

This document, which comprises a registration document relating to Coal of Africa Limited prepared in accordance with the Prospectus Rules of the FSA made under section 73A of the FSMA, has been approved by the FSA in accordance with section 87A of the FSMA and filed with the FSA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules. A copy of this document is available on the Company's website at www.coalofafrica.com.

The Company and the Directors, whose names appear on page 20 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (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 its import.

Readers of this document should read the whole of this document, including the discussion of certain risks and other factors that should be considered in connection with an investment in the Company set out in the section entitled "Risk Factors" on pages 1 to 19 of this document.

COAL OF AFRICA LIMITED

(incorporated and registered in Western Australia with ACN 008 905 388)

REGISTRATION DOCUMENT

The Shares are currently admitted to listing and trading on the ASX, to trading on the AIM market of the London Stock Exchange and to trading on the JSE. The Shares have not been nor will be registered under the US Securities Act and may not be offered, sold, taken up, exercised, transferred or delivered in, into or within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable state securities laws.

The distribution of this document into a jurisdiction other than the United Kingdom, Australia and South Africa may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of any such jurisdictions.

None of this document or any related documentation constitutes, or will constitute, or forms part of, an offer of, or the solicitation of an offer to buy or subscribe for, Shares.

IMPORTANT INFORMATION

General

The distribution of this document into a jurisdiction other than the United Kingdom, Australia and South Africa may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of any such jurisdictions.

Readers of this document must: (1) not treat the contents of this document as advice relating to any legal, taxation, investment or other matter; (2) inform themselves as to (i) the legal requirements within their own jurisdiction for the subscription for, purchase, holding, transfer, redemption or other disposal of Shares; (ii) any foreign exchange restrictions applicable to the subscription for, purchase, holding, transfer, redemption or other disposal of Shares which they may encounter; and (iii) the income and other tax consequences which may apply in their own jurisdictions as a result of the purchase, holding, transfer, redemption or other disposal of Shares; and (3) must rely on their own representatives, including their own legal advisers and accountants, as to the legal, taxation, investment or other related matters concerning the Company and an investment therein.

Readers of this document should only rely on the information contained in this document. No person has been authorised to give any information or make any representations other than those contained in this document, and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or the Directors. The contents of the Company's or any other member of the Group's websites do not form part of this document.

Presentation of financial information

Group Financial Information

The consolidated historical financial information of the Group for the three years ended 30 June 2011 are set out in Part VI ("*Group Financial Information*") of this document.

The consolidated historical financial information comprises the historical financial information of the Company and entities controlled by the Company (its subsidiaries) as of and for each of the three years ended 30 June 2011.

The consolidated historical financial information has been prepared in accordance with the requirements of the Prospectus Directive Regulation and in accordance with the accounting policies described below. The financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (IFRSs as adopted by the EU).

Rounding

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or row in tables contained in this document may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Currency presentation

All references in this document to 'Australian dollars', 'AUD', 'A\$', 'cent' and 'c' are to the lawful currency of Australia. All references to 'rand', 'Rand', 'R', 'ZAR', 'SA cent' and 'SAC' are to the lawful currency of South Africa. All references to 'pounds', 'pounds sterling', 'sterling', '£', 'GBP', 'pence', 'penny' and 'p' are to the lawful currency of the UK. All references to 'US dollars', 'USD', 'US cent' and 'USc' are to the lawful currency of the United States.

The Group Financial Information in Part VI ("*Group Financial Information*") of this document has been (and the financial information of the Group will in the future be) presented in US dollars. The basis of conversion of foreign currency for the purposes of inclusion in the Group Financial Information is described in note 3.4 of the Group Financial Information. Information derived from this financial information set out elsewhere in this document has been converted on the same basis.

Reserve and resource reporting

Unless otherwise indicated in this document, mineral resources and reserves information reported in this document in respect of the Group has been compiled in accordance with the definitions and guidelines of the JORC Code and has been extracted or derived from the Mineral Expert's Report contained in Part IX ("*Mineral Expert's Report*") of this document. Such information must be read in conjunction with the Mineral Expert's Report.

References to defined terms

Certain terms used in this document, including certain capitalised terms and certain technical and other terms, are defined in Part VIII ("*Definitions and Glossary*") of this document.

Forward-looking statements

Certain statements contained in this document are or may constitute "forward-looking statements", including, without limitation, statements containing the words "believe", "anticipated", "expected" and similar expressions. Such forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, achievements or performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, general economic and business conditions, changes in government relations or policy, competition and the other risks described in this document. Given these uncertainties, readers of this document are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements are stated as at the date of this document. Except as required by the rules of the FSA, the Disclosure and Transparency Rules, the Prospectus Rules, the London Stock Exchange or by law or regulation, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Any forward-looking statement contained in this document based on past or current trends and/or activities of the Group should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. These forward-looking statements are further qualified by the risk factors described in the section entitled "*Risk Factors*" of this document.

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Risk Factors

An investment in the Shares is subject to a number of risks and uncertainties. Readers of this document should carefully consider the following risk factors, in addition to the other information in this document, prior to making any investment decision in relation to the Shares. These risks and uncertainties represent all of those known to the Directors, as at the date of this document, which the Directors consider to be material. However, they are not the only risks facing the Group; additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, could also impair the business of the Group. If any or a combination of these risks and uncertainties actually occurs, the business, results of operations, financial condition and/or growth prospects of the Group could be materially and adversely affected. In such case, the market price of the Shares could decline and investors could lose all or part of their investment.

RISKS RELATING TO THE COAL MINING INDUSTRY

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 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;
- 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;
- 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 Group's business, results of operations, financial condition and/or growth prospects.

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

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

The Group's revenues are currently substantially derived from sales of thermal coal and are expected, in the longer term, to be derived from sales of higher value coking coal, and revenues are therefore affected by the price which the Group is able to obtain for those 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 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 Group's expansion plans involve increasing its coal production, with the majority of future revenue expected to be derived from coking coal. Consequently, the 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 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.

The Group has entered into a limited number of forward sales arrangements in respect of coal production in order to establish a price for that coal in advance. However, the majority of the coal produced by the Group is traded at prevailing market prices and the Group is therefore exposed to fluctuations in those prices. In addition, to the extent that the Group does enter into forward sales arrangements, they do not protect the Group from significant future price decreases, and can also limit the benefit which can be obtained from significant increases in prices. A significant continuing decrease in the price of coal sold by the Group could therefore have a material adverse effect on the Group's revenue, and consequently its business, results of operations, financial condition and/or growth prospects.

The Group may be affected by the development and use of any new technology in the production of iron and steel that impacts the demand for coking coal

The demand for coking coal is directly correlated with the production of crude steel. As a result, any alternative energy source, such as pulverized coal injection or heavy fuel oil injection into blast furnaces or any new technology in steel production that omits or limits the use of coking coal in the steel production process, if adopted by steel manufacturers, would adversely affect the demand for coking coal. A reduction in global demand for coking coal may adversely affect the volume of the Group's coal sales and its coal sales prices, materially adversely affecting its business, results of operations, financial condition and/or growth prospects.

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 Group may be unable to successfully discover and/or exploit mineral resources. The 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 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 Group's operations; and (ii) a material adverse effect on estimates of the volume or grade of mineralisation, estimated recovery rates 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 Group uneconomical or unprofitable to develop at a particular site. Any significant difference between the Group's actual resources and its current estimates, or any changes adversely affecting estimates or the profitability of the Group's resources, could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

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

The 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 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 Group depends in large part on its ability to mine coal at competitive costs and meet customer expectations regarding timing and quality. The failure of the 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 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 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.

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

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

The 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 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 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.

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 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 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 Group may not be able to make the financial provisions necessary to meet its environmental rehabilitation obligations and the Group may be exposed to a long term liability of unlimited duration and scope in connection with remediation obligations

The Group's operations in South Africa are subject to various laws and regulations governing mine closure and mined-land rehabilitation and remediation. Amendments to these laws and regulations (or changes in interpretations or enforcement thereof) or community expectations may result in an increase in the Group's regulatory obligations and compliance costs. As estimated costs increase, the Group is required by the MPRDA to post increasing amounts of financial provisions 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 Group's financial provisioning and costs at the affected operations. There is no certainty that the basis of calculation prescribed by the DMR will prove to be an accurate estimate of the obligations of the Group in rehabilitating the sites of its mining activities in South Africa. Further, material non-compliance with an environmental management programme could effectively void the assumptions used by the DMR to calculate the amount of financial provision for a particular operation, thus resulting in higher actual liability for rehabilitation than that calculated by the DMR and provisioned for by the Group.

The provisions of the MPRDA suggest that the Group's obligations with respect to rehabilitation will terminate upon the issuance of a closure certificate by the DMR but other statutes envisage liability beyond closure. In addition, in recent years, the DMR has become reluctant to issue such closure certificates, and may be unwilling to do so in respect of mines where the Group's operations have

ceased, in light of concerns that the mining process and its aftermath could continue to have deleterious effects on the surrounding environment for years after the closure, some of which may not be knowable or foreseeable. Lack of a water use licence for a mined-out operation scheduled for closure may aggravate such concerns.

The Group has made significant financial provision for mine and site rehabilitation in respect of some of its mining operations and has mine closure plans for all of its operating and former mining sites. Although the Directors consider that the Group has made and will continue to make adequate financial provision for potential environmental liability, the estimation of such liability is highly subjective and uncertain, and there can be no guarantee that actual environmental liability will not exceed the amount provided for. Should the amount of financial assurance set aside by the Group as a provision for reclamation be insufficient for any reason, the Group could be required to post additional collateral, cash or cash equivalents directly in support of its financial assurance obligations in relation to reclamation.

In contrast to its rehabilitation obligations in terms of the MPRDA, the potential future costs of remediation in terms of NEMA and other statutes are unknown by reason of their coverage of latent impacts. The Group is not required by these other statutes to post financial provisions to ensure the availability of funds to perform any remediation post-closure. The Group's obligations with respect to remediation in terms of these other statutes are currently unknown and could arise many years after a mine has been closed. Should environmental contamination occur or come to light after the mine has been closed, the Group would have to provide additional funds to complete any required remediation. Given the highly uncertain nature of these risks, the potential additional expenditures currently are unquantifiable, may be unexpected and could have a material adverse effect on the business, financial condition and/or results of operations of the Group.

The 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 Group's operations may be subject to laws, regulations and policies aimed at limiting or reducing greenhouse gas emissions (such as the Kyoto Protocol). 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 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 Group.

Further, the Group may be required to change operations, reduce production capacity or make additional investments to adapt to new or amended environmental laws and regulations (or changes in the interpretation of such laws and regulations). The coal industry, governments and other organisations are actively investing in research projects to reduce greenhouse gas emissions from the use of coal in power generation.

In particular, South Africa has indicated that its climate change mitigation strategy may include regulatory mechanisms and economic instruments such as taxes and incentives. Various climate change policy development processes are underway in South Africa, including climate change response papers published by the Department of Environmental Affairs, a carbon tax discussion paper published by the National Treasury and an Integrated Resource Plan, which sets the future electricity policy for South Africa, published by the Department of Energy. The Integrated Resource Plan, for example, envisions a significant decrease in reliance on coal for electricity generation in South Africa, which may adversely impact aggregate domestic demand for thermal coal. Since the climate change response policy, carbon tax policy and energy policy of the country are related, the Group cannot predict the outcome of these policy development processes and there can be no assurance that the policies ultimately adopted by the South African government to deal with climate change will not have a material adverse effect on the business, results of operations, financial condition and/or growth prospects of the Group.

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

The Group competes on the basis of a range of factors. In the exploration phase, the 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 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 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 Group. There is a high degree of competition for the discovery and acquisition of properties considered to have a commercial potential. The Group competes with other mining companies for the acquisition of mining and prospecting rights, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

In the operational phase, the Group competes on the basis of price, production capacity, the quality and characteristics of its coal, transportation costs and capabilities and reputation. The Group may be unable to compete effectively due to improvements in the quality of the coal made available by its competitors, a decrease in the quality of the Group's coal, or due to the price at which its competitors can make the coal available for sale.

There can be no assurance that the Group will be able to continue to compete effectively with existing mining companies, or any new entrants to the industry or regions in which it operates. Any failure by the Group to compete effectively could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

The Group's growth strategy requires 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 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 Group may purchase properties outright, or may enter into agreements with existing landowners granting access to the sites. The 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. For example, the Group may be unable to mine where the surface has been declared a nature reserve. If the 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 Group's business, results of operations, financial condition and/or growth prospects.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group will require additional funding to finance its future capital investment requirements

As noted in the Group's financial statements for the 2011 Financial Year published on 19 September 2011 (and as also noted in the Group Financial Information set out in Part VI ("*Group Financial Information*") of this document), the ability of the Group to finance future capital investment for the exploration, development and continuing operation of its projects, including completion of the Chapudi Acquisition, is dependent on, amongst other things, the Group's ability to raise additional funding through equity or debt financing. The Directors are pursuing a number of other sources of funding and are at an advanced stage of negotiation of a new US\$40 million debt facility and remain confident of securing further financing. The Group is also committed to the sale of certain of its assets, including NiMag and the Holfontein Project, and the Directors are confident of completing the sale of one or both of these assets within the 12 months following the date of this document, which would realise further cash resources for the Group. Nevertheless, there can be no guarantee that any of these initiatives will be successful and failure of the 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 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 Group's business, results of operation, financial condition and/or growth prospects.

The Group may be unable to supply sufficient coal to meet its quota for the 'take or pay' arrangements entered into in connection with its allocated port capacity

The Group's allocation at the Matola Terminal operates on a 'take or pay' basis, such that the Group is required to pay for its allocated port capacity, albeit at reduced rates, regardless of whether it is able to fully utilise that capacity of potential throughput. There can be no assurance that the Group will be able to produce and supply sufficient amount of coal to the Matola Terminal or to purchase sufficient additional coal from third parties in to comply with such obligations under port throughput agreements, as a result of which the Group could incur penalties or additional costs. Although the Group does have the option to offer any unused port capacity at the Matola Terminal to third parties, there can be no assurance that the Group would be able to find a third party willing to purchase any unused port allocation on commercially advantageous terms or at all.

If the Group incurs costs for failure to satisfy its take or pay obligations it will not receive the corresponding economic benefit. The occurrence of any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

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

The 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 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 Group. Eskom has been given permission to raise electricity prices substantially every year for four years commencing from 1 April 2010 to enable Eskom to embark on additional capital projects to increase power generation. The costs of electricity are expected to continue to increase in the long-term as a result of the planned shift in the sources of electricity generation outlined in the Integrated Resource Plan published by the Department of Energy. There can be no assurances that Eskom will supply sufficient uninterrupted electricity to the Group at any stage in the future. Whilst the 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 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 Group's power supply could have a material adverse effect on the 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 Group's profitability

An increase in the Group's transport costs could have a material impact on domestic and export demand for its coal and its profitability. The Group's main transport costs 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 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 resource estimates. For example, the Group's freight charges increased by 11% in the 2011 Financial Year, principally as a result of increased export charges at the Matola Terminal and Richards Bay Coal Terminal. Any significant increase in the Group's transport costs could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

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

The Group has secured long term port allocation for the export of coal through the Richards Bay Coal Terminal in South Africa and the Matola Terminal in Maputo, Mozambique. Any future allocation to accommodate increased production will depend on a number of factors, including expansion of the port terminals. Although the Group has the option to participate in future expansion of the Matola Terminal, there can be no guarantee that such expansion will be actually be carried out (when needed to meet the Group's requirements or at all) or be completed at a competitive capital or operating cost, or that the expansion will be sufficient to meet the Group's future requirements.

Further, the Group currently relies upon the Matola Terminal for the export of a substantial proportion of its coal production and has based its expansion plans on utilising the Matola Terminal as the single port facility for its export sales. The Group is therefore exposed to any event or circumstance which materially disrupts the operation of the Matola Terminal for any significant period of time. These events or circumstances could include accidents, terrorist or criminal acts, civil unrest, natural disasters, labour disruptions and loading equipment failure. The occurrence of any of the foregoing, including a failure by the operators of the Matola Terminal to expand its capacity in line with the Group's growth plans, could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

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

The Group has contracted with 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 Mooiplaats Colliery and the Vuna Colliery to the Richards Bay Coal Terminal and the Matola Terminal. The contractual arrangements, which the Directors consider typical for agreements of this type in South Africa, 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. Transnet Freight Rail has begun addressing the operational and capacity constraints on the line to the Matola Terminal. Nevertheless, 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). Moreover, the current contractual arrangements with Transnet Freight Rail do not provide for the substantial increases in the volume of coal to be transported, in line with the anticipated production from Vele Colliery, and later, the Makhado Project. Therefore, there can be no assurance that the Group will be able to obtain sufficient rail transport facilities to meet its continuing needs, and the Group would not be entitled to financial compensation under the existing contractual arrangements if such facilities were not available. Any significant disruption to the Group's rail transportation arrangements or a delay in the delivery of increased rail capacity may have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

The Group may not be able to source sufficient, appropriate or suitably priced equipment for its operations

The current and currently foreseeable levels of global exploration and development activity are such that equipment utilisation rates are high, and the Group will be in a competitive environment in relation to sourcing appropriate equipment. If it is unable to source appropriate equipment economically or at all for its projects, and in particular for the development of the Vele Colliery and the Makhado Complex in line with current plans, this could delay implementation of, or otherwise require revisions to or abandonment of, its current plans, which could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

Growth of the Group through joint ventures, acceptance of minority investments or acquisitions present risks in implementation

To the extent that the Group seeks to enter into joint ventures or accepts minority investments for new mining projects or acquisitions, it will be dependent on maintaining good relationships with its

joint venture partners and minority investors, whose interests may diverge from the 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 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 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 Group's business, results of operations, financial condition and/or growth prospects.

In addition, joint ventures, acceptance of minority investors and acquisitions 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 Group's business, results of operations, financial condition and/or growth prospects.

The 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

The Directors anticipate that the Group will need to make substantial future capital investment for the exploration, development and continuing operation of its projects.

Mining exploration and production requires significant capital expenditure and additional funding is likely to be required to develop the 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 Group may incur and to continue to grow the Group's business. The 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 Group. Further, any such additional debt financing, if available, may involve onerous restrictions on other financing and on operating activities. For example, the Group may become subject to increased interest expenses, covenants requiring that the 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 Group's ability to raise, renew and service its future indebtedness, reduce the funding options available to the Group and render it more vulnerable to economic downturns.

Failure of the 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 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 Group's business, results of operations, financial condition and/or growth prospects.

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

A substantial proportion of the Group's revenues are generated in US dollars, while the majority of its costs are incurred in Rand. The Group has also previously raised capital and paid for acquisitions in pounds sterling. Further, the Group has previously reported its financial results in Australian dollars and has now adopted the US dollar as its reporting currency for the 2011 Financial Year and

going forward. The Group is therefore exposed to changes in the exchange rate between the Rand and the US dollar and between the US dollar and sterling.

The 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 Group's business, results of operations, financial condition and/or growth prospects.

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

There are circumstances where insurance will not fully reimburse the Group for the costs incurred in connection with the occurrence of an event, or where the 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 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 Group. Moreover, the 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 Group of any significant liabilities in connection with its mining activities or otherwise could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

The Group relies on certain key personnel

The 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 Group is, and will continue to be, to a significant extent dependent on the expertise and experience of the Directors and Senior Management. Whilst the 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. Also, certain changes in personnel may be necessary as a result of the requirement under the Mining Charter that 40 per cent. of a mining company's senior management must be historically disadvantaged South Africans by 2014. The loss of key personnel could have a material adverse effect on the Group's business, financial condition, results of operations and/or growth prospects.

The use of mining contractors for certain aspects of the Group's operations may expose the Group to delays or inefficiencies or suspensions in activities and increases in mining costs

The Group uses contractors at the Vuna Colliery and, until recently, used contractors at the Mooiplaats Colliery. The Directors expect to use contractors at the Vele Colliery and, at least for some of initial construction work, at the Makhado Project. The Group's operations could be disrupted, resulting in additional costs and liabilities, if its 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. 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 Group's business, financial condition, results of operations and/or growth prospects.

The Group may not have the necessary configuration of management and systems to manage its business and its proposed growth

The Group's current financial and accounting systems are currently being upgraded, which includes the hiring of additional personnel and installation of a new information technology system and the implementation of a new financial reporting process. There can be no assurance that the Group will be able to manage effectively the expansion of its operations or that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations. Systems, controls and procedures need to cover operating and industrial risks, accounting and financial reporting and compliance with legal and regulatory requirements (including as to environmental matters, consistent with the requirements of the MPRDA and environmental laws). Any failure of management to manage effectively the Group's growth and development could have a material adverse effect on the Group's business, financial condition, results of operations and/or growth prospects.

The Group is exposed to the failure or non-performance of commercial counterparties

The Group is dependent on numerous third parties with whom it has commercial agreements (such as its mining contractors, the counterparties to its off-take agreements and the parties responsible for transporting and/or storing the Group's products) for its current or future exploration, development, production, sales or other activities. The efficiency, timeliness and quality of contract performance by third party providers are largely beyond the Group's direct control. If one or more of these third parties fails to meet its contractual obligations to the Group, or if such services were to be temporarily or permanently unavailable (for example, as a result of technical problems, industrial action or the third party entering into insolvency), or not available on commercially acceptable terms, this could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

As part of the Group's growth strategy, it will consider entering new markets outside South Africa, which could expose the Group to risks associated with entering new, unfamiliar markets

The Group will consider diversifying its business geographically through the acquisition of exploration or development stage, or operating, mining assets outside South Africa. In addition to the risks typically associated with acquisitions, expanding into new geographic markets can expose the Group to risks related to different political, social and economic conditions and different legal and regulatory standards, and expansion into new geographic markets where the Group has little or no prior experience can place substantial demands on managerial, operational, technological and other resources, and expose the Group to additional risks due to potential unfamiliarity with key aspects of the markets. The Group could be subject for example to different regulations with respect to restrictions on production, price controls, export controls, currency remittances, taxation, environmental regulation, land use, land claims, water use and mine safety. Geographical expansion can also give rise to risks associated with integrating and aligning geographically separate operations. Failure by the Group to properly manage any of the foregoing risks could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

As a result of the change in the Group's principal assets and projects, it is subject to risks associated with significant development and its historical results should not be viewed as an indication of future performance

The Group's profiles in terms of assets and projects, and its potential resource base, have changed significantly in recent years. The Group is shifting its emphasis from thermal coal to coking coal, and a significant proportion of the Group's short to medium term potential is in the coking coal projects comprised in the Vele Colliery and the Makhado Project. Vele Colliery is the first coking coal project for the Group and represents a significant expansion in, and change in the profile of, the Group's resource base and production capability. The Group also has longer term growth potential through its acquisition of the various coking and thermal coal projects comprised in the Soutpansberg Complex and, subject to completion of the Chapudi Acquisition, the Chapudi Complex.

The Group may not be able to develop its new assets and projects in accordance with its current plans and on time and on budget. Delays in obtaining necessary permits and licences and other technical difficulties may result in projected targets being delayed and further costs being incurred. Moreover, as the new projects do not have operating histories, mineral resource estimates may be less certain and capital expenditure and cash operating costs may differ from estimates. The occurrence of any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

RISKS RELATING TO SOUTH AFRICA

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

The 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 by the South African government, which could subject the Group's business to political interference.

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 Group or its projects. Any of the foregoing could have a material adverse impact on the Group's current exploration activities, planned development projects or future mining operations, including by requiring the Group to cease, materially delay or restrict exploration, development or mining operations, which could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

The following are specific examples of this risk.

Exchange control

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 SARB, 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 Group makes an application to the SARB 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 Group in respect of any such transfer or agreement may have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

MPRDA Amendment Act

The South African Government has passed the Mineral and Petroleum Resources Development Amendment Act, 2008 (the "Amendment Act"), which has not yet entered into effect. To the extent it enters into effect, it would require any change in the shareholding of an unlisted mining company and a change of control of a mining company held (directly or indirectly) by a South African listed company to be submitted to the South African Minister of Mineral Resources for approval. Any such consent would be subject to the Minister being satisfied regarding the BEE arrangements in place and that the new shareholder is in a position to support the holder of the relevant mining or prospecting rights, if necessary, to ensure that such holder can still meet the applicable licence requirements. As a matter of practice and in order to comply with the requirements of the Mining Charter, the DMR is likely to require 26% HDSA ownership or equity participation, although as a matter of law that threshold is only required by May 2014. It is unclear whether the Amendment Act will become effective, and if not, whether any of the components of the Amendment Act nonetheless will be enacted, and enter into force, as part of other legislation. However, if enacted as passed, this new legislation would place an additional regulatory burden on, and could cause delay and/or complication in, the disposal of mining subsidiaries by the Group or any future acquisitions of mining companies by the Group, which could in turn have a material adverse effect on the Group's business, results of operation, financial condition and/or growth prospects.

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

The Group's operations require significant amounts of water and the Group is dependent on the availability of water in its areas of operations (for example the Makhado Project where water scarcity has been identified as a critical issue). 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 Group's operations at that location. If the Group was unable to obtain sufficient water supply for any of its projects, this could impact on the Group's ability to continue or commence its operations at the relevant mine, and could thereby have a material adverse effect on the 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. The unlawful commencement of water uses has received Parliamentary notice and enforcement action by the Department of Water Affairs against all illegal water uses, but particularly illegal water use within the mining industry, which is believed to have increased in the past year. Water use licences are awarded for specific water uses and are subject to conditions. Any use of water by the Group which is unauthorised or which goes beyond what is permitted under the licence or which otherwise breaches the conditions may be subject to enforcement action and, if the breach of the licence was sufficiently material, the licence could be revoked or an application for a licence or licence renewal could be refused, and in such case and the Group could be required to cease operations at the relevant mine. If the Department of Water Affairs refused to grant a water use licence, granted a water use licence or licence renewal subject to additional or onerous conditions (for example, due to previous non-compliance), or if a water use licence granted to the Group was subsequently revoked or suspended for any reason, this would impact on the Group's ability to continue or commence its operations at the relevant mine, and could thereby have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

Third parties have the right to appeal to the Water Tribunal in respect of any water use licence granted by the Department of Water Affairs. Once an appeal is lodged, the water use licence is automatically and immediately suspended by operation of law and the Group is unable to commence or continue operations which require the use of water at the relevant mine pending the outcome of the appeal (which may take a number of months). Although the Group has the right to object to such an appeal and the Minister has the discretion to permit the Group to continue operating under the licence until the appeal is determined, there can be no guarantee that the Minister will exercise that discretion in respect of any future appeals lodged in respect of the Group's operations. If any such appeal is ultimately upheld the water use licence could be revoked and in such circumstances the Group would be required to cease operating at the relevant mine. Any appeal against the granting of a water use licence which prevented the Group from commencing or continuing operations at one of its mines for an extended period could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

The 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 NOMRs or NOPRs 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.

Certain of the Group's mining and prospecting rights have technical defects, errors or breaches, have not been registered with the applicable authority or may have cessions, consents or approvals outstanding. The Directors are of the view that most of these defects or errors are technical or administrative in nature, and Coal of Africa is currently taking steps to remedy these errors and defects. In addition, where mining and prospecting rights are acquired through the acquisition of shares of existing holders, such acquisitions require Ministerial consent under section 11 of the MPRDA or under the terms of the relevant right. Any failure in the future by the Group to obtain the requisite Ministerial consent, or the incorrect granting of a Ministerial consent in the future, for a transfer of shares in a material Group company or a transfer of a material mining or prospecting right could invalidate the transfer of those shares or that right, which could have a material adverse effect on the Group's business, results of operation, financial condition and/or growth prospects.

Failure to comply with the MPRDA or the terms of a mining or prospecting right, or failure to secure the transfer or registration of the necessary mining or prospecting rights, would prevent the Group from obtaining new mining or prospecting rights, which could materially delay, restrict or prevent the 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 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 Group's projects could stop, materially delay or restrict the Group from proceeding with exploration activities, mining activities, any development, or future mining operations, which could have a material adverse effect on the Group's business, results of operation, financial condition and/or growth prospects.

The 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 Group's permits and licences

The DMR issues the Group's mining rights, which are subject to compliance with all other applicable laws and regulations, and approves the Group's environmental management plans/programmes, social and labour plans, and mining work programmes. The 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 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 NOMR 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 NOMR, a water use license or an environmental management programme is successful, the 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 Group's current or future mining operations could use several legal avenues to challenge the 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 Group's operations, which could have a material adverse effect on its business, results of operations, financial condition and/or growth prospects.

Recent South African case law means that the Group may be required to comply with land planning legislation, and such compliance may have a material adverse impact on the Group

A South African Supreme Court of Appeal case, in which judgment was entered on 23 September 2011, held that land planning legislation must be applied alongside the MPRDA. This is a change in the interpretation of the current regulatory environment and would require mining companies whose mines are located in areas governed by land planning legislation and who had previously only applied the provisions of the MPRDA, to also comply with the relevant land planning legislation. Such legislation could necessitate an application for rezoning to allow mining to occur. The Group is currently taking advice as to whether any such applications are required in respect of any of its mines or projects. If an application is required, the rezoning may not be approved or approval may only be given after a lengthy delay and/or with the payment of a fine, any of which could have a material adverse effect on the Group's 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 Group in respect of portions of the 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 Group does not, in all cases, hold rights in respect of all associated minerals occurring in the coal orebody of areas covered by the 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 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 Group’s mining operations or bring claims in respect of associated minerals mined by the Group, which could have a material adverse effect on the Group’s business, results of operations, financial condition and/or growth prospects.

The Group’s mining rights are subject to termination if the 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 Group’s compliance with MPRDA requirements with regard to its NOMRs and prospecting rights, and may conclude that the 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 Group is in compliance. The MPRDA requires, for instance, that the Group comply with a social and labour plan which is submitted and agreed to as part of the application process for its NOMRs. The social and labour plan contains both quantitative and qualitative goals, targets and commitments relating to the 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 Group’s control. The 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 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 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 Group’s licences or rights could have a material adverse effect on the 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 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 Group’s right and interest in its prospecting and mining rights and, as a result, could have a material adverse effect on the 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 Group’s mining rights and thereby

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

Compliance with BEE requirements could impose significant costs on the Group and a failure to comply with BEE requirements could adversely affect the Group's ability to obtain or maintain its prospecting and mining rights and could result in a reduction of its allocation at Richards Bay Coal Terminal

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 Minister so determines, prospecting rights in South Africa. The BEE requirements affect, among other things, the ownership of the Group's companies, the Group's employees and management and the Group's procurement (for further details see Section 2 of Part II ("*Regulatory Overview*") of this document).

The Directors are in the process of reviewing the Group's existing BEE arrangements with a view to restructuring those arrangements to ensure that they are suitable for a public company such as the Company and to guarantee compliance with the HDSA participation requirements of the MPRDA and the Mining Charter. Given the continuing dilutive effect of further share issues by the Company on HDSA participation at the listed company level, the Directors intend to implement alternative BEE arrangements which will lock in the requisite HDSA equity participation on a continuing basis.

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 NOMRs or NOPRs if, in the DMR's view, the requirements of the Mining Charter and the MPRDA are not being satisfied. 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 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 Group's business, results of operations, financial condition and/or growth prospects.

Further, Coal of Africa's allocation at Richards Bay Coal Terminal forms part of the RBCT Quattro Allocation, which is specifically assigned to BEE-compliant junior coal producers. The Group's RBCT Quattro Allocation is determined in accordance with the Allocations Terms of Reference which include, *inter alia*, an emphasis on the 26% HDSA ownership criteria in terms of the Mining Charter. The Group's failure to comply with BEE obligations, and therefore the Allocations Terms of Reference, could result in the reduction in, or complete loss of, Coal of Africa's allocation. Such reduction or loss of Coal of Africa's allocation at the Richards Bay Coal Terminal could have a material adverse affect on the Group's business.

Some of the properties on which the 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 (for further details see Section 5 of Part II ("*Regulatory Overview*") of this document). If a land claim is brought and settled in favour of the claimants with respect to any of the territory covered by the Group's NOPRs or NOMRs, it may impede or delay access to the site. While several land claims are currently underway in respect of certain land within the Group's project areas (see the Mineral Expert's Report in Part IX ("*Mineral Expert's Report*") of this document for details of these claims), none are expected to have a material impact on the Group's operations. However, any 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 affect on the Group's business, results of operations, financial condition and/or growth prospects.

HIV/AIDS could affect the Group's personnel and have an impact on the operation of the Group's business

Statistics South Africa has estimated that by the middle of 2009, 5.2 million or 10.6 per cent of the South African population was HIV positive. The exact effect of increased mortality rates due to AIDS-related deaths or the costs of introducing and maintaining treatment for HIV on the cost of doing business in South Africa and on the South African economy is unclear at this time. The two most significant economic impacts of HIV/AIDS for the Group are reduction in labour supply and increase in labour cost. The Group could lose revenue due to high absenteeism as a result of illness, time off to attend funerals, time spent in training of new labour and high labour turnover. The loss

of skills along with increased absenteeism, increased staff turnover, loss of tacit knowledge and declining morale as a result of HIV/AIDS will contribute to the declining levels of productivity and, therefore, this risk may cumulatively have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

The South African economy is characterised by shortages of skilled personnel, and the Group may be unable to recruit and retain sufficient numbers of skilled employees to carry out its business in an optimal fashion

Certain processes and tasks in mining require a highly skilled and highly educated workforce. The quality and availability of skills in South Africa is impacted by the challenges within the education and training systems, with shortages being particularly acute in engineering, artisan and management skills. This skill shortage is exacerbated by the requirement to achieve employment equity targets. Failure to attract and retain people with the right capabilities and experience could negatively affect the Group's ability to introduce and maintain the appropriate technological improvements to its business, its ability to successfully construct and commission new mines and new plants, establish new business ventures or expand existing operations. The occurrence of any of the foregoing could have a material adverse effect on the Group's business, results of operations, growth prospects and/or financial condition.

A breakdown in the relationship with those labour unions of which employees of the Group and the Group's contractors are members may disrupt the operations of the Group's business

A significant number of employees of the Group and of the Group's contractors are engaged in mining operations and are members of one or more labour unions. Accordingly the Group is subject to collective agreements with such labour unions. Any breakdown in the negotiation of collective agreements could result in the Group being unable to continue to negotiate wages and salaries on competitive terms, or, as the Group and other participants in the mining industry have experienced in the past, could lead to strikes or other industrial action (or the threat of strikes or industrial action) which could damage the Group's reputation. Although the Group considers that it has good relationships with these labour unions, a breakdown in the relationship could have a material adverse effect on the Group's business, results of operations, growth prospects and/or financial condition. Also, labour costs represent a substantial proportion of the Group's total operating costs and any increases in labour costs would have to be offset by greater productivity efforts by all operations and employees, failing which such increase in labour cost could have a material adverse effect on the Group's business, results of operations, growth prospects and/or financial condition.

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

As all of the Group's revenue generating assets are currently located in South Africa, the 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 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 Group, require the Group to incur additional capital expenditures and/or impose restrictions on or suspensions of the 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 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 Group's business, results of operations, financial condition and/or growth prospects.

In addition, South Africa has high levels of unemployment, poverty and crime. These problems have, in part, hindered foreign investments in South Africa, prompted emigration of skilled workers and affected economic growth negatively. 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 Group's business, results of operations, financial condition and/or growth prospects.

Future nationalisation of mines in South Africa could have a significant adverse impact on the Group's business

There is ongoing debate in South Africa about the possible future nationalisation of mines. The Youth League of the African National Congress ("ANC"), the ruling political party in South Africa, has called for the nationalisation of mines in South Africa. The ANC itself has been at pains to stress that nationalising the mining industry is not the policy of the ANC or of the government. The issue is also strongly opposed by many other stakeholders in South Africa, including labour unions and business organisations. However, nationalisation continues to be debated and in February 2011 the ANC's National Working Committee appointed a team to research the issue and report back on its feasibility. There can be no assurance that some form of mine nationalisation will not be implemented in the future. While the means by which mines would be nationalised has not been part of the public debate and the potential impact on the Group is currently unknown, any action to nationalise the Group's mines or other assets could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

RISKS RELATING TO THE SHARES

The price of the Shares will fluctuate

The market price of the 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 the Company will be able to pay dividends on the Shares and various other factors and events, including liquidity of financial markets, regulatory changes affecting the Group's operations, variations in the Group's operating results or business developments of the 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 Group's operating or performance prospects. Furthermore, the 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 the Shares.

The Company's ability to pay dividends to Shareholders may be restricted

The Company's operating results and its financial condition are dependent on the trading performance of members of the Group. The Company's ability to pay dividends will depend on the level of distributions, if any, received from the Company's subsidiaries. The ability of Group members to make distributions to the Company 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 the Company, 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 the Company, which could in turn restrict the Company's ability to fund other operations or to pay a dividend to Shareholders. The Company can give no assurance that it will be able to pay a dividend on the Shares in the future.

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

The Company may issue additional Shares in the future, which may adversely affect the market price of the 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 the Shares.

The payment of dividends by South African companies to foreign shareholders may be subject to withholding taxes

The announced proposal by the South African Government to replace the Secondary Tax on Companies with a withholding tax on dividends and other distributions may impact the amount of dividends or other distributions payable by the Group. On 21 February 2007, the South African Government announced a proposal to replace Secondary Tax on Companies (then 12.5 per cent nominal, 11.1 per cent effective rate, and since reduced to 10 per cent nominal in terms of the phased implementation of withholding tax on dividends) with a 10 per cent withholding tax on dividends and other distributions payable to shareholders of South African companies. The proposal was expected to be implemented in 2010, but its implementation has been delayed to 1 April 2012. This

withholding tax would not apply to dividends paid to South African companies and certain other exempt persons. Furthermore, foreign shareholders may qualify for a reduction of the withholding tax rate, in terms of any applicable double tax agreement. Notwithstanding this, although the proposal may reduce the tax payable by the Group, thereby increasing distributable earnings, the withholding tax could generally reduce the amount of dividends or other distributions received by the Shareholders.

The ability of Shareholders outside Australia or South Africa to bring an action or enforce judgements against the Company 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 the Company may be limited by law. The Company is incorporated under the laws of Western Australia. The rights of Shareholders are governed by Australian law and the Constitution of the Company. 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. The Company'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 the Company 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.

Company Officers, Registered Office and Advisers

Directors	Richard Linnell	<i>Chairman</i>
	Simon Farrell	<i>Non-Executive Deputy Chairman</i>
	John Wallington	<i>Chief Executive Officer</i>
	Wayne Koonin	<i>Financial Director</i>
	Professor Alfred Nevhutanda	<i>Executive Director</i>
	Stephen Bywater	<i>Non-Executive Director</i>
	David Murray	<i>Non-Executive Director</i>
	Peter Cordin	<i>Non-Executive Director</i>
	Khomotso Brian Mosehla	<i>Non-Executive Director</i>
	Mikki Xaiyiya	<i>Non-Executive Director</i>
	Rudolph Torlage	<i>Non-Executive Director</i>
Company Secretary	Shannon Coates	
Principal and Registered Office	Level 1, 173 Mounts Bay Road Perth WA 6000 Australia	
Legal Adviser to the Company as to English and US law	Hogan Lovells International LLP Atlantic House Holborn Viaduct London EC1A 2FG United Kingdom	
Legal Adviser to the Company as to South African law	Webber Wentzel 10 Fricker Road Ilovo Boulevard Johannesburg 2196 South Africa	
Legal Adviser to the Company as to Australian law	Gilbert + Tobin 1202 Hay Street West Perth WA 6005 Australia	
Reporting Accountants	Deloitte LLP 2 New Street Square London EC4A 3BZ United Kingdom	
Auditors	Deloitte Touche Tohmatsu Woodside Plaza Level 14 240 St Georges Terrace Perth WA 6000 Australia	
Depositary	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ	

PART I

Information on Coal of Africa

1. Introduction

Coal of Africa is a coal mining, exploration and development group with coking and thermal coal assets located across South Africa in four different coalfields. The Group has a significant total resource base, with total estimated resources of 2.4 billion tonnes (GTIS) and total estimated reserves of 370.5 million tonnes (MTIS).

The Group's principal assets and projects include:

- the Vele Colliery, a late evaluation stage coking coal project which is targeted to commence production during the first quarter of 2012, with total estimated resources of 803.8 Mt (which includes total estimated reserves of 332.7 Mt);
- two exploration and evaluation stage coking coal projects, collectively referred to as the Makhado Complex, with total estimated resources of 879.7 Mt, the first of which, the Makhado Project, is subject to completion of the Definitive Feasibility Study currently underway, with construction targeted to commence by mid-2012 and production targeted to commence during the second half of 2014;
- three exploration and evaluation stage coking and thermal coal projects in the same region as the Makhado Complex, grouped into the Soutpansberg Complex, which collectively have total estimated resources of 624.9 Mt;
- two operational thermal coal collieries, the Mooiplaats Colliery and the Vuna Colliery, with total estimated resources of 99.1 Mt (which includes total estimated reserves of 37.7 Mt), which are currently producing approximately 300,000-350,000 ROM tonnes per month in aggregate and which incorporate three coal beneficiation plants with total processing capacity of 570,000 tonnes per month; and
- in excess of 3.0 Mtpa port capacity, with the option to potentially secure up to a further 10 to 20 Mtpa port capacity at the Matola Terminal in Maputo, Mozambique if expanded, and rail allocation from Transnet Freight Rail for the transport of the Group's current coal exports to the Matola Terminal and the Richards Bay Coal Terminal.

The Group also operates an analytical coal laboratory suitably located for the processing of coal from the Group's various projects and collieries, a 50% interest in which has been sold to ArcelorMittal South Africa. NiMag, which is engaged in the manufacture and distribution of nickel magnesium alloys and ferro silicon magnesium alloys, is now considered non-core and negotiations are underway for a potential sale. Similarly, the Group is in the process of selling the Holfontein Project, which was the first thermal coal mining project acquired by the Group in South Africa but is no longer considered suitable for development by Coal of Africa.

In November 2010 the Group entered into the Chapudi Acquisition, pursuant to which the Company expects to acquire three additional project areas. These areas are intended to be grouped into a single complex, the Chapudi Complex, on completion of the acquisition (which remains conditional on certain regulatory approvals being obtained and is expected to occur in the first half of 2012). The Chapudi Acquisition will also provide Coal of Africa with prospecting rights over certain properties which will be consolidated into the Makhado Complex and the Soutpansberg Complex.

A significant proportion of the Group's short to medium term growth potential is in the coking coal projects comprised in the Vele Colliery and the Makhado Project, which are currently targeted to commence production in the first quarter of 2012 and the second half of 2014 respectively. The Vele Colliery is intended to produce 1.0 Mtpa of saleable coking coal initially and, subject to market conditions, ramping up to 4.0 Mtpa with the development of an underground mine in the long term. The Makhado Project is currently in the feasibility stage and production capability is still being assessed, however the Directors expect this project to exceed the Vele Colliery in scale once operational. The Group has also sought to secure its longer term growth through the acquisition of the large scale coking and thermal coal projects comprised in the Soutpansberg Complex and, subject to completion of the Chapudi Acquisition, the Chapudi Complex. The projects comprised in these complexes are all strategically located in close proximity to rail infrastructure providing access to the export markets via the Matola Terminal as well as the domestic market.

Coal of Africa has secured long term port allocation at the Matola Terminal to accommodate the planned growth in the Group's production levels from the Vele Colliery and the Makhado Complex, and at a later stage from the Chapudi and Soutpansberg Complexes, and is working with Transnet Freight Rail (a division of the South African government owned rail and freight organisation) to secure rail capacity for the transport of the coal to the Matola Terminal when the development of these projects into operating mines is completed.

Mooiplaats, a thermal coal colliery which has been in operation since late 2010, is currently producing an average (for the 2011 Financial Year) of approximately 80,000 saleable tonnes of coal per month, and Coal of Africa is targeting average annual production of 1.67 million ROM tonnes in the 2012 financial year. The Group's other producing asset, the Vuna Colliery, a thermal coal colliery acquired through Coal of Africa's acquisition of the NuCoal Group in January 2010, produced an average of approximately 250,000 ROM tonnes of coal per month in the 2011 Financial Year. The current resource at the Vuna Colliery is scheduled to be mined out by 2013 and the Group is considering acquisitions of additional resources in the nearby area to extend the life of mine and the operation of the three beneficiation plants.

The Group has entered into formal off-take/sales arrangements with a number of parties in respect of a portion of its current production. Coal of Africa is also currently negotiating an off-take agreement with ArcelorMittal South Africa, a steel producer operating in South Africa, in relation to between 2.5 Mtpa and 5.0 Mtpa of the coking coal from the Vele Colliery and the Group's other projects in the Limpopo province.

2. History of the Group

The following section summarises key milestones achieved by the Group since the Company's incorporation:

1979	The Company is incorporated in Western Australia under the name Golden Valley Mines Limited.
1980	The Company's shares are listed on the ASX as a mineral exploration company.
2001/2	The Group undertakes a change of business direction to focus on mineral processing and mining with strategy to build a low volatility earning stream from mineral processing before expanding into mining.
December 2003	The Group acquires a 30% interest in SA Mineral Resources Corporation Limited and a controlling interest in the nickel and magnesium manufacturer NiMag (with an option to acquire the remaining share capital).
December 2004	The Company changes its name from Golden Valley Mines Limited to GVM Metals Limited.
April 2005	The Group makes its first coal project acquisition in South Africa, acquiring a 49% interest in the Holfontein Project.
December 2005	The Company's shares are admitted to trading on AIM.
November 2006	The Company's shares are admitted to trading on JSE. The Group acquires a 74% interest in the Vele Colliery.
May 2007	The Group acquires an initial 50% interest in the Makhado Project.
June 2007	The Group acquires the remaining 50% of the Makhado Project, taking its interest in the project to 100%. The Company acquires the remaining 51% interest in the Holfontein Project taking its interest in the project to 100%.
November 2007	The Company changes its name from GVM Metals Limited to Coal of Africa Limited.
February 2008	The Group acquires 100% ownership of the Mooiplaats Colliery and signs a rail co-operation agreement with Transnet Freight Rail for transport of coal from Mooiplaats.

April 2008	The Company signs a letter of intent with ArcelorMittal South Africa in relation to an off-take agreement providing for the purchase of a minimum of 2.5 Mtpa of coking coal. ArcelorMittal South Africa acquires 60 million shares in Coal of Africa (representing approximately 16% of the entire issued share capital of the Company at the time of issue).
November 2008	Production commences at the Mooiplaats Colliery.
January/February 2009	The Company enters into an agreement to secure long term port allocation at the Matola Terminal.
March 2009	The Company negotiates an option agreement with Exxaro to acquire potential ownership of up to 30% of the Makhado Project.
October/November 2009	First sale and loading of coal at the Mooiplaats Colliery. The Company enters into the Farm Swap Agreement and a separate agreement with Sekoko, in each case for the exchange of certain prospecting rights and interests over project areas in the Limpopo province.
October 2009	The Company enters into an agreement to acquire NuCoal and raises approximately £57 million through a placing of new Shares at £0.95 per Share to fund the NuCoal acquisition.
December 2009	The Company executes formal option agreements with Firefly, a BEE partner, to acquire 50,000,000 Shares at £0.60 each.
January 2010	The NuCoal Acquisition is completed and the NuCoal Group becomes part of the Group.
February 2010	The Group is granted a NOMR for the Vele Colliery and a conditional NOMR for the Holfontein Project. The Company increases its ownership of the Vele Colliery to 100%.
March 2010	Site works commence at the Vele Colliery.
June 2010	The Company raises approximately £55 million through a placing of new Shares at £1.10 per Share to fund, among other things, a bulk sample for the Makhado Project and the Definitive Feasibility Study for the Makhado Project.
September 2010	The Group receives approval from the DMR for the transfer of prospecting rights under the Farm Swap Agreement, consolidating certain tenements contiguous to the Makhado Project.
November 2010	The Company enters into the Chapudi Acquisition agreement with, among others, Rio Tinto and Kwezi.
January 2011	The Group applies for an NOMR for the Makhado Project.
March 2011	The Group secures a revolving thermal coal export finance facility for up to US\$50 million with Deutsche Bank.
April 2011	The Department of Water Affairs grants an Integrated Water Use Licence for the Vele Colliery.
July 2011	The Department of Environmental Affairs grants the necessary Environmental Authorisation for the Vele Colliery.
July/August 2011	Appeal is lodged against Vele Colliery's water use licence and a request is made to the Minister of Water and Environmental Affairs for the suspension of the licence to be lifted pending the outcome of the appeal.
September 2011	The Company enters into a memorandum of agreement with the Department of Environmental Affairs and South African National Parks in relation to the Mapungubwe Cultural Landscape World Heritage Site.

The Minister of Water and Environmental Affairs lifts the suspension of the water use licence for the Vele Colliery pending hearing of the appeal by the Water Tribunal.

3. Details of the Group Restructure

The Group is proposing to carry out the Group Restructuring in the next 12 months, pursuant to which, following a scheme of arrangement in Australia to implement a share for share exchange (on a one for one basis), a new company incorporated in Jersey ("JerseyCo"), will replace the Company as the ultimate holding company of the Group.

The Group Restructuring is largely driven by the Company being deemed to be tax resident in South Africa, notwithstanding its jurisdiction of incorporation being in Western Australia. The Company's deemed tax residency creates a number of issues, including that a withholding tax of at least 5% would be payable on any dividend paid to Shareholders in the future and that interest payments to foreign lenders are likely to be subject to 10% withholding tax. Significant Shareholders who are not resident in South Africa may also be subject to capital gains tax in South Africa on a disposal of their Shares. The Group Restructuring is being carried out, in part, to overcome these tax inefficiencies.

The Group Restructuring will be implemented by a scheme of arrangement, which will require Shareholder approval, and further details of the Group Restructuring will be provided to Shareholders in due course. The Group Restructuring is expected to be completed in the first half of 2012.

4. The Group's key strengths

The Directors consider that the Group's key strengths are:

- multiple large scale coking coal projects providing a well defined path for long term growth to enhance the Group's existing thermal coal portfolio;
- the strategic locations of the Group's projects with access to rail and port infrastructure creates a favourable position for the Company to supply coking coal to both South African and international steel producers;
- a future revenue stream underpinned by strong global and off-take demand for highly sought after coking coal, with a significant amount of thermal coal as a secondary option; and
- a strong and experienced management team.

Multiple large scale coking coal projects providing a well defined path for long term growth to enhance the Group's existing thermal coal portfolio

The Group has six significant size coking coal projects in various stages of exploration and evaluation and development and expects to acquire four more large scale coking coal projects (and to increase the size of some of its existing projects) through the Chapudi Acquisition. These projects underpin the Group's clear strategy to consolidate various tenements in order to create scale in the new mining development projects and thereby achieving long term growth in the market for coking coal. Coking coal typically generates a significantly higher price than thermal coal while having similar production costs, and therefore offers higher margins from sales.

The Vele Colliery is currently planned to commence commercial production in the first half of 2012. The timing for commencement of production at the Makhado Project is being considered as part of the Definitive Feasibility Study which is currently in progress however, subject to the necessary approvals being obtained, the current target is that first production will occur in the second half of 2014. The Group also has longer term growth potential through its acquisition of the various coking and thermal coal projects comprised in the Soutpansberg Complex and the Chapudi Complex (which are either currently owned by Coal of Africa or being acquired through the Chapudi Acquisition).

The Group's long term coking coal potential will build on its existing thermal coal operations. Coal of Africa already has two thermal coal collieries, the Mooiplaats Colliery and the Vuna Colliery, which are fully operational and are projected to collectively produce 4.6 Mtpa of ROM coal in the 2012 financial year. Revenue from sale of thermal coal from these collieries will drive the continued operation and growth of the Group's business, until the Vele Colliery and the first elements of the Makhado Complex are fully developed and come into production. The projects which are currently owned by the Group have an aggregate resource base of approximately 2.4 billion tonnes. The

Chapudi Acquisition, once completed, will also provide the Group with a further resource base which has been estimated by Rio Tinto to be in excess of 1.0 billion tonnes and which the Directors believe will significantly exceed that amount.

The strategic locations of the Group's projects with access to rail and port infrastructure creates a favourable position for the company to supply coking coal to both South African and international steel producers

The geographic location of the Group's mining projects will enable Coal of Africa to supply coal to major South African steel producers, such as ArcelorMittal South Africa, on a more cost effective basis than coal suppliers from outside South Africa. The Directors consider that these strategic locations provide a significant advantage for the Group given that current domestic coking coal supplies to the South African steel industry are insufficient to meet demand and, therefore, major steel producers in South Africa (in particular ArcelorMittal South Africa) are having to use imported coking coal to meet their needs.

The Group is also well positioned to supply international steel producers, having secured a long term channel to supply export markets through the Matola Terminal, with existing allocation for the Group's current production and the option to secure future allocation for the planned coking coal production from the Vele Colliery and the Makhado Project, and allocated rail capacity with Transnet Freight Rail for the transport of coal to the Matola Terminal. The Group currently has a 3.0 Mtpa export allocation at the Matola Terminal and has an option to secure up to 100% of the increased capacity from any further expansion undertaken at the terminal. If commissioned, the next phase of the development and expansion Matola Terminal is estimated to add between 10 and 20 Mtpa to the port's capacity, significantly increasing the Group's allocation at the terminal if the Group was to exercise its option either fully or in part. The Group is in discussions with Transnet Freight Rail regarding options for the transport of coal to the Matola Terminal.

A future revenue stream underpinned by strong global and off-take demand for highly sought after coking coal

The Group has entered into agreements which provide for the sale of a significant proportion of its current and planned future production. ArcelorMittal South Africa has entered into a letter of intent in respect of the purchase of between 2.5 Mtpa and 5.0 Mtpa of coking coal from the Group's Vele Colliery and Makhado Complex once in production. The Company is currently in negotiations to formalise the off-take agreement with ArcelorMittal South Africa which will finalise the detailed terms of this arrangement. In addition, the Group has entered into off-take/sales arrangements with a number of third parties. These off-take agreements provide the Group with a well defined future revenue stream from the sale of its thermal and coking coal.

Strong and experienced management team

Coal of Africa has an experienced and respected senior management team with significant expertise in the resources industry. John Wallington, the CEO, has over 30 years' experience in the coal mining industry and was chief executive officer of Anglo Coal's South African region and later Anglo Coal's global business. Wayne Koonin, the Financial Director, has over 13 years' experience in this capacity with local and international companies, of which 10 years has been at an international level in the mining industry. Riaan van der Merwe, the Group's Chief Operating Officer, has more than 20 years' experience in the South African coal industry and has worked for other major operators in the industry, including as leader of Anglo Coal South Africa's growth projects and mining services. Willie Hattingh, General Manager Business Development, has 10 years in senior management in the international mining industry, with his previous position being Marketing Manager – Atlantic Thermal Coal with Xstrata Coal South Africa, managing approximately 25 Mtpa of Xstrata Coal South Africa's thermal coal sales into the Atlantic basin and South Africa domestic market.

The senior management team have been responsible for successfully re-developing the Group as a revenue generating coal mining, exploration and development group with a solid base of producing assets and long term growth potential, in particular through the integration of the NuCoal Group and the Soutpansberg Complex projects. Management is supported by a well-resourced and highly capable team of geologists and process and mining engineers who, through many years of industry experience, have a detailed understanding of the Group's mineral resources and operational processes, and the ability to efficiently develop the Group's projects into producing assets.

5. Strategy

Coal of Africa's strategy is to continue to focus on the acquisition, exploration and development of coking and thermal coal projects principally in South Africa and, in doing so, to:

- commence and expand production of higher-revenue producing coking coal through the development of key projects, including the Vele Colliery and the Makhado Complex, the Soutpansberg Complex and, subject to completion of the Chapudi Acquisition, the Chapudi Complex;
- position itself as an alternative source of supply of coking coal both in South Africa and internationally;
- benefit from access to and exploit anticipated growth markets, predominantly China, India and the Far East;
- commence production of coking coal in South Africa in order to be a low cost supplier to South African steel manufacturers such as ArcelorMittal South Africa; and
- continue to increase production output from the existing thermal coal operations and utilise existing beneficiation capacity.

The Group's strategy in the longer term is also to actively seek and pursue opportunities to diversify its business geographically through the acquisition of exploration or development stage, or operating, thermal and coking coal assets outside of South Africa.

6. Current trading and prospects

In the three month period ending on 30 September 2011:

- the Mooiplaats Colliery and Vuna Colliery collectively produced 1,199,902 tonnes of ROM coal and 652,060 tonnes of export quality coal;
- sales of export coal by the Group decreased to 277,499 tonnes due to weaker international market conditions and infrastructure failures at the Matola Terminal;
- at the Mooiplaats Colliery, the transition to an owner-managed mine from 1 July 2011 facilitated direct management of the operation and an improved overall performance. The reduction in ROM contamination resulted in the yield improving from 64.0% in the previous quarter to 67.4%. Coal production increased by 28.6% to 301,788 ROM tonnes compared to 234,655 ROM tonnes in the previous quarter. A fifth underground section was commissioned in September 2011; and
- at the Woestalleen Complex, ROM coal production decreased from 970,220 tonnes to 898,114 tonnes, principally as a result of the Hartogshoop pit being mined out in the previous quarter. The Woestalleen wash plant produced 470,482 tonnes of export quality coal and a further 108,648 tonnes of lower grade product for Eskom, the South African electricity utility.

At 30 September 2011, total cash on hand and call deposits was US\$23.4 million and undrawn loan facilities and standby credit arrangements was US\$17.5 million. As noted in the Group's financial statements for the 2011 Financial Year published on 19 September 2011 (and as also noted in the Group Financial Information set out in Part VI ("*Group Financial Information*") of this document), the Group has a continuing need for further capital investment for the exploration, development and continuing operation of its projects, including completion of the Chapudi Acquisition. The Group also currently has an ongoing need for short term funding to meet its working capital requirements and the costs of ramping up operations at the Vele Colliery. The Directors are at an advanced stage of negotiation of a new US\$40 million working capital facility and remain confident of securing other sources of financing as necessary to meet the Group's ongoing capital expenditure requirements. The Group is also committed to the sale of certain of its assets, including NiMag and the Holfontein Project, and the Directors are confident of completing the sale of one or both of these assets within the 12 months following the date of this document, which would realise further cash resources for the Group.

The Directors believe that the outlook for both the coking and the thermal coal markets remains reasonably robust in the medium to long term. The Directors expect that the short term will continue to be characterised by the economic volatility currently being experienced globally, and the medium to longer term fundamentals will essentially be driven by further demand for growth from India and China coupled with the ongoing supply side constraints that are likely to keep the supply/demand equation in balance.

7. Dividend policy

The Company does not currently intend to pay a dividend in the foreseeable future. The declaration and payment by the Company of any future dividends and the amount of any such dividends will depend upon the Group's results, financial condition, future prospects, profits being available for distribution and any other factors deemed by the Directors to be relevant at the time, subject always to the requirements of applicable laws.

8. The Group's projects and operations

8.1 Overview

The tables below provide an overview of the Group's principal early operation and development stage projects, exploration stage projects, and operating collieries.

Development and feasibility stage projects

	<i>Vele Colliery</i>	<i>Makhado Complex⁽¹⁾</i>
Ownership	100%	100% ⁽²⁾
Location	Tuli coal field, Limpopo province, South Africa	Soutpansberg coal field, Limpopo province, South Africa
Coal	Coking	Coking
Planned mine type	Open cast initially, with underground mining at a later stage, subject to market conditions	To be confirmed on completion of Definitive Feasibility Study but currently expected to be open case, with underground mining at a later stage
Estimated resources⁽³⁾⁽⁴⁾ (GTIS)	803.8 Mt	879.7 Mt
Estimated reserves⁽³⁾ (MTIS)	332.7 Mt	Coal reserves will only be estimated once the Definitive Feasibility Study has been completed (currently expected to occur by the end of 2011)
Expected life of mine	33 years	Mine plan to be finalised on completion of the Definitive Feasibility Study
Targeted commencement of construction	Construction nearing completion	Estimated for mid 2012, to be completed within 18-24 months
Targeted commencement of production	First quarter 2012	Targeted for the second half of 2014, subject to completion of the Definitive Feasibility Study and obtaining the necessary licences and consents
Target initial production	2.7 Mtpa ROM, 1.0 Mtpa saleable	Subject to completion of the Definitive Feasibility Study
Planned transport logistics	Coal will be trucked to the rail siding at Musina (approximately 50 km), then transported for export to the Matola Terminal or domestically to ArcelorMittal South Africa plants by rail on the existing rail network	Feasibility study is currently being completed. The Company expects to construct approximately 20 to 25 km of rail lines from a siding at Huntleigh to link operations with direct rail links into the existing rail infrastructure in the area

Notes:

(1) Comprising the Makhado Project and the Makhado Extension project.

(2) Subject to Exxaro option to acquire up to 30% of the Makhado Project.

(3) As at 31 August 2011. The information in this table in relation to resources and reserves is in compliance with the JORC Code and has been extracted without material adjustment from the Mineral Expert's Report set out in Part IX ("Mineral Expert's Report") of this document.

(4) Resources are stated inclusive of reserves.

Exploration stage projects

	<i>Soutpansberg Complex⁽¹⁾</i>
<i>Ownership</i>	100%
<i>Location</i>	Soutpansberg coal field, Limpopo province, South Africa
<i>Coal</i>	Coking and thermal
<i>Planned mine type</i>	Both open cast and underground
<i>Estimated resources⁽²⁾ (GTIS)</i>	624.9 Mt
<i>Estimated reserves</i>	As a result of the current stage of development, no reserves have yet been declared. Reserves can only be declared once a mining plan has been prepared by Coal of Africa.
<i>Planned transport logistics</i>	Feasibility study is to be completed. The Company expects to construct rail lines to link into the planned Makhado infrastructure and existing rail infrastructure in the area. There will be some limited road transport.

Notes:

(1) Comprising the Voorburg Project, the Mount Stuart Project and the Jutland Project.

(2) As at 31 August 2011. The information in this table in relation to resources and reserves is in compliance with the JORC Code and has been extracted without material adjustment from the Mineral Expert's Report set out in Part IX ("*Mineral Expert's Report*") of this document.

Operating collieries

	<i>Mooiplaats Colliery</i>	<i>Woestalleen Complex</i>
<i>Ownership</i>	100% ⁽¹⁾	100% ⁽²⁾
<i>Location</i>	Ermelo coal fields, Mpumalanga province, South Africa	Witbank coal field, Mpumalanga province, South Africa
<i>Coal</i>	Thermal	Thermal
<i>Mine type</i>	Underground	Open cast
<i>Estimated resources (GTIS)⁽³⁾⁽⁴⁾</i>	92.3 Mt	6.8 Mt ⁽⁵⁾
<i>Estimated reserves (MTIS)⁽³⁾</i>	31.6 Mt	6.2 Mt ⁽⁵⁾
<i>Current production⁽⁶⁾</i>	approximately 60,000 Mtpm for the year ramping up to 80,000 Mtpm by the end of the 2011 Financial Year	approximately 250,000 Mtpm
<i>Remaining life of mine</i>	13 years	1.5-2 years ⁽⁷⁾
<i>Beneficiation plant capacity</i>	One plant with a total processing capacity of 220,000 ROM feed tonnes per month	Two plants with a total processing capacity of 350,000 ROM feed tonnes per month
<i>Transport logistics</i>	Coal is trucked from the colliery site directly to customers or to the Umlabo rail siding (approximately 40 km) for transport to the Richards Bay Coal Terminal or the Matola Terminal.	Coal is trucked from the pit to the beneficiation plants, then railed directly from the siding at the colliery to the Richards Bay Coal Terminal or the Matola Terminal for export. Some coal is also trucked from the plant directly to domestic customers.

Notes:

- (1) The Company is involved in litigation in respect of 26% of its shareholding in Mooiplaats Mining. For further details please see Section 13 of Part VII ("*Additional Information*") of this document.
- (2) The Company, through its 100% owned subsidiary NuCoal, currently only owns 49% of Vuna Mining, the holder of the NOMR for the Vuna Colliery. The Company has effective control of the Vuna Colliery through a management and coal purchase agreement between NuCoal and Vuna Mining.
- (3) As at 30 June 2011. The information in this table in relation to resources and reserves is in compliance with the JORC Code and has been extracted without material adjustment from the Mineral Expert's Report set out in Part IX ("*Mineral Expert's Report*") of this document.
- (4) Resources are stated inclusive of reserves.
- (5) Only the Vuna Colliery has been taken into account in the estimate of resources and reserves for the Woestalleen Complex. The other projects comprised in the Woestalleen Complex, Hartogshoop and Klipbank, have been excluded on the basis that the remaining resource is immaterial and currently considered uneconomical to mine.
- (6) Average for the 2011 Financial Year.
- (7) Vuna Colliery only. The Hartogshoop and Klipbank projects have been mined out and the remaining resource is considered uneconomical to mine.

8.2 Resource and reserve estimates

The table below provides a summary of the Group's resources and reserves. For more details please see the Mineral Expert's Report in Part IX ("*Mineral Expert's Report*") of this document.

The table below sets out the resources and reserves at each of the Group's projects as at 30 June 2011, such information has been extracted without material adjustment from Part IX ("*Mineral Expert's Report*") of this document.

Coking and thermal coal projects

	<i>Resources⁽¹⁾⁽²⁾</i>			<i>Reserves⁽¹⁾</i>		
	<i>GTIS</i>	<i>MTIS</i>	<i>Proven</i>	<i>Probable</i>	<i>Total</i>	
Vele Colliery	803.8 Mt	369.6 Mt	0	332.7 Mt		332.7 Mt
Makhado Complex	879.7 Mt	411.2 Mt	0	0		0
Soutpansberg Complex	624.9 Mt	237.3 Mt	0	0		0

Notes:

- (1) As at 31 August 2011. The information in this table in relation to resources and reserves is in compliance with the JORC Code and has been extracted without material adjustment from the Mineral Expert's Report set out in Part IX ("*Mineral Expert's Report*") of this document.
- (2) Resources are stated inclusive of reserves, where applicable.

Thermal coal collieries

	<i>Resources⁽¹⁾⁽²⁾</i>			<i>Reserves⁽¹⁾</i>	
	<i>GTIS</i>	<i>MTIS</i>	<i>Proven</i>	<i>Probable</i>	<i>Total</i>
Mooiplaats Colliery	92.3 Mt	50.8 Mt	31.6 Mt	0	31.6 Mt
Woestalleen Complex ⁽³⁾	6.8 Mt	6.2 Mt	6.2 Mt	0	6.2 Mt

Notes:

- (1) As at 30 June 2011. The information in this table in relation to resources and reserves is in compliance with the JORC Code and has been extracted without material adjustment from the Mineral Expert's Report set out in Part IX ("*Mineral Expert's Report*") of this document.
- (2) Resources are stated inclusive of reserves, where applicable.
- (3) Only the Vuna Colliery has been taken into account in the estimate of resources and reserves for the Vuna Complex. The other projects comprised in the Woestalleen Complex, Hartogshoop and Klipbank, have been excluded on the basis that the remaining resources are considered uneconomical to mine.

The resource and reserve estimates set out above have been prepared in compliance with the JORC Code.

8.3 Production

The table below sets out information in relation to the amount of saleable coal produced by the Group's operating mines for the 2009 Financial Year, the 2010 Financial Year, and the 2011 Financial Year.

	<i>Year ended 30 June</i>		
	<i>2009</i>	<i>2010</i>	<i>2011</i>
	<i>(tonnes)</i>	<i>(tonnes)</i>	<i>(tonnes)</i>
Mooiplaats Colliery	4,721	259,270	991,237
Woestalleen Complex ⁽¹⁾	—	1,020,140	2,324,972

Note:

- (1) Production numbers are only included for the Woestalleen Complex since its acquisition by the Group on 1 January 2010.

8.4 Description of the Group's collieries and projects

Vele Colliery (coking coal)

The Vele Colliery is located in the Tuli coal fields in the Limpopo province. Coal of Africa acquired an initial 74% of the project in March 2006 and moved to 100% ownership in February 2010, following the grant of the NOMR for the project. Vele comprises the first coking coal project for the Group and represents a significant expansion in Coal of Africa's resource base and production

capability, with initial production targeting at 1.0 Mtpa saleable coal with the potential, in the longer term and subject to market conditions, to produce up to 4.0 Mtpa of saleable coking coal from both open cast and underground mines.

The Vele Colliery area is bounded to the north by the Limpopo River, which defines the international border with Zimbabwe. The easternmost boundary of the Mapungubwe National Park (Mapungubwe) is situated approximately five kilometres to the west of the westernmost boundary of the Vele Colliery area. The Mapungubwe World Heritage Core Site is situated approximately 16 kilometres to the west of the westernmost boundary of the Vele Colliery area.

The initial phase of development at the Vele Colliery, which commenced following the grant and execution of the NOMR, comprises the establishment of a modular coal treatment plant with the capacity to deliver approximately 1 Mtpa (yield dependent) of saleable coking coal, with ROM coal planned to be sourced from opencast mining. A substantial amount of work on the initial phase has already been undertaken. Dry and wet commissioning of the modular plant has been successfully completed and construction of the supporting infrastructure is progressing according to schedule. The rail siding in nearby Musina has been upgraded to facilitate the transport of coal from Vele.

The Directors had originally expected to commence production and to have reached the 1.0 Mtpa ROM coal production target rate by the end of 2010. However, as a consequence of opposition to the operation of the Vele Colliery from a coalition of non-government organisations, the Department of Environmental Affairs issued a Compliance Notice in August 2010 requiring the cessation of all activities on site on the ground that various activities associated with mining had commenced without environmental authorisation. Coal of Africa fully adhered to the terms of the compliance notice and suspended all operations at the project. The compliance notice was lifted by the DEA in July 2011 and authorisation was granted by the DEA to commence operations. However, the same coalition of non-government organisations submitted an appeal against the grant of the water use licence to the South African Water Tribunal on 28 July 2011, leading to the automatic suspension by operation of law of such licence. The Company subsequently exercised its right to make representations to the Minister of Water and Environmental Affairs and on 18 October 2011, the Minister lifted the suspension of the water use licence pending hearing of the appeal. Work began again on construction at the site during July 2011 and is expected to be completed during the fourth quarter of 2011, at which point production can commence.

The Directors will consider the further development of the Vele Colliery in the future. The timing of any such development would depend on coal market conditions and certain other factors at the proposed time for implementation.

No mining has taken place at the Vele Colliery. However, it is anticipated that initial mining at Vele will utilise opencast methods. A memorandum of understanding has been signed with MCC Contracts, the selected open-cast mining contractor in respect of the Vele Colliery. This is expected to be formalised into a mining contract by the end of 2011.

Subject to concluding the necessary agreements, the Company is currently targeting that most if not all of the initial production will be purchased by ArcelorMittal South Africa. The Company has entered into a letter of intent with ArcelorMittal South Africa which provides for the potential off-take from Vele (and the Group's other coking coal projects in the Limpopo province) of between 2.5 Mtpa and 5.0 Mtpa. Coal of Africa is currently negotiating with ArcelorMittal South Africa to formalise the letter of intent into an off-take agreement.

The Vele Colliery's total resource base currently stands at 803.8 Mt of coking coal. The Group has estimated the overall life of mine for Vele at 33 years. Further information on the Vele Colliery can be found at Section 15 of the Mineral Expert's Report, as set out in Part IX ("*Mineral Expert's Report*") of this document.

Makhado Complex (coking coal)

The Makhado Complex is located in the Soutspansberg coalfield in the Limpopo province of South Africa, and comprises the Makhado Project and the Makhado Extension. Further information on the Makhado Project and the Makhado Extension can be found at Section 16 of the Mineral Expert's Report set out in Part IX ("*Mineral Expert's Report*") of this document.

Makhado Project

The Makhado Project is located in the Mopane/Soutspansberg coalfield in the Limpopo province. The Company estimates that the Makhado Project has the potential capacity to produce 5.0 Mtpa of

saleable coking coal when fully operational. The latest resources statement indicates a total resource base at the Makhado Project of 879.7 Mt.

The NOMR application for the Makhado Project was lodged with the DMR in January 2011 and formally accepted by the DMR at the end of February 2011. This allowed for commencement of the rigorous processes required prior to granting of the NOMR. The NOMR is expected to be granted by July 2012. Coal of Africa is progressing with extensive economic, social and environmental impact studies as part of an intensive process of formulating the detailed Environmental Management Programme for the Makhado Project. The review process for the Makhado Definitive Feasibility Study was completed during the first quarter of 2011, and the detailed design phase of the project will commence on completion of the DFS and approval by the Board. The mine plan for Makhado will be designed to accommodate the Mudimeli village which is located within the proposed mining area, including any required buffer zone. The Directors expect that the DFS will be completed and Board approval will be given by the end of 2011. Construction of the infrastructure for the Makhado Project, and the subsequent production of coal, can only begin on completion of the DFS, the granting of the NOMR and compliance with other statutory requirements. Once commenced, the Directors expect that construction at the Makhado Complex will take between 18-24 months, with the Group targeting first coal production in the second half of 2014.

In 2010 Coal of Africa received approval from the DMR for the extraction of a 19,100 tonne bulk sample from the Makhado Project. The extraction of the bulk sample was completed in April 2011 and the coal was transported to Exxaro's Tshikondeni colliery for processing. The sample yielded product for testing by ArcelorMittal South Africa and other potential export customers. The initial results from the bulk sampling exercise indicate that a semi-hard coking coal product will be produced at the Makhado Project, although the Directors believe that the project may also yield a hard coking coal. The results of these tests are facilitating the finalisation of the proposed off-take agreement between Coal of Africa and ArcelorMittal South Africa. Whilst no off-take agreements or contracts are in place for the Makhado Project coal currently, however as noted above in the Vele Colliery summary, the Company has entered into a letter of intent with ArcelorMittal South Africa, which could result in an off-take agreement.

Once the sample analysis by ArcelorMittal South Africa is complete, the Company will commence work on a detailed development plan for the project. A high level study on the processing plant required for the project has already commenced. Development of the project will only commence once the Group has obtained the necessary funding and/or entered into an off-take agreement for the sale of coal from the Makhado Project.

During 2010 the DMR approved the exchange of prospecting rights and interests over certain project areas which had been agreed between Coal of Africa and Rio Tinto pursuant to the Farm Swap Agreement and in January 2011 the various NOPRs resulting from the Farm Swap Agreement were executed, representing the final administrative process to complete the transaction. The rationalisation of farms pursuant to the Farm Swap Agreement brought three further significant prospecting areas into the Makhado Project.

The Group has entered into an agreement (described in Section 11.13 of Part VII ("*Additional Information*")) of this document) with Exxaro, a South African-based mining group listed on the JSE, under which Exxaro has been granted an option to acquire up to 30% of properties comprised in the Makhado Project. If the option is exercised, Exxaro will also contribute to the capital expenditure and operating costs of, and share in the profits from, the Makhado Project on a proportional basis.

Makhado Extension

The Makhado Extension project comprises two farms which are adjacent to the eastern boundary of the Makhado Project area. The Company holds NOPRs over these two farms however they were not included in the NOMR application for the Makhado Project and are expected to be developed at a later stage.

Soutpansberg Complex (coking and thermal coal)

The Soutpansberg Complex is located in the Soutpansberg coalfield in the Limpopo province of South Africa, and comprises the Voorburg Project, the Mount Stuart Project and the Jutland Project. Further information on the Voorburg Project, the Mount Stuart Project and the Jutland Project can be found at Sections 17, 18 and 19 of the Mineral Expert's Report as set out in Part IX ("*Mineral Expert's Report*") of this document, respectively.

The prospecting rights over the Soutpansberg Complex properties are a combination of prospecting rights already held by Coal of Africa and additional prospecting rights being acquired by Coal of Africa pursuant to the Chapudi Acquisition (certain of which were previously owned by Coal of Africa but were transferred to Rio Tinto pursuant to the Farm Swap Agreement). Coal of Africa therefore does not currently own the prospecting rights for some of the properties within the Voorburg Project area and the Jutland Project area. Coal of Africa owns all the prospecting rights for the Mount Stuart Project.

The current total estimated resource of the Soutpansberg Complex projects is 624.9 Mt. This does not include the Jutland Project, for which there is currently insufficient information available for the preparation of a resource estimate.

Mooiplaats Colliery (thermal coal)

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. The first sale and loading of coal at Mooiplaats took place in September 2009 and by the end of June 2011 the Company had sold over 1,928,943 tonnes of coal, comprising both lean coal and export quality thermal coal.

The Mooiplaats Colliery produced an average of approximately 60,000 ROM tonnes per month in the 2011 Financial Year. The raw coal is processed in the colliery's two modular plants to produce an export product and a locally sold thermal product. Coal has been sourced from neighbouring collieries for processing at the two plants, and the colliery generated an average of approximately 84,000 saleable tonnes per month in the 2011 Financial Year.

Mining at Mooiplaats was carried out until June 2011 by a contract miner however, following an operational assessment by Coal of Africa management it was decided to terminate the existing arrangements and Coal of Africa subsequently took over operations itself, retaining the existing workforce and equipment. The transition to an owner-managed operation has gone well and resulted in significant efficiencies and an increase in production from an average of 78,218 tonnes per month in the three months prior to the change to an average of 85,211 tonnes per month in the three subsequent months.

The estimated current total resource (which includes reserves) at Mooiplaats is 92.3 Mt, but there may be potential to significantly increase this if the Group decides to acquire the mineral rights over certain neighbouring farms. The overall remaining life of mine for Mooiplaats is estimated at 13 years. Further information on the Mooiplaats Colliery can be found at Section 13 of the Mineral Expert's Report set out in Part IX ("*Mineral Expert's Report*") of this document.

Woestalleen Complex (thermal coal)

The Woestalleen Complex is situated in the Witbank coalfield and comprises the Vuna Colliery and three coal beneficiation plants with combined total nameplate capacity of 350,000 ROM feed tonnes per month. The Woestalleen Complex area also includes the Hartogshoop and Klipbank projects, however both are effectively mined out, as any remaining coal would be uneconomical to mine, and have been excluded from the resource and reserve estimates prepared by Venmyn which are set out in the Mineral Expert's Report and summarised earlier in this Part VI. Further information on the Woestalleen Complex can be found at Section 14 of the Mineral Expert's Report set out in Part IX ("*Mineral Expert's Report*") of this document.

The Woestalleen Complex assets were acquired by Coal of Africa through the acquisition of NuCoal in January 2010. Coal of Africa produced an average of approximately 250,000 ROM tonnes per month in the 2011 Financial Year. ROM coal from the Vuna Colliery is transported approximately 37km by truck to the beneficiation plants where it is washed, along with other external sources of coal, to produce an average (over the 2011 Financial Year) of 190,000 tonnes per month of saleable coal. There is a rail siding at the colliery adjacent to the processing plant which enables coal to be railed to both the Richards Bay Coal Terminal and the Matola Terminal for export. The majority of coal processed at Woestalleen is transported by rail to these terminals, with the remainder being trucked directly to domestic customers.

Vuna mine consists of a north and a south portion. Only the southern portion is being mined and is currently rapidly depleting. Regulatory approvals are necessary for the extension of the mining

footprint into the northern portion, specifically the mining right extension, EMP and IWUL amendment.

The Vuna Colliery has an estimated resource base of 6.8 Mt of thermal coal (which includes reserves) and the remaining life of mine is estimated at 1.5 – 2 years. The Directors are considering various alternatives in the surrounding area to extend the life of the mine, however it is possible that none of these alternatives will be economically viable. In that case, the Directors would need to determine the best use of the beneficiation plants once the Vuna Colliery resource is fully mined out. A number of options may be available, including using the facility as a washing plant for other mining businesses in the area or entering into arrangements with Eskom and potentially Transnet Freight Rail to use the facility as a central point for processing coal in the area and then railing it to the Eskom power stations. If neither of those or any other options are available, Coal of Africa would look to decommission and dismantle the plant then sell the various components.

Holfontein Project

This is the first mining project which Coal of Africa acquired in South Africa. The Holfontein Project is located near the middle of Sasol's Secunda coal production area. It has remained undeveloped partly due to interpreted geological complexity and partly because of fragmented ownership. Coal of Africa currently holds a 100% interest in this project.

The DMR granted the Company a conditional NOMR in relation to the project in January 2010. The Company considers the Holfontein Project as an asset available for sale and has entered into a sale process for the disposal of this project. For this reason it has not been included in the Group's resource and reserve estimates prepared by Venmyn which are set out in the MER and summarised earlier in this Part VI.

8.5 Chapudi Acquisition and the Chapudi Complex

In November 2010 Coal of Africa, through one of its subsidiaries, entered into an agreement to acquire all of the shares in Chapudi Coal and KME for a total of US\$75 million. Chapudi Coal and KME are the holders of the prospecting rights over certain properties located in the Limpopo Province of South Africa, in close proximity to the Group's existing Makhado Complex and Soutpansberg Complex. On completion of the Chapudi Acquisition Coal of Africa intends to group the three most significant of these project areas into a single complex, the Chapudi Complex, comprising the Chapudi Project, the Chapudi West Project and the Wildebeesthoek Project. The remaining properties will be consolidated into the Group's existing Makhado Complex and Soutpansberg Complex.

The Chapudi Acquisition was initially intended to be completed on 1 August 2011. However, as certain conditions to completion of the acquisition were not satisfied by the required deadline a subsequent amendment to the original agreement was entered into pursuant to which the deadline for satisfaction of the conditions precedent was extended to 30 April 2012. The sole remaining conditions to be satisfied for the completion of the Chapudi Acquisition are ministerial consent under section 11 of the MPRDA and the granting of certain additional prospecting rights to Chapudi Coal and KME. The Directors are confident that this consent will be given and the additional prospecting rights will be granted without the need for further extension of the deadline.

Of the original purchase consideration of US\$75 million for the Chapudi Acquisition, US\$73 million remains payable in two separate tranches of US\$43 million and US\$30 million. Subject to timing of the remaining regulatory approvals, these amounts are anticipated to be paid by early 2012 and by mid-2013 respectively. Following completion of the Chapudi Acquisition, further funding will be needed to finance the remainder of the exploration programme and for the technical studies which will be required in order to lodge applications for NOMRs. The Group has a wide variety of options available to obtain this funding at the required time, including further debt or equity financing, or the sale of non-core assets if appropriate.

The Directors believe that the Chapudi Acquisition will, on completion, provide Coal of Africa with coking and thermal coal resources estimated by Rio Tinto to be in excess of 1 billion tonnes (and which the Directors believe may be significantly higher), thereby cementing Coal of Africa's position as the largest holder of prospecting rights in the Soutpansberg Basin, one of South Africa's most prospective coal basins. The assets being acquired through the Chapudi Acquisition are expected to be suitable for development of thermal and coking coal operations. The Directors believe that strong potential exists for development of an independent power producer project in the region, which Coal of Africa would seek to develop with local BEE partners, bolstering the domestic market together

with international markets already being developed given the ready access to export markets through the Matola Terminal. The Directors also consider that Coal of Africa's strong presence in the region, together with Coal of Africa's logistics capability and the coking application of the assets being acquired through the Chapudi Acquisition are likely to present significant opportunities in the region as it develops, allowing Coal of Africa to capitalise on a first-mover advantage through consolidating, joint ventures or otherwise restructuring its presence in the Soutpansberg Basin.

8.6 Other projects and activities

Polokwane coal laboratory

The Company has also constructed an analytical coal laboratory in Polokwane, the capital of the Limpopo province, to facilitate scientific analysis of coal samples from Coal of Africa's mining projects. The laboratory has the capacity to provide services to third parties and since coming on line has performed petrographic and thermal coal tests on samples from the Vele Colliery and the Makhado Complex.

In April 2011 Coal of Africa entered into an agreement with ArcelorMittal South Africa for the acquisition of a 50% interest in the Polokwane laboratory by ArcelorMittal South Africa, which was completed in September 2011.

NiMag

The NiMag Group, which is 100% owned by Coal of Africa, is engaged principally in the manufacture and distribution of nickel magnesium alloys and ferro-silicon magnesium alloys. Having begun producing alloys in 1962, NiMag currently manufactures specialised master alloys of nickel and magnesium for the specialised foundry industry including aerospace, aeronautical, motor, steel mill roll and associated industries.

Before the acquisition of NuCoal, NiMag was the principal source of revenue to the Group although as the Group has become a coal mining, exploration and development group, the NiMag Group is considered to be non-core and the Group is in the process of selling it.

9. Rail and port logistics

The logistical arrangements for processing, rail transport and export of the Group's coal production depend on which mine the coal is extracted from and the contractual arrangements applying to its purchase. ROM coal extracted from the Mooiplaats Colliery is processed on-site and then trucked either directly to customers or to the rail siding at Umlabo, for transport on to the Matola Terminal or the Richards Bay Coal Terminal. At the Group's other operational colliery, the Vuna Colliery, other than a small amount of ROM coal which is trucked directly to customers, most ROM coal is trucked to the two beneficiation plants at the colliery for processing, before being trucked on to customers or sent to port (principally the Matola Terminal) from the rail sidings located at the colliery.

It is expected that coal extracted from Vele will also be processed on-site and trucked directly from mine to rail siding at Musina for collection. Potential rail links to transport the coal from the Vele Colliery to the current Transnet Freight Rail infrastructure will be investigated should there be future expansion of operations at Vele.

Coal extracted from the Makhado Complex is expected to be loaded onto rail wagons at the complex and will be transported by rail to the nearby existing Musina Transnet Freight Rail infrastructure. The Company expects that it would take approximately 18 months to complete the necessary rail spurs and loading facilities, although timing is still being considered as part of the Definitive Feasibility Study.

Rail access and capacity

While the Group currently transports coal by rail to both the Matola Terminal and the Richards Bay Coal Terminal, the Directors have focused on the Matola Terminal as the Group's primary export point going forward (in particular for planned production from Vele and Makhado) and have therefore looked to secure rail allocation through the Maputo rail corridor to the Matola Terminal. Transnet Freight Rail, a division of Transnet, the South African Government owned rail and freight organisation, has committed to deliver 4.5Mtpa total rail capacity to the Matola Terminal (to match the total coal capacity at the port) and, in a letter to Coal of Africa from Transnet Freight Rail's chief executive in January 2010, confirmed its commitment to provide Coal of Africa with the 3 Mtpa rail capacity required to match Coal of Africa's current allocation at the Matola Terminal. In line

with the commitment, 100 additional wagons were added to the line for a total of 850 wagons in operation. The Group is in continuing discussions with Transnet Freight Rail in order to find a solution to accommodate any further expansion at the Matola Terminal.

Port access and capacity

As noted previously, the Group currently exports its coal through the Matola Terminal and the Richards Bay Coal Terminal. Coal of Africa has also previously used the Richards Bay Dry Bulk Terminal however, while this provides a viable back-up allocation, due to the size of Coal of Africa's allocation it is not considered suitable as a primary coal export facility.

The Group also has an allocation of 207,000 tonnes per annum at the Richards Bay Coal Terminal, which is currently being utilised for processed product from the Vuna Colliery. The allocation at the Richards Bay Coal Terminal is reviewed on an annual basis. Richards Bay Coal Terminal is significantly larger than the Matola Terminal and Coal of Africa's rail costs for the transport of coal to the Matola Terminal are expected to be higher than they are to Richards Bay Coal Terminal. However, the majority of the Richards Bay Coal Terminal capacity is already allocated to its main shareholders and any further access by Coal of Africa could only be secured through the acquisition of an entity with an existing allocation, at significant cost to the Group. Therefore, while the Group intends to continue to utilise its existing allocation at the Richards Bay Coal Terminal in respect of a proportion of its total production (primarily from the Vuna Colliery), the bulk of the exports for the Group's coal in the immediate future is intended to be from the Matola Terminal.

Coal of Africa has secured long term port allocation at the Matola Terminal by entering into agreements with TCM, a company under the ownership and management of the port operator (Grindrod), which provide Coal of Africa with an allocation of 3 Mtpa through the Matola Terminal.

The port operator has stated that it plans to expand the Matola Terminal in phases. Under an option agreement with the operator, Coal of Africa has the option to take up to 100% of each phase of any increased capacity at the Matola Terminal in return for the Group's participation in the full funding of that phase of the expansion. The Company has already exercised its option under this agreement once and in January 2009 the Company lent US\$16 million to the port operator to fund Phase 3 of the expansion, a 2 Mtpa expansion of the terminal. In return, Coal of Africa increased its export allocation to 3 Mtpa following completion of the Phase 3 expansion. Phase 4 of the expansion project, if implemented, is expected to increase capacity at the Matola Terminal by 10 to 20 Mtpa, and Coal of Africa has rights under the option agreement which allow it to take up to 100% of this increased capacity on the same basis. A pre-feasibility study for the Phase 4 expansion has been completed and if a decision to proceed is made by the port operator, construction is expected to take 3-4 years to complete.

Coal of Africa's allocation at the Matola Terminal operates on a 'take or pay' basis, such that if Coal of Africa exports less than 75% of the contracted allocation, services fees are payable on the difference between the actual amount and the contracted amount. The port operator and Coal of Africa have agreed a 'take or pay' threshold of 1.7 Mtpa for 2011, which will revert to 2.25 Mtpa (75% of Coal of Africa's 3 Mtpa allocation) in 2012. Coal of Africa has previously acquired ROM and saleable coal from third parties to utilise the allocated capacity and avoid or reduce take or pay charges, and expects to do so again in the future.

Coal from the Mooiplaats Colliery and Woestalleen Complex is already being railed to the Matola Terminal, and the Company intends to use the Matola Terminal for the export of the coal extracted from the Vele Colliery and the Makhado Complex that is not sold to ArcelorMittal South Africa or in the South African domestic market. These various logistical arrangements will provide Coal of Africa with an opportunity to either supply coal to domestic customers or third party exporters in South Africa, or to export the coal directly.

10. Sales and distribution

Coal of Africa has entered into a number of off-take and sales agency agreements with various customers, including Eskom, for the sale of its current coal production from the Mooiplaats Colliery and Woestalleen Complex. Approximately 100% of the coal produced at the Mooiplaats Colliery and the coal produced at the Woestalleen Complex is currently sold pursuant to these off-take and other sales agency arrangements.

The Company has also entered into letter of intent with ArcelorMittal South Africa which provides for the potential off-take from the Vele Colliery and the Group's other coking coal projects in the

Limpopo province, including the Makhado Project, of between 2.5 Mtpa and 5 Mtpa. Coal of Africa is currently negotiating with ArcelorMittal South Africa to formalise the letter of intent into an off-take agreement.

11. Regulatory authorisations

In order to legitimately commence prospecting and/or mining activities in South Africa, a person is required to:

- be the holder of a valid prospecting and/or mining right granted or converted in terms of the MPRDA in respect of the mineral(s) relating to the prospecting and/or mining area;
- be the holder of an approved environmental management plan and/or environmental management programme, as the case may be; and
- be the holder of all necessary licences and authorisations specific to the prospecting and/or mining operations, including but not limited to:
 - an environmental authorisation for engaging in any listed activities published under the National Environmental Management Act, 107 of 1998; and
 - an appropriate authorisation under the National Water Act, 36 of 1998 for engaging in any water uses, as defined in such Act.

Mining and prospecting rights

Any person is entitled to apply for a prospecting or mining right. The power to grant such rights vests in the Minister of Mineral Resources who is responsible for assessing whether the applicant satisfies the requirements for the grant of a prospecting/mining right. These requirements are detailed in the MPRDA and include evidencing technical and financial ability as well as the manner in which the applicant gives effect to the object of the MPRDA (specifically the BEE requirements).

Subject to compliance with the MPRDA, the holder of a prospecting right has the exclusive right to apply for and be granted: (i) a renewal of the prospecting right; and (ii) a mining right in respect of the mineral and prospecting area.

Coal of Africa currently holds seven NOMRs (including in respect of the current mining area at the Mooiplaats and Vuna Collieries, and for all of the initial planned mining area at the Vele Colliery) and nine NOPRs. A number of the Group's existing NOPRs have expired, and applications for renewal of these rights were lodged with the DMR prior to their expiry. These NOPRs will, despite their stated expiry date, remain in force until such time as the application for renewal has been granted or refused. The renewal of an NOMR or NOPR is conditional on the Group's continuing compliance with the terms and conditions attaching to that right. The DMR may also impose new terms and conditions in connection with the renewal of the relevant NOMR or NOPR.

Further details of the Group's NOMRs and NOPRs are set out in the Mineral Expert's Report contained in Part IX ("*Mineral Expert's Report*") of this document.

Having obtained the necessary rights, permits and authorisations, compliance with the provisions of the relevant legislation, as well as the conditions of these documents is essential for the continuation of the prospecting and/or mining activities.

Conditions attaching to mining rights

All NOMRs issued in terms of the MPRDA are subject to the provisions of that Act and certain other relevant legislation. Each NOMR contains standard terms and conditions which generally repeat the provisions of the MPRDA or refer to other relevant legislation. The Group's NOMRs contain standard terms and conditions, none of which are unusual in the South African context.

Each NOMR also contains certain terms which are specific to the right. These terms pertain to the holder of the right, BEE agreements the holder has entered into and is bound by, the mineral(s) in respect of which the right has been granted, the mining area, the validity period of the right and the period within which the right must be submitted for renewal. The terms of the NOMRs may be amended, if necessary, via the process outlined in Section 102 of the MPRDA. This process requires ministerial consent and may require a public consultation with IAPs. Depending on the nature of the amendment, the process may result in recalculation of the financial provisions set aside for rehabilitation. Although there is no legislatively set timeframe for considering a Section 102 amendment application, the period could be between three and twelve months. Depending on the

nature of the Section 102 amendment application, whilst the application is pending a mining company is not permitted to engage in activities that are the subject of the application.

Environmental authorisations

The National Environmental Management Act (“NEMA”) requires that certain environmental activities be authorised before being undertaken and no person may commence such an activity unless the competent authority has granted an environmental authorisation for that activity. NEMA contemplates authorisation for activities which are listed under NEMA from time to time, and that appropriate authorisations be obtained for example in relation to water, emissions and waste.

The view previously held by a considerable number of the participants in the mining industry in South Africa and their advisers was that upon compliance with the environmental obligations of the MPRDA, there was no need to comply separately with the environmental obligations under the NEMA. However, the courts subsequently ruled that this was not the case and it was also necessary to comply with the environmental obligations under the NEMA. While the most recent decision of the Supreme Court of Appeal confirmed that, in addition to rights granted under the MPRDA, it was necessary to obtain zoning approval in terms of Municipal legislation, it did not address the issue of whether NEMA authorisations were required, and hence the decision of the High Court in this regard remains the guiding principle. In line with this new approach, the Group has submitted section 24G NEMA applications in respect of those activities that were commenced without the NEMA authorisations. As part of the section 24G application process, the Group has been and will be required to pay certain administration fines, the amount of which is determined based upon the scale set out in the NEMA and various criteria that are taken into account by the DEA. Although it not possible to predict the amount of such fines with certainty, the Directors currently do not expect this to be material in the context of the Group.

A person who has commenced an activity without environmental authorisation may apply for rectification of this state of affairs. The rectification process involves, *inter alia*, the submission of a section 24G NEMA application to the competent authority; the compilation of relevant reports; the submission of the reports and other information to the competent authority; the payment of an administration fine; and the delivery of a decision by the Minister or Member of the Executive Council either: (1) directing the applicant to cease the activity, wholly or in part, and to rehabilitate the environment within such time and subject to such conditions as the Minister or Member of the Executive Council may deem necessary; or (2) issuing an environmental authorisation subject to conditions as the Minister or Member of the Executive Council may deem necessary. On a plain reading of the wording of section 24G NEMA, it appears that the applicant for a section 24G NEMA rectification is entitled to continue with the unlawful activity until such time as the Minister or Member of the Executive Council directs otherwise.

12. Social and environmental responsibility

Corporate social responsibility

The Directors believe that the Group can play a significant role in the local communities in the areas in which it operates, and has sought to foster and forge partnerships through sustainable development. The key focus of the Group’s corporate social responsibility programmes are education and skills development, community development and environmental best practices.

In terms of social and labour plans, the Group’s corporate social responsibility (“CSR”) programmes will focus on the mine community where labour is drawn from. The main focus of CSR programmes is the provision of infrastructure and the eradication of poverty. CSR projects are identified by way of extensive interaction with the local municipalities and structures, and support normally takes the form of physical or social contributions, community capacity-building and governance.

Three projects have been identified in the region of the Vele Colliery:

- A ZAR56 million income generating agricultural job creation project in the Musina municipal area which will contribute to the essential oil industry. The project will include a skills and training programme, creation of a management structure and the gradual take-over of ownership.
- In the tourism and conservation sector a nursery and herbarium has been identified to take advantage of the unique biodiversity in the area, and is an opportunity to link with the Mapungubwe tourism initiatives. Employees will be exposed to the establishment of facilities, sourcing staff and equipment, market analysis and other training and development opportunities.

- An infrastructural water resource development project to mitigate the mine's impact on the town's capacity.

Having established criteria such as viability, sustainability, accrued benefits and job creation (as required by the DMR) the Directors intend Coal of Africa to invest significant funds into these economic development opportunities to promote the surrounding communities' sustainability.

The King Toni Thovhele Mphephu Bursary Fund

Coal of Africa has established a bursary scheme to develop appropriate candidates, who, on graduation, will be afforded professional career paths in the company. This programme intends to address the critical skills shortage in the country, particularly in Limpopo province. Coal of Africa has already spent ZAR8.6 million educating 44 students from communities in Ermelo (Mpumalanga) and the Vhembe region in Venda (Limpopo) at various tertiary institutions since the launch of the fund in 2009. Students are monitored throughout the course of their studies to ensure maximum pass rates.

This is a comprehensive bursary scheme for the development of young, high-potential HDSA students in key disciplines such as mining; electrical, mechanical and processing engineering; surveying; geological and environmental sciences. The bursary criteria seeks to encourage gender balance – and just over 41% of the 2011 intake is female.

This investment not only assists the company to build a pool of skilled resources for its own operations, but also contributes towards addressing the skills shortage in the country in general.

Environmental responsibility

Coal of Africa takes its environmental responsibility very seriously and is committed to ensuring its operations have a minimal adverse impact on the environment. As part of this commitment Coal of Africa intends to implement HSE management systems OHSAS18001 and ISO14001 across all its operational sites in the next 24 months and is committed to applying IFC Performance Standards/ Equator Principals for all new projects, including the Makhado Project. Coal of Africa is committed to sustainable business models for all stakeholders, compliance with applicable environmental legislation and environmental best practice. The Group has a team of people who are responsible for environmental compliance and who are also responsible for taking legal advice on the interpretation of the legal requirements from time to time. The Company understands the uniqueness of the areas in which it operates and intends to manage the operation of its collieries and the development of its future projects in an environmentally sensitive way. For example, at the Group's Vele Colliery, the original mine plan was changed significantly to include an underground component, from where 40% of the coal is expected to be sourced, so as to minimise the visible and surface impact of the project. Plans are in place to rehabilitate the surface mine simultaneously with mining activities and at no time will the open pit be larger than 50 hectares.

Although Coal of Africa is committed to complying with all applicable environmental legislation, such legislation is extensive, onerous and often inconsistent or inconsistently applied in South Africa and there have been a number of instances of non-compliance at the Group's operating mines (see the discussion in the Mineral Expert's Report contained in Part IX ("*Mineral Expert's Report*") of this document). While the Directors consider that Coal of Africa is no different from the majority of mining businesses in South Africa in this respect, and while a significant number of the instances of non-compliance result from issues at the Woestalleen Complex mines which occurred prior to the Group's acquisition of that asset in January 2010, the Group is nevertheless intent on addressing these issues and is putting in place measures to proactively manage its environmental compliance going forward. In particular, water use and monitoring is critical to the Group's current and proposed operations. Among other things, the Group is addressing environmental; permitting and licensing issues and is putting in place and implementing a remedial plan. As part of this plan the Group will seek additional authorisations and will improve water monitoring at its various mines and projects. The Group has made provision in its budget to address these issues at its operating mines. In respect of the Group's development projects at Vele and Makhado, the group is addressing any historical issues and seeking to avoid future environmental issues, including those relating to water use, heritage approvals and protected plants and trees as it plans its proposed operations at these projects.

As further evidence of its commitment to sustainable business models for all stakeholders, compliance with applicable environmental legislation and environmental best practice, on 1 September 2011, pursuant to conditions set out as part of the Vele Colliery Environmental Authorisation, the

Company entered into a Memorandum of Agreement (“MOA”) with the DEA and South African National Parks (“SanParks”) in respect of the Mapungubwe Cultural Landscape World Heritage Site (“Heritage Site”).

The MOA seeks to ensure the conservation and integrity of the globally significant natural and cultural Heritage Site and to maintain and strengthen co-operation between Coal of Africa, SanParks and the DEA. In the MOA, the parties commit themselves to ten joint undertakings, key amongst which are:

- developing means by which local communities and other stakeholders can participate in and tangibly benefit from the management and sustainable use of the Heritage Site’s natural and cultural resources;
- developing detailed biodiversity offset programs and action plans;
- monitoring the implementation of these through a steering or environmental management committee; and
- providing adequate financial, human and other resources for their effective implementation.

13. Black economic empowerment

Compliance with the BEE requirements set out in the Mining Charter is a prerequisite for the granting and renewal of NOMRs and NOPRs in South Africa. Pursuant to the Mining Charter, the Group is obligated, by 2014, to at least:

- achieve 26% HDSA ownership or equity participation which constitutes meaningful economic participation (which target was 15% by 2009);
- achieve 40% HDSA participation in management;
- purchase 40% of capital goods from BEE entities; and
- purchase 70% of services and 50% of consumer goods from BEE entities.

Compliance with the BEE requirements and the satisfaction of HDSA participation targets will be one of the key factors taken into consideration by the DMR prior to granting any new NOMRs or any new NOPRs to which the empowerment objectives apply and/or prior to renewing any existing NOMRs or NOPRs to which the empowerment objectives apply. While there is some question as to whether it has the power to do so under applicable South African Law, the DMR takes the position that it can impose a minimum 26% HDSA ownership threshold on the entity that applies for (or renews) an NOMR or an NOPR (notwithstanding that the compliance date in the 2004 Mining Charter is May 2014).

In order to satisfy the HDSA participation requirements, further details of which are set out in Section 2 of Part II (“*Regulatory Overview*”) of this document, the following arrangements (the “Topco BEE Arrangements”) have been put in place:

- shares comprising approximately 17.4% of the Company’s issued share capital at the time of acquisition were issued to or acquired by, African Global Capital Limited (“AGC”) and Consolidated Investments Limited (“CIL”); and
- options over a further 50,000,000 Shares, representing approximately 9.53% of the Company’s issued share capital at the time of grant (the “Firefly Options”), were granted to Firefly, at an issue price of £0.60 each, exercisable in whole or in part between 1 November 2010 and 1 November 2014.

The combined shareholding of AGC and CIL is currently approximately 13.9% of the issued share capital of the Company as a result of further share issues undertaken by the Company since the shares were acquired by AGC and CIL.

As a result of the continuing dilutive effect of share issues by the Company on the Topco BEE Arrangements, and in recognition of a changing approach by the DMR to certain BEE structures, the Directors are reviewing the Group’s existing BEE arrangements and intend to implement alternative BEE arrangements which will lock in the requisite HDSA equity participation on a continuing basis.

Steps have already been taken to implement HDSA participation at the operating company level for certain of the Group’s future projects. The Exxaro option to participate in up to 30% of the Makhado Project is expected to facilitate BEE compliance for that project, and if the option is not exercised another suitable BEE partner will be sought to participate on a similar basis. Similarly, in relation to the projects being acquired by Coal of Africa through the Chapudi Acquisition, the

Directors are also negotiating with a majority HDSA owned company that has been identified as a suitable BEE partner in relation to the acquisition by that company of 26% of the Group company which is acquiring the shares in Chapudi Coal and KME.

PART II

Regulatory Overview

As a mining company, the Company is subject to various 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

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 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 Mineral Act on 1 May 2004.

The MPRDA, *inter alia*, regulates the prospecting, mining, and optimal exploitation, processing and utilisation of minerals. It 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 right, 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 NOMRs 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. Black economic empowerment 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 now, from a practical perspective, 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 require 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 requires this same level of HDSA participation to be aspired to by 2014. The policy of the DMR is generally to apply the terms of the applicable 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. 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, new specific requirements for procurement (which were not contained in the 2004 Mining Charter) were introduced, in that mining companies will be 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

In terms of the MPRDA, applicants for mining rights are required to conduct an environmental impact assessment ("EIA") including, *inter alia*, the information on the pre-mining environment; identification and quantification of any potential environmental and social impacts; and providing appropriate mitigating measures to minimise any negative impacts caused by the mining operations and enhance any positive impacts.

The holder of a prospecting right or mining right remains responsible for any environmental liability, pollution or ecological degradation, and the management thereof, until the Minister of Mineral Resources has issued a closure certificate to the holder concerned. Requirements for making financial provision for the remediation of environmental damage, as well as for the issuing of a closure certificate, are set out in the MPRDA. This includes the requirement that financial provision must be in place before the approval of the environmental management programme or plan is issued. The approval of this plan or programme is a precondition for the execution of a mining or prospecting right.

Under the MPRDA, companies that undertake mining activities must make financial provision for rehabilitation liabilities to the satisfaction of the DMR, which must be reassessed and updated annually. Directors of companies may be held jointly and severally liable for any unacceptable negative effects on the environment, including damages caused by the company which they represent.

3.2 National Environmental Management Act, 107 of 1998 (“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 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 was subsequently amended by the National Environmental Laws Amendment Act, 14 of 2009, which came into force on 11 September 2009. As amended, 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 provincial environmental authorities (or in some cases, by the DEA) may be required in terms of the NEMA for certain activities carried out on a mining area but not directly related to the mining impacts, such as for road infrastructure. This authorisation is only issued once an environmental authorisation 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.

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 have been increased substantially. These penalties now generally amount to five million Rand or five years’ imprisonment or both for a first conviction, and 10 million Rand or 10 years’ imprisonment or both for a subsequent conviction. These penalty amounts have also been included in the specific environmental management Acts that were promulgated more recently.

3.3 National Water Act, 36 of 1998 (“NWA”)

Under the NWA, water use 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 authorization published by the 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 Department of Water Affairs for specified water uses in terms of the NWA. Water use includes, *inter alia*: consumption, 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 on 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 Department of Water Affairs and the 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 National Environmental Management: Air Quality Act, 39 of 2004 (“Air Quality Act”)

The Air Quality Act came into full effect on 1 April 2010 and replaced the Atmospheric Pollution Prevention Act, 45 of 1965. As a result of the transitional provisions contained in Air Quality Act, registration certificates issued under the previous Act will remain valid for a period of time. 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 in essence enabling legislation, providing the authorities responsible for air quality with wide ranging powers to implement the objectives of the act by way of regulations.

4. Occupational health and safety regulation of the mining industry

Occupational health and safety of all persons working on a mine is governed by the Mine Health and Safety Act, 29 of 1996 (“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 on 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.

5. 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) State to grant the claimant an appropriate right in alternative State-owned land; (iii) State to pay the claimant compensation; (iv) State to include the claimant as a beneficiary of a State support programme for housing or the allocation and development of rural land; or (v) 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 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 State and any form of restitution (restoration or equitable redress) must be granted by the 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.

6. 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 is possibly the most important and far-reaching labour law statute in South Africa. It 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' organizations, 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 conditions of employment for employees. Certain sections of the BCEA do not apply to senior managers or employees who earn more than a certain amount. The purpose of the Act is to ensure that the minimum acceptable conditions of employment are in place within employers and regulates conditions such as working hours, overtime, work on a Sunday, night work, leave, particulars of employment, termination and severance pay.

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.

The Occupational Health and Safety Act, 85 of 1993, 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, aims to develop the skills of the South African workforce. In terms of the Act, 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 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.

7. 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 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 acquisitions or mergers by the Company in South Africa in future may require competition approval.

8. The Companies Act, 71 of 2008 ("Companies Act")

The Companies Act was adopted by parliament and came into force on 1 May 2011 and replaced the previous Companies Act, 61 of 1973, in its entirety.

The Companies Act introduced a number of fundamental changes to the South African company law regime. Amongst other things, it: (i) abolished the concept of par value shares (although there is no compulsory conversion to no par value shares for an existing company); (ii) replaced the existing concept of a separate memorandum and articles of association with a single constitutional document, namely the memorandum of incorporation; (iii) introduced a new capital maintenance regime based on solvency and liquidity; (iv) created greater flexibility for companies in determining their governance structures; (v) codified the common law fiduciary duties and liabilities of directors; (vi) introduced a new statutory merger procedure and made changes to existing procedures such as schemes of arrangement; (vii) introduced a new appraisal rights remedy for shareholders who oppose certain actions taken by a company (including entering into schemes of arrangement, mergers or sales of business), allowing them to require a company to buy their shares at "fair value" in certain circumstances; and (viii) introduced the concept of "business rescue" for financially distressed companies.

The transitional provisions of the Companies Act provide that companies incorporated under the previous Act will continue their existence in the same form under the Companies Act. It will need, however, to make certain changes to comply with the provisions of the Companies Act. Amongst other things, it will need to bring its existing memorandum and articles of association in line with the provisions of the Companies Act by 30 April 2013. Prior to 31 April 2013, shareholders' agreements concluded under the prior Companies Act will be of full force and event, even where they conflict with the new Companies Act. However, companies will be required to amend their shareholders' agreements and constitutional documents within a two year transitional period from 1 May 2011 to accord with the new Companies Act and the new form of memorandum of incorporation ("MOI"). Post 30 April 2013, the provisions of any shareholders' agreement which do not accord with the new Companies Act or the MOI of the company concerned, will be void and unenforceable to the extent of such conflict.

9. 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 treaty will, however, take precedence over this definition.

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 expenditures incurred in the mining operations rank as deductions regardless of whether or not the expenditures are of a capital nature or not. However, expenditures in respect of the acquisition of land, servitudes and mining rights do not rank for deduction.

9.1 Capital Gains Tax

South Africa introduced Capital Gains Tax ("CGT") with effect from 1 October 2001, which in general only applies to South African residents, apart from, in certain very limited circumstances, to non-South African residents in respect of specific assets. In the case of mining companies, CGT is payable, subject to certain exceptions, on capital gains arising from the disposal of assets such as land, mining rights, shares, etc. All income is subject to either normal corporate tax or CGT, taking into account the effect of capital expenditure deductions.

9.2 Secondary tax on companies

South African resident companies are subject to a corporate tax rate of 28%. South African resident companies are also subject to a secondary tax on companies ("STC") of 10% levied on the net amount of dividends declared to their shareholders. Accordingly, where all of a company's after tax profits are declared as a dividend, the combined effective tax rate will be 34.55% ($28\% + ((100\% - 28\%) \times 10/110)$). The STC regime is to be replaced by an internationally recognisable dividends withholding tax regime in the next year, with the expected effective date being 1 April 2012. Unlike STC, dividends tax will be 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 will also, where applicable, be subject to reduction (to a minimum of 5%) in terms of South Africa's double tax treaty network.

9.3 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.

Royalties imposed differ between refined and unrefined 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. The holder may withdraw from such agreement at any time.

The formula excludes so much of the taxable income as the Commissioner for the South African Revenue Service determines to be attributable to the inclusion in the gross income of excess recoupments and after the set-off of any assessed loss. Excess recoupments are subject to tax at a rate equal to the mine's average rate of tax or 28%, whichever is higher.

9.4 Securities transfer tax

The Securities Transfer Tax Act, 25 of 2007 (“STT”) governs the transactional taxes payable on any transfer of listed and unlisted securities. Transaction tax payable under the STT 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 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, 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 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.

PART III

Directors, Senior Management and Corporate Governance

1. Directors and Senior Management

1.1 The Board

The Board comprises eight Non-Executive Directors (including the Deputy Chairman) and three Executive Directors. Their names and positions are as follows:

<i>Director</i>	<i>Position</i>
Richard Linnell	Chairman
Simon Farrell	Non-Executive Deputy Chairman
John Wallington	Chief Executive Officer
Wayne Koonin	Financial Director
Professor Alfred Nevhutanda	Executive Director
Stephen Bywater	Non-Executive Director
David Murray	Non-Executive Director
Peter Cordin	Non-Executive Director
Khomotso Brian Mosehla	Non-Executive Director
Mikki Xaiya	Non-Executive Director
Rudolph Torlage	Non-Executive Director

There are no family relationships between any members of the Board or any member of Senior Management.

The usual business address of all the Directors is c/o Coal of Africa Limited, 2nd Floor, Gabba Building, The Campus, 57 Sloane Street, Bryanston 2021, South Africa.

Brief biographical details of the Company's Directors are as follows:

Richard Linnell (age 67), Chairman

Mr Linnell has been active in the resources and metals fields for over forty years and has significant global experience in the development and marketing of resources and metals. He was the originator of the Bakubang Initiative, a forum designed to revive the South African mining industry and which led to the establishment of the New Africa Mining Fund, of which he is Chairman of Trustees.

In addition to his directorship of the Company and any directorships of Group companies, Mr Linnell holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
SacOil Holdings Limited (formerly SA Minerals Resources Corporation Limited)	Director	Yes
GRD Minproc Ltd	Director	No
Brinkley Mining Company	Director	No
Maghreb Minerals plc	Director	No
Mag Industries Corp Inc	Director	No
Moydow Mines International Inc	Director	No
Chrome Corporation Limited	Director	No
GMA Resources Limited	Director	No
New Kush Exploration & Mining Company Limited	Director	No
Cuco Resources Limited	Director	Yes
New African Mining Fund	Chairman of Trustees	Yes
Centebale Resources Limited	Director	No
Mag Minerals Potash Corp	Director	No
Project Literacy Education Fund	Director	No
Falkland Gold & Minerals plc	Director	No
Resource & Investment NL (formerly Namakwa Diamond Company NL)	Director	No
Namakwa Diamond Company NL	Director	No
Kalahari Diamonds plc	Director	No

<i>Company</i>	<i>Position</i>	<i>Still held</i>
IPSA Group plc	Non-executive Chairman	Yes
Serui Investments (Pty) Ltd	Chairman	Yes
AMEC Minproc SA Ltd	Director	Yes
Nimag Pty Ltd	Director	Yes
D Group Ltd	Director	Yes
D Group Corporate Forum Ltd	Director	Yes
Rockwell Diamonds	Director	Yes
R.J Linnell & Associates	Director	Yes
Wogen Resources South Africa (Pty) Ltd	Director	Yes
Batlhako Mining Ltd	Director	No
Maghreb Mining Ltd	Director	No
Business Map Foundation	Director	No
Maglogistics (Pty) Ltd	Director	No
Maghreb Algeria Ltd	Director	No

Simon Farrell (age 60), Non-Executive Deputy Chairman

Mr Farrell has a Bachelor of Commerce Degree from the University of Western Australia and an MBA from the Wharton School of the University of Pennsylvania. He is a Fellow of the Australian Society of Certified Practising Accountants and the Institute of Company Directors. He has held a number of senior management and board positions, principally in the resources sector over the last twenty years. He is currently a non-executive director of London Stock Exchange listed Kenmare Resources plc.

In addition to his directorship of the Company and any directorships of Group companies, Mr Farrell holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
Kenmare Resources plc	Director	Yes
Bellzone Mining plc	Director	No
NED Sammrec Limited	Director	No

John Wallington (age 54), Chief Executive Officer

Mr Wallington holds a BSc in Mining Engineering from the University of the Witwatersrand in South Africa and has participated in executive programmes with both the London and Harvard Business Schools. Mr Wallington has 30 years' experience in the coal exploration and mining industry. Prior to joining Coal of Africa, Mr Wallington held the position of CEO for the Anglo Coal Division of Anglo American plc.

Mr Wallington has also held Board positions with Firestone Energy Ltd and Keaton Energy Holdings Limited.

In addition to his directorship of the Company and any directorships of Group companies, Mr Wallington holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
Anglo American plc	CEO	No
Firestone Energy Ltd	Director	No
Keaton Energy Holdings Ltd	Director	No

Wayne Koonin (age 41), Financial Director

Mr Koonin is a qualified Chartered Accountant (South Africa) and holds a Bachelor of Commerce (Accounting) and a Bachelor of Accounting (Honours) degree, both from the University of the Witwatersrand in South Africa.

Over the past 13 years, Mr Koonin has gained extensive international experience working in senior financial roles for Canadian, South African, British and Swiss based exploration, development and operating mining companies, covering a variety of commodities, including coal.

In addition to his directorship of the Company and any directorships of Group companies, Mr Koonin holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
Platmin Ltd	Director (CFO)	No
Ivanhoe Nickel and Platinum Ltd	Director (CFO)	No

Professor Alfred Nevhutanda (age 58), Executive Director

Professor Nevhutanda has a PHD in Music Education, a Diploma in Management Studies and an MBA, has been involved in a number of diversified businesses and served as a leader in various academic fields, as well as held various political appointments. He is a professor in Environmental Sciences at the International Ecoenergy Academy in the Republic of Azerbaijan. He has acted as an advisor to the King of the Vhavenda, Ministers and Members of the Executive Council of the ruling party.

In addition to his directorship of the Company and any directorships of Group companies, Professor Nevhutanda holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
Alliance Mining Corporation Limited	Director	Yes
MAC Transco	Director	No

The directors of Alliance Mineral Corporation Limited have made an application to the South Gauteng High Court for its liquidation. Professor Alfred Nevhutanda had only been appointed as a director of this company in February 2009.

Stephen Bywater (age 59), Non-Executive Director

Mr Bywater has a distinguished career in the resources industry, developing and operating a total of 14 large-scale open pit and underground mining operations and their associated services, logistics and infrastructure. When working for Rio Tinto Coal Australia, he was chief operating officer, and in this position oversaw seven mining operations, producing 60 million tonnes of saleable coal a year. Mr Bywater has a B.Sc. in Engineering Geology and Geotechnics from Portsmouth University and a M.Sc. in Rock Mechanics and Excavation Engineering from Newcastle-upon-Tyne University. He is also chief executive of AIM listed GCM Resources plc.

In addition to his directorship of the Company and any directorships of Group companies, Mr Bywater holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
GCM Resources plc	Chief Executive	Yes
Regent Pacific Group	Alternative Director	No
China Coal and Energy Corporation	Alternative Director	No
Amerinvest Coal Industry Holding Company Ltd	Alternative Director	No
Caledon Resources plc	Director	Yes

David Murray (age 56), Non-Executive Director

Mr Murray holds a Bachelor of Science Degree (Civil Engineering) from the University of Natal Durban and a Post Graduate Mining Diploma from the University of Pretoria. He has also completed the Advanced Executive Program from the University of South Africa.

Mr Murray has held a number of senior positions in the global coal industry, including Managing Director of Ingwe Coal Corporation (formerly Trans-Natal Coal Corporation Limited), Chief Executive of BHP Billiton Mitsubishi Alliance and President of Energy Coal Sector Group at BHP Billiton Limited ("BHP Billiton"), a position he held until December 2009.

In addition to his directorship of the Company and any directorships of Group companies, Mr Murray holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
Stonewall Mining Pty Limited	Chairman	Yes
Coalspur Mines Limited	Director	Yes

Peter Cordin (age 61), Non-Executive Director

Mr Cordin has a Bachelor of Engineering Degree from the University of Western Australia and is experienced in the evaluation, development and operation of resource projects within Australia and overseas. He is the Executive Chairman of ASX listed Dragon Mining Limited and director of Vital Metals Limited.

In addition to his directorship of the Company and any directorships of Group companies, Mr Cordin holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
Dragon Mining Limited	Director	Yes
Vital Metals Limited	Director	Yes
Romany Resources Limited	Director	Yes
Dragon Mining (Eritrea) Pty Ltd	Director	No
Dragon Mining Investments Pty Limited	Director	Yes
Cove Mining Pty Ltd	Director	Yes
Evoc Mining Pty Ltd	Director	Yes
Golden Valley Services Pty Limited	Director	Yes
Greenstones Gold Mines Pty Ltd	Director	Yes
Weld Range Metals Limited	Director	Yes
Cordin Pty Ltd	Director	Yes
Firegold NL	Director	No
Mt Alexander Resources Pty Ltd	Director	No
PetroAsia Pty Ltd	Director	No
Pyrosmelt NL	Director	No
North Queensland Tungston Pty Ltd	Director	Yes
Scorpio Diamonds Pty Ltd	Director	No

Mr Cordin was a director of PetroAsia Pty Ltd which was voluntarily de-registered on 17 June 2009.

Mr Cordin was a director of Scorpio Diamonds Pty Ltd which was voluntarily de-registered on 21 October 2009.

Mr Cordin was a director of Mt Alexander Resources Pty Ltd which was voluntarily de-registered on 1 September 2011.

Khomotso Mosehla (age 39), Non-Executive Director

Mr Mosehla holds a BCompt (Hons), CTA and CA (SA). 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 MBO, LBO and capital restructuring/raising transactions. In 2003, he established Mvelaphanda Corporate Finance, for the development of Mvelaphanda's mining and non-mining interests. Mr Mosehla served as a director on the boards of several companies, including Mvelaphanda Resources Limited, and he is currently the Chief Executive Officer of Mosomo Investment Holdings (Pty) Ltd.

In addition to his directorship of the Company and any directorships of Group companies, Mr Mosehla holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
Mvelaphanda Resources Limited	Director	No
Mosomo Investment Holdings (Pty)	CEO	Yes
Malundi Investments (Pty) Limited	CEO	Yes

Mikki Xayiya (age 50), Non-Executive Director

Mr Xayiya holds a BA (Unisa) and Certificate of Defence Management (Wits), and has completed the Emerging Market Leadership Programme at the University of Pennsylvania. Mr Xayiya has served in various capacities in the African National Congress since 1977. In 1995, he was appointed as a Policy Advisor – Office of the Premier, Gauteng Provincial Government. He left public office and joined Mawenzi Asset Managers as Managing Director. In 1998 he co-founded Mvelaphanda Holdings. Mr Xayiya was appointed as Executive Chairman of Mvelaphanda Holdings with effect from 9 June 2009.

In addition to his directorship of the Company and any directorships of Group companies, Mr Xayiya holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
Mvelaphanda Group Limited	Deputy Chairman	No
Mvelaphanda Holdings (Pty) Limited	Deputy Chairman	No
Mvelaphanda Group Limited	Executive Chairman	Yes
Mvelaphanda Holdings (Pty) Limited	Executive Chairman	Yes

Rudolph Torlage (age 48), Non-Executive Director

Mr Torlage holds a BCom (Hons), CTA and CA (SA). Mr Torlage is a Chartered Accountant and has over twenty years experience with ArcelorMittal South Africa. He is currently Chief Financial Officer of ArcelorMittal South Africa and a board member of various unlisted ArcelorMittal Group companies. Mr Torlage was appointed to the Board by ArcelorMittal South Africa, the Company's largest shareholder.

In addition to his directorship of the Company and any directorships of Group companies, Mr Torlage holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
ArcelorMittal African Investments	Alternative Director	Yes
Saldanha (Pty) Limited	Director	No
Consolidated Wire Industries (Pty) Ltd	Director	No
Microsteel (Pty) Limited	Director	Yes
Collect A Can (Pty) Limited	Director	No
Pietersburg Iron Company (Pty) Limited	Director	No
Toyota Tsusho SA Processing (Pty) Limited	Director	No
ArcelorMittal Pipes and Tubes (Pty) Limited	Director	Yes
ArcelorMittal South Africa Operations (Pty) Limited	Director	Yes
ArcelorMittal South Africa Limited	Director	Yes
Macsteel International Holdings B.V.	Director	Yes

1.2 Senior management

The following persons are considered relevant to establishing that the Company has the appropriate expertise and experience for the management of the Company's business.

<i>Name</i>	<i>Position</i>
Adriaan ("Riaan") van der Merwe	Chief Operating Officer
Willem ("Willie") Hattingh	General Manager Business Development

Riaan van der Merwe (age 54), Chief Operating Officer

Mr van der Merwe, a Mining Engineering graduate of the University of Pretoria, began his career in South Africa's deep-level gold mining industry, with the last 19 years of his career spent in the South African coal industry with the Anglo American Group. He has held senior management positions in both opencast and underground mines and headed up Anglo Coal South Africa's Eskom and later export operations, responsible for delivering some 32 million and 19 million tonnes per annum respectively into those markets. His latest role was to lead that company's growth projects and mining services, involving a project pipeline in excess of ZAR15 billion.

In addition to his mining qualification, Mr van der Merwe holds an MBA Degree from the North-West University (formerly Potchefstroom University) and attended the Senior Executive Programme at Columbia Business School. He is also currently a member of the Collieries Committee of the South African Chamber of Mines and of the Advisory Board of Pretoria University's Mining Engineering Department, and a past President of the South African Colliery Managers' Association.

In addition to his directorships of Group companies, Mr van der Merwe holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
Mafube Colliery JV	Director	No
Anglo Inyosi Coal	Director	No
Anglo Zimele Empowerment Fund	Director	No
Anglo Khula Mining Fund	Director	No
Phola Coal Processing Plant JV	Director	No
Umsimbithi Mining	Director	No

Willem Hattingh (age 34), General Manager Business Development

Willie Hattingh graduated with a Bachelor of Commerce Degree in accounting sciences from the University of Pretoria and also hold a BCom (Hons) in accounting sciences. He has been awarded a CA (South Africa) and is a qualified Chartered Accountant. Mr Hattingh has a diverse range of experience in accounting, financial management, business planning and marketing, and has spent the last 10 years working for companies operating in the international mining sector. Mr Hattingh previously held the position of Marketing Manager – Atlantic Thermal Coal for Xstrata Coal South Africa, a role that demands extensive knowledge of both the South African and international coal and energy markets.

In addition to his directorships of Group companies, Mr Hattingh holds or has held in the past five years the following directorships, and is or has been a member of any of the following partnerships in the past five years:

<i>Company</i>	<i>Position</i>	<i>Still held</i>
Richards Bay Coal Terminal Company Limited	Alternative Director	No

2. Corporate governance

2.1 Corporate Governance Code

The Company is led by the Board which guides and monitors the business and affairs of the Company. The Board currently consists of three Executive Directors and eight 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 comprise the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations which require companies to either adopt the recommendations or explain why they have not adopted a recommendation if they consider it inappropriate in the company's circumstances.

To enable the Board to perform its duties, the Board has delegated specific responsibilities to the committees described below.

2.2 Board committees

Audit and Governance Committee

The Audit and Governance Committee comprises Stephen Bywater, Khomotso Mosehla and Rudolph Torlage. The committee is chaired by Rudolph Torlage and meets on at least four occasions each financial year.

The responsibilities of the Audit Committee are set out in its Charter and, amongst other things, include the responsibility to monitor and review the integrity of the financial reporting of the Company, the Company's internal financial control system and the Company's internal operational and compliance controls. The Audit Committee also oversees the external audit function (including

the effectiveness of the external audit process and the appointment and remuneration of auditors) and assesses the effectiveness of internal audit activities.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises Stephen Bywater, David Murray and Mikki Xayiya. The committee is chaired by Stephen Bywater and meets at least twice each year.

The role of the Nomination and Remuneration Committee includes reviewing the size, structure and composition of the Board in order to ensure that the Board has the appropriate blend of expertise and relevant industry experience, reviewing and making recommendations to the Board on the Company's remuneration policy and other responsibilities of the committee are set out in its Charter. The Nomination and Remuneration Committee is entitled to make recommendations to the Board concerning succession plans for both executives and non-executive Directors, and also concerning the membership of the Audit and Governance Committee and the Nomination and Remuneration Committee (in consultation with chairmen of those committees). It also reviews and makes recommendations on executive Directors' and other senior executives' remuneration, superannuation arrangements and incentives and on their contractual terms (including notice periods), seeking to align the interests of key leadership with the long-term interests of the Company's shareholders.

Health and Safety Committee

The Welfare, Health and Safety Committee comprises Peter Cordin, David Murray and Khomotso Mosehla and is chaired by Peter Cordin. The committee meets on at least two occasions each year.

The committee is responsible for assisting the Board with the Group's health, safety and environmental obligations, as well as monitoring the compliance of the Group's mining operations with applicable health and safety legislation. The committee also assesses the effectiveness of the Group's policies and strategies in relation to health, safety and environmental and sustainable development issues.

PART IV

Selected Financial Information

The following selected financial information has been extracted without material adjustment from the historical financial information in Part VI (“*Group Financial Information*”) of this document. The summary set out below should be read in conjunction with the information referred to above and with Part V (“*Operating and Financial Review*”) of this document. Investors are advised to read the whole of this document and not rely on the information summary below.

Consolidated statement of comprehensive income information

	<i>Year ended 30 June</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	261,425	98,376	17,120
Cost of sales	(303,004)	(97,926)	(14,652)
Gross profit	(41,579)	450	2,468
Other operating expenses	(177,191)	(180,513)	(21,465)
Operating loss	(218,770)	(180,063)	(18,997)
Finance income	2,486	2,496	9,461
Finance costs	(1,822)	(1,089)	(77)
Loss before tax	(218,106)	(178,656)	(9,613)
Income tax (charge)/credit	(897)	10,898	(236)
Net loss for the year	(219,003)	(167,758)	(9,849)
Other comprehensive income/(loss)			
Exchange differences on translating foreign operations	119,470	12,889	(79,810)
Total comprehensive loss for the year	(99,533)	(154,869)	(89,659)

Consolidated statement of financial position

	<i>Year ended 30 June</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total non-current asset	478,794	522,931	319,612
Total current assets	90,617	123,319	94,220
Assets classified as held for sale	22,268	14,638	20,631
Total assets	591,679	660,888	434,463
Total non-current liabilities	39,869	39,296	1,917
Total current liabilities	118,176	90,918	9,367
Liabilities classified as held for sale	2,843	—	—
Total liabilities	160,888	130,214	11,284
Net assets	430,791	530,674	423,179
Issued capital	686,577	685,740	500,896
Accumulated deficit	(429,589)	(210,586)	(42,828)
Reserves	173,228	51,242	(40,936)
Equity attributable to owners of the Company	430,216	526,396	417,132
Non-controlling interests	575	4,278	6,047
Total equity	430,791	530,674	423,179

Consolidated statement of cashflows

	<i>Year ended 30 June</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Net cash used in operating activities	(2,237)	(9,169)	(12,977)
Net cash used investing activities	(70,024)	(172,854)	(139,207)
Net cash generated from financing activities	10,908	179,656	25,295
Net decrease in cash and cash equivalents	(61,353)	(2,367)	(126,889)
Foreign exchange differences	12,060	4,442	(45,435)
Cash and cash equivalents at beginning of the year	72,054	69,979	242,303
Cash and cash equivalents at the end of the year	22,761	72,054	69,979

PART V

Operating and Financial Review

The following discussion and analysis of the Group's financial condition and results of operations for the three years ended 30 June 2011 should be read together with the rest of this document, including the Group Financial Information contained in Part VI ("Group Financial Information") of this document. The Group Financial Information has been prepared in accordance with the requirements of the Prospectus Directive Regulation and in accordance with the accounting policies described therein. The Group Financial Information has also been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. For a discussion of the Group's significant accounting policies, see notes 3 and 4 to the Group Financial Information. Investors should read the Group Financial Information in its entirety and not merely rely on the information contained in this Part V. Some of the information in the following discussion and analysis includes forward-looking statements that involve risks and uncertainties. See "Forward-looking statements" in the "Important Information" section of this document and see the "Risk Factors" section of this document for a discussion of important factors which could cause actual results to differ materially from the figures described in the forward-looking statements contained in this document.

1. Overview

Coal of Africa is a coal mining, exploration and development group with coking and thermal coal assets located across South Africa in four different coalfields. The Group has a significant total resource base, with total estimated resources of 2.4 billion tonnes (GTIS) and total estimated reserves of 370.5 million tonnes (MTIS).

The Group's principal assets and projects include:

- the Vele Colliery, a late development stage coking coal project which is targeted to commence production during the first quarter of 2012, with total estimated resources of 803.8 Mt (which includes total estimated reserves of 332.7 Mt);
- two exploration and evaluation stage coking coal projects, collectively referred to as the Makhado Complex, with total estimated resources of 879.7 Mt, the first of which, the Makhado Project is, subject to completion of the Definitive Feasibility Study, currently underway, with construction targeted to commence by mid-2012 and production targeted to commence during the second half of 2014, subject to regulatory approvals and the construction timetable;
- three exploration and evaluation stage coking and thermal coal projects in the same region as the Makhado Complex, grouped into the Soutpansberg Complex, which collectively have total estimated resources of 624.9 Mt;
- two operational thermal coal collieries, the Mooiplaats Colliery and the Vuna Colliery, with total estimated resources of 99.1 Mt (which includes total estimated reserves of 37.7 Mt), which are currently producing approximately 300,000-350,000 ROM tonnes per month in aggregate and which incorporate three coal beneficiation plants with total processing capacity of 570,000 Mtpa; and
- in excess of 3.0 Mtpa port capacity, with the option to secure up to a further 10 to 20 Mtpa port capacity at the Matola Terminal in Maputo, Mozambique if expanded, and rail allocation from Transnet Freight Rail (a division of the South African government owned rail and freight organisation) for the transport of the Group's current coal exports to the Matola Terminal and the Richards Bay Coal Terminal.

The Group also operates an analytical coal laboratory suitably located for the processing of coal from the Group's various projects and collieries, a 50% interest in which has been sold to ArcelorMittal South Africa.

NiMag, which is engaged in the manufacture and distribution of nickel magnesium alloys and ferro silicon magnesium alloys, is now considered non-core and negotiations are underway for a potential sale. Similarly, the Group is in the process of selling the Holfontein Project, which was the first thermal coal mining project acquired by the Group in South Africa but is no longer considered suitable for development by Coal of Africa.

In November 2010 the Group entered into the Chapudi Acquisition, pursuant to which the Company expects to acquire three additional project areas. These areas are intended to be grouped into a single complex, the Chapudi Complex, on completion of the acquisition (which remains conditional on

certain regulatory approvals being obtained and is expected to occur in the first half of 2012). The Chapudi Acquisition will also provide Coal of Africa with prospecting rights over certain properties which will be consolidated into the Makhado Complex and the Soutpansberg Complex.

A significant proportion of the Group's short to medium term growth potential is in the coking coal projects comprised in the Vele Colliery and the Makhado Project, which are currently targeted to commence production in the first quarter of 2012 and the second half of 2014, respectively. The Vele Colliery is intended to produce 1.0 Mtpa of saleable coking coal initially and, subject to market conditions, ramping up to 4.0 Mtpa with the development of an underground mine in the long term. The Makhado Project is currently in the feasibility stage and production capability is still being assessed, however the Directors expect this project to exceed the Vele Colliery in scale once operational. The Group has also sought to secure its longer term growth through the acquisition of the large scale coking and thermal coal projects comprised in the Soutpansberg Complex and, subject to completion of the Chapudi Acquisition, the Chapudi Complex. The projects comprised in these complexes are all strategically located in close proximity to rail infrastructure providing access to the export markets via the Matola Terminal as well as the domestic market.

Coal of Africa has secured long term port allocation at the Matola Terminal to accommodate the planned growth in the Group's production levels from the Vele Colliery and the Makhado Complex, and at a later stage from the Chapudi and Soutpansberg Complexes, and is working with Transnet Freight Rail to secure rail capacity for the transport of the coal to the Matola Terminal when these projects have been developed into operating mines.

Mooiplaats, a thermal coal colliery which has been in operation since late 2008, is currently producing an average (for the 2011 Financial Year) of approximately 80,000 saleable tonnes of coal per month, and Coal of Africa is targeting average annual production of 1.67 million ROM tonnes in the 2012 financial year. The Group's other producing asset, the Vuna Colliery, a thermal coal colliery acquired through Coal of Africa's acquisition of the NuCoal Group in January 2010, produced an average of approximately 250,000 ROM tonnes of coal per month in the 2011 Financial Year. The current resource at the Vuna Colliery is scheduled to be mined out by 2013 and the Group is considering acquisitions of additional resources in the nearby area to extend the life of mine and the operation of the beneficiation plants.

The Group has entered into formal off-take/sales arrangements with a number of parties in respect of a portion of its current production. Coal of Africa is also currently negotiating an off-take agreement with ArcelorMittal South Africa, a steel producer operating in South Africa, in relation to between 2.5 Mtpa and 5.0 Mtpa of the coking coal from the Vele Colliery and the Group's other projects in the Limpopo province.

The Group's reportable segments focus on the stage of project development and the product offerings of coal mines in production. The Group has three reportable segments for accounting purposes: exploration, development and mining.

The exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As of 30 June 2011, projects within this reportable segment include two exploration and evaluation stage coal complexes, namely the Makhado Complex (comprising the Makhado Project and the Makhado Extension) and the Soutpansberg Complex (which comprises the Voorburg Project, the Mt Stuart Project and the Jutland Project).

The development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As of June 30, 2011 projects included within this reportable segment include one coking coal project, namely the Vele Colliery.

The mining segment is involved in day-to-day activities of obtaining a saleable product from the mineral reserve on a commercial scale. As of June 30, 2011 the Group had two operational thermal collieries included in this segment, namely the Mooiplaats Colliery and the Vuna Colliery. During the year ended 30 June 2011 the Mooiplaats Colliery commenced commercial production and consequently was moved from the development segment to the mining segment effective 1 July 2010. These segments have substantially different risks.

Shift in strategy and scope of operations

The Group's profiles in terms of assets and projects, and its potential resource base, have changed significantly during the period covered by the Group Financial Information and are expected to

continue to change in the future as projects advance through the three stages notes above. The disposal of NiMag, which has historically been a significant contributor to the Group's revenues, forms part of the strategy to transition the Company from principally an exploration and development company (with some manufacturing operations) to a fully focused exploration, development and operating coal mining company. At the same time, the core focus will shift from thermal coal to coking coal based on the extensive coking coal resources that the Group has acquired. In terms of the various projects in the exploration and development phase, a significant proportion of the Group's short to medium term potential is in the Vele and Makhado coking coal projects.

2. Recent developments and current trading

With effect from 1 July 2011, the Group transitioned the management and operation of the Mooiplaats Colliery from a third party mining contractor to an owner managed operation. As a result of this transition, the Group hired all of the full time employees previously employed by the contractor to ensure continuity in the operations. As part of the termination agreement, the Group agreed to make a final payment of ZAR5 million, subject to certain conditions agreed to by the contractor, in relation to the termination of the contract and facilitating the smooth transition of operations. Similarly, the Group has embarked on a transitional process to assume full management control over the Woestalleen Complex with effect from 1 August 2011. This entails assuming control for the overall management of operations and administration at the Woestalleen Complex, functions that were previously outsourced. The mining activity and operation of the plant are performed by contractors who provide a suitable level of performance for this operation.

3. Significant factors affecting the Group's results of operations and financial condition

The Directors consider that the following factors have had, and may continue to have, a material effect on the Group's operating results and/or financial condition. For further discussion of the principal factors affecting the Group's operating results and/or financial condition, investors should also read:

- the "*Risk Factors*" section of this document for a discussion of the risks and uncertainties which the Group faces; and
- the notes to the Group Financial Information contained in Part VI ("*Group Financial Information*") of this document.

Exploration and development of resources

Most of the Group's revenues and profits are related to coal, and therefore, the Group's results and financial condition are directly related to the success of its exploration efforts and its ability to replace existing reserves and to shift the nature of its reserves from thermal coal to also include coking coal. When the Group identifies an economic deposit, there are often significant challenges and hurdles entailed in its development, such as procuring regulatory approvals, negotiating rights to extract ore with the government and landowners, design and construction of required infrastructure and others.

Commodity price fluctuations

The Group generates revenue from the sale of thermal coal and, to some extent, the nickel magnesium alloy products manufactured by NiMag. In the 2011 Financial Year, revenue from NiMag was approximately 12% of the total revenue. Following the anticipated sale of NiMag and the commencement of production at Vele Colliery, the Group expects to generate its revenue principally from thermal and coking coal. The prices of coal (and nickel) therefore have a significant impact on the Group's revenues. The Group has no influence over the price of coal sold either domestically or on the global market. The price for low-grade coal sold domestically is driven in large part by Eskom. Coal prices (and nickel prices) are affected by levels of supply and demand, which are in turn impacted by many factors beyond the Group's control, including international economic conditions, environmental controls, exchange and interest rates, trading on commodities markets, and political events. The average API4 coal price index has increased by approximately 53% from \$80 in the third quarter of the 2010 Financial Year to \$122 in the fourth quarter of the 2011 Financial Year. In addition, the Group has few operating or administrative expenses which vary directly with revenue. Consequently fluctuations in thermal coal and coking coal (and nickel) prices have a significant

impact on operating profits and cash flows without the Group being able to mitigate the impact in the short-term.

The Group first generated revenue from the sale of coal in January 2010 with the commencement of operations at Mooiplaats and the acquisition of the NuCoal (the Woestalleen Complex). The price of the Group's coal varies based on the quality of the coal being sold and the mode of sale (that is, the pricing agreement with a specific customer). The Group expects that the average price per ton of coal will increase in the future as coking coal generally commands a higher price than thermal coal, and the Group's coal sales will consist of a mix of coking and thermal coal.

The Group reduces some of its price exposure through fixed price off-take agreements for thermal coal sales and in respect of the NiMag products through forward sale contracts. However, these contracts can also operate to the detriment of the Group where there is a sustained increase in the relevant price. The Directors currently have no current plan to implement a formal coal price hedging strategy for the Group, although forward sale contracts may be entered into on an ad hoc basis. Coal prices are expected to have an increasing influence on the Group's financial results (and the price of NiMag's products to have a correspondingly reduced influence) as production from the Mooiplaats Colliery and Woestalleen Complex increases and the Vele Colliery and the Makhado Project are brought into operation.

Production volume and expansion

Historically, the Group's revenue has been directly impacted by the volume of thermal coal it mines and the volume of nickel magnesium alloy and related products it manufactures and sells. In the future, the Group's revenue will be directly impacted by the volume of coking coal, and to a lesser extent over time, the volume of thermal coal, it mines. Coal production is affected by a variety of factors, including adverse operating conditions (such as unexpected geological conditions, fire, weather, accidents), delays in the granting of required government approvals, suspension of approvals, lack of necessary infrastructure, capacity restrictions at processing and beneficiation facilities, labour and safety issues, delays in installing or repairing plant and equipment and capital constraints. Production of nickel magnesium alloys is affected by, among other things, delays in obtaining (or an inability to obtain) the necessary raw materials to manufacture those products.

The Group expects to continue ramping up production at the Mooiplaats Colliery and, subject to regulatory approvals, extend operations at the Vuna Colliery into a northern section. In the case of the Vuna Colliery, the production volume is expected to become nil in July 2013 when the resource is mined out. The Group further expects to begin production at the Vele Colliery in early 2012 and the Makhado Project to be mined from mid-2014, subject to regulatory approvals and the construction timetable, thereby significantly increasing overall production volume by the order of several factors.

The principal drivers of production volume over the period under review have been the acquisition of NuCoal (the Woestalleen Complex) in January 2010, with the full year impact occurring during the 2011 Financial Year, and the continued ramp up of the Mooiplaats Colliery. Coal production at Mooiplaats commenced late in the 2009 Financial Year, and the ramp up of the project continued during the 2010 Financial Year, with the first sale of export coal occurring during the third quarter of the 2010 Financial Year.

Production efficiency will also have a significant impact on production volumes and on the costs of production (see "*Production costs*" below). Factors that influence this include effectiveness of extraction, ground conditions, physical characteristics of the ores and the accuracy of estimated rates and costs of mining and processing.

Logistics

The Group's revenue is directly impacted by the Group's ability to transport coal to its customers. Most of the Group's coal is transported by rail. At destination, the coal is either unloaded and transferred onto trucks for further transportation in case of domestic sales or unloaded at the Matola Terminal or the Richards Bay Coal Terminal in case of export sales. The Group's ability to secure rail capacity is therefore crucial. Transnet Freight Rail is the sole operator of freight trains in South Africa. The Group currently rails its coal to both the Matola Terminal and the Richards Bay Coal Terminal. However, the Group has focused on the Matola Terminal as its primary export point (in particular for planned production from Vele and Makhado) and has therefore looked to secure rail allocation through the Maputo rail corridor to the Matola Terminal. The Company has a commitment from Transnet Freight Rail for the transport of up to 3 Mtpa (to match the existing port allocation) to the Matola Terminal, and third party coal has been railed to ensure the practical

viability of the rail and port allocation while the two existing thermal coal operations increase production to 3 Mtpa. Transnet Freight Rail has rendered inconsistent performance of its obligations to the Group during the period under review, which resulted in difficulties for the Group in satisfying its take or pay obligations. The Group is also in discussions with Transnet Freight Rail in order to find a solution to accommodate the planned additional expansion at the Matola Terminal.

The Group has a 3 Mtpa port allocation at the Matola Terminal for selling its export coal for five years commencing 1 January 2009, which is renewable at no additional cost to the Group for a further 15 years, subject to certain conditions. The Group has the option to take up to 100% of each phase of any increased capacity at the Matola Terminal in return for the Group's participation in the full funding of that phase of the expansion. If implemented, the next phase of the expansion, Phase 4, is expected to increase capacity at the Matola Terminal by 10 Mtpa to 20 Mtpa. If the Group takes up 100% of the Phase 4 expansion, it will have an estimated 23 Mtpa port capacity at the Matola Terminal.

The Group also has an allocation of 207,000 tonnes per annum at the Richards Bay Coal Terminal which is currently being utilized for processed product from the Woestalleen Complex. The allocation at the Richards Bay Coal Terminal is reviewed on an annual basis.

Production costs

The Group's profitability is affected by its ability to control costs and maintain efficient operations. The principal production costs of the Group include mining, processing and labour costs (which are in turn affected by employee productivity), power costs, take or pay obligations at the Matola Terminal and transport costs. Each of these is in turn affected by supply and demand and by other factors outside the Group's control.

Bringing the Vele Colliery and the Makhado Project to production will have various implications for the Group's costs. The mining, processing and employee costs, power costs and transport costs will each increase. The management of the mining and processing functions at the Vele Colliery is to be outsourced. The Group is still considering whether to outsource the management of Makhado.

Costs have increased over the period under review due to the increased volumes mined and processed, the direct cost of mining various combinations of resources and increased cost of transportation of the coal to the processing facilities. An increase in the number of the Group's employees, inflationary pressure in South Africa, in particular with respect to production costs, as well as increased energy costs charged by Eskom have also contributed to increased total costs.

Exchange rate fluctuations

While the Group Financial Information is presented in US dollars (and the Directors intend that the Group will continue to report its financial results in US dollars in the future), the majority of the Group's costs, including substantially all of its labour costs, are incurred in Rand. The Group's revenue is primarily denominated in US dollars, Euros and Rand. The Group has also raised capital in the past which was denominated in pounds sterling, and made certain acquisitions in pounds sterling, US dollars and Rand. The Group's financial results are therefore affected by fluctuations in the exchange rate between the Rand and the US dollar, and between the Rand and pound sterling.

Life of mine

The Group's accounting estimates for amortisation and depreciation, among others, are based on the estimated life-of-mine of the relevant project. Significant changes in life-of-mine plans can occur as a result of mining experience, investment in new equipment and technology, coal price assumptions and other factors. The Company regularly reviews its accounting estimates to take into account changes in life-of-mine and, in the event of impairment, may be required to write down the carrying value of balance sheet items.

Interest rate fluctuations

The Group has historically held relatively significant cash balances which generate interest income for the Group, and also has certain loan facilities on which interest is payable at variable rates. Changes in the interest rates earned on cash balances and paid on borrowings can therefore have a significant effect on the Group's financial results.

Regulatory approvals

The regulatory approval process in South Africa, particularly the process for obtaining an NOMR, NOPR and related regulatory approvals required for the commencement of mining (such as NEMA authorisation or an Integrated Water Use Licence), can significantly affect the Group's operations and therefore its financial results. The process for the granting and execution of the regulatory approvals required for the Group to carry on its business is complex and the time frame for obtaining such approvals is largely beyond the Group's ability to control. Any delay in the granting of a necessary approval will delay or prevent a mine from commencing production and thereby constrain the Group's ability to expand and develop its business.

4. Explanation of certain key statement of comprehensive loss line items

Revenue

The Group derives its revenue principally from the sale of thermal coal. The Group also sells nickel magnesium alloys and ferro silicon magnesium alloys through NiMag, which is expected to discontinue after the planned sale of the business. The following table sets out a breakdown of the Group's revenue by source:

	2011	2010	2009
Mining (coal – sale of product)	229,225	75,232	—
Manufacturing (NiMag)	30,802	21,858	16,144
Other revenue	1,398	1,286	976
Revenue	261,425	98,376	17,120
Finance income	2,486	2,496	9,461
Total revenue	<u>263,911</u>	<u>100,872</u>	<u>26,581</u>

The 2009 Financial Year sales relate to NiMag. The production of thermal coal commenced in late 2009 Financial Year, with first sales achieved in the third quarter of the 2010 Financial Year. Revenue and gross profits generated from thermal coal in the 2010 and 2011 Financial Years reflect the build up of production at the Mooiplaats Colliery and the acquisition of NuCoal (acquired with effect from 1 January 2010).

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

Sale of goods

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

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

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

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

The Group recognises revenue from intercompany sales at market prices. These intercompany sales and purchases are eliminated in the Group's consolidated statements.

Cost of sales

The Group's cost of sales includes costs of raw materials and consumables, employee costs, contractor expenses, processing, plant hire, distribution, depreciation, amortisation and other

operating costs. Raw materials include fuel and energy, water, mined and purchased coal. Other operating costs include general expenses, marketing costs and unallocated overhead costs. Employee costs relate primarily to administrative and laboratory staff expense. After the transition of Mooiplaats Colliery to an owner-operated mine as of 1 July 2011, employee costs have increased due to the hiring of the mining employees formerly employed by the contractor. The transition of the management function at the Woestalleen Complex is not expected to materially affect employee costs.

Cost of sales is expected to increase as the Group brings Vele Colliery to production. Inflationary pressure on inputs purchased in South Africa was evident over the period under review.

Other operating expenses

The Group's other operating expenses comprise share based payment expenses, impairment losses and other expenses. Share based payment expenses comprise principally of expenses recognised in relation to the BEE options and issued to Firefly. Impairment losses consist of impairment loss on assets held for sale, impairment on value of investments and impairments of the Mooiplaats Colliery and Woestalleen Complex. The Group incurred impairment losses of US\$97.4 million (US\$54.0 million in the 2010 Financial Year), which relate to the re-assessment of the carrying value of Mooiplaats and Woestalleen totalling US\$92.3 million (US\$46.6 million in the 2010 Financial Year) and assets held for sale totalling US\$5.1 million (US\$7.4 million in the 2010 Financial Year). Based on the value-in-use projections, the Mooiplaats Colliery was impaired as a result of (i) a change in the life-of-mine calculation, following a revision of the annual tonnages mined; (ii) a change in the cut off heights used from 1.4 metres to 1.6 metres, effectively reducing the tonnage to be mined; and (iii) significantly higher rail and port costs, and the Woestalleen assets were impaired following a recalculation of the remaining resources available.

Other expenses consist of auditors remuneration, loss/profit on disposal of property, plant and equipment, operating lease expenses, foreign exchange gains/losses, legal expenses and the Matola Terminal take or pay obligations. The Directors believe that the Group will not have to make further take or pay payments.

Finance income

The Group's finance income includes interest income on short-term bank deposits.

Finance costs

The Group's finance costs consist of bank borrowings and finance lease liabilities. See "*Liquidity and Capital Resources*"

Income taxes

The Group's income taxes reflect taxes in South Africa and Australia. The principal components of the Group's income tax expense include current tax on profits for the year, withholding tax on interest earned and deferred tax. The Group's effective tax rates were 2% in the 2009 Financial Year, 6% in the 2010 Financial Year and 0% in the 2011 Financial Year.

5. Analysis of changes in the Group's results of operation and financial condition

5.1 2011 Financial Year compared to 2010 Financial Year

Revenue

Revenue increased 165% from US\$98.4 million in 2010 to US\$261.4 million in 2011, as result of coal sales rising from US\$75.2 million to US\$229.2 million. The increase in coal sales – from 1,288,801 tonnes in 2010 to 3,351,217 in 2011 – was accompanied by an increase in the average coal selling price during 2011.

The revenue increase was also as a result of the consolidation of Woestalleen sales for 12 months opposed to 6 months in 2010.

The cancellation of historical free on rail contracts, acquired as part of the Woestalleen Complex (NuCoal), at the end of December 2010 allowed for the sale on additional tonnages on the more lucrative international coal market. Furthermore the Company's allocation at the Matola Terminal increased from 1 Mtpa to approximately 3 Mtpa in March 2011, enabling the Group to export larger quantities than previously.

NiMag's revenue increased from US\$21.9 million to US\$30.8 million due to higher average nickel prices in 2011 compared to 2010.

Cost of sales

The cost of sales charge increased from US\$97.9 million to US\$303.0 million in 2011. The increase is due to the increased quantities of coal sold in 2011, and the inclusion of depreciation relating to the producing mines during the period.

Other operating expenses

Other operating expenses decreased from US\$180.5 million in 2010 to US\$177.2 million in 2011.

In 2010 other operating expenses was impacted by other share-based payment expense of US\$78.5 million associated with options granted to Firefly, the Group's BEE partner and US\$54.0 million of impairment charges related to Holfontein (US\$7.4 million) and the Mooiplaats colliery (US\$46.6 million).

Other operating expenses in 2011 was impacted by US\$97.4 million impairment charges related to NiMag (US\$5.1 million), Woestalleen (US\$4.8 million) and a further impairment of the Mooiplaats colliery (US\$87.5 million). In addition to the impairment charges affecting 2011, other operating expenses were affected by general growth of the business.

Finance income

Finance income remained constant at US\$2.5 million in 2011 and 2010.

Finance costs

Finance costs increased from US\$1.1 million in 2010 to US\$1.8 million in 2011. The charge increased as a result of the JP Morgan Cazenove facility (repaid in March 2011) being in place for nine months of FY2011 (three months in FY2010) and the addition of the Deutsche Bank revolving credit facility in March 2011.

Income tax (charge)/credit

Income tax (charge)/credit increased from a tax credit of US\$10.9 million in 2010 to a charge of US\$0.9 million in 2011. The 2010 credit largely arose from the recognition of deferred tax assets of US\$6.9 million for the Mooiplaats and Vele collieries in respect of their brought forward trading losses and US\$7.1 million in respect of depreciation in excess of tax allowances for property plant and equipment within the Mooiplaats, Vele and the newly acquired Woestalleen collieries.

In 2011, the total deferred tax asset of US\$8.6 million previously recorded in respect of the Mooiplaats colliery was impaired due to uncertainty about its recoverability. An overall deferred tax credit arose in 2011, largely due to the reduction of the deferred tax liability relating to the Woestalleen mining asset that arose on the business combination in 2010.

Excluding deferred tax, the income tax charge for 2011 consisted of a US\$2.1 million charge for Woestalleen (2010: US\$1.9 million), US\$0.4 million for NiMag (2010: US\$0.1 million) and an Australian withholding tax charge of US\$1.1 million (2010: income tax of US\$0.2 million).

Exchange differences on translating foreign operations

Exchange differences on the translation of foreign operations increased from a gain of US\$12.9 million in 2010 to a gain of US\$119.5 million in 2011. The differences arose as a result of the South African Rand weakening 11.5% and United States Dollar weakening 24.7% against the Australian Dollar.

5.2 2010 Financial Year compared to 2009 Financial Year

Revenue

The Company commenced selling coal in 2010 and during the period, sold 1,288,801 tonnes generating revenue of US\$75.2 million. In 2010, the sale of NiMag alloys increased 35% from US\$16.1 million in 2009 to US\$21.9 million.

Cost of sales

Cost of sales increased from US\$14.7 million in 2009 to US\$97.9 million in 2010. The increase was driven in part by the cost of coal sales related to the Woestalleen colliery and increases in the cost of sales for NiMag.

Other operating expenses

Other operating expenses increased from US\$21.5 million in 2010 to US\$180.5 million in 2011.

Other operating expenses in 2009 relate to general administrative costs incurred with running the business.

Other operating expenses in 2010 was impacted by other share-based payment expense of US\$78.5 million associated with options granted to Firefly, the Group's BEE partner and US\$54.0 million of impairment charges related to Holfontein (US\$7.4 million) and the Mooiplaats colliery (US\$87.5 million). In addition to the share-based payment and impairment charges affecting 2010, other operating expenses were affected by general growth of the business.

Finance income

Finance income decreased 74% from US\$9.5 million in 2009 to US\$2.5 million in 2010. The decrease is as a result of substantially lower cash balances, declining from US\$242.3 million at the beginning of the 2009 financial year to US\$72.1 million at 30 June 2010. The decline in the cash balances was as a result of the Company paying for mining, prospecting and investment assets, exploration expenses, surface rights and development of the Mooiplaats Colliery.

Finance costs

Finance costs increased from US\$0.08 million in 2009 to US\$1.1 million in 2010 as a result of the addition of the JPMC Facility.

Income tax (charge)/credit

The 2009 tax charge related to the income tax expense in Australia arising after the complete utilisation of an historical assessed loss. There were no significant deferred tax items recognised in 2009.

The 2010 total tax credit was driven by the recognition of deferred tax assets. US\$6.9 million arose within the Mooiplaats and Vele collieries in respect of their brought forward trading losses and US\$7.1 million arose in respect of depreciation in excess of tax allowances for property plant and equipment within the Mooiplaats, Vele and the newly acquired Woestalleen colliery.

Exchange differences on translating foreign operations

The exchange differences arising from the translation of foreign operations in 2010 were due to the strengthening of the Australian dollar against the South African Rand (4.0%) and United States dollar (5.4%).

The 2009 exchange loss resulted from the Australian dollar weakening 19.6% against the South African Rand and 19.5% against the United States dollar.

6. Liquidity and capital resources

6.1 Sources of liquidity

The Group's principal source of liquidity is its cash resources, which stood at US\$36.1 million (including restricted cash balances of US\$13.3 million) as at 30 June 2011, coal sales from the Mooiplaats Colliery and the Vuna Colliery and its loan and finance facilities. The majority of the Group's cash resources were historically invested in interest bearing term deposits. The Group's principal use of cash to date has been to fund capital expenditure associated with the construction and development of its projects, particularly the Mooiplaats Colliery and the Vele Colliery.

In addition to its cash resources, the Group has the following loan and finance facilities:

- US\$50 million revolving loan facility with Deutsche Bank AG (the terms of which are described in Section 11.4 of Part VII ("*Additional Information*") of this document), of which US\$40 million had been drawn down by the Group as at 25 October 2011, being the latest practicable date prior to the date of this document;
- various NuCoal banking and financing facilities with First National Bank to a total of US\$5.4 million (ZAR42.5 million), of which ZAR20.7 million had been drawn down by the Group as at 30 September 2011, being the latest practicable date prior to the date of this document;
- US\$2.5 million (ZAR20 million) general banking facility with Absa, of which US\$nil (ZAR0.4 million) had been drawn down by the Group as at 30 September 2011, being the latest practicable date prior to the date of this document;

- US\$1.9 million (ZAR15 million) customer foreign exchange facility with Absa, of which US\$1.1 million (ZAR8.7 million) had been drawn down by the Group as at 30 September 2011, being the latest practicable date prior to the date of this document;
- US\$3.4 million (ZAR27 million) forward exchange contract facility with Absa, of which US\$0.3 million (ZAR2.3 million) had been drawn down by the Group as at 30 September 2011, being the latest practicable date prior to the date of this document;
- US\$nil (ZAR0.1 million) instalment sale agreement facility with Absa which, as at 30 September 2011, being the latest practicable date prior to the date of this document, is yet to be utilised by the Group; and
- US\$1.3 million (ZAR10 million) base metal hedging facility with Absa which, as at 30 September 2011, being the latest practicable date prior to the date of this document, is yet to be utilised by the Group.

During the period covered by the Group Financial Information, the Company has also obtained financing for the Group's activities and operations through the following equity fundraisings:

- a placing of new Shares in June 2010 to raise approximately £55 million; and
- a placing of new Shares in October 2009 to raise approximately £57 million (used to fund the acquisition of NuCoal).

The Company is also entitled to receive up to £30 million if the option to acquire up to 50 million Shares granted by the Company to its BEE partner, Firefly, is exercised.

As noted in the Group's financial statements for the 2011 Financial Year published on 19 September 2011 (and as also noted in the Group Financial Information set out in Part VI ("*Group Financial Information*") of this document), the Group has a continuing need for further capital investment for the exploration, development and continuing operation of its projects, including completion of the Chapudi Acquisition. The Group also currently has an ongoing need for short term funding to meet its working capital requirements and the costs of ramping up operations at the Vele Colliery. The Directors are at an advanced stage of negotiation of a new US\$40 million working capital facility and remain confident of securing other sources of financing as necessary to meet the Group's ongoing capital expenditure requirements. The Group is also committed to the sale of certain of its assets, including NiMag and the Holfontein Project, and the Directors are confident of completing the sale of one or both of these assets within the 12 months following the date of this document, which would realise further cash resources for the Group.

6.2 Cash flows

The following table summarises the principal components of the Group's consolidated cash flows for the three year period ending on 30 June 2011.

	<i>Year ended 30 June</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Cash used in operating activities	(2,237)	(9,169)	(12,977)
Cash used in investing activities	(70,024)	(172,854)	(139,207)
Cash generated by financing activities	(10,908)	179,656	25,295

Cash used in operating activities

The Group's cash flows from operating activities have primarily been revenue from sale of NiMag's products, and beginning in 2010 Financial Year, thermal coal production from the Mooiplaats Colliery and the Woestalleen Complex. The main cash outflows from operating activities in the period under review include the cost of producing NiMag alloys and, the Group's administrative and legal costs and the running costs of the Mooiplaats Colliery and the Woestalleen Complex.

Cash from/(used in) investing activities

The Group's principal cash flows from investing activities include the acquisition of property, plant and equipment, expenditure on development of the Group's mines and projects, acquisition of intangible assets, acquisition of subsidiaries, advance of other receivables, increase/(decrease) in other financial assets and deposits of restricted cash.

Cash from/(used in) financing activities

The Group's cash flows from financing activities are principally derived from the proceeds from the issue of new Shares and proceeds from loans under the Company's various borrowing facilities. The main outflows are the repayment of loans under the Company's borrowing facilities and the repayment of finance lease liabilities.

6.3 Capital expenditure

The following table sets out the Group's capital expenditure for the three years ended 30 June 2011.

	<i>Year ended 30 June</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Capital expenditure	58,443	175,949	129,213

Capital expenditure

The Group's capital expenditure during the three years to 30 June 2011 include acquisition and development of tenements of the Makhado Project, the Vele Colliery, NuCoal, the Mooiplaats Colliery and the Holfontein Project, the payment of a deposit for the Chapudi Acquisition, the development of the Polokwane coal laboratory and additional furnace capacity for NiMag.

The Group's capital expenditure is expected to be significant in the next twenty-four months, in connection with the following:

- construction and development of the Makhado Project, the amount of which will be determined following completion of the Definitive Feasibility Study and final determination of project costs;
- completion of the Chapudi Acquisition (US\$73 million), and related exploration and technical studies associated with the Chapudi Acquisition and the Soutpansberg Complex properties (approximately US\$35 million);
- the purchase of plant, property and equipment for the Mooiplaats Colliery (approximately US\$35 million), including in connection with the opening of the South Section, electrical transformers and related infrastructure and other property, plant and equipment;
- the construction of infrastructure, plant and equipment for the Woestalleen Complex (approximately US\$10 million), including the construction of various co-disposal dams and facilities and other plant and equipment; and
- capital expenditure for Vele to complete the plant and related mining infrastructure (approximately US\$56 million), including the design, purchase and construction of a new flotation plant and crushing and destoning plant, construction of additional access roadways, installation of electrical infrastructure and other property, plant, equipment and infrastructure.

The Directors expects to meet these capital expenditure requirements through its existing cash resources and by obtaining further funding as necessary, either through the sale of non-core assets (if appropriate) or by raising further debt or equity financing.

6.4 Commitments and contingent liabilities

Commitments

The Group has various contractual obligations (including finance lease obligations) and commercial commitments to make future payments. The following table summarises the present value of the Group's future obligations as at 30 June 2011 under these contracts due by the periods indicated.

	<i>Due in less than one year</i>	<i>Due in one to five years</i>	<i>Total</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Export trade facility	32,623	—	32,623
Finance lease commitments	3,364	1,720	5,084
Employee provision	2,481	—	2,481
Rehabilitation provision	—	18,714	18,714

- The Group's 30-month revolving credit facility with Deutsche Bank matures in October 2013. Beginning in November 2012, the facility reduces in 12 equal monthly instalments.

- The Group has provided cash-backed guarantees in respect of rehabilitation requirements at Mooiplaats, Woestalleen processing facility, Vuna, Vele, Makhado and Holfontein. At the end of each financial year, a third party consultant prepares an updated assessment of the rehabilitation liability, which is submitted to the DMR for approval. An incremental increase in liability must be supported by additional guarantees. The guarantees are secured rand-for-rand by pledged funds on deposit, which are treated as “restricted cash” and may not be used to fund working capital or capital expenditures or be used for other corporate purposes. At 30 June 2011, the guarantees amounted to R120.7 million.

Contingent liabilities

The Directors have made provision for contingent liabilities in respect of certain claims which have been made against the Group.

See note 30 to the Group Financial Information for further details on the Group’s contingent liabilities.

7. Risks and risk management

The Group’s activities expose it to a variety of financial risks, including market, commodity price, liquidity and foreign exchange risk. An Executive Committee consisting of senior executives of the Group meets on a regular basis to analyse operational, legal and financial exposure. This Executive Committee assess risk, *inter alia* future cash flow requirements.

The Group’s financial instruments principally comprise deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, leases and forward exchange contracts.

The principal areas of financial risk for the company are interest rate risk, foreign exchange risk and coal price risk. For a description of these risks, as well as a description of the other risk factors that the Group is exposed to, see the “*Risk Factors*” section of this document. For a description of the Group’s risk management policies, see note 27 to the Group Financial Information.

8. Key accounting policies

Critical accounting policies are those policies that require the application of the Group’s management’s most challenging subjective or complex judgements, often as a result of the need to make judgements about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgements and uncertainties that are sufficiently sensitive to have materially different results under different assumptions and conditions. A detailed description of certain of the main accounting policies used in preparing the Group Financial Information is set out in note 3 to the Group Financial Information.

PART VI
Group Financial Information

The Board of Directors
on behalf of Coal of Africa Limited
Level 1, 173 Mounts Bay Road
Perth, Western Australia 6000

31 October 2011

Dear Sirs

Coal of Africa Limited

We report on the financial information for the three years ended 30 June 2011 set out in Part VI of the registration document dated 31 October 2011 of Coal of Africa Limited (the “Company” and, together with its subsidiaries, the “Group”) (the “Group Financial Information”). This financial information has been prepared for inclusion in the Registration Document on the basis of the accounting policies set out in note 3 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the “Prospectus Directive Regulation”) and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Group Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the Group Financial Information gives, for the purposes of the Registration Document, a true and fair view of the state of affairs of the Group as at 30 June 2009, 2010 and 2011 and of its losses, cash flows and changes in equity for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 which indicates that the Group will have to secure new funding through debt or equity to finance future capital investment for the exploration, development and continuing operation of its projects, including completion of the Chapudi acquisition. These conditions, along with the matters set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Registration Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Registration Document in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited

COAL OF AFRICA LIMITED
Consolidated statement of comprehensive loss
for the years ended 30 June

		2011	2010	2009
	Note	\$'000	\$'000	\$'000
Revenue	5	261,425	98,376	17,120
Cost of sales		(303,004)	(97,926)	(14,652)
Gross profit		(41,579)	450	2,468
Other operating expenses		(177,191)	(180,513)	(21,465)
Operating loss	6	(218,770)	(180,063)	(18,997)
Finance income	8	2,486	2,496	9,461
Finance costs	8	(1,822)	(1,089)	(77)
Loss before tax		(218,106)	(178,656)	(9,613)
Income tax (charge) / credit	9	(897)	10,898	(236)
Net loss for the year		(219,003)	(167,758)	(9,849)
Other comprehensive income/(loss)				
Exchange differences on translating foreign operations		119,470	12,889	(79,810)
Total comprehensive loss for the year		(99,533)	(154,869)	(89,659)
Loss attributable to:				
Owners of the Company		(219,003)	(167,758)	(9,849)
Non-controlling interests		—	—	—
		(219,003)	(167,758)	(9,849)
Total comprehensive loss attributable to:				
Owners of the Company		(99,533)	(154,869)	(89,659)
Non-controlling interests		—	—	—
		(99,533)	(154,869)	(89,659)
Loss per share				
Basic and diluted (cents per share)	10	0.41	0.37	0.02

The accompanying notes are an integral part of this Group Financial Information

COAL OF AFRICA LIMITED
Consolidated statement of financial position
as at 30 June

	<i>Note</i>	<i>2011</i> <i>\$'000</i>	<i>2010</i> <i>\$'000</i>	<i>2009</i> <i>\$'000</i>
ASSETS				
Non-current assets				
Exploration and evaluation expenditure	11	74,881	45,971	41,186
Property, plant and equipment	12	339,225	397,841	220,925
Intangible assets	13	20,800	18,066	18,749
Other receivables	14	12,800	14,400	16,000
Other financial assets	15	13,594	18,651	19,664
Goodwill	16	—	3,031	2,981
Restricted cash	19	13,323	14,511	64
Deferred tax assets	23	4,171	10,460	43
Total non-current assets		<u>478,794</u>	<u>522,931</u>	<u>319,612</u>
Current assets				
Inventories	17	23,122	24,025	6,927
Trade and other receivables	18	44,734	27,240	17,314
Cash and cash equivalents	19	22,761	72,054	69,979
Total current assets		<u>90,617</u>	<u>123,319</u>	<u>94,220</u>
Assets classified as held for sale	20	<u>22,268</u>	<u>14,638</u>	<u>20,631</u>
Total assets		<u><u>591,679</u></u>	<u><u>660,888</u></u>	<u><u>434,463</u></u>
LIABILITIES				
Non-current liabilities				
Borrowings	21	1,720	1,506	—
Provisions	22	18,714	9,239	1,917
Deferred tax liabilities	23	19,435	28,551	—
Total non-current liabilities		<u>39,869</u>	<u>39,296</u>	<u>1,917</u>
Current liabilities				
Trade and other payables	24	73,590	68,858	8,874
Borrowings	21	38,631	20,863	—
Provisions	22	2,481	876	211
Current tax liabilities		3,474	321	282
Total current liabilities		<u>118,176</u>	<u>90,918</u>	<u>9,367</u>
Liabilities classified as held for sale	20	<u>2,843</u>	<u>—</u>	<u>—</u>
Total liabilities		<u><u>160,888</u></u>	<u><u>130,214</u></u>	<u><u>11,284</u></u>
NET ASSETS		<u><u>430,791</u></u>	<u><u>530,674</u></u>	<u><u>423,179</u></u>
EQUITY				
Issued capital	25	686,577	685,740	500,896
Accumulated deficit		(429,589)	(210,586)	(42,828)
Reserves		173,228	51,242	(40,936)
Equity attributable to owners of the Company		<u>430,216</u>	<u>526,396</u>	<u>417,132</u>
Non-controlling interests		575	4,278	6,047
Total equity		<u><u>430,791</u></u>	<u><u>530,674</u></u>	<u><u>423,179</u></u>

The accompanying notes are an integral part of this Group Financial Information

COAL OF AFRICA LIMITED
Consolidated statement of changes in equity
for the years ended 30 June

	<i>Issued capital \$'000</i>	<i>Accumulated deficit \$'000</i>	<i>Share based payment reserve \$'000</i>	<i>Capital profits reserve \$'000</i>	<i>Foreign currency translation reserve \$'000</i>	<i>Attributable to owners of the Company \$'000</i>	<i>Non- controlling interests \$'000</i>	<i>Total equity \$'000</i>
Balance at 1 July 2010	685,740	(210,586)	86,451	91	(35,300)	526,396	4,278	530,674
Total comprehensive loss for the year	—	(219,003)	—	—	119,470	(99,533)	—	(99,533)
Loss for the year	—	(219,003)	—	—	—	(219,003)	—	(219,003)
Other comprehensive income, net of tax	—	—	—	—	119,470	119,470	—	119,470
	685,740	(429,589)	86,451	91	84,170	426,863	4,278	431,141
Shares issued on exercise of options	349	—	—	—	—	349	—	349
Share-based payment transactions	—	—	3,004	—	—	3,004	—	3,004
Transfer from share-based payments reserve	488	—	(488)	—	—	—	—	—
Other movements in non-controlling interests	—	—	—	—	—	—	(3,703)	(3,703)
Balance at 30 June 2011	686,577	(429,589)	88,967	91	84,170	430,216	575	430,791
Balance at 1 July 2009	500,896	(42,828)	7,162	91	(48,189)	417,132	6,047	423,179
Total comprehensive loss for the year	—	(167,758)	—	—	12,889	(154,869)	—	(154,869)
Loss for the year	—	(167,758)	—	—	—	(167,758)	—	(167,758)
Other comprehensive income, net of tax	—	—	—	—	12,889	12,889	—	12,889
	500,896	(210,586)	7,162	91	(35,300)	262,263	6,047	268,310
Shares issued for capital raising	177,482	—	—	—	—	177,482	—	177,482
Shares issued in lieu of professional fees	752	—	—	—	—	752	—	752
Shares issued on acquisition of 26% of Vele	15,915	—	—	—	—	15,915	—	15,915
Shares issued on exercise of options	755	—	—	—	—	755	—	755
Acquisition and disposal of non-controlling interest	—	—	—	—	—	—	(1,769)	(1,769)
Transfer from share based payment reserve	986	—	(986)	—	—	—	—	—
Share-based payment transactions	—	—	1,760	—	—	1,760	—	1,760
BEE share based payments	—	—	78,515	—	—	78,515	—	78,515
Share issue costs	(11,046)	—	—	—	—	(11,046)	—	(11,046)
Balance at 30 June 2010	685,740	(210,586)	86,451	91	(35,300)	526,396	4,278	530,674

The accompanying notes are an integral part of this Group Financial Information

COAL OF AFRICA LIMITED
Consolidated statement of changes in equity
for the years ended 30 June

	<i>Issued capital \$'000</i>	<i>Accumulated deficit \$'000</i>	<i>Share based payment reserve \$'000</i>	<i>Capital profits reserve \$'000</i>	<i>Foreign currency translation reserve \$'000</i>	<i>Attributable to owners of the Company \$'000</i>	<i>Non- controlling interests \$'000</i>	<i>Total equity \$'000</i>
Balance at 1 July 2008	466,698	(32,979)	7,646	91	31,621	473,077	2,344	475,421
Total comprehensive loss for the year	—	(9,849)	—	—	(79,810)	(89,659)	—	(89,659)
Loss for the year	—	(9,849)	—	—	—	(9,849)	—	(9,849)
Other comprehensive loss, net of tax	—	—	—	—	(79,810)	(79,810)	—	(79,810)
	466,698	(42,828)	7,646	91	(48,189)	383,418	2,344	385,762
Shares issued for capital raising	33,466	—	—	—	—	33,466	—	33,466
Shares issued in lieu of professional fees	153	—	—	—	—	153	—	153
Shares issued in lieu of put option	1,046	—	—	—	—	1,046	—	1,046
Shares issued on exercise of options	1,407	—	—	—	—	1,407	—	1,407
Transfer from share based payments reserve	689	—	(689)	—	—	—	—	—
Share based payment transactions	—	—	205	—	—	205	—	205
Capital raising costs incurred	(2,563)	—	—	—	—	(2,563)	—	(2,563)
Other movements in non-controlling interests	—	—	—	—	—	—	3,703	3,703
Balance at 30 June 2009	<u>500,896</u>	<u>(42,828)</u>	<u>7,162</u>	<u>91</u>	<u>(48,189)</u>	<u>417,132</u>	<u>6,047</u>	<u>423,179</u>

The accompanying notes are an integral part of this Group Financial Information

COAL OF AFRICA LIMITED
Consolidated statement of cash flows
for the years ended 30 June

	Note	2011 \$'000	2010 \$'000	2009 \$'000
Cash flows from operating activities				
Cash used in operations	28	(2,527)	(7,629)	(22,361)
Interest received		2,486	2,496	9,461
Dividends received		—	92	—
Interest paid		(1,822)	(1,089)	(77)
Income taxes paid		(374)	(3,039)	—
Net cash used in operating activities		<u>(2,237)</u>	<u>(9,169)</u>	<u>(12,977)</u>
Cash flows from investing activities				
Purchase of property, plant and equipment		(56,295)	(104,532)	(82,298)
Proceeds from the sale of property, plant and equipment		1,679	530	—
Capitalised exploration and evaluation expenditure		(19,350)	(2,528)	(8,781)
Acquisition of subsidiary, net of cash acquired		—	(60,558)	—
Acquisition of intangibles		—	—	(20,000)
Increase/(decrease) in other financial assets		5,058	7,080	(12,064)
Advance of other receivables		—	—	(16,000)
Repayment of other receivables		1,600	1,600	—
Deposit of restricted cash		(1,188)	(14,446)	(64)
Cash classified as held for sale		(1,528)	—	—
Net cash used in investing activities		<u>(70,024)</u>	<u>(172,854)</u>	<u>(139,207)</u>
Cash flows from financing activities				
Proceeds from working capital facility		—	20,000	—
Repayment of working capital facility		(20,000)	—	—
Proceeds from export trade finance facility		32,500	—	—
Finance lease repayments		(4,545)	—	—
Proceeds from the issue of shares		309	167,827	25,435
Other movements		2,644	(8,171)	(140)
Net cash generated by financing activities		<u>10,908</u>	<u>179,656</u>	<u>25,295</u>
Net decrease in cash and cash equivalents		<u>(61,353)</u>	<u>(2,367)</u>	<u>(126,889)</u>
Foreign exchange differences		12,060	4,442	(45,435)
Cash and cash equivalents at beginning of the year		<u>72,054</u>	<u>69,979</u>	<u>242,303</u>
Cash and cash equivalents at the end of the year	19	<u><u>22,761</u></u>	<u><u>72,054</u></u>	<u><u>69,979</u></u>

The accompanying notes are an integral part of this Group Financial Information

COAL OF AFRICA LIMITED
Notes to the Group Financial Information
for the years ended 30 June

1. General information

Coal of Africa Limited ('CoAL' or 'the Company') is a limited company incorporated in Australia. Its common shares are listed on the Australian Securities Exchange ('ASX'), the Alternative Investment Market of the London Stock Exchange ('AIM') and the Johannesburg Securities Exchange ('JSE'). The addresses of its registered office and principal places of business are disclosed in the Annual Report.

The principal activities of the Company and its subsidiaries ('the Group') are the acquisition, exploration and development of thermal and metallurgical coal projects in South Africa.

The Group's principal assets and projects include:

- one coking coal project and the Vele Colliery in the development stage;
- two exploration and evaluation stage coking and thermal coal complexes, the Chapudi Complex, Makhado Complex and the Soutpansberg Complex;
- two operational thermal coal collieries, the Mooiplaats Colliery and the Woestalleen Colliery; and
- in excess of three million tonnes per annum port and rail capacity, with the option to secure additional capacity at the Matola Terminal in Maputo, Mozambique.

The Group also has an interest in an analytical coal laboratory.

2. Going concern

The Group incurred a net loss after tax of \$219.0 million (year ended 30 June 2010: loss of \$167.8 million; year ended 30 June 2009: loss of \$9.8 million) and experienced net cash operating outflows from operating activities of \$2.2 million (year ended 30 June 2010 net outflow: \$9.2 million; year ended 30 June 2009 net outflow: \$13.0 million) for the year ended 30 June 2011. As at 30 June 2011 the Group had a net current liability position of \$27.6 million, excluding assets classified as held for sale (30 June 2010: net current assets of \$32.4 million; 30 June 2009: net current assets of \$84.9 million).

The Group's results and financial condition reflect the stage of development of the Group's principal assets and projects, as discussed in Note 1, General information. The Group recognised revenue of \$261.4 million in the year ended 30 June 2011 (year ended 30 June 2010: \$98.4 million and year ended 30 June 2009 \$17.1 million.)

The Directors anticipate that the Group will need to make substantial future capital investment for the exploration, development and continuing operation of its projects. Such capital investment includes, as an example, payments that may become due relating to the Chapudi acquisition. The Group entered into the Chapudi acquisition agreement in November 2010 pursuant to which they committed to purchase 100% of the shares in Chapudi Coal (Pty) Limited and Kwezi Mining Exploration (Pty) Limited for a total consideration of US\$75.0 million. Completion of this acquisition is conditional on the receipt of various regulatory approvals, the receipt of which will trigger the first US\$43.0 million consideration for the Chapudi assets to become payable. The Group anticipates the payment will be made in April 2012.

The ability of the Group to finance future capital investment for the exploration, development and continuing operation of its projects, including completion of the Chapudi acquisition, is dependent on, amongst other things, the Group's ability to raise additional funding through equity or debt financing. Failure of the 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 Group's properties or even loss of a property interest (including any prospecting or mining right).

The Directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and that, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. Going concern (continued)

On 23 March 2011, the Group announced that they had successfully reached agreement with Deutsche Bank AG on a US\$50 million export finance facility. US\$10 million of this facility remains undrawn at the date of this report.

The Group is also committed to the sale of NiMag, which is engaged in the manufacture and distribution of nickel magnesium alloys and ferro silicon magnesium alloys and is now considered non-core and negotiations are underway for a potential sale, and the Holfontein Project, which was the first thermal coal mining project acquired by the Group in South Africa but is no longer considered suitable for development by the Group. At the date of this report there is no certainty that a sale of these assets will take place in the near term.

The Directors are also pursuing a number of other sources of funding and are at an advanced stage of negotiation of a new US\$40 million debt facility and remain confident of securing further financing. Nevertheless, there is no assurance that these initiatives will be successful.

Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis of accounting in preparing the Group Financial Information.

3. Accounting policies

3.1. Basis of presentation

The consolidated historical financial information comprises the historical financial information of the Company and entities controlled by the Company (its subsidiaries) as of and for each of the three years ended 30 June 2011.

The consolidated historical financial information has been prepared in accordance with the requirements of the Prospectus Directive Regulation and in accordance with the accounting policies described below. The financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (IFRSs as adopted by the EU).

On 19 September 2011, the Group filed its annual financial statements for the year ended 30 June 2011 with the Australian Stock Exchange. In the preparation of this Group Financial Information as at and for the years ended 20 June 2011, 2010 and 2009, the Group has revised the presentation of those consolidated financial statements in a number of areas. As an example, the statement of comprehensive loss has been represented on a full functional basis, development assets have been reclassified from development, exploration and evaluation expenditure to property, plant and equipment on the consolidated statement of financial position, and certain other conforming changes to the footnotes have been made. These revisions had no impact on net loss for the year, total assets or total equity.

3.2. Basis of consolidation

The Group Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through its subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of actual and potential voting rights are also considered. A list of controlled entities is contained in Note 32 to the Group Financial Information.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive loss of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

3. Accounting policies (continued)

3.2. Basis of consolidation (continued)

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under International Accounting Standard ('IAS') 39 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

3.3. Business combinations

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

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

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

- deferred tax assets or liabilities and liabilities are recognised and measured in accordance with IAS 12 'Income Taxes';
- assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 'Employee Benefits';
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-

3. Accounting policies (continued)

3.3. Business combinations (continued)

transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

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

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

3.4. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.2 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5. Functional and presentation currency

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items

3. Accounting policies (continued)

3.5. Functional and presentation currency (continued)

denominated in foreign currencies are retranslated at the rates prevailing at that date. Non monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

3.6. Non-current assets held for sale

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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

3.7. Exploration and evaluation expenditure

Exploration and evaluation expenditure related to an area of interest is written off as incurred except where the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest, or alternatively by its sale.

3. Accounting policies (continued)

3.7. Exploration and evaluation expenditure (continued)

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

Identifiable exploration assets acquired in a business combination are initially recognised as assets at their fair value. Subsequent to acquisition they are accounted for in accordance with the policy outlined above.

All capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied, and assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 3.13.

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

3.8. Property, plant and equipment – Development assets

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

No depreciation is recognised in respect of development assets.

Development assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 3.13.

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

3.9. Property, plant and equipment – Mining property

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

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

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

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

Mining property is assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 3.13.

3.10. Deferred stripping costs

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

Stripping costs incurred during the production stage of a mine are deferred when this is considered the most appropriate basis for matching the costs against the related economic benefits. The amount deferred is based on the waste-to-ore ratio (‘stripping ratio’), which is calculated by dividing the tonnage of waste mined by the quantity of ore mined. Stripping costs incurred in a period are deferred to the extent that the current period ratio exceeds the expected life-of mine-ratio. Such

3. Accounting policies (continued)

3.10. Deferred stripping costs (continued)

deferred costs are then charged to the statement of comprehensive loss to the extent that, in subsequent periods, the current period ratio falls below the life-of-mine-ratio. The life-of-mine stripping ratio is calculated based on proved and probable reserves. Any changes to the life-of-mine ratio are accounted for prospectively.

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

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

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

Freehold land is stated at cost and is not depreciated.

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where items of property, plant and equipment contain components that have different useful lives to the main item of plant and equipment, these are capitalised separately to the plant and equipment to which the component can be logically assigned.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

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

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

3.12. Intangible assets, excluding goodwill

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the Group and the cost can be reliably measured.

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

Intangible assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 3.13

3.13. Impairment of tangible and intangible assets other than goodwill

The carrying amounts of the Group's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

3. Accounting policies (continued)

3.13. Impairment of tangible and intangible assets other than goodwill (continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

3.14. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 3.24 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

3.15. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Costs of inventories are determined using the weighted average method.

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

3.16. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the accounts receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of income. When an accounts receivable is

3. Accounting policies (continued)

3.16. Trade receivables (continued)

uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive loss.

3.17. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management system and are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

3.18. Financial instruments

Recognition

Financial assets and financial liabilities are recognised when a Group entity becomes a party to a contract which entitles it to receive contractually agreed cash flows on the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) and payments through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' ('AFS') financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

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

The Group designates financial assets at FVTPL when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the assets or liabilities contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract and has to be separately disclosed and fair-valued through profit or loss.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item in the statement of comprehensive loss.

3. Accounting policies (continued)

3.18. Financial instruments (continued)

Held to maturity investments

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

AFS investments

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

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

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

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

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

Impairment of financial assets

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

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

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows

3. Accounting policies (continued)

3.18. Financial instruments (continued)

discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

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

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

Derecognition

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

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

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

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

Financial liabilities

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

The Group classifies financial liabilities as other financial liabilities. Subsequent to initial measurement, such liabilities are carried at amortised cost using the effective interest method.

3. Accounting policies (continued)

3.18. Financial instruments (continued)

Borrowings

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Derecognition

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

Equity instruments

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

3.19. Trade payables

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

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

3.20. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The increase in provisions due to the passage of time is included in the finance costs line item in the statement of comprehensive loss.

Rehabilitation provision

A provision for rehabilitation is recognised when there is a present obligation as a result of exploration, development or production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

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

The initial estimate of the rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated or amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of sales for the period. Changes in the estimate of the provision are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

3. Accounting policies (continued)

3.21. Share-based payments transactions of the Company

Equity-settled

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26.

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

No amounts have been recognised in the Group Financial Information in respect of other equity-settled share-based payments.

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

Cash-settled

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Accounting for BEE transactions

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

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

3.22. Taxation, including sales tax

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

Current taxation

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

Deferred taxation

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

3. Accounting policies (continued)

3.22. Taxation, including sales tax (continued)

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

Deferred tax assets and liabilities are measured at the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle its assets and liabilities.

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

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

Current and deferred tax for the year

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

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

Sales tax

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

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

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

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

3.23. Revenue recognition

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

Sale of goods

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

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

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

3. Accounting policies (continued)

3.23. Revenue recognition (continued)

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

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate. Interest income is recognised in finance income on the consolidated statement of comprehensive loss.

3.24. Borrowing costs

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

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

3.25. Employee benefits

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

3.26. Segment information

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

Management has determined the reportable segments of the Group based on the reports reviewed by the Company's executive committee that are used to make strategic decisions. The Group has three reportable segments: Exploration, Development and Mining (see note 29).

3.27. Adoption of new and revised Accounting Standards and Interpretations

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected amounts reported in the Group Financial Information

New and revised IFRSs in issue and adopted by the Company

Amendments to IFRS 2: Share-based Payment – Group Cash-settled Share based-payment transactions

This amendment clarifies the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The Group has no cash-settled share-based payment arrangements and the adoption of this standard had no impact on the financials.

Amendments to IFRS 1: First-time adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters

The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease. The Group is not a first-time adopter and the adoption of this standard had no impact on the financials.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment) ('IAS 32')

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given *pro rata* to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. To date, the

3. Accounting policies (continued)

3.27. Adoption of new and revised Accounting Standards and Interpretations (continued)

Group has not entered into any arrangements that would fall within the scope of the amendments. However in future periods if the Group does enter into any rights issues within the scope of the amendments, such amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. To date, the Group has not entered into any arrangements that would fall within the scope of IFRIC 19.

New and revised IFRSs in issue but not yet effective

Amendments to IFRS 7: Disclosures – Transfer of Financial Assets

The amendment IFRS 7 titled Disclosures – Transfer of Financial Assets is effective for annual periods beginning on or after 1 January 2011. It increases the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposure when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The Group does not anticipate that the amendments to IFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously affected. However if the Group enters into other types of transfers of financial assets in the future, disclosures regarding these transfers may be affected.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the Group Financial Information.

IAS 24 (revised 2009) Related Party Disclosures

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, "Financial instruments" ('IFRS 9') was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed-measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10, "Consolidated financial statements" ('IFRS 10') was issued by the IASB in May 2011 and will replace SIC 12, "Consolidation – Special purpose entities" and parts of IAS 27, "Consolidated and separate financial statements". Under the existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from

3. Accounting policies (continued)

3.27. Adoption of new and revised Accounting Standards and Interpretations (continued)

its activities. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires an entity that controls one or more other entities to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Corporation is currently evaluating the impact of this standard on its Group Financial Information.

IFRS 11 Joint arrangements

IFRS 11, "Joint arrangements" ('IFRS 11') was issued by the IASB in May 2011 and will supersede IAS 31, "Interest in joint ventures" and SIC 13, "Jointly controlled entities – Non-monetary contributions by venturers" by removing the option to account for joint ventures using proportionate consolidation and requiring equity accounting. Venturers will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item on their financial statements. In addition, IFRS 11 will require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement will no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Group is currently evaluating the impact of this standard on its Group Financial Information.

IFRS 12 Disclosure of interests in other entities

IFRS 12, "Disclosure of interests in other entities" ('IFRS 12') was issued by the IASB in May 2011. IFRS 12 requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities commonly referred to as special purpose vehicles, or variable interest entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Group is currently evaluating the impact of this standard on its Group Financial Information.

IFRS 13 Fair value measurement

IFRS 13, "Fair value measurement" ('IFRS 13') was issued by the IASB in May 2011. This standard clarifies the definition of fair value, required disclosures for fair value measurement, and sets out a single framework for measuring fair value. IFRS 13 provides guidance on fair value in a single standard, replacing the existing guidance on measuring and disclosing fair value which is dispersed among several standards. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Group is currently evaluating the impact of this standard on its Group Financial Information.

Amendment to IAS 1: Presentation of financial statements

Amendment to IAS 1, "Presentation of financial statements" ('IAS 1') was issued by the IASB in June 2011. The amendment requires separate presentation for items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met, from those that would never be reclassified to profit or loss. The effective date is July 1, 2012 and earlier adoption is permitted. The Group is currently evaluating the impact of this amendment on its consolidated financial statements.

Amendment to IAS 19: Employee Benefits

Amendment to IAS 19, "Employee Benefits": ('IAS 19') was issued by the IASB in June 2011. The amendment requires all actuarial gains and losses to be immediately recognized in other comprehensive income rather than profit and loss and requires expected returns on plan assets recognized in profit or loss to be calculated based on the rate used to discount the defined benefit obligation. The amended standard is effective for annual periods beginning on or after January 1, 2013 and earlier adoption is permitted. The Group is currently evaluating the impact of the amendment on its Group Financial Information.

3. Accounting policies (continued)

3.27. Adoption of new and revised Accounting Standards and Interpretations (continued)

IAS 27 Separate Financial Statements

IAS 27, "Separate financial statements" ('IAS 27') was re-issued by the IASB in May 2011 to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The consolidation guidance will now be included in IFRS 10. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2013. The Group is currently evaluating the impact of the amendments on its Group Financial Information.

IAS 28 Investments in associates and joint ventures

IAS 28, "Investments in associates and joint ventures" ('IAS 28') was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January. The Group is currently evaluating the impact of the amendments on its Group Financial Information.

4. Critical accounting estimates and key judgements

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

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

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

Asset carrying values and impairment charges

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

Coal reserves

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

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

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

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

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

Exploration and evaluation assets

Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and assumptions as to future events and circumstances, in particular, whether successful development

4. Critical accounting estimates and key judgements (continued)

and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. The Group applies the principles of IFRS 6, 'Exploration for and Evaluation of Mineral Resources' and recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting policy, a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss. Refer to note 12.

Development expenditure

Development activities commence after the commercial viability and technical feasibility of the project are established. Judgment is applied by management in determining when a project is commercially viable and technically feasible. Any judgments may change as new information becomes available. If, after having commenced the development activity, a judgment is made that a development asset is impaired, the appropriate amount will be written off to the consolidated statement of comprehensive loss. Refer to note 12.

Rehabilitation and restoration provisions

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

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

Changes in the estimates and assumptions used could have a material impact on the carrying value of the rehabilitation provision and related asset. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time. The carrying amount of the rehabilitation provision is set out in Note 22.

Recoverability of non-current assets

As set out in Note 3.13, certain assumptions are required to be made in order to assess the recoverability of non-current assets where there is an impairment indicator. Key assumptions include future coal prices, future operating costs, discount rate and estimates of coal reserves. Estimates of coal reserves in themselves are dependent on various assumptions (refer above). Changes in these assumptions could therefore affect estimates of future cash flows used in the assessment of recoverable amounts, estimates of the life of mine and depreciation. Refer to note 12.

Contingent liabilities – litigation

Certain claims have been made against the Group. Judgments about the validity of the claims have been made by the Directors. Further details are included in Note 30.

5. Revenue

	<i>Year ended 30 June 2011 \$'000</i>	<i>Year ended 30 June 2010 \$'000</i>	<i>Year ended 30 June 2009 \$'000</i>
Sale of product	229,225	75,232	—
Other revenue	32,200	23,144	17,120
	<u>261,425</u>	<u>98,376</u>	<u>17,120</u>

6. Net loss for the year

	<i>Year ended 30 June 2011 \$'000</i>	<i>Year ended 30 June 2010 \$'000</i>	<i>Year ended 30 June 2009 \$'000</i>
Net loss for the year has been arrived at after charging/ (crediting):			
Employee benefits expense			
Share-based payments	3,004	1,760	205
Other employee benefits	18,628	8,594	5,776
Total employee benefits expense	<u>21,632</u>	<u>10,354</u>	<u>5,981</u>
Other share-based payments			
BEE options issued to Firefly Investments 163 (Proprietary) Limited ('Firefly') (note 26)	—	78,515	—
	<u>—</u>	<u>78,515</u>	<u>—</u>
Impairment losses			
Impairment loss on assets held for sale (see note 20)	5,105	7,399	—
Impairment loss on property, plant and equipment – development assets (see note 12)	—	46,562	—
Impairment loss on property, plant and equipment – mining property, plant and equipment (see note 12)	92,295	—	—
Total impairment loss	<u>97,400</u>	<u>53,961</u>	<u>—</u>
Depreciation and amortisation			
Depreciation			
Depreciation of property, plant and equipment (note 12)	78,078	24,736	433
Total depreciation	<u>78,078</u>	<u>24,736</u>	<u>433</u>
Amortisation			
Amortisation of intangible asset (note 13)	1,443	1,948	—
Total amortisation	<u>1,443</u>	<u>1,948</u>	<u>—</u>
Total depreciation and amortisation	<u>79,521</u>	<u>26,684</u>	<u>433</u>
Net losses			
Gains on disposal of property, plant and equipment	(297)	(2)	—
Revaluation of investments	795	1,346	1,740
Net losses	<u>498</u>	<u>1,344</u>	<u>1,740</u>
Operating lease expense	<u>1,874</u>	<u>1,008</u>	<u>1,745</u>
Foreign exchange loss/(gain)	<u>29,923</u>	<u>(2,953)</u>	<u>(942)</u>

7. Business combination – NuCoal acquisition

On 1 January 2010, the Company acquired 100% of the NuCoal group of companies comprising the Woestalleen, Klipbank and Zonnebloem collieries and other prospecting rights for a total consideration of \$74.4 million. The NuCoal group of companies was acquired to cement the Company's position as an emerging South African coal producer, transforming the Company into a multi-site producer.

	2010 \$'000
Consideration	
Cash	64,057
Realised foreign exchange gain	5,724
Retention payable	4,642
Total consideration	74,423
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	13,860
Exploration assets	12,285
Other financial assets	3,452
Receivables	8,806
Inventory	11,343
Cash and bank balances	3,499
Loans and other payables	(39,621)
Deferred taxation	(4,806)
Provisions	(6,389)
Mining asset on consolidation	102,848
Deferred tax on mining asset	(30,854)
Total identifiable assets	74,423

Included in the loss for the year is \$3.0 million attributable to the additional business generated by the NuCoal group of companies. Revenue for the year included \$75.2 million related to the NuCoal group of companies.

Had the NuCoal group of companies been acquired at 1 July 2009, the revenue of the Group would have been \$162.2 million and the loss for the year would have been \$162.1 million. The Directors consider these pro forma numbers to represent an approximate measure of the performance of the combined group on annualised basis and to provide a reference point for comparison in future periods.

In determining the pro forma revenue and loss of the Group had the NuCoal group of companies been acquired at the beginning of 2009 the Directors have:

Acquisition related costs amounting to \$0.5 million have been excluded from the consideration transferred and have been recognised as an expense in other operating expenses in the statement of comprehensive loss.

