We employ internal and external specialist expertise, technology and industry best practices to identify opportunities for cohesion between ecology conservation and business growth.

ANNUAL FINANCIAL STATEMENTS

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Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2016

	Note	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
CONTINUING OPERATIONS			
Revenue	5	**–**	–
Investment income	6	**753**	828
Other income	7	**257**	324
Other (losses)/gains	7	**(354)**	1,580
Depreciation and amortisation	7	**(1,199)**	(1,472)
Foreign exchange (losses)/gains	7	**(10,654)**	14,504
Employee benefits expense	7	**(3,765)**	(4,936)
Finance costs	9	**(1,578)**	(1,286)
Consulting expense		**(624)**	(777)
Other expenses		**(6,739)**	(13,300)
Loss before tax		**(23,903)**	(4,535)
Income tax credit	10	**1,431**	–
Net loss for the year from continuing operations		**(22,472)**	(4,535)
Discontinued operations			
Loss for the year from operations classified as held for sale	11	**(973)**	(2,176)
LOSS FOR THE YEAR		**(23,445)**	(6,711)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(28,921)**	(59,872)
Total comprehensive loss for the year		**(52,366)**	(66,583)
Loss for the year attributable to:			
Owners of the Company		**(23,445)**	(6,711)
Non-controlling interests		**–**	–
		(23,445)	(6,711)
Total comprehensive loss attributable to:			
Owners of the Company		**(52,366)**	(66,583)
Non-controlling interests		**–**	–
		(52,366)	(66,583)
Loss per share	12		
From continuing operations and discontinued operations			
Basic and diluted (cents per share)		**(1.24)**	(0.47)
From continuing operations			
Basic and diluted (cents per share)		**(1.19)**	(0.32)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 30 June 2016

	Note	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
ASSETS			
Non-current assets			
Development, exploration and evaluation expenditure	13	**207,923**	232,813
Property, plant and equipment	14	**6,755**	16,259
Intangible assets	15	**10,489**	11,682
Other receivables	16	**1,013**	1,746
Other financial assets	17	**7,033**	3,411
Restricted cash	20	**249**	1,023
Deferred tax assets	25	**4,773**	2,320
Total non-current assets		**238,235**	269,254
Current assets			
Inventories	18	**5**	236
Trade and other receivables	19	**666**	792
Other financial assets	17	**188**	468
Cash and cash equivalents	20	**19,502**	17,759
		20,361	19,255
Assets classified as held for sale	21	**14,567**	18,118
Total current assets		**34,928**	37,373
Total assets		**273,163**	306,627
LIABILITIES			
Non-current liabilities			
Deferred consideration	22	**-**	15,422
Provisions	24	**4,003**	5,733
Total non-current liabilities		**4,003**	21,155
Current liabilities			
Deferred consideration	22	**16,016**	3,265
Trade and other payables	26	**2,323**	2,719
Borrowings	23	**10,000**	-
Provisions	24	**398**	294
Current tax liabilities		**1,249**	1,285
		29,986	7,563
Liabilities associated with assets held for sale	21	**2,732**	3,354
Total current liabilities		**32,718**	10,917
Total liabilities		**36,721**	32,072
NET ASSETS		**236,442**	274,555
EQUITY			
Issued capital	27	**1,006,435**	992,374
Accumulated deficit	28	**(736,403)**	(718,081)
Reserves	29	**(34,165)**	(313)
Equity attributable to owners of the Company		**235,867**	273,980
Non-controlling interests	31	**575**	575
TOTAL EQUITY		**236,442**	274,555

