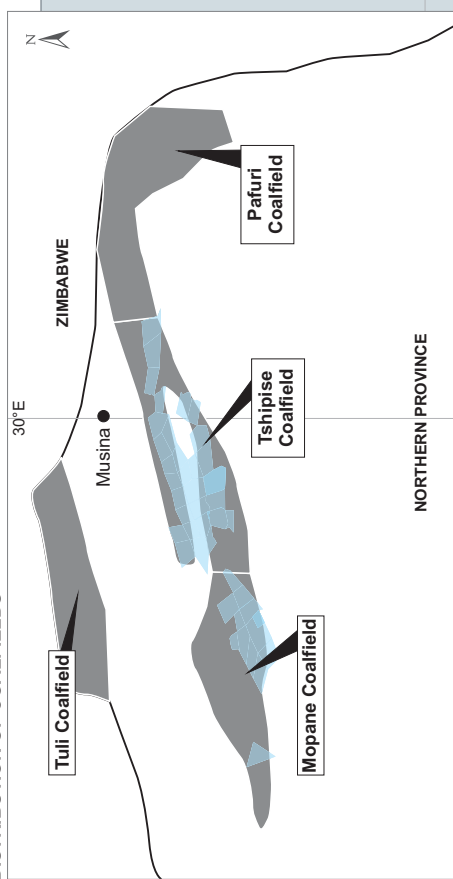
CoAL recognises the legislative framework of the land claims process and will work within that framework.

3.3. Geology & Exploration History

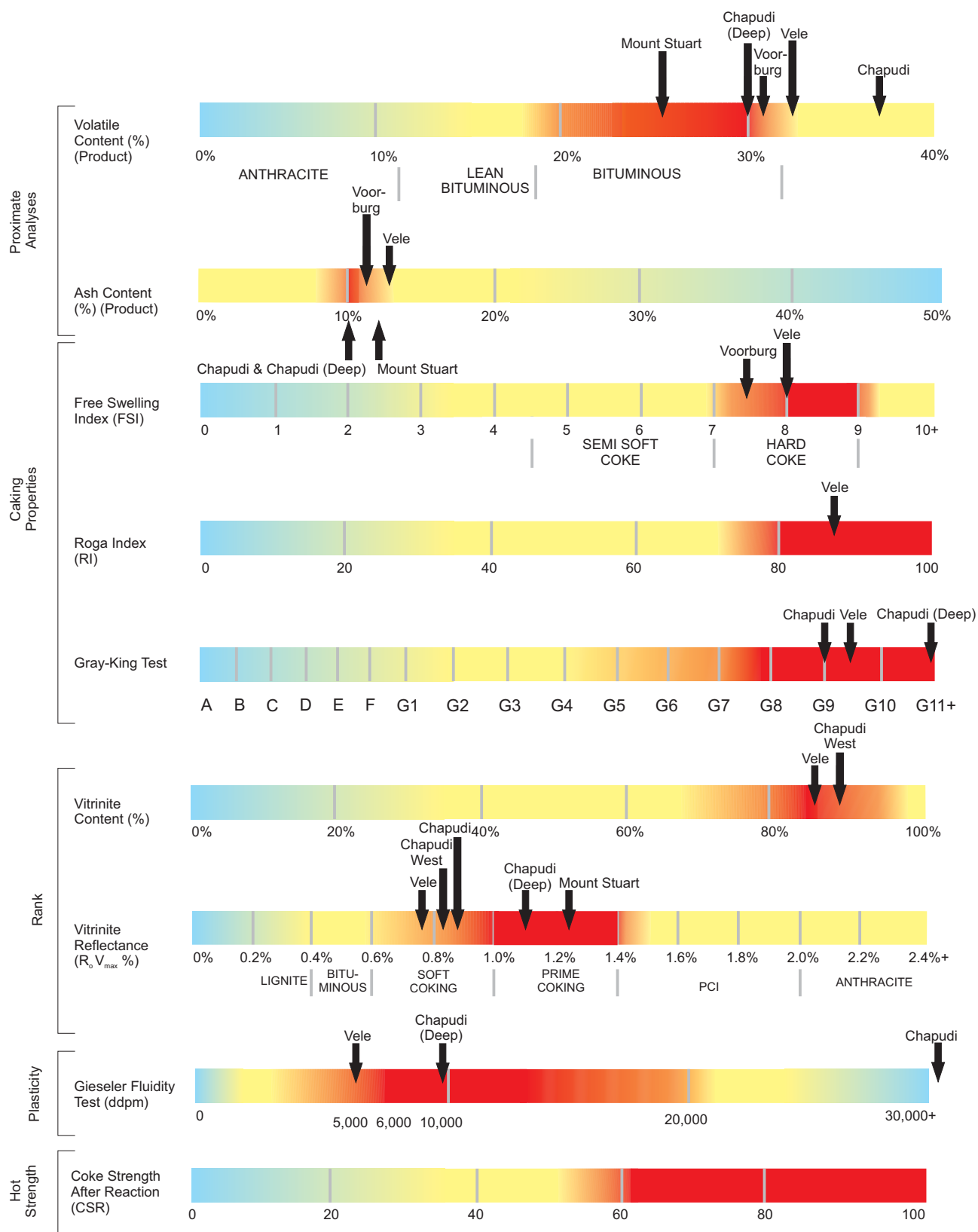
The Voorburg Section represents an isolated and upfaulted block of Karoo age sediments, which lies approximately 10km to the north of the main Soutpansberg Coalfield. The coal seams exhibit an average dip of 5°North. Minor faulting and dolerite intrusions have been noted from historical borehole data and mapping.

REGIONAL GEOLOGICAL MAP OF THE GREATER SOUTPANSBERG COALFIELD

DISTRIBUTION OF COALFIELDS



CoAL'S COKING COAL PROJECTS SHOWN IN RELATION TO SELECTED COKING COAL TEST RESULT OPTIMAL RANGES



The historical and recent exploration activity on the Voorburg Section is summarised in Table 4 and Figure 6 illustrates the positions of the boreholes. For further details regarding the ownership history, exploration and protocols followed the reader is referred to the full 2015 CPR located on the CoAL website.

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

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

The Voorburg Section represents a prospective coking coal project, with the potential to contribute significant additional coking coal production from the region.

3.4. Coal Resources

The orebody model on the Voorburg Section has been prepared by Mr. J. Sparrow (Pr.Sci.Nat.), CoAL's Competent Person. 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 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, as the logging and sampling was not yet complete.

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. For further details regarding the modelling methodology the reader is referred to the full 2015 CPR located on the CoAL website.

Both CoAL and Venmyn Deloitte have a high level of confidence with respect to the current model and the associated resource estimates. The Coal Resource for the Voorburg Section reported according to Jorc, as at 31 December 2015, was estimated and signed off by CoAL's Competent Person, Mr J Sparrow (Pr.Sci.Nat.), CoAL's Group Geologist. Venmyn Deloitte reviewed CoAL's procedures and considers the Coal Resource estimates and classification as prepared and declared by CoAL as reasonable and compliant with JORC.

The Coal Resource Statement for the Voorburg Section, is presented in Table 5. No changes have been made to the Coal Resources since 29 February 2012.

Resources have been categorised, by CoAL, as Measured, Indicated or Inferred according to observation point halos in accordance with JORC reporting standards. The resources have not been sub-divided into the proposed underground and opencast sectors. In order to classify the coal resources, a halo diagram is prepared using only the boreholes with quality and quantity results. A diagrammatic representation of the Voorburg Section resource classification is included in the full 2015 CPR located on the CoAL website.

Table 3 : Summary of the Voorburg Section Mineral Tenure

SECTION	FARM NAME & NO.	PORTION NO.	AREA (ha)	APPLYING ENTITY	NEW ORDER LICENCE TYPE	LICENCE NO.	SUBMISSION DATE OF MINING RIGHT APPLICATION	DATE OF ACCEPTANCE	SURFACE RIGHTS
Voorburg	Banff 502MS	Whole farm	1,133.33	Regulus Investment Holdings (Pty) Ltd	Mining	LP 30/5/12/2/10032 MR	13/04/2013	17/05/2013	No
	Delft 499MS	Portions 1, 2 & RE	880.47						No
	Krige 495MS	Whole farm	1,855.18						No
	Ancaster 501MS	Portions 1, 2, 3 & RE	833.54		Mining	LP 30/5/12/2/10034 MR	13/04/2013	17/05/2013	No
	Cavan 505MS	Portions 1, 2 & RE	1,224.57						No
	Scheveningen 500MS	Whole farm	575.43						No
	Vera 815MS	Portions 1, 3-9, 13-24, 26-27, 29-30, 35-41, 44-46, 48-52 & 54, RE of portion 10	998		Mining	LP 30/5/12/2/10030 MR	13/04/2013	17/05/2013	No
	Voorburg 503MS	Whole farm	3,978.05		Mining	LP 30/5/12/2/10033 MR	13/04/2013	20/05/2013	No
	TOTAL VOORBURG				11,478.57				

Table 4 : Voorburg Section – Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELOGGING	SEAMS SAMPLED	LABORATORY FOR QUALITY	USED IN MODEL
1974	Rapburn	Cavan508Ms	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	43		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 Matibe & Associates	Scott Drilling	Diamond	PQ3	C Mafiri	12	Yes	Upper, Middle, Middle Lower, Bottom	Inspectorate	Yes
2012			Quality sampling		Drillcon	LDD	T6 146		15		Upper and Bottom Lower	CAM	No
TOTAL									81				

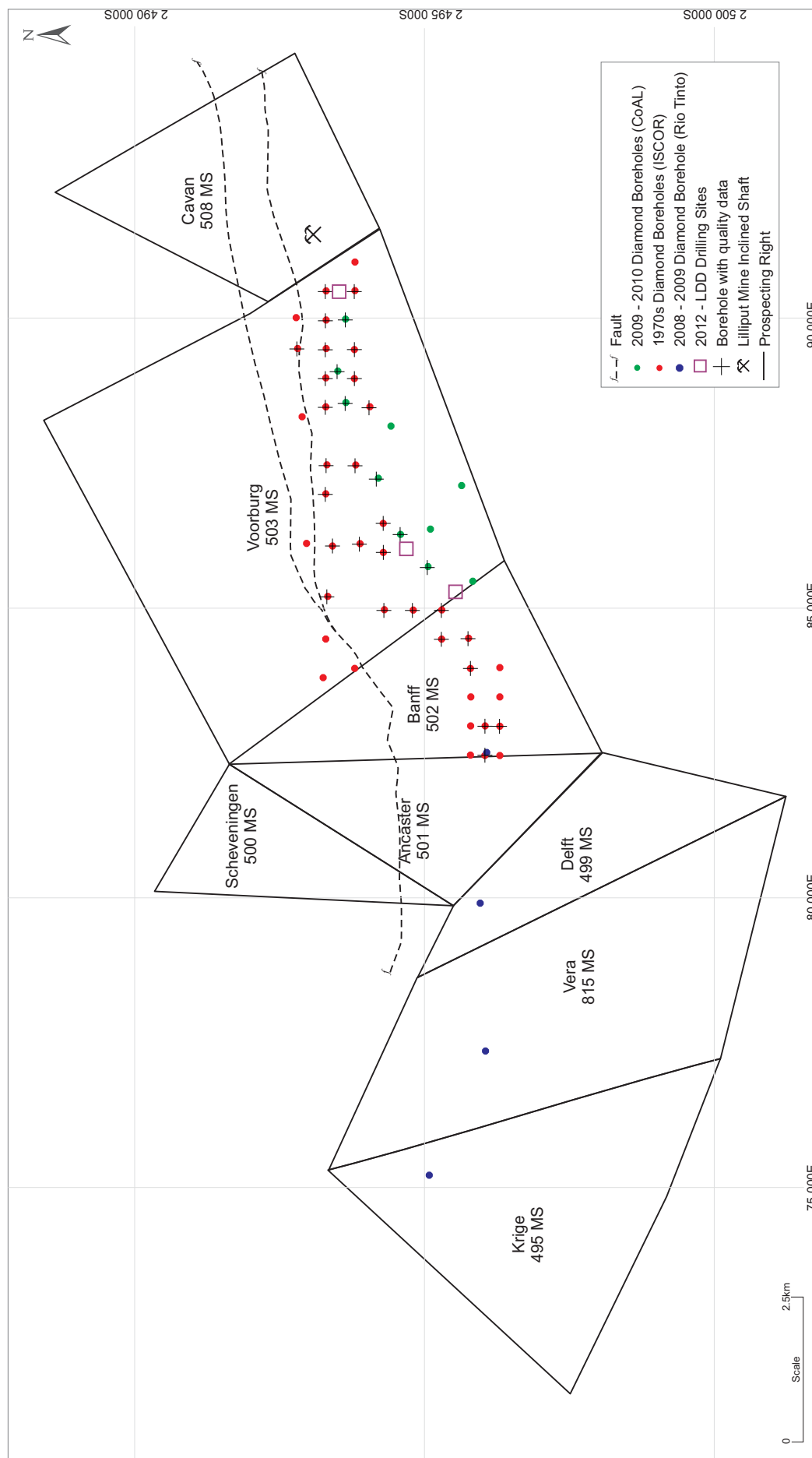


Table 5 : Voorburg Section – Coal Resource Statement (31 December 2015) at Minimum 0.5mm Seam Thickness – CoAL

RESOURCE CALCULATED AT 0.5mm MINIMUM SEAM THICKNESS															AIR DRIED WASHED QUALITIES @ RD = 1.4					
FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	YIELD (%)	CV (MJ/kg)	ASH (%)	VOL (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)						
Voorburg	Measured	Upper	3.21	2.02	16,321,018	10.00	14,688,900	19.64		10.04	32.57	56.75	1.15	0.64						
		Middle Upper	3.26	1.94	21,621,666	10.00	19,459,400	28.46		11.57	32.81	55.05	1.24	0.57						
		Middle Lower	2.04	1.92	12,410,134	10.00	11,169,100	34.65		12.07	32.33	54.89	1.18	0.72						
		Bottom Upper	2.06	1.87	16,890,762	10.00	15,201,600	30.31		11.33	31.86	56.07	1.09	0.73						
		Bottom Lower	3.27	1.85	27,120,868	10.00	24,408,700	26.51		10.80	31.41	56.42	0.99	0.71						
	TOTAL/AVERAGE MEASURED RESOURCES		2.75	1.91	94,364,448	10.00	84,927,700	27.52		11.11	32.12	55.90	1.12	0.67						
	Indicated	Upper	2.57	2.03	23,657,570	15.00	20,108,000	16.99		9.98	32.44	56.81	1.13	0.80						
		Middle Upper	2.79	1.96	25,033,496	15.00	21,278,000	27.36		11.44	32.33	55.53	1.27	0.71						
		Middle Lower	1.62	1.91	15,624,062	15.00	13,280,000	32.09		12.07	31.27	55.90	1.14	0.77						
		Bottom Upper	1.81	1.87	15,432,803	15.00	13,117,000	30.40		11.31	31.09	56.85	1.02	0.75						
		Bottom Lower	2.73	1.84	23,312,932	15.00	19,815,000	25.26		10.11	29.39	55.77	0.86	0.70						
	TOTAL/AVERAGE INDICATED RESOURCES		2.29	1.92	103,060,863	15.00	87,598,000	25.68		10.88	31.34	56.13	1.09	0.74						
Ancaster 501MS	Measured	Upper	1.79	1.97	4,827,979	20.00	3,860,000	19.31		10.32	32.47	56.47	1.10	0.79						
		Middle Upper	2.15	1.95	4,715,050	20.00	3,770,000	26.22		11.07	32.57	55.82	1.14	0.55						
		Middle Lower	1.38	1.93	2,142,872	20.00	1,710,000	32.24		12.30	30.50	56.66	1.10	0.57						
		Bottom Upper	1.33	1.86	1,495,843	20.00	1,190,000	32.08		11.01	30.65	57.59	0.91	0.60						
		Bottom Lower	2.07	1.82	2,321,918	20.00	1,850,000	28.53		9.97	30.63	59.09	0.80	0.58						
	TOTAL/AVERAGE INFERRED RESOURCES		1.78	1.92	15,503,662	20.00	12,380,000	25.81		10.84	31.78	56.80	1.05	0.64						
	TOTAL/ AVERAGE VOORBURG		2.42	1.92	212,928,973	13.00	184,905,700	26.53		10.98	31.74	56.70	1.10	0.70						
	Measured	Bottom Upper	1.37	1.83	200,203	10.00	180,100	48.86		14.79	35.72	48.87	0.99	0.29						
		Bottom Lower	2.49	1.86	388,168	10.00	349,300	44.03		11.28	35.50	53.67	0.98	0.39						
		TOTAL/AVERAGE MEASURED RESOURCES		1.95	1.85	588,371	10.00	529,400	45.67		12.47	35.57	52.04	0.98	0.36					
		Indicated	Bottom Upper	1.34	1.83	397,472	15.00	337,000	50.43		14.94	35.49	48.87	0.98	0.27					
			Bottom Lower	2.45	1.87	772,198	15.00	656,000	45.14		11.39	35.38	53.67	0.99	0.37					
TOTAL/AVERAGE INDICATED RESOURCES		1.91	1.86	1,169,670	15.00	993,000	46.94		12.59	35.42	52.04	0.99	0.34							
Inferred	Middle Upper	1.70	1.84	885,837	20.00	700,000	24.48		10.48	35.52	53.56	1.09	0.36							
	Middle Lower	3.83	1.73	1,963,917	20.00	1,570,000	32.17		12.90	36.49	50.44	1.62	0.23							
	Bottom Upper	1.10	1.85	83,804	20.00	60,000	52.12		14.81	34.52	49.80	0.95	0.25							
	Bottom Lower	2.08	1.85	158,387	20.00	120,000	44.16		11.35	34.70	54.41	0.98	0.34							
	TOTAL/AVERAGE INFERRED RESOURCES		2.64	1.77	3,091,945	20.00	2,450,000	30.76		12.18	36.08	51.56	1.42	0.27						
TOTAL/ AVERAGE ANCASTER		2.33	1.80	4,849,986	18.00	3,972,400	36.79		12.32	35.85	51.74	1.25	0.30							

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

RESOURCE CALCULATED AT 0.5mm MINIMUM SEAM THICKNESS

FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU
Banff 502MS	Measured	Upper	2.37	2.02	1,715,648	10.00	1,544,000
		Middle Upper	4.19	1.91	2,901,002	10.00	2,610,900
		Middle Lower	2.85	1.93	1,989,230	10.00	1,790,300
		Bottom Upper	1.29	1.86	2,675,415	10.00	2,407,800
	TOTAL/AVERAGE MEASURED	Bottom Lower	2.31	1.88	5,201,044	10.00	4,680,900
			2.24	1.90	14,482,339	10.00	13,033,900
	Indicated	Upper	1.71	2.02	1,952,024	15.00	1,659,000
		Middle Upper	2.73	1.90	6,092,697	15.00	5,178,000
		Middle Lower	2.21	1.96	5,347,964	15.00	4,545,000
		Bottom Upper	1.30	1.86	2,474,691	15.00	2,103,000
	TOTAL/AVERAGE INDICATED RESOURCES	Bottom Lower	2.19	1.89	4,935,943	15.00	4,195,000
			2.09	1.92	20,803,319	15.00	17,680,000
	Inferred	Upper	1.58	1.92	1,767,701	20.00	1,410,000
		Middle Upper	2.38	1.90	4,731,549	20.00	3,780,000
		Middle Lower	2.03	1.86	5,570,655	20.00	4,450,000
		Bottom Upper	1.16	1.85	1,850,789	20.00	1,480,000
	TOTAL/AVERAGE INFERRED RESOURCES	Bottom Lower	1.96	1.88	3,722,696	20.00	2,970,000
			1.89	1.88	17,643,390	20.00	14,090,000
	TOTAL/ AVERAGE BANFF		2.05	1.90	52,929,048	15.00	44,803,900
	GRAND TOTAL/ AVERAGE VOORBURG		2.34	1.91	270,708,007	14.00	233,682,000

Notes:

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

AIR DRIED WASHED QUALITIES @ RD = 1.4									
YIELD (%)	CV (MJ/kg)	ASH (%)	VOL (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)			
24.05		10.7	34.36	54.49	0.96	0.43			
42.60		11.9	34.77	52.91	1.12	0.37			
38.43		13.3	34.57	51.71	1.27	0.37			
33.59		11.1	29.22	59.23	0.91	0.44			
32.36		10.5	30.15	58.86	0.81	0.43			
34.49		11.3	32.01	56.24	0.97	0.41			
25.35		10.0	33.38	56.12	0.96	0.53			
44.80		11.7	34.94	52.86	1.10	0.45			
30.66		13.8	34.98	50.81	2.56	0.37			
35.12		11.0	29.04	59.43	0.87	0.46			
33.06		10.6	29.99	58.81	0.78	0.42			
35.40		11.7	32.93	54.83	1.37	0.43			
23.75		9.02	32.04	58.55	0.92	0.50			
33.45		11.0	33.65	54.95	1.01	0.34			
37.04		13.9	33.99	52.64	1.46	0.25			
39.33		11.8	33.44	54.09	0.78	0.35			
38.07		11.1	34.06	56.05	0.78	0.37			
35.20		11.6	33.66	54.72	1.07	0.33			
35.07		11.5	32.89	55.21	1.16	0.40			
28.34		11.1	32.03	55.83	1.11	0.64			

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/m)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINEABLE TONNES IN SITU
Voorburg	Measured	Upper	3.21	2.02	16,321,018	10.00	14,688.9	2.00	14,395,100
		Middle Upper	3.26	1.94	21,621,666	10.00	19,459.4	2.00	19,070,300
		Middle Lower	2.04	1.92	12,410,134	10.00	11,169.1	2.00	10,945,700
		Bottom Upper	2.06	1.87	16,890,762	10.00	15,201.6	2.00	14,897,600
		Bottom Lower	3.27	1.85	27,120,868	10.00	24,408.7	2.00	23,920,600
	TOTAL/AVERAGE MEASURED		2.75	1.91	94,364,448	10.00	84,928.0	2.00	83,229,300
	Indicated	Upper	2.60	2.03	23,424,614	15.00	19,910.9	2.00	19,512,000
		Middle Upper	2.83	1.96	24,574,338	15.00	20,888.1	2.00	20,470,000
		Middle Lower	1.63	1.91	15,209,852	15.00	12,928.3	2.00	12,669,000
		Bottom Upper	1.85	1.87	15,085,002	15.00	12,822.2	2.00	12,565,000
		Bottom Lower	2.77	1.84	22,575,806	15.00	19,189.4	2.00	18,805,000
	TOTAL/AVERAGE INDICATED		2.32	1.92	100,869,61	15.00	85,739.1	2.00	84,021,000
	Inferred	Upper	1.86	1.99	4,102,004	20.00	3,281.60	2.00	3,210,000
		Middle Upper	2.20	1.95	4,656,435	20.00	3,725.14	2.00	3,650,000
		Middle Lower	1.39	1.93	2,128,200	20.00	1,702.56	2.00	1,660,000
		Bottom Upper	1.35	1.86	1,456,315	20.00	1,165.05	2.00	1,140,000
		Bottom Lower	2.10	1.82	2,291,481	20.00	1,833.18	2.00	1,790,000
	TOTAL/AVERAGE INFERRED		1.82	1.93	14,634,435	20.00	11,707.5	2.00	11,450,000
	TOTAL/AVERAGE VOORBURG		2.45	1.92	209,868,49	13.00	182,374,	2.00	178,700,300
Ancaster 501MS	Measured	Bottom Upper	1.37	1.83	200,203	10.00	180.183	2.00	176,500
		Bottom Lower	2.49	1.86	388,168	10.00	349,351	2.00	342,300
	TOTAL/AVERAGE MEASURED		1.95	1.85	588,371	10.00	529,534	2.00	518,800
	Indicated	Bottom Upper	1.33	1.83	359,672	15.00	305,721	2.00	299,000
		Bottom Lower	2.44	1.87	700,210	15.00	595,179	2.00	583,000
	TOTAL/AVERAGE INDICATED		1.90	1.86	1,059,882	15.00	900,900	2.00	882,000
	Inferred	Middle Upper	1.76	1.83	683,946	20.00	547,157	2.00	530,000
		Middle Lower	4.08	1.70	1,509,655	20.00	1,207,72	2.00	1,180,000
		Bottom Upper	1.13	1.83	2,318	20.00	1,854	2.00	0.00
		Bottom Lower	2.12	1.88	4,500	20.00	3,600	2.00	0.00
	TOTAL/AVERAGE INFERRED		2.93	1.74	2,200,419	20.00	1,760,33	2.00	1,710,000
	TOTAL/ AVERAGE ANCASTER		2.41	1.79	3,848,672	17.00	3,190,76	2.00	3,110,800

Notes:

Minimum seam thickness of 0.5mm 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.

AIR DRIED WASHED QUALITIES @ RD = 1.4									
YIELD (%)	CV (MJ/kg)	ASH (%)	VOL (%)	FIXED CARB ON (%)	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			

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/m)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINEABLE TONNES IN SITU
Banff 502MS	Measured	Upper	2.51	2.03	1,547,979	10.00	1,393,18	2.00	1,365,300
		Middle Upper	4.19	1.91	2,901,002	10.00	2,610,90	2.00	2,558,600
		Middle Lower	2.85	1.93	1,989,230	10.00	1,790,30	2.00	1,754,500
		Bottom Upper	1.20	1.86	2,071,499	10.00	1,864,34	2.00	1,827,000
		Bottom Lower	2.15	1.88	4,151,622	10.00	3,736,46	2.00	3,661,700
	TOTAL/AVERAGE MEASURED		2.61	1.91	12,661,332	10.00	11,395,1	2.00	11,167,100
	Indicated	Upper	2.05	2.06	1,596,215	15.00	1,356,78	2.00	1,329,000
		Middle Upper	2.74	1.90	6,091,440	15.00	5,177,72	2.00	5,074,000
		Middle Lower	2.19	1.96	5,141,010	15.00	4,369,85	2.00	4,282,000
		Bottom Upper	1.26	1.86	1,917,006	15.00	1,629,45	2.00	1,596,000
		Bottom Lower	2.09	1.89	3,961,934	15.00	3,384,64	2.00	3,316,000
	TOTAL/AVERAGE INDICATED		2.24	1.92	18,727,605	15.00	15,918,4	2.00	15,597,000
	Inferred	Upper	2.53	2.10	461,848	20.00	369,478	2.00	360,000
		Middle Upper	2.48	1.90	4,559,246	20.00	3,647,39	2.00	3,570,000
		Middle Lower	1.99	1.87	4,104,781	20.00	3,283,82	2.00	3,210,000
		Bottom Upper	1.16	1.85	1,535,236	20.00	1,228,18	2.00	1,200,000
		Bottom Lower	1.95	1.88	3,118,181	20.00	2,494,54	2.00	2,440,000
	TOTAL/AVERAGE INFERRED		2.06	1.89	13,779,292	20.00	11,023,4	2.00	10,780,000
	TOTAL/ AVERAGE BANFF		2.29	1.91	45,168,229	15.00	38,337,0	2.00	37,544,100
	GRAND TOTAL/ AVERAGE VOORBURG		2.38	1.92	258,885,39	14.00	223,902,	2.00	219,355,200

Notes:

Minimum seam thickness of 0.5mm 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.

AIR DRIED WASHED QUALITIES @ RD = 1.4

YIELD (%)	CV (MJ/kg)	ASH (%)	VOL (%)	FIXED CARBON (%)	SULP H. (%)	MOIST. (%)
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

4. Jutland Section

The Jutland Section, located within the Soutpansberg Coalfield, forms part of the Mopane Project and is an early stage exploration project comprised of 13 farms.

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

4.1. Mineral Tenure

Through its wholly owned subsidiary company Regulus Investment Holdings (Pty) Ltd (subsequent to Section 11 transfer and Section 102 approval), CoAL holds an accepted application for a NOMR on the farms that make up the Jutland Section. The rights relating to the Jutland Section are summarised in Table 6.

4.2. Legal Matters

CoAL has informed Venmyn Deloitte of land claims on the farms Cohen 591MS, Ursa Minor 551MS, Du Toit 563MS, Faure 562MS, Otto 560MS and Pretorius 531MS.

The land claims on the various properties have been gazetted by the Department of Rural Development and Land Reform (DRDLR). CoAL recognises land claimants as key stakeholders, and the company's engagement is governed by the company's stakeholder engagement strategy that ensures regular, meaningful and transparent engagement.

CoAL recognises the legislative framework of the land claims process and will work within that framework.

4.3. Geology and Exploration History

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

The historical and recent exploration activity on the Jutland Section is summarised in Table 7 and Figure 7 illustrates the positions of the boreholes. For further details regarding the ownership history, exploration and protocols followed the reader is referred to the full 2015 CPR located on the CoAL website.

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

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

Table 6: Summary of the Jutland Section Mineral Tenure

SECTION	FARM NAME & NO.	PORTION NO.	AREA (ha)	APPLYING ENTITY	NEW ORDER LICENCE TYPE	LICENCE NO.	SUBMISSION DATE OF MINING RIGHT APPLICATION	DATE OF ACCEPTANCE	SURFACE RIGHTS
Jutland	Schalk 542MS	Whole farm	482.48	Regulus Investment Holdings (Pty) Ltd	Mining	LP 30/5/1/2/2/10032 MR	13/04/2013	18/05/2013	No
	Cohen 591MS	Whole farm	1,771.96		Mining	LP 30/5/1/2/2/10035 MR	13/04/2013	17/05/2013	No
	Jutland 536MS	Whole farm	1,051.32						No
	Ursa Minor 551MS	Whole farm	1,277.89		Mining	LP 30/5/1/2/2/10036 MR	13/04/2013	20/05/2013	No
	Bierman 599MS	Whole farm	1,293.11						No
	Du Toit 563MS	RE	927.14						No
	Faure 562MS	Whole farm	1,032.54						No
	Hermanus 533MS	Whole farm	1,384.5						No
	Otto 560MS (Now Honeymoon 610MS)	RE	1,357.37		Mining	LP 30/5/1/2/2/10029 MR	13/04/2013	17/05/2013	No
	Pretorius 531MS (Now Pretorius 834MS)	Portion 1 & RE	808.164						No
	Verdun 535MS	RE	510.61						No
	Mons 557MS	Whole farm	1,198.66						No
	Stubbs 558MS	Whole farm	1,033.81		Mining	LP 30/5/1/2/2/10035 MR	13/04/2013	15/05/2013	No

Table 7: Jutland Section – 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	TransNatal Coal Mining Company	Mons 557 MS, Stubbs 558MS, Cohen 591MS, Jutland 536MS, Verdun 535MS, Faure 562MS, Hermanus 533MS, Urso Minor 551MS and Preorius 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 557 MS, 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	Verdun 535MS, Hermanus 533MS, Urso 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 & RC	PQ3	M. Maphisa	15	Yes	Yes	Awaiting	CAM	No
TOTAL:									132					



4.4. Coal Resources

No previous resource statements have been prepared using modern 3D modelling methods and classification schemes, such as JORC or SAMREC. However, in 1982, so called “reserves” were put forward for the No.5 Coal Zone (Middle Lower Seam) of the Jutland Section by Iscor as part of their PFS.

The PFS declared the following:-

- ‘Total In-Situ Coal Reserves’ of 32.58Mt, of which 1.01Mt were classified as ‘Demonstrated Reserves’ and 31.57Mt were classified as ‘Inferred Reserves’;
- ‘Total Mineable Reserves’ of 25.13Mt, of which 1.01Mt were classified as ‘Demonstrated Reserves’ and 24.12Mt were classified as ‘Inferred Reserves’;
- Assuming a 35.8% product yield, ‘Total Extractable Reserves’ of 23.9Mt; and
- ‘Total Saleable Reserves’ of 16.9Mt.

It is imperative that the reader understands that the figures quoted cannot be compared to modern classification schemes and that, as a result, have a high risk associated with them.

There are currently no Coal Resources associated with the project, but the presence of coal is known.

5. Telema & Gray Section

The farms Telema 190MS and Gray 189MT, were previously combined as the Makhado Extension Project, and were reported together with the Makhado Project in the 2011 CPR. Under the new project groupings these farms form all of the Makhado Extension Project. The farms comprise an advanced exploration project containing potential coking Coal Resources.

The farms Telema 190MS and Gray 189MT are situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa. The nearest town is Louis Trichardt, situated approximately 35km to the south of the farms Telema 190MS and Gray 189MT. The town of Musina is located approximately 50km north of the farms Telema 190MS and Gray 189MT.

5.1. Mineral Tenure

Coal’s wholly owned subsidiary, Limpopo Coal Company (Pty) Ltd (Regulus) (subsequent to Section 11 transfer and Section 102 approval), holds an accepted application for a New Order Prospecting Right (NOPR) on the farms that make up the Telema and Gray Section. The rights relating to the Telema and Gray Section are summarised in Table 8.

5.2. Legal Issues

Venmyn Deloitte is not aware of any land claims or other litigation or competing rights associated with the farms Telema 190MS and Gray 189MT, which are both state owned land.

5.3. Geology and Exploration History

The farms Telema 190MS and Gray 189MT are located in the Tshipise South sector of the Soutpansberg Coalfield. Within the Telema and Gray Section area, a number of seams occur within a 30m to 40m thick carbonaceous zone of the Madzaringwe Formation

The Bottom Middle Seam usually comprises predominantly mudstone and for this reason it has not been included in the resource base; however, in certain areas it has sufficient coal to be considered a potential mining target.

The coal component is usually bright and brittle and contains a high proportion of vitrinite. The seams dip northwards at approximately 12°. The frequency of small scale faulting is not well understood.

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

The historical and recent activity on the Telema and Gray Section is summarised in Table 9 and Figure 8 illustrates the positions of the boreholes. For further details regarding the ownership history, exploration and protocols followed the reader is referred to the full 2015 CPR located on the CoAL website.

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

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

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

5.4. Coal Resources

A number of independent orebody models have been prepared for the Telema and Gray Section since CoAL's involvement in the project. The latest model was prepared by Mr. J. Sparrow (Pr.Sci.Nat.), CoAL's Competent Person as at 29 February 2012. 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 31 August 2011.

The reader is referred to Section 3.4 regarding JORC compliance and the review protocol followed by Venmyn Deloitte.

The JORC compliant Coal Resource for the Telema and Gray Project, as at 31 December 2015, was estimated and signed off by CoAL's Competent Person, Mr J Sparrow (Pr.Sci.Nat.), CoAL's Group Geologist. Only opencast resources have been considered in the reporting of MTIS.

The Coal Resource statement for the Temela and Gray Section, is presented in Table 10. No changes have been made to the Coal Resources since 29 February 2012.

The Telema 190MT resources were classified, by CoAL, according to the relative spacing of points of observation with both quantitative and qualitative results and in consideration of all the recent and historical data from the adjacent Makhado Project. In order to classify the Coal Resources, a halo diagram is prepared using only boreholes with quality and quantity results. A diagrammatic representation of the Telema and Gray Section resource classification is included in the full 2015 CPR located on the CoAL website.

Table 8: Summary of the Telema 190MS & Gray 189MT Mineral Tenure

SECTION	FARM NAME & NO.	PORTION NO.	AREA (ha)	COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	SUBMISSION DATE OF PROSPECTING RIGHT APPLICATION	DATE OF ACCEPTANCE	SURFACE RIGHTS
Telema and Gray	Telema 190MT Gray189MT	Whole Farm Whole Farm	932.34 1216.28	Limpopo Coal Company (Pty) Ltd	Prospecting	LP 30/5/1/1/2/1149 PR	08/04/2013	21/08/2013	No
TOTAL Telema & Gray			16,519.32						

Table 9 : Telema and Gray Section – 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	Isacor	Telema 190MT & Gray 189MT	Early exploration and resource estimation.	Unknown	Unknown	Diamond core	NQ	Various	46	No	All	Yes	Isacor 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					

TELEMA AND GRAY SECTION - LOCATION OF BOREHOLES

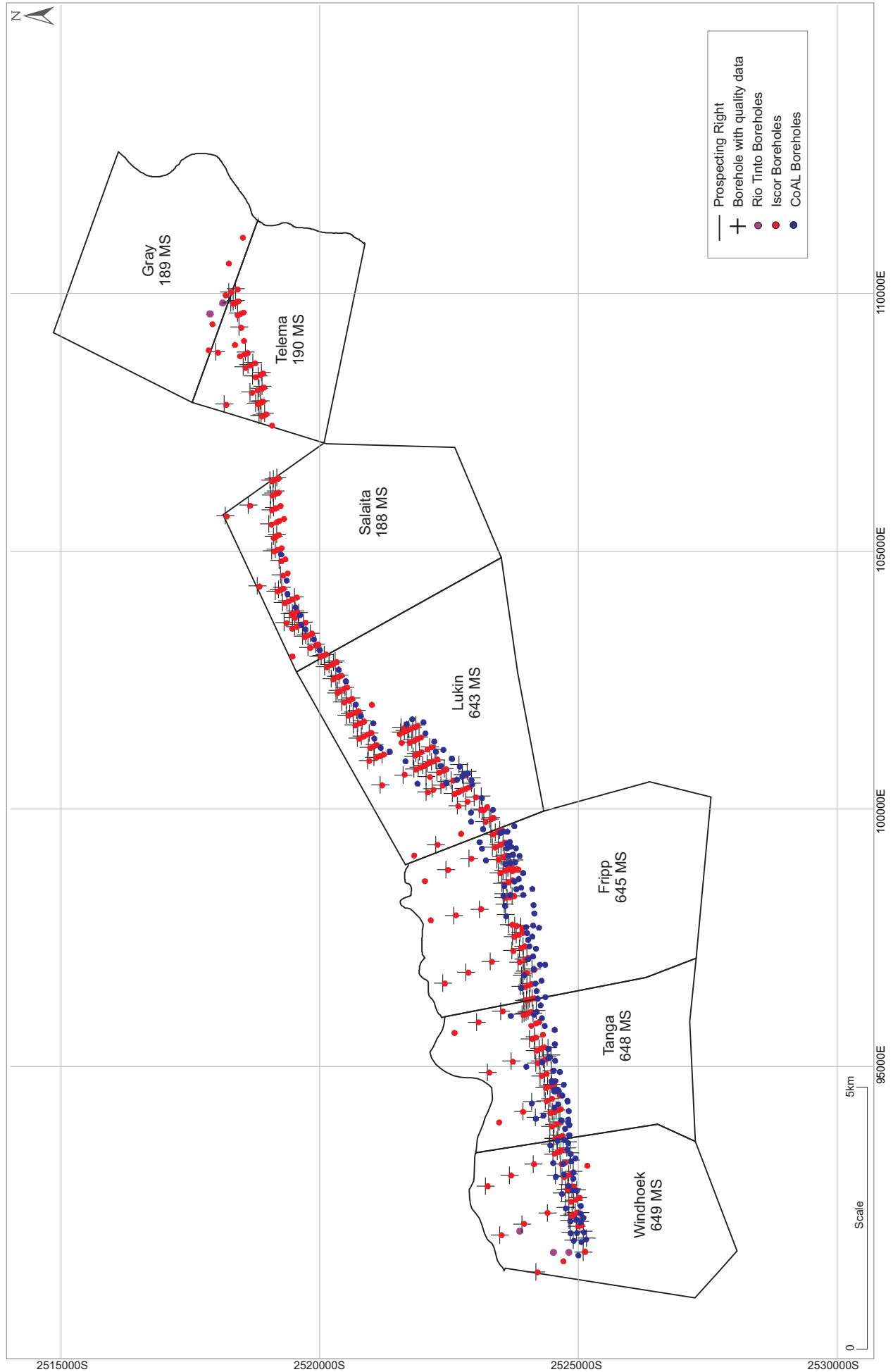


Table 10: Telema and Gray Section - Resource Statements (31 December 2015) – CoAL

RESOURCE CALCULATED AT 0.5mm MINIMUM SEAM THICKNESS										AIR DRIED WASHED QUALITIES @ RD = 1.4				
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. (%)
Telema190MT	Measured	Upper	1.89	1.99	2,514,692	10.00	2,263,200	7.72	31.57	9.65	29.96		1.04	0.69
		Middle Upper	4.20	1.80	9,303,701	10.00	8,373,300	14.48	30.43	12.43	29.06		1.12	0.52
		Middle Lower	2.29	1.80	5,897,314	10.00	5,307,500	27.10	31.56	9.67	28.15		1.06	0.62
		Bottom Upper	5.01	1.75	13,083,456	10.00	11,775,100	29.47	31.83	9.02	27.86		0.85	0.63
		Bottom Lower	4.32	1.95	11,445,691	10.00	10,301,100	20.53	31.83	9.01	29.55		1.12	0.51
	TOTAL/AVERAGE MEASURED RESOURCES		4.09	1.84	42,244,854	10.00	38,020,200	22.12	31.47	9.90	28.75		1.02	0.58
	Indicated	Upper	1.98	2.13	2,668,764	15.00	2,268,000	5.64	31.73	9.29	30.25		1.03	0.57
		Middle Upper	3.75	1.78	3,692,748	15.00	3,138,000	15.14	30.54	12.16	29.03		1.14	0.49
		Middle Lower	2.29	1.79	3,894,195	15.00	3,310,000	28.83	31.52	9.79	28.11		1.13	0.70
		Bottom Upper	4.97	1.74	9,130,168	15.00	7,760,000	30.38	31.80	9.11	27.77		0.89	0.63
		Bottom Lower	4.23	1.98	10,195,277	15.00	8,665,000	19.31	31.92	8.79	29.71		1.20	0.56
	TOTAL/AVERAGE INDICATED RESOURCES		3.97	1.87	29,581,152	15.00	25,141,000	22.23	31.64	9.49	28.86		1.07	0.59
	Inferred	Upper	2.18	2.05	369,507	20.00	290,000	6.86	32.21	8.15	30.26		0.94	0.57
		Middle Lower	2.92	1.66	1,260,302	20.00	1,000,000	44.81	31.28	10.38	27.31		1.34	1.01
		Bottom Upper	4.49	1.68	3,319,263	20.00	2,650,000	36.18	31.99	8.64	28.63		1.17	0.72
		Bottom Lower	4.58	1.98	7,352,156	20.00	5,880,000	19.63	32.25	8.03	30.55		1.54	0.76
	TOTAL/AVERAGE INFERRED RESOURCES		4.30	1.87	12,301,228	20.00	9,820,000	26.28	32.08	8.44	29.69		1.40	0.77
	TOTAL/ AVERAGE TELEMA & GRAY		4.08	1.85	84,127,234	13.00	72,981,200	22.72	31.61	9.56	28.92		1.09	0.61

Notes:

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

No resources have been estimated on Gray 188MT

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR O/C MINING, NO U/G MINING CONSIDERED, COAL WITH VOLATILE CONTENT <20% EXCLUDED

FARM	RESOUR CE CATEGO RY	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
Telema 190MT	Measured	Upper	1.89	1.99	2,514,692	10.00	2,263,223	2.00	2,217,900
		Middle Upper	4.20	1.80	9,303,701	10.00	8,373,331	2.00	8,205,800
		Middle Lower	2.27	1.79	5,591,880	10.00	5,032,692	2.00	4,932,000
		Bottom Upper	5.03	1.75	12,233,712	10.00	11,010,341	2.00	10,790,100
		Bottom Lower	4.32	1.95	11,445,691	10.00	10,301,122	2.00	10,095,000
	TOTAL/AVERAGE MEASURED		4.09	1.84	41,089,676	10.00	36,980,708	2.00	36,240,800
	Indicated	Upper	1.98	2.13	2,668,764	15.00	2,268,449	2.00	2,223,000
		Middle Upper	3.75	1.78	3,692,748	15.00	3,138,836	2.00	3,076,000
		Middle Lower	2.29	1.78	3,672,048	15.00	3,121,241	2.00	3,058,000
		Bottom Upper	4.99	1.73	8,305,104	15.00	7,059,338	2.00	6,918,000
		Bottom Lower	4.24	1.98	9,544,196	15.00	8,112,567	2.00	7,950,000
	TOTAL/AVERAGE INDICATED		3.96	1.87	27,882,860	15.00	23,700,431	2.00	23,225,000
	Inferred	Upper	2.18	2.05	369,507	20.00	295,606	2.00	280,000
		Middle Lower	2.86	1.66	925,071	20.00	740,057	2.00	720,000
		Bottom Upper	4.60	1.68	2,435,331	20.00	1,948,265	2.00	1,900,000
		Bottom Lower	4.79	1.98	5,639,986	20.00	4,511,989	2.00	4,420,000
	TOTAL/AVERAGE INFERRED		4.43	1.87	9,369,895	20.00	7,495,916	2.00	7,320,000
TOTAL/ AVERAGE TELEMA & GRAY			4.08	1.85	78,342,431	13.00	68,177,055	2.00	66,785,800

Notes:

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

No resources have been estimated on Gray 188MT

AIR DRIED WASHED QUALITIES @ RD = 1.4

YIELD (%)	CV (MJ/kg)	ASH (%)	VOL (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
7.72	31.57	9.65	29.9		1.04	0.69
14.48	30.43	12.4	29.0		1.12	0.52
27.98	31.53	9.75	28.8		1.06	0.60
30.59	31.82	9.04	28.6		0.87	0.61
20.53	31.83	9.01	29.5		1.12	0.51
22.39	31.45	9.93	29.1		1.03	0.57
5.64	31.73	9.29	30.2		1.03	0.57
15.14	30.54	12.1	29.0		1.14	0.49
29.52	31.51	9.83	28.3		1.13	0.70
31.08	31.81	9.08	28.2		0.91	0.63
19.68	31.95	8.73	29.8		1.22	0.57
22.43	31.64	9.49	29.1		1.09	0.59
6.86	32.21	8.15	30.2		0.94	0.57
44.81	31.28	10.3	27.3		1.34	1.01
36.18	31.99	8.64	28.6		1.17	0.72
19.63	32.25	8.03	30.5		1.54	0.76
25.91	32.09	8.42	29.7		1.40	0.77
22.79	31.59	9.61	29.1		1.09	0.60

6. Mount Stuart Section

The Mount Stuart Section is an advanced exploration project containing potential coking Coal Resources located in the magisterial district of Vhembe, in the Limpopo Province of South Africa. The nearest town is Musina, situated approximately 35km to the north of the Mount Stuart Section area.

6.1. Mineral Tenure

Through its wholly owned subsidiary, Kwezi Mining & Exploration (Pty) Ltd (subsequent to Section 11 transfer and Section 102 approval), CoAL's holds an accepted application for a NOMR on the farms that make up the Mount Stuart Section. The rights relating to the Mount Stuart Section are summarised in Table 11.

6.2. Legal Issues

CoAL has informed Venmyn Deloitte of land claims on the farms Mount Stuart 153MT, Nakab 184MT, Ter Blanche 155MT, Shuitdrift 179MT, Riet 182MT and Stayt 183MT.

The land claims on the various properties have been gazetted by the Department of Rural Development and Land Reform (DRDLR). CoAL recognises land claimants as key stakeholders, and the company's engagement is governed by the company's stakeholder engagement strategy that ensures regular, meaningful and transparent engagement.

CoAL recognises the legislative framework of the land claims process and will work within that framework.

6.3. Geology & Exploration History

The Mount Stuart Section is situated within the Tshipise North Coalfield subdivision of the greater Soutpansberg Coalfield. In the Mount Stuart Section 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.

The historical and recent exploration activity on the Mount Stuart Section is summarised in Table 12 and Figure 9 illustrates the positions of the boreholes. For further details regarding the ownership history, exploration and protocols followed the reader is referred to the full 2015 CPR located on the CoAL website.

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

The Mount Stuart Section represents a prospective coking coal project, with the potential to contribute significant additional coking coal production from the region. Indications are that the Mount Stuart product will be a hard coking coal, with RoVmax of 1.2.

Table 11: Mount Stuart - Summary of Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	APPLYING ENTITY	NEW ORDER LICENCE TYPE	LICENCE NO.	SUBMISSION DATE OF MINING RIGHT APPLICATION	DATE OF ACCEPTANCE	SURFACE RIGHTS
Mount Stuart	Mount Stuart 153MT	Portion 2 & RE	1,149.93	Kwezi Mining Exploration (Pty) Ltd	Mining	LP 30/5/11/12/38 PR/ 10047 MR	10/05/2013	24/07/2013	No
	Nakab 184MT	Whole farm	1,155.75						No
	Septimus 156MT	Whole farm	1,676.00						No
	Ter Blanche 155MT	Portion 1 & RE	1731.85						No
	Schuitdrift 179MT	Whole farm	868.05		Mining	LP 30/5/11/12/431 PR/ 10057 MR	10/05/2013	30/07/2010	No
	Riet 182MT	Portions 1, 2 & RE	1,347.29		Mining	LP 30/5/11/12/153 PR/ 10069 MR	10/05/2013	01/07/2013	No
	Stayt 183MT	Whole farm	1,184.28						No
	TOTAL MOUNT STUART								7,437.15

Table 12: 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	Iscon	Nakab 184MT, Mount Stuart 153MT, Ter Blanche 155MT and Septimus 156MT	Early exploration and resource estimation.	Unknown n.	Unknown.	Diamond core	NQ	Various	417	No	All	Yes	Iscon	Yes
		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 Matibe and Associates	Unknown.	Diamond core	PQ3	C. Mafiri	9	Yes	All	Yes	Inspectorate	No
TOTAL									254					



6.4. Coal Resources

The orebody model on the Mount Stuart Section has been prepared by Mr. J. Sparrow (Pr.Sci.Nat), CoAL's Competent Person, as at September 2012. The model was prepared in Minex 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 31 December 2015.

The reader is referred to Section 3.4 regarding JORC compliance and the review protocol followed by Venmyn Deloitte.

The JORC compliant Coal Resource for the Mount Stuart Project, as at 31 December 2015, was estimated and signed off by CoAL's Competent Person, Mr J Sparrow (Pr.Sci.Nat.), CoAL's Group Geologist.

The Coal Resource statement for the Mount Stuart Section, is presented in Table 13. No changes have been made to the Coal Resources since 29 February 2012.

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. A diagrammatic representation of the Mount Stuart Section resource classification is included in the full 2015 CPR located on the CoAL website.

7. Generaal Section

The Generaal Section, located within the Soutpansberg Coalfield, is an early-stage exploration project. The Generaal Section is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa. 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 section area.

7.1. Mineral Tenure

Through its wholly owned subsidiary, Kwezi Mining & Exploration (Pty) Ltd (subsequent to Section 11 transfer and Section 102 approval), CoAL holds an accepted application for a NOMR on the farms that make up the Generaal Section. The rights relating to the Generaal Section are summarised in Table 14.

7.2. Legal Issues

CoAL has informed Venmyn Deloitte of land claims on the farms Bekaf 650MS, Joffre 584MS, Rissik 637MS and Generaal 587MS.

The land claims on the various properties have been gazetted by the Department of Rural Development and Land Reform (DRDLR). CoAL recognises land claimants as key stakeholders, and the company's engagement is governed by the company's stakeholder engagement strategy that ensures regular, meaningful and transparent engagement.

CoAL recognises the legislative framework of the land claims process and will work within that framework.

Table 13: Mount Stuart – Coal Resource Statements (31 December 2015) – CoAL

RESOURCE CALCULATED AT 0.5mm 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	20.00	26,690,000
		Middle Upper	3.66	1.82	55,499,570	20.00	44,390,000
		Bottom Upper	3.73	1.69	52,650,930	20.00	42,120,000
		Bottom Lower	4.26	1.93	62,926,086	20.00	50,340,000
	TOTAL/AVERAGE INFERRED		3.55	1.84	204,443,608	20.00	163,540,000
Ter Blanche 155MT	TOTAL/ AVERAGE MOUNT STUART		3.55	1.84	204,443,608	20.00	163,540,000
	Inferred	Upper	2.34	1.96	27,322,124	20.00	21,850,000
		Middle Upper	2.86	1.78	48,979,847	20.00	39,180,000
		Bottom Upper	2.86	1.64	44,940,267	20.00	35,950,000
		Bottom Lower	2.96	1.98	45,126,342	20.00	36,100,000
	TOTAL/AVERAGE INFERRED		2.79	1.82	166,368,580	20.00	133,080,000
Septimus 156MT	TOTAL/ AVERAGE TER BLANCHE		2.79	1.82	166,368,580	20.00	133,080,000
	Inferred	Upper	1.21	1.83	529,443	20.00	420,000
		Middle Upper	2.05	1.72	9,665,623	20.00	7,730,000
		Bottom Upper	3.56	1.68	17,952,506	20.00	14,360,000
		Bottom Lower	3.38	1.93	8,203,068	20.00	6,560,000
	TOTAL/AVERAGE INFERRED		2.88	1.75	36,350,640	20.00	29,070,000
GRAND TOTAL/ AVERAGE MOUNT STUART	TOTAL/ AVERAGE SEPTIMUS		2.88	1.75	36,350,640	20.00	29,070,000
	TOTAL/ AVERAGE MOUNT STUART		3.13	1.82	407,162,828	20.00	325,690,000
	GRAND TOTAL/ AVERAGE MOUNT STUART		3.13	1.82	407,162,828	20.00	325,690,000

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

AIR DRIED WASHED QUALITIES @ RD = 1.4									
YIELD (%)	CV (MJ/kg)	ASH (%)	VOL (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)			
2.59		8.02	26.65	64.94	0.98	0.39			
9.40		10.6	23.61	65.29	1.00	0.46			
21.84		11.0	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		11.4	23.53	64.54	0.93	0.50			
29.26		11.5	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		10.3	22.20	67.15	0.95	0.35			
22.82		10.4	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 O/C MINING, NO U/G MINING CONSIDERED, COAL WITH VOLATILE CONTENT <18% 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 (%)	MINING BLOCK LAYOUT LOSSES (t)	MTIS No rounding	MINEABLE TONNES IN SITU
Mount Stuart 153MT	Inferred	Upper	2.33	1.97	6,211,181	20.00	4,968,945	2.00	99,379	4,869,566	4,860,000
		Middle Upper	3.27	1.79	10,233,374	20.00	8,186,699	2.00	163,734	8,022,965	8,020,000
		Bottom Upper	3.78	1.75	9,824,154	20.00	7,859,323	2.00	157,186	7,702,137	7,700,000
		Bottom Lower	2.98	1.96	4,774,622	20.00	3,819,698	2.00	76,394	3,743,304	3,740,000
	TOTAL/AVERAGE INFERRED RESOURCES		3.13	1.84	31,043,331	20.00	24,834,665	2.00	496,693	24,337,972	24,320,000
Ter Blanche 155MT	TOTAL/ AVERAGE MOUNT STUART		3.13	1.84	31,043,331	20.00	24,834,665	2.00	496,693	24,337,972	24,320,000
	Inferred	Upper	1.53	1.94	2,277,591	20.00	1,822,073	2.00	36,441	1,785,631	1,780,000
		Middle Upper	2.33	1.72	12,759,480	20.00	10,207,584	2.00	204,152	10,003,432	10,000,000
		Bottom Upper	3.23	1.69	16,182,106	20.00	12,945,685	2.00	258,914	12,686,771	12,680,000
		Bottom Lower	1.71	1.95	3,054,226	20.00	2,443,381	2.00	48,868	2,394,513	2,390,000
TOTAL/AVERAGE INFERRED RESOURCES		2.52	1.74	34,273,403	20.00	27,418,722	2.00	548,374	26,870,348	26,850,000	
Septimus 156MT	TOTAL/ AVERAGE TER BLANCHE		2.52	1.74	34,273,403	20.00	27,418,722	2.00	548,374	26,870,348	26,850,000
	Inferred	Upper	0.53	1.88	32.00	20.00	26.00	2.00	1.00	25.00	0.00
		Middle Upper	2.38	1.72	3,501,716	20.00	2,801,373	2.00	56,027	2,745,345	2,740,000
		Bottom Upper	4.48	1.68	1,985,775	20.00	1,588,620	2.00	31,772	1,556,848	1,550,000
		Bottom Lower	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL/AVERAGE INFERRED RESOURCES		2.87	1.71	5,487,523	20.00	4,390,018	2.00	87,800	4,302,218	4,290,000	
TOTAL/ AVERAGE SEPTIMUS		2.87	1.71	5,487,523	20.00	4,390,018	2.00	87,800	4,302,218	4,290,000	
GRAND TOTAL/ AVERAGE MOUNT STUART		2.78	1.78	70,804,257	20.00	56,643,406	2.00	1,132,868	55,510,537	55,460,000	

YIELD (%)		CV (MJ/kg)	AIR DRIED WASHED QUALITIES @ RD = 1.4			
		ASH (%)	VOL (%)	FIXED	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
0.00		0.00	0.00	0.00	0.00	0.00
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

Table 14: Summary of the Generaal Section Mineral Tenure

SECTION	FARM NAME & NO.	PORTION NO.	AREA (ha)	APPLYING ENTITY	NEW ORDER LICENCE TYPE	LICENCE NO.	SUBMISSION DATE OF MINING RIGHT APPLICATION	DATE OF MINING RIGHT APPLICATION ACCEPTANCE LETTER	SURFACE RIGHTS
Generaal	Bekaf 650MS	Whole farm	1055.02	Chapudi Coal (Pty) Ltd	Mining	LP 30/5/1/2/2/ 10044 MR	10/05/2013	13/08/2013	No
	Chase 576MS	Whole farm	845.4						
	Fanie 578MS	Whole farm	1046.67						
	Joffre 584MS	Whole farm	631.91						
	Kleinenberg 636MS	Whole farm	881.06						
	Rissik 637MS	Whole farm	827.57						
	Wild Goose 577MS	Whole farm	800.79						
	Maseri Pan 520MS	Whole farm	1301.96						
	Solute 111MS	Whole farm	2356.09	Kwezi Mining Exploration (Pty) Ltd	Mining	LP 30/5/1/2/2/ 10058 MR	10/05/2013	16/07/2013	No
	Beck	Whole farm	1047.27						
	Boas 642MS	Portion 00 & 1	855						
	Generaal 587MS	Portions 1, 2 & RE	1446						
	Juliana 647MS	Whole farm	1207.97						
	Phantom 640MS	Whole farm	869.69						
	Coen Britz 646MS	Whole farm	1668.92						
	Van Deventer 641MS	Whole farm	725.27						
TOTAL GENERAAL				17,566.59					

7.3. Geology & Exploration History

The Generaal Section represents a 20km long, east-west striking, up-faulted block within the northern part of the Waterpoort Basin, immediately north of the Makhado Project.

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

The historical and exploration activity on the Generaal Section is summarised in Table 15 and Figure 10 illustrates the positions of the boreholes. For further details regarding the ownership history, exploration and protocols followed the reader is referred to the full 2015 CPR located on the CoAL website.

7.4. Coal Resources

There are no known previous resource estimates for the Generaal Section. The contributing coal assets of the Generaal Section can be defined as early exploration projects, with no JORC Code compliant coal resources.

8. Chapudi Section

The Chapudi Section is situated within the Chapudi Project and is at an advanced stage of exploration. This Section was acquired through the recently completed acquisition of Chapudi Coal and Kwezi. Chapudi Section has potential for coking coal and possibly a middlings fraction for use in power generation.

The Chapudi Section 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. The Chapudi Section lies along strike and to the west of the Makhado Project and is directly adjacent, to the south, of the Wildebeesthoek Section. The nearest town is Louis Trichardt, situated approximately 35km to the south of the easternmost extent of the Chapudi Section. The town of Musina is located approximately 50km north of the Chapudi Section. The village of Waterpoort is located within this section.

8.1. Mineral Tenure

The Chapudi Section comprises 21 farms, or portions thereof, held by an accepted application for a NOMR by CoAL’s wholly owned subsidiary company, Chapudi Coal (Pty) Ltd (subsequent to Section 11 transfer and Section 102 approval). The rights relating to the Chapudi Section are summarised in Table 16.

8.2. Legal Matters

CoAL has informed Venmyn Deloitte of land claims on the farms Bergwater 697MS, Bergwater 712MS, Blackstone Edge 705MS, Coniston 699MS, Dorpsrivier 696 MS, Kliprivier 692MS, Malapchani 659MS, Princes Hill 704MS, Rochdale 700MS, Sutherland 693MS RE, Waterpoort 695MS, Queens Dale 707MS, Bushy Rise 702MS, Kalkbult 709MS, Sterkstroom 689MS, Chapudi 752MS, Sandpan 687MS, Varkfontein 671MS and Woodlands 701 MS.

The land claims on the various properties have been gazetted by the Department of Rural Development and Land Reform (DRDLR). CoAL recognises land claimants as key stakeholders, and the company’s engagement is governed by the company’s stakeholder engagement strategy that ensures regular, meaningful and transparent engagement.

CoAL recognises the legislative framework of the land claims process and will work within that framework.

Table 15: 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	Isacor	Generaal 587MS, Joffre 584MS, Kleinenberg 636MS, Rissik 637MS, Wildgoose 557MS, Phantom 640MS, Boas 642MS, Van Deventer 641MS	Early exploration and resource estimation.	Unknown.	Unknown.	Diamond core	NQ	H. Van den Berg	64	No	All	Yes	Isacor	No
2006 - 2007	Rio Tinto	Generaal 587MS, Fanie 578MS, Boas 642MS, Van Deventer 641MS	Reconnaissance Drilling	Unknown.	Unknown.	Reverse Circulation	8 inch	D. Hirstov	11	Yes	Unknown	No	-	No
2011 - 2012	CoAL	Boas 642MS	Confirmatory Drilling	Unknown.	Unknown.	Diamond core	PQ3	John Sparrow	26	Unknown	none	No	-	No
TOTAL									46					

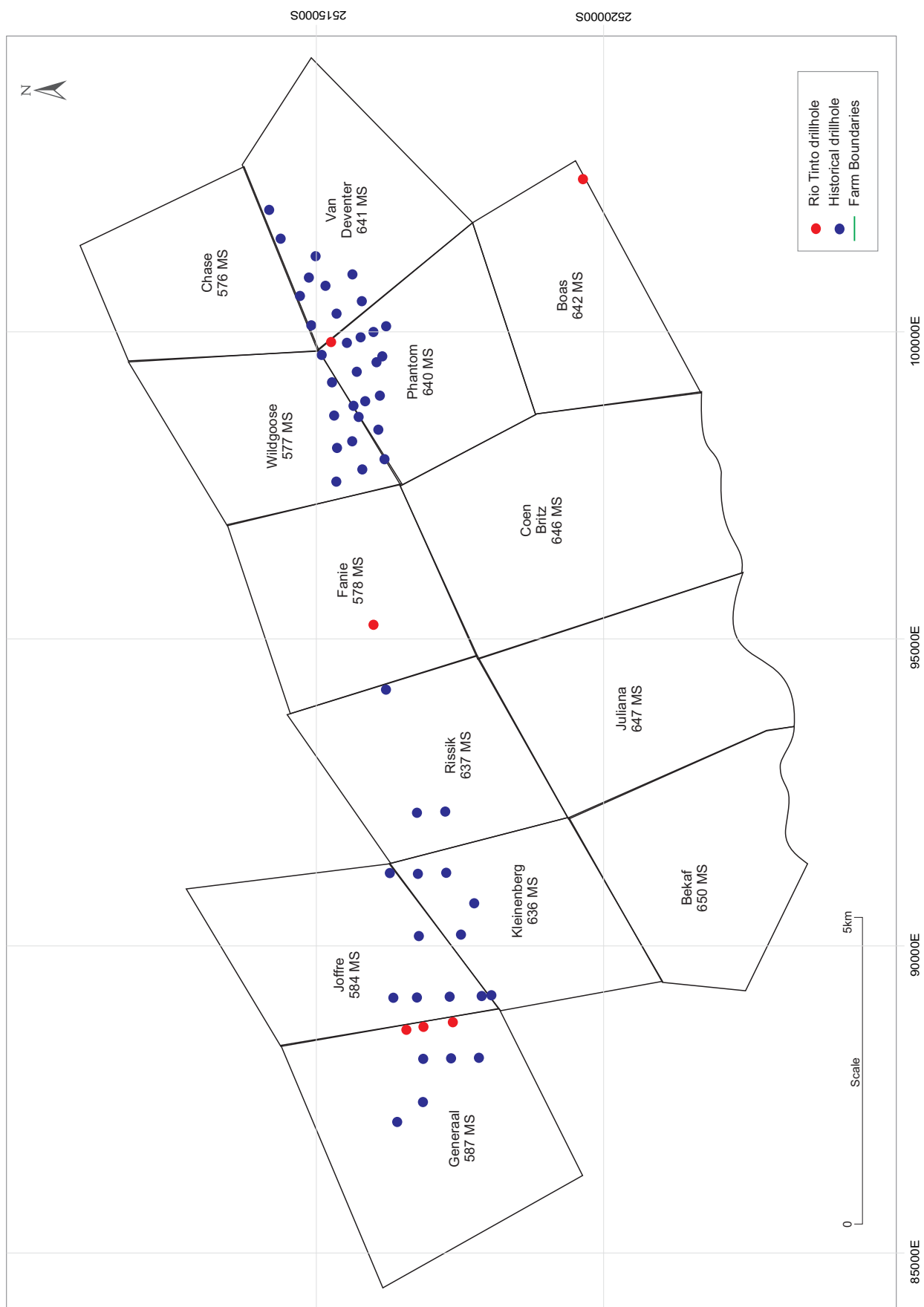


Table 16 : Summary of the Chapudi Section Mineral Tenure

SECTION	FARM NAME & NO.	PORTION NO.	AREA (ha)	APPLYING ENTITY	NEW ORDER LICENCE TYPE	LICENCE NO.	SUBMISSION DATE OF MINING RIGHT APPLICATION	DATE OF MINING RIGHT APPLICATION ACCEPTANCE LETTER	SURFACE RIGHTS
Chapudi	Bergwater 697MS	Portion 2	373.82	Chapudi Coal (Pty) Ltd	Mining	LP/30/5/1/1/2/1151 PR/ 10048 MR	10/05/2013	16/07/2013	No
	Bergwater 712MS	Whole farm	320.82						No
	Blackstone Edge 705MS	Whole farm	860.32						No
	Coniston 699MS	Portions 1, 3, 4 & RE	1,652.18						No
	Dorpsrivier 696 MS	RE	1,192.96	Kwezi Mining Exploration (Pty) Ltd	Mining	LP 30/5/1/2/2/51 PR/ 10056 MR	10/05/2013	09/07/2013	No
	Kliprivier 692MS	Portions 1 - 4 - 8, RE of portions 2 & 3 and RE	1,263.14						No
	Malapchani 659MS	Whole farm	417.00						No
	Mountain View 706MS	Whole farm	571.27						No
	Princes Hill 704MS	Portion 1 & RE	1,161						No
	Rochdale 700MS	Portion 1 & RE	1,149						No
	Sandilands 708MS	Whole farm	1,071.82						No
	Sutherland 693MS	Portion 1 & RE	920.47						No
	Waterpoort 695MS	Portions 1, 2 & 7	416.81						No
	Queens Dale 707MS	Whole farm	629.98						No
	Bushy Rise 702MS	Whole farm	1,427.39						No
	Kalkbult 709MS	Whole farm	767.94						No
	Sterksroom 689MS (698MS)	Whole farm	1287						No
	Chapudi 752MS	Whole farm	562.62						No
	Sandpan 687MS	Portions 1 & 2	1,098.64						No
	Varkfontein 671MS	Portion 1 & RE	778.64						No
	Woodlands 701 MS	Whole farm	1,563.83						No
	TOTAL CHAPUDI								19,486.65

8.3. Geology & Exploration History

The Chapudi Section is situated within an extension of the Tshipise Coalfield, a subdivision of the Soutpansberg Coalfield, also known as the Waterpoort Coalfield.

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

Within the Chapudi Section, 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. Although coal zones are referred to as seams they are effectively selected, potential mining horizons within the coal-bearing package. In the literature, these seams are numbered from Seam 1 at the base to Seam 7 at the top. Rio Tinto focussed its exploration efforts on best developed seams, namely Seams 6 and 7. Seam 6 is typically 30m - 41m in thickness, while Seam 7 attains an average thickness of 12m -15m. Seam 6 is the only seam to contain bright coal, while all the others are classified as dull coal.

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

The historic and recent exploration activity on the Chapudi Section is summarised in Table 17 and Figure 11 illustrates the positions of the boreholes. For further details regarding the ownership history, exploration and protocols followed the reader is referred to the full 2015 CPR located on the CoAL website.

No commercial mining has taken place at the Chapudi Section. An Options Study was conducted by Snowden in 2009, which investigated both opencast and underground methods. Various opencast methods were considered including truck and shovel methods and dragline methods of overburden removal for a single seam (Seam 6 only) and a two seam (Seam 6 and Seam 7) operation. A truck and shovel operation was considered for coal extraction. The company concluded that along strike, opencast mining using truck and shovels for both overburden removal and coal extraction was most cost effective. Snowden did not recommend underground mining.

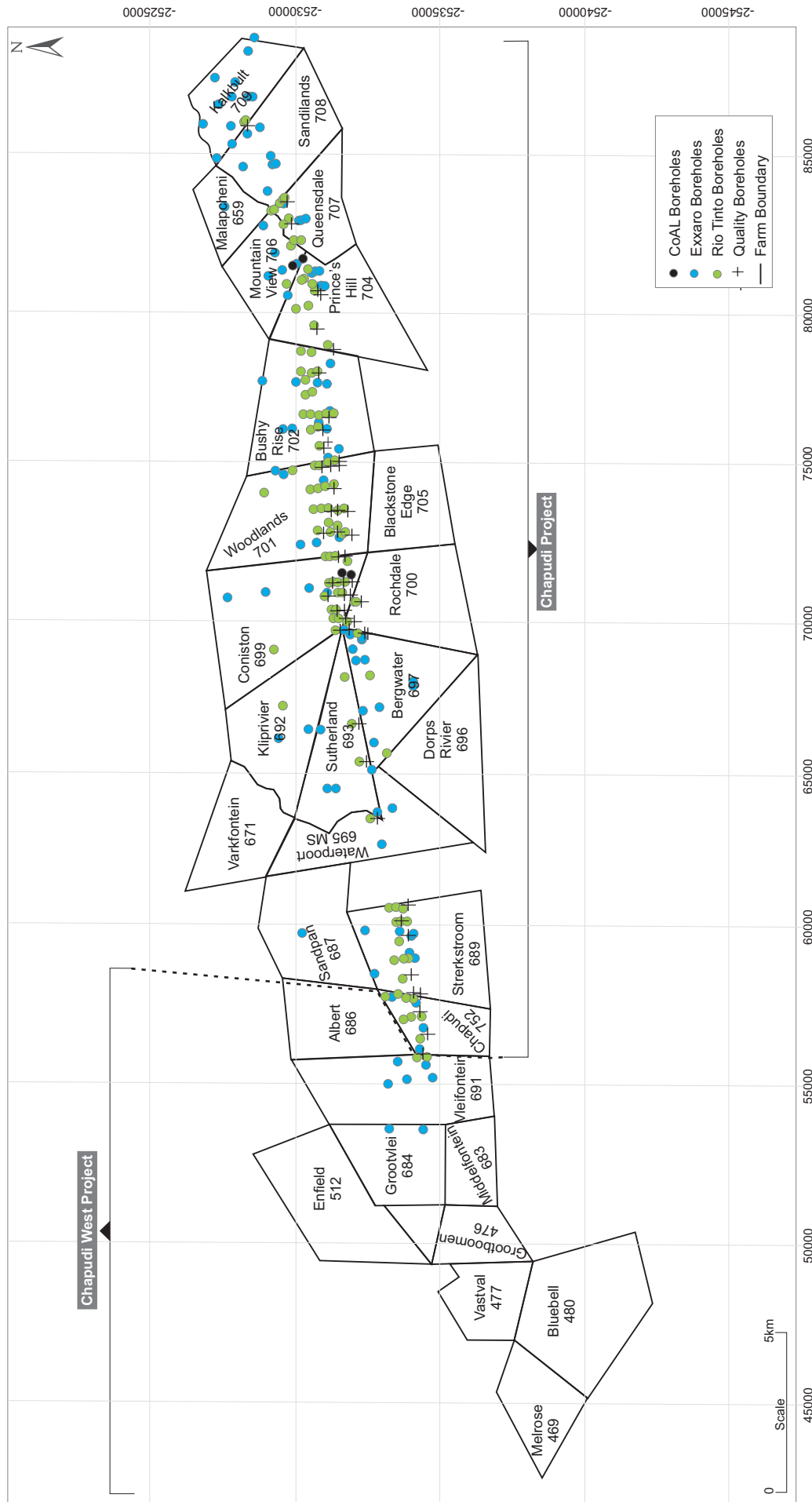
Extensive and highly detailed testwork has been carried out on the samples derived from the various exploration campaigns carried out at Chapudi. The initial reconnaissance campaign focused on a low ash coking product with a middlings fraction for domestic power generation. This was followed by the OMS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

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

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

Table 17: Chapudi Section – 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 SAMPLE D	LABORATORY FOR QUALITY	USED IN MODEL
1939 - 1981	Iscor	Bergwater 697MS, Bushy Rise 702MS, Chapudi 752MS, Coniston 699MS, Kalkbult 709MS, Kliprivier 692MS, Malapchani 659MS, Mountain View 706MS, Princess Hill 704MS, Queens Dale 707MS, Sandilands 708MS, Sandpan 687MS, Sterkstroom 689MS, Sutherland 639MS, Waterpoort 695MS, Woodlands 701MS	Unknown	Unknown	Unknown	Diamond	Unknown	Unknown	162	Unknown	Unknown	Unknown	No
2003 - 2005		Sterkstroom 689MS, Sutherland	Regional reconnaissance to evaluate coking potential.		Earth Resources	Diamond	PQ3		23	Yes	Seams 6 & 7	Inspectorate, SABS & ALS	Yes
		693MS, Rochdale 700MS, Woodlands							1	Yes	None		Yes
		701MS, Prince's Hill 704MS, Blackstone Edge 705MS & Chapudi							1	Yes	Seams 6 & 7		Yes
		752MS.							22	Yes	Seam 6		Yes
2006 - 2008	Rio Tinto	Sterkstroom 689MS, Sutherland	OMS Domestic Thermal for bulk mining	In house		Diamond	HQ		8	Yes	Seam 6	SABS	Yes
		693MS, Coniston 699MS, Rochdale							12				
		700MS, Woodlands 701MS, Bushy Rise 702MS, Queen's Dale 707MS & Kalkbult 709MS.							4	Yes	Seam 6		Yes
									23	Yes	None		Yes
2009			Along suboutcrop to identify line of oxidation			RC-LOX	-		3	Yes	Seam 6	SABS	Yes
		Kliprivier 692MSr, Coniston 699MS & Woodlands 701MS.	Depth study			Diamond	PQ3		16	Yes	Seam 6	SABS	Yes
		Sterkstroom 689MS, Waterpoort, Sutherland 693MS, Coniston 699MS, Woodlands 701MS, Bushy Rise 702MS & Prince's Hill 704MS .	PFS stage and for low ash product.			Diamond	HQ		11	Yes	Seam 6	SABS	Yes
						RC	-		4	Yes	None	SABS	Yes
2012	CoAL	Coniston 699MS, Mountain View 706MS	Structure	Unknown		RC	-		3	No	Seam 6	No	No
TOTAL									277				



8.4. Coal Resources

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 Minex Software. The model takes into account all available recent drilling and other geological information as of 29 February 2012.

The reader is referred to Section 3.4 regarding JORC compliance and the review protocol followed by Venmyn Deloitte.

The JORC compliant Coal Resource for the Chapudi Project, as at 31 December 2015, was estimated and signed off by CoAL's Competent Person, Mr J Sparrow (Pr.Sci.Nat.), CoAL's Group Geologist.

The Coal Resource statement for the Chapudi Section, is presented in Table 17. No changes have been made to the Coal Resources since 29 February 2012.

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.

CoAL plans to further drill the Chapudi Section and log and sample the boreholes 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 Coal 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. A diagrammatic representation of the Mount Stuart Section resource classification is included in the full 2015 CPR located on the CoAL website.

9. Chapudi West Section

The Chapudi West Section is situated within the Chapudi Project and is at an early stage of exploration. This Section was acquired through the recently completed acquisition of Chapudi Coal and Kwezi. Chapudi West Section has potential for coking coal and possibly a middlings fraction for power generation.

The Chapudi West Section 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. The Chapudi West Section lies along strike and to the west of the Chapudi Section. The nearest town is Louis Trichardt, situated approximately 70km to the east-southeast of the Chapudi West Section. The town of Musina is located approximately 85km northeast of the Chapudi West Section.

9.1. Mineral Tenure

The Chapudi West Section comprises nine farms, or portions thereof, held by an accepted application for a NOMR by CoAL's wholly owned subsidiary Chapudi Coal (Pty) Ltd (subsequent to Section 11 transfer and Section 102 approval). The rights relating to the Chapudi West Section are summarised in Table 19.

9.2. Legal Matters

CoAL has informed Venmyn Deloitte of land claims on the farms Albert 686MS, Enfield 521MS (Incorporates Enfield 474MS & Bosdoorn 682MS), Grootboomen 476MS, Vastval 477MS and Grootvlei 684MS.

The land claims on the various properties have been gazetted by the Department of Rural Development and Land Reform (DRDLR). CoAL recognises land claimants as key stakeholders, and the company's engagement is governed by the company's stakeholder engagement strategy that ensures regular, meaningful and transparent engagement. CoAL recognises the legislative framework of the land claims process and will work within that framework.

