



ANNUAL REPORT 2011



more than a number

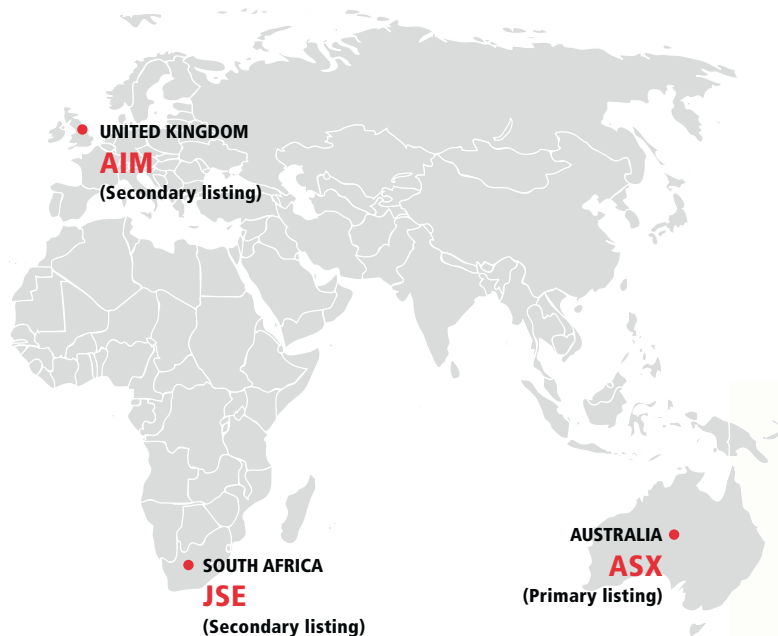
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more than a number

At Coal of Africa, each employee is significant - more than just a number. The Company seeks to ensure equal opportunities with safe and healthy environments constantly maintained. We have profiled a few of our employees in this report depicting the diverse people and roles in the business.





**COAL OF AFRICA
CURRENTLY HOLDS
A 3MTPA PORT
ALLOCATION
AT MATOLA FOR
COAL EXPORTS**

Zandile Khumalo

SLP and Stakeholder Manager

Zandile describes her role as 'never dull'. She faces daily decisions, challenges and strategy changes but finds herself invigorated and excited by this. She loves her job for various reasons: the constant interaction with internal and external stakeholders; the support and trust from management; and the dynamic nature of her role.

Having been part of Coal of Africa for five years, she has appreciated the opportunity to be a part of a company under new management and, despite various curveballs, she feels she has learnt a lot. These challenges have contributed to her ability to change strategy as necessary which, in turn, has allowed her to look into ways to tailor stakeholder engagement plans to suit each operation. She has valued her involvement in creating company policies and looks forward to the continued implementation and development of these in the future.



CORPORATE PROFILE

Coal of Africa is a coal mining, exploration and development group with thermal and coking coal assets. Based in South Africa, we have two operating collieries and two projects under development, as well as a valuable suite of exploration projects offering significant growth opportunity.

With good access to rail and port infrastructure, Coal of Africa can effectively service both domestic and international markets, providing a much-needed contribution to economic growth and development for the country and the provinces in which we operate.

We are committed to the responsible development and management of our collieries and projects. We support and aim to comply with all environmental, social and other legislation, and seek to engage regularly and transparently with all of our stakeholders. We will continue to seek to minimise the impact of our mining operations and ensure we leave an enduring, positive social and economic legacy, particularly for those communities surrounding our operations.

STRUCTURE

Coal of Africa

100% **Mooiplaats Colliery**
(Mpumalanga)

100%* **Woestalleen Colliery**
(Mpumalanga)

100% **Vele Colliery**
(Limpopo)

100% **Makhado Project**
(Limpopo)

100% **Hofontein Project**
(Mpumalanga)

100% **Polokwane Coal Laboratory**
(Limpopo)

100% **NiMag Group**
(Magaliesberg)

* Coal of Africa has a 49% legal interest but 100% economic interest through a management and share agreement.

KEY FEATURES 2011

- Transitioned the Mooiplaats thermal coal colliery from a contract mining operation to an owner-managed operation
- 75% increase in thermal coal production with a 154% rise in thermal saleable tonnes
- Matola (Mozambique) export allocation triples to 3Mtpa
- Development resumes at Vele coking coal project
- Development of Makhado continues to advance with the regulatory process moving ahead and product trials undertaken by ArcelorMittal
- Consolidation of the Soutpansberg coalfields with enlarged footprint
- Mr Wayne Koonin appointed as Financial Director



LOCATION OF OPERATIONS

OPERATIONS IN THE MPUMALANGA AND LIMPOPO PROVINCES



Legend

- Coal of Africa assets (coking)
- Coal of Africa assets (thermal)
- Cities

1	Vele Colliery	●
2	Makhado Project	●
3	Vuna/Zonnebloem	●
4	Holfontein	●
5	Woestalleen	●
6	Mooiplaats	●

CHAIRMAN'S STATEMENT

In the short term, bringing Vele into production, completing the feasibility studies for Makhado, and getting both of these operations into production to meet market demand are our main achievable milestones.

HIGHLIGHTS OF THE YEAR

The Company has undergone a substantial transformation from a junior explorer to a significant developer of large-scale mining projects and operations. The challenges of the recent past have provided the impetus for a change in our organisational culture and management. The most significant feature of the year has been the evolving strength of the management team. We were fortunate to have attracted John Wallington, who previously ran the Anglo Coal Division of Anglo American plc, as chief executive officer and a very worthy successor to Simon Farrell.

John's vast mining experience and high energy level has brought a palpable positive change to our culture, and has also enabled us to attract the likes of Wayne Koonin, who joined the team in April 2011 as Financial Director. In the same vein I must acknowledge Simon's contribution in bringing together the Company's existing assets and helping to position the Company with an excellent suite of coking coal projects for future development.

The new management team has made significant progress in a number of key areas, most importantly improving relationships with all key stakeholders, including the government, in order for the Company to meet its vision of adding substantial value for shareholders and all other stakeholders associated with its projects.

Undoubtedly the past year has been the most challenging since our inception, with the disruption to the Vele operations having had a significant impact on the Company, its employees, contractors and suppliers, and at a cost to shareholders. The new management team has been working tirelessly towards rectifying all operational deficiencies such that I now believe that we will be able to meet the requirements of the next phase in our development.

OPERATIONS

Based on a substantial resource base that has the capability to produce both semi-soft coking and thermal coal, the potential value for Vele remains significant.

On 1 September 2011 a historic memorandum of agreement in respect of the Mapungubwe Cultural Landscape World Heritage Site, located approximately 16 kilometres from the Vele Colliery, was signed between the Department of Environmental Affairs, South African National Parks (SANParks) and the Company. This paves the way for a new approach to working with the government in this sensitive area. This agreement has epitomised the great progress made by John and the team in the 2011 financial year regarding the Company's relations with the government.

We have also made substantial progress on the Makhado Project over the last year, and the prospects of producing a semi-hard coking coal remain very encouraging. Following the much improved relations with government departments from our recent interaction on the Vele Project, we hope to pursue our goal of completing the definitive feasibility study on Makhado and other projects with full support from government. Both Vele and Makhado have the potential to be world-class coal operations, and I truly believe that we have evolved into a company which has the necessary skills and expertise to get these assets into production.

Further progress was made in August 2011 on the Rio Tinto/Chapudi transaction that was originally announced in November 2010. The transaction consolidates various tenements and will make the Company a substantial holder of coking coal new order prospecting rights in the Soutpansberg coalfield (located in the Limpopo province) when completed. With the scale and contiguous nature of these ore bodies, the Company continues to work towards its goal of becoming the leading coking coal producing and exporting company in South Africa.

In addition, our current thermal coal output remains a critical component of our strategy in securing our position at the Matola terminal in Maputo. Managing logistics which are a critical element of the bulk commodity business has been central to our strategy. This is where our relationships with Transnet, the Mozambican authorities and Grindrod, the port operator, are essential and will be key to our ability to meet our growth objectives. Recent developments with Grindrod for the future development of the Maputo port are encouraging and our volume growth is aligned to the planned expansion in the rail and portside capacity, which ultimately need to be at competitive rates.

HERITAGE AND THE ENVIRONMENT

Given that our development assets are located in the Limpopo province, in close proximity to a world heritage site, we are aware of the need to work closely with the communities, institutions and affected parties around us, including SANParks. We acknowledge that as a resource company, we are perceived to carry a higher risk than most and that there will always be pressure from interest groups keeping a watching brief on what we do.

Our intentions with the development of the Vele and Makhado coking coal projects have sound economic and developmental objectives, both in terms of the short-term returns and the longer-term investment in this impoverished part of South Africa. We firmly believe in good, responsible corporate citizenship and environmental stewardship.

Our approach to these matters has been considered at length and I have the utmost confidence in the team's ability to manage its responsibilities with

care, while developing these assets for the benefit of shareholders and a range of stakeholders.

OUTLOOK ON THE COKING AND THERMAL COAL MARKETS

I believe that coal will continue to form a vital source of fuel for electricity generation for at least the next 20 to 30 years given its abundance and cost advantages. Nuclear energy remains a contender in the supply scenario, but we cannot ignore that it has had its setbacks. Although the renewables sector is moving very fast technologically, with the quantum of energy required globally for the steel and vehicle manufacturing industries there is little reason to believe that this can be solely met by the renewables or alternative energy sector.

Much has been made of China and its growth, and how it is fuelling a burgeoning consumer society. This has led to, and will further accentuate, the growing population's requirement for white goods and higher-end products such as cars. There is a similar effect in India where the banking system and improved consumer credit are leading to a boom in consumer consumption.

Therefore with growth comes an increased demand for steel and energy which will require both thermal and coking coal as a raw material.

Africa remains an area where large-scale development needs to take root, something which may possibly be accelerated with South Africa's recent entry into the BRICS. Although the need for coking coal to supply the steel sector is more cyclical, we are in an excellent position to leverage off any growth in demand given the limited coking coal resources in the world.

FUTURE

In the short term, bringing Vele into production, completing the feasibility studies for Makhado, and getting both of these operations into production to meet market demand are our main achievable milestones.

Finally, we aspire to employ the best available people, and develop an *esprit de corps* amongst our employees which generates excellent contributions from them – to my mind a happy and motivated workforce generates its own momentum and energy, and there is nothing better for an employer than being able to draw on the full potential of an employee.

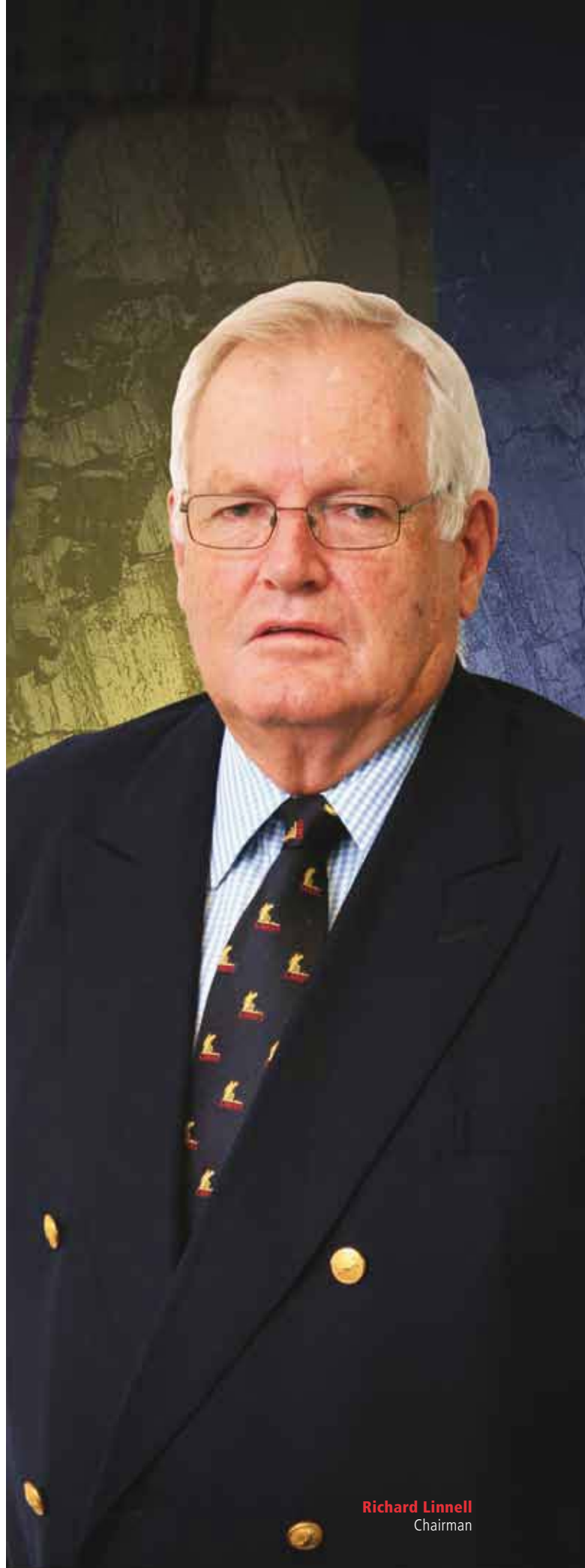


Richard Linnell

Chairman

Coal of Africa Limited

18 September 2011



Richard Linnell
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

The 2011 financial year, my first year as Chief Executive Officer of Coal of Africa, has been a year of significant transition and transformation for the Company.

Critically, Coal of Africa has continued to develop its assets and consolidate its position as a significant developer of coking coal projects in South Africa. Coal of Africa has continued to transform the business as it gears up for growth by focusing on developing and implementing the necessary structures, processes and resources required for the exploration, project development and mining of our various coal resources.

FINANCIAL REVIEW

For the 2011 financial year, the Company changed its reporting currency from the Australian Dollar to the United States Dollar. This will more appropriately reflect the results of operations as well as the financial position of Coal of Africa and its subsidiaries based on the underlying currency in which commodities are sold, and to be consistent with the basis of reporting within our peer group. Accordingly, the prior year comparatives have been adjusted retrospectively to reflect this change.

The results from the thermal coal mines, namely Woestalleen and Mooiplaats, are reported for a full 12-month period. For the comparative period, the results from Woestalleen are based on six months production from 1 January 2010, the effective date from which the mine was acquired. Mooiplaats continued to ramp up production during the year, increasing to four sections at the end of FY2011, resulting in the higher output achieved.

Total output from both mines increased significantly with total run-of-mine (ROM) production of thermal coal rising by 75% to 4.4 million tonnes (Mt) and saleable coal by 154% to 3.3Mt. Total revenue generated rose by 166% to US\$261.4 million, of which US\$229.2 million came from thermal coal sales and the balance from alloy sales by Coal of Africa subsidiary NiMag, which is an asset held for sale.

Gross profit of US\$37.9 million increased 40% year-on-year and the adjusted loss before tax, non-cash items and foreign exchange gains and losses of US\$11.4 million was 49% lower year-on-year. Non-cash charges of US\$176.9 million were recorded for the year, which included a US\$97.4 million impairment charge on the thermal coal assets and US\$79.5 million depreciation and amortisation charge for the year. Foreign exchange losses, the majority of which were unrealised non-cash charges, amounted to US\$29.9 million for the year. The total net loss after tax for the year, including non-cash items, amounted to US\$219.0 million.

HEALTH AND SAFETY

The year was marked by an improvement in our safety performance, with a zero fatality rate for the year compared to the two lives that were lost in the previous year. The number of lost-time injuries increased year-on-year, mainly due to the increased number of operations in the group, with the acquisition of Woestalleen and the activities associated with Vele and Makhado.

The safety of our people is a core value and zero harm to any employee remains the aim of all our staff. We have embarked on a process to take a more proactive approach through the use of leading indicators to manage those risks which could potentially result in harm or loss of life. From an occupational health perspective, it is our aim to eliminate employee exposure to health hazards. To achieve this, we constantly monitor health and safety in the workplace while ensuring that adequate controls are in place.

During the next year we will continue to develop and implement appropriate management systems to ensure compliance and achieve ongoing improvement.

REVIEW OF OPERATIONS

Vele Colliery

The Vele Colliery, located in the northern part of the Limpopo province, is a 803 million tonne (gross in situ) coking coal development project.

Development activities at the Vele Colliery were halted by the Department of Environmental Affairs (DEA) in August 2010, due to non-compliance with South Africa's National Environmental Management Act (NEMA) and various objections lodged by non-governmental organisations (NGOs). Consequently all operations were suspended at the mine and during the 11-month period thereafter the Company undertook a rigorous process to address these issues. The Compliance Notice was lifted by the DEA on 5 July 2011 and authorisation was granted to commence operations.

An appeal against the grant of the water use licence by the NGO coalition was submitted to the South African Water Tribunal on 28 July 2011, leading to the automatic suspension by operation of law of the IWUL. The Company subsequently submitted a petition to the Minister on 8 August 2011 requesting a directive that the suspension of the IWUL be lifted in accordance with Section 148 (2) (b) of the National Water Act.

Further representations were filed by the NGOs on 7 September 2011 in relation to the Company's petition and the Company awaits the minister's response to its petition.

With the new order mining right (NOMR) and Environmental Authorisation (EA) fully in place, the elements of the work programme that did not require the use of water were implemented from 5 August 2011. Due to the temperate climate and the fact that no wet commissioning of the plant

**WE ARE A
SIGNIFICANT
DEVELOPER OF
COKING COAL
PROJECTS IN
SOUTH AFRICA**

had taken place prior to operations being halted in August 2010, there was limited degradation to the plant and infrastructure whilst the mine was dormant. Minor repairs and the remaining construction of the plant were undertaken, certain earthworks completed and the process for re-employing staff commenced.

Vele's proximity to the Mapungubwe National Park has been a particular point of concern for the interested and affected parties in the Limpopo Province and Coal of Africa recognises this, and has sought to engage openly and transparently with all stakeholders through a rigorous stakeholder engagement process.

As illustrated on the map on page 9 of this report, Vele is not located within the Mapungubwe National Park, or the buffer zone as gazetted by the South African government.

We continue to maintain that effective communication between Coal of Africa and the various stakeholders will enhance and develop the common understanding of issues relating to the co-existence of the Vele Colliery within this area. Importantly, the collaborative effort between the mine and certain of those various stakeholders to ensure the effective implementation of the environmental management programme and other regulatory requirements, in accordance with the legislative and regulatory framework, will ensure the responsible development and operation of the mine.

As part of this commitment and pursuant to conditions set out as part of the Vele EA a Memorandum of Agreement (MOA) was signed on 1 September 2011 between the DEA, SANParks and the Company. This historic agreement in respect of the Mapungubwe Cultural Landscape World Heritage Site paves the way for a new approach to working with the government in this sensitive area. The MOA seeks to ensure the conservation and integrity of the globally significant natural and cultural heritage site and to maintain and strengthen co-operation between the three parties.

With the help of the DEA and SANParks, the Company is seeking to establish an appropriate balance between conservation and economic development. Coal of Africa recognises its responsibility to protect the natural and cultural abundance of the heritage site, while substantially increasing the size of the local economy and creating desperately needed jobs in the vicinity.

We believe that the development of Limpopo's mineral wealth – a key stated strategic ambition of the province - can be undertaken responsibly and with



John Wallington
Chief Executive Officer

CEO'S REVIEW

CONTINUED

Eugene O'Brien

Project Manager, Makhado

Eugene is entrusted with bringing the Makhado project online in all its forms, and describes his job as "challenging but motivating and satisfying". He has been with the company for 18 months and enjoys the young, dynamic nature of Coal of Africa and the accessibility of management. "Individuals are empowered by senior management."

Eugene believes in the team at Coal of Africa, and in his project's success. "The experiences at Vele have helped the development of Makhado." He also understands that the development of Makhado is intertwined with community development in the area. Eugene explains, "We are well positioned to work with all interested and affected parties north of the Soutpansberg, and have begun engagement with them. From a Social Labour Plan point of view, we don't believe in delivering typical 'cabbage patch projects' just to meet regulatory requirements. The projects we're developing with the community are sustainable. They aim to provide real equity and provide lasting change."



appropriate care for the environment. Once in operation, Vele is targeting production of 2.7 million ROM tonnes per annum and 1.0Mtpa of saleable coking coal during the initial phase of the mining operation. This is expected to create significant direct and indirect job opportunities in the area.

Makhado Project

The Makhado Project is located in the Mopane/Soutspansberg coalfield in the Limpopo province. The definitive feasibility study (DFS) for the Makhado Project - which contains an estimated coking coal resource of 879 million tonnes (gross in situ) - is in the final stages of preparation. Management is currently assessing optimisation studies prior to finalisation of the project for presentation to the Board of Directors of the Company (Board). The DFS is expected to be submitted to the Board before the end of the 2011 calendar year.

The regulatory process continues to advance, with the application for the NOMR submitted in January 2011 and formally accepted by the Department of Mineral Resources at the end of February 2011. This allowed for commencement of the rigorous processes required prior to granting of the NOMR. The consultation process with interested and affected parties and all detailed technical studies required for the submission of the environmental management programme and IWUL are at an advanced stage. These processes have been extensive and demonstrate our commitment to conduct the Company's affairs to the highest standards. The co-operation of the regulatory authorities and local communities has been encouraging and the Company remains confident about the prospects for the Makhado Project.

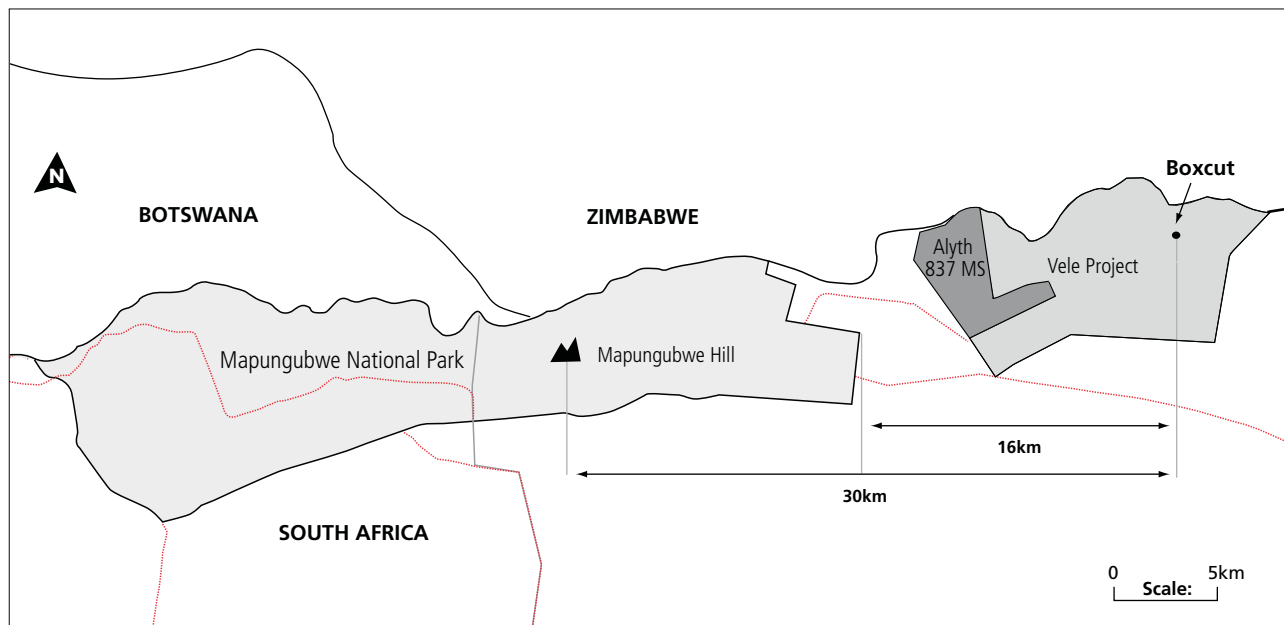
Following the extraction of the bulk sample, detailed tests have confirmed that the Makhado Project will be capable of producing a semi-hard coking coal product with several excellent parameters. Product samples and related testing have been completed by ArcelorMittal South Africa and are also underway with other potential international customers. To assist the Company in the process of determining the value in use for this particular coal relative to the international coking coal prices, various independent experts have been commissioned to undertake a detailed analysis of the product on our behalf. Commercial discussions with ArcelorMittal South Africa aimed at converting the letter of intent signed between the companies into a commercial off-take agreement are continuing.

In addition, the Company has entered into an agreement with a subsidiary of Exxaro Resources Limited, a South African-based mining group listed on the JSE, under which Exxaro has been granted an option to acquire up to 30% of the Makhado Project. If the option is exercised, Exxaro will also contribute to the capital and operating costs of, and share in the profits from, the Makhado Project on a proportional basis.

Woestalleen Complex

The Woestalleen Complex is situated in the Witbank coalfield and comprises the Vuna Colliery and three coal beneficiation plants with combined total nameplate capacity of 350,000 ROM feed tonnes per month. The Woestalleen Complex area also includes the Hartogshoop and Klipbank projects, however, both were mined out by the end of the 2011 financial year. The remaining life-of-mine (LOM) at Vuna is estimated at approximately 18 to 24 months and management continues to evaluate alternative options to secure additional coal rights in the vicinity, in order to ensure the ongoing utilisation of the beneficiation plant.

Vele mine: Distance from the Mapungubwe Park



Woestalleen had a number of historical export and domestic coal supply agreements in place at the date of its acquisition by the Company. As at December 2010, the majority of these agreements had expired, allowing for an increase in saleable coal to be railed to the Matola Terminal for sale on the international markets.

In FY2011, ROM production was 3.5Mt (FY2010: 2.1Mt) realising 2.3Mt (FY2010: 1.0Mt) of saleable coal at an overall yield of 65.9% (FY2010: 61.6%).

For FY2012 ROM production is targeted at 3.4Mt. The Woestalleen Complex generated revenue of US\$115.2 million (FY2010: US\$56.2 million) based on 1.9Mt sold.

Based on an assessment of the Vuna Colliery's LOM by independent mineral evaluation experts Venmyn Rand (Pty) Limited (Venmyn), a US\$5.1 million (FY2010: US\$ nil) non-cash impairment charge was recorded.