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2016

	Issued capital	Accumulated deficit	Share based payment reserve	Capital profits reserve	Foreign currency translation reserve	Attributable to owners of the parent	Non-controlling interests	Total equity
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2015	992,374	(718,081)	7,205	91	(7,609)	273,980	575	274,555
Total comprehensive loss for the year		(23,445)			(28,921)	(52,366)		(52,366)
Loss for the year	–	(23,445)	–	–	–	(23,445)	–	(23,445)
Other comprehensive loss, net of tax	–	–	–	–	(28,921)	(28,921)	–	(28,921)
Shares issued for capital raising (net of costs)	13,707	–	–	–	–	13,707	–	13,707
Shares issued for the acquisition of subsidiary	354	–	–	–	–	354	–	354
Shares issued to employees	–	–	275	–	–	275	–	275
Share options expired	–	5,123	(5,123)	–	–	–	–	–
Share options cancelled	–	–	(83)	–	–	(83)	–	(83)
Balance at 30 June 2016	**1,006,435**	**(736,403)**	**2,274**	**91**	**(36,530)**	**235,867**	**575**	**236,442**
Balance at 1 July 2014	935,891	(790,964)	82,464	91	52,263	279,745	575	280,320
Total comprehensive loss for the year	–	(6,711)	–	–	(59,872)	(66,583)	–	(66,583)
Loss for the year	–	(6,711)	–	–	–	(6,711)	–	(6,711)
Other comprehensive loss, net of tax	–	–	–	–	(59,872)	(59,872)	–	(59,872)
	935,891	(797,675)	82,464	91	(7,609)	213,162	575	213,737
Shares issued for capital raising (net of costs)	56,483	–	–	–	–	56,483	–	56,483
Shares issued to employees	–	–	4,335	–	–	4,335	–	4,335
Share options expired	–	79,594	(79,594)	–	–	–	–	–
Balance at 30 June 2015	**992,374**	**(718,081)**	**7,205**	**91**	**(7,609)**	**273,980**	**575**	**274,555**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2016

		Year ended 30 June 2016	Year ended 30 June 2015
	Note	$'000	$'000
Cash flows from operating activities			
Receipts from customers		**311**	1,003
Payments to suppliers and employees		**(13,448)**	(16,124)
Cash used in operations	33	**(13,137)**	(15,121)
Interest received		**585**	628
Interest paid		**(140)**	(1,182)
Net cash used in operating activities		**(12,692)**	(15,675)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(114)**	(1,358)
Proceeds from the sale of property, plant and equipment		**29**	1
Investment in development assets		**–**	(991)
Investment in exploration assets		**(1,187)**	(86)
(Purchase)/sale of other financial assets		**(3,336)**	134
Settlement of Envicoal matter		**–**	(2,431)
Decrease in restricted cash		**774**	4,761
Net cash (used)/generated from investing activities		**(3,834)**	30
Cash flows from financing activities			
Settlement in export trade finance facility		**–**	(10,367)
Payment of Investec Facility		**–**	(5,909)
Payment of deferred consideration		**(4,066)**	(11,619)
Proceeds from loans payable		**10,000**	–
Proceeds from loans receivable		**444**	1,579
Proceeds from the issue of shares (net of share issuance costs)		**13,707**	57,926
Net cash generated by financing activities		**20,085**	31,610
Net increase in cash and cash equivalents		**3,559**	15,965
Net foreign exchange differences		**(1,918)**	(182)
Cash and cash equivalents at beginning of the year		**17,882**	2,099
Cash and cash equivalents at the end of the year	20	**19,523**	17,882

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statement

for the year ended 30 June 2016

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') in South Africa. The addresses of its registered office and principal places of business is Suite 8, 7 The Esplanade, Mt Pleasant, Perth, Western Australia 6000.

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

The Group's principal assets and projects include:

- the Makhado hard coking and thermal coal project that has been granted a New Order Mining Right and has the potential to produce approximately 5.5 million tonnes per annum of saleable product.;
- the Vele Colliery, a semi soft coking and thermal coal mine currently under care and maintenance with the potential to supply approximately 1.2million tonnes per annum of saleable product once all regulatory approvals have been obtained and plant modification completed;
- four exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal, Mopane and Telema&Gray in the Soutpansberg Coalfield; and
- the Mooiplaats colliery currently on care and maintenance and subject to a formal sale process.

GOING CONCERN

These consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2016 of $22.5 million (30 June 2015: loss of $4.5 million), including a foreign exchange loss of $10.7 million and depreciation and amortisation charges of $1.2 million. During the twelve month period under review, net cash outflows from operating activities were $12.9 million (30 June 2015 net outflow: $15.7 million) and net cash outflow from investing activities were $3.8 million (30 June 2015 net inflow: $0.03 million). As at 30 June 2016 the Consolidated Entity had a net current liability position of $9.6 million (30 June 2015: net current asset position of $11.7 million), excluding assets and liabilities associated with discontinued operations.