Table 18: Chapudi Section – Summary Resource Statement (31 December 2015) – CoAL

RESOURCE CALCULATED AT 0.5mm MINIMUM SEAM THICKNESS										RAW QUALITIES OF -63mm+0.075mm FRACTION ON DMMF					
FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	COAL RAW RD (t/m³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	TOTAL TONNES IN SITU	YIELD (%) (-63+0.075mm)	CV (MJ/kg)	ASH (%)	VOL (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)	
Bergw after 697MS	Inferred	Coal horizons in Seam 6	36.61	2.00	67,580,040	20.00	54,060,000		35.06	31.97	39.74				
Bergw ater 697MS			31.80	2.00	233,368,480	20.00	186,690,000		35.19	32.32	41.78				
Bushy Rise 702MS			34.82	2.00	758,357,696	20.00	606,680,000		35.38	42.47	40.07				
Chapudi 752MS			38.12	2.00	161,975,200	20.00	129,580,000		34.85	44.13	40.45				
Coniston 699MS			22.79	2.00	743,123,328	20.00	594,490,000		35.07	31.33	41.06				
Dorpsrivier 696MS			38.12	2.00	36,675,492	20.00	29,340,000		35.10	29.83	40.67				
Kalkbult 709MS			37.11	2.00	325,130,688	20.00	260,100,000		35.18	33.23	40.36				
Kliprivier 692MS			30.31	2.00	759,053,056	20.00	607,240,000		35.13	32.72	41.40				
Malapcheni 659MS			41.11	2.00	337,437,248	20.00	269,940,000		35.21	39.88	40.37				
Mountain View 706MS			37.55	2.00	432,923,008	20.00	346,330,000		35.37	40.59	40.54				
Prince's Hill 704MS			34.10	2.00	289,911,616	20.00	231,920,000		35.47	39.08	40.69				
Queensdale 707MS			33.43	2.00	92,603,448	20.00	74,080,000		35.33	42.06	40.02				
Rochdale 700MS			24.30	2.00	37,282,280	20.00	29,820,000		35.13	31.33	42.65				
Sandilands 708MS			36.39	2.00	284,823,520	20.00	227,850,000		35.03	37.44	40.41				
Sterkstroom 689MS			37.21	2.00	413,309,600	20.00	330,640,000		35.01	38.91	40.31				
Sutherland 693MS			35.23	2.00	638,265,152	20.00	510,610,000		35.13	32.01	41.14				
Woodlands 701MS			30.35	2.00	787,203,584	20.00	629,760,000		35.12	35.86	40.85				
TOTAL/ AVERAGE CHAPUDI			32.30	2.00	6,399,023,436	20.00	5,119,130,000	35.17	36.24	40.75					

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR OPENCAST ST MINING. NO UNDERGROUND MINING

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR OPENCAST ST MINING. NO UNDERGROUND MINING										RAW QUALITIES OF -63mm+0.075mm FRACTION ON DMMF							
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 (%) - 63+0.075 mm	CV (MJ/kg)	ASH (%)	VOL (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)	
Bergwater 697MS	Inferred	Coal horizons in Seam 6	36.61	2.00	67,580,040	20.00	54,064,032	2.00	52,980,000	59.15	35.06	31.97	39.74				
Bergwater 697MS			31.76	2.00	233,050,672	20.00	186,440,538	2.00	182,710,000	54.33	35.19	32.33	41.78				
Bushy Rise 702MS			28.75	2.00	246,136,192	20.00	196,908,954	2.00	192,970,000	74.83	35.43	44.62	39.82				
Chapudi 752MS			34.97	2.00	126,749,520	20.00	101,399,616	2.00	99,370,000	78.21	34.84	44.71	40.44				
Coniston 699MS			26.37	2.00	77,145,680	20.00	61,716,544	2.00	60,480,000	58.61	35.07	30.07	41.55				
Dorpsrivier 696MS			38.12	2.00	36,675,492	20.00	29,340,394	2.00	28,750,000	55.38	35.10	29.83	40.67				
Kalkbult 709MS			29.30	2.00	83,771,560	20.00	67,017,248	2.00	65,670,000	72.87	35.18	32.03	40.39				
Kliprivier 692MS			9.47	2.00	350,811	20.00	280,649	2.00	270,000	57.35	35.33	30.07	41.47				
Malapcheni 659MS																	
Mountain View 706MS			24.10	2.00	3,851,371	20.00	3,081,097	2.00	3,010,000	72.43	35.44	41.33	40.85				
Prince's Hill 704MS			29.96	2.00	144,293,072	20.00	115,434,458	2.00	113,120,000	72.00	35.49	38.89	40.97				
Queensdale 707MS			31.28	2.00	63,764,528	20.00	51,011,622	2.00	49,990,000	71.93	35.33	42.06	40.06				
Rochdale 700MS			24.30	2.00	37,278,388	20.00	29,822,710	2.00	29,220,000	58.59	35.13	31.33	42.65				
Sandilands 708MS			29.94	2.00	113,577,952	20.00	90,862,362	2.00	89,040,000	70.76	34.97	36.91	40.46				
Sterksroom 689MS			34.11	2.00	202,578,880	20.00	162,063,104	2.00	158,820,000	69.57	35.01	39.07	40.21				
Sutherland 693MS			22.31	2.00	69,689,344	20.00	55,751,475	2.00	54,630,000	55.35	35.14	32.23	40.93				
Woodlands 701MS			28.65	2.00	175,242,480	20.00	140,193,984	2.00	137,390,000	68.20	35.23	38.04	41.27				
TOTAL/ AVERAGE CHAPUDI			30.20	2.00	1,681,735,982	20.00	1,345,388,786	2.00	1,318,420,000	67.22	35.18	37.52	40.72				

Notes:

Minimum seam thickness of 0.5 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.

Table 19: Summary of the Chapudi West Section Mineral Tenure

SECTION	FARM NAME & NO.	PORTION NO.	AREA (ha)	APPLYING ENTITY	NEW ORDER LICENCE TYPE	LICENCE NO.	SUBMISSION DATE OF MINING RIGHT APPLICATION	DATE OF MINING RIGHT APPLICATION ACCEPTANCE LETTER	SURFACE RIGHTS
Chapudi West	Albert 686MS	Whole farm	898.84	Kwezi Mining Exploration (Pty) Ltd	Mining	LP 30/5/1/2/2/51 PR/ 10056 MR	10/05/2013	09/07/2013	No
	Enfield 521MS (Incorporates Enfield 474MS & Bosdoorn 682MS)	Portion 1	173.02						No
	Middelfontein 683MS	Whole farm	869.53		Mining	LP 30/5/1/2/2/676 PR/ 10043 MR	10/05/2013	09/07/2013	No
	Vleifontein 691MS	Portion 1 & RE	1,410.17						No
	Bluebell 480MS	Portion 1 & RE	1,549.62		Mining	LP 30/5/1/2/2/10039 PR/ 10049 MR	10/05/2013	15/07/2013	No
	Grootboom 476MS	Whole farm	530.77						No
	Melrose 469MS	Whole farm	724.42						No
	Vastval 477MS	Portion 2, RE of portion 1 & RE	1,998.9						No
	Grootvlei 684MS	Whole farm	847		Mining	LP 30/5/1/2/2/51 PR/ 10056 MR	10/05/2013	09/07/2013	No
	TOTAL CHAPUDI WEST								
			6,867.68						

9.3. Geology & Exploration History

As with the Chapudi Section, the Chapudi West Section is situated within an extension of the Tshipise Coalfield, a subdivision of the Soutpansberg Coalfield, also known as the Waterpoort Coalfield. For more detail regarding the local geology at the Chapudi West Section the reader is referred to Section 8.3.

The historical and recent exploration activity on the Chapudi West Section is summarised in Table 20 and Figure 11 illustrates the positions of the boreholes. For further details regarding the ownership history, exploration and protocols followed the reader is referred to the full 2015 CPR located on the CoAL website.

9.4. Coal Resources

The latest model for the Chapudi West Section, was prepared by Mr. J. Sparrow (Pr.Sci.Nat), CoAL's Competent Person, as at 29 February 2012. The model was prepared in Minex Software. The model takes into account all available recent drilling and other geological information as of the 29 February 2012.

No resources have been declared for the Chapudi West Section, although the presence of coal has been demonstrated.

10. Wildebeesthoek Section

The Wildebeesthoek Section, located within the Soutpansberg Coalfield, is an early-stage exploration project. It represents the least advanced section of the Chapudi Project. CoAL acquired the Wildebeesthoek Section from Rio Tinto as part of the Soutpansberg Properties Acquisition Agreement.

The Wildebeesthoek Section is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa. The nearest town is Louis Trichardt, situated approximately 25km to the southeast of the Wildebeesthoek Section area. Musina is located approximately 50km to the northeast of the project area.

10.1. Mineral Tenure

The 11 farms that constitute the Wildebeesthoek Section are held by an accepted application for a NOMR under CoAL's wholly owned subsidiary Chapudi Coal (Pty) Ltd (subsequent to Section 11 transfer and Section 102 approval). The rights relating to the Chapudi West Section are summarised in Table 21.

10.2. Legal Matters

CoAL has informed Venmyn Deloitte of land claims on the farms Castle Koppies 652MS, Qualipan 655MS, Driehoek 631MS, Pienaar 635MS, Koodoobult 664MS and Sandstone Edge 658MS.

The land claims on the various properties have been gazetted by the Department of Rural Development and Land Reform (DRDLR). CoAL recognises land claimants as key stakeholders, and the company's engagement is governed by the company's stakeholder engagement strategy that ensures regular, meaningful and transparent engagement.

CoAL recognises the legislative framework of the land claims process and will work within that framework.

Table 20: Chapudi West Section – Summary of Historic 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	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	Isacor	Vleifontein 691MS	Early exploration and resource estimation.	Unknown.	Unknown.	Diamond core	NQ	H. Van den Berg	11	No	All	Yes	Isacor	No
2003 - 2005	Rio Tinto	Vleifontein 691MS, Grootvlei 684MS, Grootboom 476MS	Reconnaissance Drilling	Unknown.	Unknown.	Reverse Circulation	8 inch	D. Hirstov	3	Yes	Unknown	No	-	Yes
TOTAL									14					

Table 21: Summary of the Wildebeesthoek Section Mineral Tenure

SECTION	FARM NAME & NO.	PORTION NO.	AREA (ha)	APPLYING ENTITY	NEW ORDER LICENCE TYPE	LICENCE NO.	SUBMISSION DATE OF MINING RIGHT APPLICATION	DATE OF MINING RIGHT APPLICATION ACCEPTANCE LETTER	SURFACE RIGHTS
Wildebeesthoek	Castle koppies 652MS	Whole farm	554.04	Kwezi Mining Exploration (Pty) Ltd	Mining	LP 30/5/1/2/2/51PR/ 10056 MR	10/05/2013	09/07/2013	No
	Mapani Ridge 660MS	Whole farm	1,193.2		Mining	LP 30/5/1/2/2/676 PR/ 10043 MR	10/05/2013	09/07/2013	No
	M'Tamba Vlei 654MS	Whole farm	523.51						No
	Qualipan 655MS	Whole farm	523.51						No
	Wildebeesthoek 661MS	Whole farm	1,033.93						No
	Driehoek 631MS	Whole farm	873.73						No
	Pienaar 635MS	Portion 1 & RE	1,590		Mining	LP 30/5/1/2/2/45 PR/ 10055 MR	10/05/2013	03/07/2013	No
	Koodobuilt 664MS	RE	1,337.6		Mining	LP 30/5/1/2/2/1170PR/ 10052 MR	10/05/2013	23/07/2013	No
	Koschade 657MS (formerly Mapani Kop 656MS)	Whole farm	981.46						No
	Ridge End 662MS	Portion 1 & RE	1,037.08						No
	Sandstone Edge 658MS	Whole farm	1,076.97						No
TOTAL WILDEBEESTHOEK									10,725.03

10.3. Geology & Exploration History

The Wildebeesthoek Section represents an isolated and upfaulted block of Karoo age sediments, which lies adjacent to the Chapudi Section. The area is interpreted as representing an up-faulted extension of the coal seams from down dip of the main Chapudi Section. For more detail regarding the local geology at the Wildebeesthoek Section the reader is referred to Section 8.3.

The historical and recent exploration activity on the Wildebeesthoek Section is summarised in Table 21 and Figure 12 illustrates the positions of the boreholes. For further details regarding the ownership history, exploration and protocols followed the reader is referred to the full 2015 CPR located on the CoAL website.

10.4. Coal Resources

No orebody modelling has been undertaken on the Wildebeesthoek Section. There is no known previous or current resource estimate for the Wildebeesthoek Section.

11. Conclusions

Venmyn Deloitte has reviewed the technical merits of each GSP project area and provided a detailed description of each asset (including reference to its tenure, status of development, recent exploration and production, resources, review of technical input parameters, where appropriate). Venmyn Deloitte has also included a review of the global and South African coal industry.

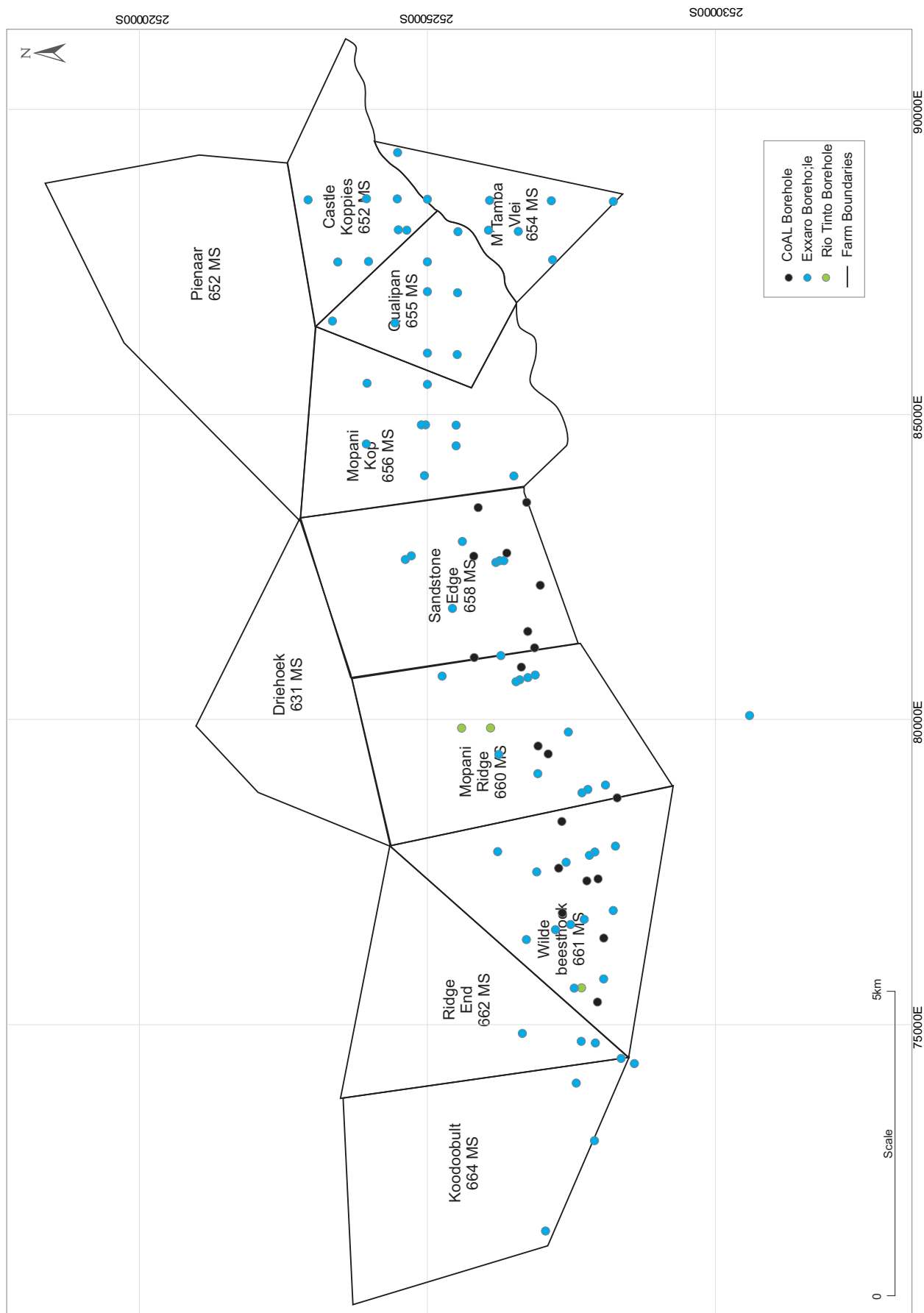
Venmyn Deloitte has independently reviewed CoAL's resource statements for each of the GSP coal assets, as at 30 September 2012, and has concluded that they are reasonable and have been correctly classified, by CoAL, according to the JORC Code and stated as at 31 December 2015.

Venmyn Deloitte confirms that the Coal Resources have been based upon reliable exploration and mining results (where appropriate) and accurately estimated, by CoAL, using industry best practise standards of modelling.

In general, Venmyn Deloitte has concluded that the technical input assumptions are reasonable as at the effective date of this report.

Table 22: Wildebeesthoek - Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL L NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	QUALITY RESULTS	LABORATORY FOR QUALITY	USED IN MODEL
1975 - 1982	Isacor	Koodoobult 664MS, Ridge End 662MS, Wildebeesthoek 661MS, Mapani Ridge 660MS, Sandstone Edge 658MS, Koschade 657MS, Qualippan 655MS, Castle Koppies 652MS, M'Tamba Vlei 654MS	Early exploration and resource estimation.	Unknown.	Unknown.	Diamond core	NQ	H. Van den Berg	94	No	All	Yes	Isacor	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					



12. Effective Date & Signatures

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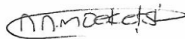


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Reference No.:- VMD1971
Effective Date:- 31 December 2015
Final Report Date: 28 January 2016

Appendix 1: References

In completing this review, the following information has been referenced.

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Rio Tinto Mining and Exploration (Pty) Ltd	2009c	Chapudi Analytical Work Seam 6 - PFS Stage	CoAL
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Statistics South Africa (Statssa)	02 July 1905	Press Statement (May 25, 2010)	www.statssa.gov.za
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Telfer, CA, Njowa, G, Mc Kenna, N, Cronje, JCJ, Spicer, D	2011	Independent Competent Persons' Report on the Principal within the Soutpansberg Coalfield of Coal of Africa Limited (CoAL) by Venmyn Rand (Pty) Ltd (Venmyn)	
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Zhou,P; Yamba,FD; Lloyd, P; Nyahuma, L; Mzezewa, C; Kipondya, F; Keir, J; Asamoah, J; Simonsen, H	2009	Determination of regional emission factors for the power sector in Southern Africa	Journal of Energy in Southern Africa

Appendix 2: Glossary

TERM	DEFINITION
Abrasion index	Calculated from the mass loss of four standard steel plates attached to a stirrer rotating under controlled conditions in a certain mass of coal.
Ash (%)	The solid residue that remains after the complete combustion of coal.
Assay laboratory	A facility in which the quality of the ores are determined using analytical techniques.
Audit	Checking mechanisms to verify the veracity of results.
Basic	Of igneous rocks having a relatively low silica content
Block model	Technique of modelling which divides the resources into a number of mineable blocks.
Boxcut	Open cut made through the overburden to expose a portion of the coal seam that provides portal access to a decline to an underground mine.
Bulk sample	Large sample which is processed through a small-scale plant, not a laboratory
Burnt coal	Coal in contact or close proximity with dolerite intrusions that undergoes chemical change, particularly the loss of volatiles due to heating.
Calorific Value (CV)	The heat liberated by the coal's complete combustion with oxygen.
Coal	Carbonaceous sedimentary rock with an ash content of less than 50%.
Coal Rank	The degree of 'metamorphism' undergone by a coal. Higher rank, harder coals are defined by a higher carbon/energy content and lower inherent moisture.
Coking coal properties	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.
CRI	When coke is preheated and cooled under nitrogen, the weight loss during reaction is measured. The percentage weight loss is known as the reactivity or CRI.
Cross section	A diagram or drawing that shows features transected by a vertical plane drawn at right angles to the longer axis of a geologic feature.
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.
Diamond drilling	A drilling method, where the rock is cut with a diamond bit, to extract cores.
Dilation (%)	The change in volume observed when pulverized coal, pressed into a pencil shape, is heated slowly. The temperatures of softening, maximum shrinkage, and maximum dilation of the coal are noted, as the plastic range from softening temp. to max. dilation of individual coals in a coking coal blend should overlap to achieve the best results. Good coking coals should have dilations of 50% to 150%.
Dilution	Waste which is mixed with ore in the mining process.
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.
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.
Dyke	Intrusive igneous rock vertically or subvertically emplaced.
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.
Fixed Carbon (%)	The organic residue remaining after the volatile matter has been liberated. The % fixed carbon is obtained when the sum of the moisture, ash and volatile matter percentages is subtracted from 100%.

TERM	DEFINITION
Footwall	The underlying side of a fault, orebody or stope.
Gravity survey	A geophysical study undertaken from the surface or from the air which identifies variations in the density of the earth from surface to depth.
Groundwater	Water found beneath the surface of the land.
Hardgrove grindability index	The ease with which coal can be pulverized, the higher the index the softer the coal.
Hydrological	Pertaining to water either above or below the surface
Igneous	Rocks resulting from the crystallization of a molten magma, either intrusive or volcanic.
In situ	In its original place, most often used to refer to the location of the mineral resources.
Indicated Coal Resource	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 Coal Resource	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.
Laser survey	Airborne survey which accurately measures the height of the surface of the earth to produce a detailed digital topographic plan.
Lava	Molten silicate material extruded by a volcano.
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
Life of Mine - LoM	Expected duration of time that it will take to extract accessible material
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 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. JORC prefers the term 'Mineral Resource', although it may be reported as 'Coal Resource' if preferred by the reporting company.
Mineralisation	The presence of a target mineral in a mass of host rock.
Mining Property	a Mineral Asset which is in production.
Moisture Content (Inherent moisture)	Moisture content for purposes of a proximate analysis is derived from the mass loss of air-dried coal when heated to between 105°C and 110°C.
NPV	Net present value. The NPV is the present value of future cash flows calculated from an escalated and inflated free cash flow of the operations. This is discounted back at inflation and then further discounted at a project risk rate. The NPV can be of cash flows before or after tax, or based upon full shareholders returns.
Olivine	A silicate mineral commonly found in igneous rocks
Opencast / Open pit	Surface mining in which the ore is extracted from a pit. The geometry of the pit may vary with the characteristics of the ore body.
Orebody	A continuous well defined mass of material of sufficient ore content to make extraction economically feasible.
Ore 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. JORC prefers the term 'Ore Reserve', although it may be reported as 'Coal Reserve' if preferred by the reporting company, or as 'Mineral Reserve' when reporting to SAMREC standards.
Overburden	The alluvium and rock that must be removed in order to expose an ore deposit.
Payability	Economic viability of a mineral deposit.
Petrographic Analysis	A representative sample of coal is embedded in epoxy resin, and one side ground and polished for microscopic examination in reflected light under oil immersion. The maceral composition is determined by means of point counting. Generally only the group macerals vitrinite (V), exinite (E) and inertinite (I), and in some case reactive semifusinite (RSF), are counted.
Plasticity (d.p.m.)	The Gieseler plasticity is given by the angular velocity of a shaft with rabble arms, which is rotated in powdered coal by the action of a constant driving torque, while the temperature is raised slowly. The temperatures of softening (Ts), maximum plasticity (Tp) and resolidification (Tr) are recorded. These characteristic temperatures should overlap in the case of coal blends in order to obtain an optimum coke fabric and coke strength. The maximum plasticity for good coking coals should be above 100 angular degrees per minute (d.p.m.).
Prefeasibility Study	Referring to a study of a Mineral asset, in which appropriate assessments have been made of realistically estimated mining, metallurgical, economic, marketing legal, environmental, social, governmental, geological, engineering, operational and all other modifying factors are considered in sufficient detail to demonstrate at the time of reporting

TERM	DEFINITION
	that extraction is reasonably justified and the factors are considered in sufficient detail to serve as a reasonable basis for a decision to proceed or not to proceed to a Feasibility Study.
Primary deposit	With reference to the deposition of diamonds, these deposits include kimberlite pipes, dykes, blows and fissures as well as lamproites. Contrasted with alluvial.
Probable mineral reserve	Is the economically mineable material derived from a Measured and/or Indicated Coal Resource. It is estimated with a lower level of confidence than a Proved Reserve. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.
Prospect	A deposit with the potential for economic extraction
Proximate analysis	The determination, by prescribed methods, of moisture, ash, volatile matter and fixed carbon (by difference) contents of air-dried coal.
Rehabilitation	The process of restoring mined land to a condition approximating to a greater or lesser degree its original state. Reclamation standards are determined by the South African Department of Mineral and Energy Affairs and address ground and surface water, topsoil, final slope gradients, waste handling and re-vegetation issues.
ROGA Index	Gives an indication of the caking power of coal and is calculated from the resistance to abrasion, determined under standard conditions, of a coke button made from a mixture of coal and a standard anthracite.
RoVmax (%)	Maximum vitrinite reflectance.
Sample	The removal of a small amount of rock pertaining to the deposit which is used to estimate the grade of the deposit and other geological parameters.
Sampling	Taking small pieces of rock at intervals along exposed mineralization for analysis (to determine the mineral content).
Sandstone	A fine to very coarse grained arenaceous sedimentary rock consisting of silicate group minerals e.g. Sand
Seam	An economically viable stratum of coal or mineral
Sedimentary	Formed by the deposition of solid fragmental or chemical material that originates from weathering of rocks and is transported from a source to a site of deposition.
Shale	A fine grained argillaceous sedimentary rock consisting of clays.
Silt	A detrital particle, smaller than sand and coarser than clay, in the range 0.004 to 0.062mm
Specific gravity	Measure of quantity of mass per unit of volume, density.
Stockpile	A store of unprocessed ore or marginal grade material.
Stratigraphic	A term describing the sequence in time of bedded rocks which can be correlated between different localities.
Strike	The direction taken by a structural surface such as a fault plane as it intersects the horizontal.
Stripping	Removal of waste overburden covering the mineral deposit.
Stripping ratio	Ratio of ore rock to waste rock.
Swelling Index	Determined by rapidly heating one gram of a pulverized coal in a closed crucible at 820°C. The ratio of volume of coke button obtained to the original volume is assigned a value between 0 and 9 (in half steps).
Tailings	The waste products of the processing circuit. These may still contain very small quantities of the economic mineral.
Tailings dam	Dams or dumps created from waste material from processed ore after the economically recoverable metal or mineral has been extracted.
Tertiary period	A period of time spanning between 2.0 Ma and 65 Ma.
Tonnage	Quantities where the tonne is an appropriate unit of measure. Typically used to measure quantities of in-situ material or quantities of ore and waste material mined, transported or milled.
Thermal Coal	All non-coking coal.
Tonne	Metric Ton
Trenching	Making elongated open-air excavations for the purposed of mapping and sampling.
Ultimate Analysis	Analysis of air-dried coal in terms of its carbon, oxygen, nitrogen, and organic sulphur contents.
Volatile Matter (%)	The material, other than inherent moisture, which is driven off when air-dried coal is heated at 900°C for seven (7) minutes under standard conditions, in the absence of air.
Volcanic	Igneous rocks that have reached or nearly reached the earth's surface before solidifying, for example lavas.
Vitrinite	One of the primary components of coal, derived from the cell-wall material or woody tissue of the plants from which coal was formed. Chemically, it is composed of polymers, cellulose and lignin.
Waste rock	Rock with an insufficient diamond content to justify processing.
Weathered rock	Rock which has been broken down by the influences of water and air and which becomes softened and partially decomposed.
Yield	The actual quantity of ore (coal) realised after the mining and treatment process.

Appendix 3: Acronyms and Abbreviations

ABBREVIATION OR UNIT OF MEASUREMENT	EXPLANATION
ACT	Advanced Coal Technologies (Pty) Limited
AIM	Alternative Investment Market
AEL	Atmospheric Emission Licence
amsl	Above mean sea level
ANC	African National Congress
Anglo American	Anglo American plc
Anglo Coal	Anglo Coal SA Limited, Anglo American plc's Coal Division
Anker	Anker Coal and Mineral Resources (Pty) Ltd
ArcelorMittal	ArcelorMittal South Africa Ltd
ARD	Apparent Relative Density
ASX	Australian Stock Exchange
AusIMM	Australian Institute of Mining & Metallurgy
B.Sc.	Bachelor of Science degree
B.Sc. (Hons)	Bachelor of Science Honours degree
Badger Mining	Badger Mining (Pty) Ltd
BBBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BHPB	BHP Billiton plc
BOD	Biochemical Oxygen Demand
BP	British Petroleum
BRSW	BRSW Mining Consulting Services (Pty) Ltd
Bt	Billion tonnes
Capex	Capital Expenditure
CBM	Coal Bed Methane
CGS	Council for Geoscience
Chapudi Coal	Chapudi Coal (Pty) Ltd
CIF	Cost, insurance and freight
CM	Continuous Miner
CoAL	Coal of Africa Limited
COD	Chemical Oxygen Demand
CPR	Competent Persons' Report
CSR	Coke Strength After Reaction
CTL	Coal to Liquids
CV	Calorific Value
DAF	Dry Ash Free
DCF	Discounted cash flow
DEA	Department of Environmental Affairs
DFS	Definitive Feasibility Study
Dip	Diploma
DME	Department of Minerals and Energy
DMR	Department of Mineral Resources
DWA	Department of Water Affairs
DWS	Department of Water and Sanitation
EA	Environmental Authorisation
EBIT	Earnings before interest and tax
ECA	Environmental Conservation Act
EIA	Environmental Impact Assessment/ Energy Information Administration
EIMS	Environmental Impact Management Services(Pty) Ltd
EMP	Environmental Management Plan
EOH	End of hole
Eskom	Eskom Holdings Limited, South Africa's State power utility
EU	European Union
Exxaro	Exxaro Resources Limited
FGSSA	Fellow of the Geological Society of South Africa
FOB	Free on board
FSA	United Kingdom Financial Services Authority
FSAIMM	Fellow of the South African Institute for Mining & Metallurgy
GDP	Gross domestic product
GeoCoal	GeoCoal Services
Goldfields	Goldfields Mining and Development
Govt Cert	Government Certificate
Grindrod	Grindrod Trading and Shipping Ltd
GTIS	Gross Tons In situ

ABBREVIATION OR UNIT OF MEASUREMENT	EXPLANATION
GW	GigaWatt
ha	Hectare
HDSAs	Historically disadvantaged South Africans
I&APs	Interested and Affected Parties
IEM	Integrated Environmental Management
Ingwe	Ingwe Coal Corporation
Inspectorate	Inspectorate M & L (Pty) Ltd
Iscor	Iscor Ltd
ISO	International Organization for Standardization
IWUL	Integrated Water Use Licence
IWULA	Integrated Water Use Licence Application
JORC	Joint Ore Reserves Committee
JPMC	JP Morgan Casenove
JSE	Johannesburg Stock Exchange Limited
kg	Kilogram
km	Kilometre
KME	Kwezi Mining Exploration (Pty) Ltd
Kwena	Kwena Mining Projects cc
Kwezi	Kwezi Mining (Pty) Ltd
Langcarel	Langcarel (Pty) Ltd
LDD	Large Diameter Drilling
LHD	Load Haul Dumper
LIDAR	Light Detection and Ranging
Limpopo Coal	Limpopo Coal Company (Pty) Ltd
LIMS	Laboratory Integrated Management System
LOM	Life of mine
LSE	London Stock Exchange
LVR	LVR Plant (Pty) Ltd
m	Metre / million
m2	Square metres
m3	Cubic metre
M.Sc.	Masters degree in Science
Mapungubwe	Mapungubwe National Park and World Heritage Site
MAusIMM	Member of the Australian Institute of Mining & Metallurgy
MDEDET	Mpumalanga Department of Economic Development, Environment and Tourism
MEC	Member of the Executive Council
MGSSA	Member of the Geological Society of South Africa
MIA	Mine Infrastructure Area
Midlabs	Midlab cc
Min.Eng	Mining Engineer
Mining Charter	Broad-based Socio-Economic Charter for the South African Mining Industry
MJ/kg	MegaJoule per kilogram
mm	Millimetre
Mm3	Million cubic metres
MOA	Memorandum of Understanding
MOF	Maputo Option Fee
Mooiplaats Mining	Mooiplaats Mining (Pty) Ltd
Morgan Stanley	Morgan Stanley & Co International plc
Motjoli	Motjoli Resources (Pty) Ltd
MPRDA	South African Minerals and Petroleum Resources Development Act
MPRRA	Minerals and Petroleum Resources Royalty Act
MR	Mining Right
MRA	Mining Right Application
MSA	MSA GeoServices (Pty) Ltd
MSAIMM	Member of the South African Institute for Mining & Metallurgy
Mt	Million tonnes
MTIS	Mineable Tons In Situ
Mtoe	Million tonnes oil equivalent
Mtpa	Million tons per annum
MW	Mega Watt
N/A	Not applicable
NEM:AQA	National Environmental Management: Air Quality Act
NEM:PAA	National Environmental Management: Protected Areas Act
NEM:WA	National Environmental Management : Waste Act
NEMA	National Environmental Management Act
NEMWA	National Environmental Management : Waste Act

ABBREVIATION OR UNIT OF MEASUREMENT	EXPLANATION
NFA	National Forests Act
NHRA	National Heritage Resources Act
NMSTE	National Mathematics, Science and Technology Education
NOMR	New Order Mining Right
NOPR	New Order Prospecting Right
NuCoal	NuCoal Mining (Pty) Ltd
NWA	National Water Act
OECD	Organisation for Economic Co-operation and Development
OHS Act	Occupational Health and Safety Act
Opex	Operating expenditure
OPH/ Optimum	Optimum Coal Holdings
PCD	Pollution Control Dam
PetroSA	Petroleum, Oil and Gas Corporation of South Africa (Pty) Limited
PPP	Public Participation Process
RoD	Record of Decision
SAHRA	South African Heritage Resource Agency
SLP	Social and Labour Plan
VBR	Vhembe Biosphere Reserve
WML	Waste Management Licence
WSA	Water Service Authority
WSP	Water Service Provider
WWTP	Waste Water Treatment Plant

Appendix 4: CV of the Competent Person

Name of Staff: Elizabeth Sarah de Klerk
Position: Manager
Name of Firm: Venmyn Deloitte, a subsidiary of Deloitte Consulting South Africa (Pty) Ltd
Address: Building 33, The Woodlands Office Park, 20 Woodlands Drive, Woodmead, Sandton
Profession: Geologist
Date of Birth: 11 January 1978
Years with Firm/Entity: Joined March 2015
Nationality: British

Membership in Professional Societies:

CLASS	PROFESSIONAL SOCIETY	YEAR OF REGISTRATION
Member (400090/08)	The South Africa Council for Natural Scientific Professions	2008
Member (965062)	Geological Society of South Africa	2003
Fellow	Geological Society of South Africa	2013
Member (707850)	The Southern African Institute of Mining and Metallurgy	2015

Detailed Tasks Assigned whilst at Venmyn Deloitte:

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2015	Simeka Capital Holdings (Pty) Ltd	Chromium	Planning, implementation, oversight and audit of a chromium exploration programme on the Memor Mining (Pty) Ltd Langpan Chromium mine on the western limb of the Bushveld Complex, Limpopo Province, South Africa.
	Jay and Jayendra (Pty) Ltd	Coal	Mmamabula Energy Project, Bankable Feasibility requirements gap analysis
	Mindset Mining Consultants (Pty) Ltd	Coal	SAMREC compliant due diligence on the Braakfontein Project Coal Resources owned by Keaton Energy Holdings Ltd located in the Kilprivier Coalfield, KwaZulu-Natal South Africa. The review was used as part of a Feasibility Study for the project.
	African Specialty Metals 1	Lead/Zinc	Independent mineral asset valuation and resource review for the Bushy Park, Mississippi Valley-type lead/zinc deposit, Northern Cape, South Africa
	Samancor Chrome Limited	Chromium	Full evaluation of the Mineral Resource and Reserve estimation and underlying exploration information of Samancor's chromite projects across South Africa.
	EMCO Coal Zambia Ltd	Coal	Independent mineral asset valuation for the EMCO Coal Project, Siankondobo Coalfield, Zambia
	Assmang (Pty) Ltd	Iron Ore	MRM recovery programme at Khumani Iron Ore Mine, Northern Cape, South Africa, focussing on assistance with mine resource to production cycle
	Delta Mining Consolidated	Coal	Short form and valuation report on the Rietkuil Coal Asset, Delmas, Mpumalanga, South Africa
	Xtract Resources PLC	Copper	Provide independent exploration review services and QA/QC procedures and protocols, together with a Mineral Resource estimate, for the O'Kiep Copper Company Carolusberg and O'Kiep copper tailings storage facilities in the Northern Cape Province of South Africa.

Key Qualifications:

Liz de Klerk has been actively involved in the mining industry since 2003, having moved to South Africa in 2001 and graduated from Rhodes University in 2002 with an MSc. Since that time Liz has worked on a number of exploration, due diligence and modelling projects covering a range of commodities, including coal, platinum, chrome, alluvial diamonds, base metals and manganese. She has written and contributed to a number of compliant documents applicable to the Australian, South African, London and Canadian stock exchanges. Her specific area of expertise is coal exploration, resource modelling, reporting and compliance. In addition Liz has a wide amount of knowledge and experience in QA/QC, database management and auditing across many commodities. Liz is on the council of the Geological Society of South Africa and in this capacity is involved in development of courses and conferences.

Education:

DEGREE/DIPLOMA	FIELD	INSTITUTION	YEAR
B.Sc (Hons)	Geology	Leicester University	2000
MSc	Exploration Geology	Rhodes University	2002
Certified Short Course	Project Management	University of Witwatersrand	2007

Employment Record:

POSITION	COMPANY	JOB DESCRIPTION	DURATION
Manager	Venmyn Deloitte (Pty) Ltd	· Orebody modelling and interpretation in Micromine, Datamine and GeoSoft Target · Resource estimation specializing in coal and stratiform orebodies · Geostatistical evaluation of mineral deposits · Independent Competent Persons Reports for listings on London, Johannesburg and Australian Stock Exchanges · Advising clients on compliance documentation · Due diligence technical assessments & prospectivity reviews · Public reporting to the stock exchange standards and client liaising · Advising clients on exploration programme development and implementation · Market studies	Mar 2015 - present
Director	DK Exploration cc	Owner of an independent consulting company specializing in coal exploration, resource modelling and compliance, including: · Orebody modelling in Micromine and GeoSoft Target · Resource estimation and reporting · Involvement in a variety of reporting documents such as CPRs, Feasibility Studies, Bankable Feasibility Studies, NI-43 101, due diligence and technical reports · Creation, implementation and management of exploration programmes in South Africa, Southern Africa and Russia · Associations with a number of leading consulting firms in South Africa and the UK · Competent person in coal · Advice and due diligence for project and resource compliance with the JSE, ASX and LSE · Technical assessments and project viability · Investor presentations	Sept 2010 - Mar 2015
Co-founder and Managing Partner	CCIC Coal (Pty) Ltd	· Manager and mentor to graduate geologists · Marketing and sourcing new clients and projects · Billing, sub-contractor management and payroll · Lead exploration geologist managing all coal-related prospectivity programmes · Target identification and interpretation using GeoSoft Target · Client and investor presentations	Oct 2008 - Sept 2010
Senior Exploration Geologist	Caracle Creek International Consulting Inc. (CCIC)	· Planning, execution and management of various exploration programs for a variety of commodities around South Africa. · Mine exploration geologist (consulting) at Anglo Platinum's PPL operating mine on the Platreef · Project reporting adhering to various requirements.	Feb 2006 - Oct 2008
Project Geologist	Eersteling Gold Mining Company	· Planning, execution and field management of two dual running exploration programs PGM's and Au. · Involved in all such phases setting up stake holder relations, managing QA/QC, various contractors, geological logging, sampling etc. · Database management and geological interpretation. · Project reporting. · Guided GSSA and university field trips through project areas.	Mar 2004 – Jan 2006
Field Geologist	Tawana Resources NL	· Drill rig management of a diamond exploration program. · Geological logging and management of bulk sample collection · Running of Flow Sort machine · Data collection, management and interp · Hand picking diamonds from final concentrates · Project reporting	Oct 2003 – Mar 2004
Field Surveyor	Longdin & Browning	· Sent around the United Kingdom using a range of surveying equipment to correct/confirm the previous topographic contouring of the countryside and cities of Wales and England.	Feb 2003 – Jun 2003

Languages:

English: Excellent (written and verbal)

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: January 2016
Full name of staff member: Elizabeth Sarah de Klerk

PART XII:

**ABRIDGED COMPETENT PERSON'S REPORTS ON THE UNIVERSAL GROUP'S
MATERIAL ASSETS**

**SECTION A: GEMECS ABRIDGED COMPETENT PERSON'S REPORT ON KANGALA,
BRAKFORTEIN, BERENICE/CYGNUS, SOMERVILLE, AND ARNOT SOUTH**

Universal Coal plc – Coal Assets Competent Person's Report

Report Prepared for:

Coal of Africa Limited & Peel Hunt LLP



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29 January 2016



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FOREWORD

Gemecs has been engaged by Coal of Africa Limited (the "Client") to prepare Competent Person's Reports (the "CPRs") in relation to the coal resources at the material assets of Universal Coal plc. The CPRs are being prepared in connection with CoAL's application for readmission of its shares to trading on the AIM market of the London Stock Exchange (AIM), which is being made as a consequence of its takeover offer for Universal Coal plc.

This report (the "Abridged CPR") is addressed to CoAL and Peel Hunt LLP, its nominated adviser, and is an abridged version of the full CPRs, consolidated into a single report. Gemecs understands that the full CPRs have been made available on CoAL's website, www.coalofafrica.com

Gemecs understands that this Abridged CPR will be included as part of an AIM admission document to be published by CoAL (the "Admission Document").

Both the full CPRs and this Abridged CPR have been prepared in accordance with:

- the AIM Note for Mining and Oil & Gas Companies (2009) published by the London Stock Exchange; and
- the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and Minerals Council of Australia (the "JORC Code").

For the purposes of the AIM Rules for Companies, Gemecs is responsible for this Abridged CPR as part of the Admission Document and declares that it has taken all reasonable care to ensure that the information contained in this Abridged CPR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. Gemecs consents to the inclusion of this Abridged CPR, and reference to any part of this Abridged CPR and/or the full CPR, in the Admission Document.

EXECUTIVE SUMMARY

A summary of the coal assets described in this report, is presented overleaf in Table 1.

The Kangala project is made up of the Kangala Mine (in production), and the Middelbult and Modderfontein projects (exploration phase). This project is situated in the Witbank Coal field, close to the town of Delmas, Mpumalanga province, South Africa. The Brakfontein project is well advanced and holds a mining right, although this right has not yet been executed. It is also located in the Witbank Coal field, east of the nearby Kangala project. The Arnot South project, is located to the east of the Witbank Coal field, close to the town of Hendrina, north of Ermelo. These assets are typical thermal coal projects with the potential to supply local as well as export thermal coal markets. The Berenice Cygnus and Somerville projects are located to the north of South Africa in the Limpopo Province, and are located in the Soutpansberg and Tuli coal fields. These assets have the potential to produce soft coking coal, with some secondary thermal coal products. Refer to Figure 1 overleaf for a general locality plan of these assets.

The gross in situ coal resources for the combined assets is reported at **2 040.3 million tonnes** with net attributable tonnes to Universal Coal reported at **1 047.8 million tonnes**. Coal resources per asset is presented overleaf in Table 2.

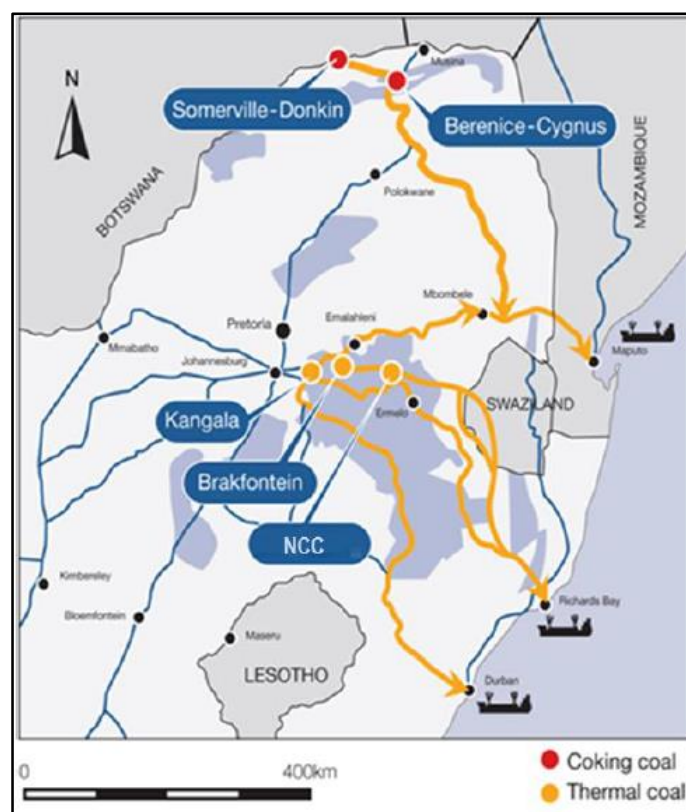


Figure 1. Universal Coal Assets Localities in South Africa (www.universalcoal.com)

Table 1. Summary Table of Universal Coal plc assets

Summary table of assets						
Asset	Holder	Interest	Status	Licence expiry date	Licence area	Comments
Kangala Mine	Universal Coal Development I (Pty) Ltd	70.50%	Mining Right. MP30/5/1/2/2/429MR	2 May 2032	951 ha	In production
Middelbult	Universal Coal Development I (Pty) Ltd	70.50%	Prospecting Right. MP30/5/1/1/2/641PR	25 March 2017	942 ha	Part of Kangala project
Modderfontein	Universal Coal Development I (Pty) Ltd	70.50%	Prospecting Right. MP30/5/1/1/2/639PR	25 March 2017	127 ha	Part of Kangala project
Brakfontein	Universal Coal Development III (Pty) Ltd	50.29%	Mining Right. MP30/5/1/1/2/10027MR	Granted July 2014. To be executed	879 ha	
Arnot South	Universal Coal Development VII (Pty) Ltd	50.00%	Prospecting Right. MP30/5/1/1/2/360PR	29 October 2011	15 531 ha	Renewal submitted - results pending
Berenice Cygnus	Universal Coal Development II (Pty) Ltd	50.00%	Prospecting Right. LP30/5/1/1/2/376PR	19 March 2016	39 484 ha	Berenice JV and Somerville
Berenice Cygnus	Universal Coal Development V (Pty) Ltd	50.00%	Prospecting Right. LP30/5/1/1/2/1276PR	6 May 2013	12 299 ha	Cygnus JV. Renewal submitted 25 Feb 2013. In progress.
Somerville	Universal Coal Development II (Pty) Ltd	50.00%	Prospecting Right. LP30/5/1/1/2/376PR	19 March 2016	39 484 ha	

Table 2. Summary of Coal Resources – Universal Coal plc

Kangala	Gross in situ tonnes		Mineable in situ tonnes		
Category	Gross in situ tonnes (Mt)	Net Attributable tonnes (Mt)	Mineable in situ tonnes (Mt)	Net Attributable tonnes (Mt)	Operator
Measured	77.22	54.44	42.16	29.72	
Indicated	22.9	16.1	0.6	0.4	
Inferred	33.7	23.8	0.0	0.0	
Total	133.8	94.3	42.8	30.1	Universal Coal Development I (Pty) Ltd
Brakfontein	Gross in situ tonnes		Mineable in situ tonnes		
Category	Gross in situ tonnes (Mt)	Net Attributable tonnes (Mt)	Mineable in situ tonnes (Mt)	Net Attributable tonnes (Mt)	Operator
Measured	31.70	15.94	16.80	8.45	
Indicated	39.4	19.8	19.8	10.0	
Inferred	4.7	2.4	2.5	1.3	
Total	75.8	38.1	39.1	19.7	Universal Coal Development III (Pty) Ltd
Arnot South	Gross in situ tonnes		Mineable in situ tonnes		
Category	Gross in situ tonnes (Mt)	Net Attributable tonnes (Mt)	Mineable in situ tonnes (Mt)	Net Attributable tonnes (Mt)	Operator
Measured	2.28	1.14	1.52	0.76	
Indicated	65.3	32.7	30.9	15.5	
Inferred	139.0	69.5	62.7	31.4	
Total	206.6	103.3	95.1	47.6	Universal Coal Development VII (Pty) Ltd
Berenice-Cygnus	Gross in situ tonnes		Mineable in situ tonnes		
Category	Gross in situ tonnes (Mt)	Net Attributable tonnes (Mt)	Mineable in situ tonnes (Mt)	Net Attributable tonnes (Mt)	Operator
Measured	424.91	212.46	352.81	176.41	
Indicated	800.9	400.5	660.3	330.2	
Inferred	124.3	62.2	90.5	45.3	
Total	1350.1	675.1	1103.6	551.8	Universal Coal Development II (Pty) Ltd
Somerville	Gross in situ tonnes		Mineable in situ tonnes		
Category	Gross in situ tonnes (Mt)	Net Attributable tonnes (Mt)	Mineable in situ tonnes (Mt)	Net Attributable tonnes (Mt)	Operator
Measured	0.00	0.00	NA	NA	
Indicated	0.0	0.0	NA	NA	
Inferred	274.0	137.0	NA	NA	
Total	274.0	137.0	NA	NA	Universal Coal Development II (Pty) Ltd
GRAND TOTAL	2 040.3	1 047.8	1 280.6	649.2	

1. QUALIFICATIONS OF CONSULTANT

Gemecs (Pty) Ltd ("Gemecs") is a medium-sized geological company which renders geological and mining consulting services to the mining industry. Its consultants have the required experience in preparing competent persons', technical advisors' and evaluation reports for mining and exploration companies.

Input is provided in terms of the JORC (Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 edition) and supported by the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves, 2003 Edition.

Independence is assured by the fact that, neither the Competent Person, nor any of the Competent Person's directors, staff and associates involved in this report, hold any interest in the value of the "Client" or its subsidiary or associated companies, and do not have any interest in Universal and are independent of either Company's directors, senior management and advisers. Gemecs will receive a fee for the preparation of this report in accordance with normal professional consulting practice. This fee is not contingent on Admission or the outcome of this report and Gemecs receive no other benefit for the preparation of this report.

The information in this report that relates to coal resources for the various Universal Coal assets are based on coal resource estimates completed by Mr Nico Denner who is employed by Gemecs (Pty) Ltd. Mr Denner, Pr.Sci.Nat, B.Sc Hons (Geology), FGSSA, SEG, is a geologist with 20 years' experience in the South African Mining Industry and sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Denner is a Member of South African Council for Natural Scientific Professions (Membership No. 400060/98) and consents to the inclusion of this information in the form and context in which it appears in this report. The author states that all the coal resources are reported in accordance with the JORC code.

Gemecs places reliance on Universal Coal plc that all legal information provided to Gemecs at the time of writing is both valid and accurate for the purpose of compiling this report, including tenure and mineral right status.



2. KANGALA PROJECT

2.1 INTRODUCTION

The Kangala project consist of 3 different coal project areas, all located in close proximity to each other near Delmas in the Mpumalanga Province, South Africa. These are the Kangala Mine (also known as the Wolvenfontein project), Middelbult project and Modderfontein project (Figure 2).

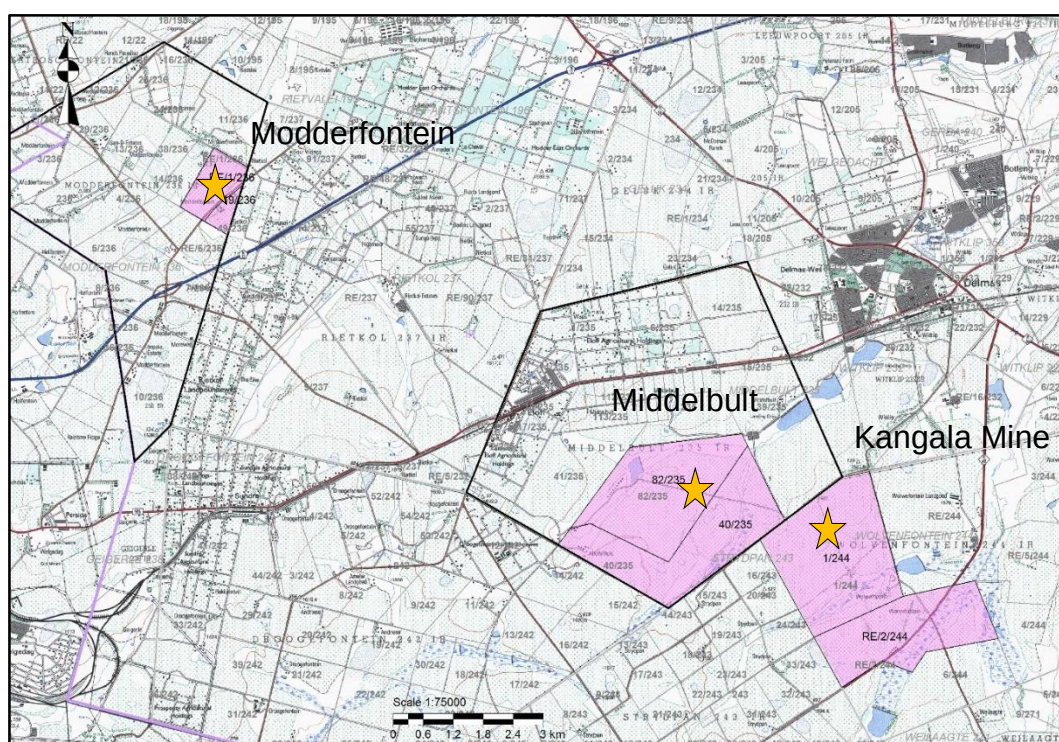


Figure 2. Kangala projects locality map

The Kangala mine is covered by a mining right, and mine development commenced in May 2013, and first saleable coal was delivered in April 2014. Both the Middelbult and Modderfontein projects are only covered by prospecting rights at this point in time.

All three areas are 70.5% owned by Universal Coal Development I (Pty) Ltd a subsidiary of Universal Coal.

Gross tonnes in situ for the Kangala mine is estimated at **54.4 million tonnes**. Mineable in situ coal resources for the Kangala mine is estimated and reported at **18.3 million tonnes**.

The gross in situ coal resources at Middelbult is estimated at **60.2 million tonnes** and the mineable coal resources is estimated to be **24.5 million tonnes** (potential opencast area after geological losses).

Gross in situ coal resources for Modderfontein is estimated at **19.1 million tonnes**.

The total for the three areas amounts to **133.8 million tonnes** gross in situ and **42.8 million tonnes** mineable in situ.

Net attributable tonnes based on the 70.5% interest held by Universal Coal Development I (Pty) Ltd is stated at **38.4 million tonnes** for Kangala Mine, **42.4 million tonnes** for Middelbult and **13.5 million tonnes** for Modderfontein, totalling **94.3million tonnes** gross in situ.

A summary table for the combined coal resources is presented below in Table 3.

Table 3. Kangala Project – Summary of coal resources by status

Summary of resources by status					
Coal	Gross in situ tonnes		Mineable in situ tonnes		
Category	Gross in situ tonnes	Net Attributable	Mineable in situ tonnes	Net Attributable	Operator
	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	
Measured	77.22	54.44	42.16	29.72	
Indicated	22.9	16.1	0.6	0.4	
Inferred	33.7	23.8	0.0	0.0	
Total	133.8	94.3	42.8	30.1	Universal Coal Development I (Pty) Ltd

2.2 GEOLOGY

The Kangala projects are located on the western margin of the Witbank Coalfield within the Vischkuil Valley (Figure 3). In the Springs-Vischkuil block the coal seams are inconsistently developed, and where present, more closely resemble those of the South Rand Coalfield. Three seams, namely the Top, Mid and Bottom seams are recognized. The Top and Mid seams can possibly be correlated with the No.5 and No.4 and No.3 seams of the Witbank Coalfield and the thicker Bottom seam appears to represent a combination of the No.2 and No.1 seams. Refer to Figure 4 overleaf for a graphical presentation of the coal seam stratigraphy.

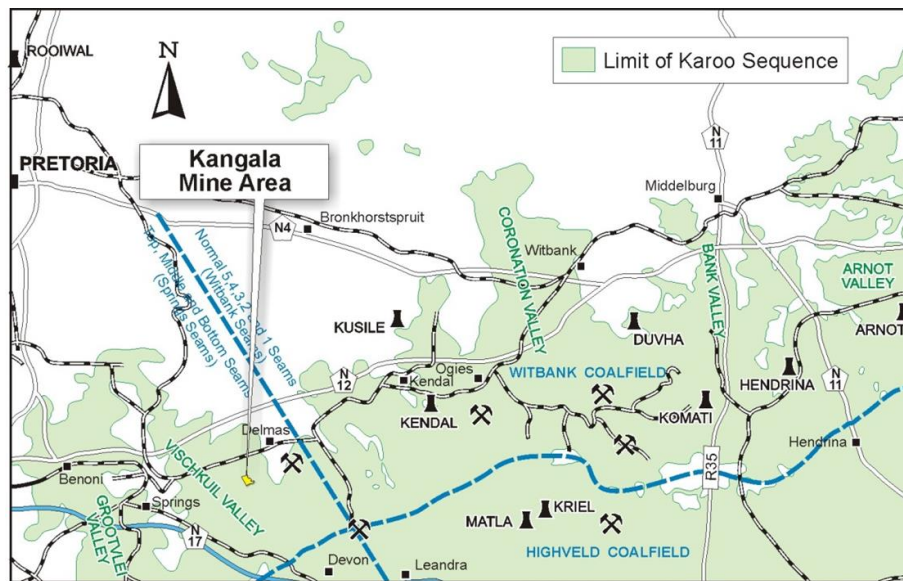


Figure 3. Kangala Mine in the Witbank Coalfield

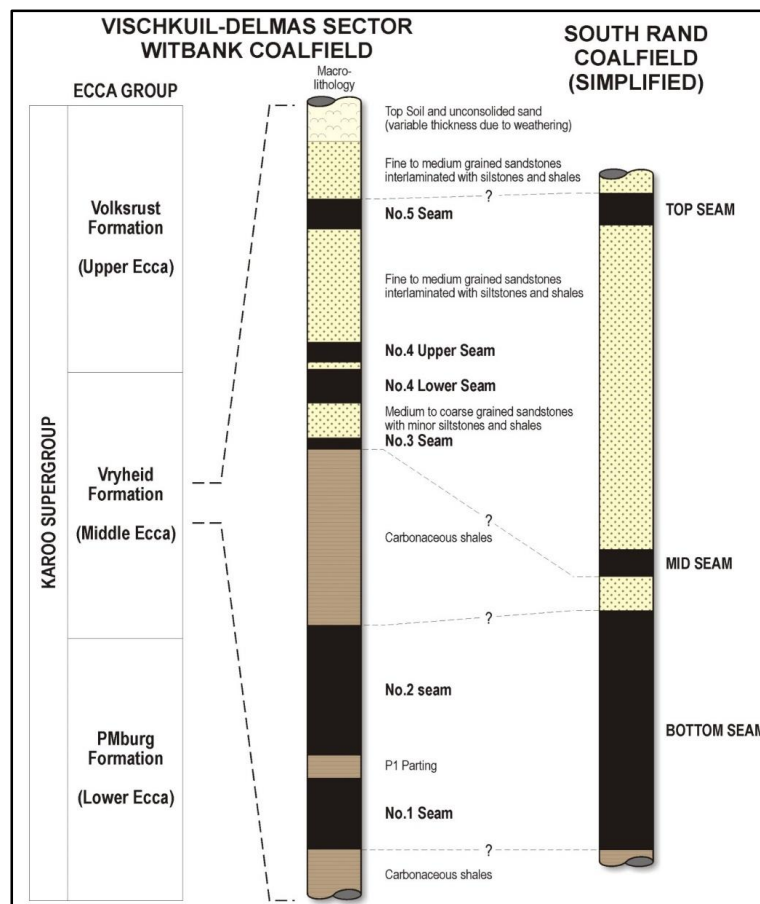


Figure 4. General stratigraphic sequence and coal seams of the Witbank Coalfield

The project area is mainly underlain by the coal-bearing Vryheid formation, part of the Eccla group (Pv) as presented on an excerpt of the 1:250 000 geological series map no. 2628 in Figure 5. The area is characterised by undulating pre-Karoo palæo-topographic terrain

(Figure 6). Some of these basement outcrops are indicated on the geological map and are predominantly of the Proterozoic Transvaal Supergroup (Vmd). The underlying basement consists of dolomite and chert of the Malmani Group and typically displays karst features. Drilling confirmed the presence of such outcrops and these sub outcrops define the limits of the coal measures towards the north and east of the Kangala mine.

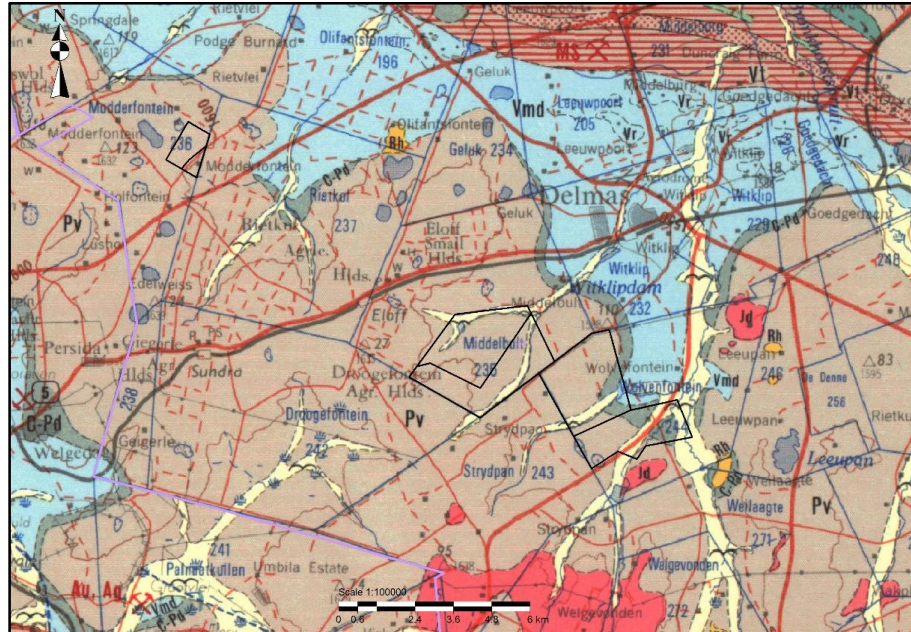


Figure 5. Geological map of the Delmas Area with Kangala portions

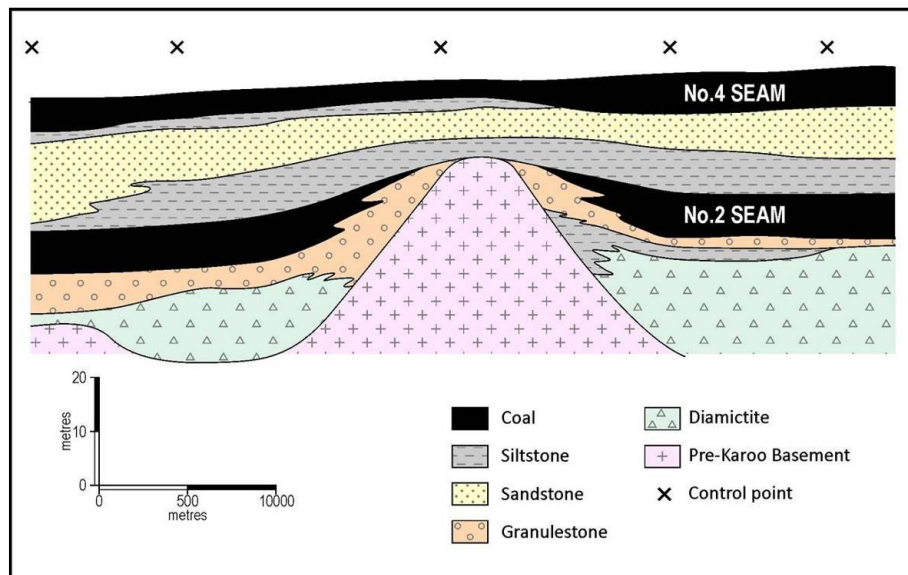


Figure 6. Undulating pre-Karoo palaeo-topographic terrain

2.3 KANGALA MINE

Kangala Mine is an operational thermal coal mine, owned and operated by Universal Coal plc (Universal). It delivers coal to Eskom as well as supply export thermal coal products to the export markets. Gemecs was recently appointed to review the latest geological model and to compile an updated coal resource report for the remaining in situ coal resources as at end of November 2015. Mine development commenced in May 2013, and first saleable coal was delivered in April 2014. This section is based on the latest 2015 geological model that was created and supplied by Universal Coal, and includes all the latest borehole and analytical data, as well as mined out areas as at end of November 2015. To the best of the knowledge of Gemecs, there had been no material changes since November 2015 being the date of the data and the date of this document.

2.3.1 LOCALITY

The Kangala Mine incorporates a mining right in the Delmas District of the Mpumalanga Province, South Africa and is also referred to as the Wolvenfontein Coal Project. The project includes Portion 1 and the Remaining Extent of Portion 2 of the farm Wolvenfontein 244 IR measuring 951 hectares. The project area is located 65km due east of Johannesburg, in the Witbank coalfield of South Africa. The mine is in close proximity to the operating coal mines Leeuwpan and Stuart Coal, close to excellent road and railway infrastructure and within a 70km radius of four coal-fired power stations (Figure 7).

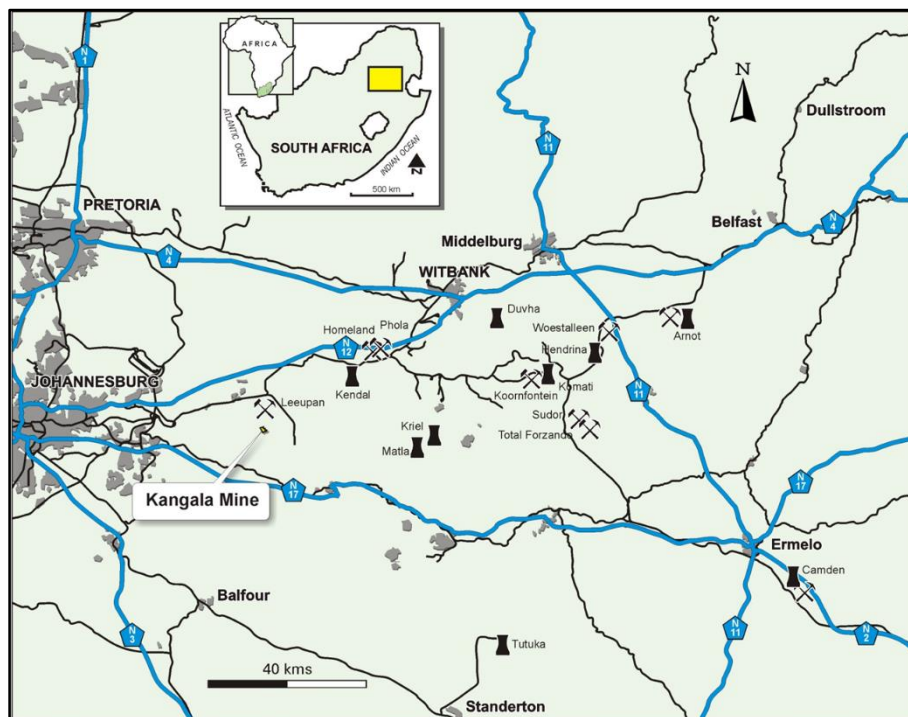


Figure 7. Kangala Mine locality plan

2.3.2 TENURE

The Kangala Mine incorporates a mining right MP30/5/1/2/2/429MR that was granted on 27 September 2010, and executed on 3 May 2012. Kangala Mine is 70.5% owned by Universal Coal Development I (Pty) Ltd a subsidiary of Universal Coal.

The following Regulatory Approvals have been granted:

- Mining Right.
- Environmental authorisation in terms of the National Environmental Management Act 107 of 1998 (NEMA), dated 31 January 2012.
- Waste licence in terms of the National Environmental Management: Waste Act 59 of 2008 (NEMWA), dated 9 July 2012.
- Integrated Water Use Licence (IWULA), dated 25 May 2012.
- Land rezoning. A Demolition Permit dated 9 April 2013 was also granted in terms of the National Heritage Resources Act 25 of 1999

Universal is the registered surface owner of portion 1 of the farm Wolvenfontein 244 IR, and has a grant of servitude agreement in place with the Kallie-Madel Trust who is the registered surface owner of the remaining extent of portion 2 of the farm Wolvenfontein 244 IR. The planned openpit and all relevant surface infrastructure is located on portion 1 owned by Universal Coal. Refer to Table 4 for a summary of the mineral and surface rights.

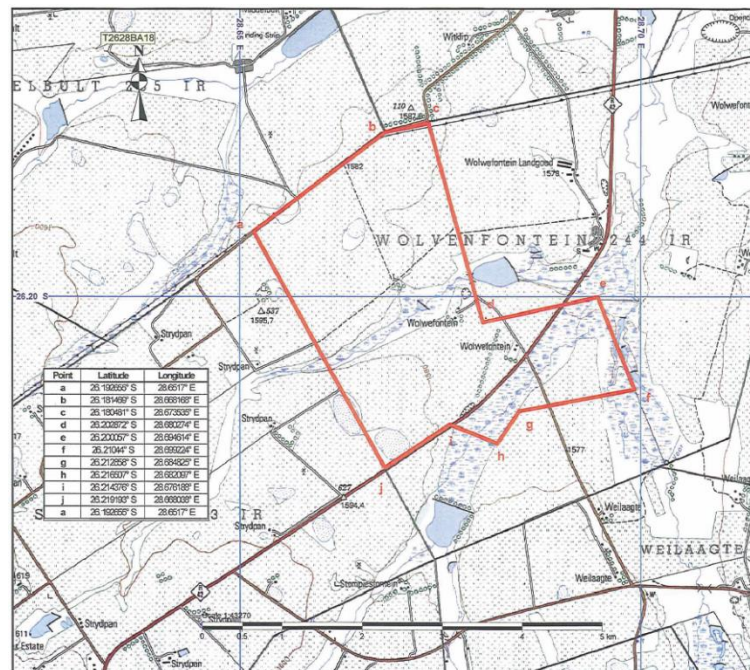


Figure 8. Kangala Mine - Extent of Mining Right indicating the relevant portions of the farm Wolvenfontein 244 IR

Table 4. Kangala Mine Portions Mineral and Surface rights summary

Farm	Portion	Size (Ha)	Mineral Rights	Holder	Expiry date	Surface Rights	
			Mining Right			Owner	Access Agreements
Wolvenfontein 244 IR	Ptn 1	557.76	MP30/5/1/2/2/429MR	Universal Coal Development I (Pty) Ltd	2 May 2032	Universal Coal Development I (Pty) Ltd	Surface right owner
	Remain ing Extent of ptn 2	393.15				Kallie-Madel Trust	Servitude rights granted

2.3.3 KANGALA MINE GEOLOGY

Three coal seams are locally present as presented before in Figure 4.

Top Seam: The Top seam is generally thin (<1.0m), and absent in most boreholes due to the effect of the local deep weathering profile. When present, it is normally located approximately 20m above the Mid Seam.

Mid Seam: The Mid seam is on average 1.04m thick and consists of high quality bright to dull coal. A carbonaceous shale/siltstone inseam parting, can be locally present, causing the seam to split into two distinct coal plies.

Bottom Seam: The thickness of the Bottom seam is usually between 10-15m, but can vary considerably over short distances due to pre Karoo dolomite floor undulations. It is separated from the Mid seam by a 1-3m thick sandstone to shale parting. The Bottom seam is subdivided from top to bottom into BA, BB, BC and BD coal plies, which are all separated by carbonaceous shale partings. Thicknesses of these coal plies are variable, but in general the average ply thickness for each layer is as follows:

- BA 0.85m
- BB 0.85m
- BC 8.50m (subdivided into two coal plies):
 - BC1 4.00m
 - BC2 4.50m
- BD 2.80m (can consist of up to five coal layers with carbonaceous partings)

A detailed seam profile is presented overleaf in Figure 9 to illustrate the coal seams, coal plies and partings. For practical mining reasons, a series of mining selections have been allocated, so that the coal seams and plies can be subdivided and combined into logical mining units. The current mining selections are presented to the left of the diagram, and include the following selections:



- MM Mid seam only.
- MBAB BA & BB plies including the BP1 parting.
- MBC1 BC1 ply.
- MBC2 BC2 ply including overlying BCP parting.
- MBD One or many of the BD coal plies with partings.

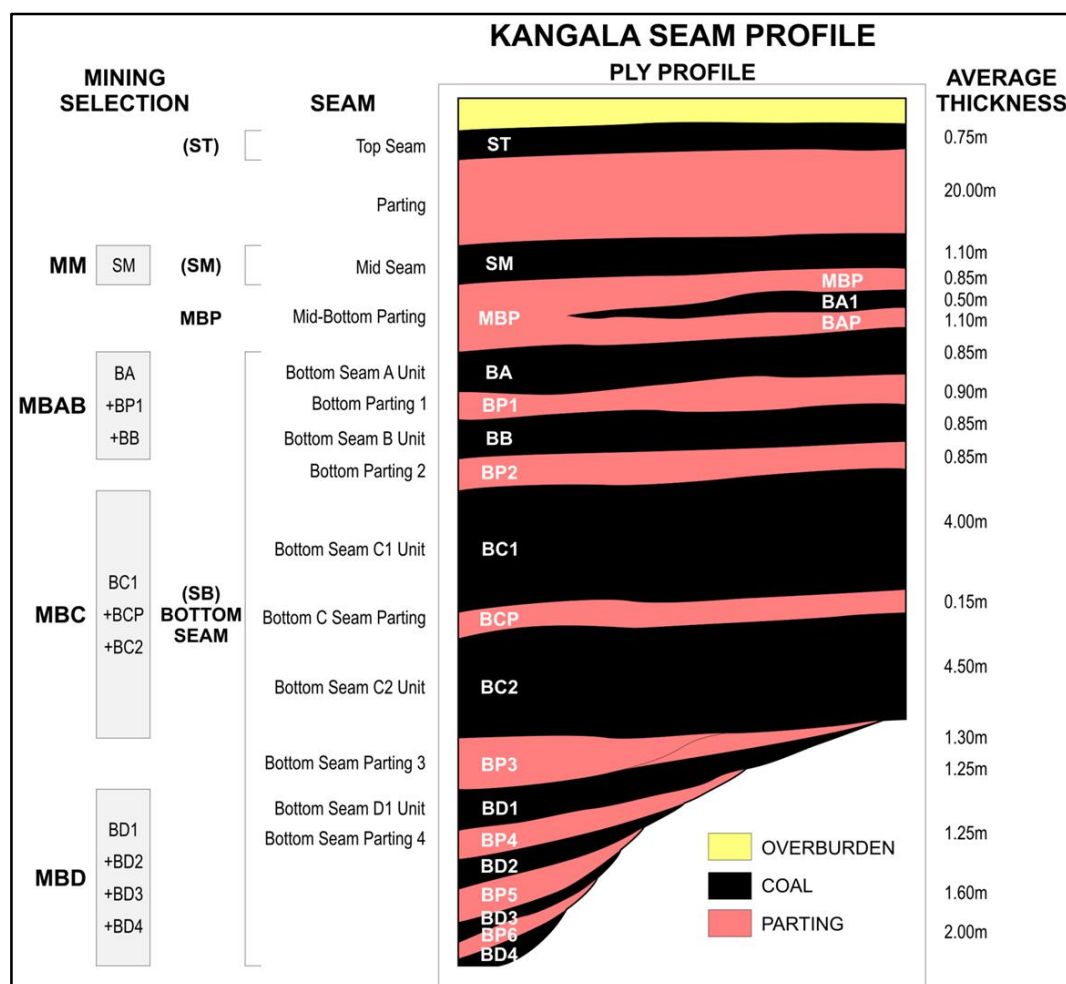


Figure 9. Detailed stratigraphic sequence and coal seams and plies at Kangala Mine

2.3.4 SOURCE OF INFORMATION

The author of this report did not conduct a recent site visit prior to compiling this report. Gemecs was, however, actively involved with the exploration phase of the Kangala mine until 2012, and during this period a number of site visits were conducted. The coal resource estimation is based on a recent geological model received from Universal Coal in 2015, and includes all available borehole information, wireline logging and coal analytical data stored in a borehole data base. All other related information such as mined out areas were received from Universal Coal.

2.3.5 GEOLOGICAL MODELLING AND RESOURCE ESTIMATION

A total of 220 exploration boreholes are present in the database. All the boreholes used in the geological modelling database were drilled by Universal Coal and were cored fully using a conventional TNW size barrel (60.5mm core diameter).