Operational statistics (Amounts in tonnes unless stated otherwise)

	TOTAL FY2011	TOTAL FY2010*	UNIT VARIANCE	% VARIANCE
ROM production	3,525,906	2,114,101	1,411,805	67%
Total coal feed to plant	3,530,664	1,657,118	1,873,546	113%
Overall yield (percentage)	65.9%	61.6%	4.3%	7%
Saleable coal produced	2,324,972	1,020,140	1,304,832	128%
- Export coal	2,021,770	867,761	1,154,009	133%
- Middlings coal	303,202	152,379	150,823	99%
Total coal sales	1,920,175	965,623	954,552	99%
- Export quality domestic FOR**	1,607,014	811,892	795,122	98%
- Eskom	313,161	153,731	159,430	104%

* Production for the six months starting 1 January 2010

** Free on rail (FOR)

The volumes (tonnes) reported in the table are post production and reclassification adjustments.

CEO'S REVIEW

CONTINUED

Mooiplaats Colliery

Mooiplaats is a thermal coal colliery situated in the Ermelo coalfields, adjacent to the recently re-commissioned Camden Power Station operated by Eskom.

During FY2011, the Mooiplaats Colliery expanded its operations to four underground sections all of which are equipped with continuous miners. The fourth underground section was commissioned in November 2010 and development of the fifth underground section continued as planned, with the acquisition of a fifth continuous miner. Production from the fifth section commenced in October 2011, with the ramp-up to full production expected to take place by the beginning of calendar year 2012.

In FY2011, ROM production was 0.9Mt (FY2010: 0.4Mt) and 0.5Mt (FY2010: 0.3Mt) of ROM coal was purchased as additional plant feed. Based on 1.5Mt (FY2010: 0.7Mt) ROM feed to the plant, 1.0Mt (FY2010: 0.3Mt) of saleable coal was produced at an overall yield of 67.6% (FY2010: 43.6%) which was considerably higher than in the previous year and production transitioned from lean coal to higher quality export coal. The Mooiplaats Colliery generated revenue of US\$114.0 million (FY2010: US\$21.9 million) in FY2011 based on sales of 1.5Mt (FY2010: 0.3Mt).

In FY2011, Mooiplaats used a contract miner to operate the four underground mining sections. Although ROM production continued to increase during the ramp-up phase, the contract miner was unable to meet the required production targets and the contract was terminated by mutual agreement with effect from 30 June 2011. From 1 July 2011, the Company assumed direct control of mining operations and as part of the transition process, all employees previously employed by the contractor were employed

directly by Mooiplaats. With the direct employment of existing staff and the underground mining equipment owned by the mine, the transitional process took place with minimal disruption to operations.

During the past three-and-a-half months since the transition took place, Mooiplaats has continued to show a steady improvement in both yield and production output, with several new production records being achieved during this period. Having taken direct control of the mining operations, the Company believes that it is well positioned to continue to achieve an improvement in operational performance with the resultant cost benefits expected during FY2012. With the transition to an owner-managed operation, and with the ramp-up from the fifth section, the mine is targeting average annual production of 1.67 million ROM tonnes in FY2012.

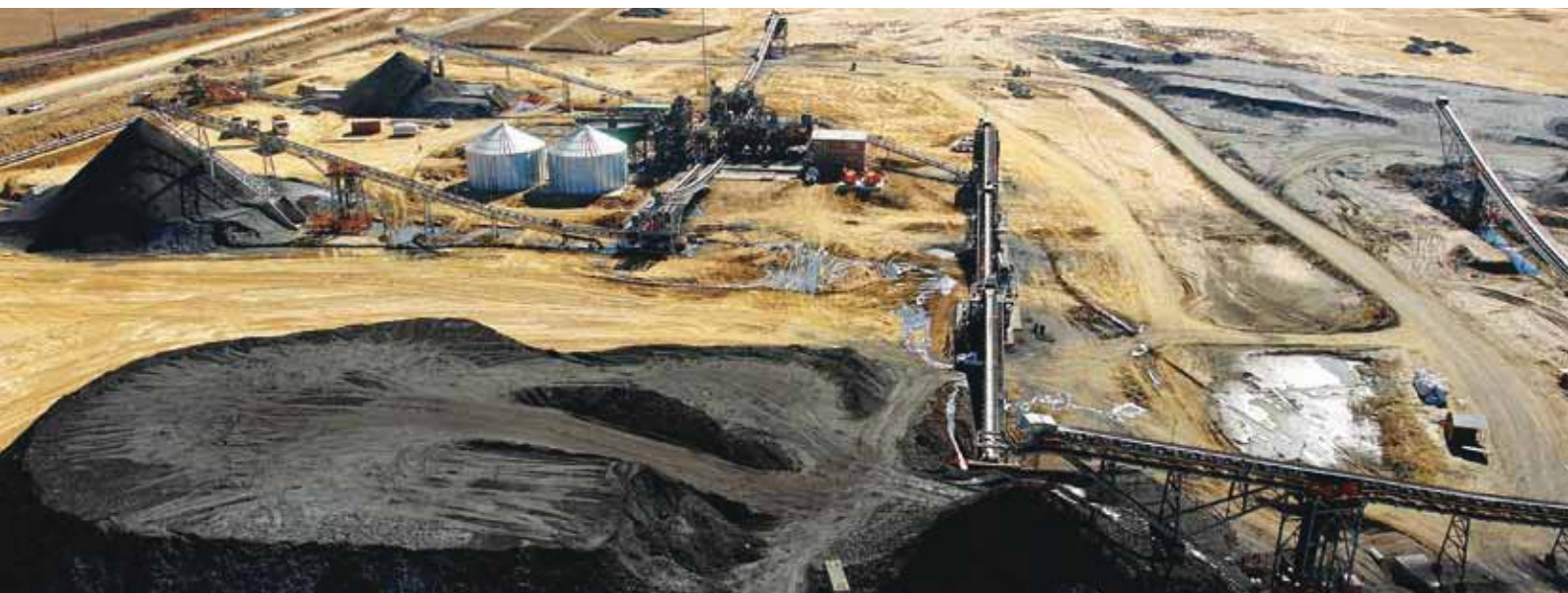
As part of the financial year-end reporting process, the Mooiplaats Colliery was independently valued by Venmyn Rand (Pty) Limited (Venmyn), resulting in the requirement for a non-cash impairment charge of US\$88.5 million (FY2010: US\$46.7 million). The reduction in the net present value is primarily attributable to:

- overall lower production tonnages than historically predicted, reducing from 2.28 - 3.36Mtpa to a revised level of 1.18 - 1.70Mtpa;
- re-evaluation of the coal qualities in the transition zone from the north to south section of the mine;
- an increase in the mining horizon cut-off from 1.4 metres to 1.6 metres, resulting in a reduction in the mining resource from 41.8 million ROM tonnes to 32.0 million ROM tonnes; and
- significantly higher rail and port costs than originally projected from the asset.

Operational Statistics (Amounts in tonnes unless stated otherwise)

	TOTAL FY2011	TOTAL FY2010	UNIT VARIANCE	% VARIANCE
ROM production	883,036	400,995	482,041	120%
ROM coal purchased	471,824	262,248	209,576	80%
Total coal feed to plant	1,466,136	659,853	806,283	122%
Overall yield (percentage)	67.6%	43.6%	24.0%	55%
Saleable coal produced	991,237	287,688	703,549	245%
- Export coal	738,503	192,262	546,241	284%
- Middlings coal	252,734	95,426	157,308	165%
Saleable coal purchased	40,298	—	40,298	100%
Total coal sales	1,528,388	323,178	1,205,210	373%
- Export quality Matola Terminal	1,069,163	271,269	797,894	294%
- Export quality Domestic FOR	195,817	—	195,817	100%
- Eskom	263,408	51,909	211,499	407%

The volumes (tonnes) reported in the table are post production and reclassification adjustments.



There are a number of initiatives in place aimed at improving the longer-term viability of the mine by reducing overall logistic costs and sourcing additional ROM feed for the plant. The improvement in performance following the change from a contract mining operation provides further confidence that the recent initiatives at the mine are having a positive impact.

EXPLORATION AND DEVELOPMENT

Continued exploration and the development of coking coal exploration projects remain a priority for Coal of Africa, as the Company grows its footprint in this commodity.

In late August 2011, we announced that irrevocable undertakings had been received from Rio Tinto Minerals Development Limited and Kwezi Mining (Pty) Limited which allowed all parties to progress towards completion of the acquisition of the Chapudi Project and related exploration properties. The original agreement for the acquisition of these assets located in the Limpopo province was entered into in November 2010. The Soutpansberg Basin is one of South Africa's most prospective coal basins, particularly for coking coal, with significant undeveloped resources. Coal of Africa's early presence through the Makhado Project and subsequent expansion through both the Rio Tinto Farm Swap and acquisition of the coal assets has cemented its position as the dominant rights holder in the region.

The properties being acquired significantly extend the scale and scope of Coal of Africa's existing Voorburg and Jutland coal projects, together with adding new project areas including the Generaal, Wilderbeesthoek, Chapudi and Chapudi West coal projects.

The timing of the agreement was extended to allow for the remaining regulatory approvals, including ministerial consent in terms of section 11 of the MPRDA, to be obtained. We hope to conclude this transaction by April 2012.



Ninette Barnard
Regional Environmental Manager

Ninette appreciates the opportunity to leave a legacy through her role at Coal of Africa. She explains, "It is very satisfying to see the difference I make. Once you have helped build a dam successfully or rehabilitate an area, you can see the change your efforts have made."

While there are times that work can be stressful Ninette enjoys the support provided at Coal of Africa. She feels that the management team take a sincere interest in environmental issues, as well as their solutions, and that they have always put trust in her abilities. This makes her job easier, and contributes to her success of implementing lasting, visible environmental solutions.

CEO'S REVIEW

CONTINUED

INFRASTRUCTURE AND LOGISTICS

Securing access to markets in terms of logistics is perhaps the most critical constraint faced by the coal sector, and Coal of Africa's position provides it with a clear competitive advantage. The highlight on the logistics front for the year is the significant increase in rail capacity that has been realised by Transnet Freight Rail (TFR) since the completion in early 2011 of the Phase 3 upgrade of the Matola Port in Mozambique. We are also engaging extensively with TFR on the current tariff structure on the corridor with the aim of securing long-term commercial viability for the users of this corridor.

Coal of Africa currently holds a 3Mtpa port allocation at Matola for the export of the Company's coal product. Following the Phase 3 expansion of the facility from 4Mtpa to 6Mtpa, the Company has secured an option to participate in future expansions at the terminal of up to 100% of the potential increased capacity. Access to and utilisation of this critical infrastructural capacity will assist greatly with placing our high-quality coal in the hands of international customers.

Following the completion of the Phase 3 expansion, TFR increased the rail capacity on the Maputo rail corridor with the addition of 100 wagons resulting

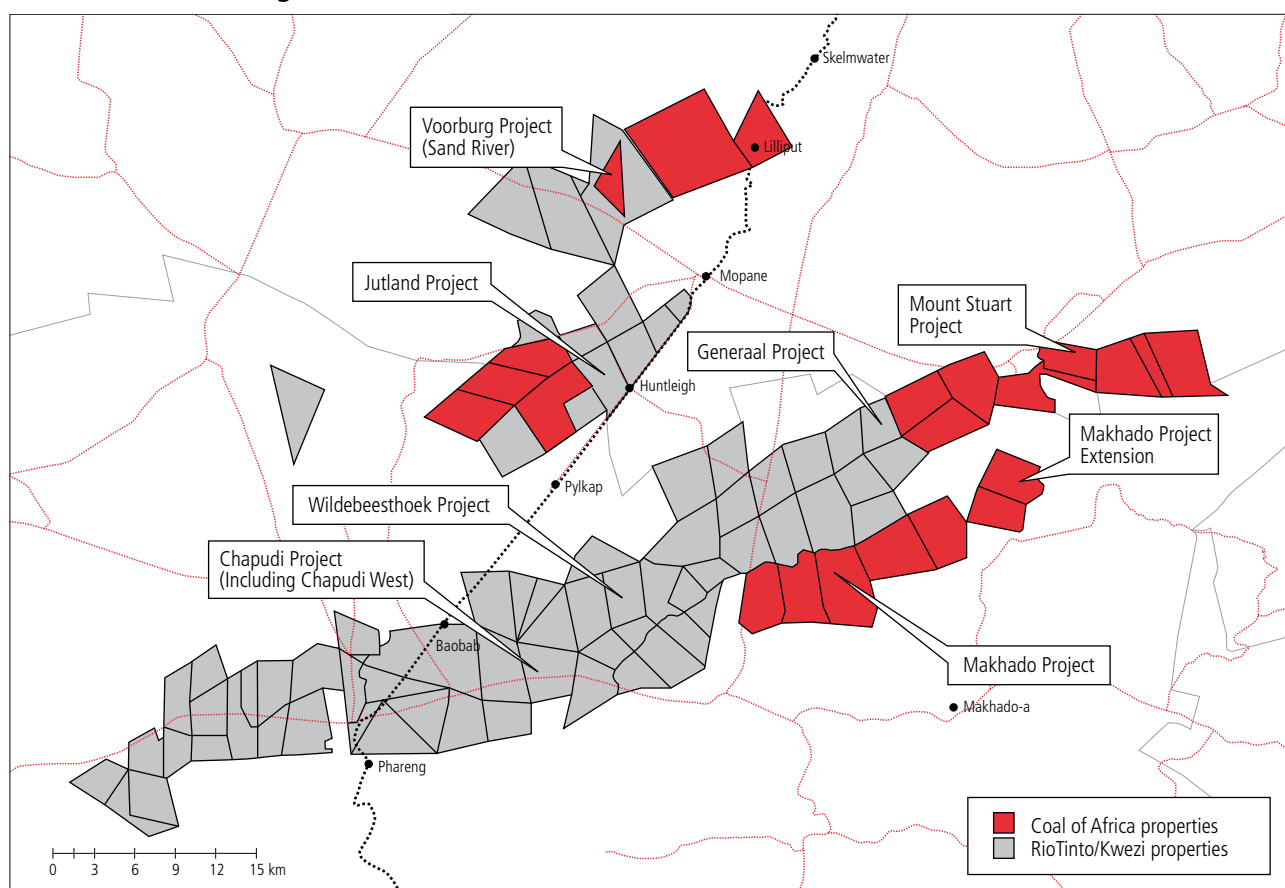
in a total of 850 wagons operating on the line. The additional capacity and joint operational initiatives to improve the operational performance on the line by TFR and the port operator, Grinrod, resulted in a reduction in turnaround times from approximately eight days to approximately four days. This resulted in an increase in the delivered export coal through Matola.

The Company is presently engaging with TFR to resolve issues relating to current rail tariffs and to discuss potential opportunities to meet the increased throughput capacity requirement with the development of Phase 4 at Matola.

RESOURCE STATEMENT

At the request of the Board, an Independent Technical Statement has been compiled by Venmyn to provide a summary of Coal of Africa's principal coal assets with particular reference to declared coal resources and reserves. Set out below is a summary of Coal of Africa's reserves and resources, which has been extracted without adjustment from the Independent Technical Statement. For full details on these reserves and resource estimates, and the basis on which those estimates were prepared, refer to the full Independent Technical Statement, which can be found on the Company's website www.coalofafrica.com.

Consolidation of coking coal assets



Differences between resource estimates

The estimates prepared by Venmyn for the Mooiplaats and Vuna Collieries are broadly in line with the resource estimates for these collieries prepared during 2010 by The Mineral Corporation (TMC) and Caracle Creek International Consulting (Pty) Limited (CCIC), taking into account mining depletion and additional drilling during the intervening period. However, it should be noted that:

- the Venmyn MTIS estimate for the Vele Colliery 369.6 million tonnes (Mt) is significantly lower than the corresponding TMC estimate from 2010 (690.6Mt), principally as a result of the application of a minimum and maximum mining height of 1.4 metres and 4.5 metres respectively, and consideration of only the Bottom Lower Seam for underground mining; and
- both the Venmyn GTIS and MTIS estimates for the Makhado Project (879.7Mt and 411.2Mt respectively) are significantly higher than the corresponding TMC estimates (323.6Mt and 289.0Mt respectively), principally because, in the case of the GTIS estimates, TMC only considered opencastable resources to a depth of 140 metres whereas the Venmyn estimate was based on all coal greater than 0.5 metres in

thickness and, in the case of the MTIS estimates, Venmyn considered all coal to a maximum depth of 200 metres and applied a different approach to discounting the GTIS estimates.

For a more detailed explanation of the differences between the Venmyn estimates and the TMC and CCIC estimates, see the Independent Technical Statement on our website at www.coalofafrica.com.

MARKET OUTLOOK

Our outlook for both the coking and thermal coal markets remains reasonably robust in the medium- to long-term. While the short term will be subject to the current economic volatility being experienced globally, the fundamentals will essentially be driven by the further demand for growth from India and China coupled with the ongoing supply side constraints that are likely to keep the supply/demand equation in balance. In particular, demand for thermal coal will continue to rise in the East from Korea, India and China with Indonesia providing the primary increase in supply, albeit lower qualities. Supply of globally traded coking coal is dominated by Australia at approximately 62% with alternative growth in supply being projected

Reserves of principal mineral assets

PROJECT NAME	MINEABLE TONNES IN SITU (MTIS)	ROM TONNAGE (T)	SALEABLE PRIMARY PRODUCT (T)	SALEABLE SECONDARY PRODUCT (T)	COAL ATTRIBUTABLE %
Mooiplaats	31,590,200	18,656,800	9,433,300	779,900	100%
Vuna	6,155,700	6,547,400	3,381,600	2,101,200	*100%
Vele	332,709,000	299,391,000	92,387,000	0	100%
Total	370,454,900	324,595,200	105,201,900	2,881,100	100%

* Coal of Africa has a 49% legal interest but a 100% economic interest in Vuna.

Resources (Inclusive of Reserves) of principal mineral assets

PROJECT NAME	GROSS TONNES IN SITU (GTIS)	TOTAL TONNES IN SITU (TTIS)	MINEABLE TONNES IN SITU (MTIS)	COAL ATTRIBUTABLE %
Mooiplaats	92,322,689	85,619,262	50,760,100	100%
Vuna	6,820,858	6,479,815	6,155,700	*100%
Vele	803,820,826	680,202,877	369,629,400	100%
Makhado	879,734,822	764,699,202	411,156,500	100%
Voorburg	217,778,959	188,929,976	181,811,100	100%
Mount Stuart	407,162,828	325,730,262	55,460,000	100%
Total	2,407,640,982	2,051,661,394	1,074,972,800	100%

* Coal of Africa has a 49% legal interest but a 100% economic interest in Vuna.

Source: Venmyn Rand (Pty) Limited – Independent Technical Statement for Coal of Africa as at 18 September 2011.

CEO'S REVIEW

CONTINUED

from Mozambique and Mongolia. In this regard the market fundamentals of coking coal for the steel market continues to look promising and augers well for the development of our Limpopo project pipeline during the next 10 years.

SKILLS AND RESOURCE DEVELOPMENT

An important yet sometimes overlooked element of the journey from explorer to developer and operator is the need to develop and attract the appropriate resources to the Company and to develop and entrench the systems and processes to support the desired organisational culture. Critical to this is the formalisation of a disciplined approach akin to that of a much larger company at every step of the development, construction and mining process, including the way in which we approach our broader socio-economic and environmental footprints.

SUSTAINABLE DEVELOPMENT

At Coal of Africa we seek to maximise the benefits derived from our operations by embedding the principle of sustainability within every part of the organisation. We aim to operate in an ethical manner for the benefit of all our stakeholders, now and in the future. Coal, like all mineral resources, is a finite resource and the responsibility therefore falls on the Company's management to develop and implement a sustainability strategy that addresses the issues of sustainability in the short, medium and long term wherever it operates.

At Coal of Africa we believe that it is imperative to leverage the investment in our mines by developing strategies that will catalyse the creation of sustainable social capital in the regions in which we operate.

In greater Soutpansberg, we will be operating in a water-stressed region of great spiritual, cultural and conservation significance which also is blighted by areas of acute rural poverty. We plan to address the risks associated with this by endeavouring to maximise the return on every tonne of coal mined in such a manner that it can achieve the goal of creating shared value.

It is our belief that a closure strategy is a crucial element in creating long-term social capital and in complying with the key tenets of sustainable development. For example, we have begun planning for closure before a single tonne of saleable coal has been produced. Our compliance capacity has been strengthened to ensure that the Company will comply with all the relevant legislative requirements. The issue of compliance was brought sharply into focus when operations at our Vele Colliery were halted due to the receipt of a Compliance Notice from the DEA in terms of Section 31(L) of the NEMA. Coal of Africa has since taken steps to rectify the non-compliance issues and was subsequently issued with the requisite EA.

We are currently developing a reporting framework based on the Global Reporting Initiative and, in particular, on its sectoral supplement which focuses on the mining and metals industries. The scope of reporting will detail a sustainability strategy that goes beyond regulatory compliance to engage with our immediate neighbours and society at large with the aim of laying the foundations for a sustainable post mining economy.

OBJECTIVES AND PROSPECTS

Looking forward, I believe that we are in a much stronger position than we were a year ago.

The Company is being rapidly transformed from an exploration player into one that has the capacity to be a developer and miner of large assets.

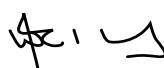
The critical milestones for Coal of Africa in the short- to medium-term are:

- First coal through the processing plant at Vele and the subsequent build-up to the initial target of 1 million tonnes per annum.
- The completion of the Makhado feasibility study and finalisation of an off take agreement with ArcelorMittal South Africa, and the exercising of the Exxaro option to buy in a 30% equity interest in the project. This is to be followed by approval of all regulatory requirements allowing final Board approvals for construction to commence.
- Completion of the Chapudi acquisition and commencement of the detailed exploration programme aimed at increasing the resource base and enabling prioritisation and evaluation of potential further projects to occur.

CONCLUSION AND THANKS

My gratitude is extended to our core team of directors, managers and employees, whose experience and expertise has enabled us to weather the storms of the last few months. As Coal of Africa continues to mature, we will be expanding this team to further aid the effective and efficient running of the Company.

My thanks, of course, are also extended to our shareholders and stakeholders who have been, and continue to be, loyal to Coal of Africa. With your support, we believe Coal of Africa will only strengthen its position within the emerging coal market.



John Wallington

Chief executive officer

18 September 2011

CORPORATE CITIZENSHIP REVIEW

Coal of Africa recognises its obligations as a responsible corporate citizen in the jurisdictions where it operates.

As an emerging producer, Coal of Africa's primary objectives from a sustainability perspective are to:

- engage with its stakeholders (shareholders, employees, unions, communities and other interested and affected parties);
- act in compliance with legislation, regulations and its permits;
- develop and exploit its assets in a responsible way through the implementation of meticulous planning, comprehensive social and environmental management systems; and
- ensure that our impact mitigation, training programmes and positive local economic development initiatives are sustainable after the cessation of mining activities.

CORPORATE GOVERNANCE

The Board of Directors governs Coal of Africa and is responsible for the establishment of a corporate governance framework. This framework conforms with best practice recommendations set by the Australian ASX Corporate Governance Council, where Coal of Africa has its primary listing. Coal of Africa's corporate governance procedures and practices are covered in further detail on pages 34 to 39 of this report.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is the responsibility of the management at Coal of Africa. In line with the Company's commitment to full and transparent engagement with interested and affected parties, Coal of Africa has, since its inception, engaged in an open and accountable public participation process, communicating the potential impacts of its operations on identified stakeholders and the environment. This is a two-way participatory process where information is made available and parties engage to explore and discuss these impacts and the mitigation thereof. By encouraging this engagement, the Company seeks to work closely with interested and affected parties to ensure these measures are mutually endorsed and beneficial.

Post year-end, the Company finalised a memorandum of agreement with the DEA, and SANParks to ensure the integrity of the Mapungubwe Cultural Landscape World Heritage Site in Limpopo province, South Africa, through comprehensive biodiversity offset programmes, thereby optimising benefits to local communities. The agreement provides for alliances in the management of natural and cultural resources and encourages social, economic and other partnerships among stakeholders.

ECONOMIC PERFORMANCE

Coal of Africa's coking coal assets represent a much-needed resource for economic growth and responsible development for South Africa. These

benefits include substantial foreign exchange earnings, reduced reliance on the importation of coking coal into South Africa, direct and indirect job creation, infrastructure development, skills development as well as considered corporate social investment and local economic development activities.

With the development of the Vele and Makhado collieries, the Company's total capital investment in the Limpopo province (one of South Africa's poorest regions) is expected to ultimately amount to approximately R5 billion. Vele's initial phase accounted for an investment of approximately R650 million. As a contributor to the national and provincial fiscus, Coal of Africa's tax payments will help grow the South African economy and support the South African Department of Trade and Industry's drive to increase the value of exports as a contribution to the GDP.

Initial development is intended to provide some 1,000 direct and indirect job opportunities at Vele with approximately 40% of the workforce expected to be sourced from the neighbouring Musina and Vhembe municipal areas.

Procurement

Coal of Africa will be striving to procure goods and services from suppliers that are black-owned and managed in line with its commitment to broad based black economic empowerment. This strategy will form the focus of the Company's procurement policies for the Makhado and Vele coal projects in the Limpopo province. The Company will develop a preferential procurement policy with a specific focus on procurement from historically disadvantaged South African (HDSA) vendors and to promote new opportunities for meaningful participation by HDSA companies in the Company's procurement spend.

SOCIAL PERFORMANCE

Employment

As Coal of Africa is currently a development company, it is currently a small employer but has the potential to be a significant employer at its operations going forward.

At the end of FY2011, the Company directly employed 456 people with a further 1039 permanently employed by contractor miners and plant operators.

The Company is an equal employment employer, with non-discriminatory workplace practices in a safe and healthy working environment. Contractor, temporary and permanent employees are treated equally and fairly.

Workplace skills plans are in place at the Witbank operations in line with the requirements of the Mining Qualifications Authority and the Mining Charter. An external training company was contracted by the Vuna operation to

CORPORATE CITIZENSHIP REVIEW

CONTINUED

Ephraim Monyemoratho

Environmental Manager, Vele

The last year at Vele has been a long, hard one for Ephraim but he is passionate about his role. The establishment of the Environmental Management Committee, the first in the mining industry to oversee compliance, has been one of the highlights for him, and he hopes it will allow communication between all involved parties, including the NGOs. He tries to open the Vele site up to any affected parties in order to open their minds to the company's plans for the future and the efforts being made to ensure compliance with all environmental regulations.