The current liability position as at 30 June 2016 is primarily a result of borrowings of $10 million due to Yishun Brightrise Investment PTE Limited, which is only due for repayment in limited circumstances (refer to note 23 for additional information), combined with deferred consideration payments totalling $16 million due by the Consolidated Entity to Rio Tinto Minerals Development Limited prior to 30 June 2017 (refer to note 22 for additional information).

The directors have prepared a cash flow forecast for the period ending 31 December 2017, which indicates that the Company and Consolidated Entity will have sufficient cash flow to fund their operations for at least the twelve month period from the date of signing this report, which has been based on the following assumptions:

a) Sale of the Mooiplaats Colliery, and receipt of funds prior to May 2017

b) None of the limited circumstances arise during the forecast period that would require the repayment of the $10 million loan to Yishun Brightrise Investment PTE Limited.

The Company has a history of successful capital raisings to meet the Company and Consolidated Entity's funding requirements. The directors believe that at the date of signing the financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the Company and Consolidated Entity will have sufficient funds to meet their obligations as and when they fall due, and are of the opinion that the use of the going concern basis remains appropriate.

In addition to the above the Company and Consolidated Entity is actively engaged in various opportunities to secure the growth and long term cash flow requirements of the Company and Consolidated Entity. These include:

(i) Current negotiations for the acquisition of a cash generating entity, which if successfully completed will also make available secured funding from an existing shareholder.

(ii) Current negotiations regarding additional external investment via debt or equity in the operations of the Consolidated Entity.

Should the Company and Consolidated Entity be unable to achieve the sale of the Mooiplaats Colliery by May 2017, and be unable to complete any of the other fund raising options noted above by May 2017, a material uncertainty would exist as to whether the Company and Consolidated Entity will be able to continue as going concerns and therefore whether they will realise their assets and discharge their liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company and consolidated entity not continue as going concerns.

BASIS OF PRESENTATION

1.1. Statement of compliance

These consolidated financial statements are general purpose financial statements which 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. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 30 September 2016.

1.2. Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for other financial 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.

All amounts are presented in United States dollars, and rounded to nearest thousand unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2. ACCOUNTING POLICIES

2.1. 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 when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. 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.

2. ACCOUNTING POLICIES continued

2.1. BASIS OF CONSOLIDATION

A list of controlled entities is contained in note 36 to the consolidated financial statements.

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, a gain or loss is recognised in profit or loss and 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 any category of equity 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 Accounting Standard AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

2.2. 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, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with AASB 112 'Income Taxes';
- assets or liabilities 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 represent 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. 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.

2.3. 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 Sates dollars ('$'), which is the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction.

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 the spot rate of exchange ruling at the reporting date. 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 arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange ruling at the reporting date. Exchange differences arising are recognised in equity.

2.4. 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.

2. ACCOUNTING POLICIES continued

2.4. NON-CURRENT ASSETS HELD FOR SALE continued

When the criteria above are met and 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 assets held for sale and liabilities associated with assets held for sale in the consolidated statement of financial position. The income and expenses from these operations are not included in the various line items in the consolidated statement of profit or loss and other comprehensive income but the net results from these operations classified as held for sale are disclosed as a separate line within the statement of profit or loss.

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.

2.5. EXPLORATION AND EVALUATION EXPENDITURE

(i) Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

i. Researching and analysing historical exploration data

ii. Gathering exploration data through geophysical studies

iii. Exploratory drilling and sampling

iv. Determining and examining the volume and grade of the resource

v. Surveying transportation and infrastructure requirements

vi. Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group conclude that a future economic benefit is more likely than not to be realised.

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

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that are valued beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation asset (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment.

All capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied, and assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.11.

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

2.6. PROPERTY, PLANT AND EQUIPMENT – DEVELOPMENT ASSETS

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

No depreciation is recognised in respect of development assets.

Development assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.11.

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

2.7. PROPERTY, PLANT AND EQUIPMENT – MINING PROPERTY

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

When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

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

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

Mining property is assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.11.

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

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

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

2.9. PROPERTY, PLANT AND EQUIPMENT (EXCLUDING DEVELOPMENT ASSETS AND MINING PROPERTY)

Freehold land is stated at cost and is not depreciated.

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

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) 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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and the useful lives.

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.

