

**Wednesday 16 June 2010**

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Neither this Announcement nor any part of it constitutes an offer to sell or issue or the solicitation of an offer to buy, subscribe or acquire any new Ordinary Shares in any jurisdiction in which any such offer or solicitation would be unlawful and the information contained herein is not for publication or distribution, directly or indirectly, in or into the United States, Canada, Japan or any jurisdiction in which such publication or distribution would be unlawful.

**COAL OF AFRICA LIMITED  
("CoAL" or the "Company")**

**Proposed cash placing of up to 50 million new ordinary shares to raise up to  
approximately £55 million**

CoAL announces its intention to place up to 50 million new ordinary shares in the Company (the "Placing Shares") representing approximately 10.4% of CoAL's existing issued ordinary share capital (the "Placing"). The proposed placing by CoAL of new ordinary shares in the Company ("Ordinary Shares") will be to institutional investors to raise up to approximately £55 million (South African Rand 625 million/ Australian Dollar 95 million) (before expenses). J.P. Morgan Securities Ltd. which conducts its UK investment banking activities as J.P. Morgan Cazenove ("J.P. Morgan Cazenove") is acting as Global Co-ordinator and Sole Bookrunner, Macquarie First South Advisers (Proprietary) Limited ("Macquarie") is acting as joint lead manager, Evolution Securities Limited ("Evolution") and Mirabaud Securities LLP ("Mirabaud") are acting as co-lead managers, (together, the "Managers").

**The Placing**

The Placing is subject to the terms and conditions set out in Appendix A. The Managers will today commence an accelerated bookbuilding process in respect to the Placing ("Bookbuild"). The price per Ordinary Share at which the Placing Shares are to be placed (the "Placing Price") will be decided at the close of the Bookbuild. The book will open with immediate effect. The timing of the closing of the book, pricing and allocations is at the discretion of J.P. Morgan Cazenove and CoAL. Details of the Placing Price will be announced as soon as practicable after the close of the Bookbuild.

The Placing Shares will be credited as fully paid and will rank pari passu in all respects with the existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after the date of issue.

The Placing will be made on a non-pre-emptive basis. If all the Placing Shares are placed, it would represent an increase of approximately 10.4% of the current issued ordinary share capital of the Company, and the Placing Shares would represent approximately 9.4% of the enlarged issued ordinary share capital of the Company.

The Company has applied for admission of the Placing Shares to trading on the AIM market of the London Stock Exchange ("AIM") and the Main Board of JSE Limited ("JSE"), and application will be made to the Australian Securities Exchange ("ASX"). It is expected that admission to trading or quotation and listing will take place on AIM and the JSE on 21 June 2010 and on 22 June 2010 on ASX.

The Appendix A to this Announcement (which forms a part of this Announcement) sets out further information relating to the Bookbuild and the terms and conditions of the Placing. Appendix B sets out certain risk factors in relation to the Company and its business.

#### **Use of proceeds**

The Company intends to use the net proceeds of the Placing to fund the following:

- Makhado bulk sample - approximately US\$7.5 million;
- Makhado Definitive Feasibility Study - approximately US\$6.5 million;
- Potential acquisitions contiguous to CoAL existing assets or existing inorganic growth opportunities – approximately US\$15 million and US\$20 million respectively;
- Repay the existing JPMorgan Chase Bank, N.A. working capital facility - US\$20 million; and
- General working capital

Commenting on the Placing, Simon Farrell, Executive Deputy Chairman of CoAL said:

"CoAL has grown into a multi-site producer with a sizeable resource base, carefully considered logistics and a high quality and supportive investor base including its proposed off-take partners. We have a significant platform for production growth and an exciting development trajectory. Today's equity placing will ensure that we have the right capital structure to deliver further material value for all stakeholders across our portfolio."

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## **IMPORTANT NOTICE**

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J.P. Morgan Cazenove is acting as Global Co-ordinator and Sole Bookrunner, Macquarie is acting as joint lead manager, and Evolution and Mirabaud are acting as co-lead managers in connection with the Placing. Each of J.P. Morgan Cazenove, Evolution and Mirabaud, each of which is authorised and regulated by the Financial Services Authority, and of Macquarie which is authorised by the Financial Services Board are acting for the Company in connection with the Placing and no-one else and none of J.P. Morgan Cazenove, Macquarie, Evolution nor Mirabaud will be responsible to anyone other than the Company for providing the protections afforded to the respective clients of J.P. Morgan Cazenove, Macquarie, Evolution and Mirabaud nor for providing advice in relation to the Placing or any other matter referred to herein.

The distribution of this Announcement and the Placing of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company, J.P. Morgan Cazenove, Macquarie, Evolution or Mirabaud that would permit an offering of such shares or possession or distribution of this Announcement or any other offering or publicity material relating to such shares in any jurisdiction where action for that purpose is required. Persons into whose possession this announcement comes are required by the Company, J.P. Morgan Cazenove, Macquarie, Evolution and Mirabaud to inform themselves about, and to observe, such restrictions.

Macquarie First South Advisers (Proprietary) Limited is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia), and its obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of Macquarie First South Advisers (Proprietary) Limited.

The information in this Announcement shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the securities referred to herein in any jurisdiction in which such offer, solicitation or sale would require preparation of further prospectuses or other offer documentation, or be unlawful prior to registration, exemption from registration or qualification under the securities laws of any such jurisdiction.

No public offer of securities of the Company is being made in Australia, the United Kingdom, the United States, the Republic of South Africa or elsewhere. The information in this Announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities mentioned herein have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act") nor the security laws of any state or other jurisdiction of the United States. The securities mentioned herein may not be offered or sold in the United States except pursuant to Regulation S under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of securities in the United States.

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## APPENDIX A

### TERMS AND CONDITIONS OF THE PLACING

#### IMPORTANT INFORMATION FOR PLACEES ONLY REGARDING THE PLACING

THIS ANNOUNCEMENT IS NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES, CANADA OR JAPAN OR ANY OTHER JURISDICTION IN OR INTO WHICH SUCH RELEASE, PUBLICATION OR DISTRIBUTION IS UNLAWFUL.

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY AT: (A) PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) ("**QUALIFIED INVESTORS**"); (B) IN THE UNITED KINGDOM, QUALIFIED INVESTORS WHO ARE PERSONS WHO: (I) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE UNITED KINGDOM FINANCIAL SERVICES AND MARKETS ACT, 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**ORDER**"); OR (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) ("HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC") OF THE ORDER; (C) IN AUSTRALIA, PERSONS TO WHOM AN OFFER OF SECURITIES MAY BE MADE UNDER SECTION 708(8) OR 708(11) OF THE AUSTRALIAN CORPORATIONS ACT; (D) IN SOUTH AFRICA, THOSE PERSONS ENVISAGED UNDER AN OFFER DETAILED IN SECTION 144(b) OF THE SOUTH AFRICAN COMPANIES ACT NO 61 OF 1973; OR (E) PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. THIS APPENDIX DOES NOT ITSELF CONSTITUTE AN OFFER FOR SALE OR SUBSCRIPTION OF ANY SECURITIES IN THE COMPANY.

Persons who are invited to and who choose to participate in the Placing, by making an oral or written offer to subscribe for Placing Shares (the "**Placees**"), will be deemed to have read and understood this Announcement, including this Appendix, in its entirety and to be making such offer on the terms and conditions, and to be providing the representations, warranties, acknowledgements, undertakings and agreements contained in this Appendix. In particular, each such Placee represents, warrants and acknowledges that it is a Relevant Person (as defined above) and undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business. In addition, Placees located in certain jurisdictions will be required to execute placing allocation letters in a form provided ("**Placing Allocation Letter**").

This Announcement does not constitute an offer, and may not be used in connection with an offer, to sell or issue or the solicitation of an offer to buy or subscribe for Placing Shares in any jurisdiction in which such offer or solicitation is or may be unauthorised or unlawful. This Announcement and the information contained herein is not for publication or distribution, directly or indirectly, to persons in the United States, Canada or Japan or in any jurisdiction in which such publication or distribution is unlawful. Persons into whose possession this Announcement may come are required by the Company to inform themselves about and to observe any restrictions of

transfer of this Announcement. No public offer of securities of the Company is being made in Australia, the United Kingdom, the United States, the Republic of South Africa or elsewhere.

In particular, the Placing Shares referred to in this Announcement have not been and will not be registered under the Securities Act or the laws of any state and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or as part of a transaction not subject to, the registration requirements of the Securities Act and applicable state laws.