Ephraim is a man who believes in striking a balance between conservation and mine development, and has big plans for Vele's environmental future. He explains that he wants to achieve balance on various aspects of Vele, beginning with building a support team that shares a common vision, but also balances existing knowledge of the project with external expertise and experience. This will demonstrate that mining can co-exist with other land uses, and that will set Vele apart. He believes the project will become a model for future mining in the country.



COAL OF AFRICA RECOGNISES ITS OBLIGATIONS AS A RESPONSIBLE CORPORATE CITIZEN

furnish 336 delegates with specific mining skills, and a further 15 employees received computer literacy training. Mentorship plans are integrated within the career and management succession process to provide a mechanism for competency transfer, capacity planning and progression. A total of 33 students from the Vuna labour-sending areas and surrounding communities were awarded to students at Nkangala FET College and Thibela College for critical mining-related studies with a further 22 internal bursaries awarded during the year.

In August 2010, as the first phase of the Vele project – including the opencast mining pit and processing plant – was nearing completion and production was expected to start pending the granting of an integrated water use licence, the DEA served the Company with a Compliance Notice in terms of Section 24G of the NEMA. Pursuant to the terms of the Compliance Notice, all developmental work at the Vele Colliery was stopped immediately and 596 workforce members were retrenched.

The Compliance Notice has subsequently since been lifted and steps taken to resume and complete Vele's development. Re-employment at the Vele Colliery will be phased, rising to approximately 800 direct jobs over 20 years. Vele intends to source approximately 40% of the permanent and temporary workforce from the Musina and Vhembe district municipal areas.

Health and Safety

Coal of Africa's operational collieries have established safety and occupational and community health management structures, along with a reliable and robust record keeping system in compliance with legislative requirements and in accordance with accepted industry practice.

At the Company, operational management is accountable for safety and health as well as for workforce competence through the selection, retention, education, training and awareness in all aspects of safety, health and the environment.

Safety performance at the Company's Witbank operations was pleasing during the year with only 11 lost time injuries in total. The Vuna/Zonnebloem Colliery maintained its excellent record of no lost time injuries since start-up in 2008.

The Woestalleen Colliery recorded three lost time injuries during the year, giving rise to a stepped up focus on safety, with additional safety campaigns and audits during the year. At the Mooiplaats Colliery the significant milestone of 1,000 fatality-free production shifts was reached during



September 2010. One lost time injury was recorded at the Vele Colliery during the initial construction and development phase of the project.

Community

Coal of Africa recognises that it has a responsibility to ensure that real, meaningful benefits from its activities accrue to communities surrounding its operations. While one of the Company's most significant positive impact is the creation - directly and indirectly - of jobs, the Company understands that it has an additional responsibility to foster local economic development, to identify and support – with financial and other resources – projects that contribute to poverty alleviation as well as social and economic upliftment. Coal of Africa's emphasis will be on those communities surrounding its operations.

Coal of Africa's corporate responsibility programmes are aimed at providing infrastructure, eradicating poverty and education. Projects are identified by way of extensive interaction with the local municipalities and structures, and support normally takes the form of physical or social contributions, community capacity-building and governance.

Coal of Africa's Social and Labour Plans (SLPs) address various social, equity, employment and community issues, one of which is to ensure the contribution to local economic development (LED) in host communities. LED projects are identified and pursued in consultation with local communities but, importantly, they take cognisance of the imperatives identified by local municipalities in their integrated development plans (IDPs).

Coal of Africa has SLPs in place for its Witbank operations as well as for the Vele Colliery, and consultation has already begun for the Makhado Project.

The New Ermelo Primary School is an important SLP project for Mooiplaats, and the Company has committed to providing support to the school over the next five years. This school is located in the nearby Acacia township, and

caters for learners from Grade R to Grade 9, with almost 1,600 learners at an average of 55 learners per class.

In addition to the school being over-capacity, there is also a shortage of teachers and facilities. Coal of Africa has funded the construction of four new classrooms and an ablution facility, and will furnish the classrooms with chairs, tables, blackboards.

Over and above this commitment, the Company encourages its employees and contractors to engage with and support the local community. Coal of Africa launched a 'keep warm campaign' at the New Ermelo Primary School providing jerseys to more than 300 learners who did not have them.

Langcarel (Pty) Limited, a company that operates as a subsidiary of Coal of Africa and owns and operates the Mooiplaats Colliery, is in the process of procuring a mobile clinic for the surrounding communities, who have no access to basic services, particularly health services. Discussions are at advanced stage with the Department of Health in this regard.

As part of Vuna's LED programme, the Company identified a number of interventions to promote youth development. An important project identified is the Mpumalanga Stainless Steel (MIS) project, which will assist with the development of small and medium-sized enterprises into the mainstream of the economy, while simultaneously creating jobs. Vuna is involved with two schools - the Middleburg Combined School and the Batlagae Primary School – in which a number of transformational projects have been planned in the coming years. As a further effort to alleviate poverty, Vuna provides a meal supplement for approximately 200 employees per day.

Three SLP projects have been identified for Vele. The first is an agricultural job creation project in the Musina municipal area in the essential oil industry. The project will include a skills and training programme, creation of a management structure and the gradual take-over of ownership. In the tourism and conservation sector, a nursery and herbarium has been

CORPORATE CITIZENSHIP REVIEW

CONTINUED



Ben Nolan

General manager, Vele

Ben is respected in Coal of Africa for his no-nonsense approach towards safety at his mines. This is one of the qualities that has helped Ben, in his previous role as general manager at Vuna/Zonnebloem Colliery, to set new standards in the industry by achieving a LTI of zero from day one to present, while meeting all production targets. During this time Ben's team at Vuna also helped to launch a school transformation programme, that saw 40 bursaries issued, as well as a training programme for mine employees. He is sanguine about these successes and hopes that they have motivated his team to make their job a way of life.

Ben describes his recent move to Vele as 'seamless and pleasant', and explains that he is looking forward to this new challenge. "I am excited to be part of the team that is re-inventing the mining scenario in this country as we come to grips with the new levels of compliance and transparency. We at Coal of Africa are going to prove that green mining is possible."

identified to take advantage of the unique biodiversity in the area, and is an opportunity to link with the Mapungubwe tourism initiatives. Employees will be exposed to the establishment of facilities, sourcing staff and equipment, market analysis and other training and development opportunities. The third SLP project at Vele is an infrastructural water resource development project to mitigate the mine's impact on the town's capacity.

The King Toni Thovhele Mphephu Bursary Fund

Coal of Africa has established a bursary scheme to develop appropriate candidates, who, on graduation, will be afforded professional career paths in the company. This programme intends to address the critical skills shortage in the country, particularly in Limpopo province. The Company has spent R8.6 million since the fund was launched in 2009, educating 44 students from communities in Ermelo, Mpumalanga and the Vhembe region in Limpopo at various tertiary institutions. Students are monitored throughout the course of their studies to ensure maximum pass rates. This is a comprehensive bursary scheme for the development of young, high-potential HDSA students in key disciplines such as mining, electrical, mechanical and processing engineering, surveying, geological and environmental sciences. The bursary criterion seeks to encourage gender balance, and approximately 41% of the 2011 intake is female. This investment not only assists the company to build a pool of skilled resources for its own operations, but also contributes towards addressing the skills shortage in the country in general.

Environment

Coal of Africa recognises its environmental responsibility and is committed to ensuring its operations have a minimal adverse impact on the environment. The Company is committed to sustainable business models for all stakeholders, compliance with applicable environmental legislation and environmental best practice. The Company understands the uniqueness of the areas in which it operates and intends to manage the operation of its collieries and the development of its future projects in an environmentally sensitive way. For example, at the Group's Vele Colliery, the original mine plan was changed significantly to include an underground component, from where 40% of the coal is expected to be sourced, so as to minimise the visible and surface impact of the project. Plans are in place to rehabilitate the surface mine simultaneously with mining activities and at no time will the open pit be larger than 50 hectares.

In particular, water use and monitoring is critical to the Group's current and proposed operations. Among other things, the Group is addressing environmental, permitting and licensing issues while implementing a remedial plan. As part of this plan the Group will seek additional authorisations as well as improve water monitoring at its various mines and projects. In respect of the Company's development projects at Vele and Makhado, the Group is addressing any historical issues while seeking to avoid future environmental issues, including those relating to water use, heritage approvals and protected plants and trees as it plans its proposed operations at these projects.

The Company understands that sustainable business practice relies on the careful management of environmental impacts, in the planning, operating and closure phases of its operations.

DIRECTORS' REPORT

The Directors of Coal of Africa Limited (CoAL or the Company) submit herewith the annual report of the Company and the entities controlled by the Company (its subsidiaries), collectively referred to as "the Group" or "the Consolidated Entity", for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors Report as follows:

INFORMATION ABOUT THE DIRECTORS AND EXECUTIVE MANAGEMENT

The names and particulars of the directors of the Company during or since the end of the financial year are set out below. Unless otherwise stated, the directors held office during the whole of the financial year:

BOARD

Richard John Linnell

Independent Non-Executive Chairman

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

Simon James Farrell

Independent Non-Executive Deputy Chairman

Mr Farrell has a Bachelor of Commerce degree from the University of Western Australia and a Masters in Business Administration degree from the Wharton School of the University of Pennsylvania. He is a Fellow of the Australian Society of Certified Practising Accountants and the Institute of Company Directors. He has held a number of senior management and board positions, principally in the resources sector over the last 20 years. He is currently a director of London Stock Exchange-listed Kenmare Resources plc and Bell Zone Mining plc.

John Nicholas Wallington

Chief Executive Officer

Executive Director

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

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

Wayne Gregory Koonin

Financial Director

(Appointed 1 April 2011)

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

Over the past 12 years, Mr Koonin has gained extensive international experience working in senior financial roles for Canadian, South African, British and Swiss based exploration, development and operating mining companies, covering a variety of commodities, including coal.

Professor Ntshengedzeni Alfred Nevhutanda

Executive Director

Professor Nevhutanda has a PhD in Music Education, a Diploma in Management Studies and a Masters in Business Administration degree, has been involved in a number of diversified businesses and served as a leader in various academic fields, as well as held various political appointments. He is a professor in Environmental Sciences at the International Ecoenergy Academy in the Republic of Azerbaijan. He has acted as an advisor to the King of the VhaVenda, ministers and members of the executive council of the ruling party.

Peter George Cordin

Independent-Executive Director

Mr Cordin has a Bachelor of Engineering degree from the University of Western Australia and is well experienced in the evaluation, development and operation of resource projects within Australia and overseas. He is the managing director of ASX-listed Dragon Mining Limited and non-executive director of Vital Metals Limited.

DIRECTORS' REPORT

CONTINUED

Stephen Bywater

Independent Non-Executive Director

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

David John Keir Murray

Independent Non-Executive Director

(Appointed 8 September 2010)

Mr Murray holds a Bachelor of Science degree in Civil Engineering from the University of KwaZulu-Natal and a Post Graduate Diploma in Mining Engineering from the University of Pretoria. He has also completed the Advanced Executive Programme from the University of South Africa. Mr Murray has held a number of senior positions in the global coal industry, including managing director of Ingwe Coal Corporation (formerly Trans-Natal Coal Corporation Limited), chief executive of BHP Billiton Mitsubishi Alliance and president of Energy Coal Sector Group at BHP Billiton Limited, a position he held until December 2009.

Khomotso Brian Mosehla

Non-Executive Director

(Appointed 18 November 2010)

Mr Mosehla holds a Bachelor of Accounting Science (Hons), CTA and is a qualified Chartered Accountant (South Africa). After serving articles at KPMG, Mr Mosehla worked for five years at African Merchant Bank Limited, where he gained a broad range of experience, including in MBO, LBO and capital restructuring/raising transactions. In 2003, he established Mvelaphanda Corporate Finance, for the development of the Mvelaphanda group's mining and non-mining interests. Mr Mosehla has served as a director on the boards of several companies, including Mvelaphanda Resources Limited, and is currently the chief executive officer of Mosomo Investment Holdings (Pty) Limited.

Mikki Sivuyile Macmillan Xayiya

Non-Executive Director

(Appointed 18 November 2010)

With a Bachelor of Arts at the University of South Africa and a Certificate of Defence Management from the University of Witwatersrand in Johannesburg, and having completed the Emerging Market Leadership Programme (University of Pennsylvania), Mr Xayiya has served in various capacities in the African National Congress since 1977. In 1995, he was appointed as a policy advisor in the Office of the Premier, Gauteng Provincial Government. After leaving public office he joined Mawenzi Asset Managers as managing director. In 1998 he co-founded Mvelaphanda Holdings. Mr Xayiya was appointed as executive chairman of Mvelaphanda Holdings with effect from 9 June 2009.

Rudolph Henry Torlage

Non-Executive Director

(Appointed 18 November 2010)

Mr Torlage holds a Bachelor of Accounting Science (Hons), CTA and is a qualified Chartered Accountant (South Africa) with more than 20 years' experience with ArcelorMittal (South Africa). He is currently executive director of finance and a board member of various unlisted ArcelorMittal Group companies.

Blair Edward Sergeant

Finance Director

(Resigned 1 April 2011)

Mr Sergeant graduated with a Bachelor of Business and a post-graduate Diploma in Corporate Administration, both from Curtin University, Western Australia. He is a member of the Chartered Institute of Company Secretaries and an associate of the Australian Society of Certified Practising Accountants. Mr Sergeant's experience includes senior management and executive positions with numerous listed public companies across a broad spectrum of industries.

MANAGEMENT

Riaan van der Merwe

Chief Operating Officer

Mr van der Merwe, a mining engineering graduate from the University of Pretoria, began his career in South Africa's deep-level gold mining industry, with the last 19 years of his career spent in the South African coal industry with Anglo Coal. He has held senior management positions in both opencast and

underground mines and headed up Anglo Coal South Africa's Eskom and later export operations, responsible for delivering 32 million and 19 million tonnes per annum respectively into those markets. His most recent role was to lead that company's growth projects and mining services, involving a project pipeline in excess of R15 billion. In addition to his Mining Engineering qualification, Mr van der Merwe holds an Masters in Business Administration degree from the North-West University (formerly Potchefstroom University) and attended the Senior Executive Programme at Columbia Business School.

Willem Hattingh

General Manager Business Development

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

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by the Directors in the three years immediately before the end of the financial year are as follows:

DIRECTOR	COMPANY	PERIOD OF DIRECTORSHIP
Richard Linnell	Namakwa Diamond Company NL	2003 – 2008
	GRD Minproc Limited	2004 – 2009
	Chrome Corporation Limited	2005 – 2009
	GMA Resources plc	2003 – 2009
	Falkland Gold and Minerals plc	2004 – 2008
	SacOil Holdings Limited (previously SA Mineral Corporation Limited)	2002 – Present
	Maghreb Minerals plc	2010 – Present
	IPSA Group plc	2007 – 2009
	Brinkley Mining plc	2002 – Present
	Mag Industries Corp Incorporated	2009 – 2011
	Rockwell Diamonds Incorporated	2010 – Present
Simon Farrell	Kenmare Resources plc	2002 – Present
	Bell Zone Mining plc	2010 – Present
John Wallington	Firestone Energy Limited	2009 – 2010
	Keaton Energy Limited	2008 – 2010
Wayne Koonin	Ivanhoe Nickel & Platinum Limited	2006 – 2008
	Platmin Limited	2009 – 2011
Professor Nevhutanda	None	None
Peter Cordin	Dragon Mining Limited	2006 – Present
	Vital Metals Limited	2009 – Present
Stephen Bywater	GCM Resources plc	2006 – Present
	Caledon Resources plc	2006 – 2011
Dave Murray	None	None
Khomotso Mosehla	None	None
Mikki Xayiya	Avusa Limited	2008 – Present
	Mvelaphanda Group Limited	2005 – Present
	Mvelaphanda Resources Limited	2001 – Present
	Northam Platinum Limited	2009 – Present
	Ophir Energy plc	2006 – Present
Rudolph Torlage	ArcelorMittal South Africa Limited	2010 – Present
Blair Sergeant	Vmoto Limited	2004 – 2009
	Millepede International Limited	2002 – 2008
	Ram Resources Limited	2008 – 2010

DIRECTORS' REPORT

CONTINUED

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares or options in shares or debentures of the Company as at the date of this report.

DIRECTOR	ORDINARY SHARES	LISTED OPTIONS	UNLISTED OPTIONS
S Farrell ⁽¹⁾	2,871,791	—	12,000,000
R Linnell ⁽²⁾	787,550	—	4,000,000
P Cordin ⁽³⁾	412,759	—	1,000,000
S Bywater	—	—	—
A Nevhutanda ⁽⁴⁾	55,000	—	—
J Wallington	—	—	—
D Murray ⁽⁵⁾	—	—	2,500,000
K Mosehla	—	—	—
M Xayiya	—	—	—
R Torlage	—	—	—
W Koonin ⁽⁶⁾	55,000	—	—
B Sergeant ⁽⁷⁾	—	—	4,000,000
H Verster	—	—	—
	4,182,100	—	23,500,000

⁽¹⁾ 1,406,377 shares are held by Cherek (Pty) Limited of which Mr Farrell is a Director and shareholder. The 12,000,000 options and the balance of the shares are held by Mr Farrell directly.

⁽²⁾ 751,550 shares held by Ord Group Pty Limited (No 2 Account) as trustee for Terra Africa Investments Limited of which Mr Linnell is a beneficiary. 2,000,000 options are held by Terra Africa Investments Limited, of which Mr Linnell is a Director and shareholder, and the remaining 2,000,000 options and the balance of shares are held by Mr Linnell directly.

⁽³⁾ All shares and options are held by Cordin (Pty) Limited, of which Mr Cordin is a Director.

⁽⁴⁾ All shares are held by Professor Nevhutanda directly.

⁽⁵⁾ Mr Murray was issued a total of 2,500,000 options (each option having an exercise price equal to the volume weighted average price of the Company's Shares 10 trading days prior to the issue date and an expiry date 5 years from the issue date, 1,000,000 of which will vest 12 months after the date of issue, 750,000 of which will vest 24 months after the date of issue and the remaining 750,000 vesting 36 months from the date of issue).

⁽⁶⁾ All shares are held by Mr Koonin directly.

⁽⁷⁾ As at 1 April 2011, on resignation 2,000,000 options are held by various trustees for the Rio Grande Do Norte Superannuation Fund of which Mr Sergeant is a member and trustee. The remaining 2,000,000 options are held by Mr Sergeant directly.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Information about the remuneration of Directors and Senior Management is set out in the remuneration report of this Directors' Report, on pages 28 to 32.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During and since the end of the financial year, an aggregate 2,788,000 share options were granted to the following Directors and Senior Management of the Company as part of their remuneration:

DIRECTORS AND SENIOR MANAGEMENT	NUMBER OF OPTIONS	ISSUING ENTITY	NUMBER OF ORDINARY SHARES UNDER OPTION
S Farrell	–	Coal of Africa Limited	–
R Linnell	–	Coal of Africa Limited	–
P Cordin	–	Coal of Africa Limited	–
S Bywater	–	Coal of Africa Limited	–
A Nevhutanda	–	Coal of Africa Limited	–
J Wallington	–	Coal of Africa Limited	–
D Murray	2,500,000	Coal of Africa Limited	2,500,000
K Mosehla	–	Coal of Africa Limited	–
M Xayiya	–	Coal of Africa Limited	–
R Torlage	–	Coal of Africa Limited	–
W Koonin	–	Coal of Africa Limited	–
B Sergeant	–	Coal of Africa Limited	–
K Verster	–	Coal of Africa Limited	–
R van der Merwe	211,000	Coal of Africa Limited	211,000
W Hattingh	77,000	Coal of Africa Limited	77,000

COMPANY SECRETARY

Ms Shannon Coates held the position of Company Secretary for the financial year and is a qualified lawyer with over 18 years of experience in corporate law and compliance.

PRINCIPAL ACTIVITIES

The Company is a limited company incorporated in Australia. Its shares are listed on the ASX, the AIM and JSE. The principal activities of the Company and its subsidiaries ("the Group" or "the Consolidated Entity") are the acquisition, exploration, development and operation of thermal and coking coal projects in South Africa.

DIRECTORS' REPORT

CONTINUED

CHANGES IN STATE OF AFFAIRS

During the year the Company:

- Recorded production of 4.409 million run of mine ("ROM") tonnes (FY2010: 2.515 million tonnes) of thermal coal mined at Woestalleen and Mooiplaats collieries, up 75% year on year.
- Processed 4.997 million ROM tonnes (2010: 2.317 million tonnes) of thermal coal, including 0.472 million ROM tonnes (FY2010: 0.262 million tonnes) of purchased coal.
- Overall yield of 66.4% (FY2010: 56.4%) producing 3.316 million saleable tonnes (FY2010: 1.308 million tonnes).
- Transition from contract miner to owner-operator at Mooiplaats thermal colliery ("Mooiplaats Colliery").
- Phase 3 expansion of the Matola terminal in Maputo, Mozambique ("Matola Terminal"), completed in March 2011, increasing CoAL's effective throughput allocation from 1.0 million tonnes per annum ("Mtpa") to 3.0 Mtpa.
- Increase of 100 additional wagons (total of 850 wagons) by Transnet Freight Rail ("TFR") on the Maputo corridor to meet increased port allocation resulting in turnaround times reducing from 8 days to 4 days.
- Environmental authorisation received for the Vele coking coal colliery ("Vele Colliery"), paving the way for production to resume. The Integrated Water Use Licence ("IWUL") for the project granted in April 2011 but temporarily suspended following an appeal by non-governmental organisations ("NGO"). Non-water related activities re-commenced at the Vele Colliery.
- Definitive Feasibility Study ("DFS") for the Makhado coking coal project ("Makhado Project") in final stages with the infrastructure design substantially complete. Product trials at ArcelorMittal South Africa Limited ("AMSA") nearing completion leading to further discussions to convert the signed letter of intent into a commercial off-take agreement for the coking coal product.

Other than the above, there was no significant change in the state of affairs of the Consolidated Entity during the financial year.

SUBSEQUENT EVENTS

Post year end, the following significant operational events took place:

- On 5 July 2011, the Department of Environmental Affairs ("DEA") granted authorisation in terms of section 24G of the South African National Environmental Management Act, 107 of 1998 ("NEMA") in respect of the Vele Colliery.
- On 29 July 2011, the Vele Colliery's Integrated Water Use License ("IWUL") was suspended in terms of section 148(2)(b) of the South African National Water Act, No 36 of 1998 due to an appeal to the Water Tribunal submitted by an NGO coalition on 28 July 2011.
- On 15 August 2011, the irrevocable undertakings from the vendor shareholders were obtained in terms of the Sale and Purchase Agreement for the acquisition of the shares in the Chapudi Coal Project and Related Exploration Properties in South Africa's Soutpansberg coal basin in the Limpopo province and the time for satisfaction of remaining conditions precedent was extended until 30 April 2012 to obtain the requisite regulatory approvals.
- On 19 August 2011, CoAL submitted a section 11 application in respect of the Chapudi and Soutpansberg properties.
- On 1 September 2011, CoAL concluded a landmark agreement with the Department of Environmental Affairs ("DEA"), South African National Parks Board ("SANParks") and CoAL, paving the way for collaborative and responsible mine development in Limpopo Province.

There have been no other events between 30 June 2011 and the date of this report which necessitate adjustment to the statements of comprehensive income or statements of financial position at that date.

FINANCIAL REVIEW

During the year, the Company changed its presentation currency from the Australian Dollar to the United States Dollar as the Board considers that the latter more appropriately reflects the results of operations and the financial position of CoAL and its subsidiaries on the basis that the underlying commodities from its operating coal mines are principally sold in that currency. Accordingly, the FY2010 prior year comparatives have been retrospectively adjusted to reflect this change.

With the acquisition of NuCoal with effect from 1 January 2010, Woestalleen's FY2010 results are based on six months production compared to a full year in FY2011. Production at Mooiplaats started in late 2008 and was in a ramp-up phase with three underground sections in operation by 30 June 2010. The ramp up continued in FY2011 increasing from three to four underground sections by 30 June 2011. As a result, the production and financial results from both thermal coal mines in FY2010 and FY2011 are not directly comparable.

On 23 March 2011, an operating subsidiary of the Company entered into a US\$50 million revolving loan facility with Deutsche Bank AG (Amsterdam) and simultaneously repaid the JP Morgan Chase US\$20 million loan which was then in place. As at 30 June 2011, the Company had drawn down US\$32.5 million against the US\$50 million facility. Total unrestricted cash and cash equivalents and available Deutsche Bank facility at year-end was US\$40.261 million (FY2010: US\$72.054 million), including US\$17.500 million (FY2010: nil) which is undrawn against the Deutsche Bank facility. The facility is repayable in twelve equal tranches commencing in September 2013.

The following is a summary of the key financial results for FY2011:

- US\$261.4 million (FY2010: US\$98.4 million) in revenue generated, up 166% year on year, with US\$229.2 million (FY2010: US\$78.1 million) from thermal coal sales and US\$32.2 million (FY2010: US\$20.3 million) generated by the NiMag business from alloy sales, development and other revenue.
- US\$37.9 million (FY2010: US\$27.1 million) in gross profit, up 40% year on year.
- Operating costs, non-capitalised overheads and other items amounts to US\$49.3 million (FY2010: US\$49.6 million), marginally lower year on year with the inclusion of Woestalleen for a full 12 months in the current financial year (FY2010: 6 months) and generally higher overhead costs not capitalised as the Company continued to increase the portfolio of exploration and development stage projects during FY2011.
- Adjusted loss before tax (excluding non-cash items and foreign exchange gains and losses) of US\$11.4 million (FY2010: US\$22.5 million), down 49% year on year.
- Foreign exchange losses of US\$29.9 million (FY2010: US\$3.0 million net gain) of which US\$29.3 million (US\$2.7m loss) was unrealised and non-cash related.
- Significant non-cash charges of US\$176.9 million (FY2010: US\$159.2 million) include:
 - impairment losses of US\$97.4 million (FY2010: US\$54.0 million); and
 - depreciation and amortisation of US\$79.5 million (FY2010: US\$26.7 million).
- Non-cash share-based payment expenses (For the BEE option) US\$nil (FY2010: US\$78.5 million).
- Loss before tax for the year, including non-cash items, of US\$218.1 million was US\$39.4 million higher than in FY2010 of US\$178.7 million principally as a result of the higher impairment charges in the current year and the share-based payment charge in the previous year.
- Income tax charge for the year of US\$0.9 million (FY2010: US\$10.9 million credit) differs from the prior year and was due to the net effect of various reversals of deferred tax relating to the impairment charges in the current and prior year.
- Net loss after tax for the year, including non-cash items, of US\$219.0 million (FY2010: US\$167.8 million).
- Total unrestricted cash balances and undrawn Deutsche Bank facilities of US\$40.3 million at year-end.