2. ACCOUNTING POLICIES continued

2.9. PROPERTY, PLANT AND EQUIPMENT (EXCLUDING DEVELOPMENT ASSETS AND MINING PROPERTY) continue

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

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

2.10. INTANGIBLE ASSETS, EXCLUDING GOODWILL

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

Intangible assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.11.

2.11. 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 (if any).

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 post-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.

2.12. 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 consolidated 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 2.24 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

2.13. 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.

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity

Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

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

2.14. TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade 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 profit or loss. When a trade 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 profit or loss and other comprehensive loss.

2.15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and short-term deposits.

Restricted cash comprise cash balances which are encumbered and the Group does therefore not have access to these funds.

2.16. FINANCIAL INSTRUMENTS

Recognition

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of 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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss (FVTPL).

Financial assets

Financial assets are classified into the following specified categories: 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.

Notes to the consolidated financial statement continued

for the year ended 30 June 2016

2. ACCOUNTING POLICIES continued

2.16. FINANCIAL INSTRUMENTS (CONTINUED)

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.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated 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; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 32.

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 less any impairment.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. 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 effect of discounting is immaterial.

Available for sale investments

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

2. ACCOUNTING POLICIES continued

2.16. FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities

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

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 consolidated statement of profit or loss as borrowing costs based on the effective interest rate method.

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.

2.17. 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.

2.18. PROVISIONS

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

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

Rehabilitation provision

A provision for rehabilitation is recognised when there is a present obligation as a result of exploration, development or production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably.

The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating 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. 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.

2.19. 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 30.

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.

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

Accounting for BEE transactions

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

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

2.20. TAXATION, INCLUDING SALES TAX

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

Current taxation

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

Deferred taxation

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

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

Deferred tax balances are calculated using the tax rates that are expected to apply to the reporting period or periods when the temporary difference reverse, based on tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

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.

2. ACCOUNTING POLICIES continued

2.20. TAXATION, INCLUDING SALES TAX continued

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.

2.21. REVENUE RECOGNITION

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

Sale of goods

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

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

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

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

Interest income

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

2.22. 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.

2.23. 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.

2.24. SEGMENT INFORMATION

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

Management has determined the reportable segments of the Group based on the reports reviewed by the Company's executive committee that are used to make strategic decisions. The Group has three reportable segments: Exploration, Development and Mining (see note 4).

2.25. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The key new and amended reporting requirements that must be applied for the first time this year include:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality: this amendment completes the withdrawal of AASB 1031 in all Australian Accounting Standards and Interpretations, allowing the standard to be effectively withdrawn.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

At the date of the authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. The potential effect of the revised Standards / Interpretations on the Groups' financial statement has not yet been determined.

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' and the relevant amending standards	1 January 2018	30 June 2019
• AASB 15 Revenue from Contracts with Customers	1 January 2018	30 June 2019
• AASB 16 Leases	1 January 2019	30 June 2020
• AASB 2014-3 Amendments to Australian Accounting Standards –Accounting for Acquisitions of Interest in Joint operations	1 January 2016	30 June 2017
• AASB 2014-4 Amendments to Australian Accounting Standards -Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
• AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	30 June 2017
• AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	30 June 2017
• AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	30 June 2018

3. 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, foreign exchange rates and coal reserves. Refer to note 13.

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.

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS continued

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 profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

EXPLORATION AND EVALUATION ASSETS

Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and assumptions as to future events and circumstances, in particular, whether successful development 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 13.

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 consolidated statement of comprehensive income. Refer to note 13.

The Company considers the following items as pre-requisites prior to concluding on commercial viability:

- All requisite regulatory approvals from government departments in South Africa have been received and are not subject to realistic legal challenges
- The Company has the necessary funding to engage in the construction and development of the project as well as general working capital until the project is cash generative
- A JORC compliant resource proving the quantity and quality of the project as well as a detailed Mine Plan reflecting that the colliery can be developed and will deliver the required return hurdle rates
- The Company has secured off-take and/or logistics agreements for a significant portion of the product produced by the mine and the pricing has been agreed
- The Company has the appropriate skills and resources to develop and operate the project

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 future expected costs of rehabilitation, restoration and dismantling.
- 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 appropriate rate at which to discount the liability;

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 24.