The relevant clearances have not been, and nor will they be, obtained from the securities commission of any province or territory of Canada; no prospectus has been lodged and/or registered with the ASIC, or the CIPRO or the Japanese Ministry of Finance; and the Placing Shares have not been, and nor will they be, registered under or offered in compliance with the securities laws of any state, province or territory of Canada or Japan. Accordingly, the Placing Shares may not (unless an exemption under the relevant securities laws is applicable) be offered, sold, resold or delivered, directly or indirectly, in or into Canada or Japan or any other jurisdiction where to do so would be unlawful.

Persons (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward a copy of this Appendix or the Announcement of which it forms part should seek appropriate advice before taking any action.

#### **Notice to Australian Residents**

This Announcement is not a prospectus for the purposes of the Australian Corporations Act and may not contain all of the information that an Australian investor may find in a prospectus prepared in accordance with the Australian Corporations Act which may be required in order to make an informed investment decision regarding, or about the rights attaching to, Placing Shares. As no prospectus will be lodged with ASIC or otherwise prepared in accordance with the Australian Corporations Act in respect of the Placing, the Placing Shares will only be offered or issued to persons in Australia to whom an offer of shares for issue may be made without a prospectus under Part 6D.2 of the Australian Corporations Act or to persons outside Australia in accordance with the laws of any other applicable jurisdiction. If you are located in Australia, you confirm and warrant that you are a person to whom an offer of securities may be made under section 708(8) or section 708(11) of the Australian Corporations Act such that any offer or invitation to you does not require a prospectus or other form of disclosure document under the Australian Corporations Act and you agree that you will not offer to sell the Placing Shares to any person that is not a sophisticated or professional investor under section 708(8) or section 708(11) of the Australian Corporations Act until the day after a notice is lodged by the Company with the ASX that complies with subsections 708A(5)(e) and (6) of the Australian Corporations Act.

#### **Notice to South African Residents**

This document is not a prospectus and is not to be construed as an offer to the public in terms of the South African Companies Act, 1973 (No 61 of 1973). Accordingly, any securities referenced in this Announcement will not be offered in such a way as to require the issuing and registration of a prospectus in South Africa in accordance with applicable South African law. This Announcement is being distributed only to certain identified investors in South Africa to whom it may be lawfully distributed. Nothing in this Announcement should be viewed, or construed, as “advice” by Macquarie as that term is used in the South African Securities Services Act, 2004 and/or Financial Advisory and Intermediary Services Act, 2002.

### **Notice to UK Residents**

This Announcement is not a prospectus for the purposes of the Prospectus Rules published by the UK Financial Services Authority (“FSA”) and has not been approved by, or filed with, the FSA. This Announcement contains no offer to the public within the meaning of Section 102B of the United Kingdom Financial Services and Markets Act 2000, the United Kingdom Companies Act 2006 or otherwise.

### **NOTICE TO US RESIDENTS**

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THE PLACING SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES UNLESS SUCH PLACING SHARES ARE REGISTERED UNDER THE SECURITIES ACT OR ARE OFFERED AND SOLD PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH STATE SECURITIES LAWS. THE PLACING SHARES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES PURSUANT TO REGULATION S.

THE PLACING SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE PLACING OR THE ACCURACY OR ADEQUACY OF THIS ANNOUNCEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

### **Details of the Placing Agreement and the Placing Shares**

The Managers have entered into the Placing Agreement with the Company under which the Managers have severally (and not jointly or jointly and severally), on the terms and subject to the conditions set out therein, undertaken to use their reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

The Placing Shares will, when issued, be credited as fully paid and will rank pari passu in all respects with the existing issued Ordinary Shares including the right to receive all dividends and other distributions declared made or paid after the date of issue.

In this Appendix, unless the context otherwise requires, Placee means a Relevant Person (including individuals, funds or others) on whose behalf a commitment to subscribe for Placing Shares has been given.

### **Application for listing and admission to trading**

Application has been made to the London Stock Exchange for admission to trading of the Placing Shares to AIM. It is expected that Admission on AIM will become effective and that dealings on AIM in the Placing Shares will commence at 8.00 a.m. (London time) on 21 June 2010.

Application will be made to the ASX for quotation of the Placing Shares on the ASX as soon as reasonably practicable following the issue of the Placing Shares. It is expected that dealings on the ASX in the Placing Shares will commence at 8.00 a.m. (Sydney time) on 22 June 2010.

Application has been made to the JSE for the Placing Shares to be listed and admitted to trading on the Main Board of the JSE. It is expected that listing will become effective at 9.00 a.m. (Johannesburg time) on 21 June 2010. Settlement of the Placing Shares to be held on the South African Share Register is expected to take place on 23 June 2010 in accordance with the terms of the Placing Allocation Letters.

### **Bookbuild**

The Managers will today commence an accelerated bookbuilding process in respect to the Placing (the "**Bookbuild**") to determine demand for participation in the Placing by Placees. This Appendix gives details of the terms and conditions of, and the mechanics of participation in, the Placing. No commissions will be paid to Placees or by Placees in respect of any Placing Shares.

The Managers and the Company shall be entitled to effect the Placing by such alternative method to the Bookbuild as they may, in their sole discretion, determine.

### **Participation in, and principal terms of, the Placing**

- 1 J.P. Morgan Cazenove is acting as sole Bookrunner and as an agent of the Company. Macquarie is acting as joint lead Manager and Evolution and Mirabaud are each acting as co-lead Managers, all as agents of the Company.
- 2 Participation in the Placing will only be available to persons who may lawfully be, and are, invited to participate by the Managers. The Managers and their respective affiliates or their respective agents are entitled to enter bids as principal in the Bookbuild.
- 3 The Bookbuild will establish a single price in Pounds Sterling. An Australian Dollar and a South African Rand price will be determined from that Pounds Sterling price at an exchange rate to be determined at the sole discretion of the Bookrunner. When submitting bids, Placees will be entitled to choose whether they wish to settle in Pounds Sterling or Australian Dollar or South African Rand, in each case payable to the Managers by all Placees whose bids are successful (the "**Placing Price**"). The Placing Price and the aggregate proceeds to be raised through the Placing will be agreed between the Bookrunner and the Company following completion of the Bookbuild. The Placing Price will be announced on a Regulatory Information Service following the completion of the Bookbuild (the "**Placing Results Announcement**").
- 4 To bid in the Bookbuild, Placees should communicate their bid by telephone to their usual sales contact at the Managers (the "**Relevant Manager**"). Each bid should state the number of Placing Shares for which the prospective Placee wishes to subscribe at either the pounds sterling, Australian Dollar or South African Rand Placing Price, which is ultimately established by the Company and the Bookrunner, or at prices in Pounds Sterling, Australian Dollars or South African Rand up to a price limit in Pounds Sterling, Australian Dollars or South African Rand specified in its bid. Bids may be scaled down by the Bookrunner on the basis referred to in paragraph 9 below.
- 5 The Bookbuild is expected to close no later than 4:30 p.m. (London time) on Wednesday 16 June 2010 but may be closed earlier or later at the discretion of the Bookrunner. The Managers may, in agreement with the Company, accept bids that are received after the Bookbuild has closed. The Company reserves the right to reduce or seek to increase the amount to be raised pursuant to the Placing, in its absolute discretion.