8. Finance income and cost

	<i>Year ended 30 June 2011 \$'000</i>	<i>Year ended 30 June 2010 \$'000</i>	<i>Year ended 30 June 2009 \$'000</i>
Finance income			
Interest income	2,486	2,496	9,461
Finance costs			
Bank borrowings	(591)	(514)	—
Finance lease liabilities	(1,162)	(449)	(77)
Unwinding of discount	(69)	(126)	—
	<u>(1,822)</u>	<u>(1,089)</u>	<u>(77)</u>
Net finance income	<u>664</u>	<u>1,407</u>	<u>9,384</u>

9. Taxation

	<i>Year ended 30 June 2011 \$'000</i>	<i>Year ended 30 June 2010 \$'000</i>	<i>Year ended 30 June 2009 \$'000</i>
Current tax			
Current tax expense in respect of the current year	2,416	3,069	136
Adjustments in respect of current tax of prior years	1,111	9	—
Total current tax expense	<u>3,527</u>	<u>3,078</u>	<u>136</u>
Deferred tax (note 23)			
Origination and reversal of temporary differences	(2,630)	(13,976)	100
	<u>(2,630)</u>	<u>(13,976)</u>	<u>100</u>
Income tax charge/(credit) recognised	<u>897</u>	<u>(10,898)</u>	<u>236</u>

Corporate income tax in South Africa is calculated at 28% (2010: 28%; 2009: 28%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions

9. Taxation (continued)

The Group's effective tax rate for the year was 0% (2010: 6% 2009: 2%). The tax rate used for the reconciliations below is the corporate tax rate of 28% payable by South African corporate entities on taxable profits under South African tax law. The income tax charge/(credit) for the year can be reconciled to the accounting profit as follows:

	<i>Year ended 30 June 2011 \$'000</i>	<i>Year ended 30 June 2010 \$'000</i>	<i>Year ended 30 June 2009 \$'000</i>
Loss before tax	(218,106)	(178,656)	(9,613)
Tax at South African corporate tax rate of 28% (2010: 28%; 2009: 28%)	(61,070)	(50,024)	(2,692)
Tax effects of:			
– Non deductible expenses	2,603	1,351	1,225
– Changes in assets subject to the initial recognition exemption	25,301	45,193	—
– Non taxable income	—	—	(882)
– Change in previously unrecognized deferred tax assets and loss carry forwards	8,661	(6,990)	(3,451)
– Current year losses and deductible temporary differences not recognised	24,280	1,580	6,531
– Foreign income tax allowances and tax rate differentials	—	(2,008)	(495)
– Adjustments in respect of prior years	1,122	—	—
Income tax expense	897	(10,898)	236

10. Loss per share attributable to owners of the Company

	<i>Year ended 30 June 2011 \$'000</i>	<i>Year ended 30 June 2010 \$'000</i>	<i>Year ended 30 June 2009 \$'000</i>
Loss attributable to owners of the Company (\$)	219,003	167,758	9,849
Weighted average ordinary shares in issue (No.)	530,681,325	456,817,409	409,137,218

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts is calculated by dividing loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As at 30 June 2011, 28,853,061 options (2010: 25,487,498; 2009: 20,336,544) and one option issued to Firefly to acquire 50 million shares (see note 26) were excluded from computation of the loss per share as their impact is anti-dilutive. The following reflects the loss and ordinary share data used in the computation of basic and diluted loss per share:

11. Exploration and evaluation assets

	<i>2011 \$'000</i>	<i>2010 \$'000</i>	<i>2009 \$'000</i>
A reconciliation of exploration and evaluation assets is presented below:			
Balance at beginning of year	45,971	41,186	36,851
Additions	19,350	2,528	8,781
Foreign exchange differences	9,560	2,257	(4,446)
Balance at end of year	74,881	45,971	41,186

12. Property, plant and equipment

	<i>Mining property, plant and equipment \$'000</i>	<i>Development assets \$'000</i>	<i>Land and buildings \$'000</i>	<i>Leasehold improvements \$'000</i>	<i>Motor vehicles \$'000</i>	<i>Other \$'000</i>	<i>Total \$'000</i>
2011							
Cost							
At beginning of year	134,140	310,245	21,465	1,239	848	1,536	469,473
Additions	33,932	21,320	—	20	273	750	56,295
Transfers	223,993	(223,993)	—	—	—	—	—
Assets held for sale	(1,669)	—	(1,257)	—	—	(655)	(3,581)
Disposals	(2,697)	—	—	—	—	—	(2,697)
Foreign exchange	84,336	13,395	2,473	150	106	210	100,670
At end of year	472,035	120,967	22,681	1,409	1,227	1,841	620,160
Accumulated depreciation							
At beginning of year	24,913	—	156	260	98	814	26,241
Depreciation	76,539	—	436	311	376	416	78,078
Accumulated depreciation on disposals	(298)	—	—	—	—	—	(298)
Assets held for sale	(1,187)	—	(132)	—	—	(386)	(1,705)
Exchange differences	39,558	—	28	42	21	113	39,762
At end of year	139,525	—	488	613	495	957	142,078
Accumulated impairment							
At beginning of year	—	45,391	—	—	—	—	45,391
Transfers	45,216	(45,216)	—	—	—	—	—
Impairment	92,295	—	—	—	—	—	92,295
Exchange differences	1,346	(175)	—	—	—	—	1,171
At end of year	138,857	—	—	—	—	—	138,857
Net carrying value at end of year	193,653	120,967	22,193	796	732	884	339,225

12. Property, plant and equipment (continued)

	<i>Mining property, plant and equipment \$'000</i>	<i>Development assets \$'000</i>	<i>Land and buildings \$'000</i>	<i>Leasehold improvements \$'000</i>	<i>Motor vehicles \$'000</i>	<i>Other \$'000</i>	<i>Total \$'000</i>
2010							
Cost							
At beginning of year	2,095	204,417	14,345	677	515	720	222,769
Additions	535	96,804	5,988	547	—	658	104,532
Additions through business combinations	134,736	—	778	—	594	150	136,258
Disposals	—	—	—	—	(273)	—	(273)
Exchange differences	(3,226)	9,024	354	15	12	8	6,187
At end of year	134,140	310,245	21,465	1,239	848	1,536	469,473
Accumulated impairment							
At beginning of year	—	—	—	—	—	—	—
Transfers	—	—	—	—	—	—	—
Impairment	—	46,562	—	—	—	—	46,562
Exchange differences	—	(1,171)	—	—	—	—	(1,171)
At end of year	—	45,391	—	—	—	—	45,391
Accumulated depreciation							
At beginning of year	1,086	—	107	57	218	376	1,844
Depreciation	24,001	—	46	201	52	436	24,736
Accumulated depreciation on disposals	—	—	—	—	(180)	—	(180)
Exchange differences	(174)	—	3	2	8	2	(159)
At end of year	24,913	—	156	260	98	814	26,241
Net carrying value at end of year	109,227	264,854	21,309	979	750	722	397,841
2009							
Cost							
At beginning of year	1,442	148,448	1,093	72	435	346	151,836
Additions	577	69,061	11,717	537	71	335	82,298
Disposals	—	—	—	—	—	—	—
Exchange differences	76	(13,092)	1,535	68	9	39	(11,365)
At end of year	2,095	204,417	14,345	677	515	720	222,769
Accumulated depreciation							
At beginning of year	988	—	101	2	148	121	1,360
Depreciation	86	—	5	51	62	229	433
Accumulated depreciation on disposals	—	—	—	—	—	—	—
Exchange differences	12	—	1	4	8	26	51
At end of year	1,086	—	107	57	218	376	1,844
Net carrying value at end of year	1,009	204,417	14,238	620	297	344	220,925

12. Property, plant and equipment (continued)

The carrying amounts of the respective collieries included in development assets and mining property, plant and equipment at year end are as follows:

	2011 \$'000	2010 \$'000	2009 \$'000
Development assets			
Mooiplaats	—	178,777	180,260
Vele	120,967	86,077	24,157
	<u>120,967</u>	<u>264,854</u>	<u>204,417</u>
Mining property, plant and equipment			
Mooiplaats	119,840	—	—
Woestalleen	72,685	109,194	—
Other	1,128	33	1,009
	<u>193,653</u>	<u>109,227</u>	<u>1,009</u>

Impairment testing

Collieries, which represent cash generating units, are tested annually for impairment or more frequently if there are indicators of impairment. Collieries are assessed for impairment by comparing the carrying value against the value-in-use, with the value-in-use calculation taking into consideration, amongst other things, independent valuations commissioned by the Group. Value-in-use is generally calculated based on the present value of cash flow projections over the expected life of each coal project.

Mooiplaats colliery

In the financial year ended 30 June 2010, an impairment loss of \$46.6 million was recognised related to the Mooiplaats colliery. A further impairment loss of \$87.5 million thousand was recognised in the financial year ended 30 June 2011.

The 2010 impairment loss arose from the re-assessment of the value of the resources acquired.

In the course of the financial year ended 30 June 2011, the Group revisited certain of its key inputs into the Mooiplaats value in use computation, following an assessment and review of the first year's operating performance. As a consequence of the combined effects of significantly higher production costs (principally rail and port costs), a change in the cut off heights used from 1.4 metres to 1.6 metres, and lower production volumes, the value in use of Mooiplaats showed a further deterioration, resulting in the recognition of a further impairment loss of \$87.5 million.

	Year ended 30 June 2011	Year ended 30 June 2010
Key inputs into the Mooiplaats valuations were:		
Total coal reserves (tonnes)	41,810,000	32,009,296
Minimum seam height (metres)	1.6	1.4
Life of mine (years)	13	13
Annualised ROM production during the life of mine (million tonnes)	1.18 – 1.70	2.28 – 3.36
Discount rate	13.09%	14.45%

Woestalleen colliery

In the financial year ended 30 June 2011, an impairment loss of \$4.8 million was recognised related to the Woestalleen colliery. This impairment arose principally from the re-assessment of the value of the resources acquired.

The key inputs into the Woestalleen valuation in the year ended 30 June 2011 were:

Total coal reserves (tonnes)	6,921,374
Life of mine (years)	2

13. Intangible assets

	2011 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of year	18,066	18,749	—
Additions	—	—	20,000
Amortisation	(1,443)	(1,948)	—
Foreign exchange differences	4,177	1,265	(1,251)
Balance at end of year	20,800	18,066	18,749

In August 2008 and January 2009 the Company entered into various agreements with Terminal De Carvao Da Matola Limitada ('TCM'), a subsidiary of Grindrod Trading & Shipping Limited ('Grindrod'), the operator of the Matola Terminal, and CMR Engineers & Project Managers (Pty) Ltd. Hereinafter, these agreements are collectively referred to as the 'Matola Terminal Agreements'. Under the Matola Terminal Agreements the Company paid \$20.0 million to TCM and was granted one million metric tonnes per annum ('Mtpa') of port capacity through the Matola terminal commencing 1 January 2009, increasing to three million Mtpa of port capacity beginning 1 January 2011 (see Note 14). The initial term of the Matola Terminal Agreements is five years, with the Group afforded the right to renew (subject to certain conditions) at the end of the initial term for a further 15 years via three five year renewal options.

The Group is amortising the upfront payment for the right to port capacity over the expected period of usage.

14. Other receivables

	2011 \$'000	2010 \$'000	2009 \$'000
Carrying amount of:			
Terminal development loan	12,800	14,400	16,000
Balance at beginning of year	14,400	16,000	—
Loan advanced	—	—	16,000
Loan repayment	(1,600)	(1,600)	—
Balance at end of year	12,800	14,400	16,000

In January 2009 the Group provided a loan of \$16.0 million with a stated interest rate of zero percent, to Grindrod (the 'Loan'), to be used by Grindrod to fund the expansion of throughput capacity at the Maputo terminal. As a consequence of providing this loan, the Group is guaranteed to receive access to an additional two mtpa of throughput capacity beginning in January 2011 (see Note 13).

The Loan is to be repaid to the Company in ten equal instalments, commencing in January 2010.

15. Other financial assets

	<i>2011</i> <i>\$'000</i>	<i>2010</i> <i>\$'000</i>	<i>2009</i> <i>\$'000</i>
Carrying value of trading investments carried at fair value through profit or loss			
Listed securities			
– Equity securities	10,794	6,612	2,432
Unlisted securities			
– Equity securities in private corporation	2,047	11,699	12,529
	<u>12,841</u>	<u>18,311</u>	<u>14,961</u>
Deposits	<u>753</u>	<u>340</u>	<u>4,703</u>
	<u>13,594</u>	<u>18,651</u>	<u>19,664</u>

Changes in the fair value of financial assets at fair value through profit or loss are recorded in ‘Other operating expenses’ in the consolidated statement of comprehensive loss (Note 16).

Investments in listed and unlisted securities present the Group with opportunity for return through dividend income and trading gains. The fair value of listed equity securities is based on their current bid prices in an active market. The fair value of unlisted equity securities is based on recent transactions for such securities.

16. Goodwill

	<i>2011</i> <i>\$'000</i>	<i>2010</i> <i>\$'000</i>	<i>2009</i> <i>\$'000</i>
Cost			
Balance at beginning of year	5,065	4,982	4,253
Additions	—	—	841
Foreign exchange differences	1,201	83	(112)
Balance at end of year	<u>6,266</u>	<u>5,065</u>	<u>4,982</u>
Accumulated impairment			
Balance at beginning of year	2,034	2,001	1,205
Impairment	4,409	—	841
Foreign exchange differences	(177)	33	(45)
Balance at end of year	<u>6,266</u>	<u>2,034</u>	<u>2,001</u>
Total	<u>—</u>	<u>3,031</u>	<u>2,981</u>

17. Inventories

	2011 \$'000	2010 \$'000	2009 \$'000
Raw materials	325	681	802
Consumable stores	1,461	25	46
Work in progress	8,200	10,819	4,640
Finished goods	12,173	11,571	800
Goods in transit	963	—	—
Residue stock (Nickel)	—	929	639
	<u>23,122</u>	<u>24,025</u>	<u>6,927</u>

The cost of inventories recognised as expense and included in cost of sales amounted to \$8.9 million in the financial year ended 30 June 2011 (financial year ended 30 June 2010: \$17.6 million financial year ended 30 June 2009: \$6.9 million).

No inventories are carried at net realisable value or were encumbered during the year.

18. Trade and other receivables

	2011 \$'000	2010 \$'000	2009 \$'000
Trade receivables	27,500	9,304	1,868
Other receivables	19,799	21,034	16,454
Allowance for doubtful debts	(2,565)	(3,098)	(1,008)
	<u>44,734</u>	<u>27,240</u>	<u>17,314</u>

Movements on the allowance for doubtful debts related to trade receivables is as follows:

Balance at beginning of year	3,098	1,008	830
Provision for bad debts	—	2,395	309
Receivable written off as uncollectable	(769)	(315)	(49)
Transferred to assets classified as held for sale	(206)	—	—
Foreign exchange differences	442	10	(82)
Balance at end of year	<u>2,565</u>	<u>3,098</u>	<u>1,008</u>

The carrying amount of trade and other receivables approximate their fair value.

Due to the nature of the Group's activities, a substantial amount of the Group's revenues arise from a limited number of large customers. Whilst this concentration provides increased credit risk, management does not believe that this is significant.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed in note 27. The Group does not hold any collateral as security.

Trade receivables are exposed to the credit risk of end-user customers within the coal mining industry.

The Group has an established credit policy under which customers are analysed for creditworthiness before the Group's payment and delivery terms and conditions are offered. Customer balances are monitored on an ongoing basis to ensure that they remain within the negotiated terms and conditions offered.

18. Trade and other receivables (continued)

Age of receivables that are past due but not impaired:

	<i>2011</i>	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Past due 0 to 30 days	—	—	—
Past due 31 to 60 days	1,720	—	—
Past due 61 to 90 days	1,243	—	—
	<u>2,963</u>	<u>—</u>	<u>—</u>
Currency analysis of trade receivables			
SA Rand	12,515	9,304	1,868
US dollar	14,985	—	—
	<u>27,500</u>	<u>9,304</u>	<u>1,868</u>

19. Cash and cash equivalents

	<i>2011</i>	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Cash at bank and on hand	<u>22,761</u>	<u>72,054</u>	<u>70,342</u>
Bank overdraft	<u>—</u>	<u>—</u>	<u>(363)</u>
Restricted cash	<u>13,323</u>	<u>14,511</u>	<u>64</u>

The restricted cash balance of \$13.3 million (2010 – \$14.5 million) was held on behalf of subsidiary companies in respect of the rehabilitation guarantees issued to the Department of Mineral Resources for environmental rehabilitation future costs of \$18.5 million (2010: \$18.5 million). This cash was not available for use other than for those specific purposes.

Short-term deposits were not material as of any reporting period end.

Credit risk

Cash and cash equivalents and restricted cash earn interest at a floating rate based on daily bank deposit rates. Cash is deposited at highly reputable financial institutions of a high quality credit standing within Australia and the Republic of South Africa.

The fair value of cash and cash equivalents equates to the values as disclosed in this note.

20. Assets classified as held for sale

	2011 \$'000	2010 \$'000	2009 \$'000
Carrying amounts of			
Holfontein Investments (Pty) Ltd ('Holfontein')	11,721	14,638	20,631
NiMag (Pty) Ltd ('NiMag')	7,704	—	—
	<u>19,425</u>	<u>14,638</u>	<u>20,631</u>
Assets classified as held for sale			
Holfontein	11,724	14,638	20,631
NiMag	10,544	—	—
	<u>22,268</u>	<u>14,638</u>	<u>20,631</u>
Liabilities classified as held for sale			
Holfontein	3	—	—
NiMag	2,840	—	—
	<u>2,843</u>	<u>—</u>	<u>—</u>
	<u>19,425</u>	<u>14,638</u>	<u>20,631</u>
Holfontein			
Assets classified as held for sale			
Exploration and evaluation assets	11,724	14,638	20,631
	<u>11,724</u>	<u>14,638</u>	<u>20,631</u>
Liabilities classified as held for sale			
Trade payables and accrued expenses	3	—	—
	<u>3</u>	<u>—</u>	<u>—</u>
Net assets of Holfontein	<u>11,721</u>	<u>14,638</u>	<u>20,631</u>
Impairment recognised	<u>—</u>	<u>7,399</u>	<u>—</u>

Classification

During May 2008 the Company entered into an agreement to dispose of its stake in Holfontein, resulting in its classification as held for sale. When certain conditions precedent was not met, the agreement was mutually cancelled (December 2008).

The Company remained committed to a plan to sell, and were actively marketing the entity at a reasonable price throughout the financial years ended 30 June 2009, 2010 and 2011.

On a number of occasions new buyers were identified and a formal sale process commenced. For a variety of reasons, all such sales failed to complete. At all stages however, the Company remained of the view that a sale would be completed within one year, and accordingly, continued classification as held for sale was considered appropriate.

At 30 June 2011, negotiations over the sale and purchase agreement were well advanced resulting in the conclusion of a sale and purchase agreement shortly after year end. Completion of the sale is subject to the conditions precedent being met, which is expected in early 2012.

20. Assets classified as held for sale (continued)

Impairment

Prior to initial classification, as assets held for sale, the Company measured Holfontein at the lower of their carrying amount and fair value less costs to sell. During the financial year ended 30 June 2010, following several failed attempts to sell the assets, management concluded that the fair value of Holfontein resources may have deteriorated. The Group subsequently measured the fair value and recognised a further impairment of \$7.4 million.

	<i>2011</i> <i>\$'000</i>
NiMag	
Assets classified as held for sale	
Property, plant and equipment	1,926
Other financial assets	5
Deferred tax asset	45
Inventories	3,279
Trade and other receivables	3,761
Cash and cash equivalents	1,528
	10,544
Liabilities classified as held for sale	
Interest bearing liabilities	285
Provisions	381
Trade payables and accrued expenses	2,277
Current tax liabilities	(103)
	2,840
Net assets of NiMag	7,704
Impairment recognised	5,105

Classification

NiMag is engaged principally in the manufacture and distribution of nickel magnesium alloys and ferro silicon magnesium alloys, and currently manufactures specialised master alloys of nickel and magnesium for the specialised foundry industry including aerospace, aeronautical, motor, steel mill roll and associated industries.

In the financial year ended 30 June 2011 management concluded that NiMag was a non-core asset of the Group, and committed to a plan to sell. The Group expects that such sale will be completed within one year of the designation as held for sale.

Impairment

On initial classification, NiMag assets classified as held for sale were measured at the lower of their carrying amount and fair value less costs to sell. This resulted in the recognition of an impairment of \$5.1 million, with fair value based on indicative offers received for NiMag.

21. Borrowings

	2011 \$'000	2010 \$'000	2009 \$'000
Non-current			
Unsecured – at amortised cost			
Other	—	485	—
	<u>—</u>	<u>485</u>	<u>—</u>
Secured – at amortised cost			
Finance leases	1,720	1,021	—
	<u>1,720</u>	<u>1,021</u>	<u>—</u>
Total non-current borrowings	<u>1,720</u>	<u>1,506</u>	<u>—</u>
Current			
Unsecured – at amortised cost			
Unsecured working capital facility	—	20,000	—
Other	2,644	—	—
	<u>2,644</u>	<u>20,000</u>	<u>—</u>
Secured – at amortised cost			
Export trade finance facility	32,623	—	—
Finance leases	3,364	863	—
	<u>35,987</u>	<u>863</u>	<u>—</u>
Total current borrowings	<u>38,631</u>	<u>20,863</u>	<u>—</u>
Total borrowings	<u>40,351</u>	<u>22,369</u>	<u>—</u>

The carrying value of the Group's interest bearing liabilities, which consist of floating rate interest bearing liabilities, approximate fair value.

21. Borrowings (continued)

Finance leases

The Group entered into finance lease arrangements for certain motor vehicles and equipment. The average term of finance leases entered into is five years, and the average effective borrowing rate is 10.26%.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2011 \$'000	2010 \$'000	2009 \$'000
Gross finance lease liabilities – minimum lease payments			
No later than 1 year	3,671	1,004	—
Later than 1 year and no later than 5 years	1,786	1,074	—
Later than 5 years	—	—	—
	<u>5,457</u>	<u>2,078</u>	<u>—</u>
Future finance charges on finance leases	(373)	(194)	—
	<u>5,084</u>	<u>1,884</u>	<u>—</u>
The present value of finance lease liabilities is as follows:			
No later than 1 year	3,364	863	—
Later than 1 year and no later than 5 years	1,720	1,021	—
Later than 5 years	—	—	—
	<u>5,084</u>	<u>1,884</u>	<u>—</u>
Export trade finance facility			
Balance at beginning of year	—	—	—
Loan advanced	32,500	—	—
Interest accrued	123	—	—
	<u>32,623</u>	<u>—</u>	<u>—</u>

The Company, through its wholly-owned South African subsidiary Langcarel (Pty) Limited (the 'Borrower'), secured a revolving thermal coal export finance facility (the 'Facility') for up to US\$50 million with Deutsche Bank AG, Amsterdam (the 'Lender'), on 23 March 2011.

Part of the Facility was drawn down to repay the Company's US\$20 million unsecured, working capital facility agreement with JP Morgan Chase. Further drawdowns of US\$12.5 million were used to fund capital expenditure and for general working capital purposes at Mooiplaats. US\$17.5 million remains undrawn at year-end.

The Company and its subsidiaries NuCoal Mining (Pty) Limited and Woestalleen Colliery (Proprietary) Limited guarantee the Borrower's obligations under the Facility agreement.

The Facility is a rolling 30 month facility, the availability of which will reduce by one-twelfth during each of the last twelve months. Interest is accrued at the London Interbank Offer Rate ('LIBOR') plus 3% per annum.

Throughout the lifetime of the Facility, certain offtake contract proceeds will be paid into collection accounts held with the Lender in the name of Borrower, and pledged to the Lender, and shall always be equal to or greater than 130% of the amount outstanding under the Facility.

The Facility is secured by:

- a first ranking assignment by the Borrower of its rights under the offtake contracts in favour of the Lender. The offtakers have acknowledged such assignment following a notice given by the Borrower;
- a pledge over the Collection Accounts with the Lender; and
- a pledge over Customer Foreign Currency Accounts with Deutsche Bank, Johannesburg.

21. Borrowings (continued)

The Borrower is subject to various financial covenants under the Facility. The minimum total equity covenant requires that the total equity of the Borrower be maintained at ZAR850 million. As a result of the impairments recognised in respect of the Mooiplaats Colliery (see note 12) and the write off of certain deferred tax assets related to Langcarel, the Borrower breached the minimum total equity requirement at 30 June 2011. The Borrower has obtained a waiver from the Lender in relation to the breach, whereby the Lender has agreed to reduce the minimum total equity requirement of the Borrower to ZAR700 million until December 2011, to allow the Company to restore the minimum total equity of the Borrower to ZAR850 million.

	2011 \$'000	2010 \$'000	2009 \$'000
Unsecured working capital facility			
Balance at beginning of year	20,000	—	—
Loan advanced	—	20,000	—
Loan repaid	(20,000)	—	—
	<u>—</u>	<u>20,000</u>	<u>—</u>

On 24 March 2010 the Company signed a US\$20 million unsecured, revolving loan facility with JP Morgan Chase. This facility was for a period of 12 months and interest accrued at a rate of LIBOR plus 3%. On 31 March 2011 the facility was repaid in full.

22. Provisions

	2011 \$'000	2010 \$'000	2009 \$'000
Employee provisions	2,481	876	211
Rehabilitation provisions	18,714	9,239	1,917
	<u>21,195</u>	<u>10,115</u>	<u>2,128</u>

Employee provisions

Balance at beginning of year	876	211	107
Charged to consolidated statement of comprehensive loss	1,618	210	94
Acquisition through business combinations	—	588	—
Used during the year	(155)	(138)	—
Foreign exchange differences	142	5	10
Balance at end of year	<u>2,481</u>	<u>876</u>	<u>211</u>

The employee provision represents unused annual leave entitlements.

Rehabilitation provision

Balance at beginning of year	9,239	1,917	—
Unwinding of discount	69	126	—
Acquisition through business combinations	—	6,665	—
Charged to consolidated statement of comprehensive loss	7,610	2,449	1,696
Foreign exchange differences	1,796	(1,918)	221
Balance at end of year	<u>18,714</u>	<u>9,239</u>	<u>1,917</u>

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

Although the ultimate amount of the obligation is uncertain, the fair value of the obligation is based on information that is currently available. The estimated undiscounted liability at 30 June 2011 is

22. Provisions (continued)

US\$22.6 million. This estimate includes costs for the removal of all current mine infrastructure and the rehabilitation of all disturbed areas to a condition as described in the EMP.

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

	2011 \$'000	2010 \$'000	2009 \$'000
Current	2,481	876	211
Non-current	18,714	9,239	1,917
	<u>21,195</u>	<u>10,115</u>	<u>2,128</u>

23. Deferred tax

	<i>Property, plant and equipment \$'000</i>	<i>Losses \$'000</i>	<i>Provisions \$'000</i>	<i>Other short-term temporary differences \$'000</i>	<i>Total \$'000</i>
At 1 July 2008	—	—	—	—	—
Credit/charge to net loss	—	—	—	(100)	(100)
Foreign exchange differences	—	—	—	143	143
At 30 June 2009	—	—	—	43	43
On acquisition	(37,984)	—	2,324	—	(35,660)
Credit/(charge) to net loss	7,137	6,926	(70)	(17)	13,976
Foreign exchange differences	3,614	(49)	(7)	(8)	3,550
At 30 June 2010	(27,233)	6,877	2,247	18	(18,091)
Credit/(charge) to net loss	6,493	(3,429)	1,494	(1,928)	2,630
Transferred to assets held for sale	—	—	—	(45)	(45)
Foreign exchange differences	(757)	721	297	(19)	242
At 30 June 2011	<u>(21,497)</u>	<u>4,169</u>	<u>4,038</u>	<u>(1,974)</u>	<u>(15,264)</u>
			30 June 2011	30 June 2010	30 June 2009
Deferred tax liabilities			(19,435)	(28,551)	—
Deferred tax assets			4,171	10,460	43
			<u>(15,264)</u>	<u>(18,091)</u>	<u>43</u>

At the balance sheet date, the Group has unused tax losses of \$71.6 million (30 June 2010: \$48.2 million; 30 June 2009: \$4.0 million) available for offset against future profits. A deferred tax asset has been recognised in respect of \$4.2 million (30 June 2010: \$6.9 million; 30 June 2009: \$nil) of such losses. No deferred tax asset has been recognised in respect of the remaining \$67.4 million (30 June 2010: \$41.3 million; 30 June 2009: \$4.0 million) as it is not considered probable that there will be future taxable profits available within certain subsidiary entities.

The Group has an unrecognised deferred tax asset in respect of capital expenditure, provisions and other deductible temporary differences available for offset against future taxable profits. A deferred tax asset has not been recognised as it is not considered probable that there will be future taxable profits available within certain subsidiary entities. At the balance sheet date the temporary difference amounts to \$37.9 million (30 June 2010: \$nil; 30 June 2009: \$nil).

24. Trade and other payables

	2011 \$'000	2010 \$'000	2009 \$'000
Trade payables	32,562	31,822	3,238
Accrued expenses	20,205	22,423	5,135
Other	20,823	14,613	501
	<u>73,590</u>	<u>68,858</u>	<u>8,874</u>

The average credit period is 30 days. No interest is charged on trade payables.

25. Issued capital

	2011 \$'000	2010 \$'000	2009 \$'000
Fully paid ordinary shares			
531,139,651 (2010: 530,514,663; 2009: 411,919,636) fully paid ordinary shares	<u>686,577</u>	<u>685,740</u>	<u>500,896</u>

	Number	\$'000
Movements in fully paid ordinary shares		
At 1 July 2008	398,254,492	466,698
Exercise of Class E options at GBP0.65 per share	690,886	1,411
Issue of shares	12,000,000	33,466
Issue of shares in lieu of put option	375,000	1,046
Issue of shares in lieu of professional fees	55,000	153
Exercise of options at GBP0.34 per share	196,688	168
Exercise of options at GBP0.65 per share	297,570	497
Exercise of Class A options at A\$0.50 per share	50,000	20
Share issue costs	—	(2,563)
At 30 June 2009	<u>411,919,636</u>	<u>500,896</u>
Exercise of Class E options at GBP0.65 per share	465,239	1,063
Issue of shares to acquire 6% of Vele Colliery	1,990,000	4,159
Issue of shares	59,867,731	96,712
Exercise of Class E options at GBP0.65 per share	79,488	182
Exercise of Class E options at GBP0.65 per share	91,817	210
Exercise of Class A options at A\$0.65 per share	125,002	286
Issue of shares in lieu of professional fees	350,000	752
Issue of shares to acquire 20% of Vele Colliery	5,625,750	11,756
Issue of shares	50,000,000	80,770
Share issue costs	—	(11,046)
At 30 June 2010	<u>530,514,663</u>	<u>685,740</u>
Exercise of Class A options at A\$0.50 per share	<u>624,998</u>	<u>837</u>
At 30 June 2011	<u>531,139,661</u>	<u>686,577</u>

In October 2009 the Company raised approximately \$96.7 million to fund the acquisition of the NuCoal group of companies, which was consummated on 1 January 2010 and for general working capital purposes.

In October 2009 the Company issued 1,990,000 fully paid ordinary shares valued at \$4.2 million to acquire a 6% interest in the Vele colliery. In February 2010 the Company issued an additional

25. Issued capital (continued)

5,625,750 fully paid shares valued at \$11.8 million to acquire the remaining 20% interest in the Vele colliery.

In June 2010 the Company issued 50,000,000 fully paid ordinary shares valued at \$80.8 million to fund, among other things, the further development of the Makhado project.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Changes to the Australian Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

26. Share-based payment

Employee share option plan

The Group maintains certain Employee Share Option Plans ('ESOP's') for executives and senior employees of the Group. In accordance with the terms of the schemes, executives and senior employees may be granted options to purchase ordinary shares.

Share options granted to Directors and Officers

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

Share option terms, vesting requirements and options outstanding at 30 June 2011

Share option terms: Each option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options hold no voting or dividend rights, and are not transferable. Upon exercise of the options the ordinary shares received rank equally with existing ordinary shares.

Vesting requirements: With the exception of the vesting conditions noted below, awards granted by the Group were not subject to vesting conditions and accordingly vested and were expensed on the date of grant based on their grant date fair values.

Awards with vesting terms:

- Class I Options – 1,650,000 options granted, whereby 560,000 options are exercisable on or after 1 December 2008, 500,000 options are exercisable on or after 1 December 2009 and 590,000 exercisable on or after 1 December 2010.
- Class J Options – 5,000,000 options granted, whereby 500,000 vested on closing of the NuCoal acquisition transaction, 3,000,000 of the options vest one year after the granting of the New Order Mining Right ("NOMR") for the Vele Colliery and the remaining 1,500,000 options vest one year after the granting of the Makhado Project NOMR
- Class K Options – 912,500 options granted, whereby the options vest in three equal tranches on 1 July 2009, 1 July 2010 and 1 July 2011.
- Class C Options (the 2010 Class C) – 2,500,000 options granted, whereby the options vest in three equal tranches over a three year vesting term
- ESOP Options – 1,540,561 options granted, whereby the options vest in three equal tranches over a three year vesting term

26. Share-based payment (continued)

Options outstanding at 30 June 2011: The following share-based payment arrangements were in existence at the end of the current year:

<i>Option series</i>	<i>Number</i>	<i>Grant date</i>	<i>Expiry date</i>	<i>Exercise price AUD</i>	<i>Fair value at grant date AUD</i>	<i>Fair value at grant date USD</i>	<i>Remaining contractual life</i>
Class A	7,500,000	28/06/2006	30/09/2011	A\$0.50	A\$0.79	\$0.60	0.25 years
Class A	950,000	24/11/2006	30/09/2011	A\$0.50	A\$0.79	\$0.61	0.25 years
Class D	7,000,000	05/06/2007	30/09/2012	A\$1.25	A\$0.45	\$0.37	1.25 years
Class G	1,000,000	10/04/2008	30/09/2012	A\$1.90	A\$1.54	\$1.43	1.25 years
Class H	600,000	19/05/2008	01/05/2012	A\$1.25	A\$3.09	\$2.95	1.09 years
Class B	250,000	19/05/2008	01/05/2012	A\$2.05	A\$2.82	\$2.69	1.09 years
Class I	1,650,000	01/12/2008	31/07/2012	A\$3.25	A\$0.49	\$0.32	1.09 years
Class J	5,000,000	08/12/2009	30/11/2014	A\$2.74	A\$0.58	\$0.53	3.42 years
Class K	912,500	25/02/2010	30/06/2014	A\$1.90	A\$0.92	\$0.82	3.00 years
Class C	2,500,000	09/11/2010	09/11/2015	A\$1.20	A\$0.59	\$0.60	4.36 years
ESOP	1,540,561	04/02/2011	30/09/2015	A\$1.40	A\$0.91	\$0.92	4.25 years
	<u>28,903,061</u>						

Fair value of share options granted during the year: The weighted average fair value of share options granted during the financial year is A\$1.28 (2010: A\$0.80). Options were priced using the Black-Scholes and Bi-nominal option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical shares price volatility over the past five years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is two and a half times the exercise price.

Inputs into the Black-Scholes model were as follows:

	<i>Class C grants</i>	<i>ESOP grants</i>
<i>2011 grants</i>		
Grant date share price	A\$1.13	A\$1.16
Exercise price	A\$1.20	A\$1.40
Expected volatility	56.64%	57.71%
Option life	4.36 years	4.25 years
Dividend yield	0%	0%
Risk free interest rate	5.21%	5.36%

Inputs into the Bi-nominal Option valuation model were as follows:

	<i>Class K grants</i>	<i>Class J grants</i>
<i>2010 grants</i>		
Grant date share price	A\$2.27	A\$1.71
Exercise price	A\$1.90	A\$2.74
Expected volatility	61.35%	65.96%
Dividend yield	0%	0%
Risk free interest rate	5.07%	5.07%

	<i>Class I grants</i>
<i>2009 grants</i>	
Grant date share price	A\$1.18
Exercise price	A\$3.25
Expected volatility	100%
Dividend yield	0%
Risk free interest rate	4.00%

26. Share-based payment (continued)

		<i>Weighted average exercise price</i>		<i>Weighted average exercise price</i>
	<i>2011</i>		<i>2010</i>	
Outstanding at 1 July	25,487,499	AUD1.46	20,336,544	AUD1.12
Options granted	4,040,561	AUD 1.28	5,912,501	AUD 2.61
Options exercised	(624,998)	AUD 0.50	(761,546)	AUD 1.21
	<u>28,903,062</u>	<u>AUD 1.46</u>	<u>25,487,499</u>	<u>AUD 1.46</u>
Outstanding at 30 June				
Options exercisable	<u>23,571,851</u>		<u>19,789,165</u>	

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 1.19 years (2010: 2.23 years and in 2009: 2.52 years).

The weighted average fair value of options granted during the year was \$0.90 (2010: \$0.80 and 2009: \$0.80).

The range of exercise prices for options outstanding at the end of the year was AUD\$0.50 to AUD\$3.25 (2010: AUD\$0.50 to AUD\$3.25 and 2009: AUD\$0.50 to AUD\$2.05).

Share options exercised during the year: The following options were exercised during the year:

<i>Options</i>	<i>Number</i>	<i>Exercise date</i>	<i>Share price at exercise date</i>
Class E options	690,886	3 July 2008	A\$3.40
Class C options	196,688	6 May 2009	A\$1.47
Class E options	297,570	9 June 2009	A\$1.72
Class A options	50,000	30 June 2009	A\$1.60
Total options exercised in FY2009	1,235,144		
Class E options	465,239	1 October 2009	A\$2.23
Class E options	79,488	13 November 2009	A\$1.90
Class E options	91,817	26 November 2009	A\$1.80
Class A options	125,002	19 January 2010	A\$2.12
Total options exercised in FY2010	761,546		
Class A options	124,998	18 March 2011	A\$1.25
Class A options	500,000	11 April 2011	A\$1.31
Total options exercised in FY2011	624,998		

Included under employee benefits expense in the statement of comprehensive income is \$3.0 million (2010: \$1.8 million; 2009: \$0.2 million), and relates, in full, to equity-settled share-based payment transactions.

Other equity instruments granted during the period:

In the year ended 30 June 2010, the Company issued 350,000 fully paid ordinary shares to an external consultant, valued at \$0.8 million, in lieu of professional fees. The fair value was determined based on market prices for such series. The \$0.8 million has been expensed to the statement of comprehensive loss.

In the year ended 30 June 2009, the Company issued 55,000 fully paid ordinary shares to an external consultant, valued at \$153,000, in lieu of professional fees. The fair value was determined based on market prices for such series. The \$153,000 has been expensed to the statement of comprehensive loss.

BEE options issued to Firefly

The BEE Act 2003 of the Republic of South Africa and the 2004 Mining Charter requires that mining companies achieve a minimum of 26% ownership or equity participation held by historically disadvantaged South African ('HSDA's') by 2014. In April of 2010, in an effort to comply with the

26. Share-based payment (continued)

enacted legislation, the Company entered into an option agreements with Firefly, an entity wholly owned and controlled by HSDA's.

Under the option agreement, the Company granted Firefly the option to subscribe in cash for 50 million new shares. The options granted cannot be exercised prior to 1 November 2010, except in certain limited circumstances such as a change in control of the Company. The option exercise price was initially set at £0.60 per share, however, the options contain price adjustment provisions in the event of a new share offer by the Company before the options granted under them have become exercisable. The options expire on 1 November 2014.

The fair value of the options were determined at the grant date using a binomial option valuation model, taking into account the terms and conditions upon which the options were granted. The inputs into the model include a volatility of 51%, a risk free rate of 2.5%, a dividend yield of zero, expected option life of 5.52 years and weighted average share price of GBP 1.515 and exercise price of GBP 0.60.

During 2010, US\$78.5 million was recognised as share-based payment expense relating to the BEE transaction. As of 30 June 2011 none of the BEE options has been exercised.

27. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by management under policies approved by the Board. Management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar and the US dollar. Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency. Most of the company's purchases are denominated in SA rand. However, certain items during the exploration, development and plant construction phase as well as long lead-capital items are denominated in US dollars, Euros or Australian dollars. These have to be acquired by the South African operating company due to the South African Reserve Bank's Foreign Exchange Control Rulings. This exposes the South African subsidiary companies to changes in the foreign exchange rates.

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

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

27. Financial risk management (continued)

The following significant exchange rates were applied during the reporting period:

	Average rate			Reporting date spot rate		
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	30 June	30 June	30 June	30 June	30 June	30 June
	2011	2010	2009	2011	2010	2009
US Dollar 1 = SA Rand	6.999	7.563	8.850	6.837	7.634	7.874
US Dollar 1 = Australian Dollar	1.011	1.134	1.337	0.944	1.167	1.242
SA Rand 1 = US Dollar	0.143	0.132	0.113	0.146	0.131	0.127
SA Rand 1 = Australian Dollar	0.145	0.150	0.151	0.138	0.153	0.158
Australian Dollar 1 = US Dollar	0.989	0.882	0.748	1.060	0.857	0.805
Australian Dollar 1 = SA Rand	6.909	6.662	6.623	7.245	6.536	6.329

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

	<i>Denominated in ZAR</i>	<i>Denominated in AUD</i>	<i>Denominated in USD</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Balances at 30 June 2011</i>				
Financial assets				
Other receivables	—	—	12,800	12,800
Trade and other receivables	29,749	—	14,985	44,734
Cash and cash equivalents, and restricted cash	19,970	4,426	11,688	36,084
Total financial assets	49,719	4,426	39,473	93,618
Financial liabilities				
Borrowings	7,728	—	32,623	40,351
Trade and other payables	68,248	5,342	—	73,590
Total financial liabilities	75,976	5,342	32,623	113,941
<i>Balances at 30 June 2010</i>				
Financial assets				
Other receivables	—	—	14,400	14,400
Trade and other receivables	24,177	3,063	—	27,240
Cash and cash equivalents, and restricted cash	24,055	59,480	3,030	86,565
Total financial assets	48,232	62,543	17,430	128,205
Financial liabilities				
Borrowings	2,369	—	20,000	22,369
Trade and other payables	61,074	7,780	4	68,858
Total financial liabilities	63,443	7,780	20,004	91,227

27. Financial risk management (continued)

	<i>Denominated in ZAR</i>	<i>Denominated in AUD</i>	<i>Denominated in USD</i>	<i>Total</i>
<i>Balances at 30 June 2009</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Financial assets				
Other receivables	—	—	16,000	16,000
Trade and other receivables	10,993	5,321	1,000	17,314
Cash and cash equivalents and restricted cash	49	69,970	24	70,043
Total financial assets	11,042	75,291	17,024	103,357
Financial liabilities				
Borrowings	—	—	—	—
Trade and other payables	5,351	3,426	97	8,874
Total financial liabilities	5,351	3,426	97	8,874

Balances classified as held for sale are not included in the above tables.

The following table summarises the sensitivity of financial instruments held at balance date to movements in the exchange rate of the SA rand to the US dollar, with all other variables held constant. The US dollar denominated instruments have been assessed using the sensitivities indicated in the table. These are based on reasonably possible changes, over a financial period, using the observed range of actual historical rates for the preceding two-year period.

	<i>Year ended 30 June 2011</i>	<i>Year ended 30 June 2010</i>	<i>Year ended 30 June 2009</i>
<i>Impact on profit/(loss)</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Judgements on reasonable possible movements			
USD/ZAR increase by 10%	(2,626)	(1,521)	
USD/ZAR decrease by 10%	2,626	1,521	

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as at fair value through profit or loss.

The Group is exposed to financial risks arising in coal prices. Coal prices are expected to fluctuate in the next financial year. Further contracts have been entered into with Eskom and other local buyers for the middlings and run of mine sales.

Interest risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During both 2011 and 2010, the Group's borrowings at variable rate were denominated in the US dollar.

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

	<i>Year ended 30 June 2011</i>	<i>Year ended 30 June 2010</i>	<i>Year ended 30 June 2009</i>
<i>Impact on profit/(loss)</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Judgements on reasonable possible movements			
Increase of 0.2% in LIBOR	65	40	—
Decrease of 0.2% in LIBOR	(65)	(40)	—

27. Financial risk management (continued)

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

Credit risk

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

At balance date there is a significant concentration of credit risk represented in the cash and cash equivalents, restricted cash and trade accounts receivables balance. With respect to accounts receivables, this is due to the fact that sales of large value are made to a limited number of customers. The customers have complied with all contractual sales terms and have not at any stage defaulted on amounts due. The Group manages its credit risk by predominantly dealing with counterparties with a positive credit rating.

The maximum exposure to credit risk was as follows:

<i>Financial assets</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Other receivables	12,800	14,400	16,000
Trade and other receivables	44,734	27,240	17,314
Cash and cash equivalents and restricted cash	36,084	86,565	70,043
	<u>93,618</u>	<u>128,205</u>	<u>103,357</u>

Liquidity risk

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

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

	<i>Australia</i>	<i>South Africa</i>	<i>Total</i>
<i>Balances at 30 June 2011</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Cash and cash equivalents	5,446	17,315	22,761
	<u>5,446</u>	<u>17,315</u>	<u>22,761</u>

	<i>Australia</i>	<i>South Africa</i>	<i>Total</i>
<i>Balances at 30 June 2010</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Cash and cash equivalents	59,965	12,089	72,054
	<u>59,965</u>	<u>12,089</u>	<u>72,054</u>

	<i>Australia</i>	<i>South Africa</i>	<i>Total</i>
<i>Balances at 30 June 2009</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Cash and cash equivalents	69,930	49	69,979
	<u>69,930</u>	<u>49</u>	<u>69,979</u>

27. Financial risk management (continued)

The contractual maturity analysis of payables at the reporting date was as follows:

	<i>Less than 6 months</i>	<i>Between 6 - 12 months</i>	<i>Greater than 12 months</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Balances at 30 June 2011</i>				
Interest bearing liabilities ⁽¹⁾	4,326	1,682	1,720	7,728
Trade and other payables ⁽²⁾	73,590	—	—	73,590
Export trade finance facility ⁽³⁾	—	32,623	—	32,623
	<u>77,916</u>	<u>34,305</u>	<u>1,720</u>	<u>113,941</u>

1. Interest bearing at rates between 7.2% and 11.5%

2. Not interest bearing

3. LIBOR plus 3%

Included in assets classified held for sale are financial assets totalling \$5.3 million which are also subject to liquidity risk.

	<i>Less than 6 months</i>	<i>Between 6 - 12 months</i>	<i>Greater than 12 months</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Balances at 30 June 2010</i>				
Interest bearing liabilities	917	431	1,021	2,369
Trade and other payables	68,858	—	—	68,858
Revolving credit facility	—	20,000	—	20,000
	<u>69,775</u>	<u>20,431</u>	<u>1,021</u>	<u>91,227</u>

	<i>Less than 6 months</i>	<i>Between 6 - 12 months</i>	<i>Greater than 12 months</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Balances at 30 June 2009</i>				
Interest bearing liabilities	—	—	—	—
Trade and other payables	8,874	—	—	8,874
Revolving credit facility	—	—	—	—
	<u>8,874</u>	<u>—</u>	<u>—</u>	<u>8,874</u>

Capital management

The Group's corporate office is responsible for capital management. This involves the use of corporate forecasting models, which facilitates analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements. Corporate office monitors gearing.

Capital management is undertaken to ensure a secure, cost effective supply of funds to ensure the Group's operating and capital expenditure requirements are met. The mix of debt and equity is regularly reviewed. The Group does not have a target debt/equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise. Net debt is calculated as total borrowings (including the current and non-current borrowings as reported on the consolidated statement of financial position). Total capital is calculated as the total equity (as reported) plus net debt.

27. Financial risk management (continued)

	2011 \$'000	2010 \$'000	2009 \$'000
Interest bearing liabilities	7,728	2,369	—
Revolving credit facility	—	20,000	—
Export trade finance facility	32,623	—	—
Net debt	40,351	22,369	—
Total equity	430,791	530,674	423,179
Total capital	471,142	553,043	423,179
Gearing ratio	9.37%	4.21%	0.00%

No dividends were paid during the reporting period. The Board maintains a policy of balancing returns to shareholders with the need to fund growth.

	2011 \$'000	2010 \$'000	2009 \$'000
Financial assets and liabilities by category			
The accounting policies for financial instruments have been applied to the line items below:			
Financial assets			
Cash and cash equivalents, including restricted cash	36,084	86,565	70,043
<i>Loans and receivables</i>			
Trade and other receivables	44,734	27,240	17,314
Other receivables	12,800	14,400	16,000
<i>Held for trading investments</i>			
Held for trading investments	13,594	18,651	19,664
Total financial assets	107,212	146,856	123,021
Financial liabilities			
<i>Amortised cost</i>			
Finance lease liabilities	5,084	1,884	—
Other liabilities	2,644	485	—
Trade and other payables	73,590	68,858	8,874
Revolving credit facility	—	20,000	—
Export trade finance facility	32,623	—	—
Total financial liabilities	113,941	91,227	8,874

Valuation assumptions and techniques used for the purpose of measuring fair value

The valuation techniques used in determining the fair values of financial assets and financial liabilities are set out below:

- Cash and cash equivalents, restricted cash, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 30 June 2011, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

27. Financial risk management (continued)

- Fair value of listed other financial assets is based on price quotations at the reporting date. The fair value of unlisted financial assets, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of financial assets and liabilities carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and liabilities recognised in the Group Financial Information approximates their fair value

	<i>At 30 June 2011</i>		<i>At 30 June 2010</i>		<i>At 30 June 2009</i>	
	<i>Carrying amount \$'000</i>	<i>Fair value \$'000</i>	<i>Carrying value \$'000</i>	<i>Fair value \$'000</i>	<i>Carrying amount \$'000</i>	<i>Fair value \$'000</i>
Financial Assets						
<i>Loans and receivables</i>						
– Trade and other receivables	44,734	44,734	27,240	27,240	17,314	17,314
– Other receivables	12,800	12,800	14,400	14,400	16,000	16,000
Financial Liabilities						
<i>Financial liabilities held at amortized cost</i>						
– Finance lease liabilities	5,084	5,084	1,884	1,884	—	—
– Other liabilities	2,644	2,644	485	485	—	—
– Trade and other payables	73,590	73,590	68,858	68,858	8,874	8,874
– Revolving credit facility	—	—	20,000	20,000	—	—
– Export trade finance facility	32,623	32,623	—	—	—	—

Fair value of financial assets and liabilities recognized in the statement of financial position at fair value

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

All financial assets and liabilities recorded in the Group Financial Information approximate their respective fair values.

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

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

<i>30 June 2011</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Other financial assets at FVTPL	11,547	2,047	—	13,594
<i>30 June 2011</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Other financial assets at FVTPL	6,952	11,699	—	18,651
<i>30 June 2009</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Other financial assets at FVTPL	7,135	12,529	—	19,664

During each of the reporting periods ended 30 June 2011, 2010 and 2009, there were no transfers between Level 1 and Level 2 fair value measurements.

27. Financial risk management (continued)

The total gains or losses for the period included a loss of \$2.2 million relating to assets held at the end of the reporting period (2010: nil and 2009: \$1.4 million). The fair value gains or losses associated with these are recorded in other operating expenses on the statement of comprehensive income.

28. Notes to the statement of cash flows

	<i>Year ended 30 June 2011 \$'000</i>	<i>Year ended 30 June 2010 \$'000</i>	<i>Year ended 30 June 2009 \$'000</i>
Reconciliation of loss before tax to net cash used in operations			
Loss before tax	(218,106)	(178,656)	(9,613)
Add back:			
Depreciation	78,078	24,736	433
Amortisation	1,443	1,948	—
Impairment losses	97,400	53,961	—
Share-based payments	3,004	1,760	205
BEE share-based payment	—	78,515	—
Movement in provisions	15,807	(12,603)	514
Finance costs (net)	(664)	(1,407)	(9,384)
Dividends received	—	(92)	—
Foreign exchange losses/(gains)	29,923	(2,953)	(942)
Losses on revaluation of investments	498	1,344	1,740
Changes in working capital			
Decrease/(increase) in inventories	903	(17,098)	(2,231)
Prepayments received	13,110	—	—
Increase in trade and other receivables	(17,494)	(9,926)	(6,015)
(Decrease) / increase in trade and other payables	(6,429)	52,842	2,932
Cash used in operations	<u>(2,527)</u>	<u>(7,629)</u>	<u>(22,361)</u>

29. Segment information

The Group's reportable segments focus on the stage of project development and the product offerings of coal mines in production. The Group has three reportable segments: Exploration, Development and Mining.

The exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As of 30 June 2011, projects within this reportable segment include two exploration and evaluation stage coal complexes, namely the Makhado Complex (comprising the Makhado Project and the Makhado Extension) and the Soutpansberg Complex (which comprises the Voorburg Project, the Mt Stuart Project and the Jutland Project).

The Development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As of June 30, 2011 projects included within this reportable segment include one coking coal project, namely the Vele Colliery.

The Mining segment is involved in day-to-day activities of obtaining a saleable product from the mineral reserve on a commercial scale. As of June 30, 2011 the Group had two operational thermal collieries included in this segment, namely the Mooiplaats colliery and the Woestalleen colliery.

During the year ended 30 June 2011 the Mooiplaats colliery commenced commercial production and consequently was moved from the development segment to the mining segment effective 1 July 2010.

The accounting policies of the reportable segments are the same as those described in Note 3, Accounting policies.

29. Segment information (continued)

The Group evaluates performance on the basis of segment loss, which represents loss before tax for each reportable segment before unallocated corporate costs and other, impairment of assets held for sale, revaluation of investments, BEE share-based payment and foreign exchange (gain)/loss. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e., at current market prices.

	<i>For the year ended 30 June 2011</i>			
	<i>Exploration</i>	<i>Development</i>	<i>Mining</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Revenue				
Revenue from external customers ^(*)	—	—	229,225	229,225
Inter-segment revenue	—	—	45,686	45,686
Revenue	—	—	274,911	274,911
Segment loss	(2,485)	(4,626)	(158,817)	(165,928)
Items included within the Group's measure of segment loss:				
– Depreciation and amortisation	—	51	(77,159)	(77,210)
– Impairment	—	—	(92,295)	(92,295)
– Finance cost (net)	—	—	(1,665)	(1,665)
Segment assets	75,156	125,449	294,364	494,969
Items included within the Group's measure of segment assets				
– Additions to non-current assets	19,350	21,320	33,547	74,217
Segment liabilities	(4,289)	(7,009)	(142,172)	(153,470)
	<i>For the year ended 30 June 2010</i>			
	<i>Exploration</i>	<i>Development</i>	<i>Mining</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Revenue				
Revenue from external customers ^(*)	—	19,057	56,175	75,232
Inter-segment revenue	—	1,607	4,569	6,176
Revenue	—	20,664	60,744	81,408
Segment loss	(1,413)	(69,833)	(2,995)	(74,241)
Items included within the Group's measure of segment loss				
– Depreciation and amortisation	—	(26)	(13,995)	(14,021)
Segment assets	45,983	293,816	139,995	479,794
Items included within the Group's measure of segment assets				
– Additions to non-current assets	2,579	96,804	126,056	225,439
Segment liabilities	(1,423)	(38,105)	(65,304)	(104,832)

29. Segment information (continued)

	<i>For the year ended 30 June 2009</i>			
	<i>Exploration</i>	<i>Development</i>	<i>Mining</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Revenue				
Revenue from external customers ^(*)	—	—	—	—
Inter-segment revenue	—	—	—	—
Revenue	—	—	—	—
Segment loss	(118)	(948)	—	(1,066)
Items included within the Group's measure of segment loss:				
– Depreciation and amortisation	—	—	—	—
– Income tax	—	—	—	—
Segment assets	41,186	204,417	—	245,603
Items included within the Group's measure of segment assets				
– Additions to non-current assets	8,781	71,498	—	80,279
Segment liabilities	(71)	(4,895)	—	(4,966)

(*) Revenue from external customers represents, in each reporting period, revenue from the sale of product. See note 5.

Reconciliations of the total reportable segment amounts to the respective items included in the Group Financial Information are as follows:

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2011</i>	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Total loss before tax – reportable segments	165,928	74,241	1,066
Reconciling items:			
Unallocated corporate costs and other	18,128	18,501	7,749
Impairment of assets held for sale	5,105	7,399	—
Revaluation of investments	—	—	1,740
BEE share-based payment	—	78,515	—
Foreign exchange loss/(gain)	28,945	—	(942)
Loss before taxation	218,106	178,656	9,613
Total segment assets	494,969	479,794	245,603
Reconciling items:			
Unallocated property, plant and equipment	24,035	23,761	16,508
Assets classified as held for sale	22,268	14,638	20,631
Intangible assets	20,800	18,066	18,749
Goodwill	—	3,031	2,981
Other financial assets	7,948	10,227	19,664
Other receivables	12,800	14,400	16,000
Unallocated current assets	8,859	96,971	94,327
Total assets	591,679	660,888	434,463
Total segment liabilities	153,470	104,832	4,966
Reconciling items:			
Liabilities held for sale	2,843	—	—
Unallocated liabilities	4,575	25,382	6,318
Total liabilities	160,888	130,214	11,284

29. Segment information (continued)

	<i>Year ended 30 June 2011 \$'000</i>	<i>Year ended 30 June 2010 \$'000</i>	<i>Year ended 30 June 2009 \$'000</i>
The Group operates in two principal geographical areas – Australia (country of domicile) and South Africa.			
The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below. The Group has equity interests in exploration and mining companies listed in the United Kingdom, unlisted exploration companies in Guernsey, one listed and one unlisted manufacturing company and unlisted exploration companies as well as a mining company in South Africa and a biotechnology company listed in Australia.			
Revenue by location of operations			
South Africa	261,222	97,583	16,674
Australia	203	793	446
Total revenue	<u>261,425</u>	<u>98,376</u>	<u>17,120</u>
	<i>2011 \$'000</i>	<i>2010 \$'000</i>	<i>2009 \$'000</i>
Non-current assets by location of operations			
South Africa	437,516	469,093	265,199
Australia	41,278	53,838	54,413
Total non-current assets	<u>478,794</u>	<u>522,931</u>	<u>319,612</u>

Major customers

Three external customers in the mining segment contribute 33%, 17% and 13% of the Group's total revenue. No other customers exceed 10% of the Group's revenue.

30. Commitments and Contingencies

Purchase agreements

Under the Matola Terminal Agreements described in Note 13, the Company is contracted to 'take or pay' for allocated port capacity. The Matola Terminal Agreements specify that the Company will pay for 75% of its contracted port allocation, regardless of whether the port allocation is utilized. During the financial years ended 30 June 2011, 2010 and 2009, the Company was contracted to pay for 1.7 million Mtpa, 0.8 million Mtpa and 0.8 million Mtpa respectively. For the years ended 2010 and 2009, the Company incurred expenses of \$3.2 million and \$3.0 million respectively related to its take or pay obligations for unutilised port capacity. In 2011, the Company utilised in excess of 75% of its allocated port capacity. Over the initial term of the Matola Terminal Agreements which extend through 2013, the Company's maximum obligation under the take or pay obligations is \$45.0 million.

In conjunction with the acquisition of the Woestalleen Complex (NuCoal), the Company is obligated under an agreement whereby a third party mines the coal at the Zonnebloem coalfields at the Woestalleen Complex. The agreement provides for the Company to purchase 1.2 million tonnes of coal per annum at a cost of \$2.9 per ton mined (ZAR20 per tonne mined). The rate charged per tonne mined is subject to an annual increase. The Company is contracted under this agreement until a minimum of 13.0 million tonnes of coal are extracted from the mines. At 30 June 2011, 9.1 million tonnes of coal had been extracted from the Zonnebloem coalfields.

30. Commitments and Contingencies (continued)

CoAL, via one of its black empowered subsidiaries, has entered into an agreement to pay a total consideration of US\$75 million for the Chapudi Coal Project and several other coal exploration properties. The consideration payable by CoAL comprises:

- US\$45 million upfront consideration in cash, payable on completion of the sale, which remains subject to a number of conditions precedent, including approval in accordance with Section 11 of the Mineral and Petroleum Resources Development Act; and
- US\$30 million deferred cash consideration, payable on the earlier of (i) the granting of a New Order Mining Right for any farm or combination of farms that form part of the Coal Assets, or (ii) 24 months from fulfillment of the conditions precedent to the sale.

Irrevocable undertakings from the vendor shareholders have been obtained in terms of the Sale and Purchase Agreement (“SPA”) entered into on 26 November 2010 for the acquisition by the Company of the Chapudi Coal Project and Related Exploration Properties (collectively, the “Coal Assets”) in South Africa’s Soutpansberg coal basin in the Limpopo province, from joint venture companies held by Rio Tinto Minerals Development Limited and Kwezi Mining (Proprietary) Limited (collectively, the “Vendors”).

The SPA has been extended to allow for the remaining regulatory approvals required, including Ministerial consent in terms of section 11 of the Mineral and Petroleum Resources Development Act for the Company’s acquisition of the Coal Assets, to be obtained. The date for fulfillment of the conditions precedent has accordingly been extended from 12 August 2011 until 30 April 2012.

Contingent liabilities

The Group is currently involved in litigation as outlined below (\$ amounts presented within have been computed using the exchange rate as of 30 June 2011 unless otherwise stated):

Ferret Mining and Environmental Services (Pty) Ltd (‘Ferret’) / RH Boer, JA Nel, Coal Of Africa Limited And GVM Metals Limited

Ferret alleges that the previous owner (Johannes Nel) of Mooiplaats sold 100% of the shares in Mooiplaats Mining Limited to the Company, however, in doing so lacked ownership to 26% of the shareholding as those belonged to Ferret. Ferret has claimed restitution of 26% of the issued share capital of Mooiplaats Mining Limited, on the basis of a fraud which has allegedly been perpetrated between two individuals who are not related to Mooiplaats Mining Limited or the Group. If Ferret is successful in its claim and becomes entitled to the shares in Mooiplaats Mining, the Company has received legal advice that Johannes Nel (the second respondent in the Ferret claim) will in any event be obliged to compensate the Company due to the fact that he lacked legal ownership of the shares at the time when the Company purchased them from him. In this regard, the Company has drafted its counterclaim against Mr Nel. Ferret as the plaintiff has not yet applied for a date for the hearing of its application, and it is unlikely that a date will be allocated by the court in the remainder of 2011.

The Company is evaluating the details of the case and will defend the case and any subsequent claims on their merits. As the Company does not currently believe that a loss is probable no provision for any liability has been made in the Group Financial Information

Motjoli Resources (Pty) Ltd & Motjoli Resources Advisory Services cc / Coal of Africa, Mooiplaats Mining Ltd and JA Nel

Motjoli Resources (Pty) Ltd and Motjoli Resources Advisory Services CC (together, ‘Motjoli’) were appointed as consultants to Mooiplaats in order to obtain the granting of a mining right of Mooiplaats for Langcarel (Pty) Ltd and in order to obtain Section 11 approval for the transaction between the Company and Mooiplaats. The fees to be paid were \$0.6 million (ZAR4.0 million), computed using the exchange rate on the date of settlement of the obligation) plus the issue of 4,750,000 paid up ordinary shares in the Company to Motjoli.

Motjoli contends that it complied with its obligations and whilst it received cash of \$0.6 million (ZAR4.0 million), the Company did not settle its obligation to issue 4,750,000 paid up ordinary shares to Motjoli. In addition, Motjoli claims that in the event that the shares are not issued, it should be awarded an amount of \$13.9 million (ZAR95.5 million) with interest by the defendants jointly and severally.

30. Commitments and Contingencies (continued)

The trial is set down for hearing on 7 November 2011. The Directors believe that it is unlikely this matter will be settled. The Company has accordingly instructed legal counsel to defend the claim and is in the process of preparing for trial.

The Company is evaluating the details of the case and will defend the case and any subsequent claims on their merits. As the Company does not currently believe that a loss is probable, no provision for any liability has been made in the Group Financial Information.

Envicoal (Pty) Ltd ('Envicoal')/Nucoal Mining (Pty) Ltd

In 2010 Envicoal launched arbitration proceedings against Nucoal claiming that Nucoal failed to deliver coal as prescribed in terms of the agreement concluded between the parties. As a result, Envicoal claims damages to the value of a minimum \$20.3 million (ZAR139.0 million) and maximum of \$27.6 million (ZAR189 million). The arbitration proceedings are still advancing and to date, no arbitration date has been agreed upon.

The Company is evaluating the details of the case and will defend the case and any subsequent claims on their merits. As the Company does not currently believe that a loss is probable no provision for any liability has been made in the Group Financial Information.

Coal of Africa / Troy Holdings and Investments Inc ('Troy'), Kusile Mining (Pty) Ltd ('Kusile') and Nucoal Holdings (Pty) Ltd ('Nucoal')

In terms of a share sale agreement concluded with Troy, Kusile and Nucoal and in order to acquire Nucoal Mining (Pty) Ltd, (see Note 7) the sellers agreed to certain withholding warranties and warranty claims in terms of the agreement.

The Company has now launched a notice referring the matter to arbitration using the UNCITRAL Rules on arbitration and will claim a maximum of \$19.0 million (ZAR130.0 million) in respect of the general warranty claims. In addition, the Company withheld a sum of \$9.5 million (ZAR65.0 million) from the purchase consideration in case of any additional withholding warranty claims, against which it has a claim of \$8.0 million (ZAR55.0 million).

Apex Forex Trading Limited ('Apex') / Coal of Africa Limited

On 31 January 2011, Van Huyssteens attorneys alleged in writing that Apex was provisionally liquidated in 2000 but purchased a 30% interest in Mooiplaats Mining (Pty) Ltd. This shareholding was according to Van Huyssteens transferred to the Company without payment of any money due to the liquidated estate. Van Huyssteens have failed to respond to the Company's written request regarding proof of their allegations.

31. Related party disclosures

31.1 Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. During the years ended 30 June 2011, 2010 and 2009 there were no trading transactions with related parties which were not subsidiaries.

31.2 Remuneration of key management personnel

Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	<i>Year ended 30 June 2011 \$'000</i>	<i>Year ended 30 June 2010 \$'000</i>	<i>Year ended 30 June 2009 \$'000</i>
<i>Compensation of Directors:</i>			
Short-term benefits (salary and fees)	2,127	1,602	1,159
Bonus	339	—	—
Superannuation	12	4	—
Share options	1,196	903	123
	<u>3,674</u>	<u>2,509</u>	<u>1,282</u>
<i>Compensation of key management personnel:</i>			
Short-term benefits (salary)	753	509	367
Bonus	161	—	—
Share options	562	534	205
	<u>1,476</u>	<u>1,043</u>	<u>572</u>
Total remuneration of Directors and key management personnel of the Group	<u><u>5,150</u></u>	<u><u>3,552</u></u>	<u><u>1,854</u></u>

32. Subsidiaries

Particulars in relation to subsidiaries are as follows:

		<i>Year ended 30 June 2011 %</i>	<i>Year ended 30 June 2010 %</i>	<i>Year ended 30 June 2009 %</i>
	<i>Country of incorporation</i>			
Baobab Exploration (Pty) Ltd	South Africa	100	100	100
Chromet (Pty) Ltd *	South Africa	100	100	100
Coal of Africa & ArcelorMittal Analytical Laboratories (Pty) Ltd	South Africa	100	100	100
Cove Mining NL	Australia	100	100	100
Drilling and Geological Services of Madagascar Ltd ***	Madagascar	100	100	100
Evoc Mining NL	Australia	100	100	100
Freewheel Trade and Invest 37 (Pty) Ltd	South Africa	74	74	—
Fumaria Property Holdings (Pty) Ltd	South Africa	100	100	100
Golden Valley Services (Pty) Ltd	Australia	100	100	100
Greenstone Gold Mines NL	Australia	100	100	100
GVM Metals Administrations (South Africa) (Pty) Ltd	South Africa	100	100	100
Harrisia Investments (Pty) Ltd	South Africa	100	100	100
Holfontein Investments (Pty) Ltd	South Africa	100	100	100
Joerg Foundry (Pty) Ltd *	South Africa	100	—	—
Langcarel (Pty) Ltd **	South Africa	100	100	100
Limpopo Coal Company (Pty) Ltd	South Africa	100	100	74
Magberg Manufacturing (Pty) Ltd *	South Africa	100	100	100
Metalloy Fibres (Pty) Ltd *	South Africa	100	100	100
Mooiplaats Mining Ltd (previously Coal of Africa Ltd)	South Africa	100	100	100
NiMag (Pty) Ltd	South Africa	100	100	100
Nu-Coal (Pty) Ltd *****	South Africa	100	100	—
NuCoal Investments (Pty) Ltd *****	South Africa	100	100	—
NuCoal Mining (Pty) Ltd	South Africa	100	100	—
	British Virgin Islands			
Pan African Drilling Ltd	Islands	100	100	100
Regulus Investment Holdings (Pty) Ltd	South Africa	100	100	100
Silkwood Trading 14 (Pty) Ltd	South Africa	100	100	—
Tshikunda Mining (Pty) Ltd *****	South Africa	60	60	60
Woestalleen Colliery (Pty) Ltd *****	South Africa	100	100	—

* Subsidiary companies of NiMag (Pty) Ltd

** Subsidiary companies of Mooiplaats Mining Ltd (previously Coal of Africa Limited)

*** Subsidiary company of Pan African Drilling Ltd

**** Subsidiary companies of NuCoal Mining (Pty) Ltd

***** The Company has acquired the shares and paid the purchase price, however although all of the sale conditions have been satisfied, certain conditions were not satisfied within the timeframe specified in the sale agreement. The parties intend to execute a reinstatement agreement to ensure that completion of the sale is correctly recorded.

33. Events after the reporting period

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

- On 5 July 2011, the Department of Environmental Affairs ('DEA') granted authorisation in terms of section 24G of the South African National Environmental Management Act, 107 of 1998 ('NEMA') in respect of the Vele Colliery.
- On 29 July 2011, the Vele Colliery's Integrated Water Use Licence ('IWUL') was suspended in terms of section 148(2)(b) of the South African National Water Act, No 36 of 1998 due to an appeal to the Water Tribunal submitted by an NGO coalition on 28 July 2011. On 19 October 2011, the suspension was lifted by the South African Minister of Water and Environmental Affairs allowing the Company to commence operations at Vele. Management plans to mobilise contractors and re-employ staff immediately.
- On 15 August 2011, the irrevocable undertakings from the vendor shareholders were obtained in terms of the sale and purchase agreement for the acquisition of shares in the Chapudi Coal Project and related exploration properties in South Africa's Soutpansberg coal basin in the Limpopo province and the time for satisfaction of remaining conditions precedent was extended until 30 April 2012 to obtain the requisite regulatory approvals.
- On 19 August 2011, the Company submitted a s11 application in respect of the Chapudi and Soutpansberg properties.
- On 1 September 2011, the Company concluded a landmark agreement with the DEA, South African National Parks Board ('SANParks') and the Company, paving the way for collaborative and responsible mine development in Limpopo Province.
- In October 2011, the Company resolved to issue 144,912 ordinary shares at an issue price of R7.2457 pursuant to an employment agreement with the Managing Director of the wholly-owned NiMag group of companies.

There have been no other events between 30 June 2011 and the date of this report which necessitate adjustment to the statement of comprehensive loss or statement of financial position at that date.

PART VII

Additional Information

1. Persons responsible

The Directors, whose names are set out in Section 1.1 of Part III (“*Directors, Senior Management and Corporate Governance*”) of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (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.

2. Incorporation and registered office

- (a) 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.
- (b) The Company is domiciled in Australia. Its registered office and corporate headquarters is at Level 1, 173 Mounts Bay Road, Perth, Western Australia, 6000 (Tel No. +61 8 9322 6776).
- (c) 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.

3. Subsidiaries

The Company is the ultimate holding company of the Group. The following table shows details of the significant subsidiaries of the Group and the undertakings of the Group which the Company considers are likely to have a significant effect on the assessment of the Group’s assets and liabilities, financial position or profits and losses.

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>% held by the Company</i>
Baobab Mining and Exploration (Pty) Ltd ⁽⁷⁾	South Africa	100
Chromet (Pty) Limited ⁽¹⁾	South Africa	100
GVM Metals (Administration) South Africa (Pty) Limited	South Africa	100
Holfontein Investments (Pty) Limited	South Africa	100
Limpopo Coal Company (Pty) Limited ⁽⁵⁾	South Africa	100
Metalloy Fibres (Pty) Limited ⁽¹⁾	South Africa	100
NiMag (Pty) Limited	South Africa	100
NuCoal Mining (Pty) Limited	South Africa	100
Woestalleen Colliery (Pty) Limited ⁽²⁾	South Africa	100
Vuna Mining Enterprises (Pty) Limited ⁽²⁾	South Africa	49
Lumpasa Mining & Exploration Limited ⁽²⁾	South Africa	49
Mooiplaats Mining Ltd (previously Coal of Africa Limited) ⁽⁶⁾	South Africa	100
Langcarel (Pty) Ltd ⁽⁴⁾	South Africa	100
Regulus Investment Holdings (Pty) Limited	South Africa	100
Harrisia Investments (Pty) Limited	South Africa	100
Fumaria Property Holdings (Pty) Limited	South Africa	100
Coal of Africa & ArcelorMittal Analytical Laboratories (Pty) Ltd	South Africa	100
Silkwood Trading 14 (Pty) Limited	South Africa	100
MRT Industrial Powders (Pty) Limited ⁽³⁾	South Africa	100
Pan African Drilling Limited	Australia	100
Coal of Africa Madagascar	Madagascar	50
Joerg Foundry (Pty) Limited	South Africa	100
Rustenburg Engineers & Foundry (Pty) Limited	South Africa	100
Fidelio Properties (Pty) Limited	South Africa	100
Tshikunda Mining (Pty) Ltd ⁽⁸⁾	South Africa	60

Notes:

- (1) Subsidiary company of NiMag (Pty) Limited
- (2) Subsidiary company of NuCoal Mining (Pty) Limited
- (3) Subsidiary company of Mettalo Resources (Pty) Limited
- (4) Subsidiary company of Mooiplaats Mining Ltd
- (5) The Company is the registered owner of 100% of the shares, however 20% is subject to an outstanding section 11 consent which the Directors intend to apply for in connection with the Group Restructuring.
- (6) The Company is the registered owner of 100% of the shares, however 46.5% is subject to an outstanding section 11 consent which the Directors intend to apply for in connection with the Group Restructuring. Section 11 consent has been granted in respect of the remaining 53.5% and the Group has satisfied all its obligations with respect thereto.
- (7) The Company is the registered owner of 100% of the shares. The transfer of a 50% interest in an unincorporated joint venture acquired by Baobab Mining and Exploration (Pty) Ltd is subject to an outstanding section 11 consent which the Directors intend to apply for in connection with the Group Restructuring.
- (8) The Company has acquired the shares and paid the purchase price, however although all of the sale conditions have been satisfied, certain conditions were not satisfied within the timeframe specified in the sale agreement. The parties intend to execute a reinstatement agreement to ensure that completion of the sale is correctly recorded.

4. Share capital and major Shareholders

4.1

Share capital

- (a) The Company has one class of share, which is ordinary shares in the capital of the Company. The rights attaching to the Shares are summarised in Section 6 of this Part VII. 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 Group's financial statements at their exercise price, unless the options are accounted for as derivative liabilities (see note 3.18 to the Group Financial Information in Part VI ("*Group Financial Information*") of this document), in which case Shares issued are recorded at the market value as at the issue date.
- (b) Under the Corporations Act, the Company does not have an authorised share capital and there is generally no limit in the Corporations Act or the Constitution on the power of the Directors to issue Shares or other securities.
- (c) On incorporation, the Company had an issued share capital of 5,000 Shares. As at 1 July 2008 (being the first day of the Group Financial Information set out in this document) the issued share capital was 398,254,492 Shares. The changes in the issued share capital of the Company in the period from 1 July 2008 to 30 June 2011 are set out in note 33 of the Group Financial Information set out in Part VI ("*Group Financial Information*") of this document. The changes in the issued share capital of the Company since 30 June 2011 are as follows:
 - On 9 September 2011, the Company issued 500,000 Shares to a former director of the Company on the exercise of options granted to him by the Company.
 - On 30 September 2011, the Company issued 500,000 Shares in aggregate to certain Group employees on the exercise of options granted to them by the Company.
- (d) As at the date of this document the issued and fully paid share capital of the Company is as follows:

<i>Description</i>	<i>Number</i>
Ordinary shares	532,139,661

- (e) Options have been granted to certain Directors, Senior Management and other employees of the Company to acquire Shares in the Company. As at the date of this document, options over 20,453,061 Shares were outstanding (included those granted to the Directors as disclosed in Section 10.2(b) of this Part VII) as follows:

<i>Tranche</i>	<i>Number of Shares under option</i>	<i>Exercise price per Share</i>	<i>Expiry date</i>
B	250,000	A\$2.05	1 May 2012
C	2,500,000	A\$1.20	9 November 2015
D	7,000,000	A\$1.25	30 September 2012
G	1,000,000	A\$1.90	30 September 2012
H	600,000	A\$1.25	1 May 2012
I	1,650,000	A\$3.25	31 July 2012
J	5,000,000	A\$2.74	30 November 2014

<i>Tranche</i>	<i>Number of Shares under option</i>	<i>Exercise price per Share</i>	<i>Expiry date</i>
K	912,500	A\$1.90	30 June 2014
ESOP*	1,540,561	A\$1.40	30 September 2015

* Options issued on the terms of the Employee Share Option Plan.

The options listed above were all issued either under the Employee Share Option Plan or pursuant to Shareholder approval. A brief summary of the terms of each of the above tranches of options is set out below.

In addition to the options listed in the table above, the Company has also granted options over 50,000,000 Shares to Firefly as part of its BEE arrangements. See Section 11.3 of this Part VII for details of the options granted to Firefly.

Option terms

Class B options

The Company granted 250,000 Class B options to an employee of the Company. Each Class B option allows the optionholder to subscribe for one fully paid Share (in cash). The Company's Class B options are capable of exercise and are due to be exercised on or before 1 May 2012. Any options that are not exercised before this date will automatically expire. The Class B options hold no voting or dividend rights and are transferable at any time prior to the expiry date. Each Share allotted as a result of the exercise of the Class B options will rank *pari passu* with the existing Shares in issue at the date of the allotment.

Class C options

The Company granted 2,500,000 Class C options to David Murray on 9 November 2010, 1,000,000 of which will vest 12 months after the date of issue, 750,000 of which will vest 24 months after the date of issue and the remaining 750,000 will vest 36 months from the date of issue. Each Class C option allows David Murray to subscribe for one fully paid Share (in cash) and each Share allotted as a result of the exercise of the Class C options will rank *pari passu* with the existing Shares in issue at the date of the allotment. The Class C options are exercisable on or before 9 November 2015 and any options that are not exercised before this date will automatically expire. The Class C options hold no voting or dividend rights and are not transferable at any time prior to the expiry date.

If David Murray ceases to be a director of the Company, all unvested options will automatically lapse, save for any options that were due to vest in the year that he ceases to be a director.

Class D options

The Company granted 7,000,000 Class D options, 5,000,000 to Simon Farrell and 2,000,000 to Richard Linnell. Each Class D option allows the optionholder to subscribe for one fully paid Share (in cash). The Company's Class D options are exercisable on or before 30 September 2012 and any options that are not exercised before this date will automatically expire. The Class D Options hold no voting or dividend rights and are transferable at any time prior to the expiry date. Each Share allotted as a result of the exercise of the Class D options will rank *pari passu* with the existing Shares in issue at the date of the allotment.

Class G options

The Company granted 1,000,000 Class G options to Blair Sergeant, a former director of the Company. Each Class G option allows the optionholder to subscribe for one fully paid Share (in cash). The Class G options are exercisable on or before 30 September 2012 and any options that are not exercised before this date will automatically expire. The Class G Options hold no voting or dividend rights and are transferable at any time prior to the expiry date. Each Share allotted as a result of the exercise of the Class G options will rank *pari passu* with the existing Shares in issue at the date of the allotment.

Class H options

The Company granted Class H options to certain Group employees in South Africa. Each Class H option allows the optionholder to subscribe for one fully paid Share (in cash). The Class H options became capable of exercise on 1 May 2009 and are exercisable on or before 1 May 2012. Any options that are not exercised before this date will automatically expire. The Class H Options hold no voting or dividend rights and are transferable at any time prior to the expiry date. Each Share allotted as a result of the exercise of the Class H options will rank *pari passu* with the existing Shares in issue at the date of the allotment.

Class I options

The Company granted 1,650,000 Class I options to Riaan van der Merwe on 1 December 2008 and as at the date of this document, each Class I option is capable of exercise and is due to be exercised on or before 31 July 2012 and any options that are not exercised before this date will automatically expire. Each Class I option allows Riaan van der Merwe to subscribe for one fully paid Share (in cash) and each Share allotted as a result of the exercise of the Class I options will rank *pari passu* with the existing Shares in issue at the date of the allotment. The Class I Options hold no voting or dividend rights and are transferable at any time prior to the expiry date.

Class J options

The Company granted 2,000,000 Class J options to Blair Sergeant, a former director of the Company, and 3,000,000 Class J options to Simon Farrell on 8 December 2009. Each Class J option allows the optionholder to subscribe for one fully paid Share (in cash). The options are exercisable on or before 30 November 2014 and any options that are not exercised before this date will automatically expire.

The Class J options will vest and become exercisable as follows:

- (i) as to Simon Farrell's Class J options:
 - (1) 2,000,000 options will vest 12 months after grant of the Vele Colliery NOMR; and
 - (2) 1,000,000 options will vest 12 months after grant of the Makhado Project NOMR; and
- (ii) as to Blair Sergeant's Class J options:
 - (1) 1,000,000 options will vest 12 months after grant of the Vele Colliery NOMR;
 - (2) 500,000 options will vest 12 months after grant of the Makhado Project NOMR; and
 - (3) 500,000 options to vest upon completion of the Company's acquisition of NuCoal.

The Class J Options hold no voting or dividend rights and are not transferable at any time prior to the expiry date. Each Share allotted as a result of the exercise of the Class J options will rank *pari passu* with the existing Shares in issue at the date of the allotment.

Class K options

The Company granted 912,500 Class K options to certain employees of the Group pursuant to and on the terms of the Employee Share Option Plan (see below). For each optionholder, one third of the options vested immediately on grant, one third vested on 1 July 2010 and one third vested on 1 July 2011. The options are exercisable on or before 30 June 2014 and any options that are not exercised before this date will automatically expire. Each Class K option entitles the optionholder to subscribe for one fully paid Share (in cash).

ESOP options

The Company granted 1,540,561 options (the "ESOP options") to certain employees of the Group pursuant to and on the terms of the Employee Share Option Plan (see below). For each optionholder, one third of the ESOP options vested immediately on grant, one third vested on 30 September 2011 and one third will vest on 30 September 2012. The ESOP options are exercisable on or before 30 September 2015 and any options that are not exercised before this date will automatically expire. Each ESOP option entitles the optionholder to subscribe for one fully paid Share (in cash).

Employee Share Option Plan

The Class K options and ESOP options referred to above were issued on the terms of the Employee Share Option Plan. The key terms of the Employee Share Option Plan are as follows:

- (i) options can only be granted to eligible persons, being a director (excluding alternate directors) or an employee of Coal of Africa or of any associated company of Coal of Africa;
 - (ii) options may be granted subject to exercise conditions;
 - (iii) options granted pursuant to the Employee Share Option Plan are not transferable;
 - (iv) 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
 - (v) 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.
- (f) Save as disclosed in this Part VII:
- (i) no share or loan capital of the Company has, within three years of the date of this document, been issued or agreed to be issued, fully or partly paid, either for cash or for consideration other than cash, to any person;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital; and
 - (iii) no share or loan capital of the Company or any other member of the Group is under option or agreed conditionally or unconditionally to be put under option.
- (g) As at the date of this document, no Shares were held by or on behalf of the Company or any other member of the Group.

4.2 Major Shareholders

- (a) Other than the interests of the Directors and Senior Management disclosed in Section 10.2 of this Part VII, so far as is known to the Directors, the persons listed below are the persons who, as at 6 September 2011, being the latest practicable date prior to the date of this document, have interests in 3% or more of the issued ordinary share capital of the Company:

<i>Name</i>	<i>Number of Shares</i>	<i>Percentage of existing Share capital</i>
ArcelorMittal South Africa Limited	84,801,192	15.97%
Nortrust Nominees Limited	75,294,003	14.18%
State Street Nominees Limited	38,551,839	7.26%
The Bank Of New York (Nominees) Limited	37,500,000	7.06%
Standard Bank Nominees (Transvaal)	33,470,512	6.30%
Greenwood Nominees Limited	17,678,795	3.33%
Nutraco Nominees Limited	17,000,000	3.20%

- (b) Save as disclosed above, so far as is known to the Directors, there is no person who is or will be at the date of this document, directly or indirectly interested in 3% or more of the issued share capital of the Company, or any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors have no knowledge of any arrangements the operation of which may, at a subsequent date, result in a change of control of the Company.
- (c) None of the major Shareholders listed above or in Section 10.2(a) of this Part VII have different voting rights from any other holder of Shares in respect of Shares held by them.

5. 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 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 on the Official List.

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.

6. Summary of the Constitution

The following is a summary of the material provisions of the Constitution. The Constitution is available for inspection as set out in Section 16 of this Part VII.

6.1 Share rights

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.

6.2 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 Company 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 as a fraction of the full value.

6.3 Dividends and other distributions

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.

6.4 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.

6.5 Transfer of Shares

Subject to the Constitution, the Shares are freely transferrable, 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.

6.6 Pre-emption rights

There are no pre-emption rights in respect of the sale or issue of Shares under the Constitution.

6.7 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 1 of Part 2J.2 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.

6.8 Forfeiture

The Directors may make calls upon a Shareholder in respect of any money unpaid on the Shares of that Shareholder. If a Shareholder does not pay the called upon amount on or before the due date, the Board may require payment of the unpaid amount, together with any interest and expenses incurred by the Company (“Called Amount”). At any time until a Called Amount is paid, the Board may give Shareholders not less than 14 days’ notice to pay the Called Amount. In the event of non-compliance, any Shares in respect of which this notice is given may be forfeited by the Board by resolution to that effect before the Called Amount is paid.

6.9 Return of capital

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.

6.10 Shareholder 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.

6.11 Directors

(i) 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.

(ii) Directors' shareholding qualification

A Director is not required to hold any Shares in the Company.

(iii) 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.

(iv) 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.

(v) Removal of Directors

In additions 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.

(vi) 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 attending Board meeting for a continuous period 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 auditor or any partner or employee of the auditor of the Company).

(vii) **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.

(viii) **Remuneration of Directors**

The Directors will be paid by the Company by way of remuneration for their services, such sum as may from time to time be determined by the Company at a general meeting.

Fees payable to Non-Executive Directors will be by a fixed sum and not by a commission on or percentage of profits or operating revenue. In addition, 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. Remuneration payable to executive Directors will not include a commission on or percentage of operating revenue.

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 will be 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.

(ix) **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.

(x) **Directors' interests**

A Director may hold any other office or place of profit in or in relation to the Company (except that of 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.

(xi) **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.

(xii) **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.

(xiii) **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.

6.12 Communications

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.

7. Directors and Senior Management

- (a) The biographies of each of the Directors and Senior Management are set out in Part III (*“Directors, Senior Management and Corporate Governance”*) of this document.
- (b) There are no family relationships between any Directors or any members of the Senior Management.
- (c) Within the period of five years preceding the date of this document, none of the Directors or members of Senior Management:
 - (i) has had any convictions in relation to fraudulent offences;
 - (ii) has been declared bankrupt or entered into any individual voluntary arrangement;
 - (iii) has been a member of the administrative, management or supervisory bodies or partner or director or senior manager of a company or partnership at the time of any bankruptcy, receivership or liquidation of such company or partnership; or
 - (iv) has been subject to any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

8. Employees

The Company had 784 employees as at 30 June 2011.

9. Directors’ terms of appointment

The Directors and their functions are set out in Part III (*“Directors, Senior Management and Corporate Governance”*) of this document. Set out below are the terms on which each of the Directors have been engaged by the Company.

9.1 Executive Director service contracts

(a) John Wallington

Mr Wallington, the Chief Executive Officer of the Company, entered into a fixed term service agreement with the Company on 3 May 2010, commencing on 15 June 2010 and ending on 14 June 2013. Notice of early termination may however be given by either party in writing in accordance with the terms of the service agreement. Mr Wallington is entitled to receive a gross base remuneration of £400,000 (inclusive of any statutory deductions that may be payable by the Company) and, subject to shareholder approval, to the issue of Shares, the precise number of which is to be determined according to performance related conditions set out in the agreement. Mr Wallington’s remuneration entitlement is subject to a yearly upwards only review and provision is also made for a discretionary bonus of up to 75% of the above annual base remuneration per annum. In the case of termination, the Company has the option to give Mr Wallington payment in lieu of the three months’ notice period at his then prevailing remuneration, as defined in the agreement.

(b) Wayne Koonin

Mr Koonin, the Financial Director of the Company, entered into a service agreement with the Company on 22 February 2011. The agreement has a fixed term of 60 months. Notice of early termination may however be given by either party in writing in accordance with the terms of the agreement. Mr Koonin is entitled to receive an initial gross salary remuneration of £240,000, to be reviewed in accordance with the terms of the agreement and, subject to shareholder approval, to the issue of Shares, the precise number of which is to be determined according to performance related conditions set out in this agreement. Provision is also made for a discretionary bonus of up to a maximum of 75% of the annual base salary per annum, although this maximum percentage may be renegotiated upwards depending on the performance of the Company. In the case of early termination, the Company has the option to give Mr Koonin payment in lieu of the three months’ notice period at his then prevailing remuneration.

(c) Professor Alfred Nevhutanda

Professor Nevhutanda, the Director of Corporate Affairs of the Company, has entered into a service agreement with the Company. The agreement has a fixed term of 60 months. Notice of early termination may however be given by either party in writing in accordance with the terms of the agreement. Professor Nevhutanda is entitled to receive an initial gross salary remuneration of

ZAR1,190,910, to be reviewed in accordance with the terms of the agreement. Provision is also made for a discretionary bonus of up to a maximum of 30% of the annual base salary per annum, although this maximum percentage may be renegotiated upwards depending on the performance of the Company. In the case of early termination, the Company has the option to give Professor Nevhutanda payment in lieu of the three months' notice period at his then prevailing remuneration.

9.2 Non-Executive Director letters of appointment

Each Non-Executive Director has entered into a letter of appointment with the Company the relevant terms of which are set out below:

- (a) the Non-Executive Directors are required to discharge their duties in accordance with the New Constitution and the Corporations Act;
- (b) the term of appointment of the Non-Executive Directors is not fixed, but Non-Executive Directors are typically expected to serve two three year terms (subject to continued satisfactory performance); and
- (c) during their term of office, the Non-Executive Directors may be required to be a member of one or more of the Company's committees.

10. Director and Senior Management remuneration

- (a) Under the terms of their service contracts, letters of appointments and applicable incentive plans, in the 2011 Financial Year the aggregate remuneration paid (including any contingent or deferred consideration) and benefits in kind granted to the Directors and Senior Management who served during the 2011 Financial Year, consisting of 13 individuals, was US\$4,845,741. Remuneration paid in currencies other than US dollars was converted to US dollars using exchanges rates applicable as at 30 June 2011.
- (b) The total amount set aside or accrued by the Group to provide pension, retirement or similar benefits for the Directors and Senior Management for the 2011 Financial Year was US\$12,517. Amounts set aside or accrued in currencies other than US dollars was converted to US dollars using exchanges rates applicable as at 30 June 2011.
- (c) Under the terms of their service contracts, letters of appointments and applicable incentive plans, in the period since the end of the 2010 Financial Year to the date of this document, the Directors and Senior Management were remunerated as set out below:

<i>Name</i>	<i>Annual salary (US\$)</i>	<i>Other benefits (US\$)</i>	<i>Date of joining the Group</i>
Richard Linnell	89,025	—	1 August 2001
Simon Farrell	544,046	603,099	21 December 2000
John Wallington	636,160	—	15 June 2010
Wayne Koonin	95,424	—	1 April 2011
Professor Alfred Nevhutanda	160,532	35,960	2 February 2009
Steve Bywater	56,383	—	8 February 2007
David Murray	82,702	480,394	8 September 2010
Peter Cordin	56,383	5,074	December 1997
Khomotso Mosehla	—	—	18 November 2010
Mikki Xayiya	—	—	18 November 2010
Rudolph Torlage	—	—	18 November 2010
Riaan van der Merwe	451,417	529,596	1 August 2008
Willem Hattingh	301,426	193,216	1 January 2010

- (d) There is no arrangement under which any Director has waived or agreed to waive future emoluments and nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

10.2 Interests of Directors and Senior Management in the Company

- (a) The interests of the Directors and Senior Management in the share capital of the Company (all of which, unless otherwise stated, are beneficial or are interests of a person connected with a Director or member of Senior Management) as at the date of this document are as follows:

<i>Name</i>	<i>Number of Shares</i>	<i>Percentage of existing Share capital</i>
Richard Linnell	787,550	0.15
Simon Farrell	2,871,791	0.54
John Wallington	0	0
Wayne Koonin	55,000	0.01
Professor Alfred Nevhutanda	55,000	0.01
Stephen Bywater	0	0
David Murray	0	0
Peter Cordin	412,759	0.08
Khomotso Mosehla	0	0
Mikki Xayiya	0	0
Rudolph Torlage	0	0
Riaan van der Merwe	0	0
Willem Hattingh	0	0

- (b) As at the date of this document, the Directors and Senior Management held the following options to subscribe for Shares:

<i>Name</i>	<i>No. Shares under option</i>	<i>Percentage of Share capital</i>	<i>Exercise price</i>	<i>Exercise period</i>
Richard Linnell	2,000,000	0.38%	A\$1.25	Prior to 30/09/2012
Simon Farrell	5,000,000	0.94%	A\$1.25	Prior to 30/09/2012
	3,000,000	0.56%	A\$2.74	Prior to 30/11/2014
John Wallington	0	0	0	0
Wayne Koonin	0	0	0	0
Professor Alfred Nevhutanda	0	0	0	0
Stephen Bywater	0	0	0	0
				Prior to 09/09/2010 to 09/11/2015
David Murray	2,500,000	0.47%	A\$1.20	11/2015
Peter Cordin	0	0	0	0
Khomotso Mosehla	0	0	0	0
Mikki Xayiya	0	0	0	0
Rudolph Torlage	0	0	0	0
Riaan van der Merwe	1,650,000	0.31%	A\$3.25	Prior to 31/07/2012
	272,500	0.05%	ZAR12.50	Prior to 30/06/2014
	211,000	0.04%	A\$1.40	Prior to 30/09/2015
Willem Hattingh	210,000	0.04%	ZAR12.50	Prior to 30/06/2014
	77,000	0.01%	A\$1.40	Prior to 30/09/2015

- (c) There are no outstanding loans granted by any member of the Group to any Director or member of Senior Management, nor has any guarantee been provided by any member of the Group for their benefit.
- (d) Except as set out below, there are no:
- potential conflicts of interest between any duties to the Company of the Directors or any member of the Senior Management and their private interests and/or other duties; or
 - arrangements or understandings with major Shareholders, customers of or suppliers to the Group, or any other person, pursuant to which any Director or member of Senior Management was appointed.

Rudolph Torlage is a director of ArcelorMittal South Africa, which holds approximately 16% of the issued share capital of the Company as at the date of this document.

Stephen Bywater is a director of GCM Resources plc which holds approximately 4% of the issued share capital of the Company as at the date of this document.

Khomotso Motsela and Mikki Xayiya are directors of Firefly, which holds options in respect of 50,000,000 Shares (representing approximately 9.4% of the issued share capital of the Company as at the date of this document).

- (e) There are no restrictions agreed with any Director or any member of Senior Management on the disposal of the holdings of the Company's securities.

11. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business): (i) have been entered into by a member of the Group within the two years immediately preceding the date of this document and are, or may be, material; or (ii) have been entered into at any time by any member of the Group and contain provisions under which any member of the Group has an obligation or entitlement which is, or may be, material to the Group as at the date of this document:

11.1 2010 placing agreement

On 16 June 2010, a placing agreement was entered into by the Company with J.P. Morgan Cazenove, Macquarie First South Advisors (Proprietary) Limited ("Macquarie"), Mirabaud Securities LLP ("Mirabaud") and Evolution Securities Limited ("Evolution") (together the "2010 Managers"), to govern the placing of up to 50,000,000 of the Company's new ordinary shares onto AIM, the ASX and the JSE.

Under the terms of the agreement, J.P. Morgan Cazenove, Macquarie, Mirabaud and Evolution agreed to act as placing agents in relation to 70%, 20%, 7.5% and 2.5% of the 50,000,000 new ordinary shares respectively. J.P. Morgan Cazenove was appointed to act as global co-ordinator and bookrunner in respect of the placing. Alongside Macquarie, J.P. Morgan Cazenove was also appointed as a lead manager for the placing and, as such, both Macquarie and J.P. Morgan Cazenove agreed severally to use reasonable endeavours to procure placees to subscribe for the placing shares, and to uptake any shares left over. Evolution acted as the Company's nominated advisor.

The Company gave various warranties and indemnities to the 2010 Managers that are typical of such an agreement. The Managers further benefit from broad limitations on liability.

11.2 2009 Placing Agreement

On 29 October 2009, a placing agreement was entered into by the Company with J.P. Morgan Cazenove, Evolution and Mirabaud (together the "2009 Managers"), to govern the placing of up to 59,867,731 of the Company's new ordinary shares onto AIM, the ASX and the JSE.

Under the terms of the agreement, J.P. Morgan Cazenove, Evolution and Mirabaud agreed to act as placing agents in relation to 40%, 20% and 15% of the 59,867,731 new ordinary shares respectively. The remaining 25% of the new ordinary shares were to be distributed between the Managers as the Company saw fit. J.P. Morgan Cazenove was appointed to act as global co-ordinator and bookrunner in respect of the placing. Evolution was appointed as Joint Lead Manager and Mirabaud as Co-Lead Manager, and the Company confirmed that Macquarie First South Advisors (Proprietary) Limited was instructed to act as sponsor. The Managers agreed severally to use their respective reasonable endeavours to procure placees to subscribe for the placing shares, and to uptake any shares left over. Evolution acted as the Company's nominated advisor.

The Company gave various warranties and indemnities to the 2009 Managers that are typical of such an agreement. The 2009 Managers further benefit from broad limitations on liability.

11.3 Firefly Options

The Company has entered into the following agreements with one of its BEE partners, Firefly:

- (a) the first option agreement relating to shares in the Company dated 1 December 2009 (the "First Option Agreement"); and
- (b) the second option agreement relating to shares in the Company dated 1 December 2009 (the "Second Option Agreement"),

(collectively the "Option Agreements").

Under the First Option Agreement, the Company granted Firefly the option to subscribe in cash for 32,500,000 new Shares and under the Second Option Agreement the Company granted Firefly the option to subscribe in cash for a further 17,500,000 new Shares. The options granted under the Option Agreements cannot be exercised prior to 1 November 2010, except in certain limited circumstances such as a change in control of the Company. Before Firefly can exercise the options granted to it under either of the Option Agreements, Firefly must first notify the Company in writing

of its intention to exercise its option(s). Upon receipt of this written notice by the Company, Firefly will then be able to exercise the option(s) granted to it under the Option Agreements until 5.00 p.m. on 1 November 2014 (the “Option Period”).

The option price for the Shares under the Option Agreements is £0.60 per Share. However, both Option Agreements contain price adjustment mechanism clauses in the event of a new Share offer by the Company before the options granted under them have become exercisable.

Under the Option Agreements, the Company has provided certain warranties to Firefly which are typical for agreements of this nature, including warranties regarding ownership and its ability to sell the Shares. Under the Option Agreements, the Company also undertakes that during the Option Period the Company will not, without the prior written consent of Firefly:

- (a) modify the rights attaching to any of its Shares in a way which could reasonably be expected to have an adverse affect on the rights of Firefly;
- (b) alter its constitution in a way which could reasonably be expected to have an adverse affect on the rights of Firefly; or
- (c) create any class of shares which would rank ahead of the Shares issued to Firefly if it chooses to exercise its option under the First or Second Option Agreement.

11.4 Deutsche Bank facility agreement

On 23 March 2011, Deutsche Bank AG (“Deutsche Bank”) agreed to make available for the period of thirty months a US\$50,000,000 revolving loan facility to Langcarel, to be used for the purpose of paying off the amounts borrowed under an earlier facility with J.P. Morgan Chase Bank and to finance Langcarel’s current working capital and capital expenditure requirements. Any of the total commitment that has not been utilised by Langcarel by the end of the availability period of the loan will be immediately cancelled. The Company, NuCoal and Woestalleen Colliery (Pty) Limited (together, the “Guarantors”) agreed to act as guarantors for Langcarel.

Langcarel is required to make irrevocable utilisation requests to Deutsche Bank in minimum amounts of US\$2,500,000 (unless a lower figure is all that is available), and may only request one loan with each utilisation request. A maximum of two loans may be outstanding in any calendar month.

The events of default are standard to agreements of this nature and include non-payment, misrepresentation and cross-default above a certain threshold. The representations and warranties that Langcarel and the Guarantors make, which are deemed repeated on the date of each utilisation request and the first day of each interest period, are also typical of this kind of agreement, and include representations that they have the authority to enter into the agreement, and that financial statements have been properly prepared.

Should Langcarel receive a loan following a utilisation request, the repayment date for each loan shall be the last day of the interest period that relates to it. Interest periods run for one month from the date that the loan is granted. The interest payable on the loans is standard LIBOR plus Deutsche Bank’s margin and mandatory costs, and once a repayment is made it cannot be redrawn. Failure to pay by the due date will result in an extra 2% default interest being charged, and there are also external circumstances which may cause the interest rate to change, such as the occurrence of a market disruption event. As well as repayments of the loan and interest, Langcarel is also required to pay Deutsche Bank a commitment fee, an arrangement fee and an agency fee.

Deutsche Bank has a right to assign its rights or novate its rights and obligations under the agreement, without first obtaining Langcarel’s consent, provided it is done by a specified procedure.

On 23 October 2012, the amount of Deutsche Bank’s total commitment to Langcarel under the agreement shall reduce by one twelfth of that total commitment (as calculated on 23 October 2012) and shall continue to reduce by a further twelfth on the corresponding date of each subsequent calendar month. If, following such a reduction, the amount outstanding on any loan exceeds the new commitment amount, Langcarel must immediately repay that excess. Early repayment may also occur in the following situations. If any of Deutsche Bank’s obligations under the agreement become unlawful in any applicable jurisdiction, Deutsche Bank’s commitment will be immediately cancelled, and Langcarel must repay any loans on the last day of each loan’s interest period. If the Company ceases to own 100% of the voting share capital in Langcarel or any Guarantor, Deutsche Bank will have no obligation to provide further funding, and all outstanding amounts become immediately due and payable on demand.

In relation to the grant of the facility, Langcarel gives various undertakings as to the types of information it will keep Deutsche Bank provided with for monitoring purposes during the term of the facility. Certain business specific undertakings are also given by Langcarel, including that off-take agreements will not be terminated or amended. Langcarel also agrees to certain general undertakings, such as prohibitions on mergers and changes of business. A negative pledge clause and a prohibition of disposals are contained in these provisions, but the Company is excluded from these particular undertakings. However, the Company does enter certain financial covenants which require it to ensure that the total equity of Langcarel, the Company and NuCoal Mining stay above certain levels, and that the level of indebtedness of the same entities stays below certain levels. Finally, Langcarel gives standard indemnities relating to such things as losses due to events of default and security, and tax-gross up and increased costs provisions apply, subject to Deutsche Banks's duty to mitigate.

The Guarantors irrevocably and unconditionally, jointly and severally give a continuing guarantee over Langcarel's punctual performance of its obligations, and agree to pay all costs due by Langcarel under repayments or indemnities if Langcarel fails to do so.

On 5 October 2011 the agreement was amended by letter agreement between the parties to modify certain covenants following the restatement of the Group's financial statements for the 2011 Financial Year into US dollars and the impairment losses reflected in those financial statements.

11.5 NuCoal sale and purchase agreement

By an agreement dated 29 October 2009 (as amended by an addendum dated 27 November 2009 (the "Nucoal 2009 addendum")), the Company agreed to purchase the entire issued share capital of NuCoal from the then shareholders Troy Holdings and Investments Inc, Kusile Mining (Pty) Limited and NuCoal Holdings (Pty) Limited (together, the "Sellers"), along with any Sellers' claims against NuCoal, subject to certain suspensive conditions.

The initial purchase price agreed was ZAR650,000,000, to be apportioned between the Sellers on a *pro rata* basis. After adjustments made on completion for a 10% retention sum, the repayment of NuCoal debt and to reflect the working capital position of NuCoal as at 31 December 2009, the final adjusted purchase price for the entire issued share capital of NuCoal was ZAR467,000,000. This sum was paid to the Sellers at completion which took place in January 2010. A retention sum of ZAR65,000,000 of the purchase price was withheld in relation to certain warranties and in accordance with the terms of the agreement.

In the agreement, each Seller jointly and severally provides the Company with a standard set of warranties, including, but not limited to, warranties regarding NuCoal's constitution, share capital, accounts and assets. However, the agreement caps the Sellers' liability for any breaches of these warranties.

The November 2009 addendum made certain changes to the suspensive conditions and the time periods in which they must be fulfilled. It also added the requirement, among other things, that the Company approach Wescoal Mining (Pty) Limited with a view to negotiating an agreement for the Company's rights and obligations under a previous acquisition agreement with Wescoal to be ceded and assigned to the Sellers.

11.6 Grindrod loan agreement in respect of the Matola Terminal

The Company entered into an agreement with Grindrod on 12 January 2009 whereby the Company exercised its option under an existing option agreement with Grindrod and advanced an interest free loan of US\$16,000,000 to Grindrod (the "Loan") to assist Grindrod in funding phase 3 of its expansion project at the Matola Terminal. In turn, Grindrod then advanced a loan equal to the amount of the Loan to TCM, the subsidiary company of Grindrod that will undertake the phase 3 expansion project, and agreed to use reasonable commercial endeavours to procure that the phase 3 expansion project was completed by 1 August 2010. A condition precedent of this loan agreement was that the Matola throughput agreement, described in Section 11.7 of this Part VII, was entered into.

The Loan is to be repaid by Grindrod, without deduction or set-off, to the Company in 10 equal instalments. The first repayment became due 12 months after the Loan was originally advanced by the Company to Grindrod and thereafter each repayment is payable by Grindrod at 12 monthly intervals. There is no penalty for early repayment.

If Grindrod determines that the cost of the entire phase 3 expansion project will be less than US\$32,000,000, it shall make a lump sum repayment to the Company equal to 50% of the difference

between US\$32,000,000 and the actual cost, and the instalment repayments will be adjusted accordingly. If for any reason the Matola throughput agreement terminates, the instalment repayments shall cease and the outstanding sum is to be repaid to the Company within six months of the date of termination.

Under the terms of the agreement, Grindrod has provided the Company with a number of warranties, relating to, amongst other things, the enforceability of the agreement and Grindrod's capacity to enter into the agreement. If any of these warranties are materially breached then the Loan will immediately become due and repayable. Other circumstances which will result in the Loan becoming immediately due and repayable include, but are not limited to, if TCM ceases to carry on business, if Grindrod commits a breach of its obligations under the agreement and fails to remedy such breach within 14 days of having received notice of it, or if Grindrod or TCM is placed into liquidation or judicial management.

11.7 Matola Terminal throughput agreement

The Company has entered into a throughput agreement with TCM and CMR dated 8 August 2008 where, amongst other things, TCM has granted the Company 1 Mtpa of port capacity through the Matola Terminal. TCM is the subsidiary company of Grindrod that operates the Matola Terminal. Meanwhile, CMR has agreed to provide a number of services to the Company including, but not limited to weekly train planning, the scheduling and allocation of all trains and the co-ordinating of all train flows to meet available stockpiles. In return for their services the Company will annually pay TCM a throughput fee (the "Throughput Fee") and CMR a service fee (the "Service Fee"). Both the Throughput Fee and the Service Fee are to be calculated by reference to the quantity of coal exported through the terminal. At the commencement of the agreement and every year thereafter the Company must either: (i) make an advance payment of a portion of the Throughput Fee and Service Fee; or (ii) provide a bank guarantee for the same amount. The agreement commences on 1 January 2009 and has an initial term of five years. The Company has the right to renew the agreement (subject to certain conditions) at the end of the initial term, provided that TCM is able to secure an extension of its sub-concession agreement with MPDC for a further period of at least 15 years on or before 30 June 2013. The final period of extension is to terminate on 31 December 2028.

A first addendum to this agreement was entered in January 2009, in which TCM granted the Company additional capacity arising from the phase 3 expansion. The Company is required to notify TCM immediately if it becomes apparent that the Company will not use any portion of the additional capacity and, from the date of receipt of that notice by TCM, may cede 50% of such unutilised portion to third parties, subject to certain conditions including that Grindrod approves the third party in advance. TCM may offer the other 50% of unused capacity to such third parties as it thinks fit. Further, the Company is also granted a rebate on amounts payable under the original agreement until Grindrod fully repays amounts arising under the loan agreement at Section 11.4 of this Part VII. The Company also grants security to TCM and CMR in respect of its obligations under the original agreement in the form of a cession of all claims which are or may become due to the Company by Grindrod from any cause of indebtedness under the loan agreement, and gives certain warranties in relation to this.

A second and third addendum in April 2010 contain specifics on such areas as load rates and stockpiles, as well as a further rebate to the Company.

11.8 ArcelorMittal shareholders' agreement

In April 2009, the Company agreed to sell 50% of the issued share capital ArcelorMittal Analytical Laboratories (Pty) Limited ("CAM Labs") to ArcelorMittal in return for ZAR16,791,327, and a shareholders' agreement was entered to regulate the relationship between the two parties within CAM Labs.

Under that shareholders' agreement, the Company and ArcelorMittal agree that the business of CAM Labs is to be that of providing independent, accredited sampling, analytic and product certification services to producers of coal and other minerals. Each party is entitled to appoint at least two directors to the CAM Labs board, with quorum being at least two directors, one appointed by each party. Certain acts are reserved for the approval of shareholders, including changes in business activity, the issues of guarantees, and the incorporation or acquisition of a subsidiary. The parties agree that so long as they hold shares in CAM Labs, they will not be involved in any business that competes with CAM Labs, nor solicit any of its employees.

Both the Company and ArcelorMittal have pre-emption rights over each other's interest in CAM Labs, subject to certain conditions. However, shares may be transferred to members of the same group as either party, provided that the transferee agrees to be bound by the shareholders' agreement. If the Company commits a material breach of the shareholders' agreement, is put under a provisional or final winding up or judicial management order, or experiences a change of control, then ArcelorMittal has the right to require that the Company sells its interest in CAM Labs to ArcelorMittal on certain prescribed terms, and vice versa.

11.9 Vuna shareholders' agreement

On 28 November 2007, a shareholders' agreement was entered into by Vuna Mining, NuCoal and Oskosh Mineral and Energy Resources CC, Farmprops 131 (Proprietary) Limited, Phambili Vuna Investments (Proprietary) Limited, Chieftain Investments 4 (Proprietary) Limited and Lemba Resources (Proprietary) Limited (together, "Vuna Holdings") to govern the relationship between the parties as shareholders of Vuna Mining.

Under this agreement, on satisfaction of the suspensive conditions set down NuCoal and Vuna Holdings was to hold 49% and 51% of Vuna Mining's issued share capital respectively. Each of NuCoal and Vuna Holdings has pre-emption rights over each other's interest in Vuna Mining and neither party is permitted to offer or sell its shares, other than in accordance with the shareholders' agreement or with the unanimous written consent of the other party.

The agreement also provides for the transfer of a further 2% of the issues share capital of Vuna Mining from Vuna Holdings to NuCoal, resulting in NuCoal holding 51% and Vuna Holdings holding 49% of the issued share capital of Vuna Mining.

11.10 Vuna management and sale agreement

On 28 November 2008, Vuna appointed NuCoal to carry out all mining and management operations at the Vuna Colliery. This agreement was subject to the precondition that NuCoal purchased 49% of the issued shares in Vuna Mining from various other companies (the "Defined Shareholders"), as well as certain other preconditions, such as the granting of a mining right to Vuna Mining.

Under the terms of this agreement, a minimum of 100,000 tons of coal per month is to be mined by NuCoal for the duration of the agreement, all of which will then be sold by Vuna Mining exclusively to NuCoal for the sum of its value. NuCoal is to carry out all operations at the Vuna Colliery at its own cost, and has the right to sub-contract the work out to third parties, although certain operational decisions, such as those concerning new business opportunities or the disposal of assets, remain within the exclusive authority of Vuna Mining.

NuCoal is also required to pay a sum of ZAR20 plus VAT to the Defined Shareholders for every ton of coal mined under NuCoal's management at the Vuna Colliery, irrespective of the costs incurred or profits earned. This sum increases by 8% in each subsequent year of the agreement, and if NuCoal fails to meet the minimum target of 100,000 tons of coal per month, it must pay the Defined Shareholders an increased amount.

NuCoal has agreed to make good and pay for all of Vuna Mining's obligations, liabilities, losses and costs in relation to the mining work. It has also agreed to indemnify Vuna Mining, the Defined Shareholders and all of Vuna Mining's representatives and employees against any and all claims, losses, obligations and costs of whatsoever nature and howsoever arising in respect of the mining operations.

The agreement endures until all coal at the Vuna Colliery has been mined and the rehabilitation of the area has been completed to the satisfaction of the Department of Mineral Resources, formerly the Department of Minerals and Energy.

11.11 Vuna mining contract with Atlantis

NuCoal has entered in to a mining contract with Atlantis Mining (SA) (Proprietary) Limited ("Atlantis") whereby Atlantis is non-exclusively appointed to perform the coal mining operations at the Vuna Colliery and also to be responsible for the subsequent handling and transportation of the coal to the Woestalleen Complex processing plants. Ownership for the coal mined at the Vuna Colliery remains with NuCoal at all times. The agreement commenced on 1 August 2008 for a period of three years, though Atlantis has first option over a further term also.

Under the agreement, Atlantis has a minimum production target of 250,000 ROM tons of coal per month. Atlantis must also establish and maintain a permanent and continuous supply of coal on a

ROM stockpile to enable continuous loading by NuCoal, or its appointed transport contractor of the coal for delivery to NuCoal's chosen destinations. In return, as well as providing power and security, NuCoal pays Atlantis for the cost of the work done at the mine as well as a site establishment fee and other fixed cost establishment work associated with the mine, with penalties to these fees if targets are not met. NuCoal is also to provide power and security. NuCoal is responsible for appointing a General Manager, who will appoint a Mine Manager, and Atlantis must comply with their directions.

Atlantis has agreed to indemnify NuCoal against any injury, loss or damage that it or any of its representatives, officials, employees, agents or contractors may cause to NuCoal or any of its representatives, officials, employees, agents or contractors. Atlantis has also agreed to indemnify NuCoal from all claims, losses, liability, damage or expenses which Atlantis may suffer or incur which may be attributable to NuCoal for the payment of taxation in respect of the work done and the services provided at the Vuna Colliery.

11.12 Chapudi Acquisition Agreement

On 26 November 2010, an agreement was entered into by Rio Tinto, Kwezi, Keynote Trading and Investment 108 (Proprietary) Limited ("Keynote"), the Company, Chapudi Coal and KME, under the terms of which the Company was to acquire, through Keynote (a wholly owned subsidiary of the Company):

- (a) 100% of the issued share capital of each of Chapudi Coal and KME (the holders of the prospecting right over the properties comprised in the Chapudi Complex, as well as certain other properties within the Makhado Complex and Soutpansberg Complex areas); and
- (b) 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 set down in the agreement.

The total purchase price is US\$75 million and the acquisition only becomes fully effective on the fulfilment of the following suspensive conditions:

- (i) obtaining written consent of the former Minister of Minerals and Energy of South Africa or the current Minister of Mineral Resources of South Africa under section 11 of the MPRDA for the acquisition;
- (ii) obtaining any necessary exchange control approval;
- (iii) the prospecting rights for coal are granted to KME and Chapudi Coal under sections 17/18 of the MPRDA;
- (iv) Rio Tinto and Kwezi waive any pre-emption rights in relation to the sale shares and claims;
- (v) the release of Rio Tinto and Kwezi from any guarantees, suretyships or indemnities in respect of obligations or liabilities of Chapudi Coal or KME; and
- (vi) the shareholders of Kwezi and Kwezi Group Proprietary Limited each approve the sale and purchase of Chapudi Coal and KME.

The acquisition was to be completed on 1 August 2011. However, certain of these conditions are yet to be satisfied and therefore the deadline for fulfilment has been extended until 30 April 2012. In the event that these conditions are not satisfied or waived by 30 April 2012, the provisions which are suspended under the agreement will not take effect.

The Company gave various representations and warranties to each seller that are typical of such an agreement. The Company is also acting as guarantor for Keynote (as primary obligor).

11.13 Makhado option agreement

Exxaro is a South African-based mining group listed on the JSE, which has been responsible for the historical drilling and exploration activities undertaken at the Makhado Project. The Company entered into an option agreement with Exxaro on 3 November 2009 which granted Exxaro an option (the "Option") to acquire a 30% participating right in the Makhado Project.

Under the terms of the contract the parties acknowledge that the Company cannot proceed with any mining development on the Makhado Project without first conducting a feasibility study. Once a feasibility study has been completed, notice of its completion along with a copy of the study must be forwarded to Exxaro within 30 days of the study's completion. If Exxaro intends to subsequently exercise the Option, it must notify the Company in writing within 30 days of being notified by the

Company of the feasibility study's completion. If Exxaro fails to do so, the option will be treated as abandoned and Exxaro will have no further right or interest in respect of the Makhado Project under this agreement. The consideration payable by Exxaro for the grant of the Option will be the fair market value of the Makhado Project at the date on which Exxaro notified the Company that it intends to exercise its Option, less a discount of 20%. If the Option is exercised, Exxaro will also contribute to the operating costs of, and share in the profits from, the Makhado Project on a proportional basis.

Following completion of the Farm Swap Agreement, the Company is currently negotiating with Exxaro to amend the Option as needed to ensure that the Option applies to the relevant properties within the Makhado Project area.

11.14 Sale of Holfontein Project

Coal of Africa and Govhani Consulting (Pty) Ltd ("Govhani") entered into an agreement on 25 July 2011 in relation to the disposal by the Company of Holfontein Investments Project. Completion of the agreement is subject to various conditions precedent, including obtaining Ministerial consent pursuant to the terms of section 11 of the MPRDA and the execution of a NOMR. The purchase price payable under the agreement is ZAR100 million and ZAR2.00 per tonne of saleable coal produced by Ghovani at the Holfontein site.

The purchase price is payable as follows: ZAR1 million on signature of the term sheet; ZAR3 million on the signature date; subject to the execution of the NOMR and the completion of the definitive feasibility study, ZAR6 million on 15 October 2011; and ZAR60 million is to be paid on completion of the agreement. The remaining ZAR30 million will be payable as follows: ZAR15 million on the earlier of 1 November 2012 or the completion of construction and ZAR15 million on the earlier of 1 May 2013 or the date that saleable coal is first produced at the Holfontein site. The completion date is the later of 31 December 2011 or the date which is five business days after the date on which the last condition precedent has been fulfilled or is deemed to be fulfilled.

12. Related party transactions

Save as disclosed in note 31 to the Group Financial Information, the Group did not enter into any transactions with related parties during the three years ended 30 June 2011.

For the period from 1 July 2011 to the date of this document, the Group has not entered into any transactions with related parties.

13. Litigation and claims

Save as set out in this Section 13, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past (covering the 12 months preceding the date of this document), a significant effect on the financial position or profitability of the Company and/or the Group.

The Group is currently involved in litigation as outlined below:

Ferret Mining (Proprietary) Limited ("Ferret Mining") claim in respect of Mooiplaats Mining shares

Ferret Mining has claimed restitution of 26% of the issued share capital of Mooiplaats Mining, a wholly owned subsidiary of Coal of Africa, on the basis of a fraud which has allegedly been perpetrated between two individuals who are not connected to Mooiplaats Mining or the Group. If Ferret Mining is successful in its claim and becomes entitled to the shares in Mooiplaats Mining, the Company has received legal advice that Jannie Nel (the second respondent in this claim) will in any event be obliged to compensate the Company due to the fact that he lacked legal ownership of the shares at the time that the Company purchased them from him. In this regard, the Company has already drafted its claim against Mr Nel. Ferret Mining as the plaintiff has not yet applied for a date for the hearing of its application, and it is unlikely that a date will be allocated by the court in 2011.

As this claim relates to ownership of shares in Mooiplaats Mining, the amount of the claim is not quantifiable.

Motjoli Resources (Proprietary) Limited (“Motjoli”) and Motjoli Resources Advisory Services CC (“Motjoli Advisory”) claim to be issued Shares

Motjoli and Motjoli Advisory (together the “Plaintiffs”) have instituted an action in the South Gauteng High Court, citing, amongst others, the Company and Mooiplaats Mining as defendants. The Plaintiffs are claiming a contractual entitlement to be issued a further 4,750,000 Shares in connection with the Group’s acquisition of the Mooiplaats Mining. In the alternative, the Plaintiff’s are claiming payment from the defendants of ZAR95,475,000. Mooiplaats Mining and the Company are defending this claim. As part of this defence, the Company has referred to the fact that the 4,750,000 Shares were in fact issued to a third party who had agreed to transfer the Shares to Motjoli.

The Directors believe that it is unlikely that the matter will be settled. The matter was initially set down for a court hearing on 11 November 2011. The parties have subsequently held a pre-trial meeting whereupon they have agreed to the following:

- that the matter will not proceed to trial on 11 November 2011 and will be removed from the court roll;
- that the matter would from hereon be referred to private arbitration; and
- that the matter will be arbitrated in the first half of 2012.

Envicoal (Proprietary) Limited (“Envicoal”) claim

Envicoal has instituted a claim against NuCoal in respect of breach of certain agreements between the parties. Envicoal are claiming a minimum ZAR139 million and maximum of ZAR189 million. The matter is to set to proceed to arbitration, although the date for such has yet to be allocated. Both parties have exchanged further particulars regarding this claim. Settlement negotiations on a “without prejudice” basis are continuing between the parties.

Breach of warranty claims by Coal of Africa in respect of its acquisition of NuCoal

The Company has instituted breach of warranty claims against Troy Holdings & Investments Incorporated, Kusile Mining (Proprietary) Limited and NuCoal Holdings (Proprietary) Limited (“the sellers”) in respect of its acquisition of NuCoal. The Company has refused to release to the sellers the amount of ZAR65 million (being 10% of the acquisition purchase price), which was held in a retention account after completion of the transaction. Coal of Africa is claiming that the full retention amount, as well as further damages, is required to cover the warranty breaches. The sellers maintain that they are entitled to payment of the retention amount as the Company’s claims were made outside of the agreed time period. The Company is however relying on a legal opinion that states that it has lodged its breach of warranty claims within the required time. The Company has consented to arbitration of this matter and a notice of arbitration was served and filed on 25 July 2011. Coal of Africa is still awaiting receipt of the seller’s formal response to such notice of arbitration.

If the Company’s breach of warranty claim against the sellers is successful, the Company would be entitled to the entire retention amount of ZAR65 million and may be entitled to a higher amount if the damages claim is successful. The amount of damages claimed by the Group are not currently quantifiable but are expected to be at least the ZAR650 million amount at which the sellers’ liability is capped.

The sellers have also lodged separate arbitration proceedings against the Company on 14 September 2011. The sellers are claiming:

- payment of the withheld portion of the purchase price, amounting to ZAR65 million, together with interest and costs;
- payment of the balance of the purchase price, amounting to ZAR71,297,572, together with interest and costs; and
- damages amounting to ZAR173,796,273, together with interest and costs.

The Company is currently preparing its response to these counterclaims.

Anker Coal (“Anker”) claim in respect of Mooiplaats

Anker have applied to have the NOPR over Portion 2 of the farm Mooiplaats 290 IT declared null and void or set aside, and to have Anker’s prospecting right over the same portion registered. Coal of Africa intends to apply for a NOMR over this portion. Litigation is suspended at this stage as

both parties await the record of decision from the Department of Mineral Resources. A decision as to whether to oppose any proposed amendments made by Anker will be made upon having sight of the record. In connection with this litigation, the DMR has excluded Portion 2 of the farm Klipbank from the Company's application for renewal of the NOPR. Coal of Africa consequently lodged an appeal against the exclusion on 5 July 2011. The DMR has yet to respond.

As this claim relates to ownership of a prospecting right at the Mooiplaats Colliery, the amount of the claim is not quantifiable.

Appeal against granting of Vele Colliery water use licence

On 28 July 2011, an appeal was lodged to the South African Water Tribunal by a coalition of non-governmental organisations (the "NGO Coalition") against the water use licence granted by the Department of Water Affairs in respect of the Vele Colliery. Lodging of the appeal automatically led to the suspension of the water use licence. The Company subsequently exercised its right to make representations to the Minister of Water and Environmental Affairs and on 18 October 2011, the Minister lifted the suspension of the water use licence pending hearing of the appeal.

The amount of this claim and the other claims referred to below in respect of the Vele Colliery are not quantifiable.

Appeal against the granting of the Vele Colliery mining right and EMP approval

In March 2010, appeal documentation was filed with the DMR by the NGO Coalition. The appeal opposes the granting of the Vele Colliery mining right and the EMP approval. This appeal was in connection with interim interdict applications made in relation to the approval of an EMP and the NOMR granted in respect of the Vele Colliery.

Currently the appeal has not impacted on the approval granted for the mining right nor the EMP approval as these have not been suspended by the Minister. However, due to earlier compliance notice requiring the cessation of all activities at Vele Colliery, which has been recently lifted and the submission of the appeal against the water use licence, no mining is currently taking place at the Vele Colliery. Representatives of the DMR and state attorney office visited the Vele mining area during July 2011 in order to evaluate the appeal. The matter is likely to be taken on review to the High Court after the DMR has made a decision and an interim interdict application by the NGO Coalition (see below) is currently pending in relation to this matter.

Vele Colliery interdict application

The NGO Coalition also launched an interdict application against Limpopo Coal and the Minister of Mineral Resources. They sought two final interdicts and one interim interdict. The first final interdict sought to interdict Limpopo Coal from carrying on mining or related operations at Vele Colliery without a water use licence. The second final interdict sought to interdict Limpopo Coal from carrying on mining or related operations on those portions of the Vele Colliery mining area that form part of the Skutwater nature reserve and Sighetti nature reserve. The interim interdict sought to interdict Limpopo Coal from carrying on mining or related operations at Vele Colliery pending the final determination of the NGOs' appeals against the Vele NOMR and Vele EMP approval and pending any judicial review application connected to the Vele NOMR and Vele EMP approval.

The interdict process is still continuing and on 20 July 2011 Coal of Africa filed its reply to the latest evidence introduced by the coalition. The NGO Coalition has indicated that it intends to file further papers in relation to the process. A hearing is expected to be held in the first court term of 2012.

Appeal against Vele Colliery Environmental Authorisation

On 5 July 2011 the DEA granted an environmental authorisation to Limpopo Coal in relation to s.24G of NEMA. This meant that a compliance notice previously in place in relation to activities and operations at Vele Colliery was lifted and that operations could commence at the site. On 25 July 2011 the NGO Coalition notified Limpopo Coal that they intend to appeal against the granting of this environmental authorisation. The NGO Coalition subsequently lodged its appeal, however the authorisation granted to Limpopo Coal has not been suspended.

14. No significant change

Save as explained in Section 6 of Part I ("*Information on Coal of Africa*") of this document, there has been no significant change in the trading or financial position of the Group since 30 June 2011, the date to which the Group Financial Information was prepared.

15. No material change to Mineral Expert's Report

The Company confirms that no material changes have occurred since the date of the Mineral Expert's Report the omission of which would make the Mineral Expert's Report misleading.

16. Consents

- (a) The information in this document that relates to results of exploration, mineral resources or reserves of ores is based on information compiled by Catherine Telfer who is a Member of the South African Council for Natural Scientific Professions, a 'Recognised Overseas Professional Organisation' ("ROPO") included in a list promulgated by the ASX from time to time. Catherine Telfer is employed by Venmyn Rand (Pty) Ltd. Catherine Telfer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Catherine Telfer consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.
- (b) Deloitte LLP, a member firm of the Institute of Chartered Accountants in England and Wales, has given and has not withdrawn its written consent to the inclusion in this document of its report contained in Part VI ("*Group Financial Information*") of this document, in the form and context in which it appears, and has authorised the contents of those parts of this document which comprise 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 Rules.
- (c) Venmyn Rand (Pty) Ltd has given and has not withdrawn its consent to the inclusion in this document of its report contained in Part IX ("*Mineral Expert's Report*") of this document in the form and context in which it appears, and has authorised the contents of that part of this 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 Rules.

17. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any Business Day for a period of 12 months from the date of this document at the office of Hogan Lovells International LLP at Atlantic House, Holborn Viaduct, London EC1A 2FG, United Kingdom:

- (a) this document;
- (b) the Group Financial Information;
- (c) the report from Deloitte LLP which is set out in Part VI ("*Group Financial Information*") of this document;
- (d) the Venmyn mineral expert's report which is set out in Part IX ("*Mineral Expert's Report*") of this document;
- (e) the service contracts and letters of appointment referred to in Section 9 of this Part VII; and
- (f) the consent letters referred to in Section 16 of this Part VII.

Dated: 31 October 2011

PART VIII

Definitions and Glossary

1. Definitions

2009 Financial Year	1 July 2008 to 30 June 2009
2010 Financial Year	1 July 2009 to 30 June 2010
2011 Financial Year	1 July 2010 to 30 June 2011
Absa	Absa Group Limited
ACN	Australian Company Number
AIM	the AIM market of the London Stock Exchange
ArcelorMittal South Africa	ArcelorMittal South Africa Limited
ASX	the Australian Securities Exchange
ASX Listing Rules	the rules enforceable by the ASX under the Corporations Act
ASTC Settlement Rules	the ASX Settlement Operating Rules, as operated by the ASX
Audit Committee	the audit committee established by the Board
BEE	broad-based black economic empowerment
Board	the board of Directors of the Company
Business Day	any day on which banks are generally open for the transaction of normal business other than a Saturday or Sunday or public holiday in London
Chapudi Acquisition	the acquisition by Coal of Africa of the shares in Chapudi Coal and KME, the holders of certain prospecting rights over properties located in the Soutpansberg coalfield in South Africa, details of which are set out in Part I (“Information on Coal of Africa”) of this document, which is expected to be completed by April 2012
Chapudi Coal	Chapudi Coal (Proprietary) Limited
Chapudi Complex	the Chapudi complex, comprising the Chapudi, Chapudi West and Wildebeesthoek coking and thermal coal projects which the Group is expecting to acquire through the Chapudi Acquisition, details of which are set out in Part I (“ <i>Information on Coal of Africa</i> ”) of this document
CMR	CMR Engineers & Project Managers (Pty) Ltd
Company	Coal of Africa Limited
Constitution	the constitution of the Company
Corporations Act	the Corporations Act 2001 of the Commonwealth of Australia
CREST	the relevant system as defined in the CREST Regulations for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the CREST Regulations operated by Euroclear
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
Depository	Computershare Investor Services PLC
Depository Interest or DI	a dematerialised depository interest issued or to be issued by the Depository in respect of, and representing on a 1 for 1 basis, underlying Shares, which can be held or transferred through CREST
Directors	the directors of the Company, whose names appear on page 20 of this document

DMR	the South African Department of Mineral Resources
EMP	Environmental Management Plan or Environmental Management Programme
Employee Share Option Plan	the Coal of Africa employee share option in place as at the date of this document
EU	the European Union
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
Exchange Control Regulations	the South African Exchange Control Regulations 1961 (as promulgated by the Government Notice R1111 of 1 December 1961 and amended up to Government Notice No. R.885 in Government Gazette No. 20299 of 23 July 1999)
Executive Directors	the executive directors of the Company, being John Wallington, Wayne Koonin and Professor Alfred Nevhutanda
Exxaro	Exxaro Coal (Proprietary) Limited
Farm Swap Agreement	the farm swap (exchange of prospecting rights) agreement between the Company and members of the Rio Tinto group pursuant to which certain farms in the Limpopo Province of South Africa were exchanged between Coal of Africa and Rio Tinto
Financial Services Authority or FSA	the Financial Services Authority of the United Kingdom
Firefly	Firefly Investments 163 (Proprietary) Limited
Firefly Options	the options to acquire 50,000,000 Shares granted to Firefly on 1 December 2009
FOB	refers to the Incoterm “Free On Board”, which is when the seller pays for the transport of the goods to the port and pays the loading costs, and responsibility for the goods is with the seller until they pass the ship’s rail
FOR	refers to the Incoterm “Free On Rail”, which is when the seller pays for the transport of the goods to the rail and pays the loading costs, and responsibility for the goods is with the seller until they are loaded onto the rail
FSMA	the Financial Services and Markets Act 2000, as amended
Grindrod	Grindrod Trading & Shipping Limited, the operator of the Maputo Terminal
Group or Coal of Africa	the Company and its subsidiaries (as defined in the Corporations Act)
Group Financial Information	the audited consolidated financial statements of the Group for the three years ended 30 June 2011, as set out in Part VI (“ <i>Group Financial Information</i> ”) of this document
Group Restructuring	the restructuring of the Group, details of which are set out in Section 3 of Part I (“ <i>Information on Coal of Africa</i> ”) of this document, pursuant to which, among other things, JerseyCo will replace the Company as the ultimate holding company of the Group
GTIS	gross tonnes in situ
HDSAs	historically disadvantaged South Africans
Holfontein or Holfontein Project	the Group’s Holfontein project, details of which are set out in Part I (“ <i>Information on Coal of Africa</i> ”) of this document
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board and adopted for use in the EU

JORC Code	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, 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
Jutland Project	the Group's Jutland project, which forms part of the Soutpansberg Complex
KME	Kwezi Mining Exploration (Proprietary) Limited
Kwezi	Kwezi Mining (Proprietary) Limited
Kyoto Protocol	a protocol to the United Nations Framework Convention on Climate Change aimed at fighting global warming
Langcarel	Langcarel (Pty) Limited
LIBOR	the London Interbank Offered Rate
Limpopo Coal	Limpopo Coal Company (Pty) Limited
London Stock Exchange	London Stock Exchange plc
Makhado or Makhado Complex	the Group's Makhado complex, a grouping of coking and thermal coal projects comprising the Makhado Project, Makhado Extension and the General Project, details of which are set out in Part I (<i>"Information on Coal of Africa"</i>) of this document
Makhado Extension	the Group's Makhado Extension project, which forms part of the Makhado Complex
Makhado Project	the Group's Makhado project, which forms part of the Makhado Complex
Matola Terminal	the Matola coal terminal at the port of Maputo, Mozambique
MER or Mineral Expert's Report	the mineral expert's report prepared by Venmyn and contained in Part IX (<i>"Mineral Expert's Report"</i>) of this document
Mining Charter	the socio-economic charter for the mining industry introduced by the MPRDA
Mooiplaats or Mooiplaats Colliery	the Group's Mooiplaats colliery, details of which are set out in Part I (<i>"Information on Coal of Africa"</i>) of this document
Mooiplaats Mining	Mooiplaats Mining Limited
Mount Stuart Project	the Group's Mount Stuart project, which forms part of the Soutpansberg Complex
MPRDA	the South African Mineral and Petroleum Resources Development Act, 2002
Mt	million tonnes
MTIS	million tonnes <i>in situ</i>
Mtpa	million tonnes per annum
NEMA	the National Environmental Management Act, No. 107 of 1998
NiMag or the NiMag Group	NiMag Limited and its subsidiaries (as defined in the Corporations Act)
Nomination and Remuneration Committee	the nomination and remuneration committee established by the Board
NOMR	a new order mining right granted pursuant to the MPRDA
NOPR	a new order prospecting right granted pursuant to the MPRDA

Non-Executive Directors	the non-executive directors of the Company, being Richard Linnell, Simon Farrell, Stephen Bywater, David Murray, Peter Cordin, Khomotso Mosehla, Mikki Xayiya and Rudolph Torlage
NuCoal	NuCoal Mining (Proprietary) Limited
NuCoal Acquisition	the acquisition by the Company of the entire issued share capital of NuCoal
NuCoal Group	NuCoal and its subsidiaries (as defined in the Corporations Act)
NuCoal Holdings	NuCoal Holdings (Proprietary) Limited
Official List	the Official List of the FSA
Prospectus Rules	the prospectus rules made by the FSA under Part VI of the FSMA, as amended
Richards Bay Coal Terminal or RBCT	the coal terminal at the port of Richards Bay, South Africa
Rio Tinto	Rio Tinto Minerals Development Limited
Royalty Act	the South African Mineral and Petroleum Resources Royalty Act, 2008
SARB	the South African Reserve Bank
Senior Management	Willem Hattingh and Riaan van der Mere
Share	an ordinary share in the capital of the Company
Shareholders	holders of Shares and/or, as the context may require, holders of Depositary Interests
Soutpansberg Complex	the Group's Soutpansberg complex, comprising the Voorburg, Mount Stuart and Jutland coking and thermal coal projects, details of which are set out in Part I (" <i>Information on Coal of Africa</i> ") of this document
TCM	Terminal De Carvao Da Matola Limitada
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
UKLA	United Kingdom Listing Authority
United States or US	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
US Securities Act	the US Securities Act of 1933, as amended
Vele or Vele Colliery	the Group's Vele coking coal project, details of which are set out in Part I (" <i>Information on Coal of Africa</i> ") of this document
Vuna Colliery	the Group's Vuna colliery, which forms part of the Woestalleen Complex (also referred to as the Zonnebloem Colliery)
Vuna Mining	Vuna Mining Enterprises (Pty) Ltd
Venmyn	Venmyn Rand (Pty) Ltd
Voorburg Project	the Group's Voorburg project, which forms part of the Soutpansberg Complex
Woestalleen or Woestalleen Complex	the Group's Woestalleen complex, details of which are set out in Part I (" <i>Information on Coal of Africa</i> ") of this document
Woestalleen Plant	three beneficiation plants located within the Woestalleen Complex area, with a total processing capacity of 350,000 ROM feed tonnes per month

2. Glossary

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, fossilized 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 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 carbonization 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 IX
Mineral Expert's Report

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INDEPENDENT COMPETENT PERSONS' REPORT
ON
THE PRINCIPAL COAL ASSETS
OF
COAL OF AFRICA LIMITED
(COAL)
BY
VENMYN RAND (PTY) LTD
(VENMYN)

COMPILED BY:-

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PUBLIC REPORTING AND RESEARCH OFFICER

OUR REFERENCE:- D1010R

FIRST DRAFT:- 26TH AUGUST 2011

FINAL DRAFT:- 14TH SEPTEMBER 2011

FINAL REPORT:- 24TH OCTOBER 2011

EFFECTIVE DATE: - 30TH JUNE 2011 (Mooiplaats Colliery and Woestalleen Complex)
31ST AUGUST 2011 (Vele, Makhado, Voorburg, Mt Stuart and Jutland)

EXECUTIVE SUMMARY

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 advanced exploration.

The directors of CoAL requested that Venmyn prepare an independent Technical Report, in the form of a Competent Persons' Report (CPR) on their principal coal assets in South Africa. Venmyn understands that this CPR will be included as part of a registration document (Registration Document) to be published by the Company.

This CPR has been prepared, to the extent required and in accordance with:-

- 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 23rd March 2011.

For the purposes of Prospectus Rule 5.5.3R(2)(f), Venmyn is responsible for this CPR as part of the Registration Document and declares that it has taken all reasonable care to ensure that the information contained in this CPR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Registration Document in compliance with Item 1.2 of Annex I of the Prospectus Regulation.

The table below summarises those mineral assets which are discussed in this CPR. The mineral assets discussed in this CPR only include those that are currently attributable to CoAL. Certain, non-material, projects have been discussed only to the extent of their mineral tenure, and have not been reported upon in any further detail as a consequence of being assessed as currently sub-economic or depleted in their entirety.

Summary of Mineral Assets Discussed in CPR

COAL FIELD	COAL TYPE	PROJECT NAME	NO. OF FARMS CURRENTLY HELD	DEVELOPMENT STATUS	NEW ORDER LICENCE TYPE	TOTAL LICENCE AREA (Ha)	CoAL'S CURRENT EFFECTIVE INTEREST
Ermelo	Thermal	Mooiplaats Colliery	3	Operating Mine	Mining/ Prospecting	4,607	ψ 100%
		Mooiplaats Prospects §	4	Early - Advanced Exploration	Prospecting	11,206	100%
		Opgoedenhoop* §	1	Advanced Exploration	Mining	573	100%
Witbank		Vuna*	1	Operating Mine	Mining	797	# 49%
		Klipbank Complex* §	2	Advanced Exploration	Mining	1,442	100%
		Hartogshoop* §	1	Mined Out	Mining	39	100%
Limpopo	Coking & Thermal	Vele	5	Construction	Mining	10,756	100%
Soutpansberg	Coking	Makhado	6	Feasibility	Prospecting	8,190	**100%
		Makhado Extension	2	Early Exploration	Prospecting	2,131	100%
	Coking & Thermal	Jutland	4	Exploration	Prospecting	5,059	100%
		Mount Stuart	7	Exploration	Prospecting	9,131	100%
		Voorburg	3	Advanced Exploration	Prospecting	6,063	100%
GRAND TOTAL			39			59,993	

Notes:

ψ CoAL's ownership of 26% of the shares in Mooiplaats Mining (Pty) Ltd, the owner of Mooiplaats Colliery, is the subject of litigation, as discussed in Section 13.2.7.2

§ Projects that are excluded from detailed reporting are due to them currently being considered subeconomic. These projects are not material in the estimation of the resources and have not been valued.

CoAL's legal interest is 49%, although the economic interest is 100%.

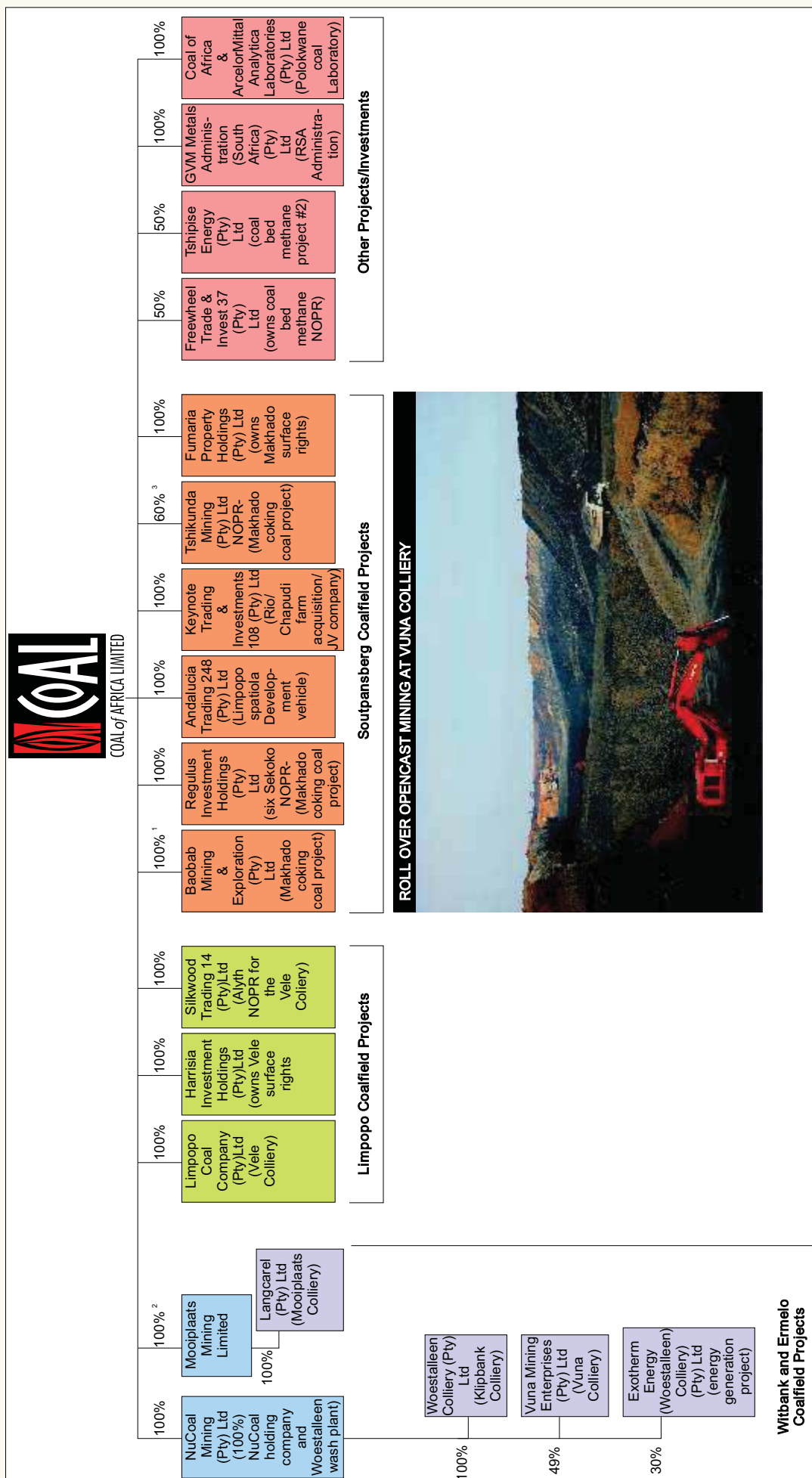
* Acquired through the acquisition of NuCoal Mining (Pty) Ltd in January 2010.

** The reader is advised to consider the notes beneath the corporate structure diagram with regards to the ownership of Makhado.

The CPR serves the purpose of identifying the current value of CoAL's material contributing assets 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 mineral assets discussed in this CPR are graphically portrayed in a mineral-asset portfolio triangle 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.

CoAL'S CORPORATE STRUCTURE



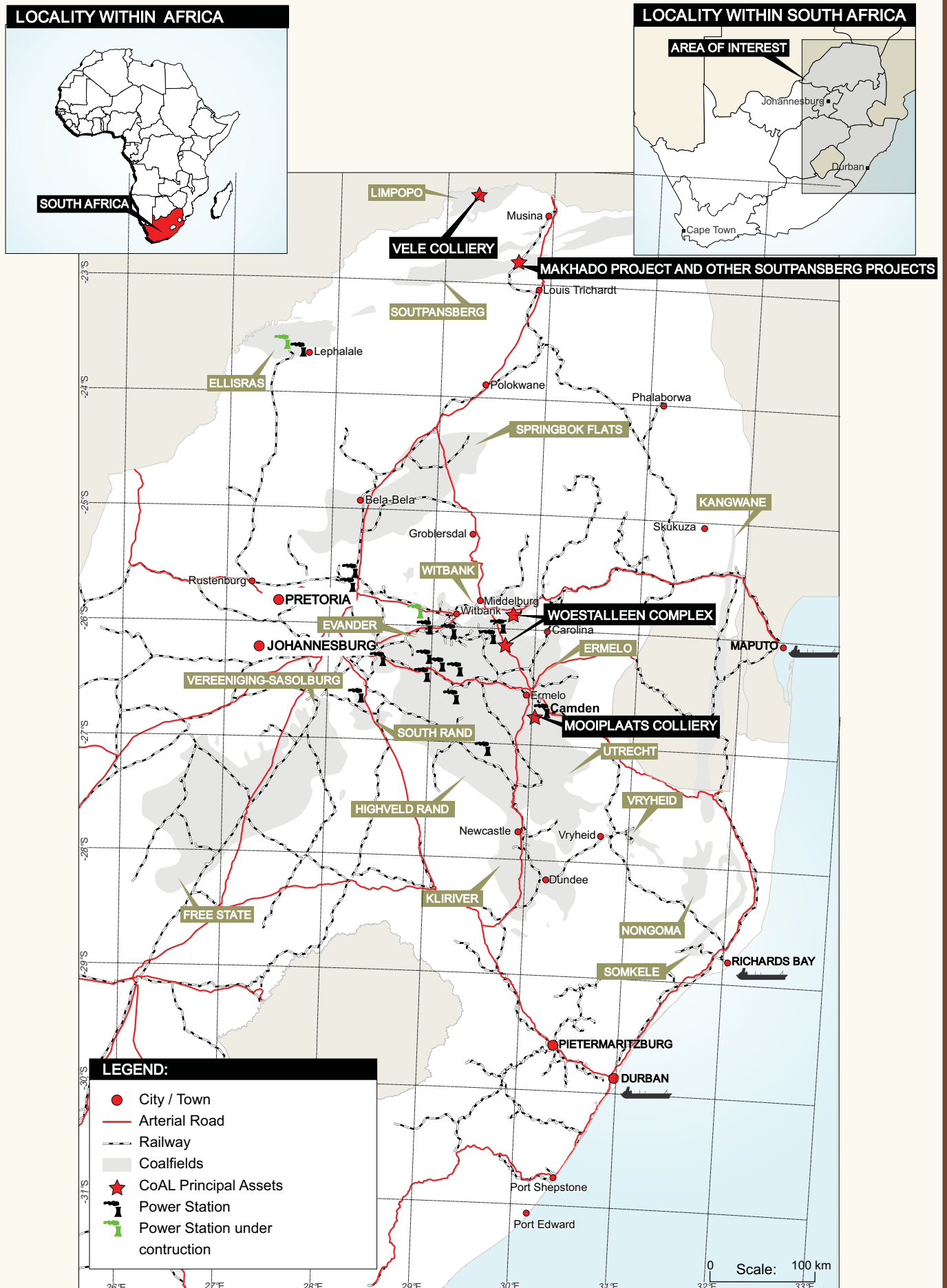
1. CoAL holds 100% of the shares of Baobab Mining & Exploration (Pty) Ltd. This company was part of an unincorporated 50/50 joint venture with Motjoli Resources (Pty) Ltd.

2. Whilst Mooplaats Mining is the beneficial and registered holder of the shares, a dispute exists in respect of 26% of such shareholding.

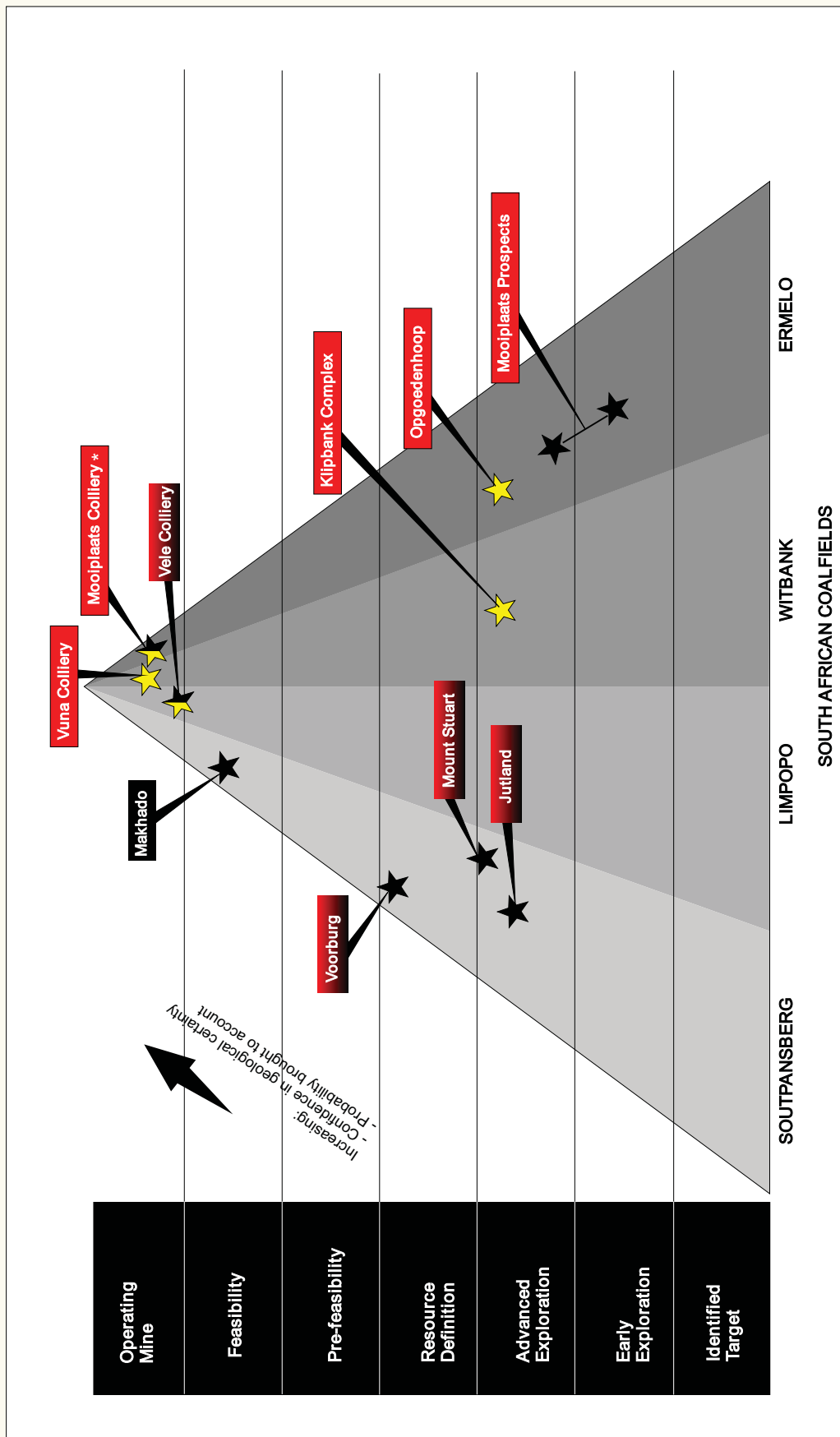
3. This sale agreement has lapsed due to non-fulfilment of the conditions precedent in the original time frames and is to be re-instated, whereafter CoAL will hold 60%.

Source: Coal of Africa

LOCATION OF CoAL's PROJECTS IN RELATION TO THE SOUTH AFRICAN COALFIELDS AND MAJOR INFRASTRUCTURE



DIAGRAMMATIC REPRESENTATION OF THE RELATIVE STATUS OF Coal's COAL ASSETS



Venmyn has independently assessed the Coal Resources and Coal Reserves of certain mineral assets discussed in this report, and these have been defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, JORC Code, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australasian Institute of Geoscientists and Minerals Council of Australia. The total resources and reserves per project are tabulated in the tables which follow.

Coal Reserves of CoAL's Principal Mineral Assets

PROJECT NAME	RESERVE CATEGORY	MINEABLE TONNES IN SITU (MTIS)	RoM TONNAGE (t)	SALEABLE PRIMARY PRODUCT (t)	SALEABLE SECONDARY PRODUCT (t)	COAL ATTRIBUTABLE %	
Mooiplaats	Proven	31,590,200	18,656,800	9,433,300	779,900	100%	
Vuna		6,155,700	6,547,400	3,381,600	2,101,200	*100%	
TOTAL/WT. AVE PROVEN		37,745,900	25,204,200	12,814,900	2,881,100	100%	
Vele	Probable	332,709,000	299,391,000	92,387,000	0	100%	
TOTAL/WT. AVE PROBABLE		332,709,000	299,391,000	92,387,000	0	100%	
GRAND TOTAL RESERVES		370,454,900	324,595,200	105,201,900	2,881,100	100%	

Notes:

* CoAL have a 49% legal interest but a 100% economic interest in Vuna.

Coal Resources of CoAL's Principal Mineral Assets (Inclusive of Reserves)

PROJECT NAME	RESOURCE CATEGORY	GROSS TONNES IN SITU (GTIS)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	COAL ATTRIBUTABLE %
Mooiplaats	Measured	73,995,856	70,296,063	48,330,100	100%
Vuna		6,820,858	6,479,815	6,155,700	*100%
Vele		158,035,063	142,231,557	94,241,400	100%
Makhado		445,025,424	400,522,882	301,223,500	100%
Voorburg		94,952,819	85,457,537	83,748,100	100%
TOTAL/WT. AVE MEASURED		778,830,020	704,987,854	533,698,800	100%
Mooiplaats	Indicated	13,234,655	11,249,457	2,260,000	100%
Vele		426,854,188	362,826,060	200,298,000	100%
Makhado		328,176,038	278,949,632	99,615,000	100%
Voorburg		104,230,533	88,595,953	84,903,000	100%
TOTAL/WT. AVE INDICATED		872,495,414	741,621,102	387,076,000	100%
Mooiplaats	Inferred	5,092,178	4,073,742	170,000	100%
Vele		218,931,575	175,145,260	75,090,000	100%
Makhado		106,533,360	85,226,688	10,318,000	100%
Voorburg		18,595,607	14,876,486	13,160,000	100%
Mount Stuart		407,162,828	325,730,262	55,460,000	100%
TOTAL/WT. AVE INFERRED		756,315,548	605,052,438	154,198,000	100%
GRAND TOTAL RESOURCES		2,407,640,982	2,051,661,394	1,074,972,800	100%

Notes:

* CoAL have a 49% legal interest but a 100% economic interest in Vuna.

The CPR has been prepared on exploration, feasibility study and production information available up to and including the 30th June 2011 and Coal Resource and Coal Reserve information as at the 30th June 2011 for the Mooiplaats Colliery and Woestalleen Complex. For all other projects the CPR reflects exploration and feasibility study information up to and including the 31st August 2011 and Coal Resource and Coal Reserve information as at the 31st August 2011.

Venmyn has conducted a valuation of certain mineral assets in compliance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports prepared by the VALMIN Committee (VALMIN Code). This valuation aims to identify the attributable value on an asset-by-asset basis as a means of identifying the value contribution of each individual asset to the total asset value of the company as at the effective dates of this report. Each asset has been valued according to the development stage by applying various valuation methods. The tables that follow summarise the results of the valuation of the mineral assets considered in this report.

The mineral asset valuations have been based on exploration, feasibility study and production information available up to and including the 30th June 2011 and Coal Resource and Coal Reserve information as at the 30th June 2011 for the Mooiplaats Colliery and Woestalleen Complex.

For all other projects the mineral asset valuations reflect exploration and feasibility study information up to and including the 31st August 2011 and Coal Resource and Coal Reserve information as at the 31st August 2011.

Summary of Results from Economic Assessments of CoAL's Principal Mineral Assets

PROJECT	COST APPROACH VALUE (ZARm)	MARKET APPROACH VALUE (ZARm)	CASH FLOW APPROACH VALUE (ZARm)	PREFERRED VALUE (ZARm)	COAL ATTRIBUTABLE %
Mooiplaats	N/A	614.88	739.23	751.28	*100%
Vuna	**48.16	176.78	263.31	311.47	***100%
Vele	1,304.88	2,266.47	3,080.26	2,673.37	100%
Makhado	1,308.81	1,443.71	N/A	1,376.26	100%
Voorburg	N/A	357.40	N/A	357.40	100%
Mount Stuart	N/A	18.02	N/A	18.02	100%
Jutland	N/A	3.19	N/A	3.19	100%
TOTAL				5,491.00	100%

Notes:

* The discounted cash flow valuation includes the coal reserves from a neighbouring property. Coal is still negotiating the terms, however this portion has been included as part of the current life of mine plan.

** This is the fully depreciated book value of the washing plant located at Woestalleen as at 30th June 2011. The life of mine at Vuna Collieries is only 24 months. After this, CoAL anticipates that it would continue utilising this facility, treating coal from other sources. Hence such a terminal value has been considered.

*** CoAL has a 49% legal interest but a 100% economic interest in Vuna. The deferred purchase cost for Vuna has been considered as an operating cost for CoAL.

Mooiplaats Colliery

CoAL acquired its interest in Mooiplaats Mining (Pty) Ltd (Mooiplaats Mining), the sole owner of the Mooiplaats Colliery, in 2007. Mooiplaats Colliery is located in the Gert Sibande District in the Mpumalanga Province of South Africa. The nearest town is Ermelo, 17km northwest of the mine. The mine is located adjacent to Eskom Holdings Limited's (Eskom's) Camden Power Station.

The Mooiplaats Colliery is comprised of eight farm portions on three farms (Mooiplaats 290IT, Klipbank 295IT and Adrianople 296IT). These are held under a new order mining right (NOMR) and two new order prospecting rights (NOPRs) in the name of Langcarel (Pty) Ltd (Langcarel), which is 100% owned by Mooiplaats Mining. A dispute relates to 26% of the shareholding.

The Mooiplaats Colliery is an underground bituminous coal mining operation, situated in the Ermelo Coalfield, which mines the B Upper Seam at an average rate of 60,000tpm of coal (July 2010 – June 2011). The raw coal is processed in the colliery's two 200tph modular washing plants to produce an export product and a locally sold thermal product. The average saleable tonnes produced at Mooiplaats is measured at 84,000tpm (July 2010 – June 2011) and this has included coal sourced from neighbouring collieries which Mooiplaats previously toll treated. Mining is currently being carried out in the north (Northern Block or Colliery). CoAL also intends to develop a Southern Block later in the Life of Mine (LOM).

Five major coal seams are present within the Mooiplaats Colliery area. However, due to either limited thickness, or unattractive quality the A, C, D and E Seams, are not considered to be of economic significance. The B Seam, in the section of the Ermelo Coalfield relevant to the Mooiplaats operations, can be split into Upper and Lower sub-seams. The B Upper Seam represents the primary mining target while the B Lower Seam is too thin to warrant serious consideration for underground exploitation.

Prior to CoAL's involvement and acquisition of Mooiplaats Colliery, historical drilling was undertaken in and around Mooiplaats dating back to 1965. The majority of the drilling in the area, however, was carried out by Goldfields Mining and Development Ltd and Ingwe Coal Corporation (Ingwe) during the 1970s and 1980s. A total of 944 boreholes were drilled adjacent to and to the north and east of Mooiplaats Colliery at the now defunct and mined out Usutu Colliery. The historical borehole database was obtained by CoAL in electronic format from Ingwe via Optimum Coal Holdings.

Extensive exploration has been carried out at Mooiplaats since CoAL became involved in the project in 2007. A total of 581 boreholes have been drilled using either percussion or diamond drilling techniques in and around Mooiplaats Colliery. All diamond drilling programmes were carried out with the purpose of defining Measured Coal Resources and, as a result, the collar positions were located less than 250m apart.

All historical and recent exploration data, as well as recent production data has been used in the estimation of the resources and reserves of the Mooiplaats Colliery. The tables shown earlier summarise the independently declared resource and reserve estimates, respectively, for Mooiplaats.

Due to the fact that the B Upper Seam is relatively deep, ranging from 80m to 140m, only underground mining methods are suitable for extracting the coal. Mechanised bord and pillar mining methods, which have proven successful over many years, are being employed at Mooiplaats Colliery.

Four sections are currently in operation at Mooiplaats. An additional section (Section 5) is expected to be introduced in October 2011. The Mooiplaats Colliery is still in the ramp-up phase. It is anticipated that the mining operations will be at a steady state of 120,000tpm run of mine (RoM) coal by January 2012.

The Mooiplaats Colliery incorporates an operating coal processing plant. The original design criteria for the processing plant required that it produce a primary export product with a heat generating capacity of 6,000kcal and a secondary product to meet an Eskom specification of CV>20MJ/kg, ash<30% and volatiles>20%. Primary yields were expected to be between 55-65% and secondary yields to be 10-11% of the RoM.

The most critical environmental issues and risks faced by Mooiplaats Colliery extend to ground and surface water quality and access to process water quantity (given Mooiplaats' reliance on availability of water from Usutu boreholes, although this reliance may be reduced if CoAL's negotiations with Eskom Limited (Eskom) regarding water use, are successful).

While Mooiplaats represents a relatively small scale operation, it is an important cash flow generator for CoAL during the development and construction of the larger Vele and Makhado projects.

Woestalleen Complex

Within the Woestalleen Complex area, CoAL has NOMRs grouped together into three projects, namely the Vuna Colliery and the Hartogshoop and Klipbank projects. Only the Vuna Colliery is considered a material coal asset for the purposes of this CPR. CoAL and Venmyn do not consider the Hartogshoop or Klipbank projects as material as they are both effectively mined out, with all remaining coal uneconomical to mine. The Woestalleen Complex also includes three coal processing plants (Woestalleen Plant) which process all the RoM coal from the Vuna Colliery.

CoAL has a 49% interest in Vuna Mining Enterprises (Pty) Ltd (VME), which holds the Vuna Colliery NOMR. CoAL also has control of the operation of the Colliery through a management and sale agreement with VME.

The Vuna Colliery is located in the Steve Tshwete District in the Mpumalanga Province of South Africa. The nearest town is Middelburg, 24km west of the mine. The colliery is comprised of two portions (portions 2 and 5) on the farm Zonnebloem 396JS, situated to the east northeast of Middelburg, Mpumalanga Province, all held under a NOMR in the name of VME.

The Vuna Colliery is an opencast bituminous coal mining operation situated in the Witbank Coalfield which mines the No.1 and No.2 seams at a combined average rate of ~255,000tpm (over the year to the 30th June 2011). The raw coal is transported approximately 37km to CoAL's Woestalleen Plant where it is washed, along with other external sources of coal, to produce an average of approximately 190,000tpm saleable product in the form of export and locally sold thermal coal.

Both the No.1 and No.2 seams are developed on the Vuna Colliery property and are separated by a shale / siltstone parting with an average thickness of 0.46m. The No.2 Seam is the most extensively occurring seam in the Coal Resource area. The occurrence of both coal seams has been affected and limited by weathering, especially where the Selons River passes through the centre of the property. This, along with a palaeo-topographic high in the same area where the seams are not developed, has effectively separated the Vuna Colliery into two areas – the Northern and Southern Blocks. Dolerite is present in the southwestern corner of the Southern Block, where it has affected the quality of the No.1 Seam. There is no apparent displacement of the coal seams on either side of the dyke. Thin dolerite stringers are present within the coal in this area.

Prior to CoAL's involvement in the Vuna Colliery, historical drilling was undertaken by Anglo Coal SA Limited (Anglo Coal) and Shell Coal South Africa (Pty) Limited (Shell) on portions 2 and 5 of Zonnebloem 396JS. An electronic database of these exploration boreholes was obtained from the Council for Geoscience (CGS) by GeoCoal Services (GeoCoal). In 2006, GeoCoal assessed the historical data relating to 38 boreholes and prepared an associated report. In 2007, GeoCoal prepared a further report on 53 boreholes which included a Coal Resource Statement and an exploration programme and associated budget. It is unknown whether the boreholes proposed by GeoCoal in 2007 were ever drilled.

In 2007, NuCoal, which is now owned by CoAL, became involved in the Vuna Colliery. The company drilled an initial exploration programme between 2007 and 2008 with the purpose of defining Measured Coal Resources. A total of 157 diamond core holes were drilled. During 2008, NuCoal carried out a further drilling programme comprising 32 diamond core holes. These holes were also drilled to prove Measured Coal Resources and were spaced at distances of less than 200m apart. No historical mining took place on this property prior to NuCoal opening up the boxcut in 2008.

CoAL has drilled a total of 93 holes on portions 2 and 5 of Zonnebloem 396JS since it became involved in the project (through NuCoal) in 2009 in a series of three drilling campaigns: two diamond core programmes and one percussion programme. All diamond drilling programmes were carried out with the purpose of defining Measured Coal Resources and the collar positions were located less than 200m apart.

All historical and recent exploration data, as well as recent production data has been used in the estimation of the resources and reserves of the Vuna Colliery. The tables shown earlier summarise the independently declared resource and reserve estimates, respectively, for Vuna.

Mining of the No.1 and No.2 seams is carried out using opencast methods at Vuna Colliery, as a result of the relatively thick seams situated at shallow depths, which combine to form a favourable stripping ratio. Mining is carried out using conventional opencast rollover methods.

Mining commenced at Vuna Colliery in August 2008 with the opening of the first boxcut (Boxcut 1) in the West Pit or West Block. A further two boxcuts were opened in the East Pit, namely East 1 and East 2, with mining commencing in the latter in May 2011. May 2011 was a record month, with more than 370,000t trucked to Woestalleen Plant. This tonnage included 334,362t of RoM from the remaining tonnes in the West Pit as well as the commencement of mining in the East 2 Pit.

The LOM plan indicates that the mine will continue to produce RoM coal from the East and East 2 Pits at rate of 133,000tpm RoM coal each. The East Pit is expected to be mined out by April 2012 and the East 2 Pit by September 2012.

CoAL is currently awaiting approval of the EMP for the North Block and permission, in accordance with the National Environmental Management Act (NEMA), to build a crossing over the stream that bisects the NOMR. Once this permission is obtained, the stream crossing will be built over an estimated period of two months. The first North Pit boxcut will be into coal within the following month. The plan is to open two boxcuts into the North Block in order to produce the required monthly RoM tonnage. The aim is to be able to supply up to 310,000tpm to the Woestalleen Plant from both the East and the North pits.

The Vuna Colliery produces RoM coal only, which is then transported by truck to the Woestalleen Plant. This facility has been operational for over 30 years and has a capacity to treat 350,000tpm of RoM coal.

The Woestalleen Plant has produced an average of approximately 190,000tpm of saleable coal in the 12 months to 30th June 2011. The plant treats Vuna Colliery's RoM coal and also has spare capacity to treat coal from other operations to meet its capacity of 350,000tpm. CoAL plans to increase the mining production rate from the opencast operation to meet the target of 310,000tpm. The balance of 40,000tpm will be sourced from other operations.

The most critical environmental issues and risks faced by Vuna Colliery and the Woestalleen Plant extend to ground and surface water quality.

Like Mooiplaats, Vuna represents a relatively small scale operation. However, it is similarly an important cash flow generator for CoAL during the development and construction of the larger Vele and Makhado projects.

Vele Colliery

CoAL has acquired a 100% interest in Limpopo Coal Company (Pty) Ltd (Limpopo Coal), the sole owner of the Vele Colliery NOMR. CoAL has also acquired a 100% interest in Silkwood Trading 14 (Pty) Ltd, the sole owner of an adjacent NOPR.

The Vele Colliery is situated in the magisterial district of Musina in the Limpopo Province of South Africa. The project area is bounded in the north by the Limpopo River, which defines the international border with Zimbabwe. The easternmost boundary of the Mapungubwe National Park (Mapungubwe) is situated approximately 5km to the west of the westernmost boundary of the Vele Colliery area. The Mapungubwe World Heritage Site (Mapungubwe Hill) is situated approximately 20km to the west of the westernmost boundary of the Vele Colliery area. The nearest town is Musina, situated approximately 40km to the southeast of the Vele Colliery area.

A NOMR has been granted over 8,662.7ha of the greater part of the Vele Colliery area, over the farms Bergen Op Zoom 124MS, Semple 155MS, portions 3, 4, 5, 6, 13, 14 and the remaining extent of Overvlakte 125MS and Voorspoed 836MS. The remainder of the Project area is held under a NOPR over the farm Alyth 837MS.

The Vele Colliery is an advanced development project, which aims to develop an initial opencast mine producing approximately 1Mtpa of saleable coking coal, potentially ramping up to approximately 4Mtpa with the subsequent development of an underground mine.

The Vele Colliery falls within the Limpopo Coalfield (which forms part of the greater Tuli Coalfield). The Main Coal Zone is present in the Madzaringwe Formation, which is approximately 15m thick. The Main Coal Zone comprises interlaminated carbonaceous shales, mudstones and coal plies. The Top, Middle and Bottom seams are the three main coal zones that have been recognised within the Vele Colliery area. The Top and Bottom seams can be further differentiated into Top Lower, Top Middle and Top Upper, Bottom Lower and Bottom Upper. The Top Middle and Top Upper Seams are not considered economic.

Individual sub-seams can be correlated over the entire area. Correlation is aided by a distinctly bioturbated marker between the Bottom and Middle seams. The Bottom Seam lies directly over the glacial Dwyka-aged sediments or granite-gneiss basement. The coal seams generally dip gently at not more than 2°N, but this can increase to 10°N near faults. A series of dolerite dykes trend east-west over the project and the largest is over 15m thick. The dykes do not appear to have caused any displacement but have devolatilised the coal in their vicinity.

The existence of coal in the Vele Colliery area has been known since the early 1900s; however, no large-scale exploration occurred until Southern Sphere Mining and Development Company Limited (Southern Sphere), a division of BHP-Utah Mining, undertook an exploration programme in the late 1970s and early 1980s.

This exploration included core and percussion borehole drilling, geophysical down-hole logging, surface magnetic and gravity surveys. During the period 1979 to 1983, Southern Sphere drilled a total of 61 boreholes on the farms Overvlakte 125MS and Almond 120MS.

In 1984, Southern Sphere drilled 36 large diameter drilling (LDD) holes at three sites corresponding to its initial pilot holes, SL18, SL31 and SL32 on portion 5 of the farm Overvlakte 125MS. This coal was processed at the-then Iscor Ltd (Iscor) in Pretoria for washing and coking testing. These results are not available, but old Southern Sphere reports suggest that the results were "conclusive and encouraging". There are no records of any further exploration within the Vele Colliery area subsequent to the Southern Sphere programme and prior to the work undertaken by CoAL.

CoAL contracted MSA GeoServices (Pty) Ltd (MSA) to undertake a programme of exploration drilling between January and June 2008, and a total of 73 boreholes were completed.

Subsequent to the MSA programme, CoAL drilled a further 115 diamond core vertical boreholes, five inclined boreholes to test fault geometries, nine boreholes for water and 31 LDD boreholes for bulk sampling purposes. To-date a total of 188 diamond core boreholes and 31 LDD holes have been completed by CoAL. Aerial magnetic and radiometric surveys have also been undertaken.

All historical and recent exploration data has been used in the estimation of the resources and reserves of the Vele Colliery. Earlier-shown tables summarise the independently declared resource and reserve estimates, respectively, for Vele.

No mining has taken place at the Vele Colliery. However, a Conceptual Study was completed by GRD Minproc in 2009. It is anticipated that the Vele Colliery will initially mine coal by opencast methods to produce coking coal for the metallurgical industry. At a later stage, with the addition of underground production, it may be possible to produce a middlings product for power generation in addition to the coking coal.

Given the absence of secured offtake agreements for the product at the final production rate, scheduling issues with respect to the supply of electricity and the installation of the rail link between Musina and the Vele Colliery, a phased project development approach is envisaged for the Vele Colliery. The initial phase will comprise restricted opencast mining of the East Pit only. Should market conditions prove favourable, then the subsequent phase may comprise expanded operations including underground development.

Underground mining would only target the Lower Seam, using a bord-and-pillar mining pattern. Underground mining has only been considered suitable in those areas where the depth of the roof of the Lower Seam generally exceeds 60m depth due to the weak coal strength and poor overburden stability.

It is important to note that the LOM schedule includes Inferred Coal Resources (~35Mt) and a small portion of unclassified blocks, in addition to the Coal Reserve blocks. This is due to the fact that, as a consequence of mining the Coal Reserve blocks, some of these blocks have to be mined to access the next Reserve block. However, most of these mining blocks have been scheduled towards the end of mine life.

The coal will initially be processed at the temporary modular plant that has been erected on-site and is ready for commissioning. It is anticipated that after five years, should market conditions prove favourable, production would ramp up to accommodate a permanent plant.

The current base case production plan is to produce a 12% ash coking coal product and no middlings. The different options of producing a high quality coking coal and a suitable export quality thermal coal or domestic thermal coal will be evaluated in the first six to eight months of production. This period would, therefore, constitute a trial mining phase, aimed at understanding the quality and properties of the coal and to optimise the coal extraction of this deposit.

No offtake agreements or contracts are in place for the Vele coal currently; however, ArcelorMittal South Africa Ltd (ArcelorMittal) has signed a Memorandum of Understanding with CoAL that could result in an offtake agreement. It is anticipated that any coking coal not sold to ArcelorMittal, will be exported through the port of Maputo in Mozambique (approximately 750km from Vele). When a market is developed for the middling products, this material will conceivably be exported or sold domestically in part or in its entirety, with transportation via road and rail. Until such time as a market is developed for the middlings, these will be disposed of in the open pit.

CoAL has obtained partial environmental authorisation, required in terms of Chapter 3 of the regulations promulgated under Chapter 5 of NEMA, for the Vele Colliery. The rectification process in terms of Section 24G involves the submission of the application for rectification to the Department of Environmental Affairs (DEA); the determination by the DEA of an administrative fine; the payment of the administrative fine and thereafter the authorisation or rejection of the Section 24G application by the DEA. The initial section 24G application for Vele was granted in July 2011. Another Section 24G application for a small number of activities was submitted to the DEA in August 2011.

The second set of Rectification Applications, which are not required for the commencement of operations, relate to the upgrading of the existing airstrip; vegetation clearance for the construction of a pipeline; and vegetation clearance for the establishment of the above ground storage of fuel.

The most critical environmental risk faced by the Vele Colliery relates to the impact of mining on the outstanding universal value of the Mapungubwe World Heritage Site. A further concern extends to the long-term impacts on ground water quality.

The Vele Colliery represents an important developmental project for CoAL, and may become the company's first mine to produce a coking coal product. Due to the history of this project, and the environmental and heritage-related sensitivities associated with the project, the development of Vele will have to set new examples in environmental management and control to reduce impact to a minimum.

Makhado Project

CoAL is the 100% owner of the Makhado Project, which is currently CoAL's anchor project and most advanced development project in the Soutpansberg Coalfield area, within which CoAL has consolidated a significant portfolio of mineral licences prospective for coal.

The Makhado Project is 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 Makhado Project area. The town of Musina is located approximately 50km north of the Makhado Project area. The village of Mudimele is located within the Makhado Project area on the farm Fripp 645MS.

CoAL holds a NOPR over the farms Fripp 645MS and Tanga 648MS. In addition, CoAL holds NOPRs on the farms Overwinning 719MS, Windhoek 649MS and Lukin 643MS by virtue of an Exchange of Prospecting Rights Agreement between CoAL, Regulus Investment (Pty) Ltd (Regulus), Chapudi Coal (Pty) Ltd (Chapudi Coal) and Kwezi Mining and Exploration (Pty) Ltd (Farm Swap Agreement). The agreement also transferred the NOPRs on the farms Salaita 188MT, Gray 189MT and Telema 190MS to CoAL's wholly owned subsidiary Regulus.

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

The greater Soutpansberg Coalfield has been named under three subdivisions:-

- the Mopane Coalfield between the towns of Mopane and Waterpoort in the west;
- the Tshipise Coalfield stretching east of Mopane in the area of the town of Tshipise; and
- the Pafuri Coalfield terminating at the northern limit of the Kruger National Park in the east.

The region is faulted, becoming more severe in the 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 coalfield region into a set of irregular blocks.

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

It is important to note that while the coal units are referred to as "seams" they are effectively selected, potential mining horizons within the coal bearing-package. As such, they may be subject to future re-evaluation and re-selection, resulting in changes to the stated resources.

All seams comprise interbanded carbonaceous mudstones and coal. The coal component is usually bright and brittle and contains a high proportion of vitrinite. The seams dip northwards at approximately 12°. A major fault trending northwest-southeast has been identified on the farm Lukin 643 MS. It has displaced the Coal Zone and offset the sub-crop. Major faults also mark the western and eastern limits of the resource area along strike. The frequency of smaller scale faulting is not well understood. Drilling indicates that a dolerite sill up to 50m in thickness transgresses from a position above the Coal Zone on the farms Tanga 648MS and Lukin 643MS to a stratigraphic level below the Coal Zone on the farm Fripp 645MS. Coal in proximity to the sill has been devolatilised and, where the sill cuts through the Coal Zone, the seams have been burnt. The frequency of dolerite dykes is unknown; however, examination of aeromagnetic data suggests there are relatively few magnetic dykes within the potential open pit areas.

The Soutpansberg Coalfield was extensively explored by Iscor in the 1970s and 1980s. The full Iscor dataset, containing information from approximately 1,250 boreholes, was purchased by CoAL in 2007 from Exxaro Resources Ltd (Exxaro).

A total of 316 diamond core boreholes have been drilled by Iscor within the Makhado Project area. No historical mining has taken place within the Makhado Project area; however, a bulk sample pit (boxcut) was excavated on the farm Fripp 645MS by Iscor during its exploration programme. The results of the testwork that Iscor may have conducted are not available.

Recent exploration has been conducted within the Makhado Project area by both Rio Tinto Limited (Rio Tinto) and CoAL. Data from six boreholes drilled over the Makhado Project area, by Rio Tinto, were provided to CoAL as part of the Farm Swap Agreement. These boreholes were all cored boreholes.

Exploration drilling by CoAL commenced in 2007 on the farm Fripp 645MS. To-date, CoAL has drilled a total of 214 boreholes within the Makhado Project area. Of this, 172 boreholes were diamond core boreholes. In addition, 24 LDD boreholes, 13 open-hole or percussion holes and 5 geotechnical holes were drilled by CoAL. Aerial magnetic and radiometric surveys have also been undertaken. Between August 2010 and April 2011, CoAL excavated a boxcut on the farm Tanga 648MS in order to extract a bulk sample. This bulk sample was required to confirm the coal and coking product properties used in the feasibility study, and to test various processing options for the coal. A 10% ash product has been tested in the pilot coking ovens of ArcelorMittal at their Newcastle and Vanderbijlpark plants, the initial results of which indicate good coking potential.

All historical and recent exploration data has been used in the estimation of the resources of the Makhado Project. Earlier-shown tables summarise the independently declared resource estimates for Makhado.

No commercial mining has taken place at the Makhado Project. However, a Definitive Feasibility Study (DFS) is currently being conducted on the Makhado Project in order to define the planned mining and processing methodologies and schedules for the Makhado Project. The DFS is expected to be completed by the end of 2011.

The DFS is being undertaken in consideration of an opencast mining operation utilising a conventional truck and shovel fleet and a conventional processing plant producing a 10% ash coal product (with no middlings product) as the base case plan.

The resource has been divided into three separate pit areas, namely the West Pit, the Central Pit and the East Pit. The East and Central pits are separated by a fault with a displacement of approximately 50m. The Central and West pits are separated by an area of sterilised coal associated with the village of Mudimele.

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

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

Since the mine design and scheduling study has not been completed, no production schedules can be presented at this stage. A plant design can only be finalised once the mine planning and scheduling study has been completed.

Indications from resource drilling and sampling, as well as from initial results from the bulk sampling exercise, are that the Makhado product will be a semi-hard coking coal, based on current geological data and plant assumptions. No offtake agreements or contracts are in place for the Makhado coal currently; however, ArcelorMittal has signed a Memorandum of Understanding with CoAL, which could result in an offtake agreement. It is anticipated that any coking coal not sold to ArcelorMittal, will potentially be exported through the port of Maputo in Mozambique.

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

The Makhado Project represents CoAL's flagship project within the greater Soutpansberg Coalfield area, and is set to become CoAL's most important coal producer. Along with Vele, the Makhado Project is likely to make CoAL a significant global coking coal producer.

Voorburg Project

The Voorburg Project comprises three farms over which CoAL has a 100% attributable interest. The Project is at an advanced exploration stage, with quantified coal resources over the CoAL properties.

The Voorburg Project 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 Voorburg Project area.

The Voorburg Project is situated within the Sand River Coalfield subdivision of the greater Soutpansberg Coalfield and represents an isolated and upfaulted block of Karoo age sediments, which lies approximately 10km to the north of the remainder of the Soutpansberg Coalfield.

CoAL holds a NOPR on the farms Ancaster 501MS and Cavan 508MS, as well as a right on Voorburg 503MS that was originally held by Motjoli Resources (Pty) Ltd (Motjoli).

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

The earliest known exploration on the Voorburg Project was undertaken on Cavan 508MS by Rapbern Exploration (Pty) Ltd in the early 1970s. A total of seven holes were drilled, six of which were sampled and sent for analysis. During 1976, Iscor drilled 39 diamond boreholes on the farms Banff 502MS and Voorburg 503MS.

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

CoAL obtained NOPRs over the Voorburg Project farms in 2006 and proceeded to drill ten diamond boreholes between 2009 and 2010 on the farm Voorburg 503MS.

The historical Iscor and recent CoAL exploration data has been used in the estimation of the resources for the Voorburg Project. An earlier-shown table summarises the independently declared resource estimates for the Voorburg Project.

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

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

The Voorburg Project represents a highly prospective coking coal project, with the potential to contribute significant additional coking coal production from the region.

Mount Stuart Project

CoAL is the 100% owner of the Mount Stuart Project, which is an advanced exploration project containing potential coking coal resources.

The Mount Stuart Project is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa. The nearest town is Musina, situated approximately 35km to the north of the Mount Stuart Project area. The Mount Stuart Project comprises seven farms, namely Stayt 183MT, Nakab 184MT, Riet 182MT, Schuitdrift 179MT, Mount Stuart 153MT, Ter Blanche 155MT and Septimus 156MT, held under three NOPRs.

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

The Soutpansberg Coalfield was extensively explored by Iscor in the 1970s and 1980s. Iscor drilled a total of 258 boreholes, excluding a number of borehole deflections over the Mount Stuart Project area. This included four boreholes on the farm Nakab 184MT, 63 boreholes on the farm Mount Stuart 153MT, 143 boreholes on Ter Blanche 155MT and 28 boreholes on the farm Septimus 156MT. No historical mining has taken place within the Mount Stuart Project area.

Limited recent exploration has been conducted within the Mount Stuart Project area by both Rio Tinto and CoAL. Data from nine boreholes drilled over the Mount Stuart Project area, by Rio Tinto, were acquired by CoAL. Seven of these boreholes (over Nakab 184MT, Schuitdrift 179MT, Mount Stuart 153MT and Ter Blanche 155MT) were diamond core boreholes, while two (over Nakab 184MT) were percussion boreholes. Limited exploration drilling by CoAL commenced in 2009 on the farm Riet 182MT. Only seven boreholes have been drilled by CoAL to-date. No LDD or bulk sampling has been conducted by either Rio Tinto or CoAL over the Mount Stuart Project area.

All historical and recent exploration data has been used in the estimation of the resources of the Mount Stuart Project. An earlier-shown table summarises the independently declared resource estimates for the Mount Stuart Project.

Due to the stage of development of the Mount Stuart Project, 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 Mount Stuart coal is most likely to yield coking coal product. Indications are that the Mount Stuart product will be a hard coking coal, with R_oV_{max} of 1.2.

The Mount Stuart Project represents a highly prospective coking coal project, with the potential to contribute significant additional coking coal production from the region.

Jutland Project

The Jutland Project, located within the Soutpansberg Coalfield, is an early stage exploration project. There are currently no coal resources associated with the project, but the presence of coal is known.

CoAL holds a NOPR on the farms Cohen 591MS and Jutland 536MS. In addition, CoAL's wholly owned subsidiary Regulus holds a NOPR on the farms Mons 557MS and Stubbs 558MS.

The Jutland Project is situated within the Mopane Coalfield subdivision of the Soutpansberg Coalfield. The Karoo sediments of the Jutland Project are preserved as a half graben with an unconformable southern contact. While the lower Karoo sediments are not developed, the coal bearing Mikabeni Formation is present throughout. The Jutland Project area contains sub-cropping coal seams that dip towards the north at between approximately 10° - 12°. The coal bearing sediments occur as alternating mudstone laminae and coal bands within the Upper Eccar or Mikabeni Formation. According to CoAL, the coal horizons are divided into five potentially economic seams, namely the Upper, Middle, Middle Lower and Bottom Upper and Bottom Lower seams.

The earliest known exploration on the Jutland Project was undertaken by Trans Natal Coal Mining Corporation (Trans Natal), between 1968 and 1975. During this time 59 boreholes were drilled within the Jutland Project area. Iscor carried out extensive exploration work within the Jutland Project area between 1975 and 1982, including bulk sampling on the farms Jutland 536MS, Stubbs 558MS, Mons 557MS and Cohen 591MS. The target is believed to have been coking coal.

In 1982, Iscor conducted a Pre-Feasibility Study for a proposed mining operation over the farms Mons 557MS, Stubbs 558MS, Jutland 536MS, and Cohen 591MS. This study concluded that approximately 40.7Mt of RoM (25.13Mt of coal) could be economically extracted by underground mining of the No.5 Coal Zone (Middle Lower Seam), using bord and pillar methods. Annual production of 2.16Mt of RoM was suggested, for a 20 year LOM (however, this could be extended in consideration of the possible exploitation of the No.9 Coal Zone or Bottom Upper Seam). The proposed underground access was via an inclined shaft.

No recent exploration has been conducted by CoAL on their properties within the Jutland Project to-date.

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

The Jutland coal is most likely to yield a coking coal product.

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

**INDEPENDENT COMPETENT PERSONS' REPORT
ON
THE PRINCIPAL COAL ASSETS
OF
COAL OF AFRICA LIMITED
(COAL)
BY
VENMYN RAND (PTY) LTD
(VENMYN)**

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1. INTRODUCTION

The directors of CoAL requested that Venmyn prepare an independent Technical Report, in the form of a Competent Persons' Report (CPR) on their principal coal assets in South Africa.

CoAL is currently listed on the Australian Securities Exchange (ASX), the AIM market of the London Stock Exchange (AIM) and the Johannesburg Stock Exchange (JSE). The CPR serves the purpose of identifying the current value of CoAL's material contributing assets 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.

Venmyn understands that this CPR will be included as part of a registration document (Registration Document) to be published by the Company.

This CPR has been prepared, to the extent required and in accordance with:-

- 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 23rd March 2011.

For the purposes of Prospectus Rule 5.5.3R(2)(f), Venmyn is responsible for this CPR as part of the Registration Document and declares that it has taken all reasonable care to ensure that the information contained in this CPR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Registration Document in compliance with Item 1.2 of Annex I of the Prospectus Regulation.

This CPR has been prepared in compliance with and to the extent required by the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), prepared by the Joint Ore Reserves Committee (JORC) of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia. The Mineral Asset valuations included in the CPR have been prepared in compliance with and to the extent required by The Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports 2005 (VALMIN Code), prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australasian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the ASX, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

Venmyn consents to the inclusion of this CPR in the Registration Document and to reference to any part of this CPR, provided that no portion is used out of context or in such a manner as to convey a meaning which differs from that set out in the whole report.

2. COAL ASSETS

CoAL has extensive thermal and coking coal assets located across South Africa in four different coalfields (Figure 1). These assets include prospecting rights at various stages of development from early reconnaissance to advanced exploration. The company also has a number of mining rights, two of which are for projects at feasibility stage and two for operating mines. The summary list of assets is presented in Table 1. The assets are also graphically portrayed in a mineral-asset portfolio triangle (Figure 2) in order for the reader to obtain an understanding of the relative development of the various projects.

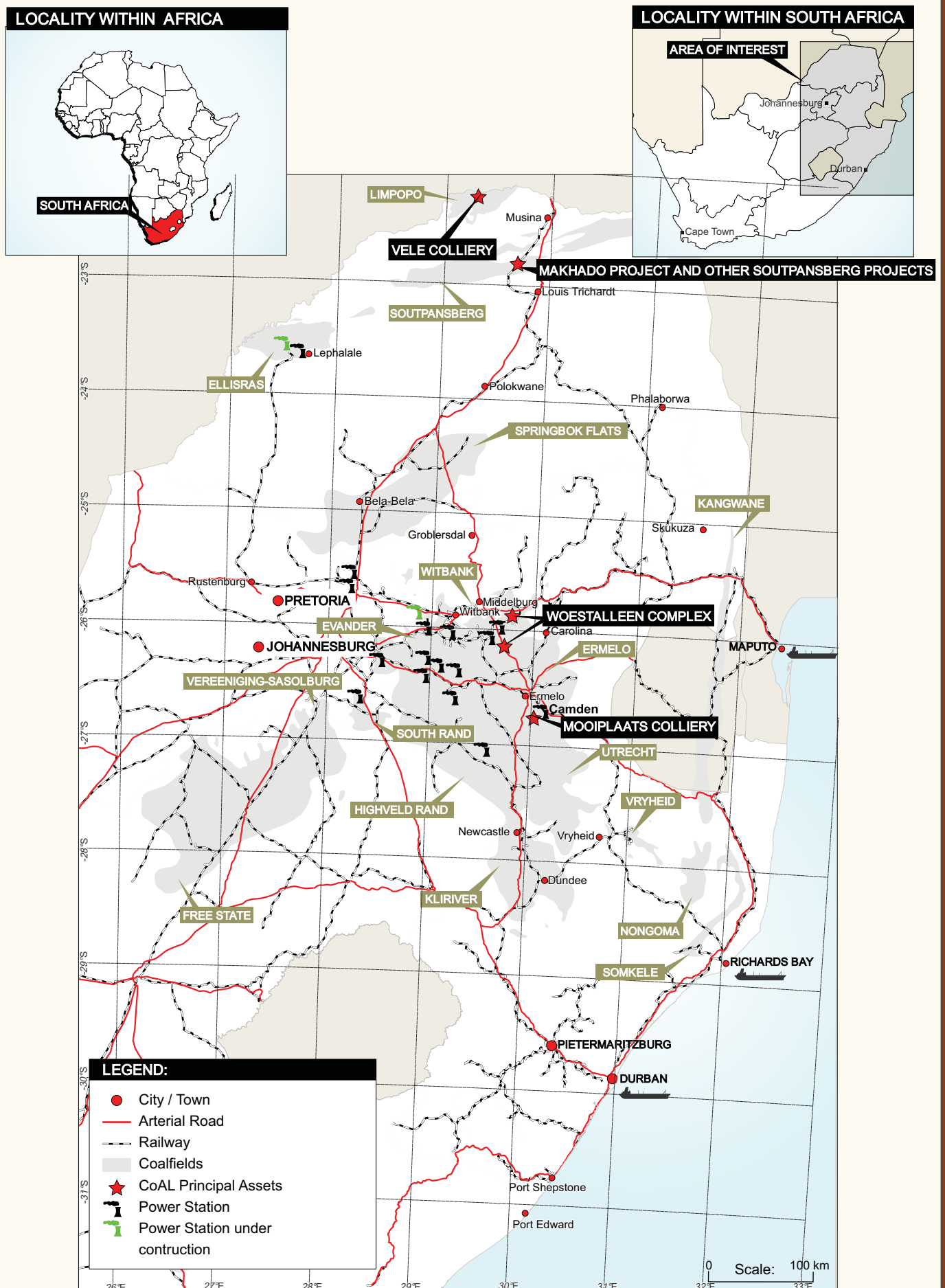
This document reports, in detail, on all CoAL's principal or material mineral assets. Certain non-material projects have been discussed, only to the extent of their mineral tenure, and have not been reported upon in any further detail as a consequence of being assessed as currently sub-economic or depleted in their entirety and/or are not material in the estimation of CoAL's Coal Resources. Table 1 summarises the projects discussed in the CPR, along with CoAL's effective ownership of each project.

The report is structured such that the coal projects are grouped by Coalfield. Each is presented in the following order of Coalfields, namely Ermelo, Witbank, Limpopo (which forms part of the greater Tuli Coalfield) and then the Soutpansberg Coalfields. The operating assets are discussed first followed by those subject to feasibility studies and then exploration stage projects. All material projects, and all projects for which Coal Resources and Coal Reserves are declared, have been reported on in detail.

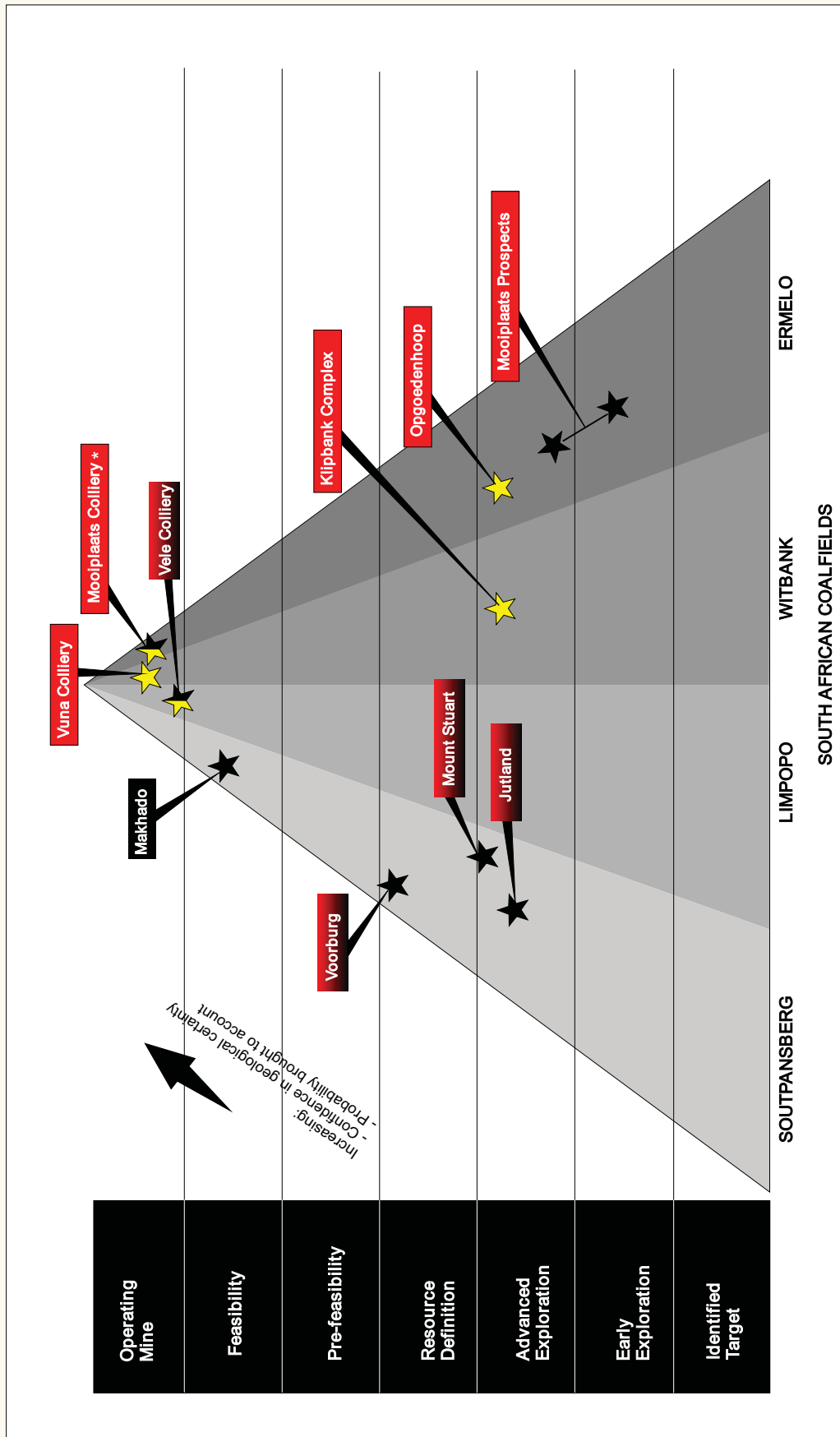
3. SOURCES OF INFORMATION

Venmyn has based its review of CoAL's principal coal assets 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 Section 20. 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.

LOCATION OF CoAL's PROJECTS IN RELATION TO THE SOUTH AFRICAN COALFIELDS AND MAJOR INFRASTRUCTURE



DIAGRAMMATIC REPRESENTATION OF THE RELATIVE STATUS OF Coal's COAL ASSETS



* A dispute relates to 26% of the shares in Mooiplaats.

Table 1 : Summary List of Mineral Assets Discussed in CPR

COAL FIELD	COAL TYPE	PROJECT NAME	NO. OF FARMS CURRENTLY HELD	DEVELOPMENT STATUS	NEW ORDER LICENCE TYPE	TOTAL LICENCE AREA (Ha)	COAL'S CURRENT EFFECTIVE INTEREST	JORC COMPLIANT RESOURCES	JORC COMPLIANT RESERVES
Ermelo	Thermal	Mooiplaats Colliery	3	Operating Mine	Mining/ Prospecting	4,607	ψ 100%	✓	✓
		Mooiplaats Prospects §	4	Early - Advanced Exploration	Prospecting	11,206	100%		
Witbank		Opgoedenhoop* §	1	Advanced Exploration	Mining	573	100%		
		Vuna*	1	Operating Mine	Mining	797	# 49%	✓	✓
		Klipbank Complex* §	2	Advanced Exploration	Mining	1,442	100%		
		Hartogshoop* §	1	Mined Out	Mining	39	100%		
Limpopo	Coking & Thermal	Vele	5	Construction	Mining	10,756	100%	✓	✓
Soutpansberg	Coking	Makhado	6	Feasibility	Prospecting	8,190	**100%	✓	
		Makhado Extension	2	Early Exploration	Prospecting	2,131	100%		
	Coking & Thermal	Jutland	4	Exploration	Prospecting	5,059	100%		
		Mount Stuart	7	Exploration	Prospecting	9,131	100%	✓	
		Voorburg	3	Advanced Exploration	Prospecting	6,063	38%	✓	
		GRAND TOTAL	39			59,993			

Notes:

ψ CoAL's ownership of 26% of the shares in Mooiplaats Mining (Pty) Ltd, the owner of Mooiplaats Colliery, is the subject of litigation, as discussed in Section 13.2.7.2

§ Projects that are excluded from detailed reporting are due to them currently being considered subeconomic. These projects are not material in the estimation of the resources and have not been valued.

CoAL's legal interest is 49%, although the economic interest is 100%.

* Acquired through the acquisition of NuCoal Mining (Pty) Ltd in January 2010.

** The reader is advised to consider the notes beneath the corporate structure diagram with regards to the ownership of Makhado.

The CPR has been prepared on exploration, feasibility study and production information available up to and including the 30th June 2011 and Coal Resource and Coal Reserve information as at the 30th June 2011 for the Mooiplaats Colliery and Woestalleen Complex. For all other projects the CPR reflects exploration and feasibility study information up to and including the 31st August 2011 and Coal Resource and Coal Reserve information as at the 31st August 2011.

4. PERSONAL INSPECTION

Venmyn has conducted a number of site visits to CoAL's assets, as summarised in Table 2.

Table 2: Summary of Venmyn Site Visits

COALFIELD	PROJECT	DATE	NO. DAYS	VENMYN REPRESENTATIVES
Ermelo	Mooiplaats Colliery	March 2010	1	N Mc Kenna, G Njowa
		June 2011	1	CA Telfer, JCJ Cronje, G Njowa, K Patel
Witbank	Vuna Colliery & Woestalleen Plant	June 2011	1	CA Telfer, JCJ Cronje, N Mc Kenna, G Njowa, K Patel
Soutpansberg	Makhado	Aug 2010	1	N Mc Kenna, G Njowa
		June 2011	1	CA Telfer, JCJ Cronje, N Mc Kenna, K Patel
		July 2011	1	CA Telfer, N Mc Kenna
	Other	July 2011	1	CA Telfer, N Mc Kenna
		Aug 2010	1	N Mc Kenna, G Njowa
Limpopo	Vele Colliery	June 2011	1	CA Telfer, JCJ Cronje, N Mc Kenna, K Patel
		TOTAL		9

During these site visits, all site infrastructure, workings and operations were inspected. These site visits have substantiated the existence of CoAL's Coal Resources and Coal Reserves which are supported by the exploration and production results detailed in the relevant sections to follow.