Exploration drilling carried out by Universal Coal can be summarised as follows:

- 1980s: 28 Core diamond drilling holes drilled by Southern Sphere (Pty) Ltd and Ingwe Coal Corporation. (Historical drilling – not used in geological model).
- 2008-2012: 124 exploration boreholes. Resource definition. Target a drill spacing of 150m.
- 2012-2014: 96 infill drilling holes to assist with detailed mine planning and grade control. Target a drill spacing of 50x50m.

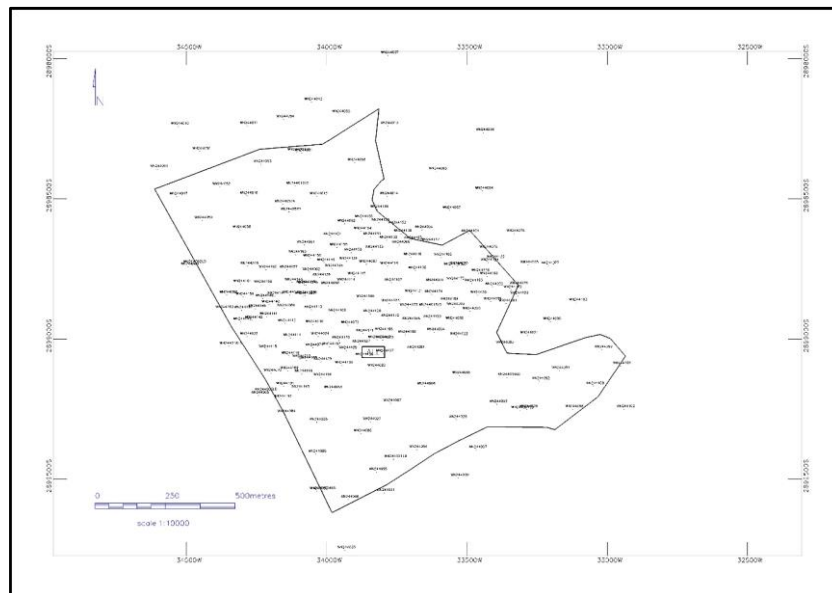


Figure 10. Kangala Mine – Plan indicating borehole positions relative to mining outline

All coal samples analysed between 2008 and 2012 were submitted to Inspectorate M&L's (Pty) Ltd Middelburg laboratory. Inspectorate was acquired by Bureau Veritas in 2010 as part of its successful global commodities strategy. Since then, it has been known as Bureau Veritas Inspectorate Laboratories (PTY) Ltd. It is SANAS accredited with certificate number T0313 as well as accredited in accordance with the recognised International Standard ISO/IEC 17025:2005. Since 2012 coal samples were submitted to SGS South Africa (PTY) Ltd Witbank lab, with SANAS accreditation number T0497 and International Standard ISO/IEC 17025:2005.

Geological modelling was performed using Geovia Minex™ software. A new updated geological model was created in 2015 by Universal Coal for the Kangala Mine, including

the latest infill and grade control diamond drilling boreholes. Gemecs performed an audit on this 2015 model, to ensure the model is acceptable for reporting of in situ mineable coal resources. Coal resource classification were done in line with the JORC 2012 guidelines.

2.3.6 COAL RESOURCE SUMMARY

The mineable resource area is defined by a single outline and is based on the following cut-off criteria as applied by Universal Coal. Due to the relative low strip ratio and shallow nature of this coal deposit, it is currently being mined by means of opencast strip mining methods, and resources are reported accordingly.

- Limit of mineable coal sub outcrop along pre-Karoo basement
- Minimum mineable coal selection thickness
- Coal quality cut-offs
- Strip ratio cut-offs
- Structural disturbances (dolerite sill and no coal areas)
- Environmental sensitive areas
- Mining right boundaries
- Relevant surface features
- Mined out areas up to the end of November 2015 are excluded

A plan showing the mining outline with mined out area as at end of November 2015 is presented below.

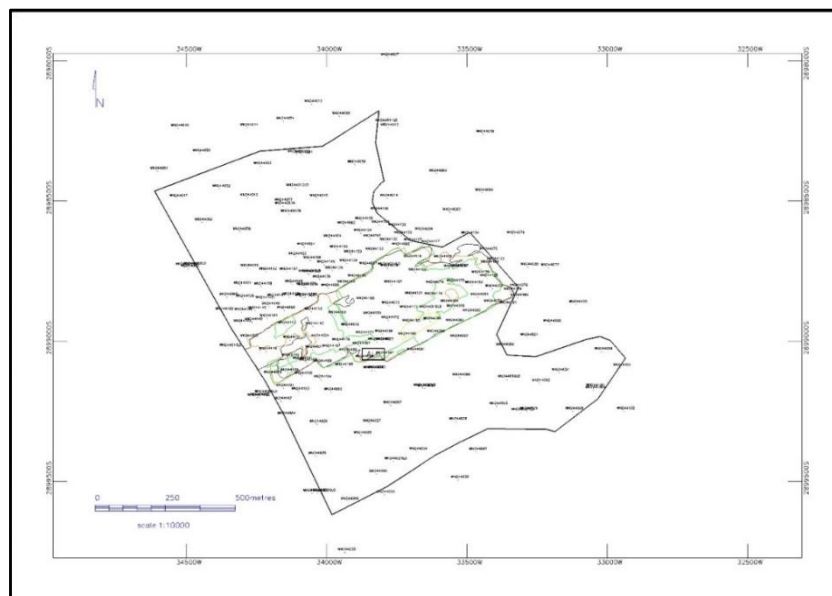


Figure 11. Kangala mining outline with mined out areas as at end of November 2015

The coal resources remaining within the mineable resource area, are all classified as a measured resource. The immediate areas to the south and west around the mining area, are reported separately as the Remnant area, and is classified as an indicated coal resource. A large resource area is still present to the south, called the Southern Resource area. This area has limited borehole information, and is reported as an inferred coal resource. The extent of these resource areas relative to the current mining area and project boundary is presented below in Figure 12.

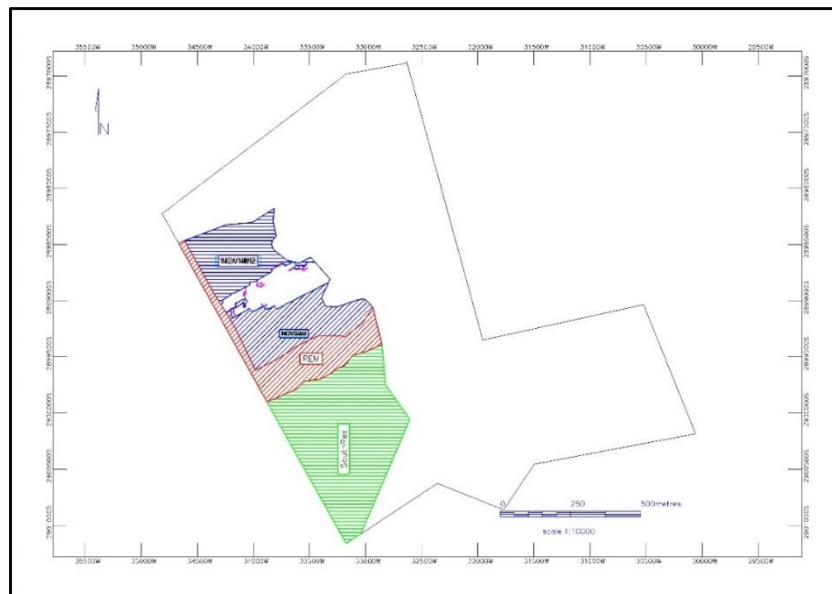


Figure 12. Kangala resource areas.

Overall coal resources reported has decreased since previous reports, as the latest resource report takes into account all mined out areas as at end of November 2015. The coal reserves at Kangala are being separately reported upon in the CPR from Mindset dated 29 January 2016.

Gross tonnes in situ for the Kangala mine is estimated at **54.5 million tonnes**. Mineable in situ coal resources for the Kangala mine is estimated and reported at **18.3 million tonnes**. A summary table of coal resources by status is presented overleaf in Table 5. The mineable coal resource includes provision for geological losses (2.5%) and coal quality cut-off parameters, and is limited to the current pit outline only. Detailed coal resource tables are presented overleaf for each area.

Table 5. Kangala Mine – Summary of coal resources by status

Summary of resources by status				
Coal	Gross in situ tonnes		Mineable in situ tonnes	
Category	Gross in situ tonnes	Net Attributable	Mineable in situ tonnes	Net Attributable
	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)
Measured	18.72	13.20	18.26	12.87
Indicated	3.6	2.5	0.0	0.0
Inferred	32.2	22.7	0.0	0.0
Total	54.5	38.4	18.3	12.9
Universal Coal Development I (Pty) Ltd				

Table 6. Mineable Coal Resource Summary for the Kangala Mine – November 2015

AREA NAME	RESOURCE AREA (m ²)	MINING SELECTION	RESOURCE CLASS	COAL AREA (m ²)	COAL VOLUME (m ³)	GROSS IN SITU TONNES ('000 TONNES)	GEOLOGICAL LOSS	MINEABLE IN SITU TONNES ('000 TONNES)	AVERAGE SEAM THICKNESS (m)	RD	CV	AS	IM	VM	TS
NOV2015	850 841	MM	MEASURED	625 974	646 355	970	2.5%	950	1.03	1.51	23.5	22.9	3.8	28.4	2.37
NOV2015	853 476	MBAB	MEASURED	802 235	2 027 537	3 720	2.5%	3 630	2.53	1.84	13.2	48.5	3.5	18.4	1.46
NOV2015	862 819	MBC1	MEASURED	850 375	3 491 980	5 640	2.5%	5 500	4.11	1.61	19.6	30.3	4.4	20.6	1.23
NOV2015	862 819	MBC2	MEASURED	859 895	4 249 163	7 050	2.5%	6 870	4.93	1.66	18.5	34.3	3.9	19.0	1.03
NOV2015	498 679	MBD	MEASURED	223 127	810 346	1 340	2.5%	1 310	3.63	1.65	18.6	34.0	3.8	20.4	0.81
						18 720		18 260							

Table 7. Remnant Coal Resource Summary for the Kangala Mine – November 2015

AREA NAME	RESOURCE AREA (m2)	SEAM	RESOURCE CLASS	COAL AREA (m ²)	COAL VOLUME (m ³)	GROSS IN SITU TONNES ('000 TONNES)	AVERAGE SEAM THICKNESS (m)	RD	CV	AS	IM	VM	TS
REMNANT	427 025	MM	INDICATED	105 585	102 755	150	0.97	1.48	23.5	20.6	5.0	29.5	1.54
REMNANT	427 025	MBAB	INDICATED	150 883	335 085	620	2.22	1.84	13.1	48.3	4.0	18.4	1.18
REMNANT	427 025	MBC1	INDICATED	221 184	864 914	1 400	3.91	1.62	19.0	31.1	4.9	20.4	1.51
REMNANT	427 025	MBC2	INDICATED	129 914	716 522	1 180	5.52	1.65	18.6	33.3	4.3	19.3	1.20
REMNANT	427 025	MBC3	INDICATED	12 643	5 629	10	0.45	1.70	17.0	37.8	3.4	18.7	1.45
REMNANT	427 025	MBC4	INDICATED	0	0	0	0						
REMNANT	427 025	MBD	INDICATED	21 432	111 998	190	5.23	1.67	17.9	34.8	4.7	20.0	1.14
			TOTAL			3 550							

Table 8. Southern Coal Resource Summary for the Kangala Mine – November 2015

AREA NAME	RESOURCE AREA (m2)	SEAM	RESOURCE CLASS	COAL AREA (m ²)	COAL VOLUME (m ³)	GROSS IN SITU TONNES ('000 TONNES)	AVERAGE SEAM THICKNESS (m)	AVERAGE DEPTH BELOW SURFACE (m)	RD	CV	AS	IM	VM	TS
SouthRes	1 161 250	SM	INFERRED	537 789	713 690	1 250	1.30	35	1.93	8.0	63.1	2.9	11.1	1.48
SouthRes	1 161 250	SB	INFERRED	989 282	17 518 330	30 920	17.50	34	1.76	13.0	49.8	3.5	11.4	0.94
			TOTAL			32 170	17.50	34	1.76	13.0	49.8	3.5	11.4	0.94

2.3.7 COAL QUALITY AND PRODUCTS

Coal washability modelling was performed for coal products at densities of RD1.50, 1.60, 1.70 & 1.80. Various options for washed coal quality scenarios are available to the Kangala mine. No coal washability results are however reported for the mining selections in this report, but the various washability scenarios can be reported for any mining selection from the geological model should this be required in future. From Table 6 (Mineable Coal Resource Summary) it is clear that most of the mining selections have a raw coal quality that meets current inland and steam coal quality requirements. The only exception is the MBAB selection, which has lower coal qualities. This is a result of the inclusion of the BP1 parting. Washability simulation and actual washing results on mine have, however, demonstrated the successful upgrading of this selection's coal qualities.

2.4 MIDDELBULT PROJECT

The Middelbult project is adjacent to the Kangala mine, located directly to the north-west of the Kangala mine.

2.4.1 LOCALITY

Middelbult prospect is situated 5km south-west of Delmas in the Mpumalanga Province, South Africa. The project area is located 80km due east of the centre of Johannesburg next to the operating coal mines of Kangala, Leeuwpan and Stuart Coal, close to excellent road and railway infrastructure and within a radius of 70km from four coal-fired power stations.

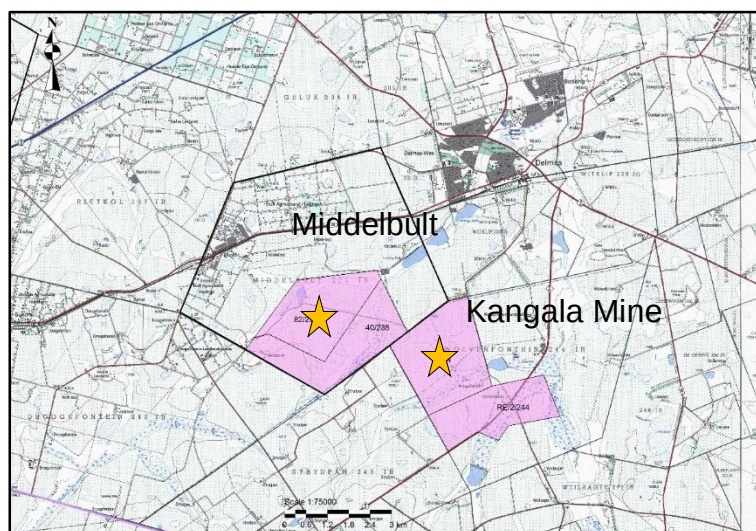


Figure 13. Locality map of the Middelbult project area in relation to Kangala mine

2.4.2 TENURE

The Middelbult project has a valid Prospecting Right, MP30/5/1/1/2/641PR that was first executed on 7 November 2006. It was renewed on 26 March 2014 and is valid for a further 3 years. It includes portions 40 and 82 of the farm Middelbult 235 IR, covering an area of approximately 942ha, as indicated in Figure 14. Middelbult Project is 70.5% owned by Universal Coal Development I (Pty) Ltd a subsidiary of Universal Coal.

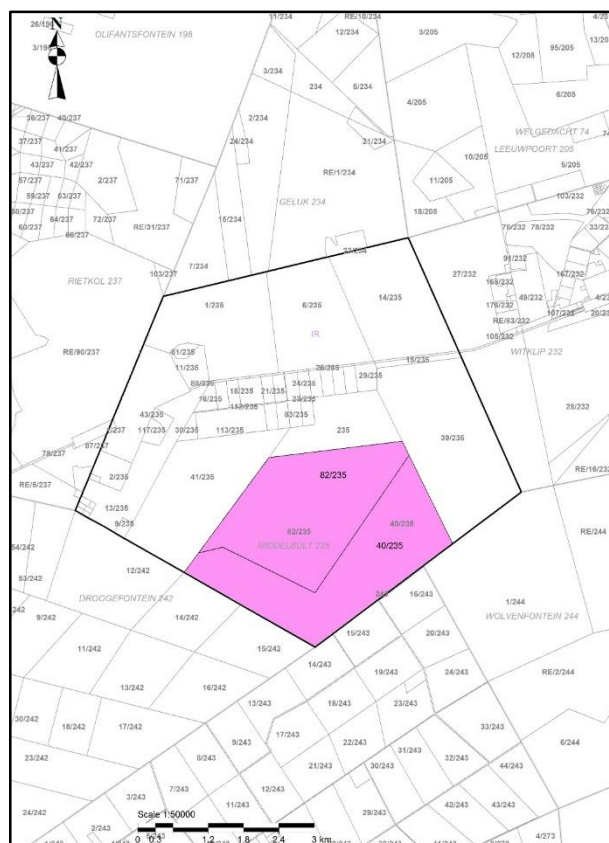


Figure 14. Middelbult 235 IR portions 40 and 82

Table 9. Middelbult Portions Mineral rights summary

Farm	Portion	Size (Ha)	Mineral Rights	Holder	Expiry date
			Mining Right		
Middelbult 235 IR	Ptn 40	942	MP30/5/1/1/2/641PR	Universal Coal Development I (Pty) Ltd	25 March 2017
	Ptn 82				

2.4.3 MIDDELBULT GEOLOGY

The local coal seam classification is similar to that of Kangala Mine as previously presented in Figure 9. The characteristics of the coal seams present at the Middelbult project are detailed below.

Top Seam: The Top seam is generally between 0.5m and 1m thick and consists of dull to bright coal with thin intercalated shale bands. The seam is located approximately 20m above the Mid seam and is absent in the project area due to surface weathering.

Mid Seam: Measurements of the thickness of the Mid seam vary between 0.4m to 3.1m and is on average 1.70m in thickness. The Mid seam consists of high quality bright to dull coal with high sulphur content. The seam is of good quality, and can be used as a raw feedstock for power generation or when washed, can deliver suitable inland/export quality coal products. It is sporadically developed over the project area mainly as a result of a deep weathering profile.

Bottom Seam: The thickness of the Bottom seam is usually between 12-30m and can be highly variable as a result of local basement lows. The seam is located 3-5m below the Mid Seam and consists of four coal plies, namely the BA, BB, BC and BD bands, separated by carbonaceous shale and siltstone partings.

The **BA** coal ply varies in thickness from 0.3m to 4.5m, averaging 2.5m. It typically consists of dull coal and can be split locally into two units by a carbonaceous shale parting. It typically produces a yield at around 75% for a 19MJ/kg CV product.

The **BB** coal ply is approximately 1.7m thick and is separated from the BA band by a shale parting that is approximately 90cm thick. The BB band typically consists of mixed to bright coal and can yield approximately 65-70% at a 19.0MJ/kg CV.

The **BC** coal ply is on average 5.0m thick. This is markedly thinner than at the neighbouring Kangala Mine. The typical split between the upper (BC1) and lower (BC2) unit is not well defined, and not interpreted in the geological model at present. The BC coal band is separated from the BB coal band by a thick carbonaceous shale and siltstone parting. This parting is on average 7.4m thick, but highly variable across the project area and can reach thicknesses of up to 27m as recorded in one borehole. The BC unit typically consists of dull and mixed dull and bright coal capable of yielding around 65-75% for a 19 MJ/kg CV coal.

The **BD** coal ply is fairly well developed although not present in all the boreholes. It is separated from the BC unit by a 2.8m shale parting. Where developed it varies in thickness from 0.4m to up to 7m, with an average thickness of 2.1m. The BD coal band typically consists

of a number of coal layers separated by carbonaceous shale partings. The coal is dull and of a poor quality, and yields vary between 30-40% for a 19MJ/kg CV product.

The coal measures generally are underlain by Dwyka tillites with an underlying basement consisting of dolomite and chert of the Malmani Group that typically displays karst features.

2.4.4 SOURCE OF INFORMATION

The author of this report did not conduct a recent site visit prior to compiling this report. Gemecs was, however, actively involved with the exploration phase of the Kangala mine until 2012, and during this period a number of site visits were conducted. These visits only related to the Kangala Mine property, and the Middelbult site was not visited as it was not part of the scope of the project at that point in time. The author is however familiar with these localities as it is located adjacent and nearby to the Kangala mine.

The coal resource estimation is based on a geological model created by Gemecs during 2012, and includes all available borehole information, wireline logging and coal analytical data stored in a borehole data base.

2.4.5 GEOLOGICAL MODELLING AND RESOURCE ESTIMATION

The first prospecting for coal at Middelbult was done between 1977-1981 by Southern Sphere Mining and Development Co. (Pty) Ltd. Results from a total of 23 historical boreholes drilled by this company were obtained from the Council of Geoscience. During 2008, 7 additional boreholes were drilled and were followed up by Universal Coal with another 30 boreholes during 2011. This included twinning one of the 2008 boreholes. All boreholes were drilled using conventional diamond drilling and TNW core size and holes that intersected coal were also logged by means of downhole wireline logging.

The results from the diamond core borehole drilling were used to develop a geological model in Geovia Minex™ software, and complete a coal resource estimate. All the historical boreholes were evaluated and coal unit interpretations adjusted to the latest understanding and interpretation of the coal units. Refer to Figure 15 indicating exploration borehole localities, with non-coal boreholes indicated in red, and the estimated limit of coal resources defined by the yellow line.

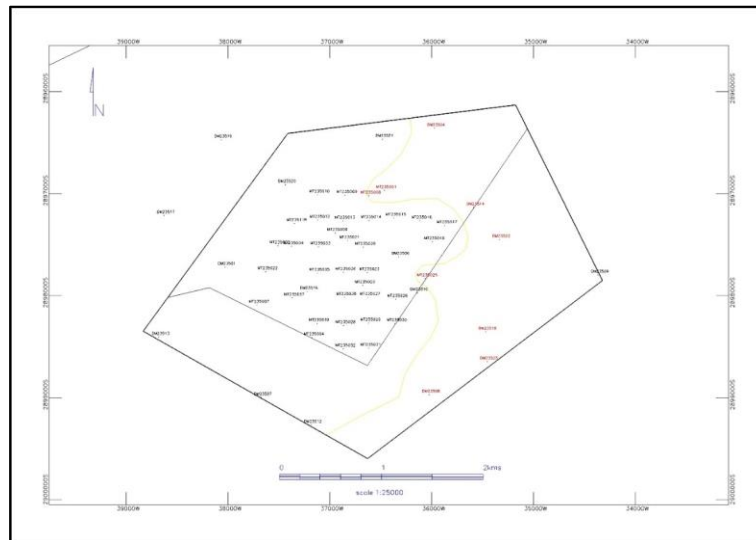


Figure 15. Middelbult - Borehole plan indicating borehole positions

The geological model and resource estimation was completed prior to 2012. Therefore the resource classification is still based on the 2003 Australian Coal guidelines, using a borehole spacing of up to 500m to classify a measured coal resource, and up to 1000m to classify an indicated coal resource. No changes were made to the geological model and resource estimation since then.

2.4.6 COAL RESOURCE SUMMARY

The local geology and coal seams of the Middelbult project is similar to what has been described for the Kangala Mine. The project area may be classified as a multiple seam deposit type and hosts three seams, namely the Top, Middle (Mid) and Bottom seams. Within the project area only the Mid and Bottom seams are of economic interest. The Mid seam is sporadically developed over the project area mainly as a result of a deep weathering profile. The Bottom seam consists of alternating coal (coal units) and carbonaceous shale and siltstone (partings) layers and is generally sub-divided into 4 coal-bearing units namely BA, BB, BC and BD. Coal resource modelling and reporting was done according to these coal sub-units.

Coal resources is estimated and reported for the entire project area where coal is present, as well as for a possible opencast mineable area. Areas where no coal is present due to the basement topography as well as weathering have been excluded from the resource area. For the remainder of the area, coal resources are reported on a coal unit basis with only the following physical and quality cut-offs being applied:

- Coal unit thickness <0.5m excluded

- Raw ash quality >65% excluded
- No other possible surface features or constraints were applied to exclude any coal resources

A potential opencast mineable area was identified and delineated according to the following guidelines:

- In situ strip ratios were calculated for the following coal units only: SM, BA, BB and BC (with a thickness >0.50m) (BD excluded due to poor coal quality).
- A maximum strip ratio cut-off of 3 cubic metres/tonne was applied
- Coal quality yield cut-off at 60% for a 19MJ/kg CV product was applied for the BC unit (The BC unit quality was used as this is the main coal target containing around 66% of the in situ coal resource)
- The mineable area was delineated by applying these constraints, and tonnages and coal quality reported for each coal unit within this area.

It is recommended that a geological loss factor of 10% is applied to the gross in situ tonnes due to expected localised small-scale faulting and thin dolerite dykes.

No changes are reported compared to previous coal resource statements. The gross in situ coal resources at Middelbult is estimated at **60.2 million tonnes** and the mineable coal resources is estimated to be **24.5 million tonnes** (potential opencast area after geological losses applied at 10%). A summary table of coal resources by status is presented below in Table 10. Detailed resources for the project area and mineable area are presented in Tables 11 & 12.

Table 10. Middelbult Project – Summary of coal resources by status

Summary of resources by status					
Coal	Gross in situ tonnes		Mineable in situ tonnes		
Category	Gross in situ tonnes	Net Attributable	Mineable in situ tonnes	Net Attributable	Operator
	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	
Measured	45.00	31.73	23.9	16.85	
Indicated	15.0	10.6	0.6	0.4	
Inferred	0.2	0.1	0.0	0.0	
Total	60.2	42.4	24.5	17.3	Universal Coal Development I (Pty) Ltd

Table 11. Middelbult Gross in situ coal resources

COAL UNIT NAME	RESOURCE CLASS	GROSS IN SITU TONNES	GEOLOGICAL LOSS	IN SITU TONNES	SEAM THICKNESS (m)
SM	MEASURED	693 360	10%	624 024	1.70
SM	INDICATED	1 166 590	10%	1 049 931	1.65
SM	INFERRED	23 540	10%	21 186	1.53
SM TOTAL		1 883 490		1 695 141	1.67
BA	MEASURED	5 624 470	10%	5 062 023	2.44
BA	INDICATED	238 590	10%	214 731	2.01
BA	INFERRED	27 070	10%	24 363	1.45
BA TOTAL		5 890 130		5 301 117	2.42
BB	MEASURED	5 968 240	10%	5 371 416	1.84
BB	INDICATED	222 540	10%	200 286	1.68
BB	INFERRED	0	10%	0	0.00
BB TOTAL		6 190 780		5 571 702	1.83
BC	MEASURED	28 578 460	10%	25 720 614	5.05
BC	INDICATED	10 865 540	10%	9 778 986	5.08
BC	INFERRED	93 190	10%	83 871	7.50
BC TOTAL		39 537 190		35 583 471	5.06
BD	MEASURED	4 124 020	10%	3 711 618	1.70
BD	INDICATED	2 537 360	10%	2 283 624	1.46
BD	INFERRED	22 160	10%	19 944	0.99
BD TOTAL		6 683 540		6 015 186	1.61
Total Coal		60 185 130		54 166 617	

Table 12. Middelbult Mineable in situ opencast resources

COAL UNIT NAME	RESOURCE CLASS	GROSS IN SITU TONNES	GEOLOGICAL LOSS	IN SITU TONNES	SEAM THICKNESS (m)
SM	MEASURED	691 600	10%	622 440	1.71
SM	INDICATED	89 170	10%	80 253	1.33
SM TOTAL		780 770		702 693	1.67
BA	MEASURED	4 512 790	10%	4 061 511	2.93
BA	INDICATED	177 910	10%	160 119	2.13
BA TOTAL		4 690 700		4 221 630	2.90
BB	MEASURED	3 799 230	10%	3 419 307	1.93
BB	INDICATED	3 200	10%	2 880	0.95
BB TOTAL		3 802 430		3 422 187	1.93
BC	MEASURED	15 571 790	10%	14 014 611	6.91
BC	INDICATED	4 070	10%	3 663	3.83
BC TOTAL		15 575 860		14 018 274	6.91
BD	MEASURED	2 000 690	10%	1 800 621	2.06
BD	INDICATED	397 610	10%	357 849	4.55
BD TOTAL		2 398 300		2 158 470	2.47
Total Coal		27 248 060		24 523 254	

2.4.7 COAL QUALITY AND PRODUCTS

The Middelbult Project hosts bituminous coal that would have to be mined selectively and beneficiated to produce a coal product suitable for the domestic steam coal market. A target quality for a coal product with a CV of 19MJ/kg was investigated for this project. Although the Mid seam exceeds this quality, the remainder of the units needs to be washed in order to achieve the required product quality. Tables presenting the raw and washed coal qualities for both the project area as well as the potential opencast area is presented overleaf.

Table 13. Middelbult Raw and 19.0MJ/kg CV product coal qualities for the total resource area

COAL UNIT NAME	RESOURCE CLASS	GROSS IN SITU TONNES	RD	RAW COAL QUALITIES							PRD AT 19.0 CV					
				CV	AS	VM	IM	FC	TS	DAF	PYL	PCV	PAS	PVM	PIM	PTS
SM	MEASURED	693 360	1.60	19.2	32.6	23.5	5.4	38.5	1.88	38.0	97.8	20.0	30.0	24.4	5.5	1.89
SM	INDICATED	1 166 590	1.55	21.4	28.0	23.7	4.0	44.2	1.77	34.9	99.9	22.4	25.9	24.6	3.9	1.86
SM	INFERRED	23 540	1.54	21.7	27.6	24.0	4.0	44.3	1.71	35.2						
SM TOTAL		1 883 490	1.57	20.6	29.7	23.6	4.5	42.1	1.81	36.0	97.9	21.2	27.1	24.2	4.4	1.85
BA	MEASURED	5 624 470	1.71	16.5	41.1	19.7	4.8	34.5	0.91	36.6	75.6	19.3	31.2	21.7	5.2	0.91
BA	INDICATED	238 590	1.80	14.4	47.4	17.5	4.8	30.3	0.42	36.7	57.4	19.4	29.3	20.3	5.5	0.48
BA	INFERRED	27 070	1.76	15.4	44.3	18.1	4.6	33.0	0.53	35.4						
BA TOTAL		5 890 130	1.71	16.4	41.4	19.6	4.8	34.3	0.89	36.6	74.5	19.2	31.0	21.5	5.2	0.89
BB	MEASURED	5 968 240	1.80	14.6	45.8	18.9	4.4	30.9	0.66	38.4	66.0	19.1	30.1	21.6	5.2	0.67
BB	INDICATED	222 540	1.80	15.2	45.5	17.7	3.9	32.8	0.52	35.2	58.8	19.0	29.8	20.9	5.9	0.40
BB	INFERRED	0														
BB TOTAL		6 190 780	1.80	14.6	45.8	18.9	4.4	31.0	0.65	38.3	65.7	19.1	30.1	21.6	5.2	0.66
BC	MEASURED	28 578 460	1.78	15.4	45.0	16.5	4.1	34.4	0.65	32.8	65.4	19.0	33.9	18.3	4.3	0.56
BC	INDICATED	10 865 540	1.79	15.5	45.8	14.3	3.1	36.7	0.64	28.5	69.1	19.0	37.0	15.5	3.1	0.63
BC	INFERRED	93 190	1.81	15.9	46.7	16.8	2.3	33.9	0.52	33.0						
BC TOTAL		39 537 190	1.78	15.4	45.2	15.9	3.8	35.0	0.65	31.6	66.3	19.0	34.7	17.5	4.0	0.58
BD	MEASURED	4 124 020	1.94	11.7	57.8	12.5	3.5	26.3	0.55	32.2	34.2	19.0	35.1	14.6	3.6	0.73
BD	INDICATED	2 537 360	1.91	12.4	55.2	10.5	2.8	31.6	0.61	25.6	57.6	18.6	38.4	11.6	2.7	0.70
BD	INFERRED	22 160	1.89	13.1	53.5	11.2	2.2	33.2	0.59	26.0	29.1	19.0	39.8	9.9	3.2	0.65
BD TOTAL		6 683 540	1.93	12.0	56.8	11.7	3.2	28.3	0.57	29.7	43.1	18.8	36.4	13.4	3.3	0.72
Total Coal		60 185 130														

Table 14. Middelbult Raw and 19.0MJ/kg CV product coal qualities for the mineable opencast resource area

COAL UNIT NAME	RESOURCE CLASS	GROSS IN SITU TONNES	RD	RAW COAL QUALITIES							PRD AT 19.0 CV					
				CV	AS	VM	IM	FC	TS	DAF	PYL	PCV	PAS	PVM	PIM	PTS
SM	MEASURED	691 600	1.60	19.2	32.6	23.5	5.4	38.5	1.88	38.0	97.8	20.0	30.0	24.4	5.5	1.89
SM	INDICATED	89 170	1.70	16.7	37.5	19.2	3.9	39.4		32.7						
SM TOTAL		780 770	1.61	18.9	33.2	23.0	5.2	38.6	1.88	37.4	97.8	20.0	30.0	24.4	5.5	1.89
BA	MEASURED	4 512 790	1.70	16.7	40.5	19.9	4.9	34.8	0.95	36.6	78.6	19.4	31.0	21.8	5.3	0.92
BA	INDICATED	177 910	1.81	14.1	48.3	17.3	4.9	29.5	0.39	37.0	57.4	19.4	29.3	20.3	5.5	0.48
BA TOTAL		4 690 700	1.70	16.6	40.8	19.8	4.9	34.6	0.93	36.6	77.8	19.4	30.9	21.7	5.3	0.90
BB	MEASURED	3 799 230	1.78	15.3	43.8	19.1	4.5	32.6	0.75	37.4	70.9	19.1	30.0	21.7	5.4	0.75
BB	INDICATED	3 200	1.80	15.8	44.2	17.2	3.7	35.1	0.50	32.9	55.4	19.0	30.1	21.0	5.7	0.33
BB TOTAL		3 802 430	1.78	15.3	43.8	19.1	4.5	32.6	0.75	37.4	70.9	19.1	30.0	21.7	5.4	0.75
BC	MEASURED	15 571 790	1.73	16.4	41.2	17.5	4.4	36.9	0.70	32.1	76.0	19.0	33.0	18.9	4.7	0.60
BC	INDICATED	4 070	1.71	17.2	38.6	19.1	5.0	37.4	0.92	33.9	85.4	19.0				
BC TOTAL		15 575 860	1.73	16.4	41.2	17.5	4.4	36.9	0.70	32.1	76.0	19.0	33.0	18.9	4.7	0.60
BD	MEASURED	2 000 690	1.96	11.8	58.7	12.0	4.2	25.2	0.51	32.5	29.0	19.0	35.9	13.7	4.3	0.71
BD	INDICATED	397 610	1.97	11.9	59.7	12.0	3.9	24.5	0.58	32.9	33.8	19.0	36.7	14.0	4.2	0.63
BD TOTAL		2 398 300	1.96	11.8	58.9	12.0	4.2	25.1	0.52	32.6	29.8	19.0	36.0	13.7	4.3	0.70
Total Coal		27 248 060														

2.5 MODDERFONTEIN PROJECT

Modderfontein is a coal exploration project located closely to the Middelbult project and Kangala Mine, and forms part of the greater Kangala project.

2.5.1 LOCALITY

The project is located on the farm Modderfontein 236 IR, 12km's west of Delmas in the Mpumalanga Province, South Africa (Figure 16). The project is in close proximity (12km north-west) to the operating Kangala coal mine of Universal Coal, and close to excellent road and railway infrastructure and within a 70km radius to four coal-fired power stations.

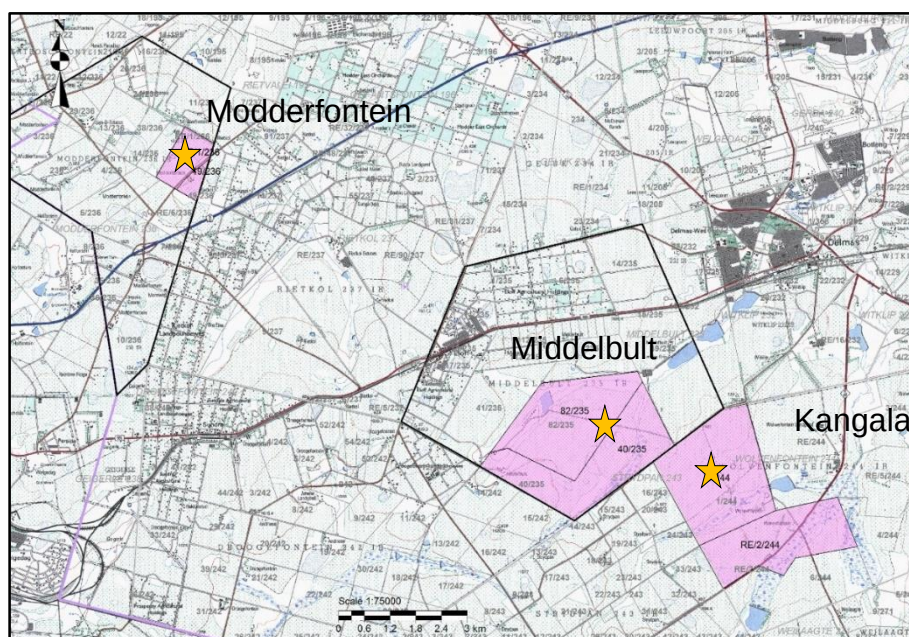


Figure 16. Locality Map of the Modderfontein Project in relation to Middelbult and Kangala Mine

2.5.2 TENURE

The Modderfontein project has a valid Prospecting Right MP30/5/1/1/2/639PR that was first executed on 7 November 2006, renewed on 26 March 2014, and valid for a further three years. The project includes portion 1 on farm Modderfontein 236 IR covering an area of approximately 127 ha as indicated in Figure 17. Modderfontein Project is 70.5% owned by Universal Coal Development I (Pty) Ltd a subsidiary of Universal Coal. Details are summarised below in Table 15.

Table 15. Modderfontein Portions Mineral rights summary

Farm	Portion	Size (Ha)	Mineral Rights	Holder	Expiry date
			Mining Right		
Modderfontein 236 IR	Ptn 01	127	MP30/5/1/1/2/639PR	Universal Coal Development I (Pty) Ltd	25 March 2017

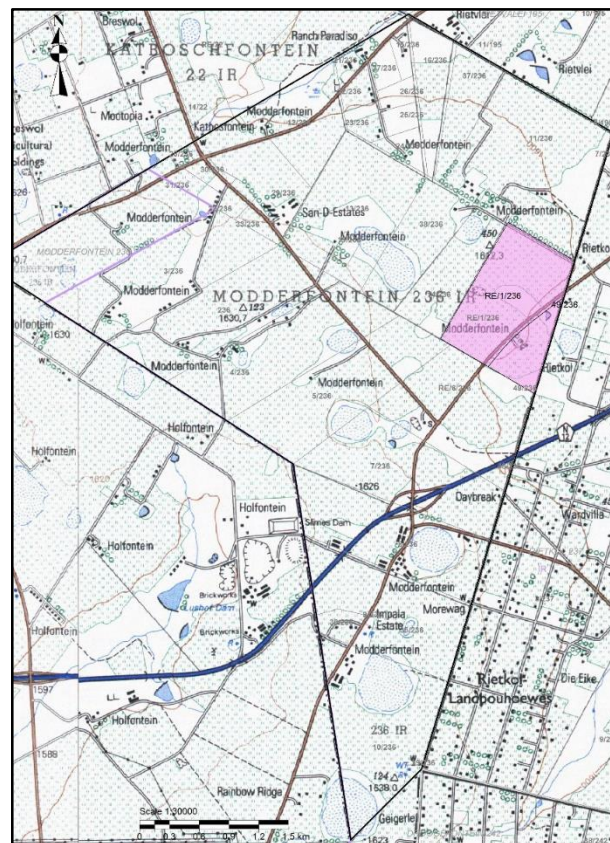


Figure 17. Modderfontein prospecting right indicating the relevant portion of the farm
Modderfontein 236 IR

2.5.3 MODDERFONTEIN GEOLOGY

The typical coal seam profile at the Modderfontein project consists of two main seams, i.e. Middle and Bottom seams, each consisting of a number of intraseam partings similar to what is present at the Kangala Mine and presented previously in Figure 9. The Top seam has mostly been removed by weathering, and is only present towards the deeper western portion of the area. The Mid seam has limited intersections, and only the Bottom seam is generally present on this portion.

2.5.4 SOURCE OF INFORMATION

The author of this report did not conduct a recent site visit prior to compiling this report. Gemecs was, however, actively involved with the exploration phase of the Kangala mine until 2012, and during this period a number of site visits were conducted. These visits only related to the Kangala Mine property, and the Modderfontein site was not visited as it was not part of the scope of the project at that point in time. The author is however familiar with these localities as it is located adjacent and nearby to the Kangala mine.

The coal resource estimation is based on a geological model created by Gemecs during 2011, and includes all available borehole information, wireline logging and coal analytical data stored in a borehole data base.

2.5.5 GEOLOGICAL MODELLING AND RESOURCE ESTIMATION

A total of 7 exploration boreholes are present in the database. All the boreholes used in the geological modelling database were drilled by Universal Coal. The boreholes were cored fully using a conventional TNW size barrel (60.5mm core diameter). An assessment of core recovery was made by the geologist in the field using the recovered thickness versus thickness reported in the geophysical log. If core recovery for a coal seam fell below 95%, the borehole was re-drilled. All boreholes were sealed after drilling, and sites were rehabilitated to acceptable standards. A plan presenting the borehole positions relative to the project outline is presented below.

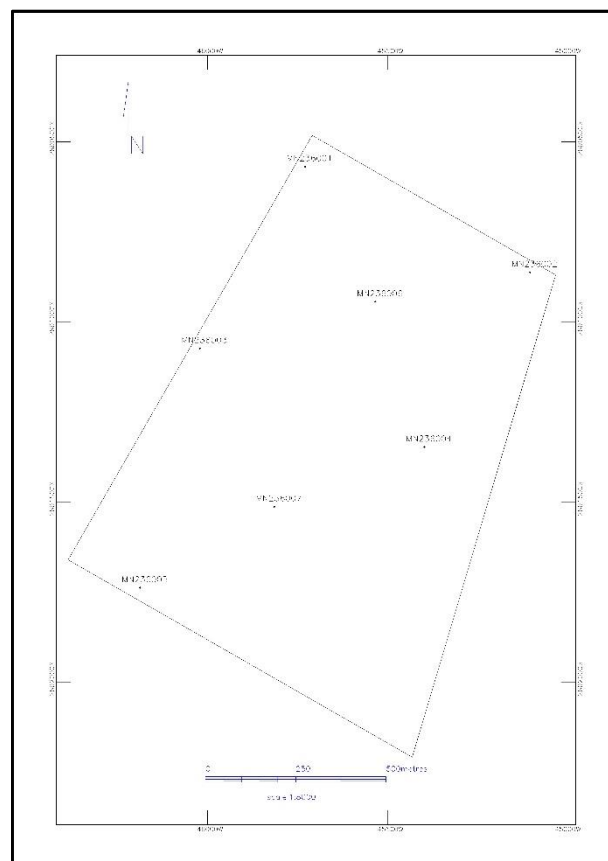


Figure 18. Modderfontein - Borehole plan indicating borehole positions

The coal resource model was created by Gemecs, using Geovia Minex™ software prior to 2012. The model includes a structural as well as raw coal quality model. The coal resource classification is based on the 2003 Australian Coal guidelines, using a borehole spacing

of up to 500m to classify a measured coal resource, and up to 1000m to classify an indicated coal resource.

2.5.6 COAL RESOURCE SUMMARY

The local geology and coal seams of the Modderfontein project is similar to what has been described for the Kangala Mine. The coal resource is reported using a minimum coal seam cut-off thickness of 0.5m. The resource outline is limited by the farm portion outline. No quality cut-off parameters were used at this stage. Raw coal qualities appear to be within acceptable limits and are not considered to be a major limiting factor at this stage. No mineable tonnes are declared at this stage of the project, and needs further investigation. It is recommended that a geological loss factor of 10% is applied to the gross in situ tonnes due to expected localised small-scale faulting and thin dolerite dykes.

No changes are reported compared to previous coal resource statements. Gross in situ coal resources for the Modderfontein prospect is estimated at **19.1 million tonnes** and is summarised below in Table 16. Detailed resources per seam are presented in Table 17.

Table 16. Modderfontein Project – Summary of coal resources by status

Summary of resources by status					
Coal	Gross in situ tonnes		Mineable in situ tonnes		
Category	Gross in situ tonnes	Net Attributable	Mineable in situ tonnes	Net Attributable	Operator
	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	
Measured	13.50	9.52	NA	NA	
Indicated	4.3	3.0	NA	NA	
Inferred	1.3	0.9	NA	NA	
Total	19.1	13.5	NA	NA	Universal Coal Development I (Pty) Ltd

Table 17. Modderfontein Gross in Situ Coal Resources per seam

RESOURCE CLASS	SEAM	Gross In situ Tonnes	Geological Loss	In situ Tonnes
MEASURED	SM	0	10%	0
INDICATED	SM	0	10%	0
INFERRED	SM	1 311 000	10%	1 179 900
		1 311 000		1 179 900
MEASURED	SB	13 498 000	10%	12 148 200
INDICATED	SB	4 323 000	10%	3 890 700
INFERRED	SB	0	10%	0
		17 821 000		16 038 900
	Total Coal	19 132 000		17 218 800



2.5.7 COAL QUALITY AND PRODUCTS

The Modderfontein Project hosts bituminous coal that would have to be mined selectively and beneficiated to produce a coal product suitable for the domestic steam coal market. Coal washability for various coal quality products was investigated. A summary of the raw coal qualities as well some washability options is presented in the tables overleaf. No coal quality products are reported for the Mid seam, due to lack of washability data.

Table 18. Modderfontein raw coal qualities per seam

RESOURCE CLASS	SEAM	In situ Tonnes	Seam Thickness	DBS	RAW COAL QUALITY						
					RD	CV	AS	IM	VM	FC	TS
MEASURED	SM	0									
INDICATED	SM	0									
INFERRED	SM	1 179 900	2.4	40	1.53	21.6	23.6	5.9	24.8	45.7	2.73
		1 179 900	2.4	40	1.53	21.6	23.6	5.9	24.8	45.7	2.73
MEASURED	SB	12 148 200	18.9	40	1.80	13.1	47.9	4.2	16.3	31.7	0.98
INDICATED	SB	3 890 700	13.3	34	1.80	12.6	49.5	3.6	13.9	32.9	1.10
INFERRED	SB	0									
		16 038 900	17.6	39	1.80	13.0	48.3	4.1	15.7	32.0	1.01
	Total Coal	17 218 800									

Table 19. Modderfontein coal washability products: RD1.90 & RD1.60

RESOURCE CLASS	SEAM	In situ Tonnes	Seam Thickness	PRODUCT AT RD 1.90						
				PYL	PCV	PAS	PIM	PVM	PTS	PWD
MEASURED	SB	12 148 200	18.9	47.0	20.2	28.4	5.2	20.2	0.65	1.90
INDICATED	SB	3 890 700	13.3	37.2	20.2	29.6	4.1	15.8	0.91	1.90
INFERRED	SB	0								
		16 038 900	17.6	44.6	20.2	28.7	4.9	19.1	0.71	1.90

RESOURCE CLASS	SEAM	In situ Tonnes	Seam Thickness	PRODUCT AT RD 1.60						
				PYL	PCV	PAS	PIM	PVM	PTS	PWD
MEASURED	SB	12 148 200	18.9	27.5	23.1	20.5	5.6	22.0	0.70	1.60
INDICATED	SB	3 890 700	13.3	20.7	23.8	21.0	4.1	17.1	1.04	1.60
INFERRED	SB	0								
		16 038 900	17.6	25.9	23.3	20.6	5.2	20.8	0.78	1.60

3. BRAKFORTEIN PROJECT

3.1 INTRODUCTION

During 2012, Universal Coal plc completed a third phase of infill diamond drilling exploration work on the various portions of Brakfontein 264 IR located in the Delmas district, Mpumalanga province, South Africa. A total of 39 additional boreholes were drilled to increase the geological confidence of the coal resource in selected areas planned for mining.

Together with these additional boreholes, some material changes were made to the geological model as part of the process to enhance the geological confidence in the coal resources. Detailed plans were obtained of the historical underground mined out areas located in the project area, and this information was also incorporated into the geological model. A decision was made to remove all the historical boreholes previously used in the geological model, as the area is now covered with new boreholes drilled by Universal Coal and the data is of a better standard and quality.

3.2 GEOLOGY

Brakfontein is located on the western margin of the Witbank Coalfield (Figure 19, just east of the Kangala Project). The regional geology is very similar to what has been described for Kangala, with the only major difference the way the coal seams are developed and named.

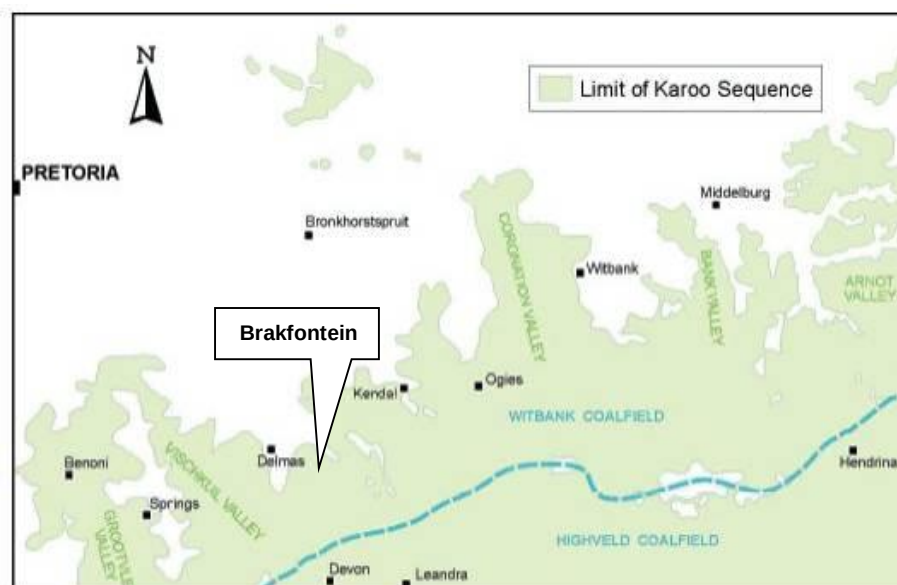


Figure 19. Western margin of Witbank Coalfield

The five classically recognized coal seams of the Witbank Coalfield, numbered from the base up as Nos. 1, 2, 3, 4 and 5 respectively, are contained within a succession of some 70-

75m in thickness (Figure 20). Inter-seam partings between coal seams remain remarkably constant over much of the coalfield, but become somewhat variable towards the northern limits of the coalfield where the various stratigraphic units are generally thinner.

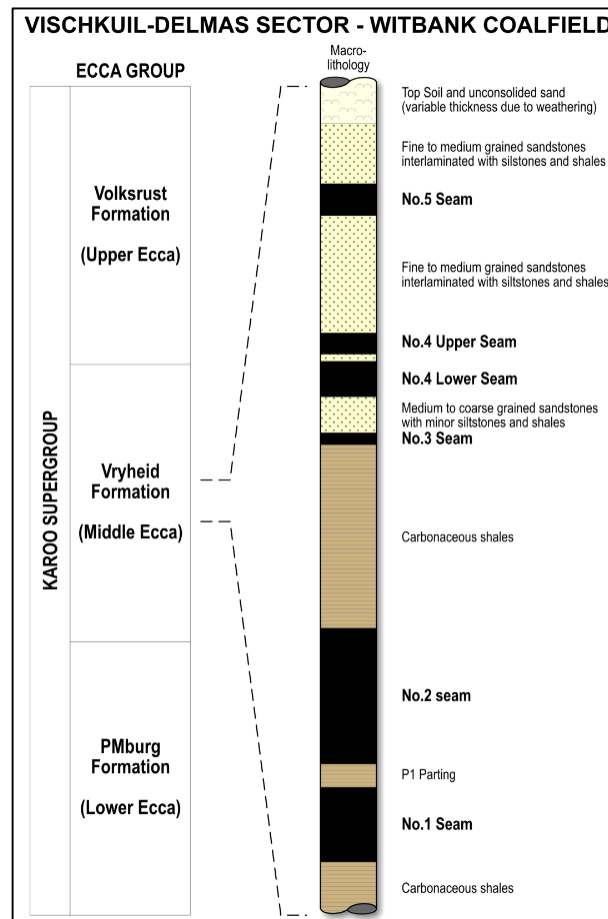


Figure 20. General stratigraphic sequence and coal seams of the Witbank Coalfield

Dolerite intrusions, in the form of dykes and sills, have adversely affected certain parts of the Coalfield. Large areas of coal-bearing ground have been devolatilized or burnt and rendered unsuited to exploitation. Transgressive sill intrusions can cause significant displacement of seams, which seriously affects exploitation in many areas.

3.3 LOCALITY

The Brakfontein coal project is located on portions of the farm Brakfontein 264 IR in the Delmas district, Mpumalanga province, South Africa. It is located 20km east-southeast of the town of Delmas and 18km north of Leslie, next to the R50 Provincial road (Figure 21). The area is well serviced by roads and railways and sizeable towns are located at Springs and Delmas in the west and Witbank and Middelburg to the east.

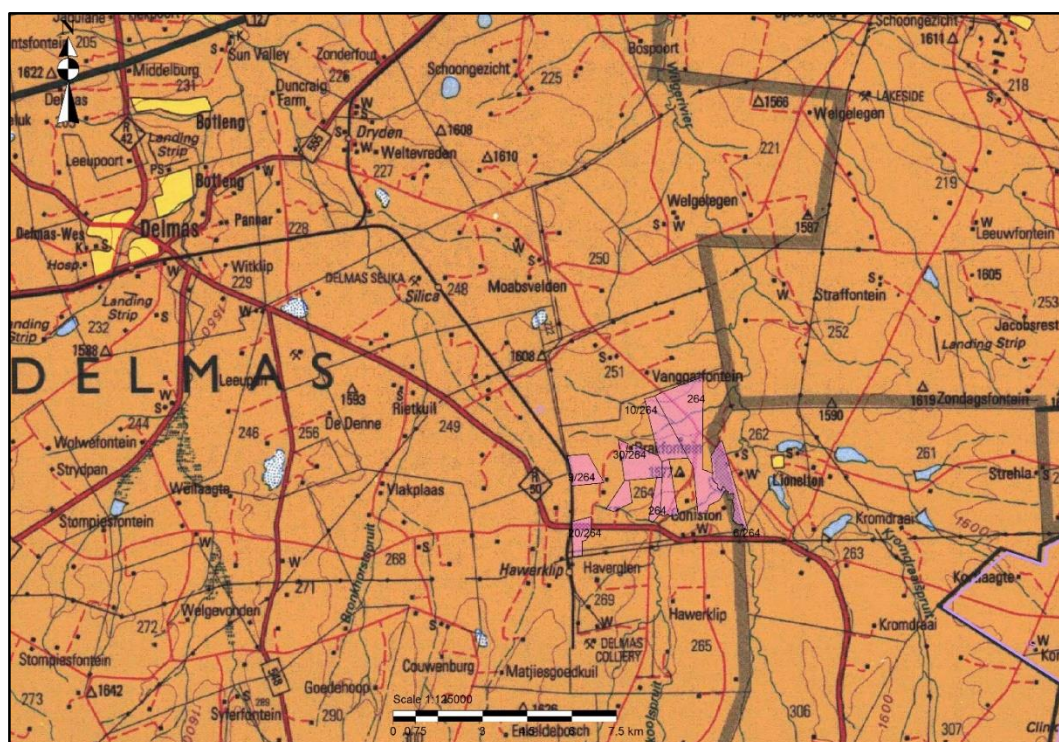


Figure 21. Brakfontein locality plan

3.4 TENURE

The project is covered by a mining right MP30/5/1/2/2/10027MR, which was granted to Universal Coal Development III (Pty) Ltd by the Department of Mineral Resources on 25 July 2014. This right is still to be executed. Brakfontein Project is 50.29% owned by Universal Coal Development III (Pty) Ltd a subsidiary of Universal Coal.

The following portions of the farm Brakfontein 264IR are included in the mining right covering an area of approximately 879ha:

- Portions 6, 8, 9, 10, 20, 26, 30 and the remaining extent.

A plan presenting these portions is presented in Figure 22 overleaf, with a summary table of details.

The project has an Environmental Authorisation in terms of the National Environmental Management Act 107 of 1998, dated 16 October 2013. It is still awaiting the grant of a Water Use Licence in terms of the National Water Act 36 of 1998 as well as the approval of its Environmental Management Programme. Similarly there are a number of heritage sites of value on the properties which are likely to require approval from the South African Heritage Resources Agency to relocate or destroy.

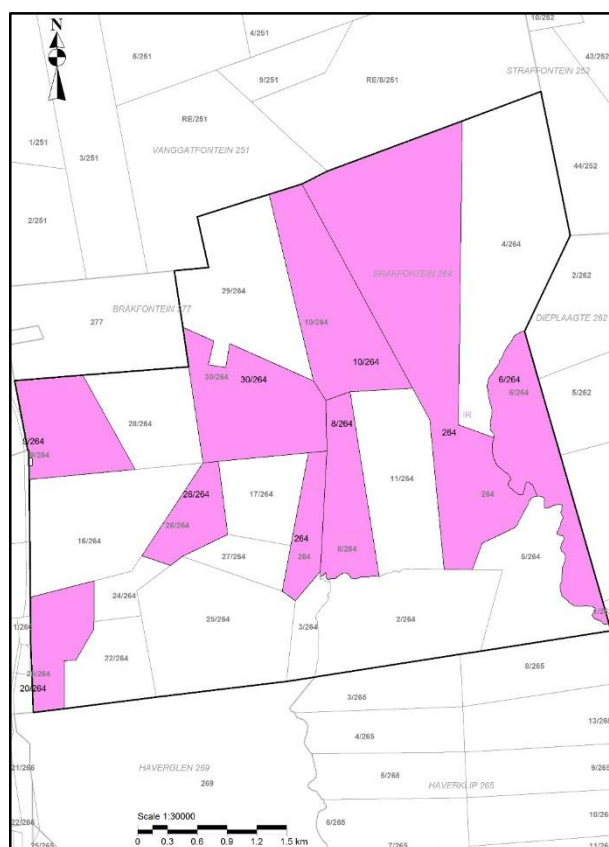


Figure 22. Brakfontein 264 IR mining right farm portions

Table 20. Brakfontein Portions Mineral and Surface rights summary

Farm	Portion	Size (Ha)	Mineral Rights	Holder	Interest	Surface Rights	
			Mining Right			Owner	Access Agreements
Brakfontein 264IR	6	115.53	MP30/5/1/2/2/10027MR	Universal Coal Development III (Pty) Ltd	50.29%	Norwesco Inv. (Pty) Ltd	No
	8	74.65				Hannes Potgieter Trustfonds	Yes
	9	86.42				HP van Dyk	Yes
	10	139.71				Andries Schoeman Brakfontein Boerdery (Pty) Ltd	Yes
	20	59.51				Abundant Developments (Pty) Ltd	Yes
	26	46.44				Koos Uys en Seuns Boerdery cc	Yes
	30	130.23				Andries Schoeman Brakfontein Boerdery (Pty) Ltd	Yes
	RE	413.52				Andries Schoeman Brakfontein Boerdery (Pty) Ltd	Yes

3.5 BRAKFONTein GEOLOGY

The project area is mainly underlain by the coal-bearing Vryheid formation, part of the Ecca group (Pv) as presented on an excerpt of the 1:250 000 geological series map no. 2628 in Figure 23. The area is characterised by undulating pre-Karoo palæo-topographic terrain. Some of these basement outcrops are indicated on the geological map and are predominantly of the Proterozoic Transvaal Supergroup (Vmd, Vdi, Vh). Drilling confirmed the presence of such outcrops, and locally Dwyka tillites underlying the coal seams also sub-outcrop. A prominent northwest-southeast sub-outcrop of basement rocks and Dwyka formations is present in the middle of the project area, dividing the coal resource locally, and negatively impacting on the No's. 4, 2 and 1 seam deposition along this boundary.

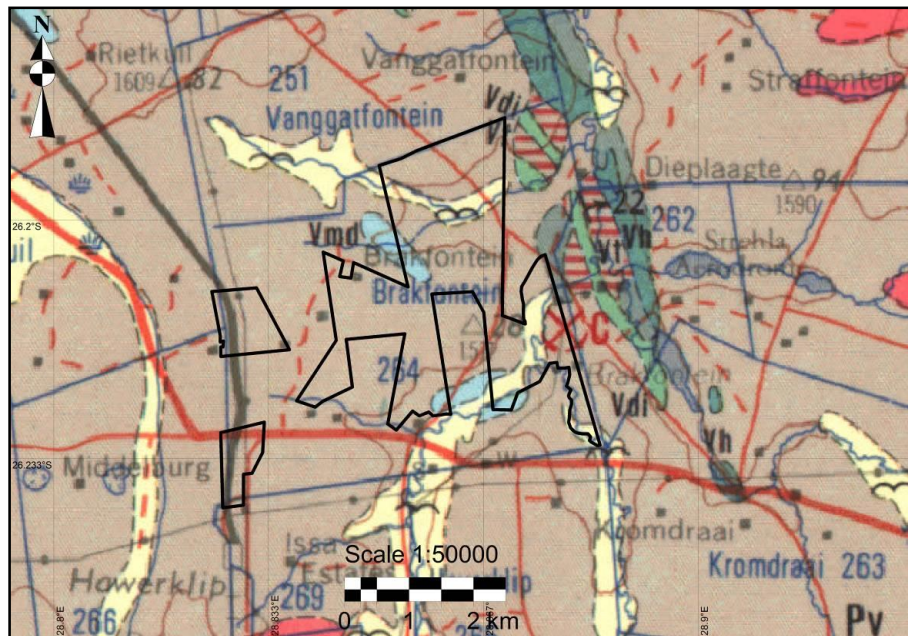


Figure 23. Geological map of Brakfontein

The No's. 1, 2 and 4 seams are the most prominent seams present. Deposition is, however, controlled by the palæo floor, and not all the seams are present throughout the prospect permit area. The uppermost No.5 seam occurrence is limited due to the effect of surface weathering. The No.4 seam is a combination of the 4 Upper and 4 Lower seams, with a thin inconsistent parting present between the two seams. This coal seam is fairly well developed across the project area, unless in areas where it is negatively affected by basement sup-outcrops and surface weathering. The 4 Upper and 4 Lower seams have been modelled and reported separately due to the difference in the coal qualities. The No.3 seam is poorly developed and usually very thin or absent and of no economic importance. The No.2 seam is the most economic valuable seam in the area, but is also negatively affected by the

palaeo topography, weathering and dolerite intrusions. No.1 seam occurrence is limited due to the palaeo floor, and distribution is erratic and limited across the area. Seam intersection values from boreholes are summarised below in Table 21.

Table 21. Seam statistics from borehole intersections

Seam	Number Intersections	Average thickness (m)	Minimum Thickness (m)	Maximum Thickness (m)
S5	9	1.11	0.74	2.20
S4U	45	2.70	0.76	4.54
S4L	69	2.69	0.25	4.36
S2	90	4.49	0.63	11.50
S1	39	0.94	0.11	2.27

Dolerite sills and dykes are common in the project area. These intersections of dolerite have a negative impact on the local coal qualities and seam conditions. Numerous dolerite intersections are present in the boreholes as logged. Dolerites occur both as sills and dykes, and in the case of sills it can cause significant displacement of the coal seam elevations, and/or cause a loss of the total coal seam(s). Two major north-south trending breakthrough dolerite features (faults) have been identified to the west of the project as a result of the dolerite sill intruding between the No.4 and No.2 seams. Smaller faults (possible dolerite breakthroughs), are also present at the Opencast 1 & 2 resource areas.

From the latest available detailed mine plans of the historical underground workings from the No. 2 seam in the east of the area, numerous dolerite intersections are indicated, and similar conditions are expected for the remainder of the mining area. Accurate predictions of possible dyke and sill intersections are, however, not possible from borehole interpretations only. To mitigate this shortcoming, a geological loss factor is applied to the coal resource tonnages for the mineable areas. This latest detailed historical mine plan, together with dolerite interpretation (in green), is presented in Figure 24.



Figure 24. Underground plan of No. 2 seam with dyke interpretation in green from Brakfontein Navigation Steam Colliery (Pty) Ltd

The effect of surface weathering is variable, but is on average 13m deep. Shallow coal at less than 15m below surface is usually negatively affected by the weathering. The presence of surface streams, wetlands and dolerite intersections can locally cause an increased weathering depth up to 25m deep.

3.6 SOURCE OF INFORMATION

Gemecs was actively involved with the onsite management of the exploration programme since 2011. During this time, our geologists visited the site frequently and included occasional site visits by the author. The coal resource estimation is based on a geological model created by Gemecs during 2014, and includes all available borehole information, wireline logging and coal analytical data stored in a borehole data base. All other related information such as mined out areas were received from Universal Coal.

3.7 GEOLOGICAL MODELLING AND RESOURCE ESTIMATION

A total of 225 boreholes are present in the database. Of these, 114 boreholes are historical holes, with limited lithological and coal analytical information recorded. A fair number of these boreholes are also situated outside the portions covered by the prospecting right. The remaining 111 boreholes were drilled by Universal Coal, with acceptable seam sampling coverage, detailed geological descriptions and geophysical data.

The Universal Coal drilling was done in phases:

- Between 2009 and 2011, Universal Coal drilled 72 holes at an average grid spacing of 250m x 250m and totalling 3813.77m.

- In 2012, Universal Coal completed another 39-hole infill drilling program, totalling 1,667.28m, aimed at drilling out additional high-quality open-pit areas, towards the northern and south eastern extent of the area, identified during the initial drilling phase. This drilling was completed at a drill spacing of approximately 150m x 150m.

All boreholes were cored fully using a conventional TNW size barrel (60.5mm core diameter). An assessment of core recovery was made by the geologist in the field using the recovered thickness versus thickness reported in the geophysical log. If core recovery for a coal seam fell below 95 %, the borehole was re-drilled. All boreholes were sealed after drilling, and sites were rehabilitated to acceptable standards.

The Phase 1 borehole samples were analysed by Inspectorate Laboratory (a Bureau Veritas Group company) in Middelburg, Mpumalanga, South Africa and the Phase 2 borehole samples by the SGS Trichardt Laboratory in Mpumalanga, South Africa.

Both laboratories are SANAS accredited and comply with South African Bureau of Standards and ISO standards for sample preparation and sub sampling and analysis.

Figure 25 illustrates the borehole positions with the boreholes drilled by Universal Coal in black (used in model) and the old historical boreholes in red (removed from model).

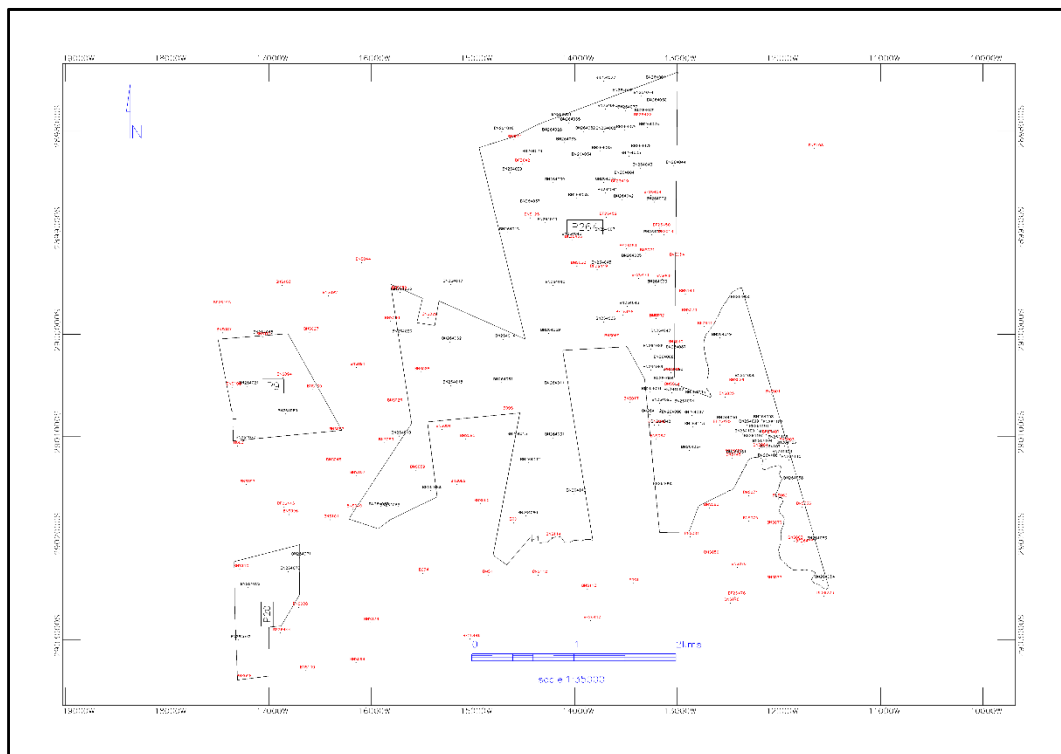


Figure 25. Brakfontein plan indicating borehole positions

Geological modelling was performed using Geovia Minex™ software. Although all the seams from No.5 seam (S5) to No. 1 seam (S1) have been intersected in some boreholes, only No. 4U & 4L seams (S4U & S4L), No. 2 seam (S2), and No. 1 seam (S1) appear to have some economic potential. The No. 5 seam development is limited to the western portions only and coal seam distribution is negatively affected by weathering. The No. 3 seam (S3) is thin where developed, and is often not present in boreholes and therefore not continuous across the area to allow any modelling thereof.

Cross sections were used extensively to ensure all coal seam correlations are consistent, and were verified against the lithological logging as well as downhole geophysical logs as best possible. Known outcrops of Transvaal basement and Dwyka sub-outcrops are present in the area, making the seam correlations more difficult due to thinning and truncation of the seams. In some areas, seam correlations are also challenging due to the presence of dolerite dykes and sills.

The surface topography was modelled using the borehole collars only. Recently, a detailed surface survey over selected areas was obtained. Comparisons with the borehole collars were done, and in general all borehole collars show a difference of less than 0.8m in elevation. For each borehole, the softs' (no coal and soil recovered at top) limit of weathering depth as recorded was used to model the softs (SFT) as well as the weathering surface (LOW).

Missing seams (boreholes that did not intersect seams due to basement, dolerite or weathering) were interpolated and thicknesses set to zero, to ensure a full stratigraphical sequence for modelling and also to ensure that the negative borehole intersections (boreholes that did not intersect any coal seams) are honoured in the modelling process. Where boreholes intersected underground workings, the actual roof elevation was used to interpolate the coal seam thickness, and used in the geological model accordingly.

Basic statistics and histograms within Minex were also used and plotted for each seam's variables to check and validate the input data. No data was excluded from the modelling.

Each coal seam was modelled on a grid of 50x50m using the general purpose gridding (growth algorithm) in Minex. Roof and floor surfaces were created in 3 dimensional space for each coal seam, as well as a thickness grid. Coal extrapolation was limited to 150m from the last borehole with data which is deemed to be appropriate for this geological setting and data distribution (less than half the measured borehole spacing).

Possible faults, as interpreted from coal seam difference in elevations between boreholes, were digitized into the model. These structures were used together with the boreholes in

the grid modelling to compute the roof and floor surfaces of each coal seam, taking the faults into account to offset these surfaces according to the relative displacement.

The palaeo basement/Dwyka floor was also modelled to create a pre-coal deposition floor model surface. This very undulating palaeo floor surface has a negative effect locally on mainly the lower coal seams. The final structural model was created using the topographic surface and weathering limit as cutting surfaces at the top, and the Dwyka surface at the base to remove coal where it intersects and overlaps these surfaces.

Secondary grids, for example, depth below surface and strip ratios, were calculated for each seam by means of the grid arithmetic function using the modelled grid surfaces.

Raw coal qualities were modelled for each coal seam using the general purpose gridding in Minex. Basic statistics and histograms, as well as some cross correlation plots within Minex, were used to check and validate the samples as well as seam composite quality data. No data was excluded from the modelling process.

Raw coal qualities modelled are: Relative Density (RD), Calorific Value (CV), Ash (AS), Inherent Moisture (IM), Fixed Carbon (FC), Volatile Matter (VM) and Total Sulphur (TS). Dry ash-free volatiles (DAVF) were calculated from the relevant model grids and reported along with the raw coal qualities. All coal qualities reported hereafter are on an air-dried basis.

Coal product washability was performed using the Minex washability module and reported for a number of different primary and secondary coal products as specified below. These various options were reported for each of the coal resource areas and for each seam. This will allow sufficient coal product quality data for each seam to allow for optimal mine planning scenarios going forward.

- Primary coal product at RD 1.90
- Primary coal product at RD 1.80
- Primary coal product for a target CV of 27.5MJ/kg, and secondary product at RD 1.80.
- Primary coal product for a target CV of 26.5MJ/kg, and secondary product at RD 1.90 & RD1.80.
- Primary coal product for a target CV of 26.0MJ/kg, and secondary product at RD 1.90 & RD1.80.
- Primary coal product for a target CV of 25.5MJ/kg, and secondary product at RD 1.90 & RD1.80.
- Primary coal product for a target CV of 24.5MJ/kg, and secondary product at RD 1.90 & RD1.80.

- Primary coal product for a target CV of 23.5MJ/kg, and secondary product at RD 1.90 & RD1.80.

Coal resource classification was done according to the JORC code guidelines. Resource confidence levels were applied following the guidelines based on borehole spacing as documented in the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves 2003 edition. The 2014 edition recommends that an assessment of the confidence in the estimation of significant variables should be undertaken. As the geological model and resource estimation was completed before the 2014 release, such an assessment was not done. The minimum borehole spacing for the measured resource category was, however, reduced to 350m (previously 500m). This was done to accommodate the structural complexity and coal variability in the resource area due to the underlying undulating basement topography and dolerite intersections that can be expected. The indicated resource classification is still kept at a minimum borehole spacing of 1000m and the inferred resource class up to a minimum borehole spacing of 2000m. Only boreholes where the relevant seam was represented by raw coal analyses were considered as point observations to be used for resource classification.

3.8 COAL RESOURCE SUMMARY

The project resource area is defined by three separate polygon areas consisting of either individual or a number of farm portions of the farm Brakfontein 264. Known historical underground mined out areas for both the No.2 seam and No.4 seam were added to the model from the latest mining plans. Recently, the underground detailed plans of the old Brakfontein Navigation Steam Colliery were acquired, which allowed for the update of the mined out areas as these were previously estimated only. These mined out areas are indicated in red relative to the project resource areas in black (Figure 26). All the underground mined out areas are excluded from the reported coal resources.

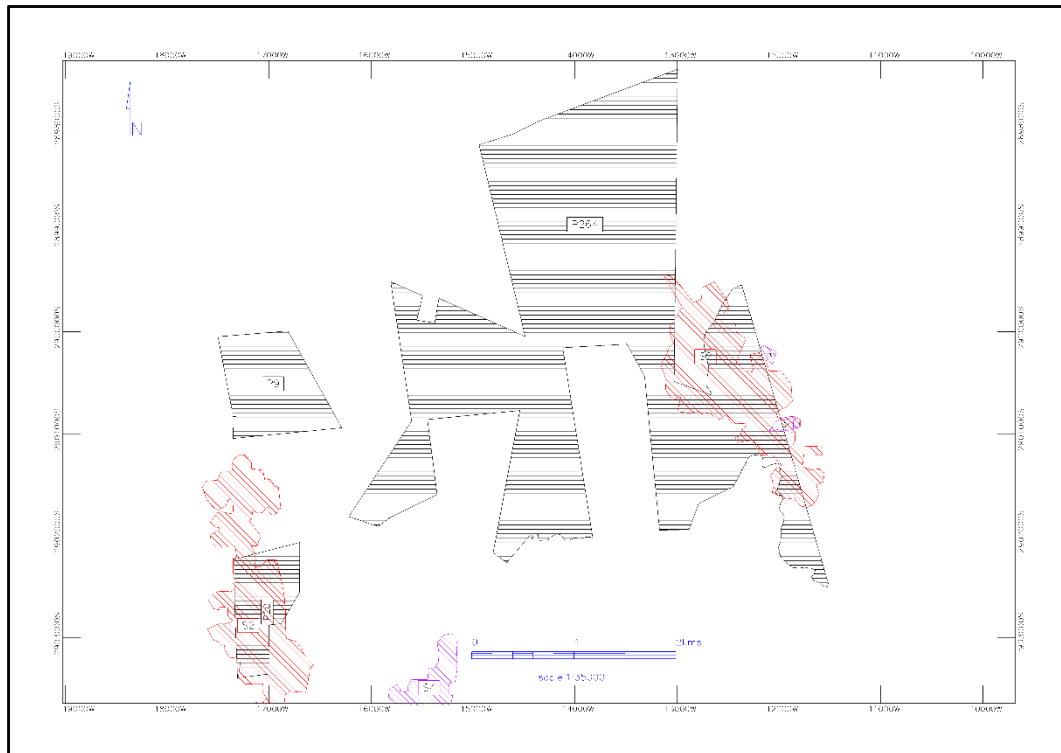


Figure 26. Brakfontein project area with mined out areas

Potential mineable coal resource areas were identified and reported separately for the Brakfontein project area. These mineable areas were identified as possible areas that can currently be mined using either opencast or underground mining techniques. These areas take into account the limitations of relevant surface features as well as additional constraints and cut-off parameters. It must be noted that these areas can change in future based on changing future economic assumptions and/or the application of additional cut-off parameters.