- 6 Each Placee's allocation will be confirmed to the Placee orally by the Relevant Manager following the close of the Placing, and a conditional contract note or in certain jurisdictions, a Placing Allocation Letter, will be dispatched as soon as possible thereafter. The Relevant Manager's oral confirmation to such Placee will constitute an irrevocable legally binding commitment upon such person (who will at that point become a Placee) in favour of the Relevant Manager and the Company, under which the Placee agrees to acquire the number of Placing Shares allocated to it at the Placing Price on the terms and conditions set out in this Appendix and in accordance with the Company's constitution.
- 7 Each prospective Placee's allocation and commitment will be evidenced by a conditional contract note issued to such Placee by the Relevant Manager and in certain jurisdictions, a Placing Allocation Letter. The terms of this Appendix will be deemed to be incorporated in that contract note or Placing Allocation Letter.
- 8 The Placing Results Announcement shall detail the number of Placing Shares to be issued and the Placing Price in Pounds Sterling as well as the Australian Dollar and South African Rand price derived from that Pounds Sterling price at an exchange rate to be determined at the sole discretion of the Bookrunner.
- 9 Subject to paragraphs 4 and 5 above, the Managers may choose to accept bids, either in whole or in part, on the basis of allocations determined at their discretion (in consultation with the Company) and may scale down any bids for this purpose on such basis as it may determine. The Managers may also, notwithstanding paragraphs 4 and 5 above, subject to the prior consent of the Company: (i) allocate Placing Shares after the time of any initial allocation to any person submitting a bid after that time; and (ii) allocate Placing Shares after the Bookbuild has closed to any person submitting a bid after that time. The Managers each reserve the right not to accept bids or to accept bids in part rather than in whole.
- 10 A bid in the Bookbuild will be made on the terms and subject to the conditions in this Announcement and in certain jurisdictions, the terms and conditions in the Placing Allocation Letter and will be legally binding on the Placee on behalf of which it is made and except with the Bookrunner's consent will not be capable of variation or revocation after the time at which it is submitted. Each Placee will also have an immediate, separate, irrevocable and binding obligation, owed to the Relevant Manager, to pay it (or as it may direct) in cleared funds an amount equal to the product of the Placing Price and the number of Placing Shares such Placee has agreed to acquire. Each Placee's obligations under this paragraph will be owed to the Relevant Manager.
- 11 Except as required by law or regulation, no press release or other announcement will be made by the Managers or the Company using the name of any Placee (or its agent), in its capacity as Placee (or agent), other than with such Placee's prior written consent.
- 12 Irrespective of the time at which a Placee's allocation pursuant to the Placing is confirmed, settlement for all Placing Shares to be acquired pursuant to the Placing will be required to be made at the relevant time, on the basis explained below under "Registration and Settlement".
- 13 All obligations under the Bookbuild and Placing will be subject to fulfilment of the conditions referred to below under "Conditions of the Placing" and to the Placing not being terminated on the basis referred to below under "Right to terminate under the Placing Agreement".
- 14 By participating in the Bookbuild, each Placee will agree that its rights and obligations in respect of the Placing will terminate only in the circumstances described below and will not be capable of rescission or termination by the Placee.

- 15 To the fullest extent permissible by law, none of the Managers nor any of their respective affiliates or agents shall have any liability to Placees (or to any other person whether acting on behalf of a Placee or otherwise). In particular, none of the Managers nor any of their respective affiliates or agents shall have any liability (including to the extent permissible by law, any fiduciary duties) in respect of the conduct of the Bookbuild process or of such alternative method of effecting the Placing as the Managers and the Company may agree.
- 16 Each prospective Placee who is purchasing the Placing Shares in the Republic of South Africa will be required to sign a Placing Allocation Letter to be provided by Macquarie. The terms contained in this Appendix will be deemed to be incorporated in that Placing Allocation Letter.

### **Conditions of the Placing**

The obligations of the Managers under the Placing Agreement in respect of the Placing Shares are conditional on, inter alia:

- (a) AIM Admission occurring not later than 8.00 a.m. (London time) on 21 June 2010 or such other date as may be agreed between the Company and the Managers, not being later than 30 June 2010;
- (b) the Company having lodged with the ASX an Appendix 3B announcement conditional only on the issue of the Placing Shares by the business day after the date of this Announcement (or such other date as may be agreed between the Company and the Managers not being later than 30 June 2010);
- (c) the JSE having confirmed to the Company in writing before the date of AIM Admission (or such other date as may be agreed between the Company and the Managers) the agreement of the JSE that the Placing Shares will be eligible for listing on the JSE on the date of Admission (or such other date as may be agreed between the Company and the Managers, not being later than 30 June 2010);
- (d) the agreement between the Bookrunner and the Company of the Placing Price and the number of Placing Shares to be issued as established in the Bookbuild process;
- (e) the warranties contained in the Placing Agreement being true and accurate and not misleading on and as of the date of the Placing Agreement and at AIM Admission as though they had been given and made on such dates by reference to the facts and circumstances then subsisting; and
- (f) in the opinion of the Bookrunner, acting in good faith, there having been since the date of the Placing Agreement no material adverse effect (as defined in the Placing Agreement), whether or not foreseeable at the date of the Placing Agreement.

If: (i) any of the conditions contained in the Placing Agreement in relation to the Placing Shares are not fulfilled or waived by the Bookrunner by the respective time or date where specified (or such later time or date as the Company and the Bookrunner may agree); (ii) any of such conditions becomes incapable of being fulfilled; or (iii) the Placing Agreement is terminated in the circumstances specified below, the Placing in relation to the Placing Shares will lapse and the Placee's rights and obligations hereunder in relation to the Placing Shares shall cease and terminate at such time and each Placee agrees that no claim can be made by the Placee against either the Company or any of the Managers in respect thereof.

The Bookrunner may, in its absolute discretion and upon such terms as it thinks fit, waive compliance by the Company with the whole or any part of any of the Company's obligations in

relation to the conditions in the Placing Agreement save that certain conditions, including the condition relating to AIM Admission taking place, may not be waived. Any such extension or waiver will not affect Placees' commitments as set out in this Announcement.

Neither the Bookrunner nor the Company shall have any liability to any Placee (or to any other person whether acting on behalf of a Placee or otherwise) in respect of any decision it may make as to whether or not to waive or to extend the time and /or date for the satisfaction of any condition to the Placing nor for any decision they may make as to the satisfaction of any condition or in respect of the Placing generally and by participating in the Placing each Placee agrees that any such decision is within the absolute discretion of the Bookrunner and the Company.

### **Right to terminate under the Placing Agreement**

The Bookrunner may, in its absolute discretion, at any time before Admission, terminate the Placing Agreement by giving notice to the Company in certain circumstances, including a breach of the warranties given to the Managers in the Placing Agreement, the failure of the Company to comply with obligations which are material in the Bookrunner's opinion or, the occurrence of a force majeure event which in the opinion of the Bookrunner, is likely to prejudice the success of the Placing. Following Admission to AIM, the Placing Agreement is not capable of rescission or termination to the extent that it relates to the Placing or the Placing Shares.

By participating in the Placing, the Placees agree that the exercise by the Bookrunner of any right of termination or other discretion under the Placing Agreement shall be within the absolute discretion of the Bookrunner and the Company and that they need not make any reference to Placees and that they shall have no liability to Placees whatsoever in connection with any such exercise.

### **No Prospectus**

The Placing Shares are being offered to a limited number of specifically invited persons only and will not be offered in such a way as to require a prospectus in the United Kingdom, Australia, South Africa or in any other jurisdiction. No offering document or prospectus has been or will be submitted to be approved by the FSA, ASIC or registered by CIPRO in relation to the Placing and Placees' commitments will be made solely on the basis of the information contained in this Announcement (including this Appendix). Each Placee, by accepting a participation in the Placing, agrees that the content of this Announcement is exclusively the responsibility of the Company and confirms that it has neither received nor relied on any other information, representation, warranty, or statement made by or on behalf of the Company or the Managers or any other person and none of the Managers nor the Company nor any other person will be liable for any Placee's decision to participate in the Placing based on any other information, representation, warranty or statement which the Placees may have obtained or received and, if given or made, such information, representation, warranty or statement must not be relied upon as having been authorised by the Company, its officers or board of directors. Each Placee acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing, including the merits and risks involved. The Company is not making any undertaking or warranty to any Placee regarding the legality of an investment in the Placing Shares by such Placee under any legal, investment or similar laws or regulations. Each Placee should not consider any information in this Announcement to be legal, tax or business advice. Each Placee should consult its own attorney, tax advisor and business advisor for legal, tax and business advice regarding an investment in the Placing Shares. Nothing in this paragraph shall exclude the liability of any person for fraudulent misrepresentation.

## **Registration and Settlement**

### UK Settlement

Settlement of transactions in the Placing Shares following Admission on AIM will take place in respect of the Placing Shares to be held on the UK depositary interest register, on a delivery versus payment basis in Depositary Interest form within CREST.

The Company will deliver the Placing Shares in Depositary Interest form to a CREST account operated by the Bookrunner as agent for the Company and the Bookrunner will enter its delivery (DEL) instruction into the CREST system. The input to CREST by a Placee of a matching or acceptance instruction will then allow delivery of the relevant Placing Shares to that Placee against payment.

It is expected that settlement will be on 21 June 2010 in CREST on a T+3 basis in accordance with the instructions set out in the conditional contract note.

### Australian Settlement

Settlement of transactions in the Placing Shares following quotation on the ASX will take place in respect of Placing Shares to be held on the Australian share register, on a delivery versus payment basis through CHESS.