5. SCOPE OF THE OPINION

In the execution of the mandate, Venmyn undertook a technical review, in order to identify all the factors of a technical nature that would influence the future viability of the projects. Venmyn considered the strategic merits of each asset on an open and transparent basis. This 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 economic merits of the coal assets.

Venmyn's professional advisors are Competent Persons and Competent Experts as defined by the JORC and VALMIN Codes, respectively. Venmyn's advisors are, therefore, internationally accredited. The Competent Persons and Competent Experts involved in the preparation of this CPR are members in good standing with their respective professional institutions and each have at least five years' relevant experience.

The JORC and VALMIN Codes are considered, by Venmyn, to be a concise recognition of the best-practice due-diligence methods for these types of mineral projects and accord with the principles of open and transparent disclosure that are embodied in internationally accepted Codes for Corporate Governance.

In the execution of the mandate, Venmyn undertook a full technical assessment of the contributing assets and also considered the strategic merits of each of the mineral assets. This work 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, where possible.

Venmyn confirms that, to the best of its knowledge and having taken all reasonable care to ensure that such is the case, the information contained in the CPR is in accordance with the facts, contains no omission likely to affect its import, and no material change has occurred from 30th June 2011 to the date hereof that would require any amendment to the CPR. Venmyn 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 subsequent to the date of this report.

6. STATEMENT OF INDEPENDENCE

Venmyn is an independent advisory company. Its consultants have extensive experience in preparing Competent Persons, Technical Advisors and Valuation Reports for mining and exploration companies. Venmyn's advisors writing this report have, collectively, more than 40 years of experience in the assessment and evaluation of coal mining and exploration projects worldwide and are members in good standing of appropriate professional institutions.

Neither Venmyn, nor its staff, have or have had any interest in CoAL, or its subsidiaries, 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 consulting fees on normal commercial terms, determined in accordance with a standard schedule of fees, which is not contingent on the outcome of this report. Neither Venmyn, nor any of the authors of this CPR, have any interest in the share capital of CoAL or its subsidiaries.

This report was prepared by Ms C Telfer and Mr G Njowa who both have relevant and appropriate experience and independence to appraise the coal assets. Both Ms C Telfer and Mr G Njowa are considered "Competent Persons", and each have more than five years relevant experience in the assessment and evaluation of the types of coal exploration and mining properties discussed in this report. Mr N Mc Kenna has also contributed to the preparation of this report and can be considered a Competent Expert as defined by the VALMIN Code, by way of relevant education, qualifications and experience. Competent Persons' Certificates are presented in Section 21.

7. RELIANCE ON OTHER EXPERTS

The information and conclusions within this report are based on information made available to Venmyn by CoAL and its subsidiaries at the time of the preparation of this report. CoAL and its subsidiaries have reviewed draft copies of this report for factual errors. Any changes made as a result of these reviews did not involve any alteration to the conclusions made. In addition to relying on general information contained within the reports and articles detailed in Section 20, Venmyn has relied specifically on the opinions of the following experts, which have had a material impact on the conclusions drawn in this report (Table 3).

Table 3: List of Other Experts

COMPANY	EXPERT	ASPECTS OF RELIANCE	PROJECT/S	DATE
Environmental Impact Management Services (Pty) Ltd (EIMS)	Mr K Patel	Environmental compliance and liability issues.	All	June - July 2011
Glanvill Geoconsulting	Mr J Glanvill	Verification of modelling databases, methods and results with particular reference to declared Coal Resources.	All projects for which Coal Resources are declared.	June - July 2011
	Ms L de Klerk			

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 has obtained copies of the relevant mining licences/authorisations, and these have been reviewed to the satisfaction of Venmyn. 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.

8. FORWARD LOOKING STATEMENTS

The following report contains forward-looking statements. These forward-looking statements are based on the opinions and estimates of CoAL's management and Venmyn at the date the statements were made. They are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in Venmyn's and CoAL's forward-looking statements. Factors that could cause such differences include changes in world coal markets, equity markets, costs and supply of materials relevant to the projects and changes to regulations affecting them.

Although Venmyn believes the expectations reflected in its forward-looking statements to be reasonable, Venmyn does not guarantee future results, levels of activity, performance or achievements.

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.

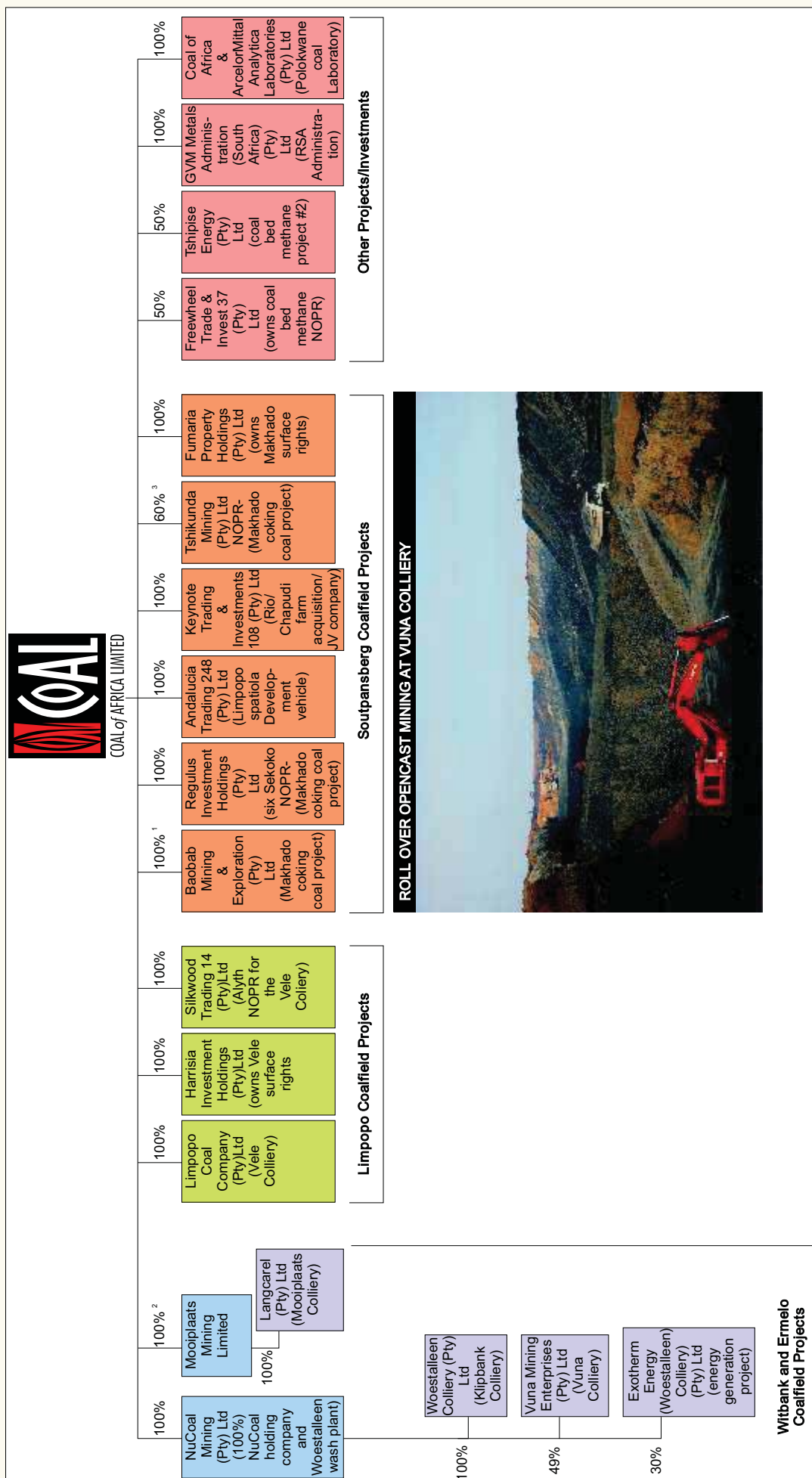
Factors such as political and industrial disruption, currency fluctuation, increased competition from other prospecting and NOMRs holders and interest rates could have an impact on CoAL and its subsidiaries' future operations, and potential revenue streams can also be affected by these factors. The majority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

9. COAL'S CORPORATE STRUCTURE

CoAL's corporate structure, with respect to the assets to be discussed in this report, is presented in Figure 3. A number of other, and unrelated, subsidiary companies have been excluded from the corporate structure diagram for the sake of simplicity.

In terms of the legal tenure sections of this report, specific reference is made to the associated subsidiary companies holding the various rights, as appropriate and their relationship to CoAL as set out in the corporate structure. However, for ease of reference, and throughout the remainder of the CPR references to 'CoAL' should be understood to mean 'CoAL through its relevant subsidiary'.

CoAL'S CORPORATE STRUCTURE



1. CoAL holds 100% of the shares of Baobab Mining & Exploration (Pty) Ltd. This company was part of an unincorporated 50/50 joint venture with Motjoli Resources (Pty) Ltd.

2. Whilst Mooplaats Mining is the beneficial and registered holder of the shares, a dispute exists in respect of 26% of such shareholding.

3. This sale agreement has lapsed due to non-fulfilment of the conditions precedent in the original time frames and is to be re-instated, whereafter CoAL will hold 60%.

Source: Coal of Africa

10. SOUTH AFRICAN COUNTRY PROFILE

10.1. Political and Economic Climate

South Africa gained independence from Britain on the 31st May 1910, and was declared a republic in 1961. From 1948 until 1990, the South African political and legal systems were based upon the concept of apartheid, a philosophy of separate racial development, enforced by a white minority government. The first multiracial elections in 1994 brought an end to apartheid and ushered in black majority rule under the African National Congress (ANC), with a number of different political parties participating in the elections. The country continues to hold democratic, peaceful, free and fair elections, the last of which was won by the ANC in 2009, under the leadership of President Jacob Zuma.

South Africa is the most advanced economy in Africa and provides the gateway to Sub-Saharan Africa. It is classified as a middle-income emerging market, with well developed financial, legal and judicial systems and modern infrastructure.

Between 2004 and 2008 South Africa grew economically as a result of macroeconomic stability and a global commodities boom, but growth slowed in the second half of 2008 and 2009 due to poor global economic conditions, which influenced commodity prices and demand. Gross Domestic Product (GDP) fell almost 2% in 2009, worsening the country's already high unemployment levels. However, in 2010, the country again reflected a positive economic growth rate, with a 3% real GDP growth rate (CIA, 2011).

South African economic policy is fiscally conservative but pragmatic. The country attempts to control inflation by keeping it within an acceptable range (3% - 6%), maintains a budget surplus, uses State-owned enterprises to deliver basic services to low-income areas and provides social grants to a quarter of the population. Currency and inflation volatility, poverty, income disparities, and poor availability of public services continue to characterise the country. However, in 2010 there was an improvement in many of these areas. The country, for instance, returned to its target inflation range, since inflation stood at an estimated 4.5% compared to an estimated 7.2% inflation rate in 2009 (CIA, 2011). A dent was also made in the South Africa's high unemployment rate, as unemployment levels also fell from an estimated 24% in 2009 to an estimated 23.3% in 2010 (CIA, 2011).

The provinces in which CoAL has its operations (i.e. the Limpopo and Mpumalanga Provinces) are among the least developed in South Africa, with significant proportions of the population living below the poverty datum line. The provinces need to provide basic services to a large number of people, and are experiencing a reduction in provincial revenue, stemming from high poverty levels, which had grown as a result of the global economic crisis. The Limpopo and Mpumalanga Provinces each contribute only approximately 7% of the national GDP and economic development is a clear priority for both of them (Mpumalanga, 2009).

10.2. Minerals Industry

The minerals industry contributed 8.8% of South Africa's GDP in 2009, but this contribution is more significant if multiplier and induced effects of mining are taken into account (COM, 2010).

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 other base metals. South Africa hosts a number of large orebodies such as the Bushveld Igneous Complex and the Witwatersrand Basin, as well as rich diamond fields and extensive coalfields.

The mining sector is of considerable importance to the Limpopo Province. The sector contributed 23.3% of the regional GDP in 2009 (Statssa, 2009) and employed 68,081 people in 2007 (Trade and Investment Limpopo, 2010). It hosts 70 minerals, including coal, platinum, diamonds, silicon, granite, copper, vermiculite, dolomite, gold and iron ore.

Mpumalanga's mining sector, and particularly its coal industry, is also of importance. The province hosts gold, iron ore, chrome, alusite, magnetite, vanadium, fire clay, silver, asbestos, nickel, platinum group metals, limestone, semiprecious stones, silica and talc, but coal mining has dominated the province's mining sector, and historically represented the largest portion of the total sales value of minerals from the province (Mpumalanga, 2011). The mining and manufacturing sectors each contributed 17.9% of the regional GDP in 2004 (Statssa, 2006).

The greatest challenges facing the mining industry in South Africa are the uncertainties arising from new legislation. These uncertainties relate to security of tenure, i.e. the issuing of New Order Rights and the conversion of Old Order Rights, as well as issues surrounding the publication of new mineral royalty legislation and black economic empowerment (BEE) requirements, as outlined in the 2006 cabinet-approved Codes of Good Practice.

The greatest risks associated with the minerals and mining industry in South Africa are, arguably, the recent uncertainties relating to the power crisis and wage disputes. Other important concerns for the mining industry are the effect of HIV/Aids on the workforce, as well as uncertainty related to the potential nationalisation of mines, which is being supported by the ANC Youth League.

10.3. Minerals Policy

10.3.1. Mineral and Petroleum Resources Development Act (MPRDA)

Types of rights and permits applicable to the mining industry in South Africa, as provided for in the MPRDA, are detailed in Table 4.

Table 4 : Types of Rights Applicable to the Mining Industry

LICENCE TYPE	PURPOSE	DURATION	REQUIREMENTS	CONDITIONS
Reconnaissance Permission	Exploration at the reconnaissance stage.	2 years (non renewable)	Financial ability; technical ability and work programme.	Holder does not have the exclusive right to apply for a NOPR.
NOPR	Exploration at target definition stage.	Up to 5 years initially. Renewable once for 3 years.	Financial ability; technical ability; economic programme; work programme and environmental plan.	Payment of Prospecting fees. Holder has the exclusive right to apply for NOMR.
Retention Permit	Hold onto legal rights between prospecting and mining stages.	3 years initially. Renewable once for 2 years.	Prospecting stage complete; feasibility study complete and Environmental Management Plan (EMP) complete. Project not currently feasible.	May not result in exclusion of competition, unfair competition or hoarding of rights. May not be transferred, ceded, leased, sold, mortgaged or encumbered in any way.
NOMR	Development and production stage.	30 years initially. Renewable for further periods of 30 years. Effective for life of mine (LOM).	Financial ability; technical ability; prospecting complete; economic programme; work programme; social plan; labour plan and completed EMP.	Payment of royalties (from 2010). Compliance with Mining Charter and Codes of Good Practice on broad based BEE.
Mining Permit	Small-scale mining.	2 years initially. Renewable for 3 further periods of 1 year at a time.	Life of project must be <2 years; areas must be <1.5ha and completed EMP.	Payment of royalties (from 2010). May not be leased or sold but can be mortgaged.

The South African Government enacted the MPRDA on the 1st May 2004. It defines the State's legislation on mineral rights and mineral transactions in South Africa. The Act emphasises that the Government did not accept the existence of the historic dual State and private ownership of mineral rights in South Africa and, as such, the Act legislated that all mineral and petroleum resources in South Africa now vest in the State. Additional objectives of the Act include the promotion of economic growth, the development of resources to expand opportunities for the historically disadvantaged, and the socio-economic development of the areas in which mining and prospecting companies are operating. It also provides for security of tenure relating to prospecting, exploration, mining and production.

A further objective of the Act was to advance BEE within South Africa's minerals industry, by encouraging mineral exploration and mining companies to enter into equity partnerships with BEE companies. The Act also makes provision for the implementation of social responsibility procedures and programmes by Coal Resource companies.

The Act incorporated a "use-it or lose-it" principle, that has been applied to companies or individuals who owned mineral rights or the rights to prospect and mine prior to 2004 (Old Order Rights). These Old Order Rights were required to be transferred within specified timeframes, under the provisions of the Act, into New Order Rights to prospect and mine. Once the State has granted the conversion of the Old Order Rights to New Order Rights, or has granted a New Order Right for new applications submitted after the implementation of the MPRDA, a Notarial Agreement between the State and the holder of the New Order Right is entered into. This Agreement sets out all the conditions associated with the New Order Right. New Order Rights can be suspended or cancelled by the Minister if, upon notice of a breach from the Minister of its obligations to comply with the MPRDA, or the conditions prescribed as part of its New Order Right, a breaching entity fails to rectify such a breach.

In addition, in terms of the MPRDA, mining and exploration companies have to comply with additional responsibilities relating to environmental management and to environmental damage, degradation or pollution, resulting from their prospecting or exploration activities.

10.3.2. Broad-Based Socio-Economic Charter

Promulgation of the Broad-based Socio-Economic Charter for the South African Mining Industry (also known as the Mining Charter) marked the end of protracted debates and varying interpretations of the legislation's requirements, paving the way for the full implementation of the MPRDA.

All mining and prospecting companies are required to comply with the provisions of the Mining Charter. The objectives of the Mining Charter are to:-

- promote equitable access to the State's resources by all the people of South Africa. It required that every mining company achieved a 15% level of ownership of its mining assets by historically disadvantaged South Africans (HDSAs) by the 1st May 2009, and a level of 26% ownership by the 1st May 2014;
- substantially and meaningfully expand opportunities for HDSAs, including women, to enter the mining and minerals industry and to benefit from the exploitation of the nation's resources. In terms of this requirement, 40% of management roles were to be held by HDSAs by 2010;
- expand the skills base of HDSAs to serve the community;
- promote employment and advance the social and economic welfare of mining communities, and the major areas from which labour is drawn to carry out exploration or mining; and
- promote the beneficiation of South Africa's mineral commodities, whereby the companies which have facilitated downstream, value-adding activities for products they mine, could achieve an "offset" against the HDSA equity participation requirement.

Most mining companies are already implementing their own empowerment strategies. These strategies demonstrate their best endeavours to consider the issues and a willingness to accommodate the requirements when they are finally defined. Compliance with the Mining Charter will be measured using a designated scorecard, which provides a practical framework against which the Minister can assess whether a company actually measures up to what was intended in the MPRDA and the Mining Charter.

10.3.3. Amendment of the Broad-Based Socio-Economic Empowerment Charter

The Amendment of the Broad-based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry (the Charter Amendment) was released in September 2010. It was unsurprising that it retained the minimum target of 26% HDSA ownership of mining assets by 2014. However, an offsetting of HDSA ownership by as much as 11% is now possible depending on the extent of a company's beneficiation strategies. BEE procurement targets in the Amendment are as follows:-

- a minimum of 40% of capital goods will have to be sourced from BEE entities by 2014; and
- 70% of services and 50% of consumer goods will have to be purchased from BEE entities by 2014.

In addition, multinational suppliers of capital goods will have to contribute 0.5% a year of their annual income from South African mining firms towards a socio-economic development fund.

HDSA targets for employment equity are also further refined and a minimum of 40% HDSA demographic representation is stipulated for executive management, senior management, core and critical skills, middle management and junior management by 2014.

Specific annual targets are noted for human resources development, since a percentage of the annual payroll (excluding the mandatory skills levy) will have to be spent on skills development activities and be reflective of South Africa's demographics. Skills expenditure, as a percentage of payroll, increases by 0.5% each year, with an initial target of 3% of payroll in 2010, rising to 5% by 2014. The expenditure is intended to support South African-based research and development initiatives focused on solutions in sectors such as exploration, mining, processing, technology efficiency in the use of water and energy in mining, beneficiation and environmental conservation and rehabilitation.

The Charter Amendment also supports Social and Labour Plans (SLPs) by insisting on:-

- an ethnographic community consultative and collaborative process prior to the start of a mining project; and
- a community development needs analysis, together with mining communities, of projects to be implemented in support of Integrated Development Plans, the spend of which should be proportionate to the size of the mining investment.

The Charter Amendment also calls for an upgrade of hostels to family units, a one-person-per-room occupancy rate, and support for home ownership options – all of which should be implemented by 2014.

Environmental management and an improvement in the industry's health and safety performance are also highlighted, and best-practices in these areas are specifically mentioned.

The Charter Amendment also calls for annual reporting by mining companies on their levels of compliance with the Mining Charter, and notes that noncompliance with the Charter and the MPRDA will result in mining companies being in breach of the MPRDA.

10.3.4. Promotion of Beneficiation Bill

This is still being prepared, and is expected to provide incentives for upstream companies that facilitate downstream investments, in order to reduce the exporting of unprocessed mineral products and to promote local value addition.

10.3.5. Mineral and Petroleum Resources Royalty Act (MPRRA)

This piece of legislation incorporates the Government's intention to impose royalties on revenues derived from mineral production in South Africa. Enacted in 2008, the Minerals and Petroleum Resources Royalty Act (MPRRA) was initially set to be implemented in May 2009. However, in an effort to mitigate job losses in the mining sector during the global financial crisis, the Government decided to postpone the implementation of the new mineral and mining royalty regime until the 31st March 2010.

The main purpose of the Act was to provide legislation for the collection of royalties from mines, developed and operated in terms of the New Order Mineral Rights, granted through the MPRDA process.

There are a number of problems with the administration of the Act, in that it needs to be linked to existing tax legislation, which clearly defines mining and industrial tax rates based on a profitability formula. The intention is not to facilitate double taxation on an already burdened industry.

The Act distinguishes between refined and unrefined resources, where refined minerals have been refined beyond a condition specified by the Act, and unrefined minerals have undergone limited beneficiation as specified by the Act.

The royalty is determined by multiplying the gross sales value of the extractor, in respect of that Mineral Resource, in a specified year, by the percentage determined by the royalty formula. Both direct operating expenditure (Opex) and capital expenditure (Capex) incurred is deductible for the determination of earnings before interest and tax (EBIT). The quantum of the revenue royalty on all minerals is dependent on the profitability of the company based on the following formula. For refined mineral resources the formula is:-

$$\text{Royalty Rate} = 0.5 + \frac{\text{EBIT}}{\text{Gross Sales (refined)} \times 12.5} \times 100$$

The maximum percentage for refined mineral resources is 5%.

For unrefined mineral resources the formula is:-

$$\text{Royalty Rate} = 0.5 + \frac{\text{EBIT}}{\text{Gross Sales (unrefined)} \times 9} \times 100$$

The maximum percentage for unrefined mineral resources is 7%.

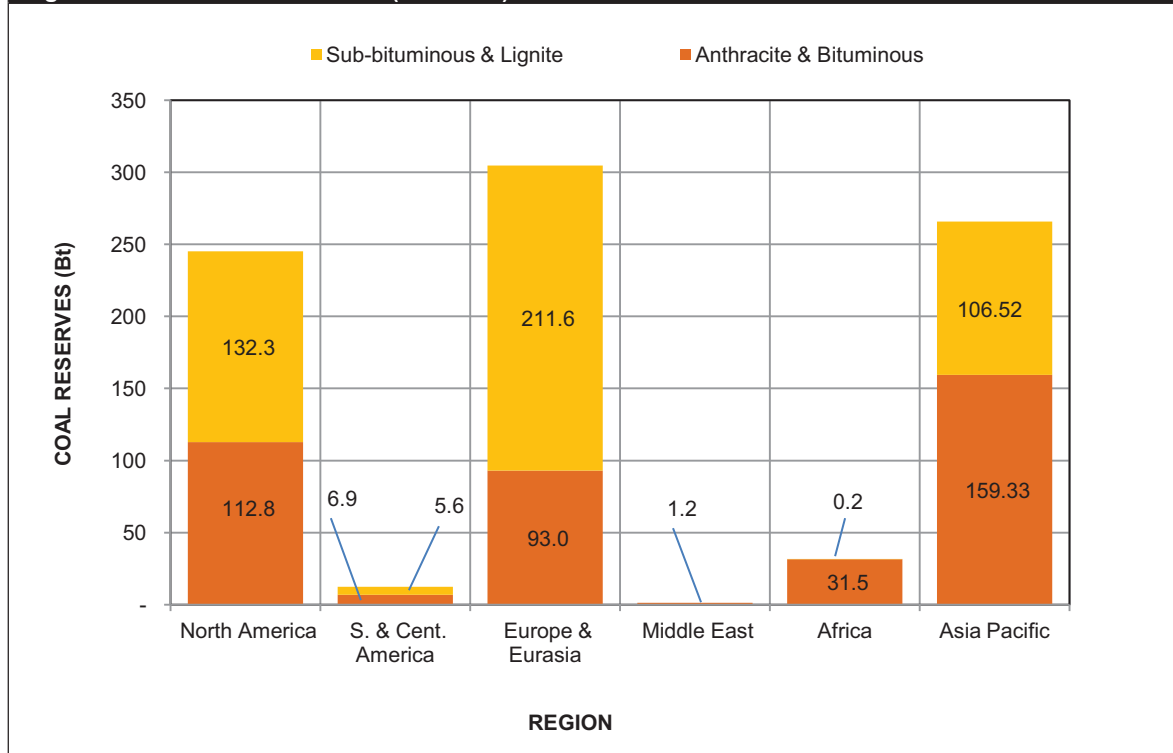
11. GLOBAL COAL MARKET REVIEW

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

11.1. Reserves

Total global Coal Reserves are estimated at 860Bt, according to British Petroleum (BP) (BP, 2011). Historically, estimates of world recoverable Coal Reserves have reduced from 1,174Bt in 1990 to 1,083Bt in 2000 and to 860Bt in 2010 (Figure 4 and Table 5). However, some believe that even these latest estimates may be high, are mindful of the fact that national and global Coal Reserves have been grossly overestimated in the past, and suggest that world Coal Reserves may be significantly lower than estimated (Low, 2008; Hartnady, 2009; IEE, 2010).

Figure 4 : Global Coal Reserves (end 2010)



Source: BP Statistical Review of World Energy June 2011

Although coal deposits are widely distributed, 78.1% of the world's recoverable Coal Reserves were located in five countries at the end of 2010: the United States (27.5%), Russia (18.2%), China (13.2%), Australia (8.8%) and India (7.0%).

Anthracite and bituminous coal accounted for 47% of the world's estimated recoverable Coal Reserves (on a tonnage basis) in 2010, while sub-bituminous and lignite accounted for 53% in 2010.

Regionally, Europe and Eurasia, with 35.3% of recoverable Coal Reserves, accounted for the largest quantity of proved coal. The Middle East, with the world's largest oil deposits, contains the least Coal Reserves in the world (0.1%). Africa accounts for 3.7% of recoverable Coal Reserves, with South Africa accounting for 95% of total African Coal Reserves (Table 5).

Table 5 : Global Coal Reserves (end 2010)

REGION/COUNTRY	ANTHRACITE & BITUMINOUS (Mt)	SUB-BITUMINOUS & LIGNITE (Mt)	TOTAL (Mt)	SHARE OF TOTAL	R/P RATIO
US	108,501	128,794	237,295	28%	
Canada	3,474	3,108	6,582	1%	97
Mexico	860	351	1,211	0%	130
TOTAL NORTH AMERICA	112,835	132,253	245,088	28%	231

REGION/COUNTRY	ANTHRACITE & BITUMINOUS (Mt)	SUB-BITUMINOUS & LIGNITE (Mt)	TOTAL (Mt)	SHARE OF TOTAL	R/P RATIO
Brazil	-	4,559	4,559	1%	*
Colombia	6,366	380	6,746	1%	91
Venezuela	479	-	479	0%	120
Other S. & Cent. America	45	679	724	0%	*
TOTAL SOUTH & CENTRAL AMERICA	6,890	5,618	12,508	1%	148
Bulgaria	2	2,364	2,366	0%	82
Czech Republic	192	908	1,100	0%	22
Germany	99	40,600	40,699	5%	223
Greece	-	3,020	3,020	0%	44
Hungary	13	1,647	1,660	0%	183
Kazakhstan	21,500	12,100	33,600	4%	303
Poland	4,338	1,371	5,709	1%	43
Romania	10	281	291	♦	9
Russian Federation	49,088	107,922	157,010	18%	495
Spain	200	330	530	0%	73
Turkey	529	1,814	2,343	0%	27
Ukraine	15,351	18,522	33,873	4%	462
United Kingdom	228	-	228	♦	13
Other Europe & Eurasia	1,440	20,735	22,175	3%	317
TOTAL EUROPE & EURASIA	92,990	211,614	304,604	35%	257
South Africa	30,156	-	30,156	4%	119
Zimbabwe	502	-	502	0%	301
Other Africa	860	174	1,034	0%	*
Middle East	1,203	-	1,203	0%	*
TOTAL MIDDLE EAST & AFRICA	32,721	174	32,895	4%	127
Australia	37,100	39,300	76,400	9%	180
China	62,200	52,300	114,500	13%	35
India	56,100	4,500	60,600	7%	106
Indonesia	1,520	4,009	5,529	1%	18
Japan	340	10	350	♦	382
New Zealand	33	538	571	0%	107
North Korea	300	300	600	0%	16
Pakistan	-	2,070	2,070	0%	*
South Korea	-	126	126	♦	60
Thailand	-	1,239	1,239	0%	69
Vietnam	150	-	150	♦	3
Other Asia Pacific	1,582	2,125	3,707	0%	114
TOTAL ASIA PACIFIC	159,326	106,517	265,843	31%	57
TOTAL WORLD	404,762	456,176	860,938	100%	118

Source: BP Statistical Review of World Energy June 2011

Notes: Proved reserves of coal - Generally taken to be those quantities that geological and engineering information indicates with reasonable certainty can be recovered in the future from known deposits under existing economic and operating conditions. Coal Reserves-to-production (R/P) ratio - If the Coal Reserves remaining at the end of the year are divided by the production in that year, the result is the length of time that those remaining Coal Reserves would last if production were to continue at that rate.

* More than 500 years. ♦ Less than 0.05%.

11.2. Supply

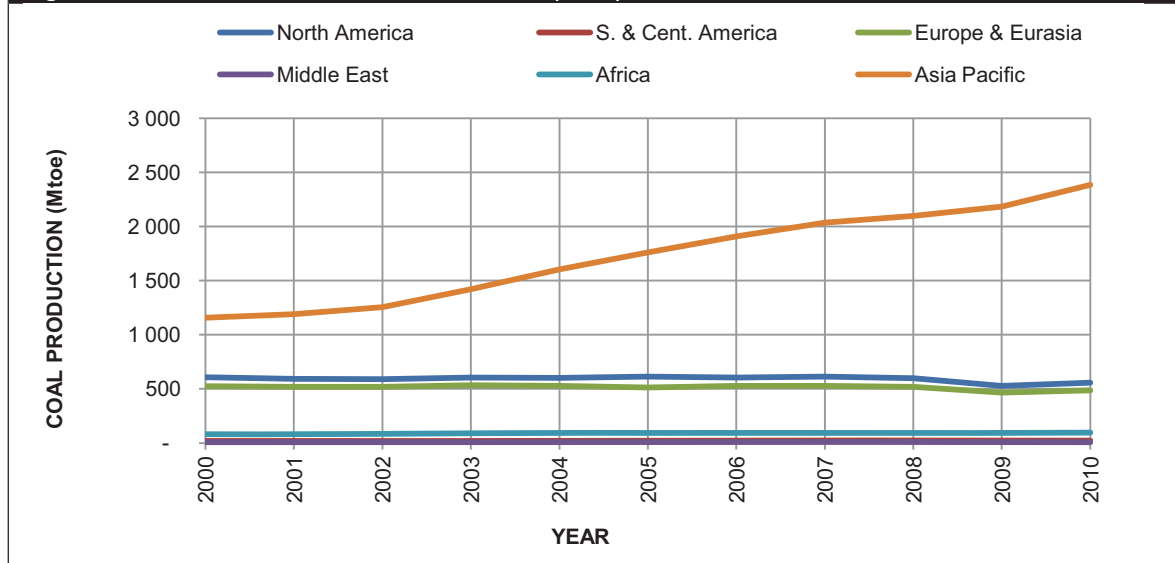
The Asia Pacific region accounted for 4,683.5Mt of coal produced, or ~64% of coal produced, in 2010, (Figure 5 and Figure 6). China, Australia, Indonesia and India were the dominant producers, but China was the most significant producer, producing almost 70% of Asia Pacific coal in 2010.

It was believed that the percentage share of Asia-Pacific production of several countries, including Australia, could, however, potentially fall since their production targets in the latter half of the year were influenced by floods and heavy rains. However, it now appears that most countries in this region continued to grow their coal production despite the poor weather conditions. The Asia-Pacific countries that showed a drop in coal production in 2010 included South Korea, Japan and Vietnam.

The influence of the La Nina weather phenomenon on Australian production (and Colombian and South African production) in 2011 is yet to be determined. Coal output (and particularly coking coal output) from Australia continued to be influenced by inclement weather in the first quarter of the year, with hard coking coal production levels in Quarter One (Q1) 2011 12% below production levels for Q1 2010, although thermal coal production levels returned to their Q1 2010 levels, with New South Wales production compensating for reduced Queensland production (I-Net Bridge, 2011). Several company initiatives have also been introduced to ensure that the remainder of the year's Australian production would compensate for earlier shortfalls – a factor that bodes well for Australia's 2011 coal production performance.

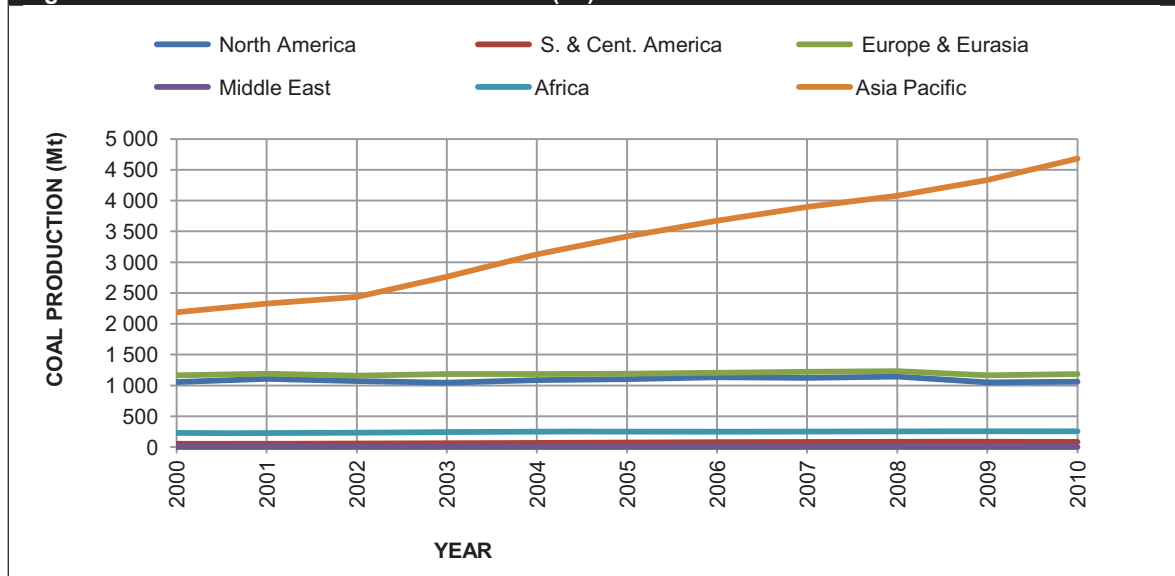
North America, after the Asia Pacific region, produces the next highest amount of coal by energy value, although it produces less coal in volume terms than Europe and Eurasia. Africa, South and Central America and the Middle East are the next largest coal producers by volume and energy values. This pattern is observed in consolidated global figures for 2009 and 2010 (Figure 5 and Figure 6).

Figure 5 : Coal Global Production 2000 – 2010 (Mtoe)



Source: BP Statistical Review of World Energy 2011

Figure 6 : Coal Global Production 2000 – 2010 (Mt)



Source: BP Statistical Review of World Energy 2011

Coal production quantities in North America and Africa had not significantly changed between 1981 and 2008, but production dropped in 2009 in every region, except in the Asia Pacific and Middle East regions, in 2009, reducing by 9.1% in North America, 7.1% in Central and South America, 6.9% in Europe and Eurasia, and 0.7% in Africa. Many regions reversed this trend in 2010, and are again increasing their coal production volumes, as can be seen by country-specific information shown in Table 6.

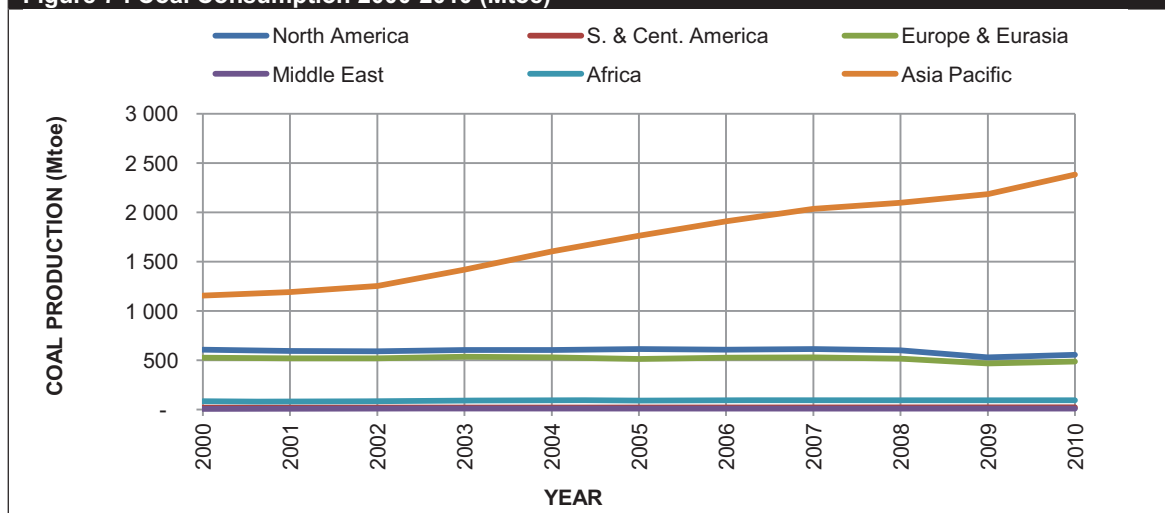
The most significant producers of coal in 2010 are shown in Table 6, which shows that China was the largest coal producer in 2010 by tonnage, followed by the United States (US). South Africa was ranked as the 7th-largest producer of coal volumes, and the combined 6th-largest producer of coal in energy terms in 2009 but, since Indonesia increased its coal volumes in 2010 more dramatically than South Africa, South Africa has fallen to the 7th largest producer of coal in energy terms (BP, 2011).

Table 6 : Selected Coal Producers – 2010 Production

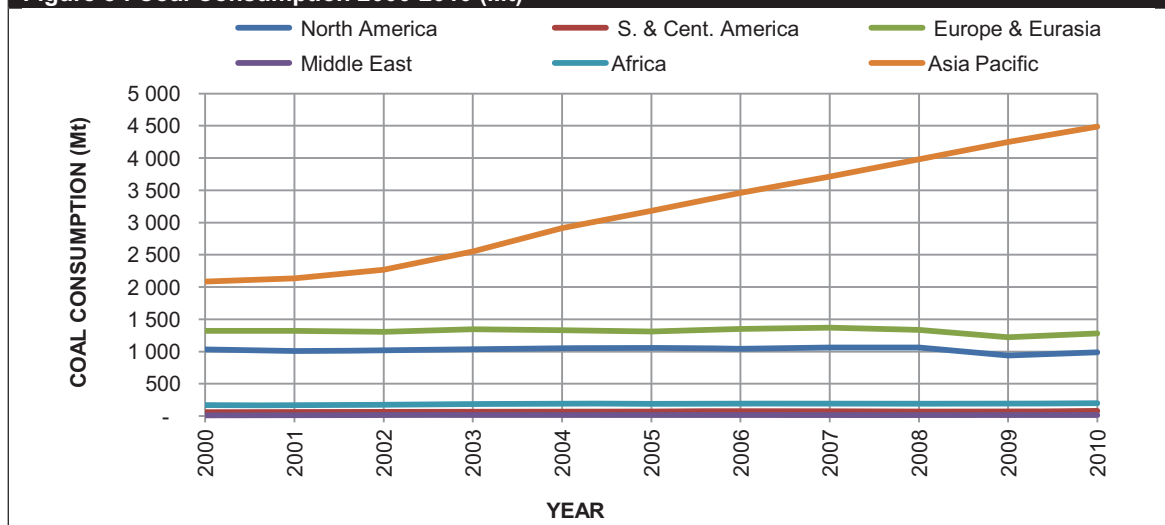
COUNTRY	PRODUCTION (Mt)	NOTES
China	3,236	China was already noted as producing 3.039bt for the year to November, giving it an estimated annualised production of ~3.3bt for 2010. Adjusted figures now suggest production volumes of 3,236Mt (Djanuarto, 2010)
US	982	The BP Statistical Review of World Energy (2010) gives US coal production as 973.2Mt in 2009 and the Energy Information Administration (EIA) (2011) notes that this increased by 1% in 2010.
India	573	Coal production for fiscal 2010, starting in April 2010, is expected to be 573Mt, but fall in fiscal 2011 (Indian Ministry of Coal, 2011)
Australia	356	Australia's coal production increased by 1% between 2009 and 2010 (Abare, 2011)
Russia	320	Coal production was expected to increase by 7% in 2010 (Steelorbis, 2010)
Indonesia	275	Djanuarto (2010) notes that Indonesian coal production rose by 8.3% in 2010
South Africa	254	DMR (2011a)

11.3. Demand

The Asia Pacific region accounted for the bulk of coal demand by energy value in 2010, with 67%, or 2,385Mtoe, of global consumption stemming from this region in 2010 (Figure 7). North America was the next largest contributor to consumption by region, at 16%, or 556Mtoe, of global demand, followed by Europe and Eurasia, at 14% of global demand, or 487Mtoe, in 2010. All regions, with the exception of the Middle East and Asia Pacific, experienced a drop in coal consumption, in energy terms, in 2009, but all of the regions showed an increase in consumption, in energy and volume terms, in 2010 (Figure 7 and Figure 8).

Figure 7 : Coal Consumption 2000-2010 (Mtoe)

Source: BP Statistical Review of World Energy 2011

Figure 8 : Coal Consumption 2000-2010 (Mt)

China's coal consumption was the world's largest in energy terms in 2010, totalling 48.2% of global consumption, or 1,713.5Mtoe, followed by the US, with 14.8% of global consumption, or 524.6Mtoe. China continues to dominate coal consumption, and accounted for two-thirds of consumption growth globally in 2010.

11.3.1. Imports

While some of consumption can be met by domestic production, some countries are unable to supply domestic coal requirements. As far as seaborne coal trade, the following coal flows apply (Neumann, 2009; Economist Intelligence Unit, 2010):-

- a significant portion of South Africa's coal exports are destined for India;
- Australia's main export destination is Asia, with a smaller quantity of coal supplied to Europe and the US;
- Russia's main export destination is Eastern Europe, with a smaller quantity of coal supplied to the East;
- Indonesia mainly supplies the East, but also supplies a small quantity of coal to Europe;
- Colombia has mainly supplied the US and Europe, but is starting to send coal to Asia when freight rates are high and when prices are strong; and
- the US supplies its internal market and Europe, although, in 2010, a weak currency, low freight charges and a shortage of coking coal in Asia resulted in it supplying considerable tonnages to this region.

As far as trends in coal destination countries, industry observers continue to watch China and India's coal imports, anticipating that they will soon take over from the traditionally-largest coal importers. Many anticipate that China will import more coal than any other nation by 2011.

However, to-date, Japan appears to continue to dominate in net coal imports, with net imports of ~177Mt in 2010 compared to China's ~164Mt of net coal imports. South Korea, Taiwan, Germany, the United Kingdom (UK) and Brazil are also among the largest importers of coal.

11.3.2. Exports

The country production rankings are considerably different to the coal export rankings. Australia has historically controlled 55% to 60% of the coking coal market. Australia exported over 137Mt of coking coal in 2008, 135Mt in 2009, and 159Mt in 2010. Indonesia, meanwhile, is the largest global exporter of thermal coal, exporting 173Mt of thermal coal in 2008 and more than 180Mt in 2010 (Lucarelli, 2011; Abare, 2011; Wong, 2010; SourceWatch, 2010). Australia, Indonesia, Russia, Colombia, the US and South Africa remain important sources of global coal, with all of these countries reporting increases in production in 2010.

An issue that dominated 2010 coal exports and continues to influence 2011 coal exports, changing traditional source countries' contributions to global coal supplies, is the continued impact of floods in Australia, that resulted in numerous producers declaring force majeure and announcing that they would not be able to meet their supply commitments.

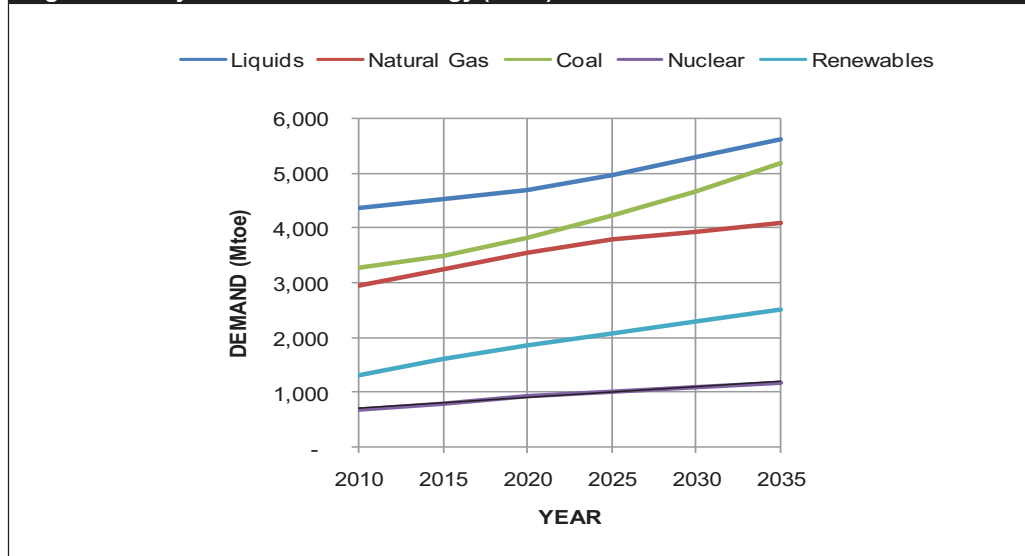
This resulted in Chinese and Indian buyers, as well as other buyers, trying to source coal from non-traditional sources. For instance, for the US this meant that its coking coal exports reached 1991 levels, rising to 55Mt in 2010, and marking a 49% increase in year-on-year exports. The US is similarly expected to increase its coking coal export tonnages in 2011, this time to 65Mt (Xinhuanet, 2011). This is expected to be on the back of a low dollar price and low freight charges to the region.

China's contribution to global exports will also be notably different to that in 2009, although it remains a net importer. This is because China, despite being the largest producer on coal, was not a significant exporter of coal in 2009 and became a net importer of coal in 2009, as a result of high demand and domestic Chinese prices being higher than import prices. However, this changed in 2010, when China again became an exporter of coal, exporting 19Mt in 2010 (Mining Exploration News, 2010; Wong, 2010; SourceWatch, 2010).

11.4. Future Demand

11.4.1. Thermal Coal

The demand for thermal coal in the future will largely depend on the extent of global reliance on coal for electricity production, while the demand for coking coal will depend on the growth in steel production. Coal demand is expected to increase significantly, especially on the back of increases in power and industrial production (Figure 9).

Figure 9 : Projected Demand for Energy (Mtoe)

Source:EIA

Coal demand is expected to increase from 2010, and this increase is likely to be more dramatic than for many other energy commodities.

The thermal coal market has been growing, as a result of coal's share of world electricity generation. This stands at 40% globally (Eskom, 2008). However, electricity demand in Asia is increasing, and coal, as a fuel source, contributes a much larger percentage to electricity generation in this region – two factors which bode well for the continued growth of the thermal coal market. Some 220GW of coal powered generation capacity is expected to come on line in the next five years, including 79GW in China and 69GW in India (PSQ Analytics, 2010).

While coal's share of global electricity generation capacity is expected to grow in most regions, in some regions, notably Europe, there will be a reduction in its share, because of environmental concerns. The predicted coal-fired generating capacity by region is shown in Table 7.

Table 7 : Predicted World Coal-fired Generating Capacity by Country and Region (GW)

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

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

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

Unsurprisingly, given many of the Asian countries' high future coal-fired electricity consumption levels (Table 7) and limited domestic supplies of coal, many of the top importers of thermal coal are expected to be from the continent in future, with South Korea and Malaysia also featuring prominently as importers of thermal coal.

11.4.2. Coking Coal

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

Some fluctuations in steel production in China were observed in China between August and October 2010, with the year-on-year percentage growth being negative. This will be concerning to coking coal producers, since consistent production or growing crude steel production ensures demand for coking coal. However, the Chinese shortfall in crude steel production was made up for by other producers, so the overall world year-on-year percentage growth remained positive (Worldsteel, 2011). This suggests that the coking coal market, which is derived from this, will also remain strong.

11.5. Future Supply

According to the United States Energy Statistics Department, from 2010 to 2030, coal production in China, the US and India, driven by growing coal consumption, is projected to increase. It is assumed that much of the demand for coal in China, the United States, and India will continue to be met by domestic production.

However, some countries such as India are already noting their import dependence is increasing and have a concerted strategy of sourcing coal from, and buying mines in, other regions, including Africa.

Increases in coal production are also expected from Australia/New Zealand with these increases expected to be used primarily for export from Australia rather than domestic consumption. Production growth in Asia is attributable to both rising levels of coal consumption and a desire to export. Rising international trade is also expected to support production increases in Russia, Africa, and Central and South America (excluding Brazil).

It is expected that Australia will continue to dominate the coking coal market when this sector recovers from the torrential rains that have influenced it and continue to influence it. Indonesia, meanwhile, will continue to dominate the thermal coal market.

11.6. Future Prices

The price of coal varies based on its specifications. All of the international coal price graphs demonstrate a similar peak that was experienced in the coal price in 2008. This is not surprising since, as Neumann (2009) indicates different coal prices are co-integrated with each other. Although there is not a linear relationship between the different prices, there is a strong relationship with each other.

11.6.1. Thermal Coal

Coal prices have historically been lower and more stable than oil and gas prices in spite of the almost 200% increase in the price of coal between 2007 and 2008. However, this increase was corrected in the recent global financial crisis and economic slowdown.

The general increase in the coal price was attributable to the increase in demand for the most affordable form of fuel for power generation. In view of the dramatic increase in coal prices, the focus on coal resources has intensified worldwide.

11.6.2. Coking Coal

Internationally, coking coal demand has remained stagnant since the early 1980s, but this changed in 2003, when coking coal prices rose markedly, as a result of increased demand in the steel manufacturing industry.

In Q2 2011, Anglo American and Japanese consumers agreed on a contract price of USD330/t for its premium low-volatile hard coking coal. Other coals on contract will reach a lower price (Hall, 2011).

12. SOUTH AFRICAN COAL MINING INDUSTRY

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

Coal is one of South Africa's most important export minerals. The bulk of the exports, particularly when freight charges are low, are going to Asia (Economist Intelligence Unit, 2010). South Africa was the world's sixth largest producer in energy terms of hard coal and the seventh largest producer in volume terms in 2009, and it may become the seventh-largest producer in energy and volume terms when consolidated production information for 2010 is released. South Africa's Coal Reserves rank sixth in the world with a reported 30Bt of economically recoverable Coal Reserves. The country is known for its low-cost, readily-available coal, which makes it a very competitive industry.

12.1. Reserves

The country is currently implementing a review of the national coal resources and coal reserves and hopes to have a firmer foundation for national estimates of Coal Resources and Coal Reserves. This should assist in reducing the doubt that surrounds estimates of South Africa's coal reserves. In the current South African Minerals Industry (DMR, 2010d) Handbook, the Department of Mineral Resources (DMR) relies on information provided by the BP's 2010 Statistical Review of World Energy, and states that South Africa has 30.4Bt of coal reserves, thereby differing significantly from lower estimates implied by US geologist Mr King Hubert, who estimates that the whole continent of Africa has ~15Bt (Hartnady, 2009)

12.2. Supply

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

South Africa's coal production accounted for 98.6% of Africa's coal production in 2009 (BP, 2011). South Africa's coal sales have been increasing since 1900, but this pattern was broken in 2009, when South Africa's sales dropped from 254.9Mt to 245.2Mt between 2008 and 2009. South Africa's export tonnages, similarly, dropped in 2009, to 60.4Mt, as a result of shortfalls in delivery from Transnet Freight Rail (TFR) (Ryan 2010, DMR, 2010b and 2010a).

In 2010 South Africa produced 254.7Mt and thus increased its year-on-year production almost to 2008 levels. Of this production, 66.4Mt were exported, marking a significant improvement on 2009 export tonnages (DMR, 2011). In total, there are eighteen coalfields, with the Witbank-Highveld Coalfield being the most economically important. The Witbank-Highveld Coalfield produces the highest percentage of South Africa's saleable coal.

12.3. Demand

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

- the export market, which took up ~24% of total production in 2009; and
- the domestic market, which consists of:-
 - electricity generation, which consumes ~62% of coal in the domestic market;
 - petrochemical companies, primarily Sasol, which consume ~23% of coal in the domestic market;
 - general industry, which consumes ~8% of coal in the domestic market;
 - metallurgical industry, primarily ArcelorMittal South Africa Ltd (ArcelorMittal), Highveld Steel and Columbus Steel, which consumes ~4% of coal in the domestic market; and
 - about ~4% of coal for the domestic market which is purchased by merchants, and sold locally for the household market or exported.

12.3.1. The Export Market

South Africa has the capacity to export 91Mt of coal from the Richards Bay Coal Terminal (RBCT), but it is exporting significantly lower volumes, having exported 61Mt in 2009 and 63Mt in 2010.

The Durban Bulk Connection (DBC) currently has a capacity of 2Mtpa for sized coal exports.

An alternative option for exporting South African coal, and one which CoAL are actively pursuing is to export via the Matola Coal Terminal, in Maputo, Mozambique. Recent upgrades have increased the capacity of this terminal to 6Mtpa of which CoAL have secured an allocation of 3Mtpa. There are plans to increase the Matola port capacity to 10Mtpa by 2014.

12.3.2. The Domestic Market

The average quality specification requirements for domestic consumers are shown in Table 8.

Table 8 : Weighted Coal Qualities by Sector

SECTOR	COAL TYPE	CV (MJ/kg)	ASH (%)	VOLATILE MATTER (%)
Electricity generation	Bituminous	20.7	30.1	22.5
Tutuka Power Station	Bituminous	22 - 25	< 30	> 20
Majuba Power Station	Bituminous	19 - 23	20 - 35	20 - 24
Synfuels	Bituminous	21.3	25.8	22.3
Small Industry and Household	Anthracite	29.4	15.2	7.0
	Bituminous	27.3	14.2	26.6

Source:- DMR Minerals Bureau, Eskom

South African State electricity utility Eskom Holdings Limited's (Eskom's) power stations have been specifically designed to burn low-grade coals which are abundant in South Africa. Every year Eskom consumes ~62% of domestically-sold coal from which it provides ~90% of the country's electricity.

Sasol consumes approximately 23% of South Africa's annual domestically-consumed coal and operates coal mines to provide feedstock for synthetic fuels and chemical plants.

Sasol primarily uses the coal mined by Sasol Mining to produce petrol, diesel and petrochemicals and power generation at the chemical plants.

Approximately 4% of local consumption goes to the household market. The suppliers are largely coal traders in formal and informal residential areas.

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

Cement manufacturers are likely to emerge as significant consumers in the medium-term as infrastructure developments in southern Africa gain momentum, creating demand for cement-based products.

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

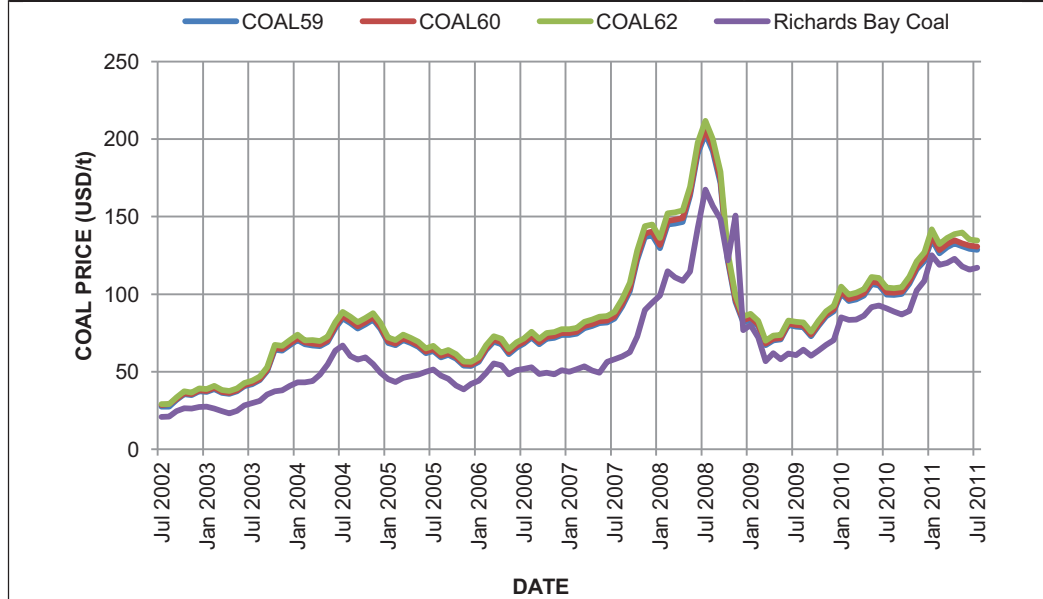
12.4. Prices

12.4.1. Thermal Coal

The export thermal coal price history is illustrated in Figure 10 and shows four coal export products. The South African export prices of thermal coal are determined by their calorific value, and thermal coal is described as Coal 59, Coal 60 and Coal 62. The number in the label refers to the number of kcal/kg, with Coal 60 referring to a coal with a CV of 6,000kcal/kg nett as received (NAR) or 25MJ/kg.

In 2009, bituminous thermal coal sold for an average export price of ZAR506/t. The 2010 average price was ZAR546/t for bituminous thermal coal (DMR 2011).

The dramatic coal price increases during 2008 (coal prices effectively doubled within 12 months), and subsequent correction in the wake of the 2008/2009 financial crisis and economic slowdown has led to increased speculation regarding future prices.

Figure 10 : Coal Price History from July 2002 to July 2011 (USD)

Source: INet Bridge

Coal 59 – CV = 5,900kcal/kg NAR.

Coal 60 – CV = 6,000kcal/kg NAR.

Coal 62 – CV = 6,200kcal/kg NAR

South African coal exports are very dependent on freight charges and the freight differential with other exporting countries in addition to coal prices. In June 2010, coal freight rates fell to below USD16/t from South African ports to China, leading to an ‘arbitrage window’ that resulted in 720,000t of coal being shipped from RBCT to China, compared to none in April and May (Reuters, 2010c).

In addition, in May 2010, utilities in South Korea were already indicating that they might turn to South Africa or Colombia for coal because these countries’ coal was cheaper than Australian coal, even with the shipping costs. Although Australian coal tends to be favoured because of its close proximity to the East, Chinese and Indian buyers have been eager to buy South African coal delivered for USD100 in June 2010 (Reuters, 2010c).

South African domestically-traded thermal coal is priced much lower than the export coal prices shown in Figure 10. The DMR (2011) reports that the average price for domestically-traded thermal coal was ZAR180/t in 2010, as compared to an average of ZAR177/t for 2009. This appears to represent Eskom prices, as export quality coal traded at approximately ZAR450/t.

However, the bulk of South African thermal coal for the domestic market is sold to Eskom, which has two major sources for calculating the prices. The first is as a captive colliery (mining costs plus a percentage, believed to be calculated on a mine-to-mine basis). The second is purely on a ZAR/GJ supplied.

12.4.2. Coking Coal

South Africa did not export coking coal in 2009, but did sell ~1.9Mt in 2009 domestically at an average local coking coal price of ZAR871/t (DMR, 2010b). In 2010, South Africa, similarly, did not export any coking coal, but did produce ~3.4Mt locally and sold 2.4Mt of bituminous coking coal to the domestic market. The average unit value of domestic coal sales for 2010 was ZAR764/t. The country’s coal producers have also exported coking coal in the past, so this could potentially be an additional marketing avenue for any newcomer to the coking coal market.

12.5. Outlook

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

12.5.1. Export Sales

Some 63Mt of coal was exported from South Africa in 2010 and 27.5Mt have been exported in the first half of 2011. Export tonnages are limited by a lack of rail capacity and operational underperformance, which has included derailments in the past.

12.5.1.1. Infrastructure

A general lag in infrastructural development in remote areas has hamstrung meaningful industrial development, and this is particularly important for any potential new mining company that wishes to establish itself there and export its product.

The relative lack of industrial development in the Limpopo Province is, in part, a result of inadequate transport infrastructure. However, the South African rail utility, Transnet, is considering large infrastructure projects in the Limpopo Province to increase rail capacity for coal produced in the Waterberg and Limpopo regions. It is undertaking a pre-feasibility study for the ZAR8bn upgrade of the line between Groenbult (60km north-east of Polokwane) and the Mozambican port of Maputo and considering a new line between Groenbult and the Waterberg. From Lephalale via Groenbult, the rail distance to Maputo is approximately 100km less than to RBCT. These projects, if they are completed, bode well for the exporting of coal from the Limpopo Province.

12.5.1.2. Changing Product Emphasis

There have been reports that coal producers want to start exporting coal with a lower calorific value. Dubbed RB3, it is likely to have a specification of 5,600kcal/kg. This low calorific value is in demand from India, and could be supplied from the Waterberg, which has an abundance of low-quality coal. However, while this presents an opportunity for coal firms in the Waterberg that have not got established ties to Eskom, it is likely that Eskom will oppose the exporting of coal grades which it requires (Ryan, 2010b).

CoAL contends that there already exist export markets for coal with specifications from 5,400kcal/kg.

12.5.1.3. Coal as a Strategic Mineral

Those in the coal sector have become wary of political interference in coal exports. As indicated in the previous discussion, it is possible that Eskom may oppose the exporting of low-calorific-value coal (Ryan, 2010b). In addition, previous Minister of Public Enterprises Alec Erwin is on record as saying that government could intervene in the coal sector if government's needs are not met (Wakeford, 2008).

12.5.1.4. Environmental Issues

Globally, there have been increasing concerns about the prevalence of coal-fired power stations. This will result in a reduction of electricity being produced from these power stations in Europe and it is possible that South African thermal coal exports to this destination will be harmed as a result.

12.5.1.5. Costs

Rising freight costs will narrow any cost advantage that South Africa has and its future export success to destinations such as Asia is largely dependent on freight costs remaining low. Its traditional market, of Europe, continues to be a market for South African coal, but its demand for coal is dropping (Ryan, 2010b). Exporters are likely to have their profits influenced by increased freight charges, which became effective on the 1st April 2011.

CoAL has confirmed that its freight charges have increased by 11% in 2011.

CoAL has advised Venmyn that it is presently engaging with Transnet Freight Rail (TFR) to resolve issues around current rail tariffs and to discuss potential opportunities regarding increased allocation.

13. ERMELO COALFIELD – MOOIPLAATS COLLIERY

The Mooiplaats Colliery is an underground bituminous coal mining operation, situated in the Ermelo Coalfield, which mines the B Upper Seam at an average rate of 60,000tpm of coal (July 2010 – June 2011). The raw coal is processed in the Colliery's two 200tph modular washing plants to produce an export product and a locally sold thermal product. The average saleable tonnes produced at Mooiplaats is measured at 84,000tpm (July 2010 – June 2011) and this has included coal sourced from neighbouring collieries which Mooiplaats previously toll treated. Mining is currently being carried out in the north (Northern Block or Colliery). This mine is also intending to develop a Southern Block later in the Life of Mine (LOM).

13.1. Location

Mooiplaats Colliery is located in the Gert Sibande District in the Mpumalanga Province of South Africa (Figure 11). The nearest town is Ermelo, 17km northwest of the mine. The mine is located adjacent to Eskom's Camden Power Station with power lines traversing the property. Although the Richards Bay coal railway line passes through the property, the mine is situated 37km from the Umlabvu Siding (Figure 11), which it uses for loading the export coal produced.

13.2. Legal Aspects

Within the Ermelo Coalfield, CoAL has both New Order Prospecting Rights (NOPRs) and New Order Mining Rights (NOMRs) grouped together into three Projects, namely Mooiplaats Colliery, Mooiplaats Prospects and Opgooedenhoop. The rights relating to the respective projects are summarised in Table 9 and their locations are graphically presented in Figure 11. Only the Mooiplaats Colliery is considered as a material coal asset for the purposes of this CPR and is reported upon in detail. CoAL and Venmyn do not consider the other two projects, Mooiplaats Prospects and Opgooedenhoop, as material to the Coal Resources and the valuation of the principal coal assets of CoAL as they are either currently uneconomical to mine or contain coal which has little or no prospects for eventual economic extraction.

13.2.1. Ownership by CoAL

Langcarel (Pty) Ltd (Langcarel) is 100% owned by Mooiplaats Mining (Pty) Ltd (Mooiplaats Mining), which, in turn, is held 100% by CoAL. Therefore, Mooiplaats Colliery is 100% owned by CoAL, although there is litigation under way that relates to 26% of the shareholding (Section 13.2.7.2) (Figure 12).

13.2.2. Mineral Tenure

The Mooiplaats Colliery is comprised of eight farm portions on three farms (Mooiplaats 290IT, Klipbank 295IT and Adrianople 296IT) situated to the southeast of Ermelo, Mpumalanga Province. These are held under a NOMR and two NOPRs in the name of Langcarel. The farms and farm portions which comprise the Mooiplaats Colliery and their related legal tenure are listed in Table 9 and illustrated graphically in Figure 13.

The company applied for a renewal of the Mooiplaats Colliery NOPRs in September 2009, but it is likely that the Mooiplaats Colliery's legal tenure will be consolidated under a single NOMR, as the company applied for an extension to the NOMR in March 2009 so as to include the two NOPRs that relate to Adrianople 296IT and Klipbank 295IT under the existing NOMR that relates to Mooiplaats 290IT. The Mooiplaats Colliery's NOMR is valid until 2037.

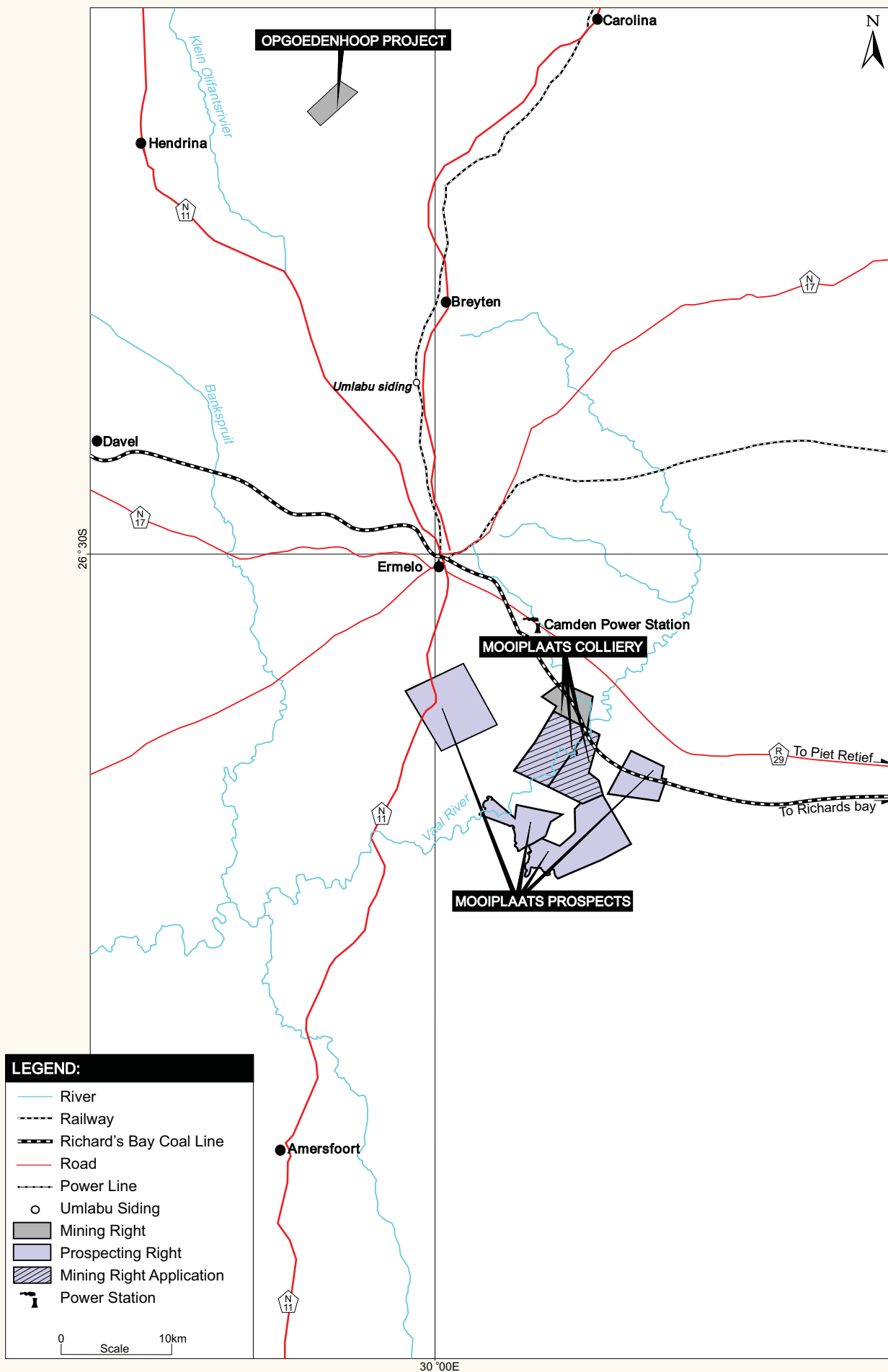
CoAL also has four additional NOPRs, collectively known as the Mooiplaats Prospects, with the NOPRs issued to Langcarel. The NOPRs lie to the south and west of the Mooiplaats Colliery NOMRs, while the NOMR lies to the north (Figure 11).

The NOMR relating to portion 5 of Opgooedenhoop 205IS was issued to Lumpasa Mining and Exploration (Pty) Ltd and a Section 11 transferring it to NuCoal has been granted. A cession of the NOMR has been lodged and is awaiting approval from the DMR.

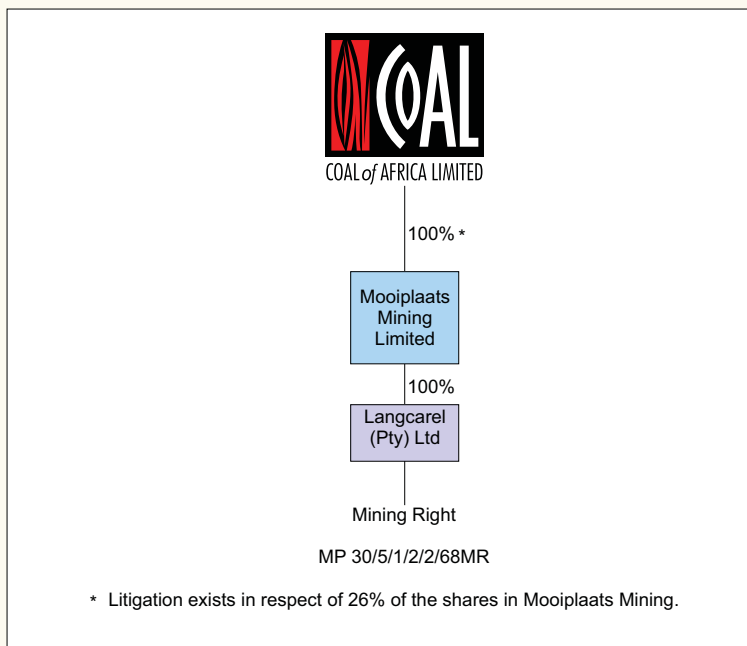
The NOPR that relates to Buhrmansvallei 297IT was issued on the 4th December 2006 and were to expire on the 3rd December 2009. An application for the renewal of this NOPR had been submitted to the DMR, and a letter dated the 6th August 2010 indicated that this renewal had been received.

The NOPRs that relate to Klipfontein 442IT, Willemsdal 330IT and De Emigratie 327IT were issued in early 2008 and had expiry dates in early 2011. Applications for renewals of all the NOPRs were submitted and their submissions acknowledged by the DMR in March 2011, February 2011 and January 2011 for the respective NOPRs.

LOCATION OF COAL'S ERMELO COALFIELD PROJECTS IN RELATION TO REGIONAL INFRASTRUCTURE AND MINERAL TENURE



OWNERSHIP OF MOOPLAATS COLLIERY



MOOPLAATS COLLIERY



MOOPLAATS PLANT, FROM SAMPLING FACILITY



ROM STOCKPILE



MOOPLAATS PLANT



LOCATION OF MOOIPLAATS COLLIERY IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE

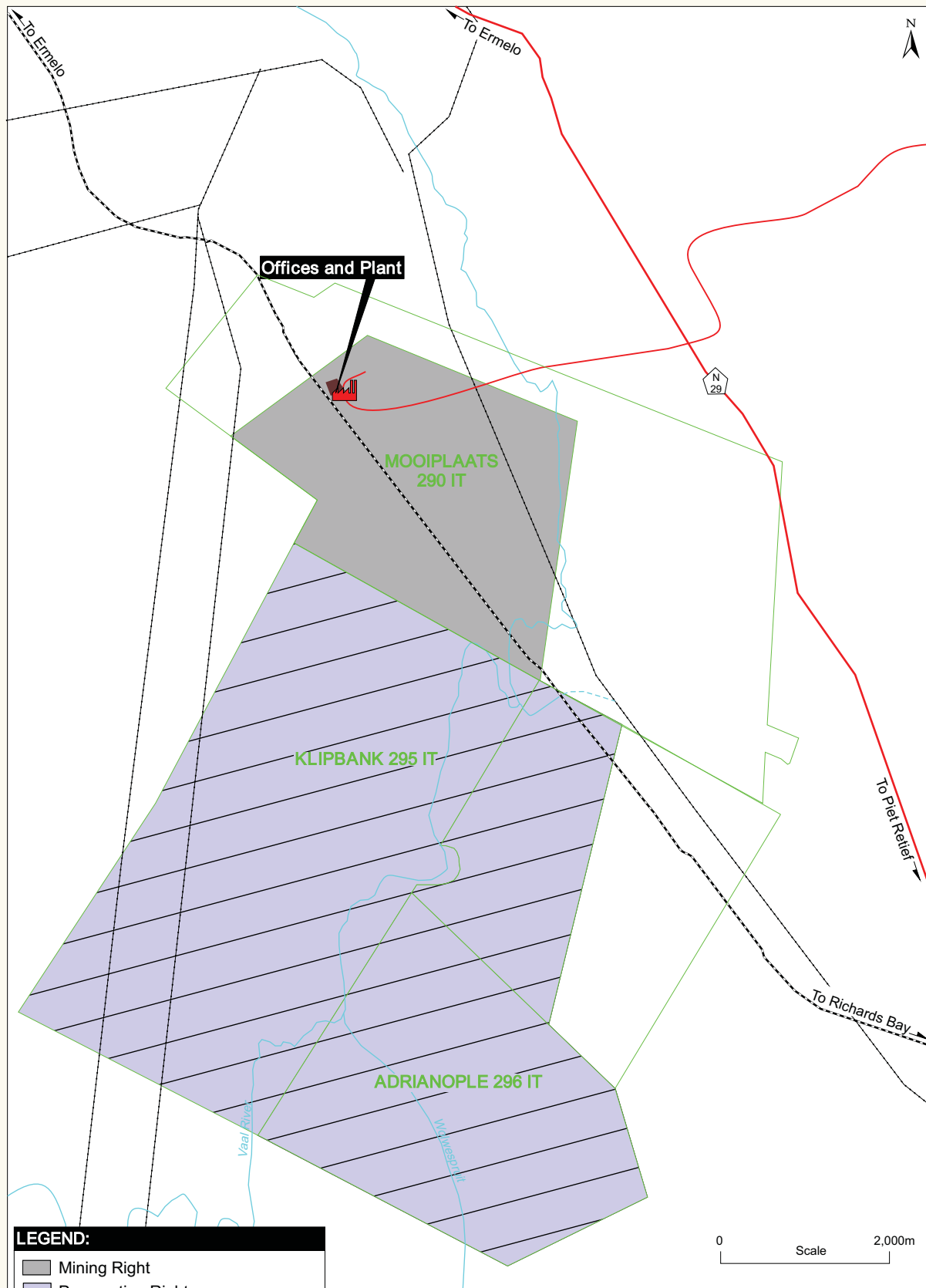


Table 9 : Summary of Ermelo Coalfield Mineral Tenure

COALFIELD	PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE
Ermelo	Mooiplaats Colliery	Adrianople 296IT	1, 2, and RE	1,589.50	Langcarel (Pty) Ltd	Prospecting	MR 30/5/11/2/677 PR (204/2006)	12/10/2006	11/10/2009
		Klipbank 295IT	3 and RE	2,074.90		Prospecting	MP 30/5/11/2/676 PR (203/2006)	2/08/2006	11/10/2009
		Mooiplaats 290IT	1,9	942.19		Mining	MP 30/5/11/2/2/68 MR (MR68)	25/09/2007	24/09/2037
		TOTAL MOOIPLAATS COLLIERY		4,606.59					
	Mooiplaats Prospects	Burfmansvallei 297IT	RE, 2, 5, 8, 10, 13	1,945.86	Langcarel (Pty) Ltd	Prospecting	MP 30/5/11/2/795 PR (795PR)	4/12/2006	3/12/2009
		Klipfontein 442IT	Whole farm	4,100.52			MP 30/5/11/2/1677 PR (1677 PR)	10/04/2008	9/04/2011
		Willemsdal 330IT	2, 3	1,431.24			MP 30/5/11/2/1612 PR (1612 PR)	5/02/2008	4/02/2011
		De Emigratie 327IT	2, 3, 4 and RE	3,727.98			MP 30/5/11/2/1613 PR (1613 PR)	5/02/2008	4/02/2011
	Opgoedenhooop	TOTAL MOOIPLAATS PROSPECTS		11,205.60					
		Opgoedenhooop 205IS	5	573.30	Lumpasa Mining and Exploration (Pty) Ltd	Mining	MP 30/5/11/2/279 MR (279MR)	29/10/2009	28/10/2015
		TOTAL OPGOEDENHOOOP		573.30					
	TOTAL ERMELO COALFIELD			16,385.49					

Note: Applications for renewal have been submitted for expired licences. While the application is being determined, the company is entitled to continue its activities.

13.2.3. Rights

CoAL does not own any surface rights at the Mooiplaats Colliery but has agreements with the various surface rights owners. The surface access is sufficient for all aspects of the mining operation.

13.2.4. Royalties

There are no private royalties payable for the Mooiplaats Project. State royalties, as per the MPRRA (Section 10.3.5), will be payable, however.

13.2.5. Environmental Statutory Requirements

Various pieces of legislation are required to be adhered to in order to mine. Due to the Mooiplaats North Colliery (related to the Mooiplaats NOMR, rather than the Mooiplaats South Colliery, which relates to the extension to the NOMR application, described in Section 13.2.2) being fully operational.

13.2.5.1. National Environmental Management Act (NEMA, Act 107 of 1998)

The Mooiplaats North Colliery has to-date, not obtained any environmental authorisation required in terms of Chapter 5 of NEMA and is expected to adhere to the prescribed process under Chapter 3 of the Regulations promulgated under NEMA. As such, no environmental authorisation of the supporting infrastructure or activities of the currently operational mine have been obtained. In order to remedy this situation, CoAL has compiled and submitted a NEMA Section 24G Rectification Application and paid the administrative fine of ZAR660,000 to the Mpumalanga Department of Economic Development, Environment and Tourism (MDEDET). MDEDET requested CoAL complete a public participation consultation process and submit an EMP.

In addition to costs, timeframes also need to be adjusted to accommodate NEMA public participation and assessment process.

13.2.5.2. National Environmental Management: Waste Act (NEMWA, Act 59 of 2008)

CoAL has been advised by DEA Director: Authorisation and Waste Disposal Management Mr M Tshitangoni that the Mooiplaats North Colliery will not require environmental authorisation or a Waste Management Licence in terms of the Regulations promulgated under the NEMWA Chapter 5.

It is worth noting that the co-disposal facility and associated return water dam are considered mine residues or stockpiles and are regulated under the MPRDA and, as such, are exempt from NEMWA licensing requirements.

13.2.5.3. National Water Act (NWA, Act 36 of 1998)

The Mooiplaats North and South Collieries will also require a Water Use Licence (WUL) and integrated water and waste management plan. It is understood that the WUL Application (WULA) has been completed and submitted to the Department of Water Affairs (DWA) for Mooiplaats North (and incorporating Mooiplaats South) but is not yet approved. Despite the pending WUL, it is understood that the mine is using water as per the registered water uses which require licensing. These water uses include the abstraction of water from the Usutu underground workings, storage of water, discharge of waste water and the disposal of water containing waste.

It is also understood that, if and when the WUL is granted, the DWA will include conditions to be adhered to in order to continue the water uses. WUL conditions usually relate to monitoring of water quantity and quality and require the installation of monitoring equipment, a cost which will be carried by CoAL. Depending on the conditions provided by the DWA, CoAL may need to amend the existing ground and surface water monitoring network to include recommendations made by the DWA for continued monitoring. This may entail the drilling of additional boreholes to be included in the established groundwater monitoring network.

Authorisation is required under the NWA for both Mooiplaats North and the yet to be started Mooiplaats South.

13.2.5.4. MPRDA

CoAL is in possession of an approved NOMR and EMP under the MPRDA for Mooiplaats North only. The EMP was approved on the 25th September 2007. The EMP for Mooiplaats South (which is yet to be commissioned) has been submitted but not yet approved by the DMR.

A commitment made in the approved EMP states that a PCD will be constructed prior to commencement of mining; however, this has yet to be undertaken.

Despite approval of the EMP by the DMR, the inclusion of data from NEMA Section 24G Rectification Application and authorisation of the mine, in terms of the NWA, may result in the need for further amendments to the EMP. An amendment to the EMP will require a Section 102 amendment application. Ministerial consent is required before implementing any change to any Mining Right, Mining Works Programme or EMP. Amendment to the above mentioned documents may also, depending on DMR requirements, require additional I&APs' consultation to inform surface rights owners and other stakeholders of the change to the EMP.

In addition, the inclusion of data from NEMA Section 24G Rectification Application, NWA process, may also require the DMR to amend the provisions set aside for rehabilitation, based on the conclusions of the reports and its inclusion, via the Section 102 process in the EMP. There is no legislated timeframe for the DMR to adjudicate on the inclusion of a Section 102 amendment and timeframes typical associated with a project such as this can be estimated at between three and 12 months. An updated EMP was submitted on the 28th April 2011.

An EMP for Mooiplaats South has been submitted to the DMR for adjudication and the right is yet to be awarded. Data from the applicable NWA authorisations has been included in the document.

13.2.6. Material Contracts

13.2.6.1. Contract Mining

As stipulated in Section 13.8.4, all underground mining prior to the 1st July 2011 was done on a contract basis on behalf of CoAL by BRSW Mining Consulting Services (Pty) Ltd (BRSW).

13.2.6.2. Operational Contracts

LVR Plant (Pty) Ltd

An agreement with LVR Plant (Pty) Ltd (LVR) has been in effect since the 1st April 2011. The scope includes the materials handling and operation of the slurry co-disposal facility, as well as the maintenance of the penstock and penstock walkway and responsibility for the return water from the return water dam to the settling dams less than 1km away. In addition, operation of the discard dump, as well as the supply of all mechanised equipment and operating personnel to carry out all aspects of discard handling, spreading, compaction, cladding and vegetation of the dump will be undertaken by LVR.

Rentworks Africa (Pty) Ltd

Monthly rental of Joy Mining Machinery shuttle cars through Rentworks Africa (Pty) Ltd commenced in June 2010 and will continue until June 2013.

Kwena Mining Projects cc

On the 1st April 2009 Langcarel entered into an agreement with Kwena Mining Projects cc (Kwena) for the operation and maintenance services of the Mooiplaats wash plant operation. The original agreement was due to expire on the 12th March 2012. Kwena's responsibilities include, but are not limited to, the supply of consumables, relevant equipment, spares and personal protective equipment, as well as for the management and control of the wash plant.

13.2.6.3. Offtake Agreements

CoAL has a number of offtake agreements in place with various customers, including Eskom. Venmyn has reviewed these agreements and is comfortable that the contracts are in line with market prices and are with reputable and reliable customers.

13.2.6.4. Utilities

The existing agreement with Eskom for power from the Usutu South Substation to the Mooiplaats Project Area is of a temporary nature. Eskom approved an increase from 1.6MVA to 4.5MVA of temporary supply at a supply voltage of 6.6kV on 18th October 2009.

13.2.6.5. Transport Infrastructure and Logistics**Umlabu Siding**

CoAL is currently making use of the Umlabu siding which is owned by South African Coal Mining Holdings while a private siding at Mooiplaats is under investigation. Wagons are supplied on the line by TFR for railage to TCM – Matola in Maputo, Mozambique.

Matola Terminal

On the 21st August 2008, CoAL exercised its option to participate in the funding of the Phase 3 expansion of the Maputo Terminal in the form of the Maputo Option Fee (MOF). The original option agreement with Grindrod Trading & Shipping Ltd (Grindrod) was signed on the 8th August 2008. The payment of USD20m (~AUD23,3m) guarantees CoAL 1Mtpa throughput capacity for five years with an option to extend the period by a further 15 years, also granting an annual throughput tonnage commensurate with CoAL's financial contribution to the expansion. In this regard, CoAL was entitled to an additional 2Mtpa of throughput capacity as at the end of March 2011, upon payment of the interest free Terminal Development Loan of USD16m (~AUD19,9m) in January 2009. The loan is payable by Grindrod to CoAL over 10 years in equal annual instalments.

13.2.7. Any Other Legal Issues**13.2.7.1. Land Claims**

Mr S Singh, the Acting Regional Land Claims Commissioner for Mpumalanga, in a letter dated the 28th June 2011, has noted that there are no claims lodged, in terms of the Restitution of Land Rights Act 22 of 1994, against any of the CoAL farms listed in Table 9.

13.2.7.2. Litigation**Ferret Mining Environmental Services (Pty) Ltd (Ferret Mining)**

Ferret Mining alleges that the previous owner of Mooiplaats sold 100% of the shares in Mooiplaats Mining to CoAL, however did not have valid ownership of 26% of this share capital as this belonged to Ferret Mining (when it acquired this interest in October 2005). As a consequence Ferret Mining is claiming 26% of the issued share capital of Mooiplaats Mining.

The case could potentially influence the shareholding structure of Mooiplaats Mining, which is the owner of Langcarel – the holder of the NOMR and NOPRs that relate to the Mooiplaats Colliery and the Mooiplaats Prospects.

Motjoli Resources (Pty) Ltd (Motjoli)

Motjoli claims to have had a contract with Mooiplaats Mining (prior to CoAL's acquisition) for a mandate to act as Mooiplaats Mining's mining consultant to assist in obtaining a Section 11 approval and to have successfully completed this mandate.

CoAL claims that it was advised by the previous owner of Mooiplaats Mining that this mandate had been cancelled. Litigation is pending. CoAL's lawyers have responded setting out the above point as a defence and the matter is to proceed to trial in due course.

13.2.7.3. Competing Rights

Vunene Resources (Pty) Ltd (Vunene)

Vunene has a competing NOPR over a 0.3ha portion of portion 1 of Mooiplaats 290IT, which forms part of the Mooiplaats Colliery and over which CoAL, through Langcarel, has a NOMR. Vunene also has a competing NOPR over Klipfontein 442IT, while CoAL, through Langcarel, has a NOPR that forms part of the Mooiplaats Prospects.

Venmyn is advised that the competing right over the 0.3ha portion is immaterial as this area has been mined out. Mooiplaats Prospects are also considered uneconomic to mine (Table 1).

Anker Coal and Mineral Resources (Pty) Ltd (Anker)

An application was made by Anker to declare the NOPR over portion 2 of farm Kilipbank 295IT granted to Langcarel to be null and void or set it aside and directing that the DMR does all that is necessary to have its NOPR over portion 2 of farm Kilipbank 295 IT registered at the MRTD.

The application was brought on ordinary roll on the 2nd November 2010, while CoAL filed its notice of intention to oppose on the 25th November 2010. Answering papers are not yet due because CoAL has 30 days after the Applicant has amended its founding papers following the production of the record or after the Applicant's 10 days to do so have expired. The Registrar has not yet dispatched the record of decision, and on 20th January 2011, Anker delivered its application to compel the DMR to produce the record. Anker subsequently withdrew this application.

CoAL intends applying for a NOMR over portion 2 of the farm Kilipbank 295IT to extend the current mining LoM. Langcarel has already spent a considerable sum on exploration of the NOPR area. Without portion 2 of the farm Kilipbank the future mining of coal on the remaining properties is rendered uneconomic. Langcarel lodged an appeal in terms of section 96(1) of the MPRDA against the decision on the 6th June 2011 to exclude portion 2 of the farm Kilipbank 295 IT from its application for renewal of the NOPR.

13.3. Access

Access to the mine is via 2km of tarred mine road off the tarred N2 national road, 17km south of Ermelo. The N2 is currently being upgraded by the council to mend the damage from extended use by heavy coal trucks.

13.4. Climate

The climatic conditions are generally temperate with cold winter temperatures. The annual temperatures range from a summer average maximum of 25°C to a winter average minimum of 1°C. Precipitation records for Ermelo record an average annual rainfall of 636mm. The precipitation is usually in the form of summer thunderstorms. Mining occurs all year round and the climatic conditions do not prevent mining operations.

13.5. Topography

The mine is situated within the gently undulating hills of the Highveld at an average elevation of 1,670m above mean sea level (amsl).

13.6. Vegetation

The vegetation is characterised by savannah grassland with occasional trees. The surface at Mooiplaats Colliery represents disturbed land and is currently being used for cattle grazing or maize farming.

13.7. Local Resources

The Ermelo area has a long history of coal mining and therefore both skilled and unskilled labour is readily available from this town and the surrounding towns. Ermelo is a large town that has significant infrastructure and services including a police station, a number of schools and a hospital.

13.8. Infrastructure

The Mooiplaats Colliery is well situated with respect to infrastructure (Figure 13). The Mooiplaats Colliery site plan is presented in Figure 14.

13.8.1. Water

Water is currently obtained from boreholes sourcing water from the neighbouring and defunct underground Usutu Colliery. A total of six percussion boreholes have been drilled for water supply purposes. A significant portion of the process water is recycled to minimise the operation's water requirements. CoAL is also in discussion with Eskom over water use.

13.8.2. Power

Power is sourced from the Eskom grid. The Colliery's peak power demand is 8.5MW.

13.8.3. Accommodation and Offices

No accommodation is provided on site. The Colliery utilises newly built offices, laboratory, workshops, stores and change houses located on site (Figure 14).

13.8.4. Mining and Plant Equipment

Mooiplaats Colliery owns all major mining equipment but has historically utilised a contractor, BRSW, to carry out the underground mining operations. As of the 1st July 2011, the mine moved to an owner operated mine. The major mining equipment includes the following items, which are divided into five mining sections:-

- five continuous miners (CMs);
- 13 shuttle cars; and
- five roof bolters.

The Mooiplaats Colliery owns and operates the following processing plant equipment, supplied by Portoclone Mineral Recovery cc (Portoclone):-

- 400tph crushing and screening plant;
- 2x200tph dense medium separation (DMS) and 40tph spiral plant to produce a primary export product; and
- 1x120tph DMS plant to produce a secondary Eskom product.

The mine also has a coal laboratory present on site. This equipment is owned and operated by Inspectorate M&L (Inspectorate).

13.8.5. Security

The mine site is fenced and access is controlled at a boom gate by a security company, ACSU. The gate is staffed 24 hour per day. There is also 24-hour-per-day site patrolling and 24-hour-per-day shaft access staffing.

13.8.6. Roads

Mooiplaats has built a tarred road from the N2 to the mine site. All roads in and around the mine and plant are gravel roads. All roads are well maintained by the Colliery.

13.8.7. Co-disposal Facilities and Associated Dams

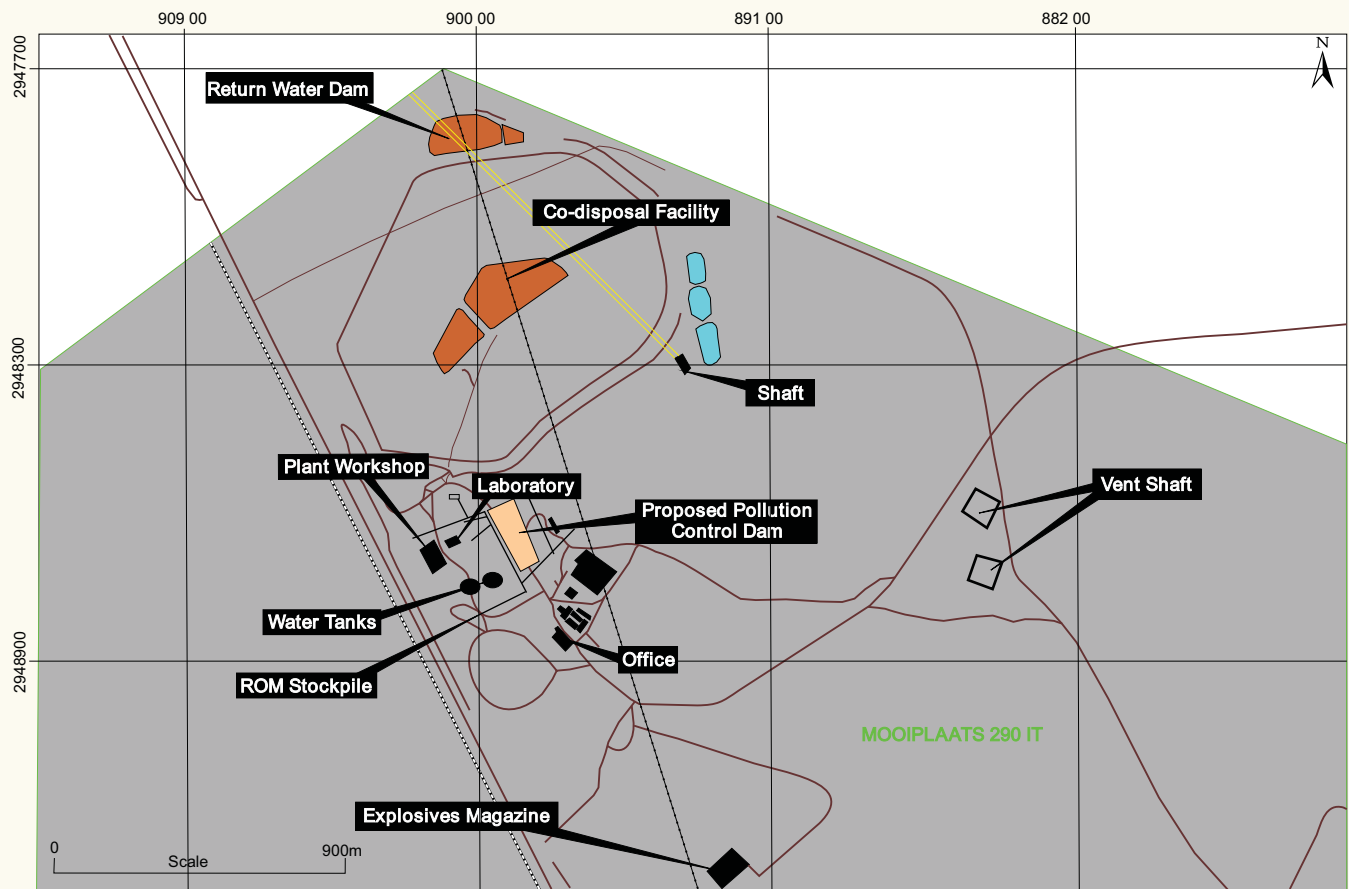
The current co-disposal and waste disposal facilities employed at Mooiplaats North Colliery are shown in Figure 14. Mooiplaats South will utilise the same co-disposal and waste disposal infrastructure as Mooiplaats North, once approved. Mooiplaats North currently utilises three settling/storage dams as well as a co-disposal facility and associated return water dam.

13.8.7.1. Settling/Storage Dams

The three settling/storage dams are used for the collection and settling of water pumped from underground workings and the Usutu boreholes. Water collected from the sump constructed at the office area is also pumped into the settling dams. The dams are adequately sized for the water capacities stored and pumped to the Erickson dams at the boxcut and at the wash plant for use as process water.

No purchase agreement with Usutu is in place for the water abstracted. Venmyn recommends that a formal agreement with Usutu should be put in place. Venmyn is advised by CoAL, that the need for this will be ameliorated to the extent that CoAL's negotiations with Eskom regarding water use are successful.

MOOIPLAATS COLLIERY SITE PLAN



LEGEND:

- Power Line
- Railway Line
- Mining Boundary
- Dirt Road
- Slimes Dam
- Mining Right
- Buildings
- Water Dams

MOOIPLAATS PLANT



13.8.7.1. Co-Disposal Facility and Associated Return Water Dam

The co-disposal facility is equipped with one return water dam used to collect contaminated surface water run-off from the facility. Water collected is pumped to the settling/storage dams for re-use in the wash plant. The facility is not lined and instead utilises a herring bone design to collect dirty water in the return water dam.

The washing plant is presently producing more slurry than initially planned and, as a result, the co-disposal facility's design is being amended to accommodate the increase of slurry produced by the washing plant.

13.8.7.2. Pollution Control Dam (PCD)

No PCD is present at Mooiplaats to contain and store excess surface water run-off on site and, as a result, waste water is being collected and stored in several temporary unlined sumps. Continuous communication between DWA and MDEDET is taking place, with meetings on a quarterly basis, and they are aware of the temporary situation that has been put in place pending the approval of the PCD.

CoAL has plans to construct a PCD with a capacity of 24,000m³ including two sumps. A contract for its construction has been awarded and pending approval by the DWA construction of the facility will commence. CoAL is actively attempting to expedite the approval.

13.9. Regional Geological Setting

The Ermelo Coalfield (formerly known as the Eastern Transvaal Coalfield) is located between the Carolina and Dirkiesdorp districts of Hendrina, Breyten, Davel, Ermelo and Morgenzon in the Mpumalanga Province of South Africa. It is bounded by the Witbank, Highveld, Klip River and Utrecht Coalfields in the northwest, west, southwest and south, respectively (Figure 15). Coal occurs as five distinct seams in the Coalfield namely the A, B, C, D and E seams (Figure 16). The mining potential of these seams varies considerably by the position in the Coalfield, albeit the C seam is the most prospective.

The seams are generally flat lying with a gentle dip to the southwest. Major faulting occurs in the area and increases in a southerly direction with displacements of as much as 250m. These faults are commonly associated with dolerite intrusions. Dykes are common throughout the Coalfield and the frequency of sills increases southwards. Dolerite sills displace the coal seams causing structural complications and also cause devolatilisation of the coal (destruction of quality).

The coal of the Ermelo Coalfield, while variable in quality, is generally bituminous; the following air-dried raw quality parameters apply, including CV of 24MJ/kg, 23% ash, 26% volatiles, 3% inherent moisture, 48% fixed carbon and 1.2% sulphur.

13.10. Local Geological Setting

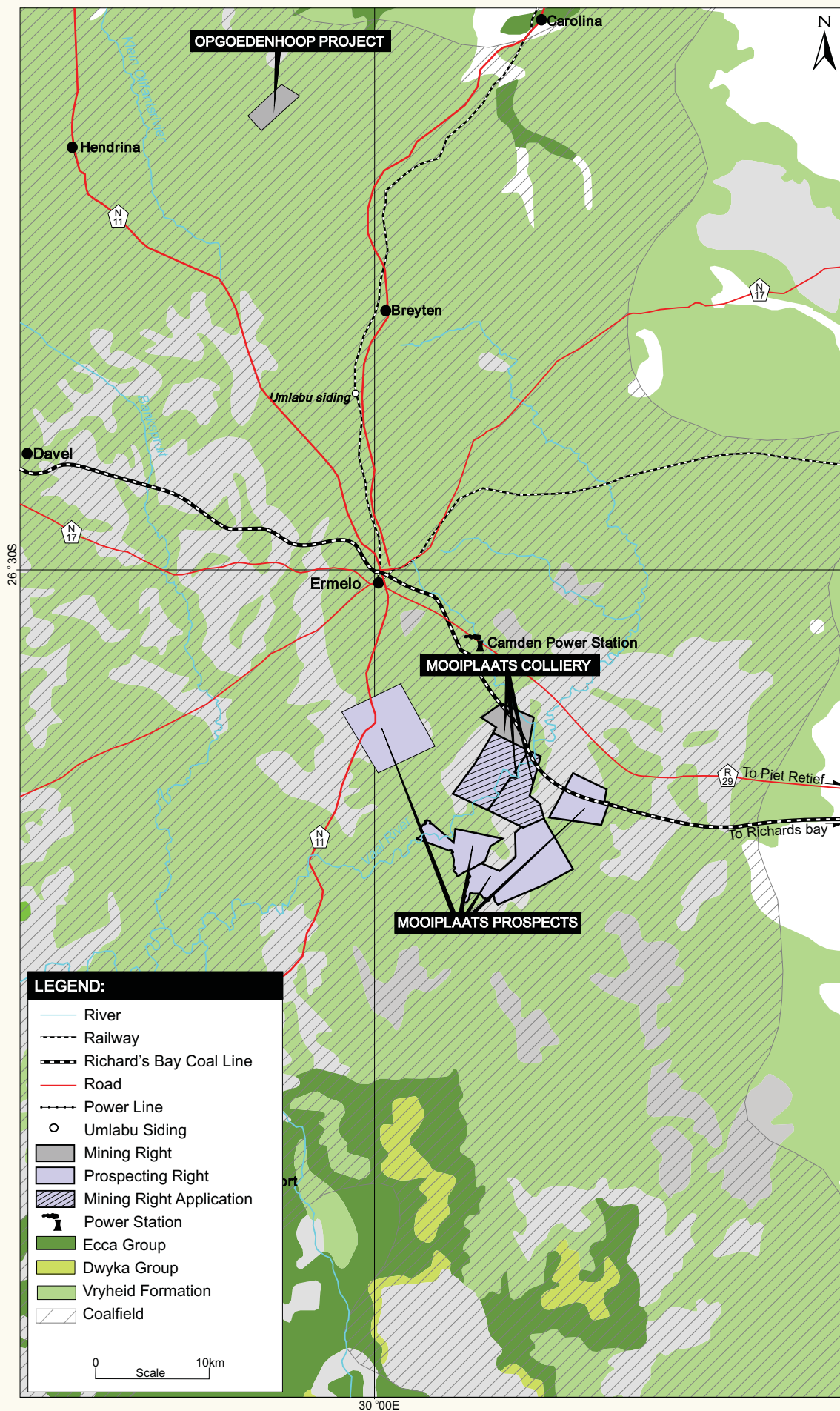
All five major coal seams are present within the Mooiplaats Colliery area. However, due to either limited thickness, or the unattractive quality the A, C, D and E Seams, are not considered to be of economic significance.

The B Seam, in the section of the Ermelo Coalfield relevant to the Mooiplaats operations, can be split into Upper and Lower sub-seams. The B Upper Seam represents the primary mining target while the B Lower Seam is too thin to warrant serious consideration for underground exploitation. Similarly, the C Seam exhibits a split into Upper and Lower sub-seams but, due to limited thickness, neither can be considered realistic mining targets. Although the C Upper Seam was previously mined at the neighbouring Usutu Colliery, the seam thickness is usually less than 1m in the Mooiplaats Colliery area.

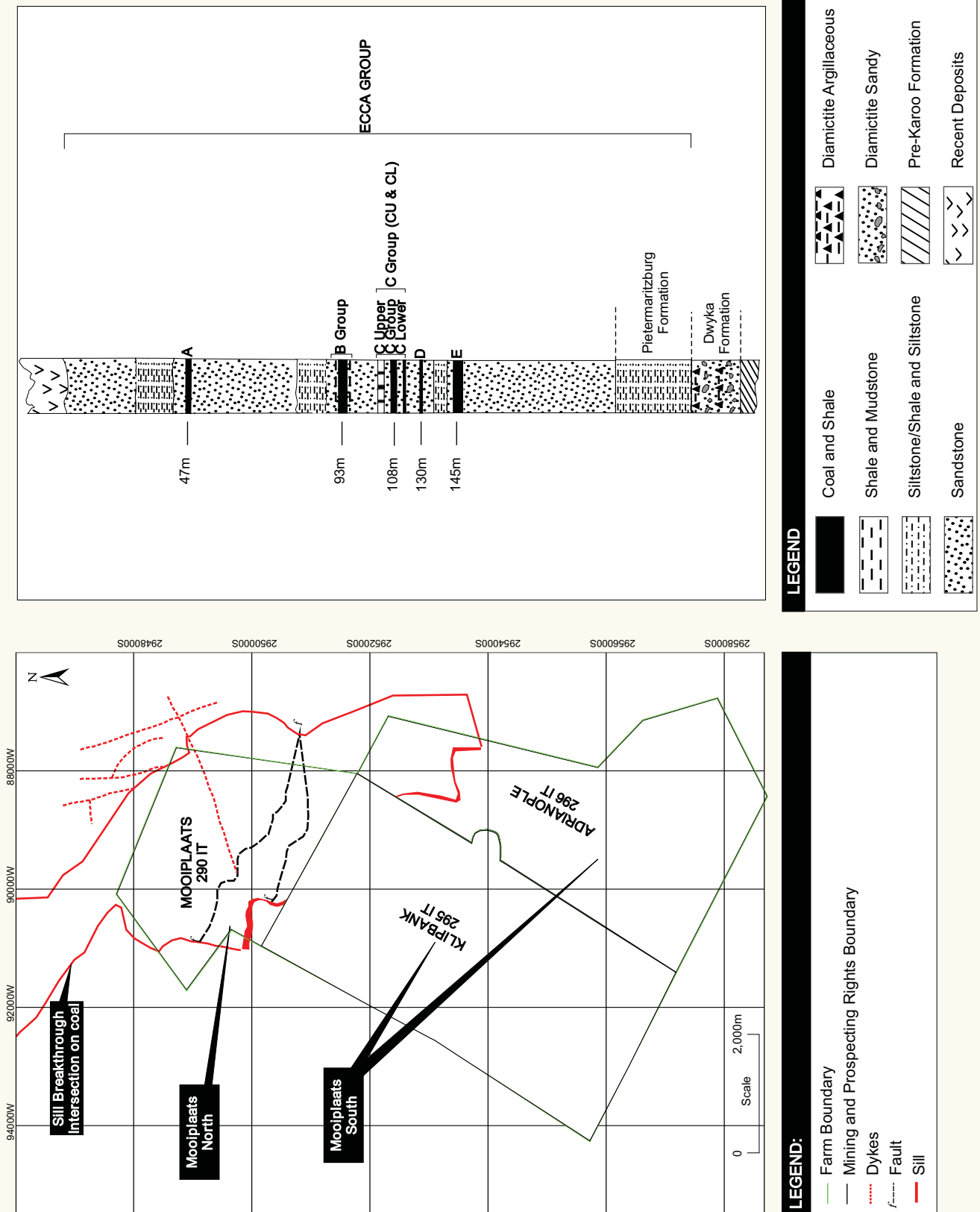
The B Upper Seam ranges from a few centimetres in thickness to more than 3m with an average thickness of about 1.5m. Below-average thickness is usually the result of seam shrinkage due to devolatilisation or burning. The B Upper Seam coal usually comprises inter-banded dull and bright coal with occasional shaley partings. The seam is undulatory in nature and, although dips are generally less than 2°, they may steepen in localised areas. Anomalous, abrupt changes in the elevation of the Seam have been attributed to sill breakthroughs with resultant displacement, or have been interpreted as dislocations through faulting.

A number of dolerite sills have been intersected in boreholes. The sills are, for the most part, concordant but may transgress to differing stratigraphic levels, resulting in displacement of the coal seams. At the point of transgression, the sills usually adopt a dyke-like attitude and coal occurring within the metamorphic aureole either side of the intrusion is invariably burnt. Coal seams occurring in proximity above and below concordant sills are also devolatilised to varying degrees. Depending on the spatial relationships of the seams to the sills, the effects of heat may produce coals with characteristics ranging from lean, through anthracitic to burnt. A number of dolerite dykes have also been recorded in outcrop, boreholes and mine workings. The frequency of dykes is currently unknown.

REGIONAL GEOLOGICAL MAP FOR THE ERMELO COALFIELD



LOCAL GEOLOGICAL MAP AND TYPICAL STRATIGRAPHIC COLUMN FOR MOOIPLAATS COLLIERY



13.11. Historical Ownership

The historical ownership and associated activities related to the Mooiplaats Colliery is shown in Table 10.

Table 10: Summary of Historical Ownership and Activities

DATE	COMPANY	ACTIVITY
1990s	Index Mining and Management (Pty) Ltd. (Index)	Held Old Order Mining Right. Commenced mining of boxcut on Mooiplaats 290IT to provide access to underground Coal Resources.
	Century Carbon	Acquired Index.
2001	Mining Ltd.	Company delisted and liquidated prior to completion of boxcut.
2006	Langcarel	Granted NOPR over various properties in area.
		NOMR granted over Mooiplaats 290IT, excluding portions relating to railway servitude.
2007	CoAL / Mooiplaats Mining.	Acquired Langcarel.
		Acquired by GVM Metals Ltd (GVM), which was later renamed CoAL.
	SRK Consulting (South Africa) (Pty) Ltd (SRK)	Supervised CoAL's 2007 Prospecting campaign.
2008		Prepared "Independent Review and Coal Resource Estimate for the Mooiplaats Project" based upon the results of 2007 Prospecting campaign.
	CoAL	Commenced underground production.
		Coal stockpiled at Mooiplaats.
2009	Langcarel	Application for extension of NOMR to include portions of Klipbank 295IT and Adrianople 296IT.
	CoAL	Washing plant commissioned.
2010	The Mineral Corporation (TMC)	Prepared "Mineral Experts Report on the Coal Resources of the Vele, Mooiplaats and Makhado Coal Projects in South Africa".

13.12. Historical Exploration and Mining

Prior to CoAL's involvement and acquisition of Mooiplaats Colliery, historical drilling was undertaken in and around Mooiplaats dating back to 1965. The majority of the drilling in the area, however, was carried out by Goldfields Mining and Development Ltd and Ingwe during the 1970s and 1980s.

A total of 944 boreholes were drilled adjacent to and to the north and east of Mooiplaats Colliery at the now defunct and mined out Usutu Colliery.

The historical borehole database was obtained by CoAL in electronic format from Ingwe via Optimum Coal Holdings (OPH). The exploration is summarised in Table 11 and the location of those boreholes directly adjacent to Mooiplaats is indicated on Figure 17.

These exploration boreholes were drilled by large mining companies for their own purposes using standard drilling, logging and sampling protocols. Therefore, these results are expected to be reliable. In addition, the database was verified by CoAL, using standard verification methods in the database and modelling software. No original logs were obtained from OPH. All these boreholes are utilised in the current geological model for Mooiplaats.

According to the history of the project, a boxcut was commenced in 2000 to access the underground Coal Resources but never completed. Therefore, no historical mining took place on the property prior to NuCoal's (now CoAL's) involvement in the project.

The C Seam was mined using underground methods at the Usutu Colliery between the early 1960s and 1988. A large geological fault separates the Usutu Colliery from the Mooiplaats Colliery.

13.13. Recent Exploration

Extensive exploration has been carried out at Mooiplaats since CoAL became involved in the project in 2007. A total of 581 boreholes have been drilled using either percussion or diamond drilling techniques in and around Mooiplaats Colliery. The summary of the exploration by company and drilling method is presented in Table 11, whilst the location of the recent boreholes is indicated on Figure 17. All diamond drilling programmes were carried out with the purpose of defining Measured Coal Resources and, as a result, the collar positions were generally located less than 250m apart.

13.13.1. Remote or Geophysical Exploration

According to The Mineral Corporation (TMC) report (2010), a remote geophysical survey was carried out at Mooiplaats Colliery along the planned line of primary underground development. The purpose of the survey was to identify any faults (using ground resistivity) and dykes (using electromagnetics) which had not been previously identified during the various drilling programmes. Unfortunately, the survey was unsuccessful as the results were adversely affected by the proximity of 220kV powerlines from the Camden Power Station and waterlogged ground at the time of the survey. A single feature was, however, identified and this was correlated with a feature identified in an existing borehole. A digital terrain model was flown in 2008 by Premier Mapping for environmental and 3D orebody modelling purposes.

13.13.2. Surveying Methods

According to the TMC report (2010), the exploration borehole positions were surveyed by Tradestuff Survey cc based in Witbank. Mr G Naidoo (Pr.Sci.Nat.), the CoAL responsible geologist, stated that, post 2009, borehole collar surveys were carried out by a PLATO registered surveyor from ESS Survey using a Leica total station surveying instrument. Although TMC has not independently verified the survey data with the original certificates, TMC did check the collar elevations with the topographic digital terrain model and found them to be correct.

CoAL is currently utilising the services of ESS Survey for all mining and site related survey tasks at the Mooiplaats Colliery.

13.13.3. Diamond Drilling

A series of three diamond drilling campaigns have been carried out at Mooiplaats Colliery between 2007 and 2011. All drilling has been undertaken at closely spaced grids with the purpose of delineating Measured Coal Resources.

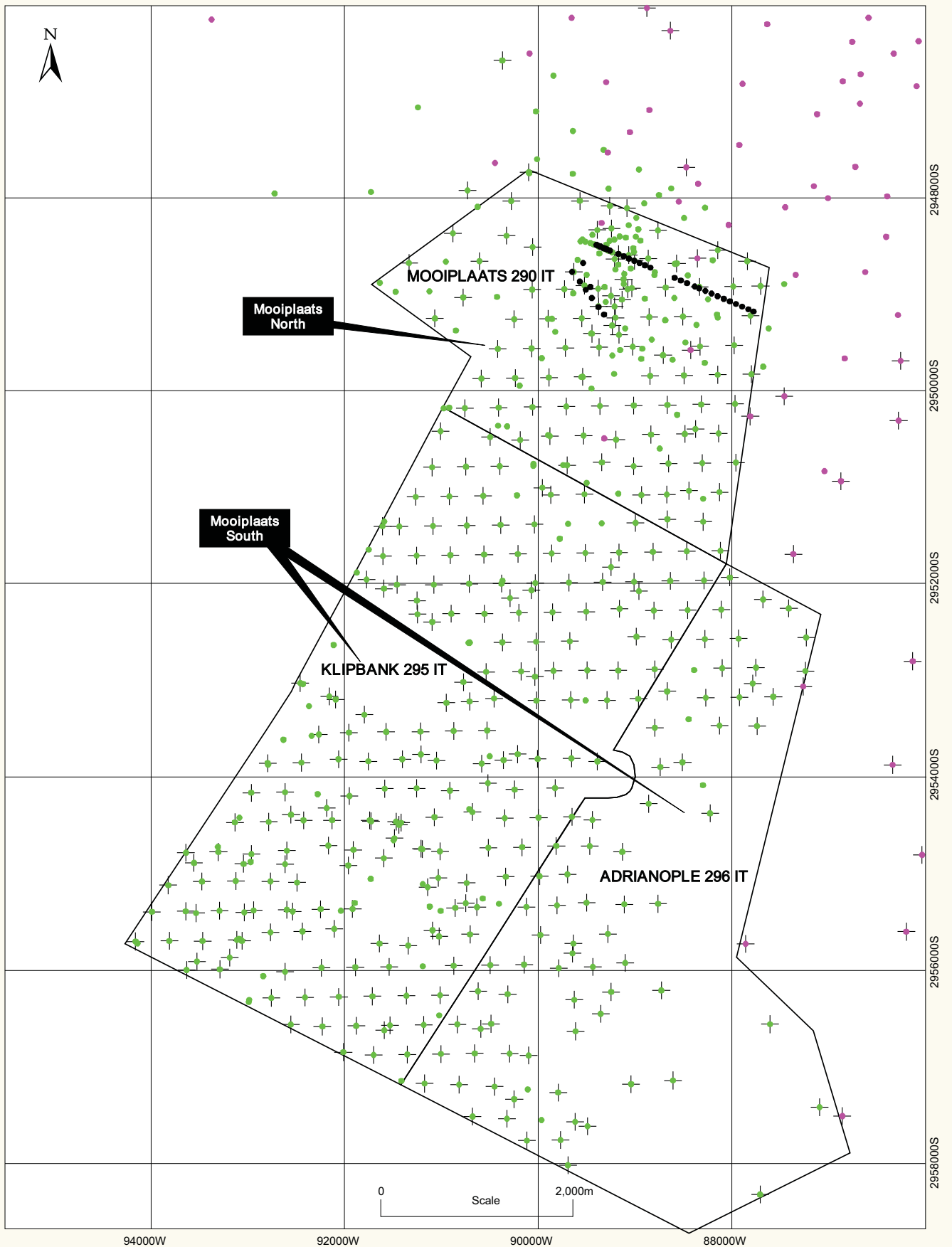
The 2007 prospecting campaign included the drilling of 446 holes. The drilling was carried out by CoAL in consultation with SRK Consulting (South Africa) (Pty) Ltd (SRK). The location of the boreholes is graphically presented in Figure 17. The drilling and sampling was supervised by Mr G van Heerden (Pr.Sci.Nat.), of SRK, and the CoAL responsible geologist was Mr R Boshomane. SRK conducted routine site visits during the exploration programme to inspect logging and sampling standards and procedures. SRK concluded that the data was properly acquired and stored. The culmination of the 2007 prospecting campaign was the preparation of an independent 3D geological model of Mooiplaats Colliery and associated SAMREC compliant Coal Resource Statement.

The following exploration programme was carried out for CoAL by Badger Mining (Pty) Ltd (Badger Mining), under the direction of Mr P Cochran, between November 2007 and November 2008. A total of 55 holes were drilled. Mr Boshomane was again the CoAL geologist responsible for the drilling and sampling.

Table 11 : Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	LABORATORY FOR QUALITY	USED IN MODEL
Pre 2007	Ingwe GFSA	Usutu Colliery & Mooiplaats 290IT	Early exploration & for Usutu Colliery	Unknown, possibly in house.	Unknown, possibly in house.	Diamond core	TNW, NQ	Various, in house	944	No	All	Quality available, laboratory not reported.	Yes
2007	CoAL. Supervised by SRK.	Mooiplaats 290IT, Klipbank 295IT, Adrianople 296IT	For Measured Resource delineation at 200m grid spacing.	Tradestuff Survey cc	Afrimansi	Diamond core	NQ	R Boshomane	446	No	All	Mdlabs	Yes
2008	Badger Mining for CoAL					Diamond core	TNW, NQ	R Boshomane	55	No	B Upper	Mdlabs	Yes
2009	CoAL	Mooiplaats 290IT	Confirmation along lines of primary mine development.		Lesiti Drilling	Percussion		G Naidoo	37	Yes	All	-	Yes
2010 - 2011	CoAL	Mooiplaats 290IT, Klipbank 295IT, Adrianople 296IT	For Measured Resource delineation at 200m grid spacing.	ESS Survey	Afrimansi, Dyna D & Lesiti Drilling	Diamond core	TNW, NQ	G Naidoo, G Gemmel	43	Yes	All	SABS Wilge & Inspectorate	Yes
TOTAL									1,525				

MOOIPLAATS COLLIERY - LOCATION OF BOREHOLES



LEGEND:

- Pre 2007 Diamond Boreholes
- Post 2007 Boreholes
- + Boreholes with quality data
- Percussion Borehole
- Mining and Prospecting Rights Boundary

During this exercise, all the previous drilling by SRK was renamed using the latest borehole nomenclature (MP prefix and consecutive borehole number) and verified by Badger Mining.

The most recent diamond drilling programme was carried out by CoAL, under the supervision of its coal geologists, Mr G Naidoo (Pr.Sci.Nat.) or Mr G Gemmel (Pr.Sci.Nat.). The drilling and sampling were carried out using CoAL's standard logging and sampling protocols. Venmyn has not independently witnessed the drilling and sampling protocols as no exploration drilling is currently taking place. However, Venmyn is confident that the drilling was carried out to the required standard as the daily programmes have been independently supervised or verified by other reputable consulting companies.

13.13.3.1. Drilling

According to the TMC report (2010), prior to 2009, drilling was undertaken by Drillcon (Pty) Ltd. Post 2009, drilling has been carried out by Afrimansi, Dyna D and Lesiti Drilling.

No information is available on the types of drill rigs used by the various drilling contractors. As stated previously, the drilling was supervised by a qualified geologist. All drilling was carried out using NQ or TNW diamond drill bits to produce cores with diameters of 48mm and 60mm, respectively.

SRK noted that 100% core recovery was achieved in competent strata. Mr G Naidoo (Pr.Sci.Nat.) stated that the 2009 and 2010 drilling campaigns achieved 95% core recovery in coal, which satisfied the minimum requirements of JORC. No records of core recovery rates were provided to Venmyn for reporting purposes. However, the use of wireline logging has ensured that accurate coal depths and thicknesses are measured, irrespective of the core recovery statistics provided by the drilling company.

No reference to the presentation of the core by the drillers was discussed in previous reports.

13.13.3.2. Logging

Pre 2009, all cores were logged by the supervising geologist, Mr R Boshomane. These drill cores were not split before logging. According to CoAL and the TMC report (2010), Mr R Boshomane was suitably experienced to carry out the logging process. Independent verification of borehole logs with the actual cores was carried out by SRK during its site inspections of the 2007 prospecting campaign. SRK concluded that the standard of logging was sufficient to support geological modelling and Coal Resource estimation.

According to the TMC report (2010), post 2009, all cores were split lengthwise prior to logging. All boreholes were logged by Mr G Naidoo (Pr.Sci.Nat.), or later by Mr G Gemmel (Pr.Sci.Nat.), who are sufficiently experienced in coal exploration.

All core was logged on to handwritten standard logging sheets by the geologist using standard logging codes. All logs also include a detailed log of each of the coal seams present. Thereafter, the handwritten logs were converted into either MS Excel™ logs (pre 2009) or Sable database logs (post 2009) by the geologist. The logging sheet typically included information on the following:-

- date of drilling;
- geologist;
- surveyor;
- borehole number;
- collar coordinates;
- depths from and to;
- lithology;
- raw laboratory results; and
- laboratory washability results.

No photographic records of the cores are available.

13.13.3.3. Sampling Method

According to CoAL and the TMC report (2010), sampling was carried out by the supervising geologist. A single sample was taken of the entire thickness of the core pertaining to a particular seam. All coal greater than 0.30m was typically sampled. However, during the 2007 exploration programme, only the B Upper seam was sampled. No burnt coal was sampled.

All samples were bagged, labelled (one inside and one outside bag) and sealed. The samples were transported to the laboratory as soon as possible.

13.13.4. Percussion or Open Hole Drilling

A total of 37 percussion or open hole boreholes were drilled at Mooiplaats Colliery during 2009 along the planned northern and southern lines of primary underground development. In addition, three percussion boreholes were drilled for water supply purposes. The location of the boreholes is graphically presented in Figure 17.

13.13.4.1. Drilling

The purpose of these closely spaced boreholes was to increase geological confidence in the area of primary underground development. This would ensure that no unidentified geological features were encountered during development that would have an impact on the mining development schedule or budgeted costs. Percussion drilling was used as it is a cost and time effective method of drilling. The percussion drilling was carried out by Lesiti Drilling.

13.13.4.2. Logging

No geological logging was carried out on the percussion chips produced by the open hole drilling. Wireline logging was carried out on the percussion holes as discussed in Section 13.13.5.

13.13.4.3. Sampling Method

No samples were taken of the coal chips produced through the open hole drilling.

13.13.5. Down the Hole Geophysics / Wireline Logging

Wireline logging is a cost and time effective tool to accurately measure the depth of coal intersections and to provide an indication of coal quality. It has been successfully used across South Africa as a tool to assist with seam correlations and sampling, especially in the Waterberg Coalfield, where coal is difficult to correlate due to interlamination with mudstones.

Since the 2000s, wireline logging is routinely carried out on both diamond and percussion holes across South Africa's coalfields.

During the 2009 drilling campaign, wireline logging was carried out by Geoline Services using gamma-gamma, density and calliper tools. During 2010, the wireline logging was contracted to Weatherford UK Limited (Weatherford), which utilised a combination of gamma-gamma, density, neutron, resistivity, acoustic televiwer, magnetic susceptibility and sonic tools. All results were reconciled with the geological logs to verify the accuracy of the driller's measurements on coal depths.

Wireline logging was also carried out on the 37 percussion holes. These holes were also geophysically logged by Geoline Services. Although CoAL has advised Venmyn that wireline logging was carried out at Mooiplaats, Venmyn has not had sight of the logs.

13.13.6. Bulk Sampling

No bulk sampling was carried out at Mooiplaats Colliery.

13.13.7. Laboratory Analyses

The pre 2009 samples were submitted to Midlab cc (Midlabs) in Middelburg, Mpumalanga Province, for analysis. Midlabs has a reasonable reputation in the coal industry and actively participates in round robin exercises. The post 2009 borehole samples were sent to the South African Bureau of Standards (SABS) Wilge Laboratory, Mpumalanga Province.

Midlabs has been contracted to do all on-site ash control, train sampling and analysis, as well as sampling for the Eskom stockpile at the Mooiplaats Colliery. Midlab has SANAS accreditation under accreditation number T0461 for the following tests and analyses:-

- coal sampling;
- sample preparation;
- proximate analysis
- calorific value;
- total sulphur;
- phosphorous content;
- Hardgrove index;
- abrasive index;
- total moisture;
- relative and bulk density;
- washability analysis;
- sizing analysis; and
- magnetite analysis.

Midlabs makes use of third-party facilities when additional test and analyses are required.

Since 2011, coal samples were sent to Inspectorate in Middelburg, Mpumalanga. Inspectorate is accredited with SANAS (Accreditation No. T0313) and International Standards Organisation (ISO) ISO/IEC 17025:2005 accreditation until 30th June 2011. Venmyn has viewed its accreditation certificate.

13.13.7.1. Sample Preparation and Analysis

The ISO and South African National Standard (SANS) has a standard set of tests and methods that are used for coal analyses by South African laboratories. The standard method of coal sample preparation is summarised as follows:-

- receipt of the sample into the laboratory's electronic information management and sample tracking system;
- all coking coal samples are refrigerated at between 0°C - 6°C upon receipt;
- drying of sample. All drying oven temperatures do not exceed 40°C;
- measuring mass of sample;
- determining the relative density of the sample;
- crushing the sample to -25mm;
- screening out of the -0.5mm fraction for proximate, CV and total sulphur analysis;
- pulverising the -25mm+0.5mm sample;
- pulverised material split using a rotary splitter;
- carrying out the raw proximate, CV and total sulphur analysis;
- washing the -25mm+0.5mm fraction at client specified relative densities, usually at relative density intervals of 0.05 between 1.35 and 1.75, plus the sink fraction;
- drying and weighing each fraction;
- crushing and pulverising each fraction;
- conditioning each sample for one hour;
- carrying out the raw proximate, CV and total sulphur analysis for each fraction;
- automatically generating an electronic laboratory report which is emailed to the client;

- an official signed laboratory certificate reporting on the fractional and cumulative results is delivered to the client; and
- storing all excess sample material under refrigeration as per the client's requests.

The standard tests utilised by South African coal laboratories, in particular those of Inspectorate, are listed in Table 12, with those tests carried out on Mooiplaats Colliery's exploration samples indicated in the relevant column. The majority of the tests have ISO methods that are used. Where no ISO methods are available, then the SANS method is used. In-house methods are only employed if the method has been validated against an international methodology.

13.13.7.2. Security

All samples are sealed after bagging at the drilling site and delivered to the laboratory as soon as practically possible. Upon arrival at the laboratory, the laboratory accepts responsibility for them. All samples are securely stored in an air tight container.

13.13.7.3. QA/QC

Laboratories are required to calibrate their coal analytical equipment daily and are also required to partake in round robin proficiency tests to ensure a high standard of results. All result reports are verified by the laboratory manager and any inconsistencies or variations about the laboratory's specifications are reanalysed. CoAL has specifically requested that the laboratories plot ash versus CV curves for all samples. Any samples with a correlation coefficient of less than 0.90 are reanalysed. Inspectorate specifically undertakes the following to ensure the accuracy of its results:-

- 25% of samples are analysed in duplicate, and any samples are reanalysed if their results are not within acceptable repeatable limits;
- partakes in monthly and quarterly external proficiency tests;
- partakes in monthly internal round robin tests;
- a certified reference material is tested every shift and the results evaluated;
- a hidden duplicate is inserted in every batch of ten samples;
- one in every 20 samples is screened at 212microns to confirm that the oversize is less than 95%; and
- records of validation method are available for scrutiny.

SRK raised a concern in its 2008 report regarding the Midlabs results for the 2007 prospecting campaign. SRK plotted regression curves between ash and CV and found that the regression was 0.86 (less than the 0.90 minimum). The graph also indicated that three distinct populations existed within the various sample batches submitted. As a result, SRK has advised caution with respect to the CV results of these samples. Post the SRK report, no further exploration samples were submitted to Midlabs.

Although the CV results were noted as potentially being erroneous, these have been included in the database for modelling purposes. CV results from subsequent sampling campaigns have provided evidence that the potentially erroneous 2007 CV figures were not materially different to the subsequent results and were therefore acceptable to be used for modelling purposes.

Table 12 : Tests and Standards Performed by Laboratories on Coal Samples

TEST / REQUIREMENT	DETAIL	STANDARDS / TEST METHOD	MOOIPLAATS COLLIERY	VUNA COLLIERY	VELE COLLIERY	MACHADO VOORBURG	MOUNT STUART	JUTLAND
Sample Preparation		ISO 13909-4 / ISO 18283	✓	✓	✓	✓	✓	✓
Ash Content		ISO 1171	✓	✓	✓	✓	✓	✓
Volatile Matter		ISO 562	✓	✓	✓			✓
Fixed Carbon		By Difference	✓	✓				
Total Moisture		ISO 589	✓	✓	✓	✓		✓
Calorific Value (Sulphur Corrected)		ISO 1928	✓	✓	✓	✓	✓	✓
Ash Fusion Temperature (AFT)		ISO 540				✓	✓	
Total Sulphur		ASTM D4239	✓	✓	✓	✓	✓	✓
Ultimate	Carbon	ASTM D5373 / ISO 609				✓	✓	
	Hydrogen	ASTM D5373 / ISO 609				✓	✓	
	Nitrogen	ASTM D5373				✓	✓	
	Oxygen	By Difference				✓	✓	
Forms of Sulphur	Pyritic Sulphur	ASTM D2492				✓	✓	
	Sulphate Sulphur	ASTM D2492				✓	✓	
	Organic Sulphur	By Difference				✓	✓	
		ASTM D4208				✓	✓	
Chlorine		ASTM D409				✓	✓	
Hardgrove Grindability Index								
Crucible Swelling Number		ISO 501	✓	✓	✓	✓	✓	✓
Roga Index		ISO 335			✓	✓	✓	✓
Apparent Relative Density		Water Displacement / ISO 1014 / AS 1038.26 - 2005	✓	✓	✓	✓	✓	✓
Float and Sink (Washability)		ISO 7936	✓	✓	✓			✓
Gray King Test		ISO 502				✓	✓	
Relative Density (By Bottle)		AS 1034.21.1.1						
Preparation of Sample for Petrographic analysis		ISO 7404-2				✓	✓	
Maceral analysis		ISO 7404-3						
Random Vitrinite reflectance		ISO 7404-5			✓	✓	✓	✓
Microolithotype and Carbo minerite analysis		ISO 7404-4						
CRI (Coke Reactivity Index)		ISO 18894				✓		
CSR (Coke Strength after Reaction)		ISO 18894				✓		
Ruhr Dilatometer Test		SANS 6072						
Audibert-Arnu Dilatometer Test		ISO 349:1975				✓	✓	
Gieseler Fluidity Plastometry		ISO 10329				✓	✓	
Moisture Holding Capacity		ISO 1018:1975						
Proximate Analysis		ISO 17246:2010				✓	✓	

13.13.8. Data Management

13.13.8.1. Data Acquisition and Validation

All borehole collar and lithology information as well as the laboratory results are currently housed within an Access database.

All historical exploration results are included in this database and are identified accordingly. This information was originally obtained in electronic database format and previously verified by CoAL.

All MS Excel™ logs were captured into an MS Excel™ database at the time of drilling and verified by the responsible geologist. This data was imported into the current Access database.

During SRK's orebody modelling in 2008, the company prepared a database of the 2007 drilling and sampling results for its purposes. This data is included in the current Access database.

All the Sable logs from the post 2009 drilling programmes were exported directly into Access. The Sable software has a series of automatic verification procedures including checking for physical data including overlapping intervals and missing intervals, etc. Sable also undertakes automatic quality verifications including increasing cumulative ash values, decreasing cumulative volatile values and totalling proximate analyses to 100%, etc. Any errors identified by Sable are investigated by the responsible geologist. All boreholes are presented graphically as well as plotted on plans for additional verification by the responsible geologist.

All laboratory results and certificates were provided in electronic format, as MS Excel™ sheets. These were imported directly into the Access database. Although concern was raised regarding the 2007 Midlabs results by SRK, these have been included in the database. Comparisons with subsequent drilling and sampling results have indicated that the differences are not material and have therefore been accepted for modelling purposes.

The percussion holes are also included in the database and are identified as such. Only coal seam depth information is available for the percussion holes.

During the preparation of TMC's Coal Resource Statement for Mooiplaats Colliery in 2010, the company noted that it checked the 2010 database with the original logs and identified a number of errors in the "from" and "to" depths. The company considered that these errors were not material to any Coal Resource estimations and that the quality of data was sufficient to allow modelling to be undertaken with a reasonable level of confidence.

Venmyn has randomly selected 15 borehole logs and verified the logs and associated laboratory certificates with the Access database and found no errors. Basic validations were run on the collar and seam data and no errors were detected. Venmyn is comfortable with the accuracy of the database and the recent mining production results have confirmed the results of the orebody modelling using the current database.

13.13.8.2. Database Management

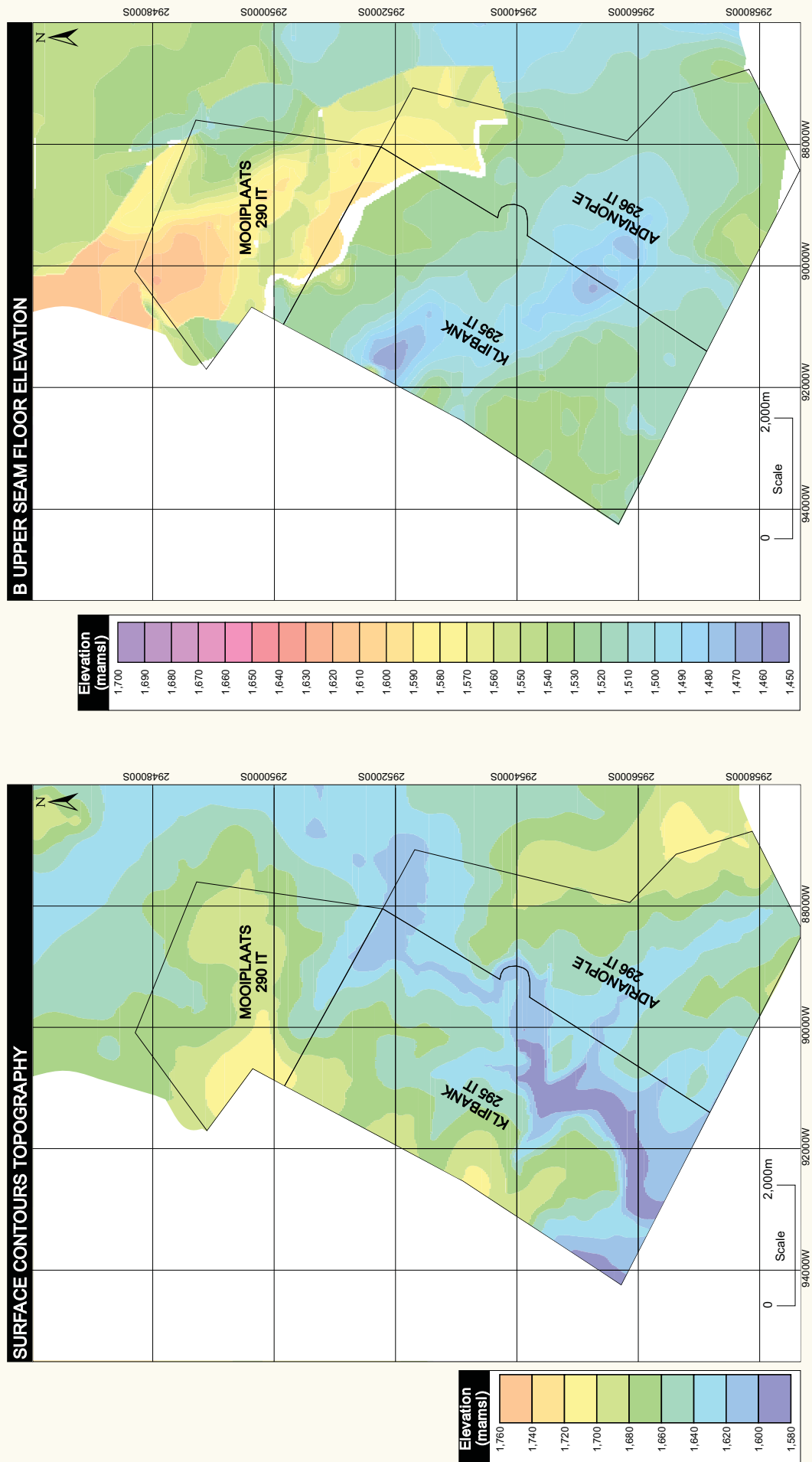
The Access database is managed and maintained by CoAL's chief consulting geologist, Mr J Sparrow (Pr.Sci.Nat.), and the Mooiplaats Colliery geologist, Mr G Gemmel (Pr.Sci.Nat.). Backups are stored at CoAL's head office in Johannesburg.

13.14. Orebody Modelling and Results

A number of independent orebody models have been prepared for Mooiplaats Colliery since CoAL's involvement in the project, including a 2D Surfer model by SRK in 2008 and a 3D Minex™ Software model prepared by TMC in 2010.

The latest model was prepared by Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist as at 30th June 2011. The model was prepared in Minex™ Software. The model takes into account all available historical and recent drilling and the mined out areas as of the 30th June 2011. Although a large proportion of the boreholes occur outside of CoAL's mining tenure areas, these have been included within the model and the result is an extensive 3D geological model with a grid of closely and evenly spaced data points. Both CoAL and Venmyn have a high level of confidence with respect to the model and the associated Coal Resource estimates.

MOOIPLAATS COLLIERY - SURFACE CONTOURS AND B UPPER SEAM FLOOR ELEVATION CONTOURS



Venmyn has reviewed the model and interviewed Mr J Sparrow (Pr.Sci.Nat.) concerning his methods of modelling. Venmyn has also independently plotted the graphical distribution of the boreholes in Geosoft Target and verified the results of the seam thickness variations and resultant volume calculations. Venmyn is satisfied with the integrity and results of the model.

The upper surface of the model was sourced from the digital terrain model and is presented in Figure 18. It is evident from this figure that a valley is present in a northeasterly / southwesterly direction on Klipbank 295IT. This valley hosts the non-perennial Vaal River. This change in the surface topography will affect the depth of the B Upper seam from surface.

Dolerite sills and dykes, as well as fault planes, were incorporated into a 3D structural model. The structural model is presented in Figure 16. The structural model was split along the northwest / southeast trending fault and sill breakthrough, situated in the northern area of Klipbank 295IT. This resulted in Mooiplaats Colliery being comprised of a Northern and Southern Block. The Northern Block is currently being mined.

Both the physical and quality parameters of the B Upper Seam were modelled. Grids with a 25m mesh were estimated using Minex'sTM general purpose gridding function using a 3km search radius. The model of the physical parameters of the seam was cut along any significant structures, whilst the quality parameters were modelled across it. All physical and quality parameters were plotted and visually inspected to ensure they were acceptable from the perspective of geological interpretation.

13.14.1. Physical Results

The physical parameters of the elevation, in metres above mean sea level, and the depth from surface of both the B Upper Seam floor and roof were modelled. The seam thickness was modelled and this was used as the basis for the calculation of the Coal Resource volumes. Although all these parameters were modelled, only the seam floor elevation, depth from surface and the seam thickness results are presented below.

13.14.1.1. Seam Floor Elevation

The B Upper Seam floor elevation has been modelled in order to identify any abrupt elevation changes which would indicate the presence of faulting and also to identify the dip across the project area. The variations in seam floor elevations are presented in Figure 18. This figure clearly illustrates the presence of a northwest / southeast trending fault, situated in the northern area of Klipbank 295IT. The fault has effectively divided the Mooiplaats Colliery into a Northern and Southern Block. The Northern Block has been upthrown by approximately 50m in relation to the Southern Block.

The fault has been intruded by a dyke and the B Upper Seam has been either burnt or devolatilised along it.

The seam floor elevation contours indicate that the coal within the Southern Block is dipping inwards to a northwest / southeast trending "valley" structure. The coal within the Northern Block is generally dipping southwards away from a topographical high in the north of Mooiplaats 290IT.

13.14.1.2. Depth from Surface

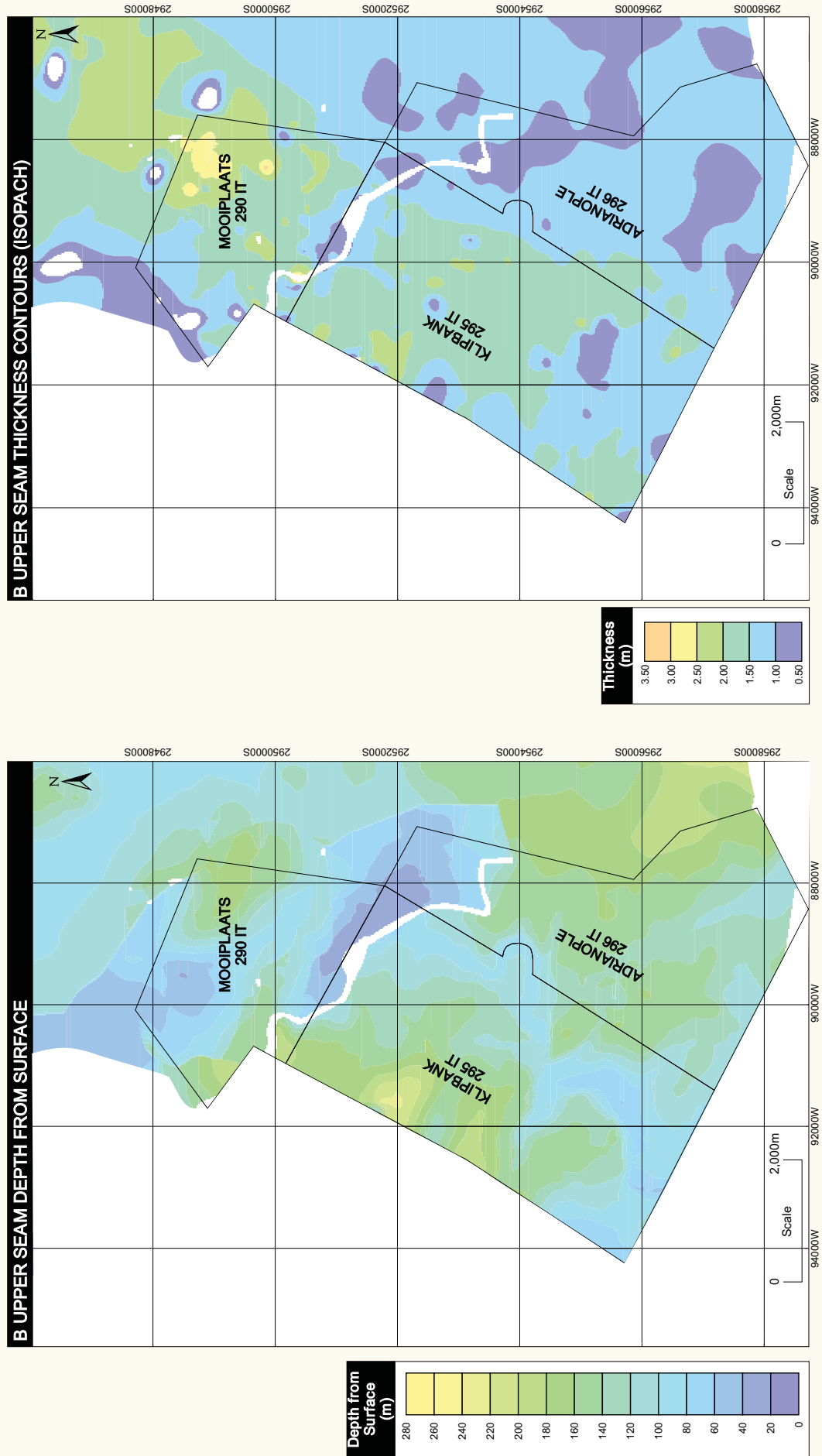
The depth of the seam from surface will have an impact on the mining method (opencast versus underground) and the extraction safety factors and pillar sizes for an underground operation. Figure 19 presents the B Upper Seam floor depth from surface. The figure clearly indicates that the coal can only be mined using underground methods. The coal within the Northern Block occurs at an average depth from surface of 100m as an upfaulted block in relation to the Southern Block.

The coal in the Southern Block varies from a depth from surface from 80m in the valley to the south to 220m. Although Venmyn would expect the coal to be significantly shallower as a result of the presence of the valley at surface, this effect is partly negated by a lower coal seam elevation in this area.

13.14.1.3. Seam Thickness

The B Upper Seam thickness contours or isopachs are presented in Figure 19. The B Upper Seam obtains a maximum thickness of almost 3.0m in the far north of Mooiplaats 290IT. Only small isolated areas of coal with a thickness of less than 0.5m occurs within Mooiplaats Colliery's NOMRs boundary. From an underground mining perspective, and based upon the mining equipment currently being utilised at Mooiplaats Colliery, only coal in excess of 1.4m will be mined.

MOOIPLAATS COLLIERY - B UPPER SEAM DEPTH FROM SURFACE AND ISOPACH CONTOURS



The areas of coal in excess of this mining cutoff are prevalent in the central and northeastern areas of Mooiplaats 290IT and the central and northern portions of Klipbank 295IT. These areas form the basis of the Coal Reserves and the focus of the LOM plan.

13.14.2. Quality Results

The quality results for the raw proximate (ash, volatile, fixed carbon, moisture and sulphur) and the raw CV laboratory results were modelled. The dry ash free (DAF) volatile content was also modelled as this parameter is a good measure of the devolatilisation of coal due to the presence of dolerites. The theoretical percentage yields for the primary product of a 6,000kcal or a 27.2MJ/kg CV coal were also modelled. Although all the coal parameters were modelled, only the most important parameters are presented in this report.

13.14.2.1. Raw Calorific Value

The model of the raw CV indicates that the majority of the B Upper Seam coal within the Mooiplaats Colliery NOMRs boundary has a raw CV of in excess of 22MJ/kg (Figure 20). Areas of low CV are associated with the dolerite dykes. Areas of high CV (>26MJ/kg) occur in the central portion of Mooiplaats 290IT and in isolated patches on Klipbank 295IT and Adrianople 296IT.

13.14.2.2. Raw Ash

The modelled raw ash content of Mooiplaats Colliery is graphically presented in Figure 20. The ash content has an inverse relationship with the CV and this is clearly evident in the respective contour plots on Figure 20. The relatively low (<20%) ash areas occur in the central area of Klipbank 295IT and the central and northeastern areas of Mooiplaats 290IT.

13.14.2.3. Raw Volatiles

The most important parameter with respect to the Mooiplaats Colliery is the volatile content of the coal. The presence of dolerite sills situated above the coal and a number of dolerite dykes which have passed through the seam have resulted in the occurrence of areas of burnt and devolatilised coal. The variation in the volatile content of the B Upper Seam at Mooiplaats Colliery is presented in Figure 21. The figure clearly illustrates that the coal varies in volatile content from a minimum of 5% to in excess of 30%. The areas of optimal volatile content are situated in the northeast of Mooiplaats 290IT and the central portion of Klipbank 296IT.

CoAL has applied the following volatile cutoffs to classify the type of coal present:-

- 0 – 10% volatiles – anthracitic coal;
- 10 – 20% volatiles – lean bituminous coal; and
- >20% - bituminous coal.

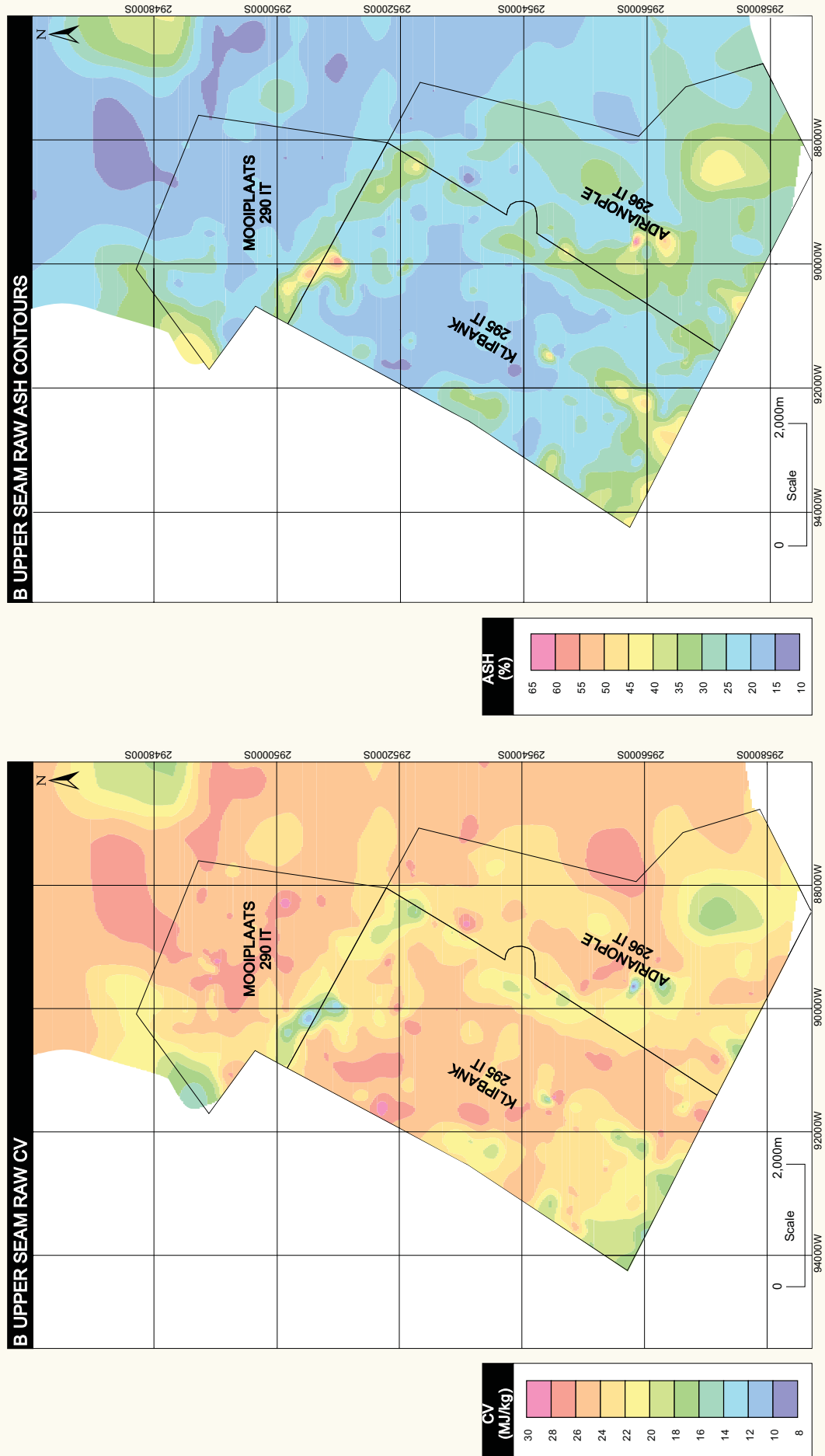
Due to the fact that each of these coal types is sold to a different market, all Coal Resources are classified according to the type of coal as, without the relevant market, some of these coal types may not be currently economical.

13.14.2.4. Potential Yields

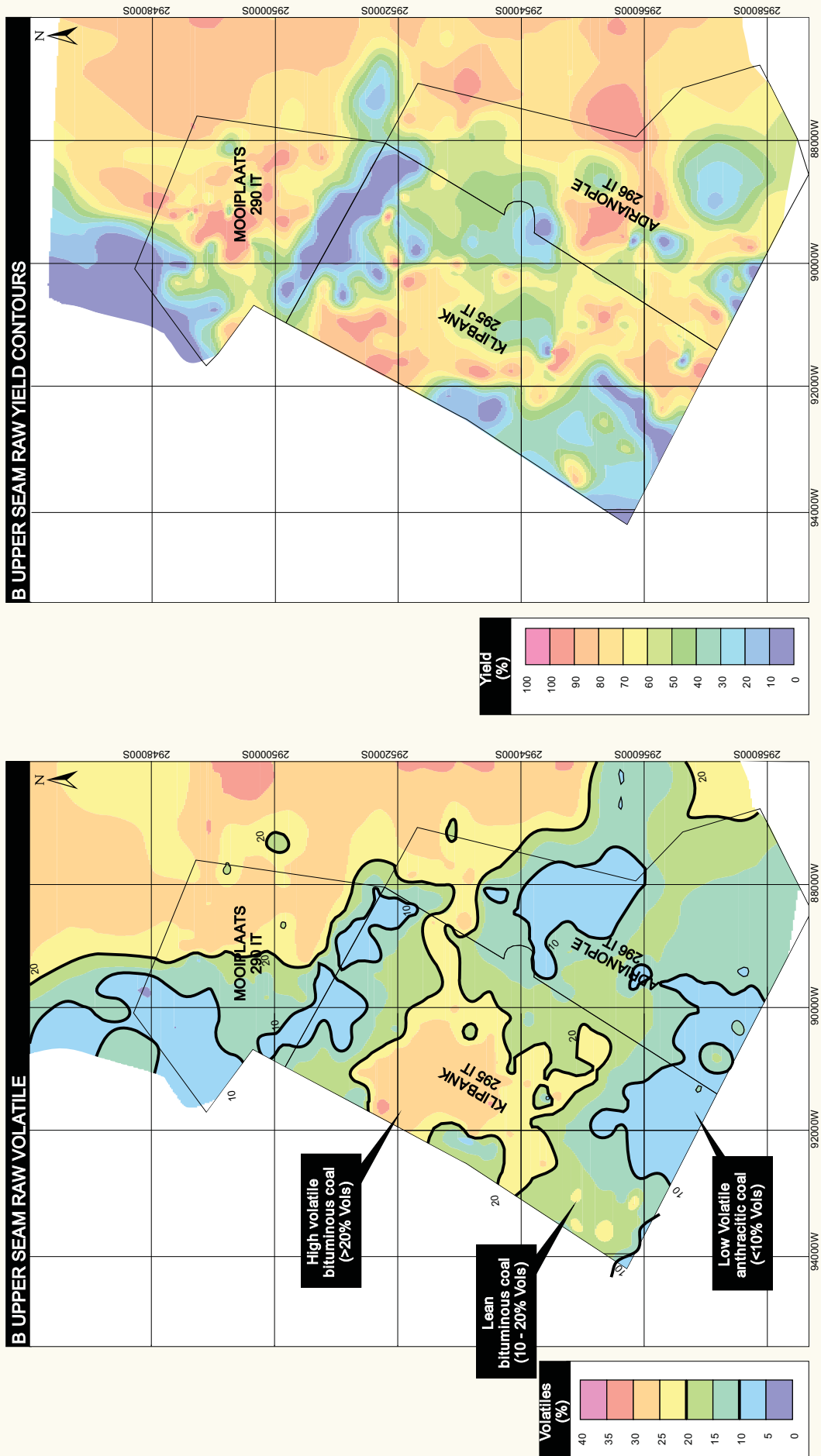
Full washability testwork was carried out on the B Upper Seam samples. The results were imported into Minex'sTM coal simulation programme and used to assess the yields and resultant product specifications for a particular primary and middlings product. These results were utilised for the determination of the potential saleable tonnes and product specifications for Coal Reserve reporting purposes.

The theoretical yield variations at Mooiplaats Colliery for a 6,000kcal (or 27.2MJ/kg) primary product are presented in Figure 21. This yield plot provides the reader with an indication of the yield potential of the coal. It must be noted, however, that the practical yields achieved by passing RoM coal through a processing plant are always lower than the theoretical yields calculated from borehole cores in a bench scale laboratory test.

MOOIPLAATS COLLIERY - B UPPER SEAM RAW CV AND RAW ASH CONTOURS



MOOIPLAATS COLLIERY - B UPPER SEAM RAW VOLATILE AND PERCENTAGE THEORETICAL YIELDS (FOR 6,000KCAL PRODUCT) CONTOURS



13.15. Coal Mining

13.15.1. Mining Method

Only the B Upper Coal Seam is of economic value. Due to the fact that the seam is relatively deep, ranging from 80m to 140m, only underground mining methods are suitable for extracting these Coal Resources. Mechanised bord and pillar mining methods, which have proven successful over many years, are being employed at Mooiplaats Colliery. Proven low seam mining equipment including CMs, shuttle-cars or battery haulers and feeder-breakers are readily available from more than one established manufacturer and therefore there is little technology risk to the mining method being applied. The bord and pillar mining layout should be achieving an extraction rate of between 55% and 65% by virtue of the low seam height to depth ratio. There is no post pillar extraction that has been factored into the Coal Reserve estimation. However, for financial analysis and Coal Reserve estimation documented in this report, a mining extraction rate of approximately 50% was utilised for Mooiplaats Colliery.

13.15.1.1. Continuous Mining

The CM bord and pillar method utilises a CM for coal cutting from the face. Cut coal is loaded directly at the CM into the coal hauling equipment, in this case electric shuttle cars that offloads into the start of a conveyance network bound for the surface. Coal faces are cut into bords while leaving pillars of uncut virgin coal for support thereby creating a grid of bords and pillars in mined out areas. It is by far the most commonly practiced underground mining method in the South African coal mining industry.

The CM bord and pillar mining method has a production rate that directly depends on the coal seam height being mined. Thicker seam heights achieve higher production rates and the converse is true. The CM bord and pillar mining method is fairly flexible and able to handle faulting and discontinuities. The major limitation of this method is that increases in the depth of occurrence require larger sizes of pillars to be left, thereby reducing the percentage of extraction of the Coal Resource. This method is therefore not suitable for deep seated coal deposits.

The mining operation at Mooiplaats is conducted using CMs and shuttle cars, supported by appropriate ancillary mining equipment (Table 13). CoAL owns all underground mining equipment. CoAL had previously used contract mining rather than owner operated mining in the underground sections. However, Venmyn understands on the 1st July 2011 the mining operations became owner operated.

Table 13 : Summary Production Equipment for Mooiplaats Colliery

DEPARTMENT	MACHINE DESCRIPTION
Mining Equipment	One Continuous Miner per Section (JOY 12HM31AAA and JOY 14CM15 continuous miners).
Coal Handling Machinery	Two or Three Shuttle Cars per Section.
Support Machinery	One Roof Bolter per Section.

13.15.1.2. Mining Design Parameters for Mooiplaats

The design parameters for the mine layout were based on the Coal Resource characteristics of seam thickness and typical dimensions for a mechanized bord and pillar mine layout. Geotechnical stipulations and considerations were used to size the bords and pillars.

Table 14 summarises the mine design parameters used for this project.

The mining layout and mining extraction losses applied are to the proportion of the Coal Resource lost due to mining efficiencies, regulatory requirements for barrier pillars and mining layout losses from the application of cutoff criteria. A contamination allowance of 15% was used to cover for the areas where the seam thickness is lower, and geological disturbances resulting in the shale roof and sandstone floor being mined as part of the ore.

A bord width of 6.5m was used based on geotechnical considerations. This size is typical for the Coal Resource depth and the anticipated in-situ stress regime of the deposit. The primary development used seven roadways servicing ventilation requirements, and the ingress and egress of personnel, materials and cut coal.

Table 14 : Summary Mine Design Parameters

PARAMETER	UNIT	VALUE
LOSSES AND CONTAMINATION		
Geological Loss	%	10.00 – 25.00
Mining Layout Losses	%	10.00
Contamination thickness	%	15.00
DESIGN CRITERIA		
Design bord width	m	6.50
Pillar design	none	Square
Pillar extraction method	none	None
Mining height		
Minimum	m	1.40
Maximum	m	N/A
Factors of Safety		
Main developments	factor	2.20
Panels	factor	1.90

A minimum mining height of 1.4m was used based on machine limitations and a maximum of 3.56m based on the thickest portion of the target seam as per the geological model. The safety factor for main developments and panels were set at 2.20 and 1.90 as per mandatory requirements.

13.15.1.3. Underground and Coal Reserve Access

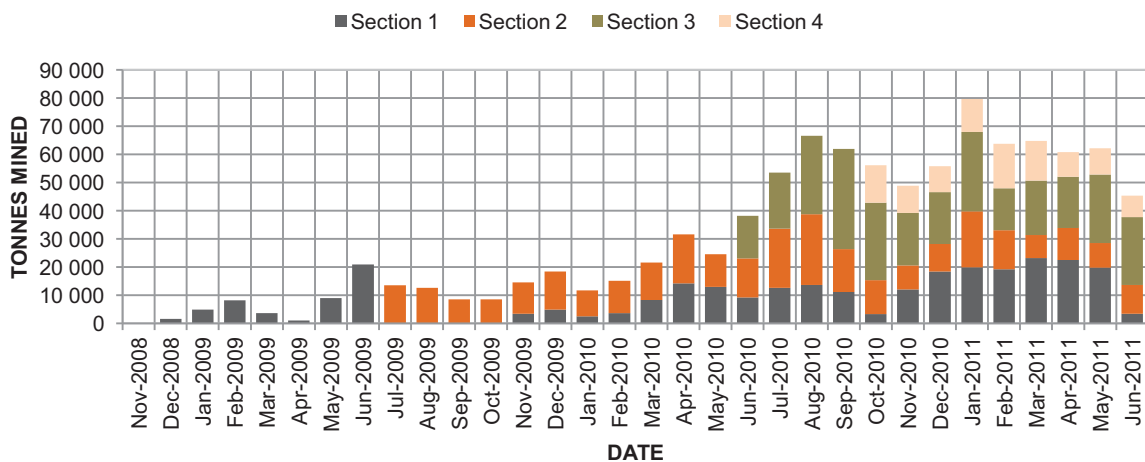
Underground access was simple and cost effective by opening up a boxcut and a decline from a high wall in competent ground. Staff and material are transported by trackless vehicles (tractor and trailer or light delivery vehicles), while coal is conveyed out of the mine on conveyors.

Ventilation is by means of up-cast ventilation shafts, with intake air provided through the decline shafts.

The Coal Reserves within the Mooiplaats Colliery NOMR are broadly categorised as two separate coal mining blocks. These two mining blocks, namely the North and South Block are separated by a 2km horizontal distance of thin lean or anthracitic coals. In the current LOM plan a long underground development has been planned to connect these two mining areas as illustrated in Figure 24. The cost of developing this access has been included in the capital expenditure budget.

13.15.2. Historical Production

As at the 30th June 2011, four sections were in operation at Mooiplaats. Historical mining tonnages from each of the sections are illustrated in Figure 22.

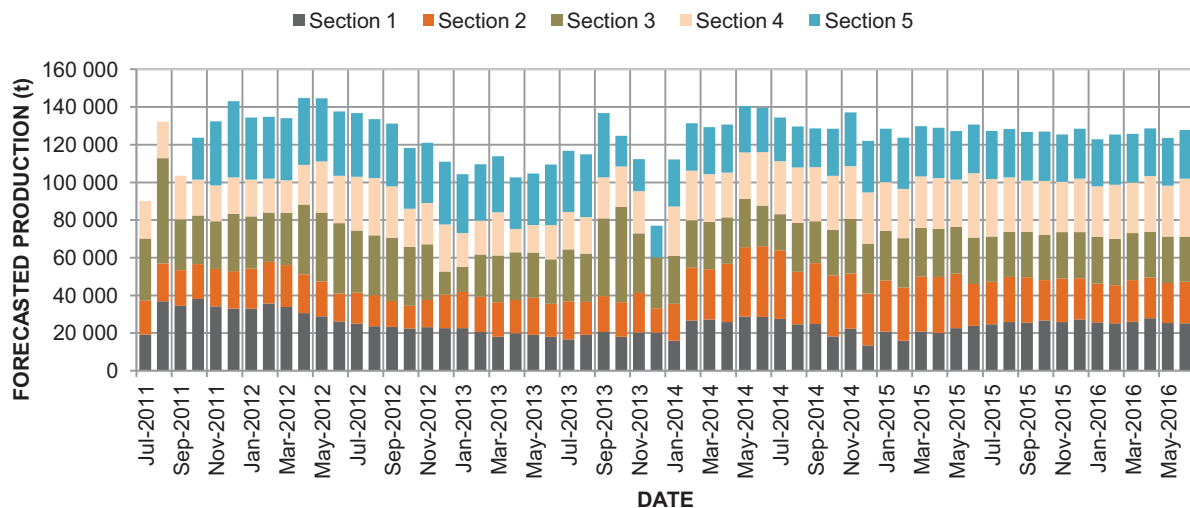
Figure 22 : Mooiplaats Colliery – Graph of Historical Mining Production

The graph illustrates a steady ramp-up from mining commencement in late 2008, with an associated increase in the number of operating sections. It took more than 18 months to ramp-up production tonnages to above 20,000tpm from the first two sections. This is because of a number of factors, including the development of Coal Reserves, a necessary increase in operational experience and machinery utilisation problems, to mention a few difficulties.

13.15.3. Future Production

The future production based on the current LOM plan is illustrated in Figure 23 and the LOM Block Plan is shown in Figure 24. It must be noted that this LOM plan includes 1.2Mt of coal to be obtained from an adjacent property to the north and east of Mooiplaats. This coal tonnage is not owned by CoAL, but the company is currently in negotiations with the owner in order to potentially procure it.

Figure 23 : Mooiplaats Colliery– Graph of LOM Production Plan



An additional section (Section 5) is expected to be introduced in October 2011. Venmyn understands that all the machines for the new section have been delivered. The historical production and the future production exhibits clearly that the Mooiplaats Colliery is still in the ramp-up phase. It is anticipated that the mining operations will be at a steady state of 120,000tpm by January 2012. Once the operation reaches a steady state, Mooiplaats Colliery should be able to benefit from economies of scale.

13.15.4. Costs

All costs for the Mooiplaats Colliery, detailed in this section, are reported in nominal terms, as estimated at 30th June 2011. No contingency has been allowed in the operating cost estimates.

13.15.4.1. Operating Costs

The unit cost for the financial year ending June 2011 per cost category is presented in Table 15.

Table 15 : Operating Costs for Mooiplaats Colliery

MOOIPLAATS DEPARTMENTAL COSTS PER RoM TON	ACTUAL	BUDGET	BUDGET	BUDGET
	FY2011	FY2012	FY2013	FY2014
Total RoM tons	1,354,861	1,675,130	1,820,582	1,677,212
Total Mining Cost (ZAR/t)	165.74	178.56	178.95	201.24
Total Processing Cost (ZAR/t)	43.63	34.25	33.83	36.69
Total Other Cost (ZAR/t)	15.32	16.88	15.59	18.19
Total Rehabilitation Cost (ZAR/t)	3.75	5.75	5.75	5.75
RoM purchased (ZAR/t)	64.64	0.00	0.00	0.00
TOTAL OPERATING COSTS (ZAR/RoM t)	293.07	235.44	234.11	261.88

The operating cost values represent actual costs incurred at the current mining operations and some year end adjustments that were effected in the last month of the financial year as illustrated in Figure 25. The present total mining and beneficiation cost per tonne delivered to the product stockpile, is forecasted to be approximately ZAR250.00, an average for the forecasted three years.

MOOIPLAATS COLLIERY - LOM BLOCK PLAN AS AT 30TH JUNE 2011



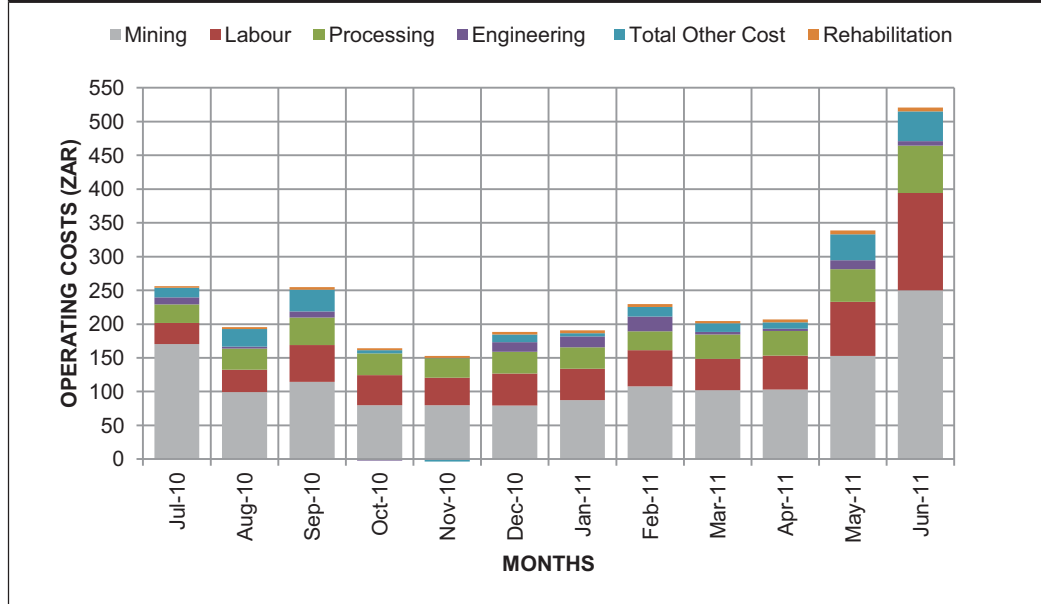
LEGEND:

- Section 1
- Section 2
- Section 3
- Section 4
- Section 5
- Lean Bituminous Coal Unscheduled Reserve
- Bituminous Coal Unscheduled Reserves
- Mining and Prospecting Rights Boundary
- Mined Out Area

This equates to the sum of the mining cost, beneficiation, other and rehabilitation costs in Table 15.

The historical operating costs for Mooiplaats Colliery for the last financial year ending 30th June 2011 are illustrated in Figure 25.

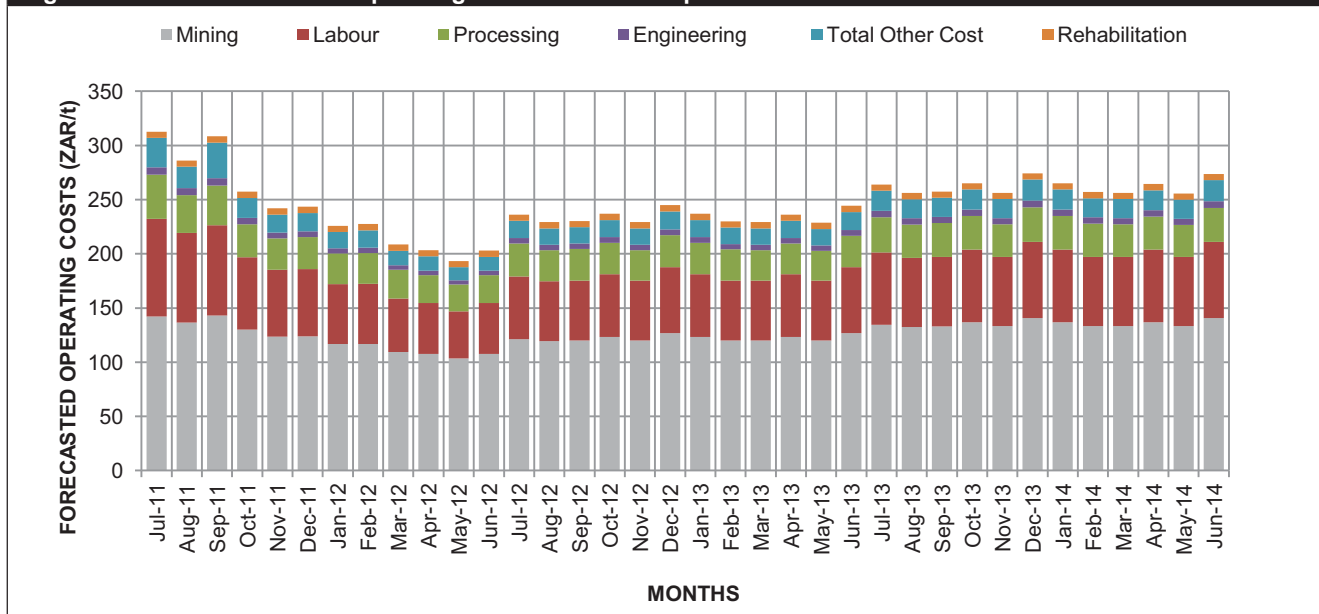
Figure 25 : Historical Operating Costs for Mooiplaats for the 12 months to 30th June 2011



The diagram illustrates that some extra ordinary event and year end adjustments were accounted for in the month of June 2011.

Figure 25 and Figure 26 show the difference in the cost structures after switching from a contractor-operated to owner-operated operation. CoAL is expected to maintain the operational costs of approximately ZAR250/RoM t.

Figure 26 : Estimated Future Operating Costs for the Mooiplaats for the 36 months from 30th June 2011



13.15.4.2. Capital Costs

Estimated capital costs are presented in Table 16.

Table 16 : Capital Costs for Mooiplaats Colliery

FIXED ASSETS & CAPITAL EXPENDITURE	ACTUAL	BUDGET	BUDGET	BUDGET
	END JUNE 2011	FY2012	FY2013	FY2014
Total Exploration Expenditure	8,426,752	0	0	0
Total Development Expenditure	52,150,884	113,911,800	100,215,741	0
Total Property, Plant & Equipment	66,666,750	55,350,000	0	24,000,000
TOTAL CAPITAL EXPENDITURE (ZAR)	127,244,386	169,261,800	100,215,741	24,000,000

These will be required to implement new capital projects, replacement and upgrading of equipment and infrastructure on the mine. This will depend on CoAL's management decision on the mining operation. Venmyn has assumed that all the major mining activities were owner operated from the 1st of July 2011.

In the budgeted capital costs, the mining equipment, development of the new Mooiplaats South Section and shaft development and the associated infrastructure are the single biggest capital items.

13.16. Coal Processing

The Mooiplaats Colliery owns a coal processing plant, designed and supplied by Portoclone, which was commissioned in June 2009. The facility is operated by a contractor, Kwena Projects.

13.16.1. Processing Plant

The coal processing technology in place is based upon gravity separation typically using a DMS plant for coarse material and a spirals plant for fine material. The dense medium material is created through the addition of magnetite to the processing water which is later recovered through magnetic separation. These are standard technologies which have been in common use for over 75 years.

Prior to the commissioning of the Mooiplaats plant, the RoM coal was stockpiled on a dedicated stockpile which has since been processed through the plant.

The original design criteria for the processing plant required that it produce an primary export product with a heat generating capacity of 6,000kcal and a secondary product to meet an Eskom specification of CV>20MJ/kg, ash<30% and volatiles>20%. Primary yields were expected to be between 55 - 65% and secondary yields to be 10% - 11% of the RoM.

The current processing plant comprises the following:-

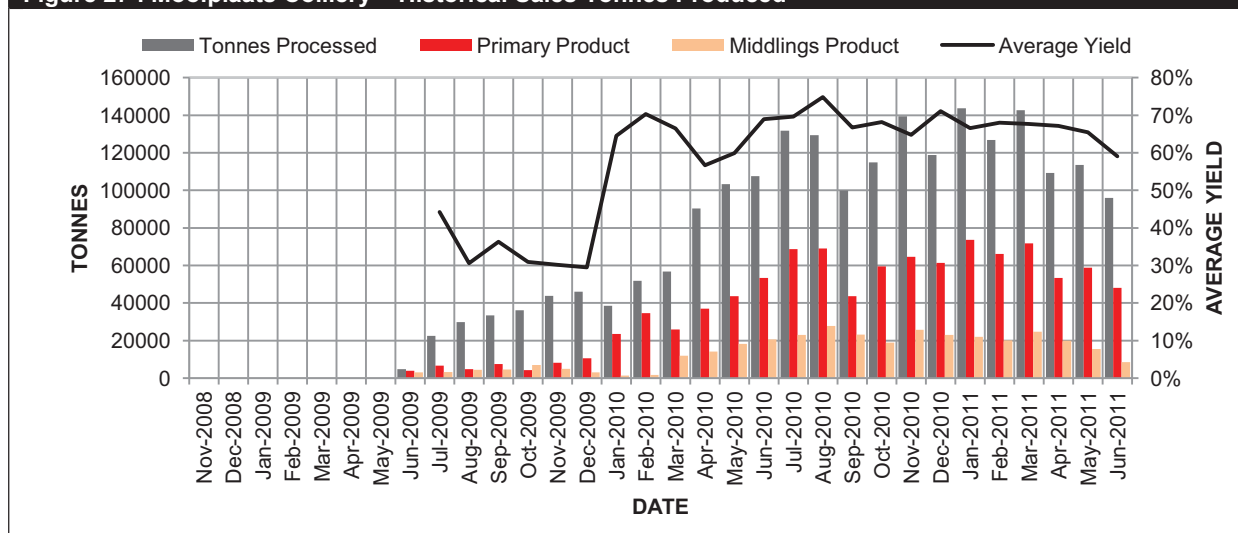
- 400tph crushing and screening circuit;
- 2 x 200tph DMS and 40tph spiral plant modules to produce a primary export product;
- 1X120tph DMS plant to produce a secondary Eskom product; and
- 18tph thickener.

The simplified flowsheet and mass balance for the Mooiplaats plant is presented in Figure 28.

13.16.2. Historical Production

The monthly production records, since the plant was commissioned, are presented in Figure 27. The plant has produced an average of 84,000tpm of saleable coal in the last 12 months.

The plant treats the Colliery's RoM coal and also has spare capacity to treat coal from the neighbouring Vunene opencast operation. It is for this reason that the saleable tonnes reported exceed the RoM production tonnages presented in the mining section.

Figure 27 : Mooiplaats Colliery – Historical Sales Tonnes Produced**13.16.3. Future Production**

CoAL plans to increase the mining production rate from the underground operation through the addition of the fifth mining section which is expected to be fully functional by January 2012. These additional RoM tonnes will effectively fulfil the plant capacity utilising the company's own coal sources. The plant will no longer treat Vunene's coal from this time.

13.16.4. Costs**13.16.4.1. Operating Costs**

The washing plant processing costs component for the Mooiplaats coal is approximately ZAR35.00 per tonne, which equates to the sum of the primary and secondary product wash cost. The cost structures are summarised in Table 15, with Figure 25 showing the proportion that was spent on the processing plant and Figure 26 showing the proportion that will be spent on the beneficiation of coal in the future in relation to other costs.

13.16.4.2. Capital Costs

No capital costs or capital projects have been planned for the processing plant at Mooiplaats Colliery. However, in the normal course of processing, some capital will be spent as a stay in business capital to enable CoAL to maintain and sustain the current production capacities.

13.17. Coal Market

With reference to Section 11, global coal demand is expected to increase from 2010, and this increase is likely to be more dramatic than for many other energy commodities. Furthermore, coal's share of global electricity generation capacity is expected to grow in most regions. Countries like India have projected an increase in import dependence and have strategies in place for the sourcing of coal from, and buying mines in, other regions, including Africa. Some 63Mt of coal was exported from South Africa in 2010 and exports for the first half of 2011 stood at 27.5Mt.

For these reasons, South African coal export sales and sales to Eskom are the most important sources of demand. In this regard CoAL's Mooiplaats Project is strategically placed when considering its various offtake agreements.

13.18. Previous Resource Statement

The previous Coal Resource Statement for the Mooiplaats Colliery was prepared and independently signed off by TMC in September 2010. The Coal Resource Statement is presented in Table 17. The Competent Person responsible for signing off the Coal Resource Statement was Mr M Stewartson (Pr.Sci.Nat. Reg. No.: 400119/93).

MOOIPLAATS PROCESSING PLANT FLOWSHEET AND MASS BALANCE

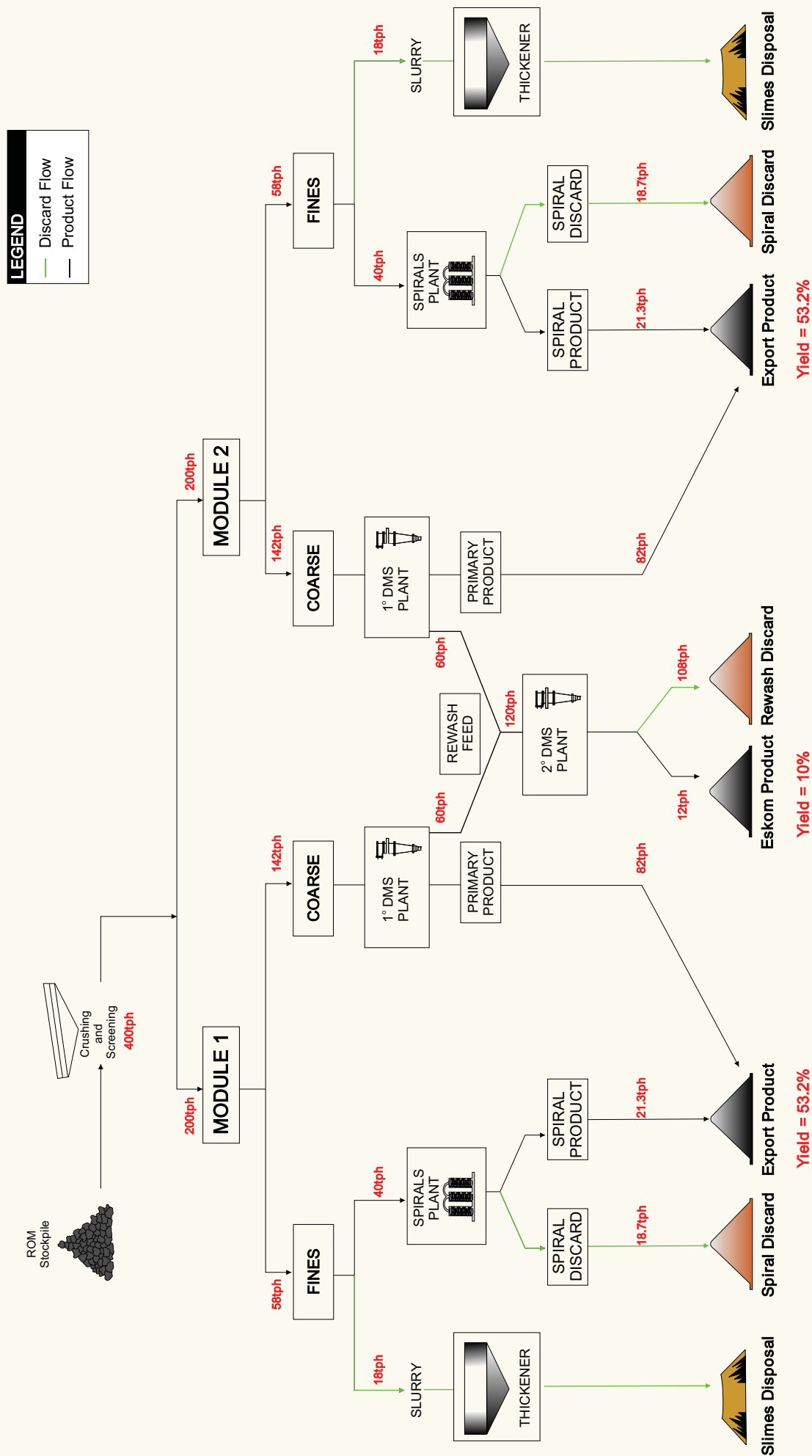


Table 17 : Mooiplaats Colliery – Previous Resource Statement (September 2010)

								AIR DRIED RAW QUALITIES						
PROJECT	SEAM	RESOURCE CATEGORY	BLOCK	COAL TYPE	O/C or U/G	GROSS TONNES IN SITU (GTIS) (Mt)	MINEABLE TONNES IN SITU (MTIS) (Mt)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)	
Mooiplaats Colliery	BU	Measured	North	Anthracitic	U/g	1.541	1.464	22.45	26.70	8.30	61.80	2.12	3.30	
				Lean Bituminous		6.153	5.846	24.66	21.40	14.30	60.90	2.11	3.30	
				Bituminous		11.049	10.497	25.48	17.50	26.00	52.70	1.94	3.60	
			TOTAL / AVE NORTH BLOCK				18.743	17.807	24.96	19.54	20.70	56.14	2.01	3.48
			South	Anthracitic	U/g	2.516	2.390	22.82	29.10	8.60	59.20	2.87	3.20	
				Lean Bituminous		18.784	17.845	22.94	25.70	16.50	54.60	2.68	3.20	
				Bituminous		14.166	13.458	24.86	19.60	23.90	53.10	2.26	3.50	
			TOTAL / AVE SOUTH BLOCK				35.466	33.693	23.70	23.50	18.90	54.33	2.53	3.32
		TOTAL / AVE MEASURED RESOURCES				54.209	51.500	24.14	22.13	19.52	54.95	2.35	3.37	
		Indicated	South	Anthracitic	U/g	-	-	-	-	-	-	-	-	-
				Lean Bituminous		0.021	0.019	21.94	28.70	16.80	51.10	2.58	3.20	
				Bituminous		0.765	0.689	25.33	18.00	27.50	51.00	2.29	3.60	
			TOTAL / AVE SOUTH BLOCK				0.786	0.708	25.24	18.29	27.21	51.00	2.30	3.59
		TOTAL / AVE INDICATED RESOURCES				0.786	0.708	25.24	18.29	27.21	51.00	2.30	3.59	
		Inferred	South	Anthracitic	U/g	-	-	-	-	-	-	-	-	-
				Lean Bituminous		0.004	0.003	22.82	26.30	19.00	51.30	2.53	1.58	
				Bituminous		1.251	1.064	25.38	18.20	27.10	51.20	2.32	3.60	
			TOTAL / AVE SOUTH BLOCK				1.255	1.067	25.37	18.22	27.08	51.20	2.32	3.59
		TOTAL / AVE INFERRED RESOURCES				1.255	1.067	25.37	18.22	27.08	51.20	2.32	3.59	
GRAND TOTAL / AVE MOOIPLAATS COLLIERY						56.250	53.275	24.17	22.00	19.77	54.83	2.35	3.38	

Notes

GTIS & MTIS - At minimum seam thickness cutoff of 1.4m.

The classification into the various Coal Resource categories is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results. Venmyn is confident that the logging, sampling, data density and distribution are suitable for the coal resource and coal reserve estimation. The estimation of each of the parameters required for the reporting of coal resources is presented in the sections to follow.

The Coal Resource Statement for Mooiplaats Colliery, as at 30th June 2011, is presented in Table 18 and the location of the coal resources by coal type and in relation to the NOMRs boundary is illustrated in Figure 29.

13.19. Current Resource Statement

The Coal Resources for Mooiplaats Colliery were independently classified and signed off by Venmyn's Competent Person in accordance with the JORC Code and the Australian Guidelines. Venmyn's Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No. 400049/02) and a longstanding member of the Australian Institute of Mining and Metallurgy (AusIMM). She has over 15 years experience in the mineral resources industry. The classification into the various Coal Resource categories is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results. Venmyn is confident that the logging, sampling, data density and distribution are suitable for the coal resource and coal reserve estimation. The estimation of each of the parameters required for the reporting of coal resources is presented in the sections to follow.

The Coal Resource Statement for Mooiplaats Colliery, as at 30th June 2011, is presented in Table 18 and the location of the coal resources by coal type and in relation to the NOMRs boundary is illustrated in Figure 29.

13.19.1. Resource Classification

The Mooiplaats Colliery B Upper Seam Coal Resources were classified according to the relative spacing of points of observation with both quantitative and qualitative results. The spacing defined in the Australian Guidelines is summarised in Table 19. In order to classify the Coal Resources, a halo diagram is prepared using only the boreholes with quality and quantity results, as presented in Figure 30. This figure indicates that 95% of the Coal Resources at Mooiplaats Colliery are classified as Measured due to the extensive amount of drilling that has been carried out on the property.

Table 18 : Mooiplaats Colliery –Summary Resource Statement (30th June 2011) (Inclusive of Reserves)

PROJECT SEAM	RESOURCE CATEGORY	COAL TYPE	O/C or U/G	GROSS TONNES IN SITU (GTIS)	GEOL. LOSSES (%)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	AIR DRIED RAW QUALITIES						
								CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)	
Mooiplaats Colliery	BU	Measured	Anthracitic	12,416,531	5%	11,795,704	3,997,900	22.36	28.76	8.50	59.68	2.59	3.20	
			Lean Bituminous	35,599,550	5%	33,819,573	22,787,200	23.30	24.67	15.94	56.06	2.53	3.24	
			Bituminous	25,979,775	5%	24,680,786	21,545,000	25.12	18.76	24.81	52.88	2.13	3.54	
	TOTAL / AVE MEASURED RESOURCES			73,995,856	5%	70,296,063	48,330,100	24.03	22.38	19.28	54.94	2.36	3.37	
	BU	Indicated	Anthracitic	3,032,096	15%	2,577,282	391,000	21.23	27.82	7.28	59.89	1.47	3.15	
			Lean Bituminous	8,155,657	15%	6,932,308	499,000	21.97	26.29	16.23	53.73	2.75	3.19	
			Bituminous	2,046,902	15%	1,739,867	1,370,000	25.20	18.62	26.41	51.63	2.25	3.56	
	TOTAL / AVE INDICATED RESOURCES			13,234,655	15%	11,249,457	2,260,000	23.80	21.91	20.85	53.52	2.23	3.41	
	BU	Inferred	Anthracitic	574,672	20%	459,738	0							
			Lean Bituminous	4,070,746	20%	3,256,597	0							
		Bituminous	446,760	20%	357,408	170,000	25.50	18.22	26.93	51.20	2.38	3.55		
TOTAL / AVE INFERRED RESOURCES			5,092,178	20%	4,073,742	170,000	25.50	18.22	26.93	51.20	2.38	3.55		
GRAND TOTAL / AVE MOOIPLAATS COLLIERY			92,322,689	7%	85,619,262	50,760,100	24.03	22.34	19.38	54.86	2.35	3.37		

Notes

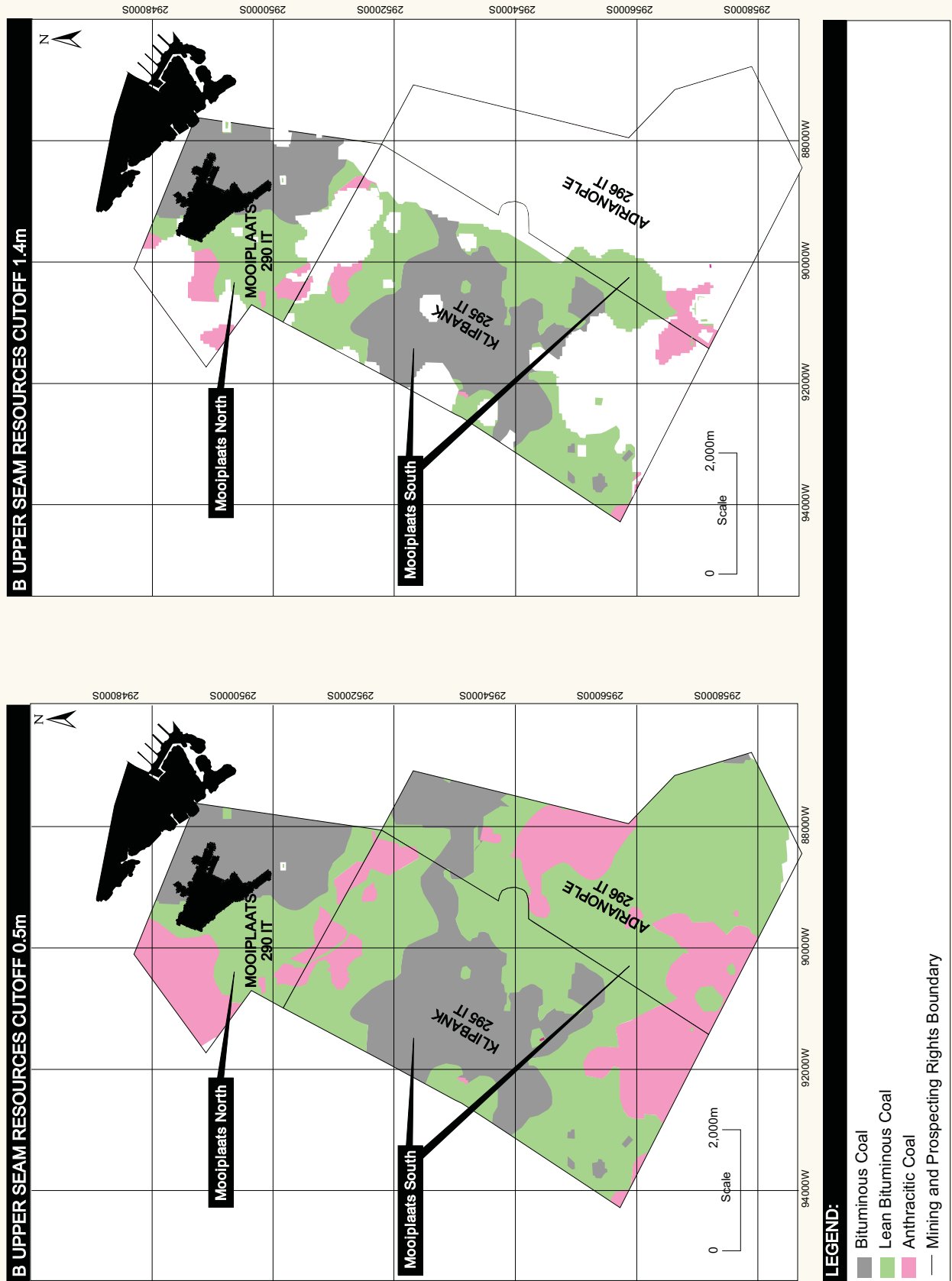
GTIS & TTIS - At minimum seam thickness cutoff of 0.5m.

MTIS - At minimum seam thickness cutoff of 1.4m for mining.

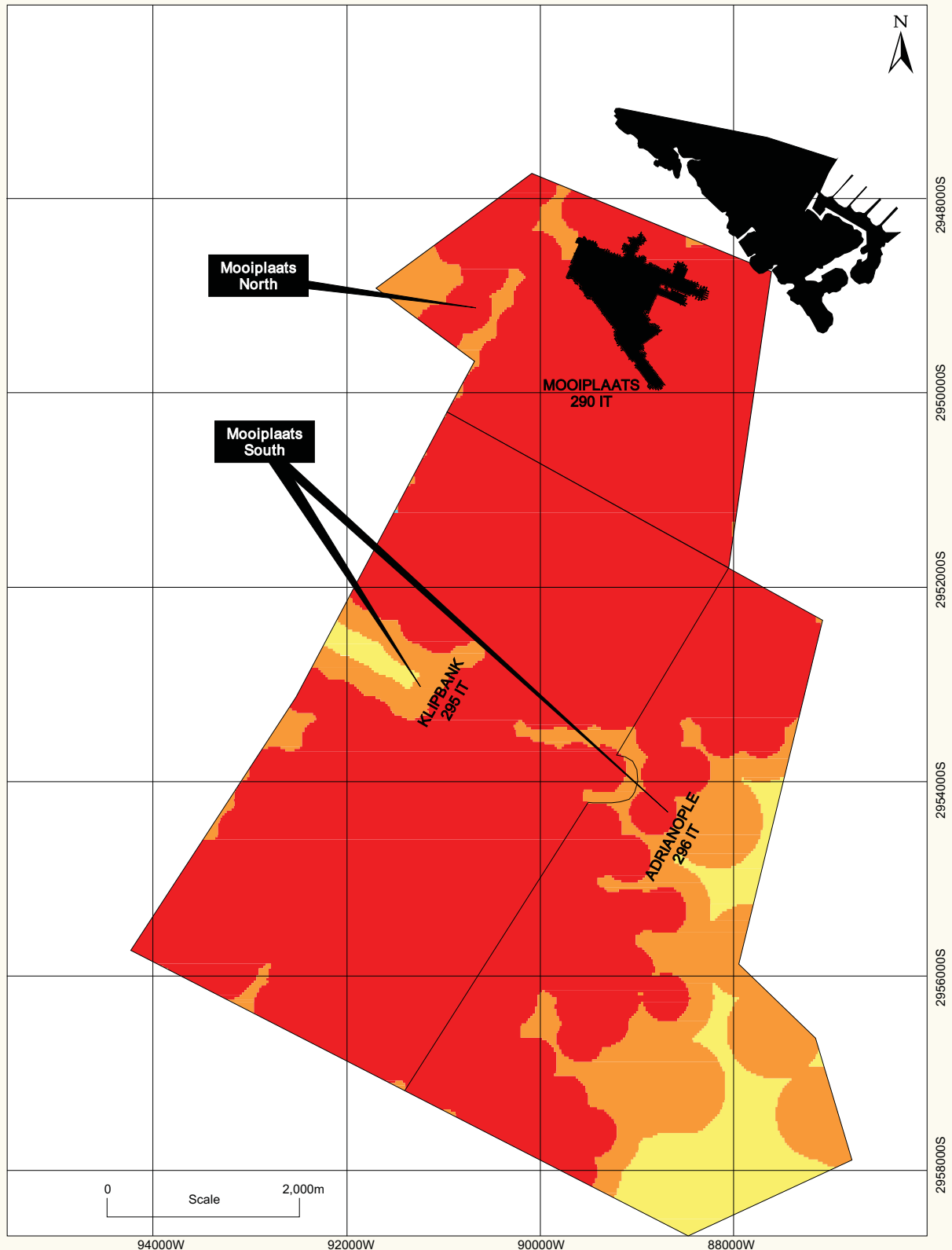
Rounding down of MTIS tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively, may result in computational discrepancies.

Weighted average qualities calculated on MTIS.

MOOIPLAATS COLLIERY - LOCATION OF B UPPER SEAM RESOURCES AT 0.5m (TTIS) and 1.4m (MTIS) CUTOFFS



MOOIPLAATS COLLIERY - B SEAM JORC HALO DIAGRAM FOR B SEAM



LEGEND:

Mineral Resource

- Measured (250m radius from borehole with quality data)
- Indicated (500m radius from borehole with quality data)
- Inferred (2000m radius from borehole with quality data)
- Mining and Prospecting Rights Boundary
- Mined Out Area

Table 19 : The Australian Guideline Distances for JORC Resource Classification

JORC RESOURCE CATEGORY	MAX DISTANCE BETWEEN POINTS OF OBSERVATION (m)	MAX. HALO RADIUS (m)
Measured	500	250
Indicated	1,000	500
Inferred	4,000	2,000

Table 19 refers to all types of coal located in any coal basin. Thin discrete seam deposits are treated in the same manner as large interlaminated coal packages.