Impairment losses of US\$97.4 million (FY2010: US\$54.0 million) relate to the re-assessment of the carrying value of Mooiplaats and Woestalleen totalling US\$92.3 million (FY2010: US\$46.6 million) and assets held for sale totalling US\$5.1 million (FY2010: US\$7.4 million).

Depreciation and amortisation relate to the mining assets, plant and equipment increased from US\$26.7 million in FY2010 to US\$79.5 million in FY2011. The increase in the depreciation charge year on year was due to a reduction in the remaining life and resource at Woestalleen coupled with a twelve month charge in FY2011 compared to a six month charge in FY2010, since Woestalleen was only acquired effective 1 January 2010. The re-assessment of the remaining life of mine at Mooiplaats, also resulted in an increase in this charge year on year.

The foreign exchange losses of US\$29.9 million, of which US\$29.3 million is non-cash and unrealised, is principally as a result of the translation of inter-company loan balances, the majority of which are denominated in Australian Dollars or South African Rands, into US Dollars at financial year-end. The Australian/US Dollar closing exchange rate at financial year-end was 23.7% higher than the previous year and the average rate was 12.1% higher year on year. Similarly, the South African Rand/US Dollar closing and average exchange rates strengthened year on year by 10.4% and 7.7% respectively.

The share-based payment expense of US\$78.5 million in FY2010 relates to the fair value adjustment for the option issued to Firefly to acquire 50 million ordinary shares at 60 pence per share (exercisable between 1 November 2010 and 1 November 2014). There is no corresponding charge in FY2011.

DIRECTORS' REPORT

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ENVIRONMENTAL REGULATIONS

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation and there has consequently been no breach. The Group is subject to numerous environmental regulations in South Africa, including the National Water Act (No 36 of 1998), National Environmental Management Act (No 107 of 1998), the National Environmental Management Air Quality Act (No 39 of 2004) and the environmental provisions in the Mineral and Petroleum Resources Development Act (No 28 of 2002). There is uncertainty regarding the interrelationship between these statutes in the mining context and as such complete compliance with all simultaneously is often difficult. The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental impacts but from time to time statutory non-compliances may occur. The Board takes these seriously and the Board has undertaken a thorough review of all its activities to seek to bring them into compliance.

DIVIDENDS

No dividend has been paid or proposed for the financial year ended 30 June 2011 (2010 – None).

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

Details of unissued shares under option as at the date of this report are:

	NUMBER OF SHARES UNDER OPTION	CLASS OF SHARES	EXERCISE PRICE	EXPIRY DATE
Class A Unlisted Options	7,950,000	Ordinary	A\$0.50	30 September 2011
Class B Unlisted Options	250,000	Ordinary	A\$2.05	1 May 2012
Class H Unlisted Options	600,000	Ordinary	A\$1.25	1 May 2012
Class I Unlisted Options	1,650,000	Ordinary	A\$3.25	31 July 2012
Class D Unlisted Options	7,000,000	Ordinary	A\$1.25	30 September 2012
Class G Unlisted Options	1,000,000	Ordinary	A\$1.90	30 September 2012
Class J Unlisted Options	5,000,000	Ordinary	A\$2.74	30 November 2014
Class K Unlisted Options	912,500	Ordinary	A\$1.90	30 June 2014
Class C Unlisted Options	2,500,000	Ordinary	A\$1.20	9 November 2015
1 Option*	50,000,000	Ordinary	GBP0.60	1 November 2014
ESOP Unlisted Options	1,540,561	Ordinary	A\$1.40	30 September 2015

* Option to subscribe for 50 million ordinary shares for 60 pence each between 1 November 2010 and 1 November 2014, as approved by shareholders on 22 April 2010, and granted to Firefly Investments (Pty) Limited, a Black Economic Empowerment ("BEE") entity.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue of the Company or of any other body corporate or registered scheme.

Details of shares or interests issued during or since the end of the financial year as a result of exercise of an option are:

	NUMBER OF SHARES UNDER OPTION	CLASS OF SHARES	EXERCISE PRICE	EXPIRY DATE
Exercise of Class A options	1,124,998	Ordinary	A\$0.50	30 September 2011

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium of \$35,292 (2010 – \$21,050) in respect of a contract insuring the Directors of the Company as named above, the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred by such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred by such an officer or auditor.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, five board meetings, one nomination and remuneration committee meeting, two audit committee meetings and one safety and health committee meeting were held.

DIRECTOR	BOARD OF DIRECTORS		AUDIT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE		SAFETY AND HEALTH	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
R Linnell	5	5	—	—	—	—	—	—
S Farrell	5	5	2	1*	—	—	—	—
P Cordin	5	5	2	1	1	1	1	1
S Bywater	5	5	2	2	1	1	1	1
A Nevhutanda	5	4	—	—	—	—	—	—
J Wallington	5	5	2	2*	—	—	—	—
D Murray	5	4	—	—	—	—	—	—
K Mosehla	5	4	2	1	—	—	—	—
M Xayiya	5	3	—	—	—	—	—	—
R Torlage	5	3	2	1	—	—	—	—
W Koonin**	5	1	—	—	—	—	—	—
K Verster	5	—	—	—	1	1	1	—
B Sergeant	5	4	2*	1	—	—	—	—

* By invitation

** Appointed 1 April 2011

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 7 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

DIRECTORS' REPORT

CONTINUED

The Directors are of the opinion that the services as disclosed in note 7 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 33 of these financial statements.

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Coal of Africa Limited's Directors and its senior management for the financial year ended 30 June 2011. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and Senior Management details
- remuneration policy
- relationship between the remuneration policy and company performance
- remuneration of Directors and Senior Management
- key terms of employment contracts.

The Board is responsible for establishing remuneration packages applicable to the Board members of the Company. The policy adopted by the Board is to ensure that remuneration properly reflects an individual's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest calibre.

Directors' remuneration packages are also assessed in the light of the condition of markets within which the Company operates, the Company's financial condition and the individual's contribution to the achievement of corporate objectives. Executive Directors are remunerated by way of a salary or consultancy fees, commensurate with their required level of service.

Total remuneration for all Non-Executive Directors, as approved by shareholders at the November 2010 General Meeting, is not to exceed A\$1,000,000 per annum.

The Board has nominated a Remuneration Committee which is made up as follows: Mr Steve Bywater (Chairman), Mr Dave Murray and Mr Mikki Xayiya. The Company does not have any scheme relating to retirement benefits for Non-Executive Directors.

Director and Senior Management details

The following persons acted as Directors of the company during or since the end of the financial year:

- R Linnell — Independent Non-Executive Chairman
- S Farrell — Independent Non-Executive Deputy Chairman
- P Cordin — Independent Non-Executive Director
- S Bywater — Independent Non-Executive Director
- Professor A Nevhutanda — Executive Director
- J Wallington — Chief Executive Officer and Executive Director
- D Murray — Senior Independent Non-Executive Director, appointed 8 September 2010
- K Mosehla — Non-Executive Director, appointed 18 November 2011
- M Xayiya — Non-Executive Director, appointed 18 November 2011
- R Torlage — Non-Executive Director, appointed 18 November 2011
- W Koonin — Financial Director, appointed 1 April 2011
- B Sergeant — Finance Director, resigned 1 April 2011
- H Verster — Non-Executive Director, resigned 12 August 2010

The term “key management” is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- R van der Merwe – Chief Operating Officer
- W Hattingh – General Manager: Business Development

REMUNERATION POLICY

The remuneration policy of CoAL has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group’s financial results. The Board of CoAL believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between Directors, key management and shareholders.

The Board’s policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is as follows:

- The remuneration structure is developed by the Remuneration Committee and approved by the Board after professional advice is periodically sought from independent external consultants.
- All key management personnel receive a base salary (based on factors such as length of service and experience), options and performance incentives.
- Incentives paid in the form of cash and options are intended to align the interests of the Directors, key management and company with those of the shareholders.

The Remuneration Committee reviews key management personnel packages annually by reference to the consolidated group’s performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each executive and bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Remuneration Committee’s recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

The Board’s policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is A\$1,000,000.

To assist Directors with independent judgement, it is the Board’s policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval from the Chairman for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Options granted under the arrangement do not carry dividend or voting rights. Options are valued using the Black-Scholes methodology.

Performance – based remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved.

Relationship between remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and key management. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to the majority of Directors and key management to encourage the alignment of personal and shareholder interests.

The tables below set out summary information about the Group’s earnings and movements in shareholder wealth for the five years to June 2011.

DIRECTORS' REPORT

CONTINUED

	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010	YEAR ENDED 30 JUNE 2009	YEAR ENDED 30 JUNE 2008	YEAR ENDED 30 JUNE 2007
	US\$'000*	US\$'000*	US\$'000*	A\$'000	A\$'000
Revenue	261,425	98,376	17,120	53,774	62,595
Net loss before tax	218,106	178,656	9,613	10,324	10,889
Net loss after tax	219,003	167,758	9,849	11,244	3,547

	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010	YEAR ENDED 30 JUNE 2009	YEAR ENDED 30 JUNE 2008	YEAR ENDED 30 JUNE 2007
Share price at start of year	A\$1.68	A\$1.57	A\$4.14	A\$1.07	A\$0.34
Share price at year-end	A\$1.08	A\$1.68	A\$1.60	A\$4.18	A\$1.06
Basic and diluted loss per share (cents)	0.41	0.37	0.02	4.08	4.72

* Financial statement reported in US Dollars.

Remuneration of Directors and key management personnel

Details of the nature and amount of each major element of the remuneration of each Director and key management personnel for the year are:

	SHORT-TERM EMPLOYEE BENEFITS		POST- EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	SHARE- BASED PAYMENTS	TOTAL	SHARE BASED % OF TOTAL
	SALARY AND FEES	BONUS**	NON- MONETARY BENEFITS	SUPER- ANNUATION	OPTIONS/ SHARES		
2011	US\$	US\$	US\$	US\$	US\$	US\$	%
Non-Executive Directors							
R Linnell	89,025	—	—	—	—	89,025	—
P Cordin	56,383	—	—	5,074	—	61,457	—
S Bywater	56,383	—	—	—	—	56,383	—
H Verster	5,850	—	—	—	—	5,850	—
D Murray	82,702	—	—	7,443	472,951	563,096	84
K Mosehla	—	—	—	—	—	—	—
M Xayiya	—	—	—	—	—	—	—
R Torlage	—	—	—	—	—	—	—
Executive Directors							
S Farrell*	544,046	173,105	—	—	482,152	1,191,303	40
J Wallington	636,160	—	—	—	—	636,160	—
B Sergeant	400,900	129,582	—	—	241,076	771,558	31
W Koonin	95,424	—	—	—	—	95,424	—
A Nevhutanda	160,532	35,960	—	—	—	196,491	—
	2,127,405	338,647	—	12,517	1,196,179	3,666,747	33
Key Management							
R van der Merwe	451,417	118,128	—	—	411,468	981,013	42
W Hattingh	301,426	43,060	—	—	150,156	494,642	30
	752,843	161,188	—	—	561,624	1,475,655	38
	2,880,248	499,835	—	12,517	1,757,803	5,142,402	34

	SHORT-TERM EMPLOYEE BENEFITS		POST- EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	SHARE- BASED PAYMENTS	TOTAL	SHARE BASED % OF TOTAL
	SALARY AND FEES	BONUS**	NON- MONETARY BENEFITS	SUPER- ANNUATION	OPTIONS/ SHARES		
2010	US\$	US\$	US\$	US\$	US\$	US\$	%
Non-Executive Directors							
R Linnell	78,554	—	—	—	—	78,554	—
P Cordin	46,315	—	—	3,970	—	50,285	—
S Bywater	50,285	—	—	—	—	50,285	—
H Verster	37,351	—	—	—	—	37,351	—
Executive Directors							
S Farrell	705,752	—	—	—	429,994	1,135,719	38
J Wallington	27,449	—	—	—	—	27,449	—
B Sergeant	485,205	—	—	—	472,993	958,198	49
A Nevhutanda	171,038	—	—	—	—	171,038	—
	1,601,949	—	—	3,970	902,988	2,508,906	36
Key Management							
R van der Merwe	385,409	—	—	—	364,017	749,426	49
W Hattingh	124,141	—	—	—	170,439	294,580	58
	509,550	—	—	—	534,456	1,044,066	51
	2,111,499	—	—	3,970	1,437,444	3,552,912	40

* Mr Farrell assumed the role of a Non-Executive Deputy Chairman with effect from 1 April 2011.

** Discretionary bonuses awarded to the Executive Directors and key management were approved by the board.

All amounts have been converted to United States Dollars for disclosure purposes.

No Director or key management appointed during the period received a payment as part of his consideration for agreeing to hold the position.

Key terms of employment contracts

The Company has entered into formal contractual employment agreements with the Non-Executive Deputy Chairman, the Chief Executive Officer and the Financial Director only and not with any other member of the Board. The employment conditions of the Non-Executive Deputy Chairman, the Chief Executive officer and Financial Director are:

1. Mr Farrell's agreement commenced on 1 July 2009 and is for a three-and-a-half-year fixed term, at an annual remuneration of A\$550,000. The agreement may be terminated on one month written notice and in the event of termination by the Company, the remaining term of the agreement must be paid out.
2. Mr Wallington's agreement commenced on 31 May 2010 and is for a three-year fixed term, at an annual remuneration of GBP400,000. Subject to shareholder approval and the satisfaction of certain capital performance conditions, Mr Wallington is also entitled to receive up to 250,000 shares following 12 months service, up to 500,000 shares following 24 months service and up to 500,000 shares following 36 months service. The agreement may be terminated on three month's written notice.
3. Mr Koonin's agreement commenced on 1 April 2011 and is for a five-year fixed term, at an annual remuneration of GBP240,000. Subject to shareholder approval and the satisfaction of certain capital performance conditions, Mr Koonin is also entitled to receive up to 175,000 shares following 12 months service, up to 350,000 shares following 24 months service, up to 350,000 shares following 36 months service, up to 350,000 shares following 48 months service and up to 350,000 shares following 60 months service. The agreement may be terminated on three month's written notice.

DIRECTORS' REPORT

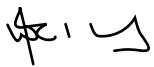
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The employment conditions of the following specified executives have been formalised in employment contracts:

1. Mr Van der Merwe is employed by CoAL in the capacity of Chief Operations Officer, at an annual remuneration of R3.2 million. The permanent employment contract commenced on 1 August 2008 and may be terminated by written notice of one month.
2. Mr Hattingh is employed by CoAL in the capacity of General Manager: Commercial, at an annual remuneration of R2.1 million. The permanent employment contract commenced on 1 January 2010 and can be terminated by written notice of one month.

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



John Wallington

Chief Executive Officer
Coal of Africa Limited

18 September 2011

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Coal of Africa Limited
173 Mounts Bay Road
Perth WA 6000

18 September 2011

Dear Board Members

COAL OF AFRICA LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Coal of Africa Limited.

As lead audit partner for the audit of the financial statements of Coal of Africa Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Ross Jerrard

Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation
Member of Deloitte Touche Tohmatsu Limited

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Coal of Africa Limited is responsible for the establishment of a corporate governance framework that has regard to the best practice recommendations set by the ASX Corporate Governance Council. CoAL's objective is to achieve best practice in corporate governance and the Company's Board, senior executives and employees are committed to achieving this objective.

This statement summarises the corporate governance practices that have been adopted by the Board. In addition to the information contained in this statement, the Company's website at www.coalofafrica.com contains additional details of its corporate governance procedures and practices.

ASX BEST PRACTICE RECOMMENDATIONS

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX best practice recommendations in the reporting period. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where the Company considered it was not appropriate to presently comply with a particular recommendation, the reasons are set out in the relevant section of this statement.

The Board has adopted a Corporate Governance policy that (except where expressly noted below) complies with the Principles in the Second Edition of the "Corporate Governance Principles and Recommendations", established by the ASX Corporate Governance Council and published by the ASX in August 2007. This Corporate Governance policy has been in effect for the entire reporting period. On 9 December 2010, the Company amended its Securities Trading Policy to comply with new Listing Rule 12.9 and provided this to ASX for release to the market.

BOARD OF DIRECTORS

Role and responsibilities of the Board

The role of the Board is to provide leadership for and supervision of the Company's senior management. The Board provides the strategic direction of the Company and regularly measures the progression by senior management of that strategic direction.

The key responsibilities of the Board include:

- a) overseeing the Company, including its control and accountability systems;
- b) appointing the Chief Executive Officer, or equivalent, for a period and on terms as the Directors see fit and, where appropriate, removing the Chief Executive Officer, or equivalent;
- c) ratifying the appointment and, where appropriate, the removal of Senior Executives, including the Financial Director and the Company Secretary;
- d) ensuring the Company's policy and procedure for selection and (re)appointment of Directors is reviewed in accordance with the Company's Nomination Committee Charter;
- e) approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance;
- f) satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;
- g) assessing the effectiveness of senior management's implementation of systems for managing material business risk including the making of additional enquiries and to request assurances regarding the management of material business risk, as appropriate;
- h) monitoring, reviewing and challenging senior management's performance and implementation of strategy;
- i) ensuring appropriate resources are available to senior management;
- j) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- k) monitoring the financial performance of the Company;
- l) ensuring the integrity of the Company's financial (with the assistance of the Audit Committee, if applicable) and other reporting through approval and monitoring;
- m) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- n) appointing the external auditor (where applicable, based on recommendations of the Audit Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company;
- o) engaging with the Company's external auditors and Audit Committee (where there is a separate Audit Committee);
- p) monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, native title, cultural heritage and occupational health and safety; and
- q) make regular assessment of whether each Non-Executive Director is independent in accordance with the Company's policy on assessing the independence of Directors.

In accordance with ASX Principle 1, the Board has established a Board Charter which sets out functions reserved to Board and those delegated to senior executives. This Charter is available on the Company's website. The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

Board composition

Since 18 November 2010, the Board has been comprised of three Executive Directors, five independent Non-Executive Directors and three Non-Executive Directors.

The Company's website contains details on the procedures for the selection and appointment of new Directors and the re-election of incumbent Directors, together with the Board's policy for the nomination and appointment of Directors.

ASX Principle 2 recommends the Board establish a Nomination Committee to focus on the selection and appointment practices of the Company. It is further recommended that the Nomination Committee have a formal Charter.

The Company has a Nomination & Remuneration Committee which is comprised of two independent Non-Executive Directors and one Non-Executive Director and which undertakes the nomination functions for the Company. The Nomination & Remuneration Committee has adopted a formal Nomination Committee Charter, available on the Company's website, which includes information on the Company's approach to selection and appointment of Directors.

The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The current Directors have a broad range of qualifications, experience and expertise in mining exploration, development and operation in the corporate and finance industries. The Board is of the view that the current composition comprises the mix of skill sets and experience it is looking to achieve in membership of the Board. The skills, experience and expertise of Directors are set out in the Directors' report.

The names of the Directors in office at the date of this report, the year they were first appointed, their status as Non-Executive, Executive or Independent Directors and whether they are retiring by rotation and seeking re-election by shareholders at the 2011 annual general meeting, are set out in the Directors' report.

Independence of Non-Executive Directors

The Board considers an Independent Director to be a Non-Executive Director who meets the criteria for independence set out in Principle 2 of the ASX Corporate Governance Principles and Recommendations. In determining a Director's independence, the Board considers the relationships that may affect independence, as set out in Box 2.1 of the Principles.

Materiality for these purposes is based on quantitative and qualitative thresholds, set out in the Board Charter available from the Company's website. In summary, the Board has agreed on the following guidelines for assessing the materiality of matters:

MATERIALITY – QUANTITATIVE

Balance sheet items

Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.

Profit and loss items

Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.

MATERIALITY – QUALITATIVE

Items are also material if:

- a) they impact on the reputation of the Company;
- b) they involve a breach of legislation;
- c) they are outside the ordinary course of business;
- d) they could affect the Company's rights to its assets;
- e) if accumulated they would trigger the quantitative tests;
- f) they involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items; or
- g) they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

MATERIAL CONTRACTS

Contracts will be considered material if:

- a) they are outside the ordinary course of business;
- b) they contain exceptionally onerous provisions in the opinion of the Board;
- c) they impact on income or distribution in excess of the quantitative tests;
- d) there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests;
- e) they are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests;
- f) they contain or trigger change of control provisions;
- g) they are between or for the benefit of related parties; or
- h) they otherwise trigger the quantitative tests.

The Board has reviewed and considered the positions and associations of each of the Directors in office at the date of this report and consider that a majority of the Directors are not independent. Messrs Richard Linnell, Simon Farrell, Peter Cordin, Steve Bywater and David Murray are considered independent. Executive Directors Messrs John Wallington, Wayne Koonin, Alfred Nevhutanda, and Non-Executive Directors Khomotso Mosehla, Mikki Xayiya and Rudolph Torlage are not considered independent.

The Company notes for the purposes of Principle 2, that while Mr Farrell was engaged in an executive capacity until 1 June 2010 when Mr Wallington was appointed as Chief Executive Officer, he is no longer involved in the day to day running of the Company, has no material or business relationship with the Company and no conflicts of interest which could interfere with the exercise of independent judgement and he is therefore considered independent.

INDEPENDENT PROFESSIONAL ADVICE

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Company's expense and advice so obtained is to be made available to all Directors.

MEETINGS

The Board held 5 scheduled meetings during the reporting year and no unscheduled meetings were held during that year. Senior management attended and made presentations at the Board Meetings as considered appropriate and were available for questioning by Directors.

The attendance of Directors at Board meetings during the year ended 30 June 2011 is detailed in the Directors' report.

EVALUATION OF BOARD AND SENIOR EXECUTIVE PERFORMANCE

A process has been established to review and evaluate the performance of the Board, individual Directors and Senior Executives. The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing the performance of the Board and individual Directors over the previous 12 months and examining ways in which the Board can better perform its duties. The Company's annual Board review to consider the 2011 financial year is scheduled to take place by 31 December 2011.

The Chief Executive Officer is responsible for assessing the performance of the key executives within the Company. This is performed through a formal process involving a formal meeting with each senior executive.

REMUNERATION

ASX Principle 8 recommends the Board establish a Remuneration Committee to focus on appropriate remuneration policies. It is further recommended that the Remuneration Committee have a formal Charter.

The Company has a Nomination and Remuneration Committee which is comprised of two Independent Non-Executive Directors and one Non-Executive Director and which undertakes the remuneration functions for the Company. The Nomination & Remuneration Committee has adopted a formal Remuneration Committee Charter, available on the Company's website, which includes information on the Company's approach to remuneration of Directors (Executive and Non-Executive) and Senior Executives.

In accordance with Principle 8, Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-Executive Directors receive a fixed monthly fee for their services. Total Non-Executive Directors' fees are currently capped at A\$1,000,000 per annum.

On 14 October 2010, following shareholder approval, the Company issued 2,500,000 Options to Non-Executive Director Mr David Murray. The Company acknowledges that the guidelines to ASX Principle 8 recommend that Non-Executive Directors do not receive options. However under the Company's current circumstances, the Directors considered the issue to be a cost effective and efficient means for the Company to provide a reward and incentive, as opposed to alternative forms of incentive, such as the payment of additional cash consideration that would be necessary for someone with the experience of Mr Murray.

The Company does not have any scheme relating to retirement benefits for Non-Executive Directors.

See the Remuneration Report for details of remuneration paid to Directors and senior key Executives during the year.

RISK MANAGEMENT

In accordance with ASX Principle 7, the Company has a policy for the oversight and management of material business risks, which is available on the Company's website.

The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the Managing Director, with the assistance of senior management, as required.

The Chief Executive Officer has responsibility for identifying, assessing, monitoring and managing risks. The Chief Executive Officer is also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company is updated to reflect any material change.

The Chief Executive Officer is required to report on the progress of, and on all matters associated with, risk management on a regular basis, and at least annually. During the reporting period, the Chief Executive Officer regularly reported to the Board as to the effectiveness of the Company's management of its material business risks.

Further, in accordance with Principle 7, the Chief Executive Officer and Financial Director have confirmed in writing to the Board that:

- a) the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards;
- b) the above confirmation is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board; and
- c) the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

FINANCIAL REPORTING

ASX Principle 4 recommends the Board establish an Audit Committee to focus on issues relevant to the integrity of the Company's financial reporting. It is further recommended the Audit Committee have a formal Charter.

The Company has established an Audit Committee which is comprised of three Non-Executive Directors, one of which is independent.

The role of the Audit Committee is to:

- a) monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments;
- b) review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems;
- c) monitor, review and oversee the external audit function including matters concerning appointment and remuneration, independence and non-audit services;
- d) monitor and review compliance with the Company's Code of Conduct; and
- e) perform such other functions as assigned by law, the Company's Constitution, or the Board.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

The Audit Committee has adopted a formal Audit Committee Charter, available from the Company's website, which promotes an environment consistent with best practice financial reporting.

CODE OF CONDUCT

The Board encourages appropriate standards of conduct and behaviour from Directors, officers, employees and contractors of the Company.

The Board has adopted a Code of Conduct in relation to Directors and employees, available from the Company's website. This Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity. ASX Principle 3 recommends companies establish a policy concerning diversity and disclose the policy or a summary of that policy. It further recommends that companies should disclose in each annual report measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. Due to the current nature and scale of CoAL's activities, the Board has not established a diversity policy or measurable objectives for achieving gender diversity to report against in this Annual Report for the current financial year.

A fundamental theme is that all business affairs are conducted legally, ethically and with strict observance of the highest standards of integrity and propriety.

ASX Principle 3 recommends companies establish a policy concerning diversity and disclose the policy or a summary of that policy. It further recommends companies should disclose in each annual report measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. Due to the current nature and scale of activities, the Board has not established a diversity policy or measurable objectives for achieving gender diversity to report against in this Annual Report for the 2011 financial year.