The Company will deliver the Placing Shares in CHESS holdings as the Relevant Manager directs in respect of the Placing Shares which are to be allotted in uncertificated form and, in each case, the Company will ensure that the same are enabled for settlement as soon as practicable after Admission and in any event prior to the relevant Record Date

It is expected that settlement will be on 22 June 2010 in CHESS on a T+3 basis in accordance with the instructions set out in the conditional contract note.

### South African Settlement

Settlement of transactions in the Placing Shares following listing on the JSE will take place in respect of the Placing Shares to be held on the South African share register, on a free of payment basis in accordance with the rules of Strate with Computershare Investor Services (Pty) Limited acting as broker under the rules of Strate to manage settlements on behalf of the Company on 23 June 2010.

The Placing Allocation Letter sets out further details of the proposed arrangements for payment for and settlement of Placing Shares to be held on the South African share register.

It is expected that settlement will be on 23 June 2010 on a T+4 basis in accordance with the instructions set out in the Placing Allocation Letter.

### General

The Company reserves the right to require settlement for and delivery of the Placing Shares (or a portion thereof) to any Placee in any form it requires if, in the Bookrunner's opinion, delivery or settlement is not possible or practicable within CREST, CHESS or Strate, as the case may be, or would not be consistent with the regulatory requirements in the Placee's jurisdiction.

Following the close of the Bookbuild for the Placing, each Placee allocated Placing Shares in the Placing will be sent a conditional contract note or Placing Allocation Letter, as the case may be, stating the number of Placing Shares to be allocated to it at the Placing Price and settlement instructions.

Each Placee agrees that it will do all things necessary to ensure that delivery and payment is completed in accordance with the standing CREST, CHES or Strate rules and regulations and settlement instructions that it has in place with the Managers.

Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above at the rate of two percentage points above LIBOR as determined by the Bookrunner.

Each Placee is deemed to agree that, if it does not comply with these obligations, the Bookrunner may sell any or all of the Placing Shares allocated to that Placee on such Placee's behalf and retain from the proceeds, for the Bookrunner's account and benefit, an amount equal to the aggregate amount owed by the Placee plus any interest due thereof. The relevant Placee will, however, remain liable for any shortfall below the aggregate amount owed by it and may be required to bear any stamp duty or stamp duty reserve tax or securities transfer tax (together with any interest or penalties) which may arise upon the sale of such Placing Shares on such Placee's behalf.

If Placing Shares are to be delivered to a custodian or settlement agent, Placees should ensure that the conditional contract note or Placing Allocation Letter, as the case may be, is copied and delivered immediately to the relevant person within that organisation. Insofar as Placing Shares are registered in a Placee's name or that of its nominee or in the name of any person for whom a Placee is contracting as agent or that of a nominee for such person, such Placing Shares should, subject as provided below, be so registered free from any liability to UK stamp duty or stamp duty reserve tax or securities transfer tax.

### **Representations and Warranties**

By participating in the Placing each Placee (and any person acting on such Placee's behalf) makes the following representations, warranties, acknowledgements, undertakings and agreements (as the case may be) to the Company and to the Managers:

- 1 represents and warrants that it has read and understood this Announcement, including the Appendices, in its entirety;
- 2 acknowledges that no offering document or prospectus has been prepared in connection with the placing of the Placing Shares and represents and warrants that it has not received a prospectus or other offering document in connection therewith;
- 3 acknowledges that neither the Managers nor the Company nor any of their affiliates or agents nor any person acting on behalf of any of them has provided, and will not provide it, with any information or material regarding the Placing Shares or the Company other than this Announcement; nor has it requested any of the Managers, the Company, any of their affiliates or agents or any person acting on behalf of any of them to provide it with any such information or material;
- 4 acknowledges that the content of this Announcement is exclusively the responsibility of the Company and that none of the Managers nor any person acting on their respective behalf has or shall have any liability for any information, representation or statement contained in this Announcement or any information previously published by or on behalf of the Company and will not be liable for any Placee's decision to participate in the Placing based on any information, representation or statement contained in this Announcement or

otherwise. Each Placee further represents, warrants and agrees that the only information on which it is entitled to rely and on which such Placee has relied in committing itself to acquire the Placing Shares is contained in this Announcement and any information previously published by the Company by notification to a Regulatory Information Service, such information being all that it deems necessary to make an investment decision in respect of the Placing Shares and that it has neither received nor relied on any other information given or representations, warranties or statements made by any of the Managers or the Company and neither the Managers nor the Company will be liable for any Placee's decision to accept an invitation to participate in the Placing based on any other information, representation, warranty or statement. Each Placee further acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in deciding to participate in the Placing;

- 5 acknowledges that the Ordinary Shares are listed, admitted to trading or quoted (as the case may be) on the ASX, AIM and the JSE and the Company is therefore required to publish certain business and financial information in accordance with the rules of such exchanges (collectively, the "**Exchange Information**"), which includes a description of the nature of the Company's business and the Company's most recent resource statements, financial statements, and similar statements for preceding financial years, and that it is able to obtain or access the Exchange Information without undue difficulty;
- 6 acknowledges that neither the Managers nor any person acting on their behalf nor any of their affiliates or agents has or shall have any liability for the Exchange Information, any publicly available or filed information or any representation relating to the Company, provided that nothing in this paragraph excludes the liability of any person for fraudulent misrepresentation made by that person;
- 7 acknowledges that it is not, and at the time the Placing Shares are acquired will not, be a resident of Canada or Japan, and that the Placing Shares have not been and will not be registered under the securities legislation of Canada or Japan and, subject to certain exceptions, may not be offered, sold, taken up, renounced or delivered or transferred, directly or indirectly, within those jurisdictions;
- 8 unless otherwise specifically agreed with the Managers, represents and warrants that it is, or at the time the Placing Shares are acquired that it will be, the beneficial owner of such Placing Shares, or that the beneficial owner of such Placing Shares is not a resident of Canada or Japan;
- 9 acknowledges that the Placing Shares have not been and will not be registered under the securities legislation of Canada or Japan and, subject to certain exceptions, may not be offered, sold, taken up, renounced or delivered or transferred, directly or indirectly, within those jurisdictions;
- 10 represents and warrants that the issue to it, or the person specified by it for registration as holder, of Placing Shares will not give rise to a liability under any of sections 67, 70, 93 or 96 of the Finance Act, 1986 (depository receipts and clearance services) and that the Placing Shares are not being acquired in connection with arrangements to issue depository receipts or to transfer Placing Shares into a clearance system;
- 11 represents and warrants that it has complied with its obligations in connection with money laundering and terrorist financing under the United Kingdom Proceeds of Crime Act, 2002, the United Kingdom Terrorism Act, 2003 and the United Kingdom Money Laundering Regulations, 2007 and the equivalent Australian and South African legislation (the "**Regulations**") and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations;

- 12 if a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, represents and warrants that the Placing Shares purchased by it in the Placing will not be acquired on a non-discretionary basis on behalf of, nor will they be acquired with a view to their offer or resale to, persons in a member state of the European Economic Area which has implemented the Prospectus Directive other than Qualified Investors, or in circumstances in which the prior consent of the Managers has been given to the offer or resale;
- 13 represents and warrants that it has not offered or sold and, prior to the expiry of a period of six months from Admission, will not offer or sell any Placing Shares to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom within the meaning of section 85(1) of the FSMA;
- 14 represents and warrants that it has not offered or sold and will not offer or sell any Placing Shares to persons in the European Economic Area prior to AIM Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted in and which will not result in an offer to the public in any member state of the European Economic Area within the meaning of the Prospectus Directive;
- 15 represents and warrants that it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) relating to the Placing Shares in circumstances in which section 21(1) of the FSMA does not require approval of the communication by an authorised person;
- 16 represents and warrants that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Placing Shares in, from or otherwise involving, the United Kingdom;
- 17 represents and warrants that if it resides in a member state of the European Economic Area it is a Qualified Investor within the meaning of the Prospectus Directive;
- 18 represents and warrants that it has complied and will comply with all applicable provisions of the Australian Corporations Act (including relevant insider trading provisions) and the ASX Listing Rules in relation to the Placing Shares;
- 19 agrees that it must comply with all applicable provisions of the Australian Foreign Investments and Takeovers Act, 1975 (Cth) in relation to the Placing Shares;
- 20 represents and warrants that its participation in the Placing will not cause its aggregate shareholding in the Company to be 20% or more of the issued share capital of the Company;
- 21 represents and warrants that it is not a 'related party' of the Company as that term is defined in section 228 of the Australian Corporations Act and/or the ASX Listing Rules, (or if it is a 'related party' of the Company, that its acquisition of Placing Shares would not require the Company to obtain the approval of its shareholders under section 208(1)(a) of the Australian Corporations Act);
- 22 represents and warrants that if it resides in the United Kingdom it is a Qualified Investor

within the meaning of the Prospectus Directive and a person (a) who has professional experience in matters relating to investments and fall within article 19(5) (investment professionals) of the Order, or (b) who falls within article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc) of the Order;