13.19.2. Input Parameters and Limits

The detailed Coal Resource Statement, by farm, is presented in Table 20. This table presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant Coal Resource tonnages and associated qualities. Although only a single seam occurs at Mooiplaats, three different types of coal are present within the seam due to the differences in volatile content. These different types of coal have significantly different markets. Therefore, each coal type is reported separately, within the various classification categories.

13.19.2.1. Volume

The volume of the B Upper Seam Coal Resources were estimated using the Minex™ model of the seam thickness, divided into the various Coal Resource blocks according to coal type and classification category. The volumes were reduced by the mined out areas as surveyed at 30th June 2011.

13.19.2.2. Density

The Minex™ modelled average raw density per Coal Resource block was used to calculate the tonnage from the volume. The raw density of every sample is measured in the laboratory.

13.19.2.3. Tonnage

The tonnage is calculated on a block by block basis from the volume multiplied by the average raw density. The Coal Resource tonnages are reported according to the following:-

- Gross Tonnes In Situ (GTIS);
- Total Tonnes in Situ (TTIS); and
- Mineable Tonnes in Situ (MTIS).

Tonnages are reported at a 0.5m cutoff as well as a 1.4m cutoff, which is the minimum mining height.

13.19.2.4. Quality

Each of the quality parameters are modelled in Minex™ and the weighted average quality per block is reported in the Coal Resource Statement.

13.19.2.5. Limits and Losses

The following cutoffs or limits are applied to the Coal Resources:-

- the Coal Resources are divided into anthracitic, lean bituminous and bituminous coal based on the volatile content intervals of 0 – 10%; 10 – 20% and >20%, respectively;
- the Coal Resource blocks are limited according to the boundaries of the mining licence;
- a minimum seam thickness limit of 0.5m is applied prior to the reporting of GTIS;

Table 20 : Mooiplaats Colliery – Detailed Resource Statements (30th June 2011) (Inclusive of Reserves)

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS													AIR DRIED RAW QUALITIES						
FARM OR SEAM BLOCK	RESOURCE CATEGORY	COAL TYPE	O/C or U/G	AVE WIDTH (m)	AREA (m ²)	VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)		
Mooiplaats 290IT (North Block)	Measured	Anthracitic	U/g	1.26	1,687,818	2,132,135	1.59	3,381,812	5%	169,091	3,212,700	21.92	27.37	8.09	60.72	2.02	3.2	3.2	
		Lean Bituminous	U/g	1.68	2,512,515	4,208,782	1.52	6,393,440	5%	319,672	6,073,700	24.36	21.70	14.09	60.26	2.05	3.28	3.28	
		Bituminous	U/g	2.04	3,185,312	6,494,414	1.47	9,544,364	5%	477,218	9,067,100	25.46	17.59	26.11	52.59	1.91	3.65	3.65	
	Indicated	Anthracitic	U/g	1.25	517,473	647,947	1.64	1,063,681	15%	159,552	904,000	20.23	30.06	6.86	57.8	1.75	3.06	3.06	
		Lean Bituminous	U/g	1.30	163,224	212,098	1.54	325,921	15%	48,888	277,000	23.67	22.33	11	62.71	1.75	3.24	3.24	
TOTAL / AVERAGE MOOPLAATS 290IT		Anthracitic	U/g	1.70	8,076,717	13,716,969	1.51	20,740,553	6%	1,179,121	19,560,500	24.27	21.11	18.31	56.69	1.96	3.43	3.43	
Klipbank 295IT (South Block)	Measured	Anthracitic	U/g	1.26	2,856,521	3,595,294	1.61	5,793,266	5%	289,663	5,503,600	22.47	29.85	8.27	59.02	2.59	3.16	3.16	
		Lean Bituminous	U/g	1.49	9,089,902	13,539,739	1.56	21,171,326	5%	1,058,566	20,112,700	22.86	26.33	15.94	55.47	2.61	3.24	3.24	
		Bituminous	U/g	1.71	5,639,793	9,654,582	1.50	14,442,742	5%	722,137	13,720,600	24.89	19.52	24.06	52.98	2.26	3.47	3.47	
	Indicated	Anthracitic	U/g	1.05	16,175	16,965	1.59	26,984	15%	4,048	22,000	23.89	27.51	8.88	60.59	3.07	3.07	3.07	
		Lean Bituminous	U/g	1.24	626,738	776,760	1.60	1,244,886	15%	186,733	1,058,000	21.65	27.99	15.08	53.41	2.72	3.12	3.12	
Adrianople 296IT (South Block)	Measured	Anthracitic	U/g	1.15	1,734,364	2,000,646	1.62	3,241,453	5%	162,073	3,079,300	22.76	30.11	8.82	57.99	2.91	3.11	3.11	
		Lean Bituminous	U/g	1.21	4,155,644	5,046,139	1.59	8,034,784	5%	401,739	7,633,000	23.31	27.92	14.24	54.66	2.86	3.16	3.16	
		Bituminous	U/g	1.03	1,299,129	1,334,004	1.49	1,992,669	5%	99,633	1,893,000	24.73	19.44	24.02	53.04	2.69	3.48	3.48	
	Indicated	Anthracitic	U/g	1.01	1,225,428	1,237,746	1.57	1,941,431	15%	291,215	1,650,000	23.82	26.25	8.33	62.57	3.18	2.85	2.85	
		Lean Bituminous	U/g	1.08	3,793,761	4,105,875	1.60	6,584,850	15%	987,728	5,597,000	22.57	28.93	14.25	53.73	3.01	3.1	3.1	
GRAND TOTAL / AVERAGE MOOPLAATS COLLIERY	Inferred	Anthracitic	U/g	1.01	364,183	368,882	1.56	574,672	20%	114,934	450,000	24.15	25.65	8.76	62.96	3.11	2.63	2.63	
		Lean Bituminous	U/g	1.08	2,302,327	2,477,738	1.63	4,028,564	20%	805,713	3,220,000	21.85	30.76	14.08	52.03	2.84	3.19	3.19	
		Bituminous	U/g	1.09	350	382	1.57	599	20%	120	0	22.6	25.61	20.21	51.01	3.31	3.15	3.15	
	TOTAL / AVERAGE ADRIANOPLE 296IT		Anthracitic	U/g	1.11	14,985,163	16,685,397	1.59	26,575,537	11%	2,889,632	23,672,300	23.03	27.97	13.83	55.07	2.92	3.13	3.13
	GRAND TOTAL / AVERAGE MOOPLAATS COLLIERY		Anthracitic	U/g	1.41	42,326,239	59,553,599	1.55	92,322,689	7%	6,703,427	85,992,700	23.57	24.34	16.93	55.36	2.48	3.29	3.29

Notes:

Rounding down of TTIS tonnages to 100t, 1,000t and 10,000t for Measured, Indicated and Inferred, respectively, may result in computational discrepancies.

RESOURCE CALCULATED FOR MINING CUT AT 1.4m

FARM OR BLOCK	SEAM	RESOURCE CATEGORY	COAL TYPE	O/C or U/G	AVE WIDTH (m)	AREA (m ²)	VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINING BLOCK LAYOUT LOSSES (t)	MINEABLE TONNES IN SITU
Mooiplaats 290IT (North Block)	BU	Measured	Anthracitic	U/g	1.63	652,922	1,067,014	1.58	1,690,947	5%	84,547	1,606,400	5%	80,320	1,526,000
			Lean Bituminous	U/g	1.76	2,241,916	3,938,707	1.52	5,969,213	5%	298,461	5,670,752	5%	283,538	5,387,200
		Bituminous	Bituminous	U/g	2.06	3,137,638	6,479,051	1.47	9,520,815	5%	476,041	9,044,774	5%	452,239	8,592,500
			Anthracitic	U/g	1.52	197,599	300,744	1.61	484,239	15%	72,636	411,603	5%	20,580	391,000
	Indicated	Lean Bituminous	U/g	1.57	47,850	75,164	1.54	115,908	15%	17,386	98,522	5%	4,926	93,000	
Bituminous		U/g	2.09	10,250	21,426	1.45	31,083	15%	4,662	26,421	5%	1,321	25,000		
		TOTAL / AVERAGE MOOIPLAATS 290IT			1.89	6,288,175	11,882,106	1.50	17,812,205	5%	953,733	16,858,472	5%	842,924	16,014,700
Klipbank 295IT (South Block)	BU	Measured	Anthracitic	U/g	1.65	683,287	1,124,906	1.61	1,811,031	5%	90,552	1,720,479	5%	86,024	1,634,400
			Lean Bituminous	U/g	1.64	6,611,024	10,859,556	1.56	16,920,952	5%	846,048	16,074,904	5%	803,745	15,271,100
		Bituminous	Bituminous	U/g	1.75	5,471,771	9,589,687	1.50	14,351,844	5%	717,592	13,634,252	5%	681,713	12,952,500
			Lean Bituminous	U/g	1.52	204,896	312,364	1.59	496,894	15%	74,534	422,360	5%	21,118	401,000
	Indicated	Bituminous	U/g	1.68	670,612	1,124,567	1.48	1,665,697	15%	249,855	1,415,842	5%	70,792	1,345,000	
Inferred		Bituminous	U/g	1.59	96,648	153,794	1.48	227,643	20%	45,529	182,114	5%	9,106	170,000	
		TOTAL / AVERAGE KLIPBANK 295IT			1.69	13,738,238	23,164,874	1.53	35,474,061	6%	2,024,109	33,449,952	5%	1,672,498	31,774,000
Adrianople 296IT (South Block)	BU	Measured	Anthracitic	U/g	1.47	392,709	575,595	1.61	928,044	5%	46,402	881,642	5%	44,082	837,500
			Lean Bituminous	U/g	1.57	916,796	1,442,155	1.64	2,358,982	5%	117,949	2,241,033	5%	112,052	2,128,900
	Indicated	Lean Bituminous	U/g	1.42	2,750	3,896	1.66	6,455	15%	968	5,487	5%	274	5,000	
		TOTAL / AVERAGE ADRIANOPE 296IT			1.54	1,312,255	2,021,646	1.63	3,293,481	5%	165,320	3,128,161	5%	156,408	2,971,400
GRAND TOTAL		/ AVERAGE MOOIPLAATS COLLIERY			1.74	21,338,668	37,068,626	1.53	56,579,747	6%	3,143,161	53,436,586	5%	2,671,829	50,760,100

Notes:

Rounding down of MTS tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively, may result in computational discrepancies.

AIR DRIED RAW QUALITIES						
CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)	
22.03	27.31	8.40	60.85	2.21	3.23	
24.52	21.40	14.26	60.74	2.08	3.29	
25.47	17.58	26.05	52.65	1.91	3.65	
21.23	27.82	7.28	59.89	1.47	3.15	
23.46	22.81	10.59	62.51	1.64	3.32	
25.46	15.94	26.53	53.09	1.64	4.48	
24.71	20.07	19.85	56.39	1.98	3.48	
22.19	29.81	8.39	59.11	2.6	3.22	
23	24.84	16.67	55.22	2.6	3.26	
24.88	19.55	23.99	53.03	2.27	3.46	
21.63	27.01	17.56	51.75	3.01	3.16	
25.2	18.67	26.41	51.6	2.26	3.54	
25.5	18.22	26.93	51.2	2.38	3.59	
23.81	22.67	19.71	54.31	2.46	3.35	
23.28	29.34	8.91	58.66	3.24	3.13	
22.36	31.76	14.98	50.22	3.2	2.99	
21.87	33.14	14.82	49.12	2.93	2.93	
22.62	31.08	13.27	52.60	3.21	3.03	
24.03	22.34	19.38	54.86	2.35	3.37	

- geological losses of 10%, 12% and 15% are applied to Measured, Indicated and Inferred Coal Resources, respectively, prior to the reporting of TTIS. These losses take into account any unforeseen geological features, such as dykes and faults, which have not been identified in the drilling and which may have a negative impact on the Coal Resources. The percentages applied increase with decreasing borehole spacing;
- Venmyn has utilised a 5% geological loss for the Measured Coal Resources as the drill spacing is 25% less than the JORC required limit of 250m. Also CoAL is currently mining the Measured Coal Resources;
- a minimum seam thickness cutoff of 1.4m is applied prior to the reporting of MTIS. This limit takes into account the underground mining equipment used at Mooiplaats which cannot mine coal seams of less than 1.4m; and
- mining layout losses of 5% were applied to derive the MTIS.

13.19.3. Differences Between Resource Statements

The summary of differences between September 2010 and June 2011 Coal Resource Statements is shown in Table 21.

13.20. Coal Reserve Statement

Coal Reserves are presented in accordance with The JORC Code, 2004. The Coal Reserves for Mooiplaats Colliery were independently verified, classified and signed off by Venmyn's Competent Person in accordance with the JORC Code and the Australian Guidelines. The Coal Reserve schedule was prepared by Mr T Barnard, Mooiplaats Colliery's Mine Surveyor. The Coal Reserves were independently reviewed, compiled and signed off by Mr G Njowa, of Venmyn, a registered professional engineer with the Engineering Council of South Africa. (Reg. No. 20090204). During the review process, the mining schedule was checked for consistency, tallying with the Coal Resources from which these Coal Reserves have been converted and the practical achievability on the mining rates. There were a few inconsistencies noted by Venmyn but these have been corrected.

With regards to estimating the coal tonnages for the Coal Reserve Statement for Mooiplaats Colliery, the geological and economic boundaries of the underground operation had first to be determined based on the initial quality cutoff as detailed in Section 13.19. Venmyn developed a financial model based on the historical performance to demonstrate the economic viability of extracting these Coal Reserves. The economic evaluation is described in Section 13.22. Some areas were excluded as a result of physical, geographical and statutory constraints, geological structures and dolerite intrusions.

13.20.1. Modifying Factors

The mining and economic related modifying factors that were applied to the Mooiplaats Colliery Coal Reserves are as follows:-

- an export thermal coal price of USD130/t for the primary product and a domestic thermal coal price of ZAR158/t for the middlings product were used. Commodity prices and exchange rates used to estimate the economic viability of Coal Reserves are based on long term forecasts applied at the time the estimate was completed;
- an average operating cost of ZAR240/RoM t was utilised;
- the mineable Coal Reserve excludes all the pockets of anthracitic coal within the project area;
- a coal seam thickness cutoff of >1.6m was included in the LOM plan;
- mining layout losses of 5% on the B Upper Seam have been accounted for at Coal Resource estimation;
- surface or residual moisture of 3.5%;
- assumed contamination of 14% for the B Upper seam. This figure has been based upon recent mining results. CoAL is investigating the reasons for this relatively high level of dilution and aims to reduce this;

Table 21 : Mooiplaats Colliery – Differences Between Resource Statements

PROJECT	SEAM	RESOURCE CATEGORY	FARM OR BLOCK	COAL TYPE	O/C or U/g	2010		2011		DIFFERENCES		COMMENTS
						GTIS (Mt)	MTIS (Mt)	GTIS (Mt)	MTIS (Mt)	GTIS (Mt)	MTIS (Mt)	
Mooiplaats Colliery	BU	Measured	Mooiplaats 290IT (North)	Anthracitic	U/g	1.541	1.464	1.691	1.526	0.150	0.062	Decrease of 0.6Mt due to mining depletions. Remaining decrease due to strict application of JORC classification distances.
				Lean Bituminous		6.153	5.846	5.969	5.387	-0.184	-0.459	
				Bituminous		11.049	10.497	9.521	8.593	-1.528	-1.905	
			TOTAL / AVE NORTH BLOCK		18.743	17.807	17.181	15.506	-1.562	-2.301		
			Klipbank 295IT & Adrianople	Anthracitic	U/g	2.516	2.390	2.739	2.472	0.223	0.082	
				Lean Bituminous		18.784	17.845	19.280	17.400	0.496	-0.445	
				Bituminous		14.166	13.458	14.352	12.953	0.186	-0.506	
			TOTAL / AVE SOUTH BLOCK		35.466	33.693	36.371	32.824	0.905	-0.869		
			TOTAL / AVE MEASURED RESOURCES		54.209	51.500	53.552	48.330	-0.657	-3.170		
		Indicated	Mooiplaats 290IT (North)	Anthracitic	U/g	0.000	0.000	0.484	0.391	0.484	0.391	Classification strictly according to JORC distances resulted in increase of indicated resources at the expense of Measured resources. Also increase in Indicated due to upgrading of Inferred through 2011
				Lean Bituminous		0.000	0.000	0.116	0.093	0.116	0.093	
				Bituminous		0.000	0.000	0.031	0.025	0.031	0.025	
			TOTAL / AVE NORTH BLOCK		0.000	0.000	0.631	0.509	0.631	0.509		
			Klipbank 295IT & Adrianople	Anthracitic	U/g	0.000	0.000	0.000	0.000	0.000	0.000	
				Lean Bituminous		0.021	0.019	0.503	0.406	0.482	0.387	
				Bituminous		0.765	0.689	1.666	1.345	0.901	0.656	
			TOTAL / AVE SOUTH BLOCK		0.786	0.708	2.169	1.751	1.383	1.043		
			TOTAL / AVE INDICATED RESOURCES		0.786	0.708	2.800	2.260	2.014	1.552		
Inferred	Klipbank 295IT & Adrianople	Anthracitic	U/g	0.000	0.000	0.000	0.000	0.000	0.000	Additional 2011 drilling in areas of widely spaced drilling has resulted in the upgrading of Inferred resources.		
		Lean Bituminous		0.004	0.003	0.000	0.000	-0.004	-0.003			
		Bituminous		1.251	1.064	0.228	0.170	-1.023	-0.894			
	TOTAL / AVE SOUTH BLOCK		1.255	1.067	0.228	0.170	-1.027	-0.897				
	TOTAL / AVE INFERRED RESOURCES		1.255	1.067	0.228	0.170	-1.027	-0.897				
GRAND TOTAL / AVE MOOPLAATS COLLIERY		56.250	53.275	56.580	50.760	0.330	-2.515	1%	-5%			

GTIS - At minimum seam thickness cutoff of 1.4m.

MTIS - At minimum seam thickness cutoff of 1.4m.

- Coal Resource cutoffs were applied as per the Coal Resource Statement (Section 13.19);
- in the estimation of coal reserves, Venmyn assumed that all regulatory applications will be approved and the current approvals will continue to be valid; and
- the resultant RoM Coal Reserve, after accounting for excluded areas and modifying factors, is estimated at 20Mt, of which 0.6Mt is in the Probable Coal Reserve category and 19.5Mt is in the Proven Reserve category.

13.20.2. Mooiplaats Colliery Coal Reserve

The Mooiplaats Project Coal Summary Reserve Statement as at the 30th June 2011 is shown in Table 23, and Figure 31 graphically presents the location of B Upper Seam Coal Reserves in the Mooiplaats Colliery. All data is presented on a 100% asset basis, with the CoAL ownership of Mooiplaats shown in Figure 3 and Figure 12. Coal Reserves are RoM Coal Reserves, as mined Coal Reserves taking into account geological losses, mining losses, contamination and with mined moisture adjustments. Reserves are reported on a RoM moisture basis. The Measured and Indicated Mineral Coal Resources are reported inclusive of those Coal Resources modified to produce Coal Reserves.

Saleable Coal Reserves are reported on an as sold basis. The RoM Coal Reserves are adjusted for yield losses in the preparation plant and converted to incorporate a saleable moisture to give the Saleable Coal Reserves.

Venmyn is of the opinion that there is additional potential to increase the Coal Reserves within the Mooiplaats Colliery licence area, by potentially mining coal with a seam thickness of between 1.4m and 1.6m, although this is currently excluded in the currently declared Coal Reserve Statement. CoAL has elected to declare its Coal Reserves at a cut-off of 1.6m. This is a more conservative approach in estimating Coal Reserves and Venmyn is comfortable that CoAL has not over estimated its Coal Reserves. Venmyn has high confidence that CoAL will achieve its Coal Reserve declaration as reported in this report.

The detailed Coal Reserve Statement, by farm, is presented in Table 24. This table presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant reserve tonnages and associated prime product qualities. Although only a single seam occurs at Mooiplaats, three different types of coal are present within the seam due to the different volatile contents, as detailed in Section 13.10. However, all the anthracitic coal has been excluded in the Coal Reserve estimation and is not being reported on. These different types of coal have significantly different markets. Therefore, each coal type is reported separately, within the various classification categories.

13.21. Environmental Issues

13.21.1. Environmental Liabilities

Venmyn associate Mr K Patel, of EIMS, provided a provisional calculation of the estimated environmental liabilities for compliance obligations and environmental aspect monitoring in Table 22. This is the result of a preliminary investigation based on review of all environmental documents, a site visit and discussions held with the Mpumalanga Regional Environmental Manager, Ms N Barnard, who is responsible for managing the process of behalf of CoAL. This, however, does not constitute the result of a comprehensive environmental due diligence exercise. The values presented in Table 22 also represent a spectrum of estimated costs ranging from low to high and are also highly variable and dependent on consultant rates. It is assumed that the Mooiplaats Colliery will require the authorisation of all the aspects listed in Table 22.

Table 22 : Mooiplaats Colliery – Environmental Compliance Liability Estimate

ASPECT	LOW ESTIMATE (ZAR)	HIGH ESTIMATE (ZAR)
NEMA Public Participation	30,000	40,000
NWA Fine*	100,000	1,000,000
Section 102 Amendment I&AP Consultation	20,000	45,000
Section 102 Report Amendment (utilising existing data)	20,000	50,000
TOTAL	170,000	1,135,000

*For operating without a WUL

Table 23: Mooiplaats Colliery Coal Reserve Statement as at 30th June 2011

PROJECT AREA	SEAM	RESERVE CATEGORY	COAL TYPE	O/C or U/g	MINEABLE TONNES IN SITU (MTIS)	ROM TONNAGE	SALEABLE		PRIME PRODUCT WASHED QUALITIES							
							PRIMARY PRODUCT	SECONDARY PRODUCT	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)		
Mooiplaats 290IT; Klipbank 295IT & Adrianople 296IT	BU	Proven	Lean Bituminous	U/g	12,976,400	7,663,700	3,481,000	0	27.23	14.49	16.83	63.45	1.66	3.57		
			Bituminous		18,613,800	10,993,100	5,952,300	779,900	27.28	12.34	27.79	54.46	1.47	3.94		
GRAND TOTAL / AVE/M OOIPLAATS COL LIERY							31,590,200	18,656,800	9,433,300	779,900	27.26	13.14	23.75	57.78	1.54	3.80

Notes

Rounding down of tonnages to 100t and 1,000t for Proven and Probable, respectively.

All tonnage information has been rounded to reflect the relative uncertainty in the estimates; there may, therefore, be small differences in the totals.

MOOIPLAATS COLLIERY - LOCATION OF B SEAM RESERVES



LEGEND:

- Reserves @ 1.6m
- Resources @ 1.4m
- Mined out areas
- Mining and Prospecting Rights Boundary

Table 24 : Mooiplaats Colliery Detailed Coal Reserve Statement as at 30th June 2011

FARM OR BLOCK	SEAM	RESERVE CATEGORY	COAL TYPE	O/C or U/G	MINEABLE IN SITU RESERVE	MINING EXTRACTION FACTOR (%)	EXTRACTABLE RESERVE	TONNAGE INCL. CONTAMINATION (t)	EXTERNAL MOISTURE (t)	ROM TONNAGE	PRIMARY PRODUCT		SECONDARY PRODUCT SALEABLE TONNES	SECONDARY PRODUCT PRACTICAL YIELD (%)	SECONDARY PRODUCT SALEABLE TONNES	PRIME PRODUCT WASHED QUALITIES					
											BH YIELD (%)	PRACTICAL YIELD (%)				CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Mooiplaats 290IT;	BU	Proven	Lean Bituminous	U/g	12,976,446	50%	6,488,223	7,404,584	259,160	7,663,744	56.80	45.42	3,481,056	0.00	0	27.23	14.49	16.83	63.45	1.66	3.57
Klipbank 295IT & Adrianople 296IT			Bituminous	U/g	18,613,826	50%	9,306,913	10,621,370	371,748	10,993,118	71.62	54.15	5,952,364	7.10	779,975	27.28	12.34	27.79	54.46	1.47	3.94
GRAND TOTAL / AVERAGE RESERVES					31,590,272	50%	15,795,136	18,025,954	630,908	18,656,862	65.53	50.56	9,433,420	7.10	779,975	27.26	13.14	23.76	57.77	1.54	3.80

13.21.2. Environmental Provision for Rehabilitation

The approved and updated financial provision for Mooiplaats North was submitted to the DMR on the 11th May 2011 and is currently valued at ~ZAR26.8m. The provision was calculated using the DMR's preferred methodology for the calculation of the financial provisions. However, the inclusion of information from the NEMA and NWA authorisations via the MPRDA Section 102 process may result in a further amendment to the financial provisions presented in the EMP. The approval of the construction of the PCD may result in an increase in the provision. However, annual evaluation of the financial provisions, as required by the DMR, will allow amendments to the financial provisions to be instituted.

Mooiplaats South's financial provision is valued at ZAR4.9m and was calculated using the DMR's preferred methodology. The EMP and associated financial provisioning has been submitted to the DMR but has not yet been approved. It is assumed that the inclusion of additional requirements from the NEMA and NWA authorisations processes may also apply and potentially result in an amendment to the financial provisions set aside.

13.21.3. Critical Environmental Issues and Risks

The most critical environmental issues and risks faced by Mooiplaats Colliery extend to ground and surface water quality and access to process water quantity (given Mooiplaats' reliance on availability of water from Usutu boreholes).

According to the United Nations Environment Programme (UNEP, 2004), the most common global water quality issues that affect the sustainable use of water are as follows:-

- nutrient loading;
- salinity (macro constituents and trace metals);
- suspended solid transport;
- faecal pollution (microbiological);
- persistent organic pollutants (POP); and
- acidification.

The water quality data currently collected for the Mooiplaats North Colliery addresses the above issues, with the exception of testing for POP. This is in accordance with recommendations made by the CoAL's approved EMP. Once a WUL is issued additional requirements may be included.

At present, no WUL exists, and the current water quality monitoring criteria only makes limited provision for biological indicators, according to the approved EMP. Testing may be expanded depending on the conditions set out by the DWA. CoAL currently used the Grootdraai Dam: Vaal Origin water quality guidelines for reporting purposes.

Failure to ultimately obtain the necessary authorisations carries the risk of the suspension or cancellation of the mineral licences and/or prosecution. In this regard CoAL is in regular communication with the relevant governmental departments in order to mitigate this risk.

In addition, water is abstracted from Usutu underground workings and, since no WULA has been obtained or written approval exists for the water abstraction by CoAL, this could have a severe impact on the operation of Mooiplaats North, since it could reduce the total amount of water available if a WUL is not authorised for Mooiplaats.

13.21.3.1. Water Quality Monitoring

Since November 2009, a formalised water quality monitoring has been implemented. CoAL is currently using DWA monitoring sites both up and downstream in order to establish baseline conditions. Until April 2011, no Biochemical Oxygen Demand (BOD) or Chemical Oxygen Demand (COD) monitoring had been undertaken (as per SA Water Quality Standards and EMP); however, this is now being conducted on a six-monthly basis. This is required for biological water quality analysis for protection and maintenance of aquatic ecosystems.

The water quality results of the return water dam, settling dams and spruit, show high electro conductivity and sulphates, which are indicative of increased salinity, and CoAL has committed to the construction of a PCD to mitigate this, pending approval of the WUL.

13.21.3.2. Dirty Stormwater Runoff

Until an adequate water management system (including a PCD) is in place some dirty stormwater runoff is uncontained. There is some runoff from the plant that is being contained in unlined sumps, but the PCD will make it a completely closed system, as per the approved EMP (pending approval of the WUL).

13.22. Mineral Asset Valuation

A mineral asset is defined, according to the International Financial Reporting Standards (IFRS), as:-

“A resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise”.

The mineral asset valuations detailed in this report have been conducted in accordance and in compliance with the VALMIN Code, prepared by the VALMIN Committee, a joint committee of the Australian Institute of Mining and Metallurgy, The Australasian Institute of Geoscientists and the Mineral Industry Consultants Association.

Most of the international mineral asset valuation codes set out clear approaches and methodologies for the valuation of mineral assets except for the VALMIN Code 2005, with confidence in the Mineral Resource estimates being the primary value lever. In the Australian context, the JORC Code governs Mineral Resource and Ore Reserve classifications on the back of demonstrated confidence in the estimates achieved through the exploration process. With regard to valuation methodology, the VALMIN Code 2005 states the following:-

“The Expert and Specialist must make use of valuation methods suitable for the Mineral or Petroleum Assets or Securities under consideration. Selection of an appropriate valuation method will depend on such factors as:

- (a) the nature of the Valuation;*
- (b) the development status of the Mineral Assets; and*
- (c) the extent and reliability of available information.”*

This valuation has identified the Fair Market Value for each asset. According to the VALMIN Code, this is:-

“..the estimated amount of money for which the project should change hands at the valuation date, between a willing buyer and a willing seller in an arm's length transaction, wherein each party acted knowledgeably, prudently and without compulsion. It is usually comprised of the underlying value (technical value) and premium or discount, relating to market, strategic and other considerations.”

The VALMIN Code is not prescriptive as to valuation methodology; however, the Code provides that the decisions as to the valuation methodology or methodologies to be used area solely the responsibility of the Expert and must not be influenced by the commissioning entity. However, Venmyn have opted to use provisions in the other mineral asset valuation codes for guidance from the CIMVAL from Canada and SAMVAL from South Africa. Table 25 summarises the valuation approaches and the underlying methodologies as stipulated in the CIMVAL Code and the SAMVAL Code:-

Table 25 : Valuation Approach and Acceptable Methodologies as Stipulated in the Valuation Codes

VALUATION APPROACH	VALUATION METHODOLOGY	DORMANT PROPERTIES	EXPLORATION PROPERTIES	COAL RESOURCES	DEVELOPMENT PROPERTIES	MINING PROPERTIES	DEFUNCT PROPERTIES
Cash Flow	DCF	No	No	Yes	Yes	Yes	No
Sales/Market Comparisons	Comparable	Yes	Yes	Yes	Yes	Yes	Yes
Cost	Asset Recognition and Impairment Test	Yes	Yes	Yes	No	No	Yes

KEY	
	Most acceptable method and widely used
	Acceptable method and quite widely used
	Less acceptable method, less widely used and poorly understood
	Not acceptable

The VALMIN Code further defines the various categories of Mineral Assets as follows:-

Exploration Areas – properties where mineralisation may or may not have been identified, but where a Mineral or Petroleum Resource has not been identified.

Advanced Exploration Areas – properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A resource estimate may or may not have been made but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the resource category.

Pre-Development Projects – properties where Mineral or Petroleum Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral or Petroleum Resources have been identified, even if no further Valuation, Technical Assessment, delineation or advanced exploration is being undertaken. Development Projects – properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels.

Operating Mines – mineral properties, particularly mines and processing plants that, have been commissioned and are in production.

The valuations in this document, aim to identify the attributable values on an asset-by-asset basis as a means of identifying the value contribution of each individual asset to the total asset value of the company as at the effective date of this report. It should be noted that all valuation results presented in this report are based on 100% attributable equity basis. Each asset has been valued according to the development stage in which it fits within the different phases in the mining and manufacturing development cycle. Figure 32 graphically illustrates the different approaches and methodologies that are applicable to different mineral assets at each stage in the mine development cycle.

Any decision to apply a valuation technique depends principally on the stage at which the project has been developed, the geological confidence and the potential of the asset for reasonable and realistic prospects for eventual economic extraction. Changes in value of a mineral asset are associated with increasing confidence through increased knowledge, as well as the greater degree of probability of it being brought to account. An appropriate valuation recognises these possibilities.

13.22.1. Valuation Methodologies

Where insufficient confidence exists in the technical parameters of a mineral deposit, or mineral asset, to classify resources, valuation methods mainly rely on the principle of historical cost. This implies that a mineral asset's value is related to the money spent on its acquisition, plus a multiple of the exploration expenditure, depending upon the degree to which its prospectivity has been enhanced by exploration.

Once resources have been classified, then market comparisons are made on a monetary value per unit of mineralisation (ZAR/t).

Once technical studies establishing the basis for future economic exploitation have been carried out, Discounted Cash Flow (DCF) methods are applicable and all the methods used to identify a reasonable transaction value.

The contributing coal assets of CoAL are at different stages of development ranging from early exploration projects to operating mines. Different valuation approaches and methodologies will be used in the valuation of these individual mineral assets on a case by case basis.

13.22.1.1. Cost Approach

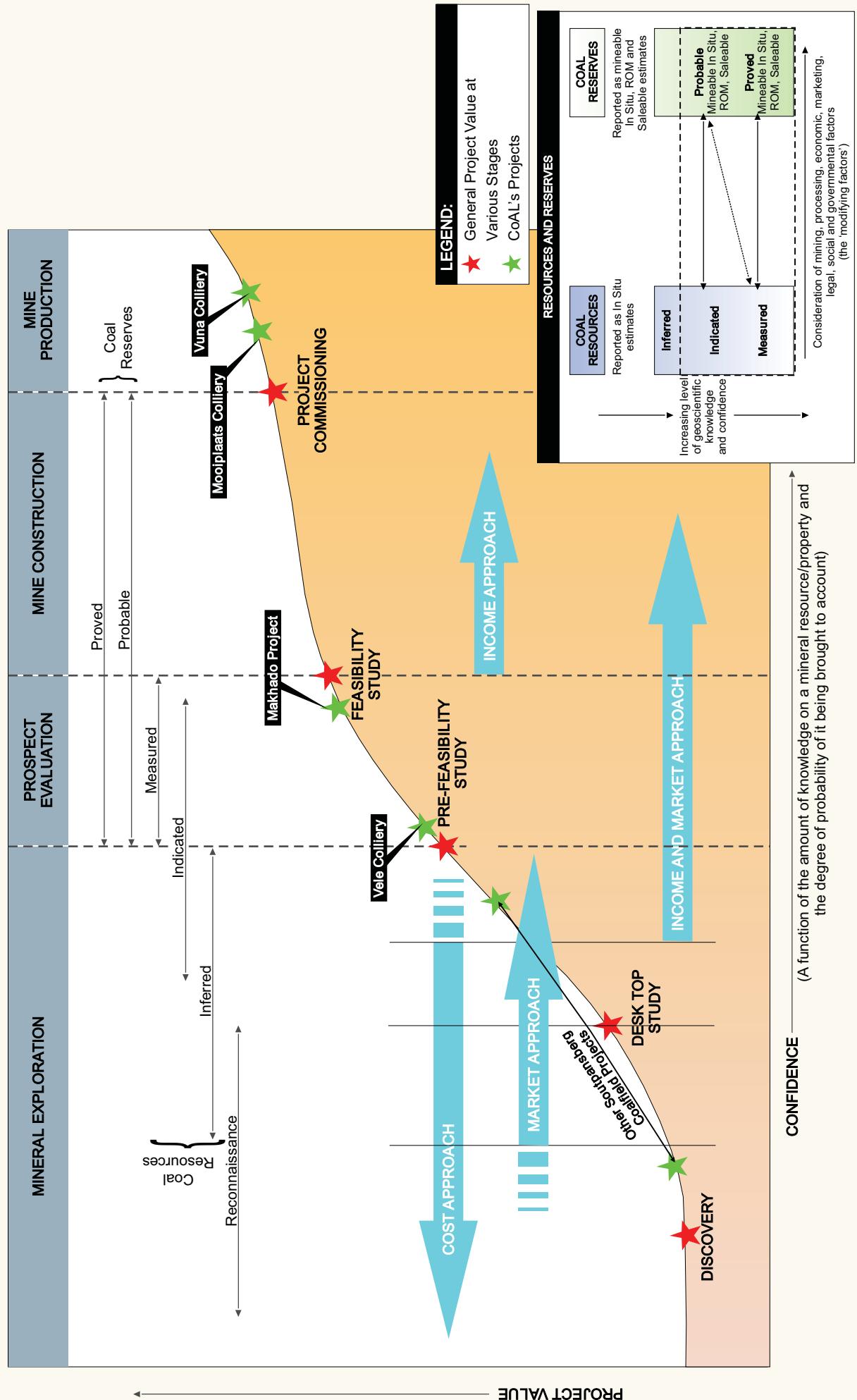
According to the CIMVAL and SAMVAL Codes, "The Cost Approach relies on historical and/or future amounts spent on the Mineral Asset".

13.22.1.2. Market Approach

According to the CIMVAL and SAMVAL Codes, "The Market Approach relies on the principle of 'willing buyer, willing seller' and requires that the amount obtainable from the sale of the Mineral Asset is determined as if in an arm's-length transaction".

The Market Approach is based upon other, preferably recent, arm's length transactions of a similar nature, which determines a monetary value per unit of Resource (ZAR/t). Venmyn has graphically plotted recent transactions of a similar nature in relation to their specific stage of exploration (Figure 33) in order to make the necessary comparisons.

PROJECT LIFETIME VALUE AND VALUATION METHODOLOGY CURVE FOR MINERAL RESOURCE PROJECTS



13.22.1.3. Cash Flow Approach

According to the CIMVAL and SAMVAL Codes, “The Cash Flow Approach relies on the ‘value-in-use’ principle and requires determination of the present value of future cash flows over the useful life of the Mineral Asset”.

Mooiplaats Colliery is an operating mine and has been valued using the Market Approach and Cash Flow Approach as detailed in the sections that follow:-

13.22.2. Mooiplaats Coal Project Market Approach Valuation

Since Coal Resources and Coal Reserves have been classified for Mooiplaats Colliery, Venmyn was able to carry out a comparable transaction valuation on the basis that recent market valuations of a similar nature provide the proxy for value. In order to arrive at a reasonable market value with which to compare the respective projects, appropriate recent and historical transactions must form the basis.

It is important to note that the valuation results documented in this report have utilised the Venmyn June 2011 Coal Resource and Coal Reserve Statements (Table 18 and Table 23), as this is the current compliant Coal Resource and Coal Reserve estimates for these coal projects. The effective date of the valuation is the 30th June 2011.

Figure 33 summarises Venmyn’s database of recent unit market valuations within the context of the South African coal market with reference to the respective Coal Resource and Coal Reserve classifications.

The comparable transaction value range selected for the valuation of the contributing properties of Mooiplaats Colliery has considered the nature of this valuation and the risk factors.

Venmyn is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the seam thickness of the Coal Resources, as it will dictate the type of underground mining operation that can be adopted or utilised;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Resource;
- availability of infrastructure and logistics; and
- the timing of potential exploitation of the different coal blocks.

The range of values generated based upon all RoM coal quantified for the contributing properties of Mooiplaats Colliery are summarised in Table 23, Table 24 and illustrated in Figure 33.

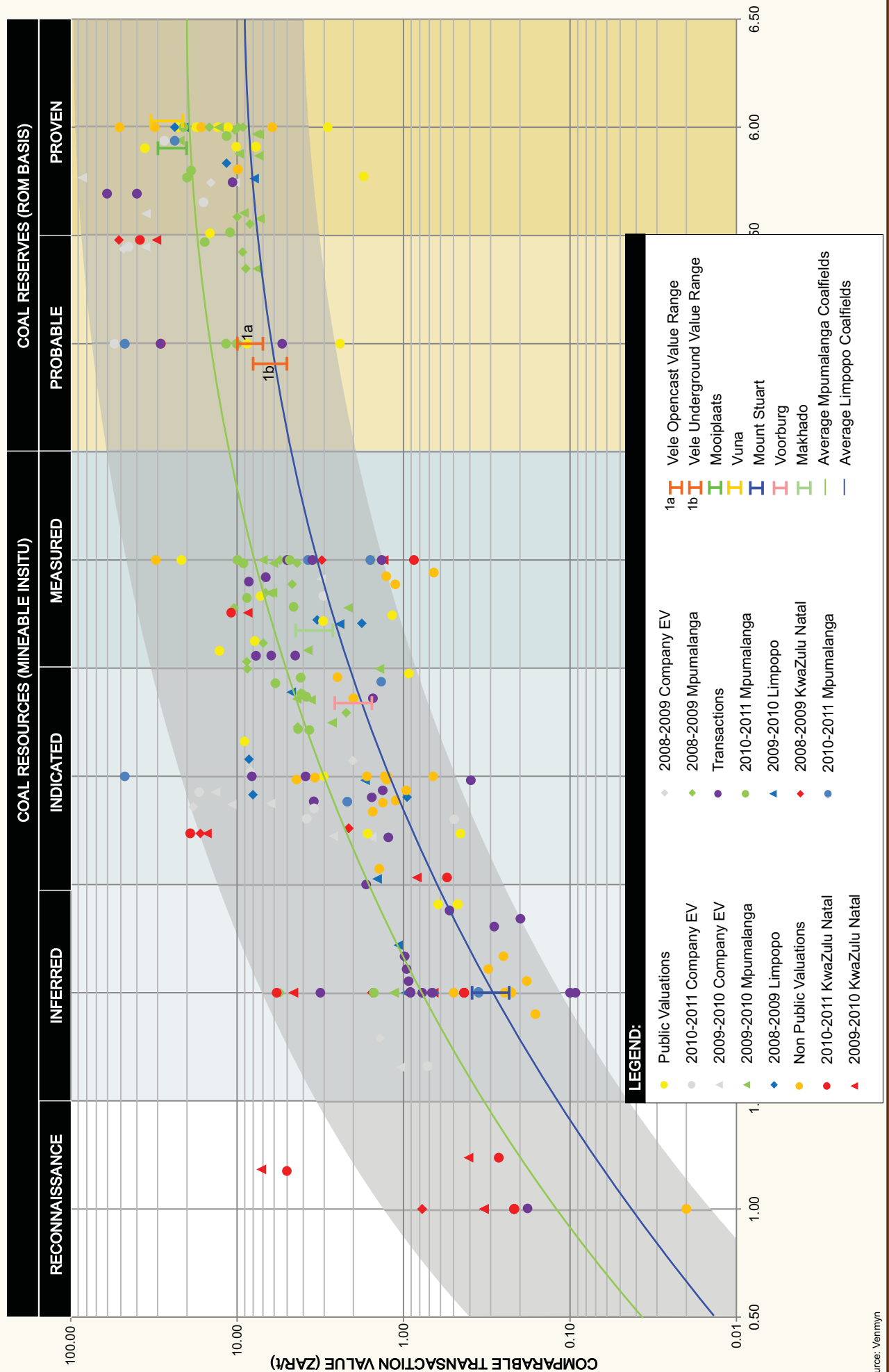
The value range derived from the Market Approach is between ZAR494m (low valuation) and ZAR735m (high valuation), being the summation of the valuation results for the declared coal reserves and the additional coal resources over and above those that form part of the coal reserves. It should be noted that coal resources and coal reserves from neighbouring properties have been excluded, despite some of these coal reserves currently forming part of the Mooiplaats LOM plan.

The valuation range was calculated from the range of unit values as defined by the Market Approach. The value range reflects the level of confidence attached to the respective Coal Resources and Coal Reserves and the probability of their being brought to account. The population of historic market transactions and valuations provides an indication of reasonability.

Venmyn’s preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR615m for the contributing properties of Mooiplaats Colliery. This results in an average unit value of ~ZAR12.11/ MTIS t. All defined unit values fall within the Mpumalanga Value Curve defined by Venmyn from its transaction database.

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arm’s length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

VALUATION CURVE FOR SOUTH AFRICAN COAL PROJECTS



Sources: Venmyn

Table 26 : Summary Market Approach Valuation Results for Mooiplaats Colliery Reserves

FARM OR BLOCK	RESERVE CATEGORY	O/C or U/G	ROM TONNAGE	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Mooiplaats 290IT;Klipbank 295IT & Adrianople 296IT	Proven	U/g	7,663,700	20.00	30.00	153.27	229.91	191.59
		U/g	10,993,100	20.00	30.00	219.86	329.79	274.83
GRAND TOTAL / AVERAGE			18,656,800	20.00	30.00	373.14	559.70	466.42

Table 27 : Summary Market Approach Valuation Results for Mooiplaats Colliery's Additional Coal Resources

PROJECT	MINEABLE TONNES IN SITU (MTIS)	AVE LOWER UNIT VALUE (ZAR/t)	AVE UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Mooiplaats	19,085,900	6.35	9.21	121.20	175.72	148.46
GRAND TOTAL	19,085,900	6.35	9.21	121.20	175.72	148.46

13.22.3. Mooiplaats Coal Project Cash Flow Approach Valuation

An economic study has been independently reviewed by Venmyn using the financial model developed by CoAL's management team, for the exploitation of the coal at Mooiplaats Colliery, at an operating mine level. The economic study was based on the historical performance of the mine and certain estimated operating costs that the company anticipates to achieve based on experience on similar operations in the Coalfield.

For completeness, Venmyn has independently reviewed the CoAL study and economic model and assumptions, and has constructed its own DCF model using the production schedule developed and the design principles and input parameters defined by CoAL, and reviewed by Venmyn in order to establish a DCF value for Mooiplaats Colliery and for the declaration of the Coal Reserves as documented. To this end, a Nominal Money Model has been constructed and summarised herein. Certain input parameters have been adjusted (as discussed below) in order to ensure that the economic model reflects the general economic conditions as at the valuation date of 30th June 2011.

13.22.3.1. Coal Price Forecast

Venmyn has valued the Mooiplaats Colliery in South African Rands (ZAR) under prevailing South African economic conditions and the following coal price parameters have been used in the LOM financial forecasts:-

- an Eskom price Free on Mine (FOM) of ZAR158/t; and
- a base export price of USD130/t for Richards Bay 6,000kcal/Kg.

The coal price and exchange rate forecast utilised in the financial model were based on the estimates produced by Investec Securities dated 14th June 2011.

13.22.3.2. Exchange Rate Forecast

Venmyn has applied an initial nominal exchange rate of ZAR7.24/USD for the financial year ending 30th June 2012. The ZAR is depreciated using the purchasing power parity between the USD and the ZAR.

13.22.3.3. Inflation Rate Forecast

The South African and United States inflation rates for the LOM cash flows, respectively, were based upon the long-term analysts' forecasts and the most recent Reuters consensus view of the Consumer Price Index (excluding interest rates on mortgage bonds (CPIX), as determined by various contributing economists. The inflation rates used in the financial model were 5% and 2.5%, respectively.

13.22.3.4. Discount Rate

Venmyn used the Capital Asset Pricing Model (CAPM) to calculate the cost of equity (CE) component of the discount rate using the formula:-

$$CE = R_f + \beta (R_m) \text{ where}$$

CE = Cost of equity;
 R_f = Risk free rate;
 R_p = Expected investment return;
 β = Relative volatility measure (Beta = 1); and
 R_m = Market risk premium.

The beta of the stock should reflect the stock price's volatility over and above other general equity investments in the country of operation. However, this calculation has several drawbacks. Poor liquidity and an asset base unrelated to the market in which it is listed, implies that the calculated beta is unlikely to truly represent the risk of the stock.

Venmyn, therefore, preferred to use a mining project risk, which varies with level of knowledge and range within 1.0%-9.0% and is weighted according to fourteen critical project development factors. Venmyn have applied project-specific risk component of 1% on operating mines and of up to 5% for developmental projects depending on the stage of development of the mineral asset. The components of the nominal discount rate calculation are given in Table 28:-

Table 28 : Nominal Discount Rate Calculation

DISCOUNT RATE COMPONENT	MOOIPLAATS
CoAL Effective Cost of Equity	8%
Risk Free Rate (USD denominated)	3.0%
Equity Risk Premium (South African)	5.5%
Beta	1.65
Cost of Equity (C_E)	12.08%
Project-Specific Risk Premium	1.01%
Venmyn All Equity Nominal Discount Rate	13.09%

The Mooiplaats Colliery was valued on a fully funded basis, and as a result the free cash flows were discounted using an all-equity discount rate of 13%. The discount rate is considered reasonable within the context of Venmyn's valuation of operating mines and developmental-stage South African minerals projects.

A nominal discount rate of 13% was used in the Mooiplaats economic model to take into account a general risk factor associated with operating in South Africa. It should be noted that this discount rate did not take into account the costs and interest rate charged of raising the finance for this project. The additional capital required on this operation is very minimal, since it is an operating mine and the risk is minimal. This can simply be financed by medium term debt instruments if CoAL chooses to do so. Hence the overall risk on this project is low.

13.22.3.5. Taxation and Royalties

In South Africa, the current company tax rate is 28% after full recovery of all capital expenditure deducted in the year it is expended.

The calculated royalty rate for the project is on average approximately 2.5% on gross sales (based on the formula provided in the latest MPRDA) has been applied from 2011. The financial model has used this formula for its calculations.

The project values calculated include all estimated capital expenditure, together with a provision for the replacement of ongoing capital at 5% of the operating expenditure. The capital expenditure incurred by a mining company qualifies for a deduction in full in the year in which it is spent in terms of Section 36 of the Income Tax Act.

Since most mining capital can be written off in the year in which it is incurred, if insufficient taxable revenue is generated in any single year, the unredeemed capital balance is carried forward to the next tax year. This exemption is only applied if the project incurs mining capital expenditure

13.22.3.6. Operating Costs

Venmyn has applied the following operating costs for the project over the initial build-up phase and during the steady state mining (from financial year 2013 onwards). Table 29 summarises the historical and estimated operating costs for Mooiplaats Colliery.

Table 29 : Estimated Total Operating Costs

MOOIPLAATS DEPARTMENTAL COSTS (ZAR/t)	ACTUAL	BUDGET	BUDGET	BUDGET
	FY2011	FY2012	FY2013	FY2014
Mining Costs (RoM)	165.74	178.56	178.95	201.24
Processing Costs (RoM)	43.63	34.25	33.83	36.69
Other Costs (RoM)	15.32	16.88	15.59	18.19
Rehabilitation Costs (RoM)	3.75	5.75	5.75	5.75
TOTAL OPERATING COSTS (ZAR/RoM t)	228.44	235.44	234.11	261.88
Distribution Costs (Saleable)	241.86	303.30	377.04	413.86

The detailed discussion of the mining and processing costs is discussed in Section 13.15.4. The distribution costs include all the costs involved in logistics and transportation of the saleable product from the mine until it is loaded on to the ship at the Maputo (Matola) Coal Terminal.

13.22.3.7. Capital Costs

CoAL has applied an additional capital cost of ZAR250m in order to bring the additional mining section, developing the new Mooiplaats North Section and medium term machinery replacement and refurbishments. A total capital cost of approximately ZAR300m has been estimated over the next three years.

Table 30 : Estimated Capital Expenditure Spend and Budgeted for Mooiplaats Colliery

FIXED ASSETS & CAPITAL EXPENDITURE	ACTUAL	BUDGET	BUDGET	BUDGET
	END JUNE 2011	FY2012	FY2013	FY2014
Exploration	8,426,752	0	0	0
Development and Infrastructure	52,150,884	113,911,800	100,215,741	0
Property, Plant and Equipment	66,666,750	55,350,000	0	24,000,000
TOTAL CAPITAL EXPENDITURE (ZAR)	127,244,386	169,261,800	100,215,741	24,000,000

In addition, Venmyn has made a provision for a stay in business capital expenditure of 5% of the total operating expenditure for the LOM. Escalation has been allowed in the capital estimate, using an average annual escalation used in the financial model.

13.22.3.8. Valuation Results

The economic model demonstrates that the exploitation of the coal at Mooiplaats Colliery is technically and economically viable given the input assumptions considered in this economic study, and adjustments made by Venmyn. It should be emphasised that the valuation results presented in this section are inclusive of the coal reserves from adjacent properties that currently form part of the Mooiplaats LOM plan. These coal reserves can currently not be separated. The summarised DCF model is presented in Table 32. The summarised DCF results are presented in Table 31.

Table 31 : Summarised DCF Valuation Results for Mooiplaats Colliery

VALUATION RESULTS	LOW VALUE	HIGH VALUE	MEAN CASE
Project NPV (ZARm)	712.92	772.35	739.23
Discount Rate (%) (Nominal)	14%	12%	13%
IRR	N/A	N/A	N/A

The base case analysis indicates that the project would produce a net present value (NPV) of ZAR739.23m at a 13% nominal discount rate. The NPV at various discount rates on the Base Case is presented in Figure 34. Venmyn acknowledges that the ROM tonnes utilised in the financial model is 7% more than the declared coal reserves. Venmyn assumed that in the last year, the company would carry out post pillar extraction, this is an industry norm to conduct post pillar extraction at the end of LOM.

Table 32 : Summarised DCF Model for Mooiplaats

MOOIPLAATS FINANCIAL MODEL EXTRACT														
UNIT	1	2	3	4	5	6	7	8	9	10	11	12	13	TOTAL/AVE
TOTAL	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Raw Production	t	1,675,130	1,820,582	1,677,212	1,700,000	1,700,000	1,700,000	1,693,302	1,500,000	1,600,000	1,600,000	1,600,000	1,600,000	21,566,225
Primary Product Yields (Bituminous Coal)	%	59%	60%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%
Secondary Product Yields (Bituminous Coal)	%	10%	10%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Primary Product Yields (Lean Coal)	%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%
Secondary Product Yields (Lean Coal)	%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%
Bituminous Export Product	t	995,027	1,083,246	989,555	1,003,000	1,003,000	1,003,000	261,548	-	-	-	-	-	7,341,376
Lean Coal Export Product	t	-	-	-	-	-	-	575,000	690,000	736,000	736,000	736,000	736,000	4,209,000
Bituminous 2nd Wash Product	t	167,513	172,955	152,626	154,700	154,700	154,700	40,340	-	-	-	-	-	1,152,235
Lean Coal 2nd Wash Product	t	-	-	-	-	-	-	203,750	244,500	260,800	260,800	260,800	260,800	1,491,450
Total Sales Production	t	1,162,540	1,256,202	1,142,181	1,157,700	1,157,700	1,157,700	1,080,638	934,500	996,800	996,800	996,800	996,800	14,194,061
Bituminous Export	ZARm	937	1,071	1,027	1,093	1,147	1,205	1,265	346	-	-	-	-	8,090
Lean Coal	ZARm	-	-	-	-	-	-	739	931	1,042	1,095	1,149	1,207	6,162
Bituminous 2nd Wash Product	ZARm	26	29	27	28	30	31	33	54	57	64	70	74	589
GROSS REVENUE (ZARm)		963	1,099	1,053	1,121	1,177	1,236	1,298	1,139	988	1,106	1,220	1,280	14,841
Variable Mining Costs (ZAR/t)	ZARm	(201)	(229)	(221)	(236)	(247)	(260)	(273)	(285)	(297)	(312)	(328)	(344)	(3,491)
Labour Costs	ZARm	(100)	(114)	(110)	(117)	(123)	(130)	(136)	(142)	(148)	(156)	(163)	(172)	(1,744)
Processing Costs	ZARm	(50)	(57)	(55)	(59)	(62)	(65)	(68)	(71)	(66)	(74)	(78)	(82)	(875)
Engineering Costs	ZARm	(8)	(9)	(9)	(9)	(10)	(10)	(11)	(11)	(11)	(12)	(13)	(14)	(138)
Other Costs	ZARm	(44)	(50)	(48)	(51)	(54)	(57)	(59)	(62)	(65)	(68)	(71)	(75)	(762)
Rehabilitation Costs	ZARm	(10)	(11)	(11)	(11)	(12)	(12)	(13)	(14)	(13)	(14)	(15)	(16)	(168)
2nd wash Trucking Costs	ZARm	(5)	(5)	(5)	(5)	(6)	(6)	(6)	(10)	(11)	(12)	(13)	(14)	(122)
Pail Freight & Related Costs	ZARm	(318)	(364)	(349)	(372)	(390)	(410)	(430)	(377)	(365)	(384)	(403)	(423)	(4,911)
TOTAL OPERATING COSTS	ZARm	(735)	(840)	(809)	(861)	(904)	(949)	(997)	(973)	(988)	(1,037)	(1,089)	(1,144)	(12,209)
EBITDA		227	260	244	260	273	287	301	166	105	118	124	130	2,632
Royalties Payable (ZARm)	100%	(15)	(17)	(16)	(17)	(18)	(19)	(20)	(12)	(8)	(9)	(10)	(11)	(183)
Capital Expenditure		(169)	(105)	(26)	0	0	0	0	0	0	0	0	0	(301)
On Going Capital Expenditure	5.0%	0	0	0	(43)	(45)	(47)	(50)	(49)	(44)	(52)	(54)	(57)	(481)
Corporate Tax		0	0	0	0	0	27	79	43	27	30	32	34	307
PROFIT AFTER TAX		43	137	202	200	210	193	153	62	26	29	30	32	33
NominalDiscountRate	13%	1.13	1.28	1.45	1.64	1.85	2.09	2.37	2.67	3.02	3.42	3.87	4.37	34.10
NPV Value (ZARm)	739	38.13	107.22	139.45	122.13	113.40	92.27	64.49	23.27	8.53	8.45	7.84	7.28	739.23

Figure 34: NPV Variability at Different Discount Rates and ZAR/USD Exchange Rates

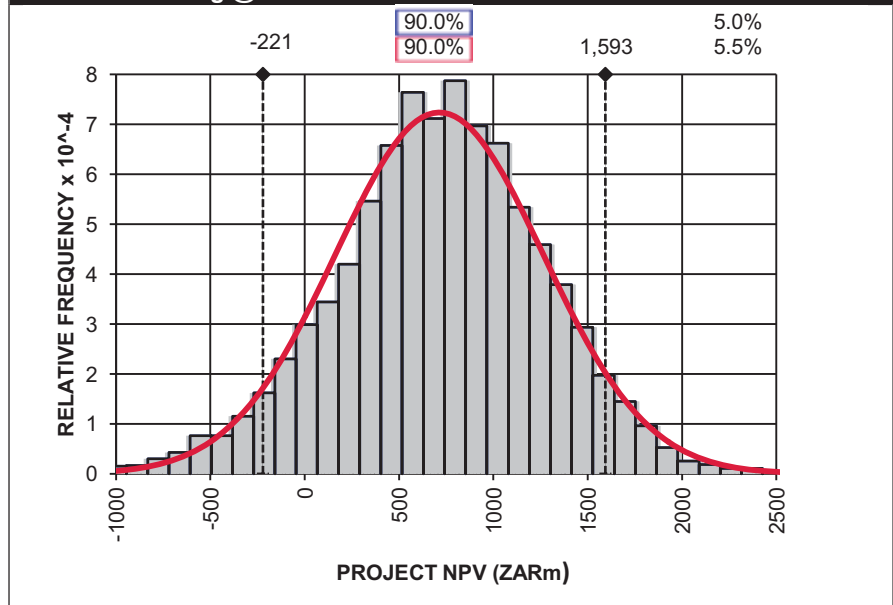


In addition, Venmyn conducted a scenario analysis using @RISK Software using different distributions for the critical input assumptions and estimates in order to analyse the effects that the inherent uncertainties could have on the project economics. This simulation technique has explicitly included the uncertainty present in the critical estimates and assumptions to generate results that show all possible outcomes.

The simulation technique combines all the uncertainties identified in the financial model. Using this technique, the known information about the variable, including its full range of possible values and some measure of the likelihood of occurrence for each possible value are captured in the input distribution function. @RISK uses all this information, along with the financial model, to analyse every possible outcome. It is the equivalent of running hundreds or thousands of “what-if” scenarios simultaneously.

The results of the simulation and risks associated with the project economics are illustrated graphically in Figure 35.

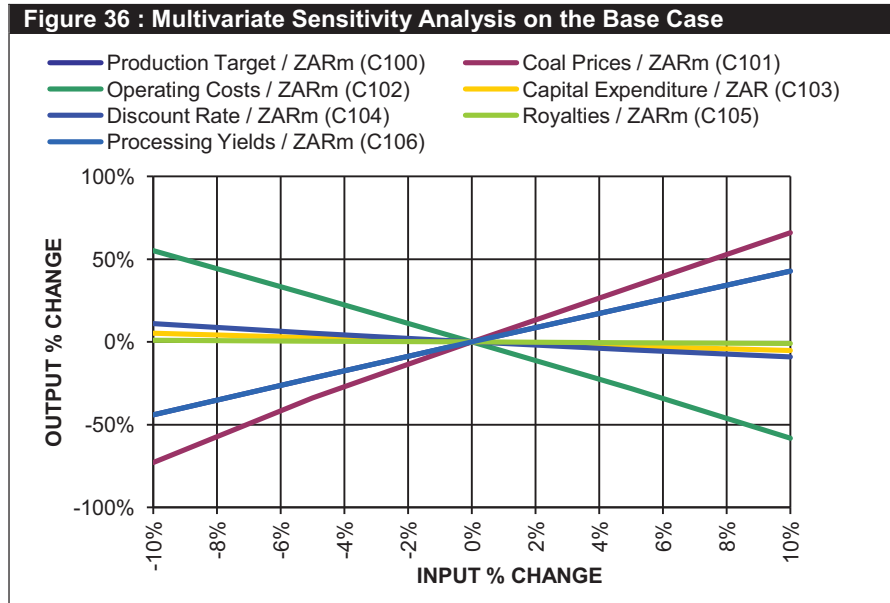
Figure 35 : Distribution of the Project NPV with Changes in the Input Parameters using @RISK



The simulation results show that there is an almost 90% probability that this project has an NPV greater than zero at a 13% nominal discount. This is due to the fact that this is a mature operating mine with almost all the capital having been spent, and at the current coal prices the project is not sensitive to operating costs.

The project value for Mooiplaats ranges from negative (ZAR221m) to ZAR1,593m at a 95% confidence level as illustrated in Figure 35.

Multivariate sensitivity analyses were performed, as summarised in Figure 36. Although the project is most sensitive to the coal price and ZAR/USD exchange rate changes, the project shows that it is also highly sensitive to mining and processing operating costs. The project is least sensitive to capital expenditure, discount rates and royalties.



Venmyn understands that CoAL's business processes at Mooiplaats involve a number of stockpiles at different points in the logistics chain. However, for the purposes of the mineral asset valuation reported in this report, it was assumed that the stock levels at the end of each period will be approximately constant and hence Venmyn would assume that all product produced in the financial year will be sold and payment received in the same financial year.

13.22.4. Valuation Summary

The summary valuation results of the respective valuations carried out is given in Table 33. It should be noted that the Market Approach valuation results presented below excludes the coal resources and coal reserves from the adjacent properties, whereas the Cash Flow valuation results are inclusive of the coal reserves from the adjacent properties. The reason for the latter inclusion is that the additional reserves are inextricably linked to the current LOM for Mooiplaats, and their exclusion would necessitate a revised LOM plan.

Table 33 : Coal's Mooiplaats Colliery Mineral Asset Valuation Summary

PROJECT	COST APPROACH (ZARm)	MARKET APPROACH				CASH FLOW APPROACH (ZARm)	PREFERRED VALUE (ZARm)
		Real Estate Value (ZARm)	Mineral Resource Value (ZARm)	Mineral Reserve Value (ZARm)	Total Market Value (ZARm)		
Mooiplaats	N/A	N/A	148.46	466.42	614.88	739.23	751.28
TOTAL			148.46	466.42	614.88	739.23	751.28

Note : The cash flow valuation results include coal reserves from neighbouring properties that have been included in the current mine plan.

Venmyn considers the Cash Flow Approach and Market Approach as the most appropriate valuation techniques in this case. The Market Approach considers the full resource base and the actual transactions and market values, and allows for a thorough review of the logistical, infrastructural and strategic merits of the projects. The Cash Flow Approach captures the pertinent aspects of the business case for the mining operation.

Venmyn's database provides a comprehensive and reliable benchmark for recent relevant transactions in the coal industry in general and the Mpumalanga Coalfields in particular.

The preferred value for Mooiplaats was estimated by taking the mean value of the two methodologies applied (Market Approach and Cash Flow Approach) to the coal reserves, and adding the value for the coal resources that are additional to those that have been converted to coal reserves. This results in a preferred 'Fair Value' of **ZAR751m**.

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

14. WITBANK COALFIELD – WOESTALLEEN COMPLEX

Within the Witbank Coalfield, CoAL has NOMRs within the Woestalleen Complex grouped together into three Projects, namely Vuna Colliery, the Klipbank Complex and the Hartogshoop Project. The rights relating to the respective projects are summarised in Table 35 and their locations are graphically presented in Figure 37. Only the Vuna Colliery is considered as a material coal asset for the purposes of this CPR and is reported upon in detail. CoAL and Venmyn do not consider the other two projects, Klipbank Complex and Hartogshoop, as material to the Coal Resources and the valuation of the principal coal assets of CoAL, as they are effectively mined out, with all remaining coal uneconomical to mine.

The Vuna Colliery is an opencast bituminous coal mining operation situated in the Witbank Coalfield which mines the No.1 and No.2 seams at a combined average rate of ~250,000tpm (July 2010 – June 2011). The raw coal is transported to CoAL's Woestalleen Plant where it is washed, along with other external sources of coal, to produce an average of approximately 190,000tpm saleable product in the form of export and locally sold thermal coal.

14.1. Location

Vuna Colliery is located in the Steve Tshwete District in the Mpumalanga Province of South Africa (Figure 37). The nearest town is Middelburg, 24km west of the mine. Although the railway line passes just west of the property (Figure 38), the mine does not have access to this line and all RoM coal is transported by road, a distance of 37km south southwest, to the Woestalleen Plant for treatment (Figure 37). All product coal is loaded onto trains on the Richards Bay railway line at the Woestalleen siding, situated adjacent to the plant.

14.2. Legal Aspects

14.2.1. Ownership by CoAL

Vuna Mining Enterprises (Pty) Ltd (VME) holds the Vuna Colliery NOMR. CoAL owns 49% of VME and Vuna Coal Holdings owns the remaining 51%.

14.2.2. Mineral Tenure

The Vuna Colliery is comprised of two portions (portions 2 and 5) on the farm Zonnebloem 396JS situated to the east northeast of Middelburg, Mpumalanga Province, all held under a NOMR in the name of VME (Figure 37 and Table 34).

NuCoal, a wholly owned subsidiary of CoAL, previously held NOPRs over portions 4 to 27 of the farm Klipbank 467JS, as well as portion 2 of the farm Sterkwater 317JS, both of which are within the Klipbank Complex. An application for renewal for these areas was filed with the DMR on the 13th September 2009; this is currently pending approval.

NuCoal holds NOMRs over Hartogshoop 410JS, which are valid until the 25th November 2012; portions 15, 16 and 17 of Klipbank 467JS, which are valid until the 31st March 2012, as well as an old order mining right over the following areas collectively known as the Woestalleen Coal Plant (WCP) portion 4 and the remaining extent of Noodhulp 474JS, the remaining extent of Woestalleen 477JS and portion 2 of De Groote Rietpan 479JS.

An application for conversion to a NOMR was submitted by NuCoal on the 6th April 2009. It related to portion 4 and the remaining extent of Noodhulp 474JS, portion 2 of De Groote Rietpan 479JS and the Remaining extent of Woestalleen 477JS. NuCoal subsequently sent the DME shareholder information, including its empowerment shareholding. A letter acknowledging the conversion application by the DME is dated the 18th May 2009.

No NOMR was applied for over the areas collectively known as Woestalleen Coal Plant. The implications of this are discussed in Section 14.2.5.4.

14.2.3. Surface Rights

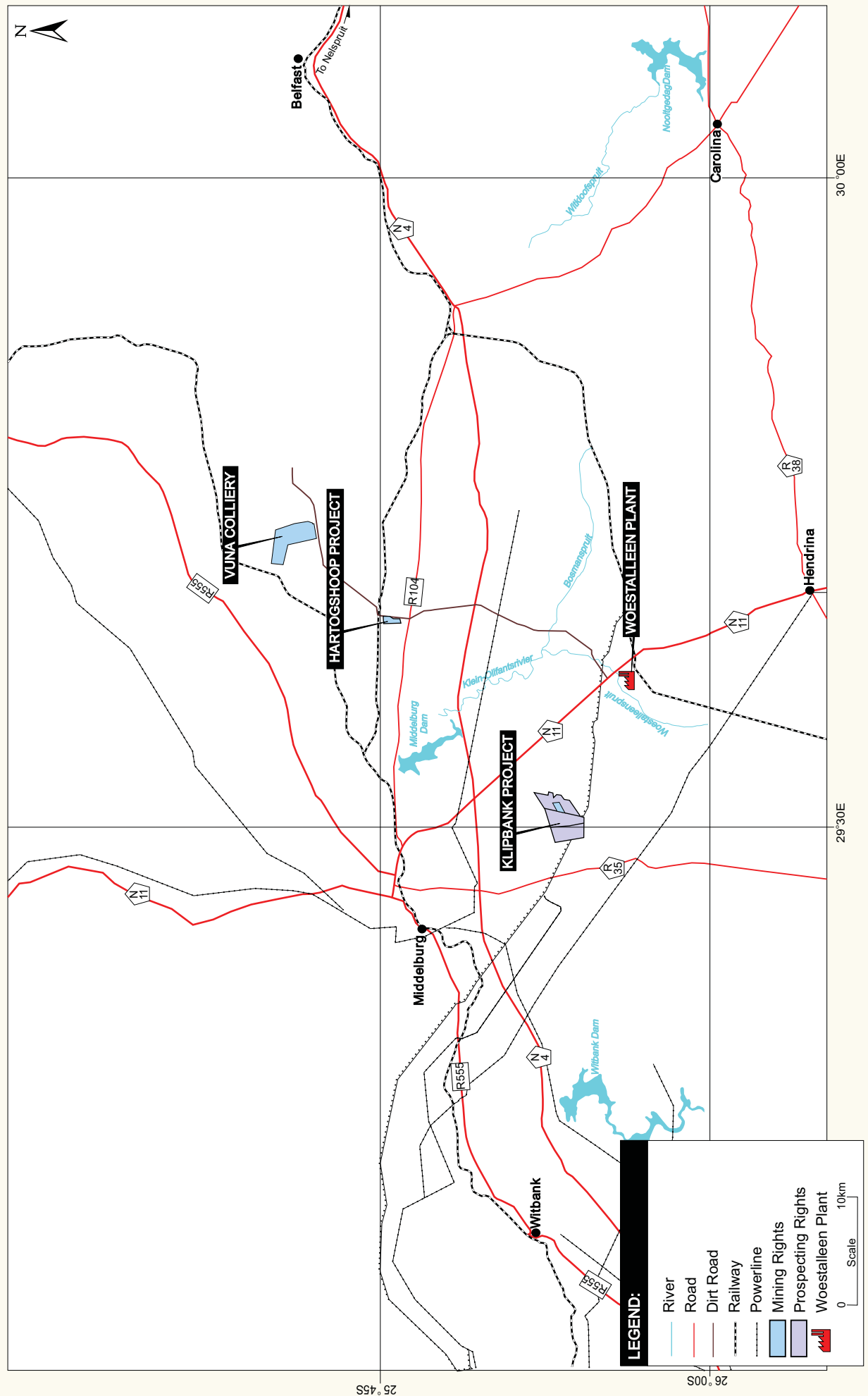
Vuna Colliery holds surface rights over Zonnebloem 396JS portion 2. Xstrata holds the surface rights over portion 5 (Figure 38). CoAL has a lease agreement with Xstrata

The surface access is sufficient for all aspects of the mining operation.

14.2.4. Royalties

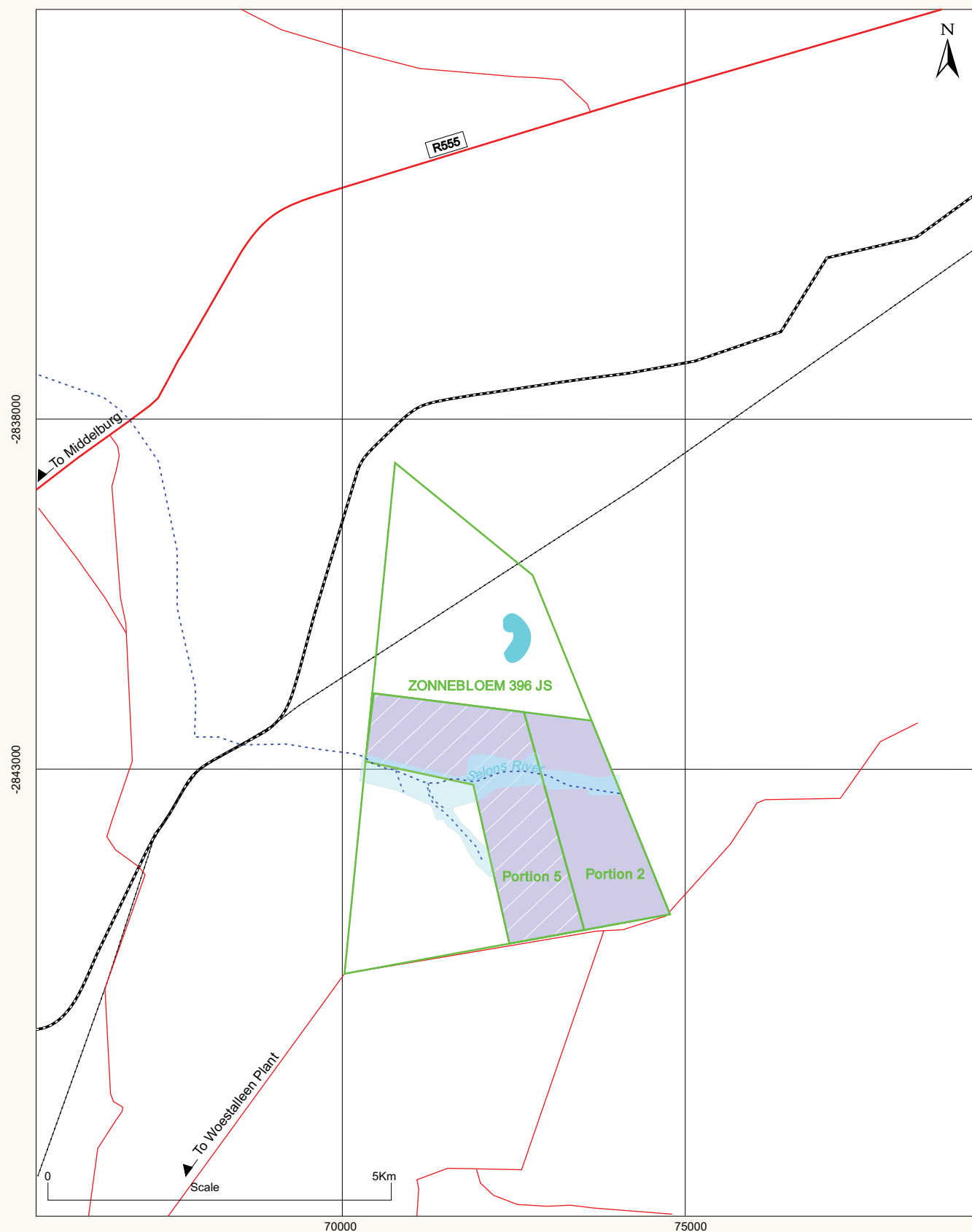
There are no private royalties payable for the Vuna Project. State royalties, as per the MPRRA (Section 10.3.5) will be payable, however.

LOCATION OF COAL'S WITBANK COALFIELD PROJECTS IN RELATION TO REGIONAL INFRASTRUCTURE AND MINERAL TENURE



Source: Coal of Africa

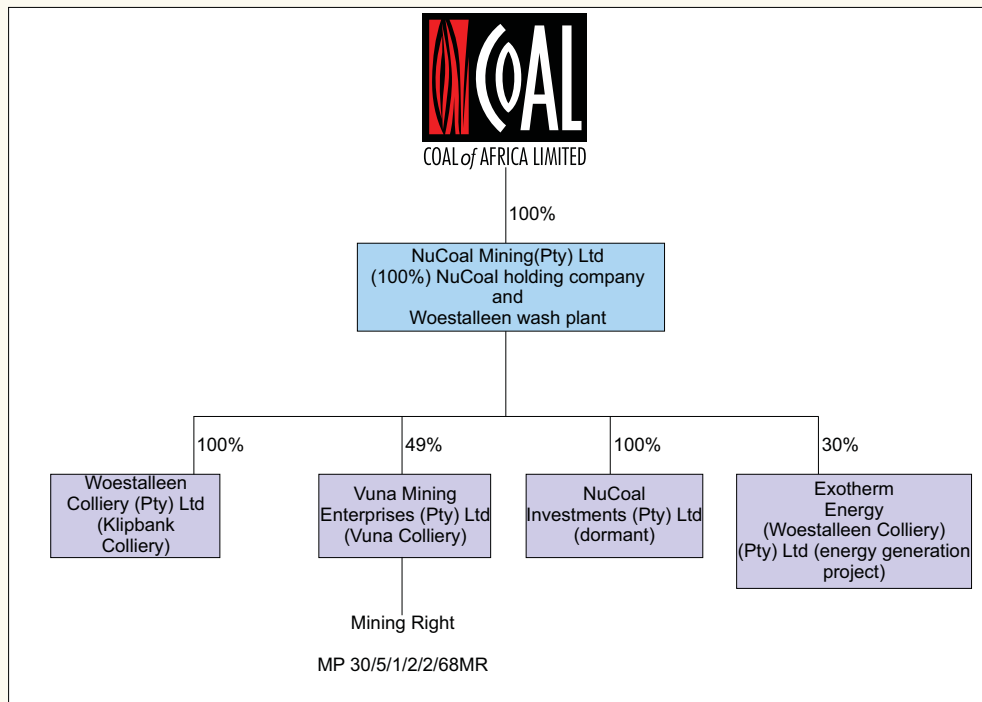
LOCATION OF WOESTALLEEN COMPLEX IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE



LEGEND:

Marsh	Mining Right
Non - perennial River	Surface Rights
Railway	Farm Boundary
Road	
Power Line	

OWNERSHIP OF WOESTALLEEN COLLIERY



CHARGING BLAST HOLES ON COAL



COAL LOADING



ROLLOVER OPENCAST MINING



Table 34 : Summary of the Witbank Coalfield (Woestalleen Complex) Mineral Tenure

COAL FIELD	PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE
Witbank	Vuna	Zonnebloem 396JS	RE/2 and 5	796.67	Vuna Mining Enterprises (Pty)	Mining	MP 30/5/11/2/232 MR (232 MR)	10/06/2008	9/6/2023
			TOTAL VUNA	796.67					
	Klipbank Complex	Klipbank 467JS	15,16,17 (also known as Mining Area 1)	64.00	Woestalleen Colliery (Pty) Ltd	Mining	MP30/5/11/2/211 MR	1/04/2008	31/03/2012
		Klipbank 467JS	4-27	518.35	Kusile Mining (Pty) Ltd (subsequently transferred to NuCoal (Ry) Ltd)	Prospecting	MP 30/5/11/2/1638 (1638 PR)	4/12/2007	31/2/2010
		Sterkwater 317JS	2	425.53	Kusile Mining (Pty) Ltd (subsequently transferred to NuCoal (Ry) Ltd)	Prospecting	MP30/5/11/2/1730PR (1730PR)	29/04/2008	28/04/2011
		Sterkwater 317JS	1	433.68	Woestalleen Colliery (Pty) Ltd	Old Order Mining	OT 5/3/2/548	29/11/2002	28/11/2007
			TOTAL KLIPBANK COMPLEX	1,441.56					
	Hartogshoop	Hartogshoop 410JS	RE	39.38	NuCoal Mining (Pty) Ltd	Mining	MP30/5/11/2/320 MR (320MR)	26/11/2009	25/11/2012
			TOTAL HARTOGSHOOP	39.38					
	Woestalleen Coal Plant	Noodhulp 474JS	RE and 4	186.00	Fraser Alexander Coal (Pty) Ltd (subsequently changed its name to Nu-Coal Mining (Pty) Ltd under Nucoal Mining (Pty) Ltd - a subsidiary of Nucoal Holdings (Pty) Ltd	Old Order Mining*	44/95 (OT 5/3/2/75) (later MP30/5/11/2/2404 MR)	21/12/1995	not stated
		Woestalleen 477JS	RE	329.00					
		De Groote Rietpan 479JS	2	197.00					
		TOTAL WOESTALLEEN COAL PLANT	712.00						
		TOTAL WITBANK COALFIELD		2,989.61					

Notes:

Applications for renewal have been submitted for expired licences. While the application is being determined, the company is entitled to continue its activities.

* No application for conversion of the Old Order Mining Right was made as this right related to the dump which has been mined out.

14.2.5. Environmental Statutory Requirements

14.2.5.1. NEMA

The Vuna South and Woestalleen Processing Plant have, to-date, not obtained any environmental authorisation in terms of Chapter 3 of the Regulations promulgated under Chapter 5 of the NEMA. As such, no environmental authorisations have been obtained for the listed supporting infrastructure or ancillary activities of the currently operational Colliery (Vuna South) and Woestalleen Processing Plant.

NEMA authorisation for the non-operational Vuna North was authorised by MDEDET on the 25th July 2011.

In order to rectify the current unauthorised activities on Vuna South and Woestalleen, the applicant has compiled two separate NEMA Section 24G Rectification Applications for the relevant activities. The applications for Vuna South and Woestalleen Plant have been submitted to the MDEDET and the applicant is awaiting further correspondence from the Department.

Post submission of a Section 24G Rectification Application, the authority responds by accepting the application and then imposing an administrative fine which is to be paid prior to the application being considered further. Payment of the administrative fine does not constitute an environmental authorisation under NEMA, and in accordance with Section 24G, the Minister or MEC, after considering the application and associated documentation may either:-

- direct the applicant to cease the activity either wholly or in part and to rehabilitate the environment within such time and subject to conditions as deemed necessary; or
- issue an environmental authorisation to the applicant subject to conditions as deemed necessary by the Minister or MEC.

In addition, and prior to issuing a decision on the application, the Minister or MEC may request the applicant to undertake an additional assessment in order to render a final decision. This assessment may require the applicant to assess the impacts of the activities; describe mitigation measures; provide an EMP; undertake additional specialist studies; and undertake a public consultation process. The most probable studies that the MDEDET may request (in addition to the specialist studies already compiled for the EMP) would likely include an Air Quality Specialist Study, to determine airborne dispersion of fall out dust and PM10 molecules for Vuna Colliery and Woestalleen, as well as an amendment to the Ground and Surface Water studies undertaken for Woestalleen Plant as a result of the two already constructed PCDs as well as for the proposed in pit PCD at Vuna North.

As mentioned, the applicant may also be requested to undertake an additional round of public participation/consultation according to NEMA. This will include the identification of additional I&AP; placing of site posters; compilation and dissemination of background information documents; placing of advertisements and community meetings. In addition to costs, timeframes also need to be adjusted to accommodate the NEMA public participation and assessment process.

14.2.5.2. NEMWA

Based on previous correspondence with regard to other assets (Section 13.2.5.2), the DEA has confirmed that no NEMWA authorisations are required.

14.2.5.3. NWA

Vuna South has applied for, and been awarded a WUL authorising the following water uses:-

- taking water from a water resource;
- storage;
- disposing of waste which may detrimentally affect a water resource; and

- removing, disposing and discharging of water found underground.

The WUL was issued in December 2009.

The applicant also plans on decommissioning one of the two PCDs on site at Vuna South and to replace it with an in-pit PCD. It is understood that the construction of an in-pit PCD may require an amendment to the existing WUL and that the DWA will include (or amend) conditions to be adhered to in order to continue with the water use. These WUL conditions would likely relate to amendments to the ground water quality monitoring as a result of the construction of the in-pit PCD and represent a cost which will be carried by the applicant.

Vuna North also requires a WUL and integrated water and waste management plan (IWWMP). It is understood that the WULA was completed and submitted to the DWA for Vuna North in January 2011 but is not yet approved. Water uses applied for include:

- taking water from a water resource;
- impeding/diverting the flow of water in a watercourse;
- disposing of waste which may detrimentally affect a water resource;
- altering the beds/banks/characteristics of a watercourse; and
- removing, disposing and discharging of water found underground.

The Woestalleen Processing Plant has applied for and been awarded a WUL authorising the following water uses:-

- taking water from a water resource;
- storage;
- engaging in a controlled activity; and
- disposing of waste which may detrimentally affect a water resource.

The WUL was issued in September 2009.

14.2.5.4. MPRDA

The applicant is in possession of an approved NOMR and associated EMP regulated under the MPRDA for Vuna Colliery. The EMP for Vuna South was approved in June 2008. Since then, the viability of coal deposits in the northern section of the NOMR area have necessitated an EMP amendment in order to mine Vuna North. As such, an EMP amendment, under the same NOMR, was submitted for Vuna North on the 15th October 2010. Approval of the EMP amendment is still pending.

Despite approval of the Vuna South EMP by the DMR, the inclusion of data from the NEMA Section 24G Rectification Application and authorisation of the mine in terms of NEMA (for Vuna South) may result in the need to further amend the EMP with the inclusion of additional conditions from the 24G process obtained from the above mentioned processes. An amendment to the EMP will require a Section 102 amendment application. Ministerial consent is required before implementing any change to any NOMR, Mining Works Programme or EMP.

Amendment to the above mentioned documents may also, depending on DMR requirements, require additional I&APs' consultation to inform surface rights owners and other stakeholders of the change to the EMP. The inclusion of additional conditions relating to the NEMA Section 24G environmental authorisation may also require the DMR to amend the provisions set aside for rehabilitation, based on the outcome of the reports and their inclusion, via the Section 102 process, in the EMP.

There is no legislated timeframe for the DMR to adjudicate on the inclusion of a Section 102 amendment and timeframes typically associated with a project such as this can be estimated at between three and 12 months. The updated financial provision set aside for Vuna Colliery (including Vuna South and Vuna North) is ~ZAR18,4m and has been submitted to the DMR.

The Woestalleen Processing Plant operates under the auspices of an approved EMP; however, no NOMR was applied for as no actual mining is currently taken place on site and the complex is used primarily for processing RoM from Vuna Colliery.

Despite approval of the Woestalleen Plant NOMR EMP by the DMR, the inclusion of additional conditions from the NEMA Section 24G Rectification Application and authorisation of the mine in terms of NEMA may also result in the need to further amend the EMP with the inclusion of additional conditions obtained from the above mentioned processes.

The applicant has set aside financial provisions amounting to ~ZAR11.3m. An amendment to the EMP via the inclusion of additional conditions from the Section 24G Rectification Application authorisation process may result in the DMR requesting a further amendment to the financial provisions set aside for rehabilitation based on the outcomes of the above mentioned amendments.

If CoAL is required to undertake closure, it is liable to completely rehabilitate the area in accordance with commitments made and then apply for closure. This would entail an application/s under the relevant environmental legislation to continue operating the plant. If these are not granted, closure will entail decommissioning of the processing plant and all other surface infrastructure in order to meet these commitments. Decommissioning of the processing plant may represent a significant operational constraint for the Woestalleen Complex. From discussions with various governmental departments, CoAL consider that it would not be the intent of the government departments to close the Woestalleen operations, but rather to find an alternate solution that would be beneficial to all parties.

14.2.6. Material Contracts

14.2.6.1. Operational Contract

Atlantis Mining (SA) cc (Atlantis)

NuCoal Mining has entered into a Management and Sales Agreement, whereby NuCoal Mining provides services to Vuna Colliery. NuCoal, in turn, subcontracts Atlantis.

Tavistock Collieries (Pty) Ltd (Tavistock)

On the 13th September 2010, VME entered into a lease agreement with Tavistock for a part of the remaining extent of portion 2 of the farm Zonnebloem 396JS, measuring 140.02ha. The lease is intended for exclusive occupation and all activities pertaining to prospecting, mining and processing operations conducted on the property, and is valid for nine years and 11 months after the date of signing.

14.2.6.2. Contract Mining

All mining activities at Vuna Colliery are subcontracted to Atlantis.

14.2.6.3. Offtake Agreements

CoAL has a number of offtake agreements in place with various customers, including Eskom. Venmyn have reviewed these agreements and are comfortable that the contracts are in line with market prices and are with reputable and reliable customers.

14.2.6.4. Utilities

No agreements for electricity and water supply exist at the Vuna Colliery. All electricity is generated on-site by generators, and potable water is brought in by the various contractors for consumption by their own employees.

14.2.6.5. Transport Infrastructure and Logistics

There are a number of agreements in place for the provision of services related to transport infrastructure and logistics. Venmyn have reviewed these contracts and are satisfied that they are in line with market prices and conditions.

14.2.7. Any Other Legal Issues

14.2.7.1. Land claims

Enquiries made to the Office of the Regional Land Claims Commissioner: Limpopo on the 27th June 2011 revealed no land restitution claims on the two portions (portions 2 and 5) of the farm Zonnebloem 396 JS.

14.3. Access

Access to the Vuna Colliery is via 15km of dirt road travelling north from the Woestalleen offramp off the tarred N4 national road (Figure 37). The offramp is situated 25km east of Middelburg.

The Woestalleen Plant is situated adjacent to the N11 tarred national road between Middelburg and Hendrina, approximately 26km north of Hendrina. Woestalleen is accessed from Vuna Colliery by 37km of dirt or tar road in poor repair (Figure 38). Alternatively, the Woestalleen Plant can be accessed from the N11 (Hendrina) offramp from the N4, approximately 10km to the east of Middelburg, travelling approximately 24km to the south toward Hendrina.

14.4. Climate

The climatic conditions are generally temperate with cold winter temperatures. The annual temperatures for Middelburg range from a summer average maximum of 30.2°C to a winter average minimum of 0.2°C.

Precipitation records for Middelburg record an average annual rate of between 550mm and 750mm, with most rainfall occurring during autumn. The precipitation is usually in the form of summer thunderstorms.

Mining occurs all year and the climatic conditions do not prevent mining operations.

14.5. Topography

The mine is situated within gently undulating hills of the Highveld at an average elevation of 1,650mamsl. The non-perennial Selons River bisects the NOMR.

14.6. Vegetation

The vegetation is characterised by savannah grassland with occasional trees. The surface at Vuna Colliery is disturbed and was previously used for cattle grazing or maize farming.

14.7. Local Resources

The Witbank area has a long history of coal mining and therefore both skilled and unskilled labour is readily available from Witbank and Middelburg. Witbank is a city which has significant infrastructure and services including a police station, a number of schools and hospitals. Middelburg also has good infrastructure including a police station, schools and a hospital.

14.8. Infrastructure

The Vuna Colliery and Woestalleen Plant are both well situated with respect to infrastructure (Figure 38). The Vuna Colliery and the Woestalleen Plant site plan are presented in Figure 40.

14.8.1. Water

At Vuna Colliery, water is only required for roadway dust suppression as none is required for blasthole drilling or coal processing. In-pit mining water is pumped to a holding dam where it is stored for use.

The Woestalleen Plant currently pumps water from the Noodhulp underground dam, West Pit and the Woestalleen Dam.

14.8.2. Power

Vuna Colliery obtains its power from an 87kW Genset generator. No Eskom grid power is available at the mine.

Power at Woestalleen Plant is obtained from the Eskom grid. Woestalleen has a total power requirement of 2.5MVA.

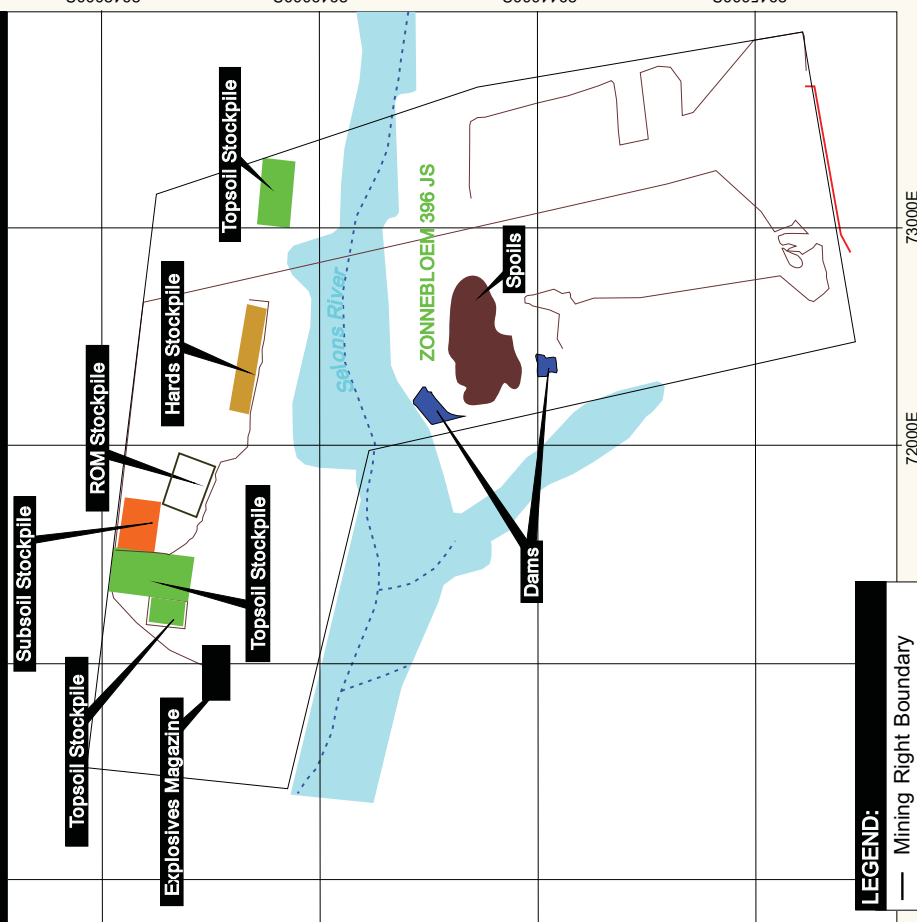
14.8.3. Accommodation and Offices

No accommodation is provided on site at Vuna Colliery. The Colliery utilises prefabricated structures for offices. Workshops and stores are permanent structures which were built when the mine started production in 2008 (Figure 40).

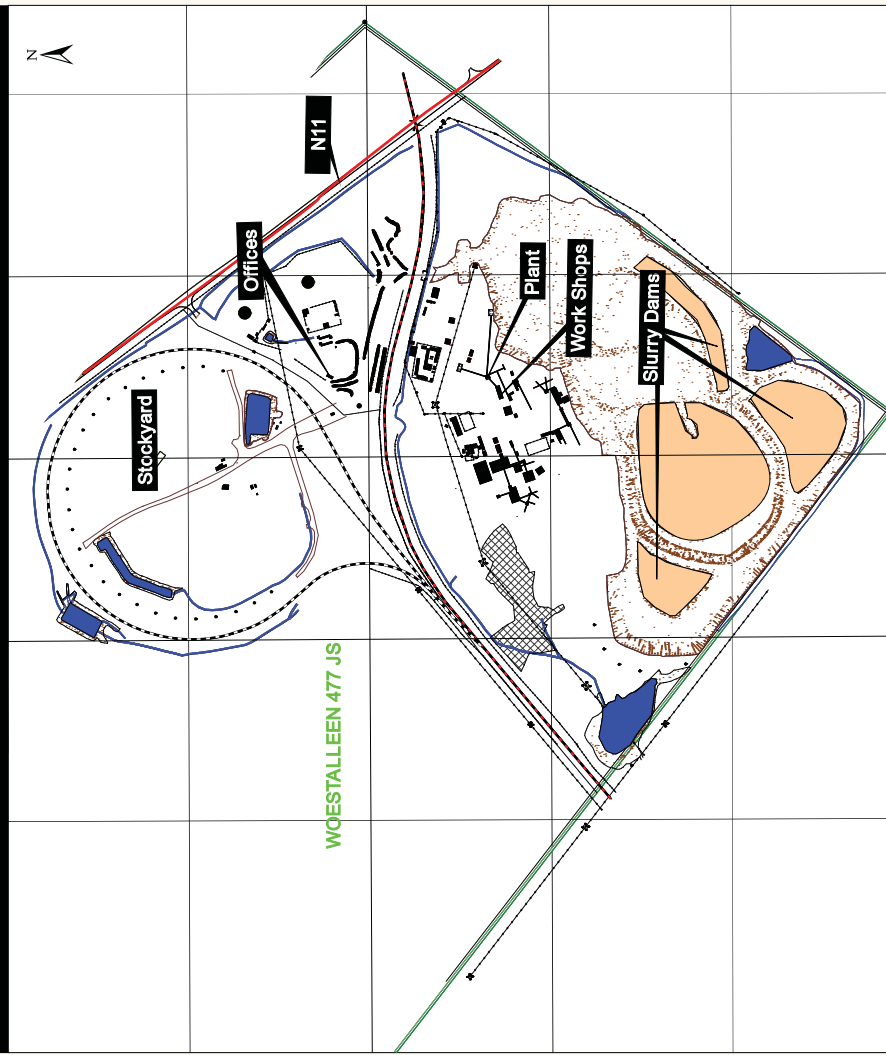
No accommodation is provided at Woestalleen Plant. Permanent offices, stores and workshops were acquired from NuCoal as part of the sale of the processing plant.

VUNA COLLIERY AND AND WOESTALLEEN PLANT SITE PLANS

VUNA COLLIERY SITE PLAN



WOESTALLEEN PLANT SITE PLAN



LEGEND:

- Other Railway Line
- National Railway Line
- Fencing
- Powerlines
- Pipeline
- Dirt Road
- Mine Boundary
- Previous Opencast Mining
- Dam
- Slurry Dams
- Buildings & Plant

14.8.4. Mining and Plant Equipment

Vuna Colliery is contractor mined by Atlantis Mining SA cc. All mining equipment is owned and operated by this company.

The Woestalleen Plant is owned and operated by CoAL and includes the following processing plants:-

- an 880tph crushing and screening plant;
- Plant 1 - 200tph drum, DMS cyclone and spiral plant which produces five different sized products for sale locally;
- Plant 2 - 180tph DMS cyclone and spiral plant which produces three different sized products for sale locally;
- Plant 3 - 300tph drum, DMS cyclone and spiral plant which produce peas for sale locally and an export product; and
- a barrel plant which recovers an additional locally-sold product from Plant 3's spiral plant discards.

Woestalleen Plant also has a coal laboratory. This laboratory is owned and operated by CoAL.

14.8.5. Security

Both the Vuna Colliery site and Woestalleen Plant are fenced and access is controlled at a boom gate by a security company, Tshepo Forensic Services. The gate is staffed 24 hours a day and regular security patrols are carried out.

14.8.6. Roads

All roads in and around the Vuna Colliery and Woestalleen Plant are gravel roads. All roads are well maintained by the Colliery and sprayed regularly to ensure dust suppression.

14.8.7. Co-disposal Facility and Associated Dams

Vuna Colliery does not undertake any mineral processing on site and only utilises two PCDs. The PCDs at Vuna Colliery are designed and utilised to store redirected, contaminated, stormwater run-off from the opencast area, which is then used for dust suppression. The applicant plans to decommission one of the PCDs (as it was built in the incorrect area) and commission a new in-pit PCD to collect contaminated storm water run-off. The Vuna Colliery does not have any on-site co-disposal and waste disposal facilities.

The Woestalleen Processing Plant utilises a single raw water/storage dam, slurry and discard facility (and associated return water dam) as well as four PCDs. All dams have been authorised under the NWA but the PCDs require authorisation under the MPRDA. This application will be submitted by the end of October 2011.

14.8.7.1. Raw Water/Storage Dams

The raw water/storage dam is used for the collection and settling of water pumped from the Woestalleenspruit.

14.8.7.2. Co-disposal (Slurry & Discard) Facility & Associated Return Water Dam

The co-disposal facility is equipped with one return water dam used to collect contaminated surface water run-off from the facility. Water collected is pumped to the West Pit settling/storage dams for re-use in the wash plant. The facility utilises a herring-bone design for water management.

14.8.7.3. PCDs

The four PCDs present at Woestalleen Plant contain and store excess surface water run-off on site. This contaminated storm-water run-off is circulated back into the system for use in the wash plant. Only one of the four PCDs is lined and the West Pit PCD is unable to store the required contaminated surface water and occasionally overflows. To mitigate this, a new dam will be applied for by the end of October 2011.

Two of the PCDs at Vuna Colliery are not lined. One of the PCDs was built within the 50m buffer zone of the wetland, in a location not specified in the approved EMP (i.e. within the 50m buffer zone). In order to rectify this, CoAL plans to commission an in-pit PCD and decommission the incorrectly placed PCD. CoAL are currently finalizing the design for the PCD.

14.9. Regional Geological Setting

The Vuna Colliery is situated within the Witbank Coalfield, where five coal seams have been developed within the Vryheid Formation (Figure 41). These seams are named from Seam No.1 at the base of Seam No.5 at the top of the sequence. The formation consists of a series of vertically stacked upward-coarsening and upward-fining facies assemblages. In the Witbank Coalfield, the coal-bearing sequences lie either directly on the pre-Karoo basement, or on the Dwyka Group glacial strata. The Witbank Coalfield is currently South Africa's most important coalfield, and accounts for in excess of 50% of South Africa's total coal sales.

Both coking and A-grade to D-grade export and local thermal coal are produced. South Africa's main electricity supplier, Eskom, has built many coal-fired power stations on the Witbank Coalfield. These coal-fired power stations are specifically designed to utilise low grade coals. Table 35 presents the characteristics of the various coal seams within the Witbank Coalfield.

Table 35 : Coal seam characteristics of the Witbank Coalfield

COAL SEAM	CHARACTERISTICS
No. 1	Best developed (1.5-2.0m thick) in the north of the Coalfield. Elsewhere development is discontinuous and of variable thickness. Generally a high quality lustrous to dull coal. Source of A-grade thermal coal and low phosphorous coking coal.
No. 2	Approximately 69% of Coal Resource in the Witbank Coalfield with some of the best quality coal. The seam averages 6.5m in thickness in the central regions and thins to ~ 3m towards the margins. Up to 5 zones of differing quality. The basal 3 zones are generally mined for low ash coking coal and thermal coal for the local market.
No. 3	Usually less than 0.5m thick and generally uneconomic. Locally thicknesses of 0.8m can be achieved with high qualities and may represent an important opencast Coal Resource.
No. 4	Approximately 26% of Coal Resource in the Witbank Coalfield. Thickness varies between 6.5-2m. In the Delmas area it averages 4m in thickness. Divided into 4 Lower, 4 Upper and 4 A zones, separated by sandstone and shale partings. Usually contains dull to dull lustrous coal and the mining horizon is generally restricted to the 4 Lower seam due to the poor quality of the 4 Upper Seam. The coal is most suited to being power station feedstock.
No. 5	Extensively eroded. Average thickness between 0.5-2.0m. Consists of mixed, mainly bright, banded coal with thin shale partings. Generally of high quality and is a source of coking coal.

14.10. Local Geological Setting

The Vuna Colliery is located on the northeast edge of the Witbank Coalfield, where there are known coal deposits of the Vryheid Formation (Figure 42). The Vryheid Formation is underlain by Dwyka Group sediments, comprising glacial tillites and fluvio-glacial outwash siltstones. Coal occurrences are controlled by the variable undulating palaeo-topography defined by the scoured Dwyka Group landscape. Borehole data revealed the existence of the No.2 and No.1 seams on the property, represented in Table 36.

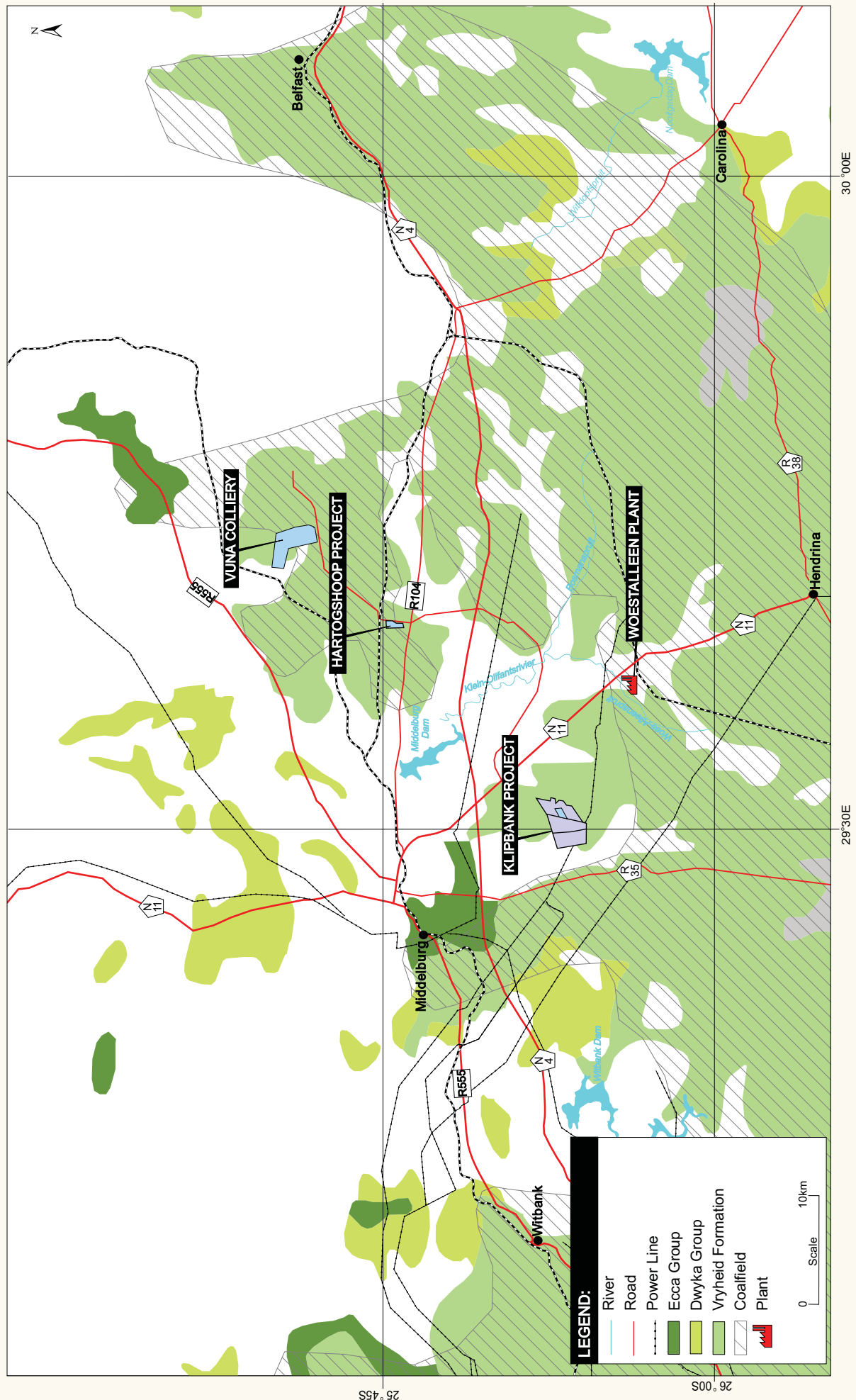
Both the No.1 and No.2 seams are developed on the Vuna property. They are separated by a shale / siltstone parting with an average thickness of 0.46m. The No.2 Seam is the most extensively occurring seam in the Coal Resource area. The occurrence of both coal seams has been affected and limited by weathering, especially where the Selons River passes through the centre of the property. This, along with a palaeo-topographic high in the same area where the seams are not developed, has effectively separated the Vuna Colliery into two areas – the Northern and Southern Blocks.

Dolerite is present in the southwestern corner of the Southern Block, where it has affected the quality of the No.1 Seam. There is no apparent displacement of the coal seams on either side of the dyke. Thin dolerite stringers are present within the coal in this area.

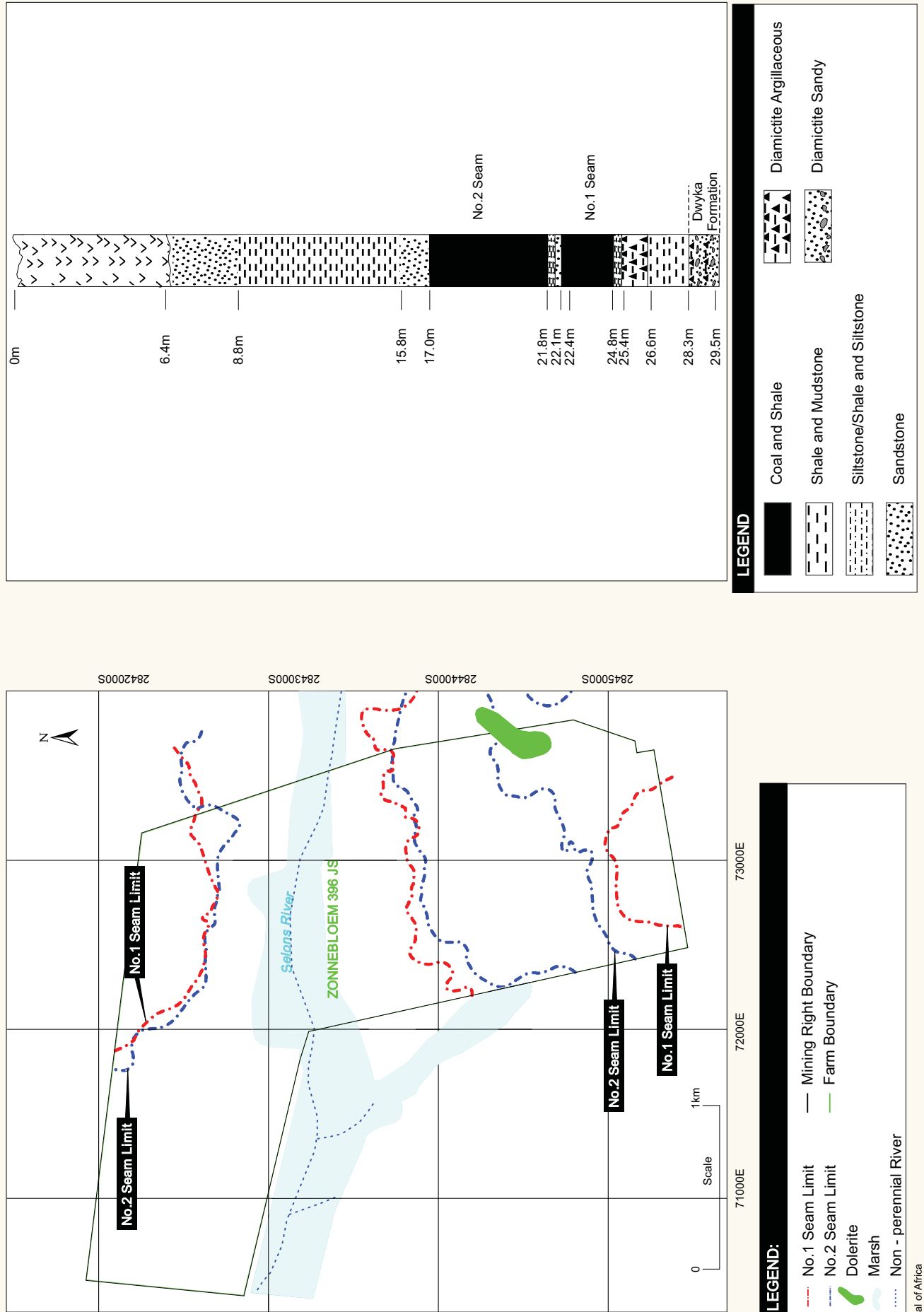
Table 36 : Coal Seams and Overburden Thicknesses

COAL SEAM	SEAM THICKNESS (m)			DEPTH (m)		
	MINIMUM	MAXIMUM	AVERAGE	MINIMUM	MAXIMUM	AVERAGE
No. 1	0.01	3.13	1.51	8.63	36.85	19.60
No. 2	0.18	6.81	3.35	7.31	31.63	15.09

REGIONAL GEOLOGICAL MAP FOR THE WITBANK COALFIELD



LOCAL GEOLOGICAL MAP AND TYPICAL STRATIGRAPHIC COLUMN FOR VUNA COLLIERY



14.11. Historical Ownership

The historical ownership and associated activities for the Woestalleen Complex are summarised in Table 37.

Table 37 : Woestalleen Complex –Summary of Historical Ownership and Activities

DATE	COMPANY	ACTIVITY
Unknown	Shell Coal South Africa (Shell)	Drilling.
	Anglo Coal	Drilling.
2006	VME	Awarded Prospecting permit on portions 2 & 5 of Zonnebloem 396JS.
	GeoCoal Services (GeoCoal)	Obtained 38 historical boreholes from Council for Geoscience (CGS) with limited analytical information and produced a report on the Zonnebloem Project.
2007		Prepared "An Independent Person's Report on the Zonnebloem Coal Project" using a total of 53 historical boreholes including a Coal Resource Statement for VME.
2008	NuCoal Mining (Pty) Ltd	NOMRs obtained for Vuna Colliery (previously known as Zonnebloem Project).
		Commenced production at Vuna.
		Ongoing drilling.
		RoM product transported to Woestalleen Colliery for processing.
2009	Siyaphambili Geological Services	Commissioned by NuCoal to prepare Vuna Colliery Coal Resources Statement.
	Caracle Creek International Consulting (Pty) Ltd (CCIC) - Coal Division	Commissioned by CoAL for a technical review of four of NuCoal's assets including the Vuna Colliery.
2010	CoAL	Acquired NuCoal, thereby acquiring Vuna, Hartogshoop, Klipbank and Opgoedehoop Projects, the Woestalleen Plant, and a RBCT export allocation.
		Section 11 transfer of rights from NuCoal to CoAL.
	Caracle Creek International Consulting (Pty) Ltd (CCIC)	Prepared "Mineral Experts Report on CoAL's Vuna, Hartogshoop, Klipbank and Opgoedehoop Coal Projects" including an independent Coal Resource Statement.

14.12. Historical Exploration and Mining

Prior to CoAL's involvement in the Vuna Colliery, historical drilling was undertaken by Anglo Coal and Shell on portions 2 and 5 of Zonnebloem 396JS (Table 38). An electronic database of these exploration boreholes were obtained from the CGS by GeoCoal. Only limited borehole logs and washability data was obtained from CGS at this time. These holes were drilled by large mining companies for their own purposes using standard drilling, logging and sampling protocols. Although these results are expected to be reliable, they have not been verified and have not been used in the current modelling in any manner or form.

In 2006, GeoCoal assessed the historical data relating to 38 boreholes and prepared an associated report. In 2007, GeoCoal prepared a further report on 53 boreholes which included a Coal Resource Statement and an exploration programme and associated budget. It is unknown whether the boreholes proposed by GeoCoal in 2007 were ever drilled.

In 2007, NuCoal became involved in the Vuna Project. The company drilled an initial exploration programme between 2007 and 2008 with the purpose of defining Measured Coal Resources (Table 38). A total 157 diamond core holes were drilled by Isongo Drilling under the supervision of independent consulting company, BMA GeoServices (BMA). The location of the boreholes is graphically presented in Figure 43. The drilling and sampling was supervised by Dr D Gold (Pr.Sci.Nat.) who was also the responsible geologist.

Samples were sent to Midlabs or Inspectorate for proximate, CV and sulphur analyses. Washability testwork was carried out by Inspectorate at 0.10 intervals from 1.45 to 1.75. The majority of the boreholes, however, were sent to Midlabs which only performed a washability test at 1.65. This resulted in insufficient data being available to prepare a full washability curve for the coal.

The 2007/2008 boreholes drilled by NuCoal have been used in the current modelling, to a limited degree. During the process of borehole verification, two issues were raised with respect to this exploration campaign. The first issue was that the No.1 and No.2 seams were measured and sampled together. The second issue was that some of the collar coordinates were accurately surveyed but were most probably only measured using a handheld GPS. This resulted in nine holes being rejected for incorrect coordinates and 12 holes being excluded during structural modelling due to the seams being combined.

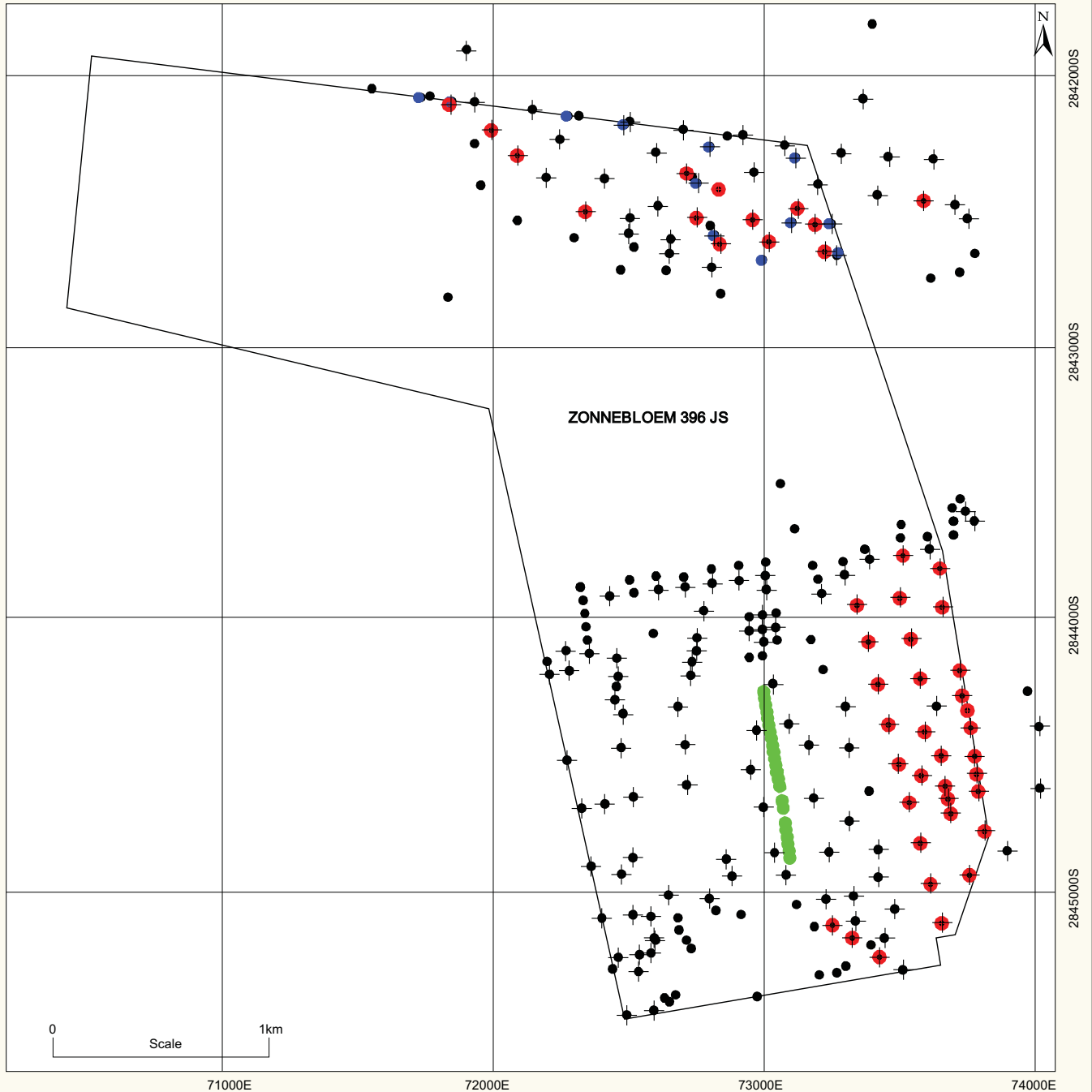
During 2008, NuCoal carried out a further drilling programme comprising 32 diamond core holes (Table 38). These holes were drilled by Isongo Drilling with the geologist responsible for the drilling, logging and sampling being Mr G Muller (Pr.Sci.Nat.). These holes were also drilled to prove Measured Coal Resources and were spaced at distances of less than 200m apart. The No.1 and No.2 seams were logged and sampled separately with all samples sent to Midlabs for analysis. These boreholes are used in the current model and were verified prior to their incorporation.

No historical mining took place on this property prior to NuCoal opening up the boxcut in 2008.

Table 38 : Vuna Colliery – Summary Table of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	LABORATORY FOR QUALITY	USED IN MODEL					
Unknown	Shell (from CGS)	Portions 2 & 5, Zonnebloem 396JS	Exploration	In house	In house	Diamond core	TNW	In house	53	No	No. 1 & No. 2	Limited quality data - Anglo Coal or Witlab	No					
Unknown	Anglo Coal (from CGS)																	
2007-2008	BMA GeoServices for NuCoal	Portions 2 & 5, Zonnebloem 396JS	For Measured Resource delineation at 200m grid spacing.	Handheld GPS	Isongo Drilling	Diamond core	TNW	D Gold	157	No	No. 1 & No. 2 together.	Midlabs & Inspectorate	Yes					
2008	NuCoal																	
2009-2010	CoAL	South Reserve	Grade control	SCS Survey & Consulting Services cc	Blast holes by CoAL	Percussion	TNW	T Ngobeni	26	No	-	-	Yes					
2010	CoAL	Portions 2 & 5, Zonnebloem 396JS	For Measured Resource delineation at 200m grid spacing.		Zaaiman Drilling	Diamond core	TNW							53	No	No. 1 & No. 2	Inspectorate	Yes
2011	CoAL	North Reserve			Lesiti Drilling	Diamond core	TNW											
TOTAL							335											

VUNA COLLIERY - LOCATION OF BOREHOLES



LEGEND:

- Pre 2010 Diamond Boreholes
- 2010 Diamond Boreholes
- 2011 Diamond Boreholes
- + Boreholes with quality data
- Percussion Borehole
- Mining Rights Boundary

14.13. Recent Exploration

CoAL has drilled a total of 93 holes on portions 2 and 5 of Zonnebloem 396JS since it became involved in the project (through NuCoal) in 2009 as a series of three drilling campaigns, two diamond core programmes and one percussion programme. The summary of the exploration by company and drilling method is presented in Table 38, whilst the location of the boreholes is indicated on Figure 43. All diamond drilling programmes were carried out with the purpose of defining Measured Coal Resources and the collar positions were located less than 200m apart.

14.13.1. Remote or Geophysical Exploration

A digital terrain model was flown in 2008 by Premier Mapping for environmental and 3D orebody modelling purposes.

14.13.2. Surveying Methods

Surveying has been carried out by SCS Survey and Consulting Services cc since 2008. The company also undertakes all mining and site related surveys for the Vuna Colliery.

14.13.3. Diamond Drilling

Two diamond drilling campaigns have been carried out at Vuna Colliery between 2010 and 2011. All drilling has been undertaken at closely spaced grids with the purpose of delineating Measured Coal Resources. The drilling programmes are summarised in Table 38.

Venmyn has not independently witnessed the drilling and sampling protocols as no exploration drilling is currently taking place. However, Venmyn is confident that the drilling was carried out to the required standard as they have been independently supervised.

14.13.3.1. Drilling

In 2010, an exploration drilling campaign of 53 holes was carried out on Zonnebloem 396JS. The drilling was carried out by Zaaïman Drilling on behalf of CoAL. The location of the boreholes is graphically presented in Figure 43. No information was provided on the type of drill rig used by the drilling contractor. All drilling was carried out using TNW diamond drill bits to produce cores with diameters of 60mm.

The drilling was carried out under the supervision of Mr T Ngobeni (Pr.Sci.Nat.) of independent consultancy, Siyaphambili Geological Services.

The most recent diamond drilling programme was carried out in 2011 by CoAL, using Lesiti Drilling. A total of 14 holes were drilled into the North Reserve on Zonnebloem 396JS. Mr T Ngobeni (Pr.Sci.Nat.) was again the responsible geologist. No information was provided on the type of drill rig used by the drilling contractor. All drilling was carried out using TNW diamond drill bits to produce cores with diameters of 60mm.

No core recoveries are recorded on the logging sheet or in a separate spreadsheet. However, the supervising geologist checked the core recovery during the logging of each of the holes. If the core recovery was less than 95% in coal Mr T Ngobeni (Pr.Sci.Nat.) instructed the driller to redrill the hole. No records of core recovery rates were provided to Venmyn for reporting purposes. However, the use of wireline logging in the recent holes and the fact that mining is currently under way, will ensure that accurate depths and thicknesses are measured, irrespective of the core recovery statistics provided by the drilling company.

14.13.3.2. Logging

Mr T Ngobeni (Pr.Sci.Nat.) was the responsible geologist who also carried out all the logging in the recent drilling campaigns. The logging was carried out using CoAL's standard protocols. The drill cores were not split longitudinally before logging. Mr T Ngobeni (Pr.Sci.Nat.) is suitably experienced to carry out the logging process.

All core was logged onto handwritten standard logging sheets by the geologist using standard logging codes. All logs also included a detailed log of each of the coal seams present. Thereafter, the handwritten logs were converted into either MS Excel™ logs or Sable database logs by the geologist.

The details relating to a typical logging sheet is presented in Section 13.13.4.2.

No photographic records of the cores were available.

14.13.3.3. Sampling Method

Sampling was carried out by the supervising geologist, Mr T Ngobeni (Pr.Sci.Nat.).

Two samples were typically taken of the No.2 Seam due to the relatively large width of the seam and resultant sample sizes. The parting within the No.2 Seam was sampled separately and sent for raw analysis only. This information was required for Coal Resource estimation purposes should the parting not be able to be mined separately to waste.

Either one or two samples were taken of the No.1 Seam, depending on the variations in coal brightness. The No.1 Seam typically has bright coal at the top of the seam with dull coal beneath. These two types of coal were sampled separately. This provided the necessary information to assess whether the upper bright coal should be selectively mined.

Burnt coal was sampled and sent for raw analysis only. No weathered coal was sampled.

All samples were bagged, labelled (with one label inside and one label outside the bag) and sealed. The samples were transported to the laboratory as soon as possible by the responsible geologist.

14.13.4. Percussion or Open Hole Drilling

A total of 26 percussion or open hole boreholes were drilled at Vuna Colliery during 2009 in the South Reserve for grade control purposes. The location of the boreholes is graphically presented in Figure 43.

14.13.4.1. Drilling

The boreholes were drilled to assist the mining process with grade control (i.e. to identify the areas of waste above the seams) below the seams and within the seams which were required to be removed as waste. Percussion drilling was used as it is a cost and time effective method of drilling.

The percussion drilling was carried out by the Colliery using the blasthole rig.

14.13.4.2. Logging

No geological logging was carried out on the percussion chips produced by the open hole drilling.

Wireline logging was carried out on eight of the 14 holes as discussed in Section 14.13.5.

14.13.4.3. Sampling Method

No samples were taken of the coal chips produced through the open hole drilling.

14.13.5. Down the Hole Geophysics / Wireline Logging

During the 2009 drilling campaign, wireline logging was carried out on eight of the 14 holes by Geoline Services using gamma-gamma, density and calliper tools.

14.13.6. Bulk Sampling

No bulk sampling has been carried out at Vuna Colliery.

14.13.7. Laboratory Analyses

All recent coal samples were sent to Inspectorate in Middelburg, Mpumalanga. Inspectorate is accredited with SANAS (Accreditation No. T0313) and International Standards Organisation (ISO) ISO/IEC 17025:2005 until the 30th June 2011. Venmyn has viewed Inspectorate's accreditation certificate.

14.13.7.1. Sample Preparation and Analysis

Details on the sample preparation for the Mooiplaats Colliery are presented in Section 13.13.7.1. The same sample preparation methods were utilised for Vuna Colliery.

The standard tests utilised by South African coal laboratories, in particular Inspectorate, are listed in Table 12, with those tests carried out on Vuna Colliery's exploration samples indicated in the relevant column.

14.13.7.2. Security

All samples are sealed after bagging at the drilling site and delivered to the laboratory as soon as practically possible by the responsible geologist. Upon arrival at the laboratory, the laboratory accepts responsibility for them. All samples are securely stored in an air tight container.

14.13.7.3. QA/QC

A detailed description of the QA/QC carried out at Inspectorate is presented in Section 13.13.7.3.

14.13.8. Data Management**14.13.8.1. Data Acquisition and Validation**

All MS Excel™ borehole logs were imported into a Micromine GBIS database. This Micromine GBIS database contains all borehole collar and lithology information as well as approximately 15% of the laboratory results. All previous exploration results were included and identified accordingly.

All boreholes are presented graphically as well as plotted on plans for verification by the responsible geologist. Cross sections are plotted to confirm correlations.

All laboratory results and certificates were provided in electronic format, as MS Excel™ sheets. These were imported directly into an MS Excel™ database for all holes.

The complete set of data, i.e. lithology, collar and raw and washed laboratory results, for all the boreholes is currently housed within a Minex™ database, and this database was used for modelling purposes.

The Minex™ software has a series of automatic verification procedures including checking for physical data including overlapping intervals, missing intervals, etc. It also undertakes automatic quality verifications including increasing cumulative ash values, decreasing cumulative volatile values and totalling proximate analyses to 100%, etc. Any errors identified by Minex™ are investigated by the responsible geologist.

During 2010, CCIC prepared an independent 3D model and Coal Resource Statement on Vuna Colliery. According to its report (2010), it compiled and validated three databases which contained lithology, collar and raw quality data. Any boreholes with errors were omitted prior to modelling. As part of CCIC's verification procedure, it plotted the borehole coordinates in relation to the DTM and adjusted the elevations of any boreholes which had coordinates measured using a GPS to match to the DTM surface.

Venmyn has randomly selected 10 borehole logs and verified the logs and associated laboratory certificates with the Access database and found no errors.

Venmyn also independently carried out a check of the Minex™ modelling database in Geosoft Target software for collar and "from" and "to" discrepancies and duplicates, etc. Venmyn identified that boreholes ZBOC38 and ZBOC39 had the same collar positions.

Venmyn plotted the positions of the boreholes used for the modelling and found them to be acceptable. The collar and lithological database included a total of 347 boreholes with collar information, of which ZBOC56 and ZBOC57 were re-drills. Of the 346 holes, 73 boreholes in the north and 125 boreholes in the south have quality data which is used for Coal Resource estimation and classification purposes.

Venmyn has verified the seam correlations through the plotting of north/south and east/west cross sections and found them to be acceptable. The sections also confirmed the existence of the topographic cutoffs in the centre of the project area.

Venmyn is comfortable with the accuracy of the database and the recent mining production results have confirmed the results of the orebody modelling using the current database.

14.13.8.2. Database Management

The MinexTM database is managed and maintained by Mr T Ngobeni (Pr.Sci.Nat.). Backups are stored at CoAL's head office in Johannesburg.

14.14. Orebody Modelling and Results

A number of independent orebody models have been prepared for Vuna Colliery since 2007, including a 2D Surfer model by GeoCoal in 2007, a 3D MinexTM Software model prepared by Mr T Ngobeni (Pr.Sci.Nat.) on behalf of CoAL in 2009 and a 3D model prepared by CCIC using Datamine Studio 3 software in 2010.

The latest model was prepared by Mr T Ngobeni (Pr.Sci.Nat.), an independent consulting geologist, as at 30th June 2011. The model was prepared in MinexTM Software. The model takes into account all available previous and recent drilling and the mined out areas as of 30th June 2011 for volume calculations. A number of the boreholes occur outside of CoAL's mining tenure area and these have been included within the model. The result is a 3D geological model with a grid of closely and evenly spaced data points. Both CoAL and Venmyn have a high level of confidence with respect to the model and the associated Coal Resource estimates. Venmyn has reviewed the model and interviewed Mr Ngobeni (Pr.Sci.Nat.) concerning his methods of modelling. Venmyn has found the methods appropriate and compliant with JORC classification of Coal Resources. Venmyn has also independently verified the results of the seam volume calculations. Venmyn is satisfied with the integrity and results of the model.

The summary of seam thicknesses and depths independently calculated by Venmyn from the database files is presented in Table 39.

Table 39 : Summary of Vuna Colliery Seam Thicknesses and Depths

SEAM	NO. INTERSECTIONS	SEAM THICKNESS (m)			DEPTH FROM SURFACE (m)		
		MIN	MAX	AVE	MIN	MAX	AVE
No.1	161	0.20	4.69	1.88	6.48	36.86	16.50
No.2	254	0.19	7.70	3.59	3.00	31.64	12.67

The upper surface of the model was sourced from the DTM and is presented in Figure 44. It is evident from this figure that a valley is present in an east/west direction through the centre of the NOMR area. This valley hosts the non-perennial Selons River and is covered by a marsh (Figure 42). This change in the surface topography has either eroded or weathered the seams such that no coal is present in these areas. As a result, Vuna Colliery has been divided into two areas, namely the North Reserve and the South Reserve, on either side of the area of no coal.

A single dolerite sill is present in the southeast of the Vuna Colliery mining area which has devolatilised or burnt the coal where it passes through the coal. This has been incorporated into the 3D model (Figure 42) and any coal associated with this was removed from Coal Resource calculations. This dolerite lies below the No.1 seam and has affected it in the central to eastern areas of the South Block.

Both the physical and quality parameters of the No.1 and No.2 seams were modelled. Grids with a 20m mesh were estimated using Minex'sTM general purpose gridding function using a 2km search radius. The model was truncated by the limit of the coal seams and the NOMRs boundaries. All physical and quality parameters were plotted and visually inspected to ensure they were acceptable for geological interpretation.

It must be noted that the majority of the South Block is, in fact, mined out. However, the result of the modelling in this area is still reported in the Section to follow.

14.14.1. Physical Results

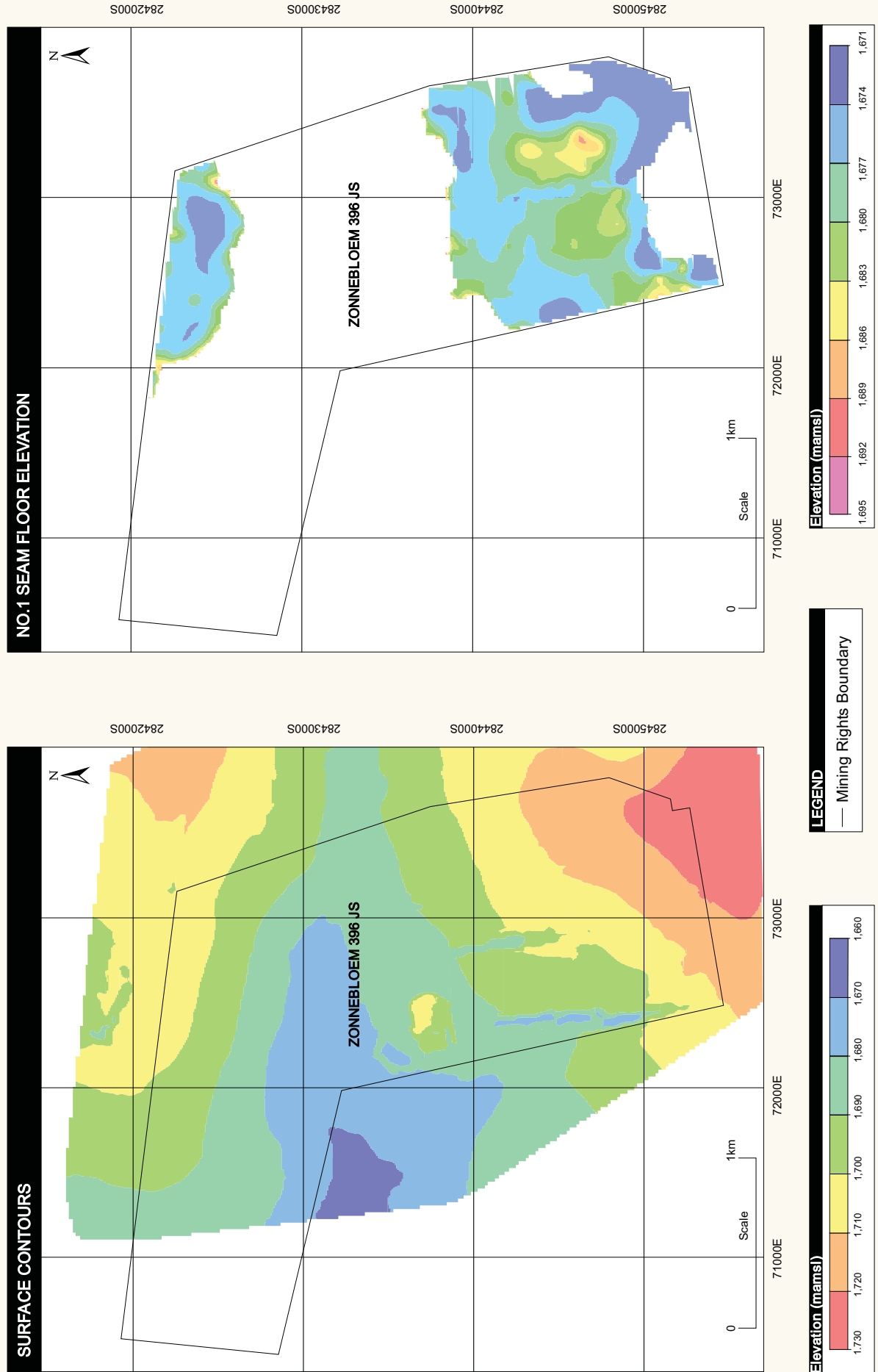
The physical parameters of the floor elevation, in metres above sea level, and the roof depth from surface of both the No.1 and No.2 seams were modelled. The seam thickness was modelled for both, separately, and this was used as the basis for the calculation of the Coal Resource volumes. Although all these parameters were modelled, only the No.1 Seam floor elevation, No.1 Seam depth from surface, combined seam stripping ratios and the respective seam thickness results are presented below.

14.14.1.1. Seam Floor Elevation

The No.1 Seam floor elevation has been modelled in order to identify any abrupt elevation changes which would indicate the presence of faulting and also to identify the dip across the project area. The variations in seam floor elevations are presented in Figure 44. There is no evidence of faulting within the Vuna Colliery mining area.

The No.1 Seam floor elevation contours indicate that the coal within the North Reserve block is dipping towards the west-southwest, whilst the coal within the South Reserve Block is dipping towards the west-northwest.

VUNA COLLIERY - SURFACE CONTOURS AND NO.1 SEAM FLOOR ELEVATION CONTOURS



Source: Coal of Africa

14.14.1.2. Depth from Surface

Figure 45 presents the No.1 Seam floor depth from surface. The figure clearly indicates that the coal is accessible using opencast methods. The coal within the North Block occurs at a depth of between 9m and 27m from surface, whilst the coal within the South Block occurs at a depth of between 12m and 24m.

14.14.1.3. Combined Stripping Ratio

The existence of relatively thick coal seams near surface has resulted in favourable stripping ratios at Vuna Colliery. Figure 45 presents the combined stripping ratio for both the No.1 and No.2 seams as bank cubic metres (bcm) of overburden and interburden to tonnes of coal. The stripping ratio varies from a minimum of 1:0.5 to a maximum of 1:4.0 in an isolated area in the centre of the South Block.

14.14.1.4. Seam Thickness

The No.1 and No.2 seams' thickness contours or isopachs are presented in Figure 46. On the contour plots, it is evident that the Minex™ model automatically tapers the respective seams to a thickness of zero along the limits of the coal. The lowermost No.1 Seam obtains a maximum thickness of 2.50m in the far north of the North Block. This seam is narrowest in the south of the South Block. The seam is greater than 0.50m across the entire Colliery.

The uppermost No.2 Seam is almost always thicker than the No.1 Seam and typically varies in thickness from a maximum of 5.50m to a minimum of greater than 0.50m. The majority of the coal within the seam has a thickness of in excess of 3.0m.

14.14.2. Quality Results

The quality results for the raw proximate (ash, volatile, fixed carbon, moisture and sulphur) and the raw CV laboratory results were modelled for each of the seams. The dry ash free (DAF) volatile content was also modelled as this parameter is a good measure of the devolatilisation of coal due to the presence of dolerites. The theoretical percentage yields for the primary product of a 6,000kcal or a 27.2MJ/kg CV coal were also modelled. Although all the coal parameters were modelled, only the most important parameters are presented in this report.

14.14.2.1. Raw Calorific Value

The model of the raw CV indicates that the majority of the No.1 Seam coal within the Vuna Colliery NOMRs boundary has a raw CV of in excess of 21MJ/kg (Figure 47). Areas of low CV are present within the eastern half of the South Block where it drops as low as 12MJ/kg. This would most likely be the result of a dolerite occurrence below the No.1 Seam. This coal will be mined and blended with the No.2 Seam to increase the quality.

The No.2 Seam has a similar quality with the majority of the area hosting coal with a CV in excess of 21MJ/kg. The lowest CV coal is located in the central portion of the South Block where a CV of around 12MJ/kg is measured. This seam is much less affected by the presence of the dolerite than the No.1 Seam below it.

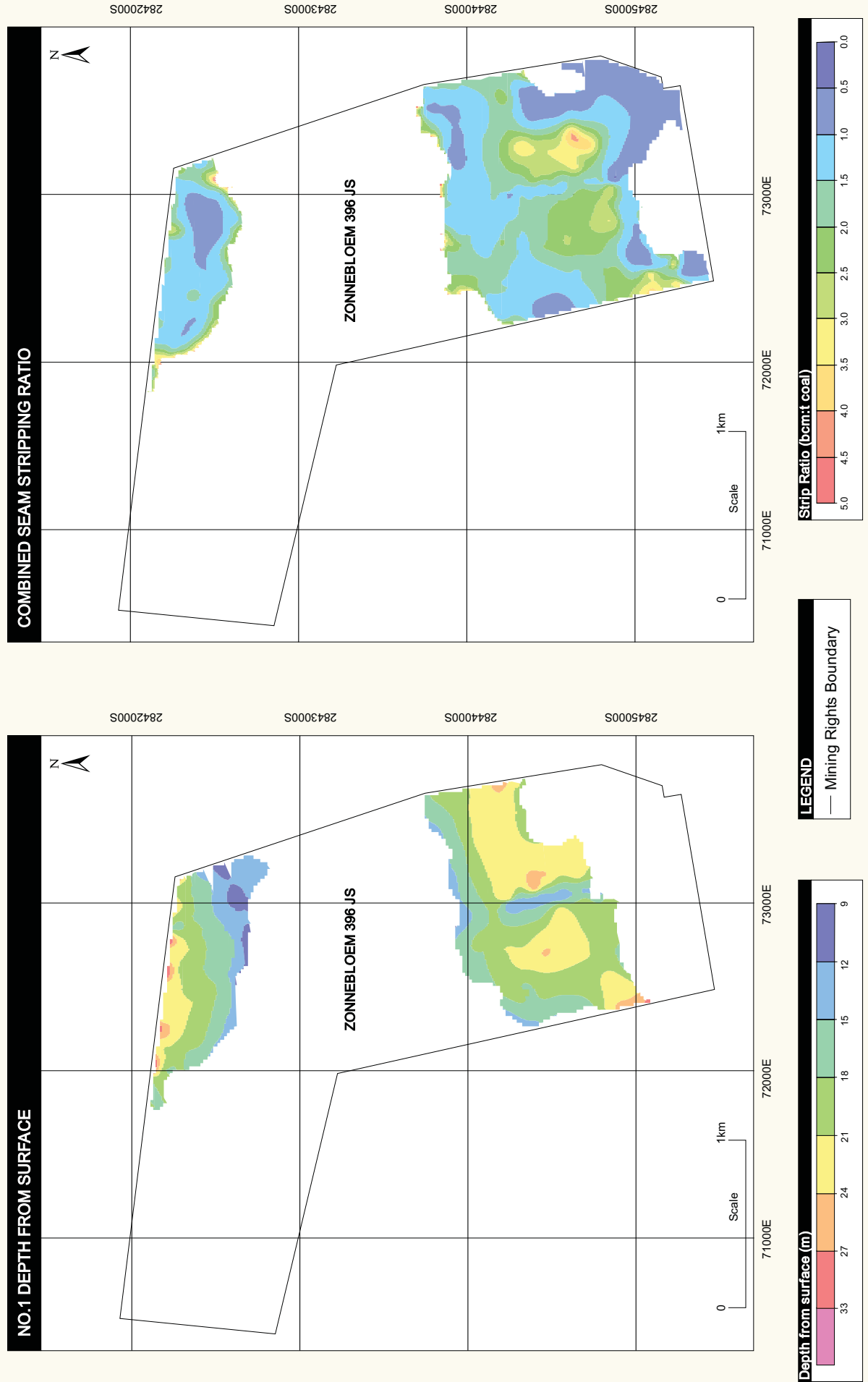
14.14.2.2. Raw Ash

The modelled raw ash content of Vuna Colliery is graphically presented in Figure 48. The ash content has an inverse relationship with the CV and this is clearly evident in the respective contour plots on Figure 47 and Figure 48. The relatively high (>40%) ash areas occur in the central area of South Block for both the No.1 and No.2 Seams, with the high ash area being noticeably larger for the lowermost No.1 Seam. As noted in the previous section, the high ash coal is most likely to be due to the presence of a dolerite sill below the No.1 Seam in this area. Only a small area of high ash coal occurs in the North Block in the No.2 Seam.

14.14.2.3. Raw Volatiles

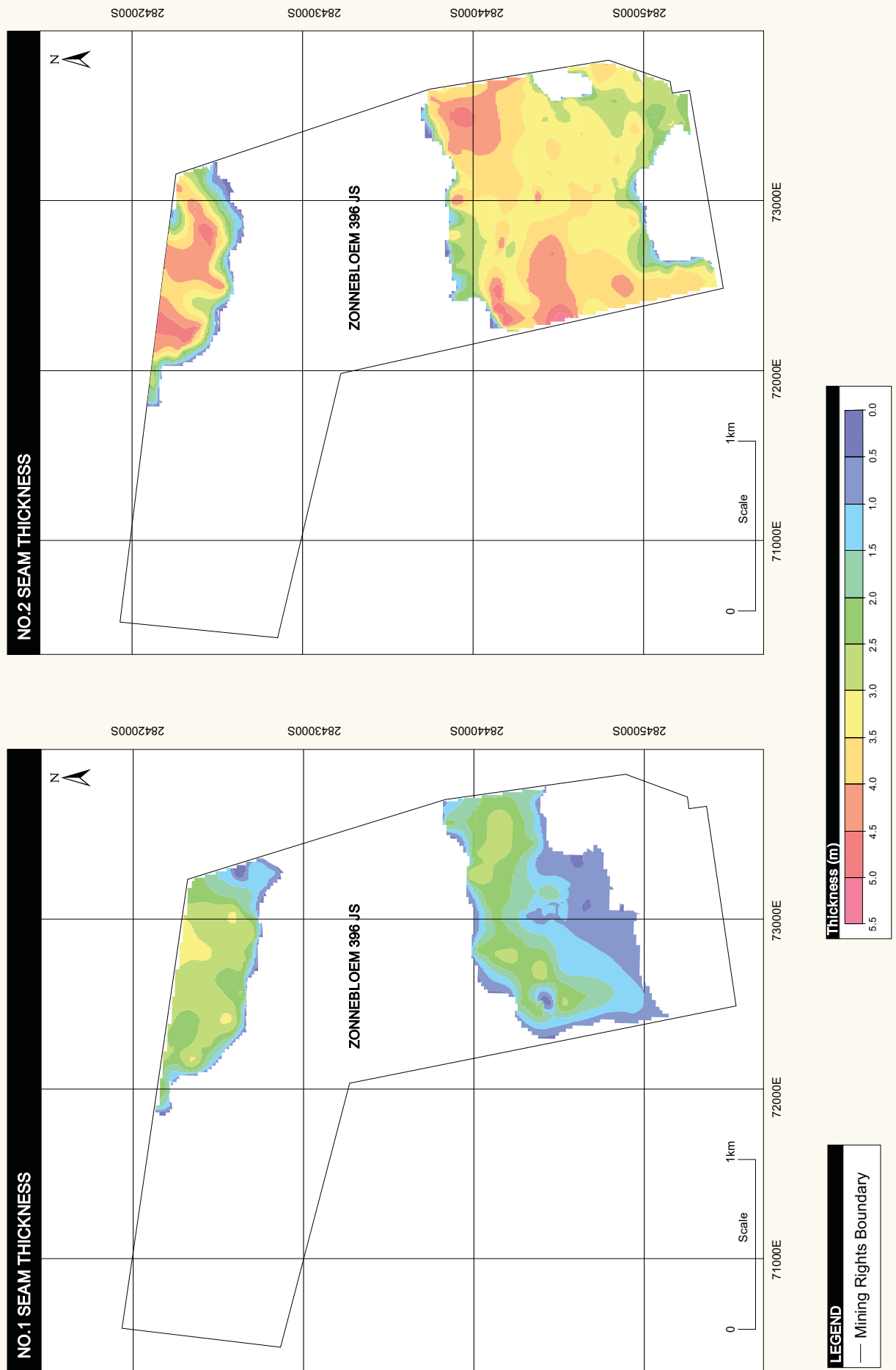
The variations in the raw volatile content for the No.1 and No.2 seams is presented in Figure 49. Again, the effect of the dolerite in the South Block is evident in the area of devolatilised No.1 Seam. This coal will be mined and blended with the No.2 seam to improve its quality.

VUNA COLLIERY - NO.1 SEAM DEPTH FROM SURFACE AND COMBINED SEAM STRIPPING RATIO CONTOURS

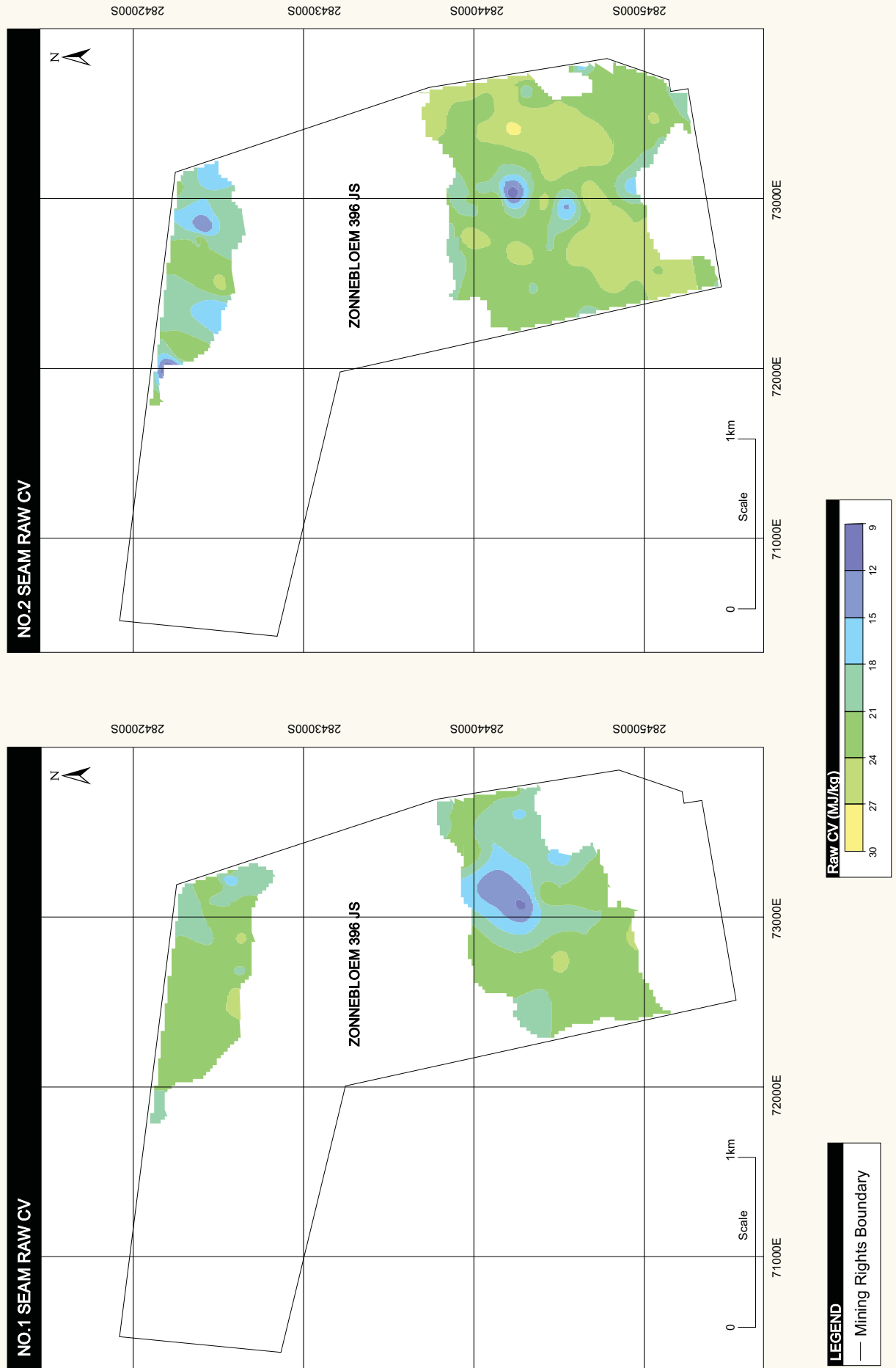


Source: Coal of Africa

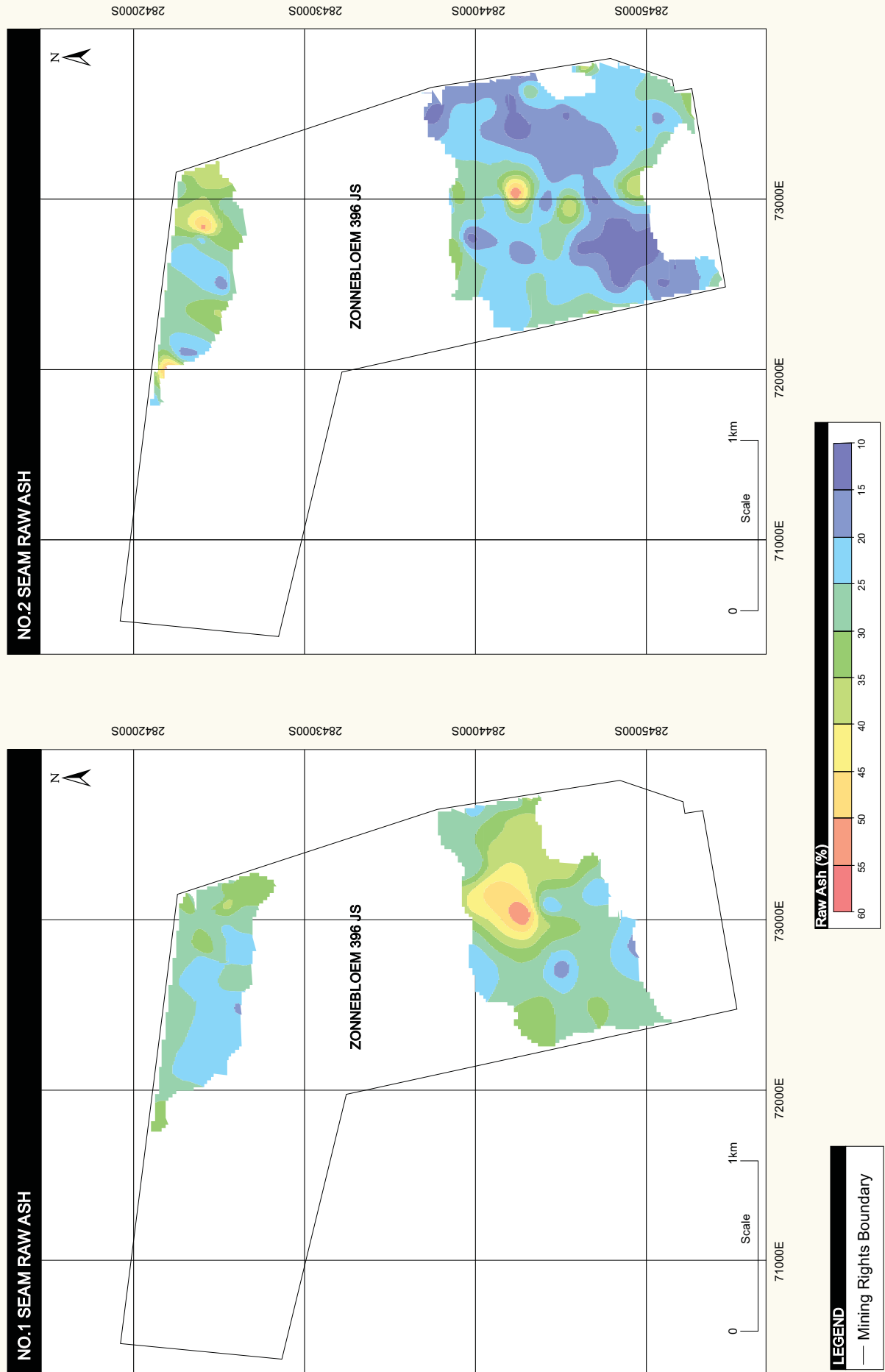
VUNA COLLIERY - NO.1 AND NO.2 SEAM THICKNESS CONTOURS



Source: Coal of Africa



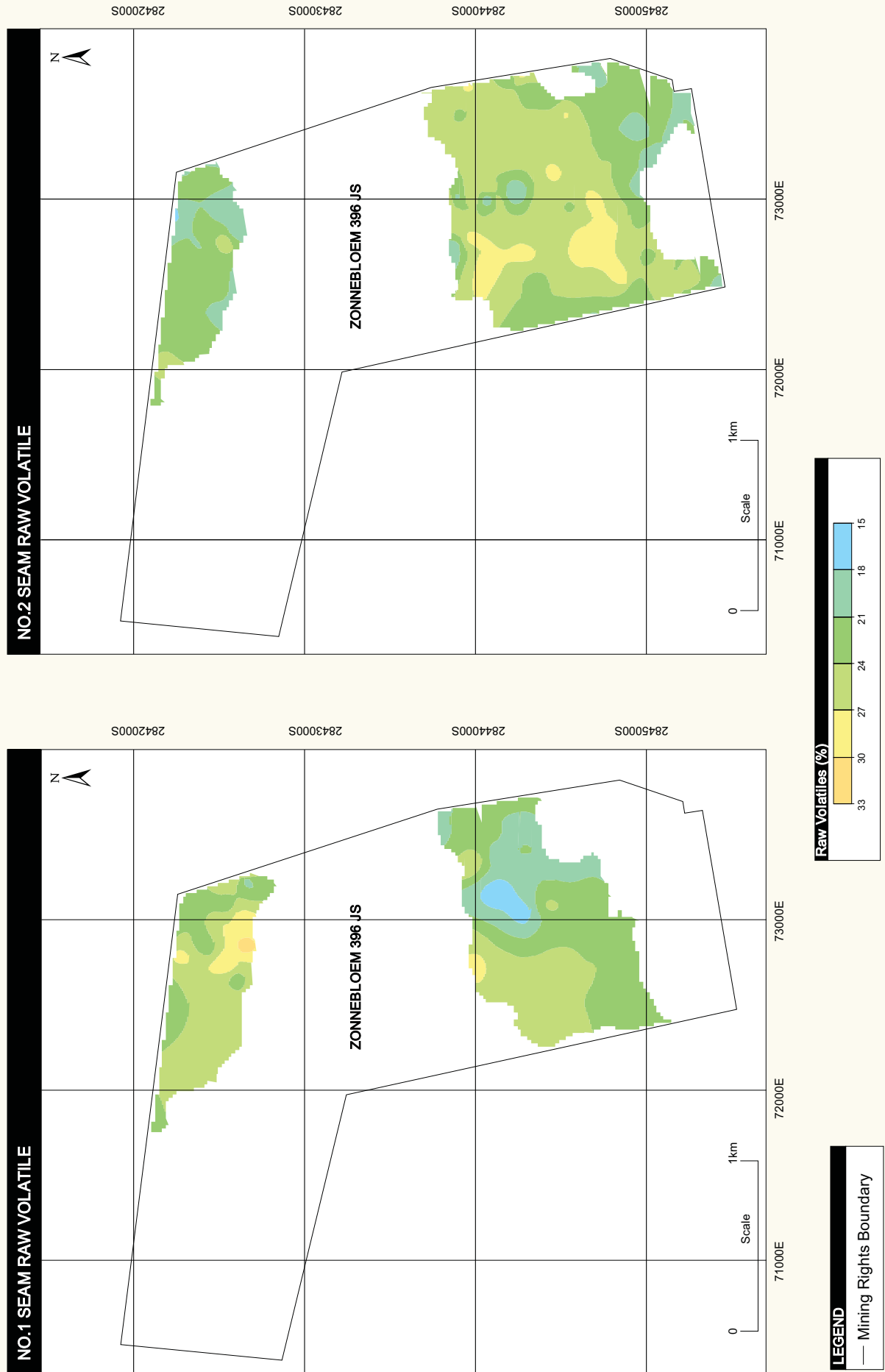
VUNA COLLIERY - NO.1 AND NO.2 SEAM RAW CV CONTOURS



VUNA COLLIERY - NO.1 AND NO.2 SEAM RAW ASH CONTOURS

Source: Coal of Africa

VUNA COLLIERY - NO.1 AND NO.2 SEAM RAW VOLATILE CONTOURS



14.14.2.4. Potential Yields

Full washability testwork was carried out on the No.1 and No.2 seams' samples. The results were imported in Minex'sTM coal simulation programme and used to assess the yields and resultant product specifications for a particular primary and middlings product. These results were utilised for the determination of the potential saleable tonnes and product specifications for reserve estimation purposes.

The theoretical yield variations at Vuna Colliery for a 6,000kcal (or 27.2MJ/kg) primary product are presented in Figure 51. This yield plot provides the reader with an indication of the yield potential of the coal. It must be noted, however, that the practical yields achieved by passing RoM coal through a processing plant are always lower than the theoretical yields calculated from borehole cores in a bench scale laboratory test.

Figure 51 clearly indicates that the yields for the No.2 Seam are noticeably better than those expected for the No.1 Seam.

14.15. Coal Mining

Mining of the No.1 and No.2 seams is carried out using opencast methods at Vuna Colliery as a result of the relatively thick seams at shallow depths which combine to form a favourable stripping ratio. Mining commenced in the South Block in 2008.

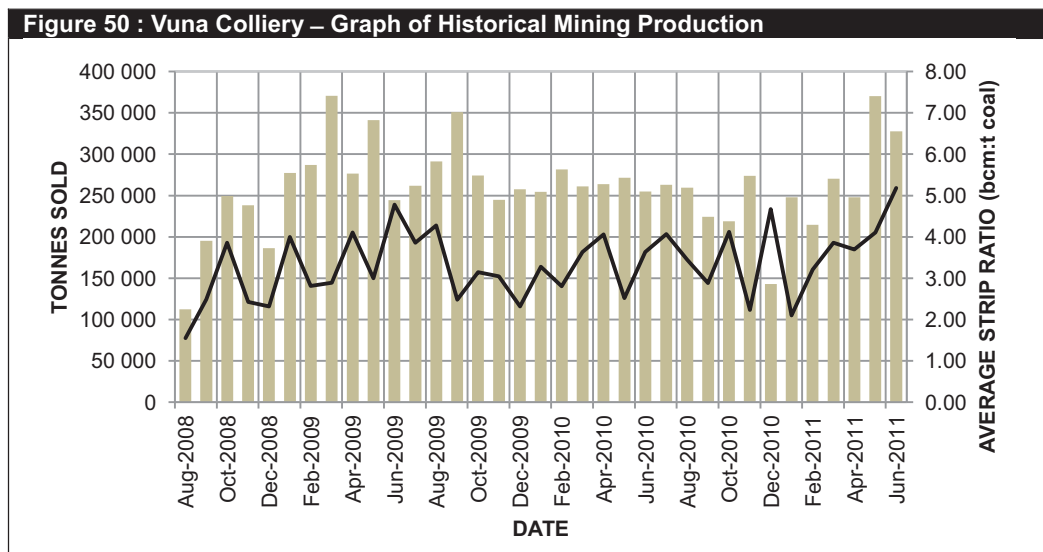
14.15.1. Mining Method

Mining is carried out using conventional opencast rollover methods. The Coal Reserves are divided into a series of mining blocks of 40m by 100m in size, orientated in a north-northwesterly / south-southeasterly direction, semi parallel to the boundary of the NOMR. A boxcut, with a 1.4km face, was opened up in this direction and the mining face was advanced towards the east, mining the blocks sequentially. The importance of the rollover method is that rehabilitation is a continuous process with only approximately 40m of boxcut open at any point in time along the 1.4km length of the face.

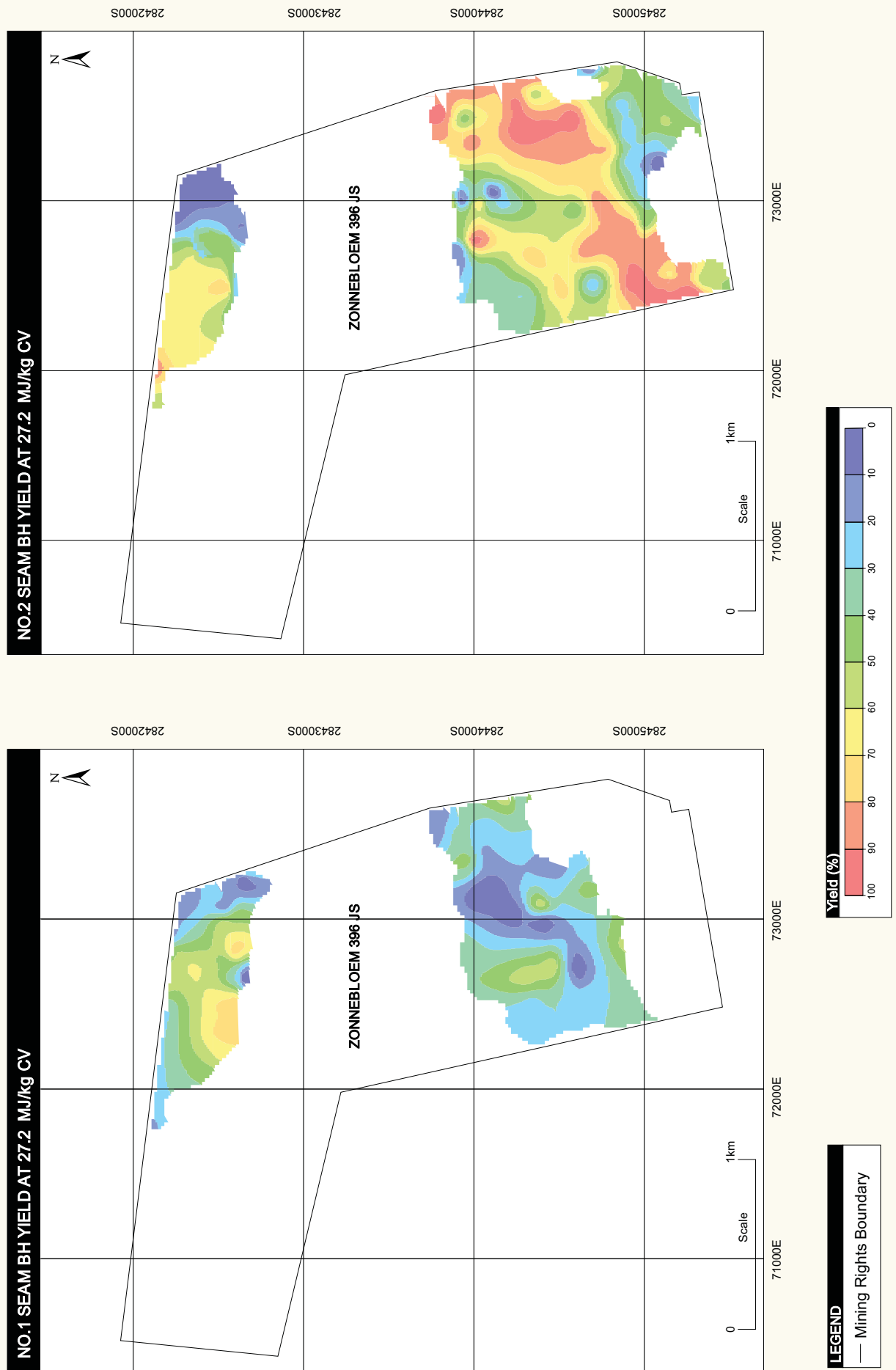
The face advances by stripping the topsoil and overburden and stockpiling them separately behind the open void. The No.2 Seam is then blasted, mined using an excavator and hauled to the RoM stockpile using dump trucks. The interburden is then blasted, loaded, hauled and dumped into the open void behind the face. The No.1 Seam is then blasted, mined and hauled to the RoM stockpile. The overburden is then dozed to fill the void, while the face continues to advance. Finally, the topsoil is replaced onto the redeposited overburden. The rollover method employed at Vuna Colliery is clearly represented in the photograph in Figure 39.

14.15.2. Historical Production

Mining commenced at Vuna Colliery in August 2008 with the opening of the first boxcut (Boxcut 1) in the West Pit or West Block. Vuna Colliery has produced an average RoM coal tonnage of approximately 255,000tpm for the 12 months to the 30th June 2011 (Figure 50).



VUNA COLLIERY - NO.1 AND NO.2 SEAM THEORETICAL PERCENTAGE YIELD CONTOURS (at 27.2MJ/kg PRODUCT)



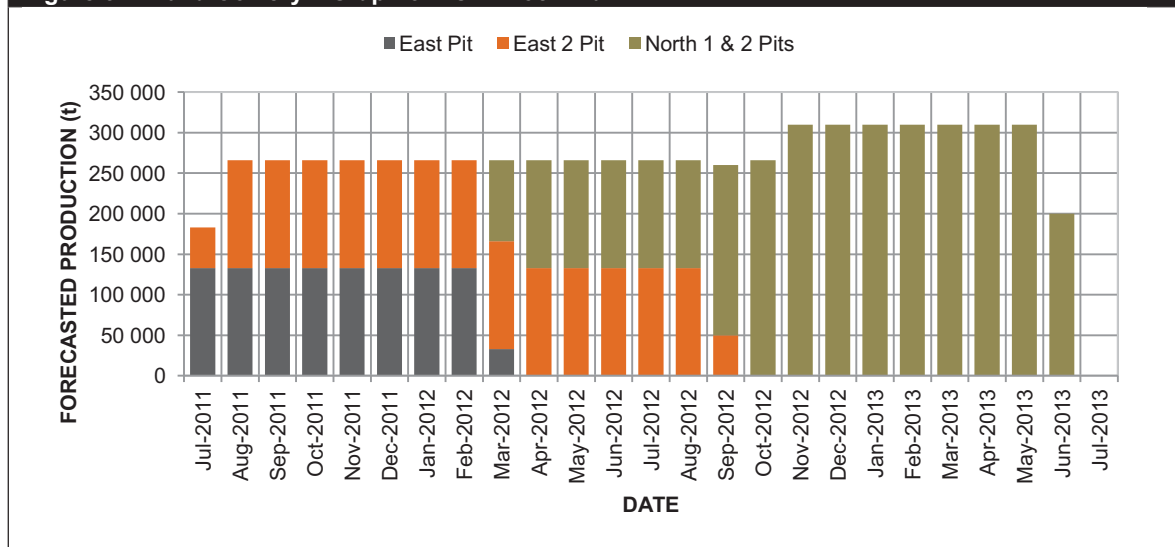
A further two boxcuts were opened in the East Pit, namely East1 and East 2, with mining commencing in the latter in May 2011. May 2011 was a record month, with more than 370,000t trucked to Woestalleen Plant, including 334,362t of RoM mined, comprising the final tonnes remaining in the West Pit as well as the commencement of mining in the East 2 Pit. The recent increase in stripping ratio is a direct result of the opening up of the boxcut in the new East Pit. Stripping ratios are expected to decrease again once coal is extracted from this pit (Figure 53).

14.15.3. Future Production

The LOM plan indicates that the mine will continue to produce RoM coal from the East and East 2 Pits at rate of 133,000tpm RoM coal each. The East Pit is expected to be mined out by April 2012 and the East 2 Pit by September 2012.

Vuna Colliery is currently awaiting approval of the EMP for the North Block and permission, in accordance with NEMA, to build a crossing over the stream that bisects the NOMR. Once this permission is obtained, the stream crossing will be built over an estimated period of two months. The first North Pit boxcut will be into coal within the following month. The plan is to open two boxcuts into the North Block in order to produce the required monthly RoM tonnage. The LOM plan is presented as a block plan in Figure 53 and a graph of forecast tonnes to be produced in the LOM is shown in Figure 52. The aim of Vuna Colliery is to supply up to 310,000tpm to the Woestalleen Plant.

Figure 52 : Vuna Colliery – Graph of LOM Block Plan



14.15.4. Costs

All costs for the Vuna Colliery, detailed in this section, are nominal terms operating costs, as estimated as at 30th June 2011. No contingency has been allowed in the opex estimates.

14.15.4.1. Operating Costs

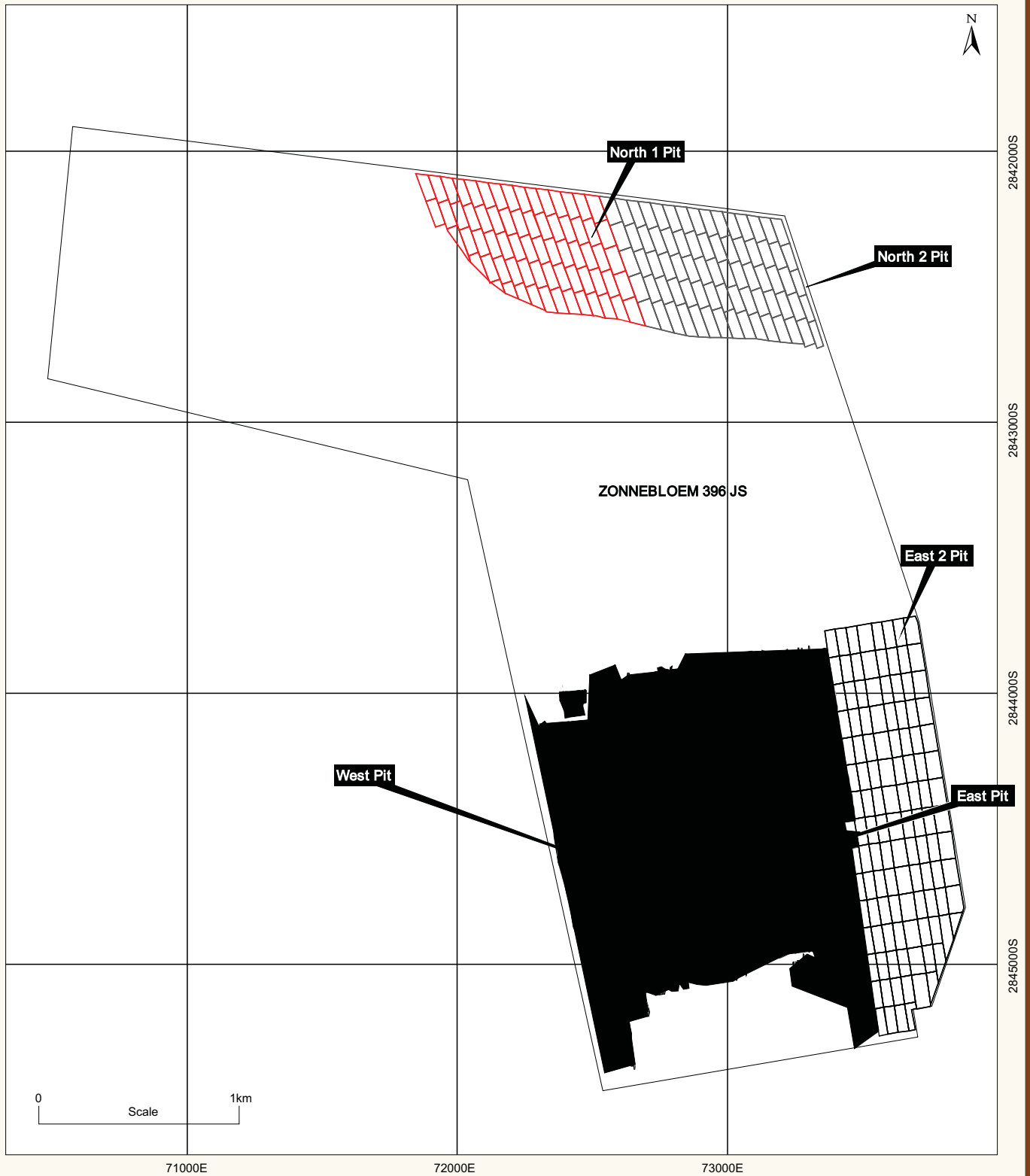
The unit cost for the financial year ending June 2011 per cost category is presented in Table 40. The operating cost values represent actual costs incurred at the current mining operations for the financial year ending 30th June 2011, as illustrated in Figure 54.

Table 40 : Summary Mining Operating Costs for Vuna Colliery

DESCRIPTION	FY2011	FY2012	FY2013
	ACTUAL	BUDGET	BUDGET
RoM tons (Thermal coal)	3,562,841	3,441,374	3,480,000
Mining Costs	100.32	121.12	113.97
Salaries & Wages	10.77	12.76	13.87
Work in Progress/Boxcut	(0.84)	0.00	0.00
TOTAL MINING COSTS (ZAR/t)	110.25	133.88	127.84

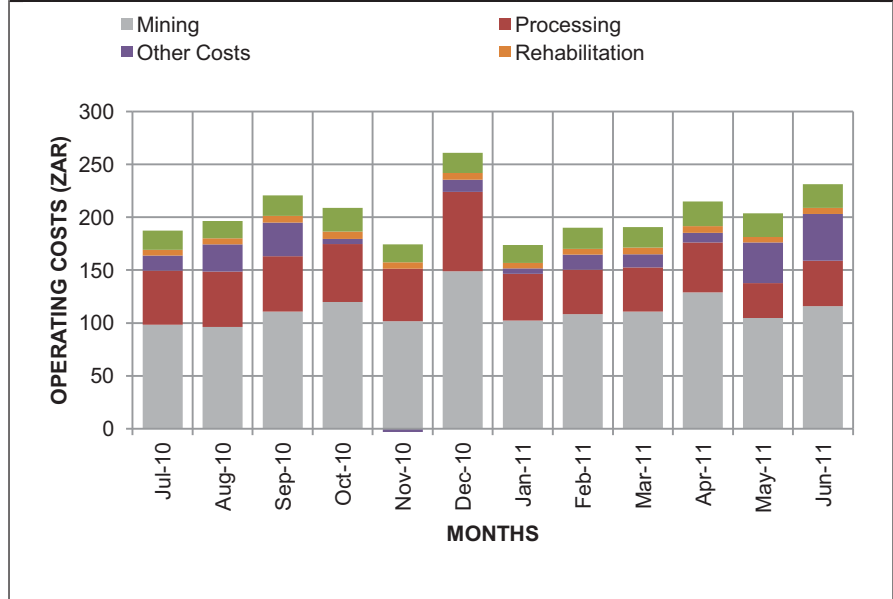
The historical operating costs for Vuna Colliery for the last financial year ending 30th June 2011 are illustrated in Figure 54. The diagram illustrates that an extraordinary event, occurred with regard to the mining costs, in the month of December 2010. The mining costs in this month were ZAR150/t whereas the average mining cost is approximately ZAR120/t. It should also be noted that the operating costs for Vuna include a deferred purchase consideration that is paid to Vuna Mining as part of the coal asset purchased by CoAL.

VUNA COLLIERY - LOM BLOCK PLAN

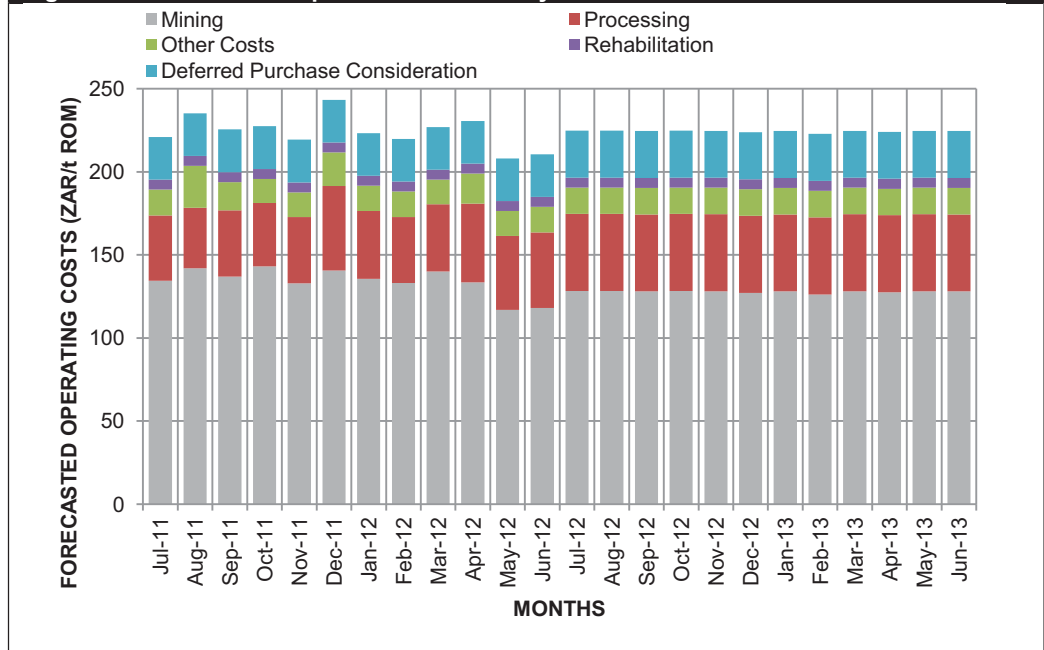


LEGEND:

- North 1 Pit
- North 2 Pit
- East 2 Pit
- Mining Rights Boundary
- Mined Out Area

Figure 54 : Historical Opex for Vuna Colliery for the last 12 months

The total mining and beneficiation cost per tonne delivered to the product stockpile, is forecasted to be approximately ZAR230.00 on average over two years. This equates to the sum of the mining cost, beneficiation, rehabilitation costs and other costs as illustrated in Figure 55.

Figure 55 : Forecasted Opex for Vuna Colliery for the next 24 months

Venmyn is of the opinion that CoAL would be able to achieve the forecasted operating costs on the basis of the historical performance from the previous financial year. No major changes are anticipated in the mining operation at Vuna, since the coal resources will be depleted in the next 24 months. Hence the rehabilitation costs being provided for in the operating costs will be utilised at the end of LOM to rehabilitate the open pits created during the mining operation.

14.15.4.2. Capital Costs

Estimated capital costs are presented in Table 41 and will be required to sustain the mining operation for the next 24 months when the coal reserves get depleted. No major capital expenditure has been budgeted for Vuna Colliery. However, it should be noted that the Woestalleen Plant could potentially continue to toll treat coal from other mining operations in the area. This business proposition has not been included in the capital budgeting, since CoAL has not taken any management decision on how it will deal with this facility, when Vuna Colliery closes down. The final outcome on the future capital expenditure on the processing facility will depend on CoAL's management decision.

Table 41 : Summarised Forecasted Capital Expenditure for Vuna Colliery

CAPITAL EXPENDITURE	FY2011	FY2012	FY2013	FY2014
	ACTUAL	BUDGET	BUDGET	BUDGET
Land & Buildings	880,083	0	0	0
Plant & Machinery	3,906,788	2,350,000	2,200,000	0
Motor Vehicles	390,536	1,200,000	800,000	0
Furniture & Fittings	830,307	100,000	0	0
Siding/Crossing	49,660	0	0	0
Zonnebloem Project	213,748	11,550,000	0	0
Woestalleen Projects	1,249,917	0	0	0
Hartogshoop Project	642,805	0	0	0
Co-disposal & other dams	4,944,583	41,480,760	20,000,000	0
TOTAL CAPITAL (ZAR)	13,108,427	56,680,760	23,000,000	0

14.16. Coal Processing

The Vuna Colliery produces RoM coal only which is transported by truck, a distance of 37km, to the Woestalleen coal processing facility (Woestalleen Plant). This facility has been operational for over 30 years and was acquired by CoAL through the NuCoal acquisition in 2010. The ownership of the facility is presented in Figure 39. The processing facility has a nameplate capacity to treat 350,000tph of RoM coal.

14.16.1. Processing Plant

The Woestalleen Plant includes a crushing and screening plant, three different coal processing plants, as well as a barrel plant.

All RoM ore is fed into a crushing and screening plant which has a maximum capacity of 880tph. The plant crushes and screens coal to -110mm+0mm which is fed directly into one of the three processing plants.

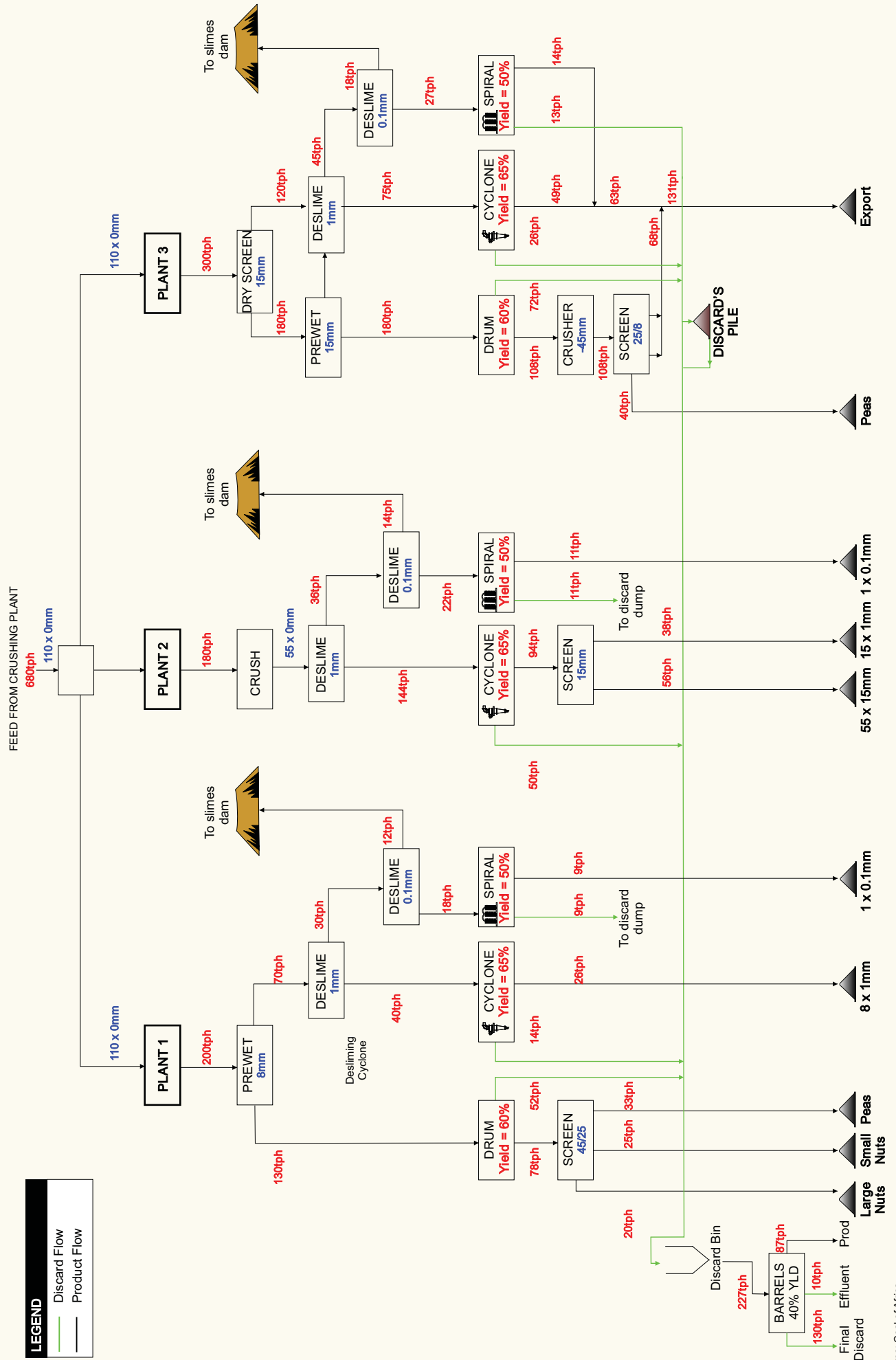
Plant 1 has a feed rate capacity of 200tph and is comprised of a drum plant receiving feed at 130tph, a cyclone plant receiving feed at 40tph and a spiral plant receiving feed at 18tph. The drum plant produces large nuts, small nuts and peas; the cyclone plant, a -8.0+1.0mm product; and the spiral plant, a -1.0+0.1mm product. Discards from the drum and cyclone are fed to the barrel plant for further processing. Spiral discards are pumped to the slimes dam.

Plant 2 has a capacity of 180tph and consists of a cyclone plant receiving 144tph of feed and a spiral plant receiving feed at 38tph. The cyclone produces washed coal at -55+15mm and -15+1mm size fractions. The spiral plant produces a -1.0+0.1mm product. Discards from the cyclone are fed to the barrel plant for further processing. Spiral discards are pumped to the slimes dam.

Plant 3 has a feed rate capacity of 300tph and is comprised of a drum plant receiving feed at 180tph, a cyclone plant receiving feed at 75tph and a spiral plant receiving feed at 45tph. The drum plant produces peas and an export fraction, whilst both the cyclone and spiral plants produce an export fraction. Discards from the drum, cyclone and spiral plants are fed to the barrel plant for further processing.

The barrel plant receives discards from Plants 1, 2 and 3 at a feed rate of 227tph and produces a thermal product for the domestic market at a typical yield of 10% of RoM. The simplified flowsheet and mass balance for the Woestalleen Plant is presented in Figure 56.

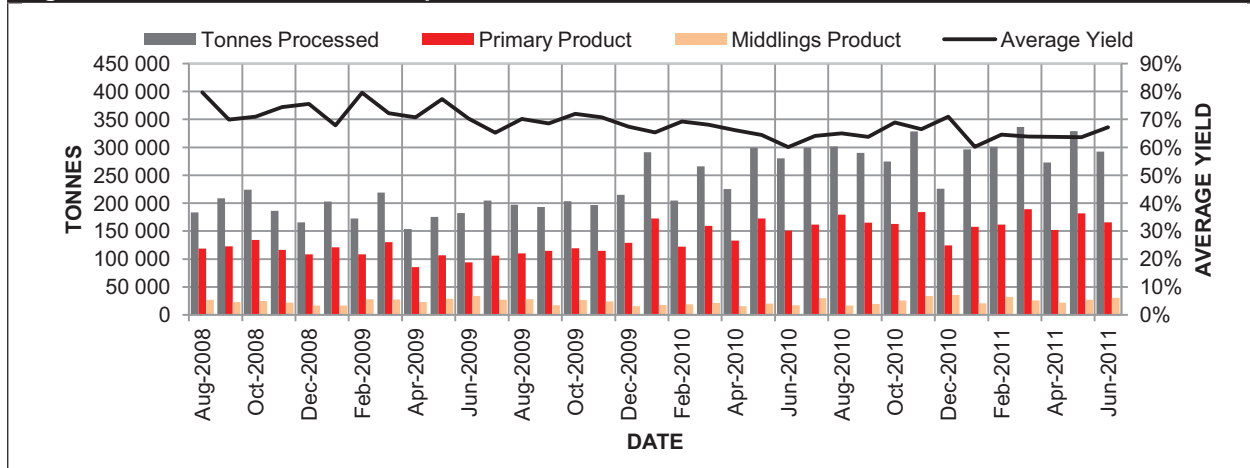
WOESTALLEEN PROCESSING PLANT FLOWSHEET AND MASS BALANCE



14.16.2. Historical Production

The monthly production records and yields for the Woestalleen Plant, since Vuna Colliery commenced mining, are presented in Figure 57. The plant has produced an average of approximately 190,000tpm of saleable coal in the 12 months to the 30th June 2011. The plant treats Vuna Colliery's RoM coal and also has spare capacity to treat coal from other operations to meet its capacity of 350,000tpm. It is for this reason that the saleable tonnes reported may exceed the RoM production tonnages presented in the mining section.

Figure 57 : Woestalleen Plant – Graph of Historical Sales Tonnes Produced



14.16.3. Future Production

CoAL plans to increase the mining production rate from the opencast operation to meet the target of 310,000tpm once the Northern Pits have been opened. The balance of 40,000tpm will be sourced from other operations.

14.16.4. Costs

14.16.4.1. Operating Costs

The washing plant processing cost component for the Vuna coal is approximately ZAR45.00/t, which equates to the sum of the primary and secondary product wash cost.

Table 42 : Operating Costs for the Woestalleen Plant

DESCRIPTION	FY2011	FY2012	FY2013
	ACTUAL	BUDGET	BUDGET
RoM tons (Thermal coal)	3,562,841	3,441,374	3,480,000
Processing Costs	42.90	38.18	42.71
Discard Washing	4.62	3.40	3.71
TOTAL PROCESSING COSTS (ZAR/t)	47.52	41.58	46.42

The cost structures are summarised in Figure 54 showing the proportion that was spent on processing plant and Figure 55 shows the proportion that will be spent for beneficiation of coal in the future in relation to other costs. It should be noted that Woestalleen Plant processes RoM coal bought from third parties and it processes the coal to supplement CoAL's own production from Vuna Colliery.

14.16.4.2. Capital Costs

No capital costs or capital projects have been planned for at Woestalleen Plant. However, in the normal course of mining operations some capital will be spent as stay-in-business capital to enable CoAL to maintain and sustain the current production capacities for the next 24 months. Depending on CoAL's management decision on the processing facility, additional capital may be required to sustain the plant beyond Vuna Colliery's LOM.

14.17. Coal Market

Two different saleable coal products are produced at Woestalleen, namely an export and a domestic thermal product. The export thermal product is either sold locally or exported through Richards Bay. The domestic thermal product is sold locally to power stations.

14.18. Previous Resource Statement

The previous Coal Resource Statement for Vuna Colliery was prepared and independently signed off by CCIC in its report of June 2010. The Coal Resource Statement is presented in Table 43 and, according to CCIC, is correct as of 31st January 2010. The Competent Person responsible for signing off the Coal Resource Statement was (Mr J Hancox) (Pr.Sci.Nat., Reg. No. 400224/04).

14.19. Current Resource Statement

The Coal Resources for Vuna Colliery were independently classified and signed off by Venmyn's Competent Person in accordance with the JORC Code and the Australian Guidelines. Venmyn's Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No. 400049/02) and a longstanding member of the AusIMM. She has over 15 years experience in the resources industry.

The classification into the various resource categories is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results. Venmyn is confident that the logging, sampling, data density and distribution are suitable for the Coal Resource and Coal Reserve estimation. The estimation of each of the parameters required for the reporting of Coal Resources is presented in the section to follow. The Coal Resource Statement for Vuna Colliery, as at 30th June 2011, is presented in Table 44 and the location of the Coal Resources in relation to the NOMRs boundary is illustrated in Figure 58. The No.1 and No.2 seams' Coal Resources overly each other and are limited by the extent of the occurrence of the respective seams.

14.19.1. Resource Classification

The Vuna Colliery No.1 and No.2 seams' Coal Resources were classified according to the relative spacing of points of observation with both quantitative and qualitative results. The spacing defined in the Australian Guidelines is summarised in Table 19. In order to classify the Coal Resources, a halo diagram was prepared using only the boreholes with quality and quantity results, as presented in Figure 59. This figure indicates that, due to the close spacing of the boreholes, 100% of the Coal Resources at Vuna Colliery are classified as Measured.

14.19.2. Input Parameters and Limits

The detailed Coal Resource Statement, by block, is presented in Table 45. This table presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant Coal Resource tonnages and associated qualities.

14.19.2.1. Volume

The volume of the No.1 and No.2 seams' Coal Resources were estimated using the MinexTM model of the seam thickness, divided into the various Coal Resource blocks. The volumes were reduced by the mined out areas, as surveyed at the 30th June 2011.

14.19.2.2. Density

The MinexTM modelled average raw density per Coal Resource block was used to calculate the tonnage from the volume. The raw density of every sample is measured in the laboratory.

14.19.2.3. Tonnage

The tonnage is calculated on a block by block basis from the volume multiplied by the average raw density.

14.19.2.4. Quality

Each of the quality parameters were modelled in MinexTM and the average quality per block is reported in the Coal Resource Statement.

14.19.2.5. Losses and Limits

The following cutoffs or limits were applied to the Coal Resources:-

- the limit of the mining boundary;
- the limit of the occurrence of the coal seams in the North and South Blocks;
- a minimum seam thickness limit of 0.5m was applied prior to the reporting of GTIS. All coal within the Vuna NOMR is greater than 0.5m in thickness; however, the MinexTM software tapers the coal to zero along its limit of occurrence;

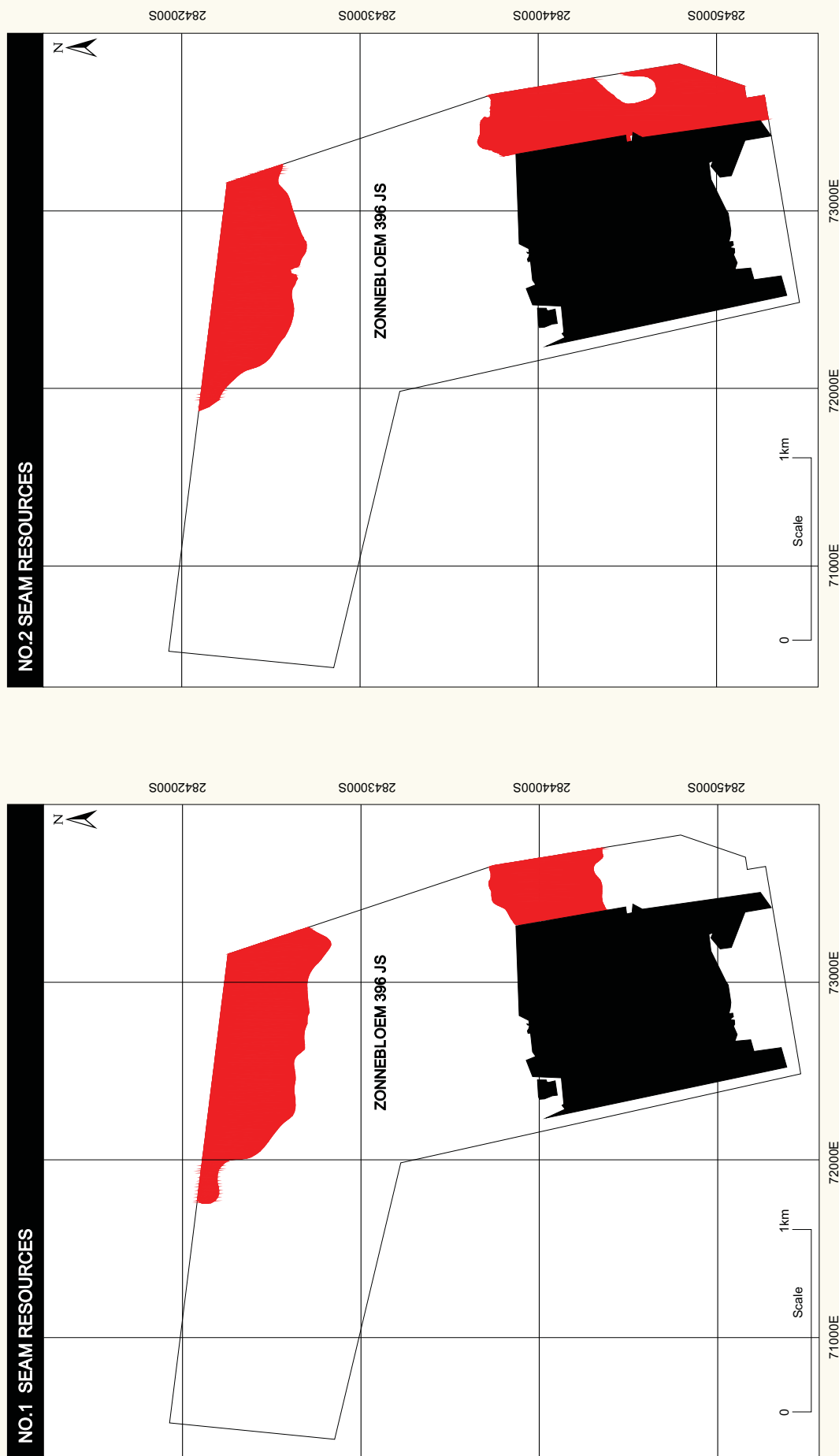
Table 43 : Vuna Colliery Previous Resource Statement (31st January 2010)

PROJECT	SEAM	RESOURCE CATEGORY	BLOCK	SEAM	O/C or U/G	GROSS TONNES IN		MINEABLE TONNES IN SITU (MTIS) (IMt)	AIR DRIED RAW QUALITIES				
						SITU (GTIS)	(IMt)		CV (MJ/kg)	ASH VOL. (%)	FIXED CARBON (%)	SULPH. MOIST. (%)	
Vuna Colliery	BU	Measured	North	No.1 & No.2	O/c		3,543						
			TOTAL / AVE NORTH BLOCK			3,543		3,189					
			South	No.1 & No.2	O/c		8,230		7,407				
			TOTAL / AVE SOUTH BLOCK			8,230		7,407					
		TOTAL / AVE MEASURED RESOURCES			11,773		10,595						
		GRAND TOTAL / AVE VUNA COLLIERY				11,773		10,595					
										No information provided in OCIC Report.			