RECOVERABILITY OF NON-CURRENT ASSETS

As set out in note 13, certain assumptions are required to be made in order to assess the recoverability of non-current assets where there is an impairment indicator. Key assumptions include future coal prices, future operating costs, discount rate, foreign exchange rates 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 13.

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 34.

4. 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 30 June 2016, projects within this reportable segment include three exploration stage coking and thermal coal complexes, namely the Chapudi Complex (which comprises the Chapudi project, the Chapudi West project and the Wildebeesthoek project), the Soutpansberg Complex (which comprises the Voorburg project, the Mt Stuart project and the Jutland project) and the Makhado Complex (comprising the Makhado project, the Makhado Extension project and the Generaal 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 30 June 2016, projects included within this reportable segment include project, namely the Vele Colliery, in the early operational and development stage.

The Mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale and consists of the Mooiplaats Colliery. As of 30 June 2016 the Mooiplaats Colliery has been classified as operations held for sale.

The accounting policies of the reportable segments are the same as those described in note 2, Accounting policies.

The Group evaluates performance on the basis of segment profitability, which represents net operating (loss) / profit earned by each reportable segment.

Each reportable segment is 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.

In order to reconcile the segment results with the consolidated statement of profit or loss and other comprehensive income, the discontinuing operations should be deducted from the segment total and the corporate results (as per the reconciliation later in the note should be included.

	Continuing operations		Discontinuing operations	
	Exploration	Development	Mining	Total
	$'000	$'000	$'000	$'000
For the year ended 30 June 2016				
Revenues from external customers	–	–	–	–
Inter-segment revenues	–	–	–	–
Revenue [(1)]	–	–	–	–
Segment loss	**(5,246)**	**(136)**	**(973)**	**(6,355)**
Items included within the Group's measure of segment profitability				
– Depreciation and amortisation	(63)	(42)	–	(105)
– Finance income	–	–	150	150
– Finance cost	(1,455)	(112)	(1)	(1,568)
– Income tax expense	–	1,431	–	1,431
[(1)] Revenues represent sale of product				
Segment assets	112,242	105,941	14,567	232,750
Items included within the Group's measure of segment assets				
– Additions to non-current assets	1,169	18	–	1,187
Segment liabilities	16,947	4,076	2,732	23,755

Notes to the consolidated financial statement continued

for the year ended 30 June 2016

4. SEGMENT INFORMATION continued

	Continuing operations		Discontinuing operations	
	Exploration	Development	Mining	Total
	$'000	$'000	$'000	$'000
For the year ended 30 June 2015				
Revenues from external customers	–	–	–	–
Inter-segment revenues	–	–	–	–
Revenue	–	–	–	–
Segment loss	(4,387)	(1,958)	(2,176)	(8,521)
Items included within the Group's measure of segment profitability				
– Depreciation and amortisation	(84)	(63)	–	(147)
– Finance income	22	47	97	166
– Finance cost	(978)	(80)	(605)	(1,663)
Segment assets	124,715	117,160	18,118	259,993
Items included within the Group's measure of segment assets				
– Additions to non-current assets	2,454	145	–	2,599
Segment liabilities	20,788	5,153	3,354	29,295

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

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
Total loss for reportable segments	**6,355**	8,521
Reconciling items:		
Unallocated corporate costs	**8,654**	15,681
Depreciation and amortisation	**1,094**	1,325
Foreign exchange loss/(gain)	**7,342**	(18,816)
Loss for the year	**23,445**	6,711
Total segment assets	**232,750**	259,993
Reconciling items:		
Unallocated property, plant and equipment	**3,379**	10,336
Intangible assets	**10,489**	11,682
Other financial assets	**5,611**	3,879
Other receivables	**1,013**	1,745
Unallocated current assets	**19,921**	18,992
Total assets	**273,163**	306,627
Total segment liabilities	**23,755**	29,295
Reconciling items:		
Borrowings	**10,000**	–
Unallocated liabilities	**2,966**	2,777
Total liabilities	**36,721**	32,072

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

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
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.		
Revenue by location of operations		
South Africa	**–**	–
Australia	**–**	–
Total revenue	**–**	–
Non-current assets by location of operations		
South Africa	**238,235**	269,254
Australia	**–**	–
Total non-current assets	**238,235**	269,254

5. REVENUE

The following is an analysis of the Group's revenue for the year from continuing operations (excluding investment income – see note 6)