- 23 represents and warrants that if it resides in Australia it is a person to whom an offer of securities may be made under section 708(8) or section 708(11) of the Australian Corporations Act and agrees that it will not offer to sell the Placing Shares to any person that is not a sophisticated or professional investor under section 708(8) or section 708(11) of the Australian Corporations Act until the day after a notice is lodged by the Company with ASX that complies with subsections 708A(5)(e) and (6) of the Australian Corporations Act;
- 24 represents and warrants that if it resides in the Republic of South Africa it qualifies as an addressee described in section 144(b) of the South African Companies Act , 1973 (No 61 of 1973), as amended;
- 25 represents and warrants that is has complied with and will comply with all applicable provisions of the South African Companies Act, 1973 (No 61 of 1973), as amended, Securities Services Act, 2004 (No 36 of 2004), as amended and the JSE Listings Requirements in relation to the Placing Shares;
- 26 represents and warrants that it and any person acting on its behalf is entitled to acquire the Placing Shares under the laws of all relevant jurisdictions and that it has all necessary capacity and has obtained all necessary consents and authorities (including without limitation any and all approvals that may be required for the purposes of the South African Exchange Control Regulations, 1961) to enable it to commit to this participation in the Placing and to perform its obligations in relation thereto (including, without limitation, in the case of any person on whose behalf it is acting, all necessary consents and authorities to agree to the terms set out or referred to in this Announcement) and will honour such obligations, and it has had access to such financial and other information concerning the Company and the Placing shares as it deems necessary in connection with its decision to purchase the Placing Shares;
- 27 where it is acquiring Placing Shares for one or more managed accounts, represents and warrants that it is authorised in writing by each managed account: (a) to acquire the Placing Shares for each managed account; (b) to make on its behalf the representations, warranties, acknowledgements, undertakings and agreements in this Appendix and the Announcement of which it forms part; and (c) to receive on its behalf any investment letter or Placing Allocation Letter relating to the Placing in the form provided to you by any of the Managers;
- 28 undertakes that it (and any person acting on its behalf) will make payment for the Placing Shares allocated to it in accordance with this Announcement and Placing Allocation Letter on the due time and date set out herein and it has obtained all necessary consents and authorities to enable it to give its commitment so to subscribe, failing which the relevant Placing Shares may be placed with other placees or sold as the Bookrunner may in its sole discretion determine and without liability to such Placee;
- 29 acknowledges that none of the Managers, nor any of their respective affiliates, nor their respective agents nor any person acting on behalf of any of them, is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placees and that participation in the Placing is on the basis that it is not and will not be a client of any of the Managers and that none of the Managers have any duties or responsibilities to it for providing the protections afforded to their respective clients or customers or for providing advice in relation to the Placing nor in respect of any



representations, warranties, acknowledgements, undertakings or indemnities contained in the Placing Agreement nor for the exercise or performance of any of its rights and obligations thereunder including any rights to waive or vary any conditions or exercise any termination right;

- 30 undertakes that the person whom it specifies for registration as holder of the Placing Shares will be: (a) itself; or (b) its nominee, as the case may be. Neither the Managers nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax or securities transfer tax resulting from a failure to observe this requirement. Each Placee and any person acting on behalf of such Placee agrees to participate in the Placing and it agrees to indemnify the Company and the Managers in respect of the same on the basis that the Placing Shares will be allotted to the CREST, CHES or Strate stock account of the Relevant Manager or its affiliate or agent who will hold them as nominee on behalf of such Placee until settlement in accordance with its standing settlement instructions;
- 31 acknowledges that any agreements entered into by it pursuant to these terms and conditions shall be governed by and construed in accordance with the laws of England and Wales and it submits (on behalf of itself and on behalf of any person on whose behalf it is acting) to the exclusive jurisdiction of the English courts as regards any claim, dispute or matter arising out of any such contract, except that enforcement proceedings in respect of the obligation to make payment for the Placing Shares (together with any interest chargeable thereon) may be taken by the Company or the Managers in any jurisdiction in which the relevant Placee is incorporated or in which any of its securities have a quotation on a recognised stock exchange;
- 32 acknowledge that time shall be of the essence as regards to obligations pursuant to this Appendix to the Announcement;
- 33 agrees that the Company and the Managers and their respective affiliates and agents and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements, undertakings and agreements which are given to the Managers on their own behalf and on behalf of the Company and are irrevocable, and with respect to any of the representations, warranties, acknowledgements, undertakings and agreements deemed to have been made by a purchaser of the Placing Shares as a fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and it has full power and authority to make the foregoing representations, warranties, acknowledgements, undertakings and agreements on behalf of each such account;
- 34 agrees to indemnify and hold the Company and the Managers and their respective affiliates and agents harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this Appendix and further agrees that the provisions of this Appendix shall survive after completion of the Placing;
- 35 represents and warrants that it is an institution which: (a) has such knowledge and experience in financial and business matters and expertise in assessing credit, market and all other relevant risks as to be capable of evaluating, and has evaluated independently, the merits, risks and suitability of its investment in the Placing Shares; and (b) it and any accounts for which it is acting are each able to bear the economic risk of such investment, and are each able to sustain a complete loss of any investment in the Placing Shares;
- 36 represents and warrants that it is entitled to subscribe for the Placing Shares under the laws of all relevant jurisdictions which apply to it; it is outside the United States; has not purchased the Placing Shares as a result of any directed selling efforts within the meaning

of Rule 902(c) of Regulation S; and its purchase of the Placing Shares will be in compliance with the requirements of Regulation S, including, without limitation, that the offer and sale of the Placing Shares to it will be made in an "offshore transaction" as such term is defined in Regulation S;

- 37 understands and acknowledges that the Placing Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Placing Shares have not been and will not be registered under the Securities Act or the securities laws of any State in the United States. It agrees that the Placing Shares may not be reoffered, sold, pledged or otherwise transferred, and that it will not directly or indirectly reoffer, sell, pledge or otherwise transfer the Placing Shares, except in an offshore transaction in accordance with Rule 903 or 904 of Regulation S or another exemption from, or transaction not subject to, the Securities Act and that such offer, sale, pledge or transfer must, and will, be made in accordance with any applicable securities laws of any State or other jurisdiction of the United States; and
- 38 understands that no representation has been, is being or will be made by the Company as to the availability of an exemption from the registration for the reoffer, resale, pledge or transfer of the Placing Shares in accordance the Securities Act.

Placees should note that they will be liable for any stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by them or any other person on the subscription by them of any Placing Shares or the agreement by them to acquire any Placing Shares.

Each Placee, and any person acting on behalf of the Placee, acknowledges that none of the Managers owe any fiduciary or other duties to any Placee in respect of any representations, warranties, undertakings, acknowledgements, agreements or indemnities in the Placing Agreement.

Each Placee and any person acting on behalf of the Placee acknowledges and agrees that the Managers or any of their respective affiliates or agents may, at their absolute discretion, agree to become a Placee in respect of some or all of the Placing Shares.

When a Placee or person acting on behalf of the Placee is dealing with the Managers, any money held in an account with any of the Managers, on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the rules and regulations of the FSA made under the FSMA. The Placee acknowledges that the money will not be subject to the protections conferred by the client money rules; as a consequence, this money will not be segregated from the relevant Manager's money, as the case may be, in accordance with the client money rules and will be used by the Managers in the course of their own respective businesses and the Placee will rank only as a general creditor of the Managers.

If the Company or any of the Managers their respective affiliates or agents request any information about a Placee's agreement to acquire Placing Shares, including, without limitation, any information required by the South African Reserve Bank in respect of the Placing Shares and any evidence supporting the representations and warranties given above, such Placee shall (and it undertakes to) promptly disclose it to them.

All times and dates in this Announcement may be subject to amendment. The Managers shall notify the Placees and any person acting on behalf of the Placees of any changes.