Table 44 : Vuna Colliery Summary Resource Statement (30th June 2011) (Inclusive of Reserves)

PROJECT	RESOURCE CATEGORY	COAL SEAM	O/C or U/G	GROSS TONNES IN SITU (GTIS)	GEOL. LOSSES (%)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	AIR DRIED RAW QUALITIES					
								CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Vuna Colliery	Measured	No.1	O/c	2,441,431	5%	2,319,359	2,203,300	21.78	27.66	24.36	44.29	0.66	3.6%
		No.2		4,379,427	5%	4,160,456	3,952,400	21.87	24.79	22.94	48.02	0.82	4.2%
TOTAL / AVE MEASURED				6,820,858	5%	6,479,815	6,155,700	21.84	25.82	23.45	46.69	0.76	4.0%
GRAND TOTAL / AVE VUNA COLLIERY				6,820,858	5%	6,479,815	6,155,700	21.84	25.82	23.45	46.69	0.76	4.0%

VUNA COLLIERY - LOCATION OF NO.1 AND NO.2 SEAM RESOURCES



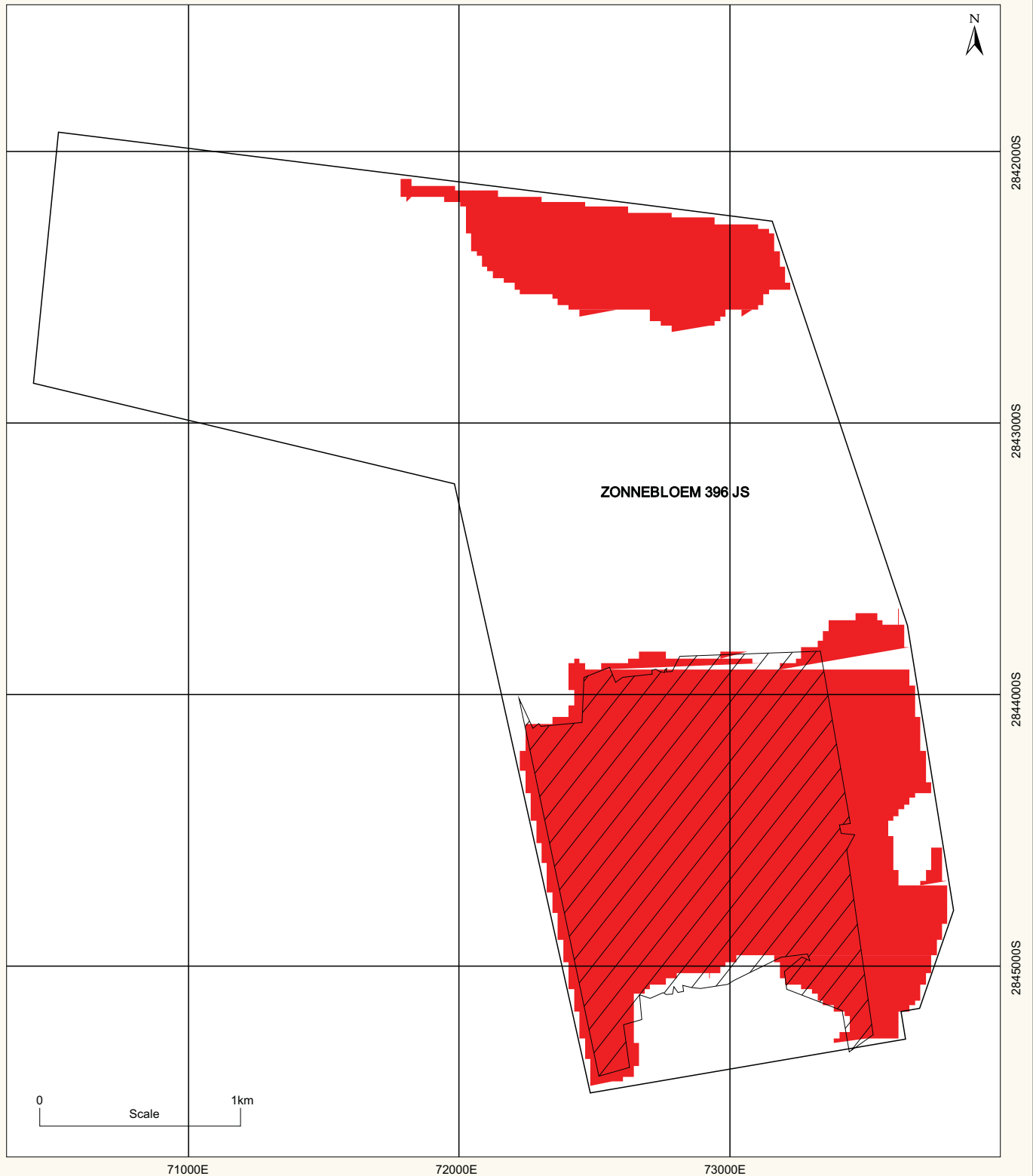
LEGEND:

Mineral Resource

- Measured (250m radius from borehole with quality data)
- Mining Rights Boundary
- Mined Out Area

Source: Coal of Africa

VUNA COLLIERY - NO.1 AND NO.2 SEAM JORC HALO DIAGRAM OF CLASSIFICATION



LEGEND:

Mineral Resource

- Measured (250m radius from borehole with quality data)
- Indicated (500m radius from borehole with quality data)
- Inferred (2000m radius from borehole with quality data)
- Mining Rights Boundary
- Mined Out Area

Table 45 : Vuna Colliery – Detailed Resource Statement (30th June 2011) (Inclusive of Reserves)

FARM OR BLOCK	RESOURCE CATEGORY	COAL SEAM	O/C or U/G	AVE WIDTH (m)	AREA (m ²)	VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU (GTS)	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	MINING		MINEABLE TONNES IN SITU	AIR DRIED RAW QUALITIES					
												MINING BLOCK LAYOUT LOSSES (%)	MINING BLOCK LAYOUT LOSSES (t)		CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Zonnebloem 396JS (North)	Measured	No.1	O/c	2.25	529,096	1,188,142	1.54	1,833,158	5%	91,658	1,741,500	5%	87,075	1,654,400	22.28	26.17	25.25	44.84	0.69	3.72
		No.2	O/c	3.10	408,295	1,265,565	1.62	2,045,652	5%	102,283	1,943,369	5%	97,168	1,846,200	19.78	29.71	21.99	44.14	0.79	4.16
	TOTAL / AVERAGE	NORTH		2.62	937,391	2,453,707	1.58	3,878,810	5%	193,941	3,684,870	5%	184,243	3,500,600	20.96	28.04	23.53	44.47	0.74	3.95
Zonnebloem 396JS (South)	Measured	No.1	O/c	1.96	191,077	375,113	1.62	608,273	5%	30,414	577,859	5%	28,893	548,900	20.27	32.16	21.69	42.64	0.56	3.50
		No.2	O/c	3.37	457,046	1,540,592	1.51	2,333,775	5%	116,689	2,217,086	5%	110,854	2,106,200	23.70	20.47	23.77	51.43	0.84	4.30
	TOTAL / AVERAGE	SOUTH		2.96	648,123	1,915,705	1.54	2,942,048	5%	147,102	2,794,946	5%	139,747	2,655,100	22.99	22.89	23.34	49.61	0.78	4.13
GRAND TOTAL / AVERAGE		VUNA COLLIERY		2.76	1,585,514	4,369,412	1.56	6,820,858	5%	341,043	6,479,815	5%	323,991	6,155,700	21.84	25.82	23.45	46.69	0.76	4.03

Notes:

GTS - At minimum seam thickness cutoff of 0.5m.

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

Weighted average qualities calculated on MTIS.

- all Coal Resources were classified as Measured and therefore geological losses of 5% were applied prior to the reporting of TTIS. These losses take into account any unforeseen geological features, such as dykes and faults, which have not been identified in the drilling and which may have a negative impact on the Coal Resources. The relatively low percentage of geological losses applied is due to the drill spacing being less than 200m; and
- mining layout losses of 5% were applied prior to the calculation of MTIS.

14.19.3. Differences Between Resource Statements

The differences between the Coal Resource Statements of 31st January 2010 and 30th June 2011 are presented in Table 46. The Coal Resources have reduced by 42% primarily as a result of the mining of 4.39Mt during this 17 month period in the South Block. A marginal increase is present in the North Block due to the recent borehole drilling results.

14.20. Coal Reserve Statement

Coal Reserves are presented in accordance with the JORC Code, 2005. The Coal Reserves for Vuna Colliery were independently verified, classified and signed off by Venmyn's Competent Person in accordance with the JORC Code and the Australian Guidelines. The Coal Reserve schedule for the North Block was prepared by Mr O Geyser, Vuna Colliery's Mine Surveyor, whereas the Coal Reserve schedule for West, East 1 and East 2 blocks was prepared by Mr T Ngobeni (Pr.Sci.Nat.), on behalf of CoAL. Venmyn estimated the Coal Reserves based on the Coal Resources prepared by Mr T Ngobeni (Pr.Sci.Nat.) dated 30th June 2011 and the Coal Reserves presented in this report was calculated from first principles.

It should be noted that the results presented here, are slightly different from those generated internally by Mr O Geyser for the North Block as presented in the LOM plan dated November 2010, due to additional exploration information that has been considered in the June 2011 Coal Resource update. The Coal Reserves were independently reviewed, compiled and signed off by Mr G Njowa, of Venmyn, a registered professional engineer with the Engineering Council of South Africa (Reg. No. 20090204), who has the relevant experience in Coal Reserve estimation and valuations. During the review process, the mining schedule was checked for consistency, tallying with the Coal Resources from which these Coal Reserves have been converted and the practical achievability on the mining rates. The current production target of 310,000tpm is considered reasonable since CoAL have comfortably been producing close to the set target.

With regards to estimating the coal tonnages for the Coal Reserve Statement for Vuna Colliery, the geological and economic boundaries of the opencast operations were determined based on the initial quality cutoff as detailed in Section 14.19. Venmyn developed a financial model based on the historical performance to demonstrate the economic viability of extracting these Coal Reserves. The economic evaluation is described in Section 14.22.

14.20.1. Modifying Factors and Assumptions

The mining and economic related modifying factors that were applied to the Vuna Colliery Coal Reserves are as follows:-

- an export thermal coal price of USD115/t for the primary product and a domestic thermal coal price of ZAR158/t for the middlings product were used. Commodity prices and exchange rates used to estimate the economic viability of Coal Reserves are based on long term forecasts applied at the time the estimate was completed;
- an average operating cost of ZAR225/t was utilised;
- a coal seam thickness cutoff of greater than 1.0m was included in the LOM ;
- mining block layout losses of 5% on the No.1 and No.2 seams have been accounted for at Coal Resource estimation;
- surface or residual moisture of approximately 4.0% and inherent moisture of 4%;
- assumed contamination of 4% for the No.1 and No.2 seams. This figure has been based upon recent mining results. Mining practices at Vuna is of a high standard, as evidenced with a well contained contamination levels

Table 46 : Vuna Colliery – Differences Between Resource Statements

PROJECT	RESOURCE CATEGORY	FARM OR BLOCK	COAL SEAM	O/C or U/G	2010		2011		DIFFERENCES		COMMENTS
					GTIS (Mt)	MTIS (Mt)	GTIS (Mt)	MTIS (Mt)	GTIS (Mt)	MTIS (Mt)	
Vuna Colliery	Measured	North	No.1	O/c	3.543	3.189	1.833	1.654	N/A	N/A	Increased by 9% due to additional drilling.
			No.2			2.046	1.846	N/A	N/A		
		TOTAL / AVE NORTH BLOCK			3.543	3.189	3.879	3.501	0.336	0.312	Decrease of 4.39Mt due to mining depletions.
		South	No.1	O/c	8.230	7.407	0.608	0.549	N/A	N/A	
			No.2			2.334	2.106	N/A	N/A		
	TOTAL / AVE SOUTH BLOCK			8.230	7.407	2.942	2.655	-5.288	-4.752		
TOTAL / AVE MEASURED RESOURCES					11.773	10.595	6.821	6.156	-4.952	-4.440	-42%
GRAND TOTAL / AVE VUNA COLLIERY					11.773	10.595	6.821	6.156	-4.952	-4.440	

Notes:

GTIS - At minimum seam thickness cutoff of 0.5m.

- Coal Resource cutoffs were applied as per the Coal Resource Statement;
- in the estimation of coal reserves, Venmyn assumed that all regulatory applications will be approved and the current approvals will continue to be valid; and
- the resultant RoM Coal Reserve, after accounting for excluded areas and modifying factors, is estimated that 6.5Mt is classified as Proven Reserves.

14.20.2. Vuna Colliery Coal Reserve

The Vuna Project Coal Summary Reserve Statement as at the 30th June 2011 is shown in Table 48, and Figure 60 graphically presents the location of No.1 and No.2 Seam Coal Reserves in the Vuna Colliery. All the blocks have been included in the Coal Reserve estimate.

It should be noted that currently the North Block has been scheduled after all the other blocks have been mined out, due to the fact that CoAL is currently waiting for environmental authorisation for this area. However, it is CoAL's intention to split their production 50% for the East and West Pits and 50% from the North Pit subject to receiving the outstanding authorisations. This would increase the flexibility around the mining operation, since the company will be mining from two independent pits. This may result in increased productivity. All data is presented on a 100% asset basis, with the CoAL ownership of Vuna shown in Figure 3 and Figure 39.

Coal Reserves take into account geological losses, mining losses, contamination and with mined moisture adjustments. Coal Reserves are reported on a RoM moisture basis. Coal Reserves are included in the Coal Resources within the mine plan.

Saleable Coal Reserves are reported on an as sold basis. The RoM Coal Reserves are adjusted for yield losses in the washing plant and converted to a saleable moisture basis to give the Saleable Coal Reserves.

The detailed Coal Reserve Statement, by reserve block, is presented in Table 49. This table presents the input parameters, the calculations and limits used, in a stepwise process, to obtain the resultant reserve tonnages and associated prime product qualities.

14.21. Environmental Issues

14.21.1. Environmental Liabilities

Venmyn associate Mr K Patel, of EIMS, was able to provide a provisional calculation of the estimated environmental liabilities in terms of compliance obligations and environmental aspect monitoring. The estimation provided in Table 47 is the result of a preliminary investigation based on a review of supplied environmental documents, a site visit and discussions held with the Mpumalanga Regional Environmental Manager, Ms N Barnard, responsible for coordinating the process of behalf of the applicant.

This document does not constitute a comprehensive environmental due diligence exercise. Also, the values presented in Table 47 represent a spectrum of estimated costs ranging from low to high and are also highly variable and dependent on consultant rates. The list below is representative of the liabilities most likely incurred by the operation and which require mitigation. A further assumption is that the Woestalleen Complex, including the Vuna Colliery and Woestalleen Plant, will require the authorisation of all the aspects listed in Table 47.

Table 47 : Woestalleen Complex – Environmental Compliance Liability Estimate

VUNA SOUTH ASPECT	LOW ESTIMATE (ZAR)	HIGH ESTIMATE (ZAR)
NEMA Section 24G Fine	600,000	6,000,000
NEMA Section 24G Air Quality Study *	35,000	130,000
MPRDA Sec 102 Amendment IAP Consult*	20,000	45,000
MPRDA Sec 102 Report Amendment (utilising existing data) *	20,000	50,000
SUBTOTAL	675,000	6,225,000
WOESTALLEEN ASPECT		
NEMA Section 24G Fine	100,000	2,000,000
NEMA Section 24G Air Quality Study	50,000	200,000
MPRDA Sec 102 Report Amendment (utilising existing data)	20,000	200,000
SUBTOTAL	170,000	2,400,000
GRAND TOTAL	845,000	8,625,000

Table 48 : Vuna Colliery – Coal Reserve Statement as at 30th June 2011

PROJECT	RESERVE CATEGORY	COAL SEAM	O/C or U/G	MINEABLE IN SITU RESERVE	ROM TONNAGE	PRIMARY PRODUCT		PRIMARY PRODUCT QUALITIES @ CV=27.2MJ/kg						
						SALEABLE TONNES	PRODUCT SALEABLE TONNES	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)	
Vuna Colliery	Proven	No.1		2,203,300	2,335,900	975,900		900,800	27.20	13.46	30.33	52.18	0.35	4.04
		No.2		3,952,400	4,211,500	2,405,700		1,200,400	27.20	11.79	27.28	56.36	0.43	4.56
		TOTAL / AVE		6,155,700	6,547,400	3,381,600		2,101,200	27.20	12.27	28.16	55.15	0.41	4.44
GRAND TOTAL / AVE VUNA COLLIERY				6,155,700	6,547,400	3,381,600		2,101,200	27.20	12.27	28.16	55.15	0.41	4.44

Notes:

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

Weighted average qualities calculated on Primary Product Saleable Tonnes.

All tonnage information has been rounded to reflect the relative uncertainty in the estimates; there may, therefore, be small differences in the totals.

Table 49 : Vuna Colliery – Detailed Coal Reserve Statement as at 30th June 2011

FARM OR BLOCK	RESERVE CATEGORY	COAL SEAM	O/C or U/G	MINEABLE IN SITU RESERVE	MINING EXTRACTION FACTOR (%)	EXTRACTABLE RESERVE	MINING CONTAMINATION (%)	EXTERNAL MOISTURE (%)	ROM TONNAGE	PRIMARY PRODUCT PRACTICAL YIELD (%)		SECONDARY PRODUCT PRACTICAL YIELD (%)		SECONDARY PRODUCT SALEABLE TONNES	
Zonnebloem 396JS (North)	Proven	No.1	O/c	1,654,400	98%	1,621,312	4%	4%	1,754,960	45.84	804,474	36.50		640,560	
		No.2	O/c	1,846,200	98%	1,809,276	4%	4%	1,966,133	45.75	899,506	33.89		666,322	
		TOTAL / AVERAGE NORTH		3,500,600	98%	3,430,588	4%	4%	3,721,093	45.79	1,703,980	35.12		1,306,883	
Zonnebloem 396JS (South)	Proven	No.1	O/c	548,900	98%	537,922	4%	4%	581,033	29.52	171,521	44.79		260,245	
		No.2	O/c	2,106,200	98%	2,064,076	4%	5%	2,245,384	67.08	1,506,204	23.79		534,177	
		TOTAL / AVERAGE SOUTH		2,655,100	98%	2,601,998	4%	4%	2,826,418	59.36	1,677,725	28.11		794,422	
GRAND TOTAL / AVERAGE VUNA COLLIERY				6,155,700	98%	6,032,586	4%	4%	6,547,511	51.65	3,381,704	32.09		2,101,305	

PRIMARY PRODUCT QUALITIES @ CV=27.2MJ/kg									
CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)				
27.20	13.42	30.36	52.15	0.34	4.08				
27.20	12.08	28.41	55.01	0.40	4.49				
27.20	12.71	29.33	53.66	0.37	4.30				
27.21	13.62	30.20	52.32	0.37	3.86				
27.20	11.62	26.61	57.16	0.45	4.60				
27.20	11.82	26.98	56.67	0.44	4.52				
27.20	12.27	28.16	55.15	0.41	4.41				

VUNA COLLIERY - LOCATION OF NO.1 AND NO.2 SEAM RESERVES



LEGEND:

- Reserves
- Mining Rights Boundary
- Mined Out Area

14.21.2. Environmental Provision for Rehabilitation

The updated financial provision for Vuna South was submitted to the DMR in June 2011 and is currently valued at ~ZAR16.6m. The provision was calculated using the DMR's preferred methodology for the calculation of the financial provisions. However, the inclusion of information from the NEMA authorisations, via the MPRDA Section 102 process, may result in a further amendment to the financial provisions presented in the EMP.

The updated financial provision for the Woestalleen Plant NOMR was also submitted to the DMR in June 2011 and is currently valued at ~ZAR11.3m. The provision was calculated using the DMR's preferred methodology for the calculation of the financial provisions. However, the inclusion of information from the NEMA authorisations, via the MPRDA Section 102 process, may result in a further amendment to the financial provisions presented in the EMP as with Vuna Colliery.

14.21.3. Critical Environmental Issues and Risks

The most critical environmental issues and risks faced by Vuna South and the Woestalleen Plant extend to ground and surface water quality.

According to the United Nations Environment Programme (UNEP, 2004), the most common global water quality issues that affect the sustainable use of water are nutrient loading, salinity (macro constituents and trace metals), suspended solid transport, faecal pollution (microbiological), persistent organic pollutants (POP) and acidification.

The water quality data currently collected for the Vuna South Colliery and Woestalleen Plant addresses the above issues, with the exception of testing for POP. This is in accordance with recommendations made by the CoAL's approved EMP and WULs.

CoAL currently uses the Selons River Origin Water Quality Guidelines for reporting purposes.

A revision of the water management system is currently being implemented by CoAL to mitigate the observed water quality exceedences (including pH, total dissolved solids and metal concentrations).

Failure to ultimately obtain the necessary authorisations carries the risk of the suspension or cancellation of the mineral licences and/or prosecution. In this regard CoAL is in regular communication with the relevant governmental departments in order to mitigate this risk.

14.22. Mineral Asset Valuation

The contributing coal assets of CoAL's Vuna Colliery can be defined as an operating mine, with JORC Code compliant Measured, Indicated and Inferred Coal Resources and the respective Coal Reserves classified for the farms that make up the project area. The coal mining occurs at the farm Zonnebloem 396JS and the processing facility is located on the farms Noodhulp 474JS, Woestalleen 477JS and De Groote Rietpan 479JS. Consequently, the contributing properties were valued using the Cash Flow Approach and Comparative Sales Transaction (or Market) Approach. In general, all operating mines, development projects and advanced exploration properties should be valued using the free cash flow capitalisation (DCF) and market comparison valuation methodologies. In Venmyn's opinion, these methodologies yield the most accurate, fair and reasonable results by capturing the pertinent aspects of the business' investment case.

Venmyn is aware that CoAL owns 49% of Vuna Mining Enterprises (Pty) Limited (VME) through NuCoal Mining (Pty) Limited. However, CoAL is entitled to 100% economic benefits that arise from the mining of coal from Vuna Colliery provided CoAL pays VME an agreed amount. CoAL has the exclusive right to the exploitation of these coal resources. In light of this, Venmyn has attributed 100% of the value of Vuna Colliery to CoAL and considered the agreed amount as an operating cost to CoAL.

14.22.1. Valuation Methodologies and Approaches

The different valuation approaches and methodologies have been discussed in detail in Section 13.22.1.

Vuna Colliery and the associated processing plant were valued using comparable transaction values and DCF methodologies. Vuna Colliery cannot, be valued using the historical cost methods since these methodologies do not capture the value created by exploration results and in addition the Colliery is an operating mine with a LOM of 24 months.

It is important to note that this valuation has utilised the Venmyn June 2011 Coal Resource and Coal Reserve Statement (Table 44 and Table 48), as these are the current compliant estimates for the Vuna Colliery. The effective date of the valuation is the 30th June 2011.

It should be noted that the valuation results presented in this section aims at valuing the Vuna Colliery and part of the Woestalleen Processing Plant that would be utilised in the beneficiating coal from Vuna Colliery as a single cash generating unit. Given the short LOM of the Vuna Colliery, it is reasonable to attribute a terminal value for the project, based on the Processing Plant that will remain at the end of the mine life and its ability to continue toll treating material from other sources. However, given that Venmyn are not able to estimate this additional value using a DCF (as there is no certainty of future material supply and contracts), Venmyn has elected to apply the current book value of the Woestalleen Processing Facility as a stand alone facility after all coal reserves have been depleted. However, Venmyn recognise that the processing facility with a rail siding on site that links directly to the RBCT line could potentially have a higher value than the fully depreciated book value.

14.22.2. Vuna Colliery Market Approach Valuation

Since Coal Resources and Coal Reserves have been classified for CoAL's Vuna Colliery, Venmyn was able to carry out a comparable transaction valuation on the basis that recent market valuations of a similar nature provide the proxy for value. In order to arrive at a reasonable market value with which to compare the respective projects, appropriate recent and historical transactions must form the basis. Figure 33 summarises Venmyn's database of recent unit market valuations within the context of the South African coal market with reference to the respective coal resource and coal reserve classifications.

All coal zones at the Vuna Colliery are present, with only number 1 and 2 seams being economic extractable. The seams are accessible at relatively shallow depths and all the coal resources in this area are amenable to opencast mining.

The comparable transaction value range selected for the valuation of the contributing properties of CoAL's Vuna Colliery has considered the nature of this valuation and the associated risk factors.

Venmyn is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the opencastability of the resources;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Resources and Reserves;
- availability of infrastructure and logistics; and
- the timing of potential exploitation.

The range of values generated, based upon all RoM coal quantified for the contributing properties of CoAL's Vuna Colliery, is summarised in Table 50 and illustrated in Figure 33.

Table 50 : Market Approach Valuation Results for Vuna Colliery

FARM OR BLOCK	RESERVE CATEGORY	O/C or U/G	ROM TONNAGE	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Zonnebloem 396JS (North)	Proven	O/c	1,754,960	22.00	32.00	38.61	56.16	47.38
		O/c	1,966,133	22.00	32.00	43.25	62.92	53.09
	TOTAL / AVERAGE NORTH		3,721,093	22.00	32.00	81.86	119.07	100.47
Zonnebloem 396JS (South)	Proven	O/c	581,033	22.00	32.00	12.78	18.59	15.69
		O/c	2,245,384	22.00	32.00	49.40	71.85	60.63
	TOTAL / AVERAGE SOUTH		2,826,418	22.00	32.00	62.18	90.45	76.31
GRAND TOTAL / AVERAGE VUNA COLLIERY			6,547,511	22.00	32.00	144.05	209.52	176.78

The value range derived from the Market Approach is between ZAR144m (low valuation) and ZAR210m (high valuation). This valuation range was calculated from the range of unit values as defined by the Market Approach. The value range reflects the level of confidence attached to the respective Coal Reserves. The population of historic market transactions and valuations provides an indication of reasonability.

Venmyn's preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR177m for the contributing properties. This results in an average unit value of ~ZAR27/t. Nevertheless, all defined unit values fall within the so-called 'Mpumalanga Coalfields Average Value Curve' defined by Venmyn from its transaction database.

The market comparative valuation using GTIS has been disregarded since these results are not comparable and consistent with valuation results expected for these types of coal qualities.

In addition, some material included in the GTIS, cannot be mined using the available known technology and hence cannot satisfy the "reasonable prospects of eventual economic extraction". In addition the RoM coal reserves are the value drivers on these mineral assets.

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arms length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

14.22.3. Vuna Colliery Cash Flow Approach Valuation

An economic study has been conducted by CoAL and its appointed specialist consultants, as part of their annual budgeting process for the exploitation of the coal at Vuna Colliery.

However, for completeness, Venmyn has independently reviewed CoAL's study and economic model and assumptions, and has adapted the financial model constructed as part of CoAL's annual budgeting process using the production schedule developed and the design principles and input parameters defined by CoAL in order to establish a project DCF valuation for the Vuna Colliery. To this end, a Nominal Money Model has been constructed and summarised herein. It should be noted that this financial model has been constructed as a monthly cash flow due to a shorter LOM and greater certainty on the input parameters on the month by month basis. Certain input parameters have been adjusted (as discussed below) in order to ensure that the economic model reflects the general economic conditions as at the valuation date (30th June 2011).

14.22.3.1. Coal Price Forecast

Venmyn has valued the Vuna Colliery in South African Rands (ZAR) under prevailing South African economic conditions and the following coal price parameters have been used in the LOM financial forecasts:-

- a base price of USD115/t (ZAR820/t) for a Export Thermal Coal product; and
- a base price of ZAR451/t for a Export Thermal Coal product for the inland markets; and
- a Domestic Thermal Coal product for the local power stations at ZAR158/t.

The coal price and exchange rate forecast utilised in the financial model were based on the estimates produced by Investec Securities dated 14th June 2011.

14.22.3.2. Exchange Rate Forecast

Venmyn has applied an initial fixed nominal exchange rate of ZAR7.24/USD for the financial year ending 30th June 2012. The ZAR is depreciated using the purchasing power parity between the USD and the ZAR.

14.22.3.3. Inflation Rate Forecast

The South African and United States inflation rates for the LOM cash flows, respectively, were based upon the long-term analysts' forecasts and the most recent Reuters consensus view of the CPIX, as determined by various contributing economists. The estimated inflation rates were 5% and 2.5%, respectively. However, due to the recent spate of labour demonstrations over better wages would have an impact of the estimated local inflation rate. The financial model utilised for the valuation is a nominal money model.

14.22.3.4. Discount Rate

Venmyn utilised the CAPM model as discussed in detail in Section 13.22. In addition, Venmyn preferred to use a mining project risk, which varies with level of knowledge and range within 1.0%-9.0% and is weighted according to fourteen critical project development factors. Venmyn have applied project-specific risk component of 1% on operating mines and of up to 5% for developmental projects depending on the stage of development of the mineral asset. The components of the nominal discount rate calculation are given in Table 51.

The Vuna Colliery was valued on a fully funded basis, and as a result the free cash flows were discounted using an all-equity discount rate of 13%. The discount rate is considered reasonable within the context of Venmyn's valuation of operating mines and developmental-stage South African minerals projects.

Table 51 : Nominal Discount Rate Calculation

DISCOUNT RATE COMPONENT	
CoAL Effective Cost of Equity	8%
Risk Free Rate (USD denominated)	3.0%
Equity Risk Premium (South African)	5.5%
Average Beta (Reuters)	1.65
Cost of Equity (C_E)	12.08%
Project-Specific Risk Premium	1.01%
Venmyn All Equity Nominal Discount Rate	13.09%

A nominal discount rate of 13% was used in the Vuna economic model to take into account a general risk factor associated with operating in South Africa and the project specific risks. It should be noted that this discount rate did not take into account the costs and interest rate charged of raising the finance for this project.

14.22.3.5. Taxation and Royalties

In South Africa, the current company tax rate is 28% after full recovery of all capital expenditure deducted in the year it is expended.

The calculated royalty rate for the project is on average approximately 2.2% on gross sales, based on the formula provided in the MPRDA, has been applied from 2011. The financial model has used this formula for its calculations.

The project values calculated include all estimated capital expenditure, together with a provision for the replacement of on-going capital. The capital expenditure incurred by a mining company qualifies for a deduction in full in the year in which it is spent in terms of Section 36 of the Income Tax Act.

Since most mining capital can be written off in the year in which it is incurred, if insufficient taxable revenue is generated in any single year, the unredeemed capital balance is carried forward to the next tax year. This exemption is only applied if the project incurs mining capital expenditure.

14.22.3.6. Operating Costs

The mining and processing costs have been discussed in detail in their respective sections in the document (Section 16.15.5 and Section 16.16.4, respectively).

Venmyn has applied the following average operating costs for the project over the LOM. The average annual operating costs are as shown in Table 52:-

Table 52 : Historical and Estimated Future RoM Operating Costs

DESCRIPTION	FY2011	FY2012	FY2013
	ACTUAL	BUDGET	BUDGET
ROM tons (Thermal coal)	3,562,841	3,441,374	3,480,000
Mining Costs	110.25	133.88	127.84
Processing Costs	47.52	41.58	46.42
Other Costs	13.17	16.67	15.92
Rehabilitation Costs	5.89	6.00	6.00
Deferred Purchasus Consideration	19.69	25.66	28.23
TOTAL OPERATING COSTS (ZAR/ROM t)	196.53	223.78	224.41

The "Other Costs" shown in Table 52, consists of the following items:-

- mine management owners team;
- general administration costs;
- community and social development expenses;
- general and administration expenses; and
- environmental, health and safety expenses.

The labour complement was based on the quotes received from the processing and mining contractors. CoAL labour was added as the owner's team, included in the mine management and administration. The contractor's labour costs are included in the mining and processing costs with the owner's team reflected separately.

The other costs consist of labour regulatory fees such as Workman's Compensation, Occupational Health, UIF, Skills Levy, Simrac, Water Levy, and Health & Safety. State royalties comprise the biggest proportion of this cost at 2.2% of annual revenue.

Environmental rehabilitation costs included in this section cover for final closure provisions. The cost of environmental rehabilitation of the Vuna Colliery was estimated to be ZAR16.6m as detailed in Section 14.21.2. Venmyn confirms that the provision considered as operating costs in the financial model is sufficient to cover this obligation.

14.22.3.7. Capital Costs

The capital costs estimate was priced in ZAR. A total capital cost of ZAR80m has been estimated to be spent as stay in business capital expenditure for the remaining LOM as shown in Table 53. The table also shows the actual capital expenditure that has been spent in the previous financial period.

Table 53 : Estimated Capital Cost for the Vuna Colliery Operations

CAPITAL EXPENDITURE	FY2011	FY2012	FY2013
	ACTUAL	BUDGET	BUDGET
Land & Buildings	880,083	0	0
Plant & Machinery	3,906,788	2,350,000	2,200,000
Motor Vehicles	390,536	1,200,000	800,000
Furniture & Fittings	830,307	100,000	0
Siding/Crossing	49,660	0	0
Zonnebloem Project	213,748	11,550,000	0
Woestalleen Projects	1,249,917	0	0
Hartogshoop Project	642,805	0	0
Co-disposal & other dams	4,944,583	41,480,760	20,000,000
TOTAL CAPITAL (ZAR)	13,108,427	56,680,760	23,000,000

No contingency percentage allowance has been included in the capital estimate, since most of the capital has been spent already except the stay in business that has been budgeted for.

14.22.3.8. Valuation Results

The economic model demonstrates that the exploitation of the coal at the Vuna Colliery is technically and economically viable given the input assumptions considered in CoAL's budgeting process based on the historical performance. The summarised DCF results are presented in Table 54. The summary cash flows of Vuna Colliery using a DCF and treating the mine and the washing plants as a single cash generating unit are detailed in Table 55.

Table 54 : Summarised DCF Valuation Results for Vuna Colliery

VALUATION RESULTS	LOW VALUE	HIGH VALUE	MEAN CASE
Project NPV (ZARm)	260.83	269.83	263.31
Monthly Discount Rate (%) (Real)	1.17%	0.83%	1.06%
IRR	N/A	N/A	N/A

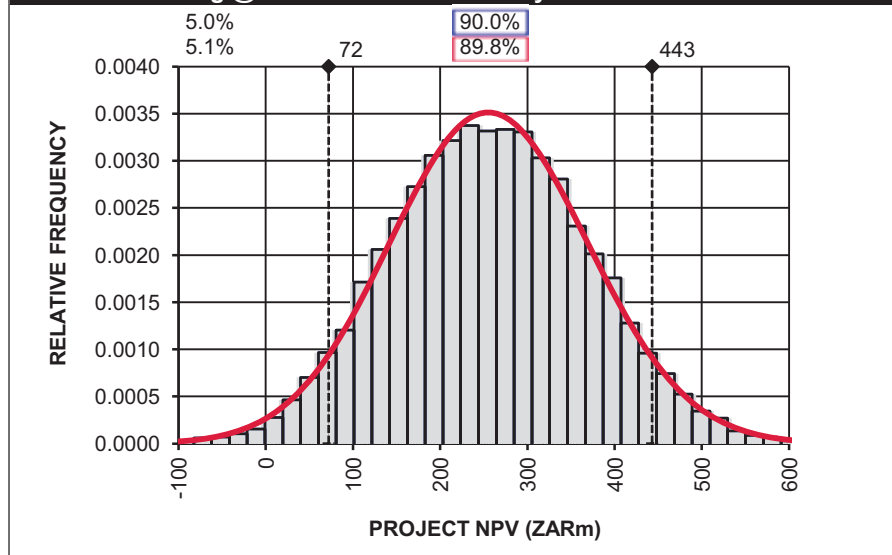
The base case analysis indicates that the project would produce a net present value (NPV) of ZAR263m at a 13% annual nominal discount rate (1.06% monthly discount rate). The NPV at various discount rates on the Base Case is presented in Figure 61.

Table 55 : Summarised DCF Model for Vuna Colliery

VUNA FINANCIAL MODEL EXTRACT																										
UNIT	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	TOTAL/AVE	
TOTAL	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	TOTAL/AVE	
Rom Production	t	310,000	310,007	290,119	304,744	300,344	210,676	290,431	290,679	300,700	240,974	296,700	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	6,921,374	
Zonnebaken - North - Primary Product	%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Zonnebaken - Primary Product	%	65%	59%	59%	58%	58%	54%	70%	59%	63%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	
Zonnebaken - no 1 seam - Primary Product	%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Secondary Product Yields (Eskom Coal)	%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	
Secondary Product Yields (Lean Coal)	%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Zonnebaken - North - Primary Product	t	-	-	-	-	-	-	-	-	-	-	-	148,350	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	2,033,350	
Zonnebaken - Primary Product	t	184,486	164,700	155,085	158,278	164,124	106,677	142,883	185,077	163,214	138,203	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,562,727
Zonnebaken - no 1 seam - Primary Product	t	25,168	32,548	28,100	29,760	29,512	19,840	24,800	26,660	25,048	20,836	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260,272
Eskom Coal 2nd Wash Product	t	17,802	17,341	16,501	17,562	16,927	11,927	16,602	16,501	17,228	13,759	18,544	18,125	18,125	18,125	18,125	18,125	18,125	18,125	18,125	18,125	18,125	18,125	18,125	416,319	
Total Sales Production	t	227,456	214,589	197,686	205,600	210,563	138,445	184,285	228,239	205,490	172,797	166,894	163,125	163,125	163,125	163,125	163,125	163,125	163,125	163,125	163,125	163,125	163,125	163,125	4,272,667	
Bluminius Export	ZARm	154	138	130	133	139	91	122	159	140	119	129	126	127	127	128	128	129	130	130	131	132	132	133	3,138	
Bluminius 2nd Wash Product	ZARm	7	8	7	8	7	5	7	7	7	6	3	3	3	3	3	3	3	3	3	3	3	3	3	111	
GROSS REVENUE (ZARm)		160	146	137	141	146	96	129	166	147	125	132	129	130	130	131	132	132	133	133	134	134	135	135	3,249	
Variable Mining Costs (ZARm)		(41)	(41)	(38)	(41)	(40)	(28)	(39)	(41)	(41)	(33)	(40)	(40)	(40)	(40)	(40)	(40)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(395)	
Labour Costs	ZARm	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(21)	
Processing Costs	ZARm	(12)	(12)	(12)	(12)	(12)	(8)	(12)	(12)	(12)	(10)	(13)	(13)	(13)	(13)	(13)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(306)	
Engineering Costs	ZARm	(8)	(8)	(8)	(8)	(8)	(6)	(8)	(8)	(8)	(6)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(186)	
Other Costs	ZARm	(5)	(5)	(5)	(5)	(5)	(4)	(5)	(5)	(5)	(4)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(115)	
Rehabilitation Costs	ZARm	(2)	(2)	(2)	(2)	(2)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(44)	
Trucking Costs	ZARm	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
2nd wash Trucking Costs	ZARm	(4)	(5)	(4)	(4)	(4)	(3)	(4)	(4)	(4)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(64)	
Rail Freight & Related Costs	ZARm	(50)	(45)	(43)	(44)	(46)	(30)	(40)	(52)	(46)	(39)	(42)	(41)	(42)	(42)	(42)	(42)	(42)	(43)	(43)	(43)	(43)	(43)	(43)	(44)	(1,236)
TOTAL OPERATING COSTS	ZARm	(123)	(118)	(111)	(118)	(117)	(80)	(110)	(122)	(119)	(98)	(114)	(112)	(112)	(113)	(113)	(113)	(114)	(114)	(115)	(115)	(116)	(116)	(117)	(117)	(2,717)
EBITDA		37	27	26	23	29	16	19	43	28	27	18	18	18	18	18	18	18	18	18	18	19	19	19	532	
Royalties Payable (ZARm)	100%	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(3)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	-	
Capital Expenditure		(4)	(4)	(4)	(5)	(4)	(4)	(8)	(8)	(8)	(4)	(4)	(3)	0	(1)	(1)	(1)	0	0	0	(0)	(5)	(5)	(6)	(83)	
On Going Capital Expenditure		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-	
Corporate Tax		9	6	6	5	6	3	3	9	5	6	4	4	5	4	4	5	5	5	5	5	3	3	3	3	115
PROFIT AFTER TAX		22	15	14	12	17	8	7	24	14	16	9	10	12	11	11	12	12	12	12	12	8	8	9	296	
NominalDiscountRate	13%	1.01	1.02	1.03	1.04	1.05	1.07	1.08	1.09	1.10	1.11	1.12	1.14	1.15	1.16	1.17	1.18	1.20	1.21	1.22	1.24	1.25	1.26	1.27	27.46	
NPV Value (ZARm)	263	22.07	14.72	13.89	11.69	15.77	7.33	6.36	21.82	12.36	14.12	8.45	8.50	10.41	9.69	9.62	9.82	10.14	10.08	10.02	9.70	6.75	6.71	6.67	6.63	263.31

Figure 61 : NPV Variability at Different Discount Rates for Vuna Colliery

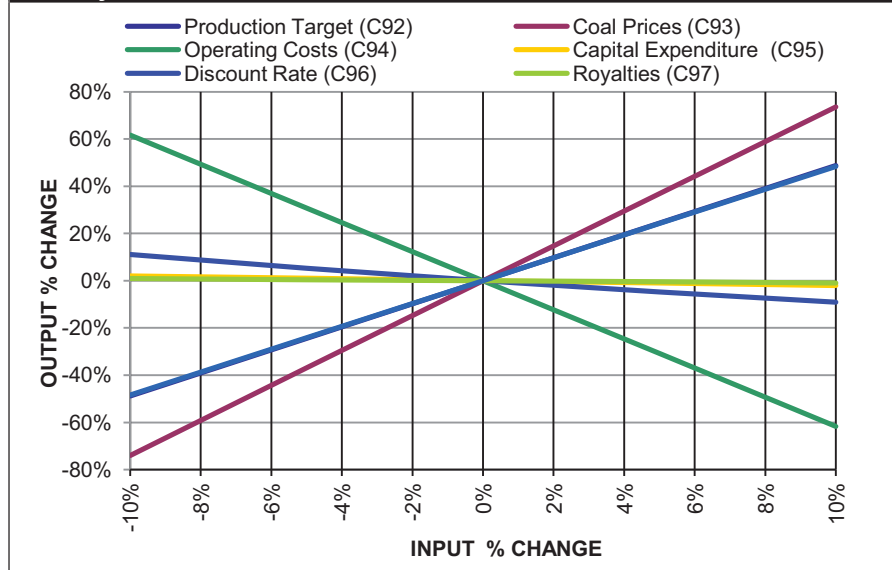
In addition, Venmyn conducted a scenario analysis using @RISK Software using different distributions for the critical input assumptions and estimates in order to analyse the effects that the inherent uncertainties could have on the project economics (Figure 62). This simulation technique has explicitly included the uncertainty present in the critical estimates and assumptions to generate results that show all possible outcomes.

Figure 62 : Distribution of the Project NPV with Changes in the Input Parameters using @Risk for the Vuna Colliery

The simulation technique combines all the uncertainties identified in the financial model. Using this technique, the known information about the variable, including its full range of possible values and some measure of the likelihood of occurrence for each possible value are captured in the input distribution function. @RISK uses all this information, along with the financial model, to analyse every possible outcome. It is the equivalent of running hundreds or thousands of “what-if” scenarios simultaneously.

The results of the simulation and risks associated with the project economics are illustrated graphically in Figure 62. The simulation results show that there is approximately 100% probability that this project has an NPV greater than zero at a 13% nominal discount rate. The project value for Vuna Colliery ranges from ZAR72m to ZAR443m at 95% confidence level, as illustrated in Figure 62.

Multivariate sensitivity analyses were performed, as summarised in Figure 63.

Figure 63 : Multivariate Sensitivity Analysis on the Base Case on the Vuna Colliery

Although the project is most sensitive to coal price changes, the project shows that it is also highly sensitive to mining and processing operating costs, processing yields and the production target. The project is least sensitive to capital, discount rate and royalties.

Venmyn understands that CoAL's business processes at Vuna involves a number of stockpiles at different points in the logistics chain. However, for the purposes of the mineral asset valuation reported in this report it was assumed that the stock levels at the end of each period will be approximately constant and hence Venmyn would assume that every product produced in the financial year will be sold and payment received in the same financial year.

Venmyn appreciates that after the depletion of coal reserves from Vuna Colliery, that the processing facility at Woestalleen can be utilised in different business models depending on the management's decision. Currently CoAL has been utilising part of the facility to toll treat coal from other coal producers in the area. It is appropriate therefore to allocate a terminal value to captures the value of a business beyond the projection period in the DCF analysis (24 months). This value should ideally be the present value of all subsequent cash flows that would be generated from such operations. However, an estimate of the cash flow valuation of such operations can only be achieved once more information concerning the coal supply and long term contracts is available. The only value that can currently be estimated with any reasonable accuracy, is the current fully depreciated value of the processing facility in the trial balance as at 30th June 2011 at a value of ZAR48.16m.

Venmyn have compared this value with the estimated cost of constructing a new processing facility with similar specifications, and it was concluded that this value represents a fraction of such capital expenditure. Hence the estimated terminal value of the washing plant of ZAR48.16m is considered a reasonable value.

14.22.4. Vuna Colliery Valuation Summary

The summary valuation results of the respective valuations carried out are given in Table 56. The valuation results presented below are based on 100% economic benefit attributable to CoAL, even though CoAL only has 49% legal ownership of the coal asset.

Table 56 : Coal's Vuna Colliery Mineral Asset Valuation Summary

PROJECT	WASHING PLANT BOOK VALUE (ZARm)	MARKET APPROACH				CASH FLOW APPROACH (ZARm)	PREFERRED VALUE (ZARm)
		Real Estate Value (ZARm)	Mineral Resource Value (ZARm)	Mineral Reserve Value (ZARm)	Preferred Market Value (ZARm)		
Vuna	48.16	N/A	N/A	176.78	176.78	263.31	311.47
TOTAL	48.16	N/A	N/A	176.78	176.78	263.31	311.47

Venmyn's current preferred 'Fair Value' represents the value achieved from the Cash Flow Approach (ZAR263m) plus the book value for the washing plant (ZAR48m) giving a total value of **ZAR311m**. In most circumstances the Market Approach generally undervalues mature mineral projects that are near the end of LOM.

It should be noted that the terminal value for the plant has been included only in the valuation of Vuna Colliery, due to the very short LOM of approximately 24 months. Under normal circumstances, Venmyn does not consider the terminal value for Property, Plant and Equipment in DCF valuations for operations with more than 10 years life. The value contributions of such terminal value are considered immaterial.

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

15. LIMPOPO COALFIELD – VELE COLLIERY

The Vele Colliery is an advanced project, which aims to develop an initial opencast mine producing approximately 1Mtpa of coking coal, potentially ramping up to approximately 4Mtpa of saleable coking coal with subsequent development of an underground mine. Much of the area described as the Vele Colliery can be mined as it is held under a NOMR (Table 57 and Figure 64) related to the farms Bergen Op Zoom 124MS, Semple 155MS, Overvlakte 125MS and Voorspoed 836MS. A NOPR (Table 57 and Figure 64) is held over the farm Alyth 837MS, which may represent future mining potential.

15.1. Location

The Vele Colliery is situated in the magisterial district of Musina in the Limpopo Province of South Africa (Figure 64). The nearest town is Musina, situated approximately 40km to the southeast of the Vele Colliery area. The town of Alldays is located approximately 100km west of the Vele Colliery area.

The Colliery is bounded in the north by the Limpopo River, which defines the international border with Zimbabwe. The easternmost boundary of the Mapungubwe National Park (Mapungubwe) is situated approximately 5km to the west of the westernmost boundary of the Vele Colliery area. The Mapungubwe World Heritage Site (Mapungubwe Hill) is situated approximately 20km to the west of the westernmost boundary of the Vele Colliery area (Figure 64).

15.2. Legal Aspects

15.2.1. Ownership by CoAL

The NOPRs relevant to the Vele Colliery are held by CoAL's wholly owned subsidiaries Silkwood Trading 14 (Pty) Ltd (Silkwood) and Limpopo Coal Company (Pty) Ltd (Limpopo Coal), which also holds the NOMR. CoAL is thus the 100% owner of the project.

15.2.2. Mineral Tenure

On the 19th March 2010, a NOMR was granted over 8,662.7ha of the greater part of the Vele Colliery area, over the farms Bergen Op Zoom 124MS, Semple 155MS (a consolidation of Almond 120MS and Semple 119MS), portions 3, 4, 5, 6, 13, 14 and the remaining extent of Overvlakte 125MS and Voorspoed 836MS (a consolidation of the remaining extent of Newmark 121MS and portion 1 of Bergen op Zoom 124MS), in the name of Limpopo Coal, a wholly-owned subsidiary of CoAL (Figure 3, Figure 64 and Figure 65). This NOMR is valid for 30 years, expiring on the 18th March 2040. The remainder of the Colliery area is held under a NOPR granted to Silkwood, a wholly owned subsidiary of CoAL, on the 25th March 2008. This NOPR is valid until the 24th March 2013 and relates to the farm Alyth 837MS.

Venmyn was not provided with a registered copy of MR103. To the extent that it has not been registered, Venmyn is advised that the rights are personal.

The rights relating to the Vele Colliery are summarised in Table 57 and their locations are graphically presented in Figure 64.

15.2.3. Surface Rights

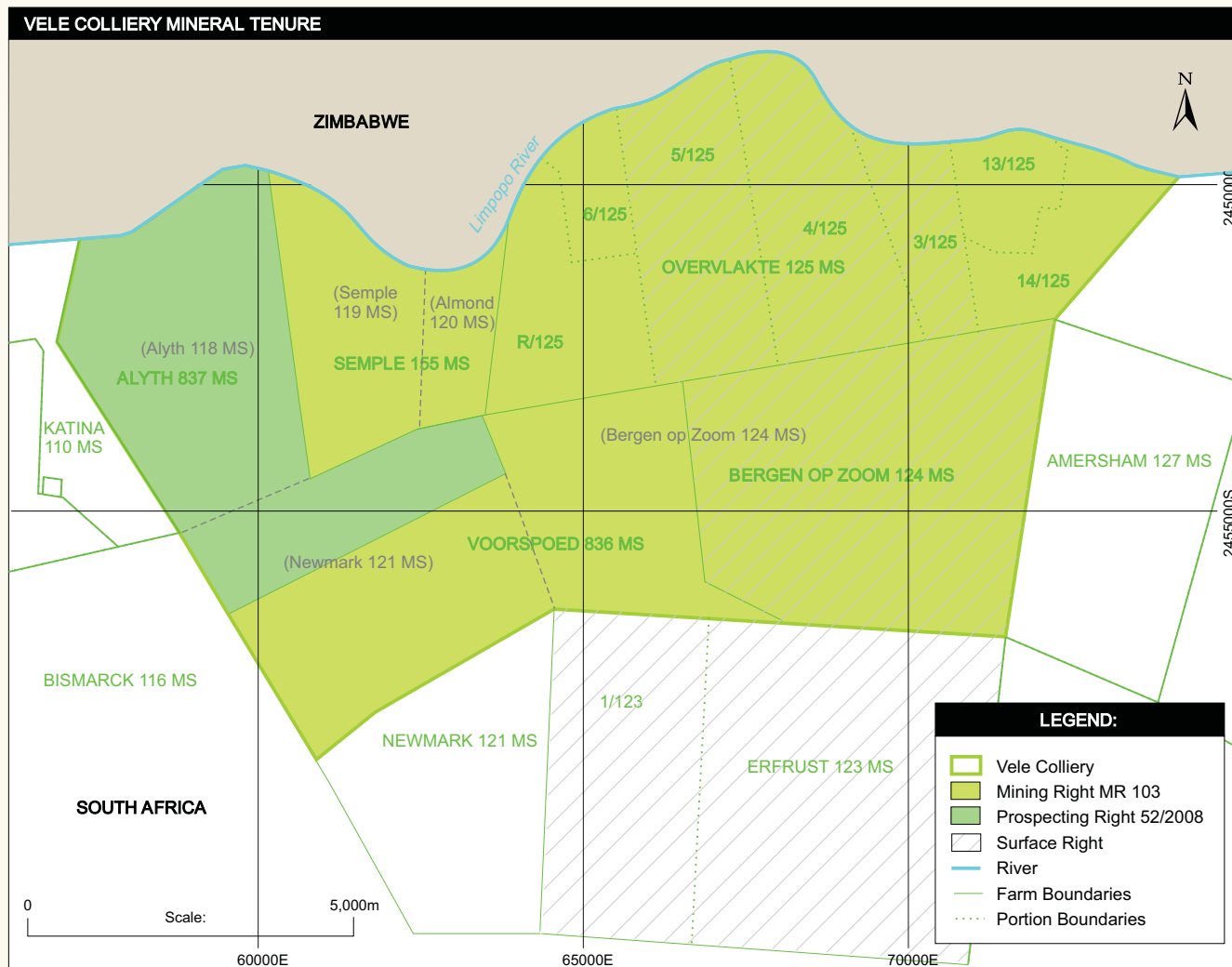
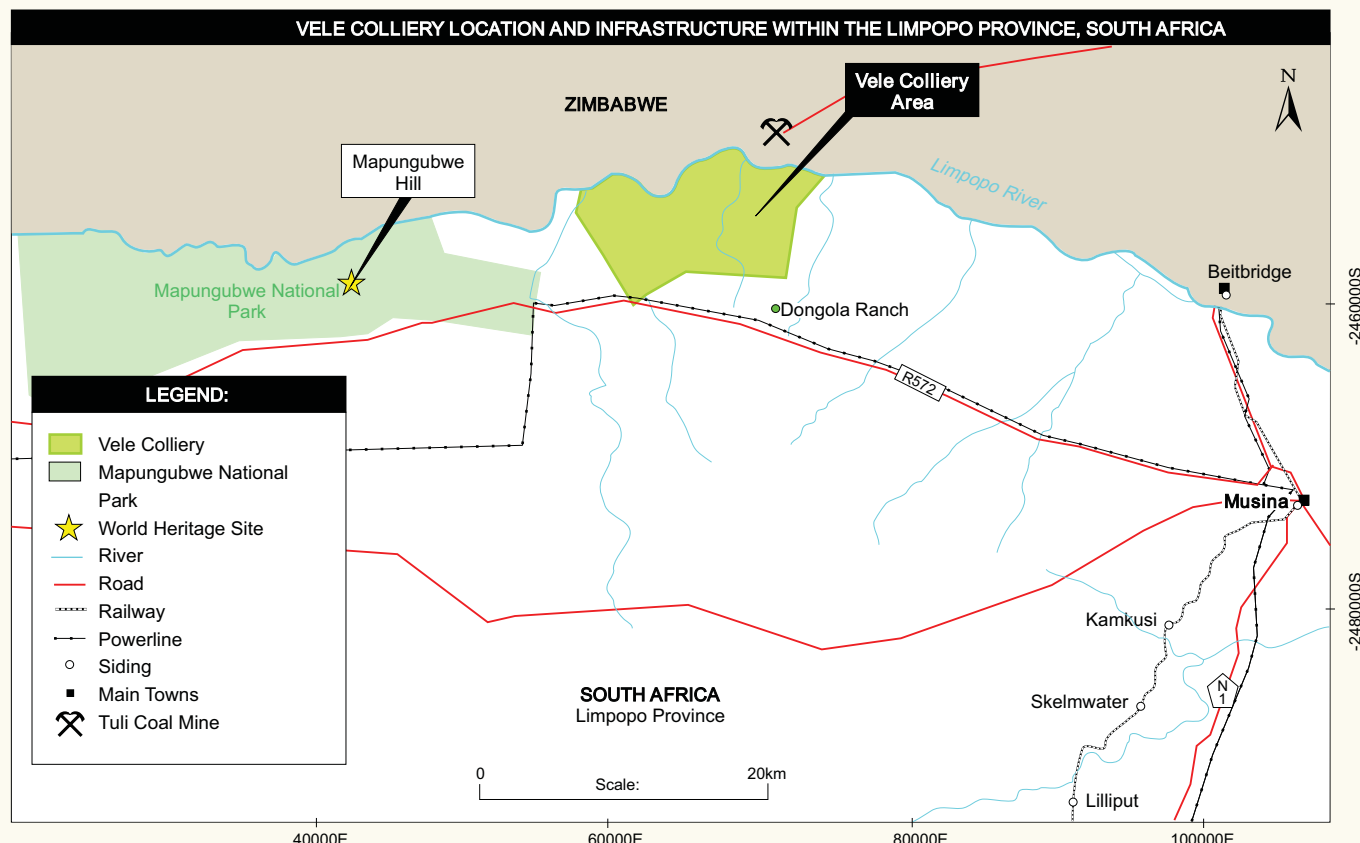
CoAL, through its wholly owned subsidiary, Harrissia Investments Holdings (Pty) Limited, is the surface rights owner of Erfrust 123MS and those portions of the farm Overvlakte 125MS (portions 3, 4 and 5) and the farm Bergen Op Zoom 124MS that contain the targeted opencast Coal Resources.

CoAL has agreements with the various other surface rights owners. The surface access is sufficient for all aspects of the prospecting and mining operations, except on the northwestern corner of Alyth 837MS where the land owner has not permitted CoAL to conduct coal resource drilling. The owner of Alyth 837MS has allowed access and coal resource drilling on the remainder of the property however.

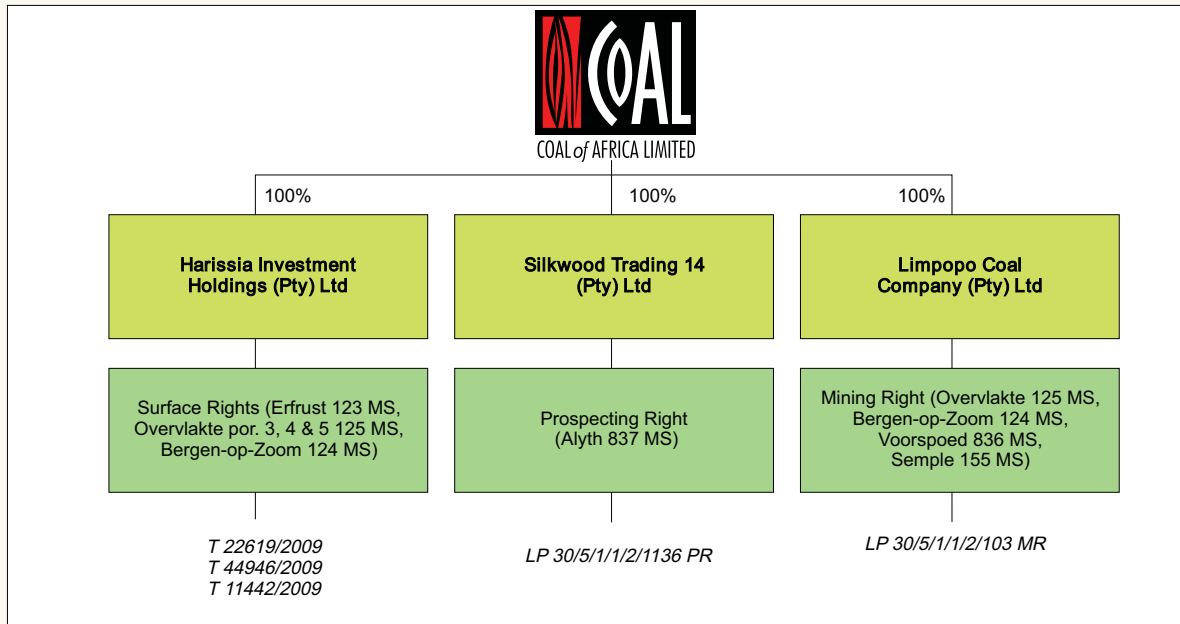
15.2.4. Royalties

There are no private royalties payable for the Vele Colliery. State royalties, as per the MPRRA (Section 10.3.5) will be payable, however.

LOCATION OF CoAL'S VELE COLLIERY IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE



OWNERSHIP OF THE VELE COLLIERY



RIGID DUMP TRUCKS



VIEW OF PLANT INFRASTRUCTURE



PRELIMINARY BOX CUT



LINED SLURRY DAM

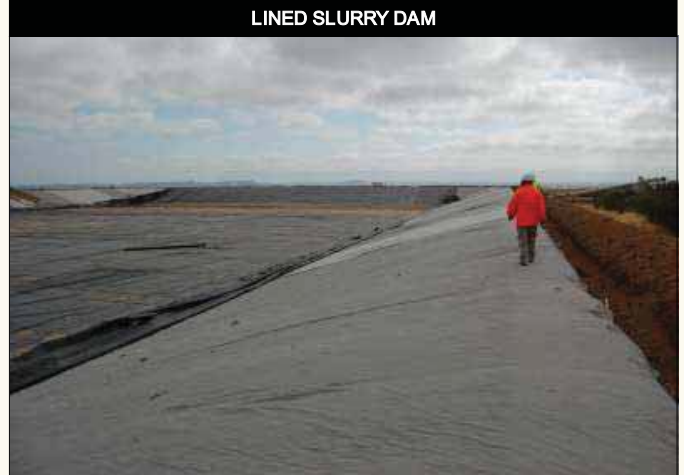


Table 57 : Summary of the Limpopo Coalfield (Vele Colliery) Mineral Tenure

COALFIELD	PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE
Limpopo	Vele	Alyth 837MS (Consolidation of Alyth 118MS and Newmark 121 MS)	Whole farm	2,092.95	Silkwood Trading 14 (Pty) Ltd	Prospecting	LP 30/5/11/12/1136 PR	25/3/2008	24/3/2013
		Bergen Op Zoom 124MS	Whole farm	2,078.13					
		Overvlakte 125MS	3, 4, 5, 6, 13, 14 and RE	3,554.48	Limpopo Coal Company (Pty) Ltd	Mining	LP 30/5/11/12/103 MR (103 MR)	19/03/2010	18/03/2040
		Simple 155MS (Consolidation of Almond 120MS and Sample 119MS)	Whole farm	942.91					
		Voorspoed 836MS (Consolidation of RE on Newmark 121MS and Ptn 1 of Bergen Op Zoom 124MS)	Whole farm	2,087.22					
TOTAL LIMPOPO COALFIELD				10,755.69					

15.2.1. Environmental Statutory Requirements

15.2.1.1. NEMA

In July 2011, the Vele Colliery obtained initial environmental authorisation required in terms of Chapter 3 of the Regulations promulgated under Chapter 5 of NEMA. CoAL submitted the required Section 24G Rectification Application in two parts and an administrative fine of ZAR9.25m was imposed. The first Section 24G Rectification Application submitted to the DEA has been approved and the activities applied for authorised under NEMA.

The second Section 24G was submitted to the DEA in August 2011. The second set of Rectification Applications relates to the upgrading of the existing airstrip, vegetation clearance for the construction of a pipeline, and vegetation clearance for the establishment of the above ground fuel storage tanks.

It is important to note that payment of the administrative fine does not constitute an environmental authorisation under NEMA and, in accordance with Section 24G(2), the Minister or MEC, after considering the submitted second Section 24G Rectification Application, may either:-

- direct CoAL to cease the activity either wholly or in part and to rehabilitate the environment within such time and subject to conditions as deemed necessary; or
- issue an environmental authorisation to CoAL subject to conditions as deemed necessary by the Minister or MEC.

It is anticipated that the acquisition of the necessary environmental authorisations would result in additional financial and time implications in order to authorise the mining operation.

15.2.1.2. NEMWA

Based on previous correspondence with regard to other assets (Section 13.2.5.2), the DEA has confirmed that no NEMWA authorisations are required.

15.2.1.3. NWA

The Vele Colliery has applied for, and has been awarded, a WUL for five years. Activities authorised in the WUL include:-

- taking water from a water resource;
- storage;
- impeding or diverting the flow of a water course;
- engaging in a controlled activity;
- disposal of waste which may detrimentally affect a water resource;
- altering the beds/banks/characteristics of a water course; and
- removing or discharging or disposing of water found underground.

CoAL plans commissioning a sewerage treatment facility once various options have been investigated and feasibility studies have been undertaken, including but not limited to the finalisation of the design (Section 15.2.1.2). Construction and operation of the sewerage facility will also require water use registration and classification of the plant by the DWA. Depending on the final design, which will include details such as throughput capacities, the sewerage treatment plant may also trigger certain Section 21 water uses, which will require a WULA. Details regarding the licensing of the sewage treatment plant (i.e. water use registration/general authorisation/ water use licensing) can at this stage not be confirmed until final design is complete. Authorisation under the NWA will be required prior to construction and operation of the sewage treatment facility.

It is also understood that if a new WULA is made, or if the existing WUL is amended for the inclusion of the future sewage treatment plant, the DWA will include (or amend) conditions to be adhered to in order to continue with the water uses.

15.2.1.4. MPRDA

CoAL is in possession of an approved NOMR and EMP under the MPRDA for Vele Colliery. The EMP was approved on the 19th March 2010.

The financial provision set aside for Vele Colliery is ZAR62m and has been submitted to the DMR. A revised lower cost estimation has been calculated and submitted for approval on the 17th April 2011. Approval of the revised financial provision is awaiting verification.

15.2.2. Material Contracts**15.2.2.1. Contract Mining****MCC Contracts (Pty) Ltd (MCC)**

An agreement between CoAL and MCC, effective the 23rd March 2010, established MCC as the supplier and contractor of opencast mining services for the Vele Colliery. In terms of the agreement, the scope of work covers the provision of all labour, supervision, materials, equipment, tools and services necessary for the establishment, operation and maintenance of the opencast mining operation. In addition, MCC will be responsible for the rehabilitation of the pits. The projected annual operating costs will be revised and agreed upon once mining start-up dates have been finalised.

15.2.2.2. Operational Contracts**Mineral Operations Executive (Pty) Ltd (Minopex)**

CoAL entered into an agreement with Minopex on the 31st July 2009 for the operation and maintenance of the Vele modular plant. The agreement outlines a ramp-up period and an initial period, followed by indefinite continuation of services unless terminated.

GRD Minproc (Pty) Ltd (GRD Minproc)

GRD Minproc was appointed to develop the above-ground infrastructure associated with the Vele Colliery in March 2009. The agreement states that GRD Minproc shall be responsible for those process and mechanical packages that fall within the following three areas and their various sub-areas, including operation of the mining fleet:-

- common / main site infrastructure;
- opencast infrastructure; and
- underground infrastructure.

ESS Survey CC (ESS)

A contract agreement with ESS for surveying services was signed on the 14th May 2010 and was valid for a 12 month period. ESS is to survey all surface features and the opencast portion of the mining area, as well as to compile volumes, plans and reports monthly.

G4S Secure Solutions (SA) (Pty) Ltd (G4S)

Security for the Vele Colliery will be provided by G4S. A contract agreement is currently being reviewed for signature by CoAL. In terms of the agreement, G4S will provide services in the form of guarding and patrolling of the properties relevant to the Vele Colliery. The agreement will commence upon signing of the contract and will continue indefinitely unless terminated.

Inspectorate

An agreement between Coal of Africa - ArcelorMittal Analytical Laboratories (Pty) Ltd (CAM) and Inspectorate has been in place since the 31st December 2009 and is valid until the 31st December 2013. The agreement contracts Inspectorate for the following services at CAM's Polokwane Laboratory:-

- management of the laboratory and all maintenance of the facility and equipment;
- provision of staff; and
- execution of coal sample, drill cores and bulk sample preparation, analyses and reporting.

In addition, Inspectorate will also be contracted for the rendering of similar services at the on-site analytical facilities of the Vele Colliery. The details of the contract will be finalised as soon as CoAL has set the date for the commencement of mining.

15.2.2.3. Offtake Agreements

The term sheet of a partnership agreement between ArcelorMittal and CoAL, states that in addition to certain conditions, the parties are to enter into an offtake agreement whereby ArcelorMittal will buy a minimum of 2.5Mtpa Limpopo coking coal from CoAL. Furthermore, ArcelorMittal will have the option to acquire additional coal of up to 5Mtpa, provided that CoAL receives six months notice. ArcelorMittal intends to acquire a substantial direct interest in the Limpopo coal projects (including Vele and Makhado) that is representative of the offtake agreement.

15.2.2.4. Infrastructure, Transport and Logistics

A draft agreement for transport between the mine and an existing siding facility at Musina has been drafted, and is in the process of being finalised.

There has also been extensive engagement with TFR regarding the final rail services design to Maputo and/or ArcelorMittal sites.

15.2.3. Any Other Legal Issues

15.2.3.1. Land Claims

CoAL has advised Venmyn that the Tshivhula Tribe has lodged a land claim, in terms of the Restitution of Land Rights Act No22 of 1994, over part the Vele Colliery area. This claim is currently being validated by the office of the Regional Claims Commissioner. Venmyn is advised that a notification of a land claim does not invalidate the NOMR. However, in respect of gazetted claims, one months notice is required to be given to the commissioner to develop the land. A dispute around restitution of rights in land, Venmyn is advised, may delay mining activities or result in a cost to CoAL in seeking early resolution.

15.2.3.2. Litigation

There are a number of appeals against the Vele NOMR, the EMP as well as the WUL and Section 24G of NEMA environmental authorisation, by several Non Governmental Organisations (The Save Mapungubwe Coalition).

The Save Mapungubwe Coalition has initiated court proceedings for an interdict to stop the project. CoAL is opposing this application. The coalition, with members such as The Endangered Wildlife Trust, BirdLife South Africa, Peace Parks Foundation and the Mapungubwe Action Group, has expressed its displeasure over the fact that the DEA's authorisation only applies to some of the alleged illegal activities undertaken by CoAL. The coalition has alleged that its plans to submit comprehensive objections to a second Rectification Application.

15.2.3.3. Competing Rights

Kusasa Commodities (Pty) Limited (Kusasa) has an exploration right for coalbed methane gas over the Vele Colliery area, which pre-dated CoAL's NOMR application. CoAL did consult with Kusasa and no objections were raised at the time.

Lyndou Trading (Pty) Limited (Lyndou) has the NOPR for diamonds over the Vele Colliery area, which pre-dated CoAL's NOMR application. CoAL has advised, however, that no response was received from Lyndou during the consultation process.

Venmyn is advised that the directors of CoAL do not believe that the competing rights are material.

15.3. Access

Access to the Vele Colliery area is via the tarred R572 from Pontdrif to Musina, located immediately south of the Colliery (Figure 64). The R572 is connected to the national N1 road, which is in excellent condition. The Colliery is approximately 550km by road from South Africa's capital, Pretoria.

The various properties within the Colliery are accessed by a network of all-weather gravel roads that branch off the R572, and which are in good condition.

15.4. Climate

The Vele Colliery area experiences a warm, semi-arid climate. Average maximum temperatures are above 32°C in January and 22°C in July. Temperatures occasionally rise to 45°C in summer. The average minimum temperatures are 18°C in January and 4°C in July with occasional early morning frost when cold fronts pass over the area.

Rainfall is highly variable and usually falls during the summer months (October – March). Mean annual rainfall ranges from 285mm to 440mm. Extended periods of below average rainfall do occur. There are on average only 10 days in which rain occurs per year.

Operations can occur all year round and the climatic conditions generally do not prevent exploration and are not expected to significantly disrupt future mining operations. However, during infrequent times of heavy downpours, temporary delays may be experienced.

Summer temperatures within the openpit are expected to exceed 40°C.

15.5. Topography

The topography of the Vele Colliery area is generally flat (with a few steep sided hills) with a gentle slope northwards towards the Limpopo River, and an average elevation of approximately 500mamsl.

The Colliery area is drained by small seasonal tributaries of the Limpopo River. The confluence of the Limpopo and Shashe Rivers, delineating the borders of Botswana, South Africa and Zimbabwe, is located approximately 20km to the west.

15.6. Vegetation

The Vele Colliery area falls within the Savannah biome, characterised by a grassy ground layer and an upper layer of woody plants, dominated by sweet thorn and mopani trees. Riverine forests are developed along the banks of the Limpopo River.

Larger wild herbivores commonly occurring in the area include kudu, impala, waterbuck, warthog, duiker and reedbuck. Carnivores include jackal, serval and leopard. Smaller mammalian denizens include mongoose, civet, genet, porcupine and hare. Reptilian species are well represented and most species of lowveld birds have been recorded.

Land usage in the area comprises mainly cattle ranching and game farming while intensive irrigation agriculture, in the form of citrus and tomato farming, is practised in the more fertile Limpopo River valley.

15.7. Local Resources

Musina is a regional centre and provides modern conveniences, including accommodation and services. The town is also a source of fuel and labour, includes a police station, a number of schools and a hospital. The town of Musina has a long history of mining, and experienced staff and labour are expected to be sourced from this centre.

15.8. Infrastructure

The Colliery is well situated with respect to the major infrastructural aspects of rail, road and power. Infrastructural requirements have been established by GRD Minproc, as part of its 2009 Conceptual Study for the Vele Colliery. Sections 15.8.1 to 15.8.5 summarise the infrastructural requirements determined by GRD Minproc, as part of this study. A recently updated Vele Colliery site plan is presented in Figure 66.

The EMP states that no infrastructure, including stockpiles and dumps, will exceed a height of 20m. Currently, the highest point of infrastructure (lights above the product stockpile conveyor) is 18m above the surface. This height restriction, together with other measures, has been set by CoAL to limit the visual impact of the mine as much as practically possible.

15.8.1. Water

Water is currently sourced from pumping stations on the Limpopo River. Abstraction from these pumping stations is currently limited to 4.2Ml per day. This abstraction rate is sufficient for the current operations (Section 15.14).

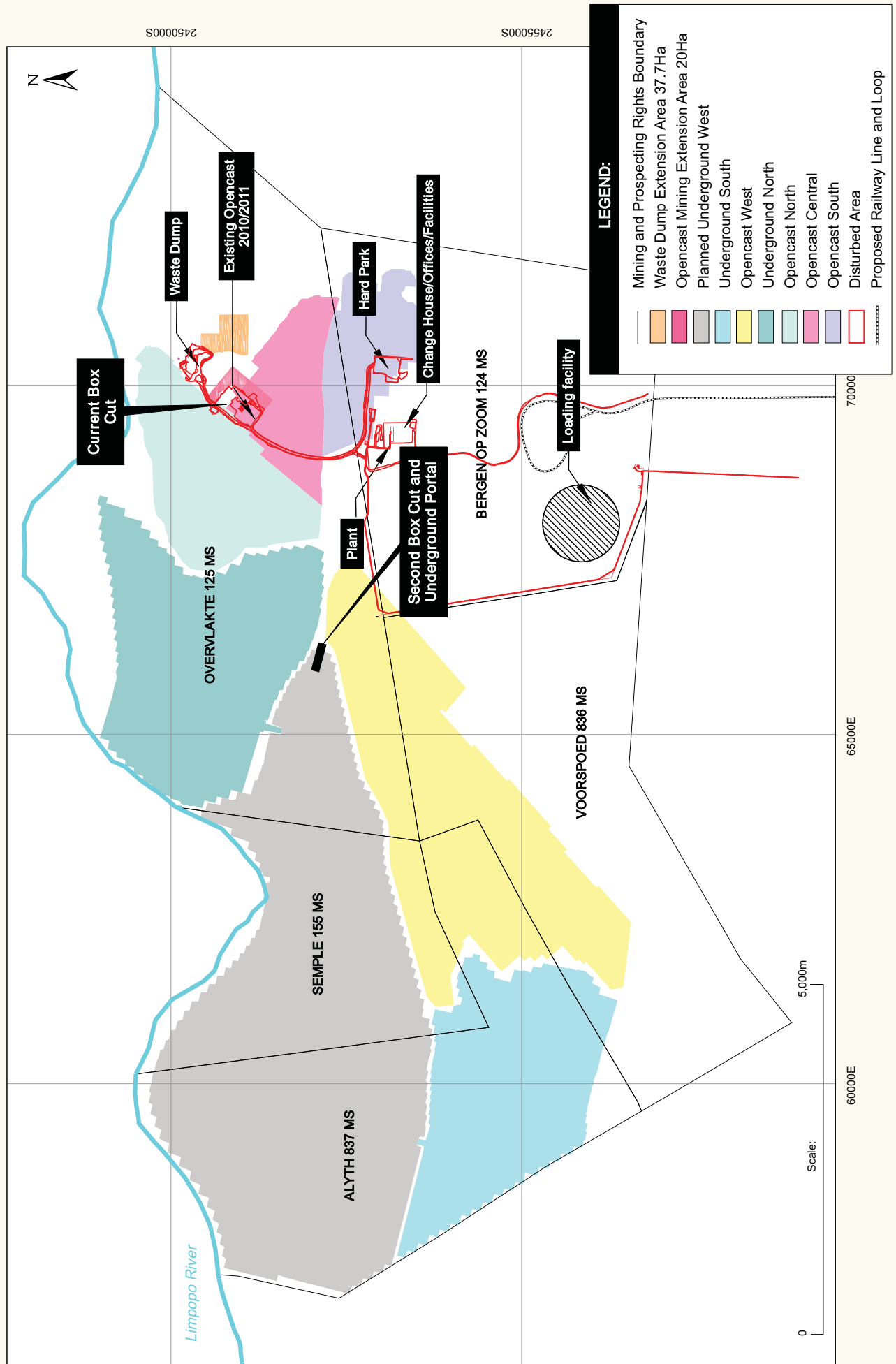
Two potable water treatment plants have been provided for: one to service the proposed underground facility and the other to service the current common/main site infrastructure.

15.8.2. Power

Power is currently supplied by two diesel generators, sufficient for the plant operations.

A 132kV power line runs close to the southern boundary of the property. CoAL has negotiated with Eskom for 5MVA rising to 10MVA for the future operations.

VELE COLLIERY - PROPOSED SITE PLAN



15.8.1. Accommodation and Offices

No accommodation is provided on site. Accommodation for employees is currently provided at the CoAL owned Dongola Lodge, situated 2.8km south of the southernmost border of the NOMR (Figure 64). Dongola Lodge also serves as the administrative centre for the Vele Colliery. CoAL owns the Dongola Lodge and adjacent gasoline station (on the farm Erfrust 123MS). The Dongola Lodge, while still open to the public, operates as the administrative centre for the Vele Colliery as well as accommodating various Vele Colliery personnel.

Offices, a laboratory, workshops, stores and change houses are located on site (Figure 66).

15.8.2. Mining and Plant Equipment

The Vele Colliery will utilise a contractor, MCC, to carry out the initial opencast mining operations. The main mining equipment for the initial mining phase includes the following:-

- a 9350 Liebherr excavator;
- a 974 Liebherr excavator (or CAT 988 Loader);
- four CAT 785 trucks and four CAT 773 trucks;
- a watercart;
- a D10 dozer; and
- a grader.

Subsequent phases will include additional earth moving fleet as appropriate and when required. A decision for CoAL to own and operate its own fleet will be made at the appropriate time in the future, once the operating environment and expansion targets are properly understood.

For the underground mining, it is planned that five continuous miner sections will be operational. Each section will be equipped with the following:-

- a high seam continuous miner;
- four coal haulers;
- two roofbolters;
- a feederbreaker; and
- a load haul dumper (LHD).

The Vele Colliery will also utilise a contractor (Minopex) to operate the CoAL owned Temporary (or Modular) Plant.

A coal laboratory will be established on site, which will be owned and operated by CoAL.

15.8.3. Security

The mine site is fenced and access is controlled at a secured entrance by a private security company, G4S. The entrance is staffed 24 hours per day and regular security patrols are conducted throughout the mining area.

15.8.4. Roads

All roads in and around the mine and plant are gravel. All roads are well maintained by the Colliery and sprayed regularly with water to minimise dust.

15.8.5. Mine Residue and Associated Dams

Until such time as a market is secured for thermal coal, all middlings product will be co-disposed within the open pit. The Vele Colliery currently utilises a single raw water/storage dam and temporary slurry facility, (and associated return water dam) which will operate for two years, as well as a dirty water dam. All the dams, including the dirty water dams (one proposed and one currently in existence), have been authorised under the NWA and MPRDA.

15.8.5.1. Raw Water/Storage Dams

The raw water/storage dam is used for the collection and storage is pumped from boreholes along the Limpopo River. Water collected from the dirty water dam is also pumped back into the storage dam. The raw water/storage dam is adequately sized for the water capacities stored and pumped to the wash plant for use as process water.

15.8.5.2. Temporary Slurry Facility

The temporary slurry facility is equipped with an underground drainage system and this pumps water into the dirty water dam. The facility is lined and in-pit disposal of mine residue is planned.

15.8.5.3. Dirty Water Dam

A dirty water dam is present at Vele to contain and store excess surface water run-off on site. This contaminated storm-water run-off will be circulated back into the system for use in the wash plant.

15.9. Regional Geological Setting

The Vele Colliery falls within the Limpopo Coalfield (which forms part of the greater Tuli Coalfield), which is represented by a narrow deposit of the Karoo Sequence in the small Tuli basin (Figure 67). Like all the other smaller Limnic Karoo basins outside of the main Karoo basin to the south, the Limpopo Coalfield is generally fault bounded. The southern extent of the basin is controlled by erosion.

The deposition of the Karoo sediments occurred with concurrent movement on the pre-existing fault planes. The result is highly truncated sequences of lithologies that are distinctly different to those that are encountered in the main Karoo Basin. The structure of the Tuli Basin reflects the east-west regional structural trend of the Limpopo Mobile Belt.

Dwyka-aged glacial deposits of the Karoo Supergroup have been deposited on the irregular Archaean basement and are overlain by Ecca-equivalent arenaceous mudstones and laminated sandstones. The general stratigraphy of the area is represented by or correlated to the Molteno, Beaufort, and Ecca Formations of the Main Karoo Sequence (Figure 67). The primary lithologies in the region range from pebbly, coarse, arkosic sandstones to carbonaceous mudstones and coal.

The Main Coal Zone is present in the Madzaringwe Formation, which is approximately 15m thick. Three distinct coal horizons occur in the Middle Ecca Formation, named the Top, Middle and Bottom Coal Horizons. All three coal horizons are interbedded coal and mudstone units with varying coal quantities and qualities. The coal zone can be subdivided into three sections or composite seams:-

- the inconsistently formed Top Seam, which is 2.0 – 3.0m thick and contains 55% to 65% coal;
- the Middle Seam, which is 3.0 - 5.5m thick and contains 20% to 45% coal; and
- the Bottom Seam, which is 1.5 - 3.5m thick and contains 65% to 80% coal.

The Top Coal Zone is irregularly developed and significant drilling is required to confirm the correlation between boreholes. The Middle Coal Zone is the most consistent of the three coal zones. The Bottom Coal Zone is best developed in palaeo-valleys. There is an expected inverse relationship between zone thickness and coal quality but this is not apparent in this coal zone. The Karoo strata generally dip shallowly to the north and northwest to a maximum of 2°. Due to the shallow regional dip, the Main Coal Zone occurs at varying depths. Several east-west-striking dykes are present. The base of the Bottom Coal Zone mirrors the pre-Karoo Basement topography, occurring generally within 5-15m of the basement.

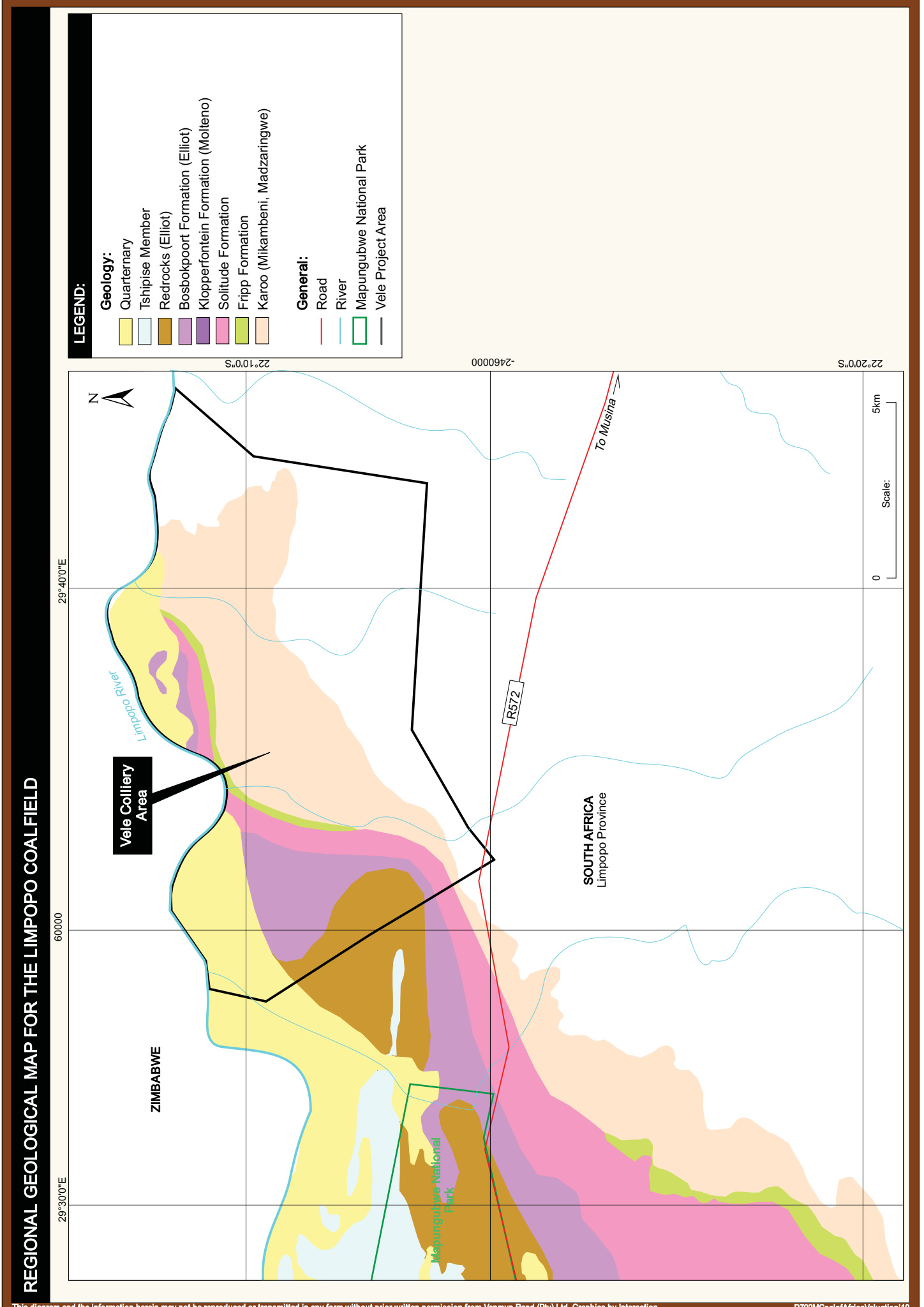
15.10. Local Geological Setting

The Main Coal Zone comprises interlaminated carbonaceous shales, mudstones and coal plies (Figure 68). The Top, Middle and Bottom seams are the three main coal zones that have been recognised within the Vele Colliery area. The Top and Bottom Seams can be further differentiated into Top Lower, Top Middle and Top Upper, Bottom Lower and Bottom Upper. The Top Middle and Top Upper Seams are not considered economic.

Individual sub-seams can be correlated over the entire area. Correlation is aided by a distinctly bioturbated marker between the Bottom and Middle seams. The Bottom Seam lies directly over the glacial Dwyka-aged sediments or granite-gneiss basement. The coal seams generally dip gently at not more than 2°N but this can increase to 10°N near faults. A series of dolerite dykes trend east-west over the Colliery site and the largest is over 15m thick. The dykes do not seem to have caused any displacement but have devolatilised the coal in their vicinity.

15.11. Historical Ownership

The historical ownership and associated activities with respect to the Vele Colliery is summarised in Table 58.



LOCAL GEOLOGICAL MAP AND TYPICAL STRATIGRAPHIC COLUMN FOR THE VELE COLLIERY

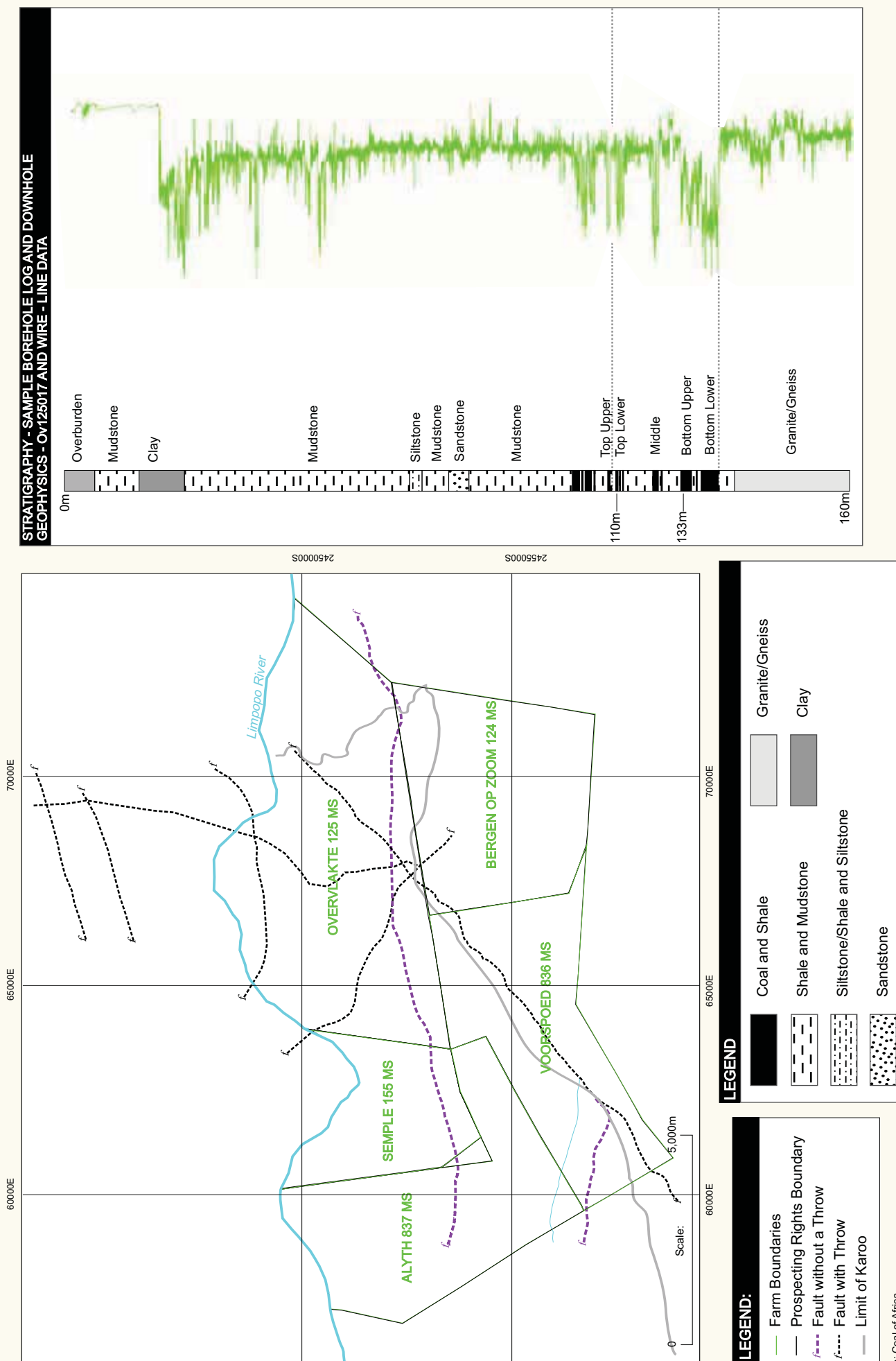


Table 58 : Vele Colliery –Summary of Historical Ownership and Activities

DATE	COMPANY	ACTIVITY
1979 - 1983	Southern Sphere Mining and Development Company Limited (Southern Sphere), a division of BHP-Utah Mining	Held Old Order Prospecting Right. Drilled a total of 61 boreholes on the farms Overvlakte 125MS and Almond 120MS.
2005	Limpopo Coal	NOPR issued over the farms Bergen Op Zoom 124MS, Semple 155MS, portions 3, 4, 5, 6, 13, 14 and the remaining extent of Overvlakte 125MS and Voorspoed 836MS.
2006	GVM (now CoAL)	Acquired 74% of Limpopo Coal.
2008	Silkwood	NOPR issued over the farm Alyth 837MS.
2008	CoAL	Acquired 100% of Silkwood.
2008 - 2010		Extensive drilling, sampling and economic studies conducted within the Vele Colliery area. Construction of Temporary Plant, access roads and removal of overburden.
2010		In March, moved to 100% ownership of Limpopo Coal.
2010	Limpopo Coal	NOMR was granted over 8662.7ha of the greater part of the Vele Colliery area, over the farms Bergen-Op-Zoom 124MS, Semple 155MS, portions 3, 4, 5, 6, 13, 14 and the remaining extent of Overvlakte 125MS and Voorspoed 836MS.
2010	CoAL	In July, a NEMA compliance notice was served on CoAL. All developmental activities stopped.
2010	TMC	Prepared "Mineral Experts Report on the Coal Resources of the Vele, Mooiplaats and Makhado Coal Projects in South Africa".
2011	CoAL	On 5 th July 2011 NEMA authorisation obtained and mine development re-initiated.
2011		On 29 th July 2011, an appeal was raised by NGO's against the issue of the integrated WUL. The appeal automatically suspended the WUL. As a consequence, CoAL stopped all activities requiring water use at Vele. On 18 th October 2011, the suspension was lifted Minister of Water and Environmental Affairs.
		MOU signed between DEA, SANParks and CoAL.

The 61 boreholes, drilled by Southern Sphere, were drilled using an air flush coring drill rig. This resulted in TNW size core retrieval. The exploration is summarised in Table 59 and the location of those boreholes is indicated on Figure 69.

Further details of the drilling methods and sampling protocols employed by Southern Sphere are not available. It is believed that the boreholes were logged using down-hole geophysics but there are no results available. It is assumed, however, that, since Southern Sphere is a reputable exploration company, that industry best practices were adopted and that the data from this programme can be regarded with a reasonable degree of confidence. Venmyn understand that the samples were analysed by McLachlan and Lazar Laboratory (now known as Inspectorate).

In 1984, Southern Sphere drilled 36 Large Diameter Drilling (LDD) holes at three sites corresponding to its initial pilot holes, SL18, SL31 and SL32 on the farm Overvlakte 125MS, portion 5. This coal was processed at the Iscor Ltd (Iscor) Laboratory in Pretoria for washing and coking testing. These results are not available, but reports suggest that the results were "conclusive and encouraging".

There are no records of any further exploration within the Vele Colliery area subsequent to the Southern Sphere programme and prior to the work undertaken by CoAL (Section 15.12).

Since 2000, there has been renewed interest in the general area, with most of the coal NOPRs over the Limpopo Coalfield held by Delta Mining Corporation Ltd, Anglo Coal, Sekoko Resources (Pty) Ltd, Uzalile Investments (Pty) Ltd, Pioneer Coal Ltd and Limpopo Coal. Thuli Coal Mine is located close to the Vele Colliery on the northern bank of the Limpopo River in Zimbabwe (Figure 64).

15.12. Recent Exploration

CoAL contracted MSA GeoServices (Pty) Ltd (MSA) to undertake a programme of exploration drilling between January and June 2008, and a total of 73 boreholes were completed. Subsequent to the MSA programme, CoAL drilled a further 115 diamond core vertical boreholes, five inclined boreholes to test fault geometries, nine boreholes for water, and 31 LDD boreholes for bulk sampling purposes. Figure 69 shows the distribution of all boreholes within the Vele Colliery area. To-date a total of 188 diamond core boreholes and 31 LDD holes have been completed by CoAL. Aerial magnetic and radiometric surveys have also been undertaken. The exploration is summarised in Table 59 and the location of those boreholes is indicated on Figure 69.

15.12.1. Remote or Geophysical Exploration

In 2008, CoAL commissioned Fugro Airborne Surveys (Pty) Limited to undertake high resolution airborne magnetic and radiometric surveys over an area of 111km² over the Vele Colliery area. This was conducted at a line spacing of 50m and covered 2,431 line kilometres.

VELE COLLIERY - LOCATION OF BOREHOLES AND BOX CUT

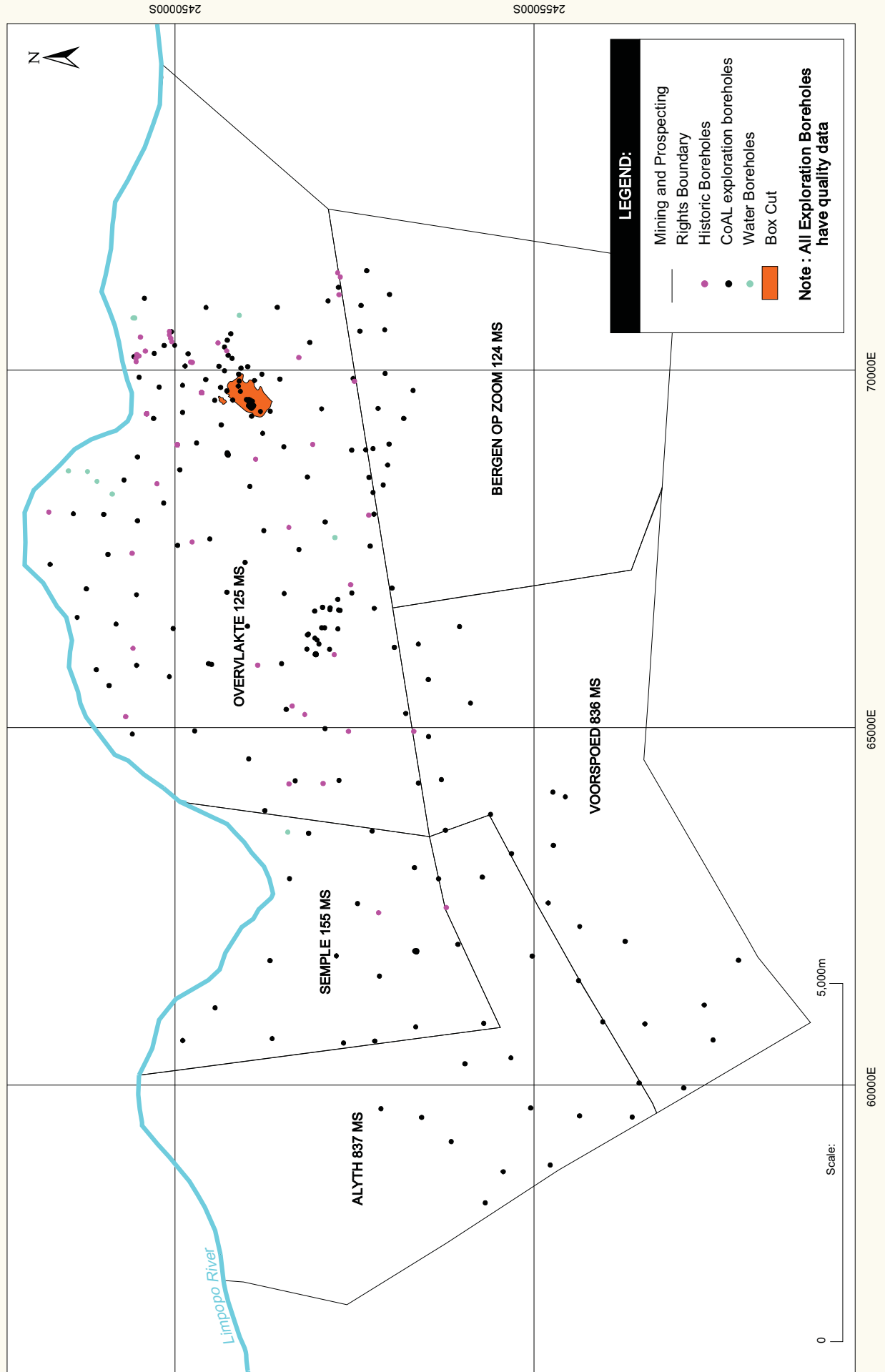


Table 59 : Vele Colliery –Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	QUALITY RESULTS	LABORATORY FOR QUALITY	USED IN MODEL
Pre 2008	Southern Sphere	Overvakte 125MS, Amond 120MS	Early Exploration	Unknown n.	Unknown n.	Diamond core	TNW	Various	61	Yes	All	Yes	Unknown	Yes
		Overvakte 125MS	Quality Sampling.		Unknown n.		LDD		36	Yes	All	Yes		Yes
2008	CoAL. Supervised by MSA.	Overvakte 125MS, Amond 120MS, Sample 119MS, Alyth 837MS, Voorspoed 836MS	Infill Drilling and Resource Estimation.		Ludikore & Geomechanics		HQ3, PQ3	R. Hatherley	73	Yes	All	Yes	SABS & Inspectorate	Yes
2008-2010			Infill Drilling and Resource Estimation.	P Matibe and Associates	OM Tsehla (Pty) Limited & Gubhani Trading CC	Diamond core	PQ3	T. Maupa	115	Yes	All	Yes	CAM	Yes
	CoAL		Quality Sampling.				T6	C. Mafiri	31	Yes	All	Yes	ACT	Yes
2010		Overvakte 125MS	Refining structural model in area of box cut.			Percussion	8 Inch	T. Maupa, P. Wilken	10	Yes	No	No	-	Yes
TOTAL									332					

The resultant data was processed by GAP Geophysics (Pty) Limited (GAP) in 2009 and presented as a set of plans depicting radiometric total counts, ternary K-U-Th counts, a digital terrain model, terrain clearance data and both total and vertical magnetic fields. The images were interpreted and a geological plan was generated by GAP.

15.12.2. Surveying Methods

All boreholes were sited in the field using a hand-held Garmin™ Global Positioning System (GPS) device. Following completion of the boreholes, the collar positions were accurately surveyed using Leica™ GPS equipment by P Matibe and Associates, whose surveyors are registered (No PLS0915) with the South African Council for Professional and Technical Surveyors (PLATO).

A LIDAR survey has been flown over the project area (Section 15.12.1), providing ground elevation data to a 15cm vertical and 30cm horizontal accuracy.

15.12.3. Diamond Drilling

During the MSA-managed programme, two companies (Ludikcore Exploration Drilling Services (Pty) Limited and Geomechanics (Pty) Limited (Geomechanics)) were contracted to undertake the drilling. HQ3 and PQ3 equipment was employed which produces core with nominal diameters of 61mm and 83mm, respectively. Mr R Hatherley (Pr.Sci.Nat.) was the geologist responsible for the drilling and sampling.

The subsequent CoAL-managed drilling programme was undertaken by two contractors, OM Tsehla (Pty) Limited and Gubhani Trading CC, with PQ3 (61mm) equipment being used for the diamond drilling. Mr T Maupa (Pr.Sci.Nat.) was the geologist responsible for the drilling and sampling.

The drilling and core handling protocols employed by MSA have been adopted by CoAL.

Venmyn has not independently witnessed the drilling and sampling protocols as no exploration drilling is currently taking place. However, Venmyn is confident that the drilling was carried out to the required standard as the drilling programmes have been independently supervised or verified by other reputable consulting companies.

15.12.3.1. Drilling

Boreholes were cored from surface and the upper section of each borehole was cased through any soft or weathered surficial material until more competent bedrock was reached. At the end of each run (usually 3m in length), the core was placed in aluminium boxes with the depths clearly marked. The boxes were labelled with the appropriate borehole identifier and depths. The core was transported to the core logging facility by truck, carrying 10 to 12 boxes at a time, and strapped down to prevent movement or damage to the core.

Vertical boreholes ranged in depth from approximately 30m to 170m. It was assumed that hole deviation would be minimal at these relatively shallow depths and consequently no down-hole vertical surveys were conducted.

During the MSA-managed drilling programme, core recoveries were recorded in the field by the geologist responsible. In instances when recovery within coal horizons did not achieve a minimum of 95%, and where the deficiency could be demonstrably attributed to poor drilling technique, a re-drill of the entire borehole was undertaken. In cases where badly fractured or faulted ground was encountered, the drilling company was instructed to take all necessary steps to ensure maximum core recovery.

Drilling contracts for the CoAL-managed programmes stipulated a minimum core recovery of 98% in coal horizons and 95% in non-coal sediments. Core recoveries were recorded by the driller through comparison of run lengths against recovered core lengths. However, CoAL geologists calculated core recoveries by comparing the seam thicknesses indicated by the down-hole geophysical logs against the amount of coal core presented. Venmyn understands that holes that did not meet these criteria were re-drilled.

CoAL also completed 31 LDD holes to obtain bulk samples at three sites (Figure 69) located at intervals of approximately 1,500m and 2,200m east to west across the property. At each site, eight or nine large diameter boreholes, about 5m apart, were drilled in close proximity to a slim core pilot borehole.

15.12.3.2. Logging

The logging procedure employed by MSA was as follows:-

- core was either laid out on plastic sheets or presented in 1.0m or 1.5m core boxes;
- coal core was split lengthways with a hammer and chisel;
- for each lithological unit the rock type, colour, grain size, fabric, core bedding angle, mineralisation and other characteristics were described;
- thin coal intersections (<30cm) that were deemed unlikely to be sampled, were recorded as coal bands;
- thicker coal intersections were recorded as coal seams and described in a separate detailed seam log; and
- the 'from-to' depths of each unit were reconciled with down-hole geophysical logs.

During the CoAL-managed drilling programme, a similar logging protocol was employed, with the exception that the general lithology and coal seam details were recorded in a single log. CoAL reported that coal core split with a chisel was logged and sampled on the same day to minimise oxidation.

Data from hand-written logs was transferred into MS Excel™ format and subsequently captured into a Sable™ database.

The entire core from each borehole drilled during the CoAL-managed programme was photographed at the core yard prior to sampling. Core obtained during the MSA-managed programme was not photographed.

Geotechnical logging was reportedly undertaken on core taken from the immediate 5m of roof and floor of the Bottom Lower Seam (for underground mining considerations) and was based on a system developed by local rock engineering consultants.

15.12.3.3. Sampling Method

Samples collected during the MSA-managed drilling programme were packed into double plastic bags which were sealed with staples. The samples were labelled using pre-numbered, sequential cable ties. The bagged samples were stored in a locked core shed prior to despatch to the laboratory.

Samples collected during the CoAL-managed drilling programme were similarly packed, with sample numbers written in black permanent marker on the outside of the bag and manila tags (with the sample number inscribed) placed inside and outside the bag that was sealed with staples. Core and samples were stored in a secure refrigerated container on site before despatch to the laboratory on a fortnightly basis.

Sample inventories, recording batch number, individual sample numbers and the number of samples in each batch, accompanied all samples sent to the laboratory. The laboratory was given written instructions, in advance, regarding sample preparation and the testwork required.

In both cases, sample intervals usually ranged between 50cm and 150cm and whole core was sampled to minimise bias.

15.12.4. Percussion or Open Hole Drilling

In 2010, CoAL drilled 10 percussion boreholes within the area identified for the initial boxcut in order to better understand the fault located in the area.

15.12.4.1. Drilling

The purpose of these closely spaced boreholes was to increase geological confidence in the area of boxcut development. This would ensure that no unidentified geological features were encountered during excavation which would have an impact on the mining development schedule or budgeted costs. Percussion drilling was used as it is a cost and time effective method of drilling. The percussion drilling was carried out by a subcontractor to MCC.

15.12.4.2. Logging

No geological logging was carried out on the percussion chips produced by the open hole drilling.

Wireline logging was carried out on the percussion holes as discussed in Section 15.12.5.

15.12.4.3. Sampling Method

No samples were taken of the coal chips produced through the open hole drilling.

15.12.5. Down the Hole Geophysics / Wireline Logging

During the CoAL exploration programmes, down-hole geophysical wire-line logging was undertaken on a routine basis by Weatherford employing dual-density, gamma and calliper tools. Additional tools such as acoustic televiewer, magnetic susceptibility and electrical resistivity were used occasionally to assist with structural interpretations.

15.12.6. Bulk Sampling

No bulk sampling has been carried out to-date within the Vele Colliery area other than that associated with the LDD discussed in Section 15.12.3.1.

15.12.7. Laboratory Analyses

Core samples from the MSA-managed drilling programme were initially sent to the South African Bureau of Standards (SABS) laboratory in Secunda. SABS is accredited (No T0230) through the South African National Accreditation System (SANAS) and SABS/ISO/IEC 17025:2005. However, as a result of frequent delays in the reporting of analytical results, CoAL relocated all unprocessed samples from SABS to Inspectorate M&L (Inspectorate) which is also a SANAS accredited laboratory (No T0313).

Since December 2008, all samples have been sent to CAM Analytical Laboratory (CAM) in Polokwane. CAM is jointly owned by CoAL and ArcelorMittal on a 50%:50% shareholding basis, and is managed by Inspectorate. CAM is accredited (No T0476) through SANAS.

LDD core samples were analysed at the Advanced Coal Technology Laboratory (ACT) in Pretoria. ACT is not yet SANAS accredited but is utilised by many South African and international coal mining companies. It has been subjected to laboratory audits and regularly participates in recognised 'round robin' quality control procedures with the results and certificates openly available.

15.12.7.1. Sample Preparation and Analysis

The laboratories followed the ISO and SANAS standard set of tests and methods that are used for coal analyses by South African laboratories. The standard method of coal sample preparation is summarised in Section 13.13.7.1.

The following exceptions were carried out on the slim core samples:-

- for both the above raw coal size fractions, determine proximate analysis (moisture, ash, volatile matter contents and fixed carbon by difference), CV and total sulphur. Analyse 0.5mm to 25mm size fractions for phosphorus;
- conduct float/sink analysis on the 0.5mm to 25mm size fraction at densities ranging from F1.30 to F1.80 in 0.05 increments;
- on the sink, at RD 1.80 and for each float fraction, determine proximate, CV, total sulphur and phosphorus; and
- for float fractions at RD 1.30, 1.35, 1.40 and 1.45 determine Free Swelling Index (FSI) and Roga Index.

For the LDD core samples, float and sink tests were conducted on all individual samples and the wash fractions were analysed for proximate, calorific value and total sulphur. The material from each seam was proportionally reconstituted to generate a product approximating to 12% ash content. Specialised testwork for coking potential was conducted on the reconstituted seam composites and included ultimate analysis, ash fusion temperatures, ash composition, fluidity and plastometry, hot strength tests, petrographics, abrasiveness and coke making tests. The purpose of these tests is described in more detail in Section 15.13.2.1.

15.12.7.2. Security

All samples were stored within a locked refrigerated container before despatch to the laboratories. Due to the reactive nature of the coking coal, it is a recommended procedure to refrigerate the coal to prevent oxidation of the vitrinite. Once at the laboratories, the samples were subjected to the standard security measures of the respective laboratories.

15.12.7.3. QA/QC

Laboratories are required to calibrate their coal analytical equipment daily and are also required to partake in round robin proficiency tests to ensure a high standard of results. All result reports are verified by the laboratory manager and any inconsistencies or variations about the laboratory's specifications are reanalysed. CoAL has specifically requested that the laboratories plot ash versus CV curves for all samples. Any samples with a correlation of less than 0.90 are reanalysed.

Inspectorate specifically undertakes the following to ensure the accuracy of its results:-

- 25% of samples are analysed in duplicate, and any samples are reanalysed if their results are not within acceptable repeatable limits;
- partakes in monthly and quarterly external proficiency tests;
- partakes in monthly internal round robin tests;
- a certified reference material is tested every shift and the results evaluated;
- a hidden duplicate is inserted in every batch of ten samples;
- one in every 20 samples is screened at 212microns to confirm that the oversize is less than 95%; and
- records of validation method are available for scrutiny.

CoAL has validated all results in Sable™, by doing basic tests on cumulative results and checking of logs.

15.12.8. Data Management**15.12.8.1. Data Acquisition and Validation**

All borehole collar and lithology information as well as the laboratory results are currently housed within an Access database.

All historical exploration results are included in this database and are identified accordingly. This information was originally obtained in electronic database format and previously verified by CoAL.

During the early exploration phases of CoAL's exploration programme, logs were hand written and then captured into MS Excel™ before importing them into the Sable™ Database. More recently, hand written logs are captured directly into Sable™ and validated at the same time. From Sable™, a lithological/borehole plot is generated and sent back to the geologist for verification. Once cleared, the data is incorporated into the database. On entry into Minex™ (for modelling), the Minex™ standard validation procedures are applied (missing intervals and overlapping intervals, etc.).

The percussion holes are also included in the database and are identified as such. Only coal seam depth information is available for the percussion holes.

During TMC's Coal Resource estimation process in 2010, the datasets supplied to TMC by CoAL were checked for any discrepancies in borehole collar co-ordinates, seam depths, sample intervals and end-of-hole depths. Approximately 10% of entries in the analytical database were checked against the original laboratory reports and no significant differences were found.

Venmyn has randomly selected 10 borehole logs and verified the logs and associated laboratory certificates with the Access database and found no errors.

Venmyn is comfortable with the accuracy of the database and considers it suitable for orebody modelling and Coal Resource and Reserve estimation.

15.12.8.2. Database Management

The Access database is managed and maintained by CoAL's chief consulting geologist, Mr J Sparrow (Pr.Sci.Nat.), and the Vele Colliery geologist, Mr T Maupa (Pr.Sci.Nat.). Backups are stored at CoAL's head office in Johannesburg.

15.13. Orebody Modelling and Results

A number of independent orebody models have been prepared for the Vele Colliery since CoAL's involvement in the project. In September 2010, TMC constructed a 3D Minex™ Software model.

The latest model was prepared by Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist as at 31st August 2011. The model was prepared in Minex™ Software. The model takes into account all available historical and recent drilling and other geological information as of the 31st August 2011. This model is based on the TMC model constructed in September 2010, with minor changes based on geological information interpreted subsequent to the completion of the TMC model. Both CoAL and Venmyn have a high level of confidence with respect to the current model and the associated Coal Resource estimates.

Venmyn has reviewed the model and interviewed Mr J Sparrow (Pr.Sci.Nat.) concerning his methods of modelling. Venmyn has also independently plotted the graphical distribution of the boreholes in Geosoft Target and Micromine and verified the results of the seam thickness variations and resultant volume calculations. Venmyn is satisfied with the integrity and results of the model.

The upper surface of the model was sourced from the digital terrain model and is presented in Figure 70. Dolerite dykes, as well as fault planes, were incorporated into the 3D structural model. The structural model is presented in Figure 68. The structural model has resulted in the identification of a number of opencast and underground mining areas.

Both the physical and quality parameters of the various seams were modelled. Grids with a 25m mesh were estimated using Minex's™ general purpose gridding function using a 3km search radius. The model of the physical parameters of the seam was cut along any significant structures, whilst the quality parameters were modelled across it. All physical and quality parameters were plotted and visually inspected to ensure they were acceptable from the perspective of geological interpretation.

15.13.1. Physical Results

The physical parameters of the elevation, in metres above sea level, and the depth from surface of the Top Lower, Middle, Bottom Upper, and Bottom Lower seams' floors and roofs were modelled. The seam thicknesses were modelled and this was used as the basis for the calculation of the Coal Resource volumes. Although all these parameters were modelled, only the respective seam floor elevations, depths from surface and the seam thicknesses' results are presented in Section 15.13.1.1 to Section 15.13.1.3.

15.13.1.1. Seam Floor Elevation

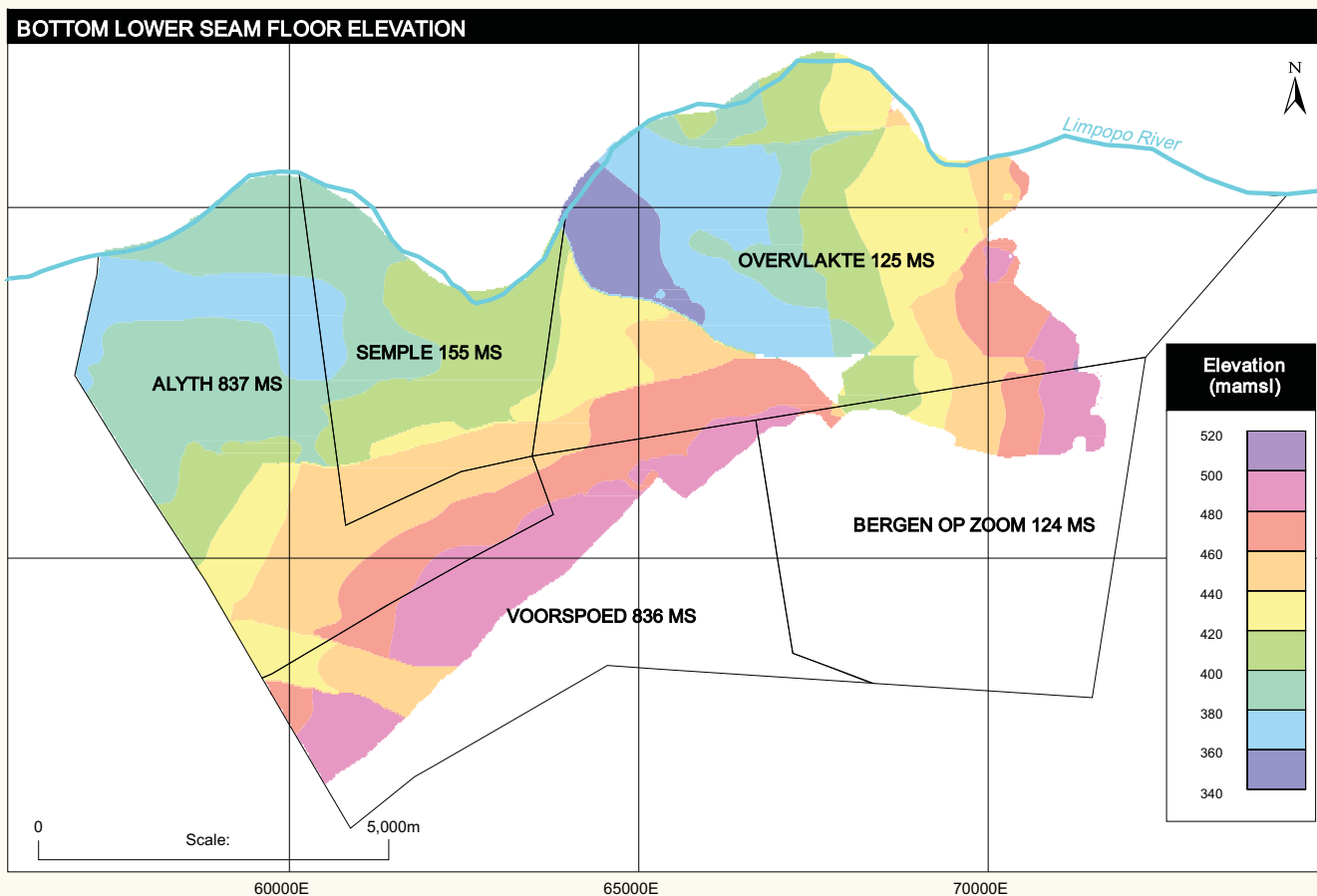
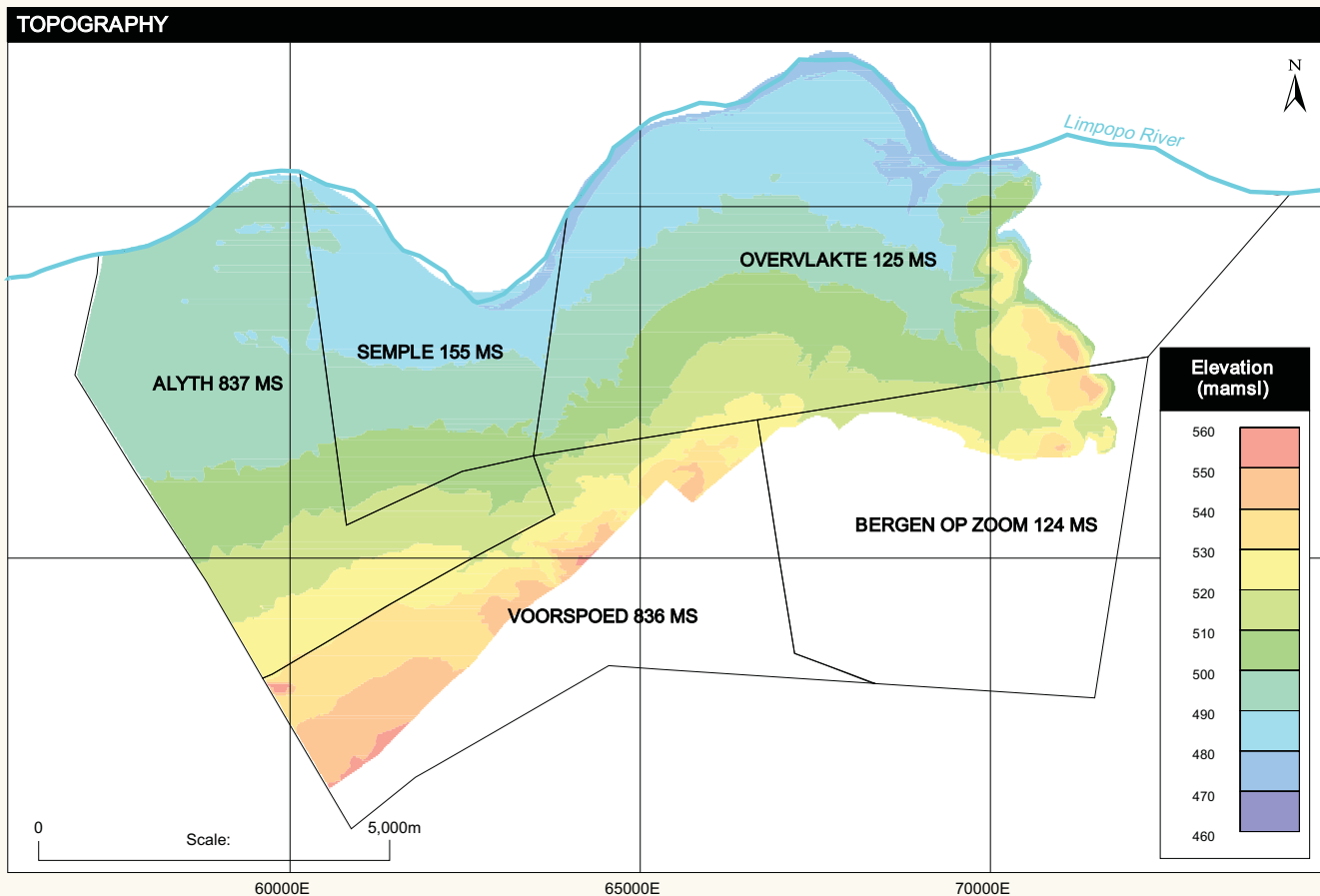
The Top Lower, Middle, Bottom Upper, and Bottom Lower seam floor elevations have been modelled in order to identify any abrupt elevation changes which would indicate the presence of faulting and also to identify the general dip across the Colliery area. The variation in seam floor elevation for the Bottom Lower Seam is presented in Figure 70. The abrupt floor elevation differences, clearly illustrate the positions of a number of faults within the Colliery area, most notably over the farm Overvlakte 125MS, where several faults create a graben feature (downthrown block of coal). These faults, illustrated in Figure 68, have effectively divided the Vele Colliery area into the various mining blocks. Figure 70 shows the relatively deep nature of the east and west underground mining blocks as opposed to the east and west opencast mining blocks.

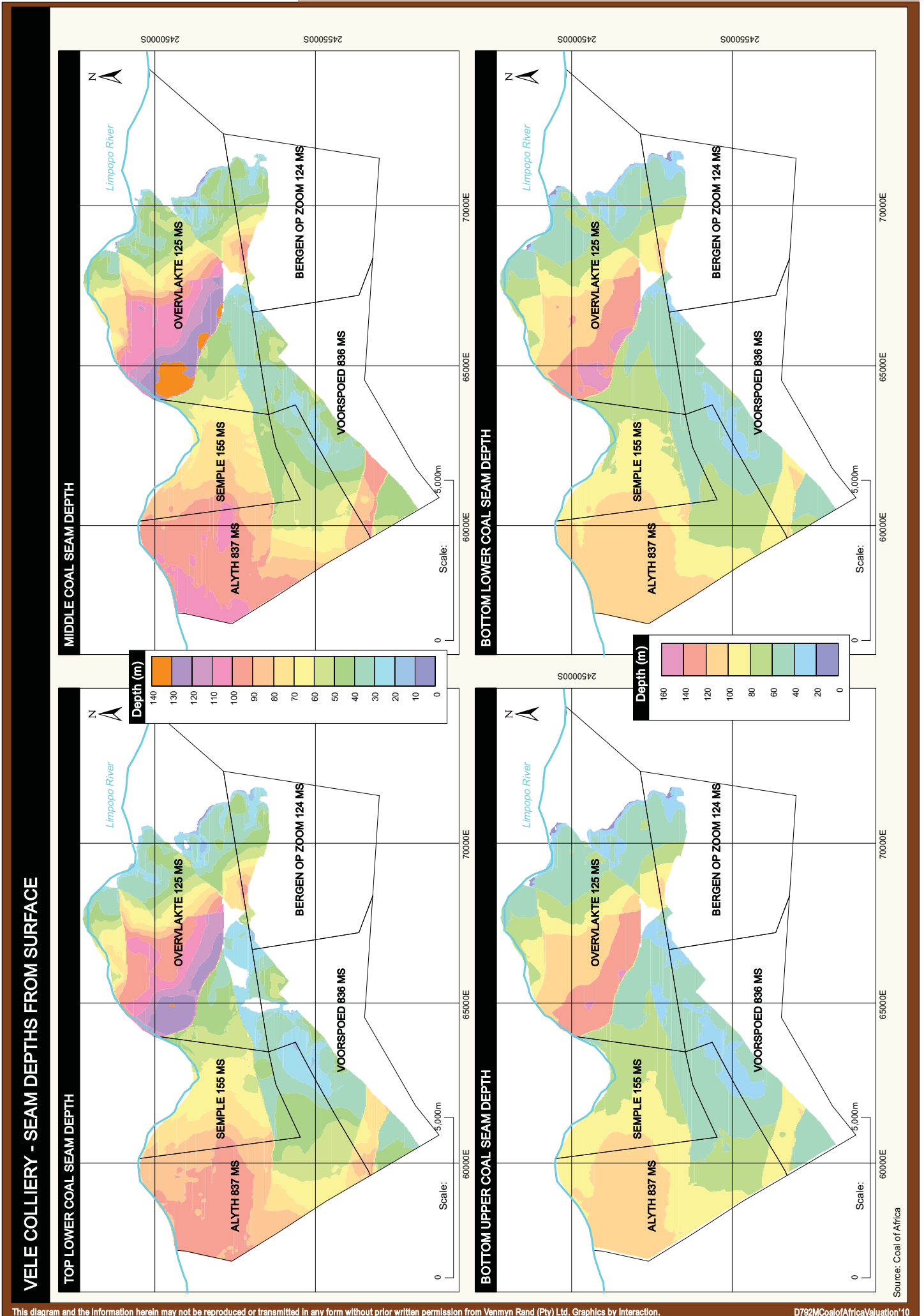
The seam floor elevation contours indicate that the coal within the Vele Colliery area generally dips to the north, with the coal subcropping along the southern most limit of coal.

15.13.1.2. Depth from Surface

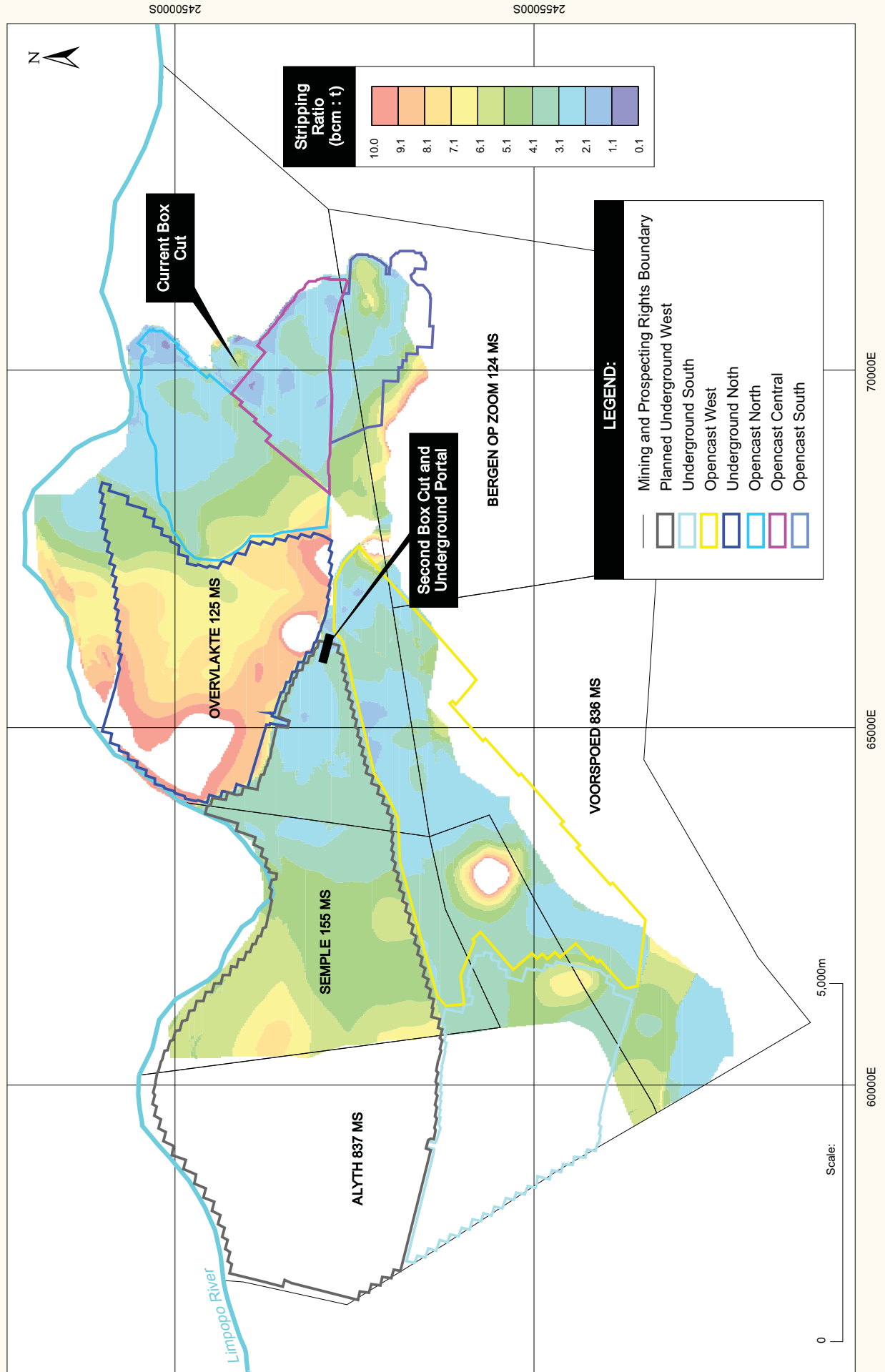
The depth of the seams from surface will have an impact on the mining method (opencast versus underground) and the extraction safety factors and pillar sizes for the underground operations. Figure 71 presents the various seam floor depths from surface. The figure indicates that the coal can be mined using opencast methods in the southernmost parts of the Colliery area, or in those blocks that have been upthrown in the east. Underground mining is necessary for the northernmost parts of the Colliery area; however, only the Bottom Lower Seam will be targeted by underground methods.

VELE COLLIERY - SURFACE CONTOURS AND BOTTOM LOWER SEAM FLOOR ELEVATION





VELE COLLIERY - STRIP RATIOS AND MINING AREA



The coal within opencastable areas occurs at depths shallower than approximately 60m from surface, while the Bottom Lower Seam that will be mined using underground methods generally exceeds 60m in depth from surface.

Figure 72 shows the variations of the stripping ratio across the Vele Colliery area, and the locations of the respective opencast and underground mining areas.

15.13.1.3. Seam Thickness

The various seam thickness contours or isopachs are presented in Figure 73. The seam thicknesses are variable across the Colliery area; however, only small isolated areas of the coal seams with thicknesses of less than 0.5m occur. These areas tend to occur near the subcrop and have all been excluded from the Coal Resources.

Importantly, Figure 73 shows that for the Bottom Lower Seam, within the underground mining areas, the seam is consistently thicker than the minimum mining height of 1.4m, and is therefore conducive to underground extraction in these areas.

15.13.2. Quality Results

The quality results for the raw proximate (ash, volatiles, fixed carbon, moisture and sulphur) and the raw CV laboratory results, for each of the Top Lower, Middle, Bottom Upper, and Bottom Lower seams were modelled. The dry ash free (DAF) volatile content was also modelled as this parameter is a good measure of the devolatilisation of coal due to the presence of dolerites. Several dolerite dykes do occur within the Vele Colliery area (Figure 68), commonly associated with the localised faulting; however, devolatilisation is minimal.

Full coal washability analyses have been conducted on the Vele coal, from which a range of potential products can be calculated. The Vele coal lends itself to the pulling of multi-products, and ongoing studies are investigating the potential and benefits of producing a coking coal at various ash contents (8% - 12%). Currently, the base case being considered for the production scenario is for a 12% ash primary product, with no middlings potential. The theoretical percentage yields, volatiles and CVs for the primary product at a 12% ash were also modelled.

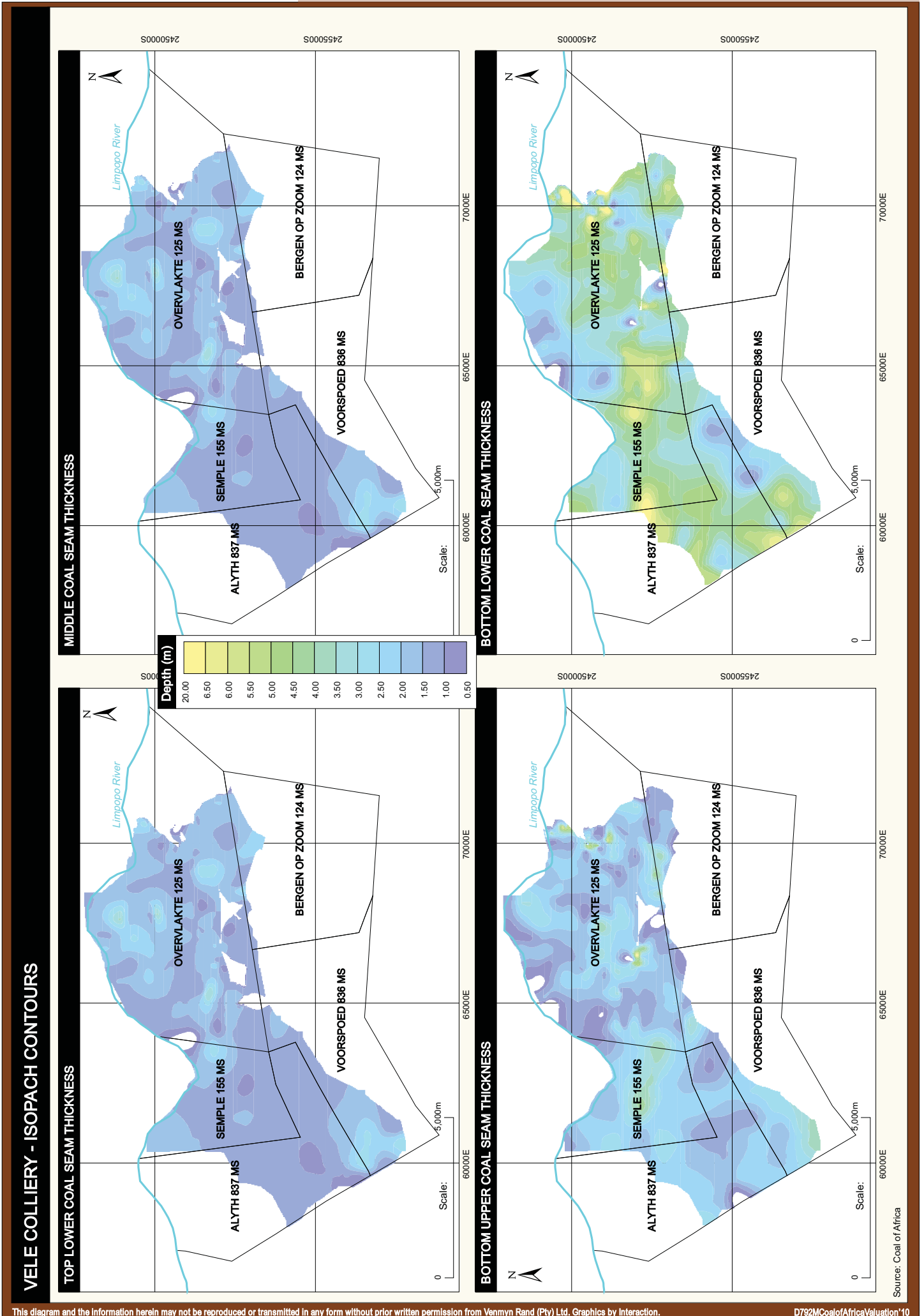
Although all the coal parameters were modelled, only the most important parameters are presented in this report.

15.13.2.1. Coking Potential

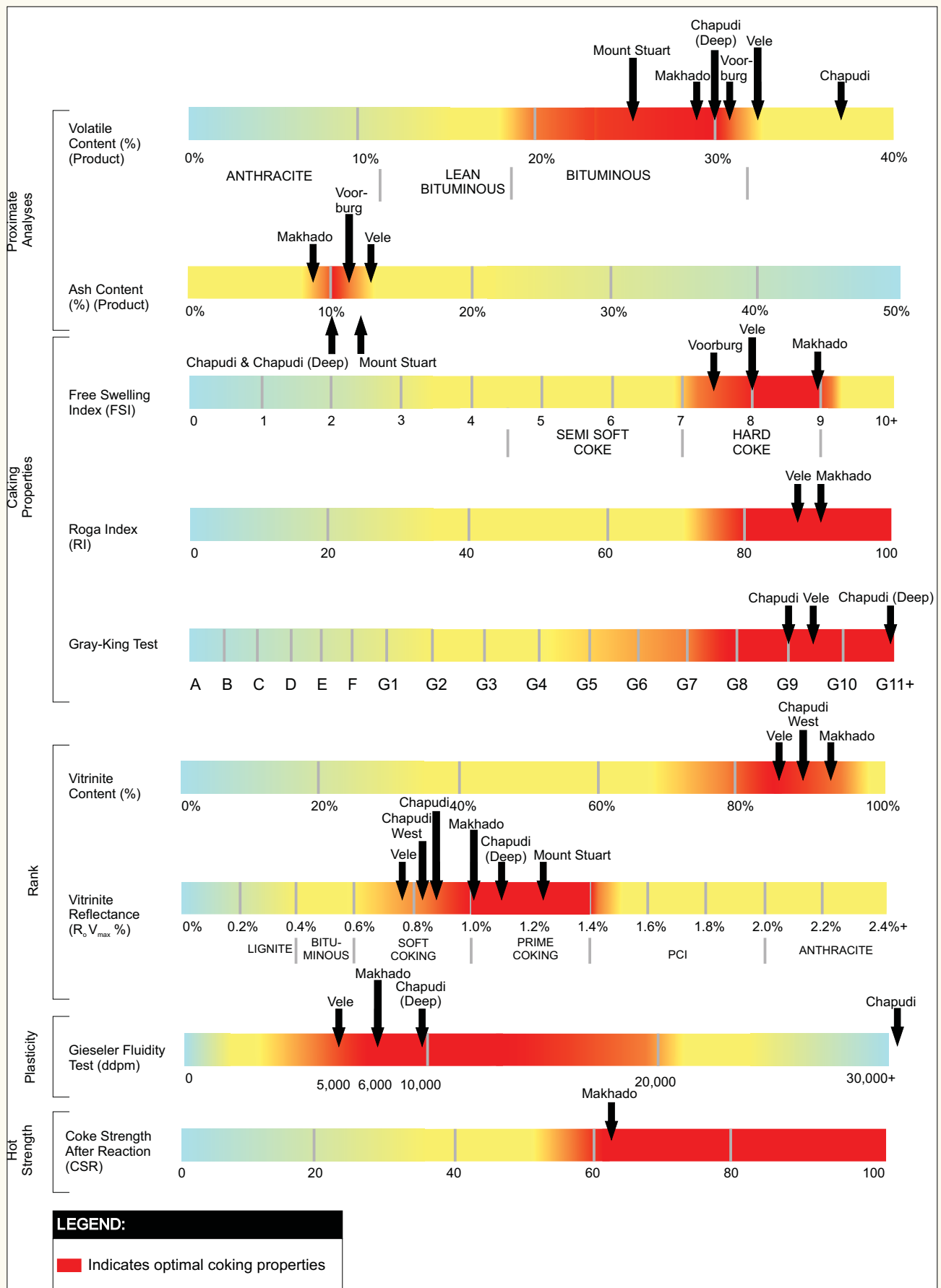
Coke is manufactured from the carbonisation of prime coking coals. Carbonisation is performed to make a smokeless fuel for domestic/industrial applications (domestic coke); to provide a coke for other processes such as in blast furnaces (metallurgical or foundry coke) or to produce a combustible gas. Raising the temperature of coking coals in the absence of oxygen results in their devolatilisation and the formation of a solid fuel, coke, which has a porous structure. Two types of coke can be made, hard and soft with the difference being a result of the temperature of carbonisation. Soft coke is carbonised at temperatures of 600°-700°C to produce a product with a reduced volatile content of the order 9% and hence better combustion characteristics. Hard coke is carbonised at higher temperatures, resulting in devolatilisation and loss of porosity. Combustion characteristics are reduced making these cokes only suitable for more specialist purposes such as manufacture of carbon electrodes or in blast furnaces.

A unique set of properties are required for the production of coking coal. As a coking coal is heated it passes through a state where it becomes plastic, softening and swelling before it re-solidifies. The residue is a cellular coke mass. Coals which do not cake simply form a non-coherent or weakly coherent char. A number of tests have been devised to classify the caking properties of coals, including the Roga test, Free Swelling Index and Gray - King test. Caking behaviour is critical to coke making as a successful coke must be strong and not powdery. Other tests assess additional parameters important to coke such as the vitrinite content.

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 74 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.



CoAL's COKING COAL PROJECTS SHOWN IN RELATION TO SELECTED COKING COAL TEST RESULT OPTIMAL RANGES



These tests include the measurement of the following, in order of general importance:-

- Free Swelling Index (FSI). This is used to measure a coal's swelling properties when heated under prescribed conditions without physical restrictions. The FSI is obtained by heating prepared samples of coal over a burner and comparing the resultant coke button to a series of standard profiles. The FSI is useful in determining the plastic properties of coal, and as an indication of the coal's suitability for use as a coking coal. Industry standard FSI figures range from 0 (no increase in size) to 9 (greatest increase in size). FSI can be affected by moisture content, weathering, and the consistency of the pulverized sample (Source: SGS);
- Roga Index (RI). The simplest indicator for the potential of a coal for caking purposes in terms of the mechanical strength of the coke obtained by carbonisation. A coal sample is combined with a standard measure of anthracite and heated to form a button. The resultant button is tested for mechanical strength by being rotated in a drum for a specific time. There is a correlation between RI and FSI. Measured with the index varying from 0 – 100, with figures greater than 45 having maximum strength and being comparative to an FSI of >4;
- Gray – King Test (G index). The Gray - King Test is essentially the same as the FSI except the residue button is compared with a number of previously made standard cakes. The result is assigned a letter ranging from A (no coking properties) to G (where it has maintained its volume and form as a fused product). If it swells beyond its volume it is said to have superior coking qualities and is further tested and designated as coke type G1 – G11;
- vitrinite content (%). Vitrinite is one of the primary organic components of coal and is derived from the cell-wall material or woody tissue of the plants from which coal was formed. It has a shiny or vitreous appearance resembling glass. The vitrinite content provides an indication of the rank of the coal;
- Coke Strength After Reaction (CSR) is used to test the "hot" strength of coke. It is used to obtain an indication of coke performance and is one of the major considerations when blending coking coal for export sale. The test involves heating a 200g sample of –21mm to +19mm particle range coke at 1100 °C under 1 atmosphere pressure of carbon dioxide for 2 hours. The coke is preheated and cooled under nitrogen and the weight loss during reaction is measured. The percentage weight loss is known as the reactivity (CRI). The reacted coke is then placed in a drum and subjected to 600 revolutions in 30 minutes. The percent of carbon material removed from the drum that is +10mm is known as the CSR;
- vitrinite reflectance (R_oV_{max}). There is a correlation between carbon content and reflectance and this parameter is used to precisely determine the thermal maturity, or rank, of coal. This is measured against the mean maximum reflectance of vitrinite in oil (R_oV_{max}) to determine the rank; and
- Gieseler Plastometer or Fluidity Test. Used to determine the plasticity range of coals including the temperature at which the initial softening, maximum fluidity and resolidification occurs. The maximum fluidity value is measured in dial divisions per minute (ddpm) and are key factors in determining which blends of coals will be optimal for coking. (Source: SGS)

Coking coals can be classified by their volatile content. This will determine whether the coal can be classified as hard or soft coking coal potential. In addition, the coal is required to have a low ash content, i.e. between 8-10%, although the South African market accepts coals of 12% ash.

The Vele coking coal product has low moisture, high volatile matter and moderate sulphur contents. Internationally traded coking coals typically have an ash content of around 10% or less; however, the relatively high 12% ash content of the Vele product is considered acceptable by South African consumers. The phosphorus content is low.

For the Vele Colliery, the FSI determined from LDD samples are relatively high, ranging from 7.5 to 8.5. However, FSI results from testwork on coal obtained from slim core boreholes often exhibited lower values which may be attributable to oxidation of samples acquired during the earlier phases of exploration, prior to the introduction of refrigerated storage.

LDD sample analyses indicate Gray King and RI in the upper ranges of G8 to G11 and 84 to 90, respectively. The high average vitrinite content of about 85% is attractive as a commercial premium is often placed on coking coals with an elevated vitrinite percentage.

The Coke Strength after Reaction (CSR) measurements are relatively low but are commensurate with the average R_oV_{max} of 0.78%. As there is an inverse relationship between CSR and Coke Reactivity Index (CRI), the latter values are correspondingly high.

Examination of values for maximum fluidity, maximum dilatation, CRI and CSR values suggests that there is a propensity for the coking properties in all seams to increase from east to west across the property. However, the relatively consistent volatile matter content suggests that this phenomenon is not an effect of coal rank. On the basis of LDD sample testwork, the Vele Colliery coal product can be classed as a high volatile, soft (blend) coking coal.

15.13.2.2. Calorific Value

The modelled raw CV content of the Vele Colliery is graphically presented in Figure 75. Raw CV is variable within the various seams and across the Vele Colliery area, generally varying between 12MJ/kg and 22MJ/kg (Figure 75). Raw CVs in excess of 22MJ/kg only occur in localised areas. The theoretical product CV contours, at a 12% ash, are graphically presented in Figure 76.

Although the CV results are presented here, this is not an important characteristic of coal that is assessed for coking potential.

15.13.2.3. Ash

The modelled raw ash content of the Vele Colliery is graphically presented in Figure 77. The ash content has an inverse relationship with the CV and this is clearly evident in the respective contour plots Figure 77. Raw ash is variable within the various seams and across the Vele Colliery area. The relatively high ash content of between 30% - 60% is reflective of the large amounts of interlaminated carbonaceous shale within the seams.

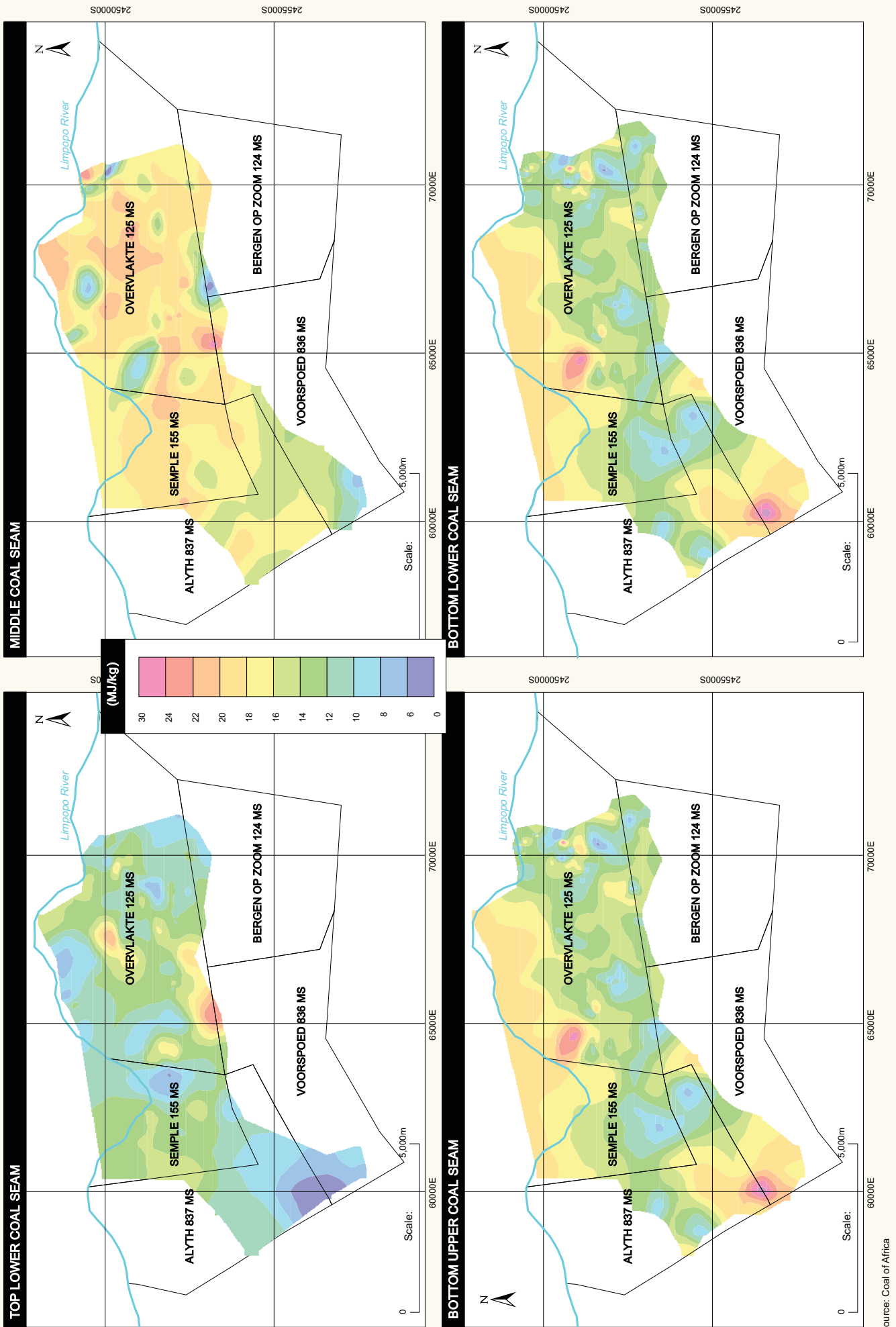
15.13.2.4. Volatiles

The raw volatile content of the Vele Colliery is graphically presented in Figure 78. Figure 78 shows that the Top Lower Seam has the lowest overall raw volatile content of between 12% and 30%, with the Bottom Lower Seam showing the highest and least variable volatile content of between 20% and 28%. The theoretical product volatile contours, at a 12% ash, are graphically presented in Figure 79. These relatively high volatiles classify the Vele coal as a semi-soft coking coal.

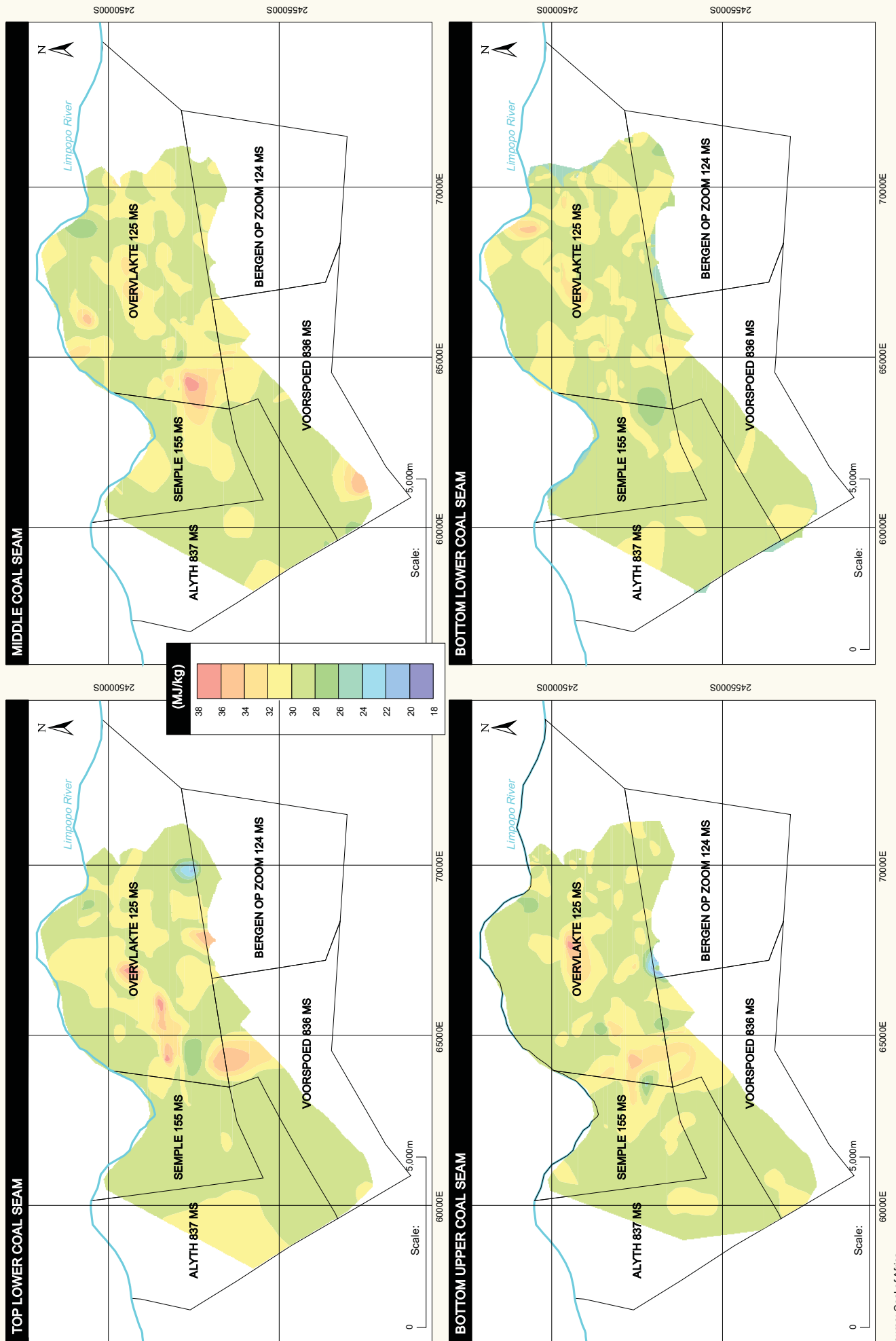
15.13.2.5. Potential Yields

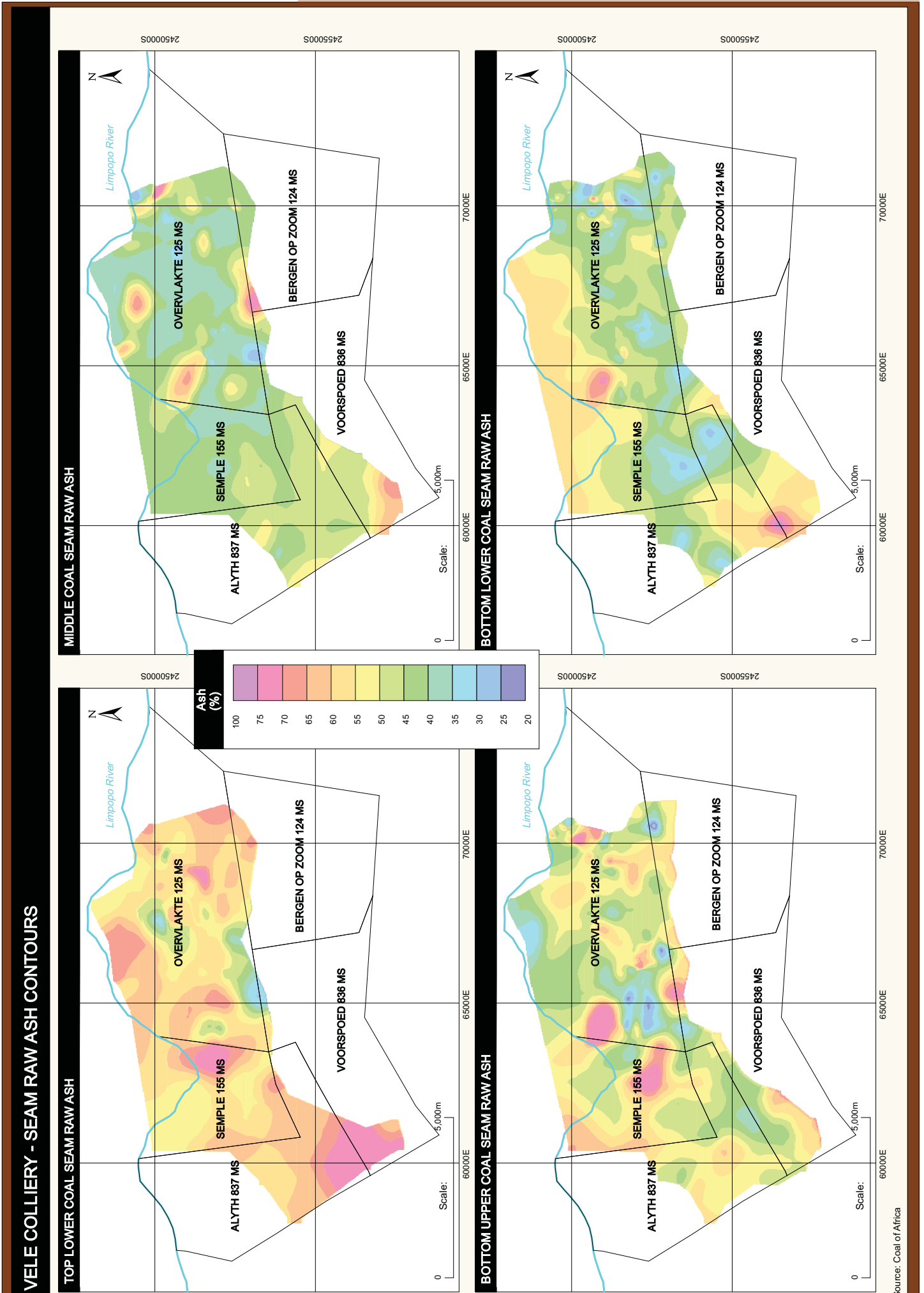
Full washability testwork was carried out on the various coal seam samples. The results were imported in Minex'sTM coal simulation programme and used to assess the yields and resultant product specifications. These results were utilised for the determination of the potential saleable tonnes and product specifications for Coal Reserve purposes.

VELE COLLIERY - SEAM RAW CV CONTOURS



VELE COLLIERY - THEORETICAL PRODUCT CV CONTOURS (@12% ASH)





The base case that CoAL is considering for the Vele Colliery is a 12% ash primary product, without a saleable middling product. However, the benefit of producing a lower ash primary product with a saleable middling product is also being investigated by CoAL.

The theoretical yield variations at the Vele Colliery, for a 12% ash primary product, are presented in Figure 80. This yield plot provides the reader with an indication of the yield potential of the coal. The theoretical yields have been calculated by CoAL by applying a factor of 1.38 (or an additional 38%) to the sample washed yields.

It is generally accepted that reliable estimates of coking coal product yields are often not achievable from the testing of slim core samples and that results obtained from LDD samples are considered more realistic (with bulk sampling from bulk sample pits giving the most accurate estimates).

Comparison of product yields, for the various seams, between the slim core and LDD samples, showed that although the yields from the LDD samples are variable within and between seams, they are in all cases significantly higher than the slim core equivalent (Table 60). This suggests that actual yields achieved during production situation will be higher than those indicated by the results of slim core testwork.

Table 60 : Vele Colliery – Comparison of Product Yields for LDD and Slim Core Samples

SAMPLE TYPE	COAL SEAM PRODUCT YIELD (%)			
	TOP LOWER	MIDDLE	BOTTOM UPPER	BOTTOM LOWER
AVE - LDD	14.8	38.0	25.9	34.2
AVE – Slim Core	9.6	22.7	14.4	17.9
DIFFERENCE (%)	54.2	67.4	79.9	91.1

The factor applied by CoAL was calculated as half of the weighted average difference (~76%) of product yields between the LDD and slim core samples in Table 60. Because only half the difference (38%) has been applied as a factor, CoAL considers that the theoretical yields presented in this section and considered for Reserve estimation purposes is conservative, and that the actual yields may be significantly higher.

However, on the basis of the information currently available, it is not possible to reliably estimate the practical yields (and therefore saleable coal) that will be obtained during production, but it is expected that this will be quantified through processing of the initial mined material. The initial mining at Vele will, therefore, in effect, constitute a bulk sampling/trial mining exercise.

15.14. Coal Mining

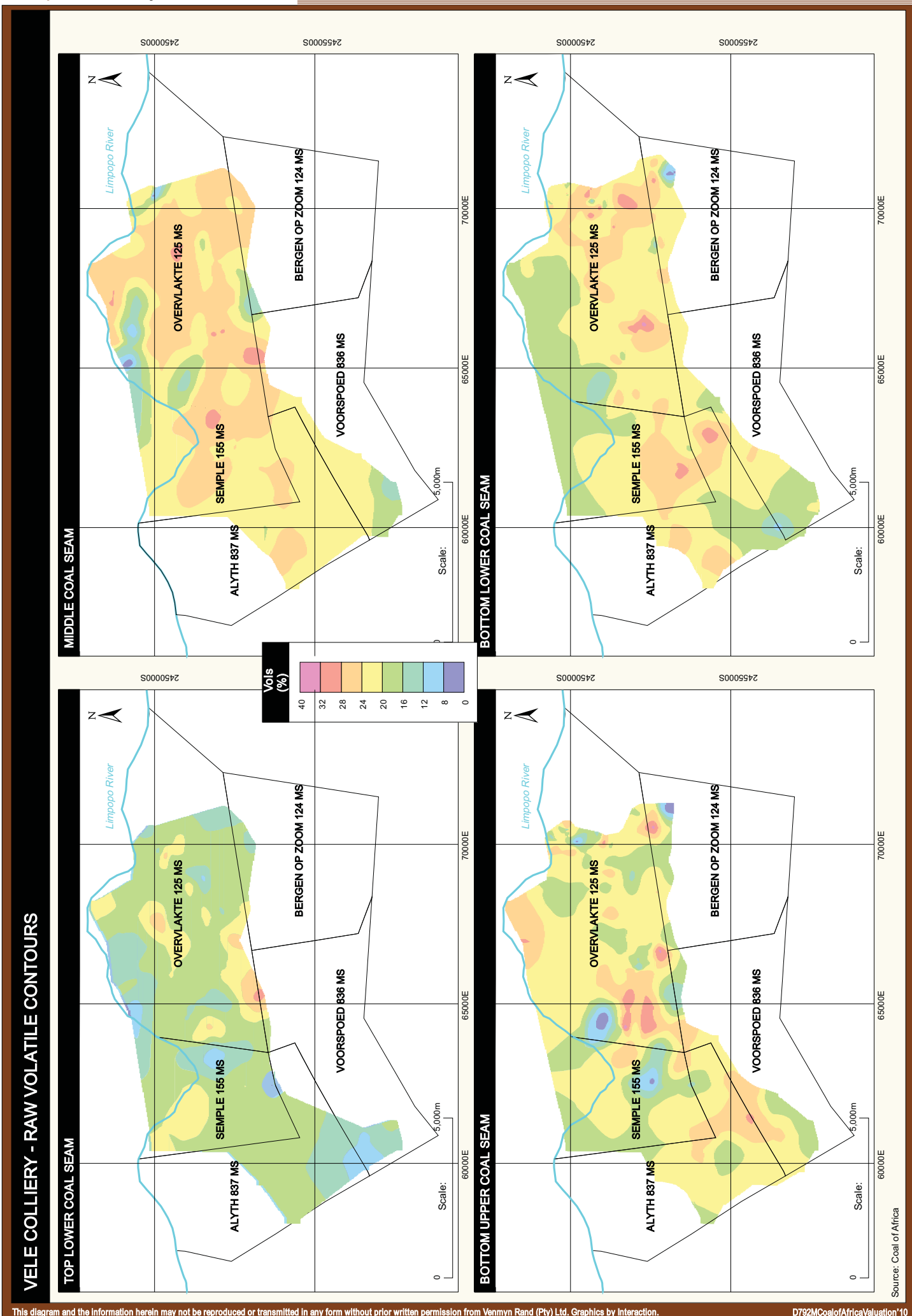
No previous mining has taken place at the Vele Colliery. However, a Conceptual Study was completed by GRD Minproc in 2009, which details the planned mining and processing methodologies for Vele. Updated LOM schedules, LOM plans, capital costs and operating costs had been provided by MRM Mining Services (Pty) Limited (MRM) in June 2011. The results of these studies are summarised in this section.

A NOMR has been granted over an area of 8,663ha (Figure 64), covering a Coal Resource of approximately 803.8Mt of GTIS coal. Of this, approximately 229.6Mt of MTIS coal is available for opencast mining and 139.9Mt is considered available for underground mining, after the geological losses and practical seam thickness cutoffs have been applied.

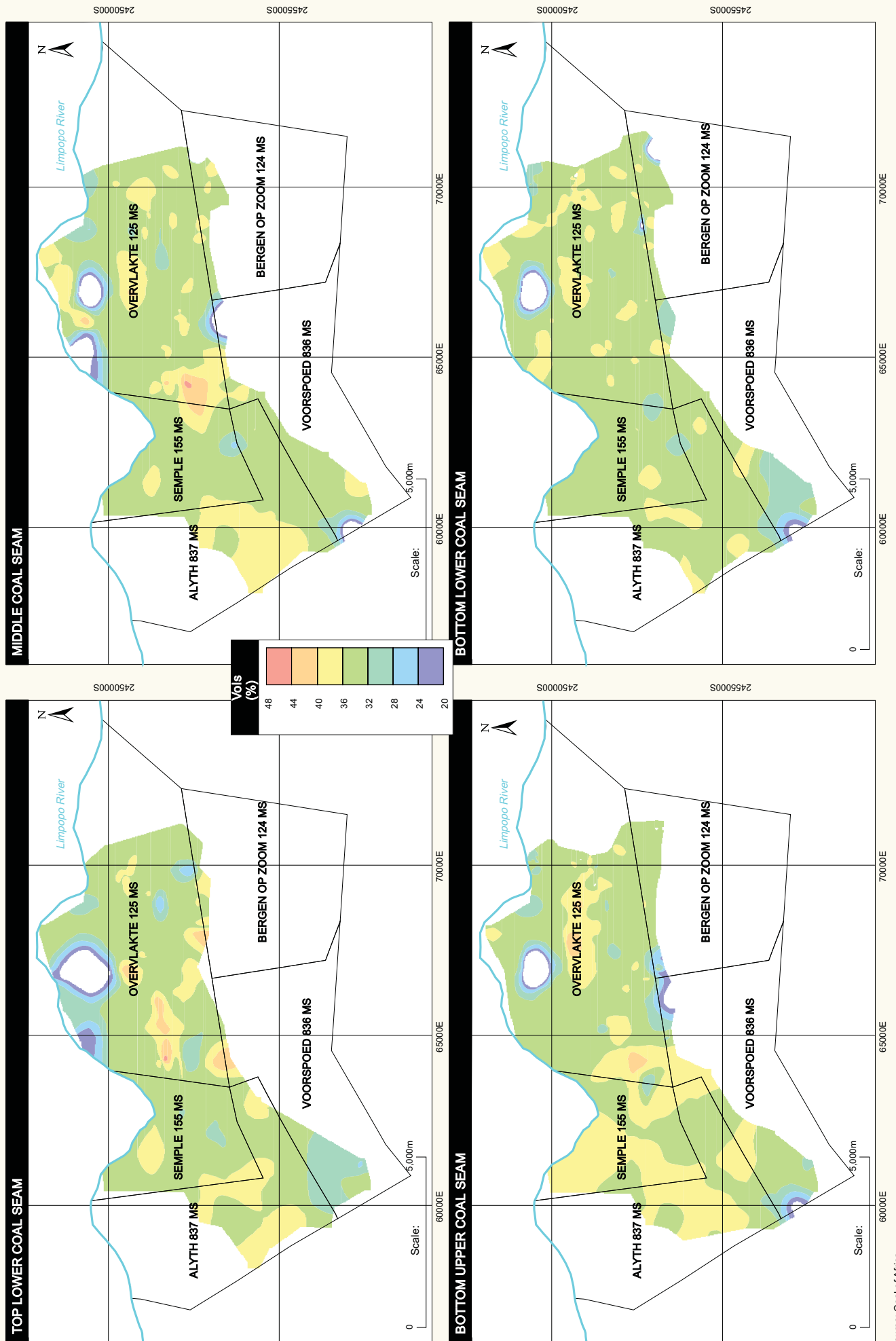
It is anticipated that the Vele Colliery will initially mine coal by opencast methods to produce coking coal for the metallurgical industry and, at a later stage, with the addition of underground production, it may be possible to produce a middlings product for power generation in addition to the coking coal.

Given the absence of secured offtake agreements for the product at the final production rate, scheduling issues with respect to the supply of electricity and the installation of the rail link between Musina and the Vele Colliery, a phased project development approach is envisaged for the Vele Colliery. The initial phase will comprise restricted opencast mining of the East Pit only. Should market conditions prove favourable, then the subsequent phase may comprise expanded operations including underground development.

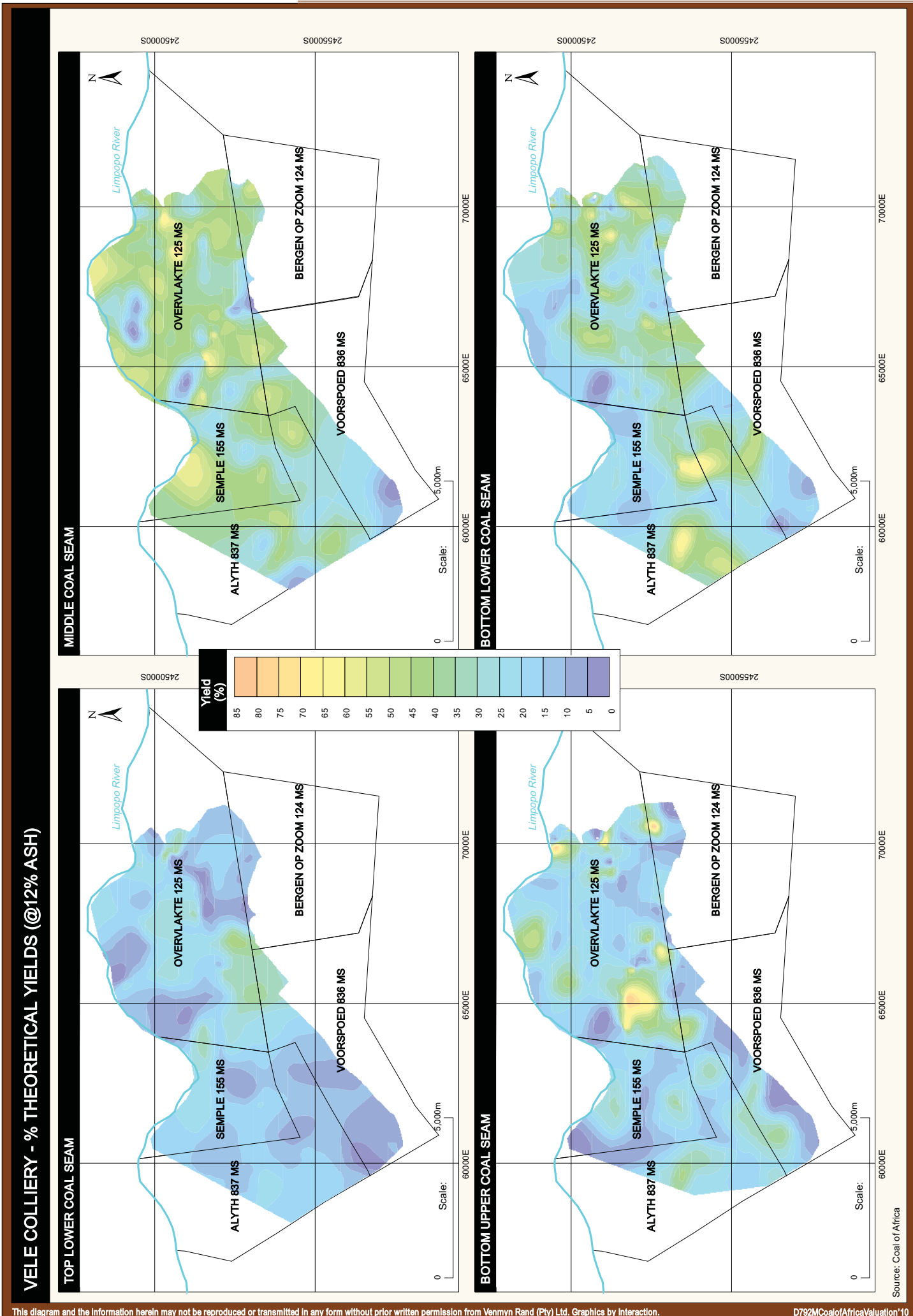
Sections 15.14.3 and 15.14.4 detail the anticipated mining and processing methods, schedules and costs, as determined from the most recent economic studies conducted.



VELE COLLIERY - THEORETICAL PRODUCT VOLATILE CONTOURS (@12% ASH)



Source: Coal of Africa



15.14.1. Mining Method

The intention is to mine at Vele by opencast and underground methods for a period of approximately 33 years.

The Coal Reserves will be accessed via two boxcuts as shown in Figure 81. The boxcut in the deeper Coal Reserves will be for underground access where adits will be mined into the Lower Seam only. The boxcut for the opencast pit will start in the shallowest area and will initially consist of a mini-pit which will expand as the tonnages increase.

The operations are planned to operate 24 hours a day, seven days a week, utilizing four rotating teams working two 12 hour shifts per day. Maintenance of equipment will be done based on industry norms.

CoAL is currently planning for mining to be conducted by a contractor, MCC.

15.14.1.1. Opencast Mining

To access the opencast Coal Reserves, topsoil must initially be stripped to a depth of 1m by a truck and shovel operation and stored for later rehabilitation. Initial topsoil stripping will be done by utilising contractors. Overburden and interburden stripping is then to be performed by truck and shovel fleets. Separate coaling fleets will transport the coal from the pit to the RoM tip.

The current mine design includes two opencast pits which are designed to produce up to 10Mtpa RoM. The first pit to be mined will be the East Pit with the West Pit accessed after approximately 10 years. The opencast layout has been designed to produce an average of approximately 800,000tpm, depending on the overburden thickness being mined and the number of working shifts per month.

Opencast strips and blocks were designed using the following design criteria:-

- block lengths = 300m;
- block widths = 50m; and
- strip lengths = variable.

Overburden access is provided by high wall ramps spaced at approximately 200m intervals and terminating in two end-wall ramps. The coaling bench is accessed via low-wall ramps spaced at approximately 200m intervals.

An average stripping ratio of 4.2bcm:t will be realised during the opencast operations, with stripping ratios rarely exceeding 5bcm:t on an annual basis.

Opencast mining is expected to be undertaken for approximately 28 years.

15.14.1.2. Underground Mining

Underground mining will target the Lower Seam only, using a bord and pillar mining pattern. Underground mining has only been considered suitable in those areas where the depth of the roof of the Lower Seam generally exceeds 60m depth due to the weak coal strength and poor overburden stability.

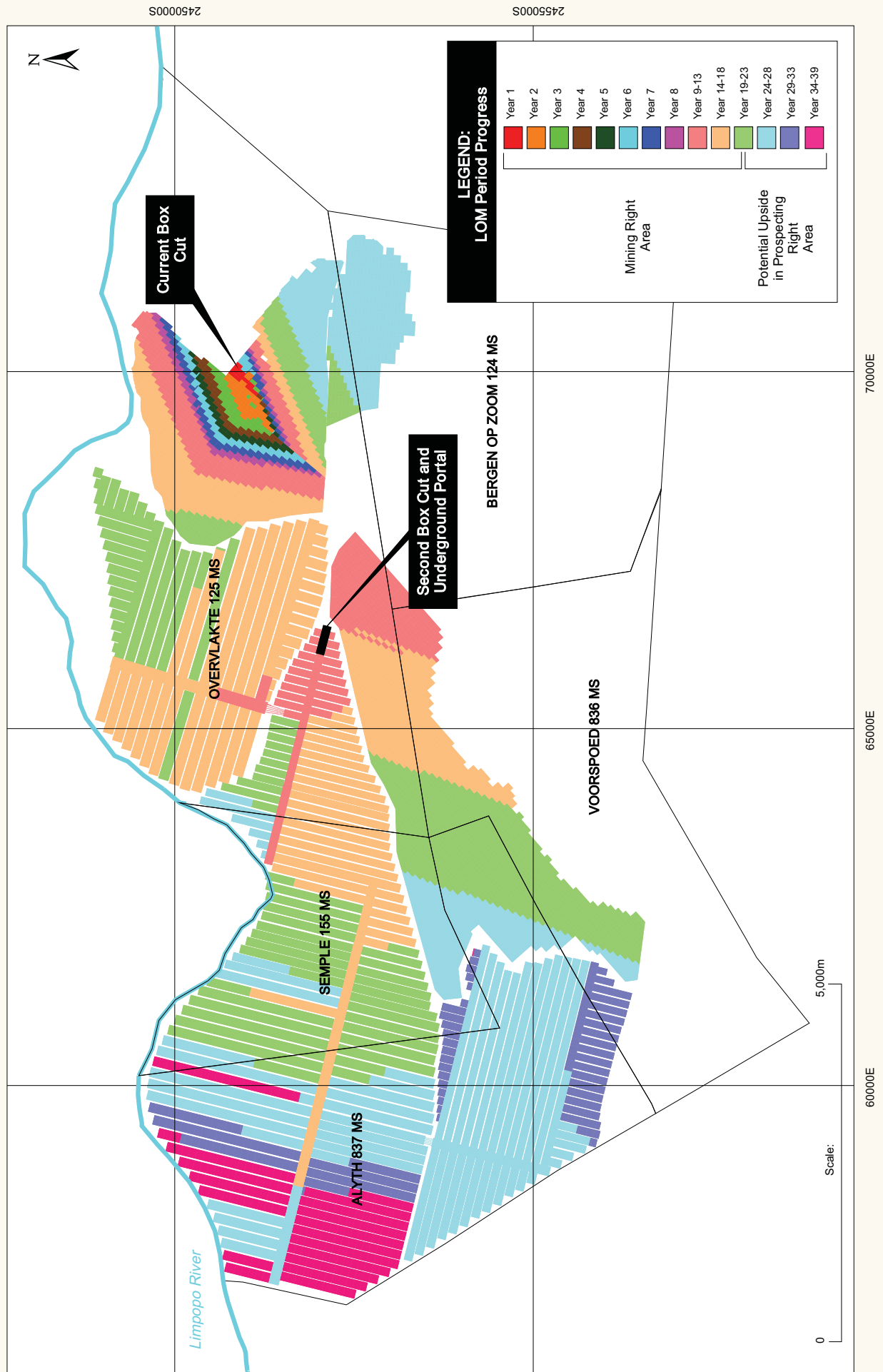
The bord and pillar mining layout should be achieving a relatively high extraction rate of approximately 65% by virtue of the low seam height to depth ratio.

For underground access, a decline is to be sunk on the border with the opencast Coal Reserves. Staff and material will be transported by trackless vehicles (tractor and trailer or light delivery vehicles), while coal is transported out of the mine on conveyors. Ventilation will be by means of up-cast ventilation shafts, with intake air provided through the decline shafts.

The underground development will continue in a northerly direction and have main developments mining east and west. The East underground mining area will need to negotiate a downthrown fault to access the Coal Reserves in the central graben area.

For the underground mining, five continuous miner sections will be required. Each section will be equipped with a high seam continuous miner, four coal haulers, two roofbolters, a feederbreaker and an LHD.

VELE COLLIERY - LOM BLOCK PLAN



Five continuous miner sections with shuttle cars are planned to meet the production requirements, utilizing five Joy 12 HM 31 AAA high seam production sections at an average of 75,000tpm of RoM coal. Pillars will be designed using the Salamon and Munro formula.

In all cases, cognizance must be taken of any structure, which exists or could be reasonably foreseen to be created on or in the overlying surface. Such structures will be protected by pillars designed to the appropriate safety factors.

No secondary extraction, including pillar extraction, has been designed for the Vele Colliery due to possibilities of surface subsidence and ground water pollution.

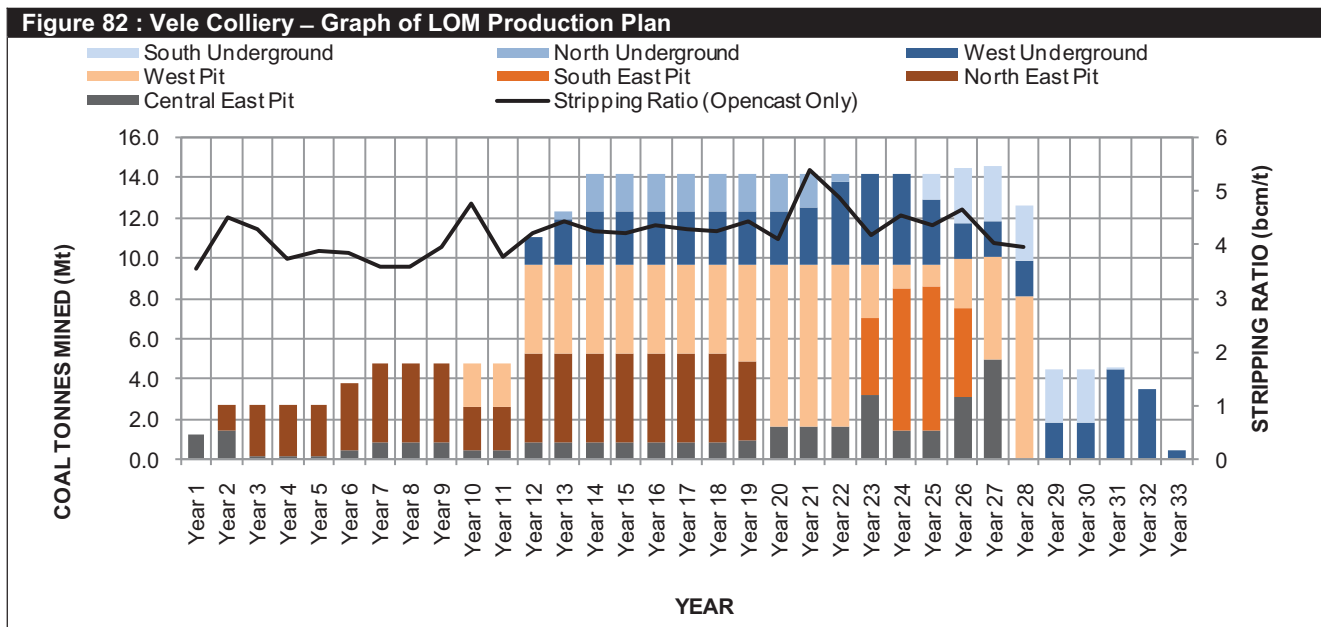
Underground mining is expected to be undertaken for approximately 21 years, commencing approximately 12 years after opencast mining commences (Figure 82).

15.14.2. Historical Production

There has been no previous coal production from the Vele Colliery area.

15.14.3. Future Production

A LOM schedule for the anticipated Vele production has been updated by MRM in June 2011 from that presented by GRD Minproc in 2009. Figure 81 illustrates the current LOM block plan and Figure 82 summarises the anticipated production schedule for the LOM plan.



It is important to note that the LOM schedule includes Inferred Coal Resources (~35Mt) and a small portion of unclassified blocks, in addition to the Coal Reserve blocks. This as a consequence of mining the Coal Reserve blocks, with some of these blocks having to be mined to access the next Reserve block. However, most of these mining blocks have been scheduled towards the end of mine life.

An exploration programme has been provisioned for which will aim to upgrade the Inferred Coal Resource blocks in the area defined for the first 10-15 years of the LOM.

The LOM is expected to be approximately 33 years

15.14.4. Costs

All estimated capital and operating costs for the Vele Colliery, detailed in this section, are nominal term operating costs, as estimated as at 31st August 2011. The cost estimation was partly based on the conceptual study that was conducted by GRD Minproc (Pty) Limited in March 2009.

This study was aimed at developing the above the ground infrastructure associated with Vele Colliery to the level of a bankable feasibility study. This has been updated by CoAL at various stages in the development and during the period when the project was on hold due to outstanding environmental licensing. Most of the surface infrastructure was in place, when the project was stopped.

No contingency has been allowed in the operating cost estimates.

All capital and operating estimates on Vele are with an average accuracy range of between -5% and +15%, since all these estimates are based on contracts from the various service providers. CoAL anticipates that it would be able to start producing in the next three months.

15.14.4.1. Operating Costs

The operating costs for the Vele Colliery are based on an outsourcing model. CoAL aims to utilise experts in the fields of mining engineering and plant processing to perform the activities required on Vele Colliery. CoAL will, however, maintain a small management team which will direct operations on the project.

The estimates have been built up from zero based models with budget quotations having been received from established contractors who are experts in their field and others from government gazette and the discipline consultants who have participated in the study.

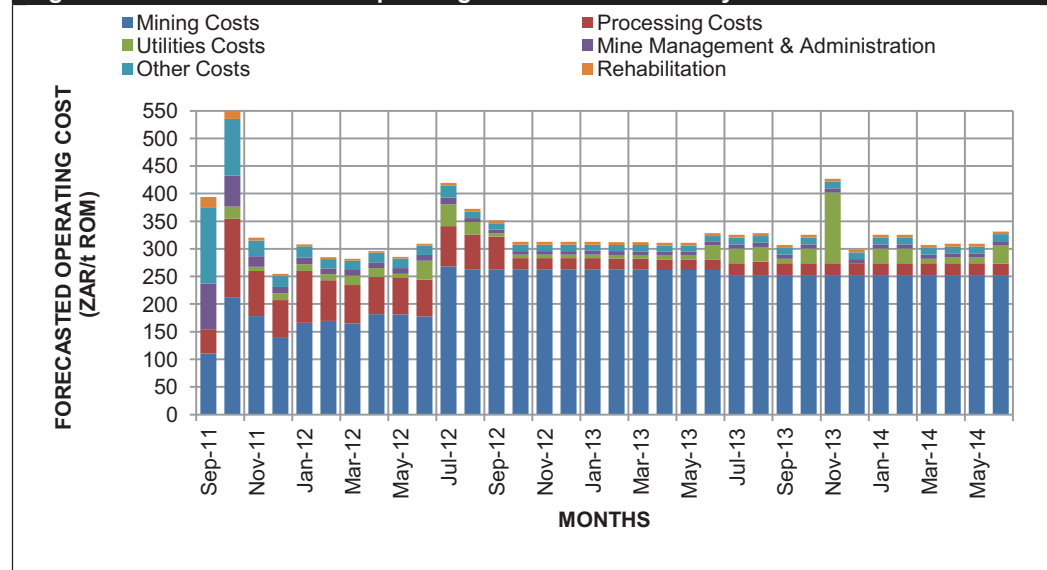
The total operating costs summarised in Table 61, are average operating costs for the current LOM from 2011 to 2013 as illustrated in Figure 83.

Table 61 : Summarised Total Operating costs for Vele Colliery

VELE DEPARTMENTAL COSTS (ZAR/t)	FY2012	FY2013	FY2014
	BUDGET	BUDGET	BUDGET
Mining Costs	173.48	262.24	252.46
Processing Costs	73.92	29.53	21.42
Utilities Costs	14.97	11.16	27.93
Mine Management & Administration	16.24	6.90	7.35
Other Costs	26.82	11.60	12.33
Rehabilitation	4.13	5.28	5.04
TOTAL COST (ZAR/ROM t)	309.56	326.71	326.52

The future operating costs for Vele Colliery are expected to change in line with the benefits of economies of scale and ramping up to steady state. The forecasted costs are illustrated in Figure 83.

Figure 83 : Estimated Future Operating Costs for Vele Colliery for the next 36months



The graph shows that the first two months of production, the operating costs are relatively higher due to the fact that the new mining areas are being opened up and the processing plant is being commissioned and fine tuned. It should be noted that as the RoM production increases around July 2012, the relative proportions of the total operating costs are heavily skewed to the mining costs.

It is anticipated that the total operating costs for Vele Colliery would be around ZAR330/RoM t at steady state production.

15.14.4.2. Capital Costs

The capital expenditure has been divided into two mining operations, namely the Open Pit and the Underground sections. However, in this report only the initial capital expenditure for the first three years on the open pit and surface infrastructure has been documented in detail in Table 62. Capital expenditure to be spent in financial 2012 onwards is aimed at completing the project development and initiating production. The underground sections are anticipated to come into production 12 years after the first production from open pit mining. However, all the estimated capital expenditure was considered for valuation purposes.

The following methodology was adopted in the capitalisation of operating costs during the development phase of the mine:-

- open pit mining – all ramp and boxcut development for the first 15 months of mining until the start up of the first plant module;
- processing plant – all construction costs including hot and cold commissioning; and
- other costs - all construction activities are capitalised.

After the construction of a specific item of infrastructure has been completed and commissioned, all subsequent related costs will be treated as operational costs.

Table 62 : Capital expenditure on the Mining and Other Infrastructure for Vele Colliery

CAPITAL EXPENDITURE - excluding Plant	FY2011 CAPEX SPENT TO-DATE	FY2012 BUDGET	FY2013 BUDGET	FY2014 BUDGET
Capital (excluding Plant)	351,618,259	143,693,655	68,350,658	2,891,316
Add Contingency	0	7,184,683	3,417,533	144,566
GRAND TOTAL (ZAR)	351,618,259	150,878,337	71,768,191	3,035,882

15.15. Coal Processing

15.15.1. Processing Plant

The coal will initially be processed at the temporary (modular) plant that is ready for commissioning on-site. It is anticipated that after five years, production would ramp up to accommodate the permanent plant. Figure 84 illustrates the current processing plant flow sheet and mass balance. The original design criteria for the processing plant required that it produce a primary coking coal product with a 12% ash component, and a moisture content of 8% by mass. Primary yields are expected to be approximately 30%, with the middlings treated as waste.

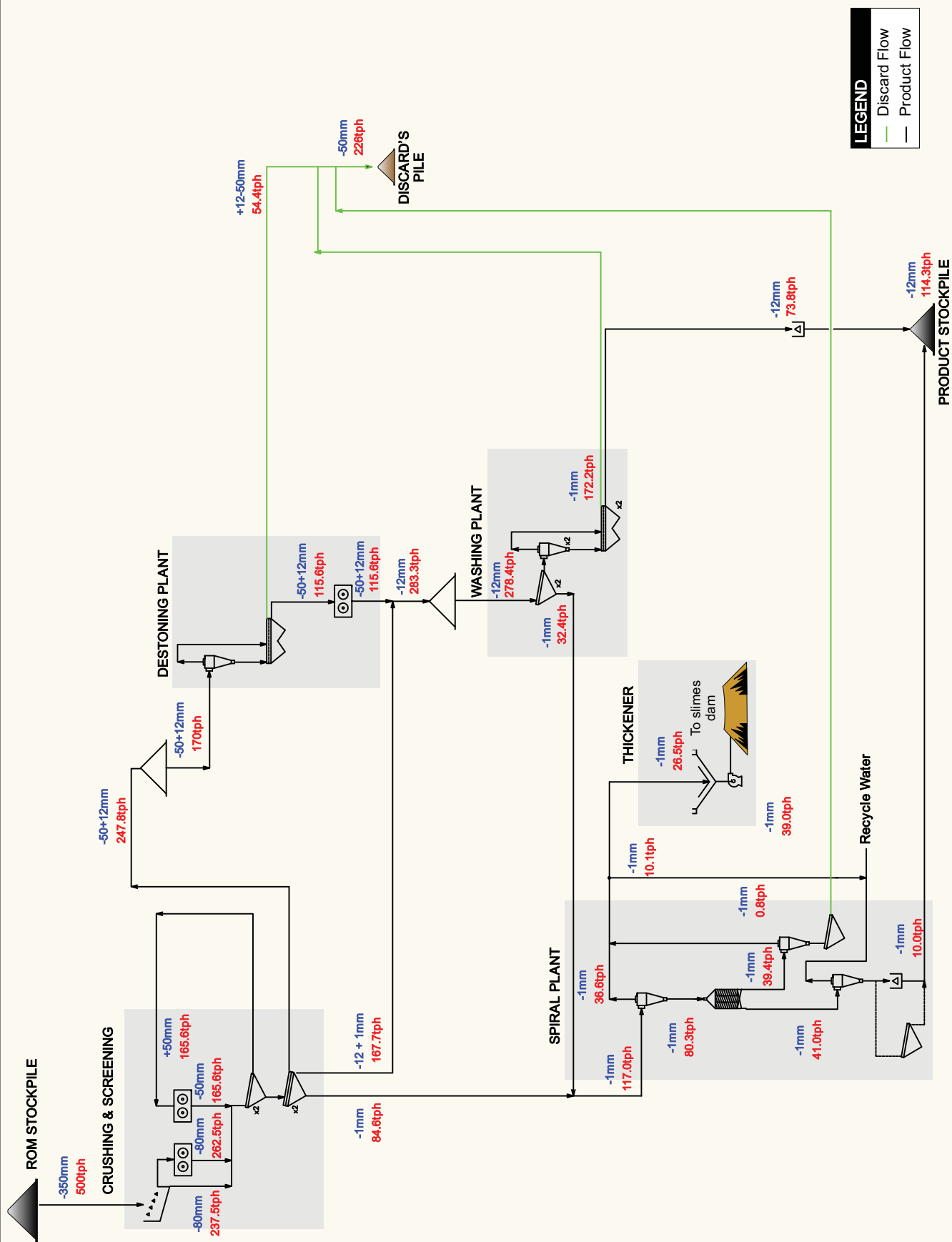
The plant consists of the following main sections:-

- crushing and screening plant;
- de-stoning plant (modular);
- secondary washing plant (modular);
- spiral plant (modular); and
- general plant services.

A flotation plant, for the processing of ultrafines, is incorporated in the plant design and is to be installed later. RoM consists of material supplied from underground and open-cast mining activities. The underground material has a top size of 350mm while the opencast material has a top size of 250mm. The plant is designed for a RoM feed of 50tph into the crushing and screening plant. This section separates material into three main size fractions: -50mm + 12mm that reports to the de-stoning plant with a processing capacity of 170tph; -12mm that reports to the secondary washing plant with a processing capacity of 340tph; and -1mm reports to the spiral plant with a processing capacity of 100tph.

Dirty process water containing slimes is treated and clarified in a thickener and the recovered water is re-used as process water in the preparation plant. The high-density thickener underflow is pumped to a lined temporary slimes dam.

VELE COLLIERY - CURRENT (TEMPORARY) PROCESSING PLANT FLOWSHEET AND MASS BALANCE



The coking coal produced is temporarily stored on a product stockpile prior to despatch. The discard (including middlings) is temporarily stored on a discard stockpile and is to be regularly removed and used as backfill material in the pit.

Process routes are virtually identical for both the underground and RoM coal except that the latter product is not subjected to rotary breaker beneficiation of the coarser coal fraction.

Owing to the different washing characteristics of the underground and opencast coal, these coals will be treated separately, the respective products being combined.

15.15.2. Historical Production

There has been no historical coal production from the Vele Colliery area.

15.15.3. Future Production

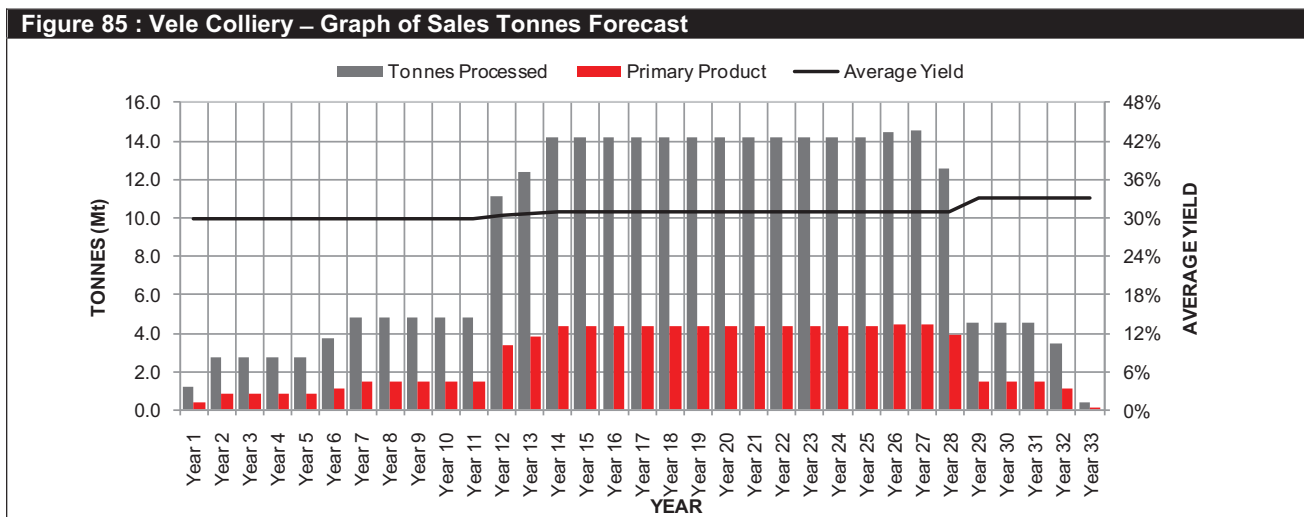
MRM, in June 2011, updated the production schedule presented by GRD Minproc in 2009.

The scheduled steady state mining rates are in the order of 14M RoM tpa in order to achieve in excess of 4Mt of saleable coking coal per annum. The build-up of the production is governed by the capacity of the washing plants and, in order to produce saleable tons as early as possible, a smaller modular plant has been constructed to cater for the first five years, after which a main plant will conceivably be commissioned.

Figure 85 illustrates the current production schedule for the Vele Colliery. Initially, the current plant is expected to produce approximately 0.8Mt of coking coal per year. In Year 6, this is expected to increase to approximately 1.4Mtpa. According to the current LOM plan, the production of coking coal will peak in Year 14, with approximately 4.4Mt of saleable coking coal per year. The production ramp up is subject to favourable market conditions. Average yields are expected to be approximately 30%, with all middlings discarded as waste.

The current production plan is to produce a 12% ash coking coal product and no middlings as the base case plan. The different options on producing a high quality coking coal and a suitable export quality thermal coal or domestic thermal coal will be evaluated in the first six to eight months of production. This period would, therefore, constitute a trial mining phase, aimed at understanding the quality and properties of the coal and optimise the coal extraction of this deposit.

This shortfall could have been mitigated had CoAL extracted a bulk sample for metallurgical and washability testwork at the exploration phase (as it has done at the Makhado Project – Section 16) to establish what type of products would be optimal from a project economics and practical point of view. Venmyn and CoAL are aware that the base case presented here may not be the most optimal production scenario. However, this base case has substantiated the Coal Reserves declared in Section 15.19.2.



15.15.4. Costs

15.15.4.1. Operating Costs

The washing plant processing cost component for the Vele Colliery operating costs ranges from ZAR22/t to ZAR74/t, as the company benefits from economies of scale.

Currently the assumption is that CoAL will only be producing one product. At some point in the LOM, CoAL would evaluate the feasibility of producing two products. An additional cost will be introduced to cater for the secondary washing to produce the secondary product. The cost structures are summarised in Table 61, and Figure 83 shows the proportion that will be spent on the beneficiation of coal in the future in relation to other costs.

15.15.4.2. Capital Costs

The initial plant is already installed on site and awaits commissioning once the mining operation commences in September 2011. Table 63 shows the additional capital expenditure that has been budgeted on the additional modules to be installed to supplement the current plant.