The following cut-off parameters and guidelines were used in defining potential mineable opencast areas:

- Minimum seam thickness of 0.50m
- Combined in situ strip ratio for S4U, S4L & S2 of less than 5 cubic metres/tonne
- Resource boundaries taken up to known wetland areas
- Resource boundaries reduced to 100m from roads
- Resource boundaries reduced to 50m from the project boundary
- Opencast areas sub-divided per seam on a dry ash-free volatile (DAF) basis, to classify low volatile areas where the DAF<23% and high volatile areas where DAF>23%
- Known mined out areas are excluded from the resource areas

- A geological loss of 10% is applied to the measured coal resource category, and a 15% geological loss to the indicated and inferred coal resource categories for all seams.

The following cut-off parameters and guidelines were used in defining potentially mineable underground areas:

- Minimum seam thickness of more than 1.50m
- Depth below surface of coal seam to be more than 30m
- Resource boundaries reduced to 50m from the project boundary
- Underground areas sub-divided per seam on a dry ash-free volatile (DAF) basis, to classify low volatile areas where the DAF<23% and high volatile areas where DAF>23%
- Known mined out areas are excluded from the resource areas
- A geological loss of 10% is applied to the measured coal resource category, and a 15% geological loss to the indicated and inferred coal resource categories for all seams.

No changes are reported compared to previous coal resource statements. Gross in situ coal resources for the Brakfontein project area is estimated at **75.8 million tonnes**, and mineable in situ tonnes estimated at **39.1 million tonnes**. A summary of the resources by status is presented overleaf in Table 22.

Table 22. Brakfontein Project – Summary of coal resources by status

Summary of resources by status					
Coal	Gross in situ tonnes		Mineable in situ tonnes		
Category	Gross in situ tonnes	Net Attributable	Mineable in situ tonnes	Net Attributable	Operator
	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	
Measured	31.70	15.94	16.80	8.45	
Indicated	39.4	19.8	19.8	10.0	
Inferred	4.7	2.4	2.5	1.3	
Total	75.8	38.1	39.1	19.7	Universal Coal Development III (Pty) Ltd

A coal summary per seam is presented below in Table 23. Gross in situ coal resources is tabled for each separate area of the Brakfontein project as presented previously in Figure 26, namely portion 9 (P9), portion 20 (P20) and portion 264 (P264). Coal resources include both high and low volatile coal qualities as present at the Brakfontein project. Refer to Tables 24-26 presented overleaf for details.

**Table 23. Coal Resource Estimation for the Brakfontein Project – Total Project Area Summary
by seam**

Resource Area	Resource Class	Seam	Resource Area (ha)	Gross In situ Tonnes (Mt)
Brakfontein	All	S5	1061.7	1.75
Brakfontein	All	S4U	1061.7	13.26
Brakfontein	All	S4L	1061.7	17.68
Brakfontein	All	S2	864.4	41.26
Brakfontein	All	S1	778.3	1.83
Brakfontein	Total Coal			75.77

Table 24. Coal Resource Estimation for the Brakfontein Project – Ptn20

Resource Area	Resource Class	Seam	Resource Area (ha)	Gross In situ Tonnes (Mt)	Seam Thickness (m)	Depth Below Surface (m)	RD	CV (MJ/Kg)	AS (%)	IM (%)	VM (%)	FC (%)	TS (%)	DAF (%)
P20	MEASURED	S5	59.3	0.00										
P20	INDICATED	S5	59.3	0.70	1.02	34	1.49	23.5	22.6	3.5	19.9	54.0	1.21	26.8
P20	INFERRED	S5	59.3	0.00										
P20	All	S5	59.3	0.70	1.02	34	1.49	23.5	22.6	3.5	19.9	54.0	1.21	26.8
P20	MEASURED	S4U	59.3	0.00	0									
P20	INDICATED	S4U	59.3	0.00	0									
P20	INFERRED	S4U	59.3	1.97	2.59	63	1.83	12.1	50.0	3.2	15.9	30.9	0.62	33.8
P20	All	S4U	59.3	1.97	2.59	63	1.83	12.1	50.0	3.2	15.9	30.9	0.62	33.8
P20	MEASURED	S4L	59.3	0.91	2.88	65	1.56	21.7	26.5	4.4	21.2	47.9	0.89	30.6
P20	INDICATED	S4L	59.3	0.79	2.28	68	1.58	21.0	28.5	4.5	20.7	46.3	0.93	30.9
P20	INFERRED	S4L	59.3	0.00	0									
P20	All	S4L	59.3	1.71	2.60	66	1.57	21.4	27.4	4.4	21.0	47.2	0.91	30.7
P20	Total Coal			4.38										

*** Note: S2 mined out from underground, S1 removed from reported resources (sterilised)

Table 25. Coal Resource Estimation for the Brakfontein Project – Ptn9

Resource Area	Resource Class	Seam	Resource Area (ha)	Gross In situ Tonnes (Mt)	Seam Thickness (m)	Depth Below Surface (m)	RD	CV (MJ/Kg)	AS (%)	IM (%)	VM (%)	FC (%)	TS (%)	DAF (%)
P9	MEASURED	S5	86.1	0.00										
P9	INDICATED	S5	86.1	1.02	1.35	30	1.74	14.0	46.5	4.1	12.3	37.0	0.79	25.4
P9	INFERRED	S5	86.1	0.00										
P9	All	S5	86.1	1.02	1.35	30	1.74	14.0	46.5	4.1	12.3	37.0	0.79	25.4
P9	MEASURED	S4U	86.1	0.00										
P9	INDICATED	S4U	86.1	0.00										
P9	INFERRED	S4U	86.1	1.59	1.80	55	1.92	8.5	57.2	4.7	9.8	28.3	0.56	24.9
P9	All	S4U	86.1	1.59	1.80	55	1.92	8.5	57.2	4.7	9.8	28.3	0.56	24.9
P9	MEASURED	S4L	86.1	0.00										
P9	INDICATED	S4L	86.1	2.56	1.88	57	1.81	14.2	44.5	4.8	7.7	43.2	1.18	15.4
P9	INFERRED	S4L	86.1	0.00										
P9	All	S4L	86.1	2.56	1.88	57	1.81	14.2	44.5	4.8	7.7	43.2	1.18	15.4
P9	MEASURED	S2	86.1	0.00										
P9	INDICATED	S2	86.1	7.14	6.00	75	1.63	20.5	32.6	4.2	13.4	49.9	0.83	21.7
P9	INFERRED	S2	86.1	0.06	2.13	65	1.71	17.6	37.0	4.0	15.0	44.4	0.66	25.4
P9	All	S2	86.1	7.19	5.97	75	1.63	20.5	32.6	4.2	13.4	49.9	0.83	21.7
P9	Total Coal			12.36										

Table 26. Coal Resource Estimation for the Brakfontein Project – Ptn264

Resource Area	Resource Class	Seam	Resource Area (ha)	Gross In situ Tonnes (Mt)	Seam Thickness (m)	Depth Below Surface (m)	RD	CV (MJ/Kg)	AS (%)	IM (%)	VM (%)	FC (%)	TS (%)	DAF (%)
P264	MEASURED	S5	916.3	0.00										
P264	INDICATED	S5	916.3	0.03	0.60	19	1.77	13.7	46.9	3.3	7.4	42.4	0.76	15.1
P264	INFERRED	S5	916.3	0.00										
P264	All	S5	916.3	0.03	0.60	19	1.77	13.7	46.9	3.3	7.4	42.4	0.76	15.1
P264	MEASURED	S4U	916.3	6.41	2.52	19	1.78	14.1	45.5	3.6	14.3	36.6	1.10	28.3
P264	INDICATED	S4U	916.3	3.15	1.72	33	1.76	14.1	44.3	3.7	13.5	38.4	1.15	26.4
P264	INFERRED	S4U	916.3	0.14	1.09	54	1.71	16.3	39.5	4.6	12.6	43.2	0.68	22.6
P264	All	S4U	916.3	9.69	2.24	24	1.77	14.1	45.0	3.6	14.0	37.3	1.11	27.6
P264	MEASURED	S4L	916.3	8.64	2.63	19	1.55	21.8	26.6	4.2	18.2	51.0	1.17	26.2
P264	INDICATED	S4L	916.3	4.60	1.84	28	1.55	21.6	27.0	4.3	15.8	52.9	1.21	22.9
P264	INFERRED	S4L	916.3	0.18	1.11	52	1.59	20.0	30.7	4.1	13.4	51.9	1.21	20.5
P264	All	S4L	916.3	13.42	2.34	23	1.55	21.7	26.8	4.2	17.3	51.7	1.18	25.0
P264	MEASURED	S2	778.3	14.79	3.45	37	1.60	19.9	31.5	4.4	18.8	45.4	1.15	29.1
P264	INDICATED	S2	778.3	18.57	3.93	38	1.52	22.1	25.1	5.1	16.1	53.6	1.26	23.0
P264	INFERRED	S2	778.3	0.71	4.69	49	1.55	20.1	30.6	4.8	18.1	46.5	1.72	27.5
P264	All	S2	778.3	34.06	3.74	38	1.56	21.1	28.0	4.8	17.3	49.9	1.22	25.7
P264	MEASURED	S1	778.3	0.95	0.97	44	1.80	14.2	46.9	3.5	16.0	33.7	0.91	31.6
P264	INDICATED	S1	778.3	0.87	0.99	35	1.77	14.9	44.6	3.3	12.7	39.1	0.51	24.4
P264	INFERRED	S1	778.3	0.02	0.57	76	1.91	11.2	54.6	2.9	13.4	29.0	0.36	31.5
P264	All	S1	778.3	1.83	0.98	40	1.79	14.5	45.9	3.4	14.4	36.2	0.72	28.2
P264	Total Coal			59.04										

*** Note: Some S2 mined out from underground, S1 removed from reported resources (sterilised)

3.9 COAL QUALITY AND PRODUCTS

Coal products that can be produced from this project are typical export, inland and local power station thermal coal products. A low volatile coal product is also present which is suitable for the local inland metallurgical market.

Coal washability tests were performed for various coal product options and scenarios as described previously. Theoretical washability results from borehole intersections indicate that most of the coal will have to be processed through wash plants to achieve saleable coal products.

For the purposes of this report, only coal products for the most imminent opencast areas will be summarised and presented. These are the OC1 (No.2 and No.4L high volatile coal), OC2 (No.2 and No.4L high volatile coal) and OC3 (No. 4L high volatile coal only). A primary (export) coal product at a CV of 27.5MJ/kg, and a secondary (power station CV 21.0MJ/kg) product at a cut-point density of 1.80 is presented. In general, average primary product yields vary between 20.7%-57.8% and secondary product yields between 31.3%-61.1% for the high volatile coal products from these pits. Average total product yields (primary and secondary combined) vary between 81.8-89.1%. Table 27 below presents a summary of the average yields for the above-mentioned resource areas for both primary and secondary products.

Table 27. Average coal product yields per resource area

Resource Area	No. 2 Seam			No. 4L Seam		
	Primary yield at 27.5CV	Secondary yield at RD1.80	Total Product yield	Primary yield at 27.5CV	Secondary yield at RD1.80	Total Product yield
OC1	32.2%	50.4%	82.6%	33.0%	52.8%	85.8%
OC2	37.6%	44.4%	82.0%	20.7%	61.1%	81.8%
OC3	-	—		57.8%	31.3%	89.1%

4. ARNOT SOUTH PROJECT

4.1 INTRODUCTION

The Arnot South project was acquired by Universal Coal from Exxaro on 29 March 2012. The reported coal resources is based on a geological model by Gemecs in 2012 on behalf of Universal Coal. The rights to certain portions of the Arnot South project were historically held by Goldfields. In the late 1990s Goldfields ceded these rights to Eyesizwe (Pty) Ltd, the first significant BEE-controlled coal mining company established following the promulgation of the new Minerals Act. Eyesizwe was subsequently merged with the mining assets held by Iscor to form what is today known as Exxaro, the fourth largest coal producer in South Africa.

4.2 GEOLOGY

Arnot South is located on the eastern margin of the Witbank Coalfield (Figures 27 & 28).



Figure 27. South African Coalfields – Witbank Coalfield

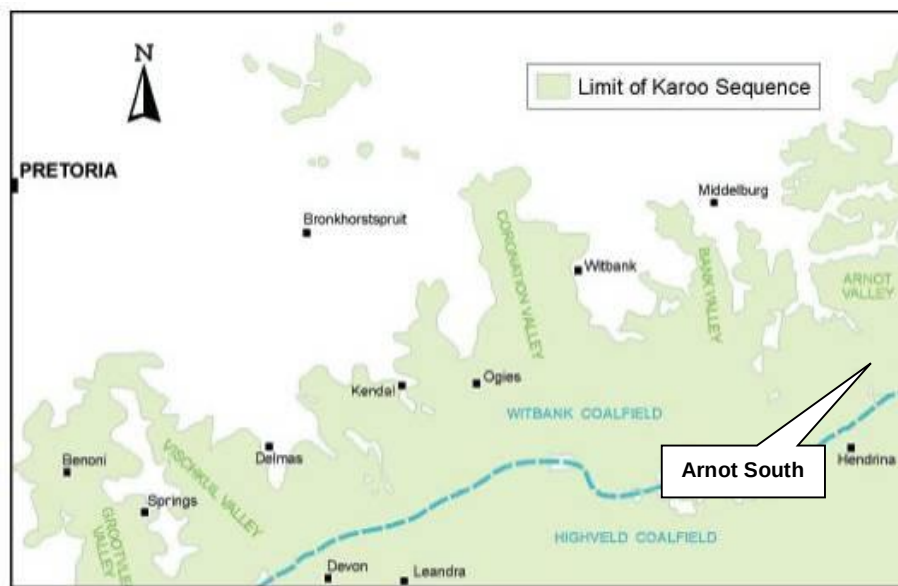


Figure 28. Witbank Coalfield detail

4.3 LOCALITY

The Arnot South prospecting area is situated approximately 10km east of the town of Hendrina, 25km west of Carolina and 50km south east of Middelburg in the Mpumalanga Province, South Africa, as indicated in Figure 29. It is located in close proximity to two of Eskom's operation power stations; Hendrina (25km) and Arnot (5km).

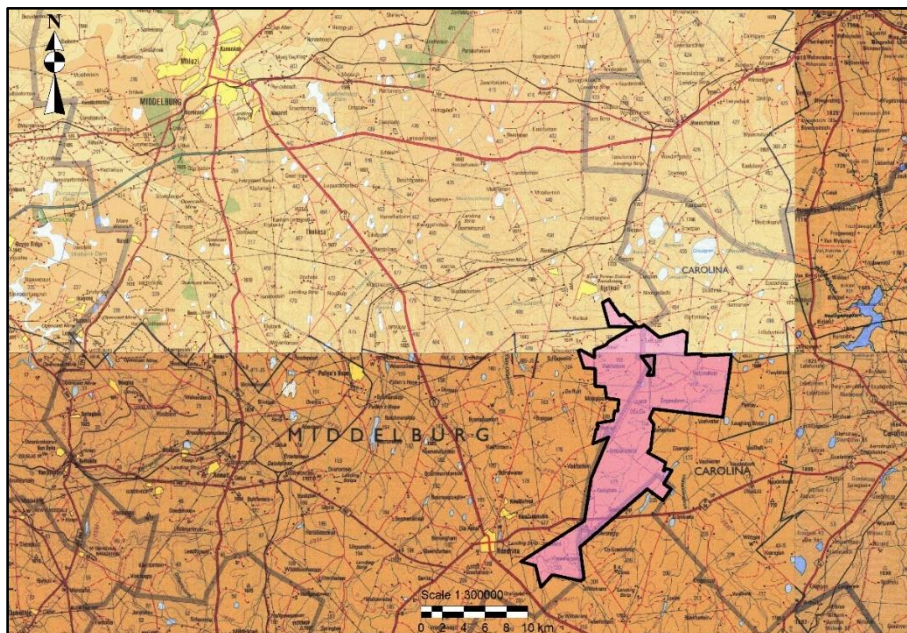


Figure 29. Arnot South locality plan

4.4 TENURE

Exxaro is the owner of this project, where Eyesizwe Coal (Pty) Ltd holds a New Order Prospecting Right, MP30/5/1/1/2/360PR over the project area, originally granted in 2006. The right was due to expire on 29 October 2011. The renewal application was lodged on 2 August 2011, which date is before the expiry of the right. Therefore the prospecting right continues to be in force, notwithstanding its stated expiry date, by virtue of the protection provided by section 18(5) of the MPRDA. Results on the renewal application are still pending.

The acquisition of the prospecting right by Universal Coal is subject to Section 11 and 102 applications, drafting of which is in process. Universal Coal Development VII (Pty) Ltd has agreed to acquire 50.0% of the Arnot South Project, subject to regulatory approvals. Arnot South Project is 50.0% owned by Universal Coal Development VII (Pty) Ltd a subsidiary of Universal Coal.

The mineral right boundary covers an area of approximately 15 531 ha, and a plan of these portions is presented below. Details of farms and portions are presented overleaf in Table 28 and Figure 30. Slight discrepancies have been identified in the mineral rights outline and relevant portion descriptions as received from the previous owner Exxaro and available prospecting right documents. Efforts are ongoing to finalise this and possible amendments might be made to the prospecting contract. The possible changes seems to be minor, and is expected not to have a major effect on the estimated coal resources of this project. Table 28 therefore reflect the properties as per the approved Regulation 2(2) plan, which takes president over the description in the prospecting contract.

Exxaro owns the following surface rights, totalling 1617.168 ha, which are included in the sale:

- Leeuwpan 494 JS (Portions Re Ext, Re Ext Portion 4, Portions 7, 8 & 9)
- Op Goeden Hoop 205 IS (Re Ext portion 2)
- Groblersrecht 175 IS (Portion 4)
- Vaalwater 173 IS (Re Ext Portions 11 & Portion 21, located outside PR)

The surface rights owned by Exxaro are leased to various farmers who utilise the area for crop farming (mainly mealies) and grazing. No access agreements exist with the remaining surface owners.

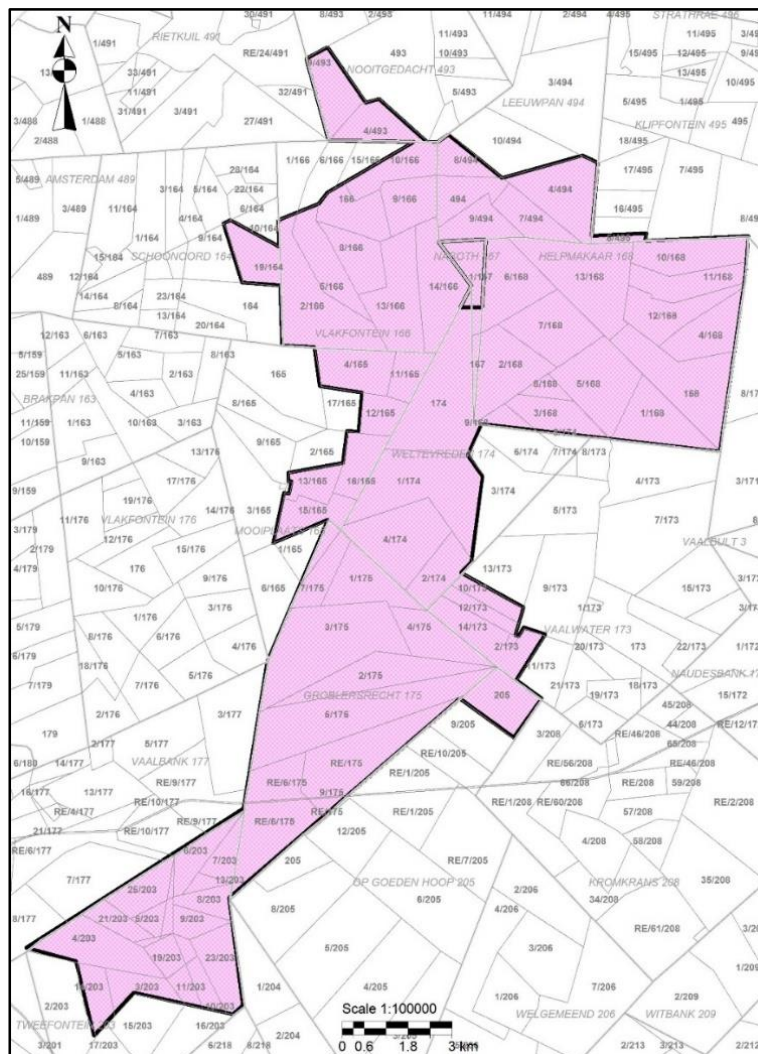


Figure 30. Arnot South project - relevant farms and portions covering the prospecting right

Table 28. Arnot South farms portions mineral rights summary

Farms & Portions	Surface Ownership	Prospect Permit Number	Licence Area (ha)	Holder	Interest	Expiry date
Vlakfontein 166 IS (RE Ext., Ptns 02, 05, 08, 09, 10, 13 & 14)	No	MP30/5/1/1/2/360PR	±15,531	Eyesizwe Coal (Pty) Ltd. (Section 11 transfer to UCD VII still pending)	50.0%	29 Oct 2011. Renewal submitted – results pending
Tweefontein 203 IS (Re Ext ptns 03, 05, 06, 09 & 10. Ptns 04, 07, 08, 11, 12, 13, 14, 18, 19, 20, 21, 22, 23, 24 & 25)	No					
Op Goeden Hoop 205 IS (RE Ext ptn 02)	Yes					
Groblersrecht 175 IS – whole farm	Yes – Portion 4					
Klipfontein 495 IS (RE Ext. of Mineral Area 01)	No					
Vaalwater 173 IS (RE Ext ptns 02, 10 & 11, ptns 12 & 14)	Yes – Re Ext Ptn11 & Ptn 21 (outside Prospect permit)					
Mooiplaats 165 IS (Re Ext ptn 04, Re Ext ptn 13, Ptns 11, 12, 15 & 16)	No					
Helpmekaar 168 IS – whole farm	No					
Schoonoord 164 IS (Ptn 19)	No					
Leeuwpan 494 JS (RE Ext, RE Ext ptn 4, Ptns 07, 08 & 09)	Yes					
Weltevreden 174 IS (M/A 02, RE Ext M/A 03, M/A, Ptns 01 & 04)	No					
Nooitgedacht 493 JS (Ptns 04 & 09)	No					

4.5 ARNOT SOUTH GEOLOGY

The project area is mainly underlain by the coal-bearing Vryheid formation, part of the Ecca group (Pv) as presented on an excerpt of the 1:250 000 geological series map in Figure 31. Some indications of basement outcrops are indicated on the geological map and are predominantly of the Proterozoic Transvaal Supergroup (Vdi). These areas have a negative impact on coal deposition. Surface outcrops of dolerite sills (do) are indicated, and is expected to be present within the resource area as well. This sill is normally present some 15m to 20m above the No.2 Seam. This feature is typically 5–40 metres thick and has resulted in devolatilisation and minor resource losses. Feeder dykes are expected to occur in the

vicinity of the sill. No information is known about faults, but exploration towards the north (Arnot Mine) indicated that faults with displacement in excess of 2.5m are rare. No other major structures are known to be present.

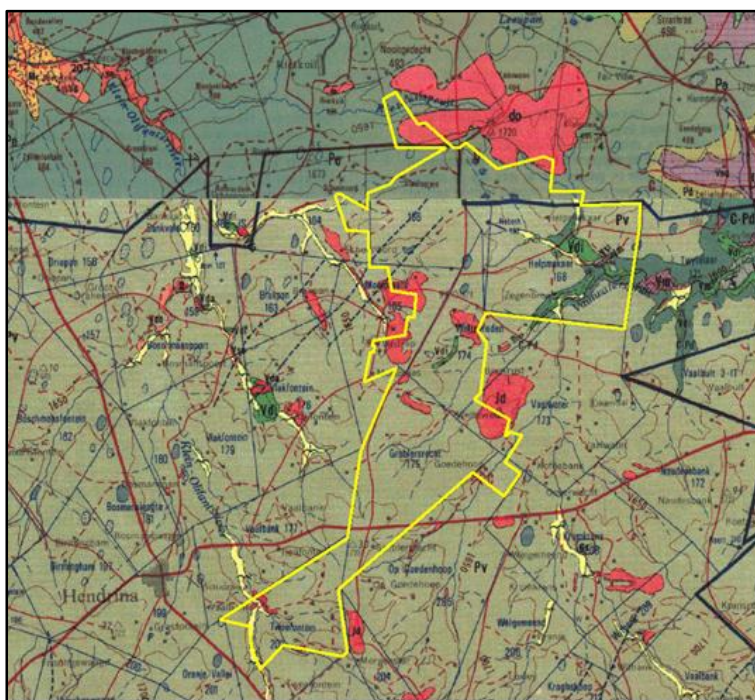


Figure 31. Geological map of Arnot South

This structural interpretation is supported by a detailed analysis of aeromagnetic data and available borehole intersections. Edgar Stettler and Associates conducted the aeromagnetic interpretation using two data sets, one being the 200m line spacing high resolution data flown as part of the Southern Bushveld coverage (collected between 2005 and 2006); and for areas not covered by the latter the older regional 1 km flight line spacing Council for Geoscience data (Figure 32). Figure 33 overleaf shows the few localities (purple lines) where the aeromagnetic data indicate that the magnetic linear bodies may sub-outcrop or be encountered in the first ~80m below surface, i.e. within the Karoo sequence and may pose a potential 'loss of ground' risk during coal mining. The post Karoo faults occur predominantly in the north-western part of the project area.

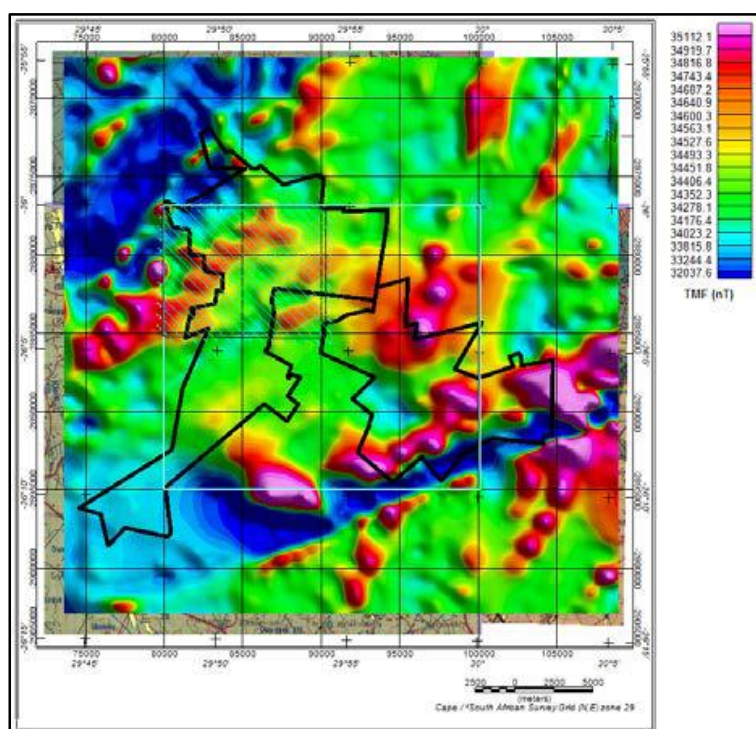


Figure 32. Aeromagnetic data from the Council for Geoscience

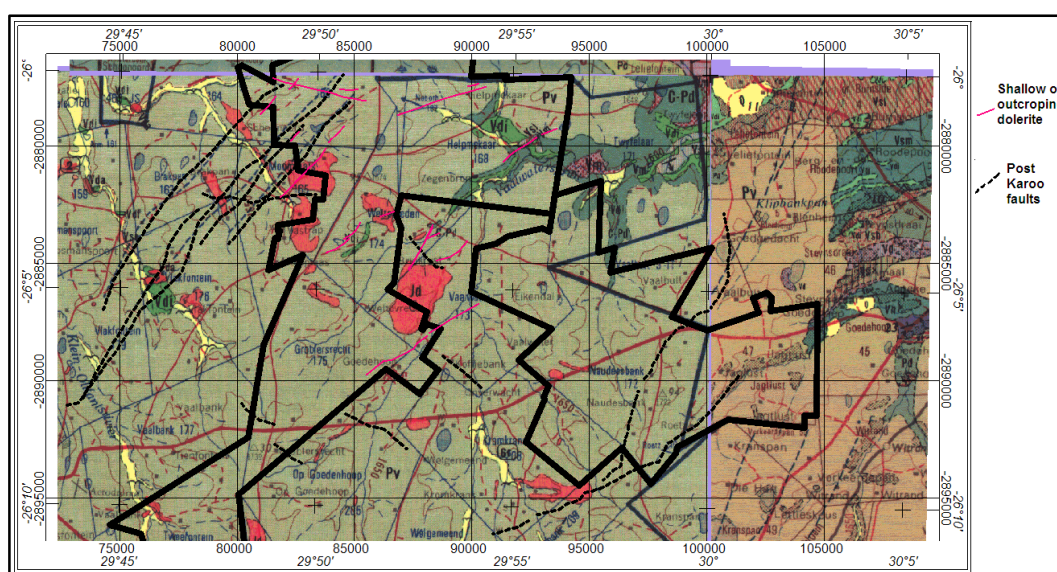


Figure 33. Aeromagnetic interpretation showing possible dykes and fault lines

The distribution of the coal seams at Arnot South is largely controlled by a central NNE-SSW trending palaeo-low channel within the “Arnot Valley”. In general the No’s 5, 4, 3 and 2 seams are present. The No.2 seam is the main economic seam constituting more than 90% of the in situ coal resource. The depth to the top of the No.2 Seam is determined by the basement floor and local surface topography and reaches an average depth of around 45m in the lease area.

Minimum depth in the sub-outcrops is around 10-20m and maximum depths is around

110m to the south. Incision by the Vaalwater Spruit and associated tributaries has eroded significant areas of the original extent of the upper coal seams along the edges of the palaeo-low and in general, the No.2 seam sub-outcrops along incised valleys along drainages, particularly towards the east. The typical stratigraphic succession of the Vryheid Formation at Arnot South is illustrated below in Figure 34.

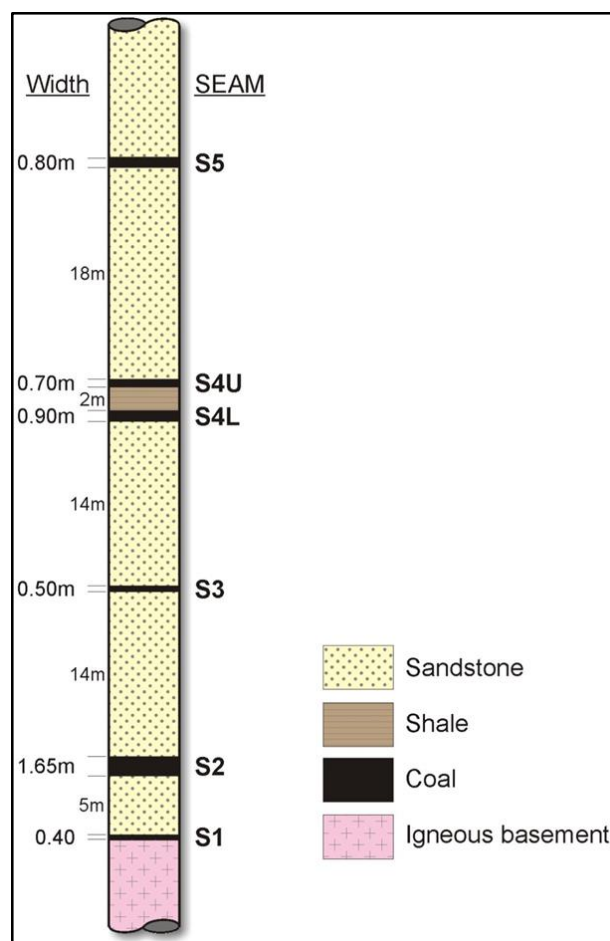


Figure 34. Typical stratigraphic succession at Arnot South

The No.2 seam thickness varies between 0.1m up to 5.0m; with the average seam thickness for the entire Prospecting Area being 1.65m. Dolerite intrusions devolatilized the No.2 seam or it is eliminated in parts of the prospecting area. The floor elevation is relatively flat with no major structural displacements; some potential although very small exists for the exploiting of the resource utilizing opencast mining methods where the coal seam depth to the top of the No.2 seam is less than 20m. The No.2 seam consists of hard, dull to lustrous coal with several bright coal bands and occasional stone partings. The No.3 seam occurs approximately 14m above the 2 seam across the lease area with an average thickness of 0.5m. The No.4U & 4L seam and No.5 seam are present some 30m and 50m above the No.2 Seam, respectively

and largely preserved in the palaeo-low areas. The No.1 seam is absent or erratically developed in the area. A summary of the borehole intersections per seam is presented below in Table 29.

Table 29. Arnot South - Seam statistics from borehole intersections

Seam	Number Intersections	Average thickness (m)	Minimum Thickness (m)	Maximum Thickness (m)
S5	28	0.77	0.26	3.57
S4U	61	0.72	0.07	1.63
S4L	92	0.88	0.12	3.00
S3	128	0.50	0.10	1.34
S2	189	1.65	0.09	5.03
S1	13	0.43	0.02	0.99

4.6 SOURCE OF INFORMATION

The author of this report has not conducted a site visit to the project area. He is, however, familiar with the area and has visited neighbouring coal projects in the region during the past 3 years. The coal resource estimation is based on a geological model created by Gemecs during 2012, and includes all available borehole information, wireline logging and coal analytical data stored in a borehole data base.

4.7 GEOLOGICAL MODELLING AND RESOURCE ESTIMATION

The rights to certain portions of the Arnot South project were historically held by Goldfields. In the late 1990s Goldfields ceded these rights to Eyesizwe (Pty) Ltd, the first significant BEE-controlled coal mining company established following the promulgation of the new Minerals Act. Eyesizwe was subsequently merged with the mining assets held by Iscor to form what is today known as Exxaro, the fourth largest coal producer in South Africa. The properties have been explored for coal since 1975, and several drilling campaigns were executed by various companies since then. Following completion of the transaction Universal Coal commissioned Gemecs to develop a geological model and resource estimate based on both the Goldfields and Exxaro data sets. The study involved the following:

- 1) Acquisition of all available historical data held by the Council for Geoscience –
Note: The original Goldfields data held by Eyesizwe was lost during the transfer of the project to Exxaro. Copies of some, but not all, of this data are, however, held by the Council for Geosciences.

2) Capturing the available Goldfields and Exxaro data into GBIS (geological database management software).

3) Geological modelling and resource estimation.

Coal resources reported in this report are based on this final model that was created by Gemecs in 2012. A total of 378 boreholes are present in the database of which only 215 have sufficient information to be used for the geological modelling. Some of these boreholes plot outside the prospect permit boundary. These boreholes have been used to improve the integrity of the model, but any model results that plot outside the prospect boundary were removed. A plan indicating the borehole positions is presented below in Figure 35.

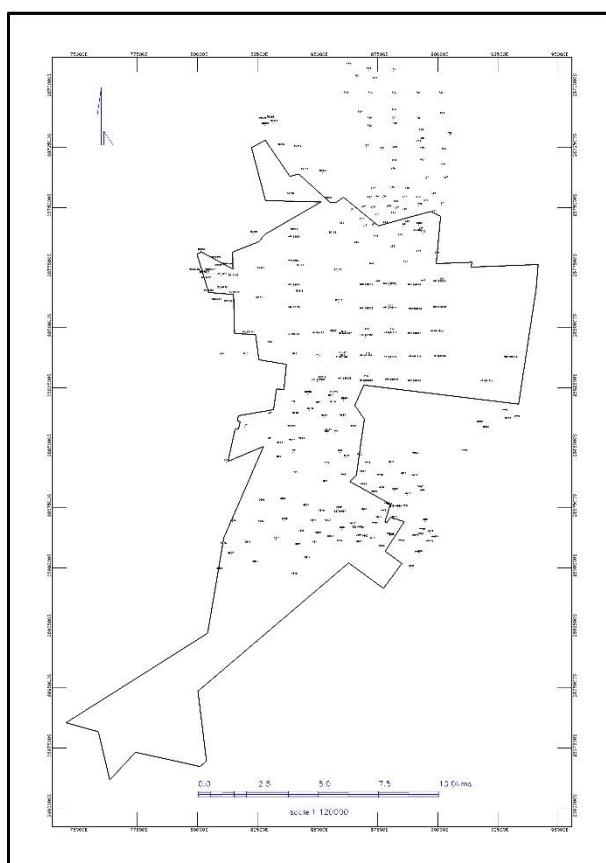


Figure 35. Arnot South plan indicating borehole positions

Geological modelling was performed using Geovia Minex™ software. All seams as intersected in the boreholes were modelled. This includes the No.5, No.4U, No.4L, No.3 and No.2 seams. The distribution of the No.1 seam is too erratic to be modelled.

Basic statistics and histograms within Minex were also used and plotted for each seam's variables to check and validate the input data.

Each coal seam was modelled on a grid of 100x100m using the general purpose gridding (growth algorithm) in Minex. Roof and floor surfaces were created for each coal seam, as well as a thickness grid. Coal extrapolation was limited to 300m from the last borehole with data which is deemed to be appropriate for this geological setting and data distribution.

No faults or other structures were interpolated or modelled. Only minor structures are expected to be present in the resource area.

No coal product washability options were performed as yet. Only raw coal qualities are modelled and reported.

Coal resource classification was carried out according to the JORC code guidelines. Resource confidence levels were applied following the guidelines based on borehole spacing as documented in the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves, 2003 Edition. The 2014 edition recommends that an assessment of the confidence in the estimation of significant variables should be undertaken. As the geological model was compiled before the 2014 release, such an assessment was not done. The minimum borehole spacing for the measured resource category was applied at 500m, for Indicated 1000m and Inferred 2000m. No coal resource are reported outside of these limits. Only boreholes where the relevant seam is represented by raw coal analyses are considered as point observations to be used for resource classification. Resource classification is therefore at a low level due to the limited amount of boreholes with acceptable coal qualities in the geological model.

4.8 COAL RESOURCE SUMMARY

In situ coal resources were reported for each seam within the resource area boundary. Coal resources are reported on an in situ basis, and all coal qualities are reported on an air-dried basis. A minimum seam thickness of 0.5m was applied to all coal seams to exclude thin uneconomical coal seams. No coal quality cut-offs were applied for reporting of the coal resource tonnes.

No changes are reported compared to previous coal resource statements. Coal resources for the Arnot South project is estimated at **206.6 million tonnes**. Due to a high degree of uncertainty with regards to the quality of the historical data, as well as expected dolerite intrusions, a geological loss of 30% was applied to the resource area and in situ tonnes after geological losses amount to **144.6 million tonnes**. Substantial potential exist to increase the resource base further by drilling out the southern part of the Arnot South project area.

It is assumed that only the No.2 seam, which represents 93% of the resource, has economic potential. The No.2 seam is largely extractable by underground means. In light of this the No.2 seam resource was further categorised according to the following practical mining width to report a mineable in situ coal resource:

- Seam thickness >1.80m.

The mineable in situ (after geological losses) No.2 seam coal resources at a thickness cut-off of >1.80m are estimated at **95.1 million tonnes**. A summary of the coal resources by status is presented below in Table 30. Detailed coal resources per seam, and mineable in situ tonnes for the No.2 seam are presented in Tables 31 & 32.

Table 30. Arnot South Project – Summary of coal resources by status

Summary of resources by status					
Coal	Gross in situ tonnes		Mineable in situ tonnes		
Category	Gross in situ tonnes	Net Attributable	Mineable in situ tonnes	Net Attributable	Operator
	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	
Measured	2.28	1.14	1.52	0.76	
Indicated	65.3	32.7	30.9	15.5	
Inferred	139	69.5	62.7	31.4	
Total	206.6	103.3	95.1	47.6	Universal Coal Development VII (Pty) Ltd

Table 31. Gross in situ tonnes for the Arnot South Project

AREA NAME	POLYGON AREA (ha)	SEAM	RESOURCE CLASS	COAL AREA (ha)	GROSS IN SITU TONNES (Mt)	GEOLOGICAL LOSS (%)	IN SITU TONNES (Mt)	AVE SEAM THICKNESS (m)	AVE DEPTH BELOW SURFACE (m)
PR2016	15 405	S4U	MEASURED		0	30%	0		
PR2016	15 405	S4U	INDICATED		0	30%	0		
PR2016	15 405	S4U	INFERRED	12	0.125	30%	0.087	0.69	14.3
		TOTAL S4U		12	0.125		0.087	0.69	14.3
PR2016	15 405	S4L	MEASURED		0	30%	0		
PR2016	15 405	S4L	INDICATED	55	0.418	30%	0.293	0.53	26.5
PR2016	15 405	S4L	INFERRED	70	0.547	30%	0.383	0.54	24.9
		TOTAL S4L		125	0.965		0.676	0.54	25.6
PR2016	15 405	S3	MEASURED		0	30%	0		
PR2016	15 405	S3	INDICATED	636	6.163	30%	4.314	0.61	31.5
PR2016	15 405	S3	INFERRED	843	8.006	30%	5.604	0.60	30.1
		TOTAL S3		1 478	14.169		9.918	0.60	30.7
PR2016	15 405	S2	MEASURED	59	2.284	30%	1.599	2.52	40.9
PR2016	15 405	S2	INDICATED	1 774	58.732	30%	41.112	2.11	42.4
PR2016	15 405	S2	INFERRED	4 349	130.314	30%	91.220	1.91	43.8
		TOTAL S2		6 182	191.330		133.931	1.98	43.3
		TOTAL COAL			206.589		144.612		

Table 32. Mineable in situ tonnes for the No.2 seam with thickness cut-offs applied

AREA NAME	POLYGON AREA (ha)	SEAM	RESOURCE CLASS	COAL AREA (ha)	GROSS IN SITU TONNES (Mt)	GEOLOGICAL LOSS (%)	MINEABLE IN SITU TONNES (Mt)	AVE SEAM THICKNESS (m)	AVE DEPTH BELOW SURFACE (m)
S2 >1.80m	15 405	S2	MEASURED	55	2.175	30%	1.523	2.59	41.8
S2 >1.80m	15 405	S2	INDICATED	1 044	44.148	30%	30.904	2.73	46.3
S2 >1.80m	15 405	S2	INFERRED	2 199	89.565	30%	62.696	2.61	47.2
		TOTAL S2 (>1.8m)		3 297	135.888		95.122	2.65	46.8

4.9 COAL QUALITY AND PRODUCTS

Only raw coal qualities are reported for the project at present. Coal washability data is available, should specific coal quality products need to be investigated in future. All coal qualities are reported on an air-dried basis.

Average coal qualities per seam is presented overleaf in Tables 33 & 34. The calorific values of all the coal seams are generally above 22.0MJ/kg, volatile matter content is >22.6% and a sulphur content between 0.8-1.15%. The coal easily meets Eskom's minimum specifications on a raw basis. As previously mentioned, the No.2 seam is the main economic seam and is contributing to 93% of the coal resources. Raw coal qualities for the No.2 seam with a minimum seam thickness cut off at 1.80m, are also consistently meeting the minimum quality requirements for local Eskom power station specifications

Table 33. Arnot South Raw coal qualities per seam

AREA NAME	SEAM	RESOURCE CLASS	GROSS IN SITU TONNES (Mt)	RD	CV (MJ/kg)	AS (%)	FC (%)	VM (%)	IM (%)	TS (%)	DAF (%)
PR2016	S4U	MEASURED	0								
PR2016	S4U	INDICATED	0								
PR2016	S4U	INFERRED	0.125	1.48	26.0	18.8	49.6	28.6	2.9	1.15	36.6
	TOTAL S4U		0.125	1.48	26.0	18.8	49.6	28.6	2.9	1.15	36.6
PR2016	S4L	MEASURED	0								
PR2016	S4L	INDICATED	0.418	1.44	26.4	15.5	52.4	28.8	3.3	1.03	35.5
PR2016	S4L	INFERRED	0.547	1.45	26.6	15.5	53.9	27.4	3.2	1.15	33.7
	TOTAL S4L		0.965	1.45	26.5	15.5	53.3	28.0	3.2	1.10	34.5
PR2016	S3	MEASURED	0								
PR2016	S3	INDICATED	6.163	1.59	22.2	27.9	46.4	22.8	2.9	0.89	33.1
PR2016	S3	INFERRED	8.006	1.59	22.2	27.7	46.6	22.8	2.9	0.83	33.0
	TOTAL S3		14.169	1.59	22.2	27.8	46.5	22.8	2.9	0.86	33.0
PR2016	S2	MEASURED	2.284	1.54	22.9	24.0	51.5	20.9	3.6	0.79	28.9
PR2016	S2	INDICATED	58.732	1.57	22.8	24.8	49.0	23.0	3.2	0.87	32.0
PR2016	S2	INFERRED	130.314	1.57	22.8	25.0	49.2	22.5	3.3	0.99	31.4
	TOTAL S2		191.330	1.57	22.8	24.9	49.2	22.6	3.3	0.95	31.6

Table 34. Arnot South Raw coal qualities for No.2 Seam with thickness cut-offs applied

AREA NAME	SEAM	RESOURCE CLASS	MINEABLE IN SITU TONNES (Mt)	RD	CV (MJ/kg)	AS (%)	FC (%)	VM (%)	IM (%)	TS (%)	DAF (%)
S2 >1.80m	S2	MEASURED	1.523	1.54	22.9	24.2	51.4	20.8	3.5	0.76	28.8
S2 >1.80m	S2	INDICATED	30.904	1.58	22.4	25.8	48.8	22.2	3.2	0.86	31.3
S2 >1.80m	S2	INFERRED	62.696	1.58	22.5	25.7	48.9	22.2	3.2	0.91	31.3
	TOTAL S2 (>1.8m)		95.122	1.58	22.5	25.7	48.9	22.2	3.2	0.89	31.3

5. BERENICE CYGNUS PROJECT

5.1 INTRODUCTION

The coal resources at the Berenice Cygnus coking coal project in the Soutpansberg Coalfield, South Africa, were re-evaluated in the light of results from an infill drilling programme conducted by Universal Coal during 2012. A total of 60 slim core boreholes and 16 large diameter boreholes were added to the project area, drilled mainly in the southern opencast block. The additional drill results improved the overall resource confidence and classification of the project, and provided additional large diameter analyses to more accurately quantify the expected coking coal product yields and qualities.

5.2 GEOLOGY

The Berenice Cygnus project is located in the Soutpansberg Coalfield, north of the Soutpansberg Mountain Range along the north-eastern edge of the Kaapvaal Craton. Coal-bearing strata are inconsistently developed within this area with the coal occurrences being typically bright coal/carbonaceous mudstone associations, forming composite coal 'zones'.

The greater Soutpansberg Coal Province, comprising the Soutpansberg and Venda-Pafuri Coalfields, may be divided into a number of sectors, as follows (Figure 36):

- Mabelebele Sector (South West)
- Mabelebele/Mopane Sector (Central)
- Tuli Sector (North)
- Pafuri Sector (North East)

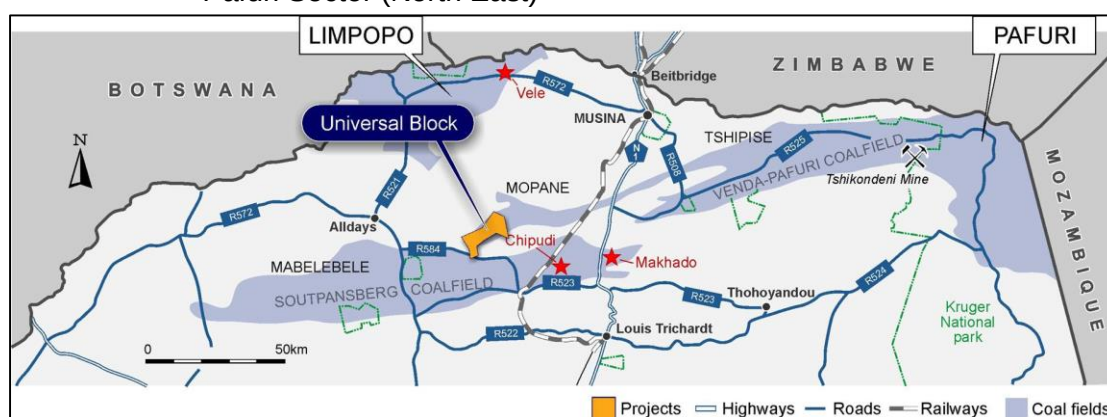


Figure 36. Showing the various sectors of the Soutpansberg/Venda-Pafuri coal fields

This coalfield is characterised by intensive faulting. Dislocations both parallel to strike and at a high angle thereto are common and sub-divide the coalfield into numerous irregular-sized blocks. Displacements vary between 20m and 200m. Syn-depositional faulting has to

some degree controlled the size of individual coal “blocks” and has affected coal distribution significantly. The result is the tendency for coal quality and thickness to vary markedly from place to place, due to varying local depositional environments.

The thickest coal zone in this region is to be found some distance to the east of Waterpoort, comprising up to nine composite seams separated by carbonaceous mudstone, over a stratigraphic interval of about 40m.

A progressive rank increase eastwards across the coalfield is indicated.

The coal zones in this area are developed within the Eccca Group in strata which may be broadly correlated to the Mikambeni and Madzaringwe Formations from the type area near Makhado towards the south-east. The Mikambeni and Madzaringwe Formations are the local representatives of the Vryheid and Volksrust Formations of the Main Karoo basin. These formations consist principally of fine-grained sediments such as siltstone, mudstone and shale and a number of zones/seams of coal.

The Eccca Group strata are underlain by varying thicknesses of the Tshidzi Formation (Dwyka Group) comprising a glacial sequence of tillites, diamictites, etc., representing the encroachment of the Karoo Supergroup over the pre-Karoo basement.

The Karoo Sequence rocks in the Soutpansberg Coalfield overlie Limpopo Mobile Belt and Soutpansberg-age rocks and dip at 2°-20° northwards, terminating against east-west trending strike faults forming the northern margins of the coalfield.

Regionally the nature of the coal deposits ranges from, in the west, multi-seam coal-mudstone associations (coal zones), some 40m thick, with seven discrete Coal Zones (ie. Mabelebele Sector & Waterpoort area), to 2 separate seams in the east (Pafuri Sector, Tshikondeni area), where an upper seam some 3m thick and a lower seam about 2m thick occur separated by approximately 100m of sediments.

Where developed, the coal component of the seams/zones is generally high in vitrinite content and the coal rank (carbon/energy content) steadily increases towards the east as well as to a more limited extent with depth. The Soutpansberg coal deposits are classified as a ‘thick interbedded coal seam’-type deposit [SAMREC Code (2007) and SANS10320:2004].

5.3 LOCALITY

The project is located in the Limpopo Province of South Africa, some 120km to the North of Polokwane and east-southeast of the settlement of Alldays. The project may be reached via an all-weather gravel road which branches off from the tar road between Alldays and

Waterpoort. The project area is approximately 50km by road from Alldays and about 30km by road from Waterpoort. The nearest sizeable town is Makhado (Louis Trichardt) some 80km by road to the south-east. The nearest accessible railway siding is at Waterpoort, approximately 30km south-east. The location of the property in relation to the settlements and infrastructure is illustrated overleaf in Figure 37.

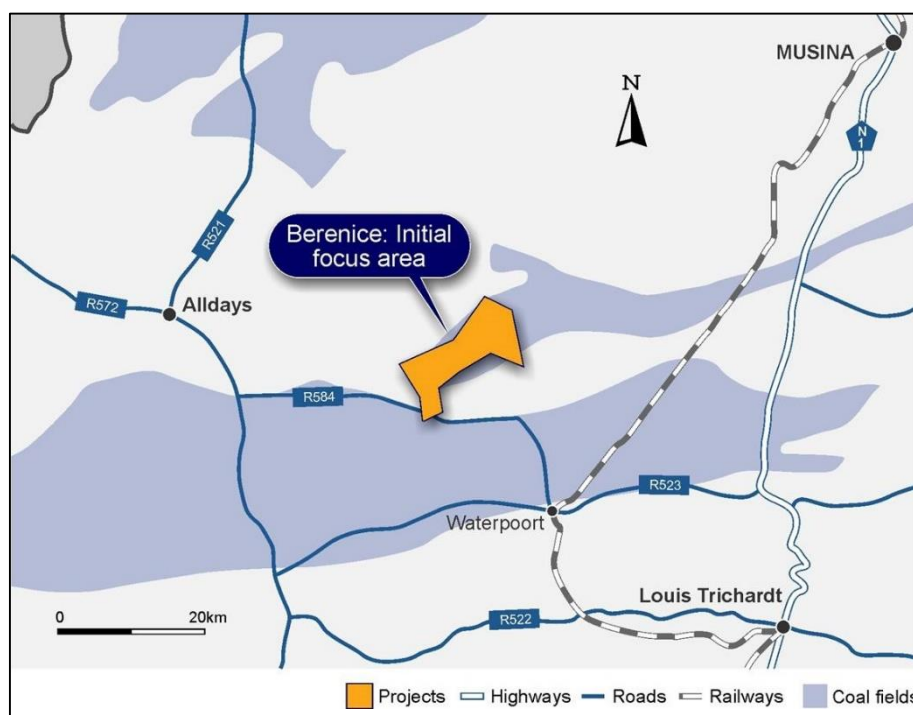


Figure 37. Location of the Berenice Cygnus project in relation to Alldays and Waterpoort

5.4 TENURE

The project area is held under two new order prospecting rights. Universal Coal plc entered into joint ventures with the BEE companies, Bono Lithi Investment Group (Pty) Ltd and Solar Spectrum Trading 365 (Pty) Ltd., which were granted the prospecting rights (Figure 38). The Universal Coal Development II (Pty) Ltd joint venture incorporates the prospecting right LP30/5/1/1/2/376PR and Universal Coal Development V (Pty) Ltd joint venture incorporates right LP30/5/1/1/2/1276PR. Refer to Table 35 below for details of each right. Berenice Project is 50.0% owned by Universal Coal Development II (Pty) Ltd, and Cygnus Project is 50.0% owned by Universal Coal Development V (Pty) Ltd both a subsidiary of Universal Coal. In addition, an application for a mining right was lodged by Universal Coal Development II (Pty) Ltd in December 2015, covering the Bono Lithi properties only. The mining right application exclude the Cygnus farm.

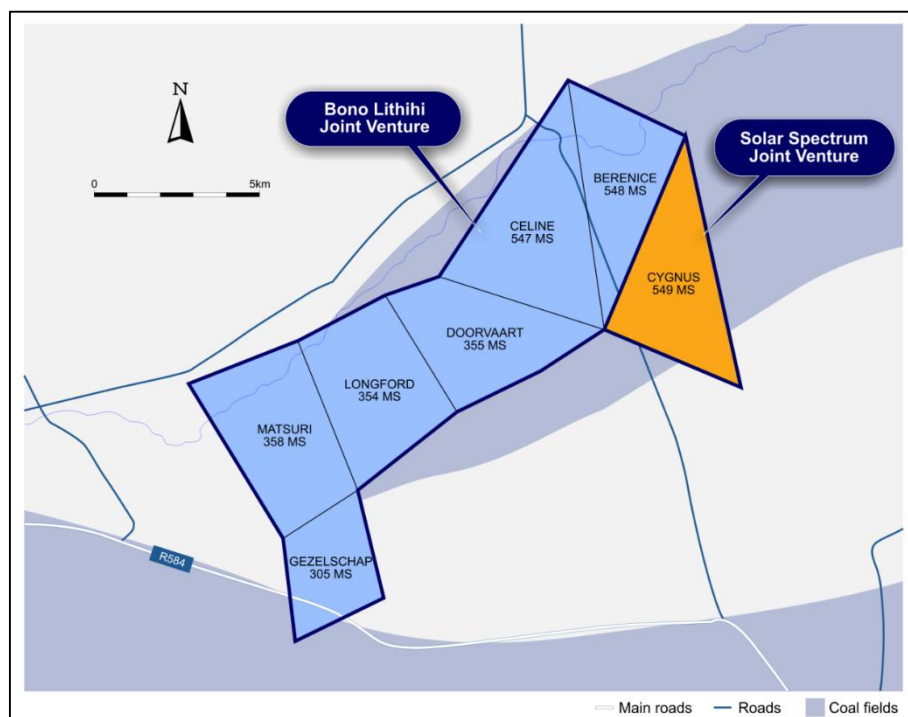


Figure 38. Berenice JV areas in partnership with BEE companies

Both the two prospecting rights include a number of other properties not included or reported on in this summary. These other properties falls outside the coal bearing area of the Berenice project, and is reported as part of the Somerville properties.

Table 35. Berenice Cygnus Project – Prospecting right details

Joint Venture Companies	Farms	Mine Title Registration Number	Permit Number	Interest (%)	Licence Expiry Date	Renewal granted	Size (ha)
Universal Coal Development II	Berenice (several farms)	342/2009 PR	LP30/5/1/1/2/376PR	50%	19/03/2016	Yes 20/03/2013	39,484
Universal Coal Development V	Cygnus (several farms)	227/2008 PR	LP30/5/1/1/2/1276PR	50%	06/05/2013	Application submitted 25/02/2013	12,299

5.5 BERENICE CYGNUS GEOLOGY

The Berenice Cygnus project is located north-west of Waterpoort, within the so-called “B”-block of the Mopane sector of the Soutpansberg coalfield. Here the coal-bearing strata are deposited in a half-graben within the basement (Limpopo Mobile Belt) bedrock, fault-bounded toward the north-west and sub-outcropping towards the south-east. The Karoo sediments continue in a thin “strip” towards the east, running south of Mopane and eventually into

the Tshipise area. The locality of the Berenice Cygnus property, superimposed on the regional geological map, appears in the following illustration (Figure 39).

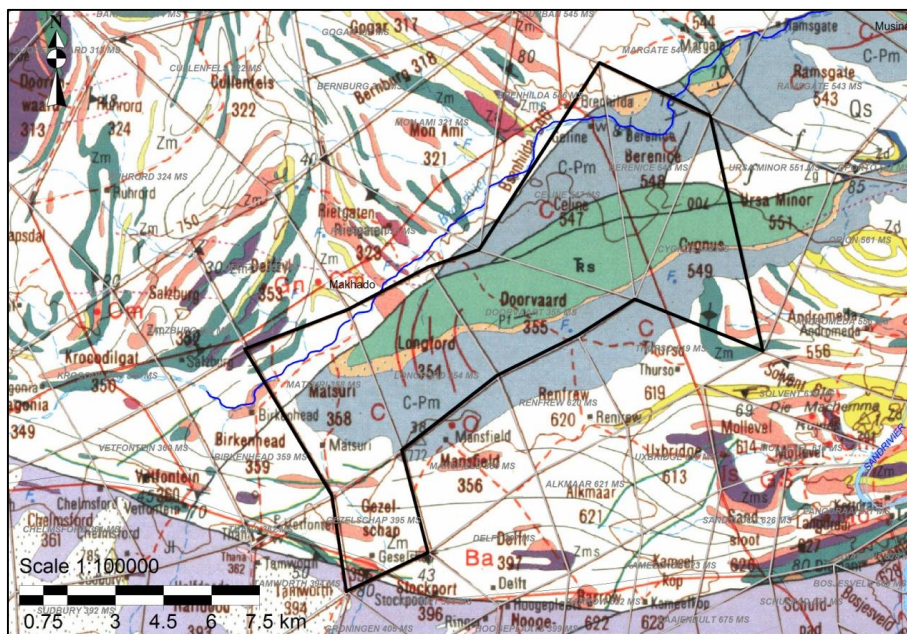


Figure 39. Geological map extract showing the location of the Berenice Cygnus project area

The full Karoo Sequence is present in the Berenice Cygnus area with the coal-rich Ecca Formation underlain by tillites and diamictites of the Tshidzi Formation (Dwyka Group) and overlain by the sandstone package of the Fripp Formations. In the deeper parts of the basin the Fripp Formation is overlain by siltstones and red mudstone/shales of the Beaufort Group. The coal deposits of this locality consist typically of bright coal/carbonaceous mudstone associations, forming a series of composite coal 'zones'. Three coal zones can be identified and are named from top to bottom:

- Upper Coal Zone
- Main Coal Zone
- Lower Coal Zone

A schematic generalised stratigraphic column for the Berenice Cygnus area appears in the following illustration.

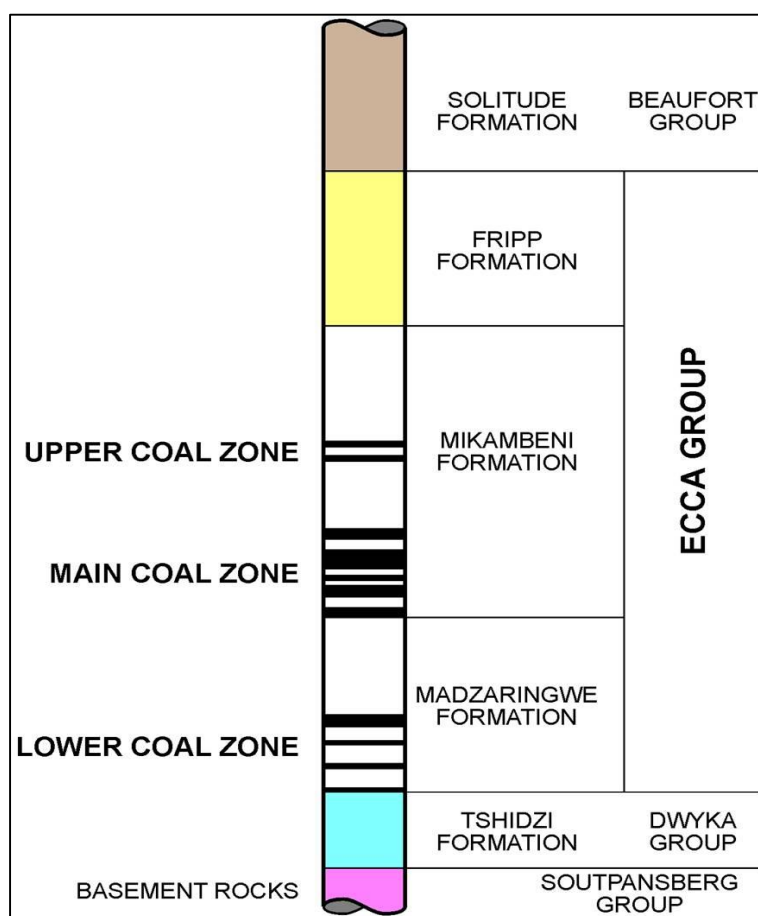


Figure 40. Schematic generalised stratigraphic column for the Berenice Cygnus project area

Correlation of the various coal-bearing zones, sub-zones and “plies” for the recently drilled boreholes has been undertaken to establish a level of correlation across the coal deposit. The Upper and Main Coal Zones display a relatively high degree of correlatability of zones, sub-zones and “plies” across the area, while the Lower Coal Zone tends to exhibit a marked degree of variability and hence is not so readily correlatable from borehole to borehole.

Geological interpretation suggests that, since the prominent orientation of the basin is roughly east-west, syn-depositional fault movements are likely to have resulted in basement “highs”, with the Lower Coal Zone preferentially deposited within elongate sub-basins with highly varying deposition environments. In contrast, partially due to the smoothing effect of earlier Lower Coal Zone sedimentation but also due to the inferred more stable tectonic conditions which are thought to have applied from the time of the deposition of the Main Coal Zone, depositional conditions and therefore the composition of the Main and Upper Coal Zones tend to be more uniform across the entire area.

The Upper and Main Coal Zones consist mostly of interlaminated to inter-bedded mudstone, coal and shale, while the Lower Zone, where developed, tends to be formed of a number of relatively thin coal beds or seams separated by non-carbonaceous or carbonaceous partings. The Main Coal zone, where preserved from weathering and erosion, is persistently well-developed and contains a number of sub-zones comprising “plies” with a significant proportion of bright coal. The Upper Coal Zone appears to be more variable in terms of thickness and is seemingly absent in some localities. In general this zone comprises between two and five sub-zones or “plies”. The upper portion of this zone generally contains a slightly greater proportion of coal to the lower section and in some areas “shaling-out” of plies is indicated. The Lower Coal Zone appears to be only significantly developed towards the west of the exploration area (farms Longford and Matsuri) and is seemingly absent in general in the east (Cygnus & Berenice farms).

In order to process the data for this project the coal zones were split into a number of “coal plies”(S) representing the main coal sub-zone units and intra-zone “partings”(P) (units with a low coal content).

The “plies” are designated as follows:

- UPPER COAL ZONE: S01 (S01A/S01B).
- MAIN COAL ZONE: S02, P03, S04, P05, S06, P07, S08, S09, P10, S11, P11, S12, P13, S14, S15, S16.
- LOWER COAL ZONE: S18.

A typical profile showing the various zones appears overleaf (Figure 41).

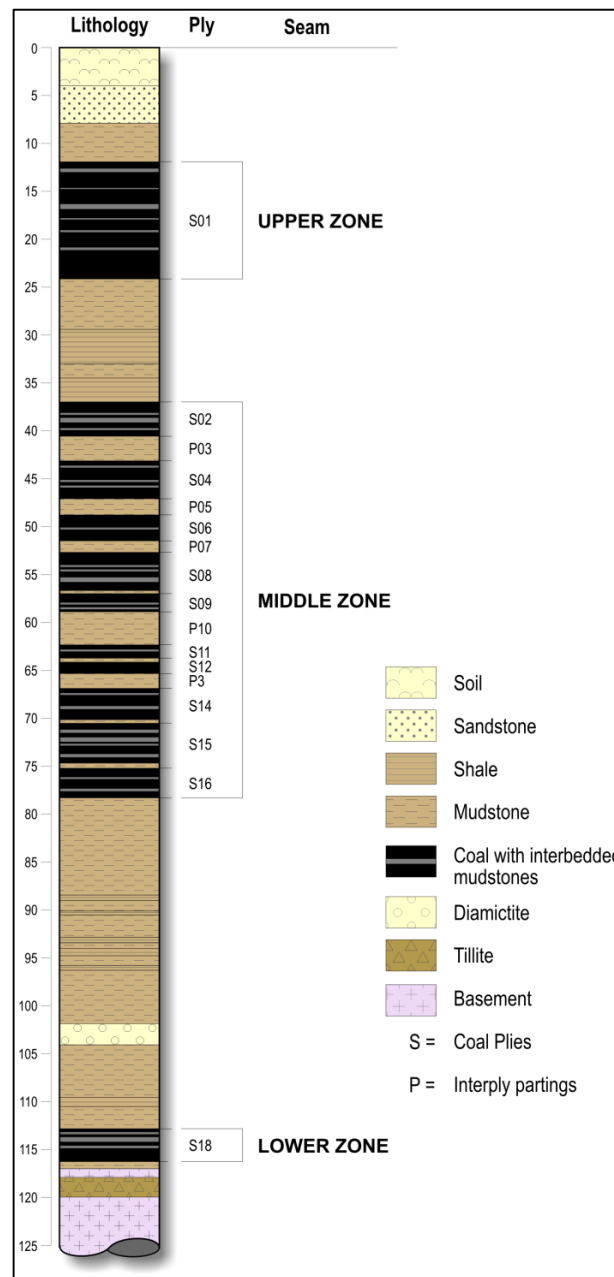


Figure 41. Typical profile showing the coal zones in the Berenice Cygnus project area

A detailed profile of the Middle Coal Zone, showing the various coal plies and partings, is presented below in Figure 42. The average borehole depth below surface, average thickness as well as minimum and maximum depths for each ply are summarised in Table 36 overleaf.

The coal zones sub-outcrop towards the south of the project area, but minimum depths below surface (from a practical mining perspective) are only between 16-28m, largely as a result of the relative deep weathering profile. Coal ply thickness is on average between 1.2 to 3.5m, but for individual plies can reach thicknesses of up to 5.4m.

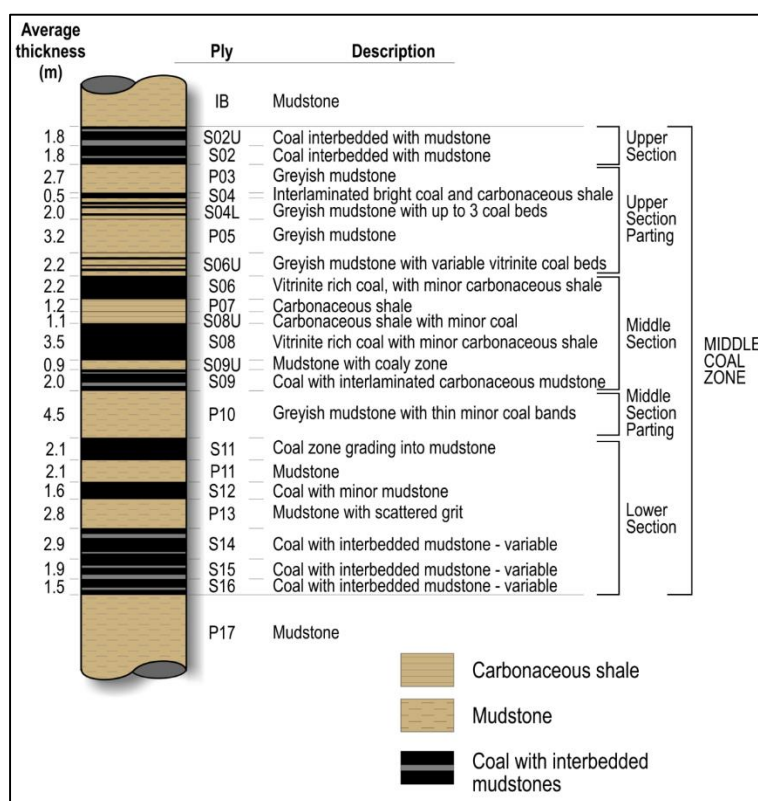


Figure 42. Berenice Cygnus - Detailed profile of the Middle Coal Zone indicating coal plies and partings

Table 36. Berenice Cygnus - Average, minimum and maximum depth and thickness per coal ply

Coal Ply	Average depth below surface (m)	Minimum Depth below surface(m)	Maximum Depth below surface(m)	Average Thickness (m)	Minimum Thickness (m)	Maximum Thickness (m)
S02	95.7	21.6	217.1	3.4	1.6	4.7
S04	98.1	20.5	221.8	2.7	0.4	4.2
S06	100.0	16.6	229.1	4.0	0.6	6.7
S08	102.6	15.1	233.6	3.5	0.3	6.2
S09	105.3	20.3	238.1	2.4	0.4	5.6
S11	110.4	26.4	245.7	2.3	0.5	6.6
S12	113.7	28.0	249.2	1.6	0.0	4.5
S14	107.4	32.8	259.1	2.8	0.5	5.6
S15	93.7	37.5	191.9	1.8	1.1	6.4

The coal measures are preserved within down-faulted (graben-type) structures. Dislocation of the coal measures by faulting both parallel to strike and at an angle thereto is indicated. Based on available data, the western section of the coal-bearing area of the Berenice project (farms Longford, Doorvaardt and the southern section of Celine) appears to be structurally more stable than further towards the north-east and east (Farms Cygnus, Berenice and the larger part of Celine). This results in generally larger coal resource blocks in the former area and higher structural complexity with smaller structural resource blocks elsewhere. Preliminary structural interpretation suggests that fault displacements of between 20 and 170m define the major structural blocks of this area. In general, the more southerly strike faulting appears to cause displacements of up to 50m, while faults further to the north are expected to exhibit larger displacements. Cross faulting with significant displacements can also be postulated. At this stage the structural interpretation must be considered as tentative and in some areas is considered to be highly conjectural, with several alternative interpretations which fit the available geological data. It is most likely that additional exploration and geophysical work will elucidate a somewhat more complex pattern of fault displacements.

Regional dip appears to be towards the north with local deviations towards the north-east or north-west presumably due to block rotation of strata between fault zones or resulting from presently undetected cross-faulting. Coal zone dips generally vary between 1.5°-6°.

5.6 SOURCE OF INFORMATION

Between 2010 and 2012 Gemecs was actively involved with the onsite management of the exploration drilling. During this time Gemecs had two full time geologists present on the site, and both the author as well as Mr TJ Fox, associate of Gemecs, visited the project site on a regular basis. The coal resource estimation is based on a geological model created by Gemecs during 2013, and includes all available borehole information, wireline logging and coal analytical data stored in a borehole data base.

5.7 GEOLOGICAL MODELLING AND RESOURCE ESTIMATION

Historical exploration dates back to 1974 when the Trans-Natal Coal Corporation drilled 5 boreholes on Cygnus 549MS to evaluate the coal deposit. Goldfields of SA drilled 2 boreholes in 1977 on the farm Celine 547MS, but only limited information concerning this work is available. This area was identified by Rio Tinto Mining and Exploration as a potential coking coal source in around 2003. This organization previously held prospecting rights, in a JV with Khwezi Mining, in this locality, encompassing the farms Berenice 548MS, Celine 547MS, Cygnus 543MS, Doorvaardt 355MS, Longford 354MS, Mansfield 356MS, Renfrew

628MS and Thurso 619MS. It is known that at least 4 boreholes were drilled circa 2004/5 in this block (one each on Cygnus 549MS, Berenice 548MS, Celine 547MS and Doorvaardt 355MS).

In 2010, Universal Coal identified this area as having potential for the presence of coking coal deposits. This was based on resource reports from the results of historical drilling reported previously. Since 2010 two phases of exploration core drilling have been completed on the Berenice Project area. A plan indicating total borehole coverage to date is presented below in Figure 43. A total of 52 small diameter boreholes were drilled as part of phase 1 (2011), and were followed by another 60 small diameter boreholes during phase 2 (2012) totalling 112 boreholes. The second phase (2012) focussed largely on drilling out the southern shallow (open cast) portion of the coal deposit. All primary (small-diameter) boreholes were fully cored from surface to below the lowermost carbonaceous horizon and in some cases to basement rocks.

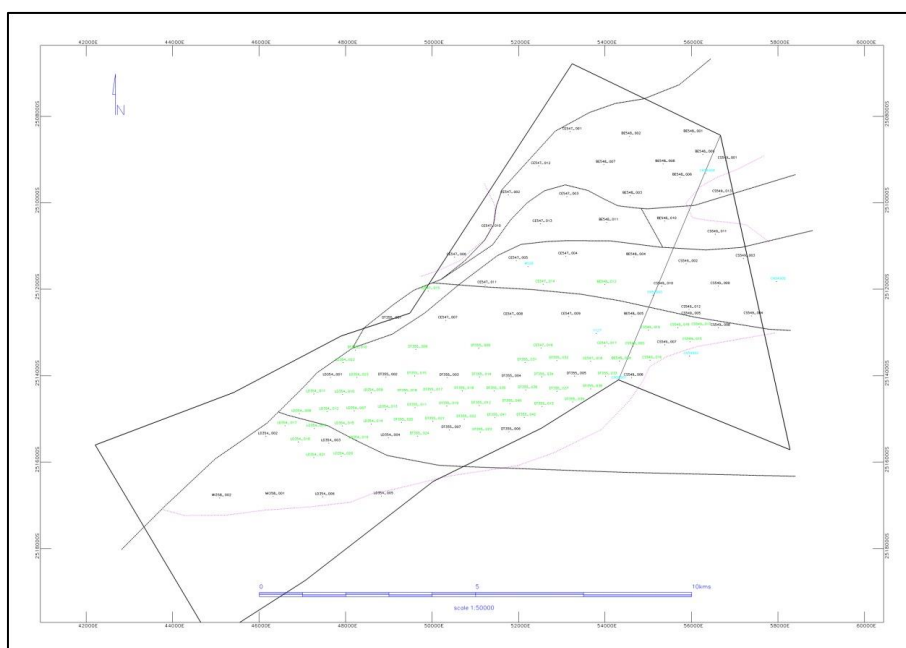


Figure 43. Plan showing borehole localities for the Berenice Cygnus project

Additional 22 large diameter holes (T6-146 core size) providing a nominal 123mm diameter core, and twinning approximately 20% of the slim diameter bore holes, were drilled at selected drill sites across the area, but focussing largely on the southern shallow portion of the resource area. The purpose of the large diameter drilling was:

- to obtain sufficient sample for extensive coking and other beneficiation tests - the large diameter core drilling provides some three times more volume of core compared to HQ/TNW drilling.
- to obtain more precise yield and coal quality data - large diameter drilling conducted by CoAL at the adjacent Vele and Makhado coking coal projects returned substantially increased coking coal yields and qualities in comparison to the results obtained from the slim diameter resource drilling.

The large diameter boreholes were located immediately next to the primary slim diameter boreholes and were piloted by percussion drilling techniques to above the coal-bearing interval. The large diameter boreholes were advanced across the total interval of the indicated potentially productive coal horizons. In most of these boreholes a high level of core recovery (94-100%) was obtained.

Coal samples were all submitted to Inspectorate M&L, a certified and SANAS accredited coal laboratory. Based on the experience and expertise base of this concern, the present authors have no reservations concerning the analytical results presented, in terms of compliance to the norms of coal analytical results.

The modelling database is set up to model the individual coal plies. Historical boreholes were not included in the modelling process due to the lack of detail on the coal plies. Faulted and non-representative boreholes were also excluded. Large diameter boreholes were regarded as twin holes, and were not used in the general structure model. In total, 105 boreholes were used for the geological model. A three dimensional structural model, raw coal quality model as well as washability model was created for all the coal plies. Coal extrapolation was limited to 500m from the last known borehole data point.