## APPENDIX B

### Risk Factors

An investment in the Ordinary Shares is subject to a number of risks and uncertainties. Prospective investors should carefully consider the following risk factors, in addition to the other information in this Announcement, prior to making any investment decision in relation to the Ordinary Shares. These risks and uncertainties represent all of those known to the Directors, as at the date of this Announcement, which the Directors consider to be material. However, they are not the only risks facing the Company and its subsidiaries (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 Ordinary Shares could decline and investors could lose all or part of their investment.

### RISKS RELATING TO THE MINING INDUSTRY

***The nature of mineral exploration and production 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 staff with the required levels of experience and technical skill. The establishment, development and operation of the Company’s operations are therefore subject to a number of risks, including:

- delays or higher than expected costs in obtaining necessary equipment;
- adverse 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;
- mechanical and electrical equipment under-performance and maintenance problems;
- disruption to transport services including air, overland conveyor and other systems;
- closure by governmental or other regulatory authorities as a result of actual or alleged safety or environmental risks;
- fire, flooding, rock bursts, cave-ins and landslides;
- climate change, unusual weather, seismic events or other natural phenomena;
- strikes, lock-outs and shut downs;
- terrorism, sabotage, theft or other interference in the maintenance or provision of infrastructure; and

- other adverse conditions resulting from drilling, blasting and removal and processing of material associated with 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 have a material adverse effect on the Company's business, results of operations, financial condition and/or growth prospects.

***The Group is exposed to a reduction in the price of its products***

The Group's revenues are currently substantially derived from sales of coal and nickel magnesium alloy and related products, and are therefore affected by the price which it is able to obtain for those products. The Group's expansion plans involve increasing its coal production and sales of Nimag Limited's products will therefore contribute proportionally less to the Group's total revenue, thereby reducing the Group's exposure to decreases in the price of those products. However, the Group's exposure to decreases in the price of coal will be correspondingly higher. The supply, demand and prices for commodities such as coal are volatile and are influenced by factors beyond the Group's control. These factors include global demand and supply, the costs of freight, exchange rates, commodity trading on the future markets, interest and inflation rates and political events. There can be no assurance that the price of coal or the other commodities sold by the Group will not decline in the future.

The Group does not currently enter into forward sales, derivative or other hedging arrangements in respect of its coal and other products in order to establish a price for those products in advance.

***Mineral resource estimates are uncertain and subject to change from a variety of factors, and resources recovered may not be able to be brought into profitable production***

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 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. The exploration of mineral rights is speculative in nature and is frequently unsuccessful. The Group may be unable to successfully discover and/or exploit mineral resources.

Estimated mineral resources may also have to be recalculated based on changes in coal or other commodity prices, further exploration or development activity 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 or sites.

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

The Group cannot give any assurance 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, accidents), compliance with governmental requirements, labour and safety issues, delays in installing or repairing plant and equipment, 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.

Further the grade of coal recovered may vary from estimates. Insufficient coal of the appropriate grade may make it impossible for CoAL to comply with its obligations under off-take agreements, as a result of which the Group could incur penalties or additional costs or, in certain circumstances, an off-take agreement could be terminated.

***The Group's operations are subject to strict environmental regulation and enforcement***

The Group's operations are subject to existing and possible future environmental, heritage and health and safety legislation, regulations and actions 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 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. Laws and regulations involving the protection and remediation of the environment are constantly changing and are generally becoming more restrictive. Approval is required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in delay to anticipated exploration programmes or mining activities.

***The Group may be unable to make the contributions necessary to meet its environmental rehabilitation obligations***

The Group's operations in South Africa are subject to various laws and regulations governing mine closure and mined-land rehabilitation. Amendments in these laws and regulations 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 to post increasing amounts of financial assurance to ensure the availability of funds to perform future closure and rehabilitation estimated at rates and on a basis of calculation prescribed by the DMR, which will impact the 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 remediating the sites of its mining activities in South Africa.

The Group has made financial provision for mine and site remediation and has mine closure plans for all of its operating and former mining sites. Although the Directors consider that the Group has made 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 and remediation be insufficient for any reason, the Group could be required to post other collateral, cash or cash equivalents directly in support of its financial assurance obligations in relation to reclamation and remediation.

***The Group's operations may be adversely affected as a result of changes to climate change legislation***

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. 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. Global demand for coal is expected to be supported by forecast increases in global demand for energy. However, the introduction of laws, regulations and practices to limit greenhouse gas emissions may, in the future, adversely affect the price of, and demand for, coal.

***The market for profitable coal mining opportunities is competitive***

The Group may encounter competition in identifying exploration and development opportunities for attractive coal properties in South Africa and elsewhere. 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 these countries, together with potential new entrants into such markets, 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 mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

***The Group may not be able to source sufficient and appropriate equipment for its operations***

The current and 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 and so may be unable to source appropriate equipment economically or at all for its projects, and in particular for the development of its Vele and Makhado projects in line with current plans.

## **RISKS RELATING TO THE GROUP'S BUSINESS**

### ***The Group relies on access to adequate, affordable and continuous power supply***

The Group is particularly dependant on reliable and continuous delivery of sufficient quantities of power to its mines at an affordable rate. South Africa has historically experienced widespread and prolonged power outages, also known as load shedding, and all mines are being required to cut back on power usage in the long term. Although the recent global economic downturn has resulted in a reduction of power consumption in South Africa, a resumption of rolling power outages, voltage imbalances or reductions in availability may restrict, or result in the shut-down of, the Group's production facilities. The Group has power generators for use in the event of a power outage. However, should a serious failure of basic infrastructure occur or should high occurrences of power outages across the country occur or, should the price of electricity further increase significantly exploration, development and production at the Group's operations in South Africa could be materially and adversely impacted.

Limits on the availability of energy could also curtail the Group's ability to maintain or grow production, and may prevent the Group from meeting contractually-agreed delivery requirements. The existing contractual level of energy provided by Eskom (the South African state-owned power utility) to the Group will, if kept in place or reduced, restrict the Group's ability to grow its operations and production. New projects, or extensions of existing sites or development work, may not receive sufficient energy allocation from Eskom to implement the Group's strategy, and as a result such new projects may have to be delayed or cancelled altogether.

Eskom and the National Energy Regulator of South Africa ("NERSA"), continue to recognise the need for new supply capacity and a series of recent tariff increases and proposals have either been approved or tabled. In the third quarter of 2008, Eskom applied for a tariff review and NERSA granted a 20 per cent. increase for the nine remaining months of the Eskom financial year (July 2008 to March 2009). In 2009, effective 1 July, an increase of 34 per cent. was approved and implemented. Eskom tabled its 2010 tariff increase proposal to NERSA at the end of September 2009, with a proposed 45 per cent. increase for each of the next three years, which proposal was subsequently revised down to 35 per cent., to help raise funds for the expansion programme. In February 2010, NERSA approved an electricity tariff increase of 24.8 per cent. For 2010, effective 1 April 2010, following an extensive process of consultation and deliberation. NERSA further approved tariff increases for 2011 and 2012 of 25.8 per cent. and 25.9 per cent. respectively, thus providing certainty of electricity costs over the next three years.

### ***The Group is dependant on adequate access to rail and port 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) for the transportation of coal by rail from the Group's mines and the Woestalleen colliery to the Richards Bay terminals in South Africa and the Matola Terminal in Maputo, Mozambique. 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, nor are there any performance guarantees. While the Directors have no reason to expect that Transnet Freight Rail will not be able to fulfil its contractual obligations, this may nevertheless occur as a result of circumstances outside the Group's or 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). 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 may have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

The Group has secured long term port allocation for the export of coal through the Matola Terminal. Any future allocation to accommodate increased production will depend on a number of factors including expansion of the port terminal. Although the Group has provided significant loan financing to the owners of the Matola Terminal for the expansion of the terminal and work has commenced, there can be no guarantee that such expansion will be completed 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 disproportionately exposed to any event or circumstance which disrupts the operation of the Matola Terminal (such as an accident, criminal act or natural disaster) for any significant period of time.

***The Group may not be able to finance the operation, development and expansion of its business in the longer term***

Additional funding is likely to be required in the longer term 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 seek in the longer term to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or otherwise bringing in a partner to share costs. There can be no assurance that additional finance or a suitable partner will be available when needed or, if financing is available, that the terms of the financing will be commercially acceptable to the Group. Further, any additional debt financing, if available, may involve onerous restrictions on other financing and operating activities. A failure to obtain sufficient financing for the Group's activities and future projects may result in delay or indefinite postponement of exploration, development or production on the Group's properties or even loss of a property interest (including any prospecting or mining right).