SECURITIES TRADING

As required by Listing Rule 12.12, the Board has adopted a Securities Trading Policy which regulates dealings by Directors, officers and employees in securities issued by the Company.

Under the policy, which is available on the Company's website, Directors, officers and employees of the Company must not, whether in their own capacity or as an agent for another, subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any securities (i.e. shares or options) in the Company, or procure another person to do so:

- a) if that Director, officer or employee possesses information that a reasonable person would expect to have a material effect on the price or value of the securities if the information was generally available;
- b) if the Director, officer or employee knows or ought reasonably to know, that:
 - the information is not generally available; and
 - if it were generally available, it might have a material effect on the price or value of the securities in the Company; and
- c) without the written acknowledgement of the Chairman.

Further, Directors, officers and employees must not either directly or indirectly pass on this kind of information to another person if they know, or ought reasonably to know, that this other person is likely to deal in the securities of the Company or procure another person to do so.

The policy regulates trading by key management personnel within defined closed periods, as well as providing details of trading not subject to the policy, exceptional circumstances in which key management personnel may be permitted to trade during a prohibited period with prior written clearance and the procedure for obtaining written clearance.

Directors, officers and employees must not enter into transactions or arrangements which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written acknowledgement from the Chair.

Executives are also prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

PRIVACY

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of CoAL.

CONTINUOUS DISCLOSURE

In accordance with ASX Principle 5, the Board has an established Continuous Disclosure Policy which is available from the Company's website.

The Company promotes timely and balanced disclosure of all material matters concerning the Company and recognises that all investors should have equal and timely access to material information. The Company has adopted certain procedures to ensure that it complies with its continuous disclosure obligations and has appointed a Responsible Officer who is responsible for ensuring the procedures are complied with.

SHAREHOLDER COMMUNICATION

In accordance with ASX Principle 6, the Board has established a communications strategy which is available from the Company's website.

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company. All shareholders receive the Company's annual report, and may also request copies of the Company's half-yearly and quarterly reports.

The Company maintains a website at **www.coalofafrica.com** and makes comprehensive information available on a regular and up to date basis. The Company provides shareholder materials directly to shareholders through electronic means. A shareholder may request a hard copy of the Company's annual report to be posted to them.

Shareholders are encouraged at annual general meetings to ask questions of Directors and senior management and also the Company's external auditors, who are requested to attend the Company's annual general meetings.

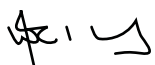
DIRECTORS DECLARATION

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2.1 to the financial statements;
- c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity; and
- d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



John Wallington

Chief Executive Officer
Coal of Africa Limited
18 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

		YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
	NOTE	\$'000	\$'000
REVENUE	5	261,425	98,376
Cost of sales – direct		(223,483)	(71,242)
Gross profit		37,942	27,134
Employee benefits expense	6	(21,362)	(10,354)
Other share-based payments (as restated, see note 27.2)	6	–	(78,515)
Impairment losses	6	(97,400)	(53,961)
Depreciation and amortisation	6	(79,521)	(26,684)
Other gains and losses	6	(498)	(1,344)
Operating lease expenses		(1,874)	(1,008)
Foreign exchange (losses)/gains		(29,923)	2,953
Take or pay obligation		–	(3,199)
Other expenses		(26,134)	(35,085)
Operating loss		(218,770)	(180,063)
Finance income	8	2,486	2,496
Finance costs	8	(1,822)	(1,089)
Loss before tax		(218,106)	(178,656)
Income tax (charge)/credit	9	(897)	10,898
Net loss for the year		(219,003)	(167,758)
Other comprehensive income			
Exchange differences on translating foreign operations		119,470	12,889
Total comprehensive loss for the year		(99,533)	(154,869)
Loss attributable to:			
Owners of the Company		(219,003)	(167,758)
Non-controlling interests		–	–
		(219,003)	(167,758)
Total comprehensive loss attributable to:			
Owners of the Company		(99,533)	(154,869)
Non-controlling interests		–	–
		(99,533)	(154,869)
Loss per share			
Basic and diluted (cents per share)	10	0.41	0.37

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	NOTE	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
ASSETS			
Non-current assets			
Development, exploration and evaluation expenditure	11	195,848	310,825
Property, plant and equipment	12	218,258	132,987
Intangible assets	13	20,800	18,066
Other receivables	14	12,800	14,400
Other financial assets	15	13,594	18,651
Goodwill	16	–	3,031
Restricted cash	19	13,323	14,511
Deferred tax assets	23	4,171	10,460
Total non-current assets		478,794	522,931
Current assets			
Inventories	17	23,122	24,025
Trade and other receivables	18	44,734	27,240
Cash and cash equivalents	19	22,761	72,054
Total current assets		90,617	123,319
Assets classified as held for sale	20	22,268	14,638
Total assets		591,679	660,888
LIABILITIES			
Non-current liabilities			
Borrowings	21	1,720	1,506
Provisions	22	18,714	9,239
Deferred tax liabilities	23	19,435	28,551
Total non-current liabilities		39,869	39,296
Current liabilities			
Trade and other payables	24	73,590	68,858
Borrowings	21	38,631	20,863
Provisions	22	2,481	876
Current tax liabilities		3,474	321
Total current liabilities		118,176	90,918
Liabilities classified as held for sale	20	2,843	–
Total liabilities		160,888	130,214
NET ASSETS		430,791	530,674
EQUITY			
Issued capital	25	686,577	685,740
Accumulated deficit	26	(429,589)	(210,586)
Reserves (as restated)	27	173,228	51,242
Equity attributable to owners of the Company		430,216	526,396
Non-controlling interests	29	575	4,278
TOTAL EQUITY		430,791	530,674

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	ISSUED CAPITAL	ACCUMU- LATED DEFICIT	SHARE- BASED PAYMENT RESERVE	CAPITAL PROFITS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	ATTRIBU- TABLE TO OWNERS OF THE PARENT	NON- CONTROL- LING INTERESTS	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2010	685,740	(210,586)	86,451	91	(35,300)	526,396	4,278	530,674
Total comprehensive loss for the year	—	(219,003)	—	—	119,470	(99,533)	—	(99,533)
Loss for the year	—	(219,003)	—	—	—	(219,003)	—	(219,003)
Other comprehensive loss, net of tax	—	—	—	—	119,470	119,470	—	119,470
	685,740	(429,589)	86,451	91	84,170	426,863	4,278	431,141
Shares issued on exercise of options	349	—	—	—	—	349	—	349
Share options issued during the year	—	—	3,004	—	—	3,004	—	3,004
Deconsolidation of Coal of Madagascar	—	—	—	—	—	—	(3,703)	(3,703)
Transfer from/(to) share based payments reserve	488	—	(488)	—	—	—	—	—
Balance at 30 June 2011	686,577	(429,589)	88,967	91	84,170	430,216	575	430,791
Balance at 1 July 2009	500,896	(42,828)	7,162	91	(48,189)	417,132	6,047	423,179
Total comprehensive loss for the year	—	(167,758)	—	—	12,889	(154,869)	—	(154,869)
Loss for the year	—	(167,758)	—	—	—	(167,758)	—	(167,758)
Other comprehensive loss, net of tax	—	—	—	—	12,889	12,889	—	12,889
	500,896	(210,586)	7,162	91	(35,300)	262,263	6,047	268,310
Shares issued for capital raising	177,482	—	—	—	—	177,482	—	177,482
Shares issued in lieu of professional fees	752	—	—	—	—	752	—	752
Shares issued on acquisition of 26% of Vele	15,915	—	—	—	—	15,915	—	15,915
Shares issued on exercise of options	755	—	—	—	—	755	—	755
Acquisition and disposal of non-controlling interest	—	—	—	—	—	—	(1,769)	(1,769)
Transfer from option reserve	986	—	(986)	—	—	—	—	—
Share options issued during the year	—	—	1,760	—	—	1,760	—	1,760
BEE share based payments (as restated, see note 6)	—	—	78,515	—	—	78,515	—	78,515
Share issue costs	(11,046)	—	—	—	—	(11,046)	—	(11,046)
Balance at 30 June 2010	685,740	(210,586)	86,451	91	(35,300)	526,396	4,278	530,674

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
Cash flows from operating activities			
Receipts from customers		302,885	81,243
Payments to suppliers and employees		(305,412)	(88,872)
Cash generated from operations	31	(2,527)	(7,629)
Interest received		2,486	2,496
Dividends received		–	92
Interest paid		(1,822)	(1,089)
Income taxes paid		(374)	(3,039)
Net cash used in operating activities		(2,237)	(9,169)
Cash flows from investing activities			
Purchase of property, plant and equipment		(34,975)	(7,728)
Proceeds from the sale of property, plant and equipment		1,679	530
Increase in development assets		(21,320)	(96,804)
Increase in exploration assets		(19,350)	(2,528)
Acquisitions through business combinations		–	(64,057)
Cash acquired on business acquisition		–	3,499
Increase in other financial assets		5,058	7,080
Decrease in other receivables		1,600	1,600
Increase in restricted cash		(1,188)	(14,446)
Cash classified as held for sale		(1,528)	–
Net cash used in investing activities		(70,024)	(172,854)
Cash flows from financing activities			
Increase in working capital facility		–	20,000
Repayment of working capital facility		(20,000)	–
Increase in export trade finance facility		32,500	–
Finance lease repayments		(4,545)	–
Increase/(decrease) in loans payable		2,644	(8,171)
Proceeds from the issue of shares		309	167,827
Net cash (used in)/generated by financing activities		10,908	179,656
Net decrease in cash and cash equivalents		(61,353)	(2,367)
Net foreign exchange differences		12,060	4,442
Cash and cash equivalents at beginning of the year		72,054	69,979
Cash and cash equivalents at the end of the year	31	22,761	72,054

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. GENERAL INFORMATION

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

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

The Group's principal assets and projects include:

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

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

Going concern

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2011 of \$219,003,000 (30 June 2010: loss of \$167,758,000) and experienced net cash operating outflows from operating activities of \$2,237,000 (2010 net outflow: \$9,169,000). As at 30 June 2011 the Consolidated Entity had a net current liability position of \$27,559,000, excluding assets classified as held for sale (30 June 2010: net current asset of \$32,401,000).

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. This basis has been adopted based on the Consolidated Entity's cash flow projections for a period of not less than 12 months from the date of this report, which includes additional capital raising or financing as discussed below.

During the year to 30 June 2011 and the period to the date of this report, the Directors have taken steps to ensure the Consolidated Entity continues as a going concern. These steps have included:

- (i) On 23 March 2011 the Consolidated Entity announced that they successfully reached agreement with Deutsche Bank AG on a \$50 million export finance facility. \$17.5 million of this facility remains undrawn at reporting date.
- (ii) CoAL continues to work on a number of new debt facilities and remains confident of securing one or more currently under advanced negotiation, and a debt facility of at least \$50 million is required by no later than 1 November 2011.
- (iii) CoAL have reached agreement to dispose of Holfontein Investments (Pty) Limited and NiMag (Pty) Limited. These disposals are expected to occur within the next twelve months
- (iv) The Directors have reviewed the quantum and timing of all discretionary expenditures including exploration and development costs, and wherever necessary, these costs will be minimised or deferred to suit the Consolidated Entity's cash flow from operations. This includes the active management of working capital commitments. Based on this review the Directors are satisfied non-discretionary expenditures and existing liabilities can be met from current cash resources, forecast cash flows from operations, existing facilities, planned facility as per (ii) above and proceeds from the sale of assets currently classified as held for sale.
- (v) The Directors are also considering various strategies to raise funds through additional debt or equity. The form and content of this strategy, although advanced, has not yet been finalised.

The additional funds raised, as mentioned in (v) above, will allow the Consolidated Entity to fund non-discretionary expenditures.

The ability of the Consolidated Entity to continue as a going concern and to pay its debts as and when they fall due is dependent on the on-going and active management of the expenditure incurred by the Consolidated Entity to protect the current cash levels.

The Directors have reviewed the Consolidated Entity's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances.

No adjustments have been made to the consolidated financial report relating to the recoverability and classification of recorded asset amounts and the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

2. BASIS OF PRESENTATION

2.1. Statement of compliance

These financial statements are general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 18 September 2011.

2.2. Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

The Company has resolved to amend its presentation currency to the United States Dollar as it considers this to be a more appropriate measure to reflect the results of operations and the financial position of the Group. The functional currencies remained the same. The comparative figures for the year ended 30 June 2010 have been restated accordingly.

3. ACCOUNTING POLICIES

3.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through its subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of actual and potential voting rights are also considered. A list of controlled entities is contained in Note 35 to the financial statements.

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

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

3. ACCOUNTING POLICIES *continued*

3.2. Business combinations

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

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

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

- deferred tax assets or liabilities and liabilities are recognised and measured in accordance with AASB 112 "Income Taxes";
- assets related to employee benefit arrangements are recognised and measured in accordance with AASB 119 "Employee Benefits";
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

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

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

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

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

3.3. Goodwill

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

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

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

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

3.4. Functional and presentation currency

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

3. ACCOUNTING POLICIES *continued*

3.5. Non-current assets held for sale

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

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

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

3.6. Exploration and evaluation expenditure

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

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied. Identifiable exploration assets acquired are recognised as assets at their fair value. Exploration and evaluation expenditure incurred subsequent to the acquisition of an exploration asset in a business combination are accounted for in accordance with the policy outlined above.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that an impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

3.7. Development expenditure

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

Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as "development, exploration and evaluation properties".

A development property is reclassified as a "mining property" at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

No depreciation is recognised in respect of development properties until they are reclassified as "mining properties".

Development properties are tested for impairment in accordance with the policy in note 3.12.

3.8. Property, plant and equipment – mining property

When further development expenditure is incurred in respect of a mining property after the commencement of production, such expenditure is carried forward as part of the mining property and recognised as part of property, plant and equipment "mining property, plant and equipment" when it is probable that additional future economic benefits associated with the expenditure will flow to the Consolidated Entity. Otherwise such expenditure is classified as a cost of sales.

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

Mining property, plant and equipment is tested for impairment in accordance with the policy in note 3.12.

3.9. Deferred stripping costs

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

Stripping costs incurred during the production stage of a mine are deferred when this is considered the most appropriate basis for matching the costs against the related economic benefits. The amount deferred is based on the waste-to-ore ratio ("stripping ratio"), which is calculated by dividing the tonnage of waste mined by the quantity of ore mined. Stripping costs incurred in a period are deferred to the extent that the current period ratio exceeds the expected life-of mine-ratio. Such deferred costs are then charged to the statement of comprehensive income to the extent that, in subsequent periods, the current period ratio falls below the life-of mine-ratio. The life-of-mine stripping ratio is calculated based on proved and probable reserves. Any changes to the life-of-mine ratio are accounted for prospectively.

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

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

3.10. Property, plant and equipment (excluding mining property, plant and equipment)

Freehold land is stated at cost and is not depreciated.

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

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

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

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

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

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

3.11. Intangible assets, excluding goodwill

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

Intangible assets include the right to use an asset belonging to a third party, the costs of acquiring the option or right is capitalised to the extent that it will be used in the future. Once the Company commences utilising the logistics assets to the extent agreed with the rights holder or owner,

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

3. ACCOUNTING POLICIES *continued*

3.11. Intangible assets, excluding goodwill *continued*

the capitalised logistics costs are amortised over the expected period of use. The Directors will assess the capitalised costs for impairment over their expected future useful life and impair the cost where the future use of the option or right has decreased.

Subsequent expenditure on intangible assets is capitalised only if it increases the future benefits embodied in the specific asset to which it relates.

Intangible assets with finite useful lives are amortised on the straight-line basis over their estimated useful lives. The amortisation methods and estimated remaining useful lives are reviewed at least annually.

The carrying amounts are reviewed at each financial year-end to determine whether there is any indication of impairment.

3.12. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

3.13. Leasing

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

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 3.23 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

3.14. Inventories

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

Costs of inventories are determined on the average cost basis.

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

3.15. Trade receivables

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

3.16. Cash and cash equivalents

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

3.17. Financial instruments

Recognition

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

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

Effective interest method

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

Financial assets

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

Financial assets at FVTPL

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

The Group designates financial assets at FVTPL when either:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

3. ACCOUNTING POLICIES *continued*

3.17. Financial instruments *continued*

Held to maturity investments

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

Loans and receivables

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

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

Impairment of financial assets

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

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

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

Derecognition

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

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

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

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

Financial liabilities

Financial liabilities comprise short-term and long-term interest-bearing borrowings and trade and other payables (excluding income received in advance).

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

Borrowings

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

Trade payables

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

Derecognition

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

Equity instruments

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

3.18. Trade payables

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

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

3.19. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

3. ACCOUNTING POLICIES *continued*

3.19. Provisions *continued*

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Rehabilitation provision

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

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

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

3.20. Share-based payments transactions of the Company

Equity-settled

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 28.

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

No amounts have been recognised in the financial statements in respect of other equity-settled share-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Cash-settled

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

3.21. Taxation

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

Current taxation

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

Deferred taxation

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

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

Current and deferred tax for the year

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

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

Applicable sales tax

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

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

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

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

3.22. Revenue recognition

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

Sale of goods

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

3. ACCOUNTING POLICIES *continued*

3.22. Revenue recognition *continued*

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

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

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.23. Borrowing costs

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

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

3.24. Employee benefits

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

3.25. Segment information

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

Management has determined the operating segments of the group based on the reports reviewed by the executive committee that are used to make strategic decisions. The Group has three reportable segments: Exploration, Development and Mining (see note 32).

3.26. Comparative amounts

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. The following comparative financial information has been reclassified to aid comparability with the current year, and more appropriately reflect the nature of the items concerned. None of the adjustments affect profit before after tax or total assets.

2010 Amendments within non-current assets:

- a. Property plant and equipment moved to development assets – \$23 million
- b. Logistics assets now disclosed as intangibles – \$18 million
- c. Intangibles correctly termed goodwill – \$3 million
- d. Logistics assets moved to other receivables – \$14 million

2010 Reclassification between non-current and current assets:

- a. Restricted cash disclosed as cash \$14.4 million
- b. Assets held for sale disclosed as non-current \$14.9 million

3.27. Adoption of new and revised Accounting Standards and Interpretations

At the date of the authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. Management are currently assessing the impact of the initial application of the following Standards. Initial indication is that they will not affect the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

STANDARD	EFFECTIVE FOR THE ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
• AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
• AASB 9 Financial Instruments (December 2010), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
• AASB 2009-14 Amendments to Australian Interpretation – Prepayments of Minimum Funding Requirement	1 January 2011	30 June 2012
• AASB 1054 <i>Australian Additional Disclosures</i>	1 July 2011	30 June 2012
• AASB 2011-1 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project</i>	1 July 2011	30 June 2012
• AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements</i>	1 July 2013	30 June 2014
• AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011	30 June 2012
• AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
• AASB 2010-4 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 January 2011	30 June 2012
• AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
• AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	30 June 2012
• AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012	30 June 2013
• AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2011	30 June 2012
• IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013	30 June 2014
STANDARD	EFFECTIVE FOR THE ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
• IFRS 11 <i>Joint Arrangements</i>	1 January 2013	30 June 2014
• IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013	30 June 2014
• IFRS 13 <i>Fair Value Measurement</i>	1 January 2013	30 June 2014
• IAS 27 <i>Separate Financial Statements</i> (2011)	1 January 2013	30 June 2014
• IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011)	1 January 2013	30 June 2014
• IAS 19 <i>Employee Benefits</i> (2011)	1 January 2013	30 June 2014
• <i>Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)</i>	1 January 2012	30 June 2013

Standards and Interpretations adopted with no effect on financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

3. ACCOUNTING POLICIES *continued*

3.27. Adoption of new and revised Accounting Standards and Interpretations *continued*

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

STANDARDS/INTERPRETATIONS	EFFECTIVE FOR THE ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
• AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	30 June 2011
• AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010	30 June 2011
• AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	30 June 2011

The following new and revised Standards and Interpretations have been adopted in these financial statements, but have had no effect on the amounts reported.

STANDARDS/INTERPRETATIONS	EFFECTIVE FOR THE ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
• AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions	1 January 2010	30 June 2011
• AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	30 June 2011
• Interpretation 19 Extinguishing Financial Liabilities with Equity	1 July 2010	30 June 2011

4. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

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

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

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

Asset carrying values and impairment charges

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

Coal reserves

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

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

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

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

Depreciation and amortisation charges in the consolidated Statement of Comprehensive Income may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change

Exploration and evaluation assets

Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. The Group applies the principles of AASB 6 and recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting policy, a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss. Refer to note 11.

Development expenditure

Development activities commence after the commercial viability and technical feasibility of the project is established. Judgment is applied by management in determining when a project is commercially viable and technically feasible. Any judgments may change as new information becomes available. If, after having commenced the development activity, a judgment is made that a development asset is impaired, the appropriate amount will be written off to the statement of comprehensive income. Refer to note 11.

Rehabilitation and restoration provisions

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

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

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

Recoverability of non-current assets

As set out in Note 3.12, certain assumptions are required to be made in order to assess the recoverability of non-current assets where there is an impairment indicator. Key assumptions include future coal prices, future operating costs, discount rate and estimates of coal reserves. Estimates of coal reserves in themselves are dependent on various assumptions (refer above). Changes in these assumptions could therefore affect estimates of future cash flows used in the assessment of recoverable amounts, estimates of the life of mine and depreciation. Refer to note 12.

Contingent liabilities – litigation

Certain claims have been made against the Group. Judgments about the validity of the claims have been made by the Directors. Further details are included in Note 33.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
5. REVENUE		
Sale of product	229,225	75,235
Other revenue	32,200	23,144
	261,425	98,376
6. OPERATING EXPENSES		
Loss for the year has been arrived at after charging or crediting:		
Employee benefits expenses		
Share-based payments	3,004	1,760
Other employee benefits	18,628	8,594
Total employee benefits expense	21,632	10,354
Other share-based payments		
BEE options issued to Firefly (note 27.2)	–	78,515
Total other share-based payments	–	78,515
Impairment losses		
Impairment loss on assets held for sale	5,105	7,399
Impairment loss on development assets (see note 11)	–	46,562
Impairment loss on mining assets (see note 12)	92,295	–
Total impairment loss	97,400	53,961
Depreciation and amortisation		
Depreciation		
Depreciation of property, plant and equipment	29,651	11,479
Total depreciation	29,651	11,479
Amortisation		
Amortisation of mining properties (note 12)	48,427	13,257
Amortisation of intangible asset (note 13)	1,443	1,948
Total amortisation	49,870	15,205
Total depreciation and amortisation	79,521	26,684
Other gains and losses		
Gain on disposal of property, plant and equipment	(297)	(2)
Revaluation of investments	795	1,346
Total other gains and losses	498	1,344

YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
\$	\$

7. AUDITORS' REMUNERATION

Amounts received by the auditors of the Company as at 30 June 2011

Deloitte – Australia

Audit and review of financial reports	170,000	–
Other services	–	–
	170,000	–

Moore Stephens

Audit and review of financial reports	–	16,935
Other services	–	1,384
	–	18,319

Deloitte – Johannesburg

Audit and review of financial reports	542,257	–
Other services	37,661	3,564
	579,918	3,564

Moore Stephens MWM

Audit and review of financial reports	–	336,895
Other services	–	16,088
	–	352,984

Ernst & Young – Johannesburg

Audit and review of financial reports	–	–
Other services	–	73,118
	–	73,118

\$'000	\$'000
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8. FINANCE INCOME AND COST

Finance income

Interest income on short term bank deposits	2,486	2,496
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Finance costs

Bank borrowings	(591)	(514)
Finance lease liabilities	(1,162)	(449)
Unwinding of discount	(69)	(126)
	(1,822)	(1,089)

Net finance income	664	1,407
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
9. INCOME TAX EXPENSE AND DEFERRED TAX		
Income tax recognised in profit and loss		
Current tax		
Current tax expense in respect of the current year	3,527	3,069
Adjustments recognised in relation to prior years	–	9
	3,527	3,078
Deferred tax (note 23)		
Origination and reversal of temporary differences	(2,630)	(13,976)
	(2,630)	(13,976)
Total income tax expense recognised	897	(10,898)
The Group's effective tax rate for the year was 0% (2010: 6%). The tax rate used for the 2011 and 2010 reconciliations below is the corporate tax rate of 28% payable by South African corporate entities on taxable profits under South African tax law. The income tax expense for the year can be reconciled to the accounting profit as follows:		
Loss before income tax expense	(218,106)	(178,656)
Income tax benefit calculated at 28% (2010: 28%)	(61,070)	(50,024)
Tax effects of:		
Expenses that are not deductible for tax purposes	42,980	46,535
Tax losses utilised	(1,883)	1,591
Benefit of losses not previously recognised	–	(11)
Share based payments	873	–
Other temporary differences not utilised	18,875	(6,990)
Tax payable on dividends	–	9
Foreign income tax allowances and rate differentials	1,122	(2,008)
Income tax expense	897	(10,898)

YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
\$'000	\$'000

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

Basic loss per share

The calculation of basic loss per share at 30 June 2011 was based on the loss attributable to ordinary equity holders of the Company of \$219.003 million (2010: \$167.758 million) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2011 of 530,681,000 (2010: 456,817,000), calculated as follows:

Loss for the year attributable to ordinary shareholders

Loss attributable to owners of the Company (\$'000)	219,003	167,758
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'000 SHARES	'000 SHARES
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Weighted number of ordinary shares

Weighted number of ordinary shares at 30 June	530,681	456,817
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Diluted loss per share

Due to the loss incurred, there is no dilutive effect from share options.