Structural and quality modelling was done on a 50x50m grid interval. For each coal ply, a roof, floor and thickness grid was created. Due to the complexity of the ore body structure, and little additional information at hand to interpret any detailed structures, only the major fault structures and basement features were included in the modelling process. As more detail information i.e. aeromagnetic surveys, infill drilling become available, these structural models will be enhanced accordingly.

The S08 coal ply, being the most prominent and best developed ply in the project area, was used as a marker horizon to interpret and model faults structures and general coal ply structure across the resource area. Numerous cross sections were done across strike and dip to interrogate and validate the structural model. A total of 5 major fault zones, striking

generally east-west were interpreted from the borehole data, with displacements ranging between 20-150m. This results in smaller fault (resource) blocks with variable dip and strike. Some of these blocks have limited borehole information, and regional dip and strikes were applied to achieve an acceptable structural interpretation and model. Known basement areas were used to exclude any coal resources, and the weathering surface was used to terminate the shallow coal, and to estimate coal ply sub outcrops positions.

Raw coal qualities were modelled for each coal ply with the Minex modelling software. Qualities modelled and reported are: RD (Relative density), CV (Calorific Value), AS (Ash), IM (Inherent Moisture), FC (Fixed carbon), VM (Volatile matter), TS (Total Sulphur) and DAF (Dry Ash Free Volatile). All qualities reported are on an air-dried basis.

Coal product washabilities were modelled and reported for the following coal products:

- Primary coking coal product at a wash RD of 1.40 with a secondary steam coal product at RD 1.80.

No geostatistical studies were done to determine the coal classification, as this project was completed prior to 2012 when the updated JORC code came into effect. Therefore the classification is still based on the 2003 Australian guidelines for Coal reporting. Only boreholes where the coal seam was analysed were considered as point observations to be used for resource classification. Resource classes applied to the resource estimation is based on borehole spacing (between points of observation) as summarised in Table 37.

Table 37. Resource classification according to borehole density

RESOURCE CLASSIFICATION ACCORDING TO BOREHOLE DENSITY DRILL GRID (m)	AREA (ha)	DRILLHOLES PER 100ha	RESOURCE CLASS
500 x 500	25	4	Measured
1000 x 1000	100	1	Indicated
4000 x 4000	1600	0.06	Inferred *

Note that Gemecs has reported Inferred coal resources only up to 2000m due to structural limitations in the project area.

5.8 COAL RESOURCES

Physical and coal quality cut-offs have been applied to the reported GTIS tonnage estimation as follows:

- A minimum thickness of 0.50m was excluded for each ply.
- A maximum raw ash value cut-off at 65% was applied to reported coal tonnages.

Furthermore the following assumptions apply to this resource estimate:

- The bottom of the weathering surface was used to cut off any weathered coal.
- A discount factor was applied to Gross in situ tonnages (GTIS) to obtain Mineable tonnes in situ (MTIS), to account for geological losses due to geological structure and accuracy of geological interpretation for the property. In the case of resource areas defined as "Inferred" a 20% loss was applied and in the case of resource areas defined as "Measured" and "Indicated" a 15% loss was applied.
- Inferred coal resources reported up to a drill hole spacing of 2000m only.

Coal resources were split into potential Opencast and potential Underground resources by applying the following criteria:

- Opencast areas – Resource areas where the strip ratio is equal or less than 3:1 (cubic metres/tonne). Areas are subdivided by fault boundaries.
- Underground areas – Resource areas where the strip ratio is more than 3:1 (cubic metres/tonne). Areas are subdivided according to faults boundaries.
- Plies S02, S06, S08, S09, S11, S12, S14, S15 & S18 are regarded as potential contributors to the total coal resource base for this project in terms of opencast mining.
- Potential underground extraction of plies is to be investigated, and all coal plies are reported as coal resources at present.

More detailed work would still be required, also incorporating maximum depth below surface cut offs, coal quality cut offs and practical mining considerations before final mineable opencast and underground resource areas can be defined and reported.

In situ coal resources are estimated and reported for the total Berenice Cygnus project area, as well as for selected opencast and underground resource areas. In total 4 potential opencast and 3 underground areas are currently identified based on the assumptions described above. A plan illustrating this reported coal resource areas are presented in Figure 44, where light blue indicates opencast resource areas and dark blue the underground resource areas. The total resource area is limited by the black outline according to the farm boundaries.

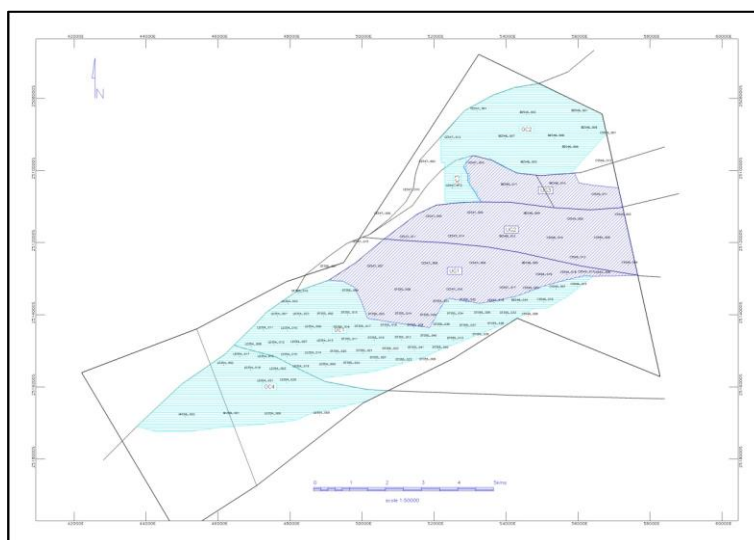


Figure 44. Berenice Cygnus plan illustrating reported opencast and underground resource areas

No changes are reported compared to previous coal resource statements. Gross in situ coal resources for the total project area is estimated at **1 350.1 million tonnes**, with 424.91 million tonnes classified as Measured (32%), 800.9 million tonnes as Indicated (60%) and 124.3 million tonnes as Inferred (8%). Of this total, some 600Mt (after geological losses) may be amenable to exploitation by opencast techniques. For underground areas a total of 503.3Mt (after geological losses) is reported.

The gross in situ tonnes for the farm Cygnus is estimated at **145.8 million tonnes**. This is inclusive of the coal resources as reported for Berenice, and is only stated separately as it is covered by a separate prospecting licence and JV partner. A summary of coal resources by status is presented below in Table 38, with the mineable In situ tonnes summary in Table 39.

Table 38. Berenice Cygnus project – Summary of coal resources by status

Summary of resources by status					
Coal	Gross in situ tonnes		Mineable in situ tonnes		
Category	Gross in situ tonnes	Net Attributable	Mineable in situ tonnes	Net Attributable	Operator
	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	
Measured	424.91	212.46	352.81	176.41	
Indicated	800.9	400.5	660.3	330.2	
Inferred	124.3	62.2	90.5	45.3	
Total	1 350.1	675.1	1 103.6	551.8	Universal Coal Development II (Pty) Ltd

****Includes Cygnus GTIS of 145.8 million tonnes**

****Includes Cygnus MTIS of 119.7 million tonnes**

Table 39. Berenice Cygnus - Mineable in situ tonnes for opencast and underground resource areas

Resource Category	Opencast Mineable In Situ Tonnes (Mt) (after geological losses)	Underground Mineable In Situ Tonnes (Mt) (after geological losses)
Measured	293.7	59.1
Indicated	260.4	399.8
Inferred	46.1	44.4
Total	600.3	503.3

5.9 COAL QUALITY AND PRODUCTS

All slim diameter coal samples were washed at various density fractions and analysed and yields and qualities were calculated for the following products (Excludes fines in products):

- A primary coking coal product at a cumulative F1.40 density – this is deemed to be representative of the coking coal most likely to be produced at Berenice
- a secondary thermal coal product at RD1.80, i.e. cumulative F1.45-F1.80

The coal at the Berenice Cygnus project is typically bright and vitrinite-rich, with high volatile matter, moderate sulphur, low inherent moisture and low phosphorous content.

Analyses and detailed coal test work have confirmed that a primary soft coking product with a thermal secondary coal by-product can be obtained from the Berenice coal plies. The combined (primary coking coal plus secondary thermal coal) average theoretical coal yield obtained from the slim diameter drilling for the S02, S04, S06, S08, S09, S11, S12, S14 and S15 plies over the entire project area averages between 27% to 54%.

The results of analyses conducted on large diameter core samples from the Southern Open Cast Resource Area returned theoretical coking coal yields 40% higher than what is reported from the twin slim diameter core samples. The weighted average coking coal yield (at RD1.40) for all the coal plies combined, obtained from the large diameter drilling from this area is 18.8%, compared to 13.8% for the slim diameter drilling, with the S02L, S06L and S08 yielding 22.2%, 21.2% and 29.1% coking coal respectively.

Detailed analyses conducted on samples obtained during the 2011 and 2012 large diameter drilling programmes indicate that the Berenice coking coal could be classed as a medium ash (9.5%-10.5%), medium rank C, high vitrinite (82-85%) soft coking coal (according to ISO 11760: 2005 Classification of Coal by Rank) with high volatile content (+34% vols.), good

caking properties (FSI (5-9), Roga (77-92), Grey King (G8-G11)) and high Fluidity ($\pm 20,000$ ddpm).

Wash simulations indicate that the coal plies can yield 28.5% (weighted average over all plies at RD1.80) thermal coal as a secondary product with a calorific value of 22.3 MJ/kg (ad basis) and a volatile matter content of 28.6%. Higher quality thermal coal can be produced as a by-product but at lower yields.

6. SOMERVILLE PROJECT

6.1 INTRODUCTION

The potential of certain properties held by JV partner Bono Lithi Investment Group (Pty) Ltd. in the Limpopo Coalfields in South Africa was investigated on behalf of Universal Coal. These properties, also known as the Somerville project is part of the Berenice prospecting right, but are located further to the north in the Tuli block, Limpopo Coalfield. Limited pertinent exploration data for this area was available which is considered inadequate for a proper evaluation of the areas concerned.

6.2 GEOLOGY

The Tuli Coalfield is situated in the northernmost extremity of the Limpopo Province of South Africa, west of the town of Musina (Messina) (Figure 45). The coal is contained in a basinal structure of Karoo rocks which straddles the boundaries of the RSA, Botswana and Zimbabwe. The Tuli Coalfield, which is also referred to as the Mapungubwe Coalfield, occurs in a rather arid and sparsely inhabited territory remote from any industrial activity. The coalfield topography is rather flat to gently undulating with a gentle northward slope towards the broad Limpopo valley. The extent of the basin of Karoo rocks south of the Limpopo River is defined by an erosional boundary. From this limit, both the pre-Karoo surface and the Karoo strata dip at a shallow angle of up to 2° towards the north and north-west, however, some of the apparent dip could be due to minor faulting. No evidence of major faulting is indicated by the available exploration results. A number of significant dykes, up to 20m wide, strike East-West across the area and are usually manifested on surface by low ridges of indurated sandstone. Several smaller dykes, with similar orientation, are indicated from regional magnetometric work. The orientation of the bottom coal zone is expected to reflect the pre-Karoo Basement topography to a large extent, since the base of this coal zone occurs mainly within 5 to 15m of the basement surface.



Figure 45. Location of the Tuli coalfield in South Africa

The coal-bearing zone is located at depths of less than 50m along the southern margin of the basin, but increases to over 300m deep towards the Limpopo River valley. The Coal Zone is present throughout the Karoo basinal trough south of the Limpopo River, but shows more restricted development in the extreme west and along its extension into Botswana. The area where indicated exploitable coal seams occur is generally considered to be restricted to the south-eastern part of the Ecca Group sediments within the Karoo trough.

The coal-bearing zone in the latter area occurs at depths ranging from 20m in the south to 200m or more in the north with the average depth of the coal being about 110m. The Coal Zone is approximately 10m thick, consisting of interbedded coal and carbonaceous shale/mudstones, typical of the Volksrust Formation coal deposits as encountered elsewhere in the region. In the potentially exploitable coal zone area, three stratigraphic units can be recognised in the Middle Ecca Formation, known as Top, Middle and Bottom Coal Units ('seams'). A typical borehole stratigraphic column and Coal Zone profile (showing identified "plies" or units) is shown in Figure 46.

The coal-bearing units within this coalfield are, in general, comprised as follows:

- Top: 2m to 3m thick, containing 55% to 65% coal, but rather variable and impersistent in nature;
- Middle: 3m to 5.5m thick, containing 20% to 45% coal;
- Bottom: 1.5m to 3.5m thick, containing 65% to 80% coal.

This Zonation is also illustrated in the figure overleaf (Figure 48):

Two exploitable coal 'sections' between 1 & 3m thick are contained within the 10m wide 'coal zone'. These 'sections' are contained in the Basal unit and the Upper unit of the Coal zone, the Middle Unit being mostly of shale/mudstone. The relatively flat-lying seams are conducive to exploitation by opencast and underground mining methods.

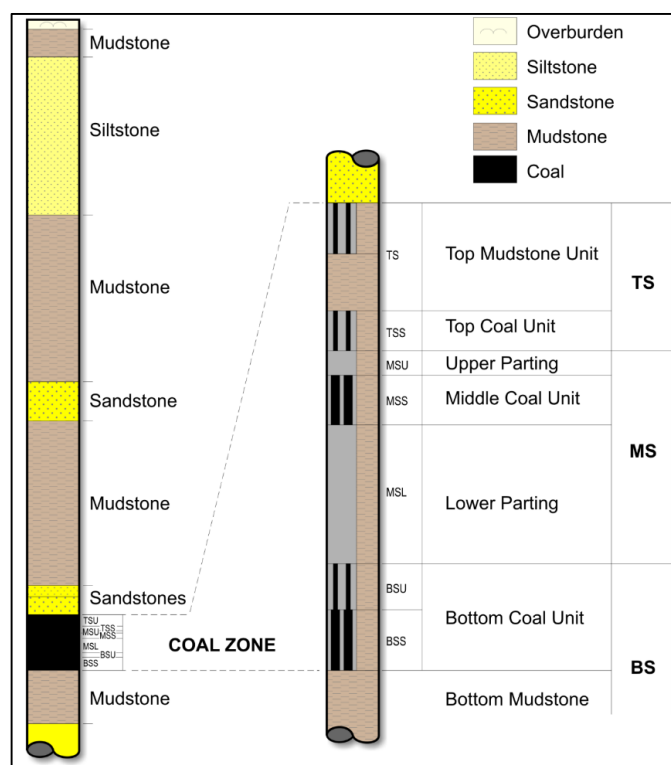


Figure 46. Typical borehole stratigraphic column and coal zone profile for the Somerville properties

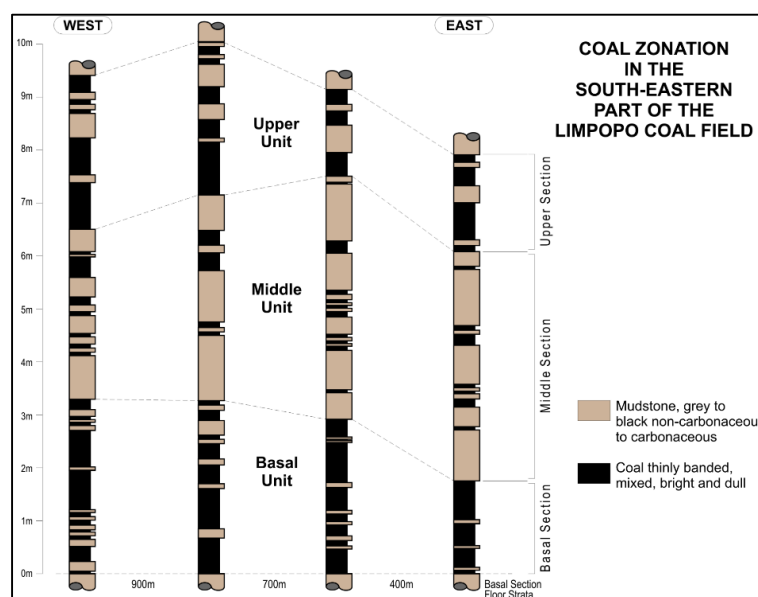


Figure 47. Zonation of coal zones in the Limpopo coalfield

The principal coal development of economic importance is contained in the Basal Section. In a few cases the entire Basal Unit is mineable but usually only a portion forms the “mineable selection” and is referred to as the ‘Basal Seam’, located mostly at the very bottom of the Basal Unit. It has an average thickness of 1.6m and consists of thinly banded, mixed, bright and dull coal with numerous thin mudstone partings. The partings are generally lensoidal, erratic and laterally impersistent.

The ‘Upper Seam’ or potentially workable portion of the Upper Unit/section is confined to the central part of the anticipated potentially mineable area. The physical characteristics of the seam, including the roof conditions, resemble those of the Basal Seam except that the selection width is somewhat narrower with an average of just 1.2m.

Since the coal is interbedded with thin mudstone/shale bands it can be separated by washing at a high relative density. The coal has to be crushed to a small size to liberate the vitrinite from the finely disseminated mineral matter. Beneficiation and coking tests have confirmed that the clean coal is of high quality and has potential for producing a reasonable quality coke product.

6.3 LOCALITY

The Somerville areas, located within the Limpopo Coalfield, are west of the town of Musina and north of Alldays. The R521 road from Alldays, which runs northwards to Pontdrift at the Zimbabwe border, crosses this area. These properties are situated some 40-50km north of Alldays, 85-95km west of Musina/Beit Bridge and up to 15km south from the Limpopo

River. The properties are accessed from the R521 road and by a relatively sparse network of all-weather secondary roads as well as farm tracks, which branch off the R521 from Alldays. The nearest settlement of significance is Bridgewater, about 15km to the south. The properties form an area of adjoining rights (5 are contiguous and the 6th is adjacent, with a common joining point to the other 5). The 'block' is located mainly west of the R521 and partially adjoins the Limpopo River (Botswana border) in the north (3 farms). The Pontdrift-Alldays road crosses the north-eastern corner of the 'block'. These properties are shown on the following locality map (Figure 48).

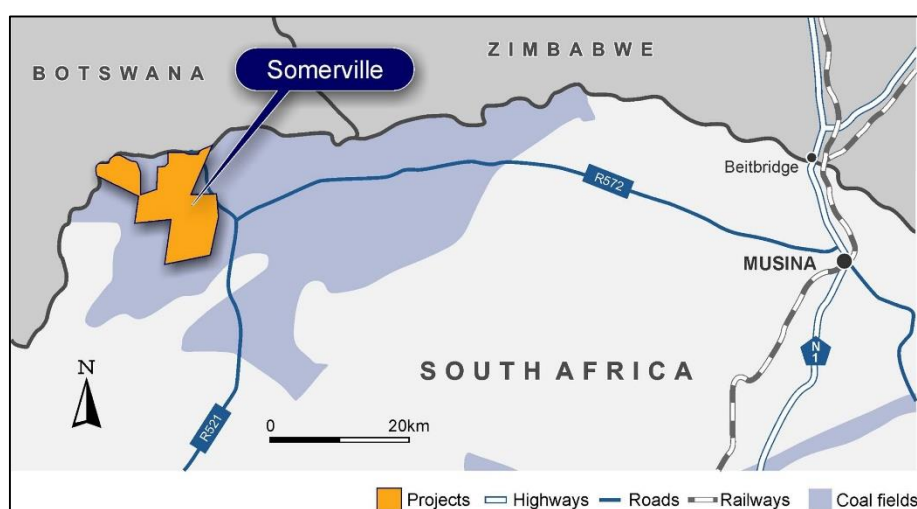


Figure 48. Locality of the Somerville block properties.

It would appear that these properties are located within the proclaimed reserves and buffer areas according to the Department of Environmental affairs official website and database. The link to the site is listed here for reference: <http://arcg.is/1Tncuwt>. Any mining activities will require an Environmental Authorisation and this may be difficult to secure in reserves and buffer zones around Mapungubwe. A map showing the proclaimed areas in green, with farm localities marked, is presented below in Figure 49.

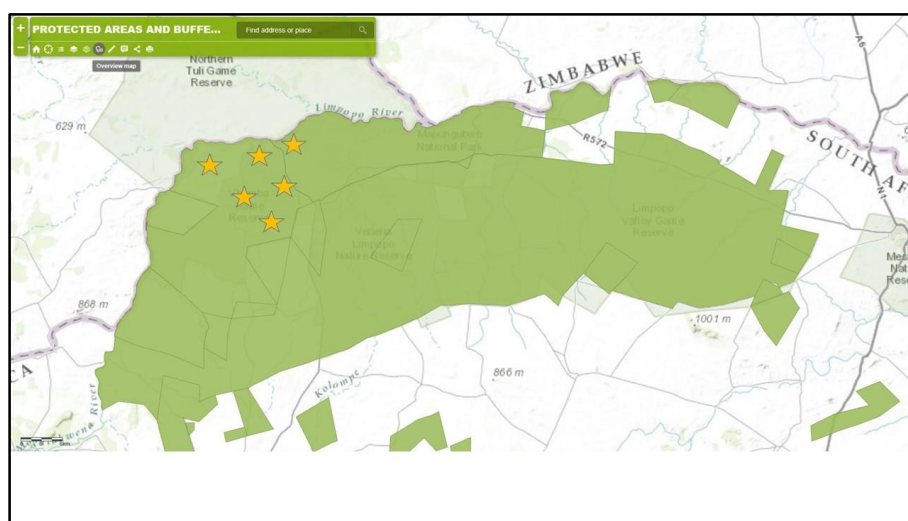


Figure 49. Location of the Somerville block properties in relation to proclaimed reserves

6.4 TENURE

The Somerville project area is held under a new order prospecting right together with the Berenice Project, LP30/5/1/1/2/376PR. The prospecting right renewal was granted on 20 March 2013, and is valid for a further 3 years. Somerville Project is 50.0% owned by Universal Coal Development II (Pty) Ltd a subsidiary of Universal Coal. Together with Berenice, this project covers an area of 39 484 ha. A summary of the mineral rights for these properties are presented below in Table 40 and Figure 50.

Table 40. Somerville project farm portions mineral rights summary

FARM NAME	SIZE (ha)	Prospect Permit Number	Holder	Interest	Expiry date
RATHO 1 MS	2 012	LP30/5/1/1/2/376PR	Universal Coal Development II (Pty) Ltd	50.0%	19-03-2016
PARMA 40 MS	2 165				
PONT DRIFT 12 MS	1 251				
PRINCESS ROYAL 10	1 579				
MONTROW 6 MS	2 563				
SOMERVILLE 9 MS	3 319				
Total	12 889				

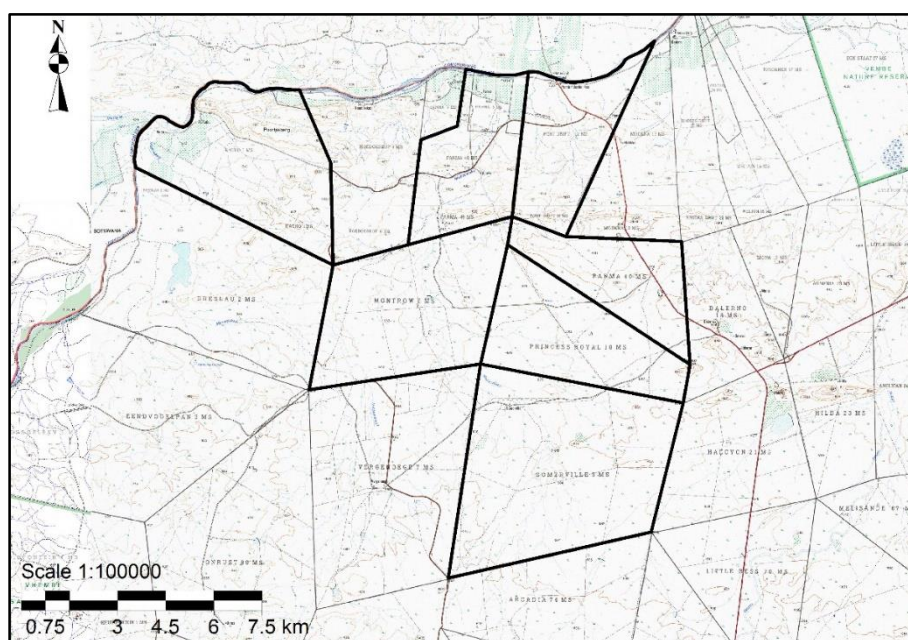


Figure 50. Plan indicating the relevant farms of the Somerville project

6.5 SOMERVILLE GEOLOGY

The Somerville properties, super-imposed on the regional geological map of the area, are illustrated in Figure 51 below. It may be envisaged that at the northern-eastern edge of the Tuli Block properties (e.g. Farm Pontdrift 12MS) the depth to the coal zone may be of the order of 350m (assuming an average dip of 1.5°) and therefore the southern portion (and possibly also the western margins e.g. Farm Ratho 1MS) of this 'block' are envisaged as having the greater potential for potentially exploitable coal. This view is borne out by reference to the geological map of the area, which indicates the presence of Stormberg series (K4) strata as bedrock in some places towards the boundary between RSA & Botswana in the north. This is presumably why no known prospecting has previously been undertaken further to the north and north-west of Somerville farm.

It is clear from the foregoing that the potential for opencastable coal in this area is likely to be very limited (current indications suggest that this would be restricted to a zone in the south-western corner of the Somerville property). The remainder of any mineable coal deposits are thus likely only be amenable to underground exploitation. Underground recovery of coal from the Limpopo coalfield-type deposits is likely to be difficult and expensive and would not be able to compete with opencast-type operations.

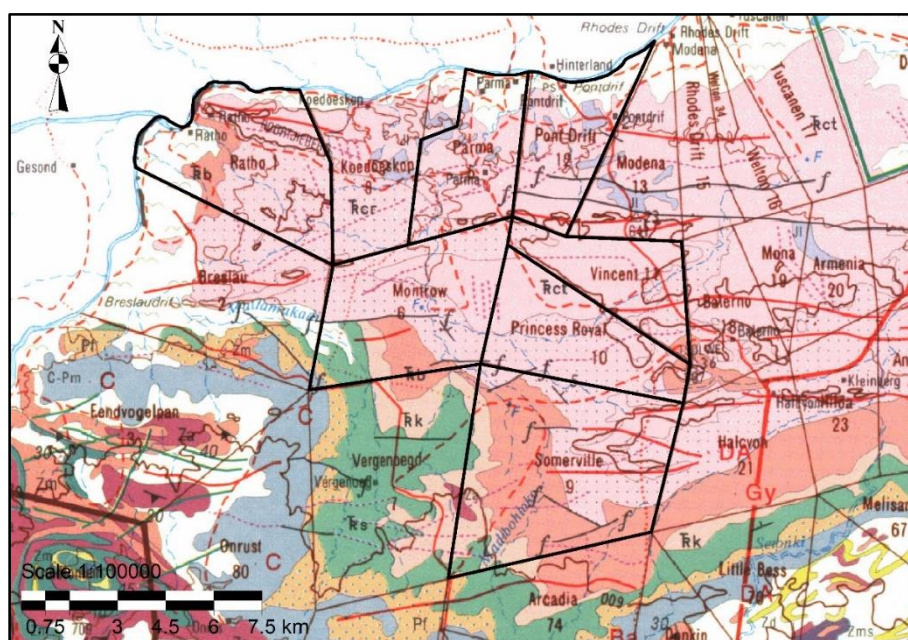


Figure 51. Geological map showing the outline of the Somerville properties

In view of the uncertainty as to coal depth along the western part of the Somerville block properties due to lack of detailed structural knowledge, the possibility of locating other areas of relatively shallow coal cannot be excluded. In this regard prospecting at selected sites on the farms Ratho 1MS & Montrow 8MS will be necessary to investigate this issue.

6.6 SOURCE OF INFORMATION

No site visit was done by the author to the project area. The results and report is purely based on a desktop study as was the original scope of work of this project as was completed during 2013. It includes all available borehole information and coal analytical data that was provided by Universal Coal.

6.7 GEOLOGICAL MODELLING AND RESOURCE ESTIMATION

The only known exploration drilling was undertaken by Anglo American Corporation of South Africa during 1969. Borehole data for the historical exploration drilling were sourced from the Council for Geoscience. It consist of 3 Excel spread sheet files including the borehole headers, lithologies and analyses. These where all electronically converted from copies of borehole logs from Anglo American by the Counsel for Geoscience. Gemecs did not have access to the originals, nor any copies of the original logs for validation, and assumed these electronic datasets to be correct. A total of 6 boreholes were drilled on the farm Somerville 9MS. The borehole positions relative to the farm portions and geological map are indicated in Figure 52.

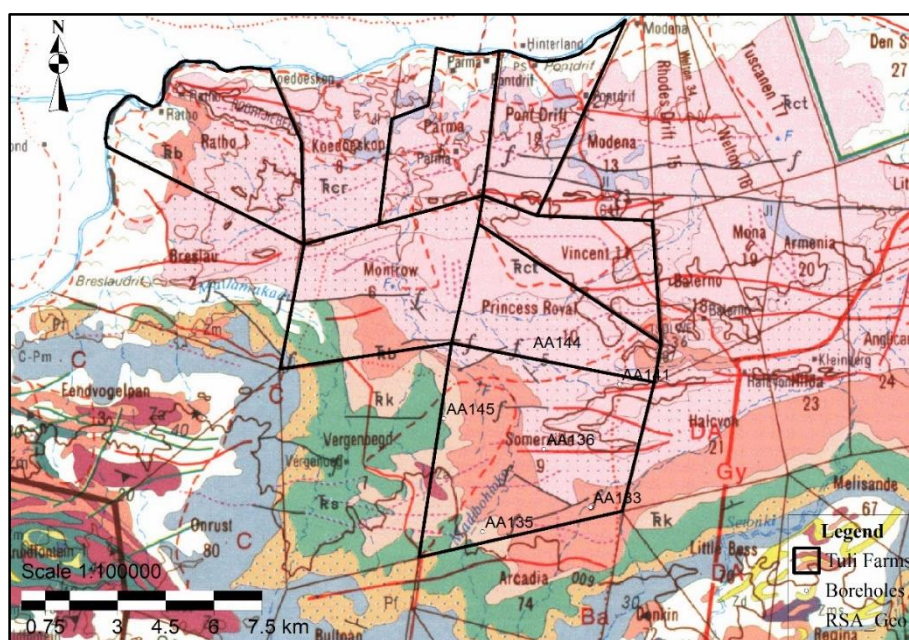


Figure 52. Geological map with borehole positions

All these boreholes except AA145 intersected coal. These coal units were correlated and roof, floor and thickness models were created for each coal zone. With a single exception only raw coal values for CV and ash were available and quality models were created for each of these values.

Based on the available information it would appear that a single “Main Coal Zone” is developed in the boreholes on the Somerville property. This probably represents a close association of the Top, Middle and Bottom Zones, as encountered elsewhere in the vicinity. The “coal zone” ranges from 3.8 to 11.0m in the borehole intersections (5 intersections). One borehole did not intersect coal, but is believed either to be too shallow or to have intersected basement rock due to local uplift or a palæo-“high” feature (lithological description is indecisive).

Due to limited borehole and sampling information, only part of the drilled properties could be classified as inferred resources. The remainder of the farm portions have coal potential, but drilling is needed to confirm the presence of coal seams and related coal qualities. No accurate tonnage estimation and resource classification can be made without borehole or other point observations.

In situ coal resources were reported for each coal zone excluding the mudstone partings. No minimum coal thickness or quality cut offs were applied at this stage, as more detailed correlation and associated sampling has to be done in order to define resource selections.

Geological losses of 30% are applied to the gross in situ tonnes.

6.8 COAL RESOURCE SUMMARY

Coal resources are reported for coal zones excluding mudstone partings. Coal resources are only reported for farms and areas covered by the influence of the exploration drilling, and all resources are classified as inferred coal resources.

No changes are reported compared to previous coal resource statements. Gross in situ coal resources (excluding major mudstone partings) for the Somerville area is estimated at **274.0 million tonnes**. Coal resources are classified as an inferred coal resource as defined by the JORC code. The stated resources are for properties with historic drillhole information only and substantial additional upside remains in untested areas. A summary table with resources by status is presented below in Table 41, with coal resource details per farm presented in Table 42.

Table 41. Somerville Project – Summary of coal resources by status

Summary of resources by status					
Coal	Gross in situ tonnes		Mineable in situ tonnes		
Category	Gross in situ tonnes	Net Attributable	Mineable in situ tonnes	Net Attributable	Operator
	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	Tonnes (Mt)	
Measured	0.00	0.00	0.00	0.00	
Indicated	0.0	0.0	0.0	0.0	
Inferred	274.0	137.0	0.0	0.0	
Total	274.0	137.0	0.0	0.0	Universal Coal Development II (Pty) Ltd

Table 42. Gross in situ coal resources for the Somerville area per farm

FARM	AREA (ha)	AVERAGE SEAM THICKNESS (m)			ESTIMATED RD			GROSS TONNES IN SITU (Mt)	GEOLOGICAL LOSS %	TOTAL TONNES IN SITU (Mt)
		TS	MS	BS	TS	MS	BS			
PRINCESS ROYAL 10 MS	1579	0.35	0.84	2.05	2.09	1.89	1.90	73	30%	51
SOMERVILLE 9 MS	3319	0.70	0.61	2.26	2.01	1.87	1.85	202	30%	141
<i>*All Coal classified as Inferred Coal Resource</i>								274	30%	192

6.9 COAL QUALITY AND PRODUCTS

A summary of the raw coal qualities is presented in Tables 43. The coal qualities reported are for the sampled coal zones only, and exclude the major mudstone and non-sampled partings.

Due to limited availability of coal washability data, no further interpretation was done on any coal products and yields.

Table 43. Raw coal qualities (air dried) for the Somerville area per farm

FARM	RAW COAL QUALITY					
	TS		MS		BS	
	AS	CV	AS	CV	AS	CV
PRINCESS ROYAL 10 MS	66.2	8.1	52.3	13.9	53.6	13.6
SOMERVILLE 9 MS	60.3	10.6	50.3	14.5	49.5	15.3

7. CONCLUSIONS

Coal assets described and reported in this report, are all located in South Africa, and owned by Universal Coal plc. The thermal coal assets are all located in the Witbank coal field, Mpumalanga province, and well known for hosting most of the current operational mines with a well-developed mining infrastructure, close to operating power stations, and existing export railway line to the Richards Bay Coal Terminal.

The coking coal assets are located in the Tuli and Soutpansberg coal fields, to the north of the country, located in the Limpopo province. This area is more isolated to the existing coal infrastructure, but recently an increase of exploration and mining activity has been seen in this region by various players in the coal industry.

The assets are all in various stages of development, and range from early exploration stage (Somerville) to producing operations (Kangala Mine). A summary of the status of these projects is presented below in Table 44.

Table 44. Summary status of coal assets

Summary table of assets				
Asset	Holder	Interest	Status	Comments
Kangala Mine	Universal Coal Development I (Pty) Ltd	70.50%	Mining Right. MP30/5/1/2/2/429MR	In production
Middelbult	Universal Coal Development I (Pty) Ltd	70.50%	Prospecting Right. MP30/5/1/1/2/641PR	Exploration only
Modderfontein	Universal Coal Development I (Pty) Ltd	70.50%	Prospecting Right. MP30/5/1/1/2/639PR	Exploration only
Brakfontein	Universal Coal Development III (Pty) Ltd	50.29%	Mining Right. MP30/5/1/1/2/10027MR	Production planning in progress
Arnot South	Universal Coal Development VII (Pty) Ltd	50.00%	Prospecting Right. MP30/5/1/1/2/360PR	Exploration only
Berenice Cygnus	Universal Coal Development II (Pty) Ltd	50.00%	Prospecting Right. LP30/5/1/1/2/376PR	Production planning in progress
Berenice Cygnus	Universal Coal Development V (Pty) Ltd	50.00%	Prospecting Right. LP30/5/1/1/2/1276PR	Production planning in progress
Somerville	Universal Coal Development II (Pty) Ltd	50.00%	Prospecting Right. LP30/5/1/1/2/376PR	Desktop study

APPENDIX 1

Summary table of assets

Summary table of assets						
Asset	Holder	Interest	Status	Licence expiry date	Licence area	Comments
Kangala Mine	Universal Coal Development I (Pty) Ltd	70.50%	Mining Right. MP30/5/1/2/2/429MR	2 May 2032	951 ha	In production
Middelbult	Universal Coal Development I (Pty) Ltd	70.50%	Prospecting Right. MP30/5/1/1/2/641PR	25 March 2017	942 ha	Part of Kangala project
Modderfontein	Universal Coal Development I (Pty) Ltd	70.50%	Prospecting Right. MP30/5/1/1/2/639PR	25 March 2017	127 ha	Part of Kangala project
Brakfontein	Universal Coal Development III (Pty) Ltd	50.29%	Mining Right. MP30/5/1/1/2/10027MR	Granted July 2014. To be executed	879 ha	
Arnot South	Universal Coal Development VII (Pty) Ltd	50.00%	Prospecting Right. MP30/5/1/1/2/360PR	29 October 2011	15 531 ha	Renewal submitted - results pending
Berenice Cygnus	Universal Coal Development II (Pty) Ltd	50.00%	Prospecting Right. LP30/5/1/1/2/376PR	19 March 2016	39 484 ha	Berenice JV and Somerville
Berenice Cygnus	Universal Coal Development V (Pty) Ltd	50.00%	Prospecting Right. LP30/5/1/1/2/1276PR	6 May 2013	12 299 ha	Cygnus JV. Renewal submitted 25 Feb 2013. In progress.
Somerville	Universal Coal Development II (Pty) Ltd	50.00%	Prospecting Right. LP30/5/1/1/2/376PR	19 March 2016	39 484 ha	

APPENDIX 2

Terms and Definitions

- **'The JORC Code 2012 Edition'**. Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.
- **'The Coal Guidelines 2014 Edition'**. Australian Guidelines for the Estimation and Classification of Coal resources.
- A **'Competent Person'** is a minerals industry professional who is a Member or Fellow of the Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a 'Recognised Professional Organisation' (RPO), as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary process including the powers to suspend or expel a member.
- An **'Inferred Coal Resource'** is that part of a Coal Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or 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.

An Inferred Coal Resource has a lower level of confidence than that applying to an Indicated Coal Resource and must not be converted to a Coal Reserve. It is reasonably expected that the majority of Inferred Coal Resources could be upgraded to Indicated Coal Resources with continued exploration.

- An **'Indicated Coal Resource'** is that part of a Coal Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit.

Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered.

An Indicated Coal Resource has a lower level of confidence than that applying to a Measured Coal Resource and may only be converted to a Probable Coal Reserve.

- A '**Measured Coal Resource**' is that part of a Coal Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit.

Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered.

A Measured Coal Resource has a higher level of confidence than that applying to either an Indicated Coal Resource or an Inferred Coal Resource. It may be converted to a Proved Coal Reserve or under certain circumstances to a Probable Coal Reserve.

- **Geological loss factor**

Discount factor applied in the case of gross in situ tonnage to account for as yet unobserved geological features that can occur between points of observation.

- **Gross in situ coal resource (GTIS)**

Tonnage and coal quality, at specified moisture content, contained in the full coal seam above the minimum thickness cut-off and relevant coal quality cut-off parameters, as defined by the competent person.

NOTE: The seam height does not include any external dilution or contamination material. No loss factors shall be applied to a gross in situ coal resource.

- **Mineable in situ coal resource (MTIS)**

Tonnage and coal quality, at a specified moisture content, contained in the coal seams, or sections of the seams, which are proposed to be mined at the theoretical mining height, excluding dilution and contamination material, with a specific mining method and after the relevant minimum and maximum mineable thickness cut-off and relevant coal quality cut-off parameters have been applied.

NOTE: The geological loss factor is applied to the mineable in situ coal resource tonnage.

**SECTION B: MINDSET ABRIDGED COMPETENT PERSON'S REPORT ON RESERVES AT
KANGALA, NCC AND BRAKFORTEIN AND THE RESOURCES AT NCC**

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COMPETENT PERSONS REPORT

ON

UNIVERSAL COAL PLC

NEW CLYDESDALE COLLIERY, KANGALA COLLIERY, AND
BRAKFONTAIN PROJECT
MATERIAL COAL ASSETS AND LIABILITIES

PREPARED FOR

COAL OF AFRICA LIMITED



PEEL HUNT LLP

PEEL HUNT
(AS NOMINATED ADVISORS)

IN ACCORDANCE WITH AIM RULES AND THE
AIM NOTE FOR MINING, OIL, AND GAS COMPANIES

PREPARED BY

Mindset Mining Consultants
South Africa

SUBMISSION DATE: 29 January 2016

VERSION: ABRIDGED REPORT

Terms of Reference

A Competent Persons Report (CPR) was requested by Coal of Africa Limited (CoAL) on the Universal Coal plc (Universal Coal) material coal assets and liabilities on its New Clydesdale Colliery, Kangala Colliery, and Brakfontein Project. This Report is an abridged version of the findings of the CPR. The CPR is being prepared in connection with CoAL's application for readmission of its shares to trading on the AIM market of the London Stock Exchange (AIM), which is being made as a consequence of its takeover offer for Universal Coal plc.

This Report (Abridged CPR) is an abridged version of the full CPR. Mindset understands that the full CPR has been made available on CoAL's website, www.coalofafrica.com.

Mindset understands that this Abridged CPR will be included as part of an AIM admission document to be published by CoAL (Admission Document).

Both the full CPR and this Abridged CPR have been prepared in accordance with:

- the AIM Note for Mining and Oil & Gas Companies (2009) published by the London Stock Exchange
- the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and Minerals Council of Australia (JORC Code)
- the South African Code for Reporting of Mineral Resources and Mineral Reserves (SAMREC)

For the purposes of the AIM Rules for Companies, Mindset is responsible for this Abridged CPR as part of the Admission Document. Mindset declares that it has taken all reasonable care to ensure that the information contained in this Abridged CPR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. Mindset consents to the inclusion of this Abridged CPR, and reference to any part of this Abridged CPR and/or the full CPR, in the Admission Document.

Statement of Consultant

The Report was prepared by Mindset and selected specialist. Mindset is a full-service mining consulting firm with strong credentials in providing geological, engineering, and consulting expertise associated with major mining project development activities worldwide.

Neither Mindset nor any of its employees and associates employed in the preparation of this Report has any material present or contingent interest in the outcome of the Report or in any of the assets being assessed. The Report has been compiled independent of CoAL, Universal Coal, and its directors, senior management, and advisors. Mindset has no equity interest in the Project(s) or CoAL or Universal Coal. Mindset does not have any financial or other interest that could be reasonably regarded as being capable of affecting its independence. Mindset will be paid a fee for the preparation of the Report in accordance with normal consulting practice. Mindset's remuneration is not linked to the readmission of CoAL or to the equity value of CoAL.

Mindset is a registered member of the Engineering Council of South Africa (ECSA), a statutory body established in terms of the Engineering Profession Act (EPA), 46 of 2000. ECSA's primary role is the regulation of the engineering profession in terms of this Act. Its core functions are the accreditation of engineering programmes, registration of persons as professionals in specified categories, and the regulation of the practice of registered persons.

The CPR was prepared by Piet van der Linde, with support from Ronnie van Eeden. Piet van der Linde is the Competent Person for this Report.

Piet van der Linde has 34 years' experience in the mining industry, having spent six of these in the gold industry. He worked for eight years in the Department of Minerals and Energy (now Department of Mineral Resources) as a Senior Inspector in South Africa and 19 years in the coal mining sector. He is experienced in working with many mining techniques and under various mining conditions and held a senior managerial position for one of the largest mining companies in South Africa for several years. As a registered Professional Certified Mining Engineer, he offers expertise in mine design, equipment selection, labour utilisation, mining permits and rights, environmental compliance, mine health and safety audits, and due diligence audits. Piet has participated in due diligence projects, feasibility studies, mine design, and technical consulting for various companies. Mr van der Linde has obtained the following qualifications:

- IMDS Certificate
- Mine Managers Certificate (coal)
- Mine Managers Certificate (metal)
- Mine Overseers Certificate (metal)
- National Higher Diploma (metal mining)

Mr van der Linde, as the sign-off signatory of this Report, has the following professional associations:

- South African Coal Managers Association (SACMA) – Council Member
- South African Institute for Mining and Metallurgy (SAIMM) - Registered
- Professional Certificated Mining Engineer – ECSA (registration number 200690043)

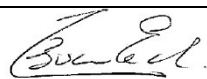
Mr van Eeden is a qualified Mining Engineer with other commercial qualifications. He has 45 years' of experience in the coal industry working for mining houses, the smaller coal industry, Eskom, Sasol, on the Mmamabula project in Botswana, as well project development experience in Mongolia. Since joining the Mindset team, Ronnie has participated in due diligence projects, feasibility studies, mine design, and technical consulting for various clients. Mr van Eeden has obtained the following qualifications:

- BSc Engineering (Electrical)
- Electrical Engineering Government Certificate of Competence
- Mine Managers Certificate of Competency (coal)
- BProc (Law) (*cum laude*)

Mr van Eeden has the following professional associations:

- South African Coal Managers Association (SACMA) – Member

The Competent Persons Report is deemed as accurate, based on available data and interpretations.

Piet van der Linde	Ronnie van Eeden
Senior Mining Engineer	Senior Mining Engineer
29 January 2016	29 January 2016
	

Coal mining and processing are carried out in an environment where not all events are predictable. Whilst an effective management team can identify the known risks and take measures to manage and mitigate these risks, there is still the possibility for unexpected and unpredictable events to occur. It is therefore not possible to completely expect all risks to be eliminated, or state with certainty that an event that may have a material impact on the operation of a coalmine, will not occur.

Executive Summary

A. New Clydesdale Colliery

A.1. Location

The NCC Project is located in the Kriel District of the Mpumalanga Province, South Africa. The Project area is located 40 kilometres south of the town of Middelburg and 35 kilometres from eMalahleni (previously known as Witbank). The Project is situated close to excellent road and railway infrastructure that includes the Transnet Freight Rail Export rail line to the Richards Bay Coal Export Terminal. Both eMalahleni and Middelburg fall in the heart of the coal mining area of South Africa. The NCC Project locality is shown in Map 1.

Map 1: Location of the NCC Project



A.2. Asset Description

The Project consists of two adjacent coal assets, the New Clydesdale Colliery and the Roodekop Resource Project, which has been planned as a consolidated mine referred to in this Report as the NCC Project or NCC.

New Clydesdale Colliery consists of an established mine with a valid Mining Right (MP 30/5/1/2/2/148 MR) valid until 05 December 2019 and an approved Environmental Management Programme and Water Use Licence. The Project has an existing coal handling and processing plant, an access adit to the historical 2 Lower Seam workings, access roads, power and water supplies, and all support building infrastructure.

The Roodekop Resource consists of a coal deposit with favourable stripping ratios for opencast mining. Universal Coal has been awarded a Mining Right on Portion 1 and the Remaining Extent of the Farm Roodekop in the name of Universal Coal Development IV (Pty) Ltd and is valid until 05 February 2034. The Roodekop Resource's Environmental Impact Assessment, Environmental Management Programme, Water Use Licence, as well as the Social and Labour Plan have been approved and all the other required licences have been awarded. The Roodekop Resource is contiguous to the New Clydesdale Colliery and is planned to be mined and operated in conjunction with New Clydesdale Colliery.

A.3. NCC Project Resources Description

Locally the 5-, 4 Upper-, 4 Lower-, 2 Upper-, 2 Lower-, 2A-, 1-, and 1A seams are present. The only seams in the NCC Project area that can currently be economically mined are the 2 Upper-, 2 Lower-, 1-, and 1A seams in the opencast mining area and the 2 Lower- and 1-seams in the underground mining area. Only these seams are included in the NCC mining layout resources as the other seams are excluded due to a combination of depth, poor qualities, and seam thickness, and which in the current economic climate is not economical to mine.

A.3.1. NCC Project Resources

The total NCC resources as previously estimated were 165.2 million gross tonnes in situ. The resources have been re-estimated and the estimated total resources are currently 130.5 million gross tonnes in situ of which 108 million tonnes is categorised as Measured and Indicated. This was based on the resources that are currently considered to have a reasonable prospect of eventual economic extraction. The difference in resources of 35 million tonnes between the previous estimate and the current estimate could in future be determined as economically extractable. The resources were estimated in accordance with the SAMREC guidelines and supported by South African National Standard (SANS 103202004).

The total NCC re-estimated resources are shown in Table 1.

Table 1: NCC Re-Estimated Resources

	5 Seam	4 Upper Seam	4 Lower Seam	Opencast (Tonnes)				2 A Seam	1 Seam	1A Seam	Total
Measured	78,287	1,689,310	3,800,628	12,748,972	16,445,454	2,179,418	9,741,239	3,722,195			50,405,502
Indicated				1,980,440	1,670,692	139,461	1,599,170				5,389,763
Inferred				687,911	605,671	221,324	745,859	219,081			2,479,846
Total Opencast	78,287	1,689,310	3,800,628	15,417,323	18,721,817	2,540,203	12,086,269	3,941,276			58,275,111
Underground (Tonnes)											
Measured			6,859,880	2,339,632	9,497,789		13,647,304				32,344,605
Indicated			6,539,020	8,520,924	3,226,000		1,569,555				19,855,499
Inferred			7,425,630	7,604,364	3,259,268		1,615,488				19,904,751
Total Underground			20,824,530	18,464,920	15,983,057	-	16,832,347	-			72,104,854
Total Measured	78,287	1,689,310	10,660,508	15,088,604	25,943,243	2,179,418	23,388,544	3,722,195			82,750,107
Total Indicated	-	-	6,539,020	10,501,364	4,896,691	139,461	3,168,725	-			25,245,262
Total Inferred	-	-	7,425,630	8,292,275	3,864,939	221,324	2,361,347	219,081			22,384,597
Total Project	78,287	1,689,310	24,625,158	33,882,243	34,704,873	2,540,203	28,918,616	3,941,276			130,379,965

Area	Measured	Indicated	Inferred	Total
Opencast Roodekop and Diepspruit Opencast	30,061,735	5,389,763	2,479,846	37,931,344
Opencast Roodekop and Diepspruit Underground	32,344,605	19,855,499	19,904,751	72,104,854
Opencast Middeldrift Opencast	20,343,767			20,343,767
Total NCC	82,750,107	25,245,262	22,384,597	130,379,965

Area	Total
Opencast Roodekop and Diepspruit	37,931,343
Opencast Middeldrift	20,343,767
Underground Roodekop and Diepspruit	72,104,854
Total NCC	130,379,965

The NCC Project resource quantities, for the mining layout area, which include New Clydesdale Colliery and Roodekop, are shown in Table 1 below.

Table 2: NCC Resources (included in the Mining Layout)

	2 Upper Seam	2 Lower Seam	1 Seam	1A Seam	Total
Roodekop and Diepspruit Opencast					
Opencast Measured and Indicated	3,740,000	8,560,000	3,910,000	2,900,000	19,110,000
Total Opencast	3,740,000	8,560,000	3,910,000	2,900,000	19,110,000
Roodekop and Diepspruit Underground					
Underground Measured	-	6,820,000	3,700,000	-	10,520,000
Underground Indicated	-	-	-	-	-
Total Underground	-	6,820,000	3,700,000	-	10,520,000
Total Project	3,740,000	15,380,000	7,610,000	2,900,000	29,630,000

A.4. NCC Project Reserves

For the current NCC planning, only the following areas were considered economical to mine and were converted to reserves:

- New Clydesdale Colliery Diepspruit opencast and underground areas. The balance, except for Middeldrift, is considered as mined-out. No definitive studies have been done on the economics of mining the Middeldrift area. This will be done in the future
- In the Roodekop Resource, only the opencast area in the west was considered for conversion to reserves as all the seams in the deeper underground areas were considered uneconomical to mine due to depth, poor coal qualities, and/or seam thickness.

The opencast resource blocks were defined to delineate the boundaries within which mine planning and layout design can take place. The cut-off criteria for mining are a seam thickness greater than 0.5 metres and a maximum strip ratio of 5:1. The average strip ratio over the NCC Project opencast mining area is 2.99 bulk cubic metres per run of mine tonne. Underground mining areas were cut-off at 1.5 metres seam height.

Table 3: NCC Run of Mine Reserves

Cut-off Criteria (Million Tonnes)	Opencast										Underground				Total NCC
	Roodekop					NCC Diepspruit					Diepspruit				
	2 Upper Seam	2 Lower Seam	1 Seam	1A Seam	Total	2 Upper Seam	2 Lower Seam	1 Seam	Total	Total Opencast	2 Lower Seam	1 Seam	Total		
Gross Tonnes In Situ	2.32	7.81	2.90	2.90	15.93	1.42	0.75	1.01	3.18	19.11	6.82	3.70	10.52	29.63	
Geological Losses 5 percent	0.12	0.39	0.15	0.15	0.81	0.07	0.04	0.05	0.16	0.97	0.34	0.19	0.53	1.50	
Mineable Tonnes In Situ	2.20	7.42	2.75	2.75	15.12	1.35	0.71	0.96	3.02	18.14	6.48	3.52	10.00	28.14	
Mining Losses 5 percent	0.11	0.37	0.14	0.14	0.76	0.07	0.04	0.05	0.16	0.92	0.32	0.18	0.50	1.42	
Dilution	0.27	0.37	0.34	0.34	1.32	0.07	0.07	0.06	0.20	1.52	0.40	0.66	1.06	2.58	
Run of Mine	2.36	7.42	2.95	2.95	15.68	1.35	0.74	0.97	3.06	18.74	6.55	4.00	10.56	29.30	
In Situ Contaminated Coal Qualities (air-dried basis)															
	2 Upper Seam	2 Lower Seam	1 Seam	1A Seam		2 Upper Seam	2 Lower Seam	1 Seam	Total		2 Lower Seam	1 Seam			
Calorific Value (MJ/kg)	15.08	19.75	18.34	21.44		15.49	21.25	21.2			22.00	20.24			
Total Sulphur (%)	0.65	1.21	0.84	1.16		0.60	0.75	0.66			1.23	0.66			
Ash (%)	45.72	33.77	39.17	30.11		44.88	31.96	32.11			31.81	35.03			
Inherent Moisture (%)	2.67	2.71	2.55	2.61		2.47	2.21	2.10			2.09	1.81			
Volatile Matter (%)	15.91	22.1	17.28	25.04		16.51	20.84	22.17			25.15	21.50			
Fixed Carbon (%)	35.69	41.42	41.00	42.24	36.13	44.99	43.63	40.95	41.65						

A.5. NCC Project Mining Schedule

The products that will be produced are an Eskom 24 percent Ash product, a 15 percent Ash Export product and a sized 18 percent low Phos product.

The mining schedule was developed for a 10 year period in line with the coal supply agreement being negotiated with Eskom.

The current NCC planned production includes the Roodekop opencast and the New Clydesdale Colliery Diepspruit total opencast area. Underground only includes the Diepspruit 1 Seam and not the 2 Seam. The underground 1 Seam will be mined for the Eskom product, and the 2 Lower Seam for a 15 percent Ash Export product. The run of mine production and product schedule is shown in Table 3 below.

Table 4: NCC 10 Year Run of Mine and Product Schedule

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total
Run of Mine Coal ('000)											
2 Upper Seam Opencast	0.252	0.298	0.267	0.268	0.333	0.413	0.485	0.520	0.453	0.425	3.714
2 Lower Seam Opencast	0.785	0.884	0.879	0.839	0.895	0.798	0.723	0.766	0.720	0.825	8.115
1 Seam Opencast	0.269	0.370	0.405	0.386	0.399	0.391	0.420	0.377	0.477	0.416	3.911
1A Seam Opencast	0.171	0.448	0.449	0.507	0.373	0.197	0.171	0.137	0.150	0.133	2.736
2 Lower Seam Underground	0.000	0.200	0.800	0.800	0.800	0.800	0.400	0.000	0.000	0.000	3.800
1 Seam Underground	0.000	0.000	0.000	0.000	0.000	0.445	0.480	0.480	0.480	0.480	2.365
Total Run of Mine ('000)	1.477	2.200	2.800	2.800	2.800	3.045	2.680	2.280	2.280	2.280	24.642
Sales Coal Tonnes ('000)											
Eskom 24 % Ash Product	1.000	1.192	1.179	1.132	1.135	1.376	1.378	1.343	1.330	1.316	12.380
18 % Low Phosphorous Product	0.074	0.187	0.195	0.228	0.171	0.093	0.082	0.063	0.068	0.061	1.222
Export	0.000	0.120	0.480	0.480	0.480	0.480	0.240	0.000	0.000	0.000	2.280
Total Sales Tonnes ('000)	1.074	1.499	1.854	1.840	1.786	1.949	1.700	1.406	1.399	1.377	15.882
Total Yield (%)	72.7	68.2	66.2	65.7	63.8	64.0	63.4	61.7	61.3	60.4	64.5

A.6. Coal Handling and Processing

All the coal will be processed at the existing coal handling and processing plant that is planned to be upgraded and refurbished. For the Eskom product, all the 2 Upper Seam and 1 Seam run of mine will be washed. The 2 Lower Seam will either be washed or bypassed raw. The 2 Lower Seam underground run of mine coal will be washed for the 15 percent Ash export product. All the 1A Seam run of mine will be washed for the 18 percent low Phosphorous product and a pea and nut product will be screened out for the metallurgical market. The 1A Seam duff will be blended with the Eskom 24 percent Ash product.

A.7. NCC Project Surface Rights and Infrastructure

The surface areas required in terms of the NCC Project for access, mining, processing, buildings, and other infrastructure, has been purchased by Universal Coal, while the transfer is imminent. The transfer process will not have any impact on the commencement of the mining process.

Universal Coal owns the following surface infrastructure:

- All buildings required for offices, stores, workshops, change houses, lamp room, and coal handling and processing plant
- All sub-stations required for power distribution
- Water treatment plant for potable water
- Water distribution system

A.8. NCC Project Financial Evaluation

The financial evaluation was based on the October 2015 financial figures generated by KPMG/MSA in cooperation with Universal Coal.

The average free-on-truck price for the Eskom 24 percent Ash product is (South African Rand) ZAR 434.82 per sales tonne, the price for the sized 18 percent Ash low Phosphorous product is ZAR 650.00 per sales tonne. The free-on-board 2016 / 2017 base price for the 15 percent Ash Export product was estimated at ZAR 795.00 per sales tonne. The estimated average base operating cost over 2016 / 2017 is ZAR 277.80 per run of mine tonne.

The total estimated capital requirement is ZAR 371.5 million. The capital expenditure required through the life of the Project is ZAR 41.7 million.

Based on current assumptions and the KPMG/MSA financial model, the Project has the potential to generate an internal rate of return of 99 percent. At a 100 % basis and a 10 % discount rate, it is expected the Project will generate a net present value of ZAR 825 million in real money value.

The financial model generated by the financial services company KPMG/MSA applies a free-on-board US Dollar price that starts at \$ 60.00 per tonne and increases to \$ 82.00 per tonne in 2024 / 2025. The ZAR/\$ exchange rate applied by KPMG/MSA starts at ZAR 12.75/\$ in 2016 / 2017 and increases to ZAR 16.80/\$ by 2024 / 2025. The Dollar price may be optimistic and the exchange rate seems pessimistic based on current figures. Caution should be applied when considering the financial figures as these may change.

The net present value and internal rate of return of the Project is most sensitive to the sales price and the difference in Dollar prices and exchange rates has a significant impact on financial results. The Project is also very sensitive to operating costs.

To the best of the knowledge of Mindset, there have been no material changes since October 2015, being the date of the financial analysis, and the date of this document.

A.9. NCC Project Life Extension

Exxaro Resources, the previous owners of New Clydesdale Colliery, conducted a pre-feasibility study during 2012 and the study indicated that the run of mine reserves for the Middeldrift resource are between 11 and 12 million tonnes. The life of the NCC Project can be extended beyond the planned 10 years by mining the Middeldrift resource. There is potential for an eight to nine year life extension.

B. Kangala Colliery

B.1. Location

The Kangala Colliery is located in the Delmas District of the Mpumalanga Province, South Africa. The Project area is located 65 kilometres due east of Johannesburg and is situated in the Witbank Coalfield of South Africa. The Mine is in close proximity to the operating coal mines of Leeuwpan and Stuart Coal, close to excellent road and railway infrastructure, and within a 70 kilometres radius of four coal-fired power stations. The main integrated export coal rail lines run in close proximity to the Project. Map 1 indicates the locality of Kangala Colliery and the roads and rail system that runs through the heart of the Mpumalanga mining area.

The bulk of South Africa's coal mining operations are located in Mpumalanga and a

large labour pool of experienced mining staff and equipment support companies are present in Mpumalanga.

Map 1: Location of the Kangala Colliery



B.2. Asset Description

The Kangala Colliery is owned by Universal Coal Development I (Pty) Ltd. Universal Coal plc own 70.5 percent of Universal Coal Development I. The Kangala Colliery consists of an opencast mine with a coal handling and processing plant that has the capacity for processing two streams of run of mine coal. The total capacity of the coal handling and processing plant is 4.2 million ROM tonnes per annum.

Universal Coal Development I has an existing Mining Right for Kangala Colliery with the following detail:

- Mining Right Number: MP 30/5/1/2/2/429 MR
- Measuring 951.1174 hectares in extent
- Valid until 02 May 2032

Universal Coal Development I also has Prospecting Rights for the following farms adjacent to Kangala Colliery:

- Portions 40 and 82 of the farm Middelbult 235 IR in the Magisterial District of Delmas
- Portion 1 of the farm Modderfontein 236 IR in the Magisterial District of Delmas

B.3. Kangala Colliery Resources

Three coal seams are present locally, named the Top-, Mid-, and Bottom seams.

The Top Seam is of no economic value as it is generally less than 1.0 metres in thickness and is absent in most boreholes. The Mid Seam is on average 1.04 metres thick and consists of high quality bright to dull coal. A carbonaceous shale or siltstone inseam parting can be present locally, causing the Mid Seam to split into two distinct coal plies.

The Bottom Seam is usually between 10 metres and 15 metres thick, but can vary considerably over short distances. It is separated from the Mid Seam by 1.0 metres to 3.0 metres thick sandstone to shale parting. The Bottom Seam is subdivided from top to bottom into the Bottom A, Bottom B, Bottom C, and Bottom D coal plies, which are all separated by carbonaceous shale partings. Thicknesses of these coal plies are variable, but in general, the average ply thickness for each layer is as follows:

–	Bottom A	=	0.85 metres
–	Bottom B	=	0.85 metres
–	Bottom C	=	8.50 metres (subdivided into two coal plies):
	o Bottom C1	=	4.00 metres
	o Bottom C2	=	4.50 metres
–	Bottom D	=	2.80 metres

The Bottom D can consist of up to five coal layers with carbonaceous partings.

For practical mining reasons, a series of mining selections have been allocated, which allows the coal seams and plies to be subdivided and combined into logical mining units. The current mining selections include the following selections:

- Mining selection MM consists of the Mid Seam only.
- Mining selection BAB consist of the BA and BB plies, including the parting between these plies.
- Mining selection MC1 consists of the BC1 ply.
- Mining selection BC2 consists of the BC2 ply, including parting between BC1 and BC2.
- Mining selection BD consists of one or many of the BD coal plies with partings.

A pure geological seam or ply model is not modelled or reported, as this mining selection model resembles the actual mining activities more closely than a pure geological model. For ease of reference, the plies will be called seams.

An area to the south of the current mining area is not considered mineable at present due to the poor coal qualities, and is therefore excluded from the resource report. The Kangala Colliery resource quantities and qualities are shown in Table 4 on page 13. The resources were estimated in accordance with the SAMREC guidelines and supported by South African National Standard (SANS 103202004).

B.4. Kangala Colliery Reserves

The opencast resource blocks were defined to delineate the boundaries within which mine planning and layout design can take place. The following was applied during the reserve determination:

- A minimum thickness cut-off of 0.5 metres.
- For the MBC3 and MBC4, a Volatile Matter target of 15 percent was applied.
- For the MBD Seam, a minimum 18 percent Volatile Matter cut-off was applied.

Based on the above, only the MM, MBAB, MBC1, MBC2, and MBD seams are economical to mine. The MBAB, MBC1, MBC2, and MBD seams are being processed for an Eskom product and the MM Seam is being processed for an Export product. A summary of the run of mine reserves is indicated in Table 5 on page 13.

Table 5: Kangala Colliery Resources

Area Name	Resource Area (m ²)	Mining Selection	GTIS ('000 Tonnes)	Geological Loss (%)	MTIS ('000 Tonnes)	Air-Dried Raw Coal Qualities					
						RD	CV (MJ/kg)	Ash (%)	IM (%)	VM (%)	TS (%)
Mining Resource	907,898	MM	1,010	2.5	985	1.46	25.13257	18.39	3.93	29.85	2.62
	907,898	MBAB	3,700	2.5	3,608	1.82	12.95	48.83	3.70	18.00	1.42
	907,898	MBC1	5,470	2.5	5,333	1.62	19.44	30.55	4.20	20.59	1.19
	907,898	MBC2	5,960	2.5	5,811	1.65	18.85	33.38	3.83	19.44	1.06
	907,898	MBC3	450	2.5	439	1.73	16.34	40.39	3.60	15.47	0.84
	907,898	MBC4	180	2.5	170	1.85	11.90	51.31	3.44	12.32	0.42
	498,679	MBD	1,510	2.5	1,472	1.67	17.92	36.23	3.63	19.32	0.84
Total			18,280		17,818						

Table 6: Kangala Colliery Run of Mine Reserves

Seam Name (Reserve Class Proved)	MM	MBAB	MBC1	MBC2	MBC3	MBC4	MBD	Total
Gross In Situ tonnes (Kt) (in Mining Layout)	1,010	3,700	5,470	5,960	450	180	1,510	18,280
Geological Loss (%)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Mineable Tonnes In Situ (Kt)	985	3,608	5,333	5,811	439	170	1,472	17,818
Mining Loss (%)	10	10	10	10	10	10	10	10
Mining Extraction (%)	100	100	100	100	100	100	100	100
Air Dried Uncontaminated Tonnes (adb) (Kt)	886	3,247	4,800	5,230	395	150	1,325	16,033
Air Dried Contaminated Tonnes (adb) (Kt)	920	3,280	4,800	5,230	400	150	1,340	16,120
Run of Mine Tonnes	960	3,420	5,000	5,450	410	160	1,400	16,800
Raw Air Dried Qualities								
Relative Density	1.46	1.82	1.62	1.65	1.73	1.85	1.67	1.65
Calorific Value (adb)	25.13	12.95	19.44	18.85	16.34	11.90	17.92	17.47
Ash (adb) (%)	18.39	48.83	30.55	33.38	40.39	51.314	36.23	33.93
Inherent Moisture (%)	3.93	3.70	4.20	3.83	3.60	3.44	3.63	3.78
Volatile Matter (adb) (%)	29.85	18.00	20.59	19.44	15.47	12.32	19.32	19.45
Fixed Carbon (%)	45.21	28.05	43.47	42.30	39.70	32.50	39.98	38.29
Total Sulphur (adb) (%)	2.62	1.42	1.19	1.06	0.84	0.42	0.84	1.20

B.5. Kangala Colliery Mining Schedule

The following products are currently produced at Kangala Colliery:

- An Eskom 20.5 percent Ash product from the MBAB, MBC1, MBC2, and MBD seams
- A 27 megajoules per kilogramme Export product from the MM Seam

The mining schedule was developed for the life of mine in line with what is currently produced and sold to Eskom. Universal Coal is negotiating for additional coal supplies to Eskom. The run of mine production and product schedule is shown in Table 6 on page 14.

The financial model was based on production starting in Financial Year 2015. The total production for the period Financial Year 2016 to the end of the current mine life is higher than the production currently scheduled by the mining competent person. The reason for this is that the current mining schedule is based on a resource with an 18 % Volatile Matter cut-off for the MBD Seam. This eliminated 900,000 tonnes of ROM coal that was included in the financial model. Universal Coal is confident that the 900,000 tonnes of ROM will be mined. The ROM tonnes in the financial model for the same period as the schedule shown below are 17.7 million tonnes.

Table 7: Kangala Life of Mine Run of Mine and Product Schedule

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Seam	Run of Mine Coal (Million Tonnes)						
MM	0.122	0.243	0.179	0.162	0.169	0.079	0.956
MBAB	0.419	0.771	0.706	0.624	0.641	0.257	3.418
MBC1	0.569	1.084	1.056	0.942	0.926	0.420	4.996
MBC2	0.726	1.369	1.263	1.136	1.092	0.441	6.027
MBD	0.288	0.247	0.258	0.340	0.172	0.091	1.395
Total Run of Mine	2.124	3.715	3.462	3.204	3.000	1.288	16.793
Eskom Product (Million Tonnes)							
Eskom 20.5 MJ/kg Ash Product	1.400	2.400	2.400	2.176	2.016	0.897	11.289
Eskom Yield (air-dried basis) (%)	69.51	68.75	72.68	71.12	70.82	73.83	70.87
Export 27 MJ/kg Product (Million Tonnes)							
Export Product	0.096	0.187	0.138	0.125	0.118	0.060	0.724
Export Yield (air-dried basis) (%)	78.23	76.00	76.39	76.07	68.81	74.89	75.00
Strip Ratio	1.89	1.30	1.61	1.61	1.66	1.29	1.56

B.6. Coal Handling and Processing

All the coal will be processed at the existing Kangala Colliery coal handling and processing plant. The Kangala Colliery coal handling and processing plant has two processing streams. One stream has the capacity to screen and crush 350 run of mine tonnes per hour for the sale of a raw product and the second consists of a pre-screening and crushing section and a dense medium separation washing section that can process 300 run of mine tonnes per hour.

The coal handling and processing plant can process 4.212 million run of mine tonnes per annum.

B.7. Kangala Surface Rights and Infrastructure

All the surface areas, infrastructure, and services required for the Kangala Colliery for access, mining, processing, buildings, and other infrastructure, is owned by Universal Coal.

B.8. Kangala Colliery Financial Evaluation

The average free-on-truck price for the Eskom 20.5 megajoules per kilogramme product is assumed at ZAR 310.28 per sales tonne and the price for the Export 27 megajoules per kilogramme product is assumed at ZAR 755 per sales tonne. The estimated average operating cost over the life of the Project is anticipated at ZAR 211.70 per run of mine tonne. The initial capital requirement was ZAR 442 million.

Based on current assumptions, the Project has the potential to generate an internal rate of return of 46.7 percent. On a 100 % basis and a 10 % discount rate, it is expected the Project will generate a net present value of ZAR 1,266 million in real money value. The net present value of the Project is most sensitive to the sales price and the operating costs.

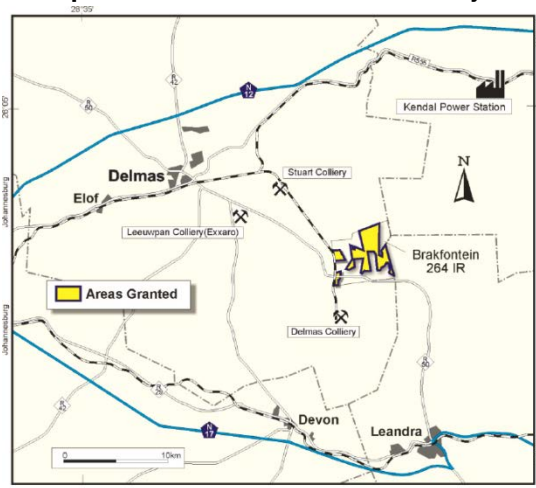
C. Brakfontein Project

C.1. Location

The Brakfontein Project is located in the Delmas District of the Mpumalanga Province, South Africa. It is located 20 kilometres east-southeast of the town of Delmas and 18 kilometres north of the town of Leslie, next to the R50 provincial road. The area is well serviced by roads and railways and sizeable towns are located at Springs and Delmas in the west, and eMalahleni and Middelburg to the east.

Delmas, eMalahleni, and Middelburg fall in the heart of the coal mining area and between them contain a large labour pool of experienced mining staff and equipment support companies. The Brakfontein Project locality is shown in the Map 1.

Map 1: Location of the Brakfontein Project



C.2. Asset Description

The Brakfontein Project consists of a coal deposit with favourable stripping ratios for opencast mining. Universal Coal has been granted a Mining Right for Brakfontein by the Department of Mineral Resources on 25 July 2014. The portions 6, 8, 9, 10, 20, 26, 30, and the Remaining Extent of the farm Brakfontein 264 IR are included in the Mining Right, covering an area of approximately 879 hectares.

C.3. Brakfontein Project Resources

C.3.1. Brakfontein Project Resource Description

The Brakfontein Project resources fall within the western area of the Witbank Coalfield. The coal seams present in the Project area is, stated from the top seam down, the 5-, 4-, 3-, 2-, and 1-seams. The 5 Seam occurrences are limited due to the effect of surface weathering.

The 1 Seam, 2 Seam, and 4 Seam are the most prominent seams present. The 4 Seam is a combination of the 4 Upper Seam and the 4 Lower Seam, with a thin inconsistent parting present between the two seams. The 4 Upper Seam and 4 Lower Seam have been modelled and reported separately due to the difference in the coal qualities. The 3 Seam is poorly developed and usually very thin or absent, while the 1 Seam occurrence is limited due to the palaeo-floor, and distribution is erratic and limited across the area. Both seams are of no economic importance. The 2 Seam is economically the most valuable seam in the area.

C.3.2. Brakfontein Project Resources

The in situ coal resources for all the portions of Brakfontein 264 IR were determined by geological consulting firm, Gemecs (Pty) Ltd. The resources were estimated in accordance with the SAMREC guidelines and supported by South African National Standard (SANS 10320:2004).

The Brakfontein mineable in situ resource quantities and qualities are shown in Table 7 on page 16

The following cut-off parameters and guidelines were used in defining potential mineable opencast areas:

- Minimum seam thickness of 0.50 metres.
- Combined in situ strip ratio for 4 Upper Seam, 4 Lower Seam, and the 2 Seam of less than five cubic metres per tonne.
- Resource boundaries taken up to known wetland areas.
- Resource boundaries reduced to 100 metres from roads and 50 m from the boundaries.
- Known mined-out areas are excluded from the resource areas.
- A geological loss of 10 percent is applied to the Measured coal resource category, and a 15 percent geological loss to the Indicated and Inferred coal resource categories for all seams.

The Brakfontein mineable resources were however only determined for the northern area of the in situ coal. This is the only area currently considered for mining. The other areas of the Brakfontein Project have either wetlands impacting on it or the bulk of the 2 Seam and 4 Seam was mined-out previously by underground operations and are not currently considered for mining.

Table 8: Brakfontein Mineable In Situ Resource

Seam	Opencast Resource Area (m ²)	Mineable In Situ Tonnes	Seam Thickness (m)	Relative Density	Calorific Value (MJ/kg)	Ash (%)	Inherent Moisture (%)	Volatile Matter (%)	Fixed Carbon (%)	Total Sulphur (%)	Dry Ash-Free Volatiles (%)
OC1											
4 Upper Seam	379,396	1,354,350	2.82	1.77	14.70	43.80	4.00	16.20	36.10	1.23	30.90
4 Lower Seam	379,396	1,300,100	2.80	1.57	21.70	25.90	4.30	21.00	48.50	1.19	30.20
2 Seam	379,396	2,822,400	5.23	1.59	21.00	28.20	4.40	23.70	43.80	1.15	35.10
Total Opencast 1 Block	379,396	5,476,850		1.63	19.61	31.51	4.28	21.20	43.01	1.18	32.90
OC2											
4 Upper Seam	380,230	609,300	2.88	1.81	13.50	47.50	3.20	14.00	35.40	0.62	28.30
4 Lower Seam	380,230	1,428,450	2.71	1.56	21.38	27.85	3.54	18.24	50.27	1.09	26.83
2 Seam	380,230	1,864,250	3.66	1.55	21.40	28.20	3.80	20.30	47.70	1.32	30.10
Total Opencast 2 Block	380,230	3,902,000		1.59	20.16	31.08	3.61	18.56	46.72	1.12	28.62
Total Opencast 1 and Opencast 2 Blocks		9,378,850		1.61	19.84	31.33	4.00	20.10	44.56	1.16	31.12

C.4. Brakfontein Project Mining Area Reserves

A paved provincial road (D2543) runs through the northern area where the reserves were determined. This road divides the reserve area into an eastern block named the Opencast 1 and a western block named the Opencast 2. Only these two mining blocks, in the north of Portion 264 (Remaining Extent) are currently considered economical to mine.

The quality cut-offs applied are a 14 percent Volatile Matter cut-off applied to the in situ quality.

The parameters applied as modifying factors to convert the in situ mineable tonnes to run of mine tonnes were a geological loss of 15 percent, mining losses of 2.5 percent, and extraction losses of 95.6 percent for the 4 Upper Seam, 95.0 percent for the 4 Lower Seam, and 90.4 percent for the 2 Seam. Waste dilutions were estimated at 100 millimetres each for the roof and floor.

The run of mine reserves (Table 8 below) are all classified as Proved in terms of SAMREC.