Revenue from the rendering of services	**–**	–
	–	–

6. INVESTMENT INCOME

Continuing operations		
Rental income	**172**	134
Interest income		
Bank deposits	**479**	646
Interest on loans	**90**	48
Interest on other financial assets	**12**	–
Total interest income	**581**	694
Total investment income	**753**	828

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	**$'000**
7. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		
Loss for the year from continuing operations has been arrived at after (charging) or crediting:		
Other income		
Non-refundable deposits received for sale of non-core assets (Holfontein – refer note 11)	**250**	324
Other	**7**	–
Total other income	**257**	324
Other (losses)/gains		
Profit on disposal of property, plant and equipment	**8**	–
Fair value gain on renegotiated Rio Tinto deferred consideration	**–**	1,303
Revaluation of investments	**(80)**	277
Fair value adjustment	**78**	–
Impairment of investment	**(360)**	–
Total other gains and (losses)	**(354)**	1,580
Depreciation and amortisation		
Depreciation		
Depreciation of property, plant and equipment (note 14)	**(351)**	(497)
Total depreciation	**(351)**	(497)
Amortisation		
Amortisation of intangible asset (note 15)	**(848)**	(975)
Total amortisation	**(848)**	(975)
Total depreciation and amortisation	**(1,199)**	(1,472)
Foreign exchange (loss)/profit		
Unrealised	**(9,568)**	18,991
Realised	**(1,086)**	(4,487)
	(10,654)	14,504
Employee benefits expenses		
Share-based payments	**(193)**	(131)
Super-annuation	**(9)**	(10)
Salaries and wages	**(3,563)**	(4,795)
Total employee benefits expense	**(3,765)**	(4,936)
8. AUDITORS' REMUNERATION		
Deloitte – Australia		
Audit and review of financial reports	**77**	102
Non-audit related services	**11**	–
	88	102
Deloitte – Johannesburg		
Audit and review of financial reports	**176**	229
Non-audit related services	**96**	–
	272	229

9. FINANCE COST

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	**$'000**
Finance costs		
Interest on loans	**1,457**	1,191
Interest on overdraft	**9**	9
Unwinding of interest	**112**	86
	1,578	1,286

10. INCOME TAX AND DEFERRED TAX

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	**$'000**
Income tax recognised in profit or loss from continuing operations		
Current tax		
Current tax expense in respect of the current year	**–**	–
	–	–
Deferred tax (note 25)		
Recognition of deferred tax assets on assessed losses	**1,431**	–
	1,431	–
Total income tax credit recognised	**1,431**	–
The Group's effective tax rate for the year from continuing operations was (6%) (2015: 0%). The tax rate used for the 2016 and 2015 reconciliations below is the corporate tax rate of 30% for Australian companies. The income tax expense for the year can be reconciled to the accounting profit as follows:		
Loss from continuing operations before income tax	**(23,903)**	(4,535)
Income tax benefit calculated at 30% (2015: 28%)	**7,171**	1,270
Tax effects of:		
Expenses that are not deductible for tax purposes	**(1,195)**	(753)
Differences in tax rates	**(442)**	–
Income that are not taxable	**–**	91
Other temporary differences not recognised	**(5,106)**	(608)
Recognition of deferred tax asset – Losses	**1,003**	–
Income tax credit	**1,431**	–
Income tax recognised on the loss from discontinuing operations		
Current tax		
Current tax expense in respect of the current year	**–**	–
	–	–
Deferred tax (note 25)		
Recognition of deferred tax assets on assessed losses	**–**	–
	–	–
Total income tax credit recognised	**–**	–

Notes to the consolidated financial statement continued

for the year ended 30 June 2016

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
10. INCOME TAX AND DEFERRED TAX continued		
Income tax recognised in profit or loss from discontinued operations		
Current tax		
Current tax expense in respect of the current year	**–**	–
	–	–
Deferred tax (note 25)		
Recognition of deferred tax assets on assessed losses	**–**	–
	–	–
Total income tax credit recognised	**–**	–
The Group's effective tax rate for the year from discontinued operations was (0%) (2015: 0%). The tax rate used for the 2016 and 2015 reconciliations below is the corporate tax rate of 30% payable by Australian corporate entities. The income tax expense for the year can be reconciled to the accounting profit as follows:		
Loss before income tax from discontinued operations	**(973)**	(5,005)
Income tax benefit calculated at 30% (2015: 28%)	**292**	1,401
Tax effects of:		
Expenses that are not deductible for tax purposes	**13**	(483)
Difference in tax rates	**(19)**	–
Other temporary differences not recognized	**(286)**	(918)
Income tax credit	**–**	–

11. DISCONTINUING OPERATIONS

11.1 HOLFONTEIN (PTY) LTD ('HOLFONTEIN')

The Company is in the process of finalising agreements for the disposal of the Holfontein thermal coal project near Secunda in Mpumalanga.