11. DEVELOPMENT, EXPLORATION AND EVALUATION EXPENDITURE

Development, exploration and evaluation expenditure comprises:

Exploration and evaluation assets	74,881	45,971
Development expenditure	120,967	264,854
Balance at end of year	195,848	310,825

A reconciliation of development, exploration and evaluation expenditure is presented below:

Exploration and evaluation assets

Balance at beginning of year	45,971	41,186
Additions	19,350	2,528
Foreign exchange differences	9,560	2,257
Balance at end of year	74,881	45,971

Development assets

Balance at beginning of year	264,854	204,417
Additions	21,320	96,804
Transferred to Property, plant and equipment (note 12)	(178,776)	—
Impairment	—	(46,562)
Foreign exchange differences	13,569	10,195
Balance at end of year	120,967	264,854

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

12. PROPERTY, PLANT AND EQUIPMENT *continued*

	MINING PROPERTY, PLANT AND EQUIPMENT \$'000	LAND AND BUILDINGS \$'000	LEASEHOLD IMPROVE- MENTS \$'000	MOTOR VEHICLES \$'000	OTHER \$'000	TOTAL \$'000
2011						
Cost						
At beginning of year	134,140	21,465	1,239	848	1,536	159,228
Additions	33,932	—	20	273	750	34,975
Additions through business combinations	—	—	—	—	—	—
Transfers (note 11)	223,993	—	—	—	—	223,993
Assets held for sale	(1,669)	(1,257)	—	—	(655)	(3,581)
Disposals	(2,697)	—	—	—	—	(2,697)
Foreign exchange	84,336	2,473	150	106	210	87,275
At end of year	472,035	22,681	1,409	1,227	1,841	499,193
Accumulated depreciation						
At beginning of year	24,913	156	260	98	814	26,241
Amortisation	48,427	—	—	—	—	48,427
Depreciation charge	28,112	436	311	376	416	29,651
Accumulated depreciation on disposals	(298)	—	—	—	—	(298)
Assets held for sale	(1,187)	(132)	—	—	(386)	(1,705)
Exchange differences	39,558	28	42	21	113	39,762
At end of year	139,525	488	613	495	957	142,078
Accumulated Impairment						
At beginning of year	—	—	—	—	—	—
Transfers (note 11)	45,216	—	—	—	—	45,216
Impairment	92,295	—	—	—	—	92,295
Exchange differences	1,346	—	—	—	—	1,346
At end of year	138,857	—	—	—	—	138,857
Net carrying value at end of year	193,653	22,193	796	732	884	218,258

	MINING PROPERTY, PLANT AND EQUIPMENT \$'000	LAND AND BUILDINGS \$'000	LEASEHOLD IMPROVE- MENTS \$'000	MOTOR VEHICLES \$'000	OTHER \$'000	TOTAL \$'000
2010						
Cost						
At beginning of year	2,095	14,345	677	515	720	18,352
Additions	535	5,988	547	—	658	7,728
Additions through business combinations	134,736	778	—	594	150	136,258
Disposals	—	—	—	(273)	—	(273)
Exchange differences	(3,226)	354	15	12	8	(2,837)
At end of year	134,140	21,465	1,239	848	1,536	159,228
Accumulated depreciation						
At beginning of year	1,086	107	57	218	376	1,844
Depreciation charge	10,744	46	201	52	436	11,479
Amortisation	13,257	—	—	—	—	13,257
Accumulated depreciation on disposals	—	—	—	(180)	—	(180)
Exchange differences	(174)	3	2	8	2	(159)
At end of year	24,913	156	260	98	814	26,241
Net carrying value at end of year	109,227	21,309	979	750	722	132,987

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
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Included in mining property, plant and equipment is the carrying amount of the Mooiplaats and Woestalleen collieries. The carrying amount includes the acquisition of the mineral tenements in addition to site infrastructure, plant and equipment established.

At the start of the current period, the Mooiplaats colliery was reclassified from a development asset to a mining property.

The carrying amounts of the respective collieries included in property, plant and equipment at year end are:

Mooiplaats	119,840	—
Woestalleen	72,685	109,194
	192,525	109,194

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
\$'000	\$'000

12. PROPERTY, PLANT AND EQUIPMENT *continued*

Impairment disclosures

The above mining assets have been assessed for impairment by comparing the carrying value against the value-in-use calculations of each coal project (which represents individual cash generating units). The carrying values have been assessed against independent valuations commissioned by the Company. Both the Mooiplaats and Woestalleen assets were assessed independently during the current year. Only Mooiplaats was assessed independently in 2010.

Value-in-use is calculated based on the present value of cash flow projections over the expected life of each coal project. The discount rates applied in the value-in-use range from 10% to 14% depending on the stage of development of the project.

Based on the value-in-use projections, the Mooiplaats Colliery was impaired as a result of:

- (i) a change in the life-of-mine calculation, following a revision of the annual tonnages mined; and
- (ii) a change in the cut off heights used from 1.4 metres to 1.6 metres, effectively reducing the tonnage to be mined.
- (iii) significantly higher rail and port costs

Based on the value-in-use projections, the Woestalleen assets were impaired following a recalculation of the remaining resources available.

The key inputs into the Mooiplaats valuation were:

Total coal reserves (tonnes)	41,810,000	32,009,296
Minimum seam height (metres)	1.6	1.4
Life of mine (years)	13	13
Annualised ROM production during the life of mine (million tonnes)	1.18 – 1.70	2.28 – 3.36

The key inputs into the Woestalleen valuation were:

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

13. INTANGIBLE ASSETS

Balance at beginning of year	18,066	18,749
Amortisation	(1,443)	(1,948)
Foreign exchange differences	4,117	1,265
Balance at end of year	20,800	18,066

In August 2008 the Company entered into a throughput agreement with Terminal De Carvao Da Matola Limitada ("TCM"), a subsidiary of Grindrod Trading & Shipping Limited ("Grindrod"), the operator of the Matola Terminal and CMR Engineers & Project Managers (Pty) Limited. This agreement granted the Company one million tonnes per annum ("Mtpa") of port capacity through the Matola terminal commencing 1 January 2009, for an initial term of five years. The Company has the right to renew the agreement (subject to certain conditions) at the end of the initial term, for a further 15 years.

	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
	\$'000	\$'000

14. OTHER RECEIVABLES

Carrying amount of:

Terminal development loan	12,800	14,400
Balance at beginning of year	14,400	16,000
Loan repayment	(1,600)	(1,600)
Balance at end of year	12,800	14,400

The Company entered into an agreement with Grindrod on 12 January 2009 whereby the Company exercised its option under the Grindrod option agreement and advanced loan of USD16,000,000, with a stated rate of interest of zero percent, to Grindrod (the "Loan"). The loan will be used to expand the annual throughput capacity at the Maputo Terminal and will ensure that CoAL receives access to an additional 2 Mtpa of throughput capacity from the end of 2010 and will continue as per the throughput agreement.

The Loan is to be repaid to the Company in 10 equal instalments, commencing from the 2010 financial year.

15. OTHER FINANCIAL ASSETS

Carrying value of financial assets at fair value through profit or loss

Listed securities		
– Equity securities	10,794	6,612
Unlisted securities		
– Equity securities in private corporations*	2,047	11,669
	12,841	18,311

Financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the statement of cash flows.

* Determined primarily by reference to the value of recent private placements.

Deposits	753	340
	13,594	18,651

16. GOODWILL

Balance at beginning of year	3,031	2,981
Foreign exchange differences	1,378	50
Reclassified as held for sale	(4,409)	–
Balance at end of year	–	3,031

Goodwill is allocated to cash-generating units which are based on the Group's reporting segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
17. INVENTORIES		
Raw materials	325	681
Consumable stores	1,461	25
Work in progress	8,200	10,819
Finished goods	12,173	11,571
Goods in transit	963	–
Residue stock (Nickel)	–	929
	23,122	24,025

18. TRADE AND OTHER RECEIVABLES

Trade receivables	27,500	9,304
Other receivables	19,622	21,034
Allowance for doubtful debts	(2,565)	(3,098)
	44,734	27,240

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

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed in note 30. The Group does not hold any collateral as security.

Movements on the allowance for doubtful debts are as follows:

Balance at beginning of year	3,098	1,008
Provision for bad debts	–	2,395
Receivable written off as uncollectable	(769)	(315)
Transferred to assets classified as held for sale	(206)	–
Foreign exchange differences	442	10
Balance at end of year	2,565	3,098

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

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

Credit quality of trade receivables

Not past due	24,537	9,304
Past due 0 to 30 days	–	–
Past due 31 to 60 days	1,720	–
Past due 61 to 90 days	1,243	–
	27,500	9,304
Currency analysis of trade receivables		
SA Rand	12,515	9,304
US dollar	14,985	–
	27,500	9,304

YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
\$'000	\$'000

19. CASH AND CASH EQUIVALENTS

Bank balances	22,761	72,054
Restricted cash	13,323	14,511

The restricted cash balance of \$13,323,000 (2010 – \$14,511,000) was held on behalf of subsidiary companies in respect of the rehabilitation guarantees issued to the Department of Mineral Resources in respect of environmental rehabilitation costs of \$18.5 million (2010: \$18.5 million). This cash was not available for use other than for those specific purposes.

Credit risk

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

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

20. ASSETS CLASSIFIED AS HELD FOR SALE

Carrying amounts of

Holfontein	11,721	14,638
NiMag	7,704	–
	19,425	14,638

Assets classified as held for sale

Holfontein Investments (Pty) Limited	11,724	14,638
NiMag (Pty) Limited	10,544	–
	22,268	14,638

Liabilities classified as held for sale

Holfontein Investments (Pty) Limited	3	–
NiMag (Pty) Limited	2,840	–
	2,843	–
	19,425	14,638

Holfontein Investments (Pty) Limited

Assets classified as held for sale

Exploration and evaluation assets	11,724	14,638
	11,724	14,638

Liabilities classified as held for sale

Trade payables and accrued expenses	3	–
	3	–
Net assets of Holfontein Investments (Pty) Limited	11,721	14,638

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
\$'000	\$'000

20. ASSETS CLASSIFIED AS HELD FOR SALE *continued*

During May 2008 the company entered into an agreement to dispose of its stake in Holfontein Investments (Pty) Limited ("Holfontein"). When certain conditions precedent were not met, the agreement was mutually cancelled during December 2008. The Company subsequently entered into a new formal disposal process.

During the financial year ended 30 June 2010, the company received an independent valuation indicating the net realisable value of the resources in Holfontein. Management assessed the carrying value and determined that no further diminution in value is necessary in 2011.

NiMag (Pty) Limited

Assets classified as held for sale

Property, plant and equipment	2,622	—
Goodwill	4,409	—
Other financial assets	5	—
Deferred tax asset	45	—
Inventories	3,279	—
Trade and other receivables	3,761	—
Cash and cash equivalents	1,528	—
	15,649	—

Liabilities classified as held for sale

Interest bearing liabilities	285	—
Provisions	381	—
Trade payables and accrued expenses	2,277	—
Current tax liabilities	(103)	—
	2,840	—
Net assets of NiMag (Pty) Limited	12,809	—
Impairment on asset held for sale	(5,105)	—
	7,704	—

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

NiMag is considered a non-core asset and the Group intends to dispose of this group in the next 12 months.

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
21. BORROWINGS		
NON-CURRENT		
Unsecured – at amortised cost		
Unsecured loans	–	–
Other	–	485
	–	485
Secured – at amortised cost		
Secured loans	–	–
Finance leases	1,720	1,021
	1,720	1,021
Total non-current borrowings	1,720	1,506
CURRENT		
Unsecured – at amortised cost		
Unsecured loans	–	20,000
Other	2,644	–
	2,644	20,000
Secured – at amortised cost		
Secured loans	32,623	–
Finance leases	3,364	863
	35,987	863
Total current borrowings	38,631	20,863
Total borrowings	40,351	22,369
The carrying value of the Group's interest bearing liabilities, which consist of floating rate interest bearing liabilities, approximate fair value.		
Finance leases		
The Group entered into finance lease arrangements for certain motor vehicles and equipment. The average term of finance leases entered into is 5 years, and the average effective borrowing rate is 10.26%.		
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.		
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	3,671	1,004
Later than 1 year and no later than 5 years	1,786	1,074
Later than 5 years	–	–
	5,457	2,078
Future finance charges on finance leases	(373)	(194)
	5,084	1,884
The present value of finance lease liabilities is as follows:		
No later than 1 year	3,364	863
Later than 1 year and no later than 5 years	1,720	1,021
Later than 5 years	–	–
	5,084	1,884

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
21. BORROWINGS <i>continued</i>		
Export trade finance facility		
Balance at beginning of year	—	—
Loan advanced	32,500	—
Interest accrued	123	—
	32,623	—

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

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

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

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

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

The Facility will be secured by:

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

Unsecured working capital facility

Balance at beginning of year	20,000	—
Loan advanced	—	20,000
Loan repaid	(20,000)	—
	—	20,000

On 24 March 2010 the Company signed a US\$20 million unsecured, revolving loan facility with JP Morgan Chase. This facility was for a period of 12 months and interest accrued at a rate of LIBOR plus 3%. On 31 March 2011 the facility was repaid in full.

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
22. PROVISIONS		
Employee provisions	2,481	876
Rehabilitation provisions	18,714	9,239
	21,195	10,115
Employee provisions		
Balance at beginning of year	876	211
Charged to income statement	1,618	210
Acquisition through business combinations	—	588
Used during the year	(155)	(138)
Foreign exchange differences	142	5
Balance at end of year	2,481	876
The provision for employees represents unused annual leave entitlements.		
Rehabilitation provision		
Balance at beginning of year	9,239	1,917
Unwinding of discount	69	126
Acquisition through business combinations	—	6,665
Additional provisions recognised	7,610	2,449
Foreign exchange differences	1,796	(1,918)
Balance at end of year	18,714	9,239
The rehabilitation provision represents the current cost of environmental liabilities as at the respective year end. An annual estimate of the quantum of closure costs is necessary in order to fulfil the requirements of the DMR, as well as meeting specific closure objectives outlined in the mine's Environmental Management Programme ("EMP").		
Although the ultimate amount of the obligation is uncertain, the fair value of the obligation is based on information that is currently available. The estimated undiscounted liability at 30 June 2011 is US\$18.5 million. This estimate includes costs for the removal of all current mine infrastructure and the rehabilitation of all disturbed areas to a condition as described in the EMP.		
Provisions have been analysed between current and non-current as follows:		
Current	2,481	876
Non-current	18,714	9,239
	21,195	10,115

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
23. DEFERRED TAX		
Deferred tax asset		
– Deferred tax asset to be recovered after more than 12 months	4,171	10,460
– Deferred tax asset to be recovered within 12 months	–	–
	4,171	10,460
Deferred tax liability		
– Deferred tax liability to be recovered after more than 12 months	(13,469)	(28,551)
– Deferred tax liability to be recovered within 12 months	(5,966)	–
	(19,435)	(28,551)
Net deferred tax liability	(15,264)	(18,091)
The gross movement on the deferred tax account is as follows:		
Balance at beginning of year	(18,091)	43
Exchange differences	242	3,550
Business acquisition (note 34)	–	(35,660)
Transferred to held for sale	(45)	–
Statement of comprehensive income charge	2,630	13,976
Tax credit relating to components of other comprehensive income	–	–
Tax charged/(credited) directly to income	–	–
Balance at end of year	(15,264)	(18,091)
The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:		
Deferred tax assets		
<i>Capital allowances</i>		
Balance at beginning of year	4,395	–
Statement of comprehensive income charge	(729)	4,436
Charged/(credited) directly to equity	–	–
Foreign exchange differences	450	(41)
Balance at end of year	4,171	4,395
<i>Employee benefits</i>		
Balance at beginning of year	18	41
Statement of comprehensive income charge/(credit)	(13)	(22)
Charged/(credited) directly to equity	–	–
Transferred to held for sale	(9)	–
Foreign exchange differences	2	(1)
Balance at end of year	(2)	18

YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
\$'000	\$'000

23. DEFERRED TAX *continued*

The gross movement on the deferred tax account is as follows:

Provisions

Balance at beginning of year	720	2
Statement of comprehensive income charge/(credit)	(771)	725
Charged/(credited) directly to equity	–	–
Transferred to held for sale	(25)	–
Foreign exchange differences	76	(7)
Balance at end of year	–	720

Tax losses

Balance at beginning of year	5,217	–
Statement of comprehensive income charge/(credit)	(5,763)	5,266
Charged/(credited) directly to equity	–	–
Transferred to held for sale	–	–
Foreign exchange differences	546	(49)
Balance at end of year	–	5,217

Other

Balance at beginning of year	(329)	–
Statement of comprehensive income charge/(credit)	–	109
Charged/(credited) directly to equity	–	(337)
Transferred to held for sale	11	–
Foreign exchange differences	318	(101)
Balance at end of year	–	(329)

Deferred tax liabilities

Provisions

Balance at beginning of year	(848)	–
Statement of comprehensive income charge/(credit)	(168)	(848)
Other comprehensive income charge/(credit)	–	–
Charged/(credited) directly to equity	–	–
Foreign exchange differences	24	–
Balance at end of year	(992)	(848)

Other

Balance at beginning of year	(27,703)	–
Statement of comprehensive income charge/(credit)	–	–
Other comprehensive income charge/(credit)	–	–
Acquisition of business combination	–	(32,038)
Charged/(credited) directly to equity	–	–
Amortisation	13,997	2,595
Impairment	1,532	–
Foreign exchange differences	(4,737)	1,740
Balance at end of year	16,911	(27,703)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
23. DEFERRED TAX <i>continued</i>		
<i>Total</i>		
Balance at beginning of year	28,551	–
Statement of comprehensive income charge/(credit)	(12,248)	(29,530)
Other comprehensive income charge/(credit)	–	826
Foreign exchange differences	3,132	153
Balance at end of year	19,435	28,551

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets of \$12.6 million (2010: \$ none) in respect of losses amounting to \$15.8 million (2010: \$ none) and unredeemed capital expenditure of \$151.9 million (2010: \$ none) that can be carried forward against future taxable income.

24. TRADE AND OTHER PAYABLES

Trade payables	32,562	31,822
Accrued expenses	20,205	22,423
Other	20,823	14,613
	73,590	68,858

The average credit period is 30 days. No interest is charged on trade payables.

25. ISSUED CAPITAL

Fully paid ordinary shares

531,139,651 (2010: 530,514,663) fully paid ordinary shares	686,577	685,740
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Movements in fully paid ordinary shares

	NUMBER	\$'000
At 1 July 2009	411,919,636	500,896
Exercise of Class E options at GBP0.65 per share	465,239	1,063
Issue of shares to acquire 6% of Vele Colliery	1,990,000	4,159
Issue of shares	59,867,731	96,712
Exercise of Class E options at GBP0.65 per share	79,488	182
Exercise of Class E options at GBP0.65 per share	91,817	210
Exercise of Class A options at A\$0.65 per share	125,002	286
Issue of shares in lieu of professional fees	350,000	752
Issue of shares to acquire 20% of Vele Colliery	5,625,750	11,756
Issue of shares	50,000,000	80,770
Share issue costs	–	(11,046)
At 30 June 2010	530,514,663	685,740
Exercise of Class A options at A\$0.50 per share	624,998	837
At 30 June 2011	531,139,661	686,577

YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
\$'000	\$'000

25. ISSUED CAPITAL *continued*

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Changes to the then Corporations Act abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

26. ACCUMULATED DEFICIT

Accumulated deficit at the beginning of the financial year	210,586	(42,828)
Net loss attributed to members of parent entity	(219,003)	(167,758)
Accumulated deficit at the end of the financial year	(429,589)	(210,586)

27. RESERVES

27.1 Reserves

Capital profits reserve	91	91
Share based payment reserve	88,967	86,451
Foreign currency translation reserve	84,170	(35,300)
	173,228	51,242

Movement for the year can be reconciled as follows:

Share-based payments reserve

Opening balance	86,451	7,162
Share options issued during the year	3,004	1,760
BEE share based payments	—	78,515
Transfer from option reserve	(488)	(986)
Closing balance	88,967	86,451

Foreign currency translation reserve

Opening balance	(35,300)	(48,189)
Exchange differences on translating foreign operations	119,470	12,889
Closing balance	84,170	(35,300)

Nature and purpose of reserves:

Capital reserve

The capital profits reserve contains capital profits derived during previous financial years.

Share-based payment reserve

Share based payments represent the value of unexercised share options to Directors and employees, as well as the BEE option.

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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27. RESERVES *continued*

27.2 Other share-based payments

BEE options issued to Firefly

The Annual Report for the year ended 30 June 2010 disclosed the basis of an agreement entered into with respect to BEE. CoAL reported that the option granted to give effect to the transaction had not been issued at the reporting date and that, based on the advice received – the transaction did not meet the requirements of AASB 2 – Share Based Payment – did not record the transaction in accordance with AASB 2.

The Board has reviewed the advice given and consulted further on this matter and has, regrettably, concluded that the provisions of AASB 2 do apply to the transaction. It was therefore necessary to restate the financial statements.

This restatement resulted in a non-cash charge to the Statement of Comprehensive Income and a corresponding credit to Equity in the Statement of Financial Position.

The effect of the misstatement is reflected below:

	JUNE 2010 RESTATED BALANCES \$'000	JUNE 2010 DISCLOSED PREVIOUSLY \$'000
Statement of comprehensive income		
Net loss attributable to members of the parent entity	(167,758)	(89,253)
Other comprehensive income		
Foreign currency translation gain	2,953	2,953
Total comprehensive loss for the period	(154,869)	(76,354)
Consolidated statement of financial position		
Equity		
Issued capital	685,740	685,740
Accumulated deficit	(210,586)	(132,071)
Reserves	51,242	(27,273)
Total parent equity interest	526,396	526,396

28. SHARE-BASED PAYMENT

Share options

Employee share option plan

The Group maintains certain Employee Share Option Plans ("ESOP's") for executives and senior employees of the Group. In accordance with the terms of the schemes, executives and senior employees may be granted options to purchase ordinary shares.

Share options granted to Directors and Officers

The Group also grants share options to Directors and Officers of the group outside the ESOP's. In accordance with the Group's policies, Directors and officers may be granted options to purchase ordinary shares.

Share option terms, vesting requirements and options outstanding at 30 June 2011

Each option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options hold no voting or dividend rights, and are not transferable. Upon exercise of the options the ordinary shares received rank equally with existing ordinary shares.

The following share-based payment arrangements existed at 30 June 2011:

- 8,000,000 share options over ordinary shares in CoAL, granted to CoAL Directors on 28 June 2006. The options allow the Directors to take up ordinary shares at an exercise price of \$0.50 each. The options are exercisable on or before 30 September 2011. At reporting date, 627,998 options had been taken up and none had lapsed.
- 1,000,000 share options over ordinary shares in CoAL, granted to employees in South Africa as an incentive for performance on 24 November 2006. The options have an exercise price of \$0.50 each and are exercisable on or before 30 September 2011. At reporting date, 50,000 of the options had been taken up and none had lapsed.
- On the 29 May 2007, 250,000 share options exercisable at \$0.50 (to Jonathan Colville of Mirabaud Securities Limited) before the 30th of September 2011 were granted to accept ordinary shares in Coal of Africa Limited. The options were part payment of brokerage fees in relation to share placements. At reporting date, none of the options had been taken up or had lapsed.
- 7,000,000 share options over ordinary shares in CoAL were granted to Simon Farrell (5,000,000 options) (previously CoAL Managing Director, currently Non-Executive Deputy Chairman) and Richard Linnell (Chairman – 2,000,000 options) on 5 June 2007. The options allow the Directors to take up ordinary shares at an exercise price of \$1.25 each. The options are exercisable on or before 30 September 2012. At reporting date, none of the options had been taken up or had lapsed.
- 1,000,000 share options over ordinary shares in CoAL were granted on 10 April 2008 to Mr Sergeant on 1 April 2011. The options allow the Mr Sergeant to take up ordinary shares at an exercise price of \$1.90 each. The options are exercisable on or before 30 September 2012. At reporting date, none of the options had been taken up or had lapsed.
- 600,000 share options at an exercise price of \$1.25 and 250,000 share options at an exercise price of \$2.05 over ordinary shares in CoAL were granted to employees in South Africa as an incentive for performance on 19 May 2008. The options are exercisable on or before 1 May 2012. At reporting date, none of the options had been taken up or had lapsed.
- 1,650,000 share options over ordinary shares in CoAL were granted to Riaan van der Merwe (Chief Operations Officer) on 1 December 2008. The options allow the Chief Operations Officer to take up ordinary shares at an exercise price of \$3.25 each. The options are exercisable on or before 31 July 2012. At reporting date, none of the options had been taken up or had lapsed.
- 3,000,000 share options over ordinary shares in CoAL were granted to Mr Farrell on 8 December 2009. The options allow the Mr Farrell to take up ordinary shares at an exercise price of \$2.74 each. 2,000,000 of the options vest one year after the granting of the NOMR for the Vele Colliery and the remaining 1,000,000 options vest one year after the granting of the Makhado Project NOMR. The 3,000,000 options are exercisable on or before 30 November 2014. At reporting date, none of the options had been taken up or had lapsed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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28. SHARE-BASED PAYMENT *continued*

Share options *continued*

- 2,000,000 share options over ordinary shares in CoAL were granted to the Mr Sergeant on 8 December 2009. The options allow the Mr Sergeant to take up ordinary shares at an exercise price of \$2.74 each. 500,000 of the options vest on closing of the NuCoal acquisition transaction, 1,000,000 of the options vest one year after the granting of the NOMR for the Vele Colliery and the remaining 500,000 options vest one year after the granting of the Makhado Project NOMR. The options are exercisable on or before 30 November 2014. At reporting date, none of the options had been taken up or lapsed and 500,000 options vesting one year after the granting of the Makhado Project NOMR were cancelled.
- 912,500 options were issued to eligible employees of CoAL as part of the ESOP on 25 February 2010. Shareholders of the Company approved the adoption of the ESOP on 30 November 2009. The ESOP gives eligible employees and officers of the Company the opportunity in the form of options to subscribe for shares in the Company. The options issued under this scheme are exercisable prior to 30 June 2014, have an exercise price of \$1.90 and vest in equal tranches on 1 July 2009, 1 July 2010 and 1 July 2011. At reporting date, none of the options had been taken up or had lapsed.
- On 25 February 2010, the Company issued 350,000 fully paid ordinary shares to an external consultant, valued at \$843,500, in lieu of professional fees. The \$843,500 has been expensed to the statement of comprehensive income. On the same day, an additional 5,625,750 fully paid ordinary shares were issued, valued at \$13,558,058, to acquire the remaining 20% interest in Vele, which effectively increased the Company's stake in this project to 100%.
- On 22 April 2010 CoAL granted an option to Firefly Investments 163 (Pty) Limited ("Firefly") to subscribe for a total of 50 million shares at 60 pence per share, exercisable between 1 November 2010 and 1 November 2014. Any shares issued on exercise of the option will be subject to a 12 month "lock-in period". The BEE consortium is led by Firefly which is wholly owned and controlled by historically disadvantaged South Africans. Firefly also has the right to nominate two persons to the CoAL Board. To facilitate the BEE transaction, the Company's second largest shareholder, African Global Capital I, L.P., an entity associated with Mvelaphanda Holdings (Pty) Limited, Palladino Holdings Limited and OZ Management LP, and its affiliate Coal Investments Limited, have entered into an agreement with Firefly in terms of which amongst other provisions, they will cede their voting rights over their ordinary shares in CoAL to Firefly for a period of time.
- 2,500,000 share options over ordinary shares in CoAL were granted to David Murray, Senior Independent Non-Executive Director of CoAL, on 9 November 2010. The options allow Mr Murray to take up ordinary shares at an exercise price of \$1.20 each. The options are exercisable in equal tranches on or before 9 November 2015. The options hold no voting or dividend rights, and are not transferable. 1,000,000 options vest on 8 November 2011, 750,000 on 8 November 2012 and 750,000 on 8 November 2013 and on conversion of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.
- 1,540,561 ESOP options were issued on 4 February 2011 to eligible employees of CoAL as part of the ESOP. The options issued are exercisable prior to 30 September 2015, have an exercise price of \$1.40, or ZAR9.50. The options vest in equal tranches on 30 June 2011, 30 June 2012 and 30 June 2013. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. At reporting date, none of the options had been taken up or had lapsed.