Table 63 : Capital expenditure on the Plant for Vele Colliery

CAPITAL EXPENDITURE - Plant	FY2011	FY2012	FY2013	FY2014
	CAPEX SPENT TO-DATE	BUDGET	BUDGET	BUDGET
Processing Plant	87,617,922	0	85,000,000	0
Flotation Plant	0	0	120,000,000	0
TOTAL PLANT CAPITAL (ZAR)	87,617,922	0	205,000,000	0

15.16. Coal Market

No offtake agreements or contracts are currently in place for the Vele coal. However, ArcelorMittal has signed a Memorandum of Understanding with CoAL, which could result in an offtake agreement as discussed in Section 15.2.2.

It is anticipated that any coking coal not sold to ArcelorMittal, will be exported through the port of Maputo in Mozambique (approximately 750km from Vele). When a market is developed for the middling products, this material will conceivably be exported or sold domestically in part or in its entirety via road and rail. Until such time as a market is developed for the middlings, these will be disposed of in the open pit.

15.17. Previous Resource Statement

The previous Coal Resource Statement for the Vele Colliery was prepared and independently signed off by TMC in September 2010. The Coal Resource Statement is presented in Table 64. The Competent Person responsible for signing off the Coal Resource Statement is Mr M Stewartson (Pr.Sci.Nat. Reg. No.: 400119/93).

15.18. Current Resource Statement

The Coal Resources for the Vele Colliery were independently classified and signed off by Venmyn's Competent Person in accordance with the JORC Code and the Australian Guidelines. Venmyn's Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No 400049/02) and a longstanding member of AusIMM. She has over 15 years experience in the resources industry. The classification into the various resource categories is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results. Venmyn is confident that the logging, sampling, data density and distribution are suitable for the Coal Resource and Coal Reserve estimation. The estimation of each of the parameters required for the reporting of Coal Resources is presented in the sections to follow.

The Coal Resource Statement for Vele Colliery, as at 31st August 2011, is presented in Table 65 in summary and the location of the Coal Resources in relation to the mineral rights boundary is illustrated in Figure 86.

15.18.1. Resource Classification

The Vele Colliery seam Coal Resources were classified according to the relative spacing of points of observation with both quantitative and qualitative results. The spacing defined in the Australian Guidelines is summarised in Table 19. Only Points of Observation with seam quality data, in combination with seam thickness data, have been used to define the Coal Resource categories. The coal seams have been individually classified (Figure 87), based on the criteria set out in Table 19. Inferred Resources are particularly relevant in the northwestern corner of the Colliery Area, which is devoid of borehole data.

15.18.2. Input Parameters and Limits

The detailed Coal Resource Statement, by mineral right, is presented in Table 66. This table presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant Coal Resource tonnages and associated qualities.

Table 64 : Vele Colliery – Previous Resource Statement (TMC – September 2010)

PROJECT	RESOURCE CATEGORY	SEAM	O/C or U/G	GROSS	MINEABLE	AIR DRIED RAW QUALITIES						
				TONNES IN SITU (GTIS)	TONNES IN SITU (MTIS)	CV (M J/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)	
				(Mt)	(Mt)							
Vele Project	Measured	Top Low er	O/c	10.574	9.517	11.71	59.10	17.80	21.10	2.07	1.90	
			U/g	8.029	7.226	12.39	57.80	18.00	22.20	1.92	2.10	
		TOTAL / AVE TL			18.603	16.743	12.00	58.54	17.89	21.57	2.01	1.99
		Middle	O/c	9.677	8.710	18.24	42.00	24.40	31.90	2.80	1.70	
			U/g	6.463	5.817	18.06	42.60	22.70	33.10	2.92	1.70	
		TOTAL / AVE M			16.140	14.527	18.17	42.24	23.72	32.38	2.85	1.70
		Bottom Upper	O/c	28.910	26.019	14.02	52.20	20.10	26.10	1.57	1.70	
			U/g	15.643	14.078	14.08	52.70	20.20	25.30	1.64	1.70	
		TOTAL / AVE BU			44.553	40.097	14.04	52.38	20.14	25.82	1.59	1.70
		Bottom Low er	O/c	56.597	50.937	16.49	45.40	22.30	30.80	1.60	1.60	
			U/g	35.530	31.977	16.39	46.10	22.40	30.00	1.68	1.50	
		TOTAL / AVE BL			92.127	82.914	16.45	45.67	22.34	30.49	1.63	1.56
	TOTAL/AVE MEASURED RESOURCES				171.423	154.281	15.50	48.49	21.41	28.49	1.78	1.66
	Indicated	Top Low er	O/c	32.520	27.642	10.79	61.40	16.70	19.90	2.06	2.00	
			U/g	42.449	36.082	11.75	59.40	17.40	21.30	2.06	2.00	
		TOTAL / AVE TL			74.969	63.724	11.33	60.27	17.10	20.69	2.06	2.00
		Middle	O/c	20.271	17.230	17.13	44.60	23.30	30.30	2.53	1.70	
			U/g	28.873	24.542	17.47	44.10	22.90	31.20	2.94	1.80	
		TOTAL / AVE M			49.144	41.772	17.33	44.31	23.06	30.83	2.77	1.76
		Bottom Upper	O/c	41.906	35.620	15.13	49.30	21.40	27.70	1.60	1.60	
			U/g	66.067	56.157	14.54	51.10	21.00	26.10	1.71	1.70	
		TOTAL / AVE BU			107.973	91.777	14.77	50.40	21.16	26.72	1.67	1.66
		Bottom Low er	O/c	82.169	69.843	16.06	46.70	22.00	29.80	1.43	1.50	
			U/g	138.680	117.878	15.38	48.60	21.50	28.40	1.61	1.50	
		TOTAL / AVE BL			220.849	187.721	15.63	47.89	21.69	28.92	1.54	1.50
	TOTAL/AVE INDICATED RESOURCES				452.935	384.994	14.90	50.15	20.95	27.24	1.79	1.65
	Inferred	Top Low er	O/c	16.876	13.501	11.22	60.20	17.40	20.60	2.27	2.00	
			U/g	41.441	33.153	11.16	61.00	17.10	19.80	2.30	2.10	
		TOTAL / AVE TL			58.317	46.654	11.18	60.77	17.19	20.03	2.29	2.07
		Middle	O/c	8.640	6.912	16.23	46.20	22.60	29.40	1.88	1.80	
			U/g	24.957	19.966	17.25	44.60	23.40	30.30	2.18	1.80	
		TOTAL / AVE M			33.597	26.878	16.99	45.01	23.19	30.07	2.10	1.80
		Bottom Upper	O/c	11.072	8.857	15.34	48.40	21.90	28.00	1.59	1.60	
			U/g	34.290	27.432	14.37	51.50	21.10	25.70	1.74	1.70	
		TOTAL / AVE BU			45.362	36.289	14.61	50.74	21.30	26.26	1.70	1.68
		Bottom Low er	O/c	13.555	10.844	16.66	45.10	22.70	30.70	1.47	1.50	
			U/g	38.279	30.623	14.66	50.30	21.00	27.30	1.71	1.50	
		TOTAL / AVE BL			51.834	41.467	15.18	48.94	21.44	28.19	1.65	1.50
	TOTAL/AVE INFERRED RESOURCES				189.110	151.288	14.13	52.32	20.41	25.54	1.94	1.77
GRAND TOTAL / AVE OPENCASE				332.767	285.632	15.09	49.48	21.12	27.76	1.74	1.66	
GRAND TOTAL / AVE UNDERGROUND				480.701	404.931	14.71	50.80	20.80	26.72	1.88	1.69	
GRAND TOTAL / AVE VELE PROJECT				813.468	690.563	14.87	50.25	20.93	27.15	1.82	1.68	

15.18.2.1. Volume

All boreholes with seam intersection data were used to generate the seam physical models on which the estimates of seam volumes were based. The volume of the various seam Coal Resources were estimated using the Minex™ model of the seam thickness.

15.18.2.2. Density

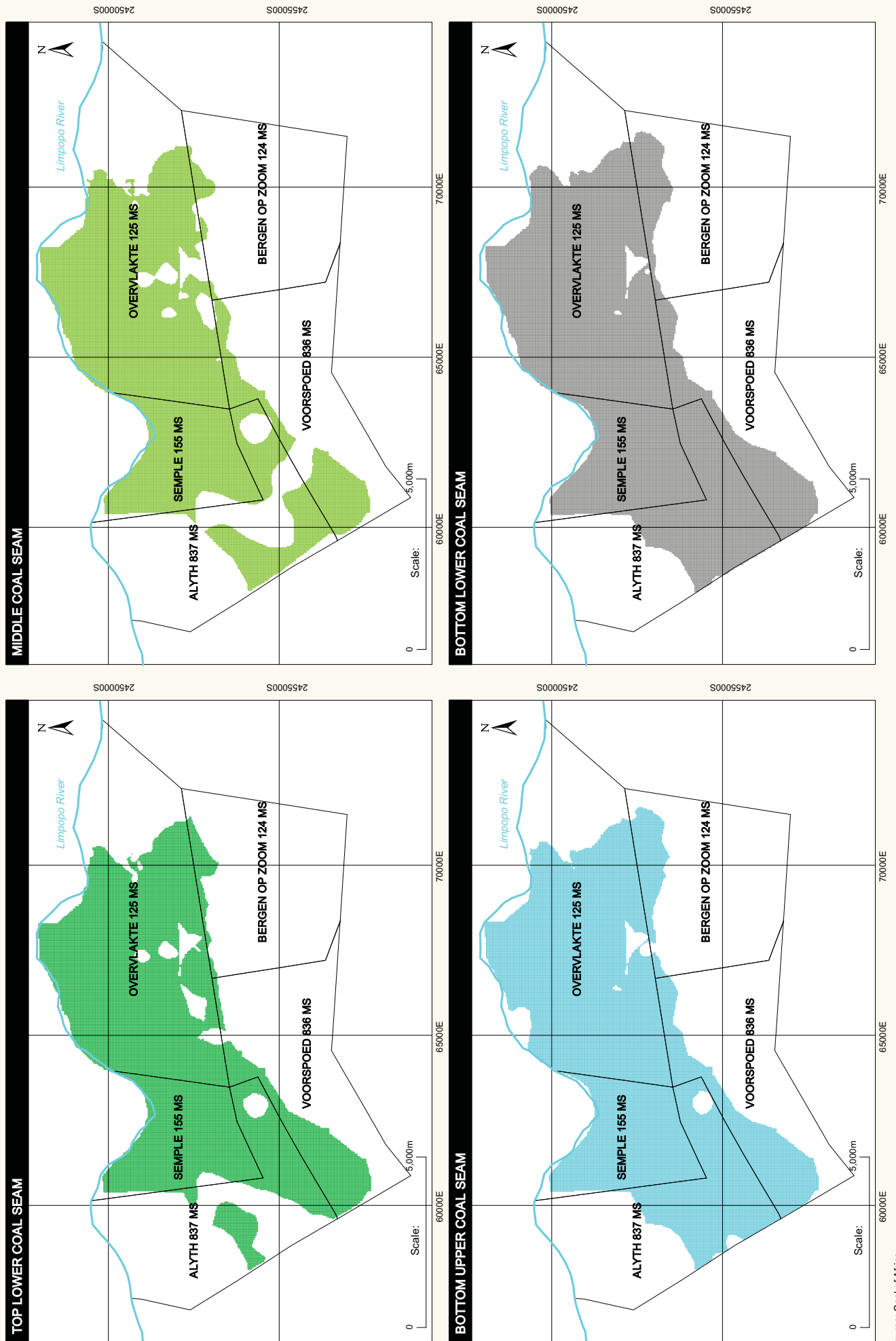
The Minex™ modelled average raw density per Coal Resource block was used to calculate the tonnage from the volume. The raw density of every sample is measured in the laboratory

15.18.2.3. Tonnage

The tonnage is calculated on a block by block basis from the volume multiplied by the average raw density. The Coal Resource tonnages are reported according to the following:-

- Gross Tonnes In Situ (GTIS);
- Total Tonnes in Situ (TTIS); and
- Mineable Tonnes in Situ (MTIS).

VELE COLLIERY - LOCATION OF RESOURCES AT 0.5M (TTIS) CUTOFF SEAM THICKNESS



Source: Coal of Africa

Table 65 : Vele Colliery – Summary Resource Statement (31st August 2011) (Inclusive of Reserves)

PROJECT CATEGORY		SEAM	GROSS TONNES IN SITU (GTIS)	GEOL. LOSSES (%)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	AIR DRIED RAW QUALITIES						
							YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Vele Project	Measured	Top Low er	17,109,624	10%	15,398,662	8,379,300		11.78	58.99	17.77	21.32	2.14	1.92
		Middle	14,275,342	10%	12,847,808	7,220,000		18.54	41.13	24.58	32.60	3.02	1.69
		Bottom Upper	40,818,338	10%	36,736,504	16,239,500		14.10	52.09	19.94	26.29	1.61	1.69
		Bottom Low er	85,831,759	10%	77,248,583	62,402,600		16.63	45.46	22.59	30.48	1.70	1.46
	TOTAL / AVE MEASURED RESOURCES		158,035,063	10%	142,231,557	94,241,400		15.91	47.47	21.85	29.10	1.82	1.56
	Indicated	Top Low er	72,022,653	15%	61,219,255	20,091,000		11.92	58.21	17.98	21.89	2.45	1.93
		Middle	42,397,071	15%	36,037,510	11,662,000		18.51	41.05	24.55	32.68	2.96	1.72
		Bottom Upper	102,442,104	15%	87,075,788	25,010,000		15.58	48.22	21.76	28.45	1.67	1.58
		Bottom Low er	209,992,360	15%	178,493,506	143,535,000		17.23	43.75	23.03	31.77	1.46	1.44
	TOTAL / AVE INDICATED RESOURCES		426,854,188	15%	362,826,060	200,298,000		16.57	45.60	22.45	30.42	1.67	1.52
	Inferred	Top Low er	57,308,561	20%	45,846,849	16,920,000		11.69	58.84	17.97	21.32	2.65	1.87
		Middle	28,333,157	20%	22,666,526	7,380,000		17.81	42.57	24.05	31.64	2.33	1.72
		Bottom Upper	57,411,178	20%	45,928,942	12,520,000		16.21	46.49	22.54	29.42	1.87	1.56
		Bottom Low er	75,878,679	20%	60,702,943	38,270,000		16.95	44.39	22.88	31.25	1.52	1.46
TOTAL / AVE INFERRED RESOURCES		218,931,575	20%	175,145,260	75,090,000		15.72	47.82	21.83	28.74	1.91	1.60	
GRAND TOTAL / AVE OPENCAST		N/A		N/A	229,641,800		15.77	47.78	21.74	28.85	1.90	1.63	
GRAND TOTAL / AVE UNDERGROUND		N/A		N/A	139,987,600		15.42	48.47	21.54	28.48	1.68	1.49	
GRAND TOTAL / AVE VELE PROJECT		803,820,826	15%	680,202,877	369,629,400		15.63	48.04	21.66	28.71	1.82	1.57	

Notes

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

MTIS - At minimum seam thickness of 1.4m and maximum seam thickness cutoff of 4.5m for underground mining, and only Bottom Low er Seam considered for underground mining. For opencast mining, no further cutoffs have been applied.

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

Weighted average qualities calculated on MTIS.

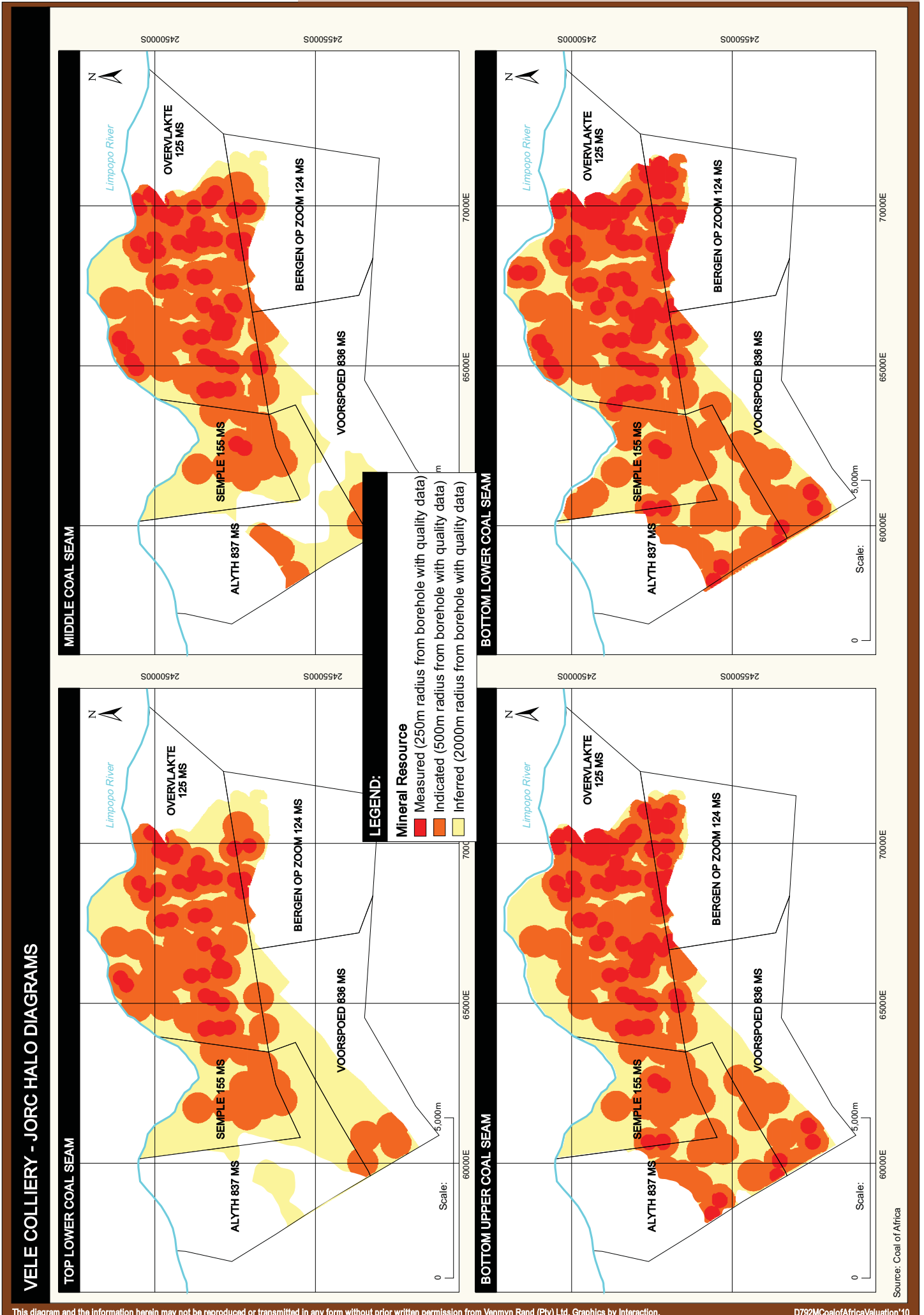


Table 66 : Vele Colliery – Detailed Resource Statements (31st August 2011) (Including Reserves)

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS										AIR DRIED RAW QUALITIES								
MINERAL RIGHT	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	AREA (m ²)	VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOLOG. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)	
Prospecting Right (Alyth 837MS)	Measured	Bottom Upper	2.22	637,748	1,414,958	1.77	2,509,246	10%	250,925	2,258,300		13.68	52.78	20.52	24.86	1.80	1.84	
		Bottom Lower	4.49	637,748	2,862,417	1.78	5,081,135	10%	508,114	4,573,000		13.40	52.71	20.04	25.58	1.20	1.67	
	TOTAL / AVE MEASURED		3.74	1,275,496	4,277,375	1.78	7,590,381	10%	759,038	6,831,300		13.49	52.73	20.20	25.34	1.40	1.73	
	Indicated	Top Lower	1.32	972,547	1,288,343	2.09	2,598,533	15%	399,780	2,208,000		6.60	71.36	13.02	13.80	1.91	1.82	
		Middle	0.76	2,272,517	1,731,788	1.73	2,994,191	15%	449,129	2,545,000		16.88	45.41	23.22	29.51	3.57	1.86	
		Bottom Upper	1.87	5,646,280	10,564,468	1.77	18,731,848	15%	2,809,777	15,922,000		14.17	50.73	21.79	25.69	1.83	1.79	
		Bottom Lower	3.79	6,967,675	26,429,508	1.72	45,604,808	15%	6,840,721	38,764,000		15.53	48.04	21.60	28.76	1.56	1.58	
	TOTAL / AVE INDICATED		3.07	15,859,019	40,014,107	1.75	69,929,380	15%	10,489,407	59,439,000		14.89	49.51	21.40	27.41	1.73	1.66	
	Inferred	Top Lower	1.12	5,581,981	6,249,442	1.95	12,002,056	20%	2,400,411	9,600,000		9.56	64.06	15.82	17.95	2.49	2.16	
		Middle	0.79	4,085,835	3,199,938	1.74	5,562,623	20%	1,112,525	4,450,000		16.25	46.62	22.94	28.68	2.30	1.76	
		Bottom Upper	1.70	4,166,735	7,108,650	1.76	12,504,581	20%	2,500,916	10,000,000		14.78	49.50	22.26	26.53	1.72	1.71	
		Bottom Lower	3.67	3,262,763	11,965,566	1.75	20,930,651	20%	4,186,130	16,740,000		14.93	49.36	21.21	27.87	1.80	1.54	
Zoom 124MS, Voorpoed 836MS, Sempie 155MS)	TOTAL / AVE PROSPECTING RIGHT		2.81	34,231,829	72,815,078	1.77	128,519,672	17%	21,448,427	107,060,300		14.38	50.88	20.94	26.47	1.81	1.70	
	Measured	Top Lower	1.65	5,547,569	9,137,826	1.87	17,109,624	10%	1,710,962	15,398,600		12.00	58.55	17.90	21.58	2.02	1.97	
		Middle	1.11	7,659,256	8,483,975	1.68	14,275,342	10%	1,427,534	12,847,800		18.19	42.14	23.62	32.55	2.88	1.68	
		Bottom Upper	2.14	9,956,643	21,306,456	1.80	38,309,092	10%	3,830,909	34,478,100		14.05	52.38	20.08	25.86	1.58	1.69	
		Bottom Lower	3.95	11,923,732	47,022,504	1.72	80,750,624	10%	8,075,062	72,675,500		16.62	45.27	22.46	30.73	1.66	1.53	
	TOTAL / AVE MEASURED		2.98	35,087,200	85,950,761	1.75	150,444,682	10%	15,044,468	135,400,000		15.59	48.29	21.45	28.62	1.80	1.64	
	Indicated	Top Lower	1.66	22,063,824	36,638,796	1.90	69,424,120	15%	10,413,618	59,010,000		11.41	60.10	17.13	20.78	2.05	1.98	
		Middle	1.07	21,364,478	22,895,514	1.72	39,402,880	15%	5,910,432	33,492,000		17.38	44.22	23.00	31.05	2.82	1.74	
		Bottom Upper	2.05	22,838,270	46,776,576	1.79	83,710,256	15%	12,556,538	71,153,000		14.71	50.94	20.80	26.61	1.61	1.65	
		Bottom Lower	3.65	25,595,278	93,477,112	1.76	164,387,552	15%	24,658,133	139,729,000		15.51	48.19	21.59	28.72	1.54	1.48	
	Mining Right (Overvlektie 125MS, Bergen Op Zoom 124MS, Voorpoed 836MS, Sempie 155MS)	TOTAL / AVE INDICATED		2.61	91,861,850	199,787,998	1.79	356,924,808	15%	53,538,721	303,384,000		14.73	50.71	20.69	26.94	1.80	1.65
		Inferred	Top Lower	1.59	15,408,112	24,479,568	1.86	45,306,505	20%	9,061,301	36,240,000		11.88	59.18	17.82	21.05	2.19	1.95
Middle			1.05	12,790,477	13,471,656	1.69	22,770,534	20%	4,554,107	18,210,000		17.65	43.60	23.53	31.14	2.23	1.76	
Bottom Upper			1.98	12,743,828	25,214,973	1.78	44,906,597	20%	8,981,319	35,920,000		14.30	51.92	20.60	25.82	1.68	1.66	
Bottom Lower			3.54	8,875,725	31,400,954	1.75	54,948,028	20%	10,989,606	43,950,000		15.56	48.05	21.66	28.80	1.57	1.46	
TOTAL / AVE INFERRERD		2.26	49,818,142	94,567,151	1.78	167,931,664	20%	33,586,333	134,320,000		14.52	51.48	20.60	26.23	1.86	1.68		
TOTAL / AVE MINING RIGHT		2.61	176,767,192	380,305,910	1.78	675,301,154	15%	102,169,522	573,104,000		14.88	50.32	20.85	27.17	1.81	1.65		
TOTAL/AVE VELE PROJECT		2.64	210,999,021	453,120,988	1.78	803,820,826	15%	123,617,950	680,164,300		14.80	50.41	20.86	27.06	1.81	1.66		

Notes:
Rounding down of TTIS tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively, may result in computational discrepancies.

RESOURCE CALCULATED FOR 1.4m MIN. MINING HEIGHT AND 4.5m MAX. MINING HEIGHT FOR UNDERGROUND RESOURCES (ONLY B L SEAM CONSIDERED FOR UNDERGROUND MINING)

MINERAL RIGHT	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	AREA (m ²)	VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINING BLOCK LAYOUT LOSSES (t)	MINEABLE TONNES IN SITU	
Prospecting Right (Aylth 837MS)	Measured	Bottom/Low er	3.76	561,258	2,109,176	1.66	3,506,830	10%	350,683	3,156,147	10%	315,615	2,840,500	
	Indicated	TOTAL / AVE MEASURED	3.76	561,258	2,109,176	1.66	3,506,830	10%	350,683	3,156,147	10%	315,615	2,840,500	
		Top Low er	1.05	515,844	540,801	1.96	1,015,711	15%	152,357	863,354	2%	17,267	846,000	
		Middle	0.76	465,717	356,244	1.72	611,131	15%	91,670	519,461	2%	10,389	509,000	
		Bottom Upper	1.66	751,052	1,246,968	1.78	2,221,934	15%	333,290	1,888,644	2%	37,773	1,850,000	
		Bottom Low er	2.28	1,523,555	3,478,955	1.65	5,731,713	15%	859,757	4,871,956	2%	97,439	4,774,000	
	Inferred	TOTAL / AVE INDICATED	3.56	8,686,275	27,235,954	1.73	46,964,217	15%	7,044,633	39,919,584	8%	3,340,485	36,577,000	
		Top Low er	1.08	1,251,845	1,342,056	1.96	2,433,317	20%	486,663	1,946,654	2%	38,933	1,900,000	
		Middle	0.76	1,028,362	780,030	1.73	1,348,760	20%	269,752	1,079,008	2%	21,580	1,050,000	
		Bottom Upper	1.39	1,108,365	1,539,716	1.76	2,712,183	20%	542,437	2,169,746	2%	43,395	2,120,000	
Mining Right (Overlakte 125MS, Bergen Op Zoom 155MS)	Measured	Bottom Low er	2.65	617,222	1,632,999	1.68	2,744,065	20%	548,813	2,195,252	2%	43,905	2,150,000	
		Inferred	TOTAL / AVE MEASURED	3.88	1,875,392	7,268,565	1.77	12,833,064	20%	2,566,613	10,266,451	10%	1,026,645	9,230,000
			Top Low er	1.78	5,881,186	12,563,366	1.77	22,071,389	20%	4,414,278	17,657,111	7%	1,174,448	16,450,000
			Middle	3.38	15,128,719	41,908,496	1.74	72,542,436	16%	11,809,593	60,732,843	8%	4,830,558	55,867,500
			Indicated	Bottom Upper	1.17	4,215,770	4,917,231	1.66	8,186,013	10%	818,601	7,367,412	2%	147,348
	Bottom Low er	1.90		5,383,048	10,232,120	1.80	18,412,132	10%	1,841,213	16,570,919	2%	331,418	16,239,500	
	Inferred	TOTAL / AVE PROSPECTING RIGHT		3.15	23,038,065	61,022,937	1.74	105,936,792	10%	10,593,679	95,343,113	4%	3,942,074	91,400,900
		Top Low er		1.69	7,321,137	12,353,962	1.87	23,104,430	15%	3,465,665	19,638,766	2%	392,775	19,245,000
		Middle		1.06	7,574,632	7,998,145	1.67	13,389,406	15%	2,008,411	11,380,995	2%	227,620	11,153,000
		Bottom Upper	1.81	8,664,911	15,703,613	1.77	27,804,034	15%	4,170,605	23,633,429	2%	472,669	23,160,000	
TOTAL/AVE UNDERGROUND VELE PROJECT	Measured	Bottom Low er	3.47	9,236,000	32,034,170	1.70	54,526,460	15%	8,178,969	46,347,491	2%	926,950	45,420,000	
		Inferred	TOTAL / AVE INDICATED	2.94	46,102,968	115,843,938	1.76	203,455,914	15%	30,518,387	172,937,527	5%	9,213,698	163,721,000
			Top Low er	1.62	6,421,029	10,354,176	1.88	19,169,147	20%	3,833,829	15,335,318	2%	306,706	15,020,000
			Middle	1.02	4,691,861	4,819,566	1.68	8,080,854	20%	1,616,171	6,464,683	2%	129,294	6,330,000
			Indicated	Bottom Upper	1.72	4,400,167	7,573,385	1.75	13,276,920	20%	2,655,384	10,621,536	2%	212,431
	Bottom Low er	3.60		3,150,391	11,329,778	1.71	19,407,453	20%	3,881,491	15,525,962	2%	310,519	15,210,000	
	Inferred	TOTAL / AVE MEASURED		2.44	21,458,602	43,224,153	1.77	76,159,884	20%	15,231,977	60,927,907	4%	2,256,991	58,640,000
		Top Low er		2.90	90,599,635	220,091,028	1.75	385,552,590	15%	56,344,043	329,208,547	5%	15,412,763	313,761,900
		Middle		2.49	77,488,660	157,679,983	1.75	275,247,474	15%	40,862,258	234,385,216	2%	4,687,704	229,641,800
		Bottom Upper	3.71	28,239,694	104,319,541	1.75	182,847,552	15%	27,291,378	155,556,174	10%	15,555,617	139,987,600	
TOTAL/AVE Vele Project	Measured	2.97	105,728,354	261,999,524	1.75	458,095,026	15%	68,153,636	389,941,390	5%	20,243,322	369,629,400		
	Inferred	TOTAL / AVE INDICATED	2.97	105,728,354	261,999,524	1.75	458,095,026	15%	68,153,636	389,941,390	5%	20,243,322	369,629,400	
		Top Low er	1.62	6,421,029	10,354,176	1.88	19,169,147	20%	3,833					

GTIS, TTIS and MTIS Coal Resources have been estimated for the Top Lower, Middle, Bottom Upper, and Bottom Lower Seams. The Top Middle and Top Upper seams are not considered economic and have been excluded from the Coal Resource database. The GTIS, TTIS and MTIS Coal Resources have been divided into potential opencast and underground sectors (Section 15.14 and Figure 72)

15.18.2.4. Quality

Each of the quality parameters are modelled in Minex™ and the average quality per block is reported in the Coal Resource Statement. Average raw coal qualities were weighted by MTIS.

15.18.2.5. Losses and Limits

The following cutoffs or limits are applied to the Coal Resources:-

- the Coal Resources attributed to the NOPR and the NOMR are identified separately;
- the Coal Resource blocks are limited according to the boundaries of the respective mineral licences;
- the Coal Resources blocks are limited to the seam sub-crop;
- the Coal Resource blocks are limited to the Coal Resource extrapolation limits (Section 15.18.1);
- limit of 50m around all known geological structures and dykes;
- the Coal Resource blocks are limited to the base of oxidation;
- the Coal Resource blocks are limited to the 100 year flood line for the Limpopo River;
- a minimum seam thickness limit of 0.5m is applied prior to the reporting of GTIS;
- a minimum seam height of 1.4m and a maximum seam height of 4.5m has been applied to the underground Coal Resources (Bottom Lower Seam) to calculate MTIS; and
- geological losses of 10%, 15% and 20% are applied to Measured, Indicated and Inferred Coal Resources, respectively, prior to the reporting of TTIS. These losses take into account any unforeseen geological features, such as dykes and faults, which have not been identified in the drilling and which may have a negative impact on the Coal Resources. The percentages applied increase with decreasing borehole spacing.

15.18.3. Differences Between Resource Statements

The summary of differences between the September 2010 and June 2011 Coal Resource Statements is shown in Table 67. Since no mining or additional exploration has taken place since September 2010, the current Coal Resource Statement is expected to be very similar to that of TMC's in September 2010. It is noted that the GTIS estimates are indeed very similar, and the minor differences noted between the Coal Resource Statements are most likely due to the slightly modified Coal Resource boundaries as a result of better sub-crop definition subsequent to the September 2011 modelling and Coal Resource estimation. These differences are not considered, by Venmyn, as material.

There are, however, significant differences between the MTIS estimates. The lower current estimates for MTIS are a result of the application of a minimum and maximum mining height of 1.4m and 4.5m, respectively, applied to the underground Coal Resources, and consideration of only the Bottom Lower Seam for underground mining. No underground Coal Resources for any of the other seams have been considered in the current MTIS estimates. In 2010, TMC reported MTIS in consideration of all seams, even at underground depths.

Table 67 : Vele Colliery – Differences Between Resource Statements

PROJECT CATEGORY	SEAM	2010			2011		DIFFERENCES		COMMENTS
		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)	
Measured	Top Lower	18.603	16.743	17.110	15.093	8.379	-1.493	-8.364	Decrease of 13.4Mt GTIS due to refined geological model. Decrease of 70.7Mt MTIS due to the application of 0.5m cutoff, maximum mining height of 4.5m for underground mining and only Bottom Lower Seam considered for underground mining. There is only a 25.8Mt difference between the 2010 MTIS and the TMC Comparable Tonnes for 2011.
	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 / AVE 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	Decrease of 26.1Mt GTIS due to refined geological model. Decrease of 219.1Mt MTIS due to the application of 0.5m cutoff, maximum mining height of 4.5m for underground mining and only Bottom Lower Seam considered for underground mining. There is only a 22.1Mt difference between the 2010 MTIS and the TMC Comparable Tonnes for 2011.
	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 / AVE 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	Increase of 29.8Mt GTIS due to refined geological model. Decrease of 84.7Mt MTIS due to the application of 0.5m cutoff, maximum mining height of 4.5m for underground mining and only Bottom Lower Seam considered for underground mining. There is only a 12.9Mt difference between the 2010 MTIS and the TMC Comparable Tonnes for 2011.
	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	39.480	38.270	24.045	-3.197	
TOTAL / AVE INFERRED RESOURCES		189.110	151.288	218.932	138.380	75.090	29.822	-76.198	
GRAND TOTAL / AVE OPENCAST		332.767	285.632	N/A	250.867	229.642	n/a	-55.990	-20%
GRAND TOTAL / AVE UNDERGROUND		480.701	404.931	N/A	378.907	139.988	n/a	-264.943	-65%
GRAND TOTAL / AVE VLE PROJECT		813.468	690.563	803.821	629.774	369.629	-9.647	-320.934	-46%

Notes:

* All seams not at opencastable depths were considered as underground resources by TMC in the reporting of MTIS.

** Only the Bottom Lower Seam was considered, by Venmyn, for the underground resources in the reporting of MTIS. In addition a minimum and maximum seam height of 1.4m and 4.5m, respectively were applied.

Tonnes reported in order to make a direct comparison with the TMC MTIS values, and to demonstrate that while the geological model has not changed significantly, the calculation of MTIS has, in consideration of a number of additional modifying factors. These tonnages are not MTIS tonnes.

TMC did report Total Selected Resources of 466.11Mt MTIS in its September 2011 report, presumably considering only Bottom Lower for underground mining; however, no additional losses were applied.

In Table 67, a comparison is made between TMC's MTIS estimates and comparable tonnages (for all seams, and without applying any cutoffs) from the current model, in order to demonstrate that, on a comparable basis, the differences are in fact significantly less than is apparent when comparing TMC's and Venmyn's MTIS estimates. It is noted that TMC did calculate 'Selected Resources' amounting to 466.1MTIS, presumably in consideration of only the Bottom Lower Seam for underground mining; however, the detailed Coal Resource Statement and cutoffs used were not documented.

15.19. Coal Reserve Statement

Coal Reserves are presented in accordance with the JORC Code, 2005. The Coal Reserves for the Vele Colliery were independently reviewed, verified, classified and signed off by Venmyn's Competent Person in accordance with the JORC Code and the Australian Guidelines. The Coal Reserve LOM schedule was prepared by Mr C van Zweedin, of MRM, and Mr J Sparrow (Pr.Sci.Nat.), on behalf of CoAL. Venmyn estimated the Coal Reserves based on the Coal Resources prepared by Mr J Sparrow (Pr.Sci.Nat.) and dated the 31st August 2011 and the Coal Reserves presented in this report were calculated from first principles in conjunction with the LOM schedule prepared by MRM.

The results presented in the LOM schedule are different from those declared in the Coal Reserves Statement. The differences are as a consequence of the current LOM schedule including certain Inferred Coal Resource blocks that will be mined as a consequence of exploiting the Coal Reserve blocks.

The Coal Reserves were independently reviewed, compiled and signed off by Mr G Njowa, of Venmyn, a registered professional engineer with the Engineering Council of South Africa. (Reg. No. 20090204). During the review process, the schedule was checked for consistency, tallying with the Coal Resources from which these Coal Reserves have been converted, and the practical achievability of the mining rates. The current production target of 2.7Mtpa for the first five years is considered reasonable since CoAL has comfortably been producing similar production at its other operations.

With regards to the estimation of the coal tonnages for the Coal Reserve Statement for the Vele Colliery, the geological and economic boundaries of the opencast operations were determined based on the initial quality cutoff as detailed in Section 15.18.

Venmyn developed a financial model based on the estimated production, mining and processing costs and capital expenditure to demonstrate the economic viability of extracting these Coal Reserves. The economic evaluation is described in Section 15.21.

15.19.1. Modifying Factors

The mining and economic modifying factors that were applied to the Vele Colliery Coal Reserves are as follows:-

- an export coking coal price of USD160/t for the primary product was used. Commodity prices and exchange rates used to estimate the economic viability of Coal Reserves are based on long term forecasts applied at the time the estimate was completed;
- an average operating cost of ZAR320/t was utilised;
- a minimum seam height of 1.4m and a maximum seam height of 4.5m have been applied to the underground Coal Resources (Bottom Lower Seam) to calculate MTIS. Other than the 0.5m cutoff, no additional seam thickness cutoffs have been applied to the opencast Coal Resources. These cutoffs have been applied at the Coal Resource level;
- opencast mining extraction of 95% and a 60% underground mining extraction;
- a 38% increase in the sample yield to 30% for a 12% ash product (Section 15.13.2.5);
- mining block layout losses of 5% on the underground Coal Reserves and 2% mining block losses on the opencast Coal Reserves has been accounted for at Coal Resource estimation;
- surface/residual moisture of ~3.5% and inherent moisture of 1.6%;
- assumed contamination of 8% for the opencast Coal Reserves and a 5% on the underground Coal Reserves. These figures have been based upon industry averages;
- in the estimation of coal reserves, Venmyn assumed that all regulatory applications will be approved and the current approvals will continue to be valid; and

- Coal Resource cutoffs were applied as per the Coal Resource Statement (Section 15.18).

The resultant RoM Coal Reserve, after accounting for excluded areas and modifying factors, is estimated at 260Mt, of which all of it has been classified, by Venmyn, in the Probable Reserve category. It should be noted that all the Coal Reserves have been classified as Probable Reserves due to the lower level of confidence attributable to coal qualities, practical yields and products to be produced from this orebody.

15.19.2. Vele Colliery Coal Reserve

The Vele Colliery Coal Summary Reserve Statement as at the 31st August 2011 is shown in Table 69, and Figure 88 graphically presents the location of the different mining blocks for both the opencast and underground Coal Reserves at the Vele Colliery. Both opencastable and underground blocks have been included in Coal Reserve estimate. However, it is CoAL's intention to split its production between at least two openpits at a time. This would increase the flexibility of the mining operation, since the company will be mining from two independent pits. This would possibly result in increased productivity.

CoAL is investigating the possible inclusion of a buffer zone, with respect to the opencast mining areas at the Vele Colliery, at various distances from the boundary of the Mapungubwe National Park. While no decision has been made regarding this buffer zone, and there is no specific requirement for this, CoAL recognises that this may limit the visual impact of the opencast mining on the National Park. The inclusion of the buffer zone may impact on the Coal Reserves, as the current reserve estimates do not consider any buffer zone, with all opencast areas currently beyond 7km of the easternmost boundary of the National park.

All data is presented on a 100% asset basis, with the CoAL ownership of the Vele Colliery shown in Figure 3 and Figure 65. Coal Reserves are RoM Coal Reserves, as mined Coal Reserves taking into account geological losses, mining losses, contamination and with mined moisture adjustments. Coal Reserves are reported on a RoM moisture basis. Coal Reserves are included in the Coal Resources within the mine plan. Coal Resources are reported on an in situ moisture basis.

Saleable Coal Reserves are reported on as sold basis. The RoM Coal Reserves are adjusted for yield losses in the preparation plant and converted to a saleable moisture basis to give the saleable Coal Reserves. The detailed Coal Reserve Statement, by mining block, is presented in Table 70. This table presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant Coal Reserve tonnages and associated prime product qualities.

It should be noted that no bulk sampling and detailed beneficiation analysis was conducted on Vele coal deposit. The coal beneficiation practical yields were estimated based on the results from the slim diamond core. However, it is common that the beneficiation results from these tests usually underestimate the yields. This therefore provides upside potential on the coal reserves, which may only be realised once the operating parameters of the Colliery are better understood (after operating the mine for at least a year).

15.20. Environmental Issues

15.20.1. Environmental Liabilities

Venmyn associate Mr K Patel, of EIMS, provided a provisional calculation of the estimated environmental liabilities for compliance obligations and environmental aspect monitoring in Table 68. This is the result of a preliminary investigation based on review of supplied environmental documents, a site visit and discussions held with Vele's Limpopo Environmental Manager Mr E Monyemoratho managing the process on behalf of CoAL, but does not constitute the result of a comprehensive environmental due diligence exercise. The values presented in Table 68 represent a spectrum of estimated costs ranging from low to high and are also highly variable and dependant on consultant rates. A further assumption is that the Vele Colliery will require the authorisation of all the aspects listed in Table 68.

Table 68 : Vele Colliery – Environmental Compliance Liability Estimate

ASPECT	LOW ESTIMATE (ZAR)	HIGH ESTIMATE (ZAR)
Additional Heritage Study	600,000	900,000
TOTAL	600,000	900,000

Table 69 : Vele Colliery – Coal Reserve Statement 31st August 2011

PROJECT AREA	RESERVE CATEGORY	O/C or U/G	MINEABLE TONNES IN SITU (MTIS)		ROM TONNAGE	SALEABLE PRIMARY PRODUCT	
OC Central	Probable	O/c	31,339,000	33,279,000		9,983,000	
OC North			67,895,000	72,098,000		21,629,000	
OC South			25,062,000	26,613,000		7,984,000	
OC West			76,870,000	81,629,000		24,488,000	
TOTAL / AVE OPENCAST RESERVES			201,166,000	213,619,000		64,084,000	
UG North	Probable	U/g	38,335,000	24,996,000		8,248,000	
UG South			30,317,000	19,768,000		6,523,000	
UG West			62,891,000	41,008,000		13,532,000	
TOTAL / AVE UNDERGROUND RESERVES			131,543,000	85,772,000		28,303,000	
GRAND TOTAL / AVE VLE COLLIERY			332,709,000	299,391,000		92,387,000	

Notes :

The declared coal reserves is based on the measured and indicated mineral resources only.

All tonnage information has been rounded to reflect the relative uncertainty in the estimates; there may, therefore, be small differences in the totals.

Table 70 : Vele Colliery – Detailed Coal Reserve Statement 31st August 2011

MINE BLOCK		O/C or U/G	RESERVE CATEGORY	MINABLE IN SITU RESERVE	MINING EXTRACTION FACTOR (%)	EXTRACTABLE RESERVE (t)	TONNES INCL CONTAMINATION (t)	EXTERNAL MOISTURE (t)	ROM TONNAGE (t)	PRIMARY PRODUCT BH YIELD (%)	PRIMARY PRODUCT PRACTICAL YIELD (%)	PRIMARY PRODUCT SALEABLE TONNES
OC CENTRAL				31,339,509	95%	29,772,534	32,154,337	1,125,402	33,279,738	40%	30%	9,983,922
OC North		O/c	Probable	67,895,472	95%	64,500,699	69,660,755	2,438,126	72,098,881	40%	30%	21,629,664
OC South				25,062,053	95%	23,808,950	25,713,666	899,978	26,613,644	40%	30%	7,984,093
OC West				76,870,133	95%	73,026,627	78,868,757	2,760,406	81,629,163	40%	30%	24,488,749
TOTAL / AVERAGE VELE OPENCAST				201,167,168	95%	191,108,809	206,397,514	7,223,913	213,621,427	40%	30%	64,086,428
UG North		U/g	Probable	38,335,074	60%	23,001,044	24,151,096	845,288	24,996,385	40%	33%	8,248,807
UG South				30,317,383	60%	18,190,430	19,099,951	668,498	19,768,449	40%	33%	6,523,588
UG West				62,891,125	60%	37,734,675	39,621,409	1,386,749	41,008,158	40%	33%	13,532,692
TOTAL / AVERAGE VELE RESERVES				131,543,582	60%	78,926,149	82,872,456	17,348,362	85,772,992	40%	33%	28,305,088
GRAND TOTAL / AVERAGE VELE RESERVES				332,710,749	81%	270,034,958	289,269,971	24,572,275	299,394,420	40%	31%	92,391,516

PRIME PRODUCT QUALITIES						
YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
30%	29.84	12.00	34.79	52.20	1.09	1.79
30%	29.97	12.00	34.68	52.59	1.03	1.73
30%	29.44	12.00	33.27	52.40	0.98	1.80
30%	30.17	12.00	33.85	54.11	1.14	1.67
30%	29.96	12.00	34.21	53.08	1.08	1.73
33%	30.16	12.00	33.19	54.87	0.96	1.71
33%	28.62	12.00	34.16	49.74	1.16	1.71
33%	29.64	12.00	34.85	51.52	1.14	1.63
33%	29.56	12.00	34.21	52.09	1.09	1.67
31%	29.84	12.00	34.21	52.78	1.08	1.71

PRIME PRODUCT QUALITIES						
YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
30%	29.84	12.00	34.79	52.20	1.09	1.79
30%	29.97	12.00	34.68	52.59	1.03	1.73
30%	29.44	12.00	33.27	52.40	0.98	1.80
30%	30.17	12.00	33.85	54.11	1.14	1.67
30%	29.96	12.00	34.21	53.08	1.08	1.73
33%	30.16	12.00	33.19	54.87	0.96	1.71
33%	28.62	12.00	34.16	49.74	1.16	1.71
33%	29.64	12.00	34.85	51.52	1.14	1.63
33%	29.56	12.00	34.21	52.09	1.09	1.67
31%	29.84	12.00	34.21	52.78	1.08	1.71

VELE COLLIERY - LOCATION OF RESERVES



15.20.2. Environmental Provision for Rehabilitation

The updated financial provision for the Vele Colliery was submitted to the DMR on the 17th April 2011. The guarantee provided totals ZAR62m, but the actual quantification is a lower value. The provision was calculated using the DMR's preferred methodology for the calculation of the financial provisions.

The DMR has, to-date, not yet verified the calculated updated financial provision.

15.20.3. Critical Environmental Issues and Risks

The most critical environmental risk faced by the Vele Colliery relates to the impact of mining on the outstanding universal value of the Mapungubwe World Heritage Site.

A further concern extends to the long-term impacts on ground water quality. As a consequence of an appeal of the issued integrated WUL (Section 15.2.1.3), the WUL was automatically suspended and CoAL stopped all activities requiring the use of water at the Vele Colliery. On 18th October 2011, however, the Minister of Water and Environmental Affairs Minister lifted the suspension, allowing operations which require the use of water to be re-commenced.

Failure to ultimately obtain the necessary environmental authorisations carries the risk of the suspension or cancellation of the mineral licences. In this regard CoAL is in regular communication with the relevant governmental departments in order to mitigate this risk.

15.20.3.1. Heritage

A heritage specialist study has been completed. While the report identified several important locations for further study it is recommended that an Integrated Heritage Impact Assessment be undertaken in order to incorporate the various historical periods identified and likely to be impacted on by mining activities.

It is understood that the Heritage Management Plan, compiled on behalf of CoAL, has been submitted to the South African Heritage Resource Agency (SAHRA), as required under the National Heritage Resources Act (Act No.25 of 1999). CoAL is awaiting a response based on the recommendations provided in the Heritage Management Plan.

A study on the impact of mining activity on the Outstanding Universal Value of the Mapungubwe World Heritage Site is under way. It will be completed in October 2011 and will subsequently be submitted to DEA, which will submit it to UNESCO in November 2011.

15.20.3.2. Ground Water

The groundwater specialist report predicted a neutral long-term decant with a peak sulphate concentration of 1,200 mg/l, the latter of which is significantly lower than the average baseline sulphate concentration recorded in the secondary aquifer. CoAL therefore contends that no AMD is predicted for Vele Colliery, mainly as a result of the neutralising effect of the carbonate material that occurs naturally in the area.

However, the long-term groundwater quality prediction was based on a limited number of samples due to the fact that no bulk sampling was performed at Vele Colliery. CoAL recognises therefore, that the groundwater impact model has to be calibrated and verified with site-specific data once mining commences.

A comprehensive groundwater quality and geochemical monitoring programme has been implemented to allow for the revision of the groundwater model within 2 years of mining. A detailed action plan in this respect was developed in conjunction with DWA and the groundwater peer reviewers, and the necessary funding for the implementation of this plan has been allowed for in the environmental budget. The groundwater quality monitoring programme has already been implemented to supplement the baseline data set. Geochemical sampling can only commence once mining commences."

15.20.3.3. Surface Water

In addition to the longer-term water quality gauges of DWA, additional monitoring points have been established in the area to collect baseline data before operations commence and to act as operational monitoring points once mining commences. This programme will continue throughout the operational phase of the colliery, which would provide an early detection of any impacts from the mine site.

15.21. Mineral Asset Valuation

The contributing coal assets of CoAL's Vele Colliery can be defined as an operating mine/developmental project, with JORC Code compliant Measured, Indicated and Inferred Coal Resources and the respective Coal Reserves classified for the farms that makes up the NOMR area and an additional farm held under a NOPR. The farms comprising the NOMR include Voorspoed 836MS, Semple 155MS, Overvliakte 125MS and Bergen Op Zoom 124MS. Whereas, Alyth 837MS is held under a NOPR. Consequently, all contributing properties were valued using the Cost Approach, Cash Flow Approach and Comparative Sales Transaction (or Market) Approach.

All operating mines, development projects and advanced exploration properties should be valued using the free cash flow capitalisation (DCF) and market comparison valuation methodologies. In Venmyn's opinion, these methodologies yield the most accurate, fair and reasonable results by capturing the pertinent aspects of the business' investment case.

15.21.1. Valuation Methodologies and Approaches

The different valuation approaches and methodologies have been discussed in detail in Section 13.22. Vele Colliery was valued using the cost, comparable transaction values and DCF methodologies.

It is important to note that this valuation has utilised the Venmyn August 2011 Coal Resource and Coal Reserve Statement (Table 65 and Table 69), as these are the current compliant estimates for the Vele Colliery. The effective date of the valuation is the 31st August 2011.

15.21.2. Vele Colliery Cost Approach Valuation

The Cost Approach is based on both historical costs expended by CoAL to-date, as well as the anticipated future costs which are required to bring the Coal Resources to account.

Venmyn has been provided, by CoAL, with the historical costs, and has established a development budget for the LOM. This, together with the capital estimates from the Conceptual Study and the actual costs spent, has allowed Venmyn to determine the project value using the Cost Approach. It is clear that the vast majority of the capital costs have already been spent to establish the mine and construct the plant, and consequently a PEM of only 1.5 has been allocated, in this case.

Table 71 : Summary of Historical and Estimated Future Costs for the Project.

CAPITAL EXPENDITURE -TOTAL	FY2011	FY2012	FY2013	FY2014	TOTAL
	CAPEX SPENT TO- DATE	BUDGET	BUDGET	BUDGET	
Infrastructure, PPE and Other	351,618,259	150,878,337	71,768,191	3,035,882	577,300,669
Processing Plant	87,617,922	0	85,000,000	0	172,617,922
Flotation Plant	0	0	120,000,000	0	120,000,000
TOTAL VELE COLLIERY CAPITAL (ZAR)	439,236,181	150,878,337	276,768,191	3,035,882	869,918,591

Table 72 : Cost Approach Valuation Results for Vele Colliery

PROJECT AREA	COAL EXPLORATION EXPENDITURE (ZARm)	COAL FUTURE DEVELOPMENT EXPENDITURE (ZARm)	TOTAL EXPENDITURE (ZARm)	PEM	TOTAL PROJECT MEE VALUE (ZARm)
Vele	439.24	430.68	869.92	1.50	1,304.88
TOTAL/ WT. AVE	439.24	430.68	869.92	1.50	1,304.88

The value derived from the Cost Approach is estimated as ZAR1,304m. Venmyn's preferred value, using the Cost Approach, is represented by the total amount the company is prepared to spend to develop the project. The basis of this valuation methodology is the rationale behind the fact that if the company is prepared to spend this amount, this implies that the company believes that they will be able to at least pay back the investor their initial capital. This would then assign this project value as the minimum value, assuming that the investor will require no return on their capital. This results in a preferred value, using the Cost Approach, of ZAR1,304m for the contributing properties of CoAL's Vele Colliery.

15.21.3. Vele Colliery Market Approach Valuation

Since Coal Resources and Coal Reserves have been classified for CoAL's Vele Colliery, Venmyn was able to carry out a comparable transaction valuation on the basis that recent market valuations of a similar nature provide a proxy for value. In order to arrive at a reasonable market value with which to compare the respective projects, appropriate recent and historical transactions must form the basis.

Figure 33 summarises Venmyn's database of recent unit market valuations within the context of the South African coal market with reference to the respective coal resource and coal reserve classifications.

All coal zones at the Vele Colliery are present and accessible at relatively shallow depths and most of the coal resources in this area are amenable to opencast mining. In addition, there is an area where the coal resources would have to be exploited by underground mining methods. These resources would only be mined towards the end of LOM on the opencast operation.

The comparable transaction value range selected for the valuation of the contributing properties of CoAL's Vele Colliery has considered the nature of this valuation and the associated risk factors.

Venmyn is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the opencastability of the resources;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Resources and Reserves;
- availability of infrastructure and logistics; and
- the timing of potential exploitation.

The range of values generated, based upon all RoM coal quantified for the contributing properties of CoAL's Vele Colliery, is summarised in Table 73 and illustrated in Figure 33.

Table 73 : Market Approach Valuation Results for Vele Colliery

PROJECT	MINE BLOCK	O/C or U/G	RESERVE CATEGORY	ROM TONNAGE	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Vele	OC Central	O/c	Probable	33,279,000	7.00	9.00	232.95	299.51	266.23
	OC North	O/c		72,098,000	7.00	9.00	504.69	648.88	576.78
	OC South	O/c		26,613,000	7.00	9.00	186.29	239.52	212.90
	OC West	O/c		81,629,000	7.00	9.00	571.40	734.66	653.03
	TOTAL / AVERAGE VELE OPENCAST RESERVES			213,619,000	7.00	9.00	1,495.33	1,922.57	1,708.95
	UG North	U/g	Probable	24,996,000	5.00	8.00	124.98	199.97	162.47
	UG South	U/g		19,768,000	5.00	8.00	98.84	158.14	128.49
	UG West	U/g		41,008,000	5.00	8.00	205.04	328.06	266.55
	TOTAL / AVERAGE VELE UNDERGROUND RESERVES			85,772,000	5.00	8.00	428.86	686.18	557.52
GRAND TOTAL / AVERAGE VELE RESERVES				299,391,000	6.43	8.71	1,924.19	2,608.75	2,266.47

The value range derived from the Market Approach is between ZAR1,924m (low valuation) and ZAR2,609m (high valuation). This valuation range was calculated from the range of unit values as defined by the Market Approach. The value range reflects the level of confidence attached to the respective Coal Reserves and the fact that this operation will be in production in the next three months. The population of historic market transactions and valuations provides an indication of reasonability.

Venmyn's preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR2,266m for the contributing properties. This results in an average unit value of ~ZAR7.57/t. Nevertheless all defined unit values fall within the so-called 'Limpopo Coalfields Value Curve' defined by Venmyn from its transaction database.

The market comparison valuation results were computed using the RoM coal reserves declared in the Coal Reserves Statement due to the greater variability in the beneficiation yields and mining extraction factors achieved in the different coalfields especially in the Soutpansberg and Waterberg Coalfields. The market comparative valuation using GTIS has been disregarded since these results are not comparable and consistent with valuation results expected for these types of coal qualities. In addition, some material included in the GTIS, cannot be mined using the available known technology and hence cannot satisfy the "reasonable prospects of eventual economic extraction". In addition the RoM coal reserves are the value drivers on these mineral assets.

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arms length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

15.21.4. Vele Colliery Cash Flow Approach Valuation

An economic study has been conducted by CoAL and its appointed specialist consultants, for the exploitation of the coal at Vele Colliery.

However, for completeness, Venmyn has independently reviewed CoAL's study and economic model and assumptions, and has adapted the financial model constructed as part of CoAL's annual budgeting process using the production schedule developed and the design principles and input parameters defined by CoAL in order to establish a project DCF valuation for the Vele Colliery. To this end, a Nominal Money Model has been constructed and summarised herein. Certain input parameters have been adjusted (as discussed below) in order to ensure that the economic model reflects the general economic conditions as at the valuation date (31st August 2011).

15.21.4.1. Coal Price Forecast

Venmyn has valued the Vele Colliery in South African Rands (ZAR) under prevailing South African economic conditions and the following coal price parameters have been used in the LOM financial forecasts:-

- a base price determined by ArcelorMittal of USD160/t (ZAR1,120/t) for a 12% Ash coking coal product; and
- current assumptions are that 90% of this product will be supplied to ArcelorMittal and the balance will be exported at the ruling market rates;
- other alternative products that can be produced from this orebody are being evaluated.

15.21.4.2. Exchange Rate Forecast

Venmyn has applied an initial fixed nominal exchange rate of ZAR7.00/USD for the financial year ending 31st August 2011. The ZAR is depreciated using the purchasing power parity between the USD and the ZAR.

15.21.4.3. Inflation Rate Forecast

The South African and United States inflation rates for the LOM cash flows, respectively, were based upon the long-term analysts' forecasts and the most recent Reuters consensus view of the CPIX, as determined by various contributing economists. The estimated inflation rates were 5% and 2.5%, respectively. However, due to the recent spate of labour demonstrations over better wages would have an impact of the estimated local inflation rate. The financial model utilised for the valuation is a nominal money model.

15.21.4.4. Discount Rate

Venmyn utilised the CAPM model as discussed in detail in Section 13.22. In addition, Venmyn preferred to use a mining project risk, which varies with level of knowledge and range within 1.0%-9.0% and is weighted according to fourteen critical project development factors. Venmyn have applied project-specific risk component of 1% on operating mines and of up to 5% for developmental projects depending on the stage of development of the mineral asset. The components of the nominal discount rate calculation are given in Table 74:-

Table 74 : Nominal Discount Rate Calculation

DISCOUNT RATE COMPONENT	VELE
CoAL Effective Cost of Equity	8%
Risk Free Rate (USD denominated)	3.0%
Equity Risk Premium (South African)	5.5%
Average Beta (Reuters)	1.65
Cost of Equity (C _E)	12.08%
Project-Specific Risk Premium	1.85%
Venmyn All Equity Nominal Discount Rate	14.00%

The Vele Colliery was valued on a fully funded basis, and as a result the free cash flows were discounted using an all-equity discount rate of 14%. The discount rate is considered reasonable within the context of Venmyn's valuation of operating mines and developmental-stage South African minerals projects.

A nominal discount rate of 14% was used in the Vele economic model to take into account a general risk factor associated with operating in South Africa and the project specific risks. It should be noted that this discount rate did not take into account the costs and interest rate charged of raising the finance for this project.

15.21.4.5. Taxation and Royalties

In South Africa, the current company tax rate is 28% after full recovery of all capital expenditure deducted in the year it is expended.

The calculated royalty rate for the project is on average approximately 3.4% on gross sales, based on the formula provided in the MPRDA, has been applied from 2011. The financial model has used this formula for its calculations.

The project values calculated include all estimated capital expenditure, together with a provision for the replacement of on-going capital. The capital expenditure incurred by a mining company qualifies for a deduction in full in the year in which it is spent in terms of Section 36 of the Income Tax Act.

Since most mining capital can be written off in the year in which it is incurred, if insufficient taxable revenue is generated in any single year, the unredeemed capital balance is carried forward to the next tax year. This exemption is only applied if the project incurs mining capital expenditure.

15.21.4.6. Operating Costs

The mining and processing costs have been discussed in detail in their respective sections in the document (Section 16.15.5 and Section 16.16.4, respectively).

Venmyn has applied the following average operating costs for the project over the LOM, starting from initial build-up phase and the various phases of ramping up during the LOM to a steady state mining of 14Mt ROM. The average operating costs are as shown in Table 75:-

Table 75 : Estimated RoM Operating Costs

VELE DEPARTMENTAL COSTS (ZAR/t)	FY2012	FY2013	FY2014
	BUDGET	BUDGET	BUDGET
Mining Costs (O/C)	173.48	262.24	252.46
Processing Costs	73.92	29.53	21.42
Utilities Costs	14.97	11.16	27.93
Mine Management & Administration	16.24	6.90	7.35
Other Costs	26.82	11.60	12.33
Rehabilitation	4.13	5.28	5.04
TOTAL COST (ZAR/RoM t)	309.56	326.71	326.52

The "Other Costs" shown in Table 75, consists of the following items:-

- community and social development expenses;
- general and administration expenses; and
- environmental, health and safety expenses.

Electricity will initially be supplied by generator sets and the cost of operating these generators is estimated to be ZAR8.00/tonne which accounts for rental of generator sets and transformers, diesel costs and maintenance. It has been assumed that Eskom power will be available from the 2nd year of operation (July 2012) and this will decrease the costs to ZAR2.50/ROM t.

The labour complement was based on the quotes received from the processing and mining contractors. CoAL labour was added as the owner's team, included in the mine management and administration. The contractor's labour costs are included in the mining and processing costs with the owner's team reflected separately.

The other costs consist of labour regulatory fees such as Workman's Compensation, Occupational Health, UIF, Skills Levy, Simrac, Water Levy, and Health & Safety. State royalties comprise the biggest proportion of this cost at 3% of annual revenue.

Environmental rehabilitation costs included in this section cover from study, design and implementation of environmental protocols to training and awareness and finally closure provisions.

A provision has been catered for under operating costs for a SLP and this cost is expressed as a percentage of annual turnover. Projects have already been identified and selected in the SLP which will use this full provision over a period of five years.

15.21.4.7. Capital Costs

The capital estimate covers direct costs of construction associated with the different parts of the project, as well as professional fees, owners cost, foreign exchange components, contingency allowances and escalation.

The capital costs estimate was priced in ZAR. A total capital cost of ZAR870m has been estimated, however most of the capital has already been spend as shown in Table 76.

Table 76 : Estimated Capital Cost for the Vele Colliery Operations

CAPITAL EXPENDITURE -TOTAL	FY2011	FY2012	FY2013	FY2014	TOTAL
	CAPEX SPENT TO-DATE	BUDGET	BUDGET	BUDGET	
Infrastructure, PPE and Other	351,618,259	150,878,337	71,768,191	3,035,882	577,300,669
Processing Plant	87,617,922	0	85,000,000	0	172,617,922
Flotation Plant	0	0	120,000,000	0	120,000,000
TOTAL VELE COLLIERY CAPITAL (ZAR)	439,236,181	150,878,337	276,768,191	3,035,882	869,918,591

No contingency percentage allowance has been included in the capital estimate, since most of the capital has been spent already except the ZAR151m that will be spent in 2012 financial year to complete the mine development at Vele and put it into production.

15.21.4.8. Valuation Results

The economic model demonstrates that the exploitation of the coal at the Vele Colliery is technically and economically viable given the input assumptions considered in the detailed Conceptual Study, additional studies conducted by CoAL and adjustments made by Venmyn. The summarised DCF results are presented in Table 77. The valuation results of the projects using a DCF and treating the mine and the washing plants as a single cash generating unit yields the results detailed in Table 78.

Table 77 : Summarised DCF Valuation Results for Vele Colliery

VALUATION RESULTS	LOW VALUE	HIGH VALUE	MEAN CASE
Project NPV (ZARm)	2,577	3,595	3,080
Discount Rate (%) (Real)	15.00%	13.00%	14.00%
IRR	30.90%	30.90%	30.90%

The base case analysis indicates that the project would produce a net present value (NPV) of ZAR3.1bn at a 14% nominal discount rate. The NPV at various discount rates on the Base Case is presented in Figure 89.

In addition, Venmyn conducted a scenario analysis using @RISK Software using different distributions for the critical input assumptions and estimates in order to analyse the effects that the inherent uncertainties could have on the project economics.

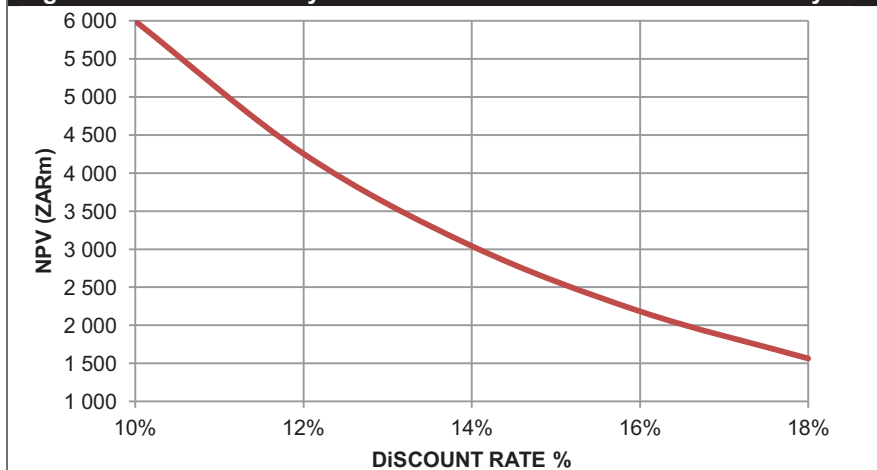
This simulation technique has explicitly included the uncertainty present in the critical estimates and assumptions to generate results that show all possible outcomes.

The simulation technique combines all the uncertainties identified in the financial model. Using this technique, the known information about the variable, including its full range of possible values and some measure of the likelihood of occurrence for each possible value are captured in the input distribution function. @RISK uses all this information, along with the financial model, to analyse every possible outcome. It is the equivalent of running hundreds or thousands of "what-if" scenarios simultaneously.

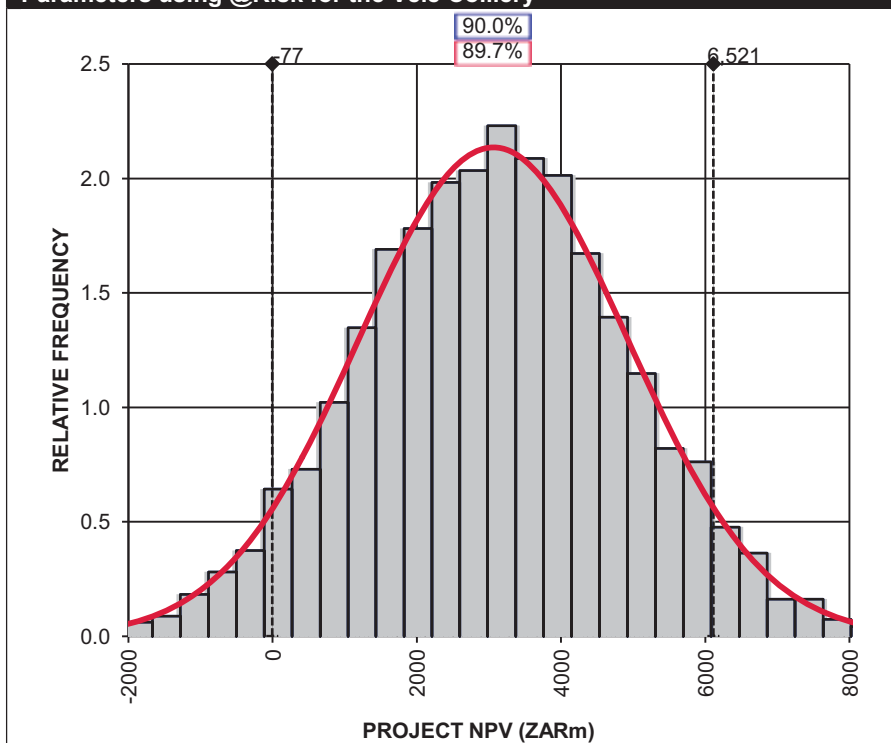
Table 78 : Summarised DCF Model for Vele Colliery

VELE FINANCIAL MODEL EXTRACT																
UNIT	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
TOTAL	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total Vele U/G	t	1,057,000	2,673,000	2,700,000	2,700,000	3,750,000	4,800,000	4,800,000	4,800,000	0	0	1,438,501	2,700,000	4,500,000	4,500,000	4,500,000
U/G Primary Product Yields (Coking Coal)	%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
O/C Primary Product Yields (Coking Coal)	%	28%	34%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
U/G Saleable Tonnes Produced	t	295,960	898,128	945,000	945,000	1,312,500	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000	480,459	901,800	1,503,000	1,503,000	1,503,000
O/C Saleable Tonnes Produced	t	295,960	898,128	945,000	945,000	1,312,500	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500
Total Sales Production	t	295,960	898,128	945,000	945,000	1,312,500	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000	3,357,959	4,279,300	4,880,500	4,880,500	4,880,500
Coking Coal Export Product	ZARm	331	1,089	1,240	1,302	1,368	2,680	2,814	2,955	3,103	3,258	7,856	9,149	10,956	11,504	12,079
GROSS REVENUE (ZARm)		331	1,089	1,240	1,302	1,368	2,680	2,814	2,955	3,103	3,258	7,856	9,149	10,956	11,504	12,079
Waste Mining O/C	ZARm	(108)	(455)	(408)	(373)	(407)	(736)	(718)	(902)	(1,137)	(941)	(2,219)	(2,486)	(2,488)	(2,586)	(2,796)
Ore Mining O/C	ZARm	(74)	(240)	(277)	(291)	(305)	(445)	(599)	(629)	(683)	(728)	(1,536)	(1,613)	(1,693)	(1,778)	(1,867)
Ore Mining U/G	ZARm	0	0	0	0	0	0	0	0	0	0	(295)	(581)	(1,016)	(1,067)	(1,121)
Processing Costs	ZARm	(78)	(80)	(64)	(67)	(70)	(103)	(136)	(145)	(152)	(160)	(406)	(475)	(572)	(600)	(630)
Utilities Costs	ZARm	(16)	(30)	(76)	(80)	(84)	(122)	(164)	(172)	(181)	(190)	(484)	(566)	(681)	(715)	(751)
Salaries and Wages (Mgt & Adm)	ZARm	(17)	(19)	(21)	(22)	(23)	(33)	(45)	(47)	(49)	(52)	(54)	(154)	(185)	(195)	(204)
Other Regulatory Costs	ZARm	(28)	(30)	(34)	(35)	(37)	(54)	(73)	(77)	(80)	(84)	(89)	(215)	(251)	(302)	(317)
Rehabilitation Costs	ZARm	(4)	(13)	(14)	(14)	(15)	(22)	(30)	(31)	(33)	(34)	(36)	(102)	(123)	(129)	(135)
Logistics, Distribution & Related Costs	ZARm	(27)	(87)	(96)	(101)	(106)	(155)	(208)	(218)	(229)	(241)	(253)	(610)	(710)	(851)	(938)
TOTAL OPERATING COSTS	ZARm	(353)	(953)	(990)	(984)	(1,048)	(1,526)	(1,992)	(2,097)	(2,286)	(2,468)	(5,984)	(6,909)	(7,911)	(8,281)	(8,776)
EBITDA		(22)	136	251	319	319	468	688	718	669	512	790	1,872	2,241	3,045	3,304
Royalties Payable (ZARm)																
Capital Expenditure		(2)	(21)	(34)	(42)	(42)	(62)	(90)	(94)	(89)	(72)	(104)	(247)	(295)	(393)	(427)
On Going Capital Expenditure		(550)	(158)	(305)	(4)	0	0	0	0	0	(310)	(326)	0	0	0	0
Corporate Tax		0	0	0	(49)	(52)	(76)	(100)	(105)	(114)	(130)	(299)	(345)	(366)	(414)	(439)
PROFIT AFTER TAX		(573)	(43)	(88)	191	147	216	331	344	303	(36)	136	871	1,056	1,514	1,608
Nominal Discount Rate		14%	1.00	1.14	1.30	1.48	1.68	1.92	2.19	2.49	2.84	3.68	4.20	4.78	5.45	6.20
NPV Value (ZARm)		3,080	(573.38)	(37.78)	(68.11)	129.19	87.31	112.59	151.53	138.28	106.81	36.95	207.50	220.84	277.97	259.11

VELE FINANCIAL MODEL EXTRACT																
UNIT	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
TOTAL	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Total Vele U/G	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Total Vele O/C	9,650,000	9,650,000	9,650,000	9,650,000	9,650,000	9,650,000	9,650,000	9,650,000	9,650,000	9,650,000	9,650,000	9,650,000	9,650,000	9,650,000	9,650,000	9,650,000
U/G Primary Product Yields (Coking Coal)	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
O/C Primary Product Yields (Coking Coal)	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
U/G Saleable Tonnes Produced	1,503,000	1,503,000	1,503,000	1,503,000	1,503,000	1,503,000	1,503,000	1,503,000	1,503,000	1,503,000	1,503,000	1,503,000	1,503,000	1,503,000	1,503,000	1,503,000
O/C Saleable Tonnes Produced	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500	3,377,500
Total Sales Production	4,880,500	4,880,500	4,880,500	4,880,500	4,880,500	4,880,500	4,880,500	4,880,500	4,880,500	4,880,500	4,880,500	4,880,500	4,880,500	4,880,500	4,880,500	4,880,500
Coking Coal Export Product	12,683	13,317	13,983	14,682	15,417	16,187	16,997	17,888	18,822	20,121	21,237	19,299	7,015	7,365	7,734	8,047
GROSS REVENUE (ZARm)	12,683	13,317	13,983	14,682	15,417	16,187	16,997	17,888	18,822	20,121	21,237	19,299	7,015	7,365	7,734	8,047
Waste Mining O/C	(2,905)	(3,001)	(3,285)	(3,209)	(4,427)	(4,211)	(3,791)	(4,327)	(4,361)	(5,028)	(4,618)	(3,829)	0	0	0	0
Ore Mining O/C	(1,960)	(2,058)	(2,161)	(2,269)	(2,382)	(2,502)	(2,627)	(2,767)	(2,914)	(3,140)	(3,322)	(2,818)	0	0	0	0
Ore Mining U/G	(1,177)	(1,235)	(1,297)	(1,362)	(1,430)	(1,502)	(1,577)	(1,656)	(1,738)	(1,825)	(1,917)	(2,012)	(2,113)	(2,219)	(2,330)	(2,446)
Processing Costs	(682)	(695)	(729)	(766)	(804)	(844)	(887)	(933)	(982)	(1,049)	(1,107)	(1,009)	(378)	(397)	(417)	(438)
Utilities Costs	(789)	(828)	(869)	(913)	(959)	(1,006)	(1,057)	(1,112)	(1,170)	(1,251)	(1,320)	(1,202)	(450)	(473)	(497)	(523)
Salaries and Wages (Mgt & Adm)	(215)	(225)	(237)	(249)	(261)	(274)	(286)	(303)	(319)	(340)	(359)	(327)	(123)	(129)	(136)	(143)
Other Regulatory Costs	(350)	(367)	(386)	(405)	(425)	(447)	(469)	(494)	(519)	(555)	(586)	(533)	(200)	(210)	(220)	(231)
Rehabilitation Costs	(142)	(149)	(157)	(164)	(173)	(181)	(190)	(200)	(211)	(225)	(238)	(217)	(81)	(85)	(89)	(93)
Logistics, Distribution & Related Costs	(985)	(1,034)	(1,086)	(1,140)	(1,197)	(1,258)	(1,320)	(1,389)	(1,461)	(1,532)	(1,604)	(1,498)	(545)	(572)	(600)	(628)
TOTAL OPERATING COSTS	(9,183)	(9,593)	(10,217)	(10,477)	(12,058)	(12,224)	(12,204)	(13,180)	(13,678)	(14,976)	(15,115)	(13,446)	(4,084)	(4,286)	(4,476)	(4,616)
EBITDA	3,500	3,724	3,766	4,206	3,359	3,964	4,792	4,708	5,146	5,145	6,122	5,854	3,125	3,281	3,445	3,334
Royalties Payable (ZARm)																
Capital Expenditure	(452)	(480)	(488)	(541)	(450)	(521)	(617)	(613)	(666)	(672)	(786)	(747)	(382)	(401)	(342)	(41)
On Going Capital Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Corporate Tax	853	908	918	1,026	814	984	1,169	1,147	1,254	1,252	1,494	1,430	768	806	847	886
PROFIT AFTER TAX	1,735	1,856	1,849	2,115	1,491	1,867	2,396	2,290	2,542	2,472	3,086	3,005	1,780	1,869	1,963	1,991
Nominal Discount Rate	8.05	9.17	10.45	11.91	13.56	15.45	17.60	20.06	22.85	26.03	29.65	33.78	38.45	43.85	49.95	56.91
NPV Value (ZARm)	215.51	202.31	176.95	177.65	109.94	120.83	136.09	114.17	111.25	94.95	104.06	88.93	46.26	42.63	39.29	27.96

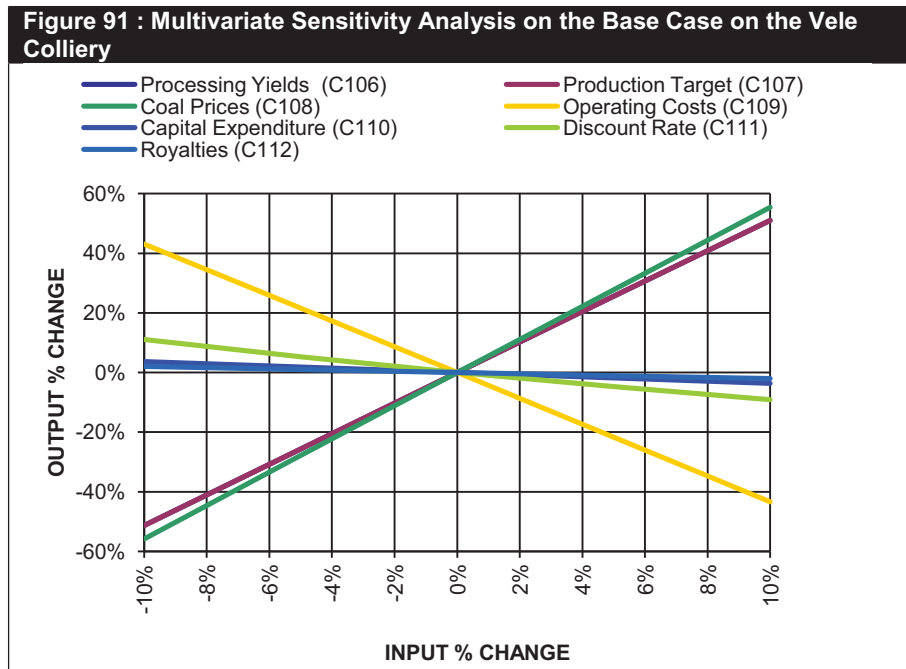
Figure 89 : NPV Variability at Different Discount Rates for Vele Colliery

The results of the simulation and risks associated with the project economics are illustrated graphically in Figure 90. The simulation results show that there is approximately 95% probability that this project has an NPV greater than zero at a 14% nominal discount rate. The project value for Vele Colliery ranges from negative (ZAR0.077bn) to ZAR6.521bn at 95% confidence level, as illustrated in Figure 90.

Figure 90 : Distribution of the Project NPV with Changes in the Input Parameters using @Risk for the Vele Colliery

Multivariate sensitivity analyses were performed, as summarised in Figure 91. Although the project is most sensitive to coal price changes, the project shows that it is also highly sensitive to mining and processing operating costs and the production target. The project is least sensitive to capital, discount rate and royalties.

Venmyn understands that CoAL's business processes at Vele involve a number of stockpiles at different points in the logistics chain. However, for the purposes of the mineral asset valuation reported in this report it was assumed that the stock levels at the end of each period will be approximately constant and hence Venmyn would assume that every product produced in the financial year will be sold and payment received in the same financial year.



15.21.5. Vele Colliery Valuation Summary

The summary valuation results of the respective valuations carried out are given in Table 79.

Table 79 : Coal's Vele Colliery Mineral Asset Valuation Summary

PROJECT	COST APPROACH (ZARm)	MARKET APPROACH				CASH FLOW APPROACH (ZARm)	PREFERRED VALUE (ZARm)
		Real Estate Value (ZARm)	Mineral Resource Value (ZARm)	Mineral Reserve Value (ZARm)	Preferred Market Value (ZARm)		
Vele	1,304.88	N/A	N/A	2,266.47	2,266.47	3,080.26	2,673.37
TOTAL	1,304.88	N/A	N/A	2,266.47	2,266.47	3,080.26	2,673.37

The Cost Approach was invalidated since it does not capture the prospects of the coal deposit resulting from the exploration results and value created by developing the project into a mine. Venmyn considers the Cash Flow Approach and Market Approach as the more appropriate valuation techniques, in this case. The Market Approach considers the full reserve base and the actual transactions and market values, and allows for a thorough review of the logistical, infrastructural and strategic merits of the projects. The Cash Flow Approach captures the pertinent aspects of the business' case for a mining operation. However, the preferred value was estimated by taking the mean value of the Market Approach and Cash Flow Approach.

Venmyn's database provides a comprehensive and reliable benchmark for recent relevant transactions in the coal industry in general and the Limpopo Coalfields in particular.

Venmyn's current preferred 'Fair Value' represents the mean value achieved from the two approaches utilised in this valuation, and is considered to be **ZAR2,673m**.

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

16. SOUTPANSBERG COALFIELD – MAKHADO PROJECT

The Makhado Project is currently CoAL's anchor and most developed project within the greater Soutpansberg Project area (Figure 92). CoAL has consolidated a significant portfolio of mineral licences prospective for coal in the Soutpansberg Coalfield.

The Makhado Project area, for the purposes of this document, includes:-

- the Makhado Project Proper (Makhado Project), comprising the farms Salaita 188MT, Lukin 643MS, Fripp 645MS, Tanga 648MS and Windhoek 649MS (Figure 93);
- the farm Overwinning 719MS which is not considered material and has been interpreted as having no economic potential (Figure 93); and
- the Makhado Project Extension (Makhado Extension), comprising the farms Gray 189MT and Telema 190MT (Figure 93).

The majority of the development work has been conducted on the Makhado Project, and the sections that follow therefore focus on this. A Definitive Feasibility Study (DFS) is currently being conducted on the Makhado Project and should be completed by the end of 2011. Information relevant to the Makhado Extension is also discussed, although in less detail, and only where necessary.

16.1. Location

The Makhado Project area is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 93). Figure 92 illustrates the location of the Makhado Project area in relation to regional infrastructure and the mineral tenure in the greater Soutpansberg Project area. The nearest town is Louis Trichardt, situated approximately 35km to the south of the Makhado Project area. The town of Musina is located approximately 50km north of the Makhado Project area. The village of Mudimele is located within the Makhado Project area on the farm Fripp 645MS.

16.2. Legal Aspects

16.2.1. Ownership by CoAL

CoAL or a wholly owned subsidiary holds the NOPR over this Project area. However, Rio Tinto retains an option to acquire 50% of the farm Gray 189MT. CoAL's wholly owned subsidiary Fumaria Property Holdings (Pty) Ltd holds the surface right to the farm Tanga 648MS. Rights pertaining to the Makhado Project are shown in Figure 93 and Figure 94.

16.2.2. Exchange of Prospecting Rights Agreement (Farm Swap Agreement)

The DMR approved the tri-party Farm Swap Agreement signed on the 12th of October 2009 between CoAL and its subsidiary Regulus, Sekoko Coal (Pty) Ltd, and the Rio Tinto-Kwezi Joint Venture (RKJV), a joint venture between Rio Tinto Mineral Development Ltd (RTMD) and Kwezi Mining Ltd (Kwezi) in relation to two subsidiaries, Kwezi Mining Exploration (Pty) Ltd (KME) and Chapudi Coal (Pty) Ltd (Chapudi Coal) as contemplated in the shareholders agreements pertaining to the aforesaid subsidiaries. The RKJV grants RTMD 70% ownership of Chapudi Coal and 49% ownership in KME. The remaining stake in both projects is under the ownership of Kwezi.

The Farm Swap Agreement created numerous contiguous, well defined and economic coal projects (Figure 92). Importantly, the farm swap allowed CoAL to lodge the NOMR for the flagship Makhado Project.

Furthermore, the Farm Swap Agreement created another three significant coal projects, The Mount Stuart Coal Project (Section 18), the Voorburg Coking Coal Project (Section 17) and the Jutland Coking Coal Project (Section 19), together with an additional two farms (Gray 189MT and Telema 190MT) which will form a natural extension to the Makhado Project (Makhado Extension).

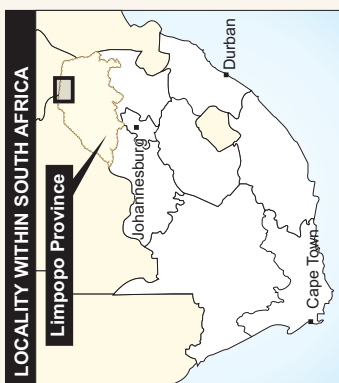
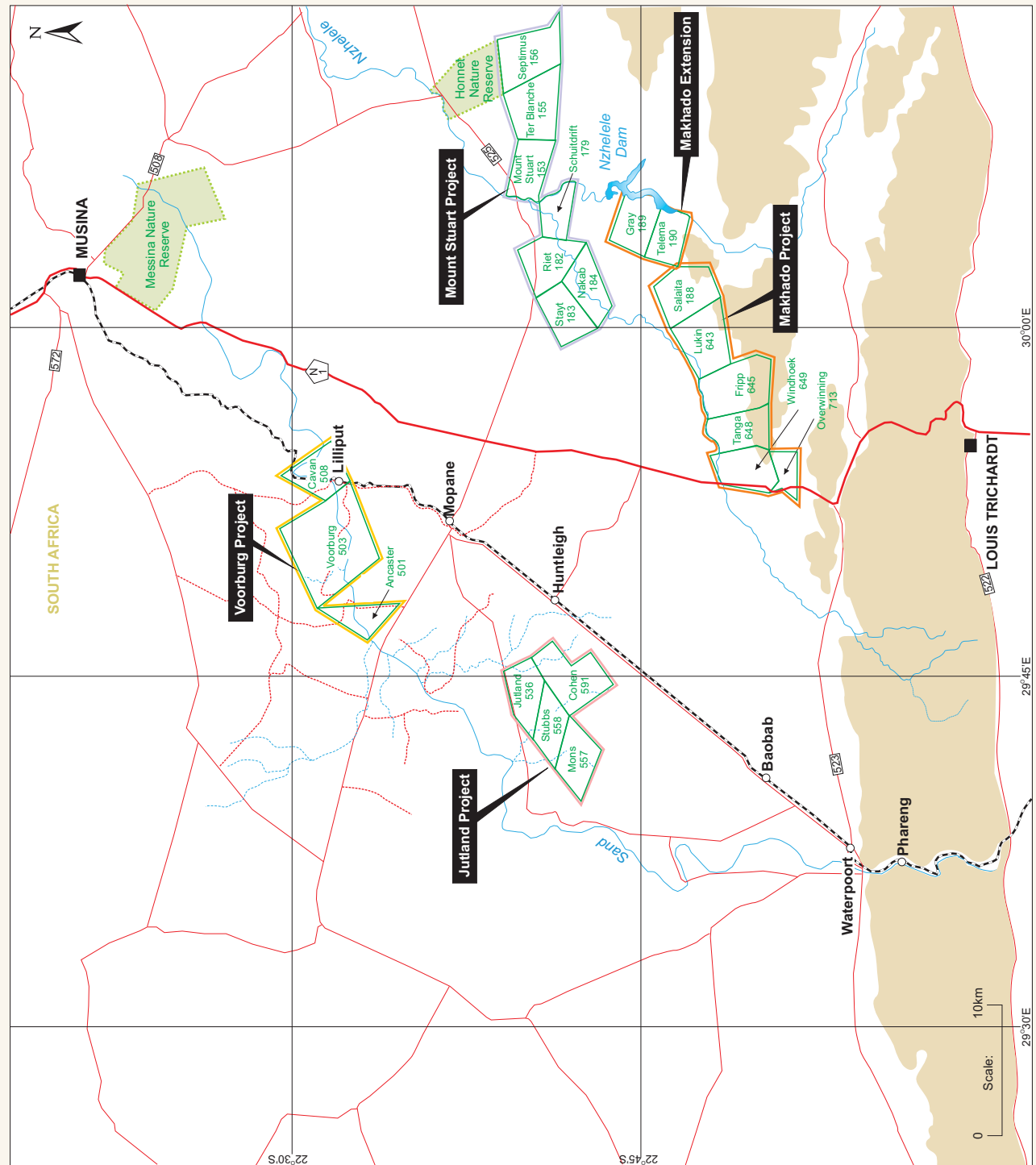
Table 65 identifies those farms which were acquired by CoAL as part of the Farm Swap Agreement.

16.2.3. Mineral Tenure

CoAL holds an NOPR over the farms Fripp 645MS and Tanga 648MS. This NOPR will expire on the 1st October 2011. CoAL applied for a renewal on the 30th June 2011 and is awaiting approval of the application.

In addition, CoAL holds NOPRs on the farms Overwinning 719MS, Windhoek 649MS and Lukin 643MS by virtue of the tri-party Farm Swap Agreement. The agreement also outlined the transfer of the NOPRs on the farms Salaita 188MT, Gray 189MT and Telema 190MS to CoAL's wholly owned subsidiary Regulus. The renewed NOPRs on Telema 190MS and Salaita 188MT will expire on the 18th April 2013, while the renewed NOPRs on Overwinning 719MS, Windhoek 649MS, Lukin 643MS and Gray 189 will expire on the 13th June 2013.

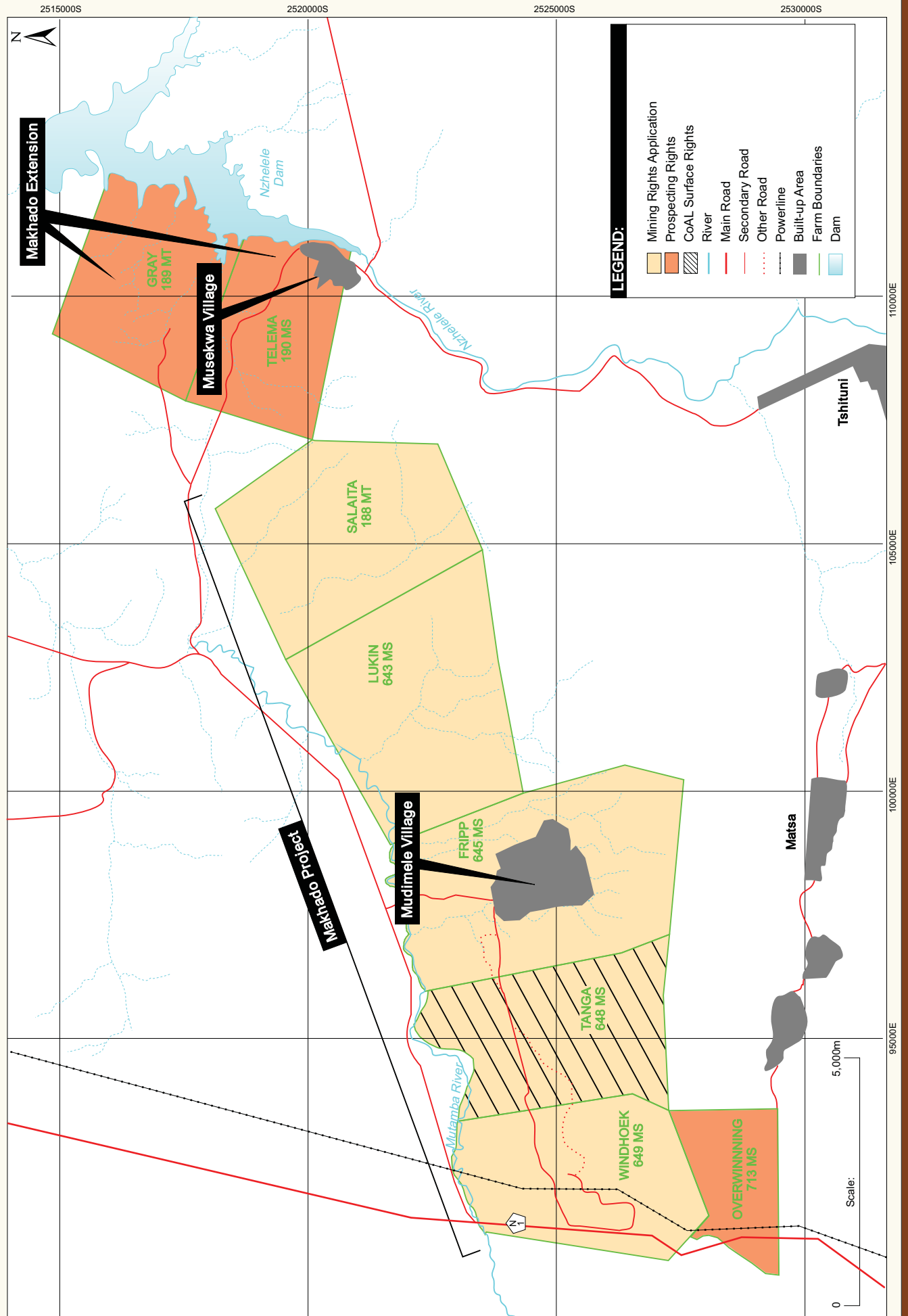
LOCATION OF COAL'S SOUTPANSBERG COALFIELD PROJECTS IN RELATION TO INFRASTRUCTURE



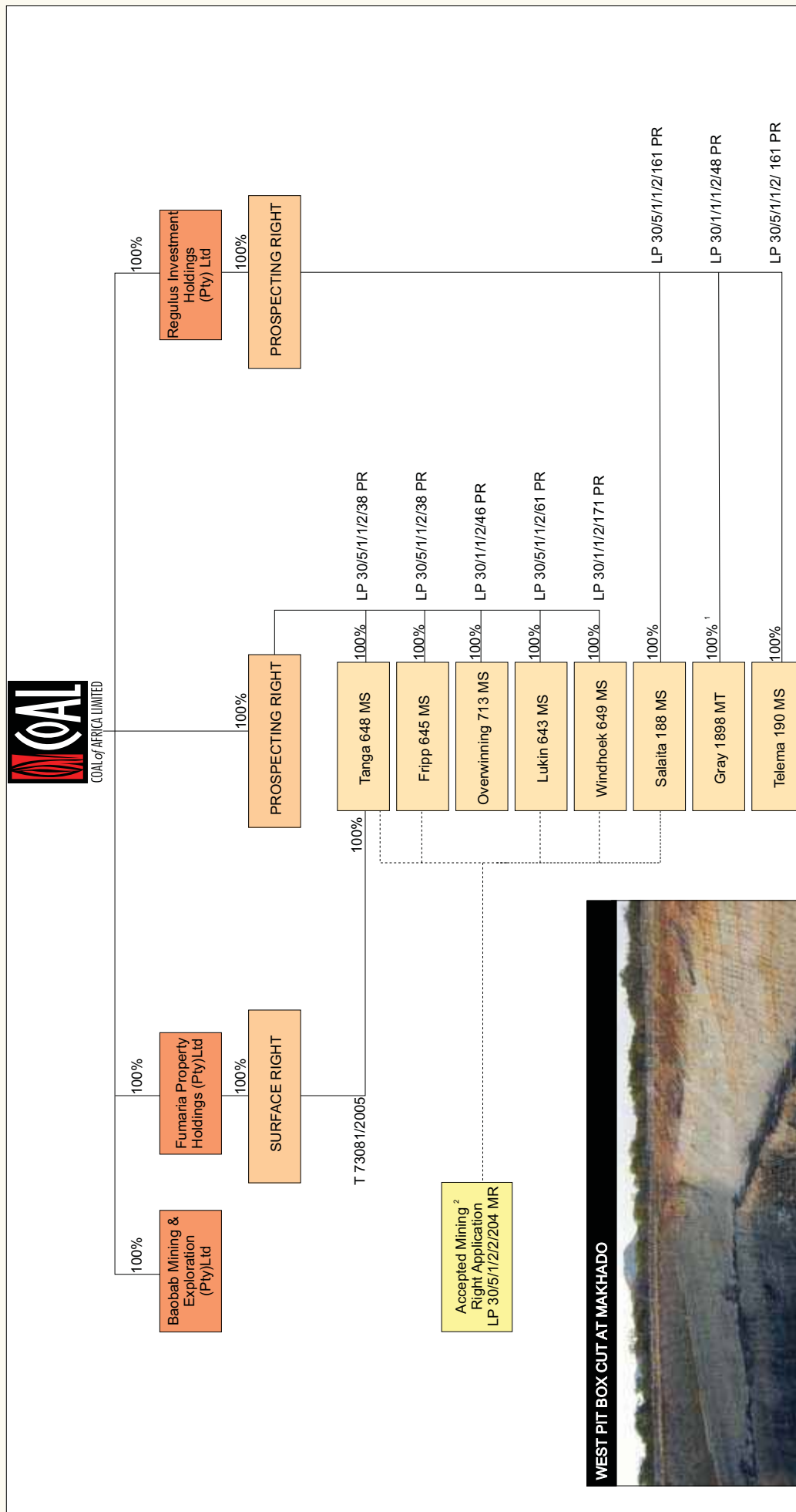
LEGEND:

	River
	Main Road
	Secondary Road
	Other Road
	Railway
	Built-up Area
	Nature Reserve
	Farm Boundaries
	Soutpansberg Mountain Range

LOCATION OF COAL'S MAKHADO PROJECTS IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE



OWNERSHIP OF MAKHADO PROJECT



1. Rio Tinto retains an option to acquire 50% of the rights over this property
2. Approval expected by January 2012

Table 80 : The Farm Swap Agreement

MINERAL RIGHTS HOLDING BEFORE FARM SWAP AGREEMENT			MINERAL RIGHTS HOLDING AFTER FARM SWAP AGREEMENT		
EFFECTIVE MINERAL RIGHTS HOLDER	FARM	AREA (ha)	EFFECTIVE MINERAL RIGHTS HOLDER	FARM	AREA (ha)
Rio Tinto	Phantom 640MS	873.81	Rio Tinto	Phantom 640MS	873.81
	Van Deventer 641MS	955.13		Van Deventer 641MS	955.13
	TOTAL BLOCK 3	1,828.93		Bekaf 650MS	1,052.36
	Mount Stuart 153MT	1,142.72		Castle Koppies 652MS	559.79
	Terblanche 155MT	1,726.59		Chase 576MS	849.05
	Septimus 156MT	1,687.48		Fanie 578MS	1,050.95
	Nakab 184MT	1,152.33		Joffre 584MS	1,014.99
	Schuitdrift 179MT	871.10		General 587MS	1,452.43
	TOTAL BLOCK 4	6,580.22		Kleinenberg 636MS	885.02
	Lukin 643MS	1,667.39		Wildgoose 577MS	803.98
	Overwinning 713MS	547.12		Rissik 637MS	991.52
	Gray 189MT	1,200.35		MTamba Vlei 654MS	450.24
	Windhoek 649MS	1,289.66		Sandilands 708MS	1,071.38
	TOTAL BLOCK 5	4,704.52		Qualipan 655MS	515.07
	GRAND TOTAL RIO TINTO	13,113.67		TOTAL BLOCK 3	12,525.70
				Enfield 521MS	1,542.77
CoAL	Bekaf 650MS	1,052.36		Albert 686MS	903.03
	Castle Koppies 652MS	559.79		Vleifontein 691MS	1,416.74
	Chase 576MS	849.05		Middelfontein 683MS	491.59
	Fanie 578MS	1,050.95		TOTAL BLOCK 7	4,354.12
	Joffre 584MS	1,014.99		GRAND TOTAL RIO TINTO	16,879.82
	General 587MS	1,452.43	CoAL	Stayt 183MT	1,189.37
	Kleinenberg 636MS	885.02		Riet 182MT	1,353.54
	Wildgoose 577MS	803.98		Mount Stuart 153MT	1,142.72
	Rissik 637MS	991.52		Terblanche 155MT	1,726.59
	MTamba Vlei 654MS	450.24		Septimus 156MT	1,687.48
	Sandilands 708MS	1,071.38		Nakab 184MT	1,152.33
	Qualipan 655MS	515.07		Schuitdrift 179MT	871.10
	TOTAL BLOCK 3	10,696.77		TOTAL BLOCK 4	9,123.13
	Stayt 183MT	1,189.37		Fripp 645MS	1,924.74
	Riet 182MT	1,353.54		Tanga 648MS	1,280.49
	TOTAL BLOCK 4	2,542.91		Salaita 188MT	1,487.42
	Fripp 645MS	1,924.74		Telema 190MT	931.18
	Tanga 648MS	1,280.49		Lukin 643MS	1,667.39
	Salaita 188MT	1,487.42		Overwinning 713MS	547.12
	Telema 190MT	931.18		Gray 189MT	1,200.35
	TOTAL BLOCK 5	5,623.83		Windhoek 649MS	1,289.66
	Enfield 521MS	1,542.77		TOTAL BLOCK 5	10,328.35
	Albert 686MS	903.03		GRAND TOTAL CoAL	19,451.47
	Vleifontein 691MS	1,416.74		GRAND TOTAL	36,331.29
	Middelfontein 683MS	491.59			
	TOTAL BLOCK 7	4,354.12			
	GRAND TOTAL CoAL	23,217.62			
	GRAND TOTAL	36,331.29			

	Previously held by Rio Tinto
	Previously held by CoAL

Venmyn is advised that a registered copy of NOPR 38 was not made available and that accordingly the rights remain personal rights until registration. Furthermore, the notarial deed of amendment of NOPR 38 was confirmed by Tabacks as having been registered. If NOPR 38 has not been registered, it is not clear, so Venmyn is advised, how the amendment to NOPR 38 could be registered.

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

The rights relating to the Makhado Project area are summarised in Table 81 and their locations are graphically presented in Figure 93.

16.2.4. Surface Rights

CoAL, through its wholly owned subsidiary, Fumaria Property Holdings (Pty) Limited, is the surface rights owner of the farm Tanga 648MS. The farm Fripp 645MS is State owned, while all other farms are privately owned. CoAL has commenced negotiations with the private surface right owners of the farms Lukin 643MS, Salaita 188MT and Windhoek 649MS to acquire these properties. Currently, CoAL has agreements with the various other surface rights owners to access the properties for exploration purposes and access is sufficient for its prospecting requirements. However, in addition to any other statutory requirements, CoAL will only be able to commence mining once these properties have been acquired.

16.2.5. Royalties

There are no private royalties payable for the Makhado Project. State royalties, as per the MPRRA (Section 10.3.5) will be payable, however.

16.2.6. Environmental Statutory Requirements

No authorisations in terms of NEMA and NWA are required for Makhado Extension. Sections 16.2.6.1, 16.2.6.2, 16.2.6.3 and 0 describe environmental statutory requirements for the Makhado Project.

16.2.6.1. NEMA

To-date, the Makhado Project has not yet obtained authorisation in terms of Chapter 3 of the regulations promulgated under Chapter 5 of the NEMA. As such, no environmental authorisation for the proposed infrastructure or ancillary activities of the proposed mine have been obtained. To this end, CoAL has initiated the process required to apply for environmental authorisation and following the integrated environmental assessment approach, has submitted a Scoping Report and EIA/EMP detailing all the proposed activities listed in the regulations that require authorisation.

16.2.6.2. NEMWA

Based on previous correspondence with regards to other assets (Section 13.2.5.2), the DEA has confirmed that no NEMWA authorisations are required.

16.2.6.3. NWA

The Makhado Project will also require a WULA and integrated water and waste management plan. The WULA has not yet been completed or submitted to the authority. However a provisional list of activities that may require authorisation under the NWA for the proposed mine have been compiled. These activities include:-

- taking water from a water resource;
- storage;
- disposing of waste which may detrimentally affect a water resource;
- impeding/altering of a water course; and
- engaging in a controlled activity (irrigation with waste water).

The WUL will include conditions to be adhered to. These conditions will have to be complied with to ensure ongoing lawful water use. Conditions usually relate to monitoring of water quantity and quality and require the installation of monitoring.

Table 81 : Summary of the Makhado Project Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS			
Makhado	Frapp 645MS	Whole farm	1,925.00	Coal of Africa (Pty) Ltd	Prospecting	LP 30/5/1/1/2/38 PR	02/10/2006	01/10/2011	No		No			
	Tanga 648MS	Whole farm	1,280.00								Yes			
	Lukin 643MS	Whole farm	1,667.00	Kw ezi Mining & Exploration (Pty) Ltd						13/06/2009	13/06/2013	No		
	Windhoek 649MS	Whole farm	1,290.00							13/06/2010	13/06/2013	No		
	Overwinning 713MS	Whole farm	541.00							14/06/2006	13/06/2010	Yes		
	Salaita 188MT	Whole farm	1,487.00	Sekoko Coal (Pty) Ltd						19/04/2005	18/04/2010	Yes	18/04/2013	No
	TOTAL MAKHADO		8,190.00											
Makhado Extension	Gray 189MT	Whole farm	1,200.00	Kw ezi Mining & Sekoko Coal (Pty) Ltd	Prospecting	LP 30/1/1/2/48 PR	14/06/2006	13/06/2010	Yes	13/06/2013	No			
	Telena 190MS	Whole farm	931.00								18/04/2010	18/04/2013	No	
	TOTAL MAKHADO EXTENSION		2,131.00											

A monitoring programme has been implemented to collect baseline information.

The requirement of a WUL may result in additional financial and time implications.

16.2.6.4. MPRDA

CoAL has submitted a NOMR Application to the DMR for adjudication and an integrated environmental assessment is underway to satisfy the requirements of both NEMA and the MPRDA.

The integrated EIA/EMP has been submitted for approval.

16.2.7. Material Contracts

16.2.7.1. Contract Mining and Operational Contracts

Baobab Mining & Exploration (Pty) Limited

Through its wholly owned subsidiary, Baobab Mining & Exploration (Pty) Limited, CoAL has Heads of Agreements in place with various mining and operational contractors for its proposed Makhado operation, although these can only be finalised once the NOMR has been approved. The agreements include services for:-

- opencast mining;
- crushing and processing of coal; and
- the supply of vehicles and transport of coal.

No further details of the Heads of Agreements are provided as they remain subject to change and are yet to be formalised.

G&V Logistics

Management of Castaro Lodge, the site utilised for limited accommodation and offices for CoAL personnel and contractors, has been contracted to G&V Logistics. The agreement was entered into in March 2011 for an approximate annual operating cost of ZAR890,000.

16.2.7.2. Exxaro Option Agreement

Following a purchase agreement between GVM Metals Ltd (now CoAL) and Exxaro Coal (Pty) Ltd (Exxaro) for 21 properties in the greater Soutpansberg Area made in October 2007, CoAL granted to Exxaro an option to purchase a Participating Right of up to 30% over the eight properties that comprise the Makhado Project area. The conditions for exercising the option were that CoAL had to become legally and beneficially entitled to the six Makhado properties Gray 189MT, Lukin 643MS, Overwinning 713MS, Salaita 188MT, Telema 190MS and Windhoek 649MS (collectively referred to as the Rio Properties) by the 30th of June 2010, and that the option would have to be exercised within 30 days after CoAL provided a notice of completion of the feasibility study for the Makhado Project. In the event that these conditions were not satisfied, Exxaro's option would then apply solely to a set of 11 properties within the Soutpansberg Coalfield that include the remaining two Makhado Project properties Fripp 645MS and Tanga 648MS.

CoAL became legally and beneficially entitled to the Rio Properties only after the 30th of June 2010, effectively excluding the six remaining Makhado properties from Exxaro's purchase option. This is clearly not what was intended by the parties. Due to the fact that the Farm Swap Agreement (Section 16.2.2) took longer to complete than expected, and that the original option agreement does not reflect the intention of the parties with regard to the Makhado Project, the agreement needs to be amended to clarify that it applies specifically to the Makhado Project properties. An addendum amending the option agreement to record that it relates to the Makhado Project and extending the date from 30th June 2010 to 30th January 2011, with retrospective effect, has been prepared and is being discussed by the parties to the option agreement.

16.2.8. Any Other Legal Issues**16.2.8.1. Land Claims**

Enquiries made to the Office of the Regional Land Claims Commissioner: Limpopo on the 27th June 2011 revealed land restitution claims pertaining to Overwinning 713MS, Gray 189MT, Tanga 648MS and Windhoek 649MS. Applicants include the Musekwa Tribe, the Musekwa Mamuhohi and Neyhulwane Community and the Shamani Magashula Community.

Venmyn understands that there are also currently land claims over the farms Lukin 643 MS and Salaita 188 MT by the Makushu Tribe.

These claims are currently being validated by the office of the Regional Land Claims Commissioner.

Venmyn is advised that a notification of a land claim does not invalidate the NOMR. However, in respect of gazetted claims, one months notice is required to be given to the commissioner to develop the land. A dispute around restitution of rights in land, Venmyn is advised, may delay mining activities or result in a cost to CoAL in seeking early resolution.

16.2.8.2. Litigation

Venmyn is not aware of any litigation associated with the Makhado Project area.

16.2.8.3. Competing Rights

Venmyn is not aware of any competing rights associated with the Makhado Project area.

16.3. Access

Access to the Makhado Project area is via the tarred national N1 road from Louis Trichardt to Musina, located immediately west of the project area (Figure 93). The N1 road is in excellent condition. The project area is approximately 370km, by road, from the capital, Pretoria.

The various properties within the Project area are accessed by a network of gravel roads that branch off the N1, and which are in good condition.

16.4. Climate

The Makhado Project area experiences 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). Mean annual rainfall is of 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.

16.5. Topography

The topography of the Makhado Project area is relatively flat. The average elevation is 750mamsl, with the Soutpansberg Mountains, bordering the project area to the south, which reach a maximum elevation of 1,747mamsl (Figure 92). The area is drained by the perennial Nzhelele River and Sand River which flow in a northwesterly direction into the Limpopo River.

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.

16.6. Vegetation

The Makhado Project area falls within the 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.

A large diversity of mammals is present in the region and approximately 60% of the total number of species occurring in South Africa is represented.

The land is mainly given over to cattle and game ranching with localised arable farming.

16.7. Local Resources

The majority of the Makhado personnel are South African nationals. Louis Trichardt and Musina are regional centres and provide modern conveniences, including accommodation and services. The towns are also sources of fuel and labour.

16.8. Infrastructure

The Project is well situated with respect to the major infrastructural aspects of rail, road and power (Figure 92). The railway linking Gauteng (in South Africa) and Zimbabwe also traverses the area with the nearest rail sidings located at Huntleigh.

The DFS splits the Makhado Project into three distinct mining areas, namely the West, Central and East Pits, which extend over a distance of approximately 17.5km. The elongated mine footprint will be limited to suitable plant sites as it is restricted by the Mutamba River, that traverses the northern side of the pits, and the Mapaliome, Donwa and the Pfumembe mountains, south of the mining area.

The placement of the proposed infrastructure (Figure 95) has been limited by the mountains on the south, the mining pits and the Mutamba River to the north.

The topography of the land necessitates the construction of large terraces to provide platforms for the major items of infrastructure. Platforms have been designed to be constructed on a hillside, where slopes of up to 12° are encountered. Major earthworks will be required to establish these terraces considering the topography of the area.

The proposed infrastructural requirements for the Makhado Project, as detailed below, are those detailed in the DFS for the Makhado Project.

16.8.1. Water

Water in the northern parts of the Limpopo Province is scarce and there is strong competition between various water users for the limited water resources. Due to this competition, the availability of water for supply to the mine is considered one of the major risks to the project meeting its production deadlines.

Information provided by the DWA shows that conventional water resources have been fully or, in most cases, overdeveloped in all the surrounding catchments. Obtaining approval to further develop the limited water resources therefore poses a significant challenge.

The preliminary water balance set up for the proposed Makhado Project shows that a maximum of 9,540m³/day of water is required at full production of the mine which will occur in Year 2032. Local water resources, mainly from pit inflows and local groundwater could provide up to 2,540m³/day, leaving 6,800m³/day which is required from other sources. The water requirements are broken down as follows:

The bulk water requirements (additional sources) over time are:-

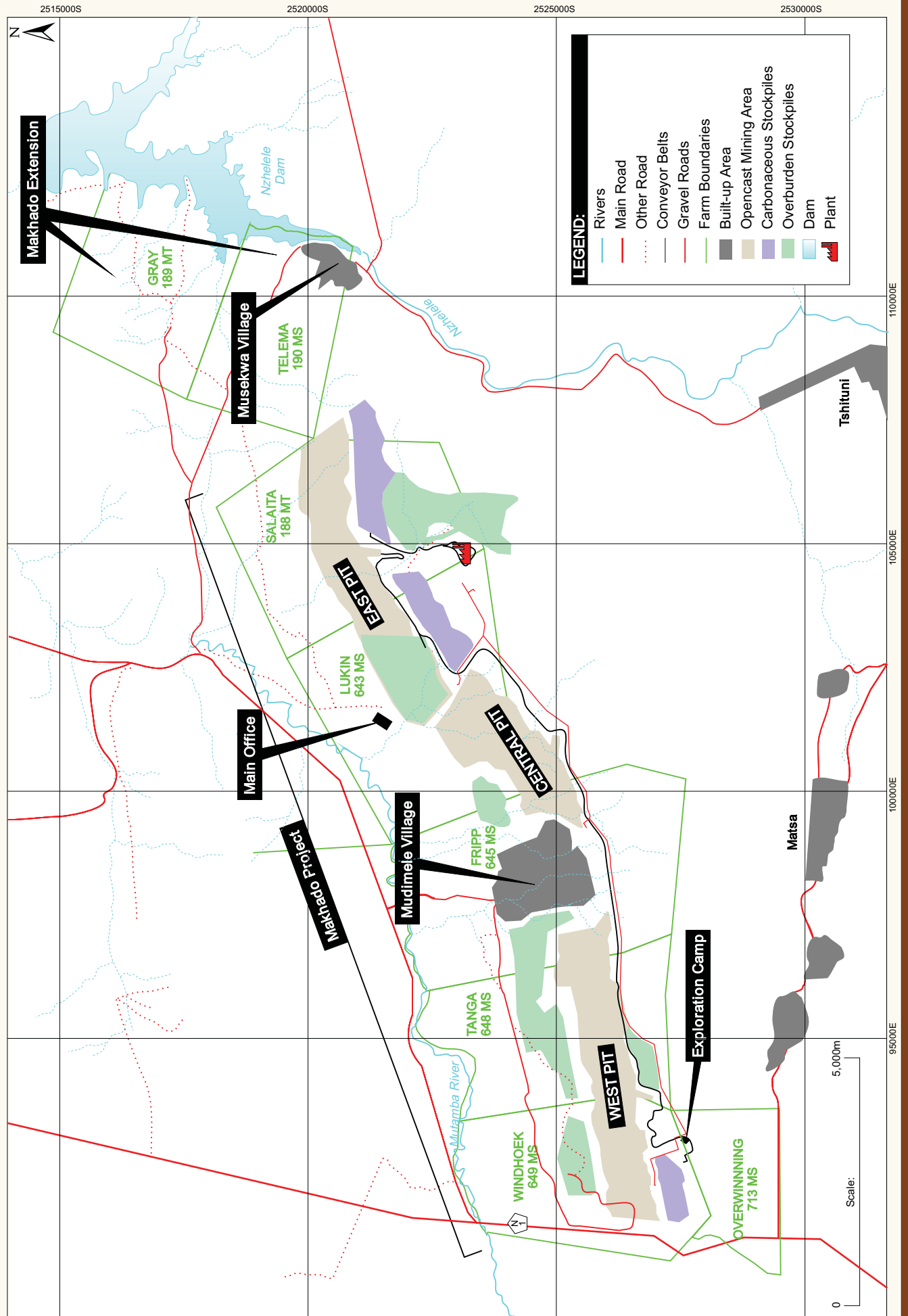
- 1,500m³/day by 2012;
- 4,000m³/day by 2017;
- 5,800m³/day by 2023; and
- 6,800m³/day by 2032.

More than 30 possible water supply options have been identified, of which 11 have been further investigated in the Feasibility Study. The other 19 options have been excluded, due to the intense competition for the water, long pipe routes and excessive pumping heads, as almost all of these options are on the southern side of the Soutpansberg Mountains.

The 11 supply options include:-

- Nzhelele Government Water Scheme – Water Loss Recovery;
- Nzhelele irrigation buy-out;
- Improve efficiency of the Upper Nzhelele (Rambali) Scheme;
- Dzanani waste water;
- Makhado waste water;
- Musina waste water;
- abandoned Musina mine workings;
- Windhoek groundwater;
- Tshipise well-field (1,730m³/day);
- Mutamba Dam; and

MAKHADO PROJECT PROPOSED SITE PLAN



- Tshikuwi Dam.

These options or a combination of these options should enable the Makhado Project to meet its long term bulk water demands.

Clean water run-off from the mountain catchments and the water courses will be diverted around the proposed infrastructure, the mine pits and stockpile areas. A network of clean water cut-off drains and deflection berms have been positioned along the southern boundary of the proposed mine to collect and convey clean water into the closest natural river course.

16.8.2. Power

The main power supply is planned to be provided from the Eskom Switch Yard situated at the West Pit via a radial 132kV overhead line to a 132/11kV substation at the Mine Infrastructure Area (MIA). However, if Eskom is delayed in meeting Makhado's target date on start-up, then supplementary generation of 5MVA will be provided and included in the Capex.

Construction power of 5MVA will be provided from Eskom's 22kV Paradise Substation. This 5MVA supply will cater for the initial infrastructure, plant, contractors' camp, and the materials handling loads during construction. If Eskom power is delayed, this 5MVA supply and the supplementary generation of another 5MVA will be sufficient to run the East Pit. Eskom has confirmed that it is able to supply a load of 1MVA from the existing 132kV network in 2013 for this project. It proposes to create a new substation on the farm Windhoek 649MS, which is adjacent to the western boundary of the farm Tanga 648MS. Eskom plans to make supply available from two different sources for the construction and permanent (operational) phases of the project.

16.8.3. Accommodation and Offices

CoAL has signed an agreement to purchase Castaro Lodge on the farm Martha 185MT (approximately 3.5km from the proposed plant location) (Figure 93). It is CoAL's intention to use the lodge as offices and limited accommodation. The majority of contractors and mine personnel will commute from either Louis Trichardt and/or Musina, with no other specific accommodation planned on-site.

The Tanga Exploration Camp is located on the farm Tanga 648MS. This camp provides basic accommodation and office facilities that are suitable for the current operations.

16.8.4. Mining and Plant Equipment

The feasibility study is considering the implementation of owner operated mining equipment. The mining equipment will include a conventional truck and shovel fleet, sized according to the outcomes of the current mine planning and scheduling study.

The feasibility study is also considering the implementation of an owner operated plant, which will be designed according to the outcomes of the current mine planning and scheduling study.

A coal laboratory will be established on site, which will be owned and operated by CoAL.

16.8.5. Security

The mine site is fenced and access is controlled at a secured entrance by a security company, G4S. The entrance is staffed 24 hours per day and regular security patrols are conducted throughout the mining area.

16.8.6. Roads

All roads in and around the project area are gravel. All roads are well maintained by CoAL.

The Nzhelele Road runs to the north of the mine property connecting the N1 and the R70 to Tshipise. Access to site from the N1 Toll road will be via an existing gravel road to the Nzhelele Dam. This road will be upgraded and tar surfaced for approximately 7.5km before reaching the mine access turn off. The access road onto the mine property is via the Nzhelele Road and access to the main infrastructure will be via the area sterilised by the fault separating the East and Central Pits.

Haul roads will interlink the West, Central and East pits, the stockpile areas and the infrastructure areas to one another on the southern side of the mining pits. Haul roads have been designed to be 35m wide gravel road surfaces built for CAT 793 trucks.

Service roads will be gravel roads to provide ease of access to remote areas.

Separate haul and service roads have been provided for where high traffic volumes and fully loaded mine trucks are anticipated.

16.8.7. Rail Network Connectivity

During its initial production phase, the Makhado Project intends to supply the ArcelorMittal plant in Vanderbijlpark. The service is expected to consist of 40 wagon block loads with a payload of 2,400t per train. The proposed rail route serving the ArcelorMittal plant comprises:-

- a diesel service between a transport node proposed at the mine site in Limpopo;
- followed by the use of the TFR link to Pyramid South, where a 25kV electric traction, employed from Polokwane, is replaced by a 3kV DC service to Vanderbijlpark; and
- the use of the route, which traverses the central Gauteng complex.

If the Makhado Project intends to increase the saleable production to support the export market, it intends to utilise the Matola Terminal in Maputo. The route serving Matola Terminal comprises a diesel service from Huntleigh via the major south/east junction at Groenbult to Hoedspruit. From there, the proposed route follows the electrified export corridor to Kaapmuiden and then to Komatipoort. The Mozambique diesel service commences from Ressano Garcia and terminates at the arrivals yard at Matola. The route is constrained by 18,5t axle load restrictions between Groenbult and Hoedspruit.

16.8.7.1. Maputo Port Connectivity and Matola Terminal

Significant investment is in progress on the Maputo Corridor to increase rail and port capacity. The Matola Terminal has its own exclusive berth, ship loaders, stockpile area, rail tipplers, stacker reclaimer and conveyor handling systems. The Terminal is presently capable of loading Handimax vessels as a result of massive phased upgrading of the materials handling infrastructure, as well as dredging of the Polana channel to a sailing draft of 11m. Maputo is therefore expected to have sufficient capacity to handle a CoAL export product if it considers expanding the project to Phase 2.

16.8.7.2. Rail Siding Options Evaluation

The preferred option for despatch is a siding located at the mine site on the TFR main line between Mopane and Makhado, coupled to a 30km road haul from the Makhado Project area.

16.8.8. Mine Residue

The DFS has made provision to utilise a coarse discard facility (and associated return water dam), a single raw water/storage dam and a dirty water dam. All the dams except for the dirty water dam fall under the jurisdiction of the MPRDA as they are defined as "mine residues".

16.8.8.1. Raw Water/Storage Dams

A raw water/storage dam will be used for the collection and settling of water pumped from boreholes. Water collected from the dirty water dam will also be pumped back into the dams where the water will be used in the wash plant. The raw water/storage dam is adequately designed for the water capacities that CoAL intends to store and pump to the proposed wash plant for use as process water.

16.8.8.2. Disposal (Coarse Discard) Facility and associated Return Water Dam

The disposal facility will be equipped with one return water dam and will be used to store coarse discard and carbonaceous materials as well as to re-use collected contaminated surface water run-off from the dirty water dam. No slurry will be produced as a slurry dewatering circuit is planned to be installed.

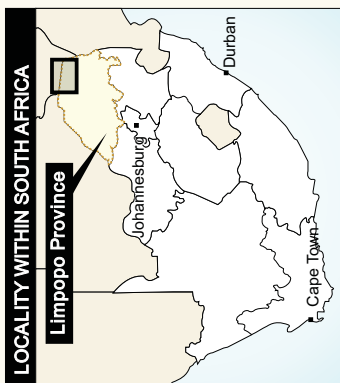
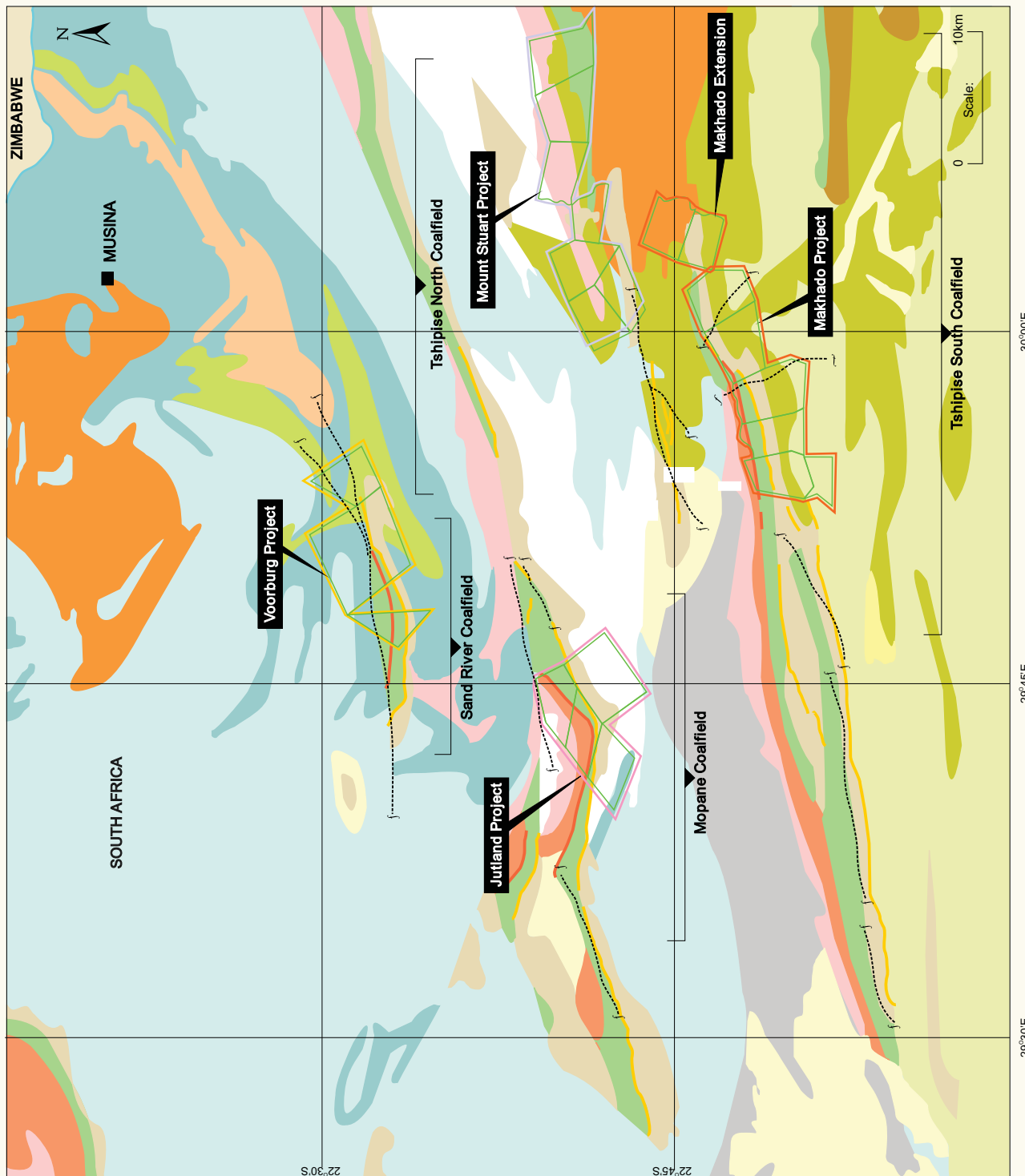
16.8.8.3. Dirty water dam

A dirty water dam is planned to contain and store excess surface water run-off on site. This contaminated storm-water run-off will be circulated back into the system for use in the wash plant.

16.9. Regional Geological Setting

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 (Figure 96). The greater Soutpansberg Coalfield has been divided into three subdivisions:-

REGIONAL GEOLOGICAL MAP FOR THE SOUTPANSBERG COALFIELD



LEGEND:	
Quaternary Group:	Quaternary
Karoo Group:	- Letaba - Clarens - Elliot - Molteno - Beaufort - Fripp Formation - Ecra
Waterberg Group:	- Soutpansberg - Waterberg
Belt Bridge Complex:	- Bulai Gneiss - Malala Drift - Sand River - Messina Suite - Gumbu
Moodies Group:	Mount Dowe

- the Mopane Coalfield, between the towns of Mopane and Waterpoort in the west;
- the Tshipise Coalfield, stretching east of Mopane in the area of the town of Tshipise; and
- the Pafuri Coalfield, terminating at the northern limit of the Kruger National Park in the east.

The generalized stratigraphic sequence across the Coalfield is illustrated in Figure 96.

The Soutpansberg Coalfield is preserved within a down-faulted, graben structure, at the north-eastern edge of the Kaapvaal Craton. The Karoo Sequence rocks, containing the Soutpansberg Coalfield, overly the Soutpansberg rocks and dip between 3° and 20° northwards, terminating against east-west trending strike faults on the northern margin.

The region is faulted, becoming more severe in the far east, and has throws of between 60m and 200m, leading to the formation of horst and graben structures. A further subordinate set of faults, orientated at right angles to that mentioned above, subdivides the eastern portion of the Soutpansberg Coalfield region into a set of irregular blocks.

The nature of the coal deposits gradually changes from a multi-seam coal-mudstone association, approximately 40m thick in the west and comprising up to seven discrete coal seams (Mopane Coalfield in the Waterpoort area), to two individual seams in the east (Pafuri Coalfield in the Tshikondeni area) (Figure 96), with a 3m thick Upper Seam and a 2m thick Lower Seam approximately 100m deeper.

Where developed, the coal is generally bright and high in vitrinite and the coal rank (carbon/energy content) increases towards the east. Dull coal occurs locally at the base of the multi-seam coal-mudstone association in the Waterpoort area as well as in the upper part of the lower seam at Tshikondeni. The volatile content in the west (Waterpoort) is approximately 35% which decreases to 25% in the east (Tshikondeni).

16.9.1. Pafuri Coalfield

In the Pafuri Coalfield, composite seams consisting of thin bands, generally less than 0.5m, of alternating coal and mudstone occur in the Mikambeni Formation. The Main Seam, of approximately 3.5m in thickness, occurs in the Madzaringwe Formation and consists of up to nine coal bands separated by carbonaceous mudstone. The 2.5m thick Lower Seam forms the lowermost part of the composite unit directly above the diamictite of the Tshidzi Formation.

In general, the vitrinite content tends to decrease with increasing depth, whereas the rank tends to increase.

These trends are related to a higher geothermal gradient associated with the tectonic instability which led to pronounced block faulting and the northward tilting of the strata. These tectonic activities have been compounded by the presence of numerous dolerite intrusions.

The Main Seam has been the only seam exploited in the Pafuri Coalfield due to its coking properties and medium phosphorous content. The Lower Seam also has coking properties but the high phosphorus content is not acceptable to steel manufacturers.

The small Tshikondeni Mine (owned by Exxaro) is the only currently operating coal mine in the Soutpansberg Coalfield, and yields high-grade coking coal for ArcelorMittal's steel mill in Vanderbijlpark.

This underground coal mine, situated 140km northeast of Musina, alongside the Kruger National Park, exploits the coking quality coal of the Main Seam. The coal is accessed by four surface declines, and is processed through a single coal preparation plant with an operating capacity of 75ktpm.

Typical of most Soutpansberg coal horizons, the 7B and 7C Seams, forming the 2.5m thick Main Seam dip relatively steeply at between 2° and 18° to the north. Although mining has followed the seam down to a maximum of 350m at the Nyala Shaft, most mining takes place in difficult conditions at depths of between 200m to 300m.

Structurally, the Tshikondeni Mine is very complex, with faulting and dolerite intrusions having a significant impact on mining in terms of displacement and devolatilisation of the coal. Steps and grabens delineate mining blocks and dykes and sills have been identified as having thicknesses of up to 15m to 30m, respectively.

16.9.2. Tshipise Coalfield

The stratigraphic column in the Tshipise Coalfield is very similar to that of the Pafuri Coalfield, except that the coal-bearing interval is dominated by shale, mudstone and siltstone.

The Madzaringwe Formation, therefore, thins markedly towards the east. The coal seams are also composite, consisting of alternating bands of coal and mudstone, and the coal bands exhibit the same trend of decreasing vitrinite content (from 90% to 80%) with increasing depth. The raw coal has an ash content of approximately 25%.

In 1911, Messina Transvaal Development Company Limited (MTDC) sunk a decline shaft on the farm Cavan 508MS (now part of CoAL's Voorburg Project (Section 17)). Between 1911 and 1918, MTDC mined coal from its Lilliput Colliery, to supply the company's furnace in Messina (now Musina).

In 1918, the Colliery ceased production, and there has not been any mining within the Sandriver Sub-basin of the Tshipise Coalfield since.

16.9.3. Mopane Coalfield

The Mopane Coalfield comprises a number of east-west trending half-graben structures in which upper Ecca measures are preserved. The geology is generally broken up into fault blocks by a number of parallel strike faults.

There has never been any commercial mining within the Mopane Coalfield. CoAL's Makhado Project, on commissioning, would therefore represent the first such mining operation in the Mopane Coalfield and only the second active coal mine within the greater Soutpansberg Coalfield.

16.10. Local Geological Setting

The Makhado Project area is located in the Mopane Sector of the greater Soutpansberg Coalfield. Within the Makhado Project area, a number of seams occur within a 30m to 40m thick carbonaceous zone of the Madzaringwe Formation. Six potential mining horizons (seams) have been identified by CoAL and named Upper Seam, Middle Upper Seam, Middle Lower Seam, Bottom Upper Seam, Bottom Middle Seam and Bottom Lower Seam (Figure 97). The Bottom Middle Seam usually comprises predominantly mudstone and for this reason it has not been included in the resource base; however, in certain areas it has sufficient coal to be considered a potential mining target.

It is important to note that, while the coal units are referred to as "seams", they are effectively selected, potential mining horizons within the coal bearing-package. As such, they may be subject to future re-evaluation and re-selection, resulting in changes to the stated resources (Section 16.19).

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

A major fault trending northwest-southeast has been identified on the farm Lukin 643 MS. It has displaced the Coal Zone and offset the sub-crop (Figure 97). Major faults also mark the western and eastern limits of the resource area along strike. The frequency of smaller scale faulting is not well understood.

Drilling indicates that a dolerite sill of up to 50m in thickness, transgresses from a position above the Coal Zone on the farms Tanga 648MS and Lukin 643MS to a stratigraphic level below the Coal Zone on the farm Fripp 645MS. Coal in proximity to the sill has been devolatilised and, where the sill cuts through the Coal Zone, the seams have been burnt. From an economic aspect, it is important to note that significant devolatilisation effectively destroys the coking properties of coal.

The frequency of dolerite dykes is unknown; however, examination of aeromagnetic data (Figure 97) suggests there are relatively few magnetic dykes within the potential open pit area. GAP Geophysics (Section 16.13.1) has interpreted that identified dykes are about 2m to 5m in thickness and steeply dipping. A thin, discontinuous dyke can be observed in the highwall of the former Iscor bulk sample pit on the farm Fripp 645 MS.

16.11. Historical Ownership

The historical ownership, and associated activities with respect to the Makhado Project, is summarised in Table 82.

LOCAL GEOLOGICAL MAP AND TYPICAL STRATIGRAPHIC COLUMN FOR THE MAKHADO PROJECT

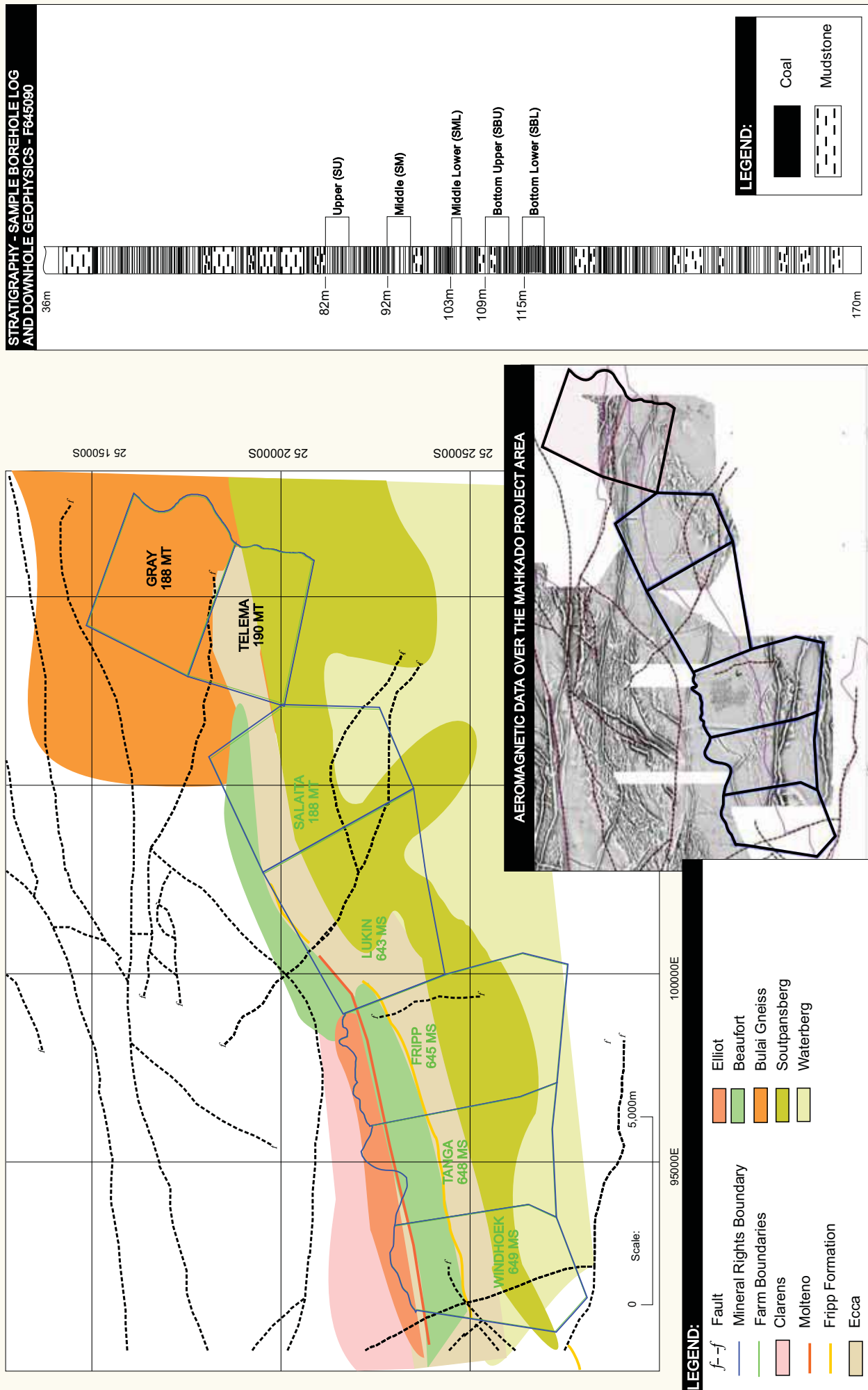


Table 82: Summary of Historical Ownership and Activities

DATE	COMPANY	ACTIVITY
1975 -1984	Iscor	Extensive drilling and sampling of the Soutpansberg Coalfield. Excavation of a bulk sample and an economic study conducted on the farm Fripp 645MS.
2005	Baobab Mining & Exploration (Pty) Limited	NOPR issued over the farms Fripp 645MS and, Tanga 648MS as well as other non-Makhado Project related properties.
2006		Acquired 100% of Baobab Mining & Exploration (Pty) Limited.
2007	GVM (now CoAL)	Commenced prospecting in 2007 on the farm Fripp 645MS.
		Purchased the full historical drilling database from Exxaro.
	Regulus	CoAL acquired NOPRs from Sekoko for 6 farms in the Soutpansberg, including Telema 190MT and Salaita 188MT of the Makhado Project. Sekoko retained a 5% holding.
2008	CoAL	Commissioned a photographic/LIDAR survey.
		Fugro Airborne Surveys (Pty) Limited conducted helicopter-borne, aerial magnetic and radiometric surveys over the Makhado Project area.
2010	Regulus	Acquired remaining 5% from Sekoko.
2008 - 2011	CoAL	Extensive drilling, sampling and economic studies conducted within the Makhado Project area. Construction of a recruitment camp and Tanga Gate.
2010		Farm Swap agreement with Rio Tinto and Section 11 transfer of the farms Windhoek 649MS and Lukin 643MS.
	TMC	Prepared "Mineral Experts Report on the Resources of the Vele, Mooiplaats and Makhado Coal Projects in South Africa".
2010-2011		Bulk Sample on the farm Tanga 648MS.
2011	CoAL	Application for NOMR over the farms Windhoek 649 MS, Tanga 648MS, Fripp 645MS, Lukin 643MS and Salaita 188MT.
		Drilling of five geotechnical holes on Lukin 643 MS and Boas 642MS (Rio Tinto owned).

16.12. Historical Exploration and Mining

The Soutpansberg Coalfield was extensively explored by Iscor in the 1970s and 1980s. The full Iscor dataset, containing information from approximately 1,250 boreholes, was purchased by CoAL in 2007 from Exxaro. A total of 316 diamond core boreholes had been drilled by Iscor within the Makhado Project area. The exploration is summarised in Table 83 and the location of those boreholes is indicated on Figure 98.

The drilling and sampling protocols used by Iscor are unknown; however, it is assumed that the drilling methods were conventional and pre-date the more efficient triple-tube wireline techniques that are commonly employed today. TMC, during its review in September 2010, has suggested that it is possible that, due to the use of single or double tube core barrels, there were biased losses of the brittle, higher quality, vitrinitic coal during drilling.

From the Iscor borehole nomenclature, it is evident that it was common practice to drill a number of deflections off a single "mother" borehole. As samples from the deflections were not combined into composites, it was assumed, by TMC, that this practice was implemented in order to either assess any lateral variability in coal quality or to redrill the intersection to achieve improved core recoveries, rather than to maximise the amount of sample material.

TMC, as part of its review in September 2010, examined a subset of the Iscor field logging sheets which recorded core recoveries on a per-sample basis. TMC reported that the recoveries appeared to be generally good.

It is not known whether the Iscor borehole collars were professionally surveyed. However, TMC, during its review in September 2010, compared borehole elevations at the recorded northing and easting co-ordinates against elevations estimated from the LIDAR (Light Detection and Ranging) survey, or from topographic maps in areas where there was no LIDAR coverage, and found the data to be within acceptable tolerance.

Except for the deflections, the Iscor boreholes are believed to have been drilled vertically but no directional survey data has been provided.

No historical mining has taken place within the Makhado Project area; however, a bulk sample pit (boxcut) was excavated on the farm Fripp 645MS (Figure 98) by Iscor during its exploration programme. The results of the testwork that Iscor may have conducted are not available.

MAKHADO PROJECT - LOCATION OF BOREHOLES AND BOXCUTS

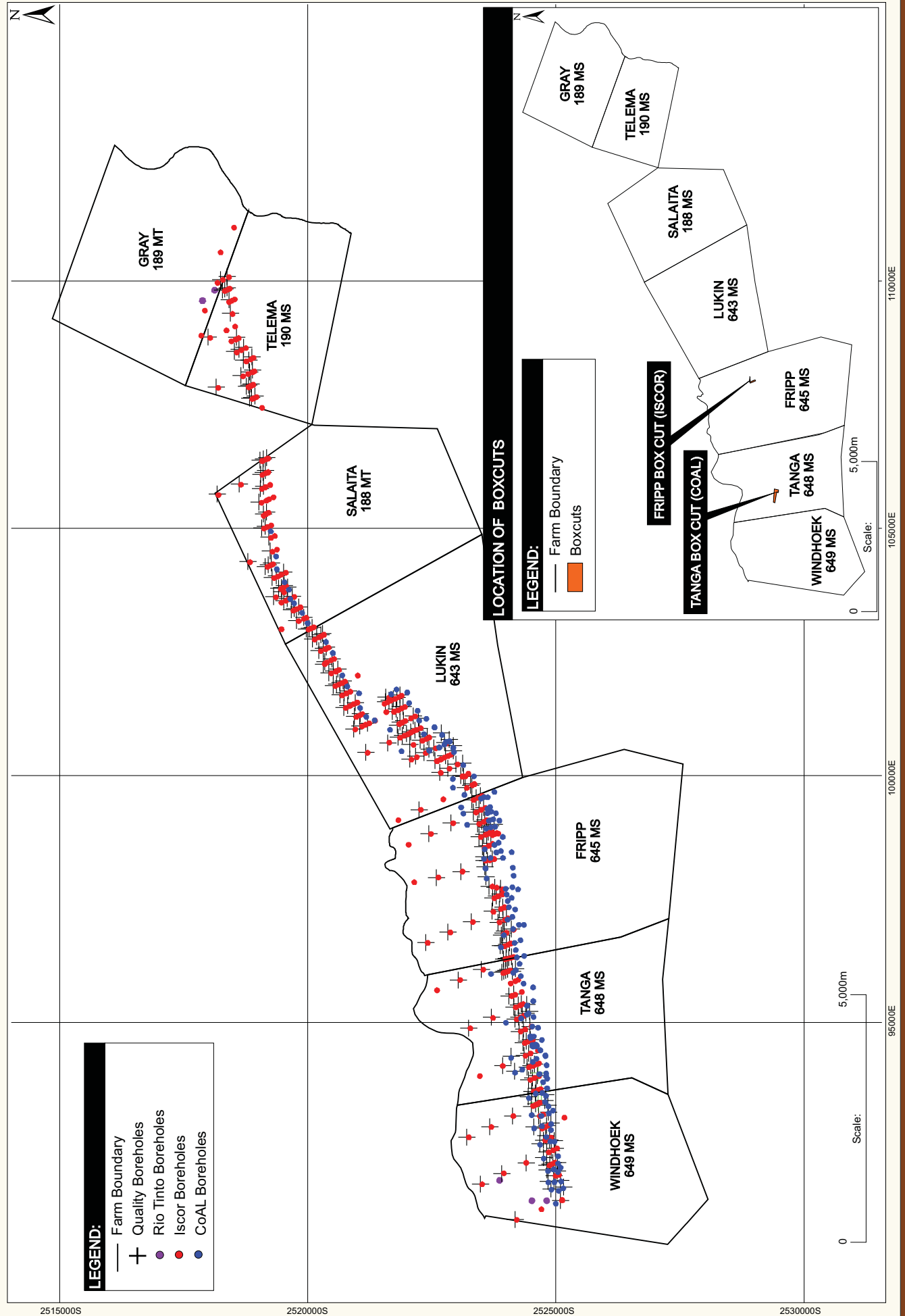


Table 83 : Makhado Project – Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	QUALITY RESULTS	USED IN MODEL
Pre 2008	Iskor	Windhoek 649MS, Tanga 648MS, Fripp 645MS, Lukin 643MS, Salatia 188MT, Telema 190MT and Gray 189MT	Early exploration and resource estimation.	Unknown n.	Unknown n.	Diamond core	NQ	Various	316	No	All	Yes	Yes
2006 -2007	Rio Tinto	Windhoek 649 MS, Lukin 643MS and Gray 189MT	Resource estimation.			Diamond core	PQ3	D. Hirstov	6	Yes	All	Yes	No
2008-2010	CoAL	Windhoek 649MS, Tanga 648MS, Fripp 645MS and Salaita 188MT	In-fill drilling and Measured Resource definition.			Diamond core	PQ3	C. Mafiri	172	Yes	All	Yes	Yes
		Tanga 648MS	Quality samples.	LDD		T6	24		Yes	All	Yes	Yes	
2010		Tanga 648MS	Structural model refinement in area of box cut.	Percussion		8 inch	13		Yes (3)	No	No	Yes (3)	
2011		Lukin 643MS, Boas 642MS	Geotechnical logging.			Geotech	PQ3		5	Yes	Yes	Yes	No
TOTAL									536				

16.13. Recent Exploration

Recent exploration has been conducted, within the Makhado Project area, by both Rio Tinto and CoAL. Data from six boreholes drilled over the Makhado Project area, by Rio Tinto, were provided to CoAL as part of the Farm Swap Agreement (Section 16.2.2). These boreholes were all cored boreholes. Limited details are available concerning the drilling and sampling procedures for the Rio Tinto drilling. The core recoveries are unknown.

Exploration drilling by CoAL commenced in 2007 on the farm Fripp 645MS. To-date, CoAL has drilled a total of 214 boreholes within the Makhado Project area. Of this, 172 boreholes were diamond core boreholes. In addition, 24 LDD boreholes, 13 open-hole or percussion holes and five geotechnical holes were drilled by CoAL. Aerial magnetic and radiometric surveys have also been undertaken.

The exploration is summarised in Table 83 and the location of those boreholes is indicated on Figure 98.

16.13.1. Remote or Geophysical Exploration

CoAL commissioned EPA to conduct a photographic/LIDAR survey in 2008 over the properties it held at that time. This survey was flown in a fixed wing aircraft at a height of approximately 1,100m above ground surface. A 70kHz laser provided ground elevation data to a 15cm vertical and 30cm horizontal accuracy. Digital colour images were obtained with a pixel size of 15cm and transformed to orthophotos. The survey was based on WGS84 datum and Lo29E projection. Ellipsoidal heights were transformed to orthometric heights in Xform 4.3 using the Southern Africa Quazi geoidal model. No horizontal transformation was carried out because the final survey was required on the WGS84 datum.

In March 2008, Fugro Geophysics (Pty) Limited conducted helicopter-borne, aerial magnetic and radiometric surveys. The line spacing was 50m with a nominal sensor ground clearance of 15m to 25m.

In July 2010, Fugro Airborne Surveys (Pty) Limited conducted a LIDAR survey over all the Makhado Project properties, subsequent to the Section 11 transfer of the properties previously held by Rio Tinto.

CoAL acquired aeromagnetic data in Geosoft® format for the properties Gray 189MS and Windhoek 649MS from Rio Tinto in 2010.

16.13.2. Surveying Methods

Details of the surveying methods used by Rio Tinto are not available. However, TMC, as part of its review in September 2010, has compared borehole elevations at the recorded northing and easting co-ordinates against elevations estimated from the LIDAR survey, or from topographic plans where there is no LIDAR coverage. Large discrepancies in elevations (up to 55m) were noted for the majority of boreholes which suggests that most of the borehole collar elevations were determined from non-differential, hand-held GPS readings.

For structural modelling purposes, CoAL has adjusted the reported collar positions for the Rio Tinto boreholes to the LIDAR survey. The Rio Tinto boreholes were not used for resource estimation purposes.

The Rio Tinto boreholes were all drilled vertically. Examination of the survey data, generated during downhole geophysical logging, by TMC suggests that deviations of 2° to 3° off vertical were common on boreholes up to 200m deep. One borehole drilled to approximately 400m exhibited a deviation of 6° from vertical.

The CoAL boreholes were generally initially sited in the field using a hand-held Garmin™ GPS device (however, some earlier boreholes were sited by a professional surveying company). Following completion of the boreholes, the collar positions were accurately surveyed using Leica™ GPS equipment by P Matibe and Associates, which is registered (No PLS0915) with the South African Council for Professional and Technical Surveyors (PLATO).

All CoAL boreholes were drilled vertically. No down-hole directional surveys were undertaken. Given the relatively shallow depths involved, this was not considered a deficiency.

16.13.3. Diamond Drilling

Details of the diamond drilling methods used by Rio Tinto are not available.

The CoAL exploration drilling was undertaken by Geomechanics (Pty) Ltd and Ludikcore Exploration Services (Pty) Ltd. Drilling since 2009 has been conducted by South African Drilling Services (Pty) Ltd and Geomechanics. All drilling has been managed by CoAL, with Mr C Mafiri as the geologist responsible for the drilling and sampling.

Venmyn has not independently witnessed the drilling and sampling protocols as no exploration drilling is currently taking place. However, Venmyn is confident that the drilling was carried out to the required standard as the drilling programmes have been independently supervised or verified by other reputable consulting companies.

16.13.3.1. Drilling

On the basis of experience gained during previous drilling campaigns, the first 25 boreholes drilled by CoAL were pre-collared to a depth of 10m with a tri-cone bit prior to diamond drill coring, in order to penetrate the bouldery regolith that characterises the area. From July 2009, this practice was abandoned in favour of coring from surface, with steel casing installed to the base of weathering, in order to investigate occurrences of surface regolith and calcrete. All boreholes were drilled using triple tube techniques in order to minimise core loss.

The first 25 exploration boreholes employed HQ3 equipment producing a core with a nominal diameter of 61mm. The core size was subsequently increased to PQ3 (83mm) in order to obtain more sample material and maximise core recovery.

LDD boreholes were drilled conventionally using a T6 (146mm) drill bit, which produces a core of 122.8mm in diameter.

The CoAL drilling contracts demanded a minimum recovery of 98% within coal horizons and 95% in non-coal sediments. CoAL has reported that, throughout the exploration drill programmes, every effort was made to achieve maximum core recovery and minimise loss of fines.

The following general drilling techniques were employed:-

- each drill run was limited to 3m in length which was reduced if poor recoveries or difficult drilling conditions were experienced;
- the core was placed in steel trays and enclosed in bubble-wrap; and
- full core trays were stacked, covered and transported to the core storage facility at the end of each shift.

Core was transported to the core shed by the drilling contractor, received by the geologist and stacked. In the case of coal intersections, the core was stored in a refrigerated container. When both the core and the geophysical logs were received, the borehole was considered to have been completed. Core recovery within individual coal plies was measured with reference to the geophysical logs and, if found to be acceptable, logging commenced. CoAL did not retain records of core recovery.

16.13.3.2. Logging

Core was not split prior to logging in order to minimise the effects of oxidation. Lithological depths were finalised after reconciliation with the geophysical wireline logs. Field logs were generated using printed logging forms and are archived at the CoAL offices in Johannesburg. The logging data was subsequently captured in a dedicated Sable™ database.

Borehole core photography using a hand-held digital camera was initiated in January 2009 and was sporadic until November 2009. Since that time, all core has been photographed.

Geotechnical logging has recently been introduced and incorporated in the last 15 to 20 boreholes on Lukin 643MS and Salaita188MT.

Data from hand written logs was transferred into MS Excel™ format and subsequently captured into a Sable™ database.

16.13.3.3. Sampling Method

On the basis of the Iscor data, CoAL defined seams or selected mining cuts by firstly selecting intervals comprising predominantly coal and then by identifying the sample names associated with those intervals and automatically allocating them to the seam.

This process was recently revised for Iscor boreholes by re-selecting the seam intervals based on a visual assessment of the Iscor hand-written graphic logs. The process was deemed necessary as CoAL geologists were not satisfied that the allocation of sample numbers to seams by Iscor was sufficiently consistent.

For the CoAL boreholes, the field geologists were responsible for the selection of seam intervals.

The Iscor and CoAL sampling nomenclatures differ (Table 84). Given that the Iscor sample/seam allocations have recently undergone re-interpretation by CoAL geologists, the allocations presented for Iscor samples in the table can be considered generally valid, but exceptions do occur.

Table 84 : Makhado Project – CoAL and Iscor Sample Nomenclature

SEAM	CoAL SAMPLING NOMENCLATURE	ISCOR SAMPLING NOMENCLATURE
Upper	14C (14CA, 14CB, 14CC)	3, 3A, 3B
Middle Upper	14A (14AA, 14AB, 14AC), 14BA	5, 5A, 5B, 5C, 5D
Middle Lower	12A (12AA, 12AB), 12B, 12C, (12CA, 12CB)	7, 7A, 7B, 7C
Bottom Upper	11A (11AA, 11AB, 11AC), 11B, 11BA	9A, 9B, 9C, 9D, 9E
Bottom Middle	10A (10AA, 10AB)	Not recognised
Bottom Lower	9A (9AA, 9AB, 9AC), 9B	10, 10A, 10B, 10C, 10D

TMC, during its review in September 2010, noted that approximately 700 samples from the Iscor dataset do not appear to have been allocated to a seam. Many of the boreholes affected are not on CoAL prospecting licences and only a few affected boreholes exist on the farms within Makhado Project area. Therefore, the issue is not considered material in this respect.

Samples collected by Rio Tinto were allotted numbers corresponding to one of 55 recognised sub-seams or sections. Not all seams were sampled. The sampling protocol is unknown.

CoAL conducted whole core sampling and sample intervals were selected on the basis of the geophysical logs. Samples were numbered from the base upwards and correspond to the same stratigraphic interval in every borehole.

CoAL has identified six potentially mineable seams within the Coal Zone. Figure 97 summarises the nomenclature of samples taken from the various seams.

Samples were double-bagged with each bag sealed with cable ties and labelled. Manila tags identifying the borehole and sample numbers were placed inside the inner bag (with the sample material) and also attached to the cable tie around the neck of the inner bag. Bagged samples were stored in a locked refrigerated container prior to transportation to the laboratory in a closed truck.

16.13.4. Percussion or Open Hole Drilling

The only percussion or open hole drilling conducted within the Makhado Project area is that by CoAL in 2010. This programme included 13 straight percussion holes with a hammer, within the area identified for the bulk sample (boxcut).

16.13.4.1. Drilling

The purpose of these closely spaced boreholes was to increase geological confidence in the area of boxcut development. This would ensure that no unidentified geological features were encountered during excavation that would have an impact on the mining development schedule or budgeted costs. Percussion drilling was used as it is a cost and time effective method of drilling.

The percussion drilling was carried out by MCC.

16.13.4.2. Logging

No geological logging was carried out on the percussion chips produced by the open hole drilling.

Wireline logging was carried out on the percussion holes as discussed in the Section 16.13.5.

16.13.4.3. Sampling Method

No samples were taken of the coal chips produced through the open hole drilling.

16.13.5. Down the Hole Geophysics / Wireline Logging

Downhole geophysical surveys were conducted on the majority of the Rio Tinto boreholes and included calliper, natural gamma, long and short-spaced density, magnetic susceptibility, resistivity, long and short-spaced neutron, directional survey and acoustic televiewer data.

No downhole geophysical logging of the first 25 boreholes drilled by CoAL was undertaken. Some of the subsequent boreholes drilled up to July 2009 were surveyed by Geoline Logging Services (Pty) Ltd and Quickline Geophysics (Pty) Limited. Since July 2009, a dedicated Weatherford geophysical logging unit has been shared between the Vele and Makhado projects. Heavy dependence is placed on the geophysical log and a borehole is not considered complete until a geophysical log has been generated. A basic suite of tools is run for dual density, natural gamma and calliper measurements.

16.13.6. Bulk Sampling

Iscor excavated a boxcut on the farm Fripp 645MS (Figure 98) between November 1978 and May 1979 for the purpose of extracting a bulk sample and conducting an economic study on its project. No details of this bulk sampling programme, or the results therefrom, are available.

Between August 2010 and April 2011, CoAL excavated a boxcut on the farm Tanga 648MS (Figure 98). From this, 45,849t of ore has been processed, producing 21,800t of coal, which was transported to Tshikondeni for process testing. This bulk sample was excavated in order to confirm the coal and coking product properties used in the Feasibility Study, and to test various processing options for the coal.

A 10% ash product has been tested in the pilot coking ovens of ArcelorMittal at its Newcastle and Vanderbijlpark plants and the initial results (Table 85) indicate good coking potential.

A number of additional test results remain outstanding.

CoAL is in the process of compiling sample batches, which will be despatched to 50 potential clients worldwide as well as to ALS Brisbane to be incorporated in the Coking Coal Brand Database.

16.13.7. Laboratory Analyses

Samples from the Rio Tinto drilling campaign were analysed at ALS Brisbane (ISO 17025 accredited). Products were returned to South Africa for petrographic analysis.

Samples from the first 25 boreholes drilled by CoAL were sent to the SABS laboratory in Secunda. SABS is accredited (No T0230) through the South African National Accreditation System (SANAS) and SABS/ISO/IEC 17025:2005. However, due to delays in the reporting of analytical results, CoAL relocated all unprocessed samples from SABS to Inspectorate which is also a SANAS accredited laboratory (No T0313).

Since July 2009, two laboratories have been used by CoAL. Core exploration samples have been sent to the CAM Laboratory in Polokwane. CAM is accredited (No T0476) through SANAS. 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.

16.13.7.1. Sample Preparation and Analysis

The laboratories followed the ISO and SANAS standard set of tests and methods which are used for coal analyses by South African laboratories. The standard method of coal sample preparation is summarised in Section 13.12.7.1.

The following analytical protocols were employed by Rio Tinto:-

- samples were combined into working sections. Free moisture and apparent relative density (ARD) were determined;
- the composite sample was drop-shattered 10 times with Particle Size Distribution (PSD) determined after each drop;

Table 85 : Initial Makhado Bulk Sample Analytical Results

COAL CHARACTERISTICS		100% MAKHADO (1)	100% MAKHADO (2)	MAKHADO BLEND 1
Blend Composition (%)	GG	0	0	27
	WCP	0	0	8
	OKN	0	0	48
	Makhado (RSA)	100	100	17
	TOTAL	100	100	100
Coal Proximate Analysis	Ash	10.1	10.0	9.3
	S	1.05	1.03	0.95
	Vol	30.4	30.9	29.1
	Roga	84	88	82
Coal Chemical	Na ₂ O	0.07	0.05	0.06
	MgO	0.06	0.06	0.04
	Al ₂ O ₃	3.1	2.6	2.0
	SiO ₂	5.4	6.3	6.1
	P	0.049	0.046	0.041
	K ₂ O	0.12	0.17	0.13
	CaO	0.23	0.10	0.16
	TiO ₂	0.20	0.30	0.24
	Mn	0.015	0.017	0.069
	Fe	0.6	0.8	0.6
	SIT	379	380	372
	TMF	432	437	438
Plasticity	MF (ddpm)	6766	6155	841
	RT	486	486	475
	PR	107	106	103
Dilatation & Koppers	T1	372	390	378
	T2	402	417	429
	T3	474	486	465
	Max C%	27.7	31.4	27.8
	Max D%	333.4	341.5	104.0
	Amplitude	361.1	372.9	131.8
Coal Screen Analysis	Koppers	-35.5	-43.0	-28.4
	+25mm	0.0	0.0	0.0
	+20mm	0.0	0.0	0.0
	+16mm	0.0	0.0	0.0
	+10mm	0.0	0.0	0.6
	+8mm	0.8	0.2	2.4
		3.2	4.8	6.2
	+5mm	8.5	11.8	11.1
	+4mm	11.5	18.6	15.1
	+3.35mm	18.0	27.4	19.5
	+2mm	43.8	53.2	32.2
	+1mm	69.7	73.2	48.3
	+0.5mm	82.6	86.0	63.6
	-0.5mm	17.4	14.0	36.4
	+212mm	92.2	92.0	84.4
	+0.150mm	94.6	93.7	88.4
	+0.106mm	96.4	95.5	92.4
	-0.106mm	3.6	4.5	7.6
	Sm	2.1	2.4	1.9
	TOTAL (-3.35)	82	73	81
	Oven (Wet)	947	946	966
Coal Density	ASTM (Wet))	846	839	903
	Oven (Dry)	885	885	903
	ASTM (Dry))	791	784	844

COKE CHARACTERISTICS		100% MAKHADO (1)	100% MAKHADO (2)	MAKHADO BLEND 1
Coke Details	Coke Identity	PLCS	PLCS	PLCB
	Origin	Plot Oven	Plot Oven	Plot Oven
Coke Proximate Analysis	Ash	14	14	13
	S	1	1	1
	Vol	1	1	1
	DFC	85	85	87
Coke Chemical Analysis	Na ₂ O	0	0	0
	MgO	0	0	0
	Al ₂ O ₃	4	3	3
	SiO ₂	7	8	6
	P	0	0	0
	K ₂ O	0	0	0
	CaO	0	0	0
	TiO ₂	0	0	0
	Mn	0	0	0
	Fe	1	1	1
Other Coke Properties	H ₂ O	4	3	6
	Theoretical Yield %	70	70	72
	Coke Actual Yield %	80	84	86
	Stability	44	46	53
Hot Strength	Hardness	57	58	68
	CRI	20	16	25
	CSR	64	68	65
	Corrected CRI (- 3 UNITS)	17	13	22
	Corrected CSR (+ 5 UNITS)	69	73	70
Micum & Irsid	M40	71	67	70
	M30	86	85	88
	M10	8	8	6
	I40	42	40	47
	I30	64	63	72
	I20	73	73	81
	I10	24	22	17
Coke Screen Analysis	%-125+100mm	3	4	2
	%-100+ 80mm	8	9	11
	%-80+ 63mm	29	25	23
	%-63+ 40mm	52	51	52
	%-40+ 35mm	2	3	3
	%-35+ 30mm	3	3	2
	%-30+ 20mm	1	3	3
	%-20 +10mm	1	1	2
	%-10mm	2	2	2
	Sm	60	59	58
	Tot +80mm	11	13	13
	Tot+35mm	94	91	91
	Tot+30mm	96	94	93
	Tot -30mm	4	6	7
Depth Meter	Pp.(Inkrimp)	0	-1	3
	TE (Uitsetting)	1	1	4
Wall Pressure	kN	5	4	5
	kPa	7	5	6
	mb	67	50	64
Coke End	PSI	1	1	1
	tfin.°C	1051	1051	1051
Coke Rate	Plastic Zone (474°C) /Hours	13	13	14
	Plastic Zone target to 474°C	14	14	14
	Coke Rate to 900°C/Hours	15	15	15
	Coke Rate target to 900°C	16	16	16
	Total Coking Cycle / Hours	16	16	17
	k (g/cmh)	36	36	34
P Force	Energy Kw/h	49	52	45
Oven Temperatures Settings	Start Temperature	870°C	870°C	870°C
	End Temperature	1,200°C	1,200°C	1,200°C

- ARD was determined on all fractions coarser than 1mm. Samples from early boreholes were also analysed for ash content on each size fraction at this stage; and
- the working section sample was recombined and subjected to dry tumble for three minutes with subsequent determination of the PSD and fractional ash content followed by:-
 - wet tumble for five minutes and determination of PSD; and
 - each working section sample was split into three or four size fraction ranges and each range was washed at 13 densities with ash determination on each of the float fractions.

Based on the washability results, the laboratory was instructed to prepare a low ash composite and a middlings composite. Coal quality and petrographic analyses were undertaken on the composites for the following parameters: proximate analysis, calorific value, total sulphur, forms of sulphur, ultimate analysis, ash fusion temperatures, plasticity, dilatometry and ash composition. Separate samples were submitted for reflectance and/or petrographic analysis.

The following instructions were provided to the laboratories with regard to analysis of the CoAL core samples:-

- determine the RD of the raw coal sample;
- determine proximate, CV and TS analyses on the raw coal sample;
- screen out the -0.5mm fraction, weigh and record as a percentage of the 80% fraction;
- analyse for Proximate, CV and TS on the -0.5mm fines;
- wash the -12.5+0.5mm fraction at wash densities of 1.30, 1.35, 1.40, 1.45, 1.50, 1.55, 1.60, 1.65, 1.70, 1.80, 1.90 and 2.00;
- weigh each wash and sink fraction. Calculate and record yields to 100%, excluding the -0.5mm fines;
- crush each wash and sink fraction to ~3mm and split off a fraction for analytical sample preparation;
- mill each analytical sample fraction to -212µm;
- analyse each wash and sink fraction for proximate, CV and TS. Determine free swelling index on float fractions 1.30, 1.35, 1.40, 1.45 and 1.50;
- record all yields and analyses in MS Excel™ format; and
- retain all excess material in air-tight plastic bags for possible further analytical work.

The laboratories were advised that, should there be insufficient wash fraction material to conduct a complete analysis, the fraction must be added to the next higher float fraction.

Phosphorus and Roga analyses were not conducted as part of the initial analysis. CoAL has advised that these parameters will be determined on product composites made up from the residual sample material.

For the LDD samples, the seam composite was washed at a density defined by the wash tables obtained from the 75% portion of the sample material, to produce a primary product with a target ash of 12% and a secondary product with a target ash of 35%. Coking coal testwork was conducted on the primary product composite and a more limited suite of additional testwork on the secondary product composite.

The following tests were performed on the LDD sample composite:-

- proximates, CV, TS (primary and secondary products, discard and fines);
- ultimate analysis (primary and secondary products);
- forms of sulphur (primary and secondary products);
- ash fusion temperature (primary and secondary products);
- chlorine (primary and secondary products);
- Hardgrove Grindability Index (secondary product);
- Free Swelling Index (primary product);
- Grey King Index (primary product);
- Roga Index (primary product);
- ash analysis (primary product);
- petrographic analysis (primary product);
- dilatation (primary product); and
- fluidity (primary product).

There was reportedly insufficient sample material available to allow CSR, CRI and coke-making tests to be conducted.

No standard or duplicate samples were submitted by CoAL for analysis and no repeat or laboratory cross checks were requested. TMC, during its review of the sampling data in September 2010, noted that this is not an uncommon practice in the South African coal industry, in which reliance is often placed on the internal quality controls of the laboratories.

16.13.7.2. Security

All samples were stored within a locked refrigerated container, before despatch to the laboratories. Once at the laboratories, the samples were subject to the standard security measures of the respective laboratories.

16.13.7.3. QA/QC

Laboratories are required to calibrate their coal analytical equipment daily and are also required to partake in round robin proficiency tests to ensure a high standard of results. All result reports are verified by the laboratory manager and any inconsistencies or variations about the laboratory's specifications are reanalysed. CoAL has specifically requested that the laboratories plot ash versus CV curves for all samples. Any samples with a correlation of less than 0.90 are reanalysed.

CoAL has validated all results in SableTM, by doing basic tests on cumulative results and checking of logs.

16.13.8. Data Management

16.13.8.1. Data Acquisition and Validation

CoAL purchased both hard and electronic data copies of the original Iscor database from Exxaro in 2007. This data was characterised by incomplete electronic capture of lithological and sampling data from the Iscor hard copy logs, which is currently being corrected by CoAL.

It was concluded by TMC, during its review in September 2010, that, although the historical data, as currently captured in MinexTM, may be used for physical modelling of the coal seams, it is not suitable for raw coal quality modelling. However, the data can support the estimation of yields and volatile matter contents for a 1.40 RD float level on all the available data.

TMC suggested that the historical drilling/handling/analytical techniques employed by Iscor may have resulted in an underestimation of product yield relative to those employed by CoAL. The close correspondence of the volatile contents between the two data sets, however, suggests that the incorporation of the Iscor product volatile data in the model is valid.

Borehole and analytical data provided by Rio Tinto were in the form of a series of MS Excel® spreadsheets. Downhole geophysical data were supplied as .LAS (text) files and Wellcad® files. Aeromagnetic and ground magnetic data were provided primarily as Geosoft® grids.

Due to the use of a non-differential hand-held GPS, large discrepancies in elevations of up to 55m were noted, by TMC, for the majority of boreholes.

It is not possible to validate the Rio Tinto data further as the original borehole logs and laboratory certificates were not provided.

The Rio Tinto dataset has not been incorporated into the current Makhado Model as it proved difficult to reconcile the seam selections and seam nomenclatures. Given that only three of the Rio Tinto boreholes are located within the Defined Resource Area, their exclusion from the resource database is not regarded as material.

CoAL utilises a Sable™ database to store all geological data. The SABLE™ data is fed into Minex™ for internal modelling purposes.

The following checks were conducted by TMC during its review in September 2010:-

- collar survey data, as stored in the Minex™ model, was validated by TMC against the surveyor's certificates;
- elevations were checked against the LIDAR contour data;
- selected borehole depths (about 10% of the data set) were checked against the original lithological logs;
- lithological logs were examined and compared to data in the Minex™ database;
- approximately 10% of the sampling logs were checked against the sampling intervals in the Sable™ and Minex™ databases;
- approximately 10% of the relative density measurements recorded in laboratory reports were checked against those allocated to samples in the Sable™ database; and
- 20 laboratory certificates were checked against the quality database.

Issues identified by TMC, during its review of the data, were not considered material to the resource estimations.

Venmyn has randomly selected 10 borehole logs and verified the logs and associated laboratory certificates with the Access database and found no errors.

16.13.8.2. Database Management

The Access database for the Makhado Project area currently contains data from 536 boreholes. These are derived from the following three sources:-

- the Iscor database containing information from 316 boreholes. However, 45 boreholes have been excluded as they lacked survey data;
- the Rio Tinto database containing data from six boreholes, obtained as part of the Farm Swap Agreement; and
- data from the ongoing CoAL exploration programme which comprises 214 surveyed boreholes, of which 24 are LDD boreholes drilled in three arrays for bulk sampling purposes.

The Access database is managed and maintained by CoAL's chief consulting geologist, Mr J Sparrow (Pr.Sci.Nat.), and the Makhado Project geologist, Mr C Mafiri. Backups are stored at CoAL's head office in Johannesburg.

16.14. Orebody Modelling and Results

A number of independent orebody models have been prepared for the Makhado Project since CoAL's involvement in the project. In September 2010, TMC constructed a 3D Minex Software model.

The latest model was prepared by Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist as at 31st August 2011. The model was prepared in MinexTM Software. The model takes into account all available historical and recent drilling and other geological information as of the 31st August 2011. This model is based on the TMC model constructed in September 2010, with changes based on geological information interpreted subsequent to the completion of the TMC model. Both CoAL and Venmyn have a high level of confidence with respect to the current model and the associated resource estimates.

Venmyn has reviewed the model and interviewed Mr J Sparrow (Pr.Sci.Nat.) concerning his methods of modelling. Venmyn has also independently plotted the graphical distribution of the boreholes in Geosoft Target and Micromine and verified the results of the seam thickness variations and resultant volume calculations. Venmyn is satisfied with the integrity and results of the model.

The upper surface of the model was sourced from the DTM and is presented in Figure 99. This figure shows the high relief in the south of the project area as a consequence of the Mapaliome, Donwa and Pfumembe mountains.

Dolerite dykes, as well as fault planes, were incorporated into the 3D structural model. The structural model (Figure 97) has resulted in the identification of a number of opencast mining areas (Figure 95).

Both the physical and quality parameters of the various seams were modelled. Grids with a 20m mesh were estimated using Minex's general purpose gridding function using a 2.5km search radius. The model of the physical parameters of the seam was cut along any significant structures, whilst the quality parameters were modelled across it. All physical and quality parameters were plotted and visually inspected to ensure they were acceptable for geological interpretation.

16.14.1. Physical Results

The physical parameters of the elevation, in metres above sea level, and the depth from surface of the Upper, Middle Upper, Middle Lower, Bottom Upper and Bottom Lower Seam floors and roofs were modelled. The seam thicknesses were modelled and used for the calculation of the resource volumes. Although all these parameters were modelled, only the respective seam floor elevations, depths from surface and the seam thicknesses results are presented.

The physical parameters of the elevation, in metres above sea level, and the depth from surface of the respective seam floors and roofs were modelled. The seam thicknesses were modelled and this was used as the basis for the calculation of the resource volumes. Although all these parameters were modelled, only the seam floor elevation, depth from surface and the seam thickness results are presented.

16.14.1.1. Seam Floor Elevation

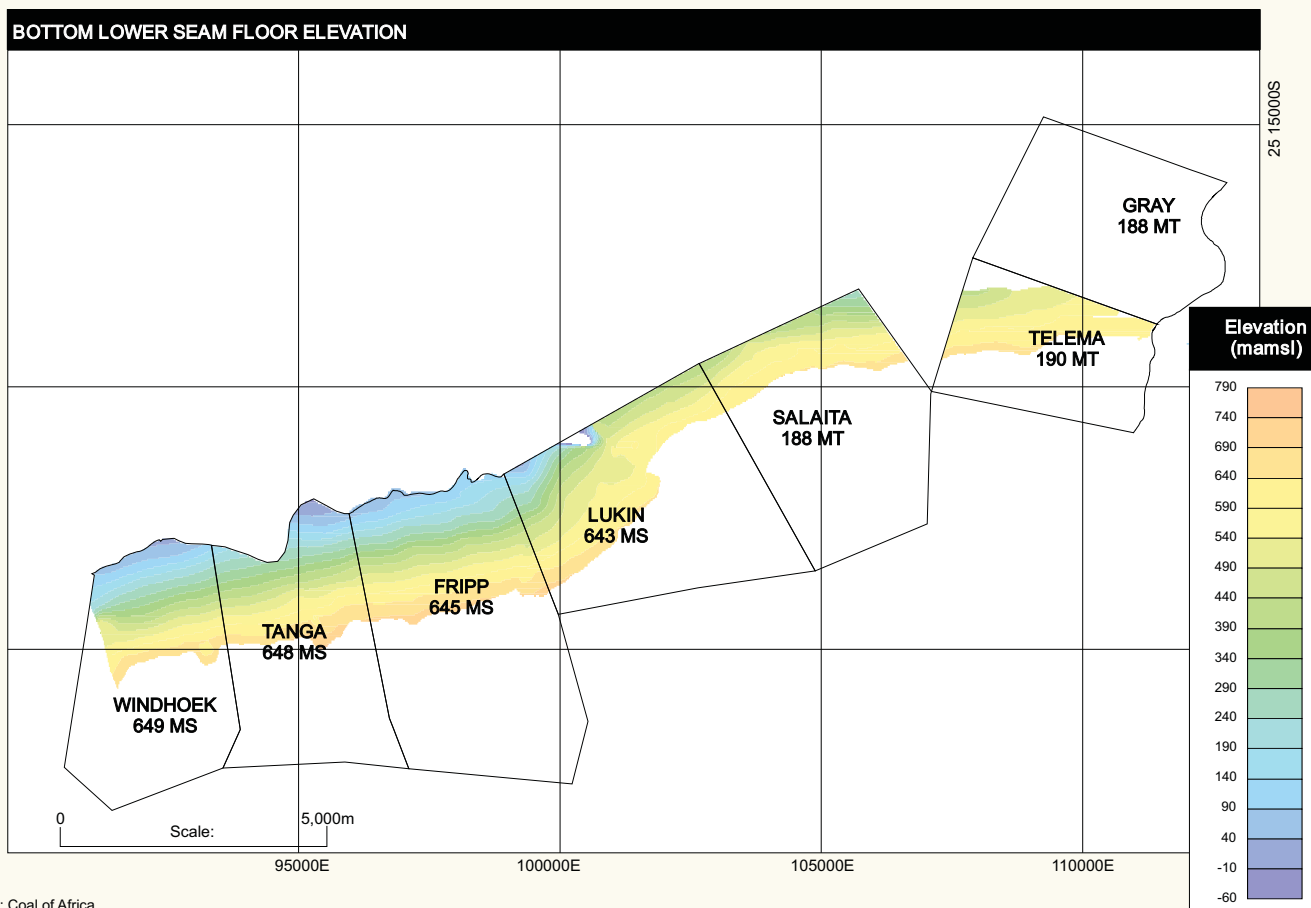
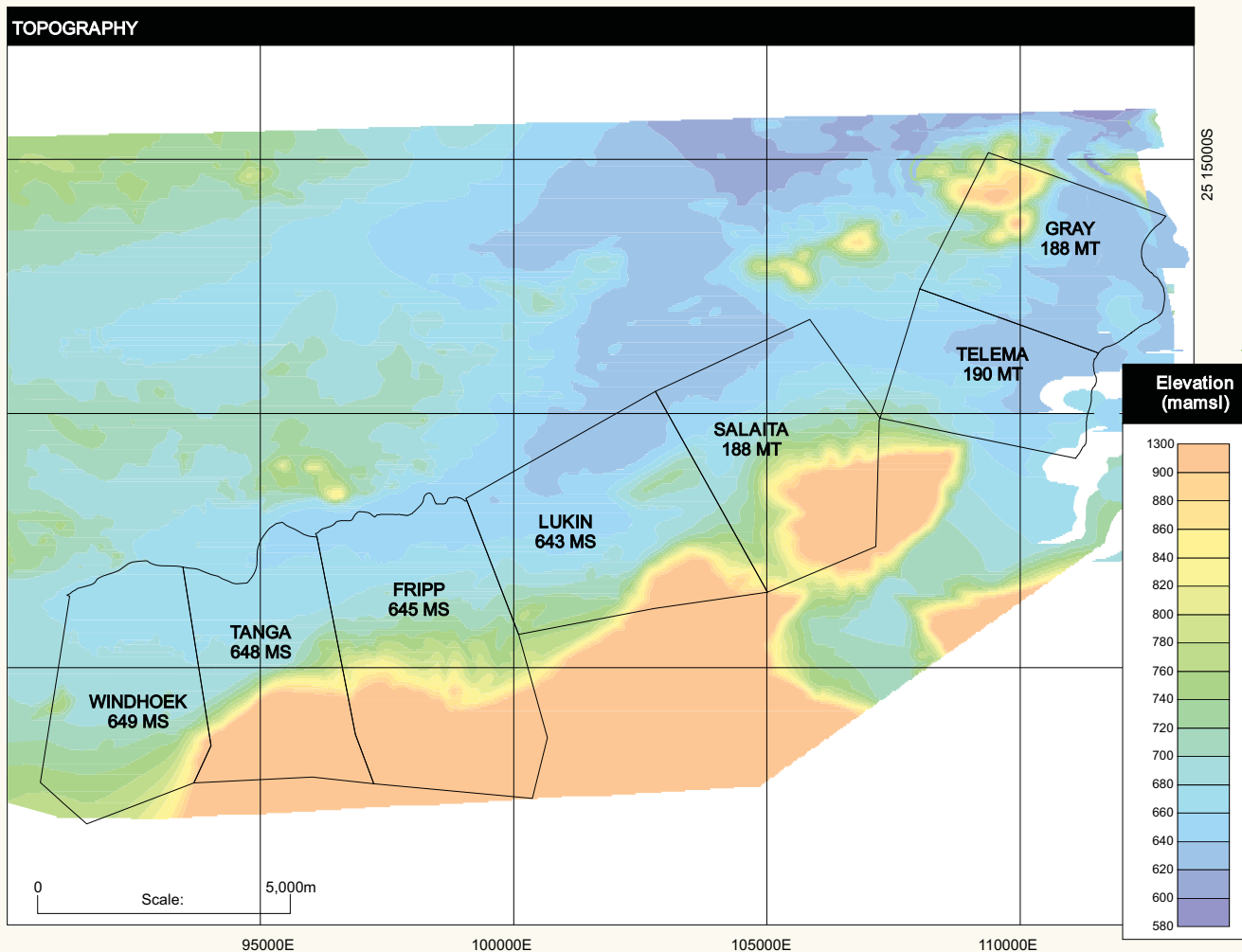
The Upper, Middle Upper, Middle Lower, Bottom Upper and Bottom Lower Seam floor elevations have been modelled in order to identify any abrupt elevation changes that would indicate the presence of faulting and also to identify the general dip across the project area. The variation in seam floor elevation for the Bottom Lower Seam is presented in Figure 99. The abrupt floor elevation differences clearly illustrate the positions of a number of faults within the project area, most notably over the farm Lukin 643MS, where a large fault is present, resulting in the upthrow of the Eastern Block of coal, limiting its arial extent relative to the coal in the Western Block.

The seam floor elevation contours show that the coal within the Makhado Project area dips to the north, with the coal subcropping along the southernmost limit of coal.

16.14.1.2. Depth from Surface

The depth of the seams from surface will influence the mining method (opencast versus underground). Figure 100 presents the various seam floor depths from surface. The figure indicates that the majority of the coal can be mined using opencast methods. The coal within opencastable areas generally occurs at depths to a maximum of approximately 200m from surface. The opencastable coal is restricted to the southernmost parts of the western properties. In the east, the coal is generally shallower, but is restricted only to the northernmost parts of the Makhado Project. Figure 102 shows the variations of the stripping ratio across the Makhado Project area, and the locations of the respective opencast mining areas.

MAKHADO PROJECT - SURFACE CONTOURS AND BOTTOM LOWER SEAM FLOOR ELEVATION



Source: Coal of Africa

16.14.1.3. Seam Thickness

The various seam thickness contours or isopachs are presented in Figure 101. The seam thicknesses are variable across the Project area; however, only small isolated areas of the coal seams with thicknesses of less than 0.5m occur. These areas generally occur near the coal subcrop. The Middle Lower Seam is notably thinner than the other seams, with several isolated areas, particularly towards the north with thicknesses less than 0.5m thickness. All coal less than 0.5m thick has been excluded from the resources (Figure 103).

16.14.2. Quality Results

The quality results for the raw proximate (ash, volatile, fixed carbon, moisture and sulphur) and the raw CV laboratory results, for each of the Upper, Middle Upper, Middle Lower, Bottom Upper and Bottom Lower seams were modelled. The dry ash free (DAF) volatile content was also modelled as this parameter is a good measure of the devolatilisation of coal due to the presence of dolerites. Several dolerite dykes, and a major dolerite sill occur within the Makhado Project area, commonly associated with the localised faulting; however, devolatilisation is minimal. The sill generally occurs either above or below the coal seams, and has had little effect on the coal. However, where the sill passes through the coal seams or occurs in very close proximity to the coal seams, it has, locally, had a deleterious effect on the quality of the coal.

The percentage yields, volatiles and CVs for a washed sample product, at an RD of 1.4, were also modelled. Raw qualities have not been modelled as raw quality data is not available for all historical boreholes. At a wash RD of 1.4, all recent and historical boreholes can be correlated and used for Coal Resource estimation.

Although all the coal parameters were modelled, only the most important parameters are presented in this report.

Full coal washability analyses have been conducted on the recent (CoAL) samples of the Makhado coal, from which a range of potential products can be calculated. The Makhado coal lends itself to the pulling of multi-products, and ongoing studies are investigating the potential and benefits of producing a coking coal at various ash contents (8% - 12%). Currently, the base case being considered for the production scenario is for a 10% ash primary product, with no middlings potential.

16.14.2.1. Coking Potential

The results of coking potential products for the Makhado Project are graphically represented in Figure 74.

Coal that has not been devolatilised exhibits swell indices of ~9.0 for a product with an ash content of 10%. At a 10% ash content the boreholes samples indicated reflectance values of $\sim R_oV_{max}$ 1.0 and vitrinite content that is generally in the range of 88% to 95%. Maximum fluidities of up to ~14,000ddpm have also been recorded. Total sulphur content averaged over 1% and was mostly in organic form. Phosphorous contents varied from 0.003% to 0.095%. Roga Indices are attractive at 89. The coking coal product has low moisture, high volatile matter and moderate sulphur contents. Internationally traded coking coals typically have an ash content of around 10% or less.

The FSI determined from LDD samples are relatively high.

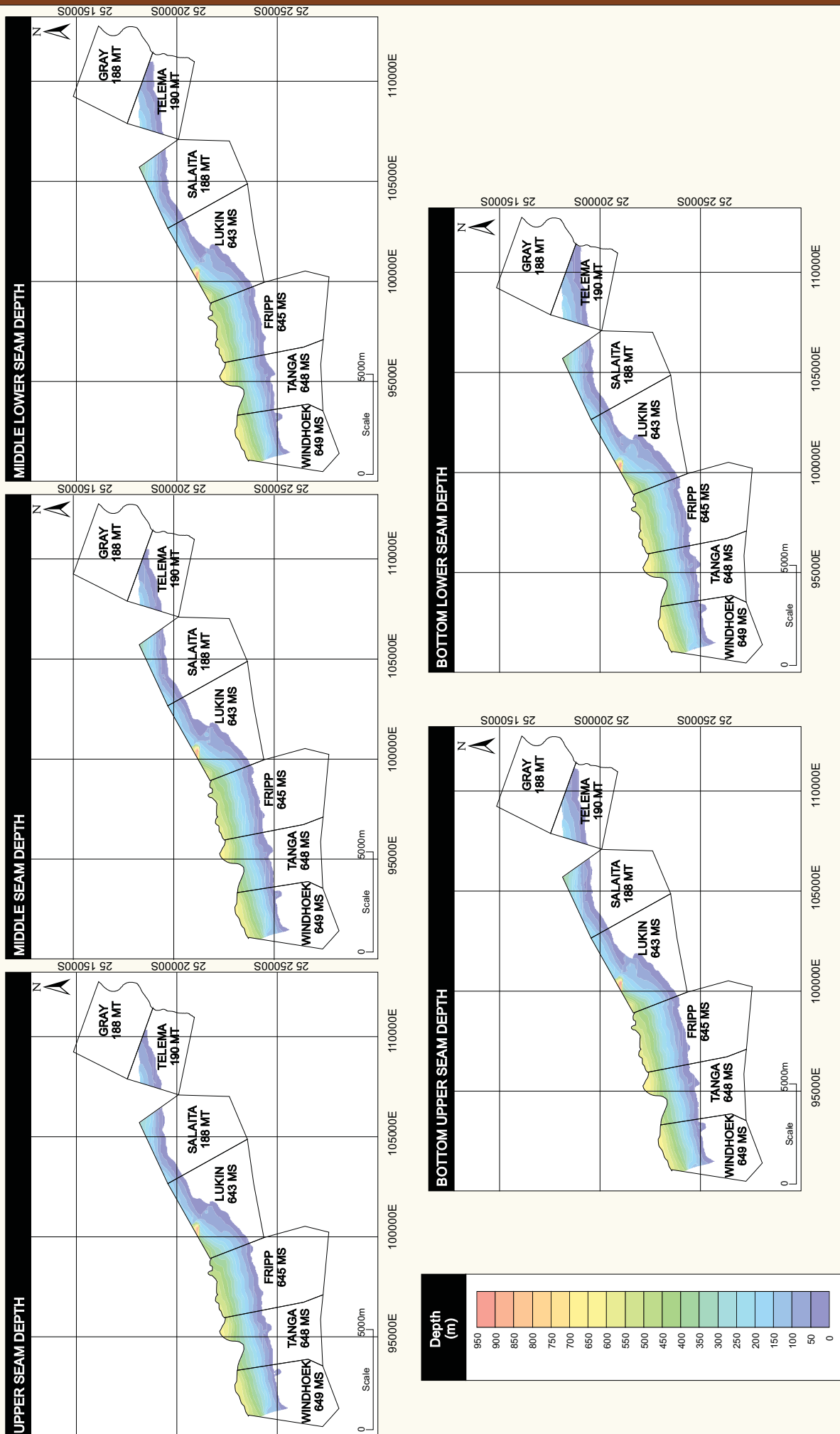
On the basis of drill sample testwork, the Makhado Project coal product can be classed as a medium volatile, semi-hard coking coal. The discount to semi-hard, rather than hard, is due to the relatively high ash in comparison to most commercially traded hard coking coals.

Recent bulk sample test results (Section 16.13.6) have now superseded the drill sample results, providing more definitive quality data on which to assess the potential Makhado Project coal product qualities. While additional results are still pending, initial bulk sample results of a 10% ash product indicate good coking potential.

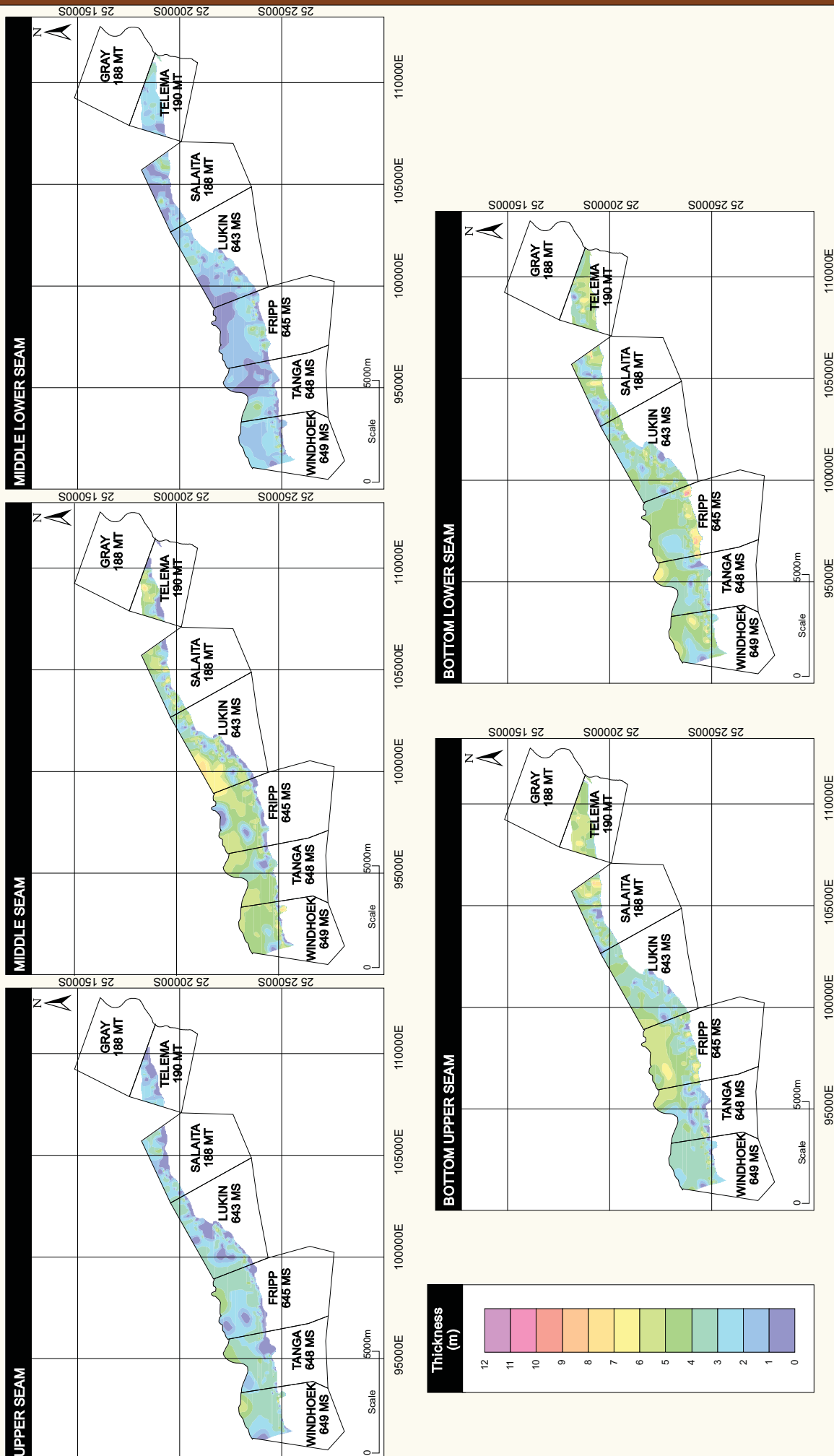
16.14.2.2. Washed Calorific Value

The modelled CV content of the drill sample washed products at an RD of 1.4 for the Makhado Project is graphically presented in Figure 104. The wash product CV while variable, is broadly consistent within the various seams and across the Makhado Project area, varying between 31MJ/kg and 33MJ/kg.

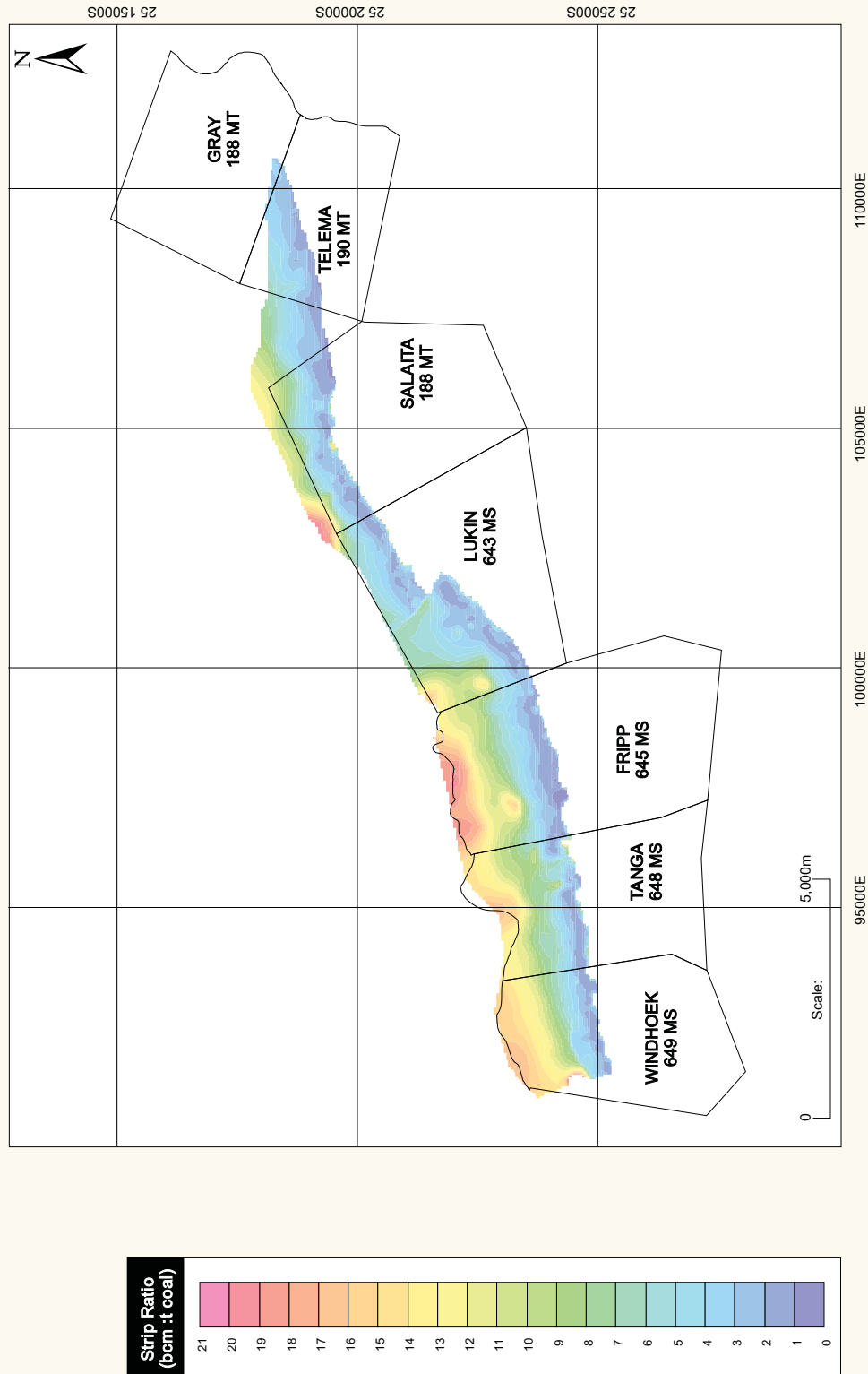
MAKHADO PROJECT - SEAM DEPTHS FROM SURFACE



MAKHADO PROJECT - ISOPACH CONTOURS

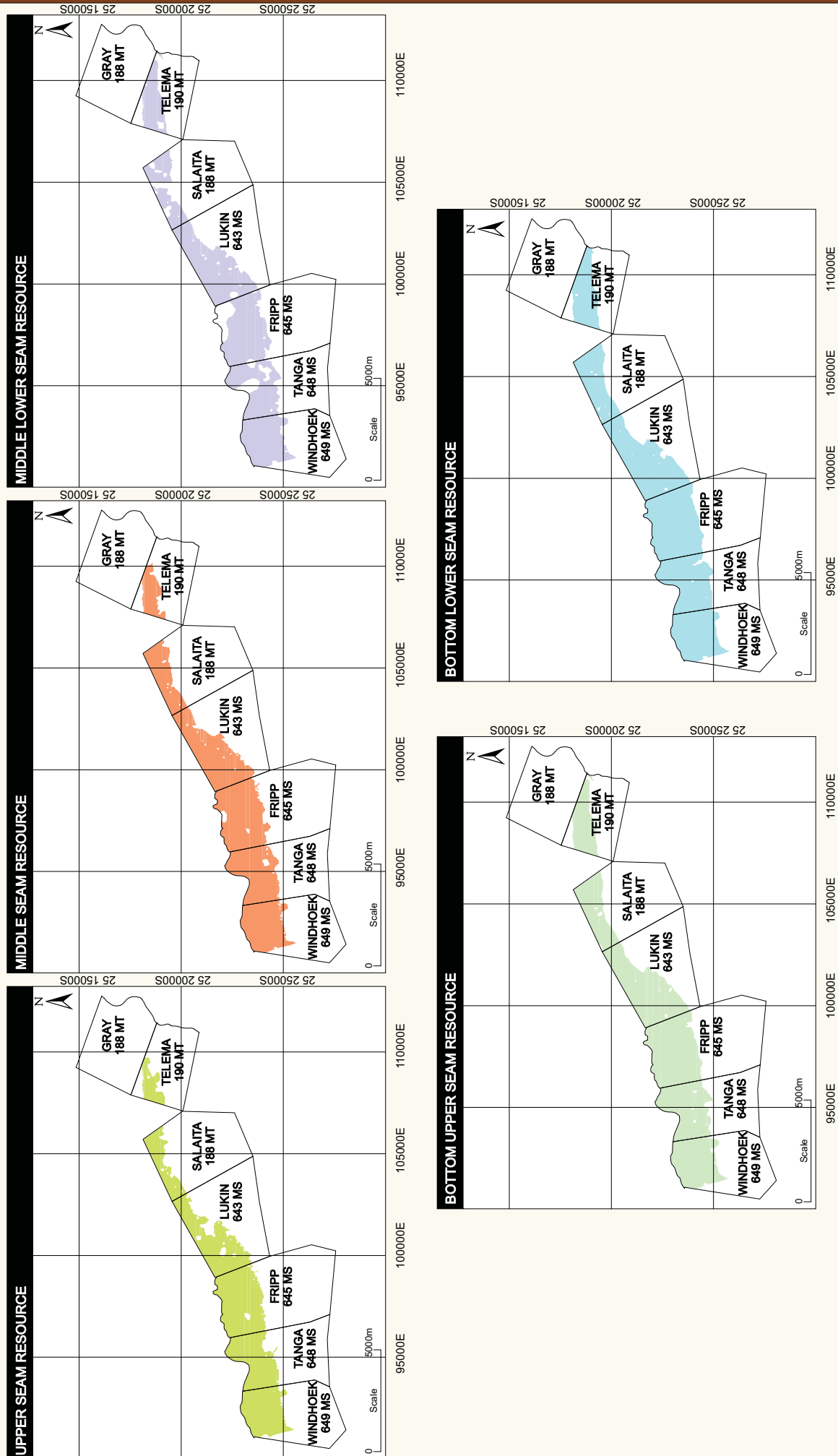


MAKHADO PROJECT - STRIP RATIOS AND MINING AREAS



Source: Coal of Africa

MAKHADO PROJECT - LOCATION OF RESOURCES AT 0.5m (TTIS) CUTOFF SEAM THICKNESSES



16.14.2.3. Washed Ash

The modelled ash content of the drill sample washed products at an RD of 1.4 for the Makhado Project is graphically presented in Figure 105. The ash content has an inverse relationship with the CV and this is clearly evident in the respective contour plots. Raw ash is variable within the various seams and across the Makhado Project area, but generally ranges between 8% and 12% for a 1.4 RD wash product.