Table 9: Brakfontein Mining Area Run of Mine Reserves

Seam Name (Reserve Class Proved)	4 Upper Seam	4 Lower Seam	2 Seam	Total
Run of Mine Tonnes	1,597,709	3,001,003	4,546,609	9,145,321
Raw Air Dried Qualities				
Relative Density	1.78	1.56	1.57	
Calorific Value (air-dried basis)	14.33	21.53	21.16	
Ash (air-dried basis) (%)	44.95	26.92	28.20	
Inherent Moisture (%)	3.75	3.90	4.16	
Volatile Matter (air-dried basis) (%)	15.52	19.55	22.35	
Fixed Carbon (%)	35.88	49.43	45.35	
Total Sulphur (air-dried basis) (%)	1.04	1.14	1.22	
Dry Ash-Free Volatiles (%)	30.09	28.44	33.11	

C.5. Brakfontein Project Mining Schedule

The product to be produced will be Eskom 20.5 megajoules per kilogramme product from the 4 Upper Seam, 4 Lower Seam, and the 2 Seam. The mining schedule was developed for an eight to nine year period. The run of mine production and product schedule is shown in Table 9 on page 18.

C.6. Coal Handling and Processing

The Brakfontein run of mine coal will be road-hauled to the existing coal handling and processing plant at the Kangala Colliery, which has the capacity to process the Brakfontein Project run of mine coal in addition to the Kangala Mine coal.

Table 10: Brakfontein Run of Mine and Product Schedule

	Financial Year 2016	Financial Year 2017	Financial Year 2018	Financial Year 2019	Financial Year 2020	Financial Year 2021	Financial Year 2022	Financial Year 2023	Financial Year 2024	Total
Run of Mine Coal (Million Tonnes)										
4 Upper Seam Opencast	0.065	0.241	0.199	0.330	0.391	0.251	0.097	0.022	0.000	1.598
4 Lower Seam Opencast	0.296	0.294	0.387	0.512	0.495	0.492	0.304	0.187	0.034	3.001
2 Seam Opencast	0.336	0.247	0.393	0.714	0.693	0.767	0.915	0.419	0.062	4.547
Total Run of Mine	0.698	0.783	0.979	1.556	1.579	1.510	1.316	0.629	0.096	9.145
Eskom Product (Million Tonnes)										
Eskom 20.5 MJ/kg Ash Product	0.527	0.600	0.770	1.200	1.200	1.200	1.131	0.524	0.096	7.248
Sized 18 Percent Ash, Low Phosphorous Product (Million Tonnes)										
Strip Ratio	3.77	2.91	3.2	3.67	3.35	2.77	2.71	2.55	2.49	2.99

C.7. Brakfontein Project Surface Rights and Infrastructure

Details of surface ownership, mineral right, and access agreements of the farms covered by the Brakfontein Mining Right are presented in Table 10 below.

Table 11: Brakfontein Portions' Mineral- and Surface Rights Summary

Farm	Portion	Size (ha)	Mineral Rights		Surface Rights	
			Prospecting Right	Mining Right	Owner	Access Agreements
Brakfontein 264 IR	6	115.53	MP 30/5/1/1/2/1879 PR	MP 30/5/1/1/2/10027 MR	Norwesco Inv. (Pty) Ltd	No
	8	74.65			Hannes Potgieter Trustfonds	Yes
	9	86.42			HP van Dyk	Yes
	10	139.71			Andries Schoeman Brakfontein	Yes

Farm	Portion	Size (ha)	Mineral Rights		Surface Rights	
			Prospecting Right	Mining Right	Owner	Access Agreements
					Boerdery (Pty) Ltd	
	20	59.51			Abundant Developments (Pty) Ltd	Yes
	26	46.44			Koos Uys en Seuns Boerdery CC	Yes
	30	130.23			Andries Schoeman Brakfontein Boerdery (Pty) Ltd	Yes
	RE	413.52			Andries Schoeman Brakfontein Boerdery (Pty) Ltd	Yes

A mining contractor will provide all the surface infrastructure and services required and the cost of this will be included in the establishment costs and the mining tariff.

C.8. Brakfontein Project Financial Evaluation

The average free-on-truck price for the Eskom 20.5 megajoules per kilogramme product is ZAR 334.152 per sales tonne. The average operating cost is estimated at ZAR 223.90 per run of mine tonne.

The total capital requirement over the life of the Project is ZAR 212.06 million.

Based on current assumptions, the Project has the potential to generate an internal rate of return of 20.36 percent. At a 100 % basis and a 10 % discount rate, it is expected the Project will generate a net present value of ZAR 34.3 million in real money value.

The net present value is most sensitive to the sales price and the operating costs.

D. AIM Note Appendices

As per the AIM Note for Mining and Oil & Gas Companies, June 2009, Appendix 1 is included as Appendix 1 in this Report and provided in Table 11 below.

Table 12: Summary Table of Assets

Asset	Holder	Interest	Status	Licence Expiry Date	Licence Area (ha)	Comments
New Clydesdale Colliery	Universal Coal Development VIII (Ltd) Pty	49.00%	Mining Right and under development	05/12/2019	4,125.00	1. Underground shaft with 2 Seam workings and coal handling and processing plant being prepared for the start of operations during 2016 2. New Clydesdale Colliery is shown combined with the Roodekop Project in Appendix 1 as the two assets are combined as one project
Roodekop Project	Universal Coal Development IV (Ltd) Pty	74.00%	Mining Right and under development	05/02/2034	860	1. Executed MR and preparation for opencast production during 2016 is well advanced 2. The Roodekop Project is shown combined with the New Clydesdale Colliery in Appendix 1 as the two assets are combined as one project
Kangala Mine	Universal Coal Development I (Ltd) Pty	70.50%	Mining Right Production	02/05/2032	951	1. Kangala Mine has been in operation since 2013 and producing +/- 3.5 million tonnes per annum coal from opencast operations
Middelbult 235 IR, Portions 40 & 82	Universal Coal Development I (Ltd) Pty	70.50%	Prospecting Right (PR)	09/07/2017	942	1. Renewal of the prospecting right was granted in July 2014 for a further three years 2. The number of holes drilled to date are 37 and the combined average Air Dried Raw CV is 15.60 MJ/kg 3. Middelbult will form part of Kangala Mine life extension once the regulatory process has been completed to include it under the Kangala Mine MR.
Modderfontein 236 IR, Portion 1	Universal Coal Development I (Ltd) Pty	70.50%	Prospecting Right (PR)	09/07/2017	127	1. Renewal of the prospecting right was granted in July 2014 for a further three years 2. The number of holes drilled to date are 7 and the combined average Air Dried Raw CV is 13.60 MJ/kg 3. Modderfontein will form part of Kangala Mine life extension once the regulatory process has been completed to include it under the Kangala Mine MR.
Brakfontein Project	Universal Coal	50.29%	Development	Waiting for	879	1. Brakfontein is planned to commence production from

Asset	Holder	Interest	Status	Licence Expiry Date	Licence Area (ha)	Comments
	Development III (Ltd) Pty			Execution		opencast mining during 2016.

As per the AIM Note for Mining and Oil & Gas Companies, June 2009, Appendix 3 is included as Appendix 2 in this Report and provided in Table 12 below.

Table 13: Summary of Reserves and Resources by Status

Category	Gross				Nett Attributable					Operator
	Tonnes (Million)	Quality (Air Dried)		Contained Mineral	Attributable Share (%)	Tonnes (Million)	Quality (Air Dried)		Contained Mineral	
		CV (MJ/kg)	VM (%)				CV (MJ/kg)	VM (%)		
NCC Project (Combined New Clydesdale Colliery and Roodekop Project) 62.38% Share										
Mineral Reserve										
Proved	29.32	19.71	21.41	Coal	62.38%	18.29	19.71	21.41	Coal	UCD IV and VIII
Probable	-	-	-	-	-	-	-	-	-	-
Sub-Total	29.32	19.71	21.41	Coal	62.38%	18.29	19.71	21.41	Coal	UCD IV and VIII
Mineral Resources (Included in BFS)										
Measured	29.63	22.22	23.62	Coal	62.38%	18.48	22.22	23.62	Coal	UCD IV and VIII
Indicated	-	-	-	-	-	-	-	-	-	-
Inferred	-	-	-	-	-	-	-	-	-	-
Sub-Total	29.63	22.22	23.62	Coal	62.38%	18.48	22.22	23.62	Coal	UCD IV and VIII
Kangala Colliery 70.5 % Share										
Mineral Reserve										
Proved	16.64	17.63	19.64	Coal	70.50%	11.73	17.63	19.64	Coal	UCD I
Probable	-	-	-	-	-	-	-	-	-	-
Sub-Total	16.64	17.63	19.64	Coal	70.50%	11.73	17.63	19.64	Coal	UCD I
Mineral Resources										
Measured	18.72	17.76	20.03	Coal	70.50%	13.20	17.76	20.03	Coal	UCD I
Indicated	-	-	-	-	-	-	-	-	-	-
Inferred	-	-	-	-	-	-	-	-	-	-
Sub-Total	18.72	17.76	20.03	Coal	70.50%	13.20	17.76	20.03	Coal	UCD I

Category	Gross				Nett Attributable					Operator
	Tonnes (Million)	Quality (Air Dried)		Contained Mineral	Attributable Share (%)	Tonnes (Million)	Quality (Air Dried)		Contained Mineral	
		CV (MJ/kg)	VM (%)				CV (MJ/kg)	VM (%)		
Brakfontein Project 50.29 % Share										
Mineral Reserve										
Proved	9.15	20.09	20.24	Coal	50.30%	4.60	20.09	20.24	Coal	UCD III
Probable	-	-	-	-	-	-	-	-	-	-
Sub-Total	9.15	20.09	20.24	Coal	50.30%	4.60	20.09	20.24	Coal	UCD III
Mineral Resources										
Measured	8.91	20.17	20.43	Coal	50.30%	4.48	20.17	20.43	Coal	UCD III
Indicated	-	-	-	-	-	-	-	-	-	-
Inferred	-	-	-	-	-	-	-	-	-	-
Sub-Total	8.91	20.17	20.43	Coal	50.30%	4.48	20.17	20.43	Coal	UCD III
Total										
Mineral Reserve										
Proved	55.10	19.15	20.68	Coal	62.83	34.62	19.15	20.68	Coal	UC plc
Probable	-	-	-	-	-	-	-	-	-	-
Sub-Total	55.10	19.15	20.68	Coal	62.83	34.62	19.15	20.68	Coal	UC plc
Mineral Resources										
Measured	57.26	20.45	21.95	Coal	63.16	36.16	20.45	21.95	Coal	UC plc
Indicated	-	-	-	-	-	-	-	-	-	-
Inferred	-	-	-	-	-	-	-	-	-	-
Total	57.26	20.45	21.95	Coal	63.16	36.16	20.45	21.95	Coal	UC plc

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List of Terms and Abbreviations

Companies / Departments / Institutions	
Abbreviation	Full Name
AIM	Alternative Investment Market
AMTEC	Applied Mineral Technologies (Pty) Ltd
BCR	Big C Rock Engineering Consultants
Brakfontein	Brakfontein Project
CoAL	Coal of Africa Limited
DMR	Department of Mineral Resources
ECSA	Engineering Council of South Africa
JORC	Joint Ore Reserves Committee
Kangala	Kangala Colliery
Mindset	Mindset Mining Consultants (Pty) Ltd
NCC	New Clydesdale Colliery
RBCT	Richards Bay Coal Terminal
SAMREC	South African Code for Reporting of Mineral Resources and Mineral Reserves
SMS	Sound Mining Solutions
Universal Coal	Universal Coal plc

General Abbreviations	
Abbreviation / Symbol	Term
-	Minus
\$	US Dollar
%	Percent
~	Approximately
<	Less Than
>	Greater Than
≥	Equal To or Greater Than
°	Degrees
adb	Air-dried Basis
adc	Air-dried Contaminated
ADT	Articulated Dump Trucks
B&P	Bord and Pillar

General Abbreviations	
Abbreviation / Symbol	Term
BCM	Bank Cubic Metres
BECF	Breakeven Coal Price
BFS	Bankable Feasibility Study
CH ₄	Methane
CHPP	Coal Handling and Processing Plant
CM	Continuous Miners
cm	Centimetres
CPI	Consumer Price Index
CPR	Competent Persons Report
CSA	Coal Supply Agreement
CV	Calorific Value
D&B	Drill and Blast

General Abbreviations	
Abbreviation / Symbol	Term
DAFV	Dry Ash-Free Volatiles
DMC	Dense Medium Cyclones
DMS	Dense Medium Separation
EIA	Environmental Impact Assessment
EMP	Environmental Management Programme
Excel	Microsoft Excel
FC	Fixed Carbon
FEL	Frontend Loader
Forex	Foreign Exchange
FoS	Factor of Safety
FOT	Free-on-Truck
g/t	Grams per Tonne
GJ	Gigajoule
GTIS	Gross Tonnes In Situ
ha	Hectares
HDPE	High-density Polyethylene
HGI	Hardgrove Grindability Index
IM	Inherent Moisture
IPCC	In Pit Crushing and Conveying
IRR	Internal Rate of Return
IWULA	Integrated Water Use Licence Application
JORC	Joint Ore Reserves Committee
kg	Kilogrammes
km	Kilometre
kN	Kilo Newton
kPa	Kilopascal
Kt	Kilo Tonnes
Ktpa	Kilo Tonnes per Annum
Ktpm	Kilo Tonnes per Month
kV	Kilovolt
kW	Kilowatt
LOM	Life of Mine
LOS	Level of Soft
LOW	Level of Weathering
LTR	Last Through Road
m	Metres
m/s	Metres per Second

Seams and Mining Blocks References	
Abbreviation	Full Name
Brakfontein Project	
S5	5 Seam

General Abbreviations	
Abbreviation / Symbol	Term
m ²	Square Metres
m ³	Cubic Metres
mg	Milligram
MJ/kg	Megajoules per Kilogram
mm	Millimetres
MPa	Mega Pascal
MPRDA	Mineral and Petroleum Resources Development Act
MR	Mining Right
Mt	Million Tonnes
MTIS	Mineable Tonnes In Situ
Mtpa	Million Tonnes per Annum
MVA	Megavolt Amperes
NEMA	National Environmental Management Act
NPV	Net Present Value
Pa	Pascal
PCD	Pollution Control Dam
Phos	Phosphorous
RD	Relative Density
RDT	Rigid Dump Truck
RMV	Real Money Value
ROM	Run of Mine
ROMt	Run of Mine Tonnes
RQD	Rock Quality Designation
SANS	South African National Standard
SIB	Stay-in-Business
SLP	Social and Labour Plan
t	Tonnes
tpa	Tonnes per Annum
tph	Tonnes per Hour
tpm	Tonnes per Month
TS	Total Sulphur
UCS	Uni-Axial Compressive Strength
VM	Volatile Matter
WUL	Water Use Licence
ZAR	South African Rand

Seams and Mining Blocks References	
Abbreviation	Full Name
S4	4 Seam
S3	3 Seam

Seams and Mining Blocks References	
Abbreviation	Full Name
S2	2 Seam
S1	1 Seam
S4U	4 Upper Seam
S4L	4 Lower Seam
OC1	Opencast Block 1
OC2	Opencast Block 2
Kangala Colliery	
MM	MM Seam
MMAD	MBAD Seam
MBC1	MBC1 Seam
MBC2	MBC2 Seam

Seams and Mining Blocks References	
Abbreviation	Full Name
New Clydesdale Colliery	
S5	5 Seam
S4	4 Seam
S3	3 Seam
S2	2 Seam
S1	1 Seam
S1A	1A Seam
S2U	2 Upper Seam
S2L	2 Lower Seam
OCN	Opencast North
OCS	Opencast South

NCC Project

Consolidated New Clydesdale Colliery and Roodekop Project

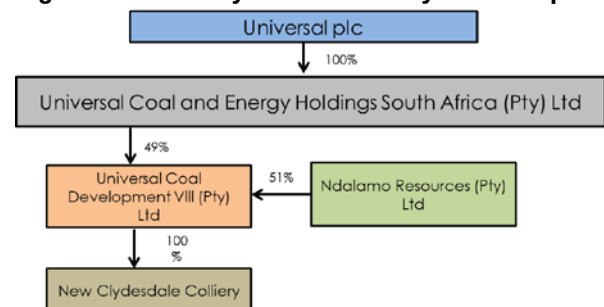
Where reference is made to Universal Coal in this section, the term refers interchangeably to Universal Coal plc, Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA), Universal Coal Development IV (Pty) Ltd, and Universal Coal Development VIII (Pty) Ltd.

1. Introduction

The Project consists of two adjacent coal assets, the New Clydesdale Colliery and the Roodekop Resource, which has been planned as a consolidated mine to be referred to as NCC or NCC Project.

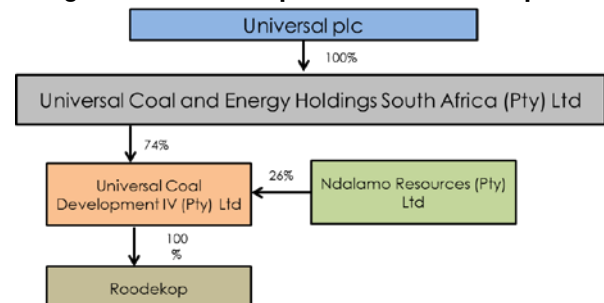
New Clydesdale Colliery consists of an established mine with a valid Mining Right (MP 30/5/1/2/2/148 MR) and an approved Environmental Management Programme (EMP) and Water Use Licence (WUL). The Project has an existing coal handling and processing plant (CHPP). Historically, both underground and opencast mining was deployed and the run of mine (ROM) coal was processed in the CHPP. The mine is currently under care and maintenance. The ownership of the New Clydesdale Colliery is shown in Figure 1-1.

Figure 1-1: New Clydesdale Colliery Ownership



The Roodekop Resource consists of a coal deposit with favourable stripping ratios for opencast mining. Universal Coal has been granted a Mining Right (MP 30/5/1/2/2/492 MR) for the Project and its EMP and WUL have been approved. The Roodekop Resource is contiguous to the New Clydesdale Colliery and is planned to be mined and operated in conjunction with New Clydesdale Colliery. The ownership of Roodekop Resource is shown in Figure 1-2.

Figure 1-2: Roodekop Resource Ownership



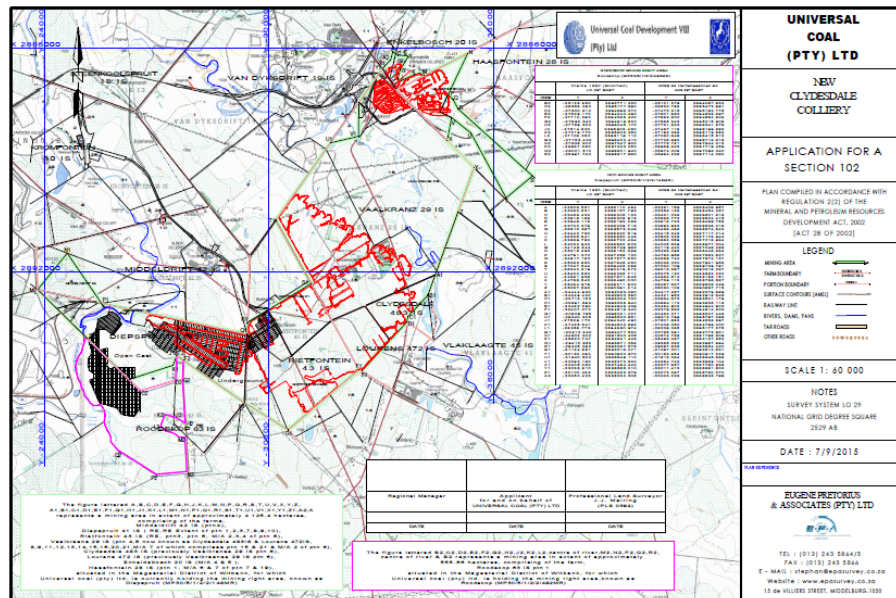
NCC has a SAMREC-compliant coal resource for New Clydesdale Colliery and the Roodekop Resource of a combined 130.5 million gross in situ tonnes¹. The resources contained in the mining layouts are 29.63 million tonnes (Measured). The resources in the mining layout convert to 24.64 Mt of proved reserves.

The Project is planned on supplying coal to Eskom and for export for 10 years, but the mining schedules are based on 11 years to allow for some flexibility in supply.

Map 1-1 on page 31 indicates the areas and farms included in the two Mining Rights. The mining of the New Clydesdale Colliery and Roodekop Resource resources areas can commence in terms of the current two Mining Rights. Universal Coal is in the process of applying under Section 102 of the Mineral

¹ tonne = 1,000 kilogrammes (kg) / 1 ton = 1,016 kg. Mindset therefore refers to tonnes or the abbreviated 't' throughout this Report, unless stated otherwise

and Petroleum Resources Development Act (MPRDA) (Act 28 of 2002) for the amalgamation of the two resources under one Mining Right which will extend the expiry date beyond the current New Clydesdale Colliery Mining Right expiration date of 2019.

Map 1-1: NCC Mining Right Areas


1.1. Sources of Information

1.1.1. Tenure Information

All information regarding the Mining Rights were provided by Universal Coal.

1.1.2. Surface Right Information

Universal Coal provided all the information regarding the total surface area covered by the New Clydesdale Colliery and Roodekop Resource Mining Rights, the surface areas purchased by Universal Coal and Ownership of the surface areas covering the two Mining Rights that are not owned by Universal Coal. Proof of purchases and ownership was provided through certified copies of the farm deeds.

1.1.3. Exploration and Geological Information

The geological information was obtained from boreholes drilled, Coffey Mining (SA) Pty Ltd geological CPR for Roodekop, the NCC/ Roodekop CPR compiled by the Competent Person (CP) Gavin O'Connell-Jones site visits and Universal Coal.

1.1.4. Mining Information

The mining information was obtained from Universal Coal, SAMREC compliant mining report by Mindset and site visits by the mine planner and Mindset's mining engineers. A copy of the NCC bankable feasibility study (BFS), Mining Chapter, is attached as Annexure 1-4 in the unabridged report, which is available from CoAL's website.

1.1.5. Coal Handling and Processing Information

The coal handling and processing information was supplied by Applied Mineral Technologies (Pty) Ltd (AMTEC) and Universal Coal. A copy of the AMTEC report is attached as Annexure 1-5 in the unabridged report.

1.1.6. Costing Information

The sources of information for the NCC capital and operating costs were contract-mining quotes for opencast mining, budget quote for underground mining, contracted coal washing quotes for operating the existing washing plants, Universal Coal provided transport and infrastructure costs, Mindset's cost database for similar projects and Universal Coal and Mindset's financial model prepared for NCC.

1.1.7. Environmental and Regulatory Information

Environmental and regulatory information was received through EIAs and EMPs developed through specialist studies by SRK Consulting, mine rehabilitation plan and closure costs compiled by Digby Wells and Associates and authorisation documents from the South African Department of Mineral Resources (DMR).

1.2. Description of the NCC Resources

1.2.1. Project Geology

NCC covers the New Clydesdale Colliery and Roodekop Resource areas.

All five of the Witbank Coalfield seams exist on the Project, named from top to bottom:

– 5 Seam (S5)	– 2 Seam (S2) split into:
– 4 Seam (S4) split into:	o 2 Upper Seam (S2U)
o 4 Upper A Seam (S4UA)	o 2 Lower Seam (S2L)
o 4 Upper Seam (S4U)	o 2 A Seam (S2A)
o 4 Lower Seam (S4L)	– 1 Seam (S1) split into
– 3 Seam (S3)	o 1 Seam (S1)
	o 1 A Seam (S1A)

Mining is only planned in the western part of the New Clydesdale Colliery area, which is adjacent to the Roodekop Resource area. The eastern part of the New Clydesdale Colliery has effectively been mined-out. The local geology focuses only on the western part of New Clydesdale Colliery and on the entire Roodekop Resource. The surface topography on the Project is relatively flat and a north to south trending, shallow-sided valley, through the western centre of the property (Figure 1-3 on page 33).

The seams are relatively flat-lying and the surface topography predominantly results in an increased depth to the top of the seams. No major faults have been definitively identified on the areas where future mining is planned. However, a plot of the S1A floor elevation indicates a possible southeast to northwest trending fault on the west of the Roodekop Resource area that has downthrown the seams to the south by approximately (~) 10 m.

Figure 1-4 on page 33 shows the S1A (lowest seam) floor elevation and the possible fault position is shown in the bold broken line.

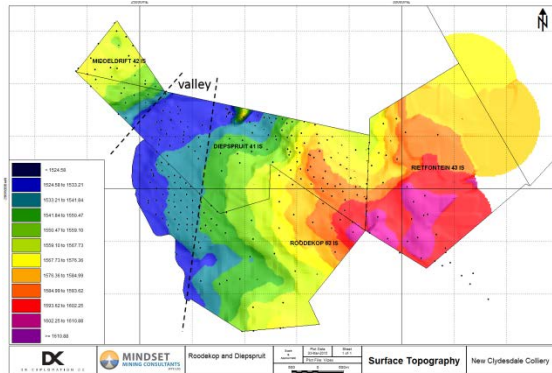
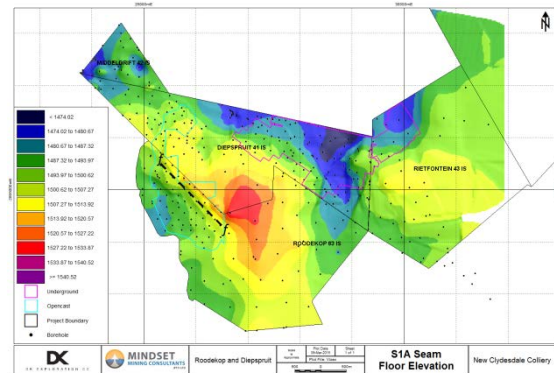
Figure 1-3: NCC Surface Topography and Boreholes

Figure 1-4: NCC S1A Floor Elevation


Table 1-1 below shows the minimum, maximum, and average seam thickness and depths on the Project. Section 1.2.4 describes the coal seams that have been converted to resources, focusing on the morphology and structure within the designated opencast and underground mining areas.

Table 1-1: NCC Seam Depth and Thickness Statistic

		Seam										
		S5	S4UA	S4U	S4L	S3	S2U	S2P*	S2L	S2A	S1	S1A
Thickness	Min	0.50	0.08	0.26	0.25	0.19	0.19	0.24	0.26	0.19	0.19	0.27
	Ave	1.09	0.55	0.98	1.83	0.32	2.16	0.99	2.37	1.05	1.92	1.33
	Max	1.54	1.95	3.55	3.97	0.64	5.75	2.85	5.96	2.63	3.68	2.21
Depth	Min	6.70	13.71	8.00	6.97	11.58	7.11	8.71	9.14	14.16	8.90	24.20
	Ave	24.90	40.79	37.94	40.69	51.82	48.95	45.69	52.23	62.17	58.93	46.03
	Max	47.39	78.70	80.20	84.15	84.48	108.67	110.16	111.97	118.12	119.38	106.73

*sedimentary interseam parting

1.2.2. Opencast and Underground Geology

The mine planning has only focussed on the Diepspruit Resource and Rietfontein Resource areas of the New Clydesdale Colliery and Roodekop Resource areas. The Middeldrift Resource area in the west of the New Clydesdale Colliery was not included, as this area will be planned into NCC once mining has commenced in the Diepspruit Resource and Rietfontein Resource areas.

The scheduled opencast area covering the Diepspruit Resource and Roodekop Resource areas is ~ 1,937,279 square metres (m²) (193.73 hectares (ha)) that contains resources for the S2U, S2L, S1 and S1A.

In the underground mining areas, only the S2L and S1 are of economical thickness and coal quality to mine. The underground area showed in Figure 1-5 on page 34 shows the S1 mining area, where mining will be conducted in virgin ground. The S2L was previously mined and the underground area for the S2L is defined as the remaining extents from the previously mined areas at the Diepspruit Resource. Figure 1-6 on page 34 indicates the remaining areas that will be mined.

Geotechnical studies were conducted in the opencast mining areas to determine all slope angles. The S1 area is defined as the total Diepspruit Resource area that covers an area of 167.6 ha.

Figure 1-5: NCC Opencast and Underground S1 Mining Areas

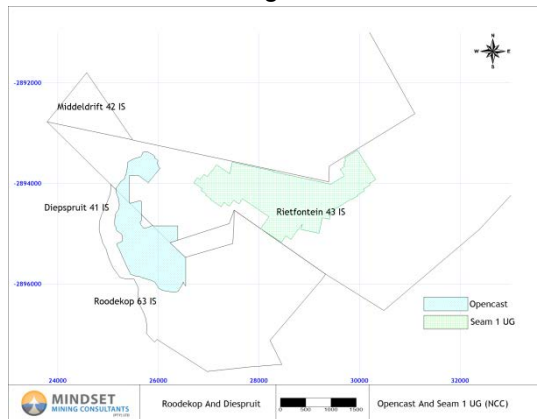
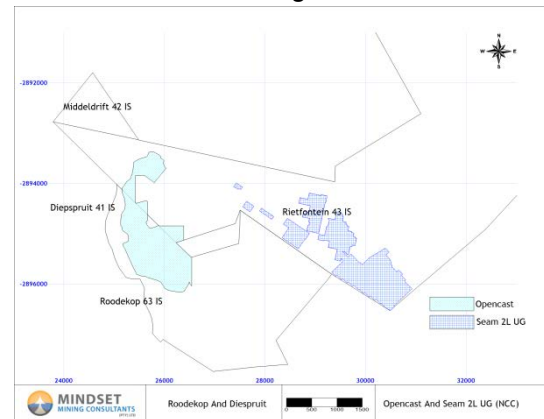


Figure 1-6: NCC Opencast and Underground S2L Mining Areas



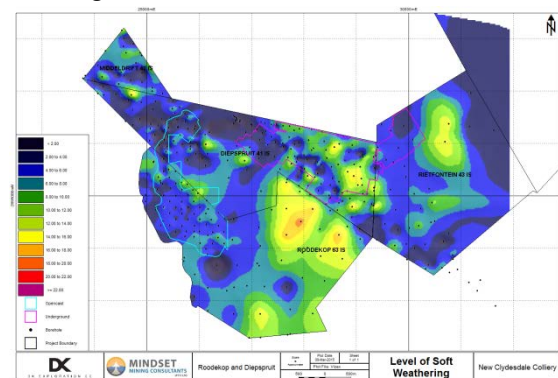
1.2.3. Overburden

The thickness of the soft material on the Project varies from ~ 12 m to 14 m in the east, to 4 m to 6 m in the west, as indicated in Figure 1-7 below. Within the opencast area, the LOS has an average depth and thickness of 4.82 m. The weathering horizon occurs at an average depth of 14 m to 18 m on the east of the Project and shallower depths of 8 m to 12 m on the west and the shallowest LOS and LOW area is located towards the northeast. The hard overburden thickness varies between 6.8 m and 17.5 m with an average thickness of 13.8 m and consists predominantly of sandstone.

In the Diepspruit Resource underground area, the minimum depth to the S2L is 30 m, and the

depth of the weathering is between 4 m and 16 m.

Figure 1-7: NCC Level of Soft Material



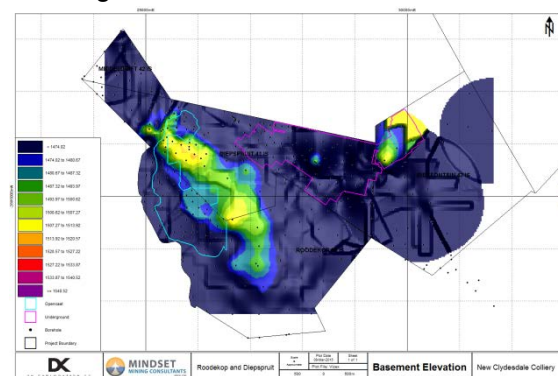
1.2.4. Seam Structural Description

1.2.4.1. 2 Upper Seam

The S2U is prolific across the Project area with the exception of an area affected by a basement high in the centre of the properties, as indicated in Figure 1-8 below. It is thickest on the Diepspruit Resource, with an average thickness of 1.21 m

In the opencast area, the S2U is predominantly less than (<) 1 m thick; whilst in the underground area the seam typically ranges from 1.5 m to 2.5 m. The S2U occurs at shallow depths and within the opencast area is on average 18 m below surface

Figure 1-8: NCC Basement Elevation



1.2.4.2. 2 Lower Seam

The S2L occurs consistently across the Project area and has consistent quality. It is separated from the S2U by a thin carbonaceous mudstone parting named the S2P that ranges in thickness from 0.001 m to 2.77 m, with an average of 0.35 m as indicated in Figure 1-9 below.

As can be seen from Figure 1-9, the opencast area has been limited to the central-western part due to the S2L thinning from the west towards the central part of the Project area. The seam thickness increases towards the central-northern and eastern parts of the Project area. Most of this area however has been mined-out by underground bord and pillar mining. The S2L thickness distribution is shown in Figure 1-10 below.

The average depth of the S2L in the opencast area is 21.07 m below surface.

Figure 1-9: NCC S2 Parting Thickness

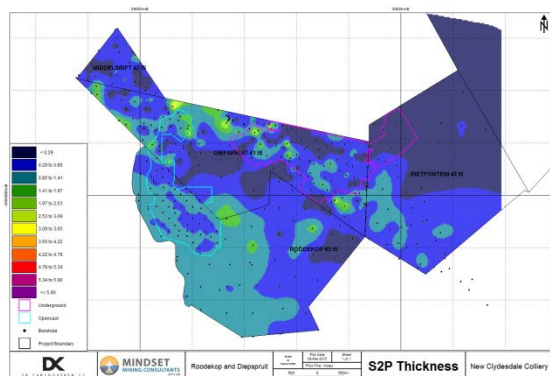
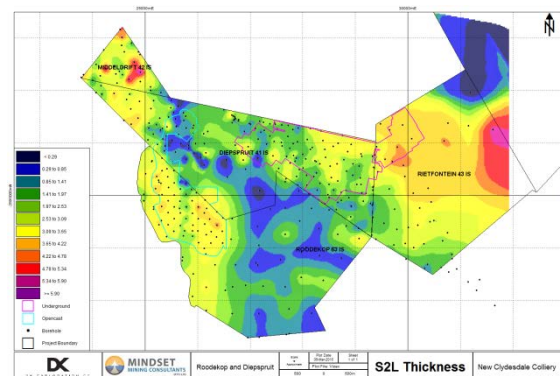


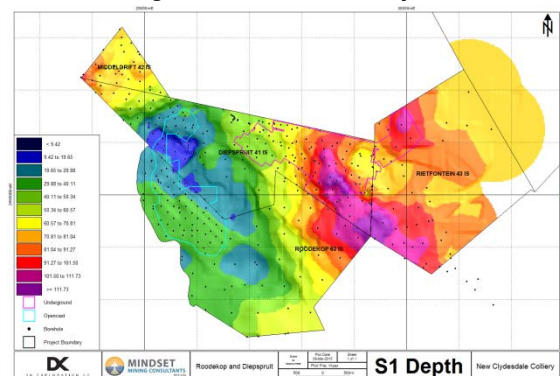
Figure 1-10: NCC S2L Thickness



1.2.4.3. 1 Seam

The S1 occurs across the Project area with the exception of the basement high area described in Section 1.2.4.1 on page 34 and shown in Figure 1-8 on page 34. The maximum depth on the Project is ~ 120 m and the average depth in the opencast area is 29.35 m. The S1 has a variable thickness ranging from 2.7 m to 1 m with an average of 1.1 m, and is too thin for economic extraction across much of the property. The S1 depth is shown in Figure 1-11 below.

Figure 1-11: NCC S1 Depth

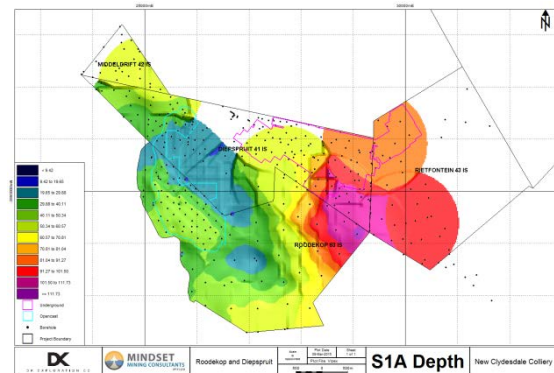


1.2.4.4. 1A Seam

The S1A is of an economic thickness only in the Roodekop Portion 1 area and has a thickness range of 0.5 m to 2.53 m.

The S1A is the lowermost seam in the Project stratigraphy and occurs on average 4 m below the S1. In Roodekop Portion 1 and Remaining Portion opencast area, the S1A depth ranges from 26 m to 42 m below surface, as shown in Figure 1-12 below.

Figure 1-12: NCC S1A Depth



1.2.5. Seam Quality Description

Only seams that have been scheduled for mining are covered by this section, namely the S2U, S2L, S1, and S1A.

1.2.5.1. General Quality Description

The in situ quality of the seams that will be mined varies substantially. The S1A generally has the best qualities and due to the lower phosphorus (Phos) in the S1A, it can be beneficiated to produce a sized product for the metallurgical markets.

The S2L has in situ qualities that allow for the production of three product of a 15% Ash Export product, a 25.5 MJ/kg export product and a 24 % Ash Eskom product. The S1 has in situ qualities that are mainly suitable for producing an Eskom 24 % Ash, 23.5 MJ/kg CV product. The S2U has the poorest qualities with relatively low yields, for a 23.5 MJ/kg CV Eskom product.

The in situ qualities of the seams vary over the Project area, which results in variable yields for the products that is being planned for production. The air dried CV, Ash, Total Sulphur (TS), Inherent Moisture (IM), Volatile Matter (VM), and Fixed Carbon (FC) of the four different seams in the opencast area are shown in Table 1-2 below. The average product yields for different products for the opencast area are shown in Table 1-3 on page 37. The CV, Ash, TS, IM, and VM of the S2L and S1 (adb), in the underground area are shown in Table 1-4 on page 37. The average yields for different products from the S2L and S1 area are shown in Table 1-5 on page 37.

Table 1-2: NCC Opencast Area In Situ Coal Qualities (adb)

Quality	S2U			S2L			S1			S1A		
	Min	Max	Ave	Min	Max	Ave	Min	Max	Ave	Min	Max	Ave
CV (MJ/kg)	16.53	17.93	17.23	19.92	24.08	21.65	19.60	23.31	21.38	20.42	25.26	23.54
TS (%)	0.59	0.86	0.69	1.10	1.50	1.27	0.69	1.20	0.91	0.80	1.52	1.25
Ash (%)	37.01	40.59	38.79	23.70	32.20	28.19	25.86	34.12	29.87	20.96	31.44	24.99
IM (%)	2.39	3.03	2.78	2.41	2.94	2.84	2.04	3.04	2.70	2.56	2.96	2.68
VM (%)	17.56	18.67	18.30	21.88	25.86	23.82	18.62	25.10	20.91	22.33	28.43	26.25
FC (%)	38.37	41.74	40.13	43.01	49.92	45.15	44.44	47.00	46.51	43.48	48.32	46.07

Table 1-3: NCC Opencast Area Product Yields

Option	S2U			S2L			S1			S1A		
	Min	Max	Ave	Min	Max	Ave	Min	Max	Ave	Min	Max	Ave
27.2 MJ/kg CV Product (%)	14.31	23.78	17.59	31.50	68.44	50.15	29.14	52.54	35.52	63.36	75.76	68.90
25.5 MJ/kg CV Product (%)	19.38	39.08	28.35	54.38	82.66	69.63	55.93	67.20	59.51	81.25	96.62	86.89
1.8 RD Wash Product (%)	53.31	75.74	57.25	68.22	80.27	77.41	82.62	88.57	84.38	83.11	93.24	85.53
18% Ash Low Phos Product (%)	-	-	-	-	-	-	-	-	-	74.98	88.90	81.34

Table 1-4: NCC Underground Area In Situ Coal Qualities (adb)

Quality	S2L			S1		
	Min	Max	Ave	Min	Max	Ave
CV (MJ/kg)	22.30	26.30	24.86	20.44	22.43	21.57
TS (%)	1.08	1.77	1.31	0.42	1.20	0.71
Ash (%)	18.29	28.42	21.72	27.97	33.81	30.77
IM (%)	1.93	2.37	2.20	1.75	2.23	1.93
VM (%)	25.79	28.01	27.08	20.03	25.36	22.94
FC (%)	43.86	52.54	48.99	41.75	47.43	44.36

Table 1-5: NCC Underground Area Product Yields

Option	S2L			S1		
	Min	Max	Ave	Min	Max	Ave
27.2 MJ/kg CV Product (%)	71.04	93.18	81.63	30.53	45.22	36.92
25.5 MJ/kg CV Product (%)	82.48	98.78	91.45	55.97	94.85	81.07
1.8 RD Wash Product (%) **	81.05	95.85	89.92	78.10	89.48	83.32

** Generally, the S2L produces better qualities at 1.8 Relative Density (RD) than 25.5 MJ/kg, which is why the yield is lower.

1.2.5.2. Individual Seam Raw Qualities

All the seams will be washed at a 1.8 RD, which is the maximum practical RD that the NCC washing plants can wash. The individual seams' raw qualities are discussed in the section below. The individual coal seam qualities and the yields at a 1.8 RD wash is illustrated in isopach plans in the unabridged report.

1.3. Description of the NCC Reserves

1.3.1. Introduction to Project Reserves

The determination of the NCC reserves currently excluded the Middeldrift Resource area. The Middeldrift resources however are included based on a pre-feasibility study conducted by Exxaro Resources, the previous owners. The Middeldrift Resource area was excluded from the reserve determination of NCC as the studies required for determining the costs for the diversion of a provincial road and the establishment of an Eskom power line have not been done.

1.3.2. NCC Reserve Areas

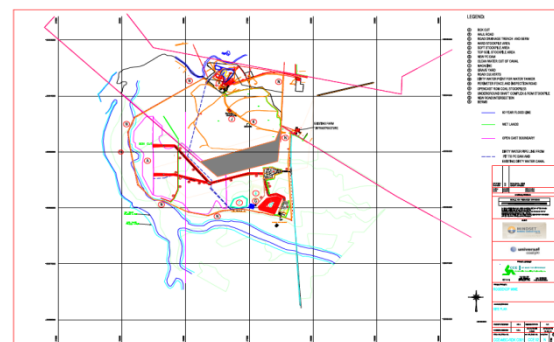
The NCC mining SAMREC compliant report is included in the BFS that was conducted on the NCC Project.

1.3.2.1. Roodekop Resource Opencast Section

There are two potential opencast areas, one in the northwest and one in the southeast. The Roodekop Resource potential underground area is along the eastern boundary. The planned Roodekop Resource opencast mining area is not restricted by any wetlands and the Steenkoolspruit River runs on the western side of the Roodekop Resource opencast area in a south to north direction. A tributary of the Steenkoolspruit River runs in an east to west direction across the Roodekop Resource area and splits the potential opencast area into a northern and southern block. The tributary also crosses the underground mining area in the southeast.

The opencast area is planned to fall outside of the 1:100 year flood line area of both the Steenkoolspruit River and its tributary. For the opencast Roodekop Resource, ROM coal will be hauled to an area in the east where a ROM pad will be established, adjacent and to the west of the existing gravel district road. This road runs north to south and links to the R547 paved provincial road to the north of where the opencast ROM stockpiles will be situated. The opencast mining area with the haul roads, ROM stockpile pads, and other surface infrastructure is shown in Figure 1-13 below.

Figure 1-13: NCC Opencast Mining Area and Infrastructure



1.3.2.2. Roodekop Resource Underground Section

In the eastern part of the Roodekop Resource, the coal seams are deep and opencast mining could be uneconomical. Only underground mining could be considered in the eastern part of Roodekop and only the S2L will be considered as it can be mined from the Diepspruit Resource adit and access shaft.

The S2L is thin (< 1.8 m) in the east, which currently excludes it from being mined with conventional continuous miner (CM) equipment by underground methods.

1.3.2.3. Diepspruit Resource Opencast Section

The Diepspruit Resource opencast area is in the central and to the northwestern part of this resource. The Roodekop Resource opencast area is contiguous to the Diepspruit Resource opencast area, along the northwest to southeast running boundary between the two resource areas.

The current WUL and environmental approvals exclude the Diepspruit Resource opencast area, but an application will be submitted to have it included. The Diepspruit Resource Area is estimated to be 953.6 ha.

1.3.2.4. Diepspruit Resource Underground Section

An underground adit with an access shaft was established at the Diepspruit Resource to mine the S2L. A complete surface complex including offices, change house, lamp room, stores, workshops and a 7,000 tonne run of mine coal stockpile was established at the adit. Mining operations have been

suspended and the shaft complex including the shaft conveyor, underground conveyors, power, and water supply infrastructure is currently under care and maintenance.

The Diepspruit Resource shaft will be recommissioned and it is planned to reintroduce underground production from S2L and the S1, which will be accessed from declines developed from the existing S2L underground workings. The underground ROM coal will be loaded from this stockpile and road-hauled to the NCC washing plant complex.

From the Diepspruit Resource underground ROM stockpile, there is an existing mine gravel road that connects to the Exxaro Road that runs on the western side of the Project in a north to south direction. The Exxaro Road joins up with the R547 paved road at a T-junction.

The Diepspruit Resource surface layout with the underground ROM coal stockpile and access road is shown in Figure 1-14 below.

Figure 1-14: NCC Diepspruit Resource Underground Mine Surface Layout



1.3.3. Mine Design and Modelling

The mine design, modelling, and scheduling for the Roodekop Resource and Diepspruit Resource opencast areas includes four coal seams that are chronologically named from the top down as the S2U, S2L, S1, and S1A as described in Section 1.2.1 on page 32.

For the Diepspruit Resource, the underground mine design, modelling, and production scheduling focused only on the S1 and the S2L. Underground mining will start with production from the S2L in Year 02 for producing a 15 % Ash Export Product. The mining of the S1 for an Eskom product will start in Year 06. The NCC opencast mine design, modelling, and production scheduling is based on mining the opencast areas at an annual production rate of 2.0 Mt from the S2U, S2L, S1, and S1A.

The underground production from the Diepspruit Resource will start in Year 02 of the Project, with one production section in the S2L producing at an annual rate of 480,000 tonnes, with a second section introduced in Year 02, increasing production to 800,000 tpa. Production will start in the S1 in Year 06, producing with one section at 480,000 tpa.

Universal Coal plans to outsource both the opencast and underground mining operations to mining contractors.

1.3.3.1. Geotechnical Studies: Opencast

Two geotechnical studies were conducted at the Roodekop Resource area. The first study was conducted by Sound Mining Solutions (SMS) during November 2011 and the second study was conducted by Big C Rock Engineering (BCR) during 2014. The results of these studies were incorporated into the opencast mine design.

The Geotechnical Slope Design Study Report by BCR is attached as Annexure 1-8 in the unabridged report, which is available from CoAL's website.

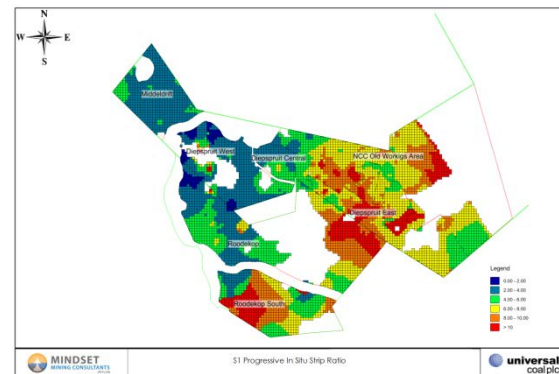
1.4. Opencast Mining

The Project mining areas consist of two mining areas. The first is the Roodekop Resource, with an opencast and the second area is the Diepspruit Resource section, with opencast mining in the central and western parts. In the selected opencast mining area, the strip ratios were below 5:1 (BCM:ROM tonne).

1.4.1. Opencast Mining Methods Considered

Surface mining was only considered in the western part of the Roodekop Resource area due to the poorer qualities and depth of the coal in the eastern part. Figure 1-15 below shows the strip ratio for the Roodekop Resource area. For the Diepspruit Resource, opencast mining is considered in the central and western part of the resource.

Figure 1-15: NCC Opencast Strip Ratio Contour Plan



1.4.2. Opencast Mining Methods Selected

After considering all the factors that impact on opencast mining, a truck and shovel operation was deemed the most feasible mining method for NCC.

Further endorsing this mining method is that the Owner has indicated an opencast mining contractor will be employed to perform the mining operations. All opencast mining contractors in South Africa apply truck and shovel technology for strip mining. There is healthy competition among the mining contractors who apply truck and shovel mining methods. This resulted in competitive production rates tendered for the NCC mining contract.

Where strip ratios are below 5:1 surface strip mining has major advantages over underground mining. These are mainly the percentage of extraction, mining costs, and safety.

1.4.3. Opencast Mine Design

The opencast mine needs to be designed, established, and operated to ensure the lowest possible establishment capital and the earliest possible production and coal sales. The target markets for the produced coal products were also considered in the mine design, as the different coal seams have different yields.

1.4.4. Factors Impacting on Opencast Mine Design

The factors considered to impact on the mine design were the coal seams present, the overburden waste characteristics, the potential markets, the shape of the resource blocks, the depth, thickness, and distribution of the coal seams and consistent production.

The mine design was based on mining the S2U, S2L, S1, and S1A in Roodekop and the S2U, S2L, and S1 in the Diepspruit area. The S2A is present in the Diepspruit area but was currently not included for

production in the mining plan. The area where it is present is in the northwest of the Diepspruit area that is only planned to be mined late in the Project life. It will be included in the mining production plan once mining starts on the Diepspruit area. The inclusion of the S2A will positively impact on the strip ratios and production rates in the area where it is present.

1.4.4.1. Overburden Waste

Within the opencast area, the level of soft has an average depth and thickness of 4.82 m. The weathering horizon has a similar structure, occurring at average depths of 14 m to 18 m on the east of the Project and shallower depths of 8 m to 12 m on the west.

The hard overburden thickness varies between 6.8 m and 17.5 m and consists predominantly of sandstone with some siltstone and shale. The thickness of the interburden between the S2U and S2L varies between 0.6 m and 13.2 m. The interburden consists of carbonaceous shale. The thickness of the interburden between the S2L and S1 varies between 3.6 m and 7.4 m. The interburden consists of shale and sandstone intercalations. The thickness of the interburden between the S1 and S1A varies between 3.1 m and 7.7 m and consist of shale and sandstone.

1.4.5. Mine Design Criteria

The mine design and layout was done in compliance with the design recommendations in the BCR geotechnical report, pit length that allows for the planned monthly production of between 160,000 tonnes and 170,000 tonnes, full production by month 06 and the separate mining of the seams.

1.4.6. Opencast Box Cut Position

Mining will start with a single box cut. The positions and direction of the box cut was selected based on starting at the lowest strip ratio, sustaining monthly production, ensuring consistent product yields and coal qualities over the life of mine, the shape of the resource blocks and balancing the strip ratios over the LOM.

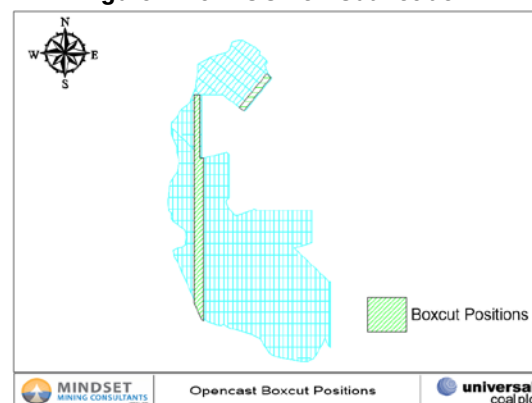
Figure 1-16 below indicates the selected positions of the box cut in relation to the mining layout.

Currently the Diepspruit Resource Mining Right does not include opencast mining in the Diepspruit area. The northern part of the box cut in the Roodekop Resource area stops against the Diepspruit Resource boundary. It is planned to extend this box cut into the Diepspruit Resource as a second box cut, in Year 05 of operations when the environmental approvals would have been obtained for opencast mining in the Diepspruit Resource area. A second box cut will also be established in the Diepspruit Resource area, as shown in Figure 1-16.

1.4.6.1. Box Cut Design

The box cut has been designed to be 80 m wide, which is double the width of the selected standard mining strip of 40 m. the design of the box cut is based on the recommendations of the geotechnical report. The topsoil, soft overburden, hard overburden, and interburdens will be placed on three waste dump area as shown in Figure 1-13 on page 38.

Figure 1-16: NCC Box Cut Position



1.4.7. Opencast Waste Dump Design

In calculating the area required for the waste dumps, the recommended dimensions from the geotechnical report were applied. For the topsoil, a height of 3 m was applied, as recommended in the EMP. The topsoil, softs, hard overburden, and interburden volumes from the box cut were calculated to ensure the areas allocated for the waste dumps could accommodate these volumes within the design parameters.

1.4.8. Opencast Ramp Design

Highwall ramps, based on the recommendations of the geotechnical report, were designed to fit the position, orientation, and length of the box cut and the mining layout. The design provides for two highwall ramps into the box pit to access the pit, which was based on the position of the box cut, the direction of developing the pit, and the position of the overburden waste dumps

1.4.9. Opencast Mine Plan and Layout

A mining layout was developed from the mining model, based on the design criteria and other factors that impacted on the mining design. Figure 1-13 on page 38 show the position of the box cut, ramps, and the haul road to the ROM tip at the ROM stockpile. The strip ratio for the mining layout area is shown Figure 1-17 below.

The final mine layout including the mining progress plot is shown in Figure 1-18 below. The NCC opencast mining area will be mined in a series of strips in a sequential order, according to the mining schedule. Mining will commence from the box cut and progress mainly in an eastern direction up to the end of the economical strip ratio and quality cut-off boundary.

During the latter part of the opencast mine life, a second box cut will have to be established on the Diepspruit Resource area. The positions of the initial box cut in the Roodekop Resource and the two box cuts in Diepspruit are indicated in Figure 1-18.

Figure 1-17: NCC Mining Area Strip Ratio

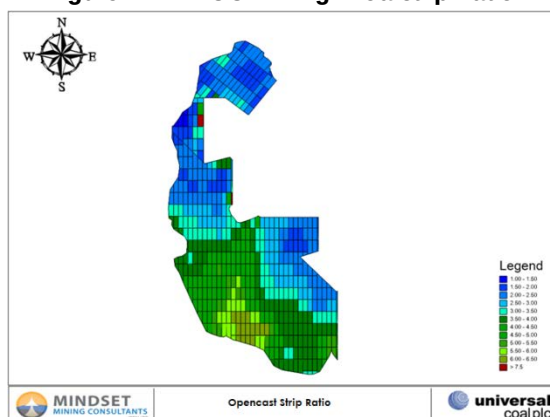
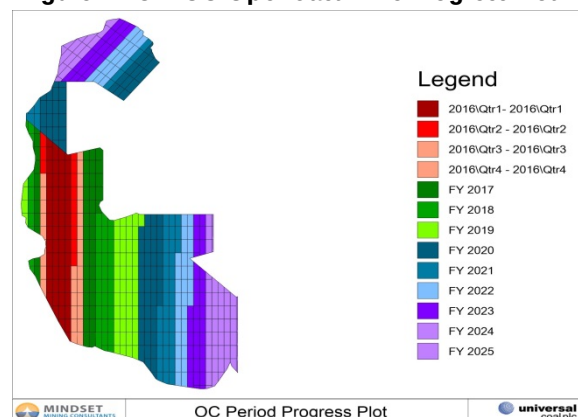


Figure 1-18: NCC Opencast Mine Progress Plot



1.4.10. Opencast Mine Sequence, Schedule and Production Profile

The mining sequence and schedule is based on producing from the S2U, S2L, S1, and S1A at an average production rate of 2,000,000 tpa to meet the requirements for the Eskom, Export, and low Phos products. The Eskom 24 % Ash product will be produced from a blend of the washed S2U, S2L, and S1 product and the raw, crushed S2L feed.

Figure 1-18 on page 42 indicates the mining sequence and mining schedule per annum. The mining schedule with the ROM production, waste quantities, and strip ratios are indicated in Table 1-6 on page 44.

The production of all the seams is consistent over the LOM, which will allow for a consistent supply of the Eskom product.

Over the LOM, the following coal volumes will be mined:

–	S2U	=	3,723,652 tonnes
–	S2L	=	8,153,865 tonnes
–	S1	=	3,931,922 tonnes
–	S1A	=	2,752,791 tonnes
–	Total Coal	=	18,562,230 tonnes

Over the LOM, the following waste volumes will be extracted:

–	Topsoil	=	1,910,473 BCM
–	Soft Overburden	=	11,522,718 BCM
–	Hard Overburden	=	18,037,885 BCM
–	Interburden S2U to S2L	=	7,462,858 BCM
–	Interburden S2L to S1	=	10,246,590 BCM
–	Interburden S1 to S1A	=	6,261,852 BCM
–	Total Waste	=	55,442,376 BCM

The average strip ratio over the LOM is 2.99:1 (ROM tonnes per BCM of waste). The annual ROM coal seam production profile for the four seams is shown in Chart 1-1 below.

The annual waste volumes profiles for the topsoil, soft overburden, hard overburden, the S2U to S2L, S2L to S1, and S1 to S1A interburden are shown in Chart 1-2 below.

Chart 1-1: NCC Annual Coal Production Profile

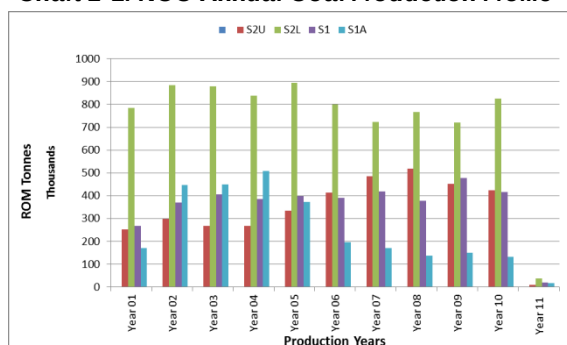


Chart 1-2: NCC Annual Waste Volume Profile

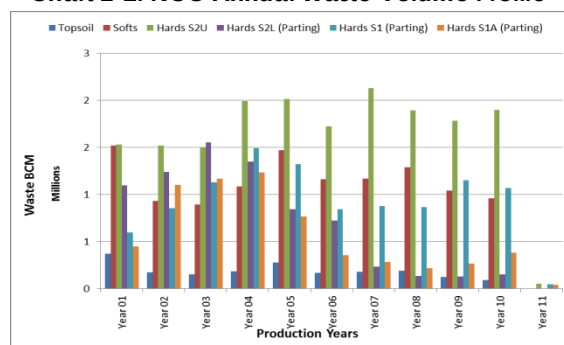


Table 1-6: NCC Opencast Mining Schedule

Material	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total Project
Coal Production Tonnes ('000)											
S2U	0.252	0.298	0.267	0.268	0.333	0.413	0.485	0.520	0.453	0.425	3.714
S2L	0.785	0.884	0.879	0.839	0.895	0.798	0.723	0.766	0.720	0.825	8.115
S1	0.269	0.370	0.405	0.386	0.399	0.391	0.420	0.377	0.477	0.416	3.911
S1A	0.171	0.448	0.449	0.507	0.373	0.197	0.171	0.137	0.150	0.133	2.736
Total Opencast ROM Tonnes ('000)	1.477	2.00	2.00	2.00	2.00	1.80	1.80	1.80	1.80	1.80	18.477
Waste BCM ('000)											
Topsoil	0.370	0.175	0.151	0.183	0.278	0.169	0.179	0.192	0.123	0.091	1.910
Softs	1.522	0.929	0.892	1.088	1.470	1.164	1.170	1.291	1.040	0.958	11.523
Hards S2U	1.528	1.522	1.503	1.994	2.012	1.722	2.131	1.892	1.783	1.898	17.983
Hards S2L (Parting)	1.094	1.241	1.554	1.350	0.843	0.725	0.235	0.137	0.128	0.150	7.458
Hards S1 (Parting)	0.596	0.852	1.129	1.495	1.321	0.845	0.875	0.865	1.150	1.070	10.198
Hards S1A (Parting)	0.450	1.101	1.167	1.233	0.768	0.353	0.282	0.220	0.266	0.381	6.219
Total Opencast Hards	3.669	4.716	5.353	6.071	4.944	3.645	3.522	3.114	3.327	3.498	41.859
Total Opencast Waste	5.560	5.821	6.396	7.342	6.692	4.978	4.871	4.597	4.489	4.547	55.292
Strip Ratio	3.77	2.91	3.20	3.67	3.35	2.77	2.71	2.55	2.49	2.53	2.99

Note: ROM product consists of the individual seams plus parting dilutions.

1.4.10.1. Mining Process Cycle

The selected surface strip-mining method whereby the overburden is rolled over from the current strip to the void of the previous strip, involves cast blasting, dozer pushover, and truck and shovel operations. The mining contractor must allow for sufficient pumping capacity or have capacity available to handle 1:100 year and 1:50 year rainstorms.

1.4.11. ROM Feed to the Coal Handling and Processing Plant

The monthly and annual production of the individual seams will vary. The Eskom product constitutes the majority of the total product planned to be sold and a coal supply agreement (CSA) with Eskom requires constant monthly supplies in terms of quantities and qualities. The mining schedule therefore focused on producing consistent ROM coal tonnage to the CHPP to ensure a consistent supply to Eskom. There could however still be months when the ROM coal production for Eskom is low. These fluctuations need to be managed by keeping coal on stockpile at the mine and by ensuring the Eskom CSA has some flexibility in terms of monthly supply.

The feed of the S1A ROM coal to the plant however fluctuates monthly as can be seen from the mining schedule. This is unavoidable as the Eskom product has precedence and the low Phos product quantities will have to be managed through offtake agreements and stockpiles.

1.4.12. Opencast Mining Infrastructure

1.4.12.1. Required Mining Infrastructure

The mining infrastructure required to enable the production operations to be conducted will be established by the mining contractor. The mining infrastructure is indicated on the Site Layout Plan (Figure 1-13 on page 38).

1.4.12.2. Infrastructure provided by the Owner

The infrastructure that will be established by the Owner to service the mining operations will be the access road from the R547 district road to the mining site, the PCD, potable water supply point, sewage connection point and provide a power supply point to the mining office, workshop complex, and the PCD.

1.4.13. Opencast Mining Conclusion

The monthly production will be based on an average of 167,000 tonnes. Production from the S2U will start in Month 02 with the S2L production starting in Month 03, followed by the S1 in Month 05 and the S1A in Month 06.

Coal will be produced from all four the seams for the total duration of the Project. Only during the first year are there short periods during which coal will not be produced from some of the seams, when they are not present. During steady-state mining the strip ratios vary between 3.77 (Year 01 with the box cut) and 1.76, with an average over the LOM of 2.99.

1.5. Underground Mining

Underground mining will be from the New Clydesdale Colliery in the central-north to northeastern part of the Diepspruit Resource area. Only the S2L and S1 will be mined.

1.5.1. Underground Mining

Underground bord and pillar mining (deploying continuous miners CMs) and shuttle cars are the recommended mining method for the mining of the S2L and S1 at Diepspruit. The decision to apply this method was based on the expected production rates per section, the LOM, seam thickness, depth to the seam, geological conditions and expected roof and floor conditions.

For NCC, mining by bord and pillar continuous miner method results in an in-panel extraction of ~ 64 %.

Underground mining is planned to commence in Year 02 of the Project from the S2L and will build up to two continuous miner production sections, producing 800,000 ROM tpa. The S2L will be washed for an Export product. Production from the S1 will start in Year 06 with one continuous miner section, producing 480,000 ROM tpa.

1.5.2. Underground Mining Design

1.5.2.1. Basic Mining Design

The underground mine design was based on mining only the S2L and S1 and due to the thickness between the two seams the pillar design had to cater for super imposing the two seams.

Standard safety factors were applied. For the main development a safety factor of 2.0 was applied, for secondary production panels a safety factor of 1.6 was applied and a 2.0 safety factor for undermining surface features except railway lines where the safety factor is 3.0. Bord widths and roof support was based on the results of the geotechnical study conducted by Umnotho Rock Engineers and geotechnical Consultants.

The minimum coal seam thickness applied is 1.5 m. The minimum mining height was taken at 2 m, which will result in the carbonaceous roof being cut in areas where the seam is thinner than 2.0 m. This will allow one standard fleet of mining equipment throughout the resource that can mine up to 4 m high. Mining operations will be conducted from the existing adit at the Diepspruit Resource. Three decline roads will be developed from the current S2L workings to the S1. The existing conveyor and traveling roadways of the S2L will be used as far as possible.

All the factors such as the position of the existing adit, production requirements, seam thickness, roof, and floor conditions etc. were taken into consideration.

1.5.2.2. Results from Geotechnical Studies: Diepspruit Resource Underground

An underground geotechnical study was conducted by Umnotho Rock Engineering and geotechnical consultants. The results of this study were used for the underground mine design and roof support. The geotechnical study is attached as Annexure 1-12 in the unabridged report, which is available from CoAL's website.

1.5.2.3. Markets

The potential markets for the coal from Diepspruit underground are:

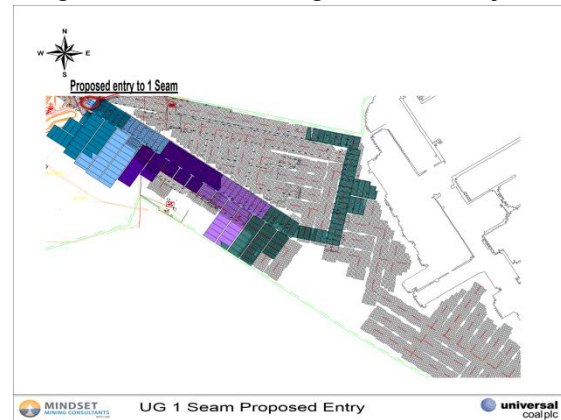
- Eskom 24 % Ash product for the Kriel Power Station
- Export 27.5 MJ/kg CV product

It is planned to produce only an Eskom product from the S1 underground as the most consistent price will be for the Kriel Power Station, which is also situated close to NCC. From the underground S2L, a 15 % Ash Export product will be produced.

1.5.3. Underground Mine Plan and Layout – 1 Seam

The mine is designed to utilise the decline from the existing adit position to the existing S2L. Three decline roads will be developed from the existing S2L workings to the S1. Figure 1-19 indicates the layout for the S1 based on the indicated design criteria and indicates the position of the declines to the S1.

Figure 1-19: NCC Underground Mine Layout



1.5.3.1. 1 Seam Underground Mine Sequence, Schedule and Production Profile

Underground mining of the S1 will start in Year 06 of the Project. The underground is scheduled to produce 40,000 tpa from one continuous miner section. The mining schedule for the S1 underground mining is shown in Figure 1-20 below and the underground mining schedule, starting in Year 06, is shown in Table 1-7 below.

Figure 1-20: NCC Underground Mining Period Progress Plot

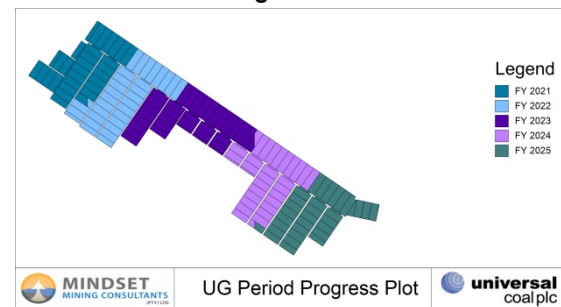


Table 1-7: NCC S1 Underground Mining Schedule (FY 2021 to FY 2025)

Seam	Financial Year 2021	Financial Year 2022	Financial Year 2023	Financial Year 2024	Financial Year 2025	Total Project
S1	445,000	480,000	480,000	480,000	480,000	2,365,000
Total Underground ROM	445,000	480,000	480,000	480,000	480,000	2,365,000

1.5.3.2. 1 Seam Underground Mining Operations

Universal Coal plans to employ underground mining contractors who will deploy one continuous miner production section, producing at an average monthly rate of 40,000 tonnes. The three access declines will be developed from the existing S2L workings during the latter part of Year 05 of the Project. The planned production build-up for the section starts at 15,000 tonnes and build up to 40,000 tonnes by month 04.

1.5.4. Underground Mine Plan and Layout – 2 Lower Seam

The mine is designed to utilise the decline from the existing adit position to the S2L. The layout design enables panels in the S2L to be mined from the faces where mining was stopped by the previous owner.

The minimum coal seam thickness applied is 1.5 m. The minimum mining height was taken at 2 m that will result in the carbonaceous roof being cut in areas where the seam is < 2 m. This will allow one standard fleet of mining equipment throughout the resource that can mine up to 4 m high.

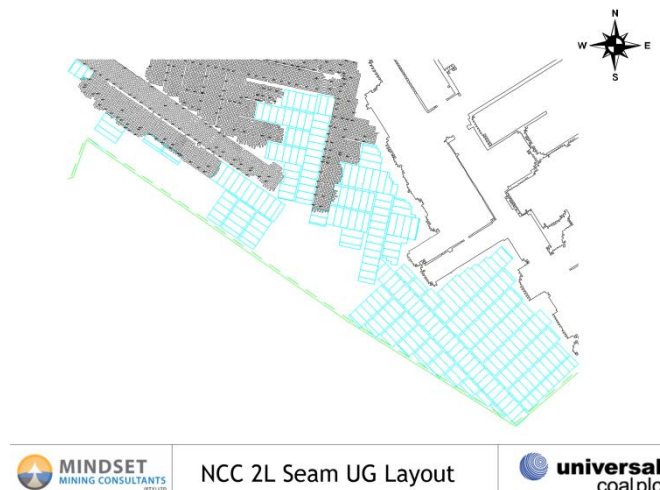
The S2L production Schedule is shown in Table 1-8 below.

Table 1-8: NCC S2L Underground Mining Schedule

Seam	Financial Year 2016	Financial Year 2017	Financial Year 2018	Financial Year 2019	Financial Year 2020	Financial Year 2021	Financial Year 2022	Total Project
S2L		200,000	800,000	800,000	800,000	800,000	400,000	3,800,000
Total Underground S2L ROM	0	200,000	800,000	800,000	800,000	800,000	400,000	3,800,000

Figure 1-21 below indicates the layout for the S2L, based on the indicated design criteria. The black areas are the previously mined workings and the blue areas are the S2L areas to be mined

Figure 1-21: NCC S2L Underground Mining Layout



1.5.5. Underground ROM Feed to the CHPP

The underground ROM will be stockpiled under the raised shaft conveyor belt head pulley. The coal will be loaded from the stockpile onto road hauling trucks and transported to the plant feed S2L underground stockpile. This coal will typically be smaller than 250 mm, will bypass the primary crusher, and fed directly into the secondary crusher before being washed in the plant for an Eskom or Export product, or bypassed raw to the Eskom product stockpile.

The S1 ROM coal, starting in Year 06 will be conveyed underground to an existing shaft close to the CHPP. This will be through old workings that will be cleared and supported to allow the trunk conveyors to be installed to convey the S1 ROM coal. The S1 ROM will be fed to the CHPP from the ROM stockpile at the shaft.

1.5.6. Underground Infrastructure

The mining infrastructure required to enable the production operations to be carried out all exist at the Diepspruit Resource underground area. This included offices, stores, workshops, change house, lamp room, power-, and water supplies.

1.5.7. Underground Ventilation

The NCC underground mine is currently under care and maintenance, which includes having the two existing fans operating alternatively. For the current Project, two continuous miner (CM) sections will be deployed in the S2L and only one continuous miner section in the S1. No mining has taken place in the S1 and three declines will be developed from the S2L into the S1. The ventilation requirements will therefore be for two continuous miner sections in the S2L and one continuous miner section in the S1.

The existing two fans will be utilised to supply the ventilation requirements for the planned sections and general workings. VOHE ventilation consultants conducted the ventilation study for Diepspruit and all ventilation requirements were based on this study.

1.5.8. Underground Mining Conclusion

The monthly production will be based on producing 800,000 tonnes per annum from two continuous miner production sections in the S2L starting in Year 02 and producing 480,000 ROM tonnes from one continuous miner production section in the S1 starting in Year 06. It is recommended that the mining contract be managed on actual volumes of coal mined. Daily interaction will be required to ensure maximum mining efficiencies are achieved.

1.6. NCC Total Production and Sales

Table 1-9: NCC Total Production and Sales

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total
Run of Mine Coal ('000)											
S2U OC	0.252	0.298	0.267	0.268	0.333	0.413	0.485	0.520	0.453	0.425	3.714
S2L OC	0.785	0.884	0.879	0.839	0.895	0.798	0.723	0.766	0.720	0.825	8.115
S1 OC	0.269	0.370	0.405	0.386	0.399	0.391	0.420	0.377	0.477	0.416	3.911
S1A OC	0.171	0.448	0.449	0.507	0.373	0.197	0.171	0.137	0.150	0.133	2.736
S2L UG	0.000	0.200	0.800	0.800	0.800	0.800	0.400	0.000	0.000	0.000	3.800
S1 UG	0.000	0.000	0.000	0.000	0.000	0.445	0.480	0.480	0.480	0.480	2.365
Total ROM ('000)	1.477	2.200	2.800	2.800	2.800	3.045	2.680	2.280	2.280	2.280	24.642
Sales Coal Tonnes ('000)											
Eskom 24 % Ash	1.000	1.192	1.179	1.132	1.135	1.376	1.378	1.343	1.330	1.316	12.380
18 & Low Phos	0.074	0.187	0.195	0.228	0.171	0.093	0.082	0.063	0.068	0.061	1.222
Export	0.000	0.120	0.480	0.480	0.480	0.480	0.240	0.000	0.000	0.000	2.280
Total Sales Tonnes ('000)	1.074	1.499	1.854	1.840	1.786	1.949	1.700	1.406	1.399	1.377	15.882
Total Yield (%)	72.7	68.2	66.2	65.7	63.8	64.0	63.4	61.7	61.3	60.4	64.5

1.7. Coal Handling and Processing Plant

An existing dense medium CHPP is available at NCC, which was kept under care and maintenance. The plan is to refurbish and upgrade the CHPP, where required, before it is re-commissioned. The CHPP consists of three single-stage coal beneficiation modules to process the raw coal to produce products for specific markets.

The CHPP requirements and upgrade design was compiled by Applied Mineral Technologies (Pty) Ltd (AMTEC) on behalf of Universal Coal. Mindset reviewed the AMTEC report. The AMTEC report, together

with various drawings relevant to the CHPP, is included as Annexure 1-9 in the unabridged report, which is available from CoAL's website.

1.7.1. Plant Feed Rates

The feed rate into the CHPP after the refurbishment and upgrade will be 2,940,000 ROM tonnes per annum which is sufficient to process the planned production.

The CHPP nominal and designed feed rates for the three different modules are set out in the AMTEC CHPP report

1.7.2. Process Description

The CHPP is made up of three semi-independent streams. The biggest stream produces Eskom thermal coal, the medium throughput stream produces Export thermal coal, and the smallest stream produces Metallurgical coal.

In the ROM preparation section, all plants will have a dedicated secondary crushing plant, but all share a single primary crusher. The coarse dense medium single stage modules all work independent of each other. The fines circuit is however, divided only into two streams, namely the Eskom- and Export product stream. The Export stream uses the Export fines stream and the Eskom fines stream is shared by the both the Eskom stream and the Metallurgical coal stream. Any one stream can therefore be operated on its own.

The CHPP Block Flow Diagram is shown in the AMTEC report. The detail of the process description for each section of the CHPP is reflected in the CHPP Report.

1.7.3. Product Blending

For the Project, three products will be produced:

- Eskom 24 % Ash, 1 % Sulphur product
- 18 % Ash, low Phos product for the metallurgical industry
- 15 % Ash Export product

1.7.3.1. Eskom 24 % Ash Product

The Eskom 24 % Ash and 1 % Sulphur product will therefore be produced by washing the opencast S2U, S2L, and S1 and the underground S1 together at an RD of 1.8. The washed duff from the low Phos product is added to the Eskom washed product. When the final Eskom washed product, including the low Phos duff has Ash content lower than 24 % it will be corrected upwards to 24 % by adding raw crushed S2L to the washed product, which has a positive impact on the overall yield.

1.7.3.2. Metallurgical 18 % Ash Low Phos Product

The opencast S1A will be washed for a Metallurgical 18 % Ash low Phos product. The washed product will be screened for two sized products, namely peas (6 mm x 32 mm) and nuts (32 mm x 50 mm). The duff will be blended in with the Eskom 24% Ash product and this is included in Eskom product shown in Table 1-10.

1.7.3.3. Export 15 % Ash

The 15 % Ash export product will only be produced from the underground S2L.

1.7.4. Product Handling

The washed Eskom coal product from the Eskom dense medium separation (DMS) plant and the Eskom grade fines module will be transferred onto an existing Eskom product conveyor. The Eskom product coal will then be stockpiled by means of a slew conveyor onto distinct 6,500-tonne stockpiles. The coal on these stockpiles will be sampled and analysed to ensure that it complies with the Eskom coal specifications.

Metallurgical product will be screened into nuts, peas, and duff at the Module B plant and the nuts and peas will be stockpiled in a loading facility adjacent to HMS plant. The duff from the metallurgical product will report to the Eskom product conveyor. The Metallurgical products will be sold free-on-truck (FOT) at the CHPP and will be loaded by FEL onto road trucks, for delivery to the respective customers.

The coal from the export DMS plant will be stockpiled on the export product stockpile. The conveyor infrastructure to the export stockpile area will be installed during Year 01. At the Export product stockpiles, the road trucks will be loaded by FELs.