***Fluctuations in exchange rates could have a material adverse affect on the Group's operating results, cashflows 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 South African Rand. The Group has also previously raised capital and paid for acquisitions in pounds sterling. Further, the Group reports its financial results in Australian dollars. The Group is therefore exposed to changes in the exchange rate between the South African Rand and the US Dollar and between the Australian dollar and the South African Rand, the US dollar and Pound Sterling. The Group does not currently operate a foreign exchange hedging policy in order to reduce its exposure to movements in these currencies and so may be exposed to significant adverse changes in exchange rates.

***Conflicts of interest with substantial shareholders could disrupt the operation of the Group's business***

The Company has a number of substantial shareholders, one of which has a representative on the Board. While the Board has set up a procedure to deal with



potential conflicts of interest whereby potentially conflicted directors are required to abstain from relevant discussions and voting, there can be no assurance that conflicts will not arise or that, if they do, they can be successfully overcome. Further, the Company is party to certain agreements with shareholders which contain consent requirements regarding certain material decisions such as issues of shares, changes in share capital structure or material borrowings, acquisitions, disposals or changes in business. To the extent that such agreements remain outstanding, refusal of such consents might materially impair or prevent the Company from pursuing its plans.

***The Group's insurance coverage may be insufficient to cover losses or the Group could be subject to uninsured liabilities which could materially affect its business, results of operations or financial condition***

There are circumstances where insurance will not cover the consequences of an event, or where the Group may become liable for costs incurred in 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 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 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. Accordingly, the loss of key personnel could have an adverse effect on the Group. 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.

***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 or industrial action), or not available on commercially acceptable terms, this could have a material adverse effect on the Group.

***Increase in production costs could have a material adverse effect on the Group's profitability***

An increase in the Group's production costs could have a material impact on its profitability. The Group's main production costs are energy, contractor costs, materials

and personnel costs. Changes in the costs of the Group's mining and processing operations 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. Further, the majority of the Group's production costs are incurred in South Africa, which historically has had a relatively high rate of inflation. There is therefore a risk that production and other costs could grow more rapidly than coal prices.

***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. Typically, South African labour unions issue their demands to employers in June of each year resulting in the negotiation of collective agreements regulating the basic conditions of employment for the following 12 months. Such demands may include among other things wage increases, limitation on hours of work, leave entitlement increases and the provision of death benefits payable to employees' dependants. Any breakdown in the negotiation process could result in the Group being unable to continue to negotiate wages and salaries on competitive terms, or, could lead to strikes or other industrial action (or the threat of strikes or industrial action) which could damage the Group's reputation.

**RISKS RELATING TO SOUTH AFRICA**

***The Group is dependant on access to water use rights in South Africa***

South Africa is a water scarce country and its water resources are under threat nationally from acid mine drainage caused by many years of mining without adequate controls on potential pollution. The 1998 National Water Act imposed a new regime on the use of water resources and requires a water licence for all water uses including consumption, diversion of water courses, mine dewatering, discharge of waste water and activities within the 1:100 flood line. All new mining operations require an integrated water use licence for all of the anticipated water uses and a detailed study of the water balance in the area must precede an application for a licence. There is a significant back log in the processing of such applications within the Department of Water Affairs and as a result certain mines in South Africa proceed with new water uses without authorisation (although this has not currently occurred in respect of any of the Group's mines). This issue 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, has increased in the past year. Although no specific action has been threatened, it is possible that the regulator could refuse to grant a water use licence to an entity which commenced operations without the required licence.

Further, water use licences are granted for specific uses and water allocations. Any use of water by the Group which goes beyond what is permitted under the licence would be illegal and may be subject to enforcement action. If the breach of the licence was sufficiently material, the water use licence could be revoked and the Group could be required to cease operations at the relevant mine. Third parties also have the right to appeal any water licence granted by the Department of Water Affairs. If any such appeal is upheld the water use licence could be revoked and in such circumstances the Group could be required to cease operating at the relevant mine.

If the Group was unable to obtain a water use licence for any of its projects, and in particular its Vele and Makhado projects, or if a water use licence granted to the Group was subsequently revoked for any reason (for example because it was deemed that such

licence had been improperly or illegally granted), this could impact on the Group's ability to continue or commence its operations at the relevant mine.

***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 mineral rights, mine development, worker health and safety, employment standards, waste disposal, protection of water resources, protection of the environment, and protection of endangered and protected species, protection and designation of conservation and heritage protected areas, protection of heritage sites and artefacts and other matters. It is possible that future changes in applicable laws, regulations and agreements, 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, which 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.

The South African Government has passed the Mineral and Petroleum Resources Development Amendment Act, 2008 (No 49 of 2008), which has not yet commenced. Once it commences, the date of which is presently unknown, it will 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 BBEE arrangements in place and that the new shareholder is in a position to support the holder of the relevant mineral rights, if necessary, to ensure that such holder can still meet the applicable licence requirements. This new legislation will 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.

***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 mineral rights is a detailed and time-consuming process. Title to, and the area of, mineral resource claims 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.

Certain of the Group's mining rights and prospecting rights may from time to time have technical defects, errors or breaches, have not been registered with the applicable authority or may have cessions, consents or approvals outstanding. These include, for instance, outstanding consents in terms of section 11 of the MPRDA and/or outstanding cession delivering rights in to the name of the Group companies and/or outstanding registration of rights or of transfers of rights at the Mining and Petroleum Titles Registration Office established in terms of the Mining Titles Registration Act 1967, and/or discrepancies in related documentation, including in relation to the Mooiplaats mine, the Vele project and the Makhado project. Whilst the Company believes that these are primarily administrative in nature, and written notice must be given prior to cancellation or suspension of the relevant rights, there can be no guarantee that the rights in question will not be cancelled, suspended, revoked or otherwise impaired and any such cancellation, suspension, revocation or impairment to the rights comprising 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.

Most of the Group's mineral rights have been acquired through acquisition of the shares of existing holders or the mineral interests of existing holders. In certain cases administrative matters remain outstanding which are required to complete the record of the acquisition process, including in relation to the Mooiplaats mine, the Vele project and the Makhado project. Whilst the Company believes these are administrative in nature, there can be no guarantee that the process of recording the acquisitions will be completed, nor is there a guarantee that as a result of any such non-completion the Group's projects will not stop, be materially delayed or that the Company will not be restricted from proceeding with exploration activities, mining activities, any development, or future mining operations.

In addition, under South African law it is possible that third parties may be granted rights on areas covered by the Group's prospecting and mining rights. Although the Group can avail itself of certain appeal, review and court processes to defend itself against such competing rights, the award of such competing rights may delay or result in the suspension of prospecting or mining activities.

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

With the enactment of the MPRDA, 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 new order mining licences and prospecting rights, and may conclude that the Group is not complying with certain provisions of these, some of which are subjective and whose assessment is dependent upon the views of the DMR as to whether the Group is in compliance.

If the DMR rules that the Group has breached any material condition attaching to a mining or prospecting right, or has submitted any inaccurate, incorrect or misleading information to the DMR, the DMR would be entitled to suspend or cancel the relevant mining or prospecting right. Such rights may also be suspended or cancelled by reason of the Group's non-compliance with the applicable mining works programme, under the 'use it or lose it' provisions referred to above.

***Compliance with Broad-Based Black Economic Empowerment requirements could impose significant costs on the Group and a failure to comply with Broad-Based Black Economic Empowerment requirements could adversely affect the Group's ability to obtain or maintain its prospecting and mineral rights***

The MPRDA introduced a broad based socio economic charter which sets out a framework, targets and timetable for affecting the entry of historically disadvantaged South Africans ("HDSA") into the mining industry in South Africa (which is also known as the BBEE legislation). The implementation and administration of the Mining Charter is in its infancy and the long term implications for mining companies, including the Company, are still unfolding. The MPRDA gives the South African Minister of Mineral Resources a discretion when considering a licence application regarding the BBEE structure to be implemented by an applicant. In general, the Mining Charter refers to targets of 15% of equity or attributable units of production vesting in HDSA hands within five years from the commencement of the MPRDA (i.e. by 30 April 2009) and 26% of equity or attributable units of production vesting in HDSA hands within ten years from the commencement of the MPRDA (i.e. by 30 April 2014). Specific commitments which a company has made regarding HDSA ownership are generally recorded as a condition of the mineral rights granted by the South African Minister of Mineral Resources.