16.14.2.4. Washed Volatiles

The modelled volatile content of the drill sample washed products at an RD of 1.4 for the Makhado Project is graphically presented in Figure 106. Figure 106 shows a relatively consistent volatile content profile across the Makhado Project area. Volatiles generally exceed 26% for a 1.4 RD wash product. Notable exceptions occur in areas where the regional sill cuts through the coal seams or occurs in very close proximity to the coal seams. In these areas the coal has been devolatilised and these localised areas are characterised by volatile contents of less than 20%.

16.14.2.5. Potential Yields

Full washability testwork was carried out on the various coal seam samples. The results were imported in Minex's coal simulation programme and used to assess the yields and resultant product specifications. These results were utilised for the determination of the potential saleable tonnes and product specifications.

The theoretical yield variations at the Makhado Project, based on a 1.4 RD wash product are presented in Figure 107. This yield plot provides the reader with an indication of the yield potential of the coal. While the yields are highly variable, in general, yields of in excess of 15% and up to 35% are achieved at a 1.4 RD wash. An initial assessment of the resource indicates that an overall yield of 19.6% can be achieved from RoM coal. The yield can be further improved by in-pit screening to -20mm, as discussed Section 16.16.

It is generally accepted that reliable estimates of coking coal product yields are often not achievable from the testing of slim core samples and that results obtained from bulk sample pits give the most accurate estimates.

16.15. Coal Mining

No commercial mining has taken place at the Makhado Project. A DFS is currently being conducted on the Makhado Project in order to understand the operational environment and define the project economics.

A NOMR application has been accepted (but not yet granted) over an area of 7,622ha (Figure 93), covering a resource of approximately 795.6Mt of GTIS coal. Of this, approximately 344.4Mt of MTIS coal is available for opencast mining.

For the base mine modelling case, a depth cut-off of 200m has been used as the maximum mining depth, and this has been calculated to the floor of the Bottom Lower Seam. This cutoff limit is based on a strip ratio of 7:1 bcm/RoM t coal. The seams included in the mineable resource are:-

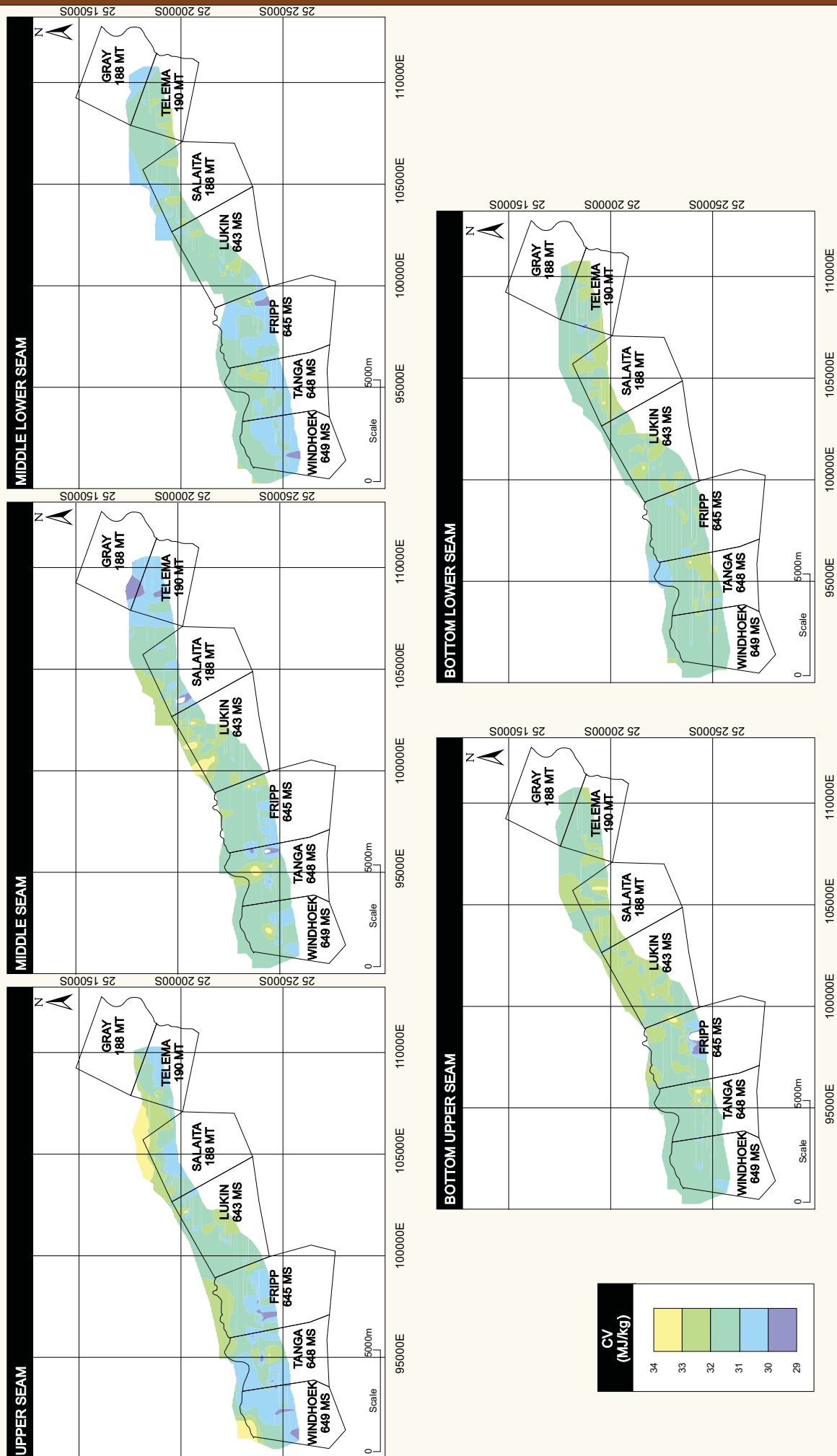
- the Upper Seam;
- the Middle Upper Seam;
- the Middle Lower Seam;
- the Bottom Upper Seam; and
- the Bottom Lower Seam.

16.15.1. Mining Method

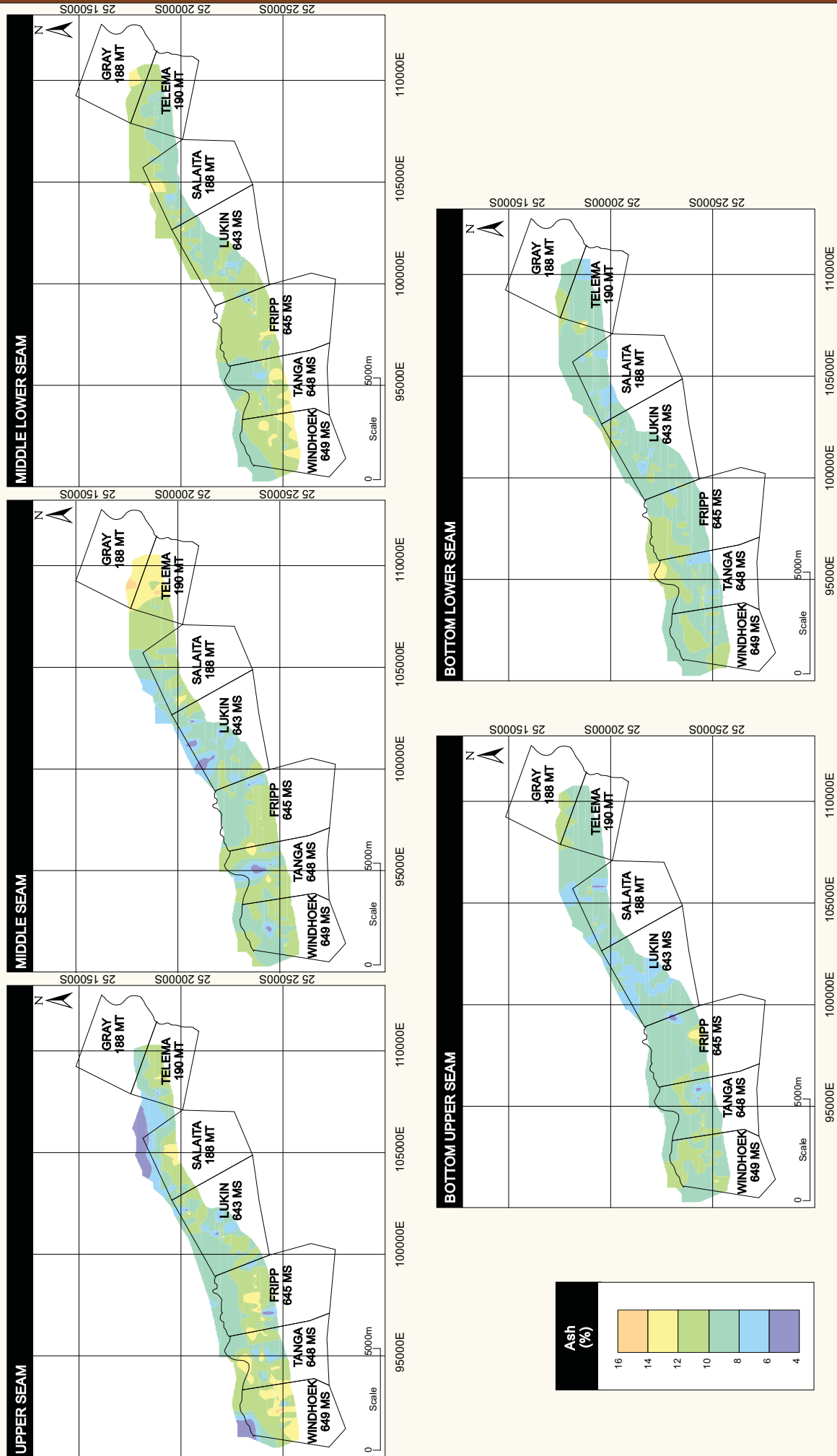
The mining method selected is opencast mining, in benches, at an angle of 45° to the true dip. This results in a more practical and manageable dip of 6° to 9° as a working surface on the coal seams and the parting horizons.

The overburden removal will be independent of the coaling operation in that the burden benches will be horizontal and unaffected by the dip of the coal until the upper coal horizon is reached.

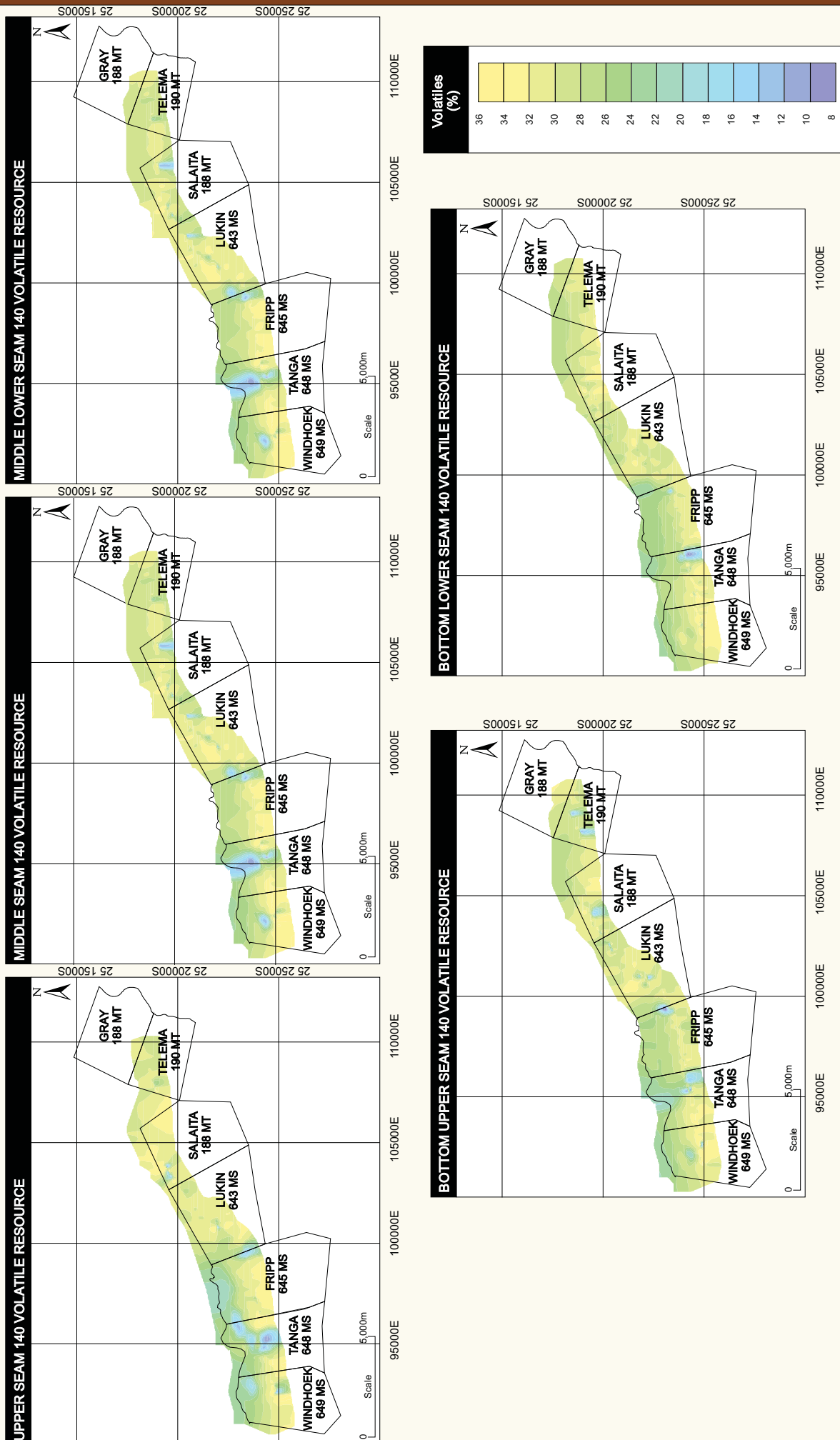
MAKHADO PROJECT - THEORETICAL PRODUCT CV CONTOURS (@RD = 1.40)



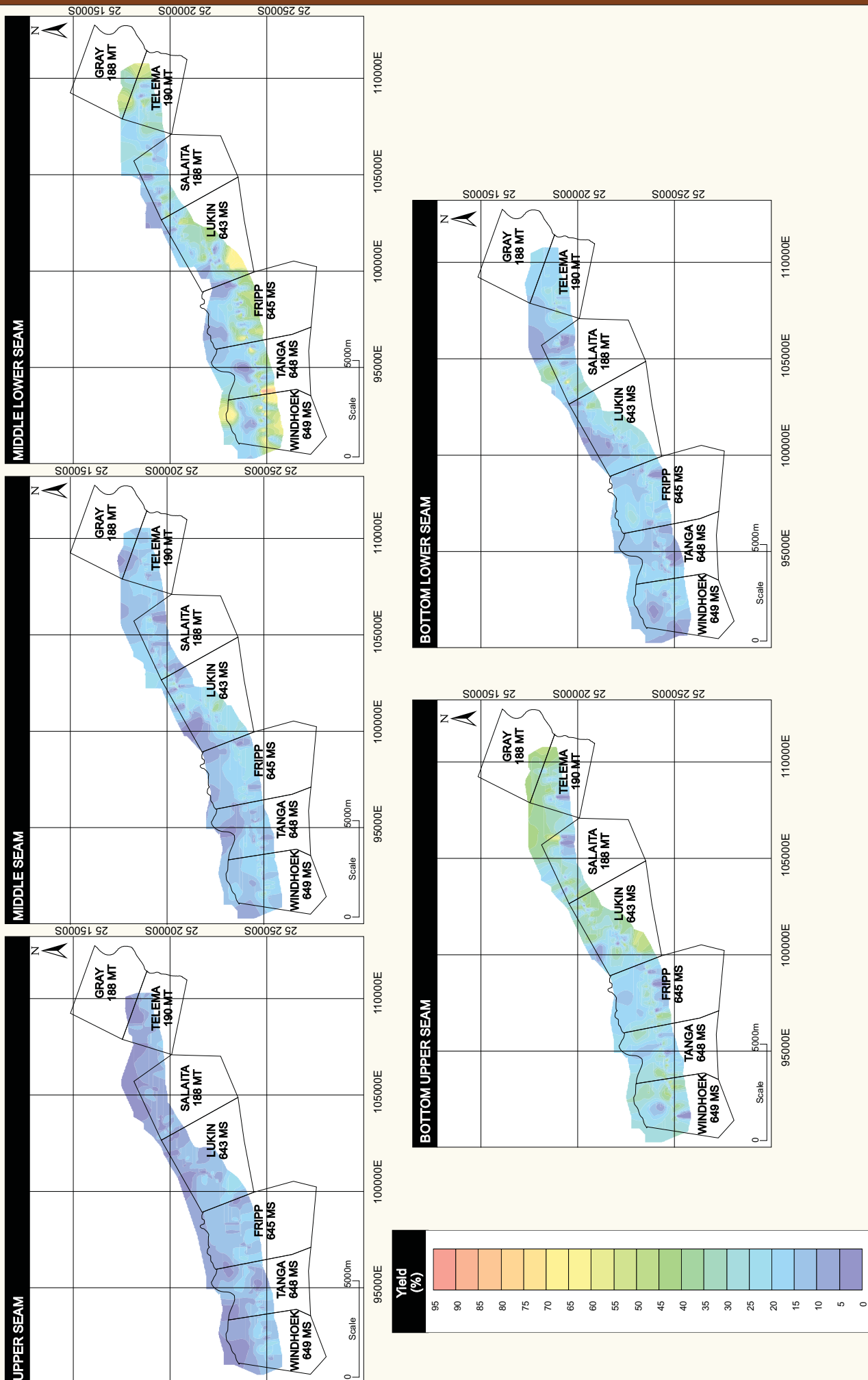
MAKHADO PROJECT - THEORETICAL PRODUCT ASH CONTOURS (@RD = 1.40)



MAKHADO PROJECT - THEORETICAL PRODUCT VOLATILE CONTOURS (@RD = 1.40)



MAKHADO PROJECT - THEORETICAL PRODUCT YIELD CONTOURS (@RD = 1.40)



A truck and shovel mining operation has been selected due to the geological and structural nature of the orebody. For the large deposits, it is optimal if it is a dragline operation to facilitate the removal of overburden; this would result in relatively high capital costs but low operating costs. However, due to multiple steep-dipping coal seams, dragline application is limited.

An estimation of the size and type of mining fleet will only be finalised once the mine planning and scheduling exercise has been completed. Mining is anticipated to be owner operated.

The viability of underground mining opportunities have yet to be thoroughly investigated.

A road and rib pillar mining method was considered during the course of the Feasibility Study to exploit the deep high yielding coal seams to the north of the mining area to improve the overall product yield. This is the portion of the resource below the opencast mining depths. This study was conducted at a conceptual level only. The method was also considered to improve the overall yield during the later part of the LOM when the West Pit will be exploited. This is considered upside potential or a 'blue sky' opportunity only.

16.15.2. Mine Design

At the time of the designing of the openpits, no geotechnical information was available nor was any slope stability modelling done. Due to this lack of information assumptions based on industry norms have been made for the final high wall slope angle. Maximum waste bench heights of 15m and a minimum offset bench width of 10m were assumed.

The average dip of the coal over the extent of the project area is 12° to the north with a variability of between 4° north and 18° north. Access into the pits for coal mining activities will be from ramps on the southern edge of the respective pits starting at surface and declining at a 10° slope to intersect the floor of the Bottom Lower Coal Seam. In all cases, the coaling ramps will be at 30m below surface as any coal shallower than this is deemed to be weathered. Each ramp will be between 340m and 360m long with the sidewalls sloped at around 56°.

The various coal horizons and inter coal partings were included in the total material thickness to determine the number of benches and the total offset of the top rim of the pit with the inner pit rim. Once the geotechnical assessment and slope stability modelling has been completed, the current assumptions will have to be revisited in accordance with the findings and a new pit shell layout may have to be designed. This may result in some re-engineering of the mining bench heights, widths and overall final slope angle.

The resource has been divided into three separate pit areas, namely the West Pit, the Central Pit and the East Pit. The East and Central Pits are separated by a fault, with a displacement of approximately 50m. The Central and West Pits are separated by an area of sterilised coal by the village of Mudimele (Figure 95).

16.15.3. Historical Production

There has been no previous coal production from the Makhado Project area, other than from the bulk sample excavated by CoAL (Section 16.13.6) and Iscor (Section 16.12).

16.15.4. Future Production

The actual start-up date for operations is subject to the successful completion of the DFS as well as, *inter alia*, the granting of the NOMR (Section 16.2.3) as well as other statutory requirements (Section 16.2.6) and the purchase of certain surface rights (Section 16.2.4).

Initial mining operations will be scheduled to commence in the higher yielding East Pit and then moving to the Central Pit and lastly the West Pit. The mining schedule will allow for the mining of the separate pits to overlap to balance the variance in the yield and burden stripping requirements during the majority of the LOM. The impact of lower yields from the West Pit will require higher burden stripping requirements in the later stages of the LOM. This issue could be alleviated by road and rib pillar mining of selected high yielding seams.

Initially, all the burden and waste removed from the pit will have to be stockpiled on surface until the steady state mining operation has been reached and in-pit dumping operations can commence.

Since the mine design and scheduling study has not been completed, no production schedules can be presented at this stage.

A high level analysis has suggested a maximum mining opencast mining depth of 200m. This will need to be refined once the bulk sample analysis has been fully completed.

16.15.5. Costs

Operating and capital costs of mining will only be finalised once the mine design and scheduling study has been finalised.

16.16. Coal Processing**16.16.1. Processing Plant**

A plant design can only be finalised once the mine planning and scheduling study has been completed. It is anticipated however that the plant will be designed in consideration of a 10% ash coking coal product.

It is further anticipated that the plant will include the following, conventional main sections:-

- a crushing and screening section;
- a de-stoning plant;
- a coking/washing plant; and
- general plant services.

Crushability tests indicated that if the RoM is crushed to -50mm, then 38% of the material will be +20mm (and regarded as discard) and 62% of the material will be -20mm plant feed.

16.16.2. Historical Production

There has been no historical coal production from the Makhado Project area, other than the bulk sample excavated by CoAL (Section 16.13.6).

16.16.3. Future Production

Details of future production can only be presented on completion of the DFS. The DFS is expected to be completed by end 2011.

The DFS is currently considering production of a 10% ash coking coal product and no middlings as the base case plan.

16.16.4. Costs

Operating and capital costs of processing will only be finalised once the mine design and scheduling study has been finalised.

16.17. Coal Market

Indications from resource drilling and sampling, as well as from initial results from the bulk sampling exercise, are that the Makhado product will be a semi-hard coking coal, based on current geological data and plant assumptions.

No offtake agreements or contracts are in place for the Makhado coal currently; however, ArcelorMittal has signed a Memorandum of Understanding with CoAL, which could result in an offtake agreement as discussed in Section 16.2.7.1.

It is anticipated that any coking coal not sold to ArcelorMittal, will potentially be exported through the port of Maputo in Mozambique (approximately 630km, by rail, from the Huntleigh Siding).

16.18. Previous Resource Statement

The previous Mineral Resource Statement for the Makhado Project was prepared and independently signed off by TMC in September 2010. The Coal Resource Statement is presented in Table 86. The Competent Person responsible for signing off the Coal Resource Statement is Mr M Stewartson (Pr.Sci.Nat.).

The Mineral Resource Statement included certain properties, previously held by Rio Tinto, that have, as part of the Farm Swap Agreement (Section 16.2.2), subsequently been acquired by CoAL.

16.19. Current Resource Statement

The Coal Resources for the Makhado Project were independently classified and signed off by Venmyn's Competent Person in accordance with the JORC Code and the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves (2003) (the Australian Guidelines). Venmyn's Competent Person is Ms Catherine Telfer, a qualified geologist and registered Professional Natural Scientist (Reg. No 400049/02) with over 15 years' experience in the coal resources industry. The classification into the various resource categories is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results. Venmyn is confident that the logging, sampling, data density and distribution are suitable for the Coal Resource estimation.

The estimation of each of the parameters required for the reporting of Coal Resources is presented in the section to follow.

The Coal Resource Statement for Makhado Project area, as at 31st August 2011, is presented in Table 87 and the location of the resources in relation to the mineral rights boundary is illustrated in Figure 103.

16.19.1. Resource Classification

The Makhado Project area resources were classified according to the relative spacing of points of observation with both quantitative and qualitative results. The spacing defined in the Australian Guidelines is summarised in Table 19, and used to classify the resources, as presented in Figure 108.

16.19.2. Input Parameters and Limits

The detailed Coal Resource Statement, by property, is presented in Table 88. This table presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant resource tonnages and associated qualities.

16.19.2.1. Volume

All boreholes with seam intersection data were used to generate the physical seam models on which the estimates of seam volumes were based. The volume of the various seam resources were estimated using the MinexTM model of the seam thickness.

16.19.2.2. Density

The MinexTM modelled average raw density per resource block was used to calculate the tonnage from the volume. The raw density of every sample is measured in the laboratory.

16.19.2.3. Tonnage

The tonnage is calculated on a block by block basis from the volume multiplied by the average raw density. The resource tonnages are reported according to the following:-

- Gross Tonnes In Situ (GTIS);
- Total Tonnes in Situ (TTIS); and
- Mineable Tonnes in Situ (MTIS).

GTIS, TTIS and MTIS resources have been estimated for the Upper Seam, Middle Upper Seam, Middle Lower Seam, Bottom Upper Seam and Bottom Lower Seam. The Bottom Middle Seam is not considered economic and has been excluded from the resource database. The MTIS resources have only considered potential opencastable coal to a maximum depth of 200m.

16.19.2.4. Quality

Each of the quality parameters are modelled in MinexTM and the average quality per block is reported in the Coal Resource Statement. Average raw coal qualities were weighted by GTIS.

Table 86 : Previous Resource Statement (TMC – September 2010)

PROJECT	FARM (RIGHT HOLDER)	RESOURCE CATEGORY	SEAM	GROSS TONNES IN SITU (GTIS) (Mt)	MINEABLE TONNES IN SITU (MTIS) (Mt)	PRODUCT	
						YIELD (%)	VOL. (%)
Makhado Project	Windhoek 649MS (Rio Tinto)	Measured	Upper	5.624	5.061	12.50	31.10
			Middle Upper	7.447	6.702	14.10	31.80
			Middle Low er	4.038	3.634	21.70	32.20
			Bottom Upper	5.582	5.023	23.40	31.20
			Bottom Low er	7.180	6.462	13.50	31.30
		TOTAL / AVE MEASURED RESOURCES		29.871	26.882	16.42	31.49
		Indicated	Upper	0.172	0.146	10.20	30.40
			Middle Upper	0.551	0.469	12.90	32.60
			Middle Low er	0.100	0.085	26.10	32.20
			Bottom Upper	0.217	0.185	21.60	30.50
			Bottom Low er	0.366	0.311	9.90	31.70
		TOTAL / AVE INDICATED RESOURCES		1.406	1.196	14.07	31.74
		Inferred	Middle Upper	0.004	0.003	9.20	33.50
			Bottom Upper	0.002	0.001	7.70	29.50
			Bottom Low er	0.006	0.005	7.80	32.30
		TOTAL / AVE INFERRED RESOURCES		0.012	0.009	8.26	32.39
		TOTAL / AVE WINDHOEK RESOURCES		31.289	28.087	16.32	31.50
	Tanga 648MS (CoAL)	Measured	Upper	5.142	4.628	10.50	29.30
			Middle Upper	7.778	7.000	12.50	30.20
			Middle Low er	3.341	3.007	15.20	30.30
			Bottom Upper	6.834	6.151	20.90	29.20
			Bottom Low er	8.221	7.399	11.50	29.90
		TOTAL / AVE MEASURED RESOURCES		31.316	28.185	14.03	29.77
		Indicated	Upper	0.328	0.279	11.10	25.60
			Middle Upper	0.098	0.083	9.70	25.20
			Middle Low er	0.066	0.056	17.10	26.80
			Bottom Upper	0.172	0.146	19.50	27.00
			Bottom Low er	0.488	0.415	11.30	28.60
		TOTAL / AVE INDICATED RESOURCES		1.152	0.979	12.66	27.12
		Inferred	Bottom Low er	0.003	0.003	6.70	29.50
		TOTAL / AVE INFERRED RESOURCES		0.003	0.003	6.70	29.50
		TOTAL / AVE TANGA RESOURCES		32.471	29.167	13.98	29.68
	Fripp 645MS (CoAL)	Measured	Upper	7.576	6.819	11.00	30.70
			Middle Upper	11.695	10.525	15.10	30.20
			Middle Low er	7.741	6.966	17.10	29.80
			Bottom Upper	12.160	10.944	18.70	28.90
			Bottom Low er	14.222	12.800	14.60	28.80
		TOTAL / AVE MEASURED RESOURCES		53.394	48.054	15.49	29.54
		Indicated	Upper	2.270	1.930	10.20	28.40
			Middle Upper	0.761	0.647	14.40	29.50
			Middle Low er	0.337	0.287	19.10	30.10
			Bottom Upper	0.538	0.457	15.80	29.40
			Bottom Low er	2.069	1.759	15.20	30.10
		TOTAL / AVE INDICATED RESOURCES		5.975	5.080	13.47	29.31
		TOTAL / AVE FRIPP RESOURCES		59.369	53.134	15.30	29.52
	Lukin 643MS (Rio Tinto)	Measured	Upper	10.966	9.869	8.60	29.40
			Middle Upper	20.200	18.180	14.30	29.80
			Middle Low er	11.854	10.669	17.00	29.20
			Bottom Upper	18.104	16.293	22.10	28.70
			Bottom Low er	21.797	19.617	14.60	28.70
		TOTAL / AVE MEASURED RESOURCES		82.921	74.628	15.71	29.13
		Indicated	Upper	2.780	2.363	9.30	29.20
			Middle Upper	1.342	1.140	11.40	29.90
			Middle Low er	1.201	1.021	18.10	28.40
			Bottom Upper	1.393	1.184	22.60	29.30
			Bottom Low er	1.703	1.448	15.10	29.60
		TOTAL / AVE INDICATED RESOURCES		8.419	7.156	14.26	29.29
		Inferred	Upper	0.018	0.015	11.50	30.20
		TOTAL / AVE INFERRED RESOURCES		0.018	0.015	11.50	30.20
		TOTAL / AVE LUKIN RESOURCES		91.358	81.799	15.59	29.15
	Salatia 188MS (CoAL)	Measured	Upper	5.661	5.095	6.80	30.30
			Middle Upper	9.959	8.963	12.50	29.70
			Middle Low er	5.809	5.228	13.10	29.10
			Bottom Upper	11.734	10.560	20.40	29.50
			Bottom Low er	12.067	10.860	14.40	29.30
		TOTAL / AVE MEASURED RESOURCES		45.230	40.706	14.42	29.54
		Indicated	Upper	0.434	0.369	6.30	30.70
			Middle Upper	0.070	0.060	12.20	29.20
			Middle Low er	0.395	0.336	9.40	24.90
			Bottom Upper	1.533	1.303	7.90	30.10
			Bottom Low er	2.828	2.404	9.10	29.60
		TOTAL / AVE INDICATED RESOURCES		5.260	4.472	8.58	29.48
		Inferred	Bottom Low er	0.007	0.006	4.40	29.00
		TOTAL / AVE INFERRED RESOURCES		0.007	0.006	4.40	29.00
		TOTAL / AVE SALATIA RESOURCES		50.497	45.184	13.84	29.53

						PRODUCT		
PROJECT	FARM (RIGHT HOLDER)	RESOURCE CATEGORY	SEAM	GROSS TONNES IN SITU (GTIS) (Mt)	MINEABLE TONNES IN SITU (MTIS) (Mt)	YIELD (%)	VOL. (%)	
Makhado Extension	Telema 190MS (CoAL)	Measured	Upper	2.343	2.109	5.80	29.40	
			Middle Upper	8.889	8.000	11.70	29.10	
			Middle Low er	5.470	4.923	18.10	28.40	
			Bottom Upper	12.045	10.840	24.70	28.10	
			Bottom Low er	10.961	9.865	16.30	28.90	
		TOTAL / AVE MEASURED RESOURCES			39.708	35.737	17.45	28.66
		Indicated	Upper	2.264	1.924	4.20	29.60	
			Middle Upper	1.294	1.100	11.40	29.10	
			Middle Low er	1.076	0.915	22.10	27.50	
			Bottom Upper	3.477	2.955	25.50	27.30	
			Bottom Low er	6.401	5.441	15.90	29.40	
		TOTAL / AVE INDICATED RESOURCES			14.512	12.335	16.43	28.76
		Inferred	Upper	0.003	0.003	3.20	29.60	
			Middle Low er	0.027	0.022	35.20	28.40	
			Bottom Upper	0.408	0.326	31.80	28.10	
			Bottom Low er	3.996	3.197	15.50	29.30	
		TOTAL / AVE INFERRED RESOURCES			4.434	3.548	17.11	29.18
		TOTAL / AVE TELEMA RESOURCES			58.654	51.620	17.18	28.72
GRAND TOTAL / AVE MAKHADO PROJECT				323.638	288.991	15.46	29.48	

Table 87 : Makhado Project – Summary Resource Statement (31st August 2011)

PROJECT	RESOURCE CATEGORY	SEAM	GROSS TONNES IN SITU (GTS)	GEOL. LOSSES (%)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	AIR DRIED WASHED QUALITIES @ RD=1.40						
							YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Makhado Project Area	Measured	Upper	52,253,761	10%	47,028,385	37,389,800	11.84	31.11	10.70	30.25		1.15	0.74
		Middle Upper	108,673,067	10%	97,805,760	70,329,100	16.64	31.36	10.04	30.26		1.28	0.64
		Middle Lower	56,142,465	10%	50,528,219	40,805,700	25.75	31.32	10.29	30.01		1.19	0.60
		Bottom Upper	107,886,857	10%	97,098,171	71,016,000	27.04	31.86	8.87	29.77		0.93	0.64
		Bottom Lower	120,069,274	10%	108,062,347	81,682,900	17.42	31.77	9.20	29.87		0.96	0.63
	TOTAL / AVE MEASURED RESOURCES		445,025,424	10%	400,522,882	301,223,500	19.94	31.55	9.65	30.00		1.08	0.65
	Indicated	Upper	48,970,815	15%	41,625,193	17,992,000	10.17	31.47	9.93	29.48		1.13	0.59
		Middle Upper	76,370,479	15%	64,914,907	18,944,000	15.08	31.54	9.70	29.92		1.20	0.55
		Middle Lower	34,267,583	15%	29,127,446	12,295,000	24.55	31.35	10.19	28.98		1.19	0.58
		Bottom Upper	81,777,834	15%	69,511,159	22,534,000	26.04	31.88	8.80	29.23		0.95	0.62
		Bottom Lower	86,789,327	15%	73,770,928	27,850,000	16.83	31.86	9.00	29.81		1.02	0.60
	TOTAL / AVE INDICATED RESOURCES		328,176,038	15%	278,949,632	99,615,000	18.33	31.67	9.40	29.54		1.08	0.59
	Inferred	Upper	36,304,391	20%	29,043,513	2,840,000	12.17	31.57	9.74	29.02		1.10	0.49
		Middle Upper	20,372,039	20%	16,297,631	94,000	15.38	31.90	8.92	30.34		1.17	0.46
		Middle Lower	7,144,079	20%	5,715,263	800,000	42.18	31.28	10.39	27.49		1.33	0.94
		Bottom Upper	19,621,457	20%	15,697,166	1,904,000	36.14	31.99	8.64	28.63		1.17	0.72
		Bottom Lower	23,091,394	20%	18,473,115	4,680,000	18.87	32.25	8.02	30.54		1.50	0.75
	TOTAL / AVE INFERRED RESOURCES		106,533,360	20%	85,226,688	10,318,000	21.99	31.94	8.80	29.53		1.31	0.69
GRAND TOTAL / AVE OPENCAST			879,734,822	13%	764,699,202	411,156,500	19.60	31.59	9.57	29.88		1.09	0.63

Notes :

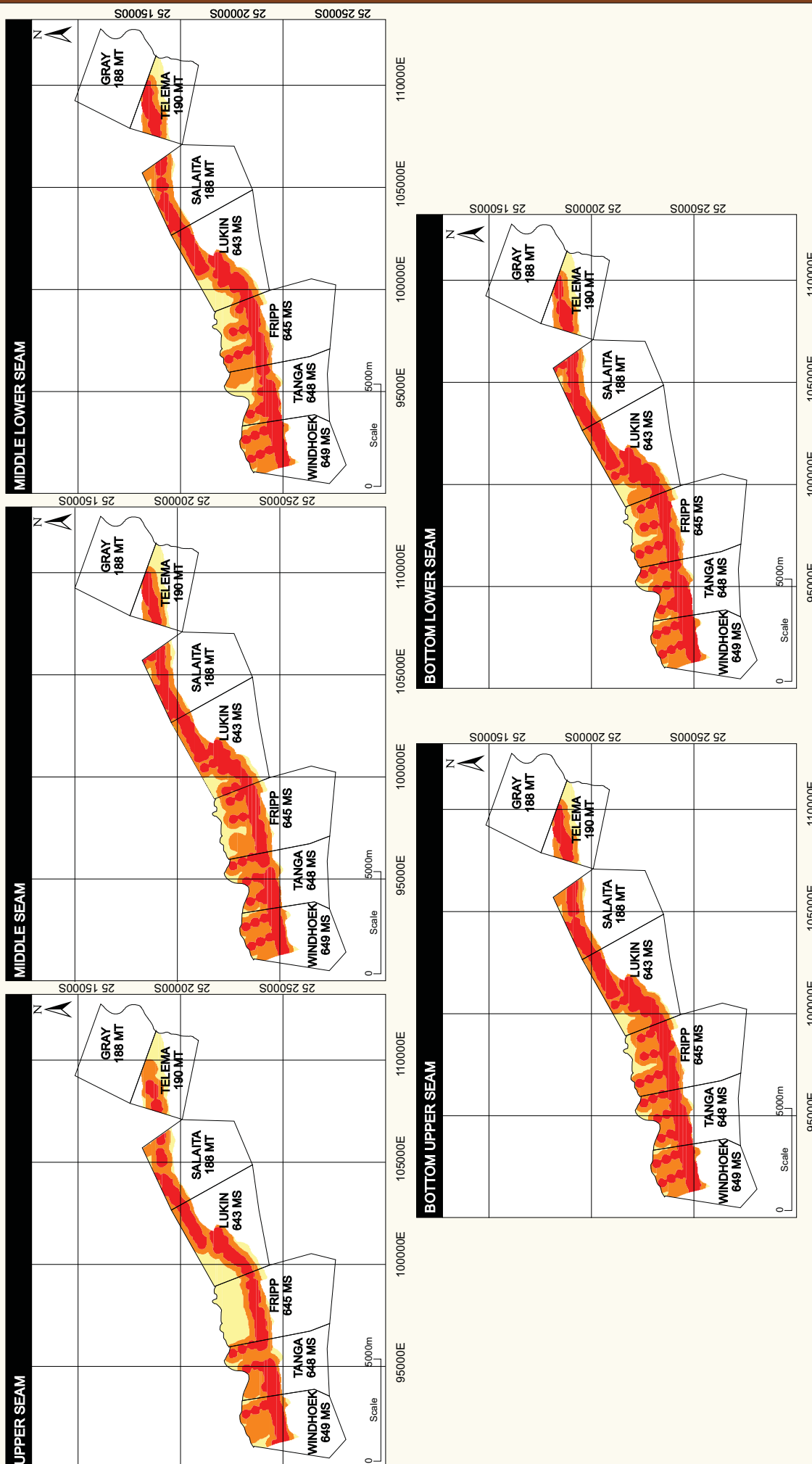
GTS & TTIS - At minimum seam thickness cutoff of 0.5m.

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

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

Weighted average qualities calculated on MTIS.

MAKHADO PROJECT - JORC HALO DIAGRAMS



LEGEND:

Mineral Resource

- Measured (250m radius from borehole with quality data)
- Indicated (500m radius from borehole with quality data)
- Inferred (2000m radius from borehole with quality data)

Table 88 : Detailed Resource Statements for the Makhado Project (31st August 2011)

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS											AIR DRIED WASHED QUALITIES @ RD=1.40							
FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	AREA (m ²)	VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	YIELD (%)	CV (MJ/kg)	ASH (%)	FIXED CARBON (%)	VOL. (%)	SULPH. (%)	MOIST. (%)	
Windhoek 649MS	Measured	Upper	3.43	1,681,730	5,745,462	1.86	10,687,150	10%	1,068,715	9,618,400	12.51	30.64	11.86		28.12	1.05	0.88	
		Middle Upper	4.47	2,155,922	9,605,543	1.78	17,113,376	10%	1,711,338	15,402,000	16.04	31.41	9.73		29.13	1.27	0.70	
		Middle Low er	2.16	2,267,890	4,888,605	1.86	9,109,745	10%	910,975	8,198,700	28.69	30.95	11.11		30.54	1.11	0.68	
		Bottom Upper	3.44	2,345,602	8,043,329	1.73	13,944,339	10%	1,394,434	12,549,900	25.95	31.34	10.05		29.18	0.84	0.78	
		Bottom Low er	4.31	2,422,306	10,360,610	1.87	19,398,228	10%	1,939,823	17,458,400	15.14	31.53	9.72		29.80	0.88	0.75	
	TOTAL / AVE MEASURED		3.77	10,873,450	38,643,549	1.82	70,252,838	10%	7,025,284	63,227,400	18.86	31.25	10.29		29.35	1.02	0.75	
	Indicated	Upper	3.25	2,351,442	7,624,183	2.00	15,238,750	15%	2,285,813	12,952,000	6.92	31.29	10.32		25.22	1.05	0.55	
		Middle Upper	4.36	2,209,858	9,594,013	1.80	17,298,610	15%	2,594,792	14,703,000	13.93	31.56	9.58		26.97	1.20	0.45	
		Middle Low er	1.96	2,139,170	4,191,282	1.91	8,006,489	15%	1,200,973	6,805,000	24.99	31.17	10.61		28.33	1.07	0.45	
		Bottom Upper	3.30	2,188,274	7,205,653	1.74	12,506,943	15%	1,876,041	10,630,000	24.27	31.40	10.01		27.12	0.80	0.54	
Bottom Low er		3.80	2,195,938	8,316,537	1.92	15,937,288	15%	2,390,593	13,546,000	12.79	31.53	9.76		27.75	0.86	0.54		
TOTAL / AVE INDICATED		3.53	11,084,682	36,931,668	1.87	68,988,080	15%	10,348,212	58,636,000	15.28	31.42	9.98		26.95	1.00	0.51		
Tanga 648MS	Inferred	Upper	2.24	369,968	828,625	2.03	1,681,803	20%	336,361	1,340,000	5.24	31.53	9.78		24.15	1.01	0.34	
		Middle Upper	5.05	187,232	937,786	1.79	1,680,659	20%	336,132	1,340,000	12.85	31.48	9.96		25.95	1.28	0.24	
		Middle Low er	2.35	186,288	438,675	1.85	811,708	20%	162,342	640,000	31.85	31.37	10.12		26.12	1.06	0.22	
		Bottom Upper	3.42	192,352	658,137	1.69	1,114,974	20%	222,995	890,000	27.56	31.46	9.94		25.56	0.80	0.34	
		Bottom Low er	4.33	191,568	825,630	1.89	1,558,345	20%	311,669	1,240,000	15.38	31.66	9.42		26.00	0.86	0.35	
	TOTAL / AVE INFERRED		3.65	1,127,408	3,688,853	1.86	6,847,489	20%	1,369,498	5,450,000	16.19	31.52	9.81		25.48	1.01	0.30	
	TOTAL / AVE WINDHOEK		3.65	23,085,540	79,264,070	1.85	146,088,407	13%	18,742,994	127,313,400	17.10	31.34	10.13		28.08	1.01	0.62	
	Measured	Upper	3.27	2,017,328	6,570,827	1.90	12,464,309	10%	1,246,431	11,217,800	11.59	31.17	10.48		25.22	1.05	0.73	
		Middle Upper	4.30	2,662,118	11,376,640	1.82	20,661,722	10%	2,066,172	18,595,500	13.44	31.38	9.91		26.71	1.32	0.64	
		Middle Low er	2.07	1,866,559	3,840,542	1.92	7,373,938	10%	737,394	6,636,500	22.93	31.24	10.68		29.10	1.16	0.71	
Bottom Upper		3.34	2,905,288	9,677,496	1.77	17,156,432	10%	1,715,643	15,440,700	24.57	31.63	9.53		27.04	0.84	0.59		
Bottom Low er		3.59	2,933,160	10,505,995	1.89	19,811,452	10%	1,981,145	17,830,300	14.25	31.58	9.72		28.01	0.91	0.65		
TOTAL / AVE MEASURED		3.54	12,374,453	41,971,200	1.85	77,467,853	10%	7,746,785	69,720,800	16.72	31.44	9.94		27.10	1.05	0.65		
Tanga 648MS	Indicated	Upper	2.97	2,183,234	6,475,835	1.94	12,585,667	15%	1,887,850	10,697,000	9.58	31.20	10.39		23.96	1.04	0.54	
		Middle Upper	4.35	1,873,567	8,117,897	1.85	14,997,372	15%	2,249,606	12,747,000	11.06	31.65	9.45		23.29	1.28	0.39	
		Middle Low er	1.90	1,828,319	3,468,900	1.92	6,664,384	15%	999,658	5,664,000	19.98	31.51	9.86		26.74	1.17	0.47	
		Bottom Upper	3.50	1,916,736	6,695,855	1.77	11,851,322	15%	1,777,698	10,073,000	22.58	31.62	9.53		25.06	0.83	0.42	
		Bottom Low er	3.84	1,995,088	7,587,592	1.87	14,186,815	15%	2,128,022	12,058,000	14.63	31.36	10.23		26.83	0.88	0.48	
	TOTAL / AVE INDICATED		3.52	9,796,944	32,346,079	1.87	60,285,560	15%	9,042,834	51,239,000	14.84	31.47	9.89		24.99	1.04	0.46	
	Inferred	Upper	3.82	284,370	1,084,920	1.90	2,059,343	20%	411,869	1,640,000	9.40	31.40	10.10		25.04	1.04	0.26	
		Middle Upper	4.97	293,474	1,458,292	1.84	2,687,366	20%	537,473	2,140,000	9.87	31.64	9.54		22.07	1.30	0.23	
		Middle Low er	1.39	547,796	760,091	1.90	1,447,862	20%	289,572	1,150,000	20.26	31.58	9.63		25.53	1.15	0.36	
		Bottom Upper	4.03	303,986	1,225,201	1.76	2,154,825	20%	430,965	1,720,000	20.95	31.79	9.12		22.95	0.78	0.24	
Bottom Low er		4.98	296,674	1,476,529	1.83	2,701,216	20%	540,243	2,160,000	13.91	30.87	11.34		24.80	0.84	0.45		
TOTAL / AVE INFERRED		4.12	1,726,300	6,005,033	1.84	11,050,612	20%	2,210,122	8,810,000	14.29	31.43	10.02		23.92	1.02	0.31		
TOTAL / AVE TANGA		3.57	23,897,697	80,322,312	1.86	148,804,025	13%	18,999,742	129,769,800	15.81	31.45	9.93		26.05	1.04	0.55		

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS

FARM	RESOURCE CATEGORY	SEAM	AVE		VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	AIR DRIED WASHED QUALITIES @ RD=1.40						
			WIDTH (m)	AREA (m ²)							YIELD (%)	CV (MJ/kg)	ASH (%)	FIXED CARBON (%)	VOL. (%)	SULPH. (%)	MOIST. (%)
Fripp 645MS	Measured	Upper	2.93	1,452,803	4,240,286	1.91	8,089,206	10%	808,921	7,280,200	13.52	30.85	11.52		30.56	1.13	0.74
		Middle Upper	4.34	2,532,806	10,978,723	1.77	19,462,530	10%	1,946,253	17,516,200	16.50	31.43	10.05		28.81	1.24	0.53
		Middle Lower	2.25	2,903,414	6,506,400	1.88	12,240,080	10%	1,220,408	10,983,600	23.37	31.13	10.71		28.87	1.24	0.53
		Bottom Upper	4.30	3,296,711	14,090,761	1.80	25,345,200	10%	2,534,520	22,810,600	20.56	31.80	8.90		27.94	0.95	0.54
	TOTAL / AVE MEASURED	Bottom Lower	4.21	3,232,023	13,551,184	1.88	25,429,604	10%	2,542,960	22,886,600	17.25	31.62	9.57		28.10	0.93	0.54
			3.90	13,417,757	49,367,354	1.84	90,530,620	10%	9,053,062	81,477,200	18.51	31.49	9.81		28.53	1.06	0.55
	Indicated	Upper	2.86	1,143,235	3,266,363	2.04	6,667,358	15%	1,000,104	5,667,000	11.77	31.17	10.83		27.68	1.10	0.61
		Middle Upper	4.31	2,738,550	11,797,022	1.81	21,382,260	15%	3,204,339	18,157,000	12.74	31.55	9.72		27.87	1.13	0.40
		Middle Lower	1.59	2,452,517	3,858,649	1.87	7,205,476	15%	1,080,821	6,124,000	20.48	31.13	10.73		27.95	1.22	0.40
		Bottom Upper	4.88	2,978,999	14,373,389	1.80	25,801,430	15%	3,870,215	21,931,000	19.18	31.80	9.00		26.86	0.87	0.43
	TOTAL / AVE INDICATED	Bottom Lower	4.21	3,186,039	13,006,624	1.87	24,322,782	15%	3,648,417	20,674,000	17.07	31.50	9.82		26.86	0.86	0.47
			4.13	12,499,340	46,302,047	1.85	85,359,306	15%	12,803,896	72,553,000	16.50	31.55	9.70		27.27	0.98	0.45
	Inferred	Upper	2.84	3,683,672	10,460,511	2.07	21,643,244	20%	4,328,649	17,310,000	10.93	31.76	9.27		24.40	0.98	0.56
		Middle Upper	3.79	1,152,019	4,369,783	1.87	8,180,836	20%	1,636,167	6,540,000	10.45	31.72	9.29		27.12	1.11	0.32
		Middle Lower	1.09	449,729	488,216	1.90	927,942	20%	185,588	740,000	16.10	31.02	10.96		26.85	1.13	0.27
		Bottom Upper	5.33	802,994	4,282,361	1.83	7,846,954	20%	1,569,391	6,270,000	17.00	31.97	8.69		26.28	0.77	0.26
Lukin 643MS	TOTAL / AVE INFERRED	Bottom Lower	3.99	831,890	3,322,527	1.84	6,135,756	20%	1,227,151	4,900,000	16.96	31.44	9.95		24.88	0.76	0.33
			3.62	6,920,304	22,923,398	1.96	44,734,732	20%	8,946,946	35,760,000	12.84	31.73	9.30		25.34	0.94	0.43
	Measured	TOTAL / AVE FRIPP	3.93	32,837,401	118,592,799	1.86	220,624,658	14%	30,803,904	189,790,200	16.67	31.56	9.67		27.45	1.01	0.49
		Upper	2.56	2,378,180	6,056,877	1.96	11,883,556	10%	1,188,356	10,695,200	10.69	31.45	9.84		29.85	1.23	0.51
		Middle Upper	4.03	3,846,615	15,404,674	1.80	27,668,524	10%	2,766,852	24,901,600	15.94	31.99	8.62		29.90	1.26	0.56
		Middle Lower	2.23	3,500,582	7,767,873	1.88	14,626,680	10%	1,462,668	13,164,000	25.38	31.47	9.92		29.36	1.21	0.53
	TOTAL / AVE MEASURED	Bottom Upper	3.39	3,996,823	13,499,269	1.78	24,011,334	10%	2,401,133	21,610,200	27.32	32.19	8.12		29.65	0.95	0.57
		Bottom Lower	3.70	4,043,159	14,895,065	1.90	28,285,960	10%	2,828,596	25,457,300	16.77	31.78	9.16		29.54	0.95	0.57
	Indicated		3.40	17,765,359	57,623,758	1.85	106,476,054	10%	10,647,605	95,828,300	19.44	31.85	8.97		29.67	1.10	0.56
		Upper	2.38	1,341,394	3,182,480	2.20	7,011,332	15%	1,051,700	5,959,000	9.24	31.63	9.53		30.02	1.22	0.40
		Middle Upper	4.61	1,721,539	7,920,362	1.87	14,794,522	15%	2,219,178	12,575,000	11.06	32.17	8.24		30.30	1.18	0.49
		Middle Lower	1.89	1,625,043	3,059,826	1.99	6,102,734	15%	915,410	5,187,000	20.40	31.40	10.02		29.15	1.21	0.44
Lukin 643MS	TOTAL / AVE INDICATED	Bottom Upper	3.57	2,141,620	7,575,572	1.78	13,478,906	15%	2,021,836	11,457,000	25.79	32.08	8.40		29.22	0.92	0.46
		Bottom Lower	3.28	2,246,804	7,249,453	1.93	14,001,561	15%	2,100,234	11,901,000	14.05	31.80	9.10		28.31	0.90	0.51
	Inferred		3.47	9,076,400	28,987,693	1.92	55,389,055	15%	8,308,358	47,079,000	16.20	31.90	8.86		29.37	1.05	0.47
		Upper	2.86	1,593,427	4,550,925	2.21	10,045,482	20%	2,009,096	8,030,000	10.65	31.71	9.37		28.32	1.12	0.46
		Middle Upper	6.40	585,985	3,751,561	1.92	7,220,583	20%	1,444,117	5,770,000	7.23	32.00	8.65		29.98	1.10	0.39
		Middle Lower	0.86	1,259,266	1,089,086	2.24	2,439,191	20%	487,838	1,950,000	13.59	31.30	10.26		29.63	1.26	0.32
	TOTAL / AVE MEASURED	Bottom Upper	4.48	581,153	2,603,414	1.81	4,724,045	20%	944,809	3,770,000	21.19	32.07	8.42		28.98	0.89	0.39
		Bottom Lower	3.83	586,305	2,244,462	1.91	4,297,002	20%	859,400	3,430,000	12.97	31.77	9.17		26.58	0.88	0.48
	TOTAL / AVE INFERRED		4.09	4,606,136	14,239,448	2.03	28,726,303	20%	5,745,261	22,950,000	12.12	31.82	9.08		28.70	1.05	0.42
			3.52	31,447,895	100,850,899	1.90	190,591,412	13%	24,701,224	165,857,300	17.51	31.86	8.95		29.45	1.08	0.51

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS												AIR DRIED WASHED QUALITIES @ RD=1.40						
FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	AREA (m ²)	VOLUME (m ³)	COAL RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	YIELD (%)	CV (MJ/kg)	ASH (%)	FIXED CARBON (%)	VOL. (%)	SULPH. (%)	MOIST. (%)	
Salaia 188MT	Measured	Upper	2.44	1,377,903	3,332,012	1.99	6,614,848	10%	661,485	5,953,300	8.01	31.71	9.31		30.08	1.19	0.59	
		Middle Upper	3.78	2,149,197	8,037,190	1.80	14,463,214	10%	1,446,321	13,016,800	15.15	31.40	9.87		29.73	1.15	0.53	
		Middle Lower	2.15	1,689,528	3,635,165	1.91	6,930,708	10%	693,071	6,237,600	20.23	31.57	9.68		29.79	1.19	0.42	
		Bottom Upper	3.94	2,047,743	8,053,309	1.78	14,346,096	10%	1,434,610	12,911,400	26.04	32.03	8.54		30.20	0.97	0.53	
		Bottom Lower	3.63	2,277,514	8,260,046	1.90	15,698,339	10%	1,569,834	14,128,500	18.36	32.01	8.61		30.15	0.89	0.48	
	TOTAL / AVE MEASURED		3.45	9,541,885	31,317,722	1.86	58,053,205	10%	5,805,321	52,247,600	18.50	31.78	9.11		30.01	1.04	0.51	
	Indicated	Upper	2.55	889,627	2,270,542	2.11	4,798,944	15%	719,842	4,079,000	7.09	32.37	7.74		30.71	1.02	0.50	
		Middle Upper	4.10	589,890	2,356,236	1.79	4,224,967	15%	633,745	3,591,000	15.00	31.56	9.67		29.51	1.01	0.57	
		Middle Lower	1.49	826,748	1,192,093	2.01	2,394,305	15%	359,146	2,035,000	19.40	31.42	10.03		28.44	1.13	0.47	
		Bottom Upper	4.06	1,231,587	4,798,748	1.88	9,009,065	15%	1,351,360	7,657,000	26.00	32.13	8.30		29.90	0.97	0.44	
Bottom Lower		3.63	1,212,387	4,206,483	1.94	8,145,604	15%	1,221,841	6,923,000	15.38	32.07	8.46		30.07	0.88	0.53		
TOTAL / AVE INDICATED		3.51	4,750,239	14,824,102	1.93	28,572,885	15%	4,285,933	24,285,000	17.62	32.01	8.60		29.90	0.97	0.50		
Telema 190MT	Measured	Upper	2.84	88,798	252,399	2.00	505,012	20%	101,002	400,000	7.24	32.61	7.18		31.02	0.91	0.42	
		Middle Upper	4.60	72,798	334,707	1.80	602,595	20%	120,519	480,000	14.41	31.57	9.65		29.93	0.96	0.61	
		Middle Lower	1.15	106,893	122,574	2.10	257,074	20%	51,415	200,000	18.96	30.90	11.24		29.05	1.09	0.35	
		Bottom Upper	3.87	68,846	261,125	1.77	461,396	20%	92,279	360,000	31.60	32.19	8.16		28.73	0.97	0.33	
		Bottom Lower	4.15	132,381	529,923	1.98	1,046,919	20%	209,384	830,000	12.00	32.05	8.51		29.04	0.78	0.52	
	TOTAL / AVE INFERRED		3.74	469,716	1,500,728	1.92	2,872,996	20%	574,599	2,270,000	15.39	31.97	8.70		29.53	0.90	0.48	
	TOTAL / AVE SALAIA		3.48	14,761,840	47,642,552	1.88	89,499,086	12%	10,665,852	78,802,600	18.14	31.85	8.94		29.96	1.02	0.51	
	TOTAL / AVE MAKHADO		3.66	126,030,373	426,672,632	1.87	795,607,588	13%	103,913,716	691,533,300	16.96	31.60	9.55		28.07	1.03	0.53	
	Indicated	Upper	1.89	671,176	1,265,166	1.99	2,514,692	10%	251,469	2,263,200	7.72	31.57	9.65		29.96	1.04	0.69	
		Middle Upper	4.20	1,234,542	5,182,399	1.80	9,303,701	10%	930,370	8,373,300	14.48	30.43	12.43		29.06	1.12	0.52	
Middle Lower		2.29	1,436,449	3,283,020	1.80	5,897,314	10%	589,731	5,307,500	27.10	31.56	9.67		28.15	1.06	0.62		
Bottom Upper		5.01	1,492,161	7,470,591	1.75	13,083,456	10%	1,308,346	11,775,100	29.47	31.83	9.02		27.86	0.85	0.63		
Bottom Lower		4.32	1,358,672	5,870,138	1.95	11,445,691	10%	1,144,569	10,301,100	20.53	31.83	9.01		29.55	1.12	0.51		
TOTAL / AVE MEASURED		4.09	6,193,000	23,071,314	1.84	42,244,854	10%	4,224,485	38,020,200	22.12	31.47	9.90		28.75	1.02	0.58		
Inferred	Upper	1.98	634,695	1,251,593	2.13	2,668,764	15%	400,315	2,268,000	5.64	31.73	9.29		30.25	1.03	0.57		
	Middle Upper	3.75	556,759	2,075,131	1.78	3,692,748	15%	553,912	3,138,000	15.14	30.54	12.16		29.03	1.14	0.49		
	Middle Lower	2.29	954,075	2,176,495	1.79	3,894,195	15%	584,129	3,310,000	28.83	31.52	9.79		28.11	1.13	0.70		
	Bottom Upper	4.97	1,065,165	5,255,479	1.74	9,130,168	15%	1,369,525	7,760,000	30.38	31.80	9.11		27.77	0.89	0.63		
	Bottom Lower	4.23	1,223,182	5,140,129	1.98	10,195,277	15%	1,529,292	8,665,000	19.31	31.92	8.79		29.71	1.20	0.56		
TOTAL / AVE INDICATED		3.97	4,433,876	15,898,827	1.87	29,581,152	15%	4,437,173	25,141,000	22.23	31.64	9.49		28.86	1.07	0.59		
TOTAL / AVE MAKHADO EXTENSION	Upper	2.18	82,849	180,443	2.05	369,507	20%	73,901	290,000	6.86	32.21	8.15		30.26	0.94	0.57		
	Middle Lower	2.92	257,747	745,331	1.66	1,260,302	20%	252,060	1,000,000	44.81	31.28	10.38		27.31	1.34	1.01		
	Bottom Upper	4.49	432,757	1,930,800	1.68	3,319,263	20%	663,853	2,650,000	36.18	31.99	8.64		28.63	1.17	0.72		
	Bottom Lower	4.58	821,690	3,752,878	1.98	7,352,156	20%	1,470,431	5,880,000	19.63	32.25	8.03		30.55	1.54	0.76		
	TOTAL / AVE INFERRED		4.30	1,595,043	6,609,452	1.87	12,301,228	20%	2,460,246	9,820,000	26.28	32.08	8.44		29.69	1.40	0.77	
TOTAL / AVE TELEMA		4.08	12,221,919	45,579,593	1.85	84,127,234	13%	11,121,904	72,981,200	22.72	31.61	9.56		28.92	1.09	0.61		
TOTAL / AVE MAKHADO		4.08	12,221,919	45,579,593	1.85	84,127,234	13%	11,121,904	72,981,200	22.72	31.61	9.56		28.92	1.09	0.61		
GRAND TOTAL / AVE MAKHADO		3.70	138,252,292	472,252,225	1.87	879,734,822	13%	115,035,620	764,514,500	17.51	31.60	9.55		28.15	1.04	0.54		

Notes:

Rounding down of TTIS tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively, may result in computational discrepancies.

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR OPENCAST MINING. NO UG MINING CONSIDERED. COAL WITH VOLATILE CONTENT <20% EXCLUDED.

MINERAL RIGHT	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	AREA (m ²)	VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINING BLOCK LAYOUT LOSSES (t)	MINEABLE TONNES IN SITU
Windhoek 649MS	Measured	Upper	3.21	1,229,713	3,917,460	1.83	7,151,540	10%	715,154	6,436,386	2%	128,728	6,307,600
		Middle Upper	4.42	1,235,361	5,421,199	1.78	9,626,663	10%	962,666	8,663,997	2%	173,280	8,490,700
		Middle Lower	2.34	1,303,585	3,028,473	1.82	5,509,173	10%	550,917	4,958,256	2%	99,165	4,859,000
		Bottom Upper	3.46	1,378,001	4,727,148	1.72	8,117,340	10%	811,734	7,305,606	2%	146,112	7,159,400
		Bottom Lower	4.21	1,445,041	5,967,019	1.85	11,014,257	10%	1,101,426	9,912,831	2%	198,257	9,714,500
	TOTAL / AVE. MEASURED		3.69	6,591,701	23,061,299	1.80	41,418,973	10%	4,141,897	37,277,076	2%	745,542	36,531,200
	Indicated	Upper	3.21	273,792	841,831	1.91	1,604,972	15%	249,746	1,354,226	2%	27,285	1,336,000
		Middle Upper	3.65	312,160	1,071,746	1.80	1,926,873	15%	289,031	1,637,842	2%	32,757	1,605,000
		Middle Lower	1.72	232,032	383,209	1.79	687,061	15%	103,059	584,002	2%	11,680	572,000
		Bottom Upper	2.48	236,512	552,958	1.73	956,390	15%	143,459	812,932	2%	16,259	796,000
		Bottom Lower	2.80	227,264	588,093	1.89	1,110,173	15%	166,526	943,647	2%	18,873	924,000
	TOTAL / AVE. INDICATED		2.99	1,281,760	3,437,837	1.83	6,285,469	15%	942,820	5,342,649	2%	106,853	5,233,000
	Inferred	Middle Upper	6.64	1,728	2,907	1.82	5,293	20%	1,059	4,234	2%	85	4,000
		Bottom Upper	2.50	1,328	2,704	1.91	5,175	20%	1,035	4,140	2%	83	4,000
		Bottom Lower	4.00	3,728	11,831	1.99	23,501	20%	4,700	18,801	2%	376	10,000
	TOTAL / AVE. INFERRED		4.21	6,784	17,442	1.95	33,969	20%	6,794	27,175	2%	544	18,000
	TOTAL / AVE. WINDHOEK		3.60	7,880,245	26,516,578	1.81	47,738,411	11%	5,091,511	42,646,900	2%	852,938	41,782,200
Tanga 648MS	Measured	Upper	3.28	1,108,361	3,604,204	1.87	6,753,204	10%	675,320	6,077,884	2%	121,558	5,956,300
		Middle Upper	4.09	1,527,692	6,139,727	1.78	10,945,457	10%	1,094,546	9,850,911	2%	197,018	9,653,800
		Middle Lower	1.72	1,394,971	2,378,172	1.94	4,619,538	10%	461,954	4,157,584	2%	83,152	4,074,400
		Bottom Upper	2.97	1,663,166	4,893,764	1.77	8,677,275	10%	867,728	7,809,548	2%	156,191	7,653,300
		Bottom Lower	3.42	1,689,742	5,710,232	1.90	10,835,623	10%	1,083,562	9,752,061	2%	195,041	9,557,000
	TOTAL / AVE. MEASURED		3.30	7,383,932	22,726,099	1.84	41,831,097	10%	4,183,110	37,647,987	2%	752,960	36,894,800
	Indicated	Upper	2.56	416,035	1,037,121	1.96	2,031,876	15%	304,781	1,727,095	2%	34,542	1,692,000
		Middle Upper	3.01	278,818	790,166	1.79	1,413,548	15%	212,032	1,201,516	2%	24,030	1,177,000
		Middle Lower	1.31	309,715	395,684	1.96	777,382	15%	116,607	660,775	2%	13,215	647,000
		Bottom Upper	2.10	322,515	649,088	1.79	1,160,696	15%	174,104	986,592	2%	19,732	966,000
		Bottom Lower	2.87	367,731	990,713	1.91	1,889,858	15%	283,479	1,606,379	2%	32,128	1,574,000
	TOTAL / AVE. INDICATED		2.53	1,694,814	3,862,772	1.89	7,273,360	15%	1,091,004	6,182,356	2%	123,647	6,056,000
	TOTAL / AVE. TANGA		3.19	9,078,746	26,588,871	1.85	49,104,457	11%	5,274,114	43,830,343	2%	876,607	42,950,800

AIR DRIED WASHED QUALITIES @ RD=1.40

YIELD (%)	CV (MJ/kg)	ASH (%)	FIXED CARBON (%)	VOL. (%)	TOTAL SULPH. (%)	MOIST. (%)
15.27	30.56	12.01		30.92	1.08	1.17
17.41	31.19	10.01		31.68	1.36	1.01
33.35	30.90	11.20		32.15	1.16	0.90
28.71	31.35	9.93		31.34	0.87	1.04
16.43	31.52	9.72		31.62	0.94	0.97
21.11	31.16	10.42		31.53	1.08	1.02
13.85	30.68	11.69		29.90	1.03	1.24
16.49	31.22	10.00		30.79	1.30	1.02
34.57	30.76	11.49		31.39	1.14	0.96
27.09	31.34	9.96		30.28	0.95	1.15
13.25	31.44	10.06		31.31	1.02	1.07
18.83	31.09	10.60		30.64	1.11	1.10
17.25	31.07	10.89		32.83	1.30	1.15
15.85	31.06	10.85		30.37	1.07	1.12
9.24	31.24	10.55		32.16	1.11	1.13
12.49	31.16	10.69		31.91	1.14	1.13
20.83	31.15	10.44		31.42	1.08	1.03
12.79	30.75	11.37		29.10	1.08	0.88
15.40	31.13	10.41		30.20	1.37	0.83
22.23	31.24	10.76		30.47	1.18	0.83
25.82	31.60	9.63		29.45	0.84	0.72
14.08	31.75	9.43		30.18	0.94	0.74
17.55	31.34	10.19		29.89	1.08	0.79
11.59	31.13	10.39		25.44	1.07	0.79
14.10	31.51	9.65		26.65	1.33	0.76
20.50	31.35	10.47		28.74	1.16	0.90
22.95	31.66	9.54		26.87	0.84	0.73
13.36	31.93	9.21		28.74	0.93	0.74
15.30	31.52	9.81		27.11	1.06	0.77
17.24	31.36	10.14		29.50	1.08	0.79

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR OPENCAST MINING. NO U/G MINING CONSIDERED. COAL WITH VOLATILE CONTENT <20% EXCLUDED.

MINERAL RIGHT	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	AREA (m ²)	VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINING BLOCK LAYOUT LOSSES (t)	MINEABLE TONNES IN SITU	AIR DRIED WASHED QUALITIES @ RD=1.40						
														YIELD (%)	CV (MJ/kg)	ASH (%)	FIXED CARBON (%)	VOL. (%)	TOTAL SULPH. (%)	MOIST. (%)
Fripp 645MS	Measured	Upper	2.99	1,388,691	4,140,874	1.90	7,886,915	10%	788,692	7,098,224	2%	141,964	6,956,200	13.75	30.82	11.61		30.90	1.13	0.74
		Middle Upper	4.18	1,899,540	7,880,305	1.76	13,879,402	10%	1,387,940	12,491,462	2%	249,829	12,241,600	18.13	31.31	10.38		30.06	1.30	0.57
		Middle Lower	2.49	2,059,076	5,097,025	1.87	9,555,059	10%	955,506	8,599,553	2%	171,991	8,427,500	25.54	31.10	10.78		29.88	1.28	0.59
		Bottom Upper	4.00	2,158,741	8,514,694	1.80	15,296,983	10%	1,529,699	13,767,294	2%	275,346	13,491,900	22.95	31.67	9.08		29.51	1.03	0.64
		Bottom Lower	4.41	2,176,549	9,521,544	1.89	17,955,068	10%	1,795,507	16,159,561	2%	323,191	15,836,300	17.68	31.71	9.36		29.13	0.99	0.62
	TOTAL / AVE MEASURED		3.81	9,682,597	35,154,442	1.84	64,573,437	10%	6,457,344	58,116,093	2%	1,162,322	56,953,500	19.71	31.42	10.00		29.75	1.13	0.62
	Indicated	Upper	2.89	913,746	2,626,368	2.05	5,378,242	15%	806,736	4,571,506	2%	91,430	4,480,000	12.84	31.12	11.00		29.11	1.12	0.57
		Middle Upper	3.89	690,178	2,616,558	1.77	4,628,826	15%	694,324	3,934,502	2%	78,690	3,855,000	17.08	31.35	10.23		29.54	1.22	0.48
		Middle Lower	2.22	687,682	1,470,677	1.82	2,677,416	15%	401,612	2,275,804	2%	45,516	2,230,000	27.54	31.07	10.88		29.43	1.30	0.54
		Bottom Upper	4.17	722,402	2,776,316	1.80	4,984,745	15%	747,712	4,237,033	2%	84,741	4,152,000	21.08	31.54	9.31		28.97	1.01	0.69
		Bottom Lower	5.06	920,418	4,187,678	1.92	8,030,938	15%	1,204,641	6,826,297	2%	136,526	6,689,000	17.31	31.66	9.44		29.53	0.99	0.65
	TOTAL / AVE INDICATED		3.93	3,934,426	13,677,597	1.89	25,700,167	15%	3,855,025	21,845,142	2%	436,903	21,406,000	18.13	31.41	10.03		29.32	1.09	0.60
Inferred	Upper	2.92	217,888	606,690	2.15	1,303,038	20%	260,608	1,042,430	2%	20,849	1,020,000	12.75	31.27	10.54		28.49	1.14	0.40	
	Middle Upper	2.72	6,864	15,114	1.79	27,006	20%	5,401	21,605	2%	432	20,000	16.05	31.52	9.81		29.20	1.13	0.34	
	Bottom Lower	4.87	96	35	2.09	74	20%	15	59	2%	1	0	20.22	31.93	8.81		31.22	0.98	0.61	
TOTAL / AVE INFERRED		2.92	224,848	621,839	2.14	1,330,118	20%	266,024	1,064,094	2%	21,282	1,040,000	12.81	31.27	10.53		28.50	1.14	0.40	
TOTAL / AVE FRIPP		3.84	13,841,871	49,453,878	1.86	91,603,722	12%	10,578,392	81,025,330	2%	1,620,507	79,399,500	19.19	31.41	10.01		29.62	1.12	0.61	
Lukin 643MS	Measured	Upper	2.57	2,337,332	5,984,493	1.96	11,740,561	10%	1,174,056	10,566,505	2%	211,330	10,355,100	10.73	31.44	9.85		29.97	1.24	0.51
		Middle Upper	3.86	3,409,014	13,039,393	1.78	23,184,320	10%	2,318,432	20,865,888	2%	417,318	20,448,500	17.51	31.92	8.80		30.40	1.30	0.56
		Middle Lower	2.24	3,396,294	7,560,199	1.88	14,219,768	10%	1,421,977	12,797,791	2%	255,956	12,541,800	25.70	31.44	9.98		29.65	1.21	0.52
		Bottom Upper	3.38	3,770,759	12,692,697	1.77	22,441,630	10%	2,244,163	20,197,467	2%	403,949	19,793,500	28.28	32.17	8.17		29.71	0.95	0.57
		Bottom Lower	3.68	3,886,391	14,259,946	1.89	27,016,470	10%	2,701,647	24,314,823	2%	486,296	23,828,500	17.17	31.77	9.19		29.48	0.94	0.57
	TOTAL / AVE MEASURED		3.33	16,799,790	53,536,728	1.84	98,602,749	10%	9,860,275	88,742,474	2%	1,774,849	86,967,400	20.24	31.81	9.06		29.83	1.10	0.55
	Indicated	Upper	2.40	1,259,394	3,016,646	2.19	6,618,941	15%	992,841	5,626,100	2%	112,522	5,513,000	9.56	31.62	9.54		29.97	1.21	0.42
		Middle Upper	3.92	1,199,922	4,637,812	1.83	8,496,711	15%	1,274,507	7,222,204	2%	144,444	7,077,000	13.53	32.13	8.32		30.77	1.22	0.50
		Middle Lower	1.98	1,368,947	2,664,564	1.98	5,282,440	15%	792,366	4,490,074	2%	89,801	4,400,000	20.92	31.41	10.00		29.13	1.21	0.45
		Bottom Upper	3.35	1,175,810	3,729,940	1.76	6,563,429	15%	984,514	5,578,915	2%	111,578	5,467,000	28.93	32.10	8.34		29.82	0.94	0.50
		Bottom Lower	3.28	1,168,178	3,610,901	1.93	6,983,151	15%	1,047,473	5,935,678	2%	118,714	5,816,000	15.16	31.78	9.15		29.57	0.92	0.52
	TOTAL / AVE INDICATED		3.12	6,172,251	17,659,863	1.93	33,944,672	15%	5,091,701	28,852,971	2%	577,059	28,273,000	17.22	31.84	8.99		29.93	1.10	0.48
Inferred	Upper	2.27	372,145	821,873	2.30	1,886,602	20%	377,320	1,509,282	2%	30,186	1,470,000	12.99	31.61	9.58		29.03	1.11	0.54	
	Middle Upper	4.08	16,544	55,529	1.82	101,134	20%	20,227	80,907	2%	1,618	70,000	15.08	32.05	8.55		30.53	1.18	0.45	
	Middle Lower	1.28	34,496	40,922	2.25	92,247	20%	18,449	73,798	2%	1,476	70,000	18.98	31.35	10.15		29.01	1.25	0.32	
TOTAL / AVE INFERRED		2.34	423,185	918,324	2.27	2,079,983	20%	415,997	1,663,986	2%	33,280	1,610,000	13.34	31.62	9.56		29.09	1.12	0.53	
TOTAL / AVE LUKIN		3.26	23,395,226	72,114,915	1.87	134,627,404	11%	15,367,972	119,259,432	2%	2,385,189	116,850,400	19.42	31.81	9.05		29.84	1.10	0.54	

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR OPENCAST MINING. NO U/G MINING CONSIDERED. COAL WITH VOLATILE CONTENT <20% EXCLUDED.

MINERAL RIGHT CATEGORY	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	AREA (m ²)	VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINING BLOCK LAYOUT LOSSES (t)	MINEABLE TONNES IN SITU
Salaiba 188MT	Measured	Upper	2.43	1,327,504	3,203,661	1.98	6,345,560	10%	634,556	5,711,004	2%	114,220	5,596,700
		Middle Upper	3.76	1,925,378	7,127,082	1.80	12,799,074	10%	1,279,907	11,519,167	2%	230,383	11,288,700
		Middle Lower	2.16	1,645,129	3,555,120	1.90	6,769,873	10%	676,987	6,092,886	2%	121,858	5,971,000
		Bottom Upper	3.95	1,957,105	7,725,975	1.78	13,750,395	10%	1,375,040	12,375,356	2%	247,507	12,127,800
		Bottom Lower	3.68	2,055,807	7,537,267	1.90	14,344,298	10%	1,434,430	12,909,868	2%	258,197	12,651,600
Indicated	TOTAL / AVE. MEASURED	Upper	3.45	8,910,923	29,149,105	1.86	54,009,200	10%	5,400,920	48,608,280	2%	972,166	47,635,800
		Middle Upper	2.43	655,040	1,574,893	2.10	3,299,411	15%	494,912	2,804,499	2%	56,090	2,748,000
		Middle Lower	4.02	388,583	1,458,088	1.77	2,586,836	15%	388,025	2,198,811	2%	43,976	2,154,000
		Bottom Upper	1.71	516,212	832,087	2.00	1,666,499	15%	249,975	1,416,524	2%	28,330	1,388,000
		Bottom Lower	3.99	751,982	2,727,179	1.86	5,085,186	15%	762,778	4,322,408	2%	86,448	4,235,000
Inferred	TOTAL / AVE. INDICATED	Upper	2.63	19,824	45,056	1.99	89,535	20%	17,907	71,628	2%	1,433	70,000
		Middle Lower	0.55	16,384	8,840	2.23	19,706	20%	3,941	15,765	2%	315	10,000
		Bottom Upper	4.95	1,248	968	2.05	1,980	20%	396	1,584	2%	32	0
		Bottom Lower	4.85	35,183	150,881	2.12	319,538	20%	63,900	255,630	2%	5,113	250,000
		TOTAL / AVE. INFERRED	4.18	72,639	205,745	2.10	430,759	20%	86,152	344,607	2%	6,892	330,000
Telema 190MT	Measured	Upper	3.46	12,147,631	38,965,663	1.88	72,956,969	11%	8,264,623	64,692,346	2%	1,293,847	63,387,800
		Middle Upper	1.89	671,179	213,639,905	1.86	396,030,963	11%	44,576,613	351,454,350	2%	7,029,087	344,370,700
		Middle Lower	4.20	1,234,542	5,182,399	1.80	9,303,701	10%	930,370	8,373,331	2%	167,467	8,205,800
		Bottom Upper	2.27	1,374,544	3,120,372	1.79	5,591,880	10%	559,188	5,032,692	2%	100,654	4,932,000
		Bottom Lower	5.03	1,392,352	7,008,335	1.75	12,233,712	10%	1,223,371	11,010,341	2%	220,207	10,790,100
Inferred	TOTAL / AVE. MEASURED	Upper	4.32	1,358,672	5,870,138	1.95	11,445,691	10%	1,144,569	10,301,122	2%	206,022	10,095,000
		Middle Upper	1.98	634,695	1,251,593	2.13	2,668,764	15%	400,315	2,268,449	2%	45,369	2,223,000
		Middle Lower	3.75	556,759	2,075,131	1.78	3,692,748	15%	553,912	3,138,836	2%	62,777	3,076,000
		Bottom Upper	2.29	904,091	2,058,583	1.78	3,672,048	15%	550,807	3,121,241	2%	62,425	3,058,000
		Bottom Lower	4.99	978,123	4,796,516	1.73	8,305,104	15%	1,245,766	7,059,338	2%	141,187	6,918,000
Inferred	TOTAL / AVE. INDICATED	Upper	3.96	4,224,898	14,996,303	1.87	27,882,860	15%	4,182,429	23,700,431	2%	474,009	23,225,000
		Middle Upper	2.18	82,849	180,443	2.05	369,507	20%	73,901	295,606	2%	5,912	280,000
		Middle Lower	2.86	195,234	558,072	1.66	925,071	20%	185,014	740,057	2%	14,801	720,000
		Bottom Upper	4.60	316,500	1,450,970	1.68	2,435,331	20%	487,066	1,948,265	2%	38,965	1,900,000
		Bottom Lower	4.79	598,103	2,854,293	1.98	5,639,986	20%	1,127,997	4,511,989	2%	90,240	4,420,000
Inferred	TOTAL / AVE. INFERRED	Upper	4.43	1,192,686	5,043,778	1.87	9,369,895	20%	1,873,979	7,495,916	2%	623,927	7,320,000
		Middle Upper	4.08	11,448,870	42,486,491	1.85	78,342,431	13%	10,165,376	68,177,055	2%	1,837,550	66,785,800
		Bottom Upper	4.08	11,448,870	42,486,491	1.85	78,342,431	13%	10,165,376	68,177,055	2%	1,837,550	66,785,800
		Bottom Lower	4.08	11,448,870	42,486,491	1.85	78,342,431	13%	10,165,376	68,177,055	2%	1,837,550	66,785,800
		GRAND TOTAL / AVE. MAXHADO	3.57	77,792,589	256,126,396	1.86	474,373,384	12%	54,741,989	419,631,405	2%	8,866,637	411,156,500

Notes:

Rounding down of MTIS tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively, may result in computational discrepancies.

AIR DRIED WASHED QUALITIES @ RD=1.40

YIELD (%)	CV (MJ/kg)	ASH (%)	FIXED CARBON (%)	VOL. (%)	TOTAL SULPH. (%)	MOIST. (%)
8.25	31.69	9.36		30.57	1.20	0.58
15.47	31.39	9.87		30.10	1.19	0.51
20.50	31.58	9.66		29.87	1.19	0.41
26.22	32.04	8.52		30.40	0.96	0.52
18.37	32.01	8.62		30.24	0.89	0.48
18.76	31.78	9.11		30.24	1.05	0.50
8.05	32.12	8.35		30.78	1.12	0.53
16.01	31.60	9.56		30.21	1.07	0.49
18.06	31.53	9.77		28.27	1.15	0.52
19.46	32.22	8.07		30.72	0.97	0.54
15.31	32.12	8.37		30.49	0.89	0.55
15.50	32.02	8.58		30.37	1.00	0.53
7.79	32.39	7.73		31.58	0.99	0.50
15.09	30.41	12.40		29.63	1.22	0.24
4.03	32.94	6.30		31.93	0.83	0.78
5.84	32.34	7.83		30.28	0.74	0.62
6.53	32.29	7.95		30.54	0.81	0.58
17.40	31.87	8.91		30.29	1.03	0.51
18.89	31.60	9.55		30.02	1.09	0.64
7.72	31.57	9.65		29.96	1.04	0.69
14.48	30.43	12.43		29.06	1.12	0.52
27.98	31.53	9.75		28.81	1.06	0.60
30.59	31.82	9.04		28.65	0.87	0.61
20.53	31.83	9.01		29.55	1.12	0.51
22.39	31.45	9.93		29.10	1.03	0.57
5.64	31.73	9.29		30.25	1.03	0.57
15.14	30.54	12.16		29.03	1.14	0.49
29.52	31.51	9.83		28.37	1.13	0.70
31.08	31.81	9.08		28.23	0.91	0.63
19.68	31.95	8.73		29.85	1.22	0.57
22.43	31.64	9.49		29.10	1.09	0.59
6.86	32.21	8.15		30.26	0.94	0.57
44.81	31.28	10.38		27.31	1.34	1.01
36.18	31.99	8.64		28.63	1.17	0.72
19.63	32.25	8.03		30.55	1.54	0.76
25.91	32.09	8.42		29.72	1.40	0.77
22.79	31.59	9.61		29.17	1.09	0.60
22.79	31.59	9.61		29.17	1.09	0.60
19.53	31.59	9.56		29.88	1.09	0.63

16.19.2.5. Losses and Limits

The following cutoffs or limits are applied to the resources:-

- the resource blocks are limited according to the boundaries of the respective NOPRs;
- the resource blocks are limited to the seam sub-crop;
- the resource blocks are limited to the resource extrapolation limits (Section 16.19.1);
- a minimum seam thickness limit of 0.5m is applied prior to the reporting of GTIS;
- a limit of oxidation of 18m, based on the actual results from the bulk sampling pit;
- limit of 20% volatile matter. All material less than 20% volatiles were excluded;
- a limit of 50m around all known geological structures and dykes;
- maximum depth of 200m for opencastable resources in the calculation of MTIS; and
- geological losses of 10%, 15% and 20% are applied to Measured, Indicated and Inferred Resources, respectively, prior to the reporting of TTIS. These losses take into account any unforeseen geological features, such as dykes and faults, which have not been identified in the drilling and which may have a negative impact on the coal resources. The percentages applied increase with decreasing borehole spacing.

16.19.3. Differences Between Resource Statements

The summary of differences between September 2010 and June 2011 Resource Statements is shown in Table 89.

Since no mining or significant additional exploration (apart from the bulk sample) has taken place since September 2010, the current Coal Resource Statement is expected to be very similar to that of TMC in September 2010, specifically in terms of volumes and tonnages. However, there are, in fact, significant increases in the resources reported in the current Resource Statement.

In terms of GTIS, TMC only considered opencastable resources to a maximum depth of 140m. This resulted in its calculation of 323.6Mt GTIS. In the Executive Summary of the TMC report, TMC states that, in consideration of all coal, delimited only by farm boundaries, a total of 918Mt GTIS can be calculated. This latter figure is more comparable with Venmyn's GTIS estimate of 879.7Mt GTIS, which was based on all coal greater than 0.5m in thickness.

In terms of MTIS, TMC discounted its opencastable GTIS estimates for geological and modelling losses only. Venmyn considered all coal to a maximum depth of 200m as opencastable, and discounted the GTIS further by removing all coal with volatiles <20% and applying mining layout losses of 2% to calculate MTIS. The increase in the maximum opencastable depth from 140m to 200m, accounts for the majority of the 42% increase in MTIS.

In addition to the above, Venmyn has assumed a maximum depth of oxidation of 18m, based on observations within the Tanga boxcut. TMC assumed a maximum depth of oxidation of 30m.

16.20. Coal Reserve Statement

Coal Reserves will only be estimated once the DFS has been completed. The DFS is scheduled to be completed by end 2011.

Table 89 : Differences Between Resource Statements

PROJECT CATEGORY	SEAM	2010		2011		DIFFERENCES		COMMENTS
		GROSS TONNES IN SITU (GTS) (Mt)*	MINEABLE TONNES IN SITU (MTIS) (Mt)**	GROSS TONNES IN SITU (GTS) (Mt)*	MINEABLE TONNES IN SITU (MTIS) (Mt)**	GROSS TONNES IN SITU (GTS) (Mt)	MINEABLE TONNES IN SITU (MTIS) (Mt)	
Measured	Upper	37.312	33.581	52.254	37.390	14.942	3.809	Increase of 162.5Mt GTS due to consideration of total resource area, delimited farm boundaries. TMC only considered opencastable resources to a depth of 140m depth for GTS. In addition TMC assumed a depth of oxidation of 30m. By contrast Vennmyn have assumed a depth of oxidation of 18m (as defined in bulk sample pit) and have not applied a depth limit on the reporting of GTS.
	Middle Upper	65.968	59.370	108.673	70.329	42.705	10.959	
	Middle Lower	38.253	34.427	56.142	40.806	17.889	6.379	
	Bottom Upper	66.459	59.811	107.887	71.016	41.428	11.205	
	Bottom Lower	74.448	67.003	120.069	81.683	45.621	14.680	
TOTAL / AVE MEASURED RESOURCES		282.440	254.192	445.025	301.224	162.585	47.032	Increase of 291.5Mt GTS due to consideration of total resource area, delimited farm boundaries. TMC only considered opencastable resources to a depth of 140m depth for GTS. In addition TMC assumed a depth of oxidation of 30m. By contrast Vennmyn have assumed a depth of oxidation of 18m (as defined in bulk sample pit) and have not applied a depth limit on the reporting of GTS.
Indicated	Upper	8.248	7.011	48.971	17.992	40.723	10.981	
	Middle Upper	4.116	3.499	76.370	18.944	72.254	15.445	
	Middle Lower	3.175	2.700	34.268	12.295	31.093	9.595	
	Bottom Upper	7.330	6.230	81.778	22.534	74.448	16.304	
	Bottom Lower	13.855	11.778	86.789	27.850	72.934	16.072	
TOTAL / AVE INDICATED RESOURCES		36.724	31.218	328.176	99.615	291.452	68.397	Increase of 102.1Mt GTS due to consideration of total resource area, delimited farm boundaries. TMC only considered opencastable resources to a depth of 140m depth for GTS. In addition TMC assumed a depth of oxidation of 30m. By contrast Vennmyn have assumed a depth of oxidation of 18m (as defined in bulk sample pit) and have not applied a depth limit on the reporting of GTS.
Inferred	Upper	0.021	0.018	36.304	2.840	36.283	2.822	
	Middle Upper	0.004	0.003	20.372	0.094	20.368	0.091	
	Middle Lower	0.027	0.022	7.144	0.800	7.117	0.778	
	Bottom Upper	0.410	0.327	19.621	1.904	19.211	1.577	
	Bottom Lower	4.012	3.211	23.091	4.680	19.079	1.469	
TOTAL / AVE INFERRED RESOURCES		4.474	3.581	106.533	10.318	102.059	6.737	and have not applied a depth limit on the reporting of GTS.
GRAND TOTAL / AVE OPENCAST		323.638	288.991	879.735	411.157	556.097	122.166	
							172%	42%

Notes:

* TMC only considered opencastable resources to a maximum depth of 140m and assumed a depth of oxidation of 30m in reporting GTS.

** TMC discounted its GTS for geological and modelling losses to calculate MTIS.

Vennmyn considered all coal within the farm boundaries for the calculation of GTS and assumed a depth of oxidation of 18m (based on actual results from the bulk sample pit).

Vennmyn discounted its GTS in consideration of underground resources to a maximum depth of 200m, removing all coal with volatiles <20%, and applied mining layout losses of 2%.

16.21. Environmental Issues

16.21.1. Environmental Liabilities

Venmyn associate Mr K Patel, of EIMS, was able to provide a provisional calculation of the estimated environmental liabilities in terms of compliance obligations and environmental monitoring. The estimation provided in Table 90 is the result of a preliminary investigation based on a review of supplied environmental documents, a site visit and discussions held with the consultant managing the process of behalf of CoAL. This section does not constitute a comprehensive environmental due diligence exercise. Also note that the values presented in Table 90 represent a spectrum of estimated costs ranging from low to high and are also highly variable and dependent on consultant rates. Table 90 is representative of the liabilities most likely to be incurred by the operation and which require mitigation. A further assumption is that the Makhado Project will require the authorisation of all the aspects listed below.

Table 90 : Environmental Compliance Liability Estimate

ASPECT	LOW ESTIMATE (ZAR)	HIGH ESTIMATE (ZAR)
NWA IWULA (WULA and IWWMP)	45,000	150,000
Design and Implement Dust Monitoring Plan	60,000	175,000
TOTAL	105,000	325,000

16.21.2. Environmental Provision for Rehabilitation

The updated financial provision for Makhado Colliery has been estimated at ZAR62m.

The Makhado Extension NOPR was awarded by the DMR on the 19th April 2005 and the EMP approved on the same date. The NOPR was then renewed on the 19th April 2010 and amended to include bulk sampling as an authorised prospecting activity on 19th January 2011. The approved financial provision set aside for the Makhado Extension NOPR is valued at approximately ZAR81,400.

16.21.3. Critical Environmental Issues and Risks

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

16.21.3.1. Biodiversity

The proposed mine location borders priority conservation areas, as determined by the National Spatial Biodiversity Assessment Report (2004). It is home to 30 floral and faunal protected species. It is highly likely that the LEDET may issue a condition, pending review and authorisation of the NEMA report, which requires the applicant to conserve certain high sensitivity areas or alternatively purchase tracts of land as a biodiversity offset. This may represent an additional cost to be carried by CoAL. Purchase and maintenance of the biodiversity off-set area is likely to be the responsibility of the applicant. ZAR2mpa has been put aside by CoAL for this.

16.21.3.2. Ground Water

While the initial Ground Water Impact Assessment Report conducted for the NOMR application, deals adequately with the impact on ground water flow levels and well drawdowns around the site, detailed discussion on the water quality impacts associated with mining activities and mitigation measures will only be available in the final report which, is currently in preparation. This final report will include impacts on water quality, inclusion of seasonal variation and finalisation of the geochemical model.

16.21.3.3. Social

A portion of the orebody at the proposed Makhado Project sits directly below the existing Mudimele Village. This village and a buffer around will be excluded from the Coal Reserve and mine plan. In accordance with the Mine Health and Safety Act, the applicant may not mine within 500m of a residential area.

Mining in close proximity to the village may expose the villagers to dust and noise impacts above acceptable ambient levels and SANS guidelines.

Blasting activities also represent an additional concern due to the close proximity of the village and will need to be undertaken in an extremely careful manner in order to avoid injuring residents or damaging property.

The village also utilises existing ground water for domestic use and subsistence farming practices, and the commencement of mining activities may impact on the water quality and quantities available to these village residents. To mitigate this, an alternate water source will be provided by CoAL.

CoAL will engage the various other water users that may be impacted, regarding an appropriate solution.

CoAL has completed an independent Social Impact Assessment to accurately determine the nature and extent of the impact the proposed mine will have on the village and surrounding areas.

16.22. Mineral Asset Valuation

The contributing coal assets of CoAL's Makhado Project can be defined as a developmental project, with JORC Code compliant Measured, Indicated and Inferred Coal Resources. CoAL is currently conducting a feasibility study for the project. The farms Fripp 645MS, Tanga 648MS, Lukin 643MS, Windhoek 649MS and Overwinning 713MS and Salaita 188MT constitute the Makhado Project and Gray 189MT and Telema 190MS constitute the Makhado Extension Project. In the absence of a completed feasibility study, all contributing properties were valued using the Comparative Sales Transaction (or Market) Approach and the Cost Approach.

16.22.1. Valuation Methodologies and Approaches

The different valuation approaches and methodologies have been discussed in detail in Section 13.22.1.

The contributing coal assets of CoAL's Makhado Project can be defined as an advanced Developmental Project, with JORC Code compliant Measured, Indicated and Inferred Coal Resources.

It is important to note that this valuation has utilised the Venmyn 31st August 2011 Coal Resource Statement (Table 87), as this is the current compliant resources estimate for the Makhado Project. The effective date of the valuation is the 31st August 2011.

16.22.2. Makhado Project Cost Approach Valuation

The Cost Approach is based on historical exploration expenditure by CoAL on prospecting and prospecting related activities, in order to estimate the resources.

CoAL have provided Venmyn with all available acquisition and exploration cost data for the contributing properties, and where historical exploration data was available, Venmyn assessed its relevance and effectiveness and estimated the cost of replicating that data.

Venmyn considered the prospectivity of the respective coal properties according to the classification of exploration phases and their associated prospectivity enhancement multipliers (PEM), as illustrated in Table 91, which is Venmyn's standard PEM schedule for coal projects.

Table 91 : Coal Prospect Exploration Phase Classification and the Corresponding PEM

EXPLORATION PHASES – COAL PROSPECT EXPLORATION			
Phase Completed	Exploration Phase	PEM	Exploration Activity
0	Exploration Concept	0.2	Project about which nothing is known, but which has possible merit on a conceptual basis.
1	Desktop study	0.5	Historical and literature study, records or evidence of coal findings in the area. Historical artisanal mining data if any.
2	Reconnaissance	0.8	Geological mapping if terrain suitable. Palaeo topographical mapping. Historical drilling with intercept data, no laboratory assay.
3	Ground Follow-up	1.0	Detailed outcrop mapping, identification of coal hosting strata, coal seam outcrop mapping. Sampling of exposed coal seams where available. Historical drilling data with intercept and analyses, but of questionable authenticity.
4	Ground Follow-up	2.0	Ground geophysics, remote sensing techniques (e.g. seismics). Reliable historical drilling, but correlations difficult due to density of drilling.
5	First-phase drilling	5.0	Large diameter core drilling, widely spaced grid with preliminary coal analysis. First-pass tonnage estimate. Inferred coal resource.
6	Resource drilling and laboratory testwork	11.0	In-fill drilling, detailed coal analyses and washability testwork. Establish coal qualities, market potential, detailed resource tonnage estimation, washabilities. Advanced inferred and indicated coal resource classification.
7	Historic Mining	20.0	Previous commercial production, establishing reliable and well documented quality, tonnage, washability etc. Measured coal resource.
8	Reserve Classification	>20	Complete feasibility assessment, establish economics, and design a mine of an appropriate nature. Classification of coal reserves.

In order to establish an appropriate PEM, each property was classified with the understanding that each new exploration phase was carried out contingent upon the successful outcome of the preceding phase. In addition, the PEM selected was reviewed taking into consideration proximity to well understood resource areas, drillhole density and a qualitative assessment of the prospects for eventual extraction.

Venmyn has been provided, by CoAL, with the historical exploration expenditure. This has allowed Venmyn to determine the project value using the Cost Approach. This valuation method aims at assigning a value of the information and the level of geological confidence that has been gathered during the exploration activities.

Table 92 : Cost Approach Valuation

PROJECT AREA	COAL EXPLORATION EXPENDITURE (ZARm)	COAL FUTURE DEVELOPMENT EXPENDITURE (ZARm)	TOTAL EXPENDITURE (ZARm)	PEM	TOTAL PROJECT MEE VALUE (ZARm)
Makhado	65.44	N/A	65.44	20.00	1,308.81
TOTAL	65.44	0.00	65.44	20.00	1,308.81

Multiplying the total expenditure by the appropriate PEM (of 20), results in a value of ZAR1,309m.

16.22.3. Makhado Project Market Approach Valuation

Since Coal Resources have been classified for CoAL's Makhado Project, Venmyn was able to carry out a comparable transaction valuation on the basis that recent market valuations of a similar nature provide the proxy for value. In order to arrive at a reasonable market value with which to compare the respective projects, appropriate recent and historical transactions must form the basis.

Figure 33 summarises Venmyn's database of recent unit market valuations within the context of the South African coal market with reference to the respective coal resource and coal reserve classifications.

All coal zones at the Makhado Project are present, and accessible at relatively shallow depths and all coal resources in this area are amenable to opencast mining.

The comparable transaction value range selected for the valuation of the contributing properties of CoAL's Makhado Project has considered the nature of this valuation and the risk factors.

Venmyn is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the opencastability of the resources;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Resources;
- availability of infrastructure and logistics; and
- the timing of potential exploitation.

The range of values generated, based upon coal resources quantified for the contributing properties of CoAL's Makhado Project, is summarised in Table 93 and illustrated in Figure 33.

Table 93 : Market Approach Valuation

PROJECT	RESOURCE CATEGORY	GROSS TONNES IN SITU (GTIS)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Makhado Project Area	Measured	445,025,424	400,522,882	301,223,500	3.50	5.00	1054.28	1506.12	1280.20
	Indicated	328,176,038	278,949,632	99,615,000	1.20	2.00	119.54	199.23	159.38
	Inferred	106,533,360	85,226,688	10,318,000	0.30	0.50	3.10	5.16	4.13
GRAND TOTAL / AVE		879,734,822	764,699,202	411,156,500	2.86	4.16	1,176.92	1,710.51	1,443.71

The value range derived from the Market Approach is between ZAR1,177m (low valuation) and ZAR1,711m (high valuation). This valuation range was calculated from the range of unit values as defined by the Market Approach. The value range reflects the level of confidence attached to the respective Coal Resources and the probability of their being brought to account. The population of historic market transactions and valuations provides an indication of reasonability.

Venmyn's preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR1,444m for the contributing properties. This results in an average unit value of ~ZAR3.51/t. Nevertheless all defined unit values fall within the so-called 'Limpopo Coalfields Value Curve' defined by Venmyn from its transaction database.

The market comparison valuation results were computed using the MTIS coal resources declared in the Coal Resource Statement due to the greater variability in the beneficiation yields, mineability and mining extraction factors achieved in the different coalfields especially in the Soutpansberg Coalfields. The market comparative valuation using GTIS has been disregarded since these results are not comparable and consistent with valuation results expected for these types of coal qualities. In addition, some material included in the GTIS, cannot be mined using the available known technology and hence cannot satisfy the "reasonable prospects of eventual economic extraction".

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arms length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

16.22.4. Valuation Summary

The summary valuation results of the respective valuations carried out are given in Table 94.

Table 94 : Coal's Makhado Coal Project Mineral Asset Valuation Summary

PROJECT	COST APPROACH (ZARm)	MARKET APPROACH				CASH FLOW APPROACH (ZARm)	PREFERRED VALUE (ZARm)
		Real Estate Value (ZARm)	Mineral Resource Value (ZARm)	Mineral Reserve Value (ZARm)	Preferred Market Value (ZARm)		
Makhado	1,308.81	N/A	1,443.71	N/A	1,443.71	N/A	1,376.26
TOTAL	1,308.81	N/A	1,443.71	N/A	1,443.71	N/A	1,376.26

The Cost Approach and Market Approach values are aligned, and consequently Venmyn's current preferred 'Fair Value' represents the mean value achieved from the Cost Approach and the Market Approach, and is considered to be **ZAR1,376m**.

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

17. SOUTPANSBERG COALFIELD – VOORBURG PROJECT

The Voorburg Project, located within the Soutpansberg Coalfield, is an advanced exploration project which contains coking coal resources.

17.1. Location

The Voorburg Project is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 109). Figure 92 illustrates the location of the Voorburg Project area in relation to regional infrastructure and the mineral tenure of CoAL in the greater Soutpansberg Project area.

The nearest town is Musina, situated approximately 30km to the north of the Voorburg Project area.

17.2. Legal Aspects

17.2.1. Ownership by CoAL

CoAL holds a NOPR on the farms Ancaster 501MS and Cavan 508MS, as well as a right on Voorburg 503MS that was originally held by Motjoli.

The ownership of the Voorburg Project is illustrated in Figure 110.

17.2.2. Mineral Tenure

CoAL holds an NOPR on the farms Ancaster 501MS and Cavan 508MS that will expire on the 1st October 2011. CoAL applied for a renewal on the 30th June 2011 and is awaiting approval of the application.

An NOPR on Voorburg 503 MS, that was originally held by Motjoli, was transferred to CoAL and for a period up to 29th May 2011. CoAL applied for a renewal on the 9th February 2011 and is awaiting approval of the application.

The rights relating to the Voorburg Project are summarised in Table 95 and their locations are graphically presented in Figure 109.

17.2.3. Surface Rights

Currently, CoAL has agreements with the various surface rights owners to access properties for exploration purposes and access is sufficient for its prospecting requirements.

17.2.4. Royalties

There are no private royalties payable for the Voorburg Project. State royalties, as per the MPRRA (Section 10.3.5) will be payable, however, on any future production.

17.2.5. Environmental Statutory Requirements

No authorisations in terms of the NEMA and NWA are required at this early stage of project development.

CoAL's NOPR and EMP for the Voorburg Project was approved on the 30th May 2006. The approved financial provision set aside for rehabilitation is valued at ZAR15,118,000.

17.2.6. Material Contracts

Currently there are no offtake agreements, operational contracts or contract mining agreements that are relevant to the Voorburg Project, as it is still in the early stages of development.

17.2.7. Any Other Legal Issues

17.2.7.1. Land Claims

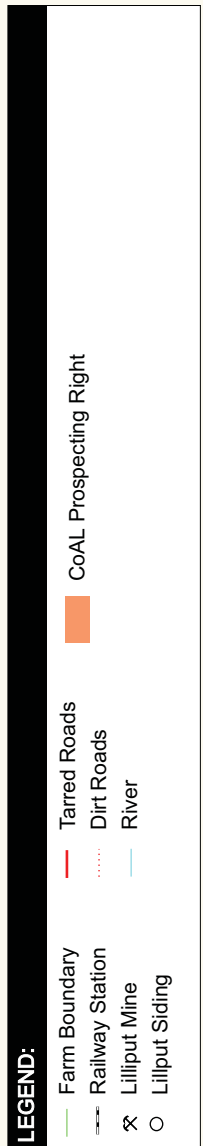
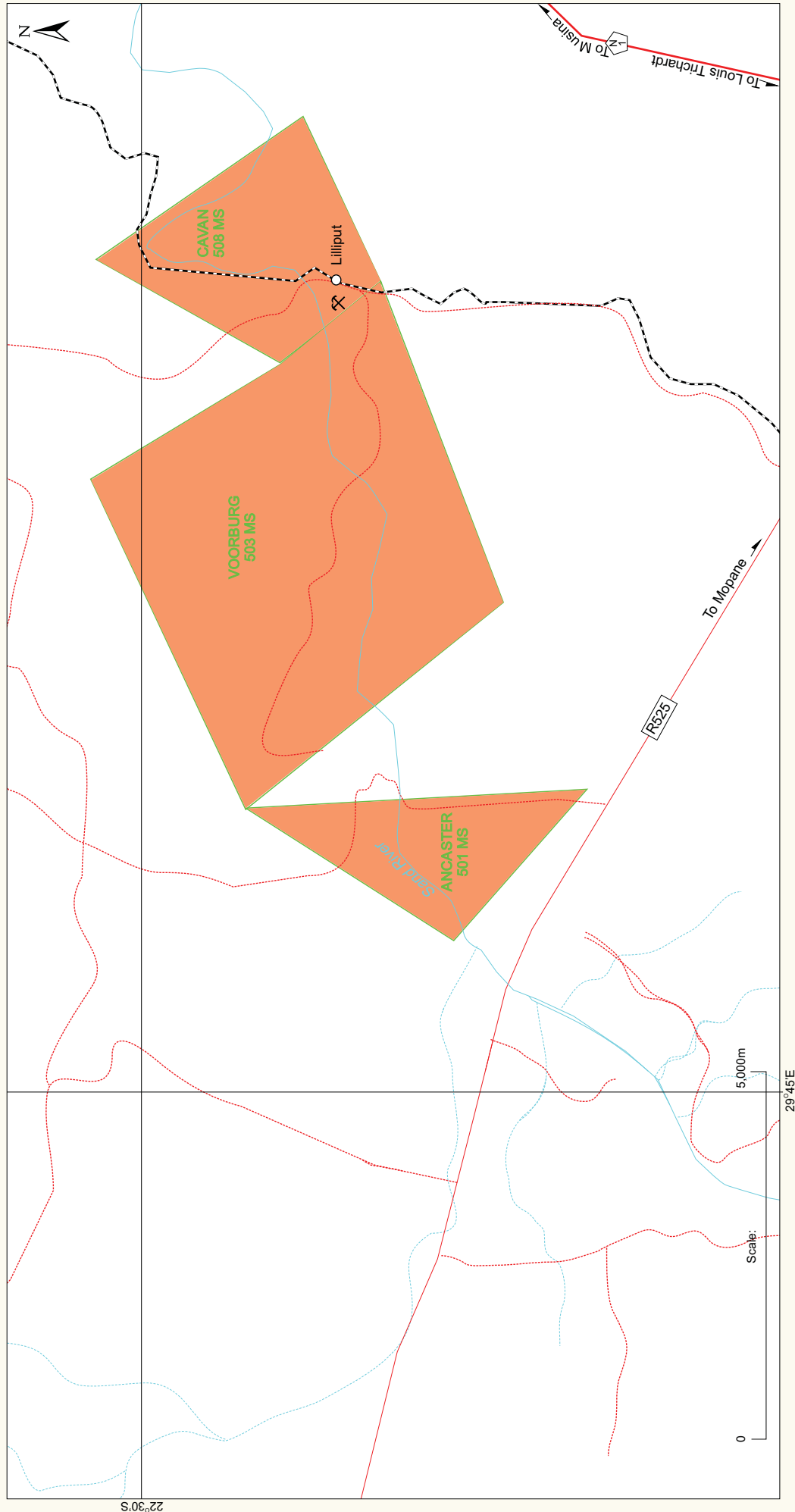
Enquiries made to the Office of the Regional Land Claims Commissioner: Limpopo on the 27th June 2011 revealed restitution land claims on Ancaster 501MS, Voorburg 503MS and Cavan 505MS by the Mulambwane Community. The claims for Cavan 505MS and Voorburg 503MS were gazetted on the 7th July 2006 under notice no. 897 of 2006, while the claim on Ancaster 501MS is currently being researched.

Venmyn is advised that a notification of a land claim does not invalidate the NOMR. However, in respect of gazetted claims, one months notice is required to be given to the commissioner to develop the land. A dispute around restitution of rights in land, Venmyn is advised, may delay mining activities or result in a cost to CoAL in seeking early resolution.

17.2.7.2. Litigation

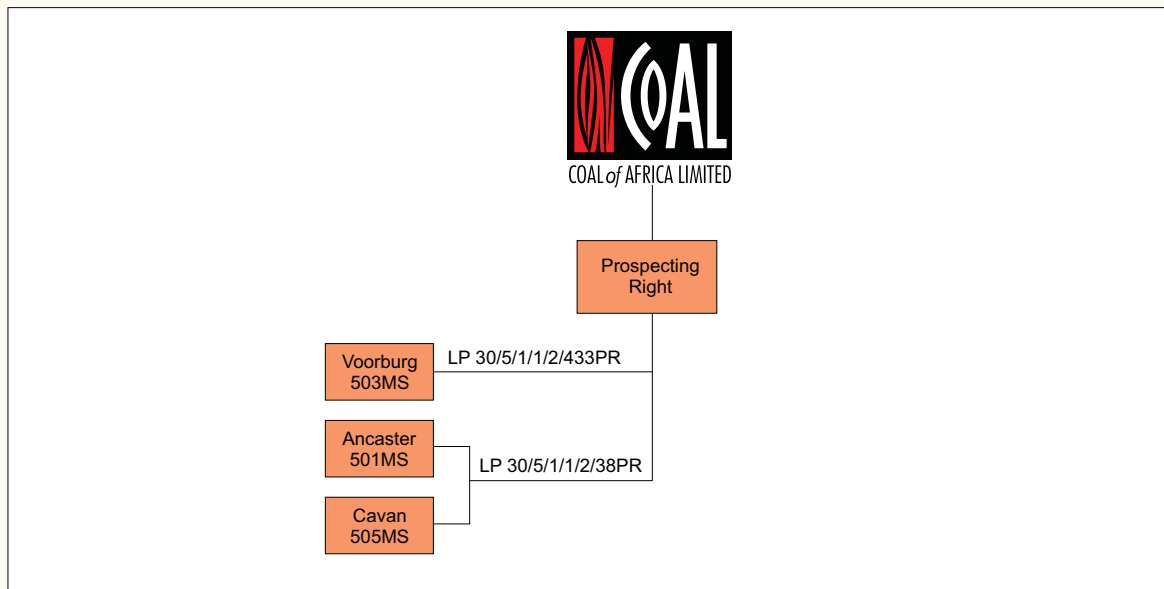
Venmyn is not aware of any litigation associated with the Voorburg Project area.

LOCATION OF CoAL'S VOORBURG PROJECT IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE



Source: Coal of Africa

OWNERSHIP OF THE VOORBURG PROJECT



LILLIPUT HISTORICAL SHAFT AND WORKINGS



LILLIPUT SIDING



Table 95 : Summary of the Soutpansberg Coalfield (Voorburg Project) Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Voorburg	Ancaster 501MS	Whole farm	838.00	Coal of Africa (Pty) Ltd	Prospecting	LP 30/5/11/2/38 PR	02/10/2006	01/10/2011	No		No
	Cavan 505MS	Whole farm	1,230.00								
	Voorburg 503MS	Whole farm	3,995.00	Mtjoli Resources (Pty) Ltd							
	TOTAL VOORBURG		6,063.00			LP 30/5/11/2/433 PR	30/05/2006	29/05/2011	No		No

Note: Applications for renewal have been submitted for expired licences. While the application is being determined, the company is entitled to continue its activities.

17.2.7.1. Competing Rights

Venmyn is not aware of any competing rights associated with the Voorberg Project area.

17.3. Access

Access to the Voorburg Project area is via the tarred national N1 road from Louis Trichardt to Musina. Approximately 58km north of Louis Trichardt, take the R525 dirt road travelling westwards for 15km (Figure 109) until the farm Ancaster 501MS is reached. The gravel road is in a good condition, whilst the N1 road is in an excellent condition. The Project area is approximately 380km, by road, from the capital, Pretoria. The various properties within the Project area are accessed by a network of gravel farm roads that branch off the R525.

17.4. Climate

The climate for the Voorburg Project is similar to that described in Section 16.4 for the Makhado Project. 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.

17.5. Topography

The topography of the Voorburg Project area is relatively flat and lies at an average elevation of about 600mamsl. The area is drained by the non-perennial Sand River, which flows in an easterly direction across the central area of the project.

17.6. Vegetation

The Voorburg Project area falls within the 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 given over to cattle and game ranching with localised arable farming.

17.7. Local Resources

The nearest towns of Louis Trichardt and Musina are regional centres and provide modern conveniences, including accommodation and services. The towns are also sources of fuel and labour.

17.8. Infrastructure

The Project is well situated with respect to major infrastructure, including rail, road and power.

The railway linking Gauteng (in South Africa) and Zimbabwe traverses the farm Cavan 508MS in the east of the Project area with the nearest rail siding, Lilliput, being located on this farm (Figure 109). Although this siding is located on CoAL's property, the company has negotiated the rights to the Huntleigh Siding, located approximately 20km to the south of Lilliput.

Eskom grid powerlines are located parallel to the N1 and are situated 6km east of the farm Cavan 508MS at their closest point (Figure 109).

Water for drilling and potable requirements is currently available from the local landowners' dams and boreholes.

Due to the fact that the Voorburg Project is still at an exploration stage, details on the availability and requirements of power, water, tailings disposal and other infrastructural items have not been investigated in detail and are therefore not reported upon in this document. These will be addressed once the Project reaches the pre-feasibility stage.

17.9. Regional Geological Setting

The Voorburg Project is situated within the Sand River Coalfield, a coalfield which forms part of the greater Soutpansberg Coalfield. This small coalfield lies north of the Mopane Coalfield (Figure 96). The reader is referred to Section 16.9 on the regional geology of this Coalfield.

17.10. Local Geological Setting

The Voorburg Project represents an isolated and upfaulted block of Karoo age sediments, which lies approximately 10km to the north of the remainder of the Coalfield (Figure 111). The basin represents a half graben with an unconformable southern contact and a fault bounded northern contact.

The Karoo age sediments were deposited onto basement granite gneisses. The lowermost sediments include Dwyka tillites, which were followed by the deposition of the coal bearing strata (Figure 111) of the Eccia Group. The Eccia Group sediments comprise sandstones and shales. The Lower Eccia Group appears absent in the area. The coal bearing sediments occur as alternating mudstone laminae and coal bands within the Upper Eccia or Mikabeni Formation.

According to CoAL, the coal horizons are divided into five potentially-economic seams, namely the Upper, Middle, Middle Lower and Bottom Upper and Bottom Lower Seams. The coal bearing strata are overlain by red shales and mudstones belonging to the Beaufort Group. The coarse sandstone and conglomerate marker bed of the Fripp Formation is present within the Project area and forms the small flat topped hill into which the Lilliput Shaft was excavated (Figure 110).

These sediments are limited in the north by a 25km long west southwesterly / east northeasterly trending fault. This is a normal fault with an upthrow of approximately 1,000m to the south. The Sand River roughly follows this fault plane in an easterly direction by exploiting this zone of weakness. A semi parallel fault occurs as an offshoot to the main fault. This fault has a throw of between 5m and 10m.

According to the Tolmay Report (1975), the formation of this Karoo age basin was closely associated with this fault, which formed its northern limit. This downfaulted block is believed to have created a basin into which the Karoo age sediments were deposited. Karoo age sedimentation into the basin was believed to have caused sagging of the basin floor and further movement along the fault. During times of basin stability, the coal bearing strata were formed. The occurrence of the Karoo sediments is limited in the south by the gentle upsloping edge of the palaeo-basin into which they were deposited. This results in the best development of the coal bearing horizons in the north, with thinning of the seams towards the edge of the basin in the south. A schematic sequence through the basin is presented in Figure 111.

The coal seams exhibit an average dip 5°N. Minor faulting and dolerite intrusions have been noted from historical borehole data and mapping.

One dolerite sill was intersected in the basement of one of the new boreholes. It measured 0.4m in thickness. This is the only dolerite that has been intersected in the current and historical drilling.

17.11. Historical Ownership

The historical ownership, and associated activities with respect to the Voorburg Project, is summarised in Table 96.

Table 96 : Voorburg – Summary of Historical Exploration and Mining

DATE	COMPANY	ACTIVITY
1911 - 1918	Messina Transvaal Development Company Ltd	Excavated the inclined Lilliput shaft on the farm Cavan 508MS. Mined coal from the Lilliput Colliery to supply the company's furnace in Messina.
1942	Fuel Research Institute of South Africa	Prepared "Report on coal samples taken in the vertical shaft of the Lilliput Colliery on the farm Cavan 850 in the Zoutpansberg District of Transvaal".
1974 - 1975	Rapbern Exploration (Pty) Ltd (Rapbern)	Drilled seven boreholes on Cavan 508MS and produced report entitled "Cavan Coalfield - Preliminary geological report" which included an estimate of reserves for the farm.
1975 - 1978	Iscor (now Exxaro)	Drilled 39 boreholes on Banff 502MS and Voorburg 503MS. Prepared reports entitled "The Cavan Coalfield, Soutpansberg District", "Cavan Coalfield - Geological Report", " Report on proposed opencast mining project - Cavan Coalfield - Ore reserves" and "Cavan Coalfield - Possibility of underground mining" from the results.
1991	African Finance Corporation Investments Ltd (AFC)	Held mineral rights on Voorburg 503MS.
1995 - 1999	Rio Tinto Mining & Exploration Ltd. (Rio Tinto)	Held old order prospecting right over Voorburg 503MS.
2001	Baobab Coal (Pty) Ltd	Prepared report entitled "Coal Interests in the Tshipise and Mopane Coalfields Soutpansberg District".
	AfriOre (Pty) Ltd	Farms under application for old order prospecting rights included Ancaster 501MS, Banff 502MS and Cavan 508MS. Under discussion with private mineral rights holder on Voorburg 503MS.
2004	AFC Property (Pty) Ltd	Held mineral rights over Voorburg 503MS.
2006	CoAL	Acquired rights to the Baobab Joint Venture through Motjoli.
		Acquired NOPR over Voorburg 503MS.
2009 - 2010	CoAL	Acquired NOPR over Ancaster 501MS and Cavan 508MS.
		Drilled boreholes on Voorburg 503MS.
2011	CoAL	Concluded transaction with Rio Tinto & Kwezi Mining to acquire shares in holders of rights, and submitted Section 11 transfer application.

17.12. Historical Exploration and Mining

The earliest known exploration on the Voorburg Project was undertaken on Cavan 508MS by Rapbern in the early 1970s (Table 97). A total of seven holes were drilled, six of which were sampled and sent for analysis. The results are presented in a report by Mr S Tolmay (1975). No information is available on the drilling, logging, sampling and surveying methods and standards used, except that the exploration was carried out for reconnaissance purposes. These boreholes are not used in the current resource model.

During 1976, Iscor drilled 39 diamond boreholes on the farms Banff 502MS and Voorburg 503MS (Table 97). The location of the holes is indicated on Figure 112. The drilling was widely spaced and carried out for reconnaissance purposes. The Iscor boreholes are believed to have been drilled vertically.

The Iscor boreholes are named consecutively from VG503001 upwards for those drilled on the farm Voorburg 503MS and consecutively from B502001 upwards for those drilled on Banff 502MS.

During 1976, Iscor drilled 39 diamond boreholes on the farms Banff 502MS and Voorburg 503MS (Table 97). The location of the holes is indicated on Figure 112. The drilling was widely spaced and carried out for reconnaissance purposes. The Iscor boreholes are believed to have been drilled vertically. The Iscor boreholes are named consecutively from VG503001 upwards for those drilled on the farm Voorburg 503MS and consecutively from B502001 upwards for those drilled on Banff 502MS.

The drilling and sampling protocols used by Iscor are unknown. However, it is assumed that the drilling methods were conventional and pre-date the more efficient triple-tube wireline techniques that are commonly employed today.

It is not known whether the Iscor borehole collars were professionally surveyed.

The Iscor holes were sampled and sent to their inhouse laboratory for analysis. Typically 13 samples were taken from the top to the base of the coal bearing strata, and numbered consecutively in this order. Raw analyses were carried out on the coal samples. Washed analyses were only undertaken at an RD=1.40. Proximate, CV, Roga and swell index testwork was carried out.

Iscore produced two reports in the mid 1970s assessing the potential for opencast and underground mining on the properties which it had drilled. It recognised the high coking properties of the coal and also estimated “reserves” on these properties. Iscore concluded that, under the prevalent economic circumstances, opencast mining was not feasible, but that underground mining might be feasible.

The Iscore borehole database was acquired in 2007 by CoAL.

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 the Fuel Research Institute of South Africa (Report No.53 of 1942) a total of 14,488t of coal was mined from an inclined shaft excavated into the small flat topped hill situated a few hundred metres west of the Lilliput Siding (Figure 110). No information was available on the coal qualities produced and the extent of the mined out area. The location of the vertical shaft is indicated on Figure 112.

17.13. Recent Exploration

CoAL obtained NOPRs over the Voorburg Project farms in 2006 and proceeded to drill ten diamond boreholes between 2009 and 2010 on the farm Voorburg 503MS (Table 97 and Figure 112). All drilling has been managed by CoAL, with Mr C. Mafiri (Pr.Sci.Nat.) as the responsible geologist.

17.13.1. Remote or Geophysical Exploration

CoAL commissioned EPA to conduct a photographic/LIDAR survey in 2008 over the properties they held at that time. A detailed description of the survey is reported in Section 16.13.1.

17.13.2. Surveying Methods

The CoAL boreholes were sited in the field using a hand-held Garmin™ GPS device. Following completion of the boreholes, the collar positions were accurately surveyed using Leica™ GPS equipment by P Matibe and Associates, which is registered (No. PLS0915) with PLATO.

All CoAL boreholes were drilled vertically. No down-hole directional surveys were undertaken. Given the relatively shallow depths involved, this is not considered a deficiency.

17.13.3. Diamond Drilling

Diamond drilling was carried out by Scott Drilling. The geologist responsible for the drilling and sampling was Mr C Mafiri (Pr.Sci.Nat.). The purpose of the drilling was to confirm the Iscore borehole results and to drill sufficient boreholes to declare resources.

Venmyn has not independently witnessed the drilling and sampling protocols as no exploration drilling is currently taking place. However, Venmyn is confident that the drilling was carried out to the required standard as the drilling programmes have been independently supervised or verified by other reputable consulting companies.

17.13.3.1. Drilling

All boreholes were drilled at a core size of PQ3 (83mm) to obtain sufficient sample material for analysis and to reduce core loss. Drilling was undertaken using triple tube techniques in order to minimise core loss. The boreholes were consecutively named from V503001 to V503010. Two holes, namely V503008 and V503010, had to be redrilled due to excessive core loss in the coal horizons. The re-drills are indicated with a letter “A” suffix.

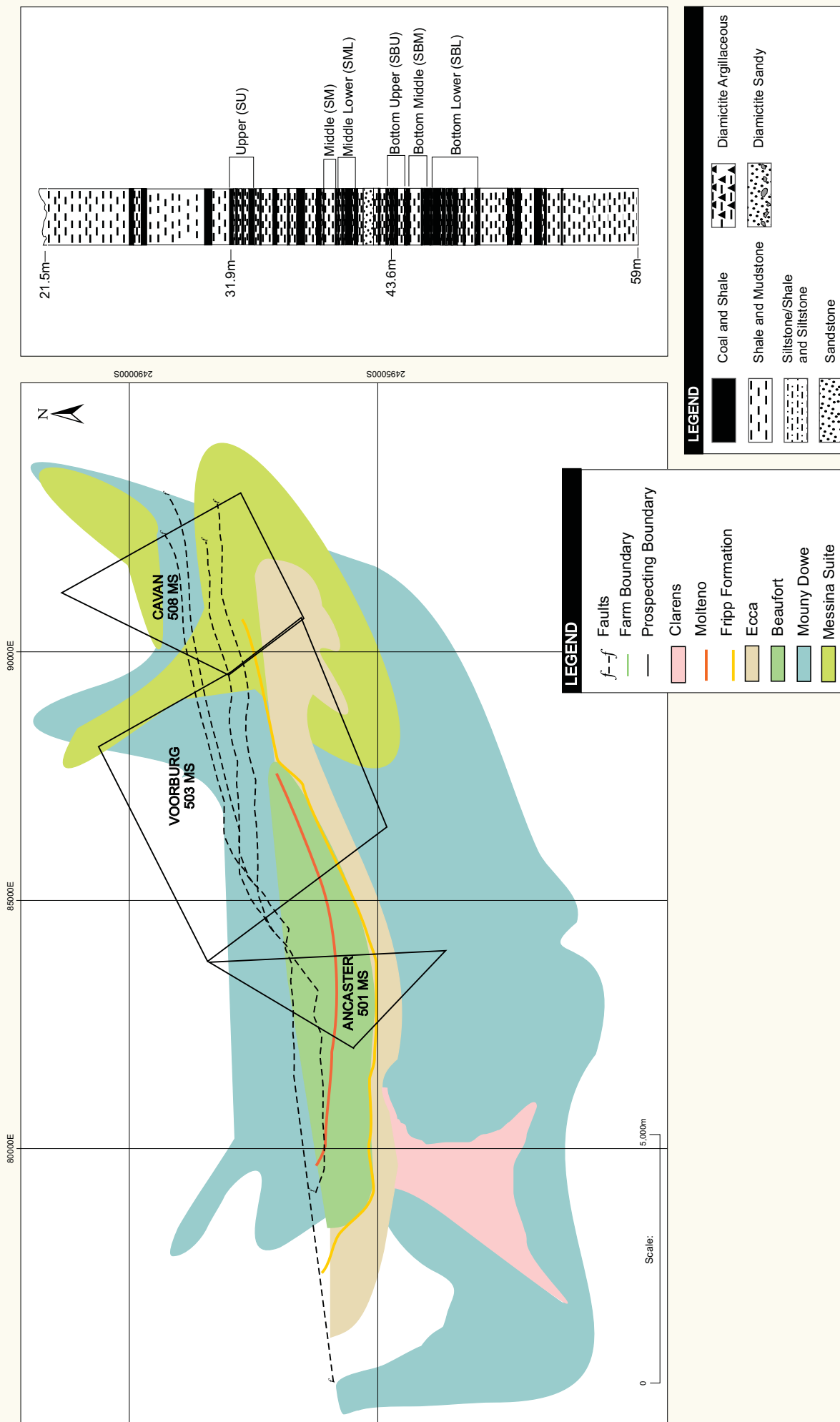
Table 97 : Voorburg Project – Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	LABORATORY FOR QUALITY	USED IN MODEL
1974	Rapburn	Cavan 508MS	Reconnaissance	Unknown	Unknown	Unknown	N/A	Possibly S Tolmay	7	-	Unknown	6 holes sampled. Sent to TCOA * & Iscor Laboratories.	No
1976	Iscor (now Exxaro)	Banff 502MS & Voorburg 503MS	Reconnaissance	In house	In house	Diamond	N/A	In house	39	-	All	Iscor. Analyses only on 1.4RD fraction.	Yes - 38 holes
2009 - 2010	CoAL	Voorburg 503MS	Confirmation of Iscor holes and resource declaration.	P Matibe & Associates	Scott Drilling	Diamond	PQ3	C Mafiri	10	Yes	Upper, Middle, Middle Lower, Bottom Upper and Bottom Lower	Inspectorate	Yes
TOTAL									56				

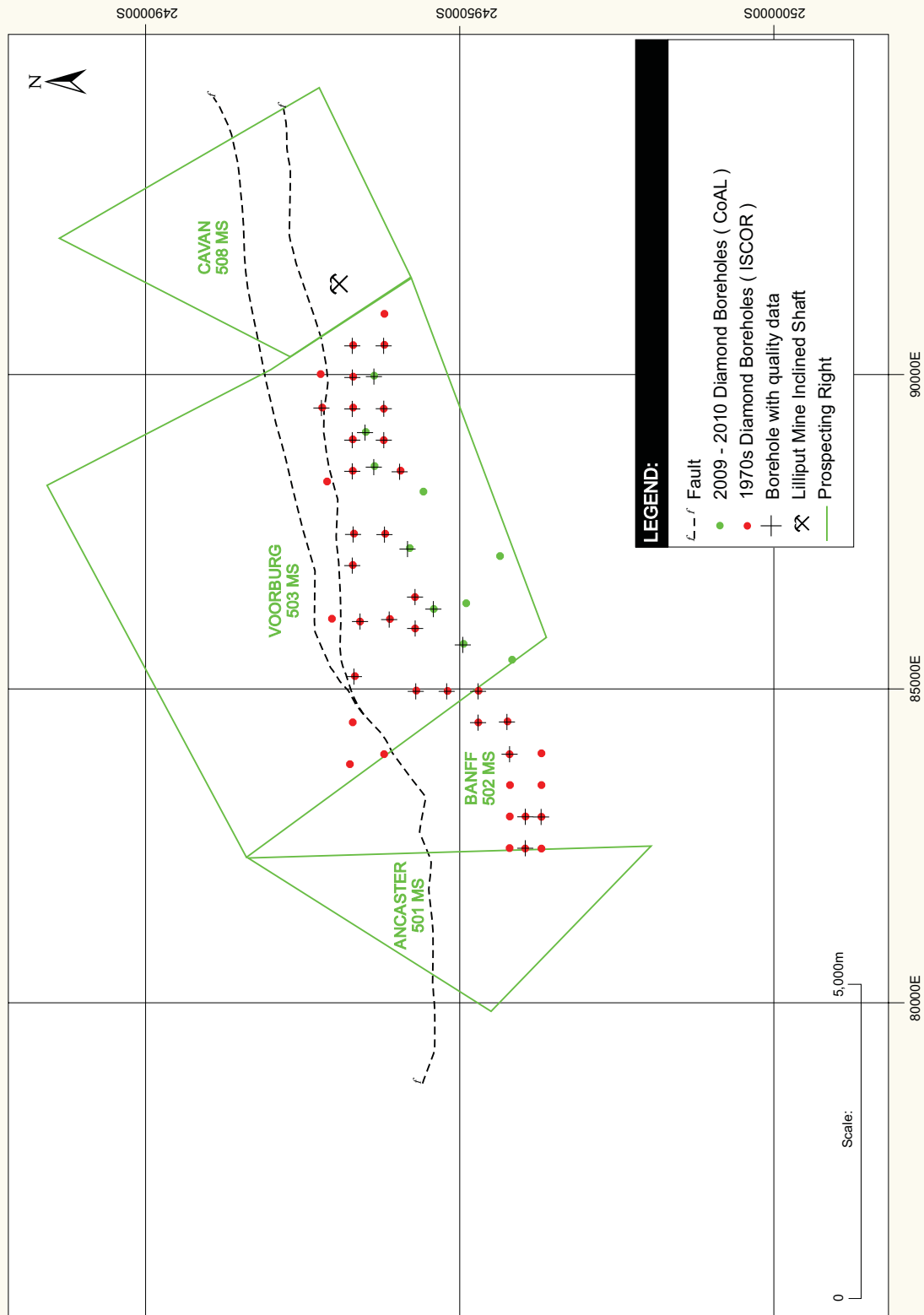
Notes:

* TCOA - Transvaal Coal Owners Association (1923) (Pty) Ltd

LOCAL GEOLOGICAL MAP, SCHEMATIC CROSS SECTION AND TYPICAL STRATIGRAPHIC COLUMN FOR VOORBURG PROJECT



VOORBURG PROJECT - LOCATION OF BOREHOLES AND HISTORICAL SHAFT



The CoAL drilling contracts demanded a minimum recovery of 98% within coal horizons and 95% in non-coal sediments. CoAL reported that, throughout the exploration drill programmes, every effort was made to achieve maximum core recovery and minimise the loss of fines.

The following general drilling techniques were employed:-

- each drill run was limited to 3m in length, which was reduced if poor recoveries or difficult drilling conditions were experienced;
- the core was placed in steel trays and enclosed in bubble-wrap;
- full core trays were stacked, covered and transported to the core storage facility at the end of each shift.

Core was transported to the core shed by the drilling contractor, received by the geologist and stacked. In the case of coal intersections, the core was stored in a refrigerated container. When both the core and the geophysical logs were received, the borehole was considered to have been completed. Core recovery within individual coal plies was measured with reference to the geophysical logs and, if found to be acceptable, logging commenced. CoAL did not retain records of core recovery.

17.13.3.2. Logging

Core was not split prior to logging in order to minimise the effects of oxidation. Lithological depths were finalised only after reconciliation with the geophysical wireline logs. Field logs were generated using printed logging forms and are archived at the CoAL offices in Johannesburg. Data from handwritten logs was transferred into MS Excel™ format and subsequently captured into a Sable™ database.

Borehole core photography using a hand-held digital camera was initiated in January 2009 and was sporadic until November 2009. Since that time all core has been photographed.

Geotechnical logging has not been undertaken.

17.13.3.3. Sampling Method

On the basis of the Iscor data, CoAL defined seams or selected mining cuts by firstly selecting intervals comprising predominantly coal and then by identifying the sample names associated with those intervals and automatically allocating them to the seam. This process was recently revised for Iscor boreholes by re-selecting the seam intervals based on a visual assessment of the Iscor handwritten graphic logs. The process was deemed necessary as CoAL geologists were not satisfied that the allocation of sample numbers to seams by Iscor was sufficiently consistent.

For the CoAL boreholes, the field geologists were responsible for the selection of seam intervals under the supervision of the responsible geologist, Mr C Mafiri (Pr.Sci.Nat.).

Details on the sampling nomenclature are reported in Section 16.13.3.3.

CoAL conducted whole core sampling and sample intervals were selected on the basis of the geophysical logs. Samples were numbered from the base upwards and correspond to the same stratigraphic interval in every borehole.

CoAL has identified six potentially mineable seams within the Coal Zone. Figure 111 summarises the nomenclature of samples taken from the various seams.

Samples were double-bagged with each bag sealed with cable ties and labelled. Manila tags identifying the borehole and sample numbers were placed inside the inner bag (with the sample material) and also attached to the cable tie around the neck of the inner bag. Bagged samples were stored in a locked refrigerated container prior to transportation to the laboratory in a closed truck.

17.13.4. Percussion or Open Hole Drilling

Venmyn is not aware of any recent percussion or open hole drilling having been conducted by CoAL at the Voorburg Project.

17.13.5. Down the Hole Geophysics / Wireline Logging

Downhole geophysical surveys were conducted on all the boreholes by a dedicated Weatherford geophysical logging unit. Heavy dependence is placed on the geophysical log and a borehole is not considered complete until a geophysical log has been generated. The geophysical logs are used as the basis for identifying, correlating and sampling the coal horizons. A basic suite of tools is run for dual density, natural gamma and calliper measurements.

17.13.6. Bulk Sampling

No bulk sampling has been carried out on the Voorburg Project.

17.13.7. Laboratory Analyses

All samples were sent to Inspectorate's SANAS accredited laboratory in Polokwane (No T0476).

17.13.7.1. Sample Preparation and Analysis

The laboratories followed the ISO and SANAS standard set of tests and methods that are used for coal analyses by South African laboratories. The standard method of coal sample preparation is summarised in Section 13.12.7.1. The standard tests utilised by South African coal laboratories, in particular by Inspectorate, are listed in Table 12, with those tests carried out on Voorburg's exploration samples indicated in the relevant column.

No standard or duplicate samples were submitted by CoAL for analysis and no repeat or laboratory cross checks were requested. This is not an uncommon practice in the South African coal industry in which reliance is often placed on the internal quality controls of the laboratories.

The laboratory performed proximate and CV analyses on the raw samples. Full washability testwork was also conducted from an RD = 1.35 to 1.70 in 0.05 intervals and from 1.70 to 2.00 in 0.10 intervals. The closely spaced intervals were utilised to obtain maximum information on the yields (and associated qualities) within the expected RD range for future processing.

In addition to the testwork described above, specific coking coal potential tests were undertaken including the measurement of the FSI.

17.13.7.2. Security

All samples were stored within a locked refrigerated container before despatch to the laboratories. Once at the laboratories, the samples were subject to the standard security measures of the respective laboratories.

17.13.7.3. QA/QC

Laboratories are required to calibrate their coal analytical equipment daily and are also required to partake in round robin proficiency tests to ensure a high standard of results. All result reports are verified by the laboratory manager and any inconsistencies or variations about the laboratory's specifications are reanalysed. CoAL has specifically requested that the laboratories plot ash versus CV curves for all samples. Any samples with a correlation coefficient of less than 0.90 are reanalysed.

CoAL has validated all results in Sable™, by doing basic tests on cumulative results and checking of logs.

17.13.8. Data Management**17.13.8.1. Data Acquisition and Validation**

CoAL purchased both hard and electronic data copies of the original Iscor database from Exxaro in 2007. The borehole elevation coordinates were verified with the LIDAR results and found to be consistent.

The complete set of CoAL borehole results, i.e. lithology, collar and raw and washed laboratory results, is currently stored in an Access database along with the Iscor data and identified separately based upon borehole nomenclature.

The original borehole paper logs were captured into Sable and verified by the responsible geologist. All boreholes are presented graphically as well as plotted on plans for verification by the responsible geologist. Cross sections are plotted to confirm correlations. These are then imported directly into the Access database.

All laboratory results were received in MS ExcelTM format and included into the SableTM plots for each borehole. The laboratory results were also imported directly into the Access database to eliminate the possibility of typing errors.

The Access database is imported into MinexTM software for orebody modelling purposes. This software package has a series of automatic verification procedures including checking for physical data including overlapping intervals and missing intervals, etc. It also undertakes automatic quality verifications including increasing cumulative ash values, decreasing cumulative volatile values, totalling proximate analyses to 100%, etc. Any errors identified in MinexTM are investigated by the responsible geologist.

Venmyn has randomly selected eight boreholes (four Iscor holes and four CoAL boreholes) from the database and independently cross checked the data with the original paper logs. No errors were identified.

Venmyn has also performed independent validations on the input parameters of the modelling database using Geosoft Target. These included checking the “from” and “to” and collar information files. Venmyn identified that the lithology intersections in two boreholes (namely, B502008 and VG503010) were greater than the end of hole (EOH) measurements recorded in the collar file. When checked against the original logs it was clear that the incorrect number had been used in the collar file and the lithology file was correct. Since the lithology file was found to be correct the error would not have had a negative effect on the modelling.

17.13.8.2. Database Management

The Access database for the Voorburg Project area currently contains data from Iscor and CoAL boreholes. The Access database is managed and maintained by CoAL's chief consulting geologist, Mr J Sparrow (Pr.Sci.Nat.), and the Voorburg Project geologist, Mr C Mafiri (Pr.Sci.Nat.). Backups are stored at CoAL's head office in Johannesburg.

17.13.9. Orebody Modelling and Results

The orebody model on the Voorburg Project has been prepared by Mr J Sparrow (Pr.Sci.Nat.), CoAL's chief consulting geologist as at the 31st August 2011. The model was prepared in MinexTM Software. The model takes into account all available historical and recent drilling and other geological information as of the 31st August 2011. It does not include the four Rio boreholes.

Venmyn has reviewed the model and interviewed Mr J Sparrow (Pr.Sci.Nat.) concerning his methods of modelling. Venmyn 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 is satisfied with the integrity and results of the model.

Both CoAL and Venmyn have a high level of confidence with respect to the current model and the associated resource estimates.

The upper surface of the model was sourced from the DTM and is presented in Figure 113. The low elevation associated with the Sand River is clearly evident in the centre of the modelled area.

The model of the coal is limited in the north by the fault and in the south by the suboutcrop of the coal seams. It must be noted that the model was limited in the east, along the farm boundary of Cavan 508MS, due to the lack of drilling on this farm. Similarly, the model was limited by the extent of the drilling towards the west, along the eastern boundary of the farm Ancaster 501MS. It is expected that additional drilling along strike will identify further coal in both a westerly and easterly direction.

Both the physical and quality parameters of the various seams were modelled. Grids with a 25m mesh were estimated using Minex'sTM general purpose gridding function, using a 3km search radius. The model of the physical parameters of the seam was cut along any significant structures, whilst the quality parameters were modelled across it.

All physical and quality parameters were plotted and visually inspected to ensure they were acceptable for geological interpretation.

17.13.10. Physical Results

The physical parameters of the elevation, in metres above sea level, and the depth from surface of the Upper, Middle, Middle Lower, Bottom Upper, and Bottom Lower seams floor and roof were modelled. The seam thicknesses were modelled for each and this was used as the basis for the calculation of the resource volumes. Although all these parameters were modelled, only the respective seam floor elevations, depths from surface and the seam thicknesses results are presented below.

Physical models have been generated for depth, seam thickness, and seam qualities for each of the coal seams modelled. Descriptions and plots of these parameters are detailed in the sections to follow.

17.13.10.1. Seam Floor Elevation

The Bottom Lower Seam floor elevation has been modelled in order to identify any abrupt elevation changes which would indicate the presence of faulting and also to identify the dip across the project area. The variations in seam floor elevations are presented in Figure 113.

This figure clearly illustrates that the coal seams dip towards the north, with the shallowest part of the basin located in the south. No faults within the modelled areas are evident as changes in elevation are continuous and steady.

17.13.10.2. Depth from Surface

The depth of the seams from surface will have an impact on the mining method (opencast versus underground) and the extraction safety factors and pillar sizes for an underground operation. Figure 114 presents the seam floor depth from surface for each of the seams.

The coal seams vary in depth from surface from a minimum of less than 20m in the west to a maximum of almost 240m for the Bottom Lower Seam in the north.

The figure clearly indicates that the coal can be mined using opencast methods from the suboutcrop in the south. The dip of the coal towards the north would necessitate underground mining methods on selected seams toward the northern limit of the project area as the depth from surface increases.

To further illustrate this, Figure 115 presents the calculated strip ratios including all economic seams. The areas with stripping ratios less than 7bcm:t coal have the potential to be mined using opencast method. However, the majority of the project area has a stripping ratio of less than 4bcm:t coal.

17.13.10.3. Seam Thickness

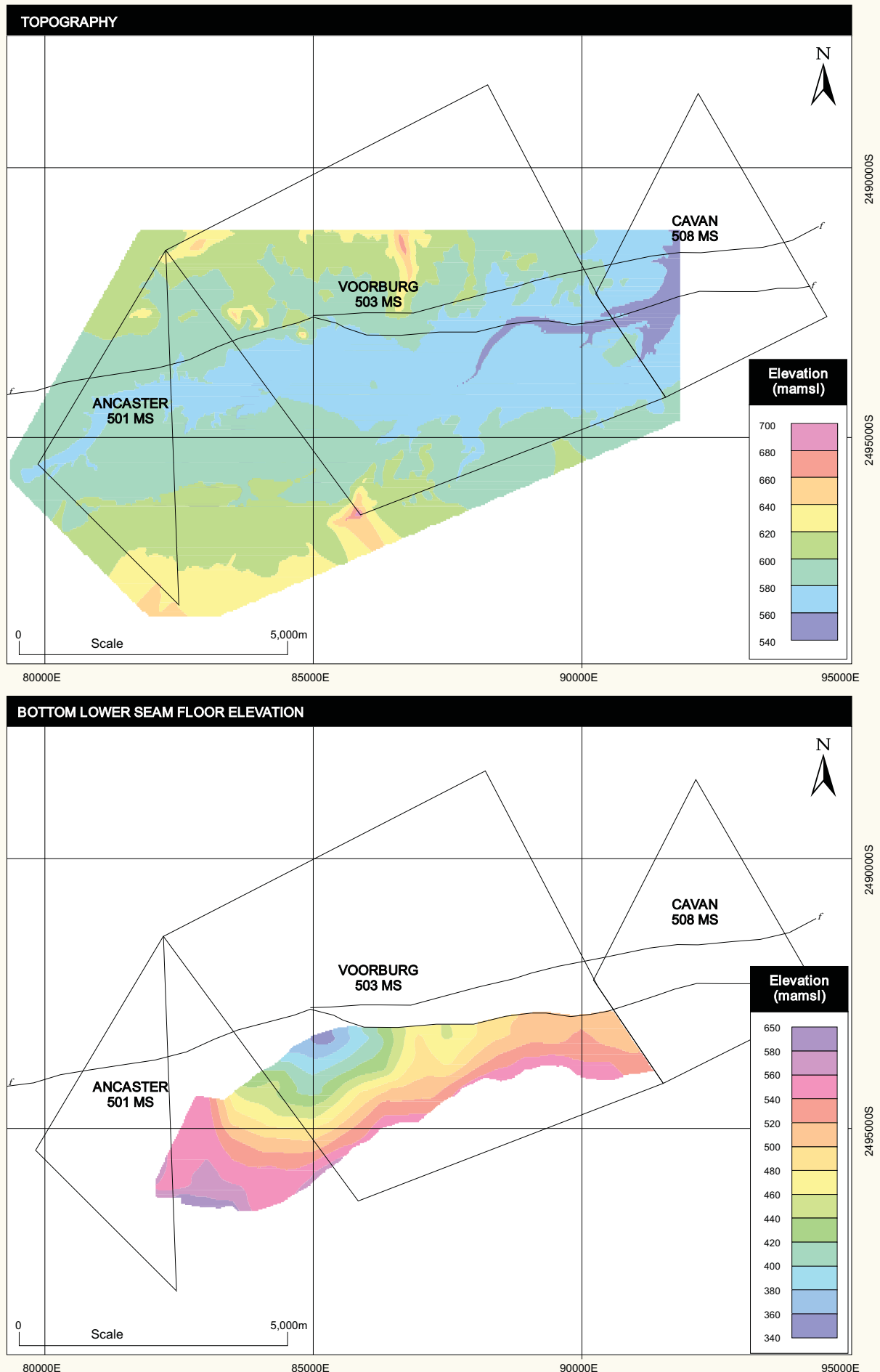
The seam thickness contours or isopachs are presented in Figure 116. The seams vary in thickness from 0.5m to a maximum of 6.0m in the case of the Upper and Middle seams. The Middle Lower and Bottom Upper seams are generally thinner than the other seams.

Figure 116 also identifies a circular area in the centre of the project where the Middle Lower Seam is less than 0.5m thick. This figure also identifies an area to the west, on the farm Banff 502MS where all seams are present with widths less than 0.5m. This area may relate to a basement high, during deposition, where the coal was not as well developed. This effectively separates the Voorburg project into a western and eastern basin on the farm Banff 502MS.

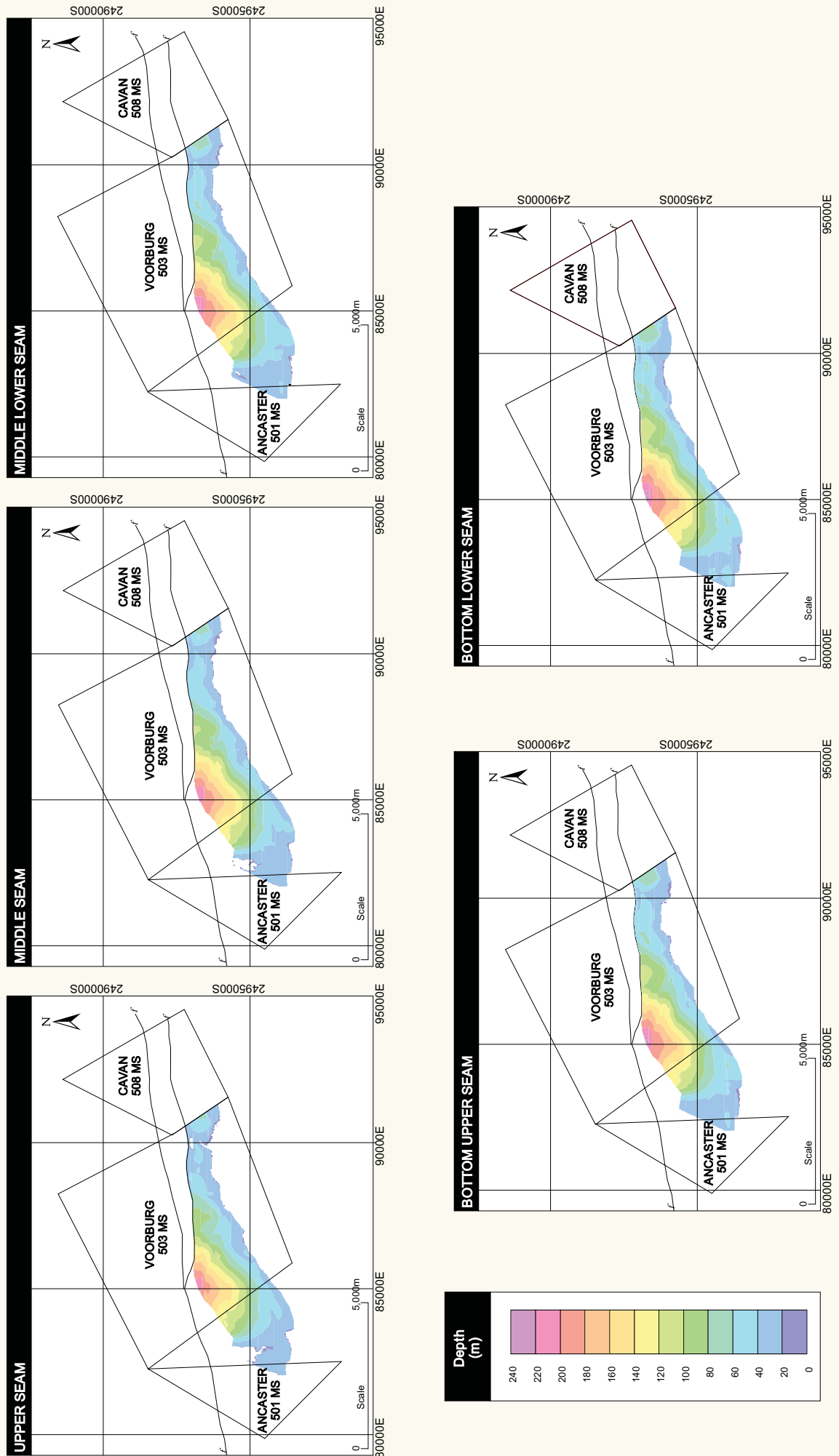
17.13.11. Quality Results

Both raw and washed quality results were available for the CoAL boreholes and included the raw proximate (ash, volatile, fixed carbon, moisture and sulphur) and the raw CV. The historical boreholes, however, were not analysed raw, but were washed and analysed at a density of 1.40 only. Therefore, the most appropriate and common parameter available for both sets of data are the analyses of a washed product at this relative density. This approximately equates to a 12% Ash product. Due to this, only the washed proximate and CV product results were modelled for resource purposes and are presented below. The product yield at this RD is also presented.

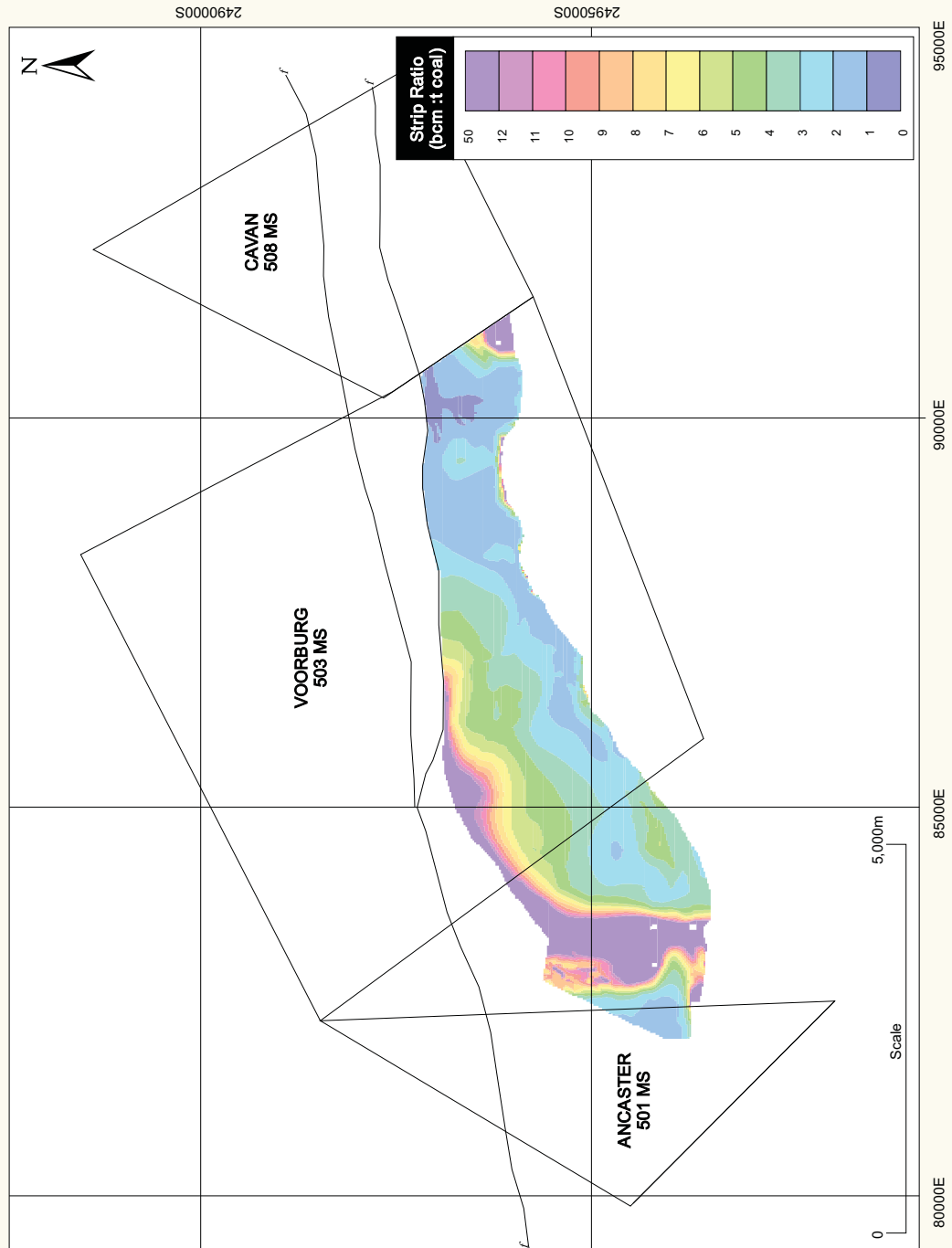
VOORBURG PROJECT - SURFACE CONTOURS AND BOTTOM LOWER SEAM FLOOR ELEVATION



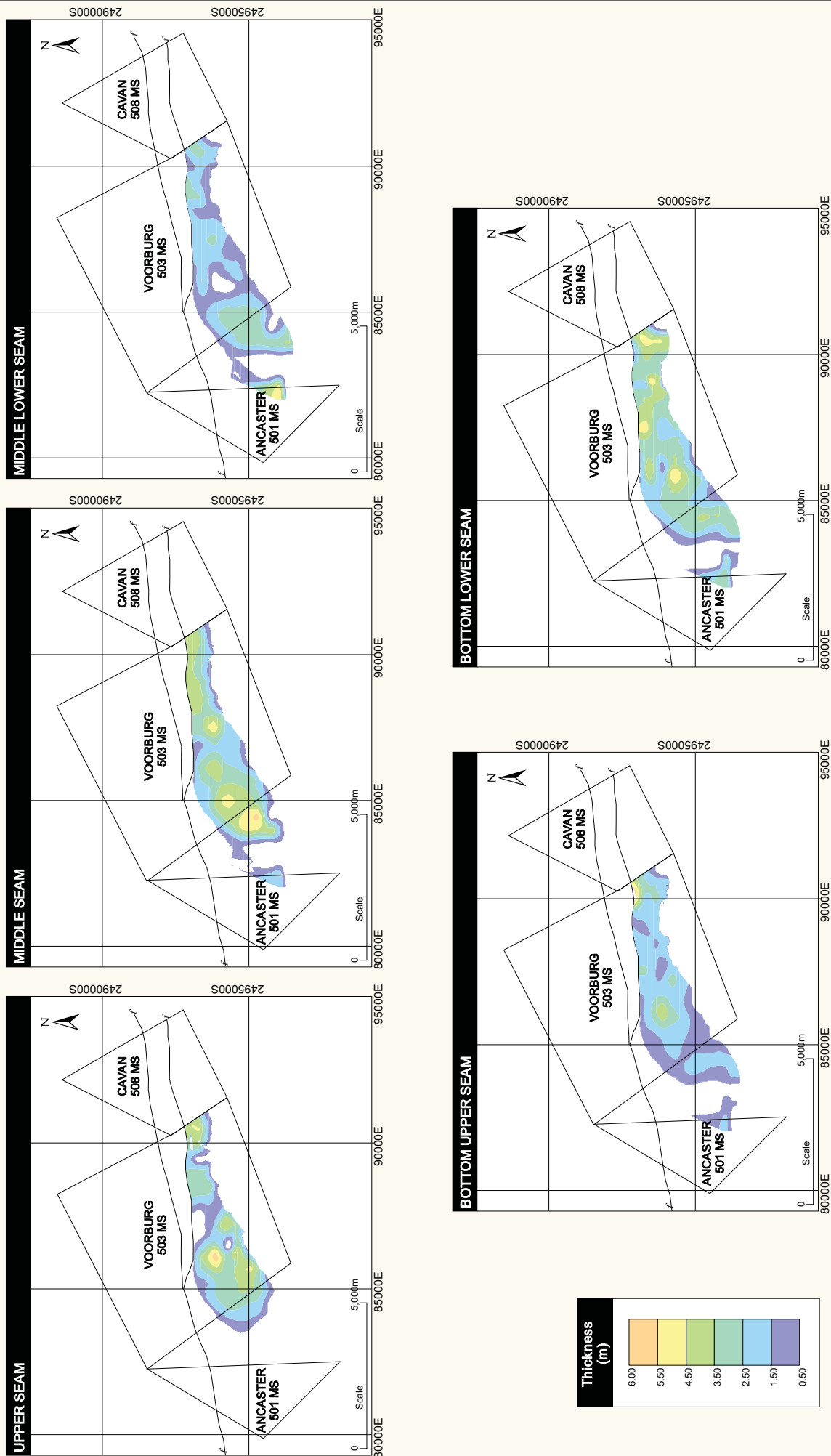
VOORBURG PROJECT - SEAM DEPTHS FROM SURFACE



VOORBURG PROJECT - STRIP RATIO INCLUDING ALL ECONOMIC SEAMS



VOORBURG PROJECT - ISOPACH CONTOURS



17.13.11.1. Coking Potential

The coking potential of Voorburg is good and the project has the potential to produce a semi-hard coking coal (Figure 74).

The FSI varies between 5.0 – 7.0 for the recent CoAL boreholes at RD=1.40. The historical Iscor boreholes exhibit ranges from 6.5 – 9.0, with an average of 8.2 at RD=1.40. One Iscor borehole on Banff 502MS (BF4) does, however, report FSI results in the order of 1.0.

The RI was not measured by CoAL, but the Iscor results reveal RI ranges of 78 – 94, with an average of 89 at RD=1.40. A single sample yielded a result of 66.

No other specific coking coal tests were carried out.

17.13.11.2. Washed Calorific Value

No information is available on CV for the historical boreholes. Therefore this parameter has not been modelled or plotted. It must be noted that CV is not a critical parameter for coking coal and therefore this omission is not material to the assessment of the coal and declaration of resources.

17.13.11.3. Washed Ash

The modelled product ash content of the various seams at Voorburg for a wash at an RD = 1.40 is graphically presented in Figure 117. Due to the fact that a product coal is presented at a fixed RD, the natural variability of the ash content of the raw coal is not clearly portrayed. The coal therefore varies in a small range, in this case between 5% and 15% for the various seams.

The diagram provides evidence that the coal can produce the required ash content of between 8 - 12%, with the average ash content for the project's MTIS being 11% at an RD=1.40.

17.13.11.4. Washed Volatiles

The modelled product volatile content of the various seams at Voorburg for a wash at an RD = 1.40 is graphically presented in Figure 119.

Although the plot presents a product volatile content, the trends in the inherent volatile content of the coal are evident. The washed volatile content varies between 10% and 38% for the various seams. Figure 119 shows a clear trend of increasing volatile content to the south for the Upper, Middle and Middle Lower seams. The Bottom Upper and Bottom Lower seams show an increasing volatile content trend towards the southeast, with low volatile coal being present near the suboutcrop.

The average volatile content for the project's MTIS is 32% at RD=1.40. This means that Voorburg has the potential to produce a semi-hard coking coal.

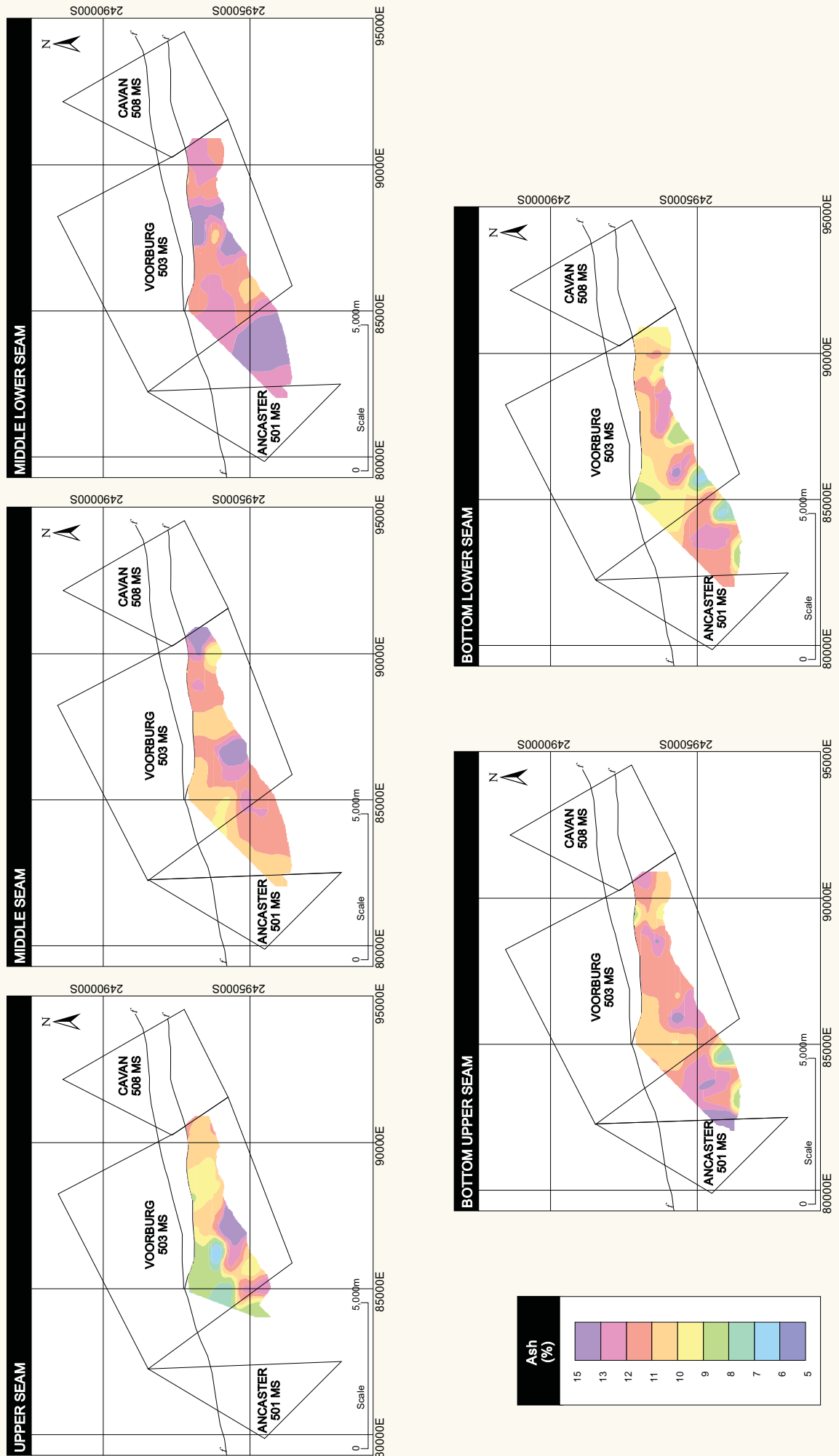
17.13.11.5. Potential Yields

The washability of the coal was tested at an RD = 1.40 which roughly equates to a 12% Ash product coal, as stated above. The average ash content for the project is 11% at this wash density. The theoretical yields of the various seams are graphically presented in Figure 119.

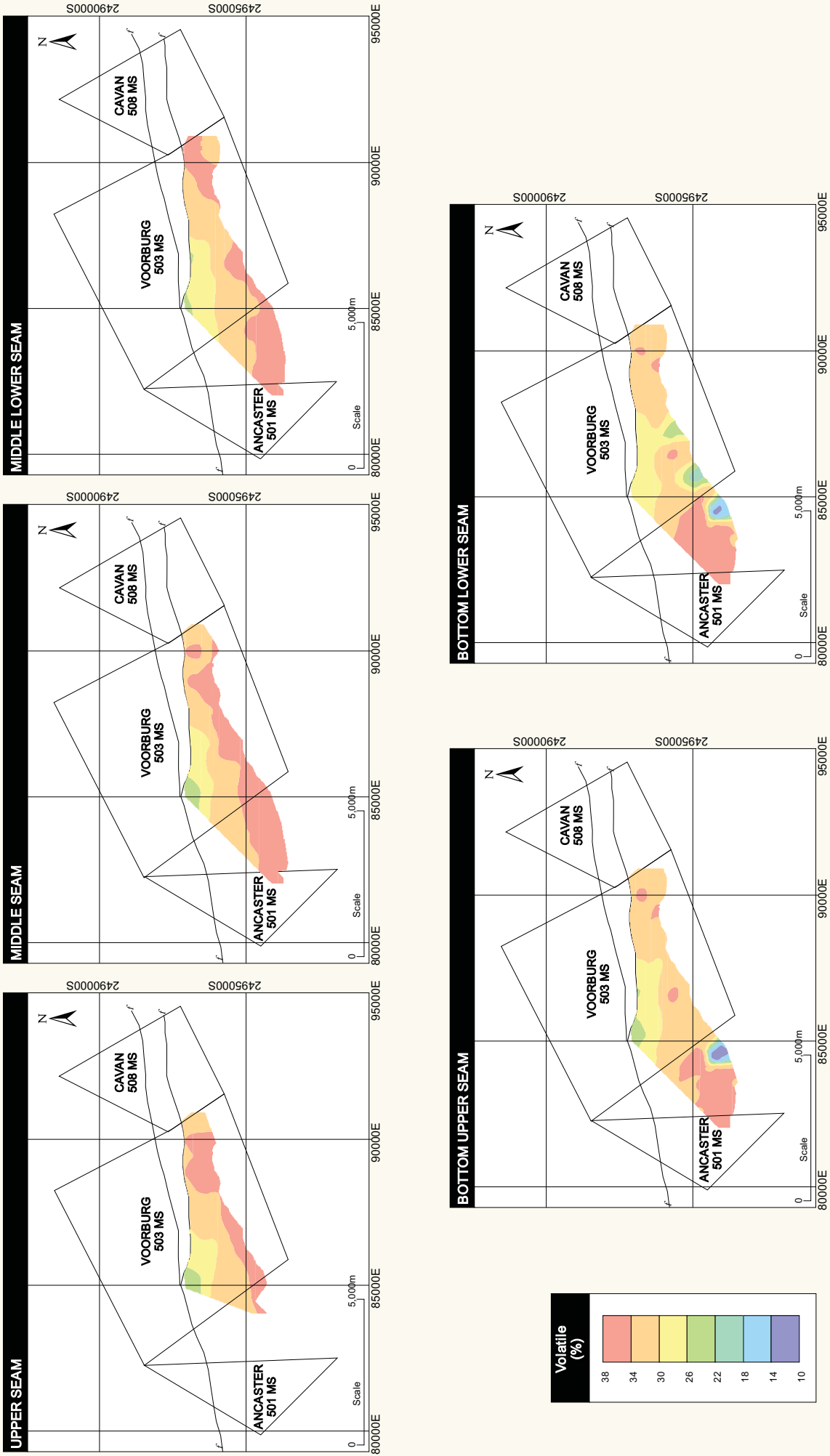
Figure 119 indicates that the yields are varying widely, between 0% and 55%. This is indicative of the relative percentage of shale or mudstone within the coal seams. All seams portray these highly variable yields, with the Upper Seam having the lowest average yields.

The average yield for the CoAL attributed Voorburg Project MTIS is 27%.

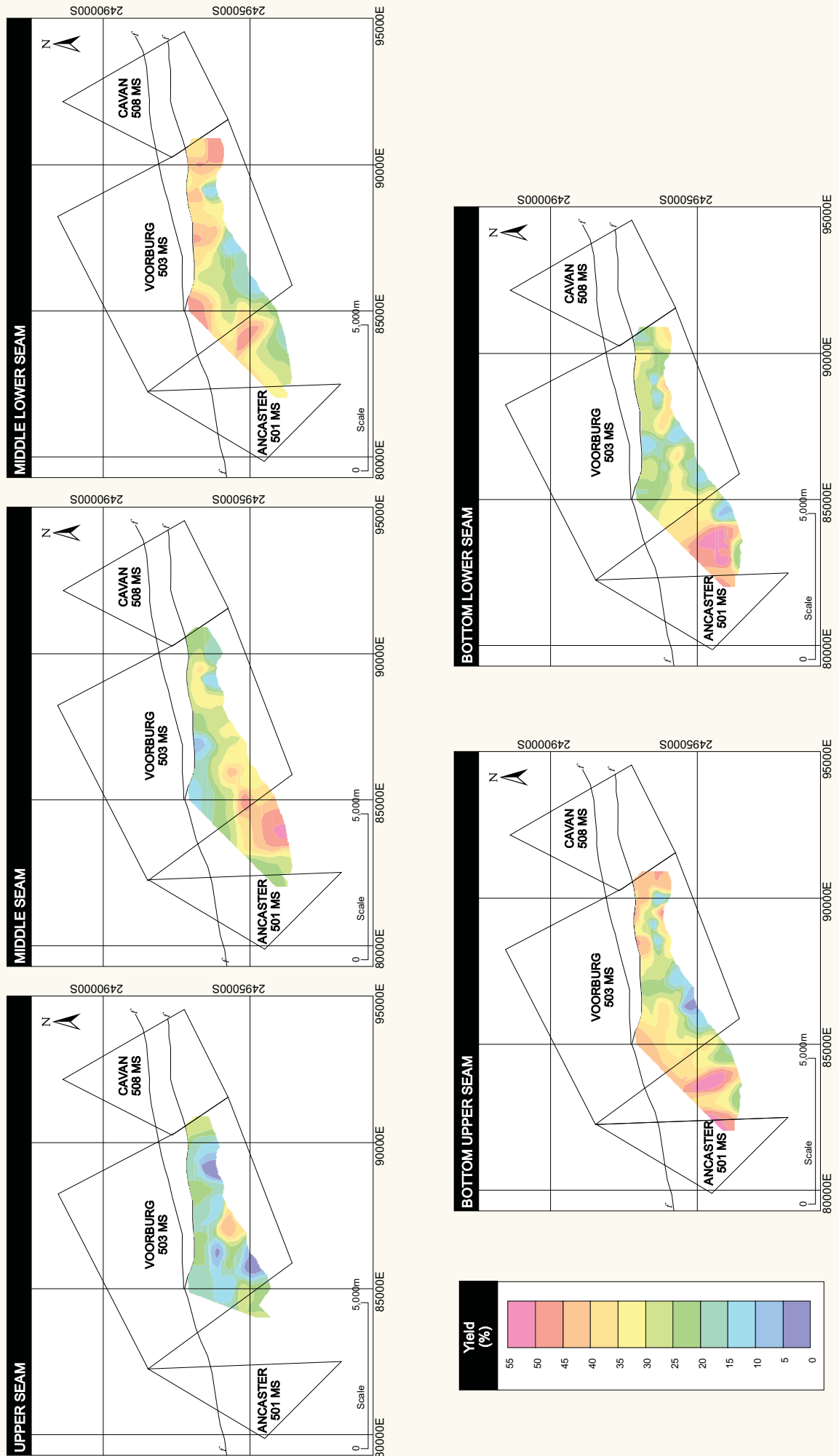
VOORBURG PROJECT - THEORETICAL PRODUCT ASH CONTOURS (@ RD = 1.40)



VOORBURG PROJECT - THEORETICAL PRODUCT VOLATILE CONTOURS (@ RD = 1.40)



VOORBURG PROJECT - THEORETICAL PRODUCT YIELD CONTOURS (@ RD = 1.40)



17.14. Coal Mining

Due to the stage of development of the Voorburg Project, no investigations have been carried out on the mining of the deposit. However, upon considering the depth from surface of the coal zones, any future mining is expected to initially be opencast, possibly followed later by underground methods on selected seam horizons only. Opencast mining to a maximum depth of 200m has been utilised for the purposes of the declaration of MTIS resources. This is the economic depth currently being used on the nearby Makhado Project. The stripping ratios are graphically portrayed in Figure 115.

Details on mining methods and recoveries will be investigated during a Pre-Feasibility Study on the project.

17.15. Coal Processing

The Voorburg coal is most likely to yield a coking coal product. This product is briefly discussed in Section 17.13.11.5. No details are currently available on the envisaged processing plant. This study will be undertaken as part of a Pre-Feasibility Study.

17.16. Coal Market

The indications are that the Voorburg product will be a semi-hard coking coal, based on current geological data and plant assumptions. There are currently no contracts in place for the sale of this coal.

17.17. Previous Resource Statement

No previous Coal Resource Statements have been prepared using modern 3D modelling methods and classification schemes, such as JORC or SAMREC. However, in the mid 1970s, so called "reserves" were put forward for the Voorburg Project by Iscor and Rapbern. For completeness, Venmyn has included a table of these "reserves" (Table 98). 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.

Table 98 : Previous Resource Statement (Iscor & Rapbern 1974 & 1975)

PROJECT	FARM	COMPANY	DATE	NON JORC CATEGORY	IN SITU MINEABLE COAL & SHALE TONNAGE (Mt)
Voorburg	Ancaster 501MS	-	-	-	0.00
	Cavan 508MS	Rapbern	1975	Possible	380.00
	Voorburg 503MS	Iscor	1978	Proven	80.70
				Probable	142.20
				Possible	178.00
TOTAL VOORBURG PROJECT					780.90

NOTE:

Not classified according to the JORC Code, or any other reporting code.

Iscor states that "reserve figures have to be considered as tentative only."

Based upon area of influence of 500m x 500m around boreholes for Proven.

Opencast area limited on 20m depth of weathering and maximum mining depth of 100m.

No qualities reported.

Estimated yields of saleable coal at between 12% and 16%.

17.18. Current Resource Statement

The Coal Resources for the Voorburg Project were independently classified and signed off by Venmyn's Competent Person in accordance with the JORC Code and the Australian Guidelines. Venmyn's Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No 400049/02) and a longstanding member of the AusIMM. She has over 15 years experience in the resources industry.

The classification into the various resource categories is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results. Venmyn is confident that the logging, sampling, data density and distribution are suitable for the Coal Resource estimation. The estimation of each of the parameters required for the reporting of Coal Resources is presented in the section to follow. The Coal Resource Statement for the Voorburg Project, as at 31st August 2011, is presented in Table 99 and the location of the Coal Resources in relation to the NOMRs boundary is illustrated in Figure 120.

Table 99 presents the estimated resources and qualities for a theoretical washed coal product with an ash content of 12%. Resources have been categorised as Measured, Indicated or Inferred according to JORC Code guidelines. The resources have not been sub-divided into the proposed underground and opencast sectors.

VOORBURG PROJECT - LOCATION OF RESOURCES

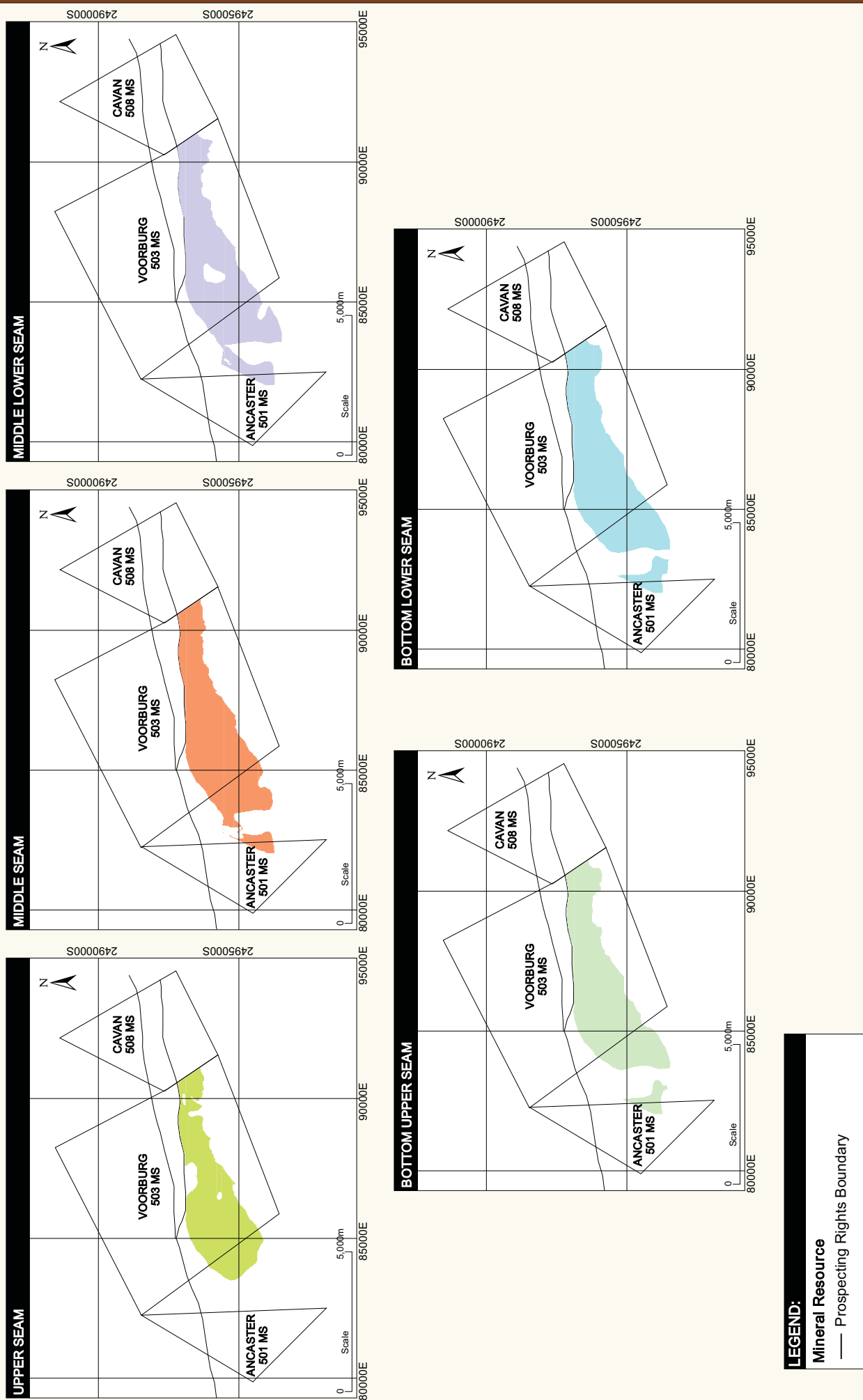


Table 99 : Voorburg Project – Summary Resource Statement (31st August 2011)

PROJECT	RESOURCE CATEGORY	SEAM	GROSS TONNES IN SITU (GTS)	GEOL. LOSSES (%)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)	
Voorburg Project Area	Measured	Upper	16,321,018	10%	14,688,916	14,395,100	19.64		10.04	32.57	56.75	1.15	0.64	
		Middle	21,621,666	10%	19,459,499	19,070,300	28.46		11.57	32.81	55.05	1.24	0.57	
		Middle Low er	12,410,134	10%	11,169,121	10,945,700	34.65		12.07	32.33	54.89	1.18	0.72	
		Bottom Upper	17,090,965	10%	15,381,869	15,074,100	30.53		11.37	31.91	55.99	1.09	0.72	
		Bottom Low er	27,509,036	10%	24,758,132	24,262,900	26.76		10.81	31.47	56.37	0.99	0.71	
		TOTAL / AVE MEASURED RESOURCES		94,952,819	10%	85,457,537	83,748,100	27.63		11.12	32.15	55.87	1.12	0.67
	Indicated	Upper	23,657,570	15%	20,108,935	19,512,000	17.00		9.99	32.50	56.74	1.14	0.80	
		Middle	25,033,496	15%	21,278,472	20,470,000	27.57		11.45	32.44	55.40	1.27	0.71	
		Middle Low er	15,624,062	15%	13,280,453	12,669,000	31.76		12.07	31.39	55.78	1.14	0.77	
		Bottom Upper	15,830,275	15%	13,455,734	12,864,000	30.66		11.41	31.30	56.53	1.02	0.75	
		Bottom Low er	24,085,130	15%	20,472,361	19,388,000	25.99		10.19	29.66	55.45	0.86	0.70	
		TOTAL / AVE INDICATED RESOURCES		104,230,533	15%	88,595,953	84,903,000	25.87		10.91	31.49	55.95	1.09	0.74
	Inferred	Upper	4,827,979	20%	3,862,383	3,210,000	19.31		10.32	32.47	56.47	1.10	0.79	
		Middle	5,600,887	20%	4,480,710	4,180,000	25.87		11.00	32.94	55.53	1.13	0.53	
		Middle Low er	4,106,789	20%	3,285,431	2,840,000	32.21		12.55	32.99	54.08	1.32	0.43	
		Bottom Upper	1,579,647	20%	1,263,718	1,140,000	32.08		11.01	30.65	57.59	0.91	0.60	
		Bottom Low er	2,480,305	20%	1,984,244	1,790,000	28.53		9.97	30.63	59.09	0.80	0.58	
		TOTAL / AVE INFERRED RESOURCES		18,595,607	20%	14,876,486	13,160,000	26.54		11.03	32.32	56.11	1.10	0.58
GRAND TOTAL / AVE COAL's VOORBURG PROJECT							26.73		11.01	31.86	55.93	1.10	0.70	

Notes :

GTS & TTIS - At minimum seam thickness cutoff of 0.5m

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

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

Weighted average qualities calculated on MTIS.

AIR DRIED WASHED QUALITIES @ RD=1.40							
YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)	
19.64		10.04	32.57	56.75	1.15	0.64	
28.46		11.57	32.81	55.05	1.24	0.57	
34.65		12.07	32.33	54.89	1.18	0.72	
30.53		11.37	31.91	55.99	1.09	0.72	
26.76		10.81	31.47	56.37	0.99	0.71	
27.63		11.12	32.15	55.87	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	
30.66		11.41	31.30	56.53	1.02	0.75	
25.99		10.19	29.66	55.45	0.86	0.70	
25.87		10.91	31.49	55.95	1.09	0.74	
19.31		10.32	32.47	56.47	1.10	0.79	
25.87		11.00	32.94	55.53	1.13	0.53	
32.21		12.55	32.99	54.08	1.32	0.43	
32.08		11.01	30.65	57.59	0.91	0.60	
28.53		9.97	30.63	59.09	0.80	0.58	
26.54		11.03	32.32	56.11	1.10	0.58	
26.73		11.01	31.86	55.93	1.10	0.70	

17.18.1. Resource Classification

Resource categories have been defined in accordance with the JORC Code, as set out in Table 19. The JORC halo diagram, representing the Resource categories, is shown in Figure 121.

17.18.2. Input Parameters and Limits

The detailed Coal Resource Statement, by farm, is presented in Table 100. This table presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant resource tonnages and associated qualities.

17.18.2.1. Volume

The volume of the seams were estimated using the Minex™ model of the seam thickness, divided into the various farms or blocks.

17.18.2.2. Density

The Minex™ modelled average raw density per resource block was used to calculate the tonnage from the volume. The raw density of every sample was either measured in the laboratory or back calculated from the shale density and the percentage of coal in the sample.

17.18.2.3. Tonnage

The tonnage is calculated on a block by block basis from the volume multiplied by the average raw density.

17.18.2.4. Quality

Each of the quality parameters were modelled in Minex™ and the average quality per farm is reported in the Coal Resource Statement.

17.18.2.5. Losses and Limits

The following cutoffs or limits were applied to the Coal Resources:-

- the limit of the NOPRs boundary;
- the limit of the coal seams in the north along the fault line;
- the limit of the occurrence of the coal seams in the south;
- no resources were classified on Cavan 505MS due to the paucity of drill holes on the farm and the proximity of the historical mining area;
- a minimum seam thickness limit of 0.5m was applied prior to the reporting of GTIS;
- geological losses of between 10 - 20% were applied prior to the reporting of TTIS. These losses take into account any unforeseen geological features, such as dykes and faults, which have not been identified in the drilling and which may have a negative impact on the Coal Resources;
- all coal with a volatile content of <20% was excluded;
- only opencast mining was considered for the derivation of MTIS. The maximum depth of opencast mining was set at 200m, which is the current depth of potential economic mining at the nearby Makhado Project; and
- mining layout losses of 2% were applied prior to the calculation of MTIS.

17.18.3. Differences Between Resource Statements

No differences are reported here as the previous Coal Resources for the project were not quoted according to a recognised classification scheme and should therefore be treated with caution.

VOORBURG PROJECT - JORC HALO DIAGRAMS

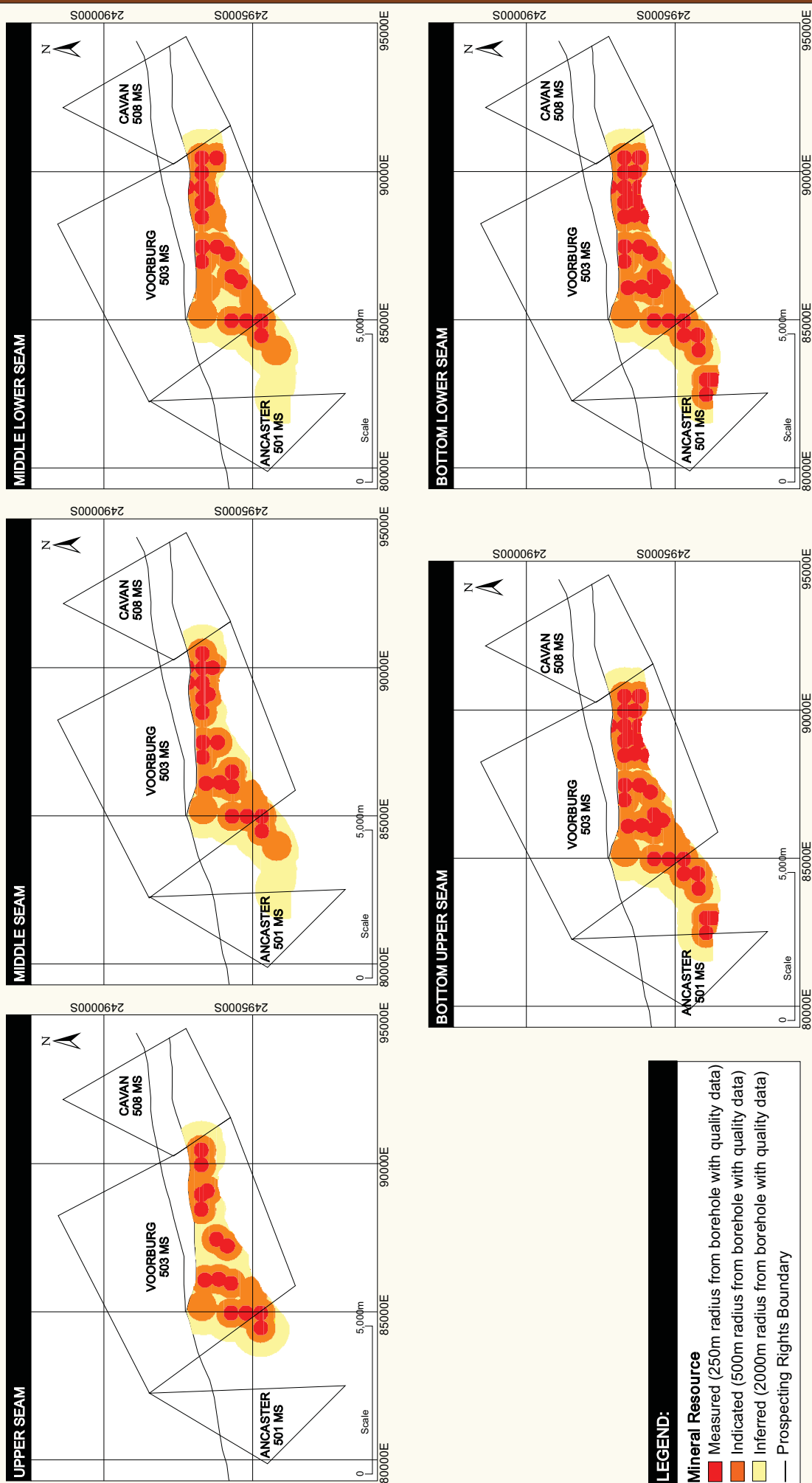


Table 100 : Detailed Resource Statements for the Voorburg Project (31st August 2011)

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS											AIR DRIED WASHED QUALITIES @ RD=1.40						
FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	AVE AREA (m ²)	VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
Voorburg 503MS	Measured	Upper	3.21	2,524,475	8,093,688	2.02	16,321,018	10%	1,632,102	14,688,900	19.64		10.04	32.57	56.75	1.15	0.64
		Middle	3.26	3,425,300	11,149,609	1.94	21,621,666	10%	2,162,167	19,459,400	28.46		11.57	32.81	55.05	1.24	0.57
		Middle Low er	2.04	3,167,925	6,462,359	1.92	12,410,134	10%	1,241,013	11,169,100	34.65		12.07	32.33	54.89	1.18	0.72
		Bottom Upper	2.06	4,377,600	9,022,017	1.87	16,890,762	10%	1,689,076	15,201,600	30.31		11.33	31.86	56.07	1.09	0.73
		Bottom Low er	3.27	4,472,725	14,620,462	1.85	27,120,868	10%	2,712,087	24,408,700	26.51		10.80	31.41	56.42	0.99	0.71
		TOTAL / AVE MEASURED	2.75	17,968,025	49,348,135	1.91	94,364,448	10%	9,436,445	84,927,700	27.52		11.11	32.13	55.90	1.12	0.67
	Indicated	Upper	2.57	4,539,200	11,676,669	2.03	23,657,570	15%	3,548,636	20,108,000	16.99		9.98	32.44	56.81	1.13	0.80
		Middle	2.79	4,578,025	12,787,977	1.96	25,033,496	15%	3,755,024	21,278,000	27.36		11.44	32.33	55.53	1.27	0.71
		Middle Low er	1.62	5,044,400	8,174,755	1.91	15,624,062	15%	2,343,609	13,280,000	32.09		12.07	31.27	55.90	1.14	0.77
		Bottom Upper	1.81	4,550,625	8,242,917	1.87	15,432,803	15%	2,314,920	13,117,000	30.40		11.31	31.09	56.85	1.02	0.75
		Bottom Low er	2.73	4,642,200	12,672,418	1.84	23,312,932	15%	3,496,940	19,815,000	25.26		10.11	29.39	55.77	0.86	0.70
		TOTAL / AVE INDICATED	2.29	23,354,450	53,554,736	1.92	103,060,863	15%	15,459,129	87,598,000	25.68		10.88	31.34	56.13	1.09	0.74
Ancaster 501MS	Inferred	Upper	1.79	1,366,300	2,449,202	1.97	4,827,979	20%	965,596	3,860,000	19.31		10.32	32.47	56.47	1.10	0.79
		Middle	2.15	1,122,225	2,414,200	1.95	4,715,050	20%	943,010	3,770,000	26.22		11.07	32.57	55.82	1.14	0.55
		Middle Low er	1.38	806,325	1,111,787	1.93	2,142,872	20%	428,574	1,710,000	32.24		12.30	30.50	56.66	1.10	0.57
		Bottom Upper	1.33	607,025	804,827	1.86	1,495,843	20%	299,169	1,190,000	32.08		11.01	30.65	57.59	0.91	0.60
		Bottom Low er	2.07	617,750	1,275,944	1.82	2,321,918	20%	464,384	1,850,000	28.53		9.97	30.63	59.09	0.80	0.58
		TOTAL / AVE INFERRD	1.78	4,519,625	8,055,960	1.92	15,503,662	20%	3,100,732	12,380,000	25.81		10.84	31.78	56.80	1.05	0.64
	Measured	Bottom Upper	2.42	45,842,100	110,958,831	1.92	212,928,973	13%	27,996,307	184,905,700	26.53		10.98	31.74	56.07	1.10	0.70
		Bottom Low er	1.37	79,779	109,483	1.83	200,203	10%	20,020	180,100	48.86		14.79	35.72	48.87	0.99	0.29
		Bottom Low er	2.49	83,604	208,485	1.86	388,168	10%	38,817	349,300	44.03		11.28	35.50	53.67	0.98	0.39
		TOTAL / AVE MEASURED	1.95	163,383	317,968	1.85	588,371	10%	58,837	529,400	45.67		12.47	35.57	52.04	0.98	0.36
		Bottom Upper	1.34	162,308	217,136	1.83	397,472	15%	59,621	337,000	50.43		14.94	35.49	48.87	0.98	0.27
		Bottom Low er	2.45	168,433	413,244	1.87	772,198	15%	115,830	656,000	45.14		11.39	35.38	53.67	0.99	0.37
Inferred	TOTAL / AVE INDICATED	1.91	330,741	630,380	1.86	1,169,670	15%	175,451	993,000	46.94		12.59	35.42	52.04	0.99	0.34	
	Middle	1.70	284,589	482,391	1.84	885,837	20%	177,167	700,000	23.48		10.48	35.52	53.56	1.09	0.36	
	Middle Low er	3.83	297,164	1,137,179	1.73	1,963,917	20%	392,783	1,570,000	32.17		12.90	36.49	50.44	1.62	0.23	
	Bottom Upper	1.10	41,077	45,333	1.85	83,804	20%	16,761	60,000	52.12		14.81	34.52	49.80	0.95	0.25	
	Bottom Low er	2.08	41,077	85,500	1.85	158,387	20%	31,677	120,000	44.16		11.35	34.70	55.41	0.98	0.34	
	TOTAL / AVE INFERRD	2.64	663,907	1,750,403	1.77	3,091,945	20%	618,389	2,450,000	30.76		12.18	36.08	51.56	1.42	0.27	
GRAND TOTAL/AVE VOORBURG PROJECT	TOTAL / AVE ANCASTER	2.33	1,158,031	2,698,751	1.80	4,849,986	18%	852,677	3,972,400	36.79		12.32	35.85	51.74	1.25	0.30	
		2.42	47,000,131	113,657,582	1.92	217,778,959	13%	28,848,983	188,878,100	26.75		11.01	31.82	55.98	1.10	0.69	

Notes:
Rounding down of TTIS tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively, may result in computational discrepancies.

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR OPENCAST MINING. NO UNDERGROUND MINING CONSIDERED.
COAL WITH VOLATILE CONTENT >20% EXCLUDED.