The following share-based payment arrangements were in existence at the end of the current year:

OPTION SERIES	NUMBER	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE AT GRANT DATE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE
				AS	AS	
Class A unlisted options	7,500,000	28/06/2006	30/09/2011	A\$0.50	A\$0.79	0.07 years
Class A unlisted options	950,000	24/11/2006	30/09/2011	A\$0.50	A\$0.79	0.07 years
Class D unlisted options	7,000,000	05/06/2007	30/09/2012	A\$1.25	A\$0.45	0.30 years
Class G unlisted options	1,000,000	10/04/2008	30/09/2012	A\$1.90	A\$1.54	0.04 years
Class H unlisted options	600,000	19/05/2008	01/05/2012	A\$1.25	A\$3.09	0.02 years
Class B unlisted options	250,000	19/05/2008	01/05/2012	A\$2.05	A\$2.82	0.01 years
Class I unlisted options	1,650,000	01/12/2008	31/07/2012	A\$3.25	A\$0.49	0.06 years
Class J unlisted options	5,000,000	08/12/2009	30/11/2014	A\$2.74	A\$0.58	0.59 years
Class K unlisted options	912,500	25/02/2010	30/06/2014	A\$1.90	A\$0.92	0.09 years
Option*	1	22/04/2010	01/11/2014	GBP0.60	A\$1.78	0.00 years
Class C unlisted options	2,500,000	09/11/2010	09/11/2015	A\$1.20	A\$0.59	0.38 years
ESOP unlisted options	1,540,561	04/02/2011	30/09/2015	A\$1.40	A\$0.91	0.23 years
	28,903,062					

* Option to subscribe for 50 million ordinary shares for 60 pence each between 1 November 2010 and 1 November 2014, as approved by shareholders on 22 April 2010, and granted to Firefly Investments (Pty) Limited, a Broad Based Black Economic Empowerment ("BEE") entity.

Fair value of share options granted during the year

The weighted average fair value of share options granted during the financial year is A\$1.28 (2010: A\$0.80). Options were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical shares price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is two and a half times the exercise price.

Inputs into the Black-Scholes model were as follows:

	CLASS C GRANTS	ESOP GRANTS	FIREFLY GRANTS
Closing share price on issue date	A\$1.13	A\$1.16	GBP1.515
Exercise price	A\$1.20	A\$1.40	GBP0.60
Expected volatility	56.64%	57.71%	51%
Option life remaining	4.36 years	4.25 years	5.52 years
Dividend yield	0%	0%	0%
Risk free interest rate	5.21%	5.36%	2.5%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

28. SHARE-BASED PAYMENT *continued*

Share options *continued*

	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
Movement in share options		
Options outstanding at beginning of year	25,487,499	20,336,544
Options granted	4,040,561	5,912,501
Options exercised	(624,998)	(761,546)
Options outstanding at end of year	28,903,062	25,487,499
Weighted average exercise price (\$)	1.46	2.09
Options exercisable	23,571,851	19,789,165
Weighted average exercise price (\$)	1.14	0.86

Share options exercised during the period

OPTION SERIES	NUMBER	EXERCISE DATE	WEIGHTED AVERAGE PRICE
Class A unlisted options	124,998	18/03/2011	0.10
Class A unlisted options	500,000	11/04/2011	0.40
	624,998		

	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
	\$'000	\$'000

29. NON-CONTROLLING INTEREST

Non-controlling interests comprise the following:

Coal of Madagascar	–	3,703
Freewheel Trade and Invest 37 (Pty) Limited	575	575
	575	4,278

30. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by management under policies approved by the Board. Management identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian Dollar and the US Dollar. Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency. Most of the company's purchases are denominated in SA Rand. However, certain items during the exploration, development and plant construction phase as well as long lead-capital items are denominated in US Dollars, Euros or Australian Dollars. These have to be acquired by the South African operating company due to the South African Reserve Bank's Foreign Exchange Control Rulings. This exposed the South African subsidiary companies to changes in the foreign exchange rates.

The Group's cash deposits are largely denominated in Australian Dollar and SA Rand. A foreign exchange risk arises from the funds deposited in Australian Dollar which will have to be exchanged into the functional currency for working capital purposes.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The following significant exchange rates were applied during the reporting period:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
US Dollar 1 = SA Rand	6.999	7.563	6.837	7.634
SA Rand 1 = US Dollar	0.143	0.132	0.146	0.131
US Dollar 1 = Australian Dollar	1.011	1.134	0.944	1.167
SA Rand 1 = Australian Dollar	0.145	0.150	0.138	0.153
Australian Dollar 1 = US Dollar	0.989	0.882	1.060	0.857
SA Rand 1 = Australian Dollar	0.145	0.150	0.138	0.153
Australian Dollar 1 = SA Rand	6.909	6.662	7.245	6.536

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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30. FINANCIAL RISK MANAGEMENT *continued*

Market risk *continued*

Foreign exchange risk *continued*

At financial period end, the financial instruments exposed to foreign currency risk movements are as follows:

	DENOMINATED IN ZAR	DENOMINATED IN AUD	DENOMINATED IN USD	TOTAL
BALANCES AT 30 JUNE 2011	\$'000	\$'000	\$'000	\$'000
Financial assets				
Other receivables	–	–	12,800	12,800
Trade and other receivables	29,749	–	14,985	44,734
Cash ⁽¹⁾ and cash equivalents	19,970	4,426	11,688	36,084
Total financial assets	49,719	4,426	39,473	93,618

⁽¹⁾ Cash includes restricted cash

Financial liabilities

Borrowings	7,728	–	32,623	40,351
Trade and other payables	68,248	5,342	–	73,590
Total financial liabilities	75,976	5,342	32,623	113,941

	DENOMINATED IN ZAR	DENOMINATED IN AUD	DENOMINATED IN USD	TOTAL
BALANCES AT 30 JUNE 2010	\$'000	\$'000	\$'000	\$'000
Financial assets				
Other receivables	–	–	14,400	14,400
Trade and other receivables	24,177	3,063	–	27,240
Cash ⁽¹⁾ and cash equivalents	24,055	59,480	3,030	86,565
Total financial assets	48,232	62,543	17,430	128,205

⁽¹⁾ Cash includes restricted cash

Financial liabilities

Borrowings	2,369	–	20,000	22,369
Trade and other payables	61,074	7,780	4	68,858
Total financial liabilities	63,443	7,780	20,004	91,227

Balances classified as held for sale are not included in the above tables.

The following table summarises the sensitivity of financial instruments held at balance date to movements in the exchange rate of the SA rand to the US dollar, with all other variables held constant. The US dollar denominated instruments have been assessed using the sensitivities indicated in the table. These are based on reasonably possible changes, over a financial period, using the observed range of actual historical rates for the preceding two-year period.

	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
IMPACT ON PROFIT/(LOSS)YEAR ENDED	\$'000	\$'000
Judgements on reasonable possible movements		
USD/ZAR increase by 10%	(2,626)	(1,521)
USD/ZAR decrease by 10%	2,626	1,521

Price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet as at fair value through profit or loss.

CoAL is exposed to financial risks arising in coal prices. Coal prices are expected to fluctuate in the next financial year. Further contracts have been entered into with Eskom and other local buyers for the middlings and run of mine sales.

Interest risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates. During both 2011 and 2010, the group's borrowings at variable rate were denominated in the US Dollar.

The following table summarises the sensitivity of the financial instruments held at the reporting date, following a movement in variable interest rates, with all other variables held constant. The sensitivities are based on reasonably possible changes over a financial period, using the observed range of actual historical rates.

	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
IMPACT ON PROFIT/(LOSS)YEAR ENDED	\$'000	\$'000
Judgements on reasonable possible movements		
Increase of 0.2% in LIBOR	65	40
Decrease of 0.2% in LIBOR	(65)	(40)

The impact is calculated on the net financial instruments exposed to variable interest rates as at reporting date and does not take into account any repayments of long or short-term borrowing.

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's credit risk is limited to the carrying value of its financial assets.

At balance date there is a significant concentration of credit risk represented in the cash and cash equivalents, restricted cash and trade accounts receivables balance. With respect to accounts receivables, this is due to the fact that sales of large value are made to a limited number of customers. The customers have complied with all contractual sales terms and has not at any stage defaulted on amounts due. The Group manages its credit risk by predominantly dealing with counterparties with a positive credit rating.

The maximum exposure to credit risk was as follows:

	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
FINANCIAL ASSETS	\$'000	\$'000
Other receivables	12,800	14,400
Trade and other receivables	44,734	27,240
Cash and cash equivalents	36,084	85,656
	80,818	128,205

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

30. FINANCIAL RISK MANAGEMENT *continued*

Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost effective manner. The Group's Executive continually reviews the liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The concentration of cash balances on hand in geographical areas was as follows:

	AUSTRALIA	SOUTH AFRICA	TOTAL
	\$'000	\$'000	\$'000
BALANCES AT 30 JUNE 2011			
Cash and cash equivalents	5,446	17,315	22,761
	5,446	17,315	22,761

	AUSTRALIA	SOUTH AFRICA	TOTAL
	\$'000	\$'000	\$'000
BALANCES AT 30 JUNE 2010			
Cash and cash equivalents	59,965	12,089	72,054
	59,965	12,089	72,054

The contractual maturity analysis of payables at the reporting date was as follows:

	LESS THAN 6 MONTHS	BETWEEN 6 – 12 MONTHS	GREATER THAN 12 MONTHS	TOTAL
BALANCES AT 30 JUNE 2011				
Interest bearing liabilities ⁽¹⁾	4,326	1,682	1,720	7,728
Trade and other payables ⁽²⁾	73,590	–	–	73,590
Export Trade finance facility ⁽³⁾	–	32,623	–	32,623
	77,916	34,305	1,720	113,941

⁽¹⁾ Interest bearing at rates between 7.2% and 11.5%

⁽²⁾ Not interest bearing

⁽³⁾ LIBOR plus 3%

Included in assets classified held for sale are financial assets totalling \$5.3 million which are also subject to liquidity risk.

	LESS THAN 6 MONTHS	BETWEEN 6 – 12 MONTHS	GREATER THAN 12 MONTHS	TOTAL
BALANCES AT 30 JUNE 2010				
Interest bearing liabilities	917	431	1,021	2,369
Trade and other payables	68,858	–	–	68,858
Revolving credit facility	–	20,000	–	20,000
	69,775	20,431	1,021	91,227

Capital management

The Group's corporate office is responsible for capital management. This involves the use of corporate forecasting models, which facilitates analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements. Corporate office monitors gearing.

Capital management is undertaken to ensure a secure, cost effective supply of funds to ensure the Group's operating and capital expenditure requirements are met. The mix of debt and equity is regularly reviewed. The Group does not have a target debt/equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise. Net debt is calculated as total borrowings (including the current and non-current borrowings as reported on the Statement of Financial Position). Total capital is calculated as the total equity (as reported) plus net debt.

	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
IMPACT ON PROFIT/(LOSS) YEAR ENDED	\$'000	\$'000
Interest bearing liabilities	7,728	2,369
Revolving credit facility	—	20,000
Export trade finance facility	32,623	—
Net debt	40,351	22,369
Total equity	430,791	530,674
Total capital	471,142	553,043
Gearing ratio	9.37%	4.21%

	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
IMPACT ON PROFIT/(LOSS) YEAR ENDED <i>continued</i>	\$'000	\$'000

No dividends were paid during the reporting period. The Board maintains a policy of balancing returns to shareholders with the need to fund growth.

Financial assets and liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Financial assets

Other receivables	12,800	14,400
Trade and other receivables	44,734	27,240
Cash and cash equivalents	36,084	86,565
Fair value through profit or loss	13,594	18,651
Total financial assets	107,212	146,856

Financial liabilities

Finance lease liabilities	5,084	1,884
Other liabilities	2,644	485
Trade and other payables	73,590	68,858
Revolving credit facility	—	20,000
Export trade finance facility	32,623	—
	113,941	91,227

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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30. FINANCIAL RISK MANAGEMENT *continued*

Fair value of financial assets and liabilities

The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties in an arm's length transaction. The fair values of the Group's financial assets and liabilities approximate their carrying values, as a result of their short maturity or because they carry floating rates of interest.

All financial assets and liabilities recorded in the financial statements approximate their respective net fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3, based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at FVTPL	11,547	2,047	—	13,594

31. NOTES TO THE STATEMENT OF CASH FLOWS

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
Reconciliation of cash		
For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:		
Cash and bank balances	22,761	72,054
Reconciliation of loss before tax to net cash used in operations		
Loss before tax	(218,106)	(178,656)
Add back:		
Depreciation	29,651	11,479
Amortisation	49,870	15,205
Impairment losses	97,400	53,961
Share-based payment	3,004	80,275
Movement in provisions	15,807	(12,603)
Finance costs (net)	(664)	(1,407)
Dividends received	—	(92)
Foreign exchange (gains)/losses on operating activities	29,923	(2,953)
(Gains)/losses on revaluation of investments	498	1,344
Changes in working capital		
Increase in inventories	903	(17,098)
Prepayments received	13,110	—
Increase in trade and other receivables	(17,494)	(9,926)
(Decrease)/increase in trade and other payables	(6,429)	52,842
Cash generated from operations	(2,527)	(7,629)

32. SEGMENT INFORMATION

The Group has three reportable segments: Exploration, Development and Mining. The Exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As of June 30, 2011, projects within this reportable segment include two exploration and development stage coking and thermal coal complexes, namely the Chapudi Complex (which comprises the Chapudi project, the Chapudi West project and the Wildebeesthoek project), and the Soutpansberg Complex (which comprises the Voorburg project, the Mt Stuart project and the Jutland project). The Development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As of June 30, 2011 projects included within this reportable segment include two coking coal projects, namely the Vele Colliery and the Makhado Complex (comprising the Makhado project, the Makhado Extension project and the Generaal project), both in the early operational and development stage, respectively. The Mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale. As of June 30, 2011 the Group had two operational thermal collieries included in this segment, namely the Mooiplaats Colliery and the Woestalleen Colliery.

The accounting policies of the reportable segments are the same as those described in Note 3, Accounting policies.

The Group evaluates performance on the basis of segment profitability, which represents net operating (loss)/profit earned by each reportable segment before impairment of financial assets, impairment of Mooiplaats, depreciation, amortisation, foreign exchange gains, and impairment of assets held for sale.

They are managed separately because, amongst other things, each reportable segment has substantially different risks.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

The Group's reportable segments focus on the stage of project development and the product offerings of coal mines in production.

	EXPLORATION	DEVELOPMENT	MINING	TOTAL
	\$'000	\$'000	\$'000	\$'000
FOR THE YEAR ENDED 30 JUNE 2011				
Revenues from external customers ⁽¹⁾	–	–	229,225	229,225
Inter-segment revenues	–	–	45,686	45,686
Revenue	–	–	274,911	274,911
Segment loss	2,485	4,626	158,817	165,928
Items included within the Group's measure of segment profitability				
– Depreciation and amortisation	–	(51)	(77,159)	(77,210)
– Impairment	–	–	(92,295)	(92,295)
– Finance cost (net)	–	–	(1,665)	(1,665)
Segment assets	75,156	125,449	294,364	494,969
Items included within the Group's measure of segment assets				
– Additions to non-current assets	19,350	7,981	59,584	86,915
Segment liabilities	4,289	7,009	142,172	153,740

⁽¹⁾ Revenues represent sale of product

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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32. SEGMENT INFORMATION *continued*

FOR THE YEAR ENDED 30 JUNE 2010	EXPLORATION \$'000	DEVELOPMENT \$'000	MINING \$'000	TOTAL \$'000
Revenues from external customers	–	19,767	78,062	97,829
Inter-segment revenues	–	1,607	4,569	6,176
Revenue	–	21,374	82,631	104,005
Segment loss	1,413	69,833	2,995	74,241
Items included within the Group's measure of segment profitability				
– Depreciation and amortisation	–	26	13,995	14,021
– Income tax	–	1,684	4,459	6,143
<i>(1) Revenues represent sale of product</i>				
Segment assets	45,983	293,816	139,995	479,794
Items included within the Group's measure of segment assets				
– Additions to non-current assets	2,579	96,804	126,056	225,439
Segment liabilities	1,423	38,105	65,304	104,832

Reconciliations of the total segment amounts to respective items included in the consolidated financial statements are as follows:

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
Total loss for reportable segments	165,928	74,241
Reconciling items:		
Unallocated corporate (income)/costs	(11,523)	7,022
Depreciation	29,651	11,479
Impairment of assets held for sale	5,105	7,399
BEE share-based payment	–	78,515
Foreign exchange (gain)/ loss	28,945	–
Loss before taxation	218,106	178,656
Total segment assets	494,969	479,794
Reconciling items:		
Unallocated property, plant and equipment	24,035	23,761
Assets classified as held for sale	22,268	14,638
Intangible assets	20,800	18,066
Goodwill	–	3,031
Other financial assets	7,948	10,227
Other receivables	12,800	14,400
Unallocated current assets	8,859	96,971
Total assets	591,679	660,888

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
Total segment liabilities	153,470	104,832
Reconciling items:		
Liabilities held for sale	2,843	–
Unallocated liabilities	4,575	25,382
Total liabilities	160,888	130,214

The Group operates in two principal geographical areas – Australia (country of domicile) and South Africa.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below. The Group has equity interests in an exploration and mining companies listed in the United Kingdom, unlisted exploration companies in Guernsey, one listed and one unlisted manufacturing company and unlisted exploration companies as well as a mining company in South Africa and a biotechnology company listed in Australia.

	YEAR ENDED 30 JUNE 2011 \$'000	YEAR ENDED 30 JUNE 2010 \$'000
Revenue by location of operations		
South Africa	261,222	97,583
Australia	203	793
Total revenue	261,425	98,376
Non-current assets by location of operations		
South Africa	437,516	469,093
Australia	41,278	53,838
Total non-current assets	478,794	522,931

Major customers

The Consolidated Entity has no major customers in the coal mining, manufacturing or investing segments which account for more than 10% of the external revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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33. CONTINGENCIES AND COMMITMENTS

Ferret Mining And Environmental Services (Pty) Limited ("Ferret")/RH Boer, JA Nel, Coal Of Africa Limited And GVM Metals Limited

This is an application by Ferret declaring that its ownership of 26% shareholding in GVM was unlawfully disposed of by RH Boer, who was the Managing Director of Ferret at the time, who in turn sold the shareholding to JA Nel of the David Trust. JA Nel then in turn sold the shareholding to GVM Metals Limited. This matter is pending.

Should CoAL be unsuccessful with its application, CoAL would be entitled to launch a counterclaim against JA Nel for a sum of ZAR30.000 million, which is the purchase price paid for the shares.

Motjoli Resources (Pty) Limited & Motjoli Resources Advisory Services CC/Coal of Africa, Mooiplaats Mining Limited and JA Nel

Motjoli Resources (Pty) Limited and Motjoli Resources Advisory Services CC were appointed as consultants to Mooiplaats in order to obtain the granting of a mining right of Mooiplaats for Langcarel (Pty) Limited and in order to obtain Section 11 approval for the transaction between Coal of Africa and Mooiplaats. The fees to be paid were ZAR4.000 million plus the issue of 4,750,000 paid up ordinary shares in Coal of Africa to be transferred to Motjoli.

Motjoli contends that it complied with its obligations and was receiving ZAR4.000 million, but did not receive the issue of 4,750,000 fully paid up ordinary shares in the issued ordinary share capital of Coal of Africa. In addition, Motjoli claims that in the event that the shares are not issued, it should be awarded an amount of ZAR95.475 million with interest by the Defendants jointly and severally.

The trial is set down for hearing on 7 November 2011.

Envicoal (Pty) Limited/NuCoal Mining (Pty) Limited

Envicoal launched arbitration proceedings against NuCoal claiming that NuCoal failed to deliver coal as prescribed in terms of the agreement concluded between the parties. As a result, Envicoal claims damages to the value of ZAR188.808 million alternatively ZAR157.099 million alternatively ZAR139.670 million. The arbitration proceedings are still advancing and to date, no arbitration date has been agreed upon.

AMCI International AG ("AMCI")/NuCoal Mining (Pty) Limited

On 14 July 2009 NuCoal issued a letter of demand against AMCI and Polmaise Colliery (Pty) Limited ("Polmaise"). NuCoal claimed that in terms of a coal supply agreement AMCI had undertaken that, in the event of the parties failing to agree on a coal production budget, it would off-take 50,000 tonnes of coal per month from NuCoal. AMCI failed to take delivery of the full 50,000 tonnes per month and NuCoal estimated that it had suffered damages to the amount of ZAR42.472 million.

NuCoal also claimed that it had, on the instructions of AMCI, directly supplied coal to Polmaise. NuCoal and AMCI agreed that AMCI would be invoiced. NuCoal duly invoiced AMCI for an amount of ZAR1.591million and ZAR3.667 million, which amount AMCI failed to pay. It appears that the matter was settled during 2009. The provision of the settlement appear to be that: the coal supply agreement would be suspended until AMCI decided to take further deliveries of coal; NuCoal undertook to pay the amount owing by Polmaise if Polmaise failed to pay.

Mhlahla Consultants (Pty) Limited/Woestalleen Colliery (Pty) Limited

Mhlahla claims that in terms of an oral agreement it concluded with Woestalleen that it transported coal on behalf of Woestalleen for the value of ZAR0.484 million. Woestalleen has in turn raised a counterclaim claiming that it sold and delivered coal to Mhlahla for the sum of ZAR3.77 million of which ZAR1.714 million remains outstanding. It is however likely that only ZAR1.009 million will be recovered.

Gerbid Trading CC/NuCoal Mining (Pty) Limited and Jerry

This claim is issued out of the Johannesburg Magistrates Court by Gerbid Trading against NuCoal and Jerry wherein it claims that an accident occurred on 18 June 2008, the driver of such forklift, Jerry, being an employee of NuCoal and its claim for a sum of ZAR0.056 million.

Coal of Africa/Troy Holdings and Investments Inc ("Troy"), Kusile Mining (Pty) Limited ("Kusile") and NuCoal Holdings (Pty) Limited ("NuCoal")

In terms of a share sale agreement concluded with Troy, Kusile and NuCoal and in order to acquire NuCoal Mining (Pty) Limited, the sellers agreed to certain withholding warranties and warranty claims in terms of the agreement.

CoAL has now launched a notice referring the matter to arbitration using the UNCITRAL Rules on arbitration and will claim a maximum of ZAR130.000 million in respect of the general warranty claims. In addition, CoAL withheld a sum of ZAR65.000 million from the purchase consideration in case of any additional withholding warranty claims, against which it has a claim of ZAR55.000 million.

Apex Forex Trading Limited/Coal of Africa Limited

On 31 January 2011, Van Huyssteens Attorneys alleged in writing that Apex was provisionally liquidated in 2000 but purchased a 30% interest in Mooiplaats Mining (Pty) Limited. This shareholding was according to Van Huyssteens transferred to CoAL without payment of any money due to the liquidated estate. This matter is still under investigation.

Vuna Mining Enterprises (Pty) Limited

NuCoal Mining has committed to mine at least 1,200,000 tonnes from the Zonnebloem colliery annually.