Table 1-10 on page 52 indicates the quantity of each seam that is included in the final Eskom 24 % Ash product, the 18 % Low Phos product and the 15 % Ash Export product.

Table 1-10: NCC ROM Production and Sales

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	TOTAL
ROM Production Underground (Tonnes)											
Diepspruit Underground – S2L (Export)	-	200,000	800,000	800,000	800,000	800,000	400,000	-	-	-	3,800,000
Diepspruit Underground – S1 (Eskom)	-	-	-	-	-	445,000	480,000	480,000	480,000	480,000	2,365,000
Total Underground ROM		200,000	800,000	800,000	800,000	1,245,000	880,000	480,000	480,000	480,000	6,165,000
ROM Production Opencast (Tonnes)											
Opencast – S2U (Eskom)	251,897	298,308	267,039	267,657	333,319	412,691	485,384	519,507	453,102	425,242	3,714,146
Opencast – S2L (Eskom)	784,864	883,621	878,756	839,368	895,099	798,486	723,481	766,169	719,881	825,443	8,115,168
Opencast – S1 (Eskom)	269,285	370,423	405,405	385,896	398,902	391,442	419,855	377,433	476,537	416,008	3,911,186
Opencast – S1A (Low Phos)	170,602	447,648	448,799	507,079	372,680	197,382	171,280	136,891	150,480	133,307	2,736,148
Total Opencast ROM	1,476,648	2,000,000	1,999,999	2,000,000	2,000,000	1,800,001	1,800,000	1,800,000	1,800,000	1,800,000	18,476,648
Total Mine Production	1,476,648	2,200,000	2,799,999	2,800,000	2,800,000	3,045,001	2,680,000	2,280,000	2,280,000	2,280,000	24,641,648
Products (Tonnes)											
Total Eskom Saleable	999,568	1,192,235	1,178,930	1,131,914	1,135,011	1,375,704	1,377,700	1,343,017	1,330,331	1,315,570	12,379,980
Total Low Phos Saleable	74,118	187,080	194,634	227,617	170,954	92,948	82,013	63,112	68,433	61,348	1,222,257
Total Export Saleable	-	120,000	480,000	480,000	480,000	480,000	240,000	-	-	-	2,280,000
Total Sales	1,073,686	1,499,315	1,853,564	1,839,531	1,785,965	1,948,652	1,699,713	1,406,129	1,398,764	1,376,918	15,882,237
Eskom Yield (%)	76.5	76.8	76.0	75.8	69.7	67.2	65.3	62.7	62.5	61.3	68.4
Low Phos Yield (%)	43.4	41.8	43.4	44.9	45.9	47.1	47.9	46.1	45.5	46.0	44.7
Export Yield (%)	-	60.0	60.0	60.0	60.0	60.0	60.0	-	-	-	60.0
Total Yield (%)	72.7	68.2	66.2	65.7	63.8	64.0	63.4	61.7	61.3	60.4	64.5

1.7.5. Operational Consumables Consumption Rates

The average consumables including magnetite, flocculants and raw water is indicated in the AMTEC report.

1.7.5.1. Power Consumption

The total power consumption for the plant is 2,500 kW.

1.7.5.2. Mass Measurements and Quality Control

1.7.5.2.1. Mass Meters

Tonnage rates are measured by electro-mechanical mass meters mounted on the following conveyors:

– Plant feed conveyor of each plant	– Export product conveyor (Phase 2)
– Eskom product conveyor	– Discard conveyor
– Metallurgical product conveyor	

1.7.5.2.2. Density Gauges (Densometers)

Automatic nucleonic density gauges and controllers are provided for each circulating medium circuit. These will be applied to ensure the correct circulating density of the wash medium.

1.7.5.2.3. Samplers

Cross-belt hammer samplers are provided on the following conveyors for quality control:

– Plant feed conveyor	– Export product conveyor
– Eskom product conveyor	– Discard conveyor
– Metallurgical product conveyor	

1.7.5.2.4. Quality Control

Coal samples are taken to monitor plant product qualities. This allows process adjustments to be made to improve quality where possible, and assists in the efficient stockpiling and blending of product coal.

1.7.5.2.5. Laboratory

An on-site laboratory, using the existing laboratory infrastructure, will be provided by the Owner. The laboratory will carry out the analyses on CV, Ash, VM, IM, TS, AI and Hardgrove index as well as conducting size analyses on a continual basis during plant operations based on the quality-sampling regime.

1.7.6. Plant Maintenance Philosophy

The main aim of the CHPP design and maintenance philosophy is to ensure that the wash plant will operate at the specified throughput in a safe, reliable, and profitable manner, as soon as possible after the scheduled start up. The plant availability and utilisation is planned at 90 % each and the maintenance philosophy and schedule, availabilities and utilisation is set out in detail in the AMTEC report.

1.8. Overview of the Region, Location, and Assets

1.8.1. Region

The NCC Project is located in the Kriel District of the Mpumalanga Province, South Africa. The Project area is located 40 kilometres (km) south of the town of Middelburg and 35 km from eMalahleni (previously known as Witbank). The Project is situated close to excellent road and railway infrastructure that includes the Transnet Freight Rail Export rail line to the Richards Bay Coal Export Terminal (RBCT). Both eMalahleni and Middelburg fall in the heart of the coal mining area of South Africa. Between the two towns, both boast a large labour pool of experienced mining people and equipment support companies.

The Project is situated centrally on the southern margin of the Witbank Coalfield. The Witbank Coalfield is one of the most important coalfields in South Africa, supplying more than 50 % of South Africa's saleable coal.

Map 1-2 below indicates the coalfields of South Africa and the position shown as 'Roodekop Project Area' indicate the location of the NCC Project, which incorporates the Roodekop Resource.

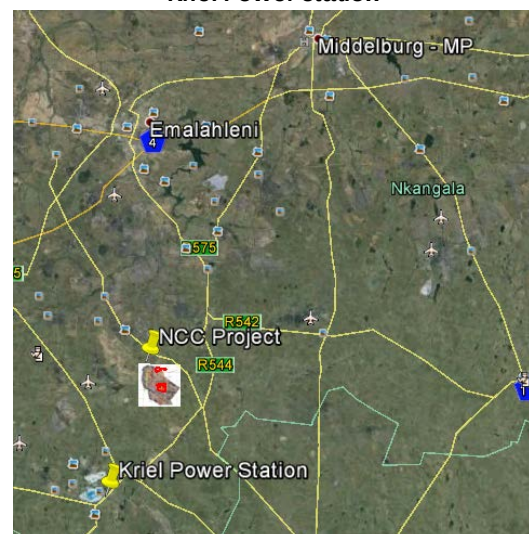
The location of the NCC Project in relation to the Kriel Power Station, which is its planned main target market, is shown in the Google map image below (Map 1-3 below), with the main paved roads. The NCC Project is located in a region where it can supply coal to the local Eskom power station market as well as to the rail loading facilities for export.

Map 1-2: Coalfields of South Africa



(Snyman, 1998)

Map 1-3: NCC Project Location in relation to Kriel Power Station



1.8.2. NCC Project Assets

1.8.2.1. Universal Coal plc Mining Rights

Universal Coal plc, through its subsidiary Universal Coal Development VIII has an existing Mining Right for the New Clydesdale Colliery and through its subsidiary Universal Coal Development IV, has an existing Mining Right for the Roodekop Resource and the details are shown in Table 1-11 and Table 1-12 on page 55.

Table 1-11: AIM Appendix 1 – NCC Asset Detail

Asset	Holder	Interest	Status	Licence Expiry Date	Licence Area (ha)	Comments
New Clydesdale Colliery	Universal Coal Development VIII (Ltd) Pty	49%	Mining Right and under development	05/12/2019	4,125.00	1. Underground shaft with 2 Seam workings and coal handling and processing plant being prepared for the start of operations during 2016 2. New Clydesdale Colliery is shown combined with the Roodekop Project in Appendix 1 as the two assets are combined as one project

Table 1-12: AIM Appendix 1 – Roodekop Asset Detail

Asset	Holder	Interest	Status	Licence Expiry Date	Licence Area (ha)	Comments
Roodekop Project	Universal Coal Development IV (Ltd) Pty	74%	Mining Right and under development	05/02/2034	860	1. Executed MR and preparation for opencast production during 2016 is well advanced 2. The Roodekop Project is shown combined with the New Clydesdale Colliery in Appendix 1 as the two assets are combined as one project

The New Clydesdale Colliery has an approved EIA, EMP, and a Water Use Licence, for underground mining and coal processing operations. A new EMP and environmental authorisation application that will include the opencast operation (Diepspruit operation) is in progress.

Universal Coal has approval for its EIA studies, EMP, WUL, waste licences, and environmental authorisation for the Roodekop Resource. The rezoning of the Roodekop area will be finalised imminently. The mining of the New Clydesdale Colliery and Roodekop Resource resources areas can commence in terms of the current two Mining Rights. Universal Coal is in the process of applying under Section 102 of the MPRDA (Act 28 of 2002) for the amalgamation of the two resources under one Mining Right. A new combined Mining Right will have an expiry date beyond the current New Clydesdale Colliery Mining Right expiration date of 2019.

1.8.2.2. Surface Rights

Universal Coal has purchased the Surface Rights for the New Clydesdale Colliery as indicated in Table 1-13 on page 56, which allows access for mining, processing and to the buildings, and other required infrastructure. The transfer process is imminent and will not have any impact on the commencement of the mining process. Universal Coal also owns the Surface Rights for the Roodekop Resource as indicated in Table 1-14 on page 56.

Table 1-13: Surface Rights Purchased by Universal Coal at New Clydesdale Colliery

Farm Name, Number, Subdivision	Area	Purchaser	Deed	Area (ha)
Diepspruit Remaining Extent	MP	UCDVIII	T10179/2008	300.25
Diepspruit 41 IS R/E of Portion 1	MP	UCDVIII	T10179/2008	217.41
Diepspruit 41 IS Portion 7	MP	UCDVIII	T47037/2003	6.85
Diepspruit 41 IS Portion 8	MP	UCDVIII	T47031/2003	42.83
Diepspruit 41 IS Portion 9	MP	UCDVIII	T47032/2003	17.13
Diepspruit 41 IS Portion 10	MP	UCDVIII	T37033/2003	42.83
Rietfontein 43 IS R/E	MP	UCDVIII	T47039/2003	500.97
Rietfontein 43 IS Portion 3	MP	UCDVIII	T47038/2003	78.47
Vaalkranz 29 IS R/E of Portion 15	MP	UCDVIII	T47036/2003	991.36
Vaalkranz 29 IS Portion 16	MP	UCDVIII	T47036/2003	955.71
Clydesdale 483 IS	MP	UCDVIII	T47034/2003	183.62
Haasfontein 28 IS R/E of Portion 1	MP	UCDVIII	T39160/2002	149.53
Haasfontein 28 IS R/E of Portion 7	MP	UCDVIII	T47035/2003	148.72
Haasfontein 28 IS Portion 19	MP	UCDVIII	T1473/2010	87.22

Table 1-14: Surface Rights Owned by Universal Coal at Roodekop Resource

Farm Name, Number, Subdivision	Area	Owner	Deed	Area (ha)
Roodekop 63 IS Portion 1	MP	UCDIV	T129043/2002	555.04

The following land claims have been lodged in respect of the properties to which this right relates:

- Helpmekaar 168 IS - a land claim has been lodged by Mr Mathabela Paulus Nhlapho on behalf of Nhlapho Family (no date given) on the property the Remaining Extent of the farm Helpmekaar 168 IS. [General notice 764 of 2008].
- Mooiplaats 165 IS - a land claim for Restitution of Land Rights has been lodged by Mr Mgijwa Kwaaiman Skosana on behalf of Skosana Family on Portion 8 and 9 of the Farm Mooiplaats 165 IS [General Notice 93 of 21 February 2014].
- Groblersrecht 175 IS - a land claim has been lodged by Mr Zachariah Nhlenganiso Thomo on behalf of the Thomo Family claiming the Remaining Extent of the Farm 175 IS and Mr Magumeni Enock Zulu on behalf of the Zulu Family [the whole Property] [General Notice 134 of 03 February 2006].

The legal implications of a land claim being lodged on a property are discussed in more detail in the ENS Africa legal opinion report, compiled on behalf of CoAL. The risks associated with the potential successful land claimants and beneficiaries of government's land redistribution programme, remain contingent at this stage, and should be noted.

1.8.2.3. Coal Handling and Processing Plant

Universal Coal has purchased the CHPP at the New Clydesdale Colliery as described in Section 1.7 on page 49.

1.8.2.4. Surface Infrastructure

Universal Coal owns the buildings required for offices, workshops, change houses and lamp room as well as all the sub-stations required for power distribution and the facilities required supplying raw and potable water.

1.8.3. Universal Coal Liabilities

1.8.3.1. Environmental Liabilities

In terms of the MPRDA, Universal Coal has provided a guarantee for the cost of closing the mine to the DMR. The environmental liabilities for these guarantees are as follow:

–	New Clydesdale Colliery Closure Guarantee	=	ZAR 189,000,000
–	Roodekop Resource Closure Guarantee	=	ZAR 14,310,727

1.8.3.2. Other Liabilities

The only other liabilities are the Universal Coal Development IV and Universal Coal Development VIII current vendor accounts, which at 31 December 2016 was at ZAR 1.58 million for UCD IV and ZAR 5.14 million for UCD VIII.

1.8.3.3. Coal Supply Prices

The price of coal supplied to Eskom was derived from the Term Sheet negotiated with Eskom. The price to Eskom was therefore based on ZAR 21.45 per gigajoule (GJ) based on as received coal qualities. The CV of the Eskom product varies between 23.47 MJ/kg and 23.70 MJ/kg. The price varies between ZAR 503.43 per sales tonnes and ZAR 508.36 per sales tonne.

The price of the sized 18 % low Phos sized coal applied for the Bankable Feasibility Study (BFS) was ZAR 650.00 per sales tonne. This price was based on the market researched conducted by Universal Coal.

The price assumed for the export product is ZAR 795.00 per sales tonne.

1.9. Interests Held by Stakeholders

1.9.1. Interest by Universal Coal Directors

The following are the current and past interests held by Universal Coal directors:

Table 1-15: NCC Universal Coal Directors

Name	Number of Fully Paid Ordinary Shares	Share Options Outstanding
Anton Weber	8,518,489	2,123,056
Hendrik Bonsma	5,701,392	1,821,420
Shammy Luvhenga	2,200,000	800,000

1.9.2. Interests Held by Competent Persons in the NCC Project

The Competent Persons involved in drafting this Report or subsections of this Report, do not hold any interests in the NCC Project or in Universal Coal, or have held any interests in the past. The Competent Persons involved in drafting this Report or subsections of this Report, do not hold any interests in CoAL, or have held any interests in the past.

1.10. General Information regarding Location

1.10.1. Country in which the Project is Located

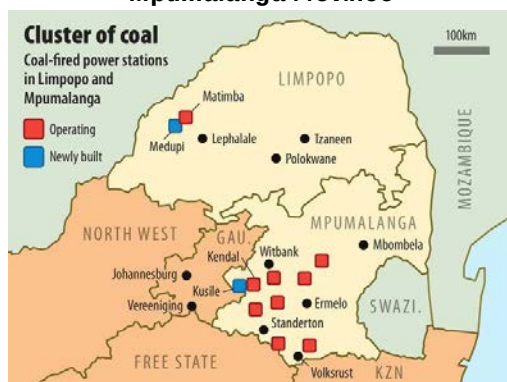
The NCC Project is located in the Mpumalanga Province of South Africa. South Africa has been a major producer of coal for over 60 years and is a major exporter of coal. Coal is strategically vital as South Africa generates 85 % of its electricity through burning coal, and Sasol's oil-from-coal plants meet about 30 % of the country's fuel requirements.

1.10.2. Province in which the Project is Located

The NCC Project is located in the Kriel District of the Mpumalanga Province, South Africa. Mpumalanga lies in eastern South Africa, north of KwaZulu-Natal and bordering Swaziland and Mozambique. It constitutes 6.5 % of South Africa's land area. In the north, it borders on Limpopo, to the west Gauteng, to the southwest the Free State, and to the south KwaZulu-Natal. The capital is Nelspruit.

Map 1-4 below indicates the operating power stations in Mpumalanga.

Map 1-4: NNC Power Stations in the Mpumalanga Province



Mpumalanga accounts for 83 % of South Africa's coal production. Coal power stations are in proximity to the coal deposits. A coal liquefaction plant is established in the town of Secunda.

There is an excellent network of paved roads in the NCC Project area which connects the Project to all major cities and towns in Mpumalanga. The main integrated export coal rail lines runs in close proximity to the Project and access to this rail line is available through rail load facilities adjacent to the NCC Project.

1.10.3. Major Properties Comprising the NCC Project Assets

The major properties that comprise the NCC Project are covered by the New Clydesdale Colliery and Roodekop Resource Mining Rights. All the surface areas required for mine access, mining, and processing belongs to Universal Coal. The commencement of mining operations at the NCC Project is planned for 2016 and all regulatory and surface properties are in place for this.

1.11. Resources and Reserves

1.11.1. Total NCC Resources

The resources were estimated in accordance with the SAMREC guidelines and supported by South African National Standard (SANS 103202004). The S5 is not present in the planned opencast mining area and is not considered economically mineable in the underground mining area.

The total resources for NCC are shown in Table 1-16 on page 59.

Table 1-16: NCC Total Resources

	S5	S4U	S4L	S2U	S2L	S2A	S1	S1A	Total
Opencast (Tonnes)									
Measured	78,287	1,689,310	3,800,628	12,748,972	16,445,454	2,179,418	9,741,239	3,722,195	50,405,502
Indicated				1,980,440	1,670,692	139,461	1,599,170		5,389,763
Inferred				687,911	605,671	221,324	745,859	219,081	2,479,846
Total Opencast	78,287	1,689,310	3,800,628	15,417,323	18,721,817	2,540,203	12,086,269	3,941,276	58,275,111
Underground (Tonnes)									
Measured			6,859,880	2,339,632	9,497,789		13,647,304		32,344,605
Indicated			6,539,020	8,520,924	3,226,000		1,569,555		19,855,499
Inferred			7,425,630	7,604,364	3,259,268		1,615,488		19,904,751
Total Underground			20,824,530	18,464,920	15,983,057	-	16,832,347	-	72,104,854
Total Measured	78,287	1,689,310	10,660,508	15,088,604	25,943,243	2,179,418	23,388,544	3,722,195	82,750,107
Total Indicated	-	-	6,539,020	10,501,364	4,896,691	139,461	3,168,725	-	25,245,262
Total Inferred	-	-	7,425,630	8,292,275	3,864,939	221,324	2,361,347	219,081	22,384,597
Total Project	78,287	1,689,310	24,625,158	33,882,243	34,704,873	2,540,203	28,918,616	3,941,276	130,379,965

Area		Measured	Indicated	Inferred	Total
Opencast Roodekop and Diepspruit Opencast		30,061,735	5,389,763	2,479,846	37,931,344
Opencast Roodekop and Diepspruit Underground		32,344,605	19,855,499	19,904,751	72,104,854
Opencast Middelrift Opencast		20,343,767			20,343,767
Total NCC		82,750,107	25,245,262	22,384,597	130,379,965

1.11.2. Opencast Resource Estimation

The S4UA and the S4U are only present in the eastern portion of the Roodekop Resource area. The S4UA is on average below 1.0 m thick and the S4U is on average 1.07 m thick. In the eastern portion of Roodekop, the S2U has a thickness of between 2.0 m and 5.0 m. The S2L has a thickness of between 0.5 m and 3.0 m with the largest part being below 1.5 m. The S2A is only present in the north western part of the Diepspruit opencast area and has not currently been included in the reserves even though it is shown in the resources. It will be considered during the mine planning once opencast mining moves to the Diepspruit area.

The resource area was divided into an opencast and an underground area and the

split in the opencast and underground areas are shown in Figure 1-22 below.

Figure 1-22: NCC Project Mining Areas



The cut-off minimum seam height of 0.5 m was applied to the resources. No weathered cut-off limit was applied, as where mining was planned to commence in the top seam (S2U) showed no signs of weathering. The total resources for the NCC Project is currently estimated at 130.5 million tonnes gross tonnes in situ of which 108 million is measured and indicated. The previous estimate was 165.2 million tonnes and the difference in resources of 35 million tonnes could in future be shown to be economic to extract. The opencast and underground resource quantities for the S2U, S2L, S1, and S1A in the mining layout area only, are shown in Table 1-16 below.

Table 1-17: NCC Opencast Resources (included in mining layouts)

	2 Upper Seam	2 Lower Seam	1 Seam	1A Seam	Total
Roodekop and Diepspruit Opencast					
Opencast Measured and Indicated	3,740,000	8,560,000	3,910,000	2,900,000	19,110,000
Total Opencast	3,740,000	8,560,000	3,910,000	2,900,000	19,110,000
Roodekop and Diepspruit Underground					
Underground Measured	-	6,820,000	3,700,000	-	10,520,000
Underground Indicated	-	-	-	-	-
Total Underground	-	6,820,000	3,700,000	-	10,520,000
Total Project	3,740,000	15,380,000	7,610,000	2,900,000	29,630,000

1.11.3. Reserves Areas

For the current New Clydesdale Colliery planning, Diepspruit Resource area was considered for converting resources to reserves. The Middeldrift Resource area was not converted to reserves as mine modelling, design, and layouts have not been completed. The previous owners, Exxaro Resources, did conduct a pre-feasibility study on Middeldrift and it is considered for the life extension of the NCC Project. For the Roodekop Resource, only the opencast area was considered for conversion to reserves as all the seams in the deeper underground areas were considered uneconomical to mine.

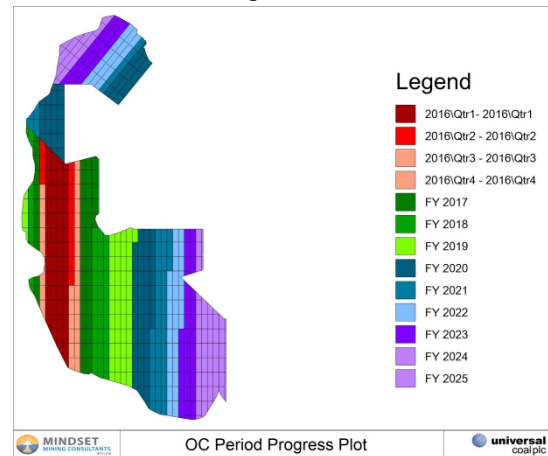
1.11.4. Resource to Reserve Conversion - Opencast

1.11.4.1. Opencast Resource Blocks

Geological resource blocks were defined according to certain cut-off criteria in order to estimate and classify the total coal resources available. The resource blocks were also defined to delineate the boundaries within which mine planning and layout design can take place. The cut-off criteria for mining are minimum seam thickness of 0.5 m; a maximum Ash content of 45 % and minimum borehole density for coal resource classification was as per the SAMREC requirement. The borehole density was considered in conjunction with the extent of the distribution of each coal seam across the opencast resource area.

The final opencast mining layout for the Roodekop and Diepspruit areas is shown in Figure 1-23 below.

Figure 1-23: NCC Opencast Mine Layout and Progress Plot



1.11.4.2. Opencast Reserves

The following parameters were applied as modifying factors to convert the in situ mineable tonnes to ROM tonnes:

- Geological losses = 5 %
- Mining losses = 5 %
- Waste Dilution = Based on fixed 100 mm waste loaded with the coal

The opencast Reserves are shown in Table 1-17 below.

Table 1-18: NCC Opencast Reserves

Coal Seams	Roodekop					NCC Diepspruit			
	S2U	S2L	S1	S1A	Total	S2U	S2L	S1	Total
GTIS ² (Mt)	2.32	7.81	2.90	2.90	15.94	1.42	0.75	1.01	3.18
Geological Losses 5 % (Mt)	0.12	0.39	0.15	0.15	0.80	0.07	0.04	0.05	0.16
MTIS ³ (Mt)	2.21	7.42	2.76	2.76	15.14	1.35	0.71	0.96	3.03
Mining Losses 5 % (Mt)	0.11	0.37	0.14	0.14	0.76	0.07	0.04	0.05	0.15
Dilution (Mt)	0.27	0.37	0.34	0.34	1.31	0.07	0.07	0.06	0.20
ROM (Mt)	2.37	7.41	2.96	2.96	15.69	1.35	0.74	0.98	3.07
In Situ Contaminated Coal Qualities (adb)									
CV (MJ/kg)	15.08	19.75	18.34	21.44		15.49	21.25	21.20	
TS (%)	0.65	1.21	0.84	1.16		0.60	0.75	0.66	
Ash (%)	45.72	33.77	39.17	30.11		44.88	31.96	32.11	
IM (%)	2.67	2.71	2.55	2.61		2.47	2.21	2.10	
VM (%)	15.91	22.10	17.28	25.04		16.51	20.84	22.17	
FC (%)	35.69	41.42	41.00	42.24		36.13	44.99	43.63	

² Gross Tonnes In Situ

³ Mineable Tonnes In Situ

1.11.5. Resource to Reserve Conversion - Underground

Underground reserves for the NCC Project were only considered for the Diepspruit Resource area for the S2L and S1 only with the S2L being above the S1. The S2L had been partly mined before and the adit, decline shaft, and underground workings are currently under care and maintenance.

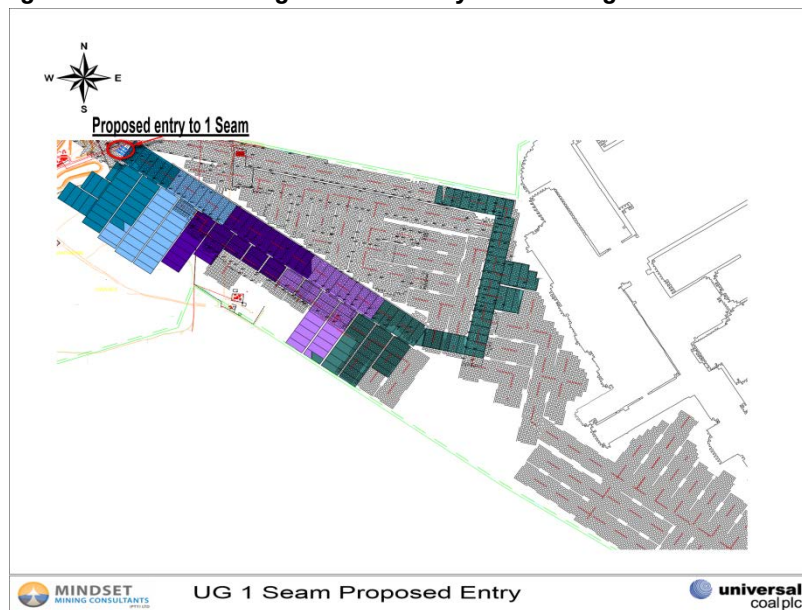
The cut-off criteria for mining are a minimum seam thickness of 1.5 m and minimum borehole density for coal resource classification were as per the SAMREC requirements. The borehole density was considered in conjunction with the extent of the distribution of the S2L and S1 across the underground resource area.

1.11.5.1. 1 Seam Underground

1.11.5.1.1. Underground Resource Block – 1 Seam

In the current planning, the S1 is only considered economical to mine in the Diepspruit Resource underground resource block. The mining layout of the S1, indicating the entry position from the existing S2L workings, is shown in Figure 1-24 below.

Figure 1-24: NCC Underground Mine Layout and Progress Plot – 1 Seam



1.11.5.1.2. 1 Seam Underground Resources

The selected maximum mining height for the S1 at the Diepspruit Resource is 4 m and a minimum seam height of 1.5 m. The mining bord width is planned at 7.2 m. The mineable areas were determined by applying physical and quality cut-off parameters, summarised in Table 1-18 on page 63. The mining design criteria were then applied to design the final mining layout.

Table 1-19: NCC Seam Cut-off Parameters and Design Criteria

Parameters			Comments
1	Physical Cut-off Parameters		
1.1	Minimum mining depth to roof cut-off (m)	30	
1.2	Seam thickness cut-off (m) minimum	1.5	Determined to suit the minimum height for the mining equipment
1.3	All surface villages and structures		A 50 m barrier pillar must be left between the underground mining and the surface structures
2	Quality Cut-off Parameters		
2.1	Raw in situ Ash	45 %	Coal will be beneficiated
3	Mining Layout Criteria		
3.1	Pillar centres (m)	14 to 30	Depends on the Safety Factor
3.2	Board width (m) maximum	7.2	
3.3	Number of roadways per panel (average):		
	Main developments	9	
	Secondary panels	7 or 9	
3.4	FoS: design		
	Main developments	2.0	
	Secondary panels	1.6	
	Undermining structures	2.2	

The estimated coal resources and qualities for the S1 from the underground are indicated in Table 1-19 below.

Table 1-20: NCC 1 Seam Underground Resources and Qualities

Seam	Average Thickness (m)	Raw RD	GTIS	CV (MJ/kg)	Ash (%)	FC (%)	VM (%)	IM (%)	TS (%)	Classification
S1	2.19	1.6	10,772,539	21.55	31.6	43.07	22.7	1.9	0.69	Measured
Total Reported S1 Resource			10,772,539							Measured

1.11.5.1.3. 1 Seam Underground Reserves

The parameters applied as modifying factors to convert the in situ mineable tonnes to ROM tonnes were 5 % geological losses (The S2L was mined above the S1 and no major geological features were encountered), 5 % mining losses and 110 mm dilution. The estimated underground reserves for the S1 are shown in Table 1-20 below.

Table 1-21: NCC 1 Seam Underground Reserves

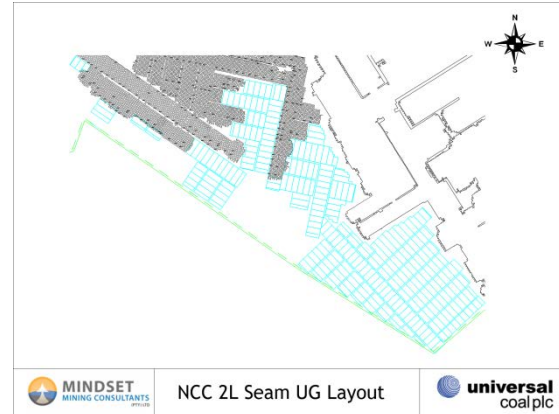
Mining Layout Resource to Reserve						
Seam	Mining Footprint GTIS	Geol Losses 5%	MTIS	Mining Losses 5%	Dilution	ROM Tonnes (adb)
S1	6,817,994	340,900	6,477,094	323,855	398,665	6,551,904
Qualities (Air Dried)						
	CV (MJ/kg)	TS (%)	Ash (%)	IM (%)	VM (%)	FC (%)
S1	20.240	0.660	35.030	1.810	21.500	41.650

1.11.5.2. 2 Lower Seam Underground

1.11.5.2.1. Underground Resource Block – 2 Lower Seam

In the current planning, the S2L is only considered economical to mine in the Diepspruit Resource underground resource block. The planned mining layout with the existing S2L workings is shown Figure 1-25.

Figure 1-25: NCC Underground Mine Layout and Progress Plot – 2 Lower Seam



1.11.5.2.2. 2 Lower Seam Underground Resources

The minimum coal seam thickness applied is 1.5 m. The mineable areas were determined by applying physical and quality cut-off parameters, summarised in Table 1-18 on page 63. The mining design criteria were then applied to design the final mining layout.

The estimated coal resources and qualities for the S2L from the underground are indicated in Table 1-21 below.

Table 1-22: NCC 2 Lower Seam Underground Resources and Qualities

Seam	Average Thickness (m)	Raw RD	GTIS	CV (MJ/kg)	Ash (%)	FC (%)	VM (%)	IM (%)	TS (%)	Classification
S2L	2.1	1.54	9,502,632	23.9	23.9	46.38	26.2	2.2	1.28	Measured
Total Reported S2L Resource			9,502,632							Measured

1.11.5.2.3. 2 Lower Seam Underground Reserves

The parameters applied as modifying factors to convert the in situ mineable tonnes to ROM tonnes were 5 % geological losses (the S2L was mined above the S1 and no major geological features were encountered), 5 % mining losses, and 290 mm dilution. The estimated underground reserves are shown in Table 1-22 below.

Table 1-23: NCC 2 Lower Seam Underground Reserves

Mining Layout Resource to Reserve						
Seam	Mining Footprint GTIS	Geol Losses 5%	MTIS	Mining Losses 5%	Dilution	ROM Tonnes (Air Dried)
S2L	3,704,299	185,215	3,519,084	175,954	660,653	4,003,783
Qualities						
	CV (MJ/kg)	TS (%)	Ash (%)	IM (%)	VM (%)	FC (%)
S2L	22.000	1.230	31.810	2.090	25.150	40.950

As per the AIM Note for Mining and Oil & Gas Companies, June 2009, Appendix 2 the NCC resources and reserves is shown in Table 1-24 on page 66.

Table 1-24: NCC Summary of Reserves and Resources by Status (included in mining layout)

NCC Project (Combined New Clydesdale Colliery and Roodekop Project) 62.38% Share										
Category	Gross			Nett Attributable					Operator	
	Tonnes (Million)	Quality (Air-Dried)		Contained Mineral	Attributable Share (%)	Tonnes (Million)	Quality (Air-Dried)			Contained Mineral
		CV (MJ/kg)	VM (%)				CV (MJ/kg)	VM (%)		
Mineral Reserve										
Proved	29.32	19.71	21.41	Coal	62.38%	18.29	19.71	21.41	Coal	UCD IV and VIII
Probable	0									
Sub-total	29.32	19.71	21.41	Coal	62.38%	18.29	19.71	21.41	Coal	UCD IV and VIII
Mineral Resources										
Measured	29.63	22.22	23.62	Coal	62.38%	18.48	22.22	23.62	Coal	UCD IV and VIII
Indicated	0									
Inferred	0									
Sub-total	29.63	22.22	23.62	Coal	62.38%	18.48	22.22	23.62	Coal	UCD IV and VIII

1.11.6. Resource to Reserve Conversion – Middeldrift Resource

A mine model and design has not been compiled for the Middeldrift Resource. Exxaro, the previous owner of NCC, conducted a Pre-Feasibility Study during 2012 and the study indicated that the ROM reserves for the Middeldrift Resource are between 11 Mt and 12 Mt of ROM coal.

It is planned to conduct a full resources and reserves study on the Middeldrift Resource as part of the life extension of the NCC Project.

1.11.7. NCC Project Life Extension

The Feasibility Study that was conducted for the NCC Project was based on supplying coal to Eskom for a 10-year life and the production schedule was developed for 11 years to allow for flexibility in to supply coal to Eskom, Export, and to supply a low Phos, sized product to the metallurgical markets.

The life of the NCC Project can be extended beyond the planned 10 years by mining the remaining S1 at Diepspruit underground and the Middeldrift area once the required studies have been concluded. There is potential for an eight to nine year life extension.

The estimated resources remaining after the current 10-year project is shown in Table 1-24 below.

Table 1-25: NCC Project Life Extension

Mining Area	S2L		S1		Total		
	ROM Reserve	Current Project	ROM Reserve	Current Project	ROM Reserve	Current Project	Life Extension
Diepspruit Underground	4,003,783	3,800,000	6,551,900	2,365,000	10,555,683	6,165,000	4,390,683
Middeldrift	-	-	-	-	12,000,000	-	12,000,000
Total					22,555,683	2,365,000	16,390,683

1.12. NCC Project Financial Evaluation

1.12.1. Capital Expenditure

1.12.1.1. Establishment Capital

The establishment capital for the NCC Project is estimated at ZAR 371,517,526 including contingencies. This capital includes under the Environmental-related capital an amount of ZAR 8.67 million required to secure the DMR closure guarantee for the New Clydesdale Colliery (ZAR 189,000,000) and an amount of ZAR 1.98 million required to secure the guarantee for the Roodekop Resource (ZAR 14,310,727).

1.12.1.2. Life of Project Capital

The capital required during the life of the NCC Project is indicated in Table 1-25 below. This capital was estimated by Universal Coal.

Table 1-26: NCC Life of Project Capital

	Year 03	Year 04	Total
Life of Project Capital	9,529,364	1,250,000	10,779,364

1.12.2. Operating Costs

1.12.2.1. Opencast Mining Costs

Based on the overall tenders received, a contract mining company was selected and the opencast mining costs were based on this tender.

The opencast mining cost for the 10 years on which the NCC Project financial model was based, varied between ZAR 120.00 per ROM tonne and R 168.00/ROM tonne. The opencast mining costs exclude the cost of electricity, water, and Universal Coal's management cost that were costed separately into the financial models.

1.12.2.2. Underground Mining Costs

Based on the tenders received, a contract mining company was selected and the underground mining costs were based on this tender.

The underground mining cost, on which the NCC Project financial model was based, varied between ZAR 195.00 per ROM tonne and ZAR 278.00 per ROM tonne. The underground mining costs exclude the cost of electricity, water, and Universal Coal's management cost that were costed separately into the financial models.

1.12.2.3. Processing Costs

The total average unit cost of treating a feed tonne of coal is ZAR 24.87.

1.12.2.4. Other Costs

The total average other costs are ZAR 127.57/ROM tonne.

1.12.3. Royalties

The average royalties' payable per tonne over the life of the NCC Project BFS was ZAR 10.20 per ROM tonne.

1.12.4. Financial Evaluation

Based on current assumptions and the KPMG/MSA financial model, the Project has the potential to generate an internal rate of return of 99 percent. At a discount rate of 10 percent, it is expected the Project will generate a net present value of ZAR 825 million in real money value.

The financial model generated by the financial services company KPMG/MSA applies a free-on-board US Dollar price that starts at \$ 60.00 per tonne and increases to \$ 82.00 per tonne in 2024/ 2025. The ZAR/\$ exchange rate applied by KPMG/MSA starts at ZAR 12.75/\$ in 2016/ 2017 and increases to ZAR 16.80/\$ by 2024/ 2025. The Dollar price may be optimistic and the exchange rate seems pessimistic based on current figures. Caution should be applied when considering the financial figures as these may change.

The financial evaluation was based on the October 2015 financial figures generated by KPMG/MSA in cooperation with Universal Coal.

The total estimated capital requirement is ZAR 371.5 million. The capital expenditure required through the life of the Project is ZAR 10.8 million.

The net present value and internal rate of return of the Project is most sensitive to the sales price and the difference in Dollar prices and exchange rates has a significant impact on financial results. The Project is also very sensitive to operating costs and least sensitive to capital costs. The assumptions used in the financial model, forecast prices, and foreign exchange (Forex) rates are included in the financial model which is available on request from Universal Coal. The date of the financial analysis is November 2015.

To the best of the knowledge of Mindset, there have been no material changes since November 2015, being the date of the financial analysis, and the date of this Report.

1.13. Other Assets

1.13.1. Assets Material to the Applicant

Universal Coal plc also owns the following:

- Universal Coal plc owns 70.5 % in Universal Coal Development I (Pty) Ltd, which in turn owns the operating Kangala Colliery
- Universal Coal plc owns 50.29 % in Universal Coal Development III (Pty) Ltd, which in turn owns the Brakfontein Project which is planned to start producing during 2016

1.14. Mining, Plant, and Equipment

1.14.1. Opencast Mining, Plant, and Equipment

Universal Coal will not supply any plant or equipment for the opencast mining operations as all plant and equipment required for the mining operations will be supplied by the appointed mining contractor. Universal Coal will provide all services such as sewage, power, and water.

1.14.2. Underground Mining, Plant, and Equipment

All mining and mining related plant and equipment will be provided by the mining contractor. Universal Coal will supply the shaft and trunk conveyors, main power, and water supply to surface and underground.

1.14.3. Coal Handling and Processing Plant and Equipment

Universal Coal owns a three module dense medium washing plant that will be upgraded and refurbished as described under Section 1.7. This includes the coal primary and secondary crushing plants. This CHPP can process the planned ROM production of 3.0 Mtpa.

All rubber-wheeled diesel equipment required for the plant feed and product loading will be contracted.

1.14.4. Coal Hauling and Equipment

Coal will be road-hauled from both the opencast and underground mining operations. The coal hauling will be outsourced to a road hauling company that will be selected through an official tender process. All coal loading and hauling plant and equipment will be supplied by the hauling contractor.

1.14.5. Other Plant and Equipment

It is not anticipated that any other plant and equipment will be required other than what is described above.

1.15. Conclusions

1.15.1. Right to Commence with Mining

The New Clydesdale Colliery is an existing mine with a Mining Right, approved EIA, EMP, and a Water Use Licence, for underground mining and coal processing operations. A new EMP and environmental authorisation application that will include the opencast operation (Diepspruit operation) is in progress as well as a MPRDA Section 102 application to amalgamate New Clydesdale Colliery and Roodekop. It is currently not planned to mine the Middeldrift area, although an application to include this area as part of the life expansion plan will be done in due course.

The Roodekop Resource's EIA, EMP, as well as the SLP have been approved and all the required licences have been awarded. Universal Coal Development IV has applied for the rezoning of the Roodekop Mining Right area, from agricultural to mining. The approval is the rezoning is imminent.

1.15.2. Quantum of Resources and Reserves

The resources and reserves available for mining are sufficient for a project life of 10 years with the potential to extend the life of the project by nine years.

1.15.3. Ability to Mine Resources and Reserves

1.15.3.1. Opencast Mining

The average strip ratio over the life of the opencast reserve is 2.99 BCM per ROM tonne. The opencast mining conditions are similar to surrounding mines that have been operating for many years. No difficulties in relation to the intended truck and shovel mining method are expected. The length of the mining strips is also more than sufficient to ensure that the planned monthly production targets are achieved.

1.15.3.2. Underground Mining

Underground mining was conducted the previously in the S2L at the Diepspruit Resource area. This was done successfully and the geological conditions are known due to this previous mining. The existing underground works have been kept in good condition though the care and maintenance plan that is in place.

The development of the necessary roadways from the existing S2L workings down to the S1 will be relatively short due to the thickness of the parting between the two seams. The necessary infrastructure including buildings, access adit, conveyor structures, ventilation fans, and stockpile facilities are all in place and under care and maintenance. The required access road to the adit is also in place and being maintained.

The planned production with continuous miners should be achievable on a consistent basis.

1.15.3.3. Coal Handling and Processing Plant

The existing CHPP has been under care and maintenance. The planned upgrades and refurbishments are relatively minor and can be conducted in less than 12 months. The capital cost for conducting the upgrade and refurbishment is low and has been included in the establishment capital.

The CHPP can process up to 2.9 Mtpa which is in line with the planned ROM production.

1.15.4. Capital Required to Establish the Project

1.15.4.1. Establishment Capital

The establishment capital was based on tenders received and benchmarked against Universal Coal's actuals costs at its Kangala Colliery as well as Mindset's database for similar projects.

1.15.4.2. Funding

Funding for the Project has been secured by Universal Coal.

1.15.5. Operating Costs

The mining costs for both the opencast and the underground are based on tenders received from contract mining companies. Coal handling and processing costs were based on the estimates made by AMTEC and compared to current costs incurred by Universal Coal at its operating Kangala Colliery. The other operating costs were based on current costs incurred by Universal Coal at its operating Kangala Colliery.

Applying these costs to the financial models indicated that the coal can be mined economically and the NPV on a 100 % basis and a 10 % discount rate is estimated at ZAR 825 million for the Project.

1.15.6. Management of the NCC Project

Universal Coal is well placed with experienced staff to manage the establishment and operation of the NCC Project. Universal Coal established the Kangala Colliery, which started operating in 2013 and this project was implemented very successfully.

Kangala Colliery

Where reference is made to Universal Coal in this section, the term refers interchangeably to Universal Coal plc, Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA), and Universal Coal Development I (Pty) Ltd.

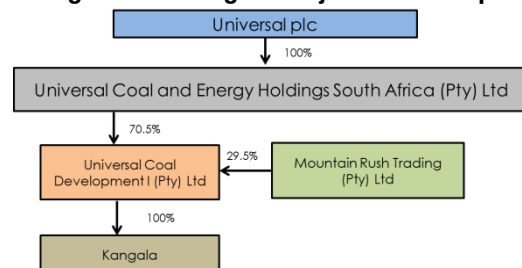
2. Introduction

The Kangala Colliery is an operational opencast coal mine, owned and operated by Universal Coal. Mining is conducted by a mining contractor. The mine currently produces thermal coal for supply to Eskom, the state-owned power utility.

An existing CHPP produces raw crushed and washed products. Mine development commenced in May 2013 and first saleable coal was delivered in April 2014. The mine construction was officially completed in October 2014.

The Kangala Colliery incorporates a Mining Right in the Delmas District of the Mpumalanga Province, South Africa. The Project includes Portion 1 and the Remaining Extent of Portion 2 of the farm Wolvenfontein 244 IR, measuring 951.12 ha. The Kangala ownership is shown in Figure 2-1.

Figure 2-1: Kangala Project Ownership



The mine's SAMREC compliant coal resources are 128.9 Mt (total tonnes in situ), of which 84.3 Mt are Measured (including 28.5 Mt Proved reserves), 17.5 Mt Indicated and 27.1 Mt Inferred. The additional resource base at Kangala Colliery potentially allows for a total mine life exceeding 20 years by means of developing a series of similar sized pits at Middelbult and Modderfontein.

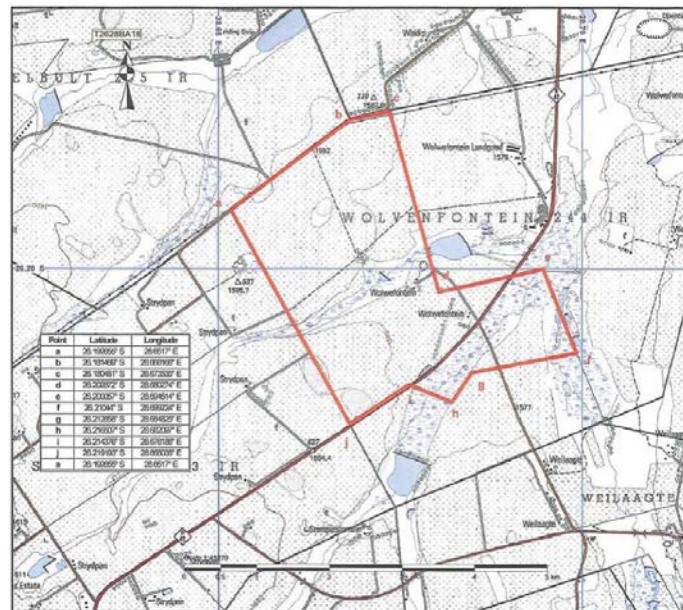
At planned production levels of 2.4 Mtpa, the mine has an eight year forecast life before current reserves are exhausted.

In financial year 2015, domestic sales amounted to 1.63 Mt, while export sales were ~ 0.05 Mt. The mine has a planned 2.4 Mtpa ROM production rate to meet the CSA with Eskom. The Eskom CSA runs over the mine's current life until existing reserves are depleted. Installed processing plant capacity of 4.25 Mtpa exists, which provides Universal Coal the ability to ramp up production if required. Management has advised that the mine is currently producing at an annualised rate of 2.8 Mtpa.

Universal Coal has the ability to deliver between 1.9 Mtpa and 2.1 Mtpa to Eskom under its existing CSA off-take arrangements. An off-take agreement was also concluded with Exxaro Resources for the export thermal coal product, which is expected to range between 50 thousand tonnes per annum (Ktpa) to 100 Ktpa in future periods.

The operation is being run on an outsource model, managed by a Universal Coal 'on-mine' management team. Map 2-1 on page 72 indicates the areas and farms included in the Mining Right. The boundary of the area covered by the Kangala Colliery Mining Right is also indicated in Map 2-1.

Map 2-1: Kangala Extent of Mining Right (Relevant Portions of Wolvenfontein 244 IR)



2.1. Sources of Information

2.1.1. Tenure Information

The Kangala Colliery has a valid New Order Mining Right MP 30/5/1/2/2/429 MR that was granted on 27 September 2010, and executed on 03 May 2012. The Mining Right is in the name of Universal Coal Development I (Pty) Ltd and is valid until 02 May 2032.

2.1.2. Surface Rights Information

Universal Coal plc provided all information regarding the total area covered by the MR, the surface area owned by Universal Coal and the ownership of the surface areas not owned by Universal Coal. Proof of ownership was provided through certified copies of the farm deeds.

2.1.3. Exploration and Geological Information

The geological information was obtained from boreholes, the geological CPR compiled by Mr NJ Denner the CP site visits and Universal Coal.

2.1.4. Mining Information

The mining information was obtained from the mining CPR, Stefanutti Stocks Mining Services, geotechnical studies by Umnotho Rock Engineering and Geotechnical Services and site visits. A copy of the mining CPR is attached as Annexure 2-14 in the unabridged report, which is available from CoAL's website.

2.1.5. Coal Handling and Processing Information

The coal handling and processing information was supplied by Mineral Resource Development (MRD) and Universal Coal. A copy of the MRD report is attached as Annexure 2- 15 in the unabridged report, which is available from CoAL's website.

2.1.6. Costing Information

The sources of the Kangala Colliery capital and operating costs were the actual processing, transport, infrastructure, overheads and head office costs at Kangala Mine and the financial model from Universal Coal.

2.1.7. Environmental and Regulatory Information

Environmental and regulatory information was received from Digby Wells and Associates, DMR documentation and Universal Coal.

2.1.8. Marketing Information

Universal Coal provided the product markets and sales quantities, qualities, and prices. This was based on existing coal supply contracts and markets currently supplied with coal from Kangala Colliery.

2.2. Description of the Kangala Mine Resources

The Kangala Colliery Geological Report is attached as Annexure 2-13 in the unabridged report, which is available from CoAL's website.

2.2.1. Mine Geology

The Kangala Colliery Resources includes Portion 1 and the Remaining Extent of Portion 2 of the farm Wolvenfontein 244 IR, measuring 951.12 ha, and is owned by Universal Coal Development I, a 70.5 % owned subsidiary of Universal Coal plc.

Three coal seams are present locally, the Top Seam, Mid Seam and Bottom Seam. ,
The Top Seam is generally < 1.0 m, and absent in most boreholes. The Mid Seam is on average 1.04 m thick and consists of high quality bright to dull coal. A carbonaceous shale/ siltstone in-seam parting can be present locally, causing the Mid Seam to split into two distinct coal plies.

The Bottom Seam is usually between 10 m and 15 m thick, but can vary considerably over short distances due to the undulations of the pre-Karoo dolomite floor. The Bottom Seam is separated from the Mid Seam by a 1 m to 3 m thick sandstone to shale parting. The Bottom Seam is subdivided from top to bottom into the Bottom A (BA), Bottom B (BB), Bottom C 1 (BC1), Bottom C 2 (BC2) and Bottom D (BD) coal plies, which are all separated by carbonaceous shale partings. Thicknesses of these coal plies are variable, but in general, the average ply thickness for each layer is as follows:

–	BA	=	0.85 m
–	BB	=	0.85 m
–	BC	=	8.50 m (subdivided into two coal plies):
	o BC1	=	4.00 m
	o BC2	=	4.50 m
–	BD	=	2.80 m*

* (can consist of up to five coal layers with carbonaceous partings)

For practical mining reasons, the following mining selections have been allocated, so that the coal seams and plies can be subdivided and combined into logical mining units:

- MM consists of the Mid Seam only.
- MBAB consist of the BA and BB plies, including the parting between these plies.
- MBC1 consists of the BC1 ply.

- MBC2 consists of the BC2 ply, including parting between BC1 and BC2.
- MBD consists of one or many of the BD coal plies, with partings.

The mining selection “seams” (plies) was geologically modelled. Dolerite sills and dykes are known to occur in the area and were considered during the modelling. Provision is made to apply a geological loss factor to the in situ coal resource estimation to compensate for the expected losses.

The surface topography was modelled using the borehole collars only. For each borehole, the softs (no coal and soil recovered at top) LOW depth as recorded were used to model the softs as well as the weathering surface.

2.2.2. Overburden

The effect of surface weathering has a significant impact on coal distribution in the area. Weathering is on average around 25 m deep, but can be as deep as 40 m, and generally, only the Top Seam and Mid Seam are affected by the weathering. In addition to the weathering profile, there is also a deep soil profile, which allows for easy free dig of the overburden material to access the coal seams in the open pit mining operation.

2.2.3. Seam Structural Description

The mining selection’s physical characteristics including floor contours, seam thickness, and depth below surface were determined and are presented in the geological competent person’s report (CPR). The average seam thicknesses are indicated in Table 2-1 below.

Table 2-1: Kangala Average Seam Thickness

Seam	MM	MBAB	MBC1	MBC2	MBD
Average Thickness (m)	1.04	2.54	4.11	4.94	3.63

2.2.4. Seam Quality Description

The raw air-dried qualities are shown in Table 2-2 below. From Table 2-2 it is clear that most of the mining selections have a raw coal quality that meets current inland and steam coal quality requirements. The only exception is the MBAB selection, which has lower coal qualities. This is a result of the inclusion of the BP1 parting. Washability simulation and actual washing results on the Mine have demonstrated the successful upgrading of this selection’s coal qualities.

Table 2-2: Kangala Raw Air-Dried Qualities

Seam	Air-Dried Raw Qualities					
	RD	CV (MJ/kg)	Ash (%)	IM (%)	VM (%)	TS (%)
MM	1.51	23.4	23.3	3.8	28.4	2.38
MBAB	1.84	13.1	48.4	3.5	18.3	1.44
MBC1	1.61	19.6	30.3	4.4	20.6	1.24
MBC2	1.66	18.5	34.4	3.9	18.9	1.03
MBD	1.65	18.6	34.0	3.8	20.4	0.81

A number of plans are presented in the unabridged report. The CPR illustrates some selected coal qualities for the different mining selections, as presented in the coal quality tables and reported from the geological model.

2.2.5. Middelbult and Modderfontein Resources

2.2.5.1. Middelbult 235 IR (Portion 40 and 80)

UCDI has a Prospecting Right over Middelbult 235 IR Portions 40 and 80, which is adjacent to Kangala. The Modderfontein Prospecting Right covers an area of 942 ha. According to the geological CPR, Middelbult contains an estimated 60.2 million GTIS and 24.5 million GTIS in the possible opencast area.

No studies have been conducted to conclude whether there is a reasonable prospect for eventual economic extraction of the coal at Middelbult. These studies will be conducted in the near future.

2.2.5.2. Modderfontein 236 IR (Portion 1)

UCDI has a Prospecting Right over Modderfontein 236 IR Portion 1, which is located 12 km from Kangala. The Modderfontein Prospecting Right covers an area of 127 ha. According to the geological CPR, Middelbult contains an estimated 19.1 million GTIS.

No studies have been conducted to conclude whether there is a reasonable prospect for eventual economic extraction of the coal at Modderfontein. These studies will be conducted in the near future.

2.3. Description of the Kangala Reserves

2.3.1. Introduction to Project Reserves

The Kangala Colliery is located on Portion 1 and Remaining Extent 2 of the farm Wolvenfontein 244 IR, ~ 5 km southwest of Delmas and 20 km east of Springs.

2.3.2. Kangala Reserve Areas

The Kangala Colliery mining SAMREC compliant report is attached as Annexure 2-14 in the unabridged report, which is available from CoAL's website.

Kangala Colliery is a truck and shovel, strip mining, opencast operation. Coal has been produced from the opencast since 2013. An aerial view of Kangala Colliery is shown in Figure 2-2 below, indicating the two opencast pits and the mine infrastructure layout.

Figure 2-2: Kangala Colliery Aerial View



The following are indicated in Figure 2-2:

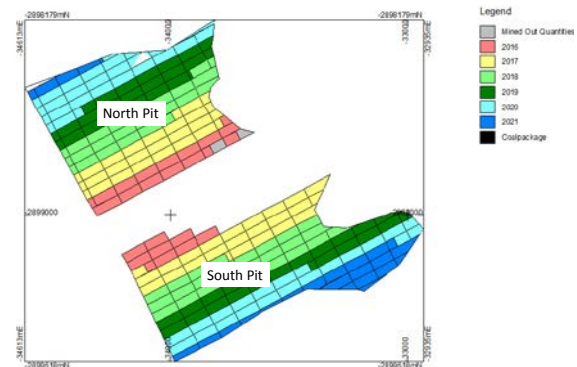
- The CHPP is shown in the northeastern corner.
- The access road to the Mine is directly north of the CHPP. This road gives access to all areas of the mine including the CHPP, contractor's lay-down area, and past that to the pits, haul roads, etc.
- Directly south of the CHPP are three stockpile areas:
 - o The western stockpile is the ROM stockpile with the two tipping points feeding into the CHPP.
 - o The centre and eastern stockpiles are for coal stockpiled for Kusile Power Station.
- The discard dump and slurry ponds are located south of the stockpiles.

- The PCD is located east of the discard dump.
- Southwest of the discard dump are the opencast waste dumps with the mining pits to the west.

The opencast mining area is divided into two pits, a North Pit and a South Pit as shown in Figure 2-3 below. The box cut is located in the middle of the mining area. Mining operations in the North Pit are progressing in a northwestern direction. In the South Pit, the mining progresses in a southeastern direction. The opencast reserve area has a very favourable strip ratio that varies between 1.89 and 1.29, with an average of 1.56 over the remaining life.

Coal is being produced from both the North and South pits simultaneously at an average rate of 3.5 million ROM tpa. The current planned life of the mine is up to the year 2021 and production will start ramping down in the year 2019. The Kangala opencast mining area is restricted in the west of the North Pit by a wetland. The ROM coal from the pit is hauled directly to two tipping points at the CHPP, for processing.

Figure 2-3: Kangala Opencast Mining Layout



2.3.3. Mine Design and Modelling

The mine design, modelling, and scheduling for the Kangala Colliery opencast areas includes four coal seams (plies), which are chronologically named the MM, MBAD, MBC1 and MBC2 (subdivided into the MBC2, MBC3 and MBC2) seams. Universal Coal outsources the opencast mining operations to a mining contractor.

2.3.3.1. Geotechnical Studies - Opencast

A geotechnical study was conducted for Kangala Colliery. The study was conducted by Umnotho Rock Engineering and Geotechnical Consultants (Umnotho), during September 2015. All the slope designs and angles required for the opencast mine design is contained in the report.

A copy of the geotechnical study is provided in the unabridged report, which is available from CoAL's website.

2.4. Opencast Mining

2.4.1. Opencast Mining Method

Surface mining by truck and shovel operations have been successfully deployed at Kangala Colliery since the mine started production in 2013. The mining operations follow the various mining processes in a general opencast strip mining operational cycle together with various services and ancillary activities form part of the mining process, including road building. No significant risks regarding equipment specifications and capabilities or operational parameters have been recorded.

2.4.2. Opencast Mine Design

The opencast mine was designed and established to ensure the lowest possible establishment capital and the earliest possible production and coal sales. The target markets for the produced coal products were also considered in the mine design, as the different coal seams have different yields.

The box cut position was planned to deliver representative LOM coal qualities at optimal strip ratios. An in-pit ramp configuration will be utilised throughout the LOM to improve blending control over qualities and facilitates benching.

The factors that impact on mine design such as the coal seams present, the nature, and characteristics of the overburden and the potential markets for the coal produced were all taken into consideration during the mine design. Other factors such as the shape of the resource blocks, the depth, thickness, and distribution of the coal seams, consistent product production, and areas excluded due to surface physical constraints were also taken into account.

A mining layout and production scheduling has been generated. The layout and production schedule satisfies the Project criteria outlined by Universal Coal which included environmental limits, monthly saleable production, balancing the life of mine between the two pits and highwall bench designs specified by the rock engineers. In addition, the mine design and layout was done in compliance with the pit length required for the planned ROM production of 300,000 tonnes and the separate mining of the four seams whenever present.

The mine layout is the result of the evaluation of a number of alternative layouts. The main factors taken into account in deciding on the box cut position and the mining direction were the overburden thickness, strip ratios, practical mining considerations, and economic factors. The modelling and mine design information was based on the geological model performed using Geovia Minex™ software. The Minex data was provided to the mining engineer in the form of grid files with a 15 m by 15 m mesh covering the full extent of the resource area. Mine planning was conducted using progeCAD 2016 Professional and Xpac software provided by RungePincockMinarco.

The raw RD, Ash, CV, VM, IM, and TS quality data for the coal seams and partings was also provided for the seams and partings (MM, MBAB, PBP2, MBC1, MBC2, MBC3, MBC4, PBP3, and MBD). Coal wash data was provided at wash cut point densities of 1.50, 1.60, 1.70, and 1.80 for each seam and parting (MM, MBAB, PBP2, MBC1, MBC2, MBC3, MBC4, PBP3, and MBD), with the washed quality information for wash density, yield, Ash, CV, VM, IM and TS.

2.4.2.1. Cut-off Parameters

The Minex data was reserved in each mining block and then the minimum seam thickness and certain quality parameters were applied. The results of the mine schedule have been checked for compliance with product quality specifications.

2.4.2.2. Box Cut

The box cut was positioned in the centre of the mining area with a southwest to northeast orientation and mining operations progressed both in a northwestern and southeastern direction. The current remaining mining strips are shown in Figure 2-3 on page 76.

The waste dumps were constructed in accordance with the design recommendation of the geotechnical experts.

Topsoil was stripped to a depth of at least 1.0 m and stockpiled for later use, as per the EMP. Topsoil removed for mining operations included the out slope, initial box cut, and draw back on the north and south of the box cut. This material was placed strategically close to the final void in the north for the North Pit and to the east of the South Pit, for final rehabilitation and pit closure. Topsoil dumps were designed to be as flat as possible to reduce or eliminate erosion, depending on the dumping area available.

The overburden from the initial box cut area was again stockpiled to the north of the North Pit and to the east of the South Pit.

The planning provides for two highwall ramps, one each into the North and South pits. The position of the box cut, the direction of developing the pit, and the position of the overburden waste dumps dictate that highwall ramps be established. The current mine planning was based on the original mine layout that was drafted when the mine started in 2013.

2.4.3. Opencast Mine Sequence, Schedule, and Production Profile

The opencast mining utilises truck and shovel operations for overburden removal as well coal loading and hauling. The mine sequence, schedule, and production profile considered the current face positions, the CV target of 20.0 MJ/kg and minimum VM requirements. The schedule results are compared to target qualities.

The first month of the schedule starts December 2015 and the saleable monthly production tonnages is scheduled between 160,000 and 180,000 tpm. The tonnage schedule for Kangala Colliery is shown in Table 2-3. The mine plan period progress and cut layout can be seen in Figure 2-3 on page 76.

Note: The financial model was based on production starting in F2015. The total production for the period Financial Year 2016 to the end of the current mine life is higher than the production currently scheduled by the mining CP. The reason for this is that the current mining schedule is based on a resource with an 18 % VM cut off for the MBD Seam. This eliminated 900,000 tonnes of ROM coal which was included in the financial model. Universal Coal is confident that the 900,000 tonnes of ROM will be mined. The ROM tonnes in the financial model for the same period as the schedule shown below are 17.7 million tonnes.

Over the LOM, the following coal volumes will be mined:

–	MM	=	955,694 tonnes
–	MBAB	=	3,418,385 tonnes
–	MBC1	=	4,996,104 tonnes
–	MBC2	=	6,027,033 tonnes
–	MBD	=	1,395,319 tonnes
–	Total Coal	=	16,792,534 tonnes

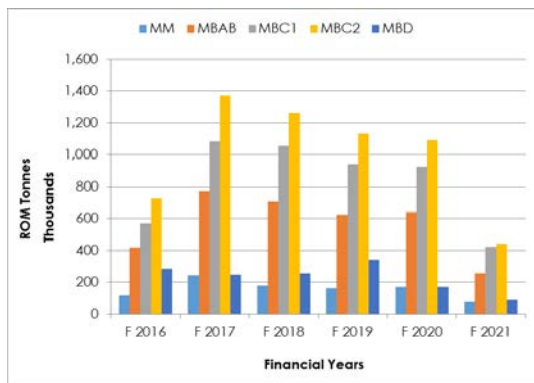
Over the LOM, the following waste volumes will be extracted:

–	Topsoil	=	618,797 BCM
–	Softs Bench 4	=	226,838 BCM
–	Softs Bench 3	=	4,416,310 BCM
–	Softs Bench 2	=	4,271,914 BCM
–	Softs Bench 1	=	5,032,890 BCM
–	Hards Doze Over	=	3,211,643 BCM
–	Hard Excavator	=	5,659,449 BCM
–	P1 Parting	=	1,213,001 BCM
–	P2 Parting	=	1,108,255 BCM
–	P3 Parting	=	476,656 BCM
–	Total Waste	=	26,235,754 BCM

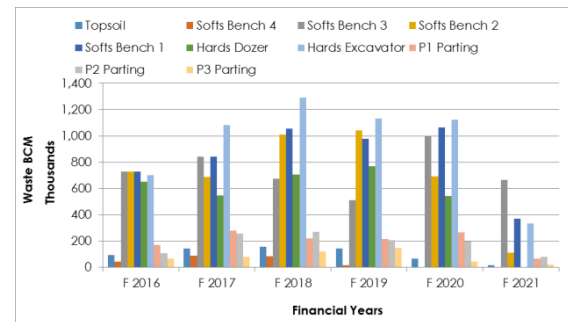
Table 2-3: Kangala Production Schedule

Material	Unit	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	YF 2021	Total
MM Tonnes ('000)	Tonne	0.122	0.243	0.179	0.162	0.169	0.079	0.956
MBAB Tonnes ('000)	Tonne	0.419	0.771	0.706	0.624	0.641	0.257	3.418
MBC1 Tonnes ('000)	Tonne	0.569	1.084	1.056	0.942	0.926	0.420	4.996
MBC2 Tonnes ('000)	Tonne	0.726	1.369	1.263	1.136	1.092	0.441	6.027
MBD Tonnes ('000)	Tonne	0.288	0.247	0.258	0.340	0.172	0.091	1.395
Total Opencast ROM ('000)	Tonne	2.124	3.715	3.462	3.204	3.000	1.288	16.793
Total Waste BCM ('000)	BCM	4.016	4.840	5.577	5.149	4.992	1.662	26.236
Strip Ratio		1.89	1.30	1.61	1.61	1.66	1.29	1.56

The annual ROM coal seam production profile for the five seams is shown in Chart 2-1 below.

Chart 2-1: Kangala Annual Coal Production Profile


The annual waste volumes profiles for the topsoil, soft overburden, hard overburden, and partings are shown in Chart 2-2 below.

Chart 2-2: Kangala Annual Waste Volume Profile


The mining process cycle for the selected surface strip-mining method whereby the overburden is rolled over from the current strip to the void of the previous strip, involves cast blasting, dozer pushover, and truck and shovel operations.

2.4.4. Mining Operations

A detailed short-term mining plan is generated on an ongoing basis to indicate where the target seams are present. Subsequently, the pit configuration will be planned according to the number of seams to be mined. For this purpose, an ongoing drilling programme ahead of the mining face is required to determine, on a short-term basis, how the other seams should be treated in the mining process. This forms part of the short-term planning continuous drilling that is conducted for this purpose.

A detailed sampling and analysis regime has been implemented to determine the in situ coal qualities that allows for measuring the dilution of the in situ coal. The dilution is strictly controlled as it has a major impact on mining costs and on the product yield from the washing plant.

Kangala Colliery is currently in full production. Mining is progressing in a northwestern direction in the North Pit and in a southeastern direction in the South Pit applying standard roll-over operations. The soft overburden is placed on top of the hard overburden and interburden material in the void, and levelled to the appropriate contours. The topsoil is placed and levelled onto the soft overburden material before seeding and grassing is done. Track dozers are used to push the blasted materials that were not cast blasted, into the final position. Coal is mined by means of a truck and shovel operation.

All coal seams (plies) are mined as separate entities to improve fragmentation and because the MBAB, MBC1, MBC2, and MBD are washed together for an Eskom product, while the MM is washed separately for an Export product. The MBC1 and MBC2 are blended raw with the Eskom product when mined from areas where the qualities are good. It is washed when mined from areas where the qualities are lower than required for the Eskom product.

2.4.5. ROM Feed to the Coal Handling and Processing Plant

The mining schedule focuses on producing consistent ROM coal tonnage to the CHPP to ensure a consistent supply to Eskom. The feed of the MM Seam ROM coal to the plant however fluctuates monthly as can be seen from the mining schedule. This is unavoidable as the Eskom product has precedence and the Export product quantities are managed through offtake agreements and stockpiles.

2.4.6. Opencast Mining Infrastructure

The mining infrastructure required for mining was established by the mining contractor. During the establishment of these facilities, the requirements of the EMP were taken into consideration and adherence was given to the recommendations with regard to soil and water management. Universal Coal established the access roads, water PCD. Water and power supply and a sewage connection point.

2.4.7. Opencast Mining Conclusion

The monthly ROM production is based on an average of 200,000 to 300,000 tonnes. Coal is produced from all five the seams for the total duration of the remaining mine life. The strip ratios vary between 1.29 and 1.81 with an average over the LOM of 1.56.

2.5. Coal Handling and Processing Plant

All the coal will be processed at the Kangala Colliery CHPP. The CHPP has two processing streams, one that produces a raw crushed product, and one that produces a washed product. At 6,480 operating hours per annum, the CHPP can process 4.2 million ROM tonnes per annum.

2.5.1. Water Requirements and Slimes Capacities

The actual water requirements are 39 m³ per hour, slimes production is 6.5 % per tonne.

2.5.2. Process Description

The CHPP report, as drafted by MRD before construction of the plant, describes the CHPP process in detail. This report is attached as Annexure 20-15 in the unabridged report, which is available from CoAL's website.

2.5.3. Product Handling

There are two distinct product stockpile areas. The one area can stockpile five separate 6,000 tonnes piles each and the other can stockpile six separate piles of 6,000 tonnes each through a raised slew conveyors. Both the Eskom product and Export product can be stockpiled in either of the two areas.

The raw crushed and washed Eskom coal product from the crush and screen and DMS plants is transferred onto the product stockpiles in distinct 6,000-tonne stockpiles. The coal on these stockpiles is sampled and analysed to ensure that it complies with the Eskom coal specifications.

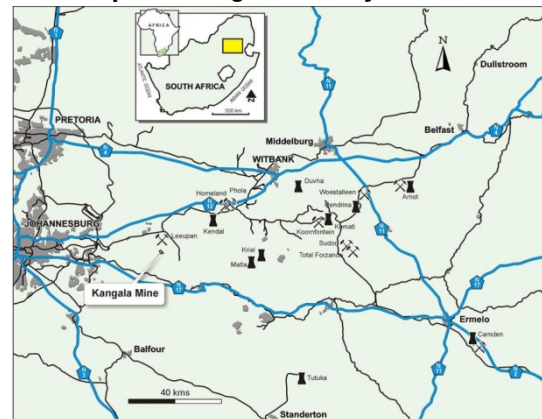
The washed Export product is stockpiled separately through either of the two slew clew conveyors. The Eskom and Export product is then loaded onto 32-ton interlink side-tipper road haul trucks by FELs that transports the product to the customer(s).

2.6. Overview of the Region, Location, and Assets

2.6.1. Region

The Kangala Colliery is located in the Delmas District of the Mpumalanga Province, South Africa. The Project area is located 65 km due east of Johannesburg, in the Witbank Coalfield of South Africa. The mine is in close proximity to the operating coal mines Leeuwpan and Stuart Coal, close to excellent road and railway infrastructure, and within a 70 km radius of four coal-fired power stations. The location of Kangala Colliery is indicated in Map 2-2.

Map 2-2: Kangala Colliery Location



2.6.2. Kangala Project Assets

2.6.2.1. Mining Rights

The Kangala assets are indicated Table 2-4 below, as per the AIM Appendix 1

Table 2-4: AIM Appendix 1 – Kangala Asset Detail

Asset	Holder	Interest	Status	Licence Expiry Date	Licence Area (ha)	Comments
Kangala Mine	UCDI	70.50%	Mining Right Production MP 30/5/1/2/2429MR	02/05/2032	951	1. Kangala Mine has been in operation since 2013 and producing +/- 3.5 million tonnes per annum coal from opencast operations
Middelbult 235 IR, Portions 40 & 82	UCDI	70.50%	Prospecting Right (PR) MP 30/5/1/1/641PR	09/07/2017	942	1. Renewal of the prospecting right was granted in July 2014 for a further three years 2. The number of holes drilled to date are 37 and the combined average Air Dried Raw CV is 15.60 MJ/kg 3. Middelbult will form part of Kangala Mine life extension once the regulatory process has been completed to include it under the

Asset	Holder	Interest	Status	Licence Expiry Date	Licence Area (ha)	Comments
						Kangala Mine MR.
Modderfontein 236 IR, Portion 1	UCDI	70.50%	Prospecting Right (PR) MP 30/5/1/1/2/639PR	09/07/2017	127	1. Renewal of the prospecting right was granted in July 2014 for a further three years 2. The number of holes drilled to date are 7 and the combined average Air Dried Raw CV is 13.60 MJ/kg 3. Modderfontein will form part of Kangala Mine life extension once the regulatory process has been completed to include it under the Kangala Mine MR.

The Prospecting Rights will be converted into Mining Rights. The Kangala Colliery life extension will be situated on these two Prospecting Right areas.

2.6.2.2. Surface Rights

Universal Coal Development I is the registered surface owner of Portion 1 of the farm Wolvenfontein 244 IR, and has a grant of servitude agreement in place with the Kallie-Madel Trust, who is the registered surface owner of the Remaining Extent of Portion 2 of the farm Wolvenfontein 244 IR. The planned open pit and all relevant surface infrastructures are located on Portion 1, owned by Universal Coal. UCDI has a grant of servitude agreement in place with the Kallie-Madel Trust who is the registered surface owner of the Remaining Extent of Portion 2 of Wolvenfontein 244 IR.

2.6.2.3. Coal Handling and Processing Plant and Surface Infrastructure

Universal Coal Development I owns the CHPP at Kangala, as described in Section 2.5. Universal Coal owns the infrastructure required for the operation of Kangala Mine.

2.6.3. Universal Coal Liabilities

An environmental rehabilitation guarantee, in terms of the MPRDA, is required from Universal Coal as part of the conditions of the Mining Right granted for Kangala Colliery. A guarantee of ZAR 25.3 million has been secured and provided to the DMR. The securing fee for this guarantee is ZAR 1,620,000.

The only other liabilities are the Universal Coal Development I current vendor accounts, which at 31 December 2016 was at ZAR 2.88 million.

2.6.4. Kangala Product Markets and Prices

The following are the markets to which Kangala supplies coal:

- A 20.5 MJ/kg CV product to Eskom – Price ZAR 14.72/GJ free on truck
- A 27 MJ/kg CV Export product – Price ZAR 497.00 to 541.00/sales tonne free on truck

2.7. Interests Held by Stakeholders

2.7.1. Interests Held by Universal Coal Directors

The following are the current and past interests held by Universal Coal directors:

Table 2-5: Kangala Universal Coal Directors

Name	Number of Fully Paid Ordinary Shares	Share Options Outstanding
Anton Weber	8,518,489	2,123,056
Hendrik Bonsma	5,701,392	1,821,420
Shammy Luvhenga	2,200,000	800,000

2.7.2. Interest Held by Competent Persons

The Competent Persons involved in drafting this Report or sub-sections of this Report, do not hold any interests in the Kangala Colliery or in Universal Coal, or have held any interests in the past. The Competent Persons involved in drafting this Report or subsections of this Report, do not hold any interests in the CoAL, or have held any interests in the past.

2.8. General Information regarding Location

2.8.1. Country in which the Project is Located

Kangala Colliery is located in the Mpumalanga Province of South Africa. South Africa has been a major producer of coal for over 60 years and is a major exporter of coal. A description of the country of operation has been included under Section 1.10.1 on page 58. The same information applies to the Kangala Colliery.

2.8.2. Province in which the Project is Located

Kangala Colliery is located in the Delmas District of the Mpumalanga Province, South Africa. The Project area is located 65 km due east of Johannesburg, in the Witbank Coalfield of South Africa. The mine is in close proximity to the operating coal mines Leeuwpan and Stuart Coal, close to excellent road and railway infrastructure, and within a 70 km radius of four coal-fired power stations.

2.9. Resources and Reserves

2.9.1. Opencast Resource Determination

The competent person's geological report is attached as Annexure 2-13 in the unabridged report, which is available from CoAL's website.

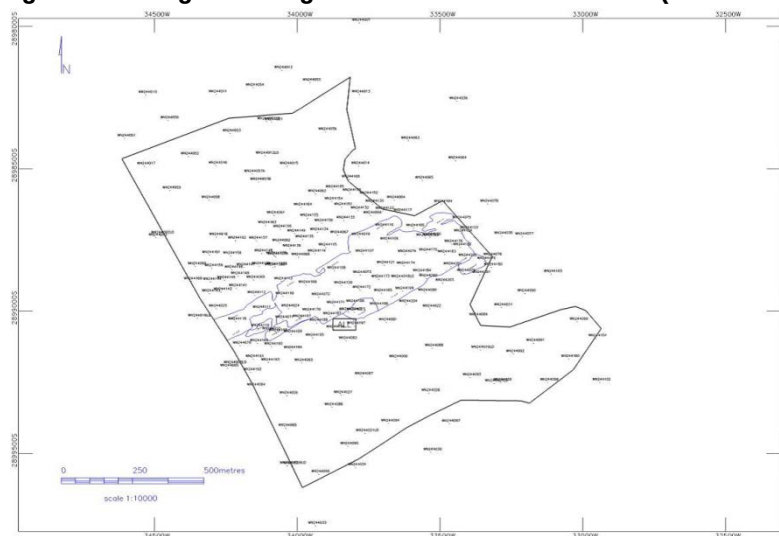
Input is provided in terms of the SAMREC Standard and supported by the South African National Standard (SANS 103202004).