FARM	RESOURCE CATEGORY	SEAM	O/C or U/G	Ave Width (m)	Area (m ²)	Volume (m ³)	Coal Raw Rd (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES (%)	MINING BLOCK LAYOUT LOSSES (t)	MINEABLE TONNES IN SITU
Voorburg 503MS	Measured	Upper		3.21	2,524,475	8,093,688	2.02	16,321,018	10%	1,632,102	14,688,916	2%	293,778	14,395,100
		Middle		3.26	3,425,300	11,149,609	1.94	21,621,866	10%	2,162,167	19,459,499	2%	389,190	19,070,300
		Middle Lower	O/c	2.04	3,167,925	6,462,359	1.92	12,410,134	10%	1,241,013	11,169,121	2%	223,382	10,945,700
		Bottom Upper		2.06	4,377,600	9,022,017	1.87	16,890,762	10%	1,689,076	15,201,686	2%	304,034	14,897,600
		Bottom Lower		3.27	4,472,725	14,620,462	1.85	27,120,968	10%	2,712,087	24,408,781	2%	488,176	23,920,600
	TOTAL / AVE MEASURED			2.75	17,968,025	49,348,135	1.91	94,364,448	10%	9,436,445	84,928,003	2%	1,698,560	83,229,300
	Indicated	Upper		2.60	4,450,125	11,564,844	2.03	23,424,614	15%	3,513,692	19,910,922	2%	398,218	19,512,000
		Middle		2.83	4,435,550	12,553,505	1.96	24,574,338	15%	3,686,151	20,888,187	2%	417,764	20,470,000
		Middle Lower	O/c	1.63	4,874,500	7,963,980	1.91	15,209,852	15%	2,281,478	12,928,374	2%	258,567	12,669,000
		Bottom Upper		1.85	4,361,000	8,052,428	1.87	15,085,002	15%	2,282,750	12,822,252	2%	256,445	12,565,000
		Bottom Lower		2.77	4,437,125	12,283,804	1.84	22,575,806	15%	3,386,371	19,189,435	2%	383,789	18,805,000
	TOTAL / AVE INDICATED			2.32	22,558,300	52,418,561	1.92	100,869,612	15%	15,130,442	85,739,170	2%	1,714,783	84,021,000
	Inferred	Upper		1.86	1,110,250	2,061,893	1.99	4,102,004	20%	820,401	3,281,603	2%	65,632	3,210,000
		Middle		2.20	1,083,700	2,382,533	1.95	4,656,435	20%	931,287	3,725,148	2%	74,503	3,650,000
		Middle Lower	O/c	1.39	795,100	1,103,878	1.93	2,128,200	20%	425,640	1,702,560	2%	34,051	1,660,000
		Bottom Upper		1.35	581,075	783,465	1.86	1,456,315	20%	291,263	1,165,052	2%	23,301	1,140,000
		Bottom Lower		2.10	600,025	1,259,459	1.82	2,291,481	20%	458,296	1,833,185	2%	36,664	1,790,000
	TOTAL / AVE INFERRRED			1.82	4,170,150	7,591,228	1.93	14,634,435	20%	2,926,887	11,707,548	2%	234,151	11,450,000
Ancaster 501MS	TOTAL / AVE VOORBURG			2.45	44,696,475	109,357,924	1.92	209,868,495	13%	27,493,774	182,374,721	2%	3,647,494	178,700,300
	Measured	Bottom Upper	O/c	1.37	79,779	109,483	1.83	200,203	10%	20,020	180,183	2%	3,604	176,500
		Bottom Lower		2.49	83,604	208,485	1.86	388,168	10%	38,817	349,351	2%	6,987	342,300
	TOTAL / AVE MEASURED			1.95	163,383	317,968	1.85	588,371	10%	58,837	529,534	2%	10,591	518,800
	Indicated	Bottom Upper	O/c	1.33	147,307	196,633	1.83	359,672	15%	53,951	305,721	2%	6,114	299,000
		Bottom Lower		2.44	153,432	374,591	1.87	700,210	15%	105,032	595,179	2%	11,904	583,000
	TOTAL / AVE INDICATED			1.90	300,739	571,224	1.86	1,059,882	15%	158,982	900,900	2%	18,018	882,000
	Inferred	Middle		1.76	211,485	373,119	1.83	683,946	20%	136,789	547,157	2%	10,943	530,000
		Middle Lower	O/c	4.08	217,510	888,272	1.70	1,509,655	20%	301,931	1,207,724	2%	24,154	1,180,000
		Bottom Upper		1.13	1,125	1,266	1.83	2,318	20%	464	1,854	2%	37	0
		Bottom Lower		2.12	1,125	2,388	1.88	4,500	20%	900	3,600	2%	72	0
		TOTAL / AVE INFERRRED		2.93	431,245	1,265,045	1.74	2,200,419	20%	440,084	1,760,335	2%	35,207	1,710,000
	TOTAL / AVE ANCASTER			2.41	895,367	2,154,237	1.79	3,848,672	17%	657,903	3,190,769	2%	63,815	3,110,800
GRAND TOTAL/AVE. VOORBURG PROJECT				2.45	45,591,842	111,512,161	1.92	213,717,167	13%	28,151,677	185,565,490	2%	3,711,310	181,811,100

Notes:
Rounding down of MTIS tonnages to 100t; 1,000t and 10,000t for Measured, Indicated and Inferred, respectively, may result in computational discrepancies.

AIR DRIED WASHED QUALITIES @ RD=1.40										YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)
	Measured	Upper								19.64		10.04	32.57	56.75	1.15	0.64
		Middle								28.46		11.57	32.81	55.05	1.24	0.57
		Middle Lower	O/c							34.65		12.07	32.33	54.89	1.18	0.72
		Bottom Upper								30.31		11.33	31.86	56.07	1.09	0.73
		Bottom Lower								26.51		10.80	31.41	56.42	0.99	0.71
	TOTAL / AVE MEASURED									27.52		11.11	32.13	55.90	1.12	0.67
	Indicated	Upper								17.00		9.99	32.50	56.74	1.14	0.80
		Middle								27.57		11.45	32.44	55.40	1.27	0.71
		Middle Lower	O/c							31.76		12.07	31.39	55.78	1.14	0.77
		Bottom Upper								30.19		11.33	31.20	56.71	1.02	0.76
		Bottom Lower								25.40		10.15	29.48	55.51	0.86	0.71
	TOTAL / AVE INDICATED									25.65		10.90	31.45	55.99	1.09	0.75
	Inferred	Upper								19.31		10.32	32.47	56.47	1.10	0.79
		Middle								26.22		11.07	32.57	55.82	1.14	0.55
		Middle Lower	O/c							32.24		12.30	30.50	56.66	1.10	0.57
		Bottom Upper								32.08		11.01	30.65	57.59	0.91	0.60
		Bottom Lower								28.53		9.97	30.63	59.09	0.80	0.58
	TOTAL / AVE INFERRRED									26.10		10.86	31.75	56.81	1.05	0.63
	Grand Total/Ave. Voorburg Project	Bottom Upper	O/c							48.86		14.79	35.72	49.05	0.99	0.29
		Bottom Lower								44.03		11.28	35.50	53.14	0.98	0.39
		TOTAL / AVE MEASURED								45.67		12.47	35.57	51.75	0.98	0.36
		Bottom Upper	O/c							50.43		14.94	35.49	48.87	0.98	0.27
		Bottom Lower								45.14		11.39	35.38	53.67	0.99	0.37
	TOTAL / AVE INDICATED									46.94		12.59	35.42	52.04	0.99	0.34
	Grand Total/Ave. Ancaster	Middle								23.48		10.48	35.52	53.56	1.09	0.36
		Middle Lower	O/c							32.17		12.90	36.49	50.44	1.62	0.23
		Bottom Upper								52.12		14.81	34.52	49.80	0.95	0.25
		Bottom Lower								44.16		11.35	34.70	55.41	0.98	0.34
		TOTAL / AVE INFERRRED								29.51		12.15	36.18	51.42	1.45	0.27
	TOTAL / AVE ANCASTER									37.11		12.33	35.87	51.65	1.24	0.30
GRAND TOTAL/AVE. VOORBURG PROJECT										26.73		11.01	31.86	55.93	1.10	0.70

17.19. Ore Reserve Statement

As a result of the current stage of development of the Voorburg Project, no Coal Reserves have yet been declared. Coal Reserves can only be declared once a mining plan has been prepared. This will be undertaken during the next stage of development of the project i.e. at Pre-feasibility Stage.

17.20. Environmental Issues

The environmental issues relating to the development of the project will be addressed during the environmental reporting requirements to be carried out as part of a NOMRs application. The Voorburg Project is currently not at this stage of development.

17.21. Mineral Asset Valuation

The contributing coal assets of CoAL's Voorburg Project can be defined as an early exploration project, with JORC Code compliant Measured, Indicated and Inferred Coal Resources classified for the contributing properties. The farms comprising the contributing properties include Voorburg 503MS and Ancaster 501MS currently held by CoAL.

17.21.1. Valuation Methodologies

The different valuation approaches and methodologies have been discussed in detail in Section 13.22.1.

The contributing properties in this project were valued using the Comparative Sales Transaction (or Market) Approach only due to the lack of reliable historical cost of exploration. Since, Coal Resources have been classified, the Project was valued using comparable transaction values using the Venmyn Coal Valuation Curve.

It is important to note that this valuation has utilised the Venmyn August 2011 Coal Resource Statement (Table 99), as this is the current compliant resources estimate for the Voorburg Project. The effective date of the valuation is the 31st August 2011.

17.21.2. Voorburg Coal Project Market Approach Valuation

Since Coal Resources have been classified for CoAL's Voorburg Project, Venmyn was able to carry out a comparable transaction valuation on the basis that recent market valuations of a similar nature provide the proxy for value. In order to arrive at a reasonable market value with which to compare the respective projects, appropriate recent and historical transactions must form the basis.

Figure 33 summarises Venmyn's database of recent unit market valuations within the context of the South African coal market with reference to the respective coal resource classifications.

All coal zones at the Voorburg Project are present and accessible at relatively shallow depths and most of the coal resources in this area are amenable to opencast mining. The comparable transaction value range selected for the valuation of the contributing properties of CoAL's Voorburg Project has considered the nature of this valuation and the associated risk factors.

Venmyn is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the opencastability of the resources;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Resources declared;
- potential availability of infrastructure and logistics to transport the coal to the respective markets; and
- the timing of potential exploitation.

The range of values generated, based upon all MTIS coal quantified for the contributing properties of CoAL's Voorburg Project, is summarised in Table 101 and illustrated in Figure 33.

Table 101 : Summarised Market Valuation Results for CoAL's Current Properties in the Voorburg Project

PROJECT AREA	RESOURCE CATEGORY	GROSS TONNES IN SITU (GTIS)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Voorburg	Measured	94,952,819	85,457,537	83,748,100	2.50	3.50	209.37	293.12	251.24
	Indicated	104,230,533	88,595,953	84,903,000	0.90	1.50	76.41	127.35	101.88
	Inferred	18,595,607	14,876,486	13,160,000	0.25	0.40	3.29	5.26	4.28
GRAND TOTAL / AVE		217,778,959	188,929,976	181,811,100	1.59	2.34	289.07	425.74	357.40

The value range derived from the Market Approach for CoAL's current properties within the Voorburg Project is between ZAR289m (low valuation) and ZAR425m (high valuation). This valuation range was calculated from the range of unit values as defined by the Market Approach. The value range reflects the level of confidence attached to the respective Coal Resources and the fact that this project is still an advanced exploration project. The population of historic market transactions and valuations provides an indication of reasonability.

Venmyn's preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR357m for the contributing properties. This results in an average unit value of ~ZAR2.00/t. Nevertheless all defined unit values fall within the so-called 'Limpopo Coalfields Value Curve' defined by Venmyn from its transaction database.

The market comparison valuation results were computed using the MTIS coal resources declared in the Coal Resources Statement due to the greater variability in the beneficiation yields and mining extraction factors achieved in the different coalfields especially in the Soutpansberg Coalfields. The market comparative valuation using GTIS has been disregarded since these results are not comparable and consistent with valuation results expected for these types of coal qualities. In addition, some material included in the GTIS, cannot be mined using the available known technology and hence cannot satisfy the "reasonable prospects of eventual economic extraction". The MTIS coal resources are the value drivers on these mineral assets.

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arms length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

17.21.3. Valuation Summary

Venmyn considers the Market Approach an appropriate valuation technique, in this case, as it considers the full resource base and the actual transactions and market values, and allows for a thorough review of the logistical, infrastructural and strategic merits of the projects.

In addition, Venmyn's database provides a comprehensive and reliable benchmark for recent relevant transactions in the coal industry in general and the Limpopo Coalfields in particular.

Venmyn's current preferred 'Fair Value' represents the mean value achieved from the market approach utilised in this valuation, and is considered to be **ZAR357m**.

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

18. SOUTPANSBERG COALFIELD – MOUNT STUART PROJECT

The Mount Stuart Project, located within the Soutpansberg Coalfield, is an advanced exploration project which contains coking coal resources.

18.1. Location

The Mount Stuart Project is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 122). Figure 92 illustrates the location of the Mount Stuart Project area in relation to regional infrastructure and the mineral tenure in the greater Soutpansberg Project area.

The nearest town is Musina, situated approximately 35km to the north of the Mount Stuart Project area. Louis Trichardt is located approximately 40km to the southwest of the project area.

18.2. Legal Aspects

18.2.1. Ownership

CoAL holds an NOPR on the farms Mount Stuart 153MT, Nakab 184MT, Septimus 156MT and Ter Blanche 155MT by virtue of the Farm Swap Agreement outlined in Section 16.2.2. Through its wholly owned subsidiary Regulus an NOPR is held over the farm Schuitdrift 179MT, acquired through the Farm Swap Agreement. CoAL further holds NOPRs over the farms Riet 182MT and Stayt 183MT through its wholly owned subsidiary Limpopo Coal. Rights pertaining to the Mount Stuart Project are shown in Figure 123.

18.2.2. Mineral Tenure

The Mount Stuart Project comprises the seven farms namely, Stayt 183MT, Nakab 184MT, Riet 182MT, Schuitdrift 179MT, Mount Stuart 153MT, Ter Blanche 155MT, and Septimus 156MT.

CoAL holds an NOPR on portion 2 and the remaining extent of Mount Stuart 153MT, the farms Nakab 184MT and Septimus 156MT, as well as on portion 1 and the remaining extent of Ter Blanche 155MT, which will expire on the 1st October 2011. CoAL applied for a renewal of these rights on the 30th June 2011 and is awaiting approval of the application. These properties form part of the Exchange of Prospecting Rights Agreement between CoAL, Regulus, Chapudi Coal and Kwezi Mining and Exploration (Pty) Ltd, discussed in Section 16.2.2.

CoAL also applied for a renewal of its NOPRs on the farms Stayt 183MT and Riet 182MT, held by its wholly owned subsidiary Limpopo Coal. The rights were granted for an initial 3 year period up until the 15th May 2009 and the DMR is yet to grant the renewal. Through its wholly owned subsidiary Regulus, CoAL holds a NOPR on the farm Schuitdrift 179MT which will expire on the 18th April 2013.

The rights relating to the Mount Stuart Project are summarised in Table 102 and their locations are graphically presented in Figure 122.

18.2.3. Surface Rights

CoAL does not currently own any surface rights in the Mount Stuart Project area. CoAL has agreements with most of the surface rights owners to access the properties for exploration purposes and access is sufficient for most of its prospecting requirements. The exception is the farm Mount Stuart 153MT, where the farmer is only prepared to grant CoAL access once he has been compensated for the damage done by Iscor during its prospecting programme in the 1970s.

18.2.4. Royalties

There are no private royalties payable for the Mount Stuart Project. State royalties, as per the MPRRA (Section 10.3.5) will be payable on any future production, however.

18.2.5. Environmental Statutory Requirements

No authorisations in terms of the NEMA and NWA are required at this early stage of development.

CoAL's Mount Stuart NOPR was awarded to the applicant on the 1st November 2006 and consequently amended for the inclusion of bulk sampling on 19th January 2011. The associated EMP was approved on the 28th July 2011 and the current approved financial provisions for rehabilitation amount to ZAR124,300.

Table 102 : Summary of the Soutpansberg Coalfield (Mount Stuart Project) Mineral Tenure

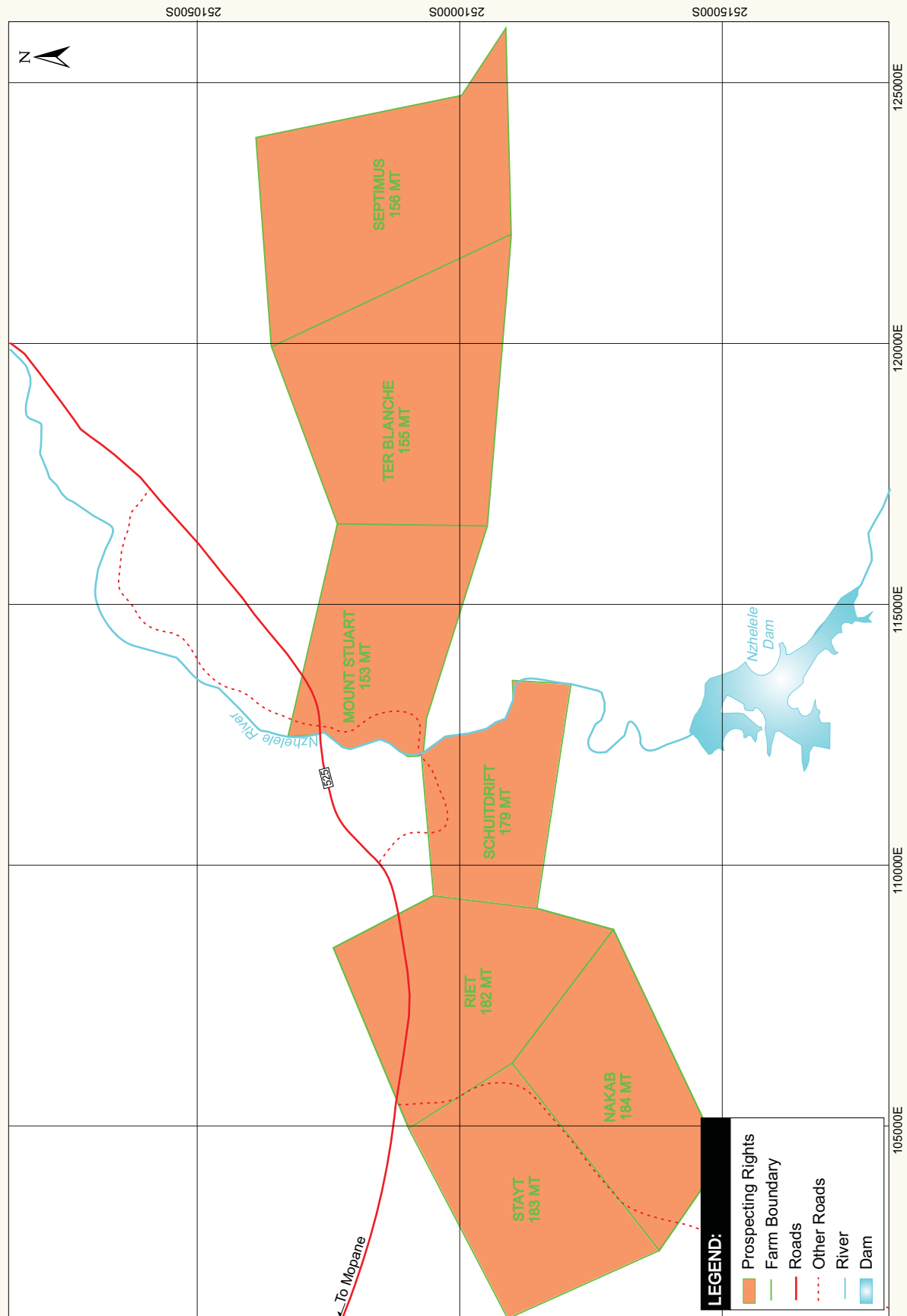
PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS		
Mount Stuart	Riet 182MT	Whole farm	1,354.00	Zingaro Trade 39 (Pty) Ltd*	Prospecting	LP 30/5/11/2/431 PR	16/05/2006	15/05/2009	No		No		
	Stayt 183MT	Whole farm	1,189.00										
	Schuitdrift 179MT	Whole farm	871.00	Regulus Investment Holdings (Pty) Ltd		LP 30/5/11/2/161 PR	19/04/2005	18/04/2010	Yes	18/04/2013	No		
	Mount Stuart 153MT	2 & RE	1,143.00	Coal of Africa (Pty) Ltd		LP 30/5/11/2/38 PR	02/10/2006	01/10/2011	No		No		
	Nakab 184MT	Whole farm	1,161.00								No		
	Septimus 156MT	Whole farm	1,684.00								No		
	Ter Blanche 155MT	1 & RE	1,729.00								No		
	TOTAL MOUNT STUART			9,131.00									No

Notes:

Applications for renewal have been submitted for expired licences. While the application is being determined, the company is entitled to continue its activities.

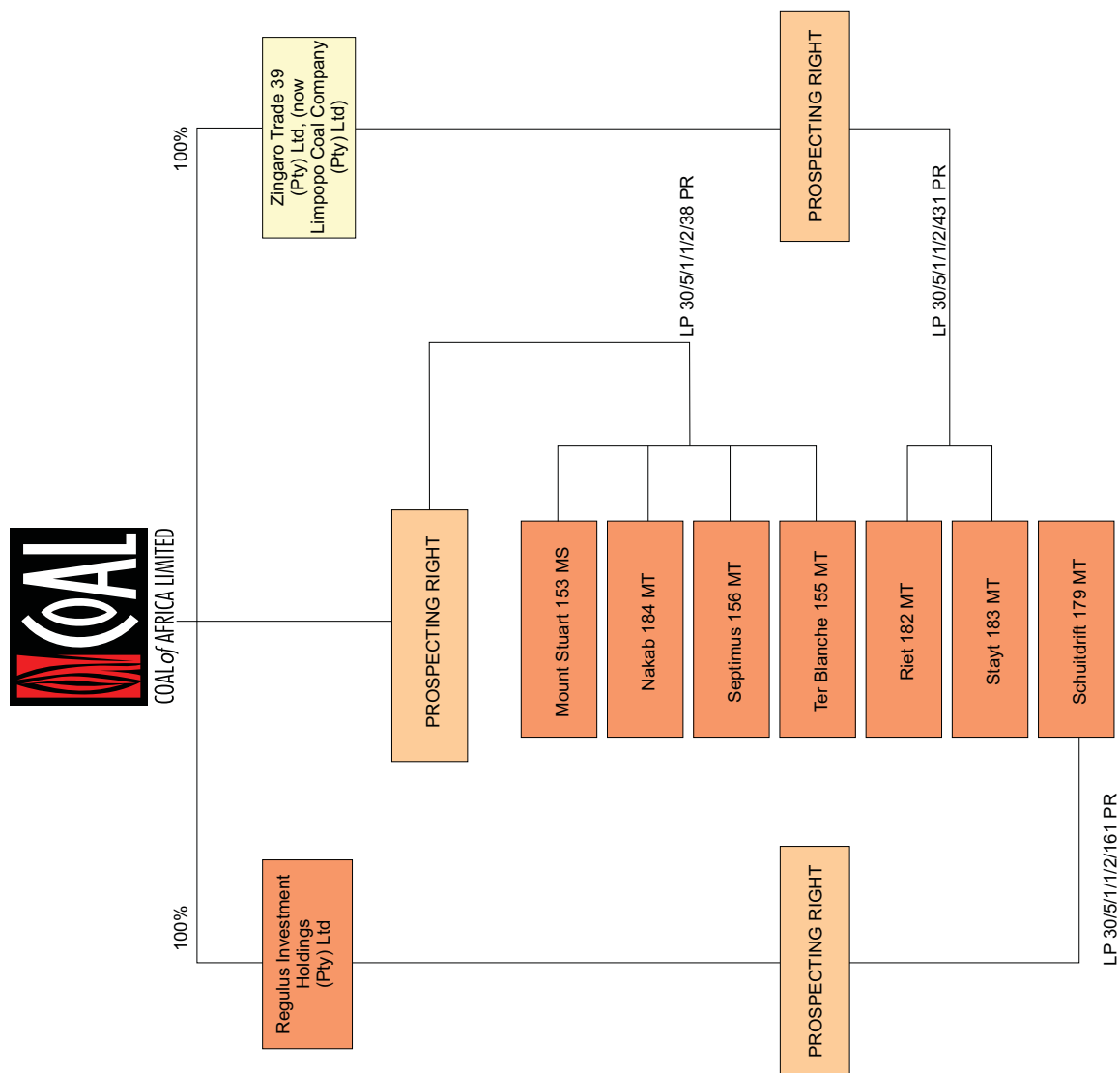
* Now Limpopo Coal Company (Pty) Ltd.

LOCATION OF COAL'S MOUNT STUART PROJECT IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE



OWNERSHIP OF MOUNT STUART PROJECT

MOUNT STUART PROJECT TOPOGRAPHY



18.2.1. Material Contracts

Currently there are no offtake agreements, operational contracts or contract mining agreements that are relevant to the Mount Stuart Project, as it is still in the early stages of development.

18.2.2. Any Other Legal Issues**18.2.2.1. Land Claims**

Enquiries made to the Office of the Regional Land Claims Commissioner: Limpopo on the 27th June 2011 revealed restitution land claims on Mount Stuart 153MT, Nakab 184MT, Riet 182MT, Schuitdrift 179MT and Ter Blanche 155MT. Applicants include the Nemamilwe Community, Mphephu Tribal Council, Mamilwe Community, Mamuhohi Community and the Lushaka Lwa-Tshirundu

These claims are being validated by the Regional Claims Commissioner.

Venmyn is advised that a notification of a land claim does not invalidate the NOMR. However, in respect of gazetted claims, one months notice is required to be given to the commissioner to develop the land. A dispute around restitution of rights in land, Venmyn is advised, may delay mining activities or result in a cost to CoAL in seeking early resolution.

18.2.2.2. Litigation

Venmyn is not aware of any litigation associated with the Mount Stuart Project area.

18.2.2.3. Competing Rights

Venmyn is not aware of any competing rights associated with the Mount Stuart Project area.

18.3. Access

Access to the Mount Stuart Project area is via the tarred national N1 road from Louis Trichardt to Musina. Approximately 40km north of Louis Trichardt take the R525 dirt road travelling eastwards for 20km (Figure 122) until the farm Riet 182MT is reached. The gravel road is in a good condition, whilst the N1 road is in an excellent condition. The project area is approximately 400km, by road from the capital, Pretoria. The various properties within the project area are accessed by a network of gravel farm roads that branch off the R525.

18.4. Climate

The climate for the Mount Stuart Project is similar to that described in Section 16.4 for the Makhado Project. Operations can occur all year round and the climatic conditions generally do not prevent exploration or mining operations. However, during times of heavy downpours, temporary delays may be experienced.

18.5. Topography

The topography of the Mount Stuart Project area is characterised by a flat valley floor oriented east-west which lies at an average elevation of about 750mamsl, bordered by steep valley slopes of the Soutpansberg in the south and the so-called Red Beds (Stromberg basalts and Clarens sediments) in the north. The area is drained by the non-perennial Nzhelele River which flows in a north-easterly direction across the western area of the project.

18.6. Vegetation

The Mount Stuart Project area falls within the 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 given over to cattle and game ranching with localised arable farming.

18.7. Local Resources

The nearest towns of Louis Trichardt and Musina are regional centres and provide modern conveniences, including accommodation and services. The towns are also sources of fuel and labour.

18.8. Infrastructure

The Project is well situated with respect to the major infrastructural aspects of rail, road and power.

The railway linking Gauteng (in South Africa) and Zimbabwe occurs approximately 20km to the west of the westernmost boundary of the Mount Stuart Project area (Figure 122). CoAL has negotiated the rights to the Huntleigh Siding, located approximately 20km to the west of the project area.

Eskom grid powerlines traverse the farm Riet 182MT. The powerlines then follow the R525 to the town of Tshipise. The Paradise substation occurs at the village of Ha-Rabali, south of the Mount Stuart Project area (Figure 122).

Water for drilling can be sourced from the Nzhelele River.

Due to the fact that the Mount Stuart Project is still at an exploration stage, details on the availability and requirements of power, water, tailings disposal and other infrastructural items has not been investigated in detail and is therefore not reported upon in this document. These will be addressed once the project reaches pre-feasibility stage.

18.9. Regional Geological Setting

The Mount Stuart Project is situated within the Tshipise North Coalfield subdivision of the greater Soutpansberg Coalfield (Figure 96). The reader is referred to Section 16.9 on the regional geology of this coalfield, as described for the Makhado Project.

18.10. Local Geological Setting

The Mount Stuart Project represents an isolated and upfaulted block of Karoo age sediments, which lies approximately 6km to the north of the Mopane Basin in which the Makhado Project occurs (Figure 124). The Karoo strata represented in the project area is underlain by the 10m thick conglomerate-diamictite of the Tshidzi Formation, which can be correlated to the glacial Dwyka tillite in the Main Karoo Basin. The basal unit is overlain by the 190m thick succession of alternating black shale, micaceous sandstone, siltstones and interbedded coal seams of the Madzaringwe Formation.

The formations overlying these units are described below, from the Madzaringwe Formation upwards:-

- 140m thick Mikambeni Formation – dark mudstone and shale with subordinate sandstone;
- 60m thick Fripp Formation – coarse feldspathic sandstone bands that form an E-W trending line of low hills;
- 110m thick Solitude Formation – interlayered grey and purple shale with minor sandstone and grit intercalations;
- Klopfontein Formation – resembles the Fripp Formation as coarse feldspathic gritty sandstone; and
- the 300m thick Bosbokpoort Formation – red, very fine sandstone and dark red silty mudstone.

In the Mount Stuart Project area only four seams of commercial interest have been identified (Upper, Middle, Bottom Upper and Lower seams). Unlike Makhado, no Middle Lower Seam has been identified from the Iscor sample nomenclature.

18.11. Historical Ownership

The historical ownership and associated activities with respect to the Mount Stuart Project is summarised in Table 102.

Table 103 : Mount Stuart – Summary of Historical Ownership and Activities

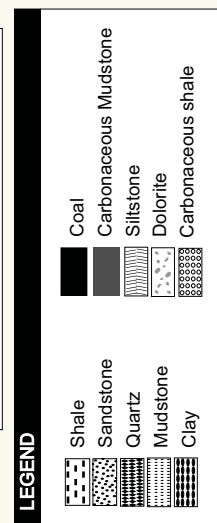
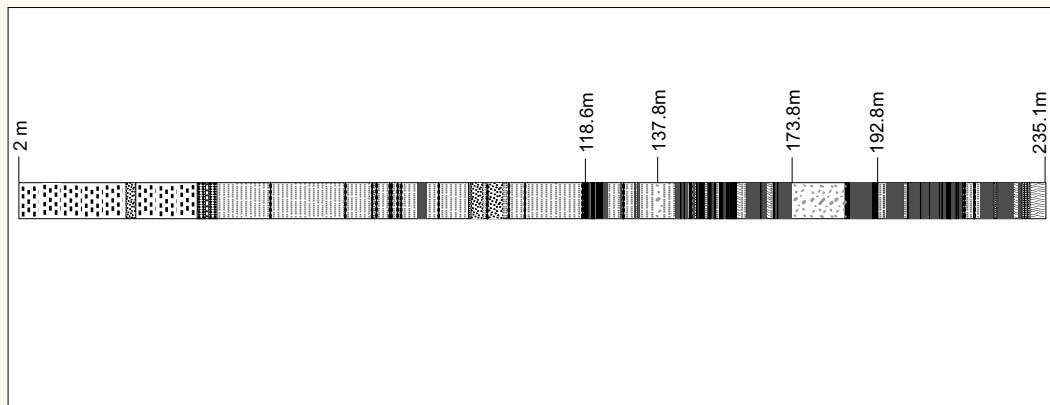
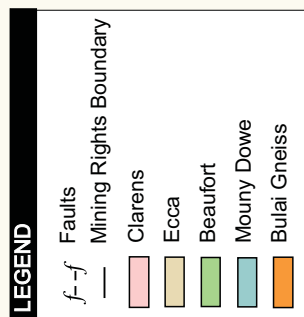
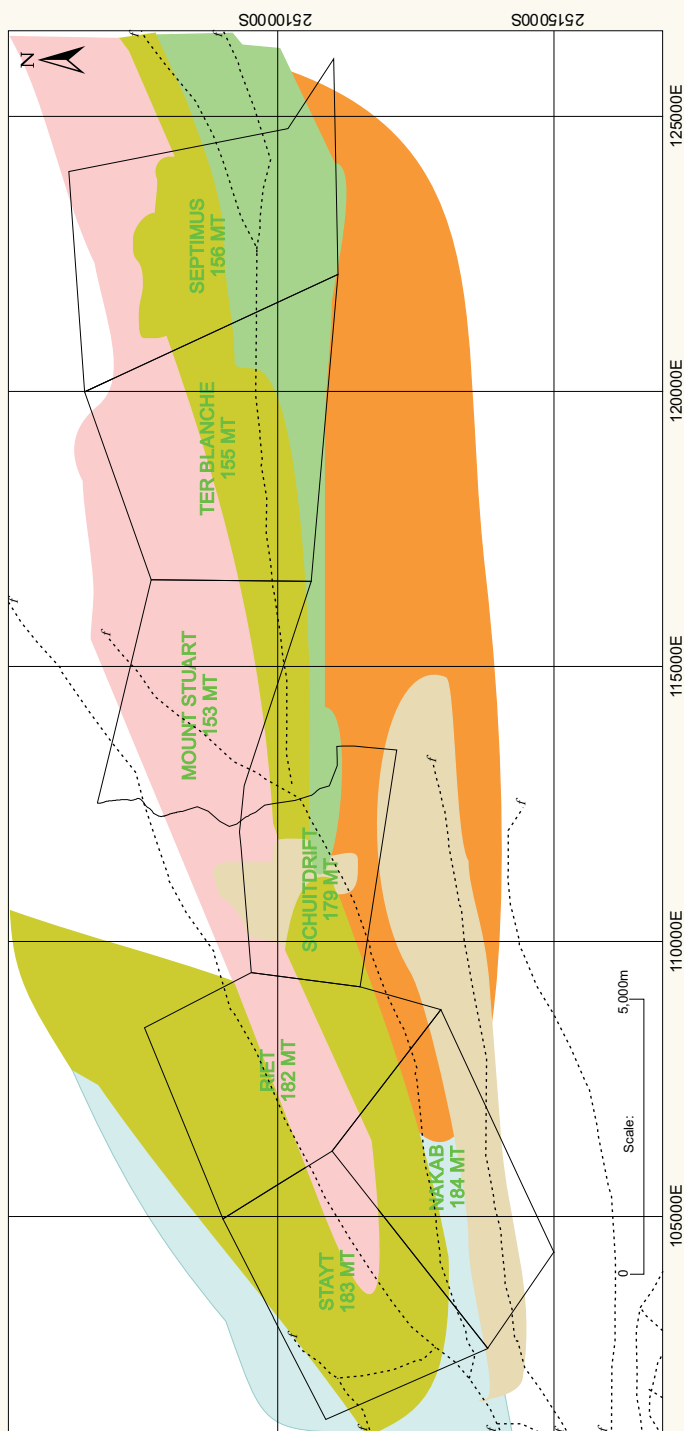
DATE	COMPANY	ACTIVITY
1975 - 1978	Iscor (now Exxaro)	Drilled 238 boreholes on Nakab 184MT, Mount Stuart 153MT, Ter Blanche 155MT and Septimus 156MT. LDD bulk sampling appears to have been conducted over the properties, but no information is available.
2002 - 2009	Rio Tinto Mining & Exploration Ltd. (Rio Tinto)	Drilled 9 boreholes on Nakab 184MT, Schuitdrift 179MT, Mount Stuart 153MT and Septimus 156MT.
2005	Limpopo Coal	Acquired NOPRs over Stayt 183MT and Riet 182MT.
2006	GVM (now CoAL)	Acquired 60% of Limpopo Coal.
2008		Acquired the remaining 40% of Limpopo Coal.
2009	CoAL	Drilled 7 boreholes on Riet 182 MT.
2009 - 2010		Acquired Nakab 184MT, Schuitdrift 179MT, Mount Stuart 153MT and Septimus 156MT, as part of the Farm Swap Agreement with CoAL.

18.12. Historical Exploration and Mining

Between 1975 and 1978, Iscor drilled a total of 238 boreholes, excluding a number of borehole deflections over the Mount Stuart Project area. This included four boreholes on the farm Nakab 184MT, 63 boreholes on the farm Mount Stuart 153MT, 143 boreholes on Ter Blanche 155MT and 28 boreholes on the farm Septimus 156MT (Table 104). The location of the holes is indicated on Figure 125. The Iscor boreholes are believed to have been drilled vertically, with deflections drilled on a number of the boreholes.

There is evidence that Iscor also drilled LDD holes, however no specific locality or sampling information is available.

LOCAL GEOLOGICAL MAP, SCHEMATIC CROSS SECTION AND TYPICAL STRATIGRAPHIC COLUMN FOR MOUNT STUART PROJECT



MOUNT STUART - LOCATION OF BOREHOLES

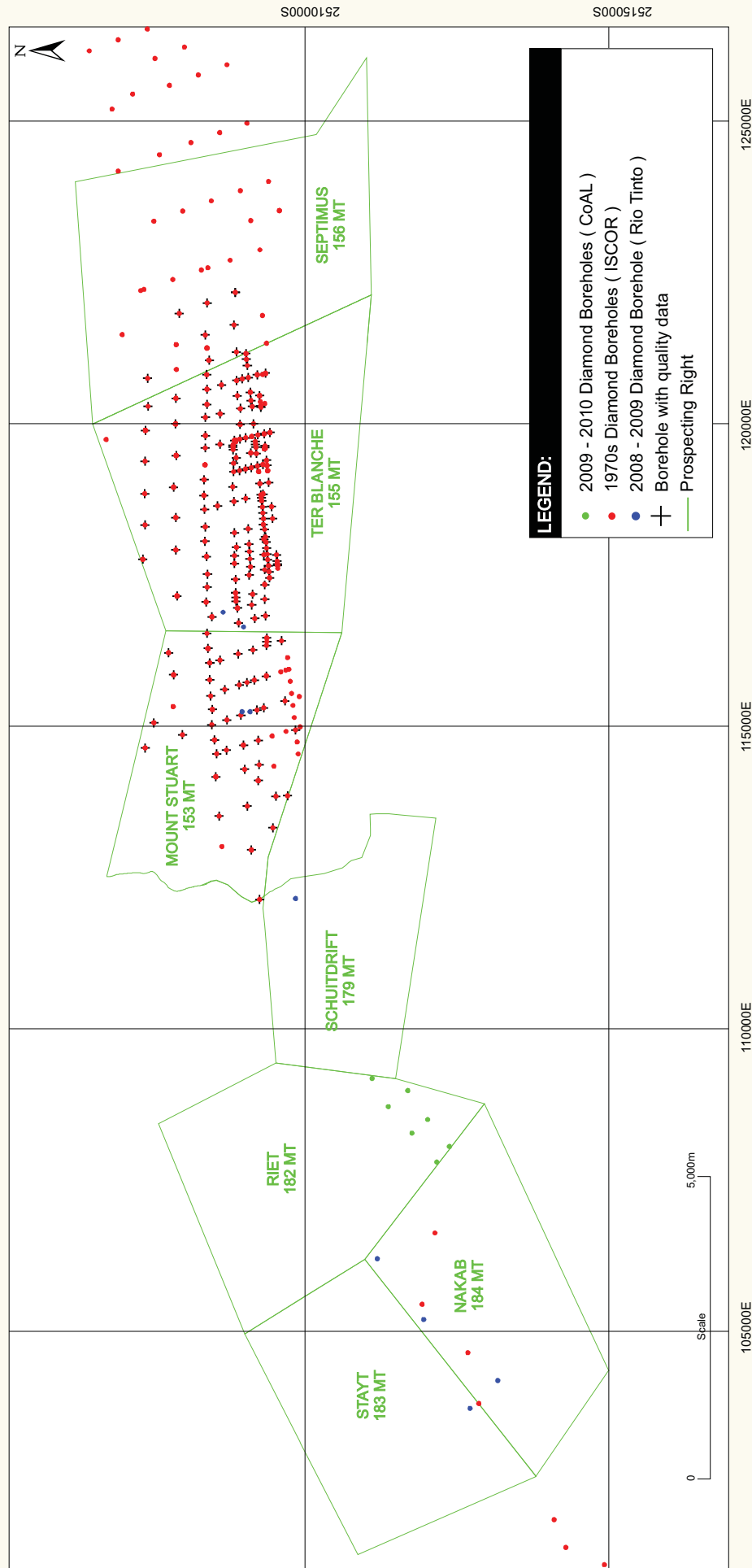


Table 104 : Mount Stuart – Summary of Historical and Recent Drilling

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	Isacor	Nakab 184MT, Mount Stuart 153MT, Ter Blanche 155MT and Septimus 156MT	Early exploration and resource estimation.	Unknown n.	Unknown n.	Diamond core	NQ	Various	238	No	All	Yes	Isacor	Yes
2002 -2009	Rio Tinto	Nakab 184MT, Schuitdrift 179MT, Mount Stuart 153MT and Septimus 156MT	Confirmatory drilling.	Unknown n.	Unknown n.	Diamond core	PQ3	D. Hirstov	7	Yes	All	Yes	ALS Brisbane	No
		Nakab 184MT		Unknown n.	Unknown n.	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 n.	Diamond core	PQ3	C. Mafiri	7	Yes	All	Yes	Inspectorate	No
TOTAL									254					

The drilling and sampling protocols used by Iscor are unknown. However, it is assumed that the drilling methods were conventional and pre-date the more efficient triple-tube wireline techniques that are commonly employed today.

It is not known whether the Iscor borehole collars were professionally surveyed. This together with the absence of recent confirmatory drilling has resulted in all resources within the Mount Stuart resource area being downgraded to the Inferred Category (Section 18.19.1).

The Iscor holes were sampled and sent to their in-house laboratory for analysis. Typically 13 samples were taken from the top to the base of the coal bearing strata, and numbered consecutively in this order. Raw analyses were carried out on the coal samples. Washed analyses were only undertaken at an RD=1.40. Proximate, CV, Roga and Swell Index testwork was carried out.

The Iscor borehole database was acquired in 2007 by CoAL.

18.13. Recent Exploration

Limited recent exploration has been conducted, within the Mount Stuart Project area, by both Rio Tinto and CoAL.

Data from nine boreholes drilled over the Mount Stuart Project area, by Rio Tinto, were provided to CoAL as part of the Farm Swap Agreement (Section 16.2.2). Seven of these boreholes (over Nakab 184MT, Schuitdrift 179MT, Mount Stuart 153MT and Ter Blanche 155MT) were diamond core boreholes, while two (over Nakab 184MT) were percussion boreholes. Limited details are available concerning the drilling and sampling procedures for the Rio Tinto drilling. The core recoveries are unknown.

Limited exploration drilling by CoAL commenced in 2009 on the farm Riet 182MT. Only seven boreholes have been drilled by CoAL to-date. All drilling has been managed by CoAL, with Mr C. Mafiri (Pr.Sci.Nat) as the responsible geologist.

The exploration is summarised in Table 104 and the location of those boreholes is indicated on Figure 125.

No LDD or bulk sampling has been conducted by either Rio Tinto or CoAL over the Mount Stuart Project area.

18.13.1. Remote or Geophysical Exploration

CoAL acquired ground magnetic data over the farm Nakab 184MT and aeromagnetic data over the farm Schuitdrift 179MT from Rio Tinto, as part of the Farm Swap Agreement (Section 16.2.2)

18.13.2. Surveying Methods

All of Rio Tinto's boreholes were located by hand-held GPS only. All Rio Tinto boreholes were drilled vertically. No down-hole directional surveys were undertaken. Given the relatively shallow depths involved, this is not considered a deficiency.

The CoAL boreholes were generally initially sited in the field using a hand-held Garmin™ GPS device. Following completion of the boreholes, the collar positions were accurately surveyed using Leica™ GPS equipment by P Matibe and Associates, who are registered (No. PLS0915) with PLATO.

All CoAL boreholes were drilled vertically. No down-hole directional surveys were undertaken. Given the relatively shallow depths involved, this is not considered a deficiency.

18.13.3. Diamond Drilling

CoAL's diamond drilling was carried out by Scott Drilling. The geologist responsible for the drilling and sampling was Mr C Mafiri (Pr.Sci.Nat). The purpose of the drilling was to look for possible extensions of the Mount Stuart Resource.

Venmyn has not independently witnessed the drilling and sampling protocols as no exploration drilling is currently taking place. However, Venmyn is confident that the drilling was carried out to the required standard as the drilling programmes have been independently supervised or verified by other reputable consulting companies.

18.13.3.1. Drilling

All boreholes were drilled at a core size of PQ3 (83mm) to obtain sufficient sample material for analytical purposes and to reduce core loss. Drilling was undertaken using triple tube techniques in order to minimise core loss.

The CoAL drilling contracts demanded a minimum recovery of 98% within coal horizons and 95% in non-coal sediments. CoAL reported that, throughout the exploration drill programmes, every effort was made to achieve maximum core recovery and minimise loss of fines.

The following general drilling techniques were employed:-

- each drill run was limited to 3m in length which was reduced if poor recoveries or difficult drilling conditions were experienced;
- the core was placed in steel trays and enclosed in bubble-wrap;
- full core trays were stacked, covered and transported to the core storage facility at the end of each shift.

Core was transported to the core shed by the drilling contractor, received by the geologist and stacked. In the case of coal intersections, the core was stored in a refrigerated container. When both the core and the geophysical logs were received, the borehole was considered to have been completed. Core recovery within individual coal plies was measured with reference to the geophysical logs and, if found to be acceptable, logging commenced. CoAL did not retain records of core recovery.

18.13.3.2. Logging

Core was not split prior to logging in order to minimise the effects of oxidation. Lithological depths were finalised only after reconciliation with the geophysical wireline logs. Field logs were generated using printed logging forms and are archived at the CoAL offices in Johannesburg. The logging data was subsequently captured to a dedicated Sable™ database.

Borehole core photography using a hand-held digital camera was initiated in January 2009 and was sporadic until November 2009. Since that time all core has been photographed.

Geotechnical logging has not been undertaken.

18.13.3.3. Sampling Method

On the basis of the Iscor data, CoAL defined seams or selected mining cuts by firstly selecting intervals comprising predominantly coal and then by identifying the sample names associated with those intervals and automatically allocating them to the seam. This process was recently revised for the Iscor boreholes by re-selecting the seam intervals based on a visual assessment of the Iscor hand-written graphic logs. The process was deemed necessary as CoAL geologists were not satisfied that the allocation of sample numbers to seams by Iscor was sufficiently consistent.

For the CoAL boreholes, the field geologists were responsible for the selection of seam intervals under the supervision of the responsible geologist, Mr C Mafiri (Pr.Sci.Nat).

Details on the sampling nomenclature are reported in Section 16.13.3.3.

CoAL conducted whole core sampling and sample intervals were selected on the basis of the geophysical logs. Samples were numbered from the base upwards and correspond to the same stratigraphic interval in every borehole.

CoAL has identified six potentially mineable seams within the Coal Zone. Figure 124 summarises the nomenclature of samples taken from the various seams.

Samples were double-bagged with each bag sealed with cable ties and labelled. Manila tags identifying the borehole and sample numbers were placed inside the inner bag (with the sample material) and also attached to the cable tie around the neck of the inner bag. Bagged samples were stored in a locked refrigerated container prior to transportation to the laboratory in a closed truck.

18.13.4. Percussion or Open Hole Drilling

Two boreholes drilled by Rio Tinto were percussion boreholes. While it is understood that samples were taken every 1m, no other details of the drilling and sampling protocols are available.

18.13.5. Down the Hole Geophysics / Wireline Logging

Downhole geophysical surveys were conducted on all Rio Tinto and CoAL boreholes. Heavy dependence is placed on the geophysical log and a borehole is not considered complete until a geophysical log has been generated.

The geophysical logs are used as the basis for identifying, correlating and sampling the coal horizons. A basic suite of tools is run for dual density, natural gamma and calliper measurements.

18.13.6. Bulk Sampling

No recent bulk sampling has been carried out on the Mount Stuart Project.

18.13.7. Laboratory Analyses

Samples from the Rio Tinto drilling campaign were analysed at ALS Brisbane (ISO 17025 accredited). Products were returned to South Africa for petrographic analysis.

Samples from CoAL's drilling campaign were sent to Inspectorate's SANAS accredited laboratory in Polokwane (NO T0476).

18.13.7.1. Sample Preparation and Analysis

The laboratories followed the ISO and SANAS standard set of tests and methods which are used for coal analyses by South African laboratories. The standard method of coal sample preparation is summarised in Section 13.13.7.1. The standard tests utilised by South African coal laboratories, in particular Inspectorate are listed in Table 12, with those tests carried out on Mount Stuart's exploration samples indicated in the relevant column.

No standard or duplicate samples were submitted by CoAL for analysis and no repeat or laboratory cross checks were requested. This is not an uncommon practice in the South African coal industry where reliance is often placed on the internal quality controls of the laboratories.

18.13.7.2. Security

All samples were stored within a locked refrigerated container, before despatch to the laboratories. Once at the laboratories, the samples were subject to the standard security measures of the respective laboratories.

18.13.7.3. QA/QC

Laboratories are required to calibrate their coal analytical equipment daily and are also required to partake in round robin proficiency tests to ensure a high standard of results. All result reports are verified by the laboratory manager and any inconsistencies or variations about the laboratory's specifications are reanalysed. CoAL has specifically requested that the laboratories plot ash versus CV curves for all samples. Any samples with a correlation of less than 0.90 are reanalysed.

CoAL has validated all results in Sable, by doing basic tests on cumulative results and checking of logs.

18.13.8. Data Management**18.13.8.1. Data Acquisition and Validation**

CoAL purchased both hard and electronic data copies of the original Iscor database from Exxaro in 2007.

The complete set of CoAL borehole results, i.e. lithology, collar and raw and washed laboratory results, is currently stored in an Access database along with the Iscor and Rio Tinto data and identified separately based upon borehole nomenclature.

The original borehole paper logs, where available, were captured into Sable and verified by the responsible geologist. All boreholes are presented graphically as well as plotted on plans for verification by the responsible geologist.

Cross sections are plotted to confirm correlations. These were then imported directly into the Access database.

All CoAL laboratory results were received in Excel format and included into the Sable plots for each borehole. The laboratory results were also imported directly into the Access database to eliminate the possibility typing errors.

The Access database is imported into Minex software for orebody modelling purposes. This software package has a series of automatic verification procedures including checking for physical data including overlapping intervals, missing intervals, etc.

It also undertakes automatic quality verifications including increasing cumulative ash values, decreasing cumulative volatile values, totalling proximate analyses to 100%, etc. Any errors identified in Minex are investigated by the responsible geologist.

Venmyn has randomly selected ten Iscor boreholes and two CoAL boreholes from the database and independently cross checked the data. No errors were identified.

Venmyn has also performed independent validations on the input parameters of the modelling database using Geosoft Target. These included checking the “from” and “to” and collar information files. Two duplicate collars were discovered by Venmyn during the validation process, which represent redrill boreholes. It was also noticed that a number of boreholes did not have end of hole depths. These boreholes were removed from the borehole database.

18.13.8.2. Database Management

The Access database for the Mount Stuart Project area currently contains data from Iscor, Rio Tinto and CoAL boreholes. The Access database is managed and maintained by CoAL’s chief consulting geologist, Mr J Sparrow (Pr.Sci.Nat) and the Mount Stuart Project geologist, Mr C Mafiri (Pr.Sci.Nat). Backups are stored at CoAL’s head office in Johannesburg.

18.14. Orebody Modelling and Results

The orebody model on the Mount Stuart Project has been prepared by Mr J Sparrow (Pr.Sci.Nat), CoAL’s chief consulting geologist as at 31st August 2011. 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 31st August 2011.

Venmyn has reviewed the model and interviewed Mr J Sparrow (Pr.Sci.Nat) concerning his methods of modelling. Venmyn 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 is satisfied with the integrity and results of the model.

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

The upper surface of the model was sourced from the digital terrain model and is presented in Figure 126. A major northeast – southwest trending fault is apparent in the western sector of the farm Mount Stuart 153MT, which has displaced the coal seams. A number of other faults over the area (Figure 124) have not noticeably displaced the coal.

Both the physical and quality parameters of the various seams were modelled. Grids with a 25m mesh were estimated using Minex’s general purpose gridding function using a 3km search radius. The model of the physical parameters of the seam was cut along any significant structures, whilst the quality parameters were modelled across it. All physical and quality parameters were plotted and visually inspected to ensure they were acceptable from the perspective of geological interpretation.

18.14.1. Physical Results

The physical parameters of the elevation, in metres above sea level, and the depth from surface of the Upper, Middle, Bottom Upper, and Bottom Lower seams’ floors and roofs were modelled. The seam thicknesses were modelled for each and this was used as the basis for the calculation of the resource volumes. Although all these parameters were modelled, only the respective seam floor elevations, depths from surface and the seam thicknesses results are presented below.

Physical models have been generated for depth, seam thickness, and seam qualities for each of the coal seams modelled. Descriptions and plots of these parameters are detailed in the sections to follow.

18.14.1.1. Seam Floor Elevation

The Bottom Lower Seam floor elevation has been modelled in order to identify any abrupt elevation changes which would indicate the presence of faulting and also to identify the dip across the project area. The variations in seam floor elevations are presented in Figure 126.

This figure illustrates that the coal seams dip towards the north, with the shallowest part of the basin located in the south.

The coal within the resource area generally appears undisturbed by faults; however a large northeast-southwest trending fault is present in the western sector of the farm Mount Stuart 153MT, which has displaced the coal vertically.

18.14.1.2. Depth from Surface

The depth of the seams from surface will have an impact on the mining method (opencast versus underground). Figure 127 presents the seam floor depth from surface for each of the seams.

The coal seams vary in depth from surface from a minimum of less than 50m in the south to a maximum of almost 900m for the Bottom Lower Seam in the north.

The figure indicates that the coal can only be mined using opencast methods from the suboutcrop in the south. The dip of the coal towards the north would necessitate underground mining methods on selected seams toward the northern limit of the project area as the depth from surface increases.

To further illustrate this, Figure 129 presents the calculated strip ratios including all economic seams. The areas with stripping ratios greater than 7bcm:t coal have the potential to be mined using opencast method. This figure shows that the majority of the opencastable coal occurs in the south of the resource area.

18.14.1.3. Seam Thickness

The seam thickness contours or isopachs are presented in Figure 130. The seams vary in thickness from less than 0.5m to a maximum of over 9.0m. It is apparent that the seams generally tend to thicken to the north of the resource area. The Upper Seam is generally the thinnest seam.

18.14.2. Quality Results

Although quality results for the raw proximate (ash, volatile, fixed carbon, moisture and sulphur) and the raw CV laboratory results were available for the recent boreholes, these were not available for the historical boreholes. The historical boreholes were not analysed raw. They were washed and analysed at an RD of 1.40. Therefore, the most appropriate and common parameter available for both sets of data are the analyses of a washed product at an RD of 1.40. This approximately equates to a 12% ash product. Due to this situation, only the washed proximate and CV product results were modelled and are presented below. The product yield at this RD is also presented.

18.14.2.1. Coking Potential

The coking potential of Mount Stuart is good and the project has the potential to produce a hard coking coal (Figure 74), with samples indicating an RoVmax of 1.2.

No other specific coking coal tests were carried out.

18.14.2.2. Washed Calorific Value

No information is available on CV for the historical boreholes. Therefore this parameter has not been modelled or plotted. It must be noted that CV is not a critical parameter for coking coal and therefore this omission is not material to the assessment of the coal and declaration of resources.

18.14.2.3. Washed Ash

The modelled product ash content of the various seams at Mount Stuart for a wash at an RD = 1.40 is graphically presented in Figure 131.

Due to the fact that a product coal is presented at a fixed RD, the natural variability of the ash content of the raw coal is not clearly portrayed. The coal therefore varies in a small range, in this case between 5% and 20% for the various seams.

18.14.2.4. Washed Volatiles

The modelled product volatile content of the various seams at Mount Stuart for a wash at an RD = 1.40 is graphically presented in Figure 132.

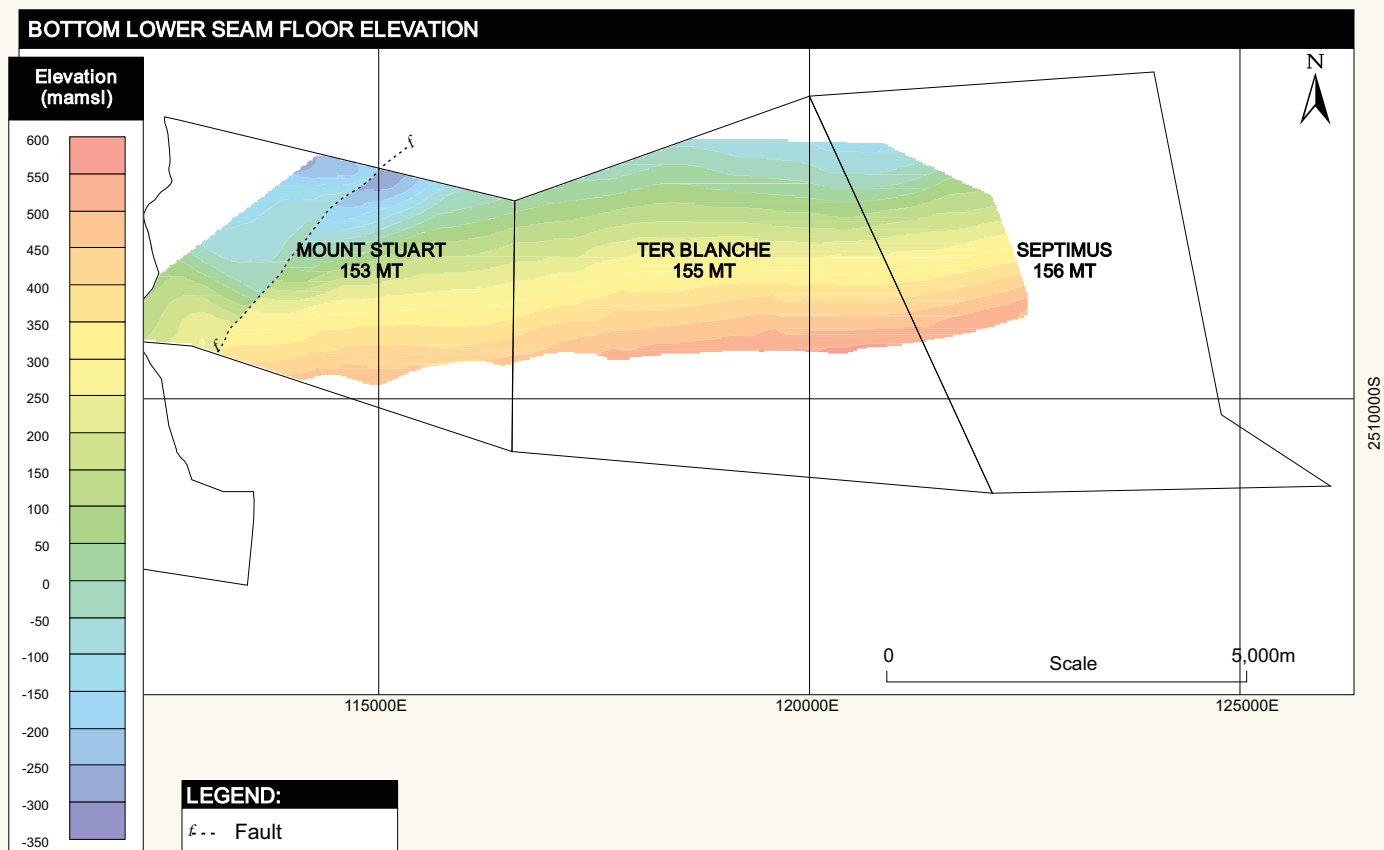
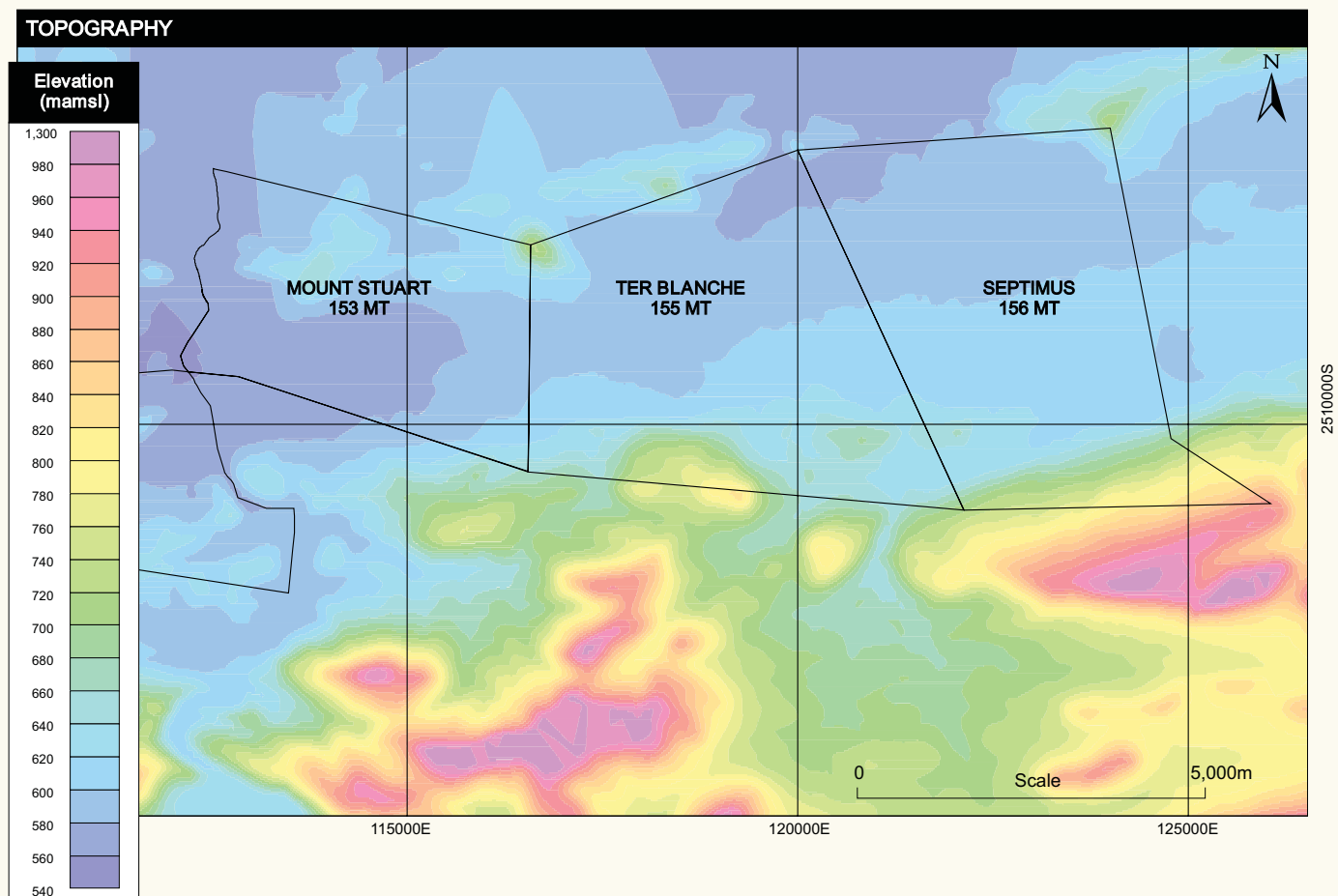
Although the plot presents a product volatile content, the trends in the inherent volatile content of the coal are evident. The washed volatile content varies between 10% and 30% for the various seams.

18.14.2.5. Potential Yields

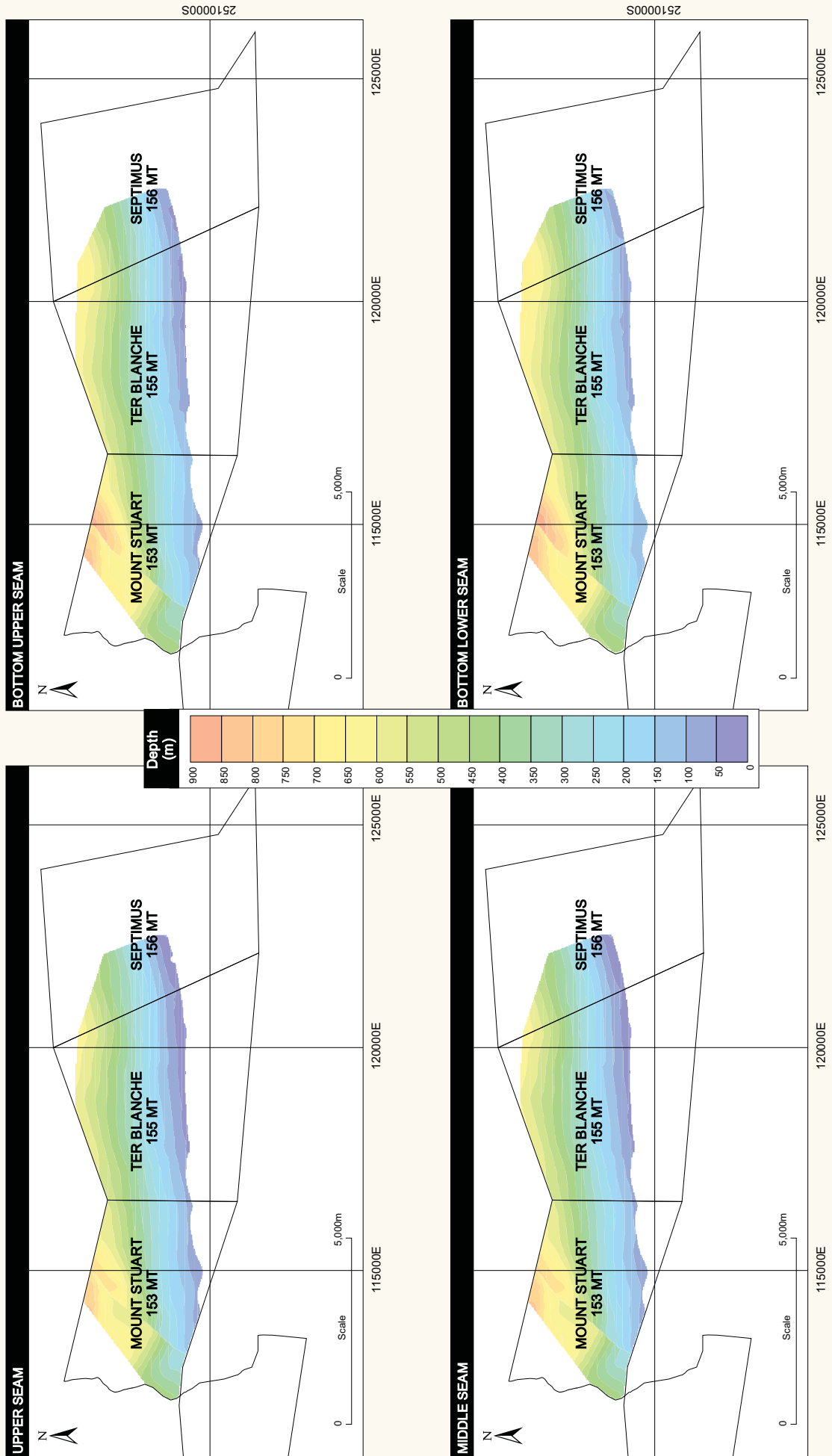
The washability of the coal was tested at an RD = 1.40 which roughly equates to a 12% Ash product coal, as stated above. The theoretical yields of the various seams are graphically presented in Figure 128.

Figure 128 indicates that the yields are varying widely, between 0% and 50%. This is indicative of the relative percentage of shale or mudstone within the coal seams. The Upper and Bottom Lower seams show the lowest average yields, of generally less than 10%. However, the technology used in the 1970s was single-tube NX drilling, which provides insufficient sample with significant loss of material. CoAL and Venmyn therefore consider the yield data unreliable and most likely grossly underestimated.

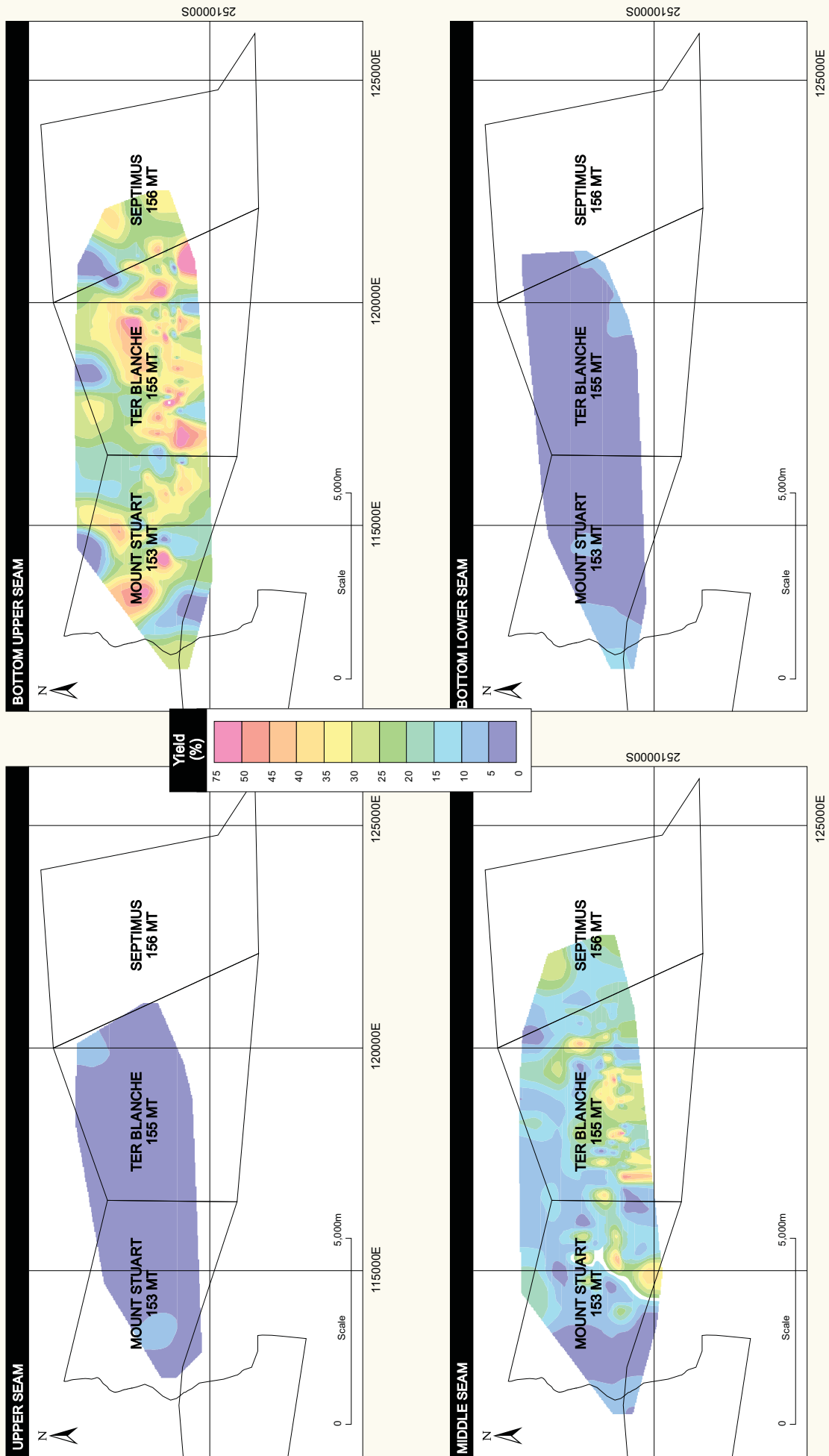
MOUNT STUART PROJECT - SURFACE CONTOURS AND BOTTOM LOWER SEAM FLOOR ELEVATION



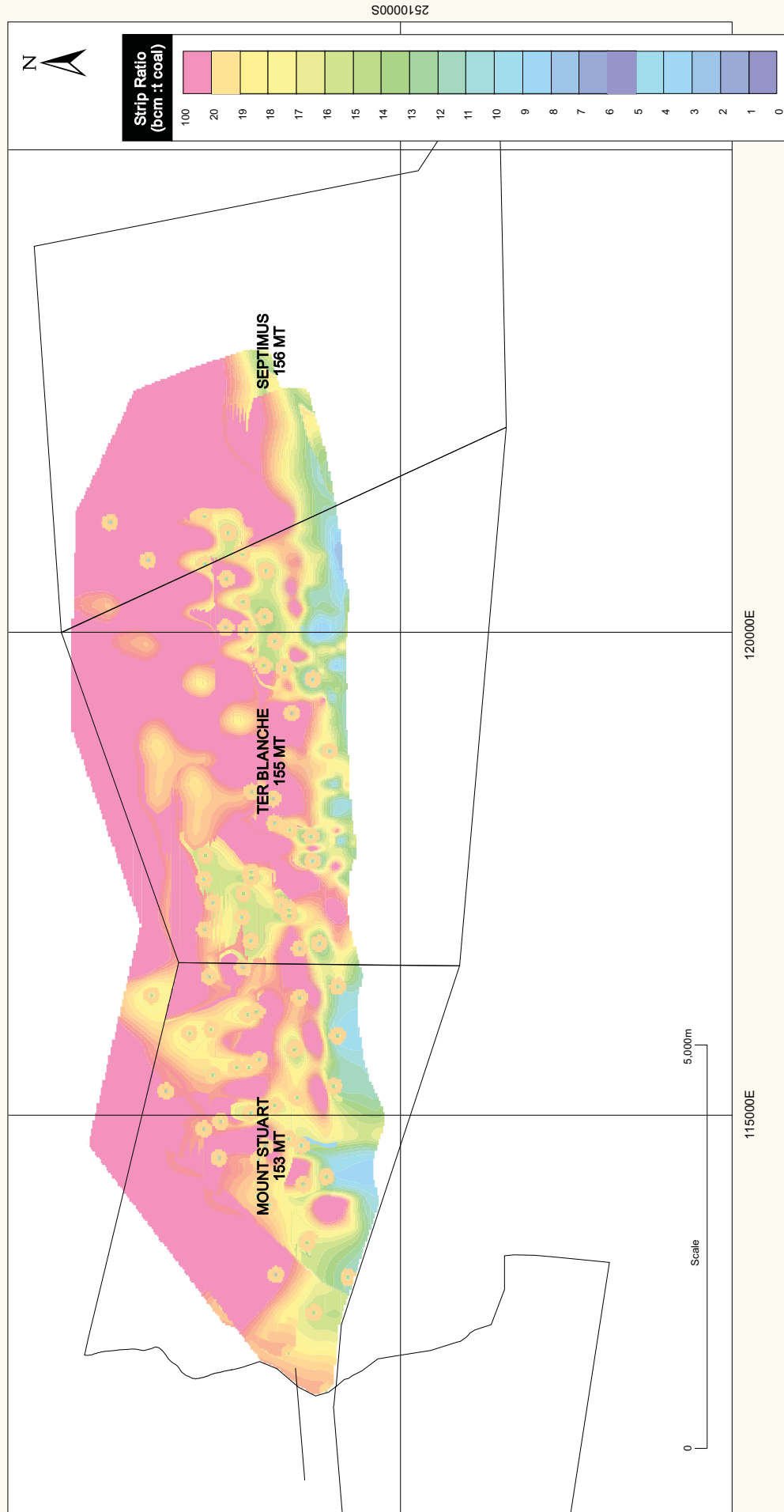
MOUNT STUART PROJECT - SEAM DEPTHS FROM SURFACE



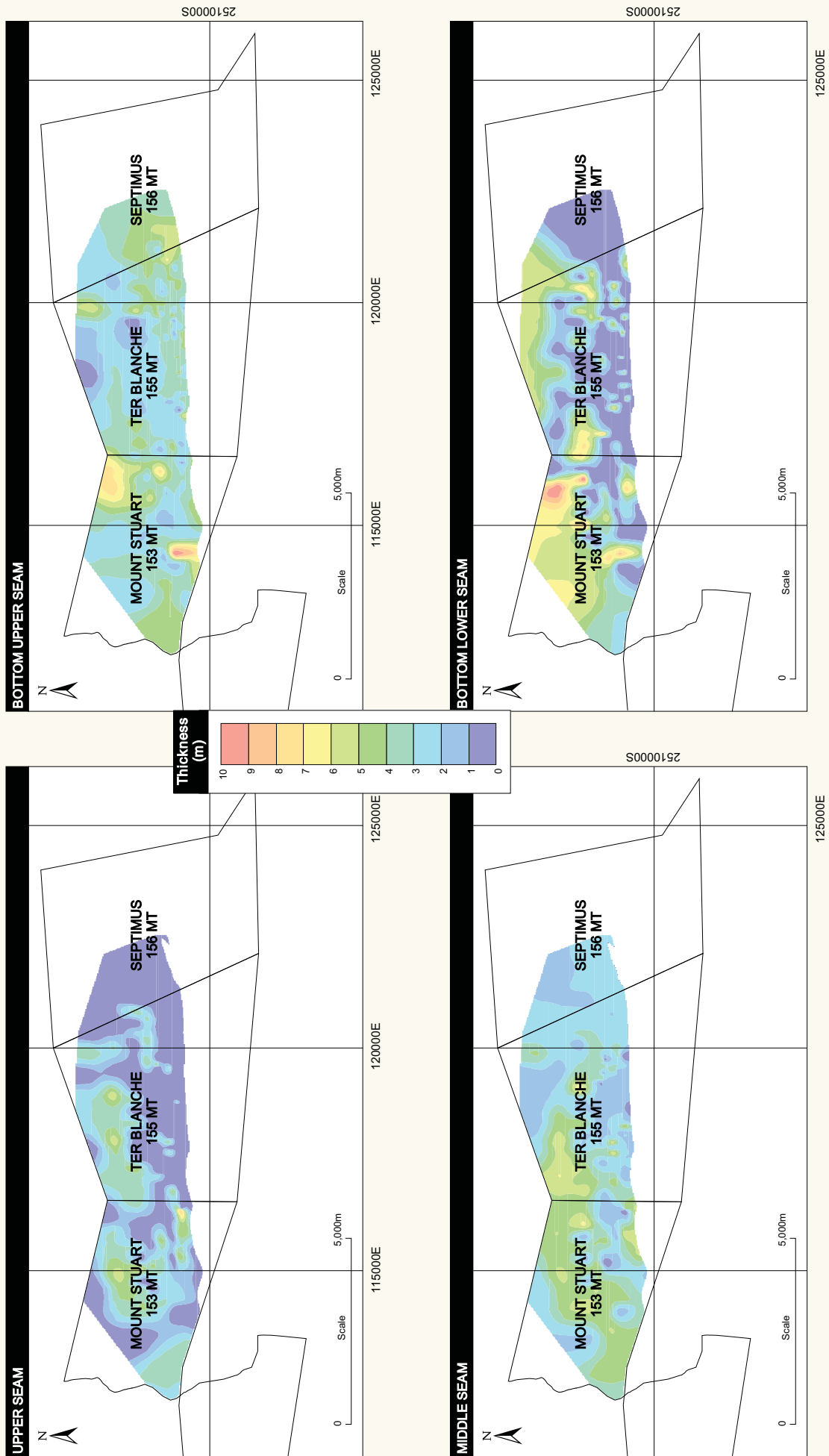
MOUNT STUART PROJECT - THEORETICAL PRODUCT YIELD CONTOURS (@ RD = 1.40)



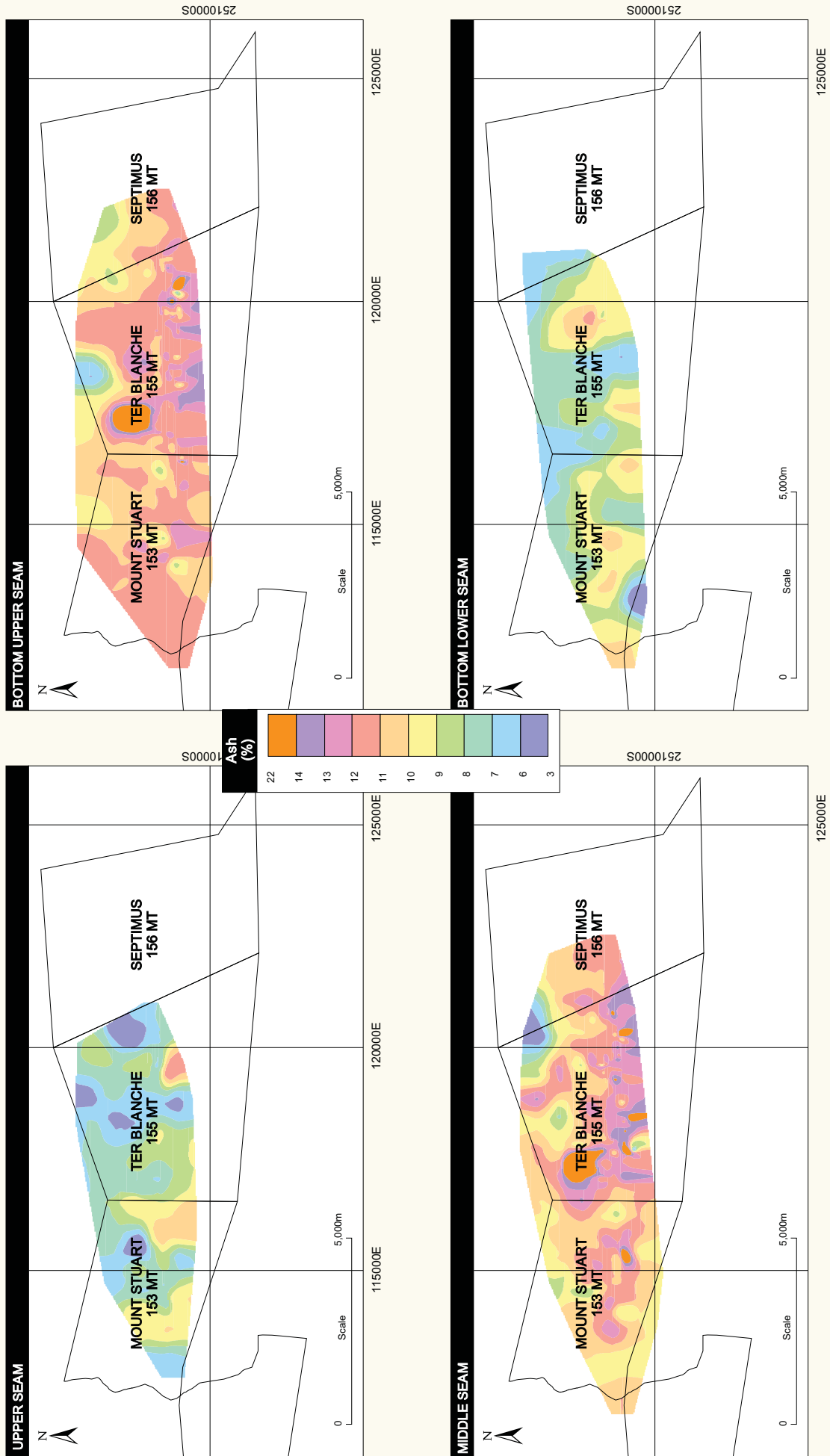
MOUNT STUART PROJECT - STRIP RATIO INCLUDING ALL ECONOMIC SEAMS



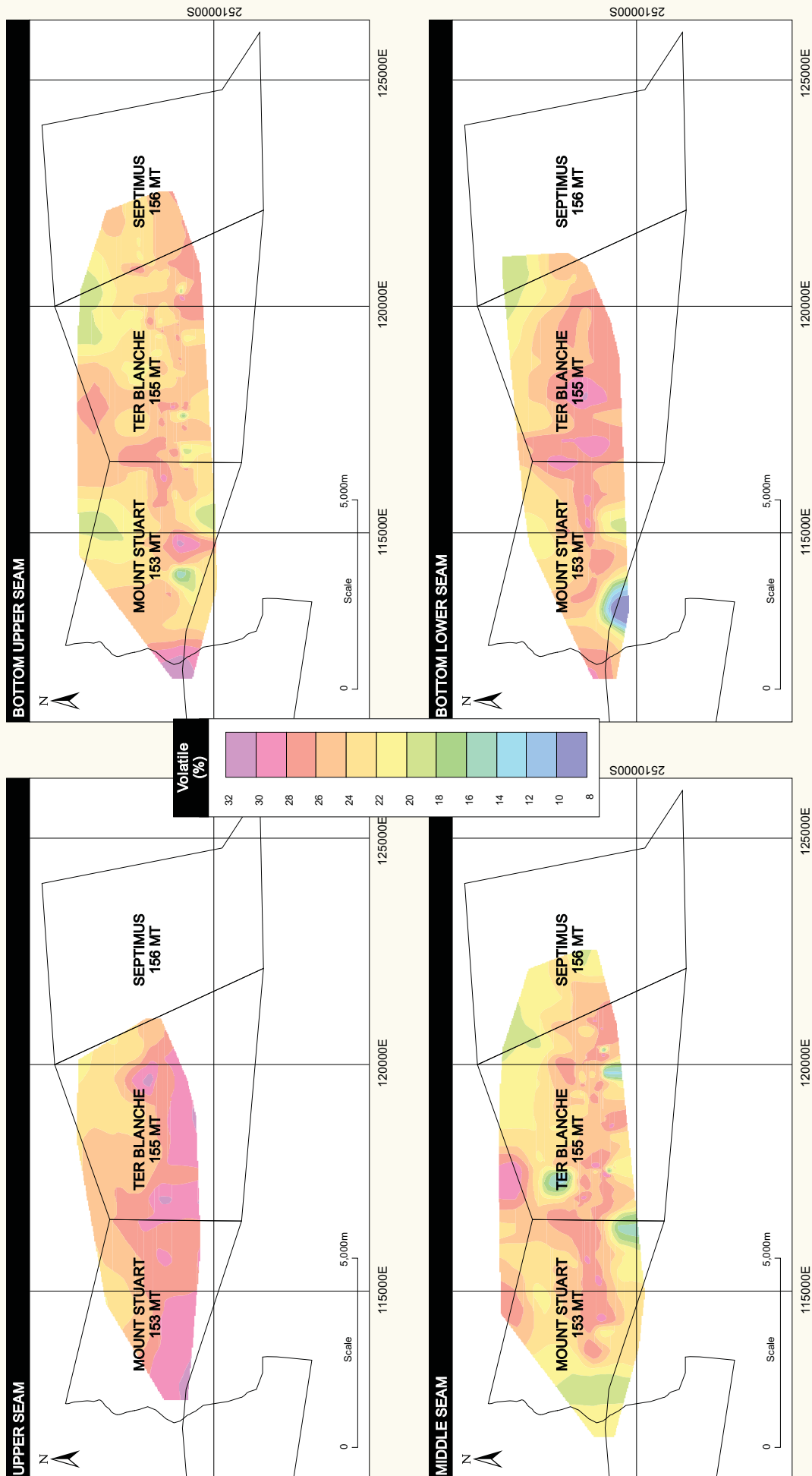
MOUNT STUART PROJECT - ISOPACH CONTOURS



MOUNT STUART PROJECT - THEORETICAL PRODUCT ASH CONTOURS (@ RD = 1.40)



MOUNT STUART PROJECT - THEORETICAL PRODUCT VOLATILE CONTOURS (@ RD = 1.40)



18.15. Coal Mining

Due to the stage of development of the Mount Stuart Project, 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 methods.

Details on mining methods and recoveries will be investigated during a Pre-Feasibility Study on the project.

18.16. Coal Processing

The Mount Stuart coal is most likely to yield a coking coal product. This product is briefly discussed in Section 15.13.2.1. No details are currently available on the envisaged processing plant. This study will be undertaken as part of a Pre-Feasibility Study.

18.17. Coal Market

The indications are that the Mount Stuart product will be a hard coking coal, based on current geological data and plant assumptions, with R_oV_{max} of 1.2. There are currently no contracts in place for the sale of this coal.

18.18. Previous Resource Statement

There are no known previous resource estimates for the Mount Stuart Project.

18.19. Current Resource Statement

The Coal Resources for the Mount Stuart Project were independently classified and signed off by Venmyn's Competent Person in accordance with the JORC Code and the Australian Guidelines. Venmyn's Competent Person, Mrs Catherine Telfer, is a qualified geologist, a registered Professional Natural Scientist (Reg. No 400049/02) and a longstanding member of the AusIMM. She has over 15 years experience in the resources industry.

The classification into the various resource categories is primarily based upon the relative spacing of points of observation with both quantitative and qualitative results. Venmyn is confident that the logging, sampling, data density and distribution are suitable for the Coal Resource estimation. The estimation of each of the parameters required for the reporting of Coal Resources is presented in the section to follow. The Coal Resource Statement for the Mount Stuart Project, as at 31st August 2011, is presented in Table 105 and the location of the Coal Resources in relation to the NOMRs boundary is illustrated in Figure 133.

Table 105 presents the estimated resources and qualities for in situ raw coal, and a theoretical washed coal product with an ash content of 12%. Resources have been categorised as Inferred according to JORC Code guidelines. Only opencast resources have been considered in the reporting of MTIS.

18.19.1. Resource Classification

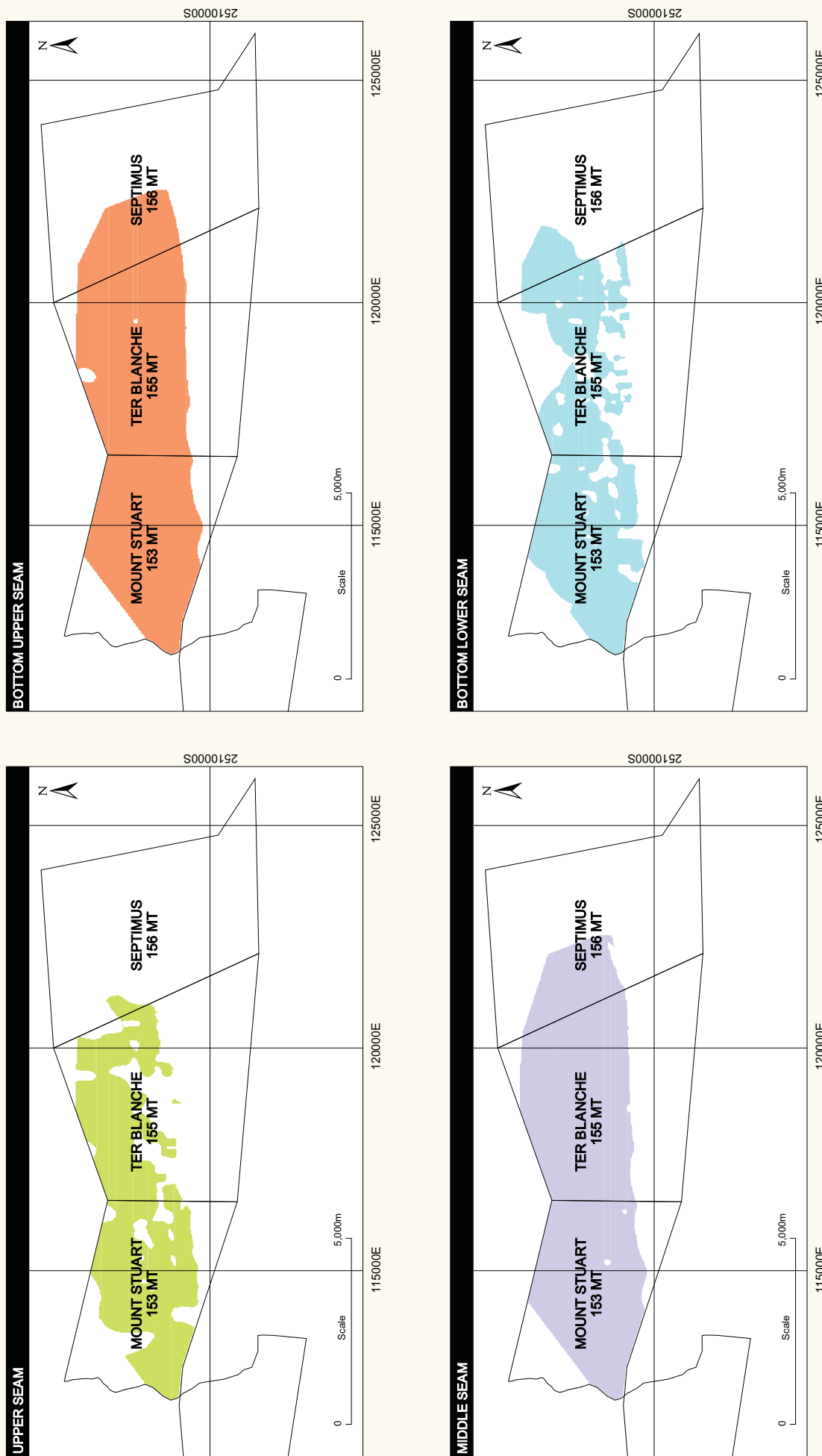
While cognisance has been taken of the resource categories defined by the JORC Code (Table 19), all resources have been classified in the Inferred Category as a consequence of the resource area being defined on the basis of historical data, with no recent verification drilling or sampling by CoAL.

Only Points of Observation with seam quality data have been used to define the resources. The coal seams have been classified in the Inferred Category based on an Inferred Resource limit of a maximum of 4,000m between Points of Observation. For any seam, the resource limits were extrapolated no more than 500m beyond the last line of Points of Observation.

While the borehole density is, in places, sufficient to classify Indicated and Measured resources, these areas have all been downgraded to the Inferred Category due to the lack of recent verification.

The JORC halo diagram is presented in Figure 134.

MOUNT STUART PROJECT - LOCATION OF RESOURCES



LEGEND:

Mineral Resource

— Prospecting Rights Boundary

Table 105 : Mount Stuart Project – Summary Resource Statement (31st August 2011)

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

Notes :

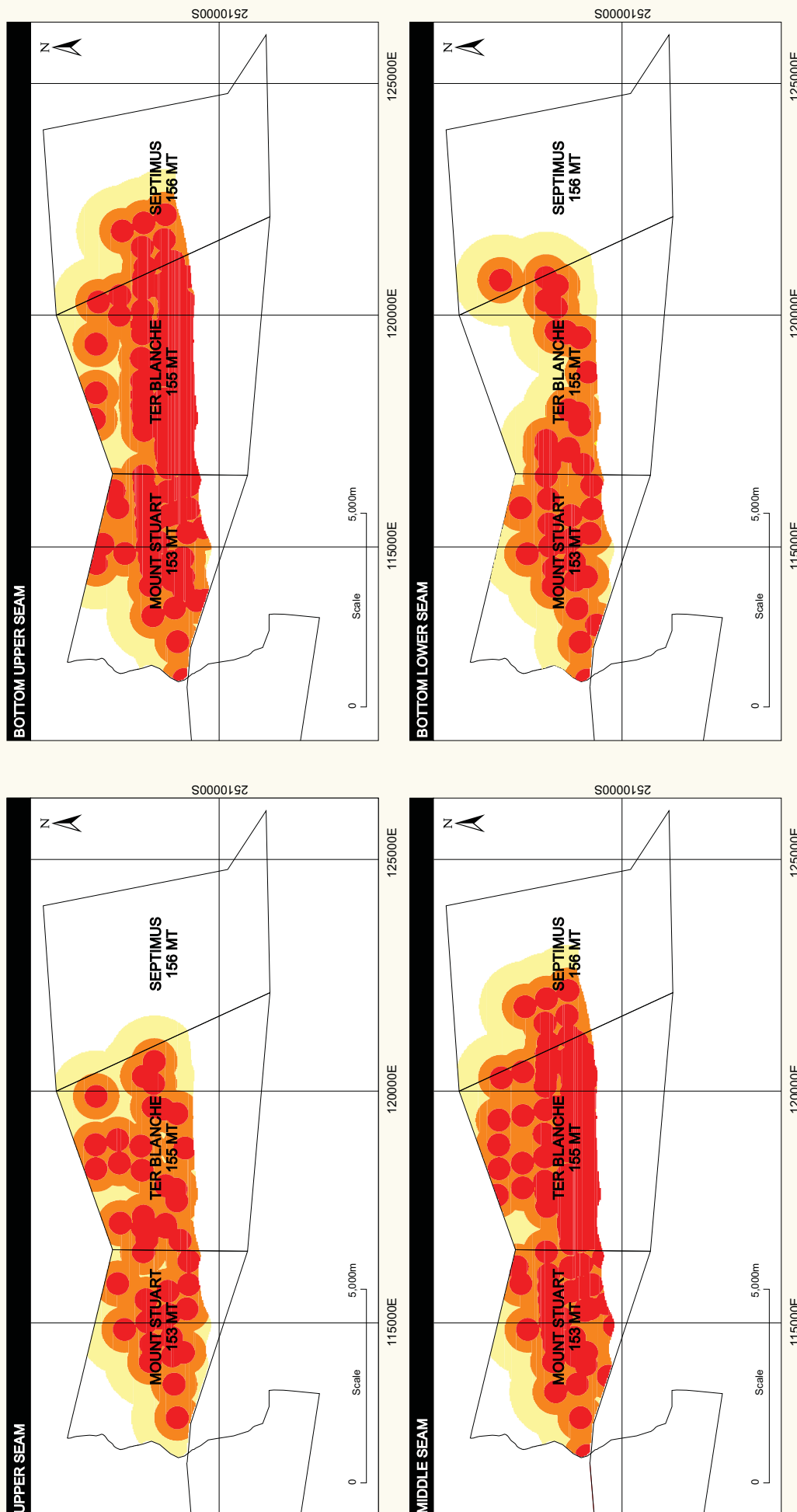
GTIS & TTIS - At minimum seam thickness cutoff of 0.5m.

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

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

Weighted average qualities calculated on MTIS.

MOUNT STUART PROJECT - JORC HALO DIAGRAMS



LEGEND:

Mineral Resource

- Measured (250m radius from borehole with quality data)
- Indicated (500m radius from borehole with quality data)
- Inferred (2000m radius from borehole with quality data)
- Prospecting Rights Boundary

Note: All resources downgraded to Inferred Category

Table 106 : Detailed Resource Statements for the Mount Stuart Project (31st August 2011)

RESOURCE CALCULATED AT 0.5m MINIMUM SEAM THICKNESS											AIR DRIED WASHED QUALITIES @ RD=1.40							
FARM	RESOURCE CATEGORY	SEAM	AVE WIDTH (m)	AREA (m ²)	VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)	
Mount Stuart 153MT	Inferred	Upper	2.46	7,086,109	17,407,755	1.92	33,367,022	20%	6,673,404	26,690,000	2.59		8.02	26.65	64.94	0.98	0.39	
		Middle	3.66	8,321,143	30,470,404	1.82	55,499,570	20%	11,099,914	44,390,000	9.40		10.64	23.61	65.29	1.00	0.46	
		Bottom Upper	3.73	8,335,671	31,120,678	1.69	52,650,930	20%	10,530,186	42,120,000	21.84		11.06	23.96	64.48	0.78	0.49	
		Bottom Lower	4.26	7,642,371	32,529,623	1.93	62,926,086	20%	12,585,217	50,340,000	3.21		8.49	24.01	66.99	0.84	0.52	
	TOTAL / AVE INFERRED		3.55	31,385,294	111,528,460	1.84	204,443,608	20%	40,888,722	163,540,000	9.59		9.66	24.32	65.55	0.89	0.47	
TOTAL / AVE MOUNT STUART											9.59		9.66	24.32	65.55	0.89	0.47	
Ter Blanche 155MT	Inferred	Upper	2.34	5,972,144	13,962,575	1.96	27,322,124	20%	5,464,425	21,850,000	2.80		7.15	24.88	67.48	0.89	0.49	
		Middle	2.86	9,632,557	27,512,799	1.78	48,979,847	20%	9,795,969	39,180,000	14.47		11.43	23.53	64.54	0.93	0.50	
		Bottom Upper	2.86	9,594,286	27,473,954	1.64	44,940,267	20%	8,988,053	35,950,000	29.26		11.52	23.88	64.18	0.73	0.42	
		Bottom Lower	2.96	7,715,752	22,848,262	1.98	45,126,342	20%	9,025,268	36,100,000	2.02		8.04	24.44	66.89	0.73	0.63	
	TOTAL / AVE INFERRED		2.79	32,914,739	91,797,590	1.82	166,368,580	20%	33,273,716	133,080,000	13.17		9.83	24.09	65.56	0.81	0.51	
TOTAL / AVE TER BLANCHE											13.17		9.83	24.09	65.56	0.81	0.51	
Septimus 156MT	Inferred	Upper	1.21	238,417	289,397	1.83	529,443	20%	105,889	420,000	1.96		6.31	23.91	68.84	0.88	0.94	
		Middle	2.05	2,727,704	5,604,217	1.72	9,665,623	20%	1,933,125	7,730,000	14.61		10.30	22.20	67.15	0.95	0.35	
		Bottom Upper	3.56	2,991,865	10,658,245	1.68	17,952,506	20%	3,590,501	14,360,000	22.82		10.42	23.58	65.68	0.76	0.32	
		Bottom Lower	3.38	1,258,836	4,256,458	1.93	8,203,068	20%	1,640,614	6,560,000	2.08		6.90	20.21	72.25	0.73	0.64	
	TOTAL / AVE INFERRED		2.88	7,216,822	20,808,317	1.75	36,350,640	20%	7,270,128	29,070,000	15.66		9.53	22.46	67.60	0.81	0.41	
TOTAL / AVE SEPTIMUS											15.66		9.53	22.46	67.60	0.81	0.41	
GRAND TOTAL / AVE MOUNT STUART											11.59		9.72	24.06	65.74	0.85	0.48	

Note: Yields are considered to be unreliable due to the technology used in the 1970s. Other qualities are not in dispute.

RESOURCE CALCULATED FOR MAXIMUM SEAM DEPTH OF 200m FOR OPENCAST MINING. NO UG MINING CONSIDERED. COAL WITH VOLATILE CONTENT <18% EXCLUDED.

FARM	RESOURCE CATEGORY	SEAM	O/C or U/G	AVE WIDTH (m)	AREA (m ²)	VOLUME (m ³)	COAL RAW RD (t/m ³)	GROSS TONNES IN SITU	GEOL. LOSSES (%)	CALC. GEOLOGICAL LOSSES (t)	TOTAL TONNES IN SITU	MINING BLOCK LAYOUT LOSSES	MINING BLOCK LAYOUT LOSSES (t)	MINABLE TONNES IN SITU
Mount Stuart 153MT	Inferred	Upper		2.33	1,349,866	3,148,504	1.97	6,211,181	20%	1,242,236	4,968,945	2%	99,379	4,860,000
		Middle	O/c	3.27	1,747,770	5,722,895	1.79	10,233,374	20%	2,046,675	8,186,699	2%	163,734	8,020,000
		Bottom Upper		3.78	1,486,040	5,621,757	1.75	9,824,154	20%	1,964,831	7,859,323	2%	157,186	7,700,000
		Bottom Lower		2.98	817,973	2,439,581	1.96	4,774,622	20%	954,924	3,819,698	2%	76,394	3,740,000
	TOTAL / AVE MOUNT STUART			3.13	5,401,649	16,932,737	1.84	31,043,331	20%	6,208,666	24,834,665	2%	496,693	24,320,000
Ter Blanche 155MT	Inferred	Upper		1.53	767,148	1,172,128	1.94	2,277,591	20%	455,518	1,822,073	2%	36,441	1,780,000
		Middle	O/c	2.33	3,189,135	7,427,944	1.72	12,759,480	20%	2,551,896	10,207,584	2%	204,152	10,000,000
		Bottom Upper		3.23	2,962,176	9,553,521	1.69	16,182,106	20%	3,236,421	12,945,685	2%	258,914	12,680,000
		Bottom Lower		1.71	918,971	1,569,937	1.95	3,054,226	20%	610,845	2,443,381	2%	48,868	2,390,000
	TOTAL / AVE TER BLANCHE			2.52	7,837,430	19,723,530	1.74	34,273,403	20%	6,854,681	27,418,722	2%	548,374	26,850,000
Septimus 156MT	Inferred	Upper		0.53	32	17	1.88	32	20%	6	26	2%	1	-
		Middle	O/c	2.38	853,858	2,032,740	1.72	3,501,716	20%	700,343	2,801,373	2%	56,027	2,740,000
		Bottom Upper		4.48	263,361	1,179,049	1.68	1,985,775	20%	397,155	1,588,620	2%	31,772	1,550,000
	TOTAL / AVE SEPTIMUS			2.87	1,117,251	3,211,806	1.71	5,487,523	20%	1,097,505	4,390,018	2%	87,800	4,290,000
GRAND TOTAL / AVE MOUNT STUART				2.78	14,356,330	39,868,073	1.78	70,804,257	20%	14,160,851	56,643,406	2%	1,132,868	55,460,000

Note: Yields are considered to be unreliable due to the technology used in the 1970s. Other qualities are not in dispute.

AIR DRIED WASHED QUALITIES @ RD=1.40									
YIELD (%)	CV (MJ/kg)	ASH (%)	VOL. (%)	FIXED CARBON (%)	SULPH. (%)	MOIST. (%)			
1.82		9.11	27.85	62.64	1.00	0.40			
13.12		11.12	24.24	63.96	1.04	0.68			
20.51		11.43	24.03	63.93	0.73	0.61			
3.20		9.19	24.73	65.63	0.95	0.44			
11.67		10.52	24.97	63.94	0.92	0.56			
11.67		10.52	24.97	63.94	0.92	0.56			
2.57		8.19	27.84	65.14	0.98	0.56			
18.94		12.10	25.38	61.61	0.90	0.47			
32.22		11.89	24.66	62.69	0.71	0.50			
4.43		9.06	26.97	63.63	0.74	0.53			
22.83		11.47	25.35	62.53	0.80	0.50			
22.83		11.47	25.35	62.53	0.80	0.50			
1.62		6.75	25.19	67.05	0.96	1.01			
15.63		11.36	23.36	64.88	1.07	0.40			
27.63		11.15	24.81	63.38	0.76	0.47			
19.97		11.28	23.88	64.34	0.96	0.43			
19.97		11.28	23.88	64.34	0.96	0.43			
17.72		11.04	25.07	63.29	0.87	0.52			

18.19.2. Input Parameters and Limits

The detailed Coal Resource Statement, by farm, is presented in Table 106. This table presents the input parameters, the calculations and limits used in a stepwise process to obtain the resultant resource tonnages and associated qualities.

18.19.2.1. Volume

The volume of the seams were estimated using the Minex™ model of the seam thickness, divided into the various farms or blocks.

18.19.2.2. Density

The Minex™ modelled average raw density per resource block was used to calculate the tonnage from the volume. The raw density of every sample is measured in the laboratory.

18.19.2.3. Tonnage

The tonnage is calculated on a block by block basis from the volume multiplied by the average raw density.

18.19.2.4. Quality

Each of the quality parameters were modelled in Minex™ and the average quality per farm is reported in the Coal Resource Statement.

18.19.2.5. Losses and Limits

The following cutoffs or limits were applied to the Coal Resources:-

- the limit of the NOPRs boundary;
- the limit of the occurrence of the coal seams in the south;
- a minimum seam thickness limit of 0.5m was applied prior to the reporting of GTIS;
- a minimum volatile content of 18% for the calculation of MTIS. This is due to the fact that the rank of the coal at Mount Stuart is significantly higher than at Makhado;
- all Coal Resources were classified as Inferred and therefore geological losses of 20% were applied prior to the reporting of TTIS. These losses take into account any unforeseen geological features, such as dykes and faults, which have not been identified in the drilling and which may have a negative impact on the Coal Resources; and
- mining layout losses of 2% were applied prior to the calculation of MTIS.

18.19.3. Differences Between Resource Statements

There are no known previous resource estimates for the Mount Stuart Project, and therefore no comparison can be made with the current resource estimates.

18.20. Ore Reserve Statement

As a result of the current stage of development of the Mount Stuart Project, no reserves have yet been declared. Reserves can only be declared once a mining plan has been prepared. This will be undertaken during the next stage of development of the project i.e. at Pre-feasibility Stage.

18.21. Environmental Issues

The environmental issues relating to the development of the project will be addressed during the environmental reporting requirements to be carried out as part of a NOMRs application. The Mount Stuart Project is currently not at this stage of development.

18.22. Mineral Asset Valuation

The contributing coal assets of CoAL's Mount Stuart Project can be defined as an early exploration project, with JORC Code compliant Inferred Coal Resources classified for the farms that makes up the NOPR area. The farms comprising the mineral resources include Mount Stuart 153MT, Tel Blanche 155MT and Septimus 156MT.

18.22.1. Valuation Methodologies

The different valuation approaches and methodologies have been discussed in detail in Section 13.22.1.

The contributing properties in this project were valued using the Comparative Sales Transaction (or Market) Approach only due to the lack of reliable historical cost of exploration. Since, Coal Resources have been classified, the Project was valued using comparable transaction values using the Venmyn Coal Valuation Curve.

It is important to note that this valuation has utilised the Venmyn August 2011 Coal Resource Statement (Table 105), as this is the current compliant resources estimate for the Mount Stuart Project. The effective date of the valuation is the 31st August 2011.

18.22.1.1. Mount Stuart Coal Project Market Approach Valuation

Since Coal Resources have been classified for CoAL's Mount Stuart Project, Venmyn was able to carry out a comparable transaction valuation on the basis that recent market valuations of a similar nature provide the proxy for value. In order to arrive at a reasonable market value with which to compare the respective projects, appropriate recent and historical transactions must form the basis.

Figure 33 summarises Venmyn's database of recent unit market valuations within the context of the South African coal market with reference to the respective coal resource classifications.

All coal zones at the Mount Stuart Project are present and a small portion is accessible for exploitation using opencast mining methods. In the coal resource statement approximately 400Mt GTIS and only 58Mt is considered mineable by open cast mining methods to a depth of 200m from surface. However, the rest of coal resources beyond the cut-off depth have not been considered in this valuation. The prospects of eventual economic extraction for the underground coal resources could not be demonstrated at this point. The comparable transaction value range selected for the valuation of the contributing properties of CoAL's Mount Stuart Project has considered the nature of this valuation and the associated risk factors.

Venmyn is of the opinion that the ranges defined are reasonable in light of transactions of a similar nature and consideration of the following:-

- the opencastability of the resources;
- the presence of commercially valuable coal zones;
- the range of potential coal qualities;
- the magnitude of the classified Coal Resources declared;
- potential availability of infrastructure and logistics to transport the coal to the respective markets; and
- the timing of potential exploitation.

The range of values generated, based upon all MTIS coal quantified for the contributing properties of CoAL's Mount Stuart Project, is summarised in Table 107 and illustrated in Figure 33.

Table 107 : Summarised Market Approach Valuation Results for Mount Stuart Project

PROJECT AREA	RESOURCE CATEGORY	GROSS TONNES IN SITU (GTIS)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	MEAN PROJECT VALUE (ZARm)
Mount Stuart	Inferred	407,162,828	325,730,262	55,460,000	0.25	0.40	13.87	22.18	18.02
GRAND TOTAL / AVE		407,162,828	325,730,262	55,460,000	0.25	0.40	13.87	22.18	18.02

The value range derived from the Market Approach is between ZAR14m (low valuation) and ZAR22m (high valuation). This valuation range was calculated from the range of unit values as defined by the Market Approach. The value range reflects the level of confidence attached to the respective Coal Resources and the fact that this project is an advanced exploration project. The population of historic market transactions and valuations provides an indication of reasonability.

Venmyn's preferred value is the mean value derived from the unit value ranges per category. This results in a preferred value, using the Market Approach, of ZAR18m for the contributing properties. This results in an average unit value of ~ZAR0.32/t. Nevertheless all defined unit values fall within the so-called 'Limpopo Coalfields Value Curve' defined by Venmyn from its transaction database.

The market comparison valuation results were computed using the MTIS coal resources declared in the Coal Resources Statement due to the greater variability in the beneficiation yields and mining extraction factors achieved in the different coalfields especially in the Soutpansberg Coalfields. The market comparative valuation using GTIS has been disregarded since these results are not comparable and consistent with valuation results expected for these types of coal qualities. In addition, some material included in the GTIS, cannot be mined using the available known technology and hence cannot satisfy the "reasonable prospects of eventual economic extraction". In addition the MTIS coal resources are the value drivers on these mineral assets.

The reader should note that a transaction involving the assets in question will rely on a willing-buyer willing-seller arms length transaction which will need to consider other strategic considerations, such as the relative scarcity of South African coal projects.

18.22.2. Valuation Summary

Venmyn considers the Market Approach an appropriate valuation technique, in this case, as it considers the full resource base and the actual transactions and market values, and allows for a thorough review of the logistical, infrastructural and strategic merits of the projects.

In addition, Venmyn's database provides a comprehensive and reliable benchmark for recent relevant transactions in the coal industry in general, and the Limpopo Coalfields in particular.

Venmyn's current preferred 'Fair Value' represents the mean value achieved from the market approach utilised in this valuation, and is considered to be **ZAR18m**.

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

19. SOUTPANSBERG COALFIELD – JUTLAND

The Jutland Project, located within the Soutpansberg Coalfield, is an early stage exploration project. Currently there are no coal resources associated with the project, but the presence of coal is known.

19.1. Location

The Jutland Project is situated in the magisterial district of Vhembe, in the Limpopo Province of South Africa (Figure 135). Figure 92 illustrates the location of the Jutland Project area in relation to regional infrastructure and the mineral tenure in the greater Soutpansberg Project area.

The nearest town is Musina, situated approximately 35km to the northeast of the Jutland Project area.

19.2. Legal Aspects

19.2.1. Ownership by CoAL

CoAL holds an NOPR on the farms Cohen 591MS and Jutland 536MS (NOPR 38). In addition, CoAL's wholly owned subsidiary Regulus holds an NOPR on the farms Mons 557MS and Stubbs 558MS (NOPR 161). Venmyn was not provided with a registered copy of NOPR 161. To the extent that registration has not occurred, the rights are personal.

19.2.2. Mineral Tenure

The rights relating to the Jutland Project are summarised in Table 108 and their locations are graphically presented in Figure 92.

CoAL holds an NOPR on the farms Cohen 591MS and Jutland 536MS, which will lapse on the 1st October 2011. An application for renewal was lodged with the DMR on the 30th June 2011 and is awaiting renewal. In addition, CoAL's wholly owned subsidiary Regulus holds an NOPR on the farms Mons 557MS and Stubbs 558MS, which will expire on the 18th April 2013.

19.2.3. Surface Rights

There are currently agreements with the surface rights owners to access the properties for exploration purposes and access is sufficient for most of their prospecting requirements.

19.2.4. Royalties

There are no private royalties payable for the Jutland Project. State royalties, as per the MPRRA (Section 10.3.5) will be payable, however, on any future production.

19.2.5. Environmental Statutory Requirements

No authorisations in terms of the NEMA and NWA are required for current exploration purposes. All EMPRs for prospecting were submitted as part of the process to obtain an NOPR on the various properties.

19.2.6. Material Contracts

Venmyn are not aware of any material contracts in place for the Jutland Project.

19.2.7. Any Other Legal Issues

19.2.7.1. Land Claims

Enquiries made to the Office of the Regional Land Claims Commissioner: Limpopo on the 27th June 2011 revealed gazetted restitution land claims on Stubbs 558MS.

Venmyn is advised that a notification of a land claim does not invalidate the NOMR. However, in respect of gazetted claims, one months notice is required to be given to the commissioner to develop the land. A dispute around restitution of rights in land, Venmyn is advised, may delay mining activities or result in a cost to CoAL in seeking early resolution.

19.2.7.2. Litigation

Venmyn have not been made aware of any litigation associated with the Jutland Project.

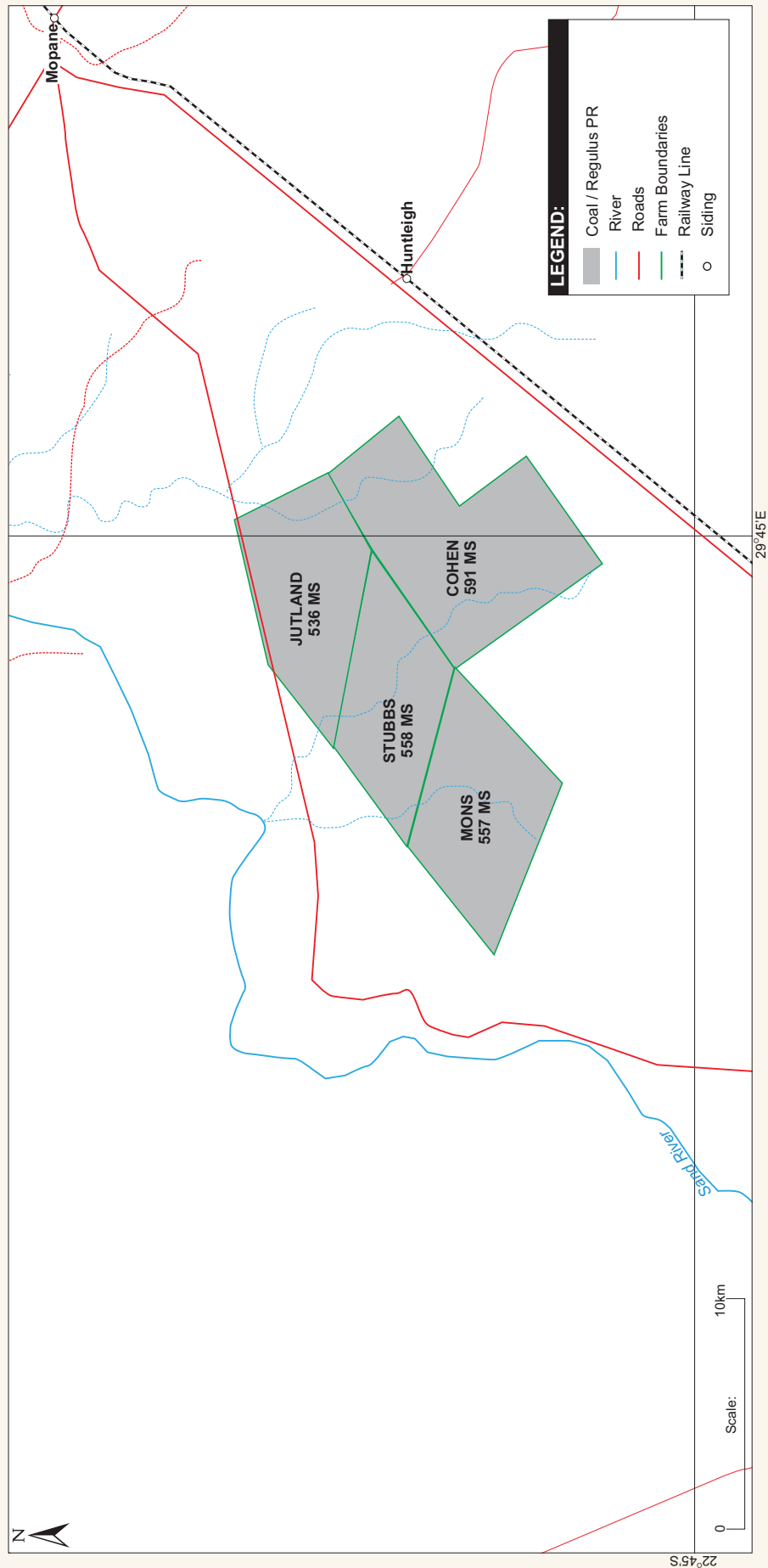
19.2.7.3. Competing Rights

Venmyn has not been made aware of any competing rights associated with the Jutland Project.

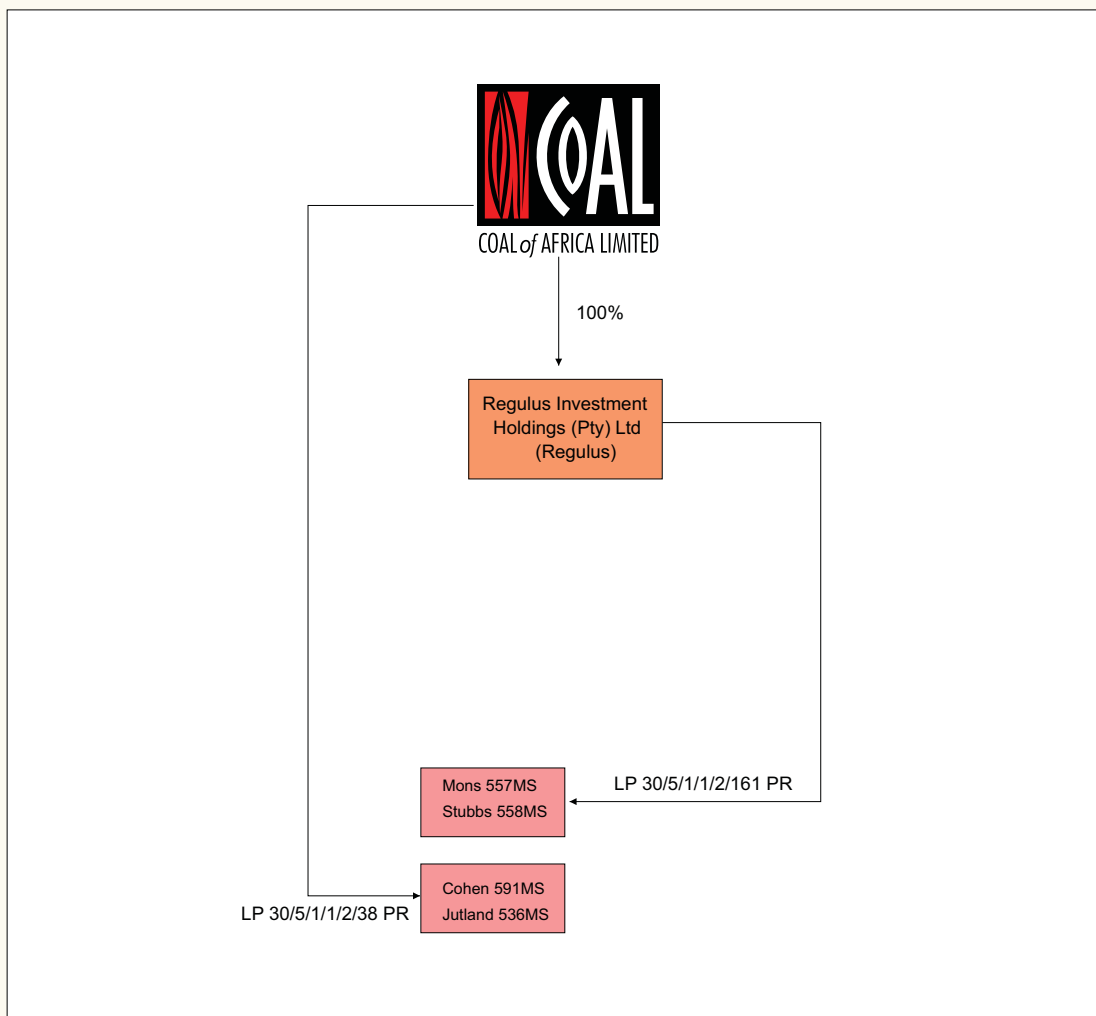
Table 108 : Summary of the Soutpansberg Coalfield (Jutland Project) Mineral Tenure

PROJECT	FARM NAME & NO.	PORTION NO.	AREA (ha)	ORIGINAL COMPANY HOLDING RIGHTS	NEW ORDER LICENCE TYPE	LICENCE NO.	DATE ISSUED	EXPIRY DATE	RENEWED	RENEWAL EXPIRY DATE	SURFACE RIGHTS
Jutland	Cohen 591MS	Whole farm	1,772.00	Coal of Africa (Pty) Ltd	Prospecting	LP 30/5/11/2/38 PR	02/10/2006	01/10/2011	No		No
	Jutland 536MS	Whole farm	1,054.00								No
	Mons 557MS	Whole farm	1,197.00	Regulus Investment Holdings (Pty) Ltd		LP 30/5/11/2/161 PR	19/04/2005	18/04/2010	Yes	18/04/2013	No
	Stubbs 558MS	Whole farm	1,036.00								No
	TOTAL JUTLAND		5,059.00								

LOCATION OF COAL'S JUTLAND PROJECT IN RELATION TO LOCAL INFRASTRUCTURE AND MINERAL TENURE



OWNERSHIP OF THE JUTLAND PROJECT



19.1. Access

Access to the Jutland Project area is via the tarred national N1 road from Louis Trichardt to Musina. Approximately 40km north of Louis Trichardt, take the R525 dirt road travelling westwards for 7.5km (Figure 135) to the Mopane Siding. Here a gravel road branches to the south. The gravel roads are in a good condition, whilst the N1 road is in an excellent condition. The project area is approximately 380km, by road from the capital, Pretoria.

The various properties within the project area are accessed by a network of gravel farm roads.

19.2. Climate

The climate for the Jutland Project is similar to that described in Section 16.4 for the Makhado Project.

Operations can occur all year round and the climatic conditions generally do not prevent exploration or mining operations. However, during times of heavy downpours, temporary delays may be experienced.

19.3. Topography

The topography of the Jutland Project area is essentially flat and lies at an average elevation of about 600mamsl. The area is drained by a non-perennial tributary of the Sand River which flows in a northerly across the project area.

19.4. Vegetation

The Jutland Project area falls within the 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 given over to cattle and game ranching with localised arable farming.

19.5. Local Resources

The nearest towns of Louis Trichardt and Musina are regional centres and provide modern conveniences, including accommodation and services. The towns are also sources of fuel and labour.

19.6. Infrastructure

The Project is well situated with respect to the major infrastructural aspects of rail, road and power.

The railway linking Gauteng (in South Africa) and Zimbabwe passes along the southeasternmost boundary of the project area. The Huntleigh Siding, for which CoAL has negotiated the rights, occurs on this stretch of the railway (Figure 135).

Eskom grid powerlines are located 17km to the east of the project area along the N1 (Figure 135).

Water for drilling and potable requirements is currently available from local farmers' dams.

Due to the fact that the Jutland Project is still at an exploration stage, details on the availability and requirements of power, water, tailings disposal and other infrastructural items have not been investigated in detail and are therefore not reported upon in this document. These will be addressed once the project reaches pre-feasibility stage.

19.7. Regional Geological Setting

The Jutland Project is situated within the Mopane Coalfield subdivision of the Soutpansberg Coalfield (Figure 92). The reader is referred to Section 16.9 on the regional geology of this coalfield, as described for the Makhado Project.

19.8. Local Geological Setting

The Karoo sediments of the Jutland Project are preserved as a half graben with an unconformable southern contact. While the lower Karoo sediments are not developed, the coal bearing Mikabeni Formation is present throughout (Figure 137). The Jutland Project area contains sub-cropping coal seams that dip towards the north at between approximately 10° - 12°.

The Karoo age sediments were deposited onto basement granite gneisses. The lowermost sediments include Dykwa tillites, which was followed by the deposition of the coal bearing strata (Figure 137) of the Eccia Group. The Eccia Group sediments comprised sandstones and shales. The Lower Eccia Group appears absent in the area. The coal bearing sediments occur as alternating mudstone laminae and coal bands within the Upper Eccia or Mikabeni Formation. According to CoAL, the coal horizons are divided into five potentially economic seams, namely the Upper, Middle, Middle Lower and Bottom Upper and Bottom Lower seams. The coal bearing strata are overlain by red shales and mudstones belonging to the Beaufort Group. The coarse sandstone and conglomerate marker bed of the Fripp Formation is present within the Project area.

19.9. Historical Ownership

The historical ownership and associated activities with respect to the Jutland Project is summarised in Table 109.

Table 109 : Jutland Project – Summary of Historical Ownership and Activities

DATE	COMPANY	ACTIVITY
1968 - 1975	Trans Natal Coal Mining Company	Drilled a total of 59 vertical boreholes, of which only 46 have usable information
1975 - 1982	Iscor Ltd (now Exxaro Resources Ltd)	Carried out extensive exploration work, including bulk sampling on the farms Jutland 536MS, Stubbs 558MS, Mons 557MS and Cohen 591MS. The target is believed to have been coking coal.
1982		Conducted a Pre-Feasibility Study targeting underground mining of the No.5 (Middle Lower) No.9 (Bottom Upper) coal seams
2011	CoAL	Acquired Rio Tinto's exploration properties within the Jutland Project area, subject to Section 11 approval.

19.10. Historical Exploration and Mining

The earliest known exploration on the Jutland project was undertaken by Trans Natal Coal Mining Corporation (Trans Natal), between 1968 and 1975. During this time 59 boreholes were drilled within the Jutland Project area. No information is available on the drilling, logging, sampling and surveying methods and standards used, except that the exploration was carried out for reconnaissance purposes.

Iscor carried out extensive exploration work within the Jutland Project area between 1975 and 1982, including bulk sampling on the farms Jutland 536MS, Stubbs 558MS, Mons 557MS and Cohen 591MS. The target is believed to have been coking coal.

It is not possible to indicate the location of the historical boreholes, as there are no co-ordinates provided among the data currently in CoAL's possession. CoAL is currently attempting to source the borehole collar information so that they can conduct mineral resource estimation.

Published coal quality data and coking qualities for a washed low ash fraction from the bulk sample on the farm Cohen 591MS, is presented in Table 110.

Table 110 : Properties of Coal from a Washed (1.4) Bulk Sample from the Farm Cohen 591MS (air dry basis)

H ₂ O (%)	ASH (%)	VOLATILES (%)	SULPHUR (%)	CSN	PLASTICITY (ddm)	DILATION	VITRINITE	R _o V _{max} (%)
0.8	11.4	30.9	1.2	9	2,125	297	93	0.97

Source: S.C. Greef, 1988.

The drilling and sampling protocols used by Iscor are unknown. However, it is assumed that the drilling methods were conventional and pre-date the more efficient triple-tube wireline techniques that are commonly employed today.

The Iscor boreholes were sampled and sent to their in-house laboratory for analysis. Typically, 13 samples were taken from the top to the base of the coal bearing strata, and numbered consecutively in this order. Raw analyses were carried out on the coal samples. Washed analyses were only undertaken at an RD=1.40. Proximate, CV, Roga and Swell Index testwork was carried out.

In 1982, Iscor conducted a Pre-Feasibility Study for a proposed mining operation over the farms Mons 557MS, Stubbs 558MS, Jutland 536MS, and Cohen 591MS. This study concluded that approximately 40.7Mt of RoM (25.13Mt of coal) could be economically extracted by underground mining of the No.5 Coal Zone (Middle Lower Seam), using board and pillar methods. Annual production of 2.16Mt of RoM was suggested, for a 20 year LOM (however this could be extended in consideration of the possible exploitation of the No.9 Coal Zone or Bottom Upper Seam). The proposed underground access was via an inclined shaft.

The Pre-Feasibility Study suggested that additional exploration data was required to make final mine design decisions. It does not appear however, that any additional exploration was carried out.

19.11. Recent Exploration

No recent exploration has been conducted by CoAL on their properties within the Jutland Project to-date.

LOCAL GEOLOGICAL MAP, SCHEMATIC CROSS SECTION AND TYPICAL STRATIGRAPHIC COLUMN FOR JUTLAND PROJECT

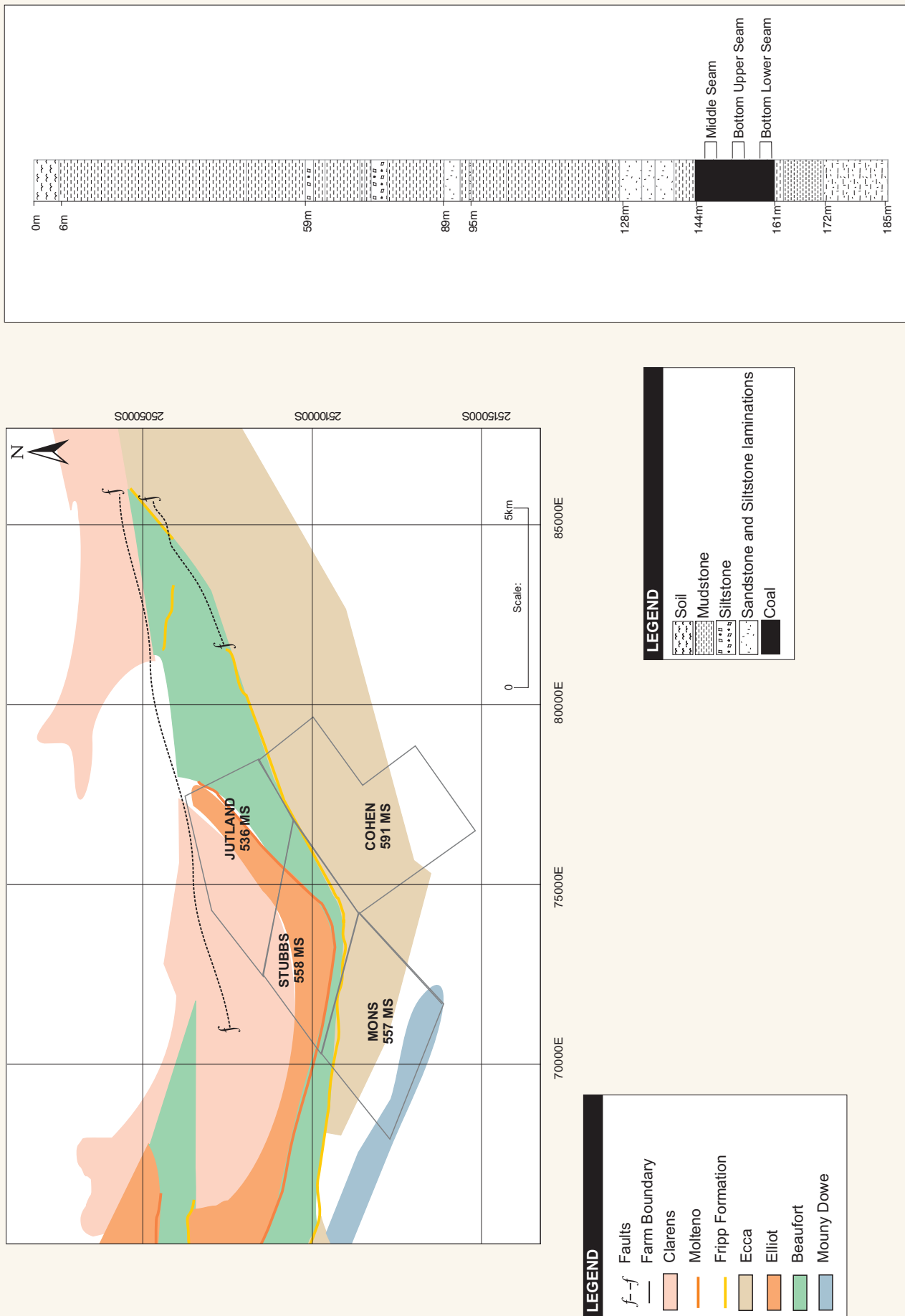


Table 111 : Jutland Project – Summary of Historical and Recent Drilling

DATE	COMPANY	LOCATION	PURPOSE	SURVEYOR	DRILLING COMPANY	TYPE OF DRILLING	SIZE	RESPONSIBLE GEOLOGIST	TOTAL NO. B/H	WIRELINE LOGGING	SEAMS SAMPLED	QUALITY RESULTS	LABORATORY FOR QUALITY	USED IN MODEL
1968 - 1975	Trans Natal Coal Mining Company	Jutland 536MS, Faure 562MS, Du Tlot 563MS, Pretorius 531MS and Verdun 535MS	Early exploration and resource estimation.	Unknown.	Unknown.	Diamond core	NQ	J. Raubenheimer, J Liebenberg	56	No	All	Yes	Fuels Research Institute of South Africa	No
1975 -1982	Isacor	Stubbs 558MS, Mons 557MS and Cohen 591MS	Early exploration and resource estimation.	Unknown.	Unknown.	Diamond core	NQ	H. Van den Berg	Unknown	No	All	Yes	Isacor	No
TOTAL									56					

19.11.1. Data Management

19.11.1.1. Data Acquisition and Validation

CoAL purchased both hard and electronic data copies of the original Iscor database from Exxaro in 2007.

The original borehole paper logs were captured into Sable and verified by the responsible geologist. All boreholes are presented graphically as well as plotted on plans for verification by the responsible geologist. Cross section are plotted to confirm correlations. These were then imported directly into the Access database.

All laboratory results were received in Excel format and included into the Sable plots for each borehole. The laboratory results were also imported directly into the Access database to eliminate the possibility of typing errors.

The Access database is imported into Minex software for orebody modelling purposes. This software package has a series of automatic verification procedures including checking for physical data including overlapping intervals, missing intervals, etc. It also undertakes automatic quality verifications including increasing cumulative ash values, decreasing cumulative volatile values, totalling proximate analyses to 100%, etc. Any errors identified in Minex are investigated by the responsible geologist.

No data verification has yet been conducted.

19.11.1.2. Database Management

The Access database for the Jutland Project area currently contains data from Iscor boreholes. The Access database is managed and maintained by CoAL's chief consulting geologist, Mr J Sparrow (Pr.Sci.Nat). Backups are stored at CoAL's head office in Johannesburg.

19.12. Orebody Modelling and Results

No orebody modelling has been undertaken on the Jutland Project. CoAL are in the process of interpreting the historical data and an orebody model and resource estimation exercise is expected to be conducted once the interpretive work has been completed.

19.13. Coal Mining

Due to the stage of development of the Jutland Project, no recent investigations have been carried out on the mining of the deposit. However, upon considering the depth from surface of the coal zones, any future mining is expected to be a combination of opencast and underground methods.

Details on mining methods and recoveries will be investigated during a Pre-Feasibility Study on the project.

19.14. Coal Processing

The Jutland coal is most likely to yield a coking coal product. No details are currently available on the envisaged processing plant. This study will be undertaken as part of a Pre-Feasibility Study.

19.15. Coal Market

The indications are that the Jutland product will be a semi-hard coking coal, based on current geological data. There are currently no contracts in place for the sale of this coal.

19.16. Previous Resource Statement

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 Project by Iscor as part of their Pre-Feasibility Study.

The Pre-Feasibility Study 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.

19.17. Current Resource Statement

There is no current resource estimate for the Jutland Project.

19.18. Ore Reserve Statement

As a result of the current stage of development of the Jutland Project, no reserves have yet been declared. Reserves can only be declared once a mining plan has been prepared. This will be undertaken during the next stage of development of the project i.e. at Pre-feasibility Stage.

19.19. Environmental Issues

The environmental issues relating to the development of the project will be addressed during the environmental reporting requirements to be carried out as part of a NOMRs application. The Jutland Project is currently not at this stage of development.

19.20. Mineral Asset Valuation

The contributing coal assets of the Jutland Project can be defined as early exploration projects, with no JORC Code compliant coal resources.

19.20.1. Valuation Methodologies and Approaches

The different valuation approaches and methodologies have been discussed in detail in Section 13.22.1.

In the absence of coal resource and coal reserves, all contributing properties of the Jutland Project were valued using the Comparative Sales Transaction (or Market) Approach on a ZAR/ha basis.

19.20.2. Jutland Project Market Approach Valuation

The contributing properties of the Jutland Project, represent properties on which varying amounts of exploration data is available. In general, however, relatively little recent exploration has been conducted on the contributing properties. In the absence of coal resources it is therefore only possible to conduct a Market Approach Valuation on a ZAR/ha basis.

In order to allocate base unit values that reflect the differences in the amount of exploration data available on each property, Venmyn has made reference to Figure 138.

Figure 138 : Indicative Unit Values (ZAR/ha) based on Increasing Recent Exploration Data

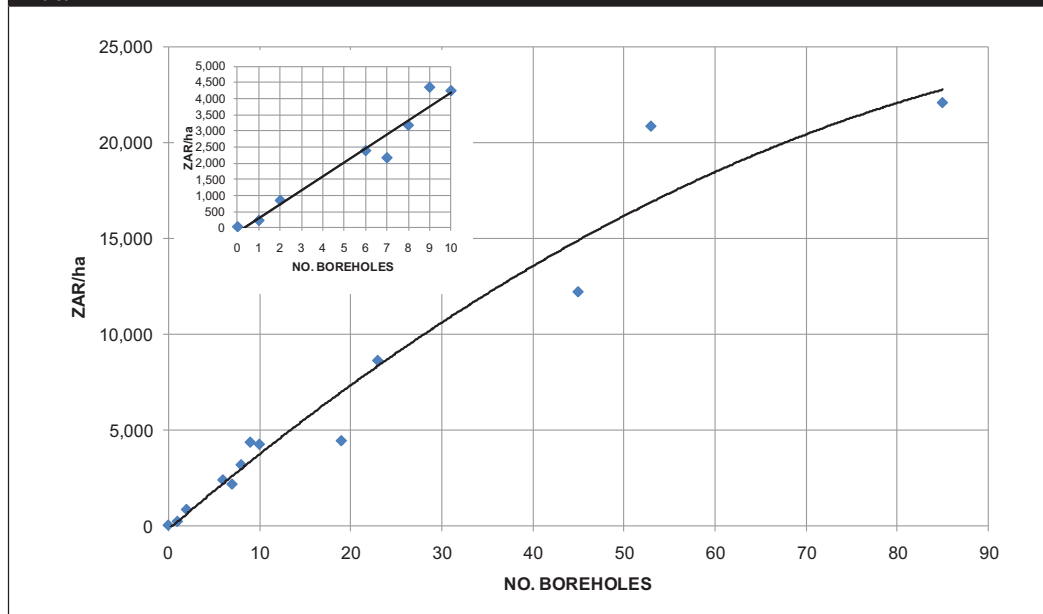


Figure 138 represents the mean unit value that has been applied to certain properties within the Soutpansberg Coalfield associated with increasing amounts of recent exploration drilling. Figure 138 represents over 50 properties valued by Venmyn, within the Soutpansberg Coalfield over the last five years.

While this tool is indicative only, it does show the initial exponential increase in unit values at early stages of exploration, tending towards a ceiling of ~ZAR30,000/ha for extensively drilled properties. While drilling does not necessarily imply value uplift, Figure 138 demonstrates that in general, those properties with more drilling and/or exploration have realised higher values than those that have been poorly explored. This is most likely a result of positive exploration results and greater certainty as to the prospectivity of those properties that have been more extensively explored. Figure 138 is therefore a useful proxy for value potential in the absence of resources.

While Figure 138 has been used to determine reasonable base unit values for each property based on the amount of work conducted on each property, it is appreciated that the base values should be modified to reflect the following, as they have a significant effect on the perceived values of the respective properties:-

- the proportion of the property prospective for coal;
- the prospectivity of the thickness of the coal on the property; and
- the depth of the coal on the property.

Clearly other factors affect value, but given the generally low level of recent exploration associated with the properties, these primary factors were considered adequate.

Given the very limited recent exploration conducted on the properties, reference has been made only to the inset in Figure 138, with recent drilling defining the base unit values and historical drilling contributing additional value as appropriate.

In order to limit the subjectivity of the modifications to the base unit values, a scoring system was defined (Section 24). The scores also ensured that properties with the same amount of exploration and the same perceived prospectivity and mineability were allocated the same base unit values and were modified equally. This facilitated a fair and transparent apportionment of value between properties.

Value was calculated according to the following methodology for each property:-

- base unit value (ZAR/ha) allocated based on Exploration Score;
- base unit value (ZAR/ha) multiplied by percentage of property underlain by Karoo;
- unit value per area Karoo (ZAR/Karoo ha) multiplied by Prospectivity Score and Mineability Score to get modified unit value (Modified ZAR/ha); and
- modified unit value (Modified ZAR/ha) multiplied by property area to get full property value.

Given the nature of the valuation, it is appropriate to reflect the respective property valuations as a value range. In this case the mean unit value is taken as the modified unit value as per the methodology above. The low and high unit values are considered reflective of the relative confidence in the estimate (i.e.: related to the exploration phases completed) as detailed in Section 24.

Table 112 summarises the value range of the contributing properties of the Jutland Project.

The total value range derived from the Market Approach is estimated at between ZAR2.23m and ZAR4.15m. Venmyn's preferred total value, using the Market Approach, is represented by the mean value. This results in a total preferred value, using the Market Approach, of **ZAR3.19m** for the contributing properties of the Jutland Project.

The low value for the Jutland Project is commensurate with the absence of recent exploration that has been conducted on these properties and the absence of mineral resources at this stage of the project development.

Table 112 : Value Range of Jutland Contributing Properties

PROJECT	FARM	AREA UNDERLAIN BY KAROO (%)			EXPLORATION	SCORE	BASE ZAR/ha	PROSPECTIVITY	SCORE	MINEABILITY	SCORE	MODIFIED ZAR/ha	LOW ZAR/ha	MEAN ZAR/ha	HIGH ZAR/ha	LOW VALUE BASED ON TOTAL AREA (ZARm)	MEAN VALUE BASED ON TOTAL AREA (ZARm)	HIGH VALUE BASED ON TOTAL AREA (ZARm)			
		AREA (ha)	UNDERLAIN BY KAROO (ha)																		
Jutland	Mons 557MS	1,197.41	527.38	44%	3 Trans Natal Holes	2	250	Full Sequence developed	2	Shallow opencastable coal	2	440	308	440	573	0.37	0.53	0.69			
	Stubbs 558MS	1,036.22	1,036.22	100%	8 Trans Natal Holes	3	350	Full Sequence developed	2	Deep coal	2	700	490	700	910	0.51	0.73	0.94			
	Cohen 591MS	1,781.22	929.07	52%	8 Trans Natal Holes	3	350	Full Sequence developed	2	Shallow opencastable coal	2	730	511	730	949	0.91	1.30	1.69			
	Jutland 536MS	1,056.95	913.25	86%	7 Trans Natal Holes	3	350	Full Sequence developed	2	Deep coal	2	605	423	605	786	0.45	0.64	0.83			
TOTAL												2,475	TOTAL						2,23	3.19	4.15

19.20.3. Jutland Project Valuation Summary

Venmyn's full Fair Value for the contributing properties of the Jutland Project is considered to be **ZAR3.19m**.

This valuation represents the mean values achieved through the combination of value ranges. The valuation of exploration assets is, by nature, both subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the ranges in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

It must be noted that this valuation has been carried out as an indicative assessment of values that could reasonably be expected in view of recent market comparisons and valuations placed on coal producers by the market. Venmyn have provided their view on the unit comparisons having performed a high level review of the contributing mineral assets. Valuations that consider the timing of extraction, exchange rates fluctuations and views on the coal market trends may arrive at materially different values.

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21. COMPETENT PERSONS CERTIFICATES

Name of Staff: Catherine Anne Telfer
Position: Independent Techno-economic Advisor, Director and Shareholder
Name of Firm: Venmyn Rand (Pty) Ltd
Address: 1st Floor, Block G, 173 Rivonia Road, Sandton, 2146
Profession: Geologist
Date of Birth: 23rd August 1969
Years with Firm/Entity: 18
Nationality: South African

Membership in Professional Societies:

CLASS	PROFESSIONAL SOCIETY	YEAR OF REGISTRATION
Member (Reg. No. 400049/02)	The South Africa Council for Natural Scientific Professions	2002
Member	Australian Institute of Mining and Metallurgy	1996
Member	Geological Society of South Africa	1992
Fellow	Geological Society of South Africa	2010

Fair and Reasonable Opinions:

YEAR	CLIENT	SECURITIES EXCHANGE JURISDICTION	TRANSACTION TYPE	IMPLIED VALUE (USDm)	DESCRIPTION
2005	LionOre International	TSX	Acquisition notification documentation.	110.0	Tati Nickel Review of Mineral Resources.
2003	Amplats	JSE	Acquisition price calculation for Unki Platinum.	Confidential	Preparation of an Independent Techno-Economic Valuation Report and Fair and Reasonable Opinion. Document not used as the transaction became immaterial for reporting purposes.
2002	Consolidated African Mines Limited.	JSE	CAM acquired 40% of the Letšeng diamond mine for CAM shares.	10.0	Preparation of an Independent Techno-Economic Valuation Report and Fair and Reasonable Opinion. Document used in full.
1999	New Mining Corporation	JSE	Listing and acquisition documentation.	50.0	Complicated transaction and full Independent Techno-Economic Valuation prepared with Fair and Reasonable Opinion included in our report. This satisfied the JSE and the SRP.
1996	West Witwatersrand Gold Holdings Limited	JSE	Section 440k Offer	20.0	Independent Competent Persons Report on the Offer by Durban Deep to West Wits under Section 440k. Document included in circulars to both shareholders. Our Fair and Reasonable Opinion was specifically requested by the SRP.

Detailed Tasks Assigned:

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2011	Coal of Africa Ltd	Coal	Competent Persons Report and valuation of Coal of Africa's South African coal assets for a London Main Board Listing, including two operating mines and 8 exploration projects at various stages of development.
	SEW Trident	Coal	Technical Review and Valuation of the Ikoti Coal Project.
	Tanzanian Royalty	Gold	Technical Review, resource declaration and valuation of the Nkomati Coal Project.
	Namane Energy Ltd	Coal	Update on the resources for the Masonga, Luhwaika and Igunda Projects in Tanzania.
	Sudor Coal	Coal	Competent Persons Report on the Temo Coal Project for Listing on the JSE.
	Dunrose Investments 244 (Pty) Ltd	Coal	SAMREC compliant short-form Technical Resource Statement of their Coal Projects in Bethal, Mpumalanga
	Gem Diamond Ltd	Diamonds	JORC Compliant Resource Statement for the Colenso Coal Project, KZN
2010	Namane Resources Ltd	Coal	Mineral Experts Report on their Diamond Assets in accordance with National Instrument 43-101.
	UltraTech Cement	Coal	Competent Persons Report in their Waterberg Coalfield Assets for the JSE.
	Miranda Coal Pty (Ltd)	Coal	Detailed due diligence and valuation of all Xstrata's Mpumalanga Coal Assets for potential purchase by UltraTech Cement.
	Namakwa Diamonds plc	Diamonds	SAMREC compliant short-form Technical Resource and Valuation Statements for 6 exploration properties. Competent Persons Report on their Diamond Assets in Africa.

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
	Sekoko Resources	Coal	Update of Independent Mineral Resource Statement
	Worldwide Coal Carolina (Pty) Ltd	Coal	Update of Independent Mineral Resource Statement
2009	Tanzanian Royalty	Gold	Preparation of a NI43-101F report on the Kigosi Project (in progress).
	Pangea Diamondfields plc	Diamond	Preparation of Independent Resource Statements for their alluvial diamond projects in DRC and South Africa.
	Worldwide Coal Carolina	Coal	Preparation of Independent Mineral Resource Statement and audit of exploration results on behalf of ABSA Capital
2009	Gem Diamonds Ltd	Diamonds	Update of independent resource and reserve statements for all diamond projects and operating mines in Africa, southeast Asia and Australia.
	Sekoko Resources	Coal	Preparation of an Independent Mineral Resource statement for the company's Waterberg Projects.
2008	Pioneer Coal	Coal	Competent Persons Report on their coal assets for listing on the JSE.
	Trans Hex Group	Diamonds	Competent Person Report on the company's Angolan assets.
	Pangea DiamondFields plc	Diamonds	NI43-101 report on 10 diamond projects in 4 African countries.
	Gem Diamonds Ltd	Diamonds	Preparation of independent resource and reserve statements for all diamond projects and operating mines in Africa, southeast Asia and Australia.
2007	Espirito dos Santos (Portuguese Bank)	Diamonds	Competent Persons Report and Valuation of two diamond mines and a number of exploration projects situated in northeastern Angola.
	Gem Diamonds Ltd	Diamonds	High level due diligence and valuation report on Gope Project
	Standard Bank plc	Coal	Due diligence on the Maamba Colliery, Zambia
	Pangea DiamondFields plc	Diamonds	Independent exploration audit on the Dimbi Project, Central African Republic
	Trade & Investment KwaZulu Natal (via Mintek)	Coal	Assessment of the remaining coal resources in KwaZulu Natal and the identification of projects for further development (In progress)
2006	International Ferro Metals	Chromite	Independent audit of resource and reserve statements.
	Letseng Diamonds Ltd	Diamonds	CPR for listing of Gem Diamonds
	JCI, Matodzi & Investec	Diamonds	Update of Competent Persons Report on Letseng Diamonds
	Carbon Technologies	Diamonds	Plant verification report on the Laser Recovery Unit.
	Carbon Technologies	Diamonds	Prospectivity and geological mapping report on Grasfontein.
	Pangea DiamondFields plc	Diamonds	AIM Listing document for 9 projects in 4 African countries.
	Trans Hex Group	Diamonds	Competent Persons Report on the Middle Orange Operations.
2005	Eyesizwe Coal (Pty) Ltd	Coal	Due diligence of reserves and resources of all Kumba Resources' coal mines required as part of a BEE transaction.
	Eyesizwe Coal (Pty) Ltd	Coal	Due diligence of reserves and resources of Sasol Mining's Twistdraai Colliery required as part of a BEE transaction.
	JCI, Matodzi & Investec	Diamonds	Competent Persons Report on Letseng Diamonds
	LionOre International	Nickel	Technical Report on the Tati Nickel Mine in National Instrument format for Canadian Stock Exchange
	Energem	Diamonds	Technical Report on the Koidu Project in National Instrument format for Canadian Stock Exchange
	Two private and one listed company	Diamonds	Preparation of Report for AIM on 18 projects in five African countries
2004	LionOre International Ltd	Nickel	Due Diligence on the Nkomati Nickel Mine.
	Dwyka Diamonds	Diamonds	Prospectivity Report on Blaauwbosch Mine
	Dwyka Diamonds	Diamonds	Technical due diligence and valuation report on Dancarl Diamonds for the sales bid to De Beers
	Rosy Blue NV	Diamonds	Field exploration and prospectivity report on property.
	SouthernEra Resources	Diamonds Platinum	Independent valuation of 22 exploration properties and mining operations located in five African countries
	Sudor Coal (Pty) Ltd	Coal	Competent Persons Report and Valuation to be used in the raising of finance for a new coal project in Bethal, South Africa
	Tangent Coal (Pty) Ltd	Coal	Technical and Valuation Report for a new project in the Free State, South Africa

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2003	Transvaal Ferrochrome	Ferrochrome	CPR and Listing Document for ASX
	Anglo American Corporation	Platinum	Valuation of Zimbabwe platinum deposit
	Aquarius Platinum	Platinum	Due Diligence on Everest South Project
	Mineral rights owner	Coal	Evaluation of mineral rights potential
	Metallon	Gold	Valuation and due diligence on gold mine
	Hernic Ferrochrome	Chromite	Capital Gains Tax Valuation on Hernic
	Hernic Ferrochrome	Chromite	Capital Gains Tax Valuation on Ilitha Project
2002	Mining company	Platinum	Independent technical and financial competent persons report and valuation on a platinum dump retreatment project
	Anglo Platinum	Platinum	Independent valuation report on selected platinum group metal properties located in the Pilanesberg area
	Mineral rights owner	Coal	Information memorandum on the Holfontein Coal Project
	Consolidated African Mines	Diamonds	Independent due diligence, valuation report and fair and reasonable opinion for the shareholders and directors of CAM on the proposed acquisition of a 40% interest in Letšeng Investment Holdings from Letšeng Diamonds Ltd;
	Freddev	Gold	Valuation of Freddev's mineral rights;
	Barnex	Gold	Valuation of Barnex's mineral rights
2001	Western Areas	Gold	Independent valuation report on JCI Gold's interest in the royalties and mineral rights pertaining to the Western Areas No.4 project area
	Implats	Platinum	Valuation
	Mitsubishi Corporation	Ferrochrome	Due Diligence, Valuation and Acquisition Report
	Barplats	Platinum	Independent Valuation
	Eskom	Various	Research into Future Market Trends for Selected Commodities
	Severin Group	Platinum	Independent Valuation
2000	DeBeers	Diamonds	Costing Research and Database Compilation
	BW Mining	Coal	Exploration drilling and reserve calculation
	Century Carbon	Coal	Exploration drilling and reserve calculation
	Eskom	Various	Database compilation
	African Minerals	Varied	Independent competent person's report
	Durban Deep	Gold	Independent valuation report
1998	Iscor Limited	Varied	Independent valuation of exploration assets
	Barnex Ltd	Wits Gold	Due diligence
	Camco	Diamonds	Independent Competent Person's Report and valuation
	Crown Mines and DRD	Wits Gold	Valuation
	Egyptian Government	Phosphate	Due diligence and valuation
	JCI Ltd	Wits Gold	Competent Person's Report
1997	Randgold & Exploration Co Ltd	Gold	Competent Person's Report
	Western Areas	Wits Gold	Competent Person's Report
	Durban Roodepoort Deep Ltd	Wits Gold	Competent Person's Report
	JCI Ltd	Wits Gold	Competent Person's Report
	Penumbra	Coal	Due diligence
	Benoni Gold Holdings Ltd	Wits Gold	Competent Person's Report
1996	Durban Roodepoort Deep Ltd	Wits Gold	Competent Person's Report
	JCI Ltd	Wits Gold	Valuation
	Rand Leases Properties Ltd	Wits Gold	Competent Person's Report and valuation
	Randgold & Exploration Co Ltd	Wits Gold	Due diligence
	Randgold & Exploration Co Ltd	Wits Gold	Competent Person's Report and valuation
1995	Randgold Durban Deep	Wits Gold	Competent Person's Report and valuation
	Randgold Harmony Unisel Merger	Wits Gold	Competent Person's Report and valuation
1994	CRA (Australia)	Iron Ore	Due diligence
	Durban Roodepoort Deep Ltd	Wits Gold	Competent Person's Report and valuation
	Ghana Gold Mines	Greenstone Gold	Due diligence and valuation
	Gold Fields of SA Ltd	Wits Gold	Competent Person's Report and valuation

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
1994	Hernic Chrome	Ferro-Chrome	Valuation and Strategic Analysis
	Mitsubishi	Ferrochrome	Due diligence and valuation
	Namco	Diamonds	Competent Person's Report and valuation
	Randgold & Exploration Co Ltd	Wits Gold	Due diligence
1993	Atomic Energy Commission	Uranium	Strategic Analysis
	Eskom	Base metals	Strategic Analysis
1992	Barbrook Gold Mines	Greenstone Gold	Ore resource modelling and mine valuation
	Rand Merchant Bank	Copper	Ore resource modelling and project valuation

Key Qualifications:

Mrs Telfer has had extensive experience in the valuation and technical due diligence of mining and mineral projects in South Africa, and in Africa as far north as Egypt. She has written and compiled a large number of Competent Persons Reports for both local and international stock exchanges. She has represented the Geological Society of South Africa's disciplinary committee with respect to the implementation of the SAMREC Code and the JSE Listing Rules. Mrs Telfer's particular areas of expertise are in the coal and diamond industries where she has been involved in projects ranging from exploration management through to the development and valuation of projects and mining operations. A detailed list of the project she has completed and their respective dates are tabled above.

Education:

DEGREE/DIPLOMA	FIELD	INSTITUTION	YEAR
B.Sc	Geology	University of the Witwatersrand	1991
B.Sc (Hons)	Geology	University of the Witwatersrand	1992
Dip.Bus.Man	Diploma in Business Management	Damelin College	1996

Employment Record:

POSITION	COMPANY	JOB DESCRIPTION	DURATION
Consultant & Director (July 2001 – July 2002) (July 2003 – Present); 25% Shareholder (2006 – present)	Venmyn Rand (Pty) Ltd	Part of the consulting team with the majority of assignments being Competent Persons Reports, Due Diligences and valuations. Also undertaking capital gains tax, mineral rights, projects and mine valuations and geological exploration work in the coal mining industry. Projects worked on include:- - Valuation of mineral projects; - Market studies; - Independent Competent Persons Reports for listings on London, Johannesburg and Australian Stock Exchanges; - Competent Persons Reports in the form of NI43-101 for various Canadian Stock Exchanges; - Calculation and sign off of resources in multiple mineral commodities; - Advising clients on exploration programme development and implementation; - Advising clients on compliance documentation; - Orebody modelling in Surfer®; - Compilation of international and local databases on mining costs, small mining operations, etc.; - Management of a number of coal exploration drilling programmes; - Assessment of compliance of CPR's for the Disciplinary Committee of the GSSA; and - Presentations on compliance and valuations of mineral projects for Venmyn's Course on International Reporting Rules and Valuation Standards in the Minerals Industry.	2000 - Present
Consultant (Non-Executive Director to Venmyn Rand (Pty) Ltd until April 1999)	Sole proprietor in own consulting business	- Techno-economic evaluation of the Ferreira Opencast Coal Reserve, Ermelo, for Wholtrade 1 (Pty) Ltd; - Advising on, managing and undertaking geological work on various coal exploration drilling programmes - Modelling of coal reserves and resources and coal quality variations; - Development of mining plans; - Ore reserve auditing for DRD, Blyvooruitzicht, Buffelsfontein, West Wits and Crown gold mining; - Digitising of assay plans for DRD; - Competent Persons Report on the non-gold assets of JCI Gold and Consolidated African Mines for the JSE; and - Mineral rights investigations.	1998 - 2000

POSITION	COMPANY	JOB DESCRIPTION	DURATION
Director and Consultant	Venmyn Rand (Pty) Ltd	Techno-economic evaluations of mining and minerals project for the company and Technical Advisers Reports for JSE listings. Specific projects included: • Merger between Western Areas Gold Mine (North Section) and Randfontein Estates Gold Mine; • Disposal of Lindum Reefs Gold Mine to Randfontein Estates Gold Mine; and • Technical Advisers Report and Valuation of the Abu Tartur Phosphate Mining and Chemical Complex, Egypt.	1997 - 1998
Minerals Management Consultant	Resources Division Rand Merchant Bank	Techno-economic evaluations of mining and minerals project for the company and Technical Advisers Reports for JSE listings. Also involved in the research, valuation and management of the technical aspects of RMB Resources' mining investment project. Specific projects included: • Techno-economic valuation of various coal projects and management of exploratory drilling programmes; • Independent opinion on the input parameters and cashflow model for the agreement between Knights Gold Mining Company and Witwatersrand Gold Mining Company; • Independent Competent Persons Report on the proposed disposal by Benoni Gold Holdings of Benoni Gold Mining Company to East Rand Proprietary Mine; • Mineral rights investigations in South Africa and in Africa; • Research and evaluation of various African exploration projects; • Independent Valuation of the merger between DRD, Blyvooruitzicht, Buffelsfontein Gold Mines and South Wits Project; • Independent Valuation of the merger between Harmony and Unisel Gold Mines; and • Technical Advisers Report on the Randgold Resources listing.	1996 - 1997
Mineral Project Analyst	Venmyn Rand (Pty) Ltd	Involved in 90% of Venmyn Rand's consulting projects over the last five years. Gained skills in data collation, data analysis, geostatistics, ore reserve modelling, ore reserve calculation, mineral rights searches, graphical presentation of technical data, mine valuations and techno-economic cashflow modelling over a wide range of minerals and deposit types for clients ranging from miners to investors.	1992 - 1996

Languages:

English: Excellent

Afrikaans: Good

Certification:

I, the undersigned, certify that to the best of my knowledge and belief, these data correctly describe me, my qualifications, and my experience.



Date: 24th October 2011

Full name of staff member: Catherine Anne Telfer

Proposed Position: Minerals Industry Advisor
Name of Firm: Venmyn Rand (Pty) Ltd
Name of Staff: Neil Mc Kenna
Profession: Geologist
Proposed Position: Director
Date of Birth: 5th June 1977
Years with Firm/Entity: Joined March 2007
Nationality: South African

Membership in Professional Societies:

CLASS	PROFESSIONAL SOCIETY	YEAR OF REGISTRATION
Member/Councillor	Geological Society of South Africa	2002
Member	South African Institute of Mining and Metallurgy	2007
Member	South African Council for Natural Scientific Professions	2002
Member	Investment Analyst Society of South Africa	2009
Member	South African Institute of Directors	2009

Education:

DEGREE/DIPLOMA	FIELD	INSTITUTION	YEAR
B.Sc	Geology	University of the Witwatersrand	1998
B.Sc (Hons)	Geology	University of the Witwatersrand	1999
MSc	Geology	University of Cape Town	2001

Detailed Tasks Assigned:

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2011	Coal of Africa Limited	Coal	Competent Persons Report and Valuation of Coal of Africa Limited's Coal Assets.
	Kibo Mining Plc	Gold	Competent Persons Report and Valuation of Kibo's Mineral Assets in Tanzania.
	Sishen Iron Ore Company	Coal	Due Diligence and Valuation of Continental Coal's Mineral Assets in South Africa.
	Tanzanian Royalty Exploration Corporation	Gold	Updated Mineral Resource Statement for the Kigosi Gold Project in Tanzania.
	Sew Trident	Coal	technical Review and Valuation of the Ikoti Coal Project.
	Sekoko Resources	Coal	Valuation of Sekoko's Coal Assets in the Thuli Coalfield of South Africa.
	Namane Resources	Coal	Update of Competent Persons Report and Valuation on Namane's Waterberg Coal Project.
	Gem Diamonds	Diamonds	Competent Persons Report and Valuation of Gem Diamonds' Mineral Assets.
	Mzuri Capital	Coal and Uranium	Competent Persons Report on the Mineral Assets of Pinewood Resources.
	Gem Diamonds	Diamonds	Mineral Resource update.
2010	Mzuri Capital Limited	Gold	Mineral Assets Valuation of the gold assets of Morogoro Gold in Tanzania.
	Mzuri Capital Limited	Gold	Competent Persons Report on the Gold Assets of Morogoro Gold in Tanzania.
	Coal of Africa Limited	Coal	Mineral Assets Valuation of Noordgrens Landgoed's mineral assets foregone in 2004.
	Coal of Africa Limited	Coal	Mineral Asset Valuation of CoAL's mineral assets within South Africa.
	Trafigura	Base Metals and Gold	Mineral Asset Valuation of Proposed Greenfields project areas in Angola.
	ETA Star	Coal	Mineral Asset Valuation of certain Coal Assets in near Tete, Mozambique.
	Namakwa Diamonds	Diamonds	Mineral Resource update for Global Operations
	Namane Resources	Coal	Competent Persons Report and Valuation on Namane's Waterberg Coal Project.
	Namane Resources	Coal	Techno-economic assessment of Namane's Waterberg Coal Project.
	Sekoko Resources	Coal	Valuation of the Sekoko-Firestone JV coal assets in the Waterberg Coalfield
	Sekoko Resources	Coal	Resource update for the Sekoko-Firestone JV properties in the Waterberg Coalfield.
	Keldoron Mining	Coal	Valuation of Keldoron's Amajuba District Coal Project in South Africa
	Nyota Minerals	Gold	Mineral resource estimation of the Tulu Kapi Gold Project in Ethiopia.
	Namakwa Diamonds	Diamonds	Competent Persons Report and Valuation on Namakwa Diamonds' Mineral Assets.

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2010	Miranda Mineral Holdings	Coal	Techno-economic assessment of Miranda's coal assets in South Africa.
	Nyota Minerals	Nickel	Mineral Experts Report on the Muremera Nickel Project in Burundi.
	Gem Diamonds	Diamonds	Mineral Resource Estimation for the Gope Project in Botswana.
	Ernst & Young Jordan	Gold and Base Metals	Valuation of Brinsley Enterprises Orshab Project in Sudan.
	Gem Diamonds	Diamonds	Mineral resource reporting audit at the Letseng Mine in Lesotho.
2009	Nyota Minerals	Gold	Scoping Study on the Tulu kapi Gold Project in Ethiopia.
	Kalagadi Manganese	Manganese	Techno-economic assessment of the Kalagadi's mineral assets in South Africa in the form of a CPR.
	VTB Bank Moscow	Uranium	Valuation of the Spitzkop Uranium Project in Namibia.
	Nyota Minerals	Gold	Drilling and sampling QA/QC audit at the Tulu Kapi Gold Project in Ethiopia.
	Leeuw Mining	Coal	Due Dilligence and Valuation of the Maloma Colliery in Swaziland.
	Metorex	Fluorspar	Fairness opinion on Metorex's disposal of the Vergenoeg project.
	Dwyka Resources	Gold	Valuation of the Otjikoto Gold Project in Namibia.
	Mike Scott & Associates	Copper	Peer review of the modelling and resource estimation of the Kitumba Copper Project, Zambia.
	Sylvania Resources	Platinum	Due Dilligence and Valuation of the mineral assets of Sylvania Resources.
	Nyota Minerals Limited	Gold	Valuation of the mineral assets of the Otjikoto Gold Project, Namibia.
	Coal of Africa Limited	Coal	Valuation of the coal assets of the Tshikunda Coal Project in South Africa.
	Rand Uranium	Uranium	Mineral Resource Modelling and Mineral Resource Classification of the Cooke Dump.
	Dwyka Resources	Gold	Prospectivity review of the Tulu Kapi Gold Project in Ethiopia
2009	Northam Platinum Limited	Platinum	Valuation of Micawber 278 (Pty) Limited.
	Herbert Agencies (Pty) Limited	Coal	Valuation of the coal assets of the Vischkuil Coal Project in South Africa.
	Coal of Africa Limited	Coal	Valuation of the Coal Assets of the Makhado Land Swap Transaction with Rio Tinto
	Ernst & Joung Jordan	Gold	Valuation of the Gold Assets of Brinsley Enterprises in Sudan
	Namakwa Diamonds	Diamonds	Mineral Resource and Mineral Reserve audit and update.
	Firestone Energy Limited	Coal	Valuation of the Coal Assets of the Sekoko Coal-Firestone JV Waterberg Coal Project, South Africa
	Trans Hex Group Limited	Diamonds	Valuation of the Diamond Assets of the Lower Orange River Operations, South Africa
	Bonaparte Diamond Mines NL	Diamonds	Valuation of the Diamond Assets of the Savanna Diamond Project, South Africa.
	Tanzanian Royalty Exploration Corporation	Gold	A National Instrument (NI-43-101) Technical Report on the Kigosi Gold Project, Tanzania.
	Mvelaphanda Resources Limited	Platinum	Valuation of the PGE Assets of the Booyseval Project, South Africa.
	Xstrata South Africa (Pty) Limited	Coal	Valuation of the Coal Assets of the Zonnebloem 1 Project, South Africa.
	Anglo Platinum Limited	Platinum	Valuation of the PGE Assets of Micawber 278 (Pty) Limited.
	Sekoko Resources	Coal	Valuation Update of the Coal Assets of Sekoko's Waterberg Coal Project, South Africa.
2008	Johannesberg Stock Exchange Limited/ Metorex Limited	Multi-Commodity	Fair and Reasonable Opinion on the Rights offer by Metorex in December 2008. This involved the creation and issue of 242,538,403 shares at an issue price of 200cps resulting in a cash consideration of ZAR485,076,806.
	Minéro Mining Company	Zinc-Lead	Competent Persons Report and Valuation of the Pering Zinc-Lead Mine, in South Africa.
	Gem Diamonds	Diamonds	Minerals Resource Update of all Gem Diamonds Mineral Assets.
	BRC DiamondCore	Diamonds	Valuation of BRC DiamondCore's Silverstreams Project in South Africa.
	Sekoko Resources	Coal	Valuation of Sekoko's Coal Assets of the Waterberg Coal Project in South Africa.
	Tata Steel	Coal	Prospectivity report on certain properties within the Tuli and Soutpansberg Coalfields
	Universal Coal plc	Coal	Valuation of the Coal Assets of the Elof Coal Project in South Africa

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2008	Anglo Platinum	Platinum	Valuation of The PGE Assets of the Booyssendal Platinum Project
	Namakwa Diamonds	Diamonds	Resource Estimation and Update for Namakwa Diamonds South African and DRC Projects.
	Harmony Gold Mining Company	Gold	Resource Estimation and Classification of the Deelkraal Dump
	Pioneer Coal	Coal	Competent Persons Report and Valuation of the Coal Assets of Pioneer Coal
	Namakwa Diamonds	Diamonds	Technical Statement on the Doornhoek Alluvial Diamond Property, South Africa
	Pioneer Coal	Coal	Prospectivity Review for Pioneer Coal's Soutpansberg Coal Prospecting rights.
	Target Coal	Coal	Prospectivity Review of Various Coal Properties in the Ermelo region of South Africa.
	Lidongo Group Holdings	Diamonds	Prospectivity Review of Lidonga's Riet River Prospecting Rights.
	BRC DiamondCore	Diamonds	Technical Review of mineral resources and sampling programme at the Paardeburch East Diamond Project.
	BRC DiamondCore	Diamonds	Technical Review of mineral resources and sampling programme at the Silverstreams Alluvial Diamond Project.
	Namaqua Diamonds	Diamonds	Technical review of the London Project, North West, South Africa.
	Trans Hex Group	Diamonds	Competent persons Report and Techno-Economic Valuation of Trans Hex's Lower Orange River Mineral Assets.
	Ernst & Young	Platinum	Comparative Valuation of the Booyssendal Platinum Project as part of the Fair and Reasonable Opinion on the Transaction between Northam and Mvelaphanda.
	Harmony Gold Mining Company	Gold	Annual Mineral Resource and Mineral Reserve Review and Update. Identification of Strategic Opportunities at the Free State Operations.
	Gem Diamonds Limited	Diamonds	Mineral Resources Review of Gem Diamonds' Global Operations.
2007	Worldwide Coal Carolina (Pty) Limited	Coal	Techno-economic valuation of Worldwide Coal Carolina's coal assets.
	Apic Atoll (Pty) Ltd	Ferro-manganese	National Instrument 43-101F technical Report on the Riders Ferro-manganese Slag Dump, Pennsylvania, United States of America.
	Signet Mining	Coal	High level independent review of the coal resource, reserve and technical operating parameters of Tuli Coal (Private) Limited's Special Grant Area in Southern Zimbabwe.
	Anglo Platinum Limited	Platinum	An independent comparable transaction valuation of the platinum group element mineral assets of the Booyssendal Project.
	Gem Diamonds Limited	Diamonds	Techno-economic valuation of Kimberley Diamond Company NL
	Gem Diamonds Limited	Diamonds	Mineral Experts Report on Kimberley Diamond Company NL
	Gem Diamonds Limited	Diamonds	Competent Persons Report on the Go25 (Gope) kimberlite.
	International Development Corporation	Ferro-Magnesium	Assessment of the geological and resource/reserve data provided to the IDC on the Riders Ferro-magnesium Slag Dump, Pennsylvania, USA, by Apic Toll Treatment (Pty) Limited as part of their application for funding.
	Harmony Gold Mining Company	Gold and Uranium	Mineral Resource Statements for Harmony's surface dump resources of the Randfontein and Free State Operations in South Africa.
	Gem Diamonds Limited	Diamonds	SAMREC compliant Resource and Reserve Statements for the mineral assets of the Cempaka Diamond Mine in Indonesia for BDI Mining Corporation (Subsidiary of Gem Diamonds Limited).
	Gem Diamonds Limited	Diamonds	SAMREC compliant Resource Statement on the mineral assets of Gope Exploration Company (Pty) Limited (Gope Project) (Subsidiary of Gem Diamonds Limited)
	Mintek/Department of Minerals and Energy	N/A	Review and recommendations on the Kumba/Exxaro proposal for Environmental Provisioning.
	Rockwell Resources (Pty) Limited	Diamonds	Compilation of Technical Statement (NI-43101) for the Wouterspan Operation.
	Gem Diamonds Limited	Diamonds	High level valuation of Cullinan Diamond Mine
	JCI Limited	Uranium	Review of and Recommendations on JCI's Laingsburg Uranium Project
	Harmony Gold Mining Company Limited	Gold and Uranium	Sample trail Audit and Competent persons sign-off (SAMREC) on Dump Drilling and Sampling

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2007	Magnum Resources Limited	Tantalum	High Level Due Diligence of the Tantalite Valley Project, Southern Namibia
	Mintek/ Department of Minerals and Energy (South Africa)	N/A	Review of the System for Financial Provisioning for Mine Closure in South Africa
2004	De Beers Consolidated Mines	Diamonds	A study of the Relationship Between the Micro- and Macro Diamonds from Finsch Diamond Mine.
	De Beers Consolidated Mines	Diamonds	A study of the Relationship Between the Micro- and Macro Diamonds from Snap Lake Diamond Mine.

Employment Record:

POSITION	COMPANY	JOB DESCRIPTION	DURATION
Director	Venmyn Rand (Pty) Ltd	Venmyn Rand operates as a techno-economic consultancy for the resources industry on a world wide basis. Responsibilities at Venmyn include: - Serving as Director of Venmyn and is responsible for the company's strategic process and management of internal functions and governance; - Providing hands-on services to all the company's major clients; - Providing minerals projects assessments; and - Mr. Mc Kenna's expertise in financial valuation is particularly appropriate for ensuring market to market presentation of both the technical and financial issues of resources projects.	February 2009 - Present
Minerals Industry Advisor	Venmyn Rand (Pty) Ltd	Venmyn Rand operates as a techno-economic consultancy for the resources industry on a world wide basis. Responsibilities at Venmyn include: - Compiling technical and geological information into reports which are compliant with the SAMREC and JSE listing rules. - Production of techno-economic reports for clients.	March 2006 – February 2009
Project Manager Resource Extension Drilling	De Beers, Finsch Mine	Responsible for the Mineral Resource Evaluation Drilling of the Block 5 Extension of the Finsch Diamond Mine, Northern Cape. This role included the following activities: - Management of diamond core drilling for volume, geological, structural and grade determinations. - Co-ordination of drilling/sampling activities of four LM90 drill rigs on three underground levels (510, 650 and 888 levels). - Managing the capturing of all geological data in a Datamine drill-hole database. - Responsible for the managing of drilling contractors (Boart Longyear) and maintaining project schedules. - Responsible for the supervision and mentorship of approximately 10 subordinates (including senior and junior geologists, geological officers and geological assistants).	October 2006 – March 2007
Technical Assistant	De Beers Group Exploration	- Responsible for routine reporting, and ad-hoc reviews and requests by Group Managers Office. - Corporate governance of Resource Delivery Group. - Technical reviews of advanced stage projects and resource statements. - Compilation of position papers. - Ad-hoc reports and resource reviews. - Joint venture reporting.	2005 - 2006
Technical Assistant	De Beers Africa Exploration	- Responsible for routine reporting. - liaison between field operations and laboratories. - Ad-hoc technical reports and reviews. - Corporate governance of Africa Management team and HOD committee. - Active management of relationships and data for a Joint Venture in Madagascar. - Projects tracking. - Business plan management.	2004 - 2005
Senior Geologist	De Beers Geoscience Centre	- Industrial and exploration related diamond research - Responsible for diamond related service work and decision support - Supervision and mentoring for diamond related projects. - Providing exploration ventures with targeting and mineral chemistry interpretations and decision support.	2003-2004

POSITION	COMPANY	JOB DESCRIPTION	DURATION
Staff Geologist	De Beers Group Exploration Services	Exposure to various aspects of exploration and mining geology over a 13 month training period. Competencies gained include: • diamond indicator mineral identification and interpretation. • bulk sample evaluation. • laboratory practices. • stream and loam exploration sampling (both reconnaissance and follow-up sampling). • Underground geological mapping, density measurements, waste control, bulk sampling and grade determination studies.	2002-2003

Languages:**English: Excellent****Afrikaans: Good****Certification:**

I, the undersigned, certify that to the best of my knowledge and belief, these data correctly describe me, my qualifications, and my experience.


Date: 24th October 2011

Full name of staff member: Neil Mc Kenna

Proposed Position: Mineral Industry Advisor
Name of Firm: Venmyn Rand (Pty) Limited
Name of Staff: Mr Godknows Njowa
Profession: Mining Engineer (Mineral Resources)
Date of Birth: 4th June 1978
Years with Firm/Entity: Six years
Nationality: Zimbabwean

Membership in Professional Societies:

CLASS	PROFESSIONAL SOCIETY	YEAR OF REGISTRATION
Professional Engineer	Engineering Council of South Africa	2009
Candidate Engineer	Engineering Council of South Africa	2007
Member	South African Institute of Mining and Metallurgy	2006
Graduate	Institute of Chartered Secretaries and Administrators	2004
Graduate	Zimbabwe Institute of Engineers	2000

Involvement in Code Writing

POSITION	PROFESSIONAL CODE	DATE OF INVOLVEMENT
Working Group Member	JSE Listing Requirements (Section 12 and 8)	2007 – present
Working Group Member	SAMREC Code (Re-write)	2007 - present
Working Group Member	SAMVAL Code	2007 – present
Panel Member	SAMREC / IAS Award	2007 - present

Detailed Tasks Assigned:

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2011	ZYL Limited	Coal	High Level Coal Reserve Estimation and Mining for the purposes of Mining Right Application
	CoAL	Coal	An Independent Competent Person's Report on the principal Coal Assets held by Coal of Africa as part of LSE listing particulars on the Main Board.
	SIOC Community Development Trust	Coal	Technical Review in a form of a Due Diligence and Fatal Flaws Analysis on the Coal Mineral Assets held by Continental Coal Limited (CCL) for the purposes of purchasing a stake in CCL by SIOC Community Development Trust
	Sew Trident	Coal	Independent High Level Prospectivity and Resource Review and Valuation on the Komatipoort Coal Project, Mpumalanga
	Scinta	Coal	Independent Technical and Economic Review in the form of a Technical and Economic Due Diligence, Mineral Asset Valuation and Fatal Flaw Assessment of BHP Billiton Energy Coal South Africa (BECSA)'s coal mineral assets
	Identity Partners	Limestone Cement or	An Independent Mineral Asset Valuation for a Limestone Prospect held by Canyon Springs
	Sephaku Cement	Limestone Cement or	Independent Competent Person's Report on the Mineral Asset and Cement Plants held by Sephaku Cement
	Metorex	Copper & Cobalt	Independent Mineral Resources and Mineral Reserves Review on Chibuluma Mine.
	SSC Joyspring	Diamonds	Mineral Asset Valuation and Project Options Evaluation
	Sylvania Platinum Resources	PGE	An Independent Technical Review on the Volspruit Project, in the form of a Techno-Economic Statement.
2010	ESSAR Resources	Various	Technical Review in a form of a Due Diligence and Fatal Flaws Analysis on the Mineral Assets held by RioZim for the purposes of purchasing a controlling stake in RioZim
	Makomo Resources	Coal	Mineral Asset Valuation and Coal Reserve Estimation Report on Entuba Coal Project
	Buildmax	Aggregates	Independent Competent Person Report on the Sand Mineral Assets held by Buildmax
	Kalagadi Manganese	Mn	Independent Technical Review and Fatal Flaws Analysis on the Bankable Feasibility Study prepared on the Mineral Asset held by Kalagadi Manganese (Phase 2)
	Coal of Africa	Coal	Mineral Asset Valuation of all the contributing Coal Mineral Asset
	Afrisam	Cement & Agregates	Independent Technical Review on the Mineral Assets held by Afrisam
	Lesego Platinum	PGM	Independent Competent Person Report on the mineral assets held by Lesego Platinum (Village Transaction)

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2010	Sephaku Cement	Cement	Independent Technical Review on the Bankable Feasibility Study on the Mineral Asset and Cement Plants to be constructed by Sephaku Cement (Updates)
	Sephaku Cement	Cement	Independent Competent Person's Report on the Mineral Asset and Cement Plants held by Sephaku Cement (Updates)
	Absolute Platinum	PGM & Agregates	Independent Competent Person's Report on the Mineral Assets held by Absolute Holdings
	African Global Capital	Gold	Technical Review in a form of a Due Diligence and Fatal Flaws Analysis on the Gold Mineral Assets held by Duration Gold
	Absolute Holdings	Quartzite & Aggregates	Independent Mineral Asset Valuation on Lekkersing Quartzite Mine
2009	Unki Platinum Mines	PGM	Independent Mineral Asset Valuation and Due Diligence on Unki Platinum Mines
	Makomo Resources	Coal	High Level Due Diligence and Coal Resources and Coal Reserve Estimation on Entuba Coal Project
	Kalagadi Manganese	Mn	Independent Technical Review and Fatal Flaws Analysis on the Bankable Feasibility Study prepared on the Mineral Asset held by Kalagadi Manganese
	Sephaku Cement	Cement	Independent Technical Review on the Bankable Feasibility Study on the Mineral Asset and Cement Plants to be constructed by Sephaku Cement
	Sephaku Cement	Cement	Independent Competent Person's Report on the Mineral Asset and Cement Plants held by Sephaku Cement
	Tegan International	Coal	Prospectivity Review, Coal Resources Estimation and Valuation on the Ceza Mountain Coal Project.
	Zambezi Gas	Coal	High Level Due Diligence and Coal Resource Estimation on the Entuba Coalfield and Exploration Planning
	Batla Minerals	Tungsten	Conceptual Mine Design and Schedule for the Riviera Open Cast operation (Preliminary Assessment)
2008	DGI Investments	Copper & Cobalt	Mineral Asset Valuation of the Kabolelo Co Project in the DRC
	DGI Investments	Copper & Cobalt	Mineral Asset Valuation of the Mashitu Co Project in the DRC
	Nkwe Platinum	PGM	Independent Technical Report and Mineral Asset Valuation of the Tubatse Project
	Nkwe Platinum	PGM	Independent Competent Person Report on the mineral assets held by Nkwe Platinum
	Hwange Colliery	Coal	Review of the Coal Resources and Coal Reserves for an investment purposes (unpublished report).
	Lesego Platinum	PGM	Independent Competent Person Report on the mineral assets held by Lesego
	Sephaku Holdings	Cement, Au, PGM	Independent Mineral Asset Valuation of the contributing mineral assets
	Investec	Aggregates	Independent Review of Bankable Feasibility Study on behalf of the Debt Providers (Investec)
	Industrial Base Metals	Nickel & PGM	Independent Technical Inventory Verification on ENR
	Anglo Platinum	PGM	Independent Mineral Asset Valuation and Due Diligence on Unki Platinum Mines
	Bongani Minerals	Tungsten	Preliminary Scoping Study of the Riviera Tungsten Prospect
2007	Namakwa Diamonds	Diamonds	Competent Persons Report and Independent Mineral Assets Valuation on the alluvial and Kimberlite Diamond assets held by Namakwa Diamonds in Africa
	BRC Diamond Core Diamonds	Diamonds	NI 43-101 Technical Report on the Diamond Projects in the DRC
	Adsani Tantalite Refinery	Tantalite	Independent Technical Report
	Afrisam Consortium	Limestone /Aggregate	Independent Technical Review of the Mineral Assets of Holcim SA for a BEE Transaction
	Caledonia Mining	Gold	Technical Information memorandum and Independent Valuation on Barbrook for disposal
	Caledonia Mining	Gold	Technical Information memorandum and Independent Valuation on Eersteling for disposal

YEAR	CLIENT	COMMODITY	PROJECT DESCRIPTION
2007	DRDGold	Gold	Emperor Gold Mines independent forensic review
	Signet Mining	Coal	An independent Technical Assessment of the Coal Resources and Coal Reserves on the Thuli Coal in Zimbabwe
	GVM Metals	Coal	An Independent Competent Person's Report on certain of the mining assets of Coal of Africa on Behalf of GVM metals
	Signet Mining	Coal	An Independent Evaluation of the Coal Resources in the Tete Province for an investment purposes.
	Great Basin Gold	Gold	Independent Transaction Report
	LionOre International	Nickel and PGM	Independent Technical and Economic Review and Mineral Asset Valuation of BCL Ltd for the Debt providers
	Mintek (DME)	Mineral Policy Review	South African system for Mine Closure Financial Provision Legislation
	PWC - Highveld Steel	Iron and Vanadium	Independent Mineral Resource Review and Valuation for apportionment calculations
	West Wits Mining	Gold	Competent Persons report on the prospects on the Witwatersrand Basin for Gold Exploration in South Africa
2006	Anglo Platinum	PGM	An Independent Mineral Asset Valuation on the Union Section
	Crushco	Aggregates	Independent Techno-Economic Assessment
	Harmony Gold Mining Company Ltd	Gold	Development and Implementation of Sarbanes Oxley Compliance to the Ore Reserve process: South African and Australian Operations
	Imbani Resources	Coal	Coal Resources and Coal Reserves Estimation for annual declaration
	Imbani Resources	Coal	High Level Review of Coal Resources and Coal Reserve held by Imbani
	Kurils Islands	Gold	Independent Technical Report NI43-101
	LionOre International	Nickel and PGM	Independent Technical and Economic Assessment of BCL Ltd
	Mgart Armenia	Gold	Independent Assessment and Valuation for AIM
	Mintek	Chromite	Strategic Industry Review
	Rhovan	Vanadium	Valuation report
	Salestalk 32	Vanadium	Resources and Reserve Statement Audit and Update
	Various	Mineral Policy Review	An Independent opinion on the Zimbabwe Amendment Bill
	Western Areas	Gold	Technical Assessment and Mineral Asset Valuation Report of the Gold Assets
	Worldwide Coal	Coal	Techno-Economic Valuation Report for the RBCT Tender and An Independent Review of the Coal Reserves.
	Xstrata	PGM	An Independent Mineral Asset Valuation on the Mototolo JV
2003-4	Rio Tinto Zimbabwe	Gold, Coal and Nickel	Strategic Assessment of the Company and Internal Financial Auditing for the mining and processing operations
2003	Rio Tinto Zimbabwe	Coal and Gold	Assisting in the Evaluation of Advanced projects in the Rio Tinto Zimbabwe including Spot Mine, Sengwa Coal and other special grants in Zimbabwe
2002	Rio Tinto Zimbabwe	Gold	Pre Feasibility Study on the re-development of Spot Mine to access underground resources from the current Adit.

Independent Fair and Reasonable Opinions

YEAR	CLIENT	Securities Exchange Jurisdiction	Transaction Type	Implied Value (US\$m)	DESCRIPTION
2008	BDO & Nkwe Platinum	ASX	Category I Merger	276	Independent Technical Report and Mineral Asset Valuation of the Tubatse Project Nkwe, including a Fair and Reasonable Opinion on the transaction for BDO

YEAR	CLIENT	Securities Exchange Jurisdiction	Transaction Type	Implied Value (US\$m)	DESCRIPTION
2008	Metorex	JSE	Fairness Opinions		Independent Fair and Reasonable Opinion on the rights issue offer to its shareholder in a debt and equity capital restructuring programme.
2008	Sephaku Holdings	JSE	Offer to the Minority	110.0	Independent Fair and Reasonable Opinion on the rights issue offer to the minority shareholder in a corporate restructuring programme
2007	BRC & Diamond Core	JSE & TSX	Category I Merger	150.0	Independent Fair and Reasonable Opinion on the merger between BRC Diamonds and Diamond Core in a merger transaction.
2006	LionOre International	TSX	Acquisition notification documentation.	650	Independent Technical and Valuation Fatal Flaws Report and F&R opinion for the Board of LionOre. Not published as an F&R.

Key Qualifications:

Mr Njowa's key areas of expertise lie the combination of skills in Financial Accounting, Corporate Governance and Mining Engineering. Coupled with experience in both technical and corporate finance he has consolidated his expertise in detailed financial valuation of mineral and mining projects using discounted cashflow models and mineral resources and mineral reserve estimation.

Mr Njowa has special interests in the public reporting of mineral assets and their valuation, with focus on the following codes and standards:- International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), South African Code for the Reporting of Mineral Resources and Reserves (SAMREC Code) and the current draft of The South African Code for the Valuation of mineral projects (SAMVAL Code).

He has been involved in the writing of numerous codes the South African Code for the Reporting of Mineral Resources and Reserves (SAMREC Code) and is currently on the committee writing the South African Code for the Valuation of mineral projects (SAMVAL Code) and on JSE Listing requirements committee and involved in the drafting of the JSE listing requirements for the minerals and exploration companies.

Education:

DEGREE/ DIPLOMA	FIELD	INSTITUTION	YEAR
B. Sc Hons	Mining Engineering	University of Zimbabwe	2003
Professional Qualification	Corporate Governance and Financial Accounting	Institute of Chartered Secretaries and Administrators	2004
GDE	Graduate Diploma in Mining Engineering specialising in Mineral Resources Management and Mineral Asset Valuations	University of the Witwatersrand	2005
M. Sc	Mining Engineering specialising in Mineral Resources Management (<i>Cum Laude</i>)	University of the Witwatersrand	2007
Certificate	Securities Investment Analysis	Investment Analyst Society	2008

Employment Record:

POSITION	COMPANY	JOB DESCRIPTION	DURATION
Mineral Industry Advisor and Shareholder (2008-present)	Venmyn Rand (Pty) Ltd	Part of the consulting team, with the majority of assignments being Due Diligence and valuation exercises. Also undertaking capital gains tax, mineral rights, projects and mine valuations in the minerals industry. Projects worked on include:-	December 2005 - Present
Mineral Project Analyst (2005-2008)		- Valuation and strategic analysis of mining companies and mineral projects using the discounted cashflow and other comparative methods; - Financial Modelling for Mining Projects; - Evaluation and Reviewing Short and Long Term mine plans - Valuation of various mineral rights and projects. - Mineral reserve conversions	
Head Office Accountant (Mining Analyst)	Rio Tinto Zimbabwe (Head Office)	Management responsibilities as outlined below but now at the Corporate level involving four different mining and processing operations. Further responsibilities include:- - Processing foreign payments through the reserve bank; - Statutory tax, royalties provisions, calculations and payments - Assist the External and Internal Auditing functions in the group; - Arranging project and working capital funding; and - Group cashflow management in liaison with the Group Accountant.	November 2004 – January 2005
Assistant	Rio Tinto Zimbabwe	Mining Responsibilities:-	July 2003 –

POSITION	COMPANY	JOB DESCRIPTION	DURATION
Accountant Mining	(Renco Mine)	- Part of the Mine planning and cost control team; - Carry out internal investment appraisal for mining and engineering projects; - Conversion of Resources to Mineral reserves and estimation; - Economic evaluations on future mining blocks; and - Budgeting, production analysis and doing mining cost management reports. Accounting Responsibilities:- - Preparation of monthly management reports, internal auditing and accounts; - Personnel deployment and management of five sub sections (stores, creditors, payroll, amenities and IT); - Production planning, management and quality control; - Total cost control, capital budgeting and cashflow management; - Maintenance of the company's records and bookkeeping; - Authorisation of foreign and local payments, banking, gold declaration and other statutory responsibilities.	November 2004
Graduate Mining Engineer Internship	Rio Tinto Zimbabwe (Renco Mine)	Thin reef, hard rock underground gold production on the Nyagena goldfield reef seams using conventional longwall mining method and rail tramming system. Responsibilities included:- - Drilling, blasting, loading and hauling operations; - Support installation, track work installation and maintenance; - Daily mine production and machine scheduling; - Safety and health systems management; - Production planning, management and grade control; - Total cost control and capital budgeting; - Equipment maintenance and condition monitoring; - Development of secondary orebody access through twin sub-declines, including project management of ancillary infrastructure development and installations; - Technical computerisation using Datamine (data processing, block modelling and ore reserve estimation); and - Mineral processing and dressing of sulphides ores through cyanidation and carbon in leach gold extraction.	June 2001 – August 2002
Student Mining Engineer	AA Mines (Shabanie Mine)	- Massive ore body production management; - Safety and quality management; - Sub-level block caving with a trackless tramming system; - Chystolite asbestos production.	August 1999 – February 2000

Languages:

English: Excellent

Shona: Excellent

Certification:

I, the undersigned, certify that to the best of my knowledge and belief, these data correctly describe me, my qualifications, and my experience.


Date: 24th October 2011

Full name of staff member: Godknows Njowa, Pr Eng.

22. ABBREVIATIONS AND UNITS OF MEASUREMENT

ABBREVIATION OR UNIT OF MEASUREMENT	EXPLANATION
ACT	Advanced Coal Technologies (Pty) Limited
AIM	Alternative Investment Market
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
ArcelorMittal	ArcelorMittal South Africa Ltd
ARD	Apparent Relative Density
ASX	Australian Stock Exchange
AusIMM	Australian Institute of Mining & Metallurgy
BBBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BHPB	BHP Billiton plc
BOD	Biochemical Oxygen Demand
BP	British Petroleum
B.Sc.	Bachelor of Science degree
B.Sc. (Hons)	Bachelor of Science Honours degree
Bt	Billion tonnes
Capex	Capital Expenditure
CBM	Coal Bed Methane
CGS	Council for Geoscience
Chapudi Coal	Chapudi Coal (Pty) Ltd
CIF	Cost, insurance and freight
CoAL	Coal of Africa Limited
COD	Chemical Oxygen Demand
CPR	Competent Persons' Report
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.
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
Dip	Diploma
DME	Department of Minerals and Energy
DMR	Department of Mineral Resources
DWA	Department of Water Affairs
EBIT	Earnings before interest and tax
EIA	Environmental Impact Assessment/ Energy Information Administration
EIMS	Environmental Impact Management Services(Pty) Ltd
EMP	Environmental Management Plan
EMPR	Environmental Management Programme Report
EOH	End of hole
Eskom	Eskom Holdings Limited, South Africa's State power utility
Exxaro	Exxaro Resources Limited
EU	European Union
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
GTIS	Gross Tons In situ
GW	GigaWatt
ha	Hectare
HDSAs	Historically disadvantaged South Africans
I&AP	Interested and Affected Parties
Inspectorate	Inspectorate M & L (Pty) Ltd
Ingwe	Ingwe Coal Corporation
Iscor	Iscor Ltd
ISO	International Organization for Standardization
JORC	Joint Ore Reserves Committee

ABBREVIATION OR UNIT OF MEASUREMENT	EXPLANATION
JSE	Johannesburg Stock Exchange Limited
kg	Kilogram
km	Kilometre
KME	Kwezi Mining Exploration (Pty) Ltd
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
m ²	Square metres
m ³	Cubic metre
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
Mm ³	Million cubic metres
MOA	Memorandum of Understanding
MOF	Maputo Option Fee
Mooiplaats Mining	Mooiplaats Mining (Pty) Ltd
Motjoli	Motjoli Resources (Pty) Ltd
MPRDA	South African Minerals and Petroleum Resources Development Act
MPRRA	Minerals and Petroleum Resources Royalty Act
MR	Mining Right
MSA	MSA GeoServices (Pty) Ltd
MSAIMM	Member of the South African Institute for Mining & Metallurgy
M.Sc.	Masters degree in Science
Mt	Million tonnes
Mtoe	Million tonnes oil equivalent
MTIS	Mineable Tons In Situ
Mtpa	Million tons per annum
MW	Mega Watt
N/A	Not applicable
NEMA	National Environmental Management Act
NEMWA	National Environmental Management : Waste Act
NOMR	New Order Mining Right
NOPR	New Order Prospecting Right
NWA	National Water Act
NuCoal	NuCoal Mining (Pty) Ltd
OECD	Organisation for Economic Co-operation and Development
Opex	Operating expenditure
Optimum	Optimum Coal Holdings
PCD	Pollution Control Dam
PetroSA	Petroleum, Oil and Gas Corporation of South Africa (Pty) Limited
POP	Persistent Organic Pollutants
Pr.Sci.Nat	Professional Natural Scientist
PSD	Particle Size Distribution
Q	Quarter
RBCT	Richards Bay Coal Terminal
RD	Relative density
RE	Remaining extent
Regulus	Regulus Investment (Pty) Ltd
Rio Tinto	Rio Tinto Limited

ABBREVIATION OR UNIT OF MEASUREMENT	EXPLANATION
RoM	Run of mine
RTMD	Rio Tinto Minerals Development Ltd
R/P Ratio	The reserves to production ratio. This ratio provides an indication of how long coal reserves in a particular country will last.
SABS	South African Bureau of Standards
SAIMM	South African Institute for Mining & Metallurgy
SAMREC	South African Code for Reporting of Mineral Resources and Mineral Reserves
SAMVAL	The South African Code for the Reporting of Mineral Asset Valuation
SANAS	South African National Accreditation System
SANS	The South African Guide to the Systematic Evaluation of Coal Resources and Coal Reserves
Sasol	Sasol Limited
Sasol Mafutha	Sasol Mafutha Mining (Pty) Limited
Shell	Shell Coal South Africa (Pty) Limited
Silkwood	Silkwood Trading 14 (Pty) Ltd
SLP	Social and Labour Plan
Southern Sphere	Southern Sphere Mining and Development Company (Pty) Ltd
SRK	SRK Consulting (South Africa) (Pty) Limited
t	Tonnes
TCM	Matola Coal Terminal
TFR	Transnet Freight Rail
TTIS	Total tons in situ
UK	United Kingdom
UKLA	United Kingdom Listing Authority
US	United States
USD	United States Dollar
VALMIN	The Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports 2005
VME	Vuna Mining Enterprises (Pty) Ltd (VME)
Vunene	Vunene Resources (Pty) Ltd
WUL	Water Use Licence
WULA	Water Use Licence Application
ZAR	South African Rand
ZARm	Million South African Rands

23. GLOSSARY OF TERMS

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.
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%.
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.

TERM	DEFINITION
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.

TERM	DEFINITION
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 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.
R_oV_{max} (%)	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.

TERM	DEFINITION
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 realised after the mining and treatment process.

24. SCORES TO CALCULATE ZAR/HA

The following scores and rules are applied to calculate modified ZAR/ha

Exploration Score

SCORE (PHASES COMPLETED)	ACTIVITY	BASE ZAR/ha
0	No Exploration.	25
1	Mapping/Survey/Geophysics only.	100
2	1 New Borehole and/or <3 Historical Boreholes.	250
3	>3 Historical Boreholes.	350
4	1 New Borehole Plus >3 Historical Boreholes.	500
5	More than 1 New Borehole.	Read directly off Cost per Ha Graph.

Prospectivity Score

SCORE	NATURE OF COAL
0	Unknown.
1	Thin Coal.
2	Thick Coal (Full Coal Sequence)

Mineability Score

SCORE	MINEABILITY
0	Unknown.
1	Underground.
2	Opencastable.

Value Range

SCORE (PHASES COMPLETED)	VALUE RANGE
0	40%
1	30%
2	30%
3	30%
4	20%

Methodology

- 1) Base ZAR/ha allocated based on score
- 2) Base ZAR/ha multiplied by % Karoo
- 3) ZAR/Karoo ha is then multiplied by prospectivity and mineability scores to get a Modified ZAR/ha value
- 4) Modified ZAR/ha value is multiplied by property area to get full property value.
- 5) Modified ZAR/ha represents mean ZAR/ha value, with high and low ZAR/ha values reflecting a range which is directly related to the confidence in the estimate (i.e: related to phases completed).