34. RELATED PARTY DISCLOSURES

The names and positions held by Directors and key management personnel in office at any time during the financial year are:

• R Linnell	—	Independent Non-Executive Chairman
• S Farrell	—	Independent Non-Executive Deputy Chairman
• P Cordin	—	Independent Non-Executive Director
• S Bywater	—	Independent Non-Executive Director
• A Nevhutanda	—	Executive Director
• J Wallington	—	Chief Executive Officer, appointed 15 June 2010
• D Murray	—	Non-Executive Director, appointed 8 September 2010
• K Mosehla	—	Non-Executive Director, appointed 18 November 2011
• M Xayiya	—	Non-Executive Director, appointed 18 November 2011
• R Torlage	—	Non-Executive Director, appointed 18 November 2011
• W Koonin	—	Financial Director, appointed 1 April 2011
• B Sergeant	—	Finance Director, resigned 1 April 2011
• H Verster	—	Non-Executive Director, resigned 13 August 2010
• R van der Merwe	—	Chief Operating Officer
• W Hattingh	—	General Manager: Commercial

Equity instruments

Option holdings

The movement during the reporting period in the number of options over ordinary shares exercisable at \$0.50 on or before 30 September 2011 held directly, indirectly or beneficially by each Director and Key Management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2010	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2011
Non-Executive Directors					
R Linnell	2,000,000	—	—	—	2,000,000
P Cordin	1,000,000	—	—	—	1,000,000
S Bywater	—	—	—	—	—
H Verster	—	—	—	—	—
D Murray	—	—	—	—	—
K Mosehla	—	—	—	—	—
M Xayiya	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
S Farrell	4,000,000	—	—	—	4,000,000
J Wallington	—	—	—	—	—
B Sergeant	1,000,000	—	—	—	1,000,000
W Koonin	—	—	—	—	—
A Nevhutanda	—	—	—	—	—
Key Management					
R van der Merwe	—	—	—	—	—
W Hattingh	—	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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34. RELATED PARTY DISCLOSURES *continued*

The movement during the reporting period in the number of options over ordinary shares exercisable at \$1.25 on or before 30 September 2012 held directly, indirectly or beneficially by each Director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2010	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2011
Non-Executive Directors					
R Linnell	2,000,000	—	—	—	2,000,000
P Cordin	—	—	—	—	—
S Bywater	—	—	—	—	—
H Verster	—	—	—	—	—
D Murray	—	—	—	—	—
K Mosehla	—	—	—	—	—
M Xayiya	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
S Farrell	5,000,000	—	—	—	5,000,000
J Wallington	—	—	—	—	—
B Sergeant	—	—	—	—	—
W Koonin	—	—	—	—	—
A Nevhutanda	—	—	—	—	—
Key Management					
R van der Merwe	—	—	—	—	—
W Hattingh	—	—	—	—	—

The movement during the reporting period in the number of options over ordinary shares exercisable at \$1.90 on or before 30 September 2012 held directly, indirectly or beneficially by each Director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2010	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2011
Non-Executive Directors					
R Linnell	—	—	—	—	—
P Cordin	—	—	—	—	—
S Bywater	—	—	—	—	—
H Verster	—	—	—	—	—
D Murray	—	—	—	—	—
K Mosehla	—	—	—	—	—
M Xayiya	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
S Farrell	—	—	—	—	—
J Wallington	—	—	—	—	—
B Sergeant	1,000,000	—	—	—	1,000,000
W Koonin	—	—	—	—	—
A Nevhutanda	—	—	—	—	—
Key Management					
R van der Merwe	—	—	—	—	—
W Hattingh	—	—	—	—	—

The movement during the reporting period in the number of options over ordinary shares exercisable at \$3.25 on or before 31 July 2012 held directly, indirectly or beneficially by each Director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2010	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2011
Non-Executive Directors					
R Linnell	—	—	—	—	—
P Cordin	—	—	—	—	—
S Bywater	—	—	—	—	—
H Verster	—	—	—	—	—
D Murray	—	—	—	—	—
K Mosehla	—	—	—	—	—
M Xayiya	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
S Farrell	—	—	—	—	—
J Wallington	—	—	—	—	—
B Sergeant	—	—	—	—	—
W Koonin	—	—	—	—	—
A Nevhutanda	—	—	—	—	—
Key Management					
R van der Merwe	1,650,000	—	—	—	1,650,000
W Hattingh	—	—	—	—	—

The movement during the reporting period in the number of options over ordinary shares exercisable at \$2.74 on or before 30 November 2014 held directly, indirectly or beneficially by each Director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2010	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2011
Non-Executive Directors					
R Linnell	—	—	—	—	—
P Cordin	—	—	—	—	—
S Bywater	—	—	—	—	—
H Verster	—	—	—	—	—
D Murray	—	—	—	—	—
K Mosehla	—	—	—	—	—
M Xayiya	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
S Farrell	3,000,000	—	—	—	3,000,000
J Wallington	—	—	—	—	—
B Sergeant	2,000,000	—	—	—	2,000,000
W Koonin	—	—	—	—	—
A Nevhutanda	—	—	—	—	—
Key Management					
R van der Merwe	—	—	—	—	—
W Hattingh	—	—	—	—	—

2,000,000 of Mr Farrell's options vest one year after granting of a NOMR for the Company's Vele Colliery and the remaining 1,000,000 options vest one year after the DMR has granted CoAL a NOMR for the Makhado Project. 500,000 of Mr Sergeant's options vested on completion of the NuCoal transaction, 1,000,000 vest one year after granting of a NOMR for the Company's Vele Colliery and the remaining 500,000 options vest one year after the DMR has granted the CoAL a NOMR for the Makhado Project. At 30 June 2011, 500,000 of Mr Sergeant's options listed above had vested.

NOTES TO THE FINANCIAL STATEMENTS

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34. RELATED PARTY DISCLOSURES *continued*

Equity instruments *continued*

The movement during the reporting period in the number of options over ordinary shares exercisable at \$0.92 on or before 30 June 2014 held directly, indirectly or beneficially by each Director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2010	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2011
Non-Executive Directors					
R Linnell	—	—	—	—	—
P Cordin	—	—	—	—	—
S Bywater	—	—	—	—	—
H Verster	—	—	—	—	—
D Murray	—	—	—	—	—
K Mosehla	—	—	—	—	—
M Xayiya	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
S Farrell	—	—	—	—	—
J Wallington	—	—	—	—	—
B Sergeant	—	—	—	—	—
W Koonin	—	—	—	—	—
A Nevhutanda	—	—	—	—	—
Key Management					
R van der Merwe	272,500	—	—	—	272,500
W Hattingh	211,000	—	—	—	211,000

The movement during the reporting period in the number of options over ordinary shares exercisable at \$1.20 on or before 9 November 2015 held directly, indirectly or beneficially by each Director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2010	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2011
Non-Executive Directors					
R Linnell	—	—	—	—	—
P Cordin	—	—	—	—	—
S Bywater	—	—	—	—	—
H Verster	—	—	—	—	—
D Murray	—	2,500,000	—	—	2,500,000
K Mosehla	—	—	—	—	—
M Xayiya	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
S Farrell	—	—	—	—	—
J Wallington	—	—	—	—	—
B Sergeant	—	—	—	—	—
W Koonin	—	—	—	—	—
A Nevhutanda	—	—	—	—	—
Key Management					
R van der Merwe	—	—	—	—	—
W Hattingh	—	—	—	—	—

The movement during the reporting period in the number of options over ordinary shares exercisable at \$1.40 on or before 30 September 2015 held directly, indirectly or beneficially by each Director and key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2010	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2011
Non-Executive Directors					
R Linnell	—	—	—	—	—
P Cordin	—	—	—	—	—
S Bywater	—	—	—	—	—
H Verster	—	—	—	—	—
D Murray	—	—	—	—	—
K Mosehla	—	—	—	—	—
M Xayiya	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
S Farrell	—	—	—	—	—
J Wallington	—	—	—	—	—
B Sergeant	—	—	—	—	—
W Koonin	—	—	—	—	—
A Nevhutanda	—	—	—	—	—
Key Management					
R van der Merwe	—	211,000	—	—	211,000
W Hattingh	—	77,000	—	—	77,000

Equity holdings and transactions of Directors and key management personnel

The movement during the reporting period in the number of ordinary shares held, directly, indirectly or beneficially by each key management personnel including their personally-related entities, is as follows:

	HELD AT 1 JULY 2010	GRANTED AS REMUNERATION	EXERCISED	OTHER CHANGES	HELD AT 30 JUNE 2011
Non-Executive Directors					
R Linnell	801,550	—	—	—	801,550
P Cordin	412,759	—	—	—	412,759
S Bywater	—	—	—	—	—
H Verster	—	—	—	—	—
D Murray	—	—	—	—	—
K Mosehla	—	—	—	—	—
M Xayiya	—	—	—	—	—
R Torlage	—	—	—	—	—
Executive Directors					
S Farrell	3,221,791	—	—	—	3,221,791
J Wallington	—	—	—	—	—
B Sergeant	—	—	—	—	—
W Koonin	—	—	—	—	—
A Nevhutanda	55,000	—	—	—	55,000
Key Management					
R van der Merwe	—	—	—	—	—
W Hattingh	—	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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34. RELATED PARTY DISCLOSURES *continued*

Other transactions with the Company or its controlled entities

A number of Directors or their personally-related entities hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

No Directors entered or were party to any contract, whether directly or indirectly during the financial year.

NuCoal acquisition

On 1 January 2010, CoAL acquired 100% of the NuCoal group of companies comprising the Woestalleen, Klipbank and Zonnebloem collieries and other prospecting rights. The total consideration paid was USD74.423 million which includes a retention of USD4.642 million which will be paid if all warranties in terms of the Sale Agreement are satisfied.

	YEAR ENDED 30 JUNE 2010
CONSIDERATION AT 1 JANUARY 2010	\$'000
Cash	64,057
Realised foreign exchange gain	5,724
Retention payable	4,642
	74,423
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	13,860
Exploration and other financial assets	15,737
Receivables	8,806
Inventory	11,343
Cash and bank balances	3,499
Loans and other payables	(39,621)
Deferred taxation	(4,806)
Provisions	(6,389)
Fair value of investment	2,429
Mining asset on consolidation	102,848
Deferred tax on mining asset	(30,854)
	74,423

35. CONTROLLED ENTITIES

Particulars in relation to controlled entities

	COUNTRY OF INCORPORATION	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
		%	%
Baobab Exploration (Pty) Limited	South Africa	100	100
Chromet (Pty) Limited ⁽¹⁾	South Africa	100	100
Coal Mining Madagascar SARL	Madagascar	50	50
Coal of Africa & ArcelorMittal Analytical Laboratories (Pty) Limited	South Africa	100	100
Coal of Madagascar Limited ⁽⁴⁾	Guernsey	42	50
Cove Mining NL	Australia	100	100
Drilling and Geological Services of Madagascar Limited ⁽³⁾	Madagascar	100	100
Evoc Mining NL	Australia	100	100
Freewheel Trade and Invest 37 (Pty) Limited	South Africa	74	74
Fumaria Property Holdings (Pty) Limited	South Africa	100	100
Golden Valley Services (Pty) Limited	Australia	100	100
Greenstone Gold Mines NL	Australia	100	100
GVM Metals Administrations (South Africa) (Pty) Limited	South Africa	100	100
Harrisia Investments (Pty) Limited	South Africa	100	100
Holfontein Investments (Pty) Limited	South Africa	100	100
Joerg Foundry (Pty) Limited ⁽¹⁾	South Africa	100	—
Langcarel (Pty) Limited ⁽²⁾	South Africa	100	100
Limpopo Coal Company (Pty) Limited	South Africa	100	100
Magberg Manufacturing (Pty) Limited ⁽¹⁾	South Africa	100	100
Metalloy Fibres (Pty) Limited ⁽¹⁾	South Africa	100	100
Mooiplaats Mining Limited (previously Coal of Africa Limited)	South Africa	100	100
NiMag (Pty) Limited	South Africa	100	100
NuCoal (Pty) Limited ⁽⁵⁾	South Africa	100	100
NuCoal Investments (Pty) Limited ⁽⁵⁾	South Africa	100	100
NuCoal Mining (Pty) Limited	South Africa	100	100
Pan African Drilling Limited	British Virgin Islands	100	100
Regulus Investment Holdings (Pty) Limited	South Africa	100	100
Silkwood Trading 14 (Pty) Limited	South Africa	100	100
Tshikunda Mining (Pty) Limited	South Africa	60	60
Woestalleen Colliery (Pty) Limited ⁽⁵⁾	South Africa	100	100

⁽¹⁾ Subsidiary companies of NiMag (Pty) Limited

⁽²⁾ Subsidiary companies of Mooiplaats Mining Limited (previously Coal of Africa Limited)

⁽³⁾ Subsidiary company of Pan African Drilling Limited

⁽⁴⁾ Subsidiary company of Coal of Madagascar Limited

⁽⁵⁾ Subsidiary companies of NuCoal Mining (Pty) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTINUED

36. EVENTS AFTER THE REPORTING PERIOD

Post year end, the following significant operational events took place:

- On 5 July 2011, the Department of Environmental Affairs ("DEA") granted authorisation in terms of section 24G of the South African National Environmental Management Act, 107 of 1998 ("NEMA") in respect of the Vele Colliery;
- On 29 July 2011, the Vele Colliery's Integrated Water Use License ("IWUL") was suspended in terms of section 148(2)(b) of the South African National Water Act, No 36 of 1998 due to an appeal to the Water Tribunal submitted by an NGO coalition on 28 July 2011;
- On 15 August 2011, the irrevocable undertakings from the vendor shareholders were obtained in terms of the Sale and Purchase Agreement for the acquisition of the shares in the Chapudi Coal Project and Related Exploration Properties in South Africa's Soutpansberg coal basin in the Limpopo province and the time for satisfaction of remaining conditions precedent was extended until 30 April 2012 to obtain the requisite regulatory approvals;
- On 19 August 2011, CoAL submitted a s11 application in respect of the Chapudi and Soutpansberg properties.
- On 1 September 2011, CoAL concluded a landmark agreement with the Department of Environmental Affairs ("DEA"), South African National Parks Board ("SANParks") and CoAL, paving the way for collaborative and responsible mine development in Limpopo Province.

There have been no other events between 30 June 2011 and the date of this report which necessitate adjustment to the statements of comprehensive income or statements of financial position at that date.

	PARENT ENTITY	
	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2010
	\$'000	\$'000
Summary financial information		
Non-current assets	530,676	554,456
Current assets	9,679	62,490
Total assets	540,355	616,946
Current liabilities	7,271	32,815
Total liabilities	7,271	32,815
Net assets	533,084	584,131
Shareholders' Equity		
Issued capital	686,577	685,740
Accumulated deficit	(346,030)	(165,814)
Reserves	192,537	64,205
	533,084	584,131
Loss for the year	(180,215)	(139,486)
Total comprehensive loss	(180,215)	(139,486)

INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF COAL OF AFRICA LIMITED



Deloitte Touche Tohmatsu
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REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Coal of Africa Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 37 to 104.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITOR'S INDEPENDENCE DECLARATION

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Coal of Africa Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF COAL OF AFRICA LIMITED
CONTINUED

Deloitte.

OPINION

In our opinion:

- (a) the financial report of Coal of Africa Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report as included in the Directors' Report for the year ended 30 June 2011. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

OPINION

In our opinion, the Remuneration Report of Coal of Africa Limited for the year ended 30 June 2011 complies with Section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Ross Jerrard

Partner
Chartered Accountants

TENEMENT SCHEDULE

TENEMENTS HELD BY CONTROLLED ENTITIES:

PROJECT NAME	TENEMENT NUMBER	INTEREST	PROJECT NAME	TENEMENT NUMBER	INTEREST
Kanowna West*	M27/41	23.68%	Mooiplaats	Voorburg 503 MS	100%
	M27/47	23.68%		Stayt 183 MT	100%
	M27/59	23.68%		Riet 182 MT	100%
	M27/72,27/73	23.68%		Salaita 188 MT	100%
	M27/114	23.68%		Telema 190 MT	100%
	M27/181	21.31%		Schuitdrift 179 MT	100%
	M27/196	23.68%		Gray 189 MT	50%
	M27/414,27/415	23.68%		Stubbs 558 MS	100%
	P27/1826-1829	23.68%		Mons 537 MS	100%
	P27/1830-1842	23.68%		Remaining extent, Portions 1, 9, 14, 17, 18, 19, 20 of Mooiplaats 290 IT	100%
	P27/1887	23.68%		Portion 2, 3 and remaining extent of Klipbank 295 IT	100%
Abbotshall Royalty	ML63/409,410	Royalty	Vele	Portions 1, 2 and remaining extent of Adrianople 296 IT	100%
Kookynie Royalty	ML40/061	Royalty		Portions 2 & 3 of Willemsdal 330 IT	100%
	ML40/135,136	Royalty		Portions 2, 3, 4 and remaining extent of De Emigratie 327 IT	100%
Holfontein	Remaining extent, remaining extent of portions 1, 5 and 11 and portions 4, 6, 9, 10, 12 and 13 of the farm Holfontein 138 IS	100%		Portions 2, 5, 8, 10 & 13 of Buhrmansvallei 297 IT	100%
				Various portions of Klipfontein 442 IS	100%
Greater	Ancaster 501 MS	100%		Portions of Overvlakte 125 MS (Remaining extent, 3, 4, 5, 6, 13, 14)	100%
Soutpansberg (Including Makhado Project)	Cavan 508 MS	100%		Bergen Op Zoom 124 MS	100%
	Cohen 591 MS	100%		Semple 155 MS	100%
	Fripp 645 MS	100%		Voorspoed 836 MS	100%
	Jutland 536 MS	100%		Alyth 837 MS	100%
	Tanga 648 MS	100%		Lizzulea 62 MS*	100%
	Portion 2 and remaining extent of Mount Stuart 153 MT	100%		Patricia 65 MS*	100%
	Portion 1 and remaining extent of Terblanche 155 MT	100%		Halcyon 69 MS*	100%
	Septimus 156 MT	100%			
	Nakab 184 MT	100%			
	Lukin 643 MS	100%			
	Overwinning 713 MS	100%			
	Remaining extent, Portion 1 and Portion 2 of the farm Windhoek 649 MS	100%			

* The sale of shares and claims agreements reflects that these are excluded rights and the parties have agreed that an application should be made to excise these. To date, no such application has been made.

TENEMENT SCHEDULE

CONTINUED

PROJECT NAME	TENEMENT NUMBER	INTEREST	PROJECT NAME	TENEMENT NUMBER	INTEREST
Madagascar	Licence number 3196 (3 blocks)	50%	Gray 189 MT		100%
	Licence number 4578 (4 blocks)	50%	Martha 185 MT		100%
	Licence number 12653 (4 blocks)	50%	Joffre 584 MS		100%
	Licence number 31892 (4 blocks)	50%	Fanie 578 MS		100%
	Licence number 31808 (10 blocks)	50%	Phantom 640 MS		100%
			Wildgoose 577 MS		100%
Klipbank	Portions 15, 16, 17 and mineral area 1 of Klipbank 467 JS	100%	Van Deventer 641 MS		100%
	Portion 1 of the farm Sterkwater 317 JS	100%	Chase 576 MS		100%
			Stayt 183 MT		100%
Op Godengoepe	Portion 5 of Op Goedenhoep 205 JS	100%	Nakab 184 MT		100%
			Riet 182 MT		100%
Zonnebloem	Remaining extent of Portion 2 and Portion 5 of Zonnebloem 396 JS	49%	Schuitdrift 179 MT		100%
			Mount Stuart 153 MT		100%
Haartogshoop	Remaining extent of the farm Hartogshoop 410 JS	100%	Terblache 155 MT		100%
			Meteor 141 MT		100%
Woestalleen	Remaining extent of the farm Woestalleen 477 JS	100%	Naus 178 MT		100%
	Portion 2 of the farm De Groote Rietpan 479 JS	100%	Alicedale 138 MT		100%
	Remaining extent and Portion 4 of the farm Noodhulp 474 JS	100%	Septimus 156 MT		100%
			Martin 157 MT		100%
Greater	Windhoek 649 MS	100%	Rynie 158 MT		100%
Soutpansberg	Tanga 648 MS	100%	Portion of unsurveyed state land		100%
C BM Project	Fripp 645 MS	100%			
(Including	Lukin 643 MS	100%			
Makhado project)	Salaita 188 MT	100%			
	The Duel 186 MT	100%			
	Telema 190 MT	100%			

* These tenements are the subject of a joint venture (JV) arrangement with Barrick (PD) Australia Limited whereby Barrick have the right to earn a maximum of 60% interest having met certain criteria. This would have the effect of reducing CoAL's interest to a fully diluted position of 9.47% in respect to the Kanowna West JV and 8.52% in respect to the Kalbara JV.

SHAREHOLDER INFORMATION

Unless otherwise stated, the following additional information is current as at 6 September 2011.

DISTRIBUTION SCHEDULES

SHARES: ORDINARY FULLY PAID

RANGE	HOLDERS	UNITS	%
1 – 1,000	567	234,802	0.04
1,001 – 5,000	601	1,723,887	0.32
5,001 – 10,000	261	2,157,046	0.41
10,001 – 100,000	299	8,554,107	1.61
100,001 – Over	39	518,469,819	97.61
Total	1,767	531,139,661	100.00

UNLISTED OPTIONS: 30 SEPTEMBER 2011 @ \$0.50

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	8	8,450,000	100.00
Total	8	8,450,000	100.00

The following hold 20% or more of the Options in this class:

Mr Simon Farrell	4,000,000
Terra Africa Investments Limited	2,000,000

UNLISTED OPTIONS: 1 MAY 2012 @ \$1.25

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	3	600,000	100.00
Total	3	600,000	100.00

The following hold 20% or more of the Options in this class:

Mr Isaac Thulani Maupa	200,000
Mr Kobela Charles Mafiri	200,000
Mr Lemogang Alvin Pitsoe	200,000

UNLISTED OPTIONS: 1 MAY 2012 @ \$2.05

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	1	250,000	100.00
Total	1	250,000	100.00

The following hold 20% or more of the Options in this class:

Mr Colin Gordon	250,000
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SHAREHOLDER INFORMATION

CONTINUED

UNLISTED OPTIONS: 30 SEPTEMBER 2012 @ \$1.90

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	1	1,000,000	100.00
Total	1	1,000,000	100.00

The following hold 20% or more of the Options in this class:

Mr Blair Sergeant & Bronwyn Gaye Lukic 1,000,000

<Rio Grande Do Norte Super Fund A/C>

UNLISTED OPTIONS: 30 SEPTEMBER 2012 @ \$1.25

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	2	7,000,000	100.00
Total	2	7,000,000	100.00

The following hold 20% or more of the Options in this class:

Mr Simon Farrell 5,000,000

Mr Richard Linnell 2,000,000

UNLISTED OPTIONS: 31 JULY 2012 @ \$3.25

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	1	1,650,000	100.00
Total	1	1,650,000	100.00

The following hold 20% or more of the Options in this class:

Mr Adriaan Jacobus van der Merwe 1,650,000

UNLISTED OPTIONS: 30 NOVEMBER 2014 @ \$2.74

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	2	5,000,000	100.00
Total	2	5,000,000	100.00

The following hold 20% or more of the Options in this class:

Mr Simon Farrell 3,000,000

Mr Blair Sergeant 2,000,000

Unlisted options: 30 June 2014 @ R12.50

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	5	17,500	2.14
5,001 – 10,000	1	6,500	0.79
10,001 – 100,000	8	187,000	22.85
100,001 – Over	3	607,500	74.22
Total	17	818,500	100.00

The following hold 20% or more of the Options in this class:

Mr Adriaan Jacobus van der Merwe 272,500
Mr Willem Johannes Hattingh 211,000

Unlisted options: 30 September 2015 @ \$1.40 OR R12.50

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	5	17,500	2.14
5,001 – 10,000	1	6,500	0.79
10,001 – 100,000	8	187,000	22.85
100,001 – Over	3	607,500	74.22
Total	17	818,500	100.00

Unlisted options: 9 November 2015 @ \$1.20

RANGE	HOLDERS	UNITS	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	1	250,000	100
Total	1	250,000	100.00

The following hold 20% or more of the Options in this class:

Beatle Rock Pty Limited 250,000

UNMARKETABLE PARCELS

The number of holdings of less than a marketable parcel of ordinary shares (being 500 ordinary shares) equals 45,039 units held by 317 holders.

RESTRICTED SECURITIES

The Company currently has no restricted securities.

SHAREHOLDER INFORMATION

CONTINUED

SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders that have provided the Company with substantial shareholding notices as at 6 September 2011 are:

SHAREHOLDER	# OF SHARES	%
M & G Investment Funds (3) and associated entities	76,284,340	14.37
African Global Capital Holdings Limited	74,453,512	14.03
The Capital Group Companies, Inc.	33,325,000	6.28
BlackRock Investment Management (Australia) Limited and associated entities (BlackRock Group)	27,875,280	5.25

VOTING RIGHTS

Voting rights attached to ordinary shares are that upon poll, each share shall have one vote, and on show of hands every member present in person or by proxy shall have one vote.

Option holders are not entitled to vote.

TOP HOLDERS

The 20 largest registered holders of each class of quoted securities as at 6 September 2011 were:

Fully paid ordinary shares

NAME	NO. OF SHARES	%
ARCELORMITTAL SOUTH AFRICA LIMITED	84,801,192	15.97%
NORTRUST NOMINEES LIMITED	75,294,003	14.18%
STATE STREET NOMINEES LIMITED	38,551,839	7.26%
THE BANK OF NEW YORK (NOMINEES) LIMITED	37,500,000	7.06%
STANDARD BANK NOMINEES (TRANSVAAL)	33,470,512	6.30%
GREENWOOD NOMINEES LIMITED	17,678,795	3.33%
NUTRACO NOMINEES LIMITED	17,000,000	3.20%
AURORA NOMINEES LIMITED	12,663,566	2.38%
J P MORGAN NOMINEES AUSTRALIA LIMITED	8,451,860	1.59%
NORTRUST NOMINEES LIMITED	7,851,676	1.48%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,698,849	1.45%
CREDIT SUISSE SECURITIES (EUROPE) LIMITED	7,182,829	1.35%
CHASE NOMINEES LIMITED	6,469,460	1.22%
LYNCHWOOD NOMINEES LIMITED	6,122,851	1.15%
CHASE NOMINEES LIMITED	5,291,400	1.00%
JANNIE ABRAHAM NEL	5,000,000	0.94%
NORTRUST NOMINEES LIMITED	4,000,000	0.75%
VIDACOS NOMINEES LIMITED	3,500,000	0.66%
BARCLAYSHARE NOMINEES LIMITED	3,384,814	0.64%
CITICORP NOMINEES PTY LIMITED	3,189,607	0.60%
	385,103,253	72.51%

ADMINISTRATION AND CONTACT DETAILS

DIRECTORS

Richard Linnell	Non-Executive Chairman
Simon Farrell	Non-Executive Deputy Chairman
John Wallington	Chief Executive Officer and Executive Director
Wayne Koonin	Financial Director (Appointed 1 April 2011)
Alfred Nevhutanda	Executive Director
Peter Cordin	Non-Executive Director
Stephen Bywater	Non-Executive Director
David Murray	Non-Executive Director (Appointed 8 September 2010)
Khomotso Mosehla	Non-Executive Director (Appointed 18 November 2010)
Mikki Xayiya	Non-Executive Director (Appointed 18 November 2010)
Rudolph Torlage	Non-Executive Director (Appointed 18 November 2010)

INCORPORATION & OPERATION

Country of Incorporation: Australia
AUS Company Number (ACN): 008 905 388
Main Country of Operation: South Africa

PRINCIPAL & REGISTERED OFFICE

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Facsimile: +61 8 9322 6778
Email: perth@coalofafrica.com

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Facsimile: +27 11 576 4363
Email: adminza@coalofafrica.co.za

COMPANY SECRETARY

Shannon Coates