2.9.1.1. Resource Area

The mineable resource area is defined by a single outline and is based on certain cut-off criteria as set out in the geological CPR.

Figure 2-4 on page 84 shows the mining outline with mined-out area up until June 2015.

Figure 2-4: Kangala Mining Outline with Mined-Out Area (June 2015)



2.9.1.2. Resource Classification

SAMREC and SANS 10320:2004 requires a borehole spacing of less than 350 m by 350 m to define a Measured coal resource in the Witbank Coalfield. Since 2012, the infill drilling pattern was reduced to approximately 50 m by 50 m for the immediate and short-term planned mining areas. The Competent Person is of the opinion that the borehole spacing, together with the observed coal continuity, the quality of the borehole data included in the model, general geological setting, and mining experience gained, is sufficient to allow for the Measured resource classification

2.9.1.3. Coal Resource Estimation Assumption

In situ coal resources were reported for each mining selection within the mining resource outline. Coal resources are reported on an in situ basis, and all coal qualities are reported on an air-dried basis.

A minimum seam thickness of 0.5 m was applied to all mining selections and a VM cut-off of 18 % was applied to the MBD mining selection. Relative densities were applied to the coal volumes according to the density model grid for each seam. Due to expected small-scale faulting and thin dolerite dykes, a loss factor of 2.5 % is deemed sufficient to allow for the potential loss of coal because of these structures.

2.9.1.4. Coal Resource Statement

Mineable in situ coal resources for the Kangala Colliery area is estimated and reported at 19.25 Mt. Mineable in situ tonnes and raw coal qualities for each mining selection is presented in Table 2-6 on page 85. The mineable coal resource includes provision for geological losses, and coal quality cut-off parameters.

From the coal resources and qualities indicated in Table 2-6 on page 85, it is clear that most of the mining selections have a raw coal quality that meets current inland and steam coal quality requirements. The only exception is the MBAB selection, which has lower coal qualities. This is a result of the inclusion of the BP1 parting. Washability simulation and actual washing results on the mine have, however, demonstrated the successful upgrading of this selection's coal qualities.

Table 2-6: Kangala Mineable Coal Resource Summary

Area Name	Resource Area (m ²)	Mining Selection	GTIS ('000 Tonnes)	Geological Loss (%)	MTIS ('000 Tonnes)	Air-Dried Raw Coal Qualities					
						RD	CV (MJ/kg)	Ash (%)	IM (%)	VM (%)	TS (%)
Mining Resource	907,898	MM	1,010	2.5	985	1.46	25.13257	18.39	3.93	29.85	2.62
	907,898	MBAB	3,700	2.5	3,608	1.82	12.95	48.83	3.70	18.00	1.42
	907,898	MBC1	5,470	2.5	5,333	1.62	19.44	30.55	4.20	20.59	1.19
	907,898	MBC2	5,960	2.5	5,811	1.65	18.85	33.38	3.83	19.44	1.06
	907,898	MBC3	450	2.5	439	1.73	16.34	40.39	3.60	15.47	0.84
	907,898	MBC4	180	2.5	170	1.85	11.90	51.31	3.44	12.32	0.42
	498,679	MBD	1,510	2.5	1,472	1.67	17.92	36.23	3.63	19.32	0.84
Total			18,280		17,818						

2.9.2. Reserves Areas

Reserves were estimated for Portion 1 and the Remaining Extent of Portion 2 of the farm Wolvenfontein 244 IR. The Middelbult and Modderfontein resources were not converted to reserves as the required studies for this purpose have not been conducted yet.

2.9.3. Resource to Reserve Conversion - Opencast

The cut-off criteria for mining are minimum seam thickness of 0.5 m and minimum borehole density for coal resource classification, as prescribed SAMREC. The final opencast mining layout for the Kangala Colliery area is shown in Figure 2-3 on page 76. All cut-off factors agreed with Universal Coal such as quality and seam thickness were applied during the mine modelling and design phase. A geological loss of 2.5 %, a mining loss of 10 % was applied and the dilution applied varied. The total in situ mining resource for the mining area was verified against the geological resources for the mining area before it was converted to reserves. The opencast Reserves are shown in Table 2-7 below. An additional 900,000 reserves are available in the areas where the MBD Seam has a VM of < 18 %, and was excluded from the reserves. Universal Coal is confident this coal can be mined for processing and sale.

Table 2-7: Kangala Opencast Reserves

Seam Name (Reserve Class Proved)	MM	MBAB	MBC1	MBC2	MBC3	MBC4	MBD	Total
GTIS (Kt) (In Mining Layout)	1,010	3,700	5,470	5,960	450	180	1,510	18,280
Geological Loss (%)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
MTIS (Kt)	985	3,608	5,333	5,811	439	170	1,472	17,818
Mining Loss (%)	10%	10%	10%	10%	10%	10%	10%	10%
Mining Extraction (%)	100%	100%	100%	100%	100%	100%	100%	100%
Air Dried Uncontaminated Tonnes (adb) (Kt)	886	3,247	4,800	5,230	395	150	1,325	16,033
Air Dried Contaminated Tonnes (adb) (Kt)	920	3280	4,800	5,230	400	150	1,340	16,120
ROM Tonnes	960	3,420	5,000	5,450	410	160	1,400	16,800
Raw Air Dried Qualities								
RD	1.46	1.82	1.62	1.65	1.73	1.85	1.67	1.65
CV (adb)	25.13	12.95	19.44	18.85	16.34	11.90	17.92	17.47
Ash (adb) (%)	18.39	48.83	30.55	33.38	40.39	51.314	36.23	33.93
IM (%)	3.93	3.70	4.20	3.83	3.60	3.44	3.63	3.78
VM (adb) (%)	29.85	18.00	20.59	19.44	15.47	12.32	19.32	19.45
FC (%)	45.21	28.05	43.47	42.30	39.70	32.50	39.98	38.29
TS (adb) (%)	2.62	1.42	1.19	1.06	0.84	0.42	0.84	1.20

As per the AIM Note for Mining and Oil & Gas Companies, June 2009, Appendix 3, the Kangala Mine resources and reserves is shown Table 2-8 below.

Table 2-8: Kangala Summary of Reserves and Resources by Status

Kangala Mine 70.5 % Share											
Category	Gross				Contained Mineral	Atributable Share (%)	Nett Atributable				Operator
	Tonnes (Million)	Quality (Air-Dried)		Tonnes (Million)			Quality (Air-Dried)		Contained Mineral		
		CV (MJ/kg)	VM (%)				CV (MJ/kg)	VM (%)			
Mineral Reserve											
Proved	16.80	17.63	19.64	Coal	70.50%	11.84	17.63	19.64	Coal	UCD I	
Probable	-	-	-	-	-	-	-	-	-	-	
Sub-total	16.80	17.63	19.64	Coal	70.50%	11.84	17.63	19.64	Coal	UCD I	
Mineral Resources											
Measured	18.20	17.76	20.03	Coal	70.50%	13.20	17.76	20.03	Coal	UCD I	
Indicated	-	-	-	-	-	-	-	-	-	-	
Inferred	-	-	-	-	-	-	-	-	-	-	
Sub-total	18.20	17.76	20.03	Coal	70.50%	12.83	17.76	20.03	Coal	UCD I	

2.9.4. Kangala Life Extension

The Kangala Colliery was based on Portion 1 and the Remaining Extent of Portion 2 of the farm Wolvenfontein 244 IR.

However, the Kangala Colliery life can be extended based on Portions 40 and 82 of the farm Middelbult 235 IR and Portion 1 of the farm Modderfontein 236 IR in the Magisterial District of Delmas. Universal Coal holds a Prospecting Rights on these farms that will be converted into Mining Rights.

2.10. Kangala Colliery Financial Evaluation

2.10.1. Capital Expenditure

The total Kangala Colliery establishment capital was ZAR 442,125,510 and no capital is required over the life of the mine. Funding is provided under working costs for SIB costs. This is mainly provided for component replacements in the CHPP.

2.10.2. Operating Costs

The opencast mining cost for the financial period 2015/2016 to 2020/2021 is estimated to vary between ZAR 56.00 per ROM tonne and ZAR 94.00 per ROM tonne. The opencast mining costs exclude the cost of electricity, water, and Universal Coal's management cost. These costs were costed separately into the financial models.

Universal Coal contractually outsourced the operation and management of the CHPP to Mineral Resource Development (MRD). Based on the contract and actual processing costs to date, the washing costs are estimated to vary between ZAR 17.00 per ROM tonne and ZAR 25.00 per ROM tonne. The discard handling costs vary between ZAR 5.00 per ROM tonne and ZAR 11.00 per ROM tonne.

The other operating costs for Kangala are ZAR 141.46 per ROM tonne.

2.10.3. Royalties

The average estimated royalties' payable per tonne over the life of Kangala Colliery, is between ZAR 3.82 and ZAR 13.96 per ROM tonne.

2.10.4. Financial Evaluation

2.10.4.1. Summary

The Kangala Colliery feasibility study was based on producing an Eskom product as the focus, with some sales of higher grade coal to a coal trader. The financial model was based on production starting in Financial Year 2015. The total production for the period Financial Year 2016 to the end of the current mine life is higher than the production currently scheduled by the mining CP. The reason for this is that the current mining schedule is based on a resource with an 18 % VM cut off for the MBD Seam. This eliminated 900,000 tonnes of ROM coal which was included in the financial model. Universal Coal is confident that the 900,000 tonnes of ROM will be mined. The ROM tonnes in the financial model for the same period are 17.7 million tonnes.

The Kangala Colliery has an expected LOM of eight years, producing between 3.0 and 1.6 million ROM tonnes per annum producing a total ~ 17.7 million ROM tonnes.

Based on current assumptions, Kangala Colliery has the potential to generate an IRR of 46 %. On a 100 % basis and a 10 % discount rate, Kangala Colliery will generate an NPV of ZAR 1,266 million in real money value.

To the best of the knowledge of Mindset, there have been no material changes since October 2015, being the date of the financial analysis, and the date of this document.

2.10.4.2. Assumptions

The assumptions used in the financial models are available from Universal Coal.

2.10.4.3. Effective Date

The date of the financial analysis is October 2015.

2.10.4.4. Forex Rates

The changes in Forex rates will have a substantial impact on the price of the export coal and the final financial results. In the current financial evaluations, the exchange rate applied was ZAR 12.75 per US Dollar (\$) for the current 2015/2016 financial year. The exchange rate escalates to ZAR 16.96 per Dollar by 2022/2023, which is the planned end of the LOM.

2.10.4.5. Sensitivities

The Project is most sensitive to the sales price and operating costs, and much less sensitive to the capital. The Eskom price has been contractually agreed to and it will remain as per the current prices, with annual escalation.

The exchange rate has an impact on the price of the Export product but current indications are that the ZAR will continue to weaken against the Dollar, which will be favourable for the ZAR-based price. Current export prices have been low for a substantial period and could rise in the future.

2.11. Other Assets

2.11.1. Assets Material to the Applicant

Universal Coal plc also owns the following:

- Universal Coal plc owns 74 % in Universal Coal Development IV (Pty) Ltd, which in turn owns the Roodekop Project.
- Universal Coal plc owns 49 % in Universal Coal Development VIII (Pty) Ltd that owns the New Clydesdale Colliery.
- Universal Coal plc owns 50.29 % in Universal Coal Development III (Pty) Ltd, which in turn owns the Brakfontein Project, which is planned to start producing during 2016.

2.12. Mining, Plant and Equipment

All the opencast plant and equipment is supplied by the contract miner (Stefanutti Stocks Mining Services). Universal Coal owns the CHPP as described under Section 2.5. All rubber-wheeled diesel equipment required for plant feed and product loading is contracted out.

The ROM coal is hauled up to the tipping point at the processing plant by the mining contractor. All coal loading and hauling, plant, and equipment is supplied by the hauling contractor. It is not anticipated that any other plant and equipment will be required other than what is described above.

2.13. Conclusions

2.13.1. Right to Commence with Mining

Universal Coal has been granted all the regulatory rights required to mine and process the coal at Kangala Colliery. This includes all Mining Rights, environmental approvals, Water Use Licences, and Waste Management Licences. Kangala Colliery is fully operational.

2.13.2. Quantum of Resources and Reserves

The reserves available for mining are sufficient to mine according to the current LOM up to 2022, with the potential to extend the life of the mine with the resources at Middelbult and Modderfontein.

2.13.3. Ability to Mine Resources and Reserves

2.13.3.1. Opencast Mining

The average strip ratio over the life of the opencast reserve is 1.56 BCM per ROM tonne. It is not expected that any difficulties will be encountered in terms of the currently employed truck and shovel mining method.

2.13.3.2. Coal Handling and Processing Plant

The existing CHPP has been operating successfully since 2013. The feed rate to the CHPP is 650 tph. The CHPP is designed to process coal for 6,470 hours per annum and to process 4.2 million ROM coal tonnes per annum. Current ROM production is 3.6 Mtpa, which leaves spare capacity to process coal from other sources.

2.13.4. Capital Required to Establish the Mine

A total ZAR 442.13 million has already been spent to establish Kangala Colliery. No additional establishment capital is required.

2.13.4.1. Funding

Funding for the Project has been secured by Universal Coal. No additional funding is required.

2.13.5. Operating Costs

The mining costs for the opencast are based on the actual costs at Kangala Colliery, which are in terms of the mining contract with Stefanutti Stocks Mining Services. Coal handling and processing costs were based on the actual costs at Kangala Colliery, which are in terms of the processing contract with MRD. The other operating costs were based on current costs incurred by Universal Coal at the Mine.

2.13.6. Management of the Kangala Colliery

Universal Coal is well placed with experienced staff to manage the operation of Kangala Colliery. Universal Coal established the Mine, which started operating in 2013 and this Project was implemented very successfully.

Brakfontein Project

Where reference is made to Universal Coal in this section, the term refers interchangeably to Universal Coal plc, Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA), and Universal Coal Development III (Pty) Ltd.

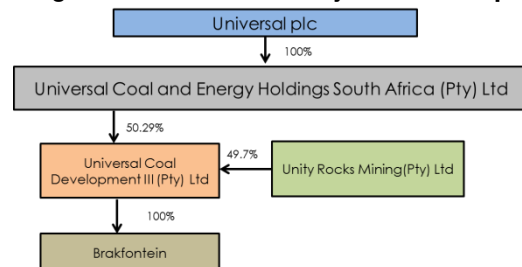
3. Introduction

The Brakfontein Project consists of a coal deposit with favourable stripping ratios for opencast mining. Universal Coal Development III was granted a Mining Right for Brakfontein by the DMR on 25 July 2014. The Mining Right has not been executed. The portions of the farm Brakfontein 264 IR (Portions 6, 8, 9, 10, 20, 26, 30, and the Remaining Extent) are included in the Mining Right, covering an area of ~ 879 ha.

The Brakfontein Project will be a greenfields project and it is planned to apply opencast truck and shovel operations to produce the ROM coal. The ROM coal will be road-hauled to Universal Coal's existing Kangala Colliery's CHPP for processing. The sales products will be loaded and sold from the Kangala Colliery CHPP product stockpiles.

The ownership of the Brakfontein Project is shown in Figure 3-1.

Figure 3-1: Brakfontein Project Ownership



Coal products that can be produced from this Project are typical export, inland and local power station thermal coal products. A low Volatile Matter coal product is also present which could be suitable for the local inland metallurgical market.

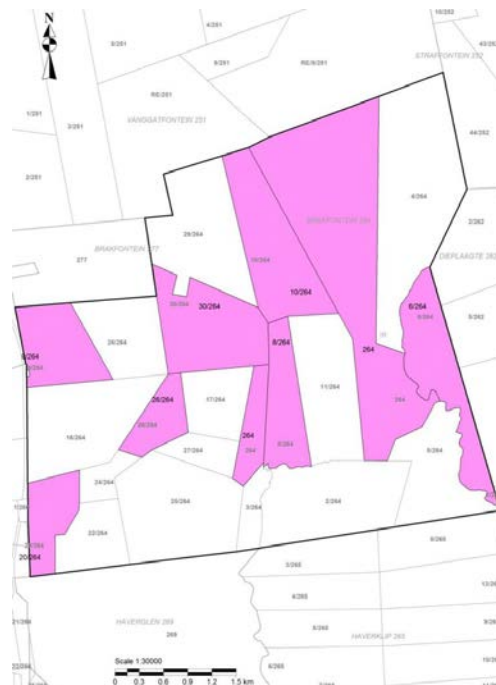
The Brakfontein Project has SAMREC compliant coal resources of 75.8 Mt (total tonnes in situ), of which 31.7 Mt are classified as Measured, 39.4 Mt as Indicated, and 4.7 Mt as Inferred.

The resources convert to 9.145 Mt of Proved reserves.

At planned production levels building up to 1.5 Mtpa with an average annual production of 1.14 Mt, the mine has an eight year forecasted life, with a small contingency reserve shown as year nine production in the mining schedule, before current reserves are exhausted.

A plan presenting these portions is presented Map 3-1 below.

Map 3-1: Plan Indicating the Relevant Portions of the Farm Brakfontein 264 IR



3.1. Sources of Information

3.1.1. Tenure Information

Universal Coal provided all the tenure information.

3.1.2. Surface Rights Information

Universal Coal provided all information regarding the total surface covered by the MR as well as the ownership of the surface areas covering the Mining Right.

3.1.3. Exploration and Geological Information

The geological information was obtained from boreholes, the CPR compiled by Mr NJ Denner the geology competent person, and Universal Coal. A copy of the Geological CPR is attached as Annexure 3-18 in the unabridged report, which is available from CoAL's website.

3.1.4. Mining Information

The information for mining was obtained from the geological model, the mining competent person's report by Mr M Vertue and Universal Coal. A copy of the mining CPR is attached as Annexure 3-19 in the unabridged report, which is available from CoAL's website.

3.1.5. Coal Handling and Processing Information

Universal Coal plans to process the Brakfontein ROM coal at the existing Kangala Colliery's CHPP, which is situated 25 km from the Brakfontein Project. The CHPP is described under the Kangala section.

3.1.6. Costing Information

The sources of the Brakfontein Project capital and operating costs were based on the mining tenders received for a similar Universal Coal project, Kangala Mine actual costs and from Universal Coal.

3.1.7. Environmental and Regulatory Information

Environmental and regulatory information was obtained from Digby Well and Associates reports and from DMR authorisation documents

3.1.8. Marketing Information

Universal Coal provided the product markets and sales quantities, qualities, and prices. This was based on existing coal supply contracts and markets currently supplied with coal from Kangala Colliery.

3.2. Description of the Brakfontein Resource

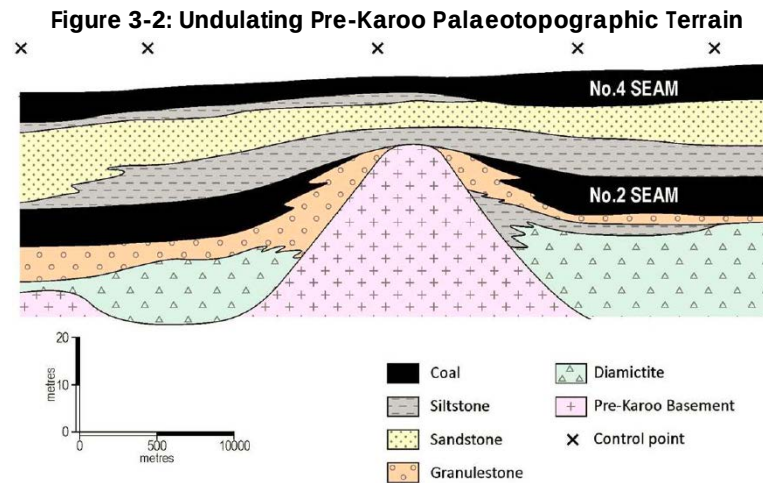
The areas considered for the Project resources take into account the limitations of relevant surface features as well as additional constraints and cut-off parameters.

The Brakfontein Project Geological Report is attached as Annexure 3-18 in the unabridged report, which is available from CoAL's website.

3.2.1. Project Geology

The area is characterised by undulating pre-Karoo palaeotopographic terrain, as illustrated in Figure 3-2. Some of these basement outcrops are indicated on the geological map and are predominantly of

the Proterozoic Transvaal Supergroup. Drilling confirmed the presence of such outcrops and locally, Dwyka tillite underlying the coal seams also sub-outcrop.



The coal seams present in the Project area, which are typical Witbank Coalfield seams, are named from the top seam down, the S5, S4, S3, S2, and the S1. The S5 occurrence is limited due to the effect of surface weathering.

A prominent northwest to southeast sub-outcrop of basement rocks and Dwyka formations is present in the middle of the Project area, dividing the coal resource locally, and negatively impacting on the S4, the S2, and the S1 deposition along this boundary. The S1, S2, and S4 are the most prominent seams present and the only seams considered economic to extract. The deposition of S1, S2, and S4 is however controlled by the palaeo-floor, and not all the seams are present throughout the prospect permit area.

The S4 is a combination of the 4 Upper (S4U) and the 4 Lower Seam (S4L), with a thin inconsistent parting present between the two seams. The S4 is fairly well developed across the Project area, except in areas where it is negatively affected by basement sub-outcrops and surface weathering. The S4U and S4L have been modelled and reported separately due to the difference in the coal qualities. The S3 is poorly developed and usually very thin or absent, and of no economic importance. The S2 is economically the most valuable seam in the area, but is also negatively affected by the palaeotopography, weathering, and dolerite intrusions. The S1 occurrence is limited due to the palaeo-floor, and distribution is erratic and limited across the area. Seam intersection values from boreholes are summarised below in Table 3-1 below

Table 3-1: Brakfontein Seam Statistics from Borehole Intersections

Seam	Amount of Intersections	Average Thickness (m)	Minimum Thickness (m)	Maximum Thickness (m)
S5	9	1.11	0.74	2.20
S4U	45	2.70	0.76	4.54
S4L	69	2.69	0.25	4.36
S2	90	4.49	0.63	11.50
S1	39	0.94	0.11	2.27

Numerous dolerite intersections are present in the logged boreholes. Dolerites occur both as sills and dykes, and in the case of sills, it can cause significant displacement of the coal seam elevations, and/or cause a loss of the total coal seam(s).

Mining is currently only planned in the north of the resource where two opencast pits, Opencast 1 (OC1) and Opencast 2 (OC2) are planned. Smaller faults (possible dolerite breakthroughs) are present

at the Opencast 1 and Opencast 2 resource areas. An illustration of the effect of the dolerites, weathering, and local sub-outcrop of coal seams is shown in the CPR. A geological loss factor is applied to the coal resource tonnages for the mineable areas to mitigate possible geological features that impact on the coal resource. The OC1 and OC2 are separated by a paved road.

The surface topography was modelled using the borehole collars only. Recently, a detailed surface survey over selected areas was obtained for comparison. Comparisons with the borehole collars were done, and in general, all borehole collars show a difference of < 0.8 m in elevation. The surface topography on the Project is relatively flat with moderate undulations. Table 3-2 below shows the minimum, maximum, and average seam thickness and depths on the Project.

Table 3-2: Brakfontein Seam Depth and Thickness Statistics

Seam	Average Thickness (m)	Minimum Thickness (m)	Maximum Thickness (m)	Average Depth (m)
S5	1.11	0.74	2.20	19 to 34
S4U	2.70	0.76	4.54	24 to 55
S4L	2.69	0.25	4.36	24 to 66
S2	4.49	0.63	11.50	38 to 75
S1	0.94	0.11	2.27	40

3.2.2. Overburden

Weathering is variable, but is on average 13.05 m deep. Shallow coal at < 15 m below surface is usually negatively affected by the weathering. The presence of surface streams, wetlands, and dolerite intersections can locally cause an increased weathering depth up to 25 m deep. The depth to the S4U reflects the overburden thickness.

3.2.3. Seam Structural Description

Plans indicating the physical characteristics of each coal seam, i.e. floor contours, seam thicknesses, and depth below surface, are presented in the geological CPR. Cross sections were extensively used to ensure all coal seam correlations are consistent, and were verified against the lithological logging as well as downhole geophysical logs as best possible.

The S4U, S4L, and S2 are well distributed across the resource area and specifically across the northern area where opencast mining is planned. The S2 is most widely distributed.

3.2.4. Seam Quality Description

Only the S4U, S4L, and S2 have been scheduled for mining and are described.

3.2.4.1. General Quality Description

The in situ quality of the three seams that will be mined varies substantially. Raw coal qualities modelled are the RD, CV, Ash, IM, VM, and TS. DAFV were calculated from the relevant model grids and reported with the raw coal qualities. All coal qualities reported hereafter are on an air-dried basis.

The S2 has the best in situ qualities and export and Eskom products can be produced from it. The S4U has the poorest qualities while the S4L has better qualities than the S4U, but lower than the S2. The quality detail of the three different seams planned to be mined in the two opencast pits are shown Table 3-3 on page 94.

Table 3-3: Brakfontein Opencast Area In Situ Coal Qualities (adb)

Seam	RD	DAFV (%)	Ash (%)	CV (MJ/kg)	VM (%)	IM (%)	FC (%)	TS (%)
S4U	1.82	27.60	45.00	14.10	14.00	3.60	37.30	1.11
S4L	1.58	25.00	26.80	21.70	17.30	4.20	51.70	1.18
S2	1.60	25.70	28.00	21.10	17.30	4.80	49.90	1.22

A number of plans are, presented in the unabridged report, in the CPR to illustrate some selected coal qualities for the different mining selections, as presented in the coal quality tables, and reported from the geological model.

3.3. Description of the Brakfontein Reserves

3.3.1. Introduction to Project Reserves

The Brakfontein Project reserves were only determined for the northern area of the resource. This is the only area currently considered for mining. The other areas of the Brakfontein Project have either wetlands impacting on them or the bulk of the S2 and S4 was mined-out by previous underground operations and are not currently considered for mining.

The northern area is divided in two opencast mining areas by a paved road that runs in a northwest to southeast direction across the area. The area east of the road is the OC1 area and the area west of the road is the OC2 area.

3.3.2. Brakfontein Project Reserves

The Brakfontein Project mining report is attached as Annexure 3-19 in the unabridged report, which is available from CoAL's website. Note that in the mining report, OC1 is named OCNE and OC2 is named OCNW. The planned OC1 and OC2 opencast mining areas are not restricted by any wetlands. A small stream and wetland area runs from east to west along the southern boundary of both OC1 and OC2. The opencast area is planned to fall outside of the 1:100 year flood line area of the wetland.

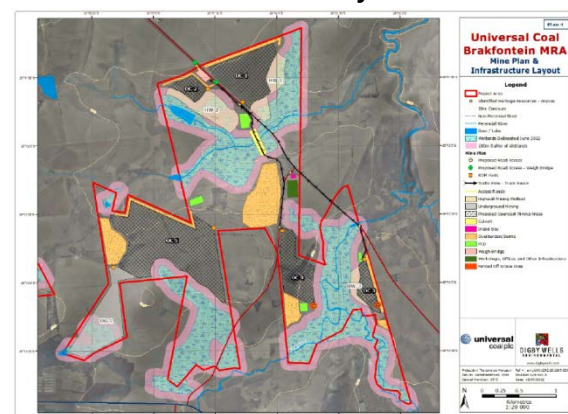
For both OC1 and OC2, the ROM stockpiles will be close to the paved road on the southern side of the mining blocks. The opencast ROM coal will be hauled along the paved road to Universal Coal's existing Kangala Colliery, for processing.

In the Project area, the present land use is predominantly agriculture (maize crop and grazing). There are no settlements on the planned mining areas. The surface area of the

Brakfontein Project with the stream, wetland, and surface infrastructure is shown in Figure 3-3 below.

The Brakfontein resource area is estimated to be 879 ha.

Figure 3-3: Brakfontein Surface Wetland and Infrastructure Layout



3.3.3. Mine Design and Modelling

The mine design, modelling, and scheduling for the Brakfontein Project resources opencast areas includes three coal seams that are chronologically named from the top down as the S4U, S4L, and S2 as described in Section 3.2.1.

The Brakfontein Project mine design, modelling, and production scheduling is based on mining the opencast areas at an annual production rate of 0.6970 Mt in the first year. Production will then build up to 1.579 Mt in Year 05 before reducing to 0.628 Mt in Year 08 and only 0.096 Mt in Year 09, when the OC1 and OC2 blocks are depleted.

Universal Coal plans to outsource the opencast mining operations to mining contractors.

3.3.3.1. Geotechnical Studies - Opencast

A geotechnical study for Brakfontein was conducted in February 2013, Big C Rock Engineering. The report recommends all the slopes required for mine design. The final bench height and slope design will be determined in conjunction with the mining contractor.

The Big C Rock geotechnical report is attached as Annexure 3-20 in the unabridged report, which is available from CoAL's website.

3.4. Opencast Mining

The Project mining areas consist of two mining areas, OC1 and OC2. Currently, only surface mining was considered, as the strip ratios over the two mining blocks are favourable. The strip ratio BCM per ROM tonne over both blocks varies between 2.52:1 and 6.75:1, with an average over the two blocks of 3.54:1.

The factors that impacted on the decision to apply surface mining methods were the strip ratio, the relatively thin seam thicknesses of the seams in some areas, and the percentage extraction.

All opencast mining contractors in South Africa apply truck and shovel technology for strip mining. There is healthy competition among the mining contractors who apply truck and shovel mining methods. This will result in competitive production rates tendered for the Brakfontein mining contract.

No significant risks regarding equipment specifications and capabilities or operational parameters are anticipated. Where risks are identified, it can usually be accommodated within this mining method.

3.4.1. Opencast Mine Design

The opencast mine needs to be designed, established, and operated to ensure the lowest possible establishment capital and the earliest possible production and coal sales. The target markets for the produced coal products were also considered in the mine design, as the different coal seams have different yields.

3.4.2. Factors Impacting on Opencast Mine Design

The factors that impacted on the opencast mine design were the coal seams present, the nature and characteristics of the overburden and interburdens, and the potential markets for the products to be produced. Other factors that were also taken into consideration were the shape of the resource blocks, the depth, thickness, and distribution of the coal seams, areas excluded due to physical constraints

such as seam thickness, wetlands, and surface infrastructure and producing consistent products for the selected markets from the mining areas.

3.4.3. Mine Design Criteria

The mine design and layout was done in compliance with the recommendations from the geotechnical study, ensuring the pit length allows for the planned monthly production of 131,000 tonnes, achieving full production by month 09 and the ability to mine the coal seams separately.

The main factors taken into account in deciding on the box cut position and the mining direction were the overburden thickness, the strip ratios, surface infrastructure, and economic considerations.

3.4.4. Opencast Box Cut

Mining will start with a single box cut in OC1. The positions and direction of the box cut was selected based on starting at the lowest strip ratio, obtaining production rates of 131,000 tpm, the shape of the resource blocks and balancing the strip ratios over the life of the project. A second box cut will be developed in OC2 during Year 03 and Year 04.

Figure 3-4 below indicates the selected positions of the box cut and the mining progress plot.

Figure 3-4: Brakfontein Mining Layout with Box Cut Positions



The soft overburden and the topsoil at the box cut will be removed for a distance of 5 m on the low-wall side, 20 m on the highwall side of the hard overburden, and the batter angle for

the soft material will be as indicated in the BCR geotechnical report. Below 20 m to 25 m, the slopes will be formed in fresh sandstone, shale, and coal, and can be constructed with a vertical face. The envisaged infrastructure layout is shown in Figure 3-3 on page 94. Provision has been made for overburden dump volumes.

In the case of OC1, the box cut waste volumes must be dumped along the final cut and will need to be re-handled during the LOM. This is required in order to avoid crossing the provincial road to dump on the otherwise designated area.

The average volumes to be accommodated in the box cuts were calculated to determine the topsoil, soft overburden, and hard waste stockpile areas required.

3.4.5. Opencast Waste Dump Design

The waste dumps will be constructed in accordance with the design recommendation of the geotechnical experts and in conformance with the EMP. The overburden from the initial box cut area will be stockpiled at the positions indicated on (Figure 2-26). In the case of the OC1 pit, box cut overburden will be placed adjacent to the final void thus avoiding the necessity of crossing the provincial road.

3.4.6. Opencast Ramp Design

Highwall ramps have been scheduled in advance of mining. This up-front overburden removal is thus included in the scheduled overburden volumes. The mining sequence in each pit has made provision for highwall ramps by mining selected blocks ahead of the normal sequence.

3.4.7. Opencast Mine Plan and Layout

A mining layout was developed from the mining model, based on the design criteria and other factors that impacted on the mining design. The opencast mine layout is shown in Figure 3-4 on page 96. The Brakfontein opencast OC1 and OC2 mining areas will be mined in a series of strips in a sequential order, according to the mining schedule. Mining will commence from the box cut in OC1 and progress in a northern direction up to the end of the boundary of the mining area. During the latter part of the opencast mine life, a second box cut will be established in the OC2 Block.

3.4.8. Opencast Mine Sequence, Schedule and Production Profile

The mining sequence and schedule is based on producing from the S4U, S4L, and S2 at a production rate of 1,579,000 tpa to meet the requirements for the Eskom and possibly an export and coal trader product. The Eskom product will be produced from a blend of the washed S4U, S4L, and S2, and raw products.

The mining sequence has been designed as such that mining will progress from the box cut in OC1 in a northern direction to the end of the mining area. Mining will start in Year 03 of the Project in the OC2 and will continue in a northeastern direction to the end of the OC2 mining area. The scheduling was used for long-range and LOM predictions.

Figure 3-4 on page 96 indicates the mining sequence and mining schedule per annum. The mining schedule with the ROM production, waste quantities, and strip ratios are indicated in Table 3-4 on page 98. The average strip ratio over the LOM is 3.54:1 (ROM tonnes per BCM of waste). The mining schedule was drafted by Mr M Vertue, who is the coal resource to reserve CP.

Over the LOM, the following coal volumes will be mined:

– S4U	=	1,597,700 tonnes
– S4L	=	3,001,000 tonnes
– S2	=	4,546,600 tonnes

Total Coal	=	9,145,300 tonnes

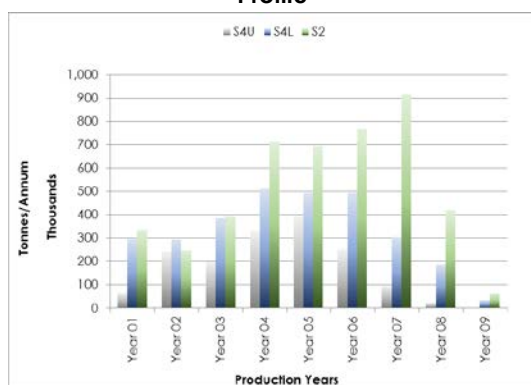
Over the LOM, the following waste volumes will be extracted:

– Topsoil	=	800,206 BCM
– Soft Overburden	=	11,873,360 BCM
– Hard Overburden	=	5,225,969 BCM
– Interburden S4U to S4L	=	130,887 BCM
– Interburden S4L to S2	=	14,315,400 BCM
– Total Waste	=	32,345,822 BCM

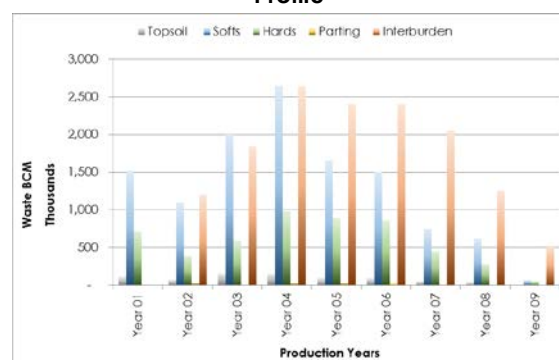
Table 3-4: Brakfontein Opencast Mining Schedule

Material	Unit	Year 01	Year 02	Year 03	Year 04	Year 05	Year 06	Year 07	Year 08	Year 09	Total
S4U ('000)	Tonne	0.065	0.241	0.199	0.330	0.391	0.252	0.098	0.023	0.000	1.599
S4L ('000)	Tonne	0.296	0.295	0.387	0.512	0.495	0.492	0.304	0.187	0.033	3.001
S2 ('000)	Tonne	0.336	0.247	0.393	0.714	0.693	0.767	0.915	0.419	0.060	4.544
Total Opencast ROM	Tonne	0.697	0.783	0.979	1.556	1.579	1.511	1.317	0.629	0.093	9.144
Total Waste BCM ('000)	BCM	2.371	2.776	4.628	6.438	5.067	4.907	3.316	2.194	0.649	32.346
Strip Ratio		3.40	3.55	4.73	4.14	3.21	3.25	2.52	3.49	6.98	3.54

The annual ROM coal seam production profile for the three seams is shown in Chart 3-1 below.

Chart 3-1: Brakfontein Annual Coal Production Profile


The annual waste volumes profiles for the topsoil, soft overburden, hard overburden, parting, and interburden are shown in Chart 3-2 below.

Chart 3-2: Brakfontein Annual Waste Volume Profile


3.4.8.1. Opencast Mining Process and Operations Cycle

3.4.8.1.1. Mining Process Cycle

The selected surface strip-mining method whereby the overburden is rolled over from the current strip to the void of the previous strip, involves cast blasting, dozer pushover, and truck and shovel operations.

3.4.8.1.2. Mining Operations

A detailed short-term mining plan will have to be generated on an ongoing basis to indicate where the target seams are present. Subsequently, the pit configuration will be planned according to the number of seams to be mined. For this purpose, an ongoing drilling programme ahead of the mining face is required to determine, on a short-term basis how the seams should be treated in the mining process.

A detailed sampling and analysis regime will have to be implemented to determine the in situ coal qualities that allows for measuring the dilution of the in situ coal. The dilution needs to be strictly controlled as it has a major impact on mining costs and on the product yield from the washing plant.

3.4.8.1.3. Description of Mining Operations

Production will build up to 64,000 ROM tonnes by Month 03 and for the rest of the first year it will remain between 60,000 and 75,000 ROM tonnes. During Year 02, the ROM production will remain between 60,000 and 70,000 ROM tpm. During Year 03, the average ROM production will be 81,500, Year 04 129,700, Year 05 131,600, Year 06 125,900, Year 07 109,700, Year 08 52,400, and only 98,000 in Year 09.

Mining will commence in a northern direction in OC1 and will continue in that direction up to the end of this block's life. A second box cut will be developed in a northwestern to southeastern direction on the western side of OC2 during Year 03 and Year 04 of the Project. Mining will continue in a northeastern direction to the end of OC2's life. The mining operations will follow the normal strip mining sequence.

All coal seams are mined as separate entities to improve fragmentation and to allow for washing the seams separately when required. However, from a practical point of view, when the parting thickness is < 0.5 m, seams are mined together with the interburden in one pass. Rehabilitation will be conducted on continuous bases and must be kept up to date with the strip mining operations with only unavoidable rehabilitation outstanding. Seeding and fertilising will be done using contractors. Rehabilitation will be done in accordance with Universal Coal's standards and in accordance with the EMP.

Raw coal from the pit will be transported to the ROM stockpiles from where it will be loaded onto road trucks for transport to the Kangala CHPP.

Contaminated Run-off water will be captured in trenches and sumps in the pit and discharged into a pollution control dam (PCD). The mining contractor must allow for sufficient pumping capacity or have capacity available to handle 1:100 year and 1:50 year rainstorms.

3.4.9. Road Transportation

The coal will be loaded onto road trucks at the ROM stockpile for hauling to the Kangala CHPP along the existing Provincial Road (D2543), and the haul distance is approximately 25 km. Weight control through a weighbridge, installed at Brakfontein, will ensure compliance to the South African Transportation Act on public roads.

3.4.10. Opencast Mining Infrastructure

The entire mining infrastructure that is required for the mining operations will be established by the mining contractor in accordance with the EMP. The mining infrastructure is indicated on the Site Layout Plan (Figure 3-3 on page 94).

3.4.11. Opencast Mining Conclusion

The monthly production will vary between 60,000 and 130,000 tonnes. Production will start with the S2 in Month 02, followed by S4L in Month 03 and S4U in Month 05. During steady-state mining, the strip ratios vary between 2.01 and 6.75 with an average over the LOM of 3.54.

3.5. Coal Handling and Processing Plant

A dense medium CHPP is established at Universal Coal's Kangala Colliery. The Brakfontein Project coal will be processed at the Kangala Colliery CHPP. The description of the Kangala CHPP is included in the Kangala Colliery section of this Report (Section 2.5 on page 80).

3.6. Overview of the Region, Location and Assets

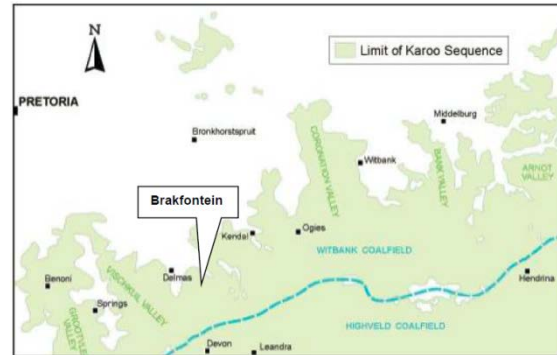
3.6.1. Region

The Brakfontein Project is located in the Delmas District of the Mpumalanga Province, South Africa. The Project is located 20 km east-southeast of the town of Delmas and 18 km north of Leslie, next to the R50 provincial road.

The area is well serviced by roads and railways and sizeable towns are located at Springs and Delmas in the west, and eMalahleni and Middelburg to the east. The towns of eMalahleni, Middelburg, and Delmas are situated in the heart of the coal mining area of South Africa. The area contains a large labour pool of experienced mining people and equipment support companies.

There are three operating power stations and one power station under construction within a 50 km radius from the Brakfontein Project.

The location of the Brakfontein Project is indicated in Map 3-2 below.

Map 3-2: Brakfontein Project Location


3.6.2. Brakfontein Project Assets

Universal Coal plc, through its subsidiary Universal Coal Development III has an existing Mining Right (MP 30/5/5/2/10027 MR) for the Brakfontein Project. The Brakfontein assets are indicated Table 3-5 below, as per the AIM Appendix 1.

Table 3-5: AIM Appendix 1 – Brakfontein Asset Detail

Asset	Holder	Interest	Status	Licence Expiry Date	Licence Area (ha)	Comments
Brakfontein Project	Universal Coal Development III (Ltd) Pty	50.29	Development	Waiting for Execution	879	Brakfontein is planned to commence production from opencast mining during 2016.

For the Brakfontein Project, the EIAs, EMPs, and SLP have been accepted by the DMR and in the process of being executed as part of the Mining Right execution. The environmental authorisation in terms of NEMA has been approved. An application for the rezoning of the area will only commence once the Mining Right has been executed. The Water Use Licence application is currently in progress. Details of surface ownership, mineral right, and access agreements of the farms covered by the Brakfontein Project Mining Right are presented in Table 3-6 below.

Table 3-6: Brakfontein Portions Mineral and Surface Rights Summary

Farm	Portion	Size (ha)	Mineral Rights		Surface Rights	
			Prospecting Right	Mining Right	Owner	Access Agreements
Brakfontein 264 IR	6	115.53	MP 30/5/1/1/2/1879 PR	MP 30/5/1/1/2/10027 MR	Norwesco Inv. (Pty) Ltd	No
	8	74.65			Hannes Potgieter Trustfonds	Yes
	9	86.42			HP van Dyk	Yes
	10	139.71			Andries Schoeman Brakfontein Boerdery (Pty) Ltd	Yes
	20	59.51			Abundant Developments (Pty) Ltd	Yes
	26	46.44			Koos Uys en	Yes

Farm	Portion	Size (ha)	Mineral Rights		Surface Rights	
			Prospecting Right	Mining Right	Owner	Access Agreements
					Seuns Boerdery CC	
	30	130.23			Andries Schoeman Brakfontein Boerdery (Pty) Ltd	Yes
	RE	413.52			Andries Schoeman Brakfontein Boerdery (Pty) Ltd	Yes

Universal Coal plc owns the CHPP at Kangala Colliery and this asset is included under the Kangala Colliery section of this Report (Section 2.5 on page 80).

3.6.3. Universal Coal Liabilities

The financial guarantee required for rehabilitation is ZAR 11 632 646 according to the letter of grant issued by the DMR, dated 25 July 2014. According to the documents received, this financial guarantee has not yet been issued. The guarantee will be procured and submitted to the DMR for execution of the Mining Right.

3.6.3.1. Other Liabilities

The only other liabilities are the Universal Coal Development III vendor accounts, which at 31 December 2016 was ZAR 0.02 million.

3.6.3.2. Eskom Coal Supply Price

Based on the coal supply agreement at Kangala Mine the average price to Eskom is currently ZAR 334.00 per sales tonne, based on as received coal qualities.

3.7. Interests Held by Stakeholders

3.7.1. Interest by Universal Coal Directors

The following are the current and past interests held by Universal Coal directors:

Table 3-7: Brakfontein Universal Coal Directors

Name	Number of Fully Paid Ordinary Shares	Share Options Outstanding
Anton Weber	8,518,489	2,123,056
Hendrik Bonsma	5,701,392	1,821,420
Shammy Luvhenga	2,200,000	800,000

3.7.2. Interests Held by Competent Persons in the Brakfontein Project

The Competent Persons involved in drafting this Report or subsections of this Report, do not hold any interests in the Brakfontein Project or in Universal Coal, or have held any interests in the past. The Competent Persons involved in drafting this Report or subsections of this Report, do not hold any interests in the CoAL, or have held any interests in the past

3.8. General Information regarding Location

3.8.1. Country in which the Project is Located

The Brakfontein Project is located in the Mpumalanga Province of South Africa. South Africa has been a major producer of coal for over 60 years and is a major exporter of coal. A description of the country of operation has been included under Section 1.10.1 on page 58. The same information applies to the Brakfontein Project.

3.8.2. Province in which the Project is Located

The Brakfontein Project is located in the Delmas District of the Mpumalanga Province, South Africa. It is located 20 km east-southeast of the town of Delmas and 18 km north of Leslie, next to the R50 provincial road. The area is well serviced by roads and railways and sizeable towns are located at Springs and Delmas in the west, and eMalahleni and Middelburg to the east.

A description of the province of operation has been included under Section 1.10.2 on page 58. The same information applies to the Brakfontein Project. There is an excellent network of paved roads in the Brakfontein Project area which connects the Project to all major cities and towns in Mpumalanga. The

main roads and rail network in the Brakfontein area is shown in Figure 3-5 below.

Figure 3-5: Brakfontein Road and Rail Network in the Brakfontein Project Area



3.8.3. Major Properties Comprising the Brakfontein Project Assets

All the surface areas required for mine access, mining, and processing currently belongs to third parties and Universal Coal has Access Rights to these properties.

3.9. Resources and Reserves

3.9.1. Opencast Resource Determination

3.9.1.1. Geological Modelling

Only the latest 111 boreholes drilled by Universal Coal, with acceptable seam sampling coverage, detailed geological descriptions, and geophysical data are used in the updated geological model as illustrated in the CPR.

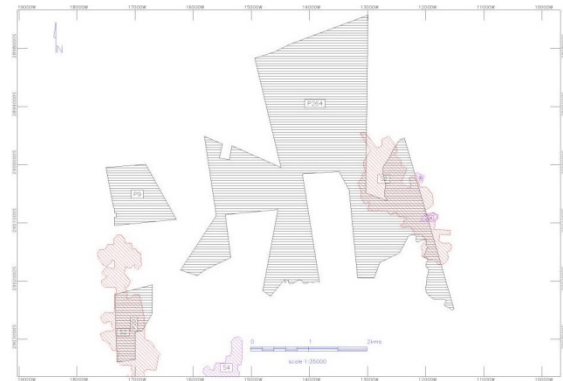
Geological modelling was performed using Geovia Minex™ software. Basic statistics and histograms within Minex were also used and plotted for each seam's variables to check and validate the input data. No data was excluded from the modelling. Raw coal RD, CV, Ash, IM, FC, VM, and TS qualities were modelled on an air dried basis for each coal seam. DAVF were calculated from the relevant model grids.

Coal product washability was performed using the Minex washability module and reported for a number of different primary and secondary coal products as specified in the CPR.

3.9.2. Resource Areas

The Project resource area is defined by three separate polygon areas consisting of either individual or a number of farm portions of the farm Brakfontein 264. Known historical underground mined-out areas for both the S2 and S4 were added and are indicated red in Figure 3-6 below.

Figure 3-6: Brakfontein Project Area with Mined-Out Areas



3.9.3. Coal Resource Estimation Assumptions

Coal resources are reported on an in situ basis, and all coal qualities are reported on an air-dried basis. A minimum seam thickness of 0.5 m was applied to all coal seams to exclude thin uneconomical coal seams. No coal quality cut-offs were applied for reporting of the coal resource tonnes.

Provisional mineable areas are defined for both opencast and underground mining methods, and coal resources are reported for these areas on an individual basis. RDs were applied to the coal volumes according to the density model grid for each seam. Average RDs for each coal seam are summarised in Table 3-8 below.

Table 3-8: Brakfontein Relative Density

Seam	S5	S4U	S4L	S2	S1
RD	1.66	1.8	1.58	1.6	1.85

3.9.4. Coal Resource Statement

3.9.4.1. Brakfontein Resource Statement

The resources were estimated in accordance with the SAMREC guidelines and supported by South African National Standard (SANS 103202004).

Coal resources for the Brakfontein Project area amount to 75.8 Mt. This is a reduced amount from the 87.7 Mt previously reported. Coal resources are tabled for each separate area of the Brakfontein Project, as presented previously in Figure 3-6 above, namely Portion 9, Portion 20, and Portion 264. The detailed total coal resources for the three areas are shown in the CPR.

A summary of the resources is shown in Table 3-14.

Table 3-9: Brakfontein Coal Resource Estimation – Total Project Area Summary

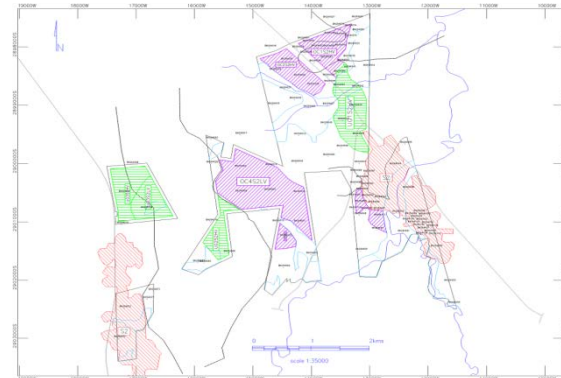
Resource Area	Resource Class	Seam	Resource Area (ha)	Gross In situ Tonnes (Mt)
Brakfontein	All	S5	1061.7	1.75
Brakfontein	All	S4U	1061.7	13.26
Brakfontein	All	S4L	1061.7	17.68
Brakfontein	All	S2	864.4	41.26
Brakfontein	All	S1	778.3	1.83
Brakfontein	Total Coal			75.77

3.9.4.2. Mineable Coal Resource Statement

The cut-off parameters and guidelines that were used are minimum seam thickness of 0.5 m, strip ratio less the 5:1, resource boundaries taken up wetland areas and 100 m from roads and 50 m from boundaries, mined-out areas are excluded, and a geological loss factor of 10 % for measured and 15 % for indicated resources

Only two mining blocks, OC1 and OC2, in the northern part of the Project area is currently considered economical to mine. Figure 3-7 below indicates the location of OC1 and OC2 in the north of Portion 264.

Figure 3-7: Brakfontein OC1 and OC2 Mining Blocks



The mineable in situ coal resources for OC1 and OC2 are indicated in Table 3-10 below.

Table 3-10: Brakfontein OC1 and OC2 Mineable Coal Resource Estimation

Seam	Resources (ROMt)	Seam Thickness (m)	RD	CV (MJ/kg)	Ash (%)	IM (%)	VM (%)	FC (%)	TS (%)	DAFV (%)
OC1										
S4U	1,354,350	2.82	1.77	14.70	43.80	4.00	16.20	36.10	1.23	30.90
S4L	1,300,100	2.80	1.57	21.70	25.90	4.30	21.00	48.50	1.19	30.20
S2	2,822,400	5.23	1.59	21.00	28.20	4.40	23.70	43.80	1.15	35.10
Total OC1	5,476,850									
OC2										
S4U	136,809	2.88	1.81	13.50	47.50	3.20	14.00	35.40	0.62	28.30
S4L	1,428,450	2.71	1.56	21.38	27.85	3.54	18.24	50.27	1.09	26.83
S2	1,864,250	3.66	1.55	21.40	28.20	3.80	20.30	47.70	1.32	30.10
Total OC2	3,429,509									
Total OC1 and OC2	8,906,359									

3.9.5. Opencast Reserve Determination

3.9.5.1. Reserve Areas

The Brakfontein reserves were only determined for the northern area of the resource. The other areas of the Brakfontein Project have either wetlands impacting on them or the bulk of the S2 and S4 was mined-out previously by underground operations and are not currently considered for mining.

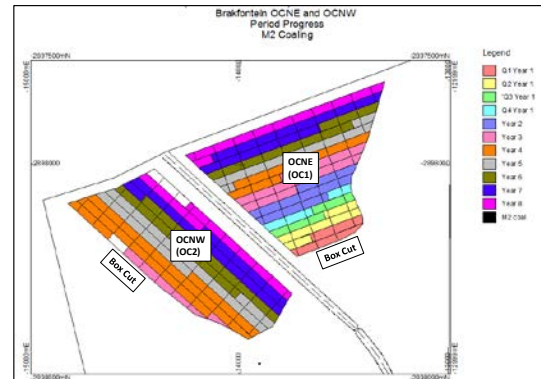
The D2543, paved provincial road runs through the northern area where the reserves were determined. This road divides the reserve area into an eastern block (OC1) and a western block (OC2).

3.9.6. Resource to Reserve Conversion - Opencast

The resource blocks were defined to delineate the boundaries within which mine planning and layout design can take place. The cut-off criteria for mining are minimum seam thickness of 0.5 m and minimum borehole density for coal resource classification, as per the SAMREC requirements

The final opencast mining layout for the Brakfontein Project is shown in Figure 3-8 below.

Figure 3-8: Brakfontein Opencast Mine Layout and Progress Plot



3.9.6.1. Brakfontein Project Opencast Reserve Determination

A 14 % Volatile cut-off was applied to the in situ quality. The parameters applied as modifying factors to convert the in situ mineable tonnes to ROM tonnes were 15.5 geological losses, 2.5 % mining losses, and mining extraction of 95.6 % for S4U, 95 % for S4L and 90 % for S2 with waste dilution of 100 mm from each of the roof and floor.

3.9.6.2. Opencast Reserves

A summary of the opencast reserves are shown in Table 3-11 below.

Table 3-11: Brakfontein OC1 and OC2 Reserves Summary

Seam Name	S4U	S4L	S2	Total
Resource Class	Measured	Measured	Measured	Measured
ROM Tonnes	1,597,709	3,001,003	4,546,609	9,145,321
Saleable Tonnes (adb)	669,692	2,343,655	3,922,499	6,935,846
Saleable Tonnes (as-delivered)	704,939	2,450,190	4,093,369	7,248,499
Product Qualities at 1.8 RD Wash				
Total Moisture	8.83	7.92	8.01	8.06
Yield (adb)	43.66	81.35	89.87	79.00
IM (adb)	4.03	3.74	4.01	3.92
Ash (adb)	28.09	29.45	30.79	30.07
VM (adb)	19.02	18.44	21.40	20.17
CV (adb)	21.13	21.21	20.56	20.83
TS (adb)	0.92	0.90	1.10	1.01
FC (adb)	48.86	48.38	43.81	45.84
Wash Cut Point RD	1.80	1.80	1.80	1.80

As per the AIM Note for Mining and Oil & Gas Companies, June 2009, (Appendix 2 in this Report) the Brakfontein Project resources and reserves is shown in Table 3-12 on page 106.

Table 3-12: Brakfontein Summary of Reserves and Resources by Status

Brakfontein Project 50.29 % Share										
Category	Gross			Contained Mineral	Attributable Share (%)	Tonnes (Million)	Nett Attributable			Operator
	Tonnes (Million)	Quality (Air-Dried)					CV (MJ/kg)	Quality (Air-Dried)	Contained Mineral	
		CV (MJ/kg)	VM (%)							
Mineral Reserve										
Proved	9.15	20.09	20.24	Coal	50.30%	4.60	20.09	20.24	Coal	UCD III
Probable	-	-	-	-	-	-	-	-	-	-
Sub-total	9.15	20.09	20.24	Coal	50.30%	4.60	20.09	20.24	Coal	UCD III
Mineral Resources										
Measured	8.91	20.17	20.43	Coal	50.30%	4.48	20.17	20.43	Coal	UCD III
Indicated	-	-	-	-	-	-	-	-	-	-
Inferred	-	-	-	-	-	-	-	-	-	-
Sub-total	8.91	20.17	20.43	Coal	50.30%	4.48	20.17	20.43	Coal	UCD III

3.9.7. Brakfontein Project Life Extension

Brakfontein Project life could be extended but the studies required to convert other potential resources to reserves have not been conducted.

3.10. Brakfontein Financial Evaluation

3.10.1. Capital Expenditure

The total summarised Brakfontein Project establishment and LOM capital is ZAR 209.6 million that include the rehabilitation guarantee. The detailed capital list is included in the unabridged report. Currently there is no LOM capital required during the life of the Brakfontein Project. Funding is however provided under working costs for SIB costs. This is mainly provided for component replacements in the coal handling and processing plant at Kangala Colliery.

3.10.2. Operating Costs

The Brakfontein average mining costs were estimated at ZAR 164.95 per ROM tonne. The opencast mining costs exclude the cost of electricity, water, and Universal Coal's management cost. These costs were costed separately in the financial models.

The processing costs for the Brakfontein Project, based on the costs of the Kangala Colliery CHPP, are between ZAR 17.00 and ZAR 25.00 per ROM tonne.

The other operating costs for Brakfontein, based on Kangala Colliery are ZAR 95.20 per ROM tonne.

3.10.3. Royalties

The average estimated royalties payable per tonne over the life of the Brakfontein Project is between ZAR 1.27 and ZAR 7.18 per ROM tonne.

3.10.4. Financial Evaluation

3.10.4.1. Summary

The Brakfontein Project was based on producing an Eskom product at 20.5 MJ/kg. The Brakfontein Project has an expected LOM of eight years, producing 1.14 million ROM tonnes per annum. The average processing yield is expected to be 79 % that results in total product sales of 7.249 Mt, at an average of 906,000 tpa.

The average price per sale tonne is expected to be ZAR 334.15 per tonne. Based on current assumptions, the Project has the potential to generate an IRR of 20.36 % and an NPV of ZAR 34.3 million in real money value, at a 100 % basis and a 10 % discount rate.

3.10.4.2. Effective Date

The date of the financial analysis is January 2016. To the best of the knowledge of Mindset, there have been no material changes since January 2016, being the date of the financial analysis, and the date of this document.

3.10.4.3. Forecast Prices

The forecast prices will be between ZAR 328.00 per sales tonne and ZAR 336.00 per sales tonne, free-on-truck at the Project. These prices are based on current market research for supply of coal to Eskom at the planned qualities.

3.10.4.4. Forex Rates

The changes in Forex rates will have a negligible impact on the Brakfontein Project.

3.10.4.5. Sensitivities

The Project is most sensitive to the sales price and operating costs and much less sensitive to the capital.

3.11. Other Assets

3.11.1. Assets Material to Universal Coal III

Universal Coal plc also owns the following:

- Universal Coal plc owns 74 % in Universal Coal Development IV (Pty) Ltd, which in turn owns the Roodekop Project.
- Universal Coal plc owns 49 % in Universal Coal Development VIII (Pty) Ltd that owns the New Clydesdale Colliery.
- Universal Coal plc owns 70.5 % in Universal Coal Development I (Pty) Ltd, which in turn owns the Kangala Mine which is an operating mine.

Universal Coal's Table of Assets has been included as Appendix 1.

3.12. Mining, Plant, and Equipment

All plant and equipment required for the mining operations will be supplied by the appointed mining contractor. Universal Coal will provide all services such as power and water.

Universal Coal owns the CHPP and equipment at the existing Kangala Colliery and the Brakfontein Project coal will be processed at this plant.

The coal hauling to Kangala Colliery will be outsourced to a road hauling company who will supply all coal loading and hauling plant and equipment.

It is not anticipated that any other plant and equipment will be required other than what is described above.

3.13. Conclusions

3.13.1. Right to Commence Mining

Universal Coal has received a Mining Right award letter from the DMR, stating that the Mining Right has been granted. The Mining Right will be executed, once the EIA and EMP have been approved and the financial guarantee has been issued to the DMR.

Production from the Brakfontein Project is targeted to start in 2016.

3.13.2. Quantum of Resources and Reserves

The resources and reserves available for mining are sufficient for a Project life of eight years.

3.13.3. Ability to Mine Resources and Reserves

3.13.3.1. Opencast Mining

The average strip ratio over the life of the opencast reserve is 3.45 BCM per ROM tonne. The opencast mining conditions are similar to Universal Coal owned Kangala Mine. No complications are expected in terms of the truck and shovel mining method intended.

3.13.3.2. Coal Handling and Processing Plant

The existing CHPP at Kangala Colliery can process 4.2 Mtpa of ROM coal and the current ROM feed from Kangala is 3.6 Mtpa. The spare capacity will be utilised to process the Brakfontein coal.

3.13.4. Capital Required to Establish the Project

The establishment capital is estimated to be ZAR 115.4 million, with additional capital requirement of ZAR 96.7 million for the second box cut during Year 03 and Year 04.

3.13.5. Funding

Funding for the Project has been secured by Universal Coal.

3.13.6. Operating Costs

The mining costs for the opencast are based on tenders received during the second half of 2015 from contract mining companies for a similar Universal Coal project. This was benchmarked against Universal Coal's Kangala Colliery's current opencast rates. Coal handling and processing costs were based on the actual costs at the Kangala Colliery.

The other operating costs were based on current costs incurred by Universal Coal at its operating Kangala Colliery. Applying these costs to the financial models indicated that the coal can be mined economically and the NPV of ZAR 34.3 million for the Project, determined for an eight to nine year Project life.

3.13.7. Management of the Brakfontein Project

Universal Coal is well placed with experienced staff to manage the establishment and operation of the Brakfontein Project. Universal Coal established the Kangala Colliery, which started operating in 2013, and this Project was implemented very successfully.

COAL OF AFRICA LIMITED

(incorporated and registered in Western Australia with
Australian Company Number 008 905 388)

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

NOTICE IS HEREBY GIVEN that a General Meeting of Coal of Africa Limited (the “**Company**” or “**CoAL**”) will be held at Tavistock Communications, 8th Floor, 131 Finsbury Pavement, London, EC2A 1NT on 3 March 2016 at 10 a.m. (London time) for the purpose of considering and, if thought fit, passing the resolutions set out in this Notice of General Meeting:

The Explanatory Statement that accompanies and forms part of this Notice of General Meeting (“**Explanatory Statement**”) describes the matters to be considered at the General Meeting.

Terms used in this Notice of General Meeting and the Explanatory Statement shall have the same meanings as defined in the circular to shareholders of CoAL dated 1 February 2016 (“**Admission Document**”), unless the context requires otherwise.

AGENDA

ITEMS OF BUSINESS

Resolution 1 – Approval of acquisition by Coal of Africa Limited of Universal Coal plc

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

***THAT**, the proposed acquisition by Coal of Africa Limited of Universal Coal plc be hereby approved on the terms and conditions described in the Admission Document with such amendments thereto as the directors of Coal of Africa Limited (or any duly constituted committee thereof) may consider appropriate.*

Resolution 2 – Approval of issue of Shares to Yishun Brightside Investment Pte Ltd

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

***THAT**, subject to the approval of Resolution 1, for the purpose of Listing Rule 7.1, and for all other purposes, the issue of 344,827,500 Shares to Yishun Brightside Investment Pte Ltd (YBI), for the purpose and on the terms set out in the Explanatory Statement accompanying this Notice of General Meeting be hereby approved.*

A voting exclusion statement is set out below.

Resolution 3 - Approval of issue of Shares to M&G Investment Management Ltd

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

***THAT**, subject to the approval of Resolution 1, for the purpose of Listing Rule 7.1, and for all other purposes, the issue of 68,965,517 Shares to M&G Investment Management Ltd, for the purpose and on the terms set out in the Explanatory Statement accompanying this Notice of General Meeting be hereby approved.*

A voting exclusion statement is set out below.

Resolution 4 – Approval of issue of Consideration Shares

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

***THAT**, subject to the approval of Resolution 1, for the purpose of Listing Rule 7.1, and for all other purposes, the issue of up to 304,011,268 Shares to Universal Shareholders that participate in the Cash and Share Offer in connection with the Acquisition, for the purpose and on the terms set out in the Explanatory Statement accompanying this Notice of General Meeting be hereby approved.*

A voting exclusion statement is set out below.

Resolution 5 – Approval of issue of Provisional Placement Shares

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

THAT, for the purpose of Listing Rule 7.1, and for all other purposes, Shareholder approval is given for the issue of up to 229,885,058 Shares, to investors not classified as related parties of the Company under the ASX Listing Rules, at an issue price of not less than US\$0.0435 per Share, for the purpose and on the terms set out in the Explanatory Statement accompanying this Notice of General Meeting.

A voting exclusion statement is set out below.

VOTING EXCLUSION STATEMENT: RESOLUTIONS 2 – 5 (INCLUSIVE)

Voting exclusion: The Company will disregard any votes cast on Resolutions 2 – 5 (as applicable) by any person who may participate in the proposed issue and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the applicable Resolution is passed, and any person associated with those persons. However, the Company will not disregard any votes cast on Resolutions 2 – 5 (as applicable) by such person if:

- (a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Form of Proxy; or
- (b) the person is the Chairman of the General Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Form of Proxy to vote as the proxy decides.

By Order of the Board

Tony Bevan
Company Secretary

1 February 2016

Registered Office

Suite 8, 7 The Esplanade
Mt Pleasant WA6153
Australia

EXPLANATORY STATEMENT TO THE RESOLUTIONS

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the preceding Notice of General Meeting.

The Explanatory Statement and all attachments (including the Admission Document) are important documents. They should be read carefully. The Directors recommend Shareholders read this Explanatory Statement and the Admission Document in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Statement shall have the same meanings as defined in the Admission Document and Notice of General Meeting, unless the context requires otherwise.

BACKGROUND TO RESOLUTION 1

As detailed in Part I of the Admission Document, the Company is undertaking the Offer to acquire all the issued and to be issued Universal Shares through the Acquisition.

The Acquisition, which will result from a successful completion of the Offer, constitutes a reverse takeover for CoAL under the AIM Rules for Companies. As a result, CoAL is seeking Shareholder approval for the Acquisition pursuant to Resolution 1.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

BACKGROUND TO RESOLUTIONS 2 TO 5

Overview

As detailed in Part I of the Admission Document, the Company is undertaking the Offer to acquire all the issued and to be issued Universal Shares through the Acquisition.

Resolutions 2 to 4 seek Shareholder approval for the issue of an aggregate of up to 717,804,285 Shares. Specifically, up to:

- 344,827,500 Shares to Yishun Brightside Investment Pte Ltd, to provide funding for the Acquisition (Resolution 2);
- 68,965,517 Shares to M&G, to provide funding for the Acquisition (Resolution 3); and
- up to 304,011,268 Shares to Universal Shareholders that participate in the Cash and Share Offer in connection with the Acquisition (Resolution 4).

In addition, Resolution 5 seeks additional Shareholder approval for the issue of up to 229,885,058 Shares, to investors not classified as related parties of the Company under the ASX Listing Rules, at an issue price of not less than US\$0.0435 per Share. The purpose of this Resolution 5 is so that the Company can raise further funds by means of equity placements, to assist with funding corporate activities, without utilising the Company's 15% placement capacity under Listing Rule 7.1 (refer to the "Regulatory Requirements" section below).

The Directors unanimously recommend that Shareholders vote in favour of Resolutions 2 to 5 (inclusive).

Regulatory Requirements

Listing Rule 7.1 provides that, unless an exemption applies, a company must not, without prior approval of shareholders, issue or agree to issue Equity Securities if the Equity Securities will in themselves or when aggregated with the Equity Securities issued by the company during the previous 12 months, exceed 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

The issue of up to 717,804,285 Shares (being the maximum aggregate number of Shares that will be issued pursuant to Resolutions 2 to 4) will exceed the 15% limit and therefore requires the approval of Shareholders.

In addition, if Shareholders do not approve Resolution 5 and the Company seeks to raise further funds via a placement (within three months of the date of the General Meeting) through the issue of Equity Securities, it would either need to call another general meeting (to approve the issue of Equity Securities) or make the issue out of its 15% placement capacity under Listing Rule 7.1.

The maximum number of Shares proposed to be issued, for which approval is sought under:

- Resolutions 2 to 4 is 717,804,285 Shares, which will comprise approximately 27.14% of the Company's issued capital (based on the number of Shares on issue as at the date of this Notice of General Meeting) following the issue of the maximum number of Shares which may be issued under Resolutions 2 to 4; and
- Resolutions 2 to 5 is 947,689,343 Shares, which will comprise approximately 32.97% of the Company's issued capital (based on the number of Shares on issue as at the date of this Notice of General Meeting) following the issue of the maximum number of Shares which may be issued under Resolutions 2 to 5.

In compliance with the information requirements of Listing Rule 7.3, Shareholders are advised of the following information in relation to each of Resolutions 2 to 5.

RESOLUTION 2 – Approval of issue of Shares to Yishun Brightside Investment Pte Ltd

Maximum number of securities to be issued

344,827,500⁽¹⁾ Shares.

Date of issue

The Company anticipates that the Shares will be issued on the completion date of the Acquisition, expected to be on or about 7 March 2016 (subject to any extension of the offer period). In any event the Shares will be issued not later than three months after the date of Shareholder approval pursuant to this Resolution 2 or such later date as approved by ASX.

Issue price

The issue price will be US\$0.0435 (approximately A\$0.061) per Share.

Allottees of the securities

The allottee of Shares will be YBI (Registration Number: 20121640R), a company incorporated in Singapore.

Terms of the securities

The Shares will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally in all respects with the existing Shares. The Company will apply to AIM, ASX and JSE for official quotation of the Shares.

Intended use of the funds raised

The intended use of the US\$15 million (approximately A\$20.83 million) to be raised through the issue is to provide part of the funding required for the Offer. Further information regarding the total amount of funding required for financing of the Offer is set out at Part I of the Admission Document.

Voting exclusion statement

A voting exclusion statement for Resolution 2 is included in the Notice of General Meeting preceding this Explanatory Statement.

RESOLUTION 3 – Approval of issue of Shares to M&G

Maximum number of securities to be issued

68,965,517 Shares.

(1) Pursuant to the YBI Subscription Agreement, YBI is entitled to subscribe for 344,827,500 Shares. Depending on the level of acceptances received from Universal Shareholders of the Cash and Share Offer, and any other equity funding that CoAL may obtain prior to completion of the Offer, it is possible that full subscription by YBI of the Shares the subject of Resolution 2 would result in YBI obtaining voting power in CoAL of more than 20% (in breach of applicable takeover provisions under the Corporations Act). If it appears that, at completion of the offer and the YBI Subscription Agreement, that YBI's voting power in CoAL would exceed 20%, CoAL and YBI would make an alternative arrangement to ensure CoAL receives YBI's full funding commitment under the YBI Subscription Agreement whilst still complying with the Corporations Act.

Date of issue

The Company anticipates that the Shares will be issued on the completion date of the Acquisition, expected to be on or about 7 March 2016 (subject to any extension of the offer period). In any event the Shares will be issued not later than three months after the date of Shareholder approval pursuant to this Resolution 3 or such later date as approved by ASX.

Issue price

The issue price will be US\$0.0435 (approximately A\$0.061) per Share.

Allottees of the securities

The allottee of Shares will be M&G.

Terms of the securities

The Shares will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally in all respects with the existing Shares. The Company will apply to ASX, AIM and the JSE for official quotation of the Shares.

Intended use of the funds raised

The intended use of the US\$3 million (approximately A\$4.17 million) to be raised through the issue is to provide part of the funding required for the Offer. Further information regarding the financing of the Offer is set out at Part I of the Admission Document.

Voting exclusion statement

A voting exclusion statement for Resolution 3 is included in the Notice of General Meeting preceding this Explanatory Statement.

RESOLUTION 4 – Approval of issue of Consideration Shares**Maximum number of securities to be issued**

304,011,268⁽²⁾ Shares.

Date of issue

The Company anticipates that the Shares will be issued on the completion date of the Acquisition, expected to be on or about 7 March 2016 (subject to any extension of the offer period). In any event the Shares will be issued not later than three months after the date of Shareholder approval pursuant to this Resolution 4 or such later date as approved by ASX.

Issue price

There will be no issue price for the Shares. The Shares are being issued as Consideration Shares, in connection with the Offer. For further information regarding the Offer and Acquisition refer to Part I of the Admission Document.

Allottees of the securities

The allottees of the Shares will be Universal Shareholders (who are not related parties of the Company under the ASX Listing Rules) that accept the Cash and Share Offer under the Offer.

Terms of the securities

The Shares will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally in all respects with the existing Shares. The Company will apply to ASX, AIM and the JSE for official quotation of the Shares.

Intended use of the funds raised

No funds will be raised from the issue. The Shares are being issued as Consideration Shares, in connection with the Offer.

(2) This figure assumes that 60% of Universal Shareholders accept the Cash and Share Offer, noting that it is condition of the Offer that Universal shareholders representing not less than 40% of the total share capital of Universal elect to receive the Loan Note Alternative.

Voting exclusion statement

A voting exclusion statement for Resolution 4 is included in the Notice of General Meeting preceding this Explanatory Statement.

RESOLUTION 5 – Approval of issue of Provisional Placement Shares**Maximum number of securities to be issued**

229,885,058 Shares.

Date of issue

The Shares issued pursuant to Resolution 5 (if any), will be issued not later than three months after the date of Shareholder approval pursuant to this Resolution 5 or such later date as approved by ASX. It is anticipated that the issue may occur progressively, however, at this stage the exact date of any issues is not known.

Issue price

The issue price will be not less than US\$0.0435 (approximately A\$0.061) per Share. This is the same issue price at which YBI and M&G will subscribe for Shares under the Subscription Agreements (refer to Resolution 2 and Resolution 3 for further details of these issues).

Allottees of the securities

The Directors will determine to whom the shares will be issued but these persons will not be related parties of the Company (as defined under the ASX Listing Rules). It is likely that the persons to whom Shares will be issued will be professional or sophisticated investors that express an interest in being long term investors in the Company.

The Company notes that, as at the date of this Notice of a General Meeting, existing substantial shareholder, HEI (being a subsidiary of Beijing Haohua Energy Resource Company, which is listed on the Shanghai Stock Exchange), has expressed an interest in acquiring a further US\$5 million worth of Shares in the Company at US\$0.0435 per Share. It is possible that if an agreement is reached with HEI, for it to acquire further Shares in the Company, that some of the Shares the subject of this Resolution 5 may be issued to it. However, as at the date of this Notice of a General Meeting, discussions between the Company and HEI remain incomplete and no binding arrangements have been entered into. The Company will make an announcement to ASX, AIM and the JSE if any binding arrangements are entered into.

Terms of the securities

The Shares will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally in all respects with the existing Shares. The Company will apply to ASX, AIM and the JSE for official quotation of the Shares.

Intended use of the funds raised

If the Company issued all the 229,885,058 Shares contemplated by Resolution 5, at an issue price of US\$0.0435 it would raise approximately US\$10 million (approximately A\$13.9 million). The Company intends to use any funds raised from the issue of the Provisional Placement Shares to provide additional funding for the Group's corporate activities.

Voting exclusion statement

A voting exclusion statement for Resolution 5 is included in the Notice of General Meeting preceding this Explanatory Statement.

EXPLANATORY NOTES TO THE NOTICE OF GENERAL MEETING

Entitlement to attend and vote

Shareholders can vote by either:

- attending the General 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 Form of Proxy accompanying this Notice of General Meeting 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 General Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the General 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 General 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 General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the General 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 General 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 of General Meeting, be proposed at the General 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 General Meeting as their proxy to vote on their behalf. If a Form of Proxy is returned but the nominated proxy does not attend the General Meeting, the Chairman of the General 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 General 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 of General Meeting, 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 of General Meeting.
- If a Shareholder entitled to vote on a Resolution appoints the Chairman of the General Meeting as their proxy (or the Chairman becomes their proxy by default) and the Shareholder does not direct the Chairman how to vote on the Resolution the Chairman intends to vote in favour of the Resolution, as proxy for that Shareholder on a poll.

- To be effective, proxies must be lodged by 10 a.m. (London time) on 1 March 2016. Proxies lodged after this time will be invalid.
- Proxies may be lodged using any of the following methods:
 - by returning a completed Form of Proxy by delivery or post to:
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001
Australia
 - by faxing a completed Form of Proxy to the facsimile number provided on the Form of Proxy accompanying this Notice of General Meeting.

The Form of Proxy 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, by 10 a.m. (London time) on 1 March 2016. 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 the persons set out in the register of Shareholders as at 10 a.m. (London time) on 1 March 2016. 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 General Meeting.