The Company has put in place a BBBEE structure which does not result in the straightforward placement of 15% or 26% equity ownership in HDSA hands. However, the Department of Mineral Resources has confirmed that it is satisfied that the structure is sufficient for the purposes of compliance with the BBBEE requirements which it considers when issuing licences and has subsequently granted the Company mining rights to, amongst others, the Vele project based on the BBBEE structure put in place.

Although the Company has a BBBEE strategy and intends to comply with the Mining Charter and the Codes of Good Practice or any requirement imposed by the South African Minister of Mineral Resources going forward, no assurance can be given that it will continue to achieve the objectives of the Mining Charter at all times. Furthermore, no assurance can be given that the Company's ownership interests in its underlying assets will not change materially, or that the extent and composition of its BBBEE partners will not change from time to time. Non-compliance with any specific condition contained in a mineral right regarding HDSA ownership may result in enforcement action and could ultimately result in the withdrawal of the mineral right by the South African Minister of Mineral Resources. In addition, in seeking to comply with enhanced HDSA participation obligations in the future, the Company may incur significant costs or be required to enter into a transaction on unfavourable terms.

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

Certain of the areas over which mineral rights have been granted to the Company are the subject of land claims in terms of the South African Restitution of Land Rights Act, 1994 by indigenous former inhabitants which if successful or if settled could result in significant costs or burdens for the Company. 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 South African 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 South African 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 but there may be a delay while access terms and conditions are negotiated with any new land owner. The Company should receive fair value compensation from the South African Government for any land or mineral rights which it owns which are given to claimants, although the amount of such compensation will form part of any settlement negotiations and may not match the values attributed by the Company thereto. Settlement of a land claim over an area for which the Company holds mining rights but no surface rights may nevertheless require the Company to participate in the settlement and to find and fund alternative land for the claimants the interests of securing the mining areas.

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

South Africa has one of the highest reported HIV infection rates in the world and according to UNAIDS (2006) the AIDS epidemic in South Africa is growing faster than anywhere else in the world. 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, however, it is predicted that by 2015 eight out of nine deaths on mines will be due to AIDS-related diseases (Fourie 2006).

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.

***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 operations are dependant on the economic and political conditions prevailing in South Africa. Accordingly, the Company 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 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 in the development of its assets.

Further, these laws and regulations may allow government authorities and private parties to bring legal claims based on damages 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.

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

A faction of the ruling political party in South Africa, the youth league of the African National Congress, has recently called for the nationalisation of mines in South Africa. The government of South Africa has publicly stated, in response to these calls, that there is no present intention to consider nationalisation or to change the existing government policy on this issue. However, there can be no assurance that the position of the South African government regarding the issue of nationalisation of will not change in the future.

**RISKS RELATING TO THE ORDINARY SHARES**

***The price of the Ordinary Shares will fluctuate***

The market price of the Ordinary Shares could be subject to significant fluctuations. The fluctuations could result from national and global economic and financial conditions, the market's response to the Placing, the plans and proposals of the South African or another government with respect to economic conditions, market perceptions as to whether or when the Company will be able to pay dividends on the Ordinary Shares and various other factors and events, including liquidity of financial markets, regulatory changes affecting the Company's operations, variations in the Company's operating results or business developments of the Company 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 Company'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 Ordinary Shares.

***There can be no guarantee that there will be sufficient liquidity in the Ordinary Shares***

The fact that the Ordinary Shares will be traded on AIM, the JSE and the ASX should not be taken as implying that there will be a 'liquid' market in the Ordinary Shares, and an investment in the Ordinary Shares may be difficult to realise. In addition, the price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Group and its operations and some which may affect listed companies generally.

The market for shares in small to medium size public companies, such as the Company, is less liquid than for larger public companies. The Group is aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment; a prospective investor should not consider such purchase unless he is certain he will not have to liquidate his investment for an indefinite period of time. The share price may be subject to greater fluctuation on small volumes of shares, and thus the Ordinary Shares may be difficult to sell at a particular price. The value of the Ordinary Shares may go down as well as up. The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. Investors may therefore realise less than their original investment or sustain a total loss of their investment.

***Changes in market, political or economic conditions could adversely affect the price of the Ordinary Shares***

Market conditions, particularly those affecting resource companies, may affect the ultimate value of the Company's share price regardless of operating performance. The Company could be affected by unforeseen events outside its control, including, natural disasters, terrorist attacks and political unrest and/or government legislation or policy. Further, market perception of mining and exploration companies may change, which may

impact on the value of the Ordinary Shares and the ability of the Company to further raise funds by the issue of further Ordinary Shares in the Company.

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

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



## DEFINITIONS

In addition to those terms otherwise defined in this document, the following expressions have the following meaning unless the context otherwise requires:

AIM Admission	the admission by the London Stock Exchange of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules
AIM	the AIM Market operated by the London Stock Exchange
AIM Rules	the current rules published by the London Stock Exchange applicable to companies with a class of listed securities admitted to trading on AIM
Announcement	this announcement (including the appendix to this announcement)
ASIC	the Australian Securities & Investments Commission
ASX	ASX Limited (ACN 008 624 691), a company registered under the Australian Corporations Act and, where the context permits, the Australian Securities Exchange operated by ASX Limited
ASX Listing Rules	the Listing Rules of the ASX and any other rules of ASX which are applicable while the Company is admitted the Official List of ASX
Australian Corporations Act	the Corporations Act 2001 (Cth) of Australia and any Class Orders issued by ASIC
A\$ or Australian Dollars	the lawful currency of Australia
BBBEE	Broad Based Black Economic Empowerment
Bookrunner	J.P. Morgan Cazenove
certificated or in certificated form	where a share or other security is not in uncertificated form
CHESS	the Clearing House Electronic Subregister System
CIPRO	the South African Companies and Intellectual Property Registration Office
CREST	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear UK & Ireland Limited is the operator as defined in the CREST Regulations)
Depositary Interests or DIs	independent securities constituted under English law and issued or to be issued by the Depositary in respect, and representing on a 1 for 1 basis, underlying Ordinary

	Shares which may be held or transferred through the CREST system
DMR	the South African Department of Mineral Resources
European Economic Area	the European Union, Iceland, Norway and Liechtenstein
Evolution	Evolution Securities Limited
FSA	the UK Financial Services Authority
FSB	the South African Financial Services Board
FSMA	the Financial Services and Markets Act 2000
LIBOR	London Interbank Offered Rate
London Stock Exchange or LSE	the London Stock Exchange plc
J.P. Morgan Cazenove	J.P. Morgan Securities Ltd.
JSE	JSE Limited, a public company incorporated with limited liability under the laws of the Republic of South Africa, with registration number 2005/022939/06 and licensed as an exchange under the South African Securities Services Act, 2004 (No 36 of 2004), as amended, often referred to as the "Johannesburg Stock Exchange"
Macquarie	Macquarie First South Advisers (Proprietary) Limited
Managers	J.P. Morgan Cazenove, Macquarie, Evolution and Mirabaud
Mirabaud	Mirabaud Securities LLP
MPRDA	the South African Mineral and Petroleum Resources Development Act, 2002 (No 28 of 2002)
NOMR	New Order Mining Right
Ordinary Shares	ordinary shares in the share capital of the Company
Placee	any person (including individuals, funds or otherwise) by whom or on whose behalf a commitment to acquire Placing Shares has been given
Placing	the placing of the Placing Shares with Placees to be effected by the Managers on the terms and subject to the conditions set out in this Placing Announcement and the Placing Agreement
Placing Agreement	the placing agreement dated 16 June 2010 among the Company and the Managers in respect of the Placing
Placing Price	the price per Ordinary Share at which the Placing Shares

	are placed, such price being determined as part of the Bookbuild
Placing Shares	up to 50,000,000 Ordinary Shares to be issued pursuant to the Placing
Pounds Sterling, £ or GBP	the lawful currency of the United Kingdom
Prospectus Directive	the Directive of the European Parliament and of the Council of the European Union 2003/71/EC
Regulatory Information Service	one of the regulatory information services approved by the London Stock Exchange for the distribution to the public of AIM announcements, the Companies Announcement Platform in relation to announcements released by the Company to the ASX and the Securities Exchange News Service in relation to announcements released to the JSE
Regulation S	Regulation S under the Securities Act
Securities Act	the US Securities Act of 1933, as amended
South African Rand	the lawful currency of South Africa
Strate	Strate Limited, a company duly registered and incorporated in the Republic of South Africa under registration number 1998/02224/06, licensed as a central securities depository under the South African Securities Services Act, 2004 (No 36 of 2004)
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
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 Dollar	the lawful currency of the United States