11.2 PLAN TO DISPOSE OF LANGCAREL (PTY) LTD ('MOOIPLAATS')

The Company has announced a long-term strategy to dispose of its thermal assets in order to focus on the development of the coking coal assets. The Company is actively seeking a buyer for this business and expects to complete a sale during the next financial year. The Group has not recognised any impairment on the Mooiplaats colliery during the current financial year. (2015: $nil – note 21).

11.3 ANALYSIS OF LOSS FOR THE YEAR FROM DISCONTINUING OPERATIONS

The combined results of the operations held for sale included in the loss for the year are set out below. The comparative losses and cash flows from operations held for sale have been re-presented to include those operations classified as held for sale in the current year.

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
Loss for the year from operations held for sale		
Revenue	–	–
Other gains	–	427
	–	427
Expenses	(973)	(2,603)
Loss before tax	(973)	(2,176)
Loss for the year from operations held for sale (attributable to owners of the Company)	(973)	(2,176)
Cash flows from operations held for sale		
Net cash outflows from operating activities	(951)	(1,400)
Net cash inflows from investing activities	1	1,024
Net cash inflows from financing activities	1,400	729
Net cash inflows	450	353

These operations have been classified and accounted for at 30 June 2016 as a disposal group held for sale (see note 21).

IMPAIRMENT TESTING

Non-current assets held for sale

As of 30 June 2016 the net book value of the following project assets were classified as non-current assets held for sale

- Holfontein Colliery: $ nil
- Mooiplaats Colliery: $14.1 million

The Company is in the process of finalising agreements for the disposal of the Holfontein Colliery, and has announced a strategy to dispose of the Mooiplaats Colliery within the next 12 months. Consequently, these project assets have been classified as non-current assets held for sale and have been written down to their fair value less costs to sell represented by indicative offers received.

	Cents per share 2016	Cents per share 2015
12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		
12.1 BASIC LOSS PER SHARE		
From continuing operations	**1.19**	0.32
From discontinuing operations	**0.05**	0.15
	1.24	0.47
	$'000	$'000
Loss for the year attributable to owners of the Company	**(23,445)**	(6,711)
Less: Loss for the year from operations held for sale	**973**	2,176
Loss used in the calculation of basic loss per share from continuing operations	**(22,472)**	(4,535)
	'000 shares	'000 shares
Weighted number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	**1,896,412**	1,414,768

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY continued

12.2 DILUTED LOSS PER SHARE

Diluted loss per share is calculated by dividing loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of diluted ordinary share that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As at 30 June 2016, 75,627,052 options (2015 – 85,993,989 options) were excluded from the computation of the loss per share as their impact is anti-dilutive. Furthermore at 30 June 2016, the TMM options had expired and is not included in the calculation.

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	**$'000**
12.3 HEADLINE LOSS PER SHARE (IN LINE WITH JSE REQUIREMENTS)		
The calculation of headline loss per share at 30 June 2016 was based on the headline loss attributable to ordinary equity holders of the Company of $22.0 million (2015: $6.7 million) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2016 of 1,896,412,421 (2015: 1,414,768,613).		
The adjustments made to arrive at the headline loss are as follows:		
Loss for the period attributable to ordinary shareholders	**(23,445)**	(6,711)
Adjust for:		
Impairment losses	**360**	–
Profit on sale of property, plant and equipment	**(8)**	–
Headline earnings	**(23,093)**	(6,711)
Headline loss per share (cents per share)	**(1.22)**	(0.47)
13. DEVELOPMENT, EXPLORATION AND EVALUATION EXPENDITURE		
Development, exploration and evaluation expenditure comprises:		
Exploration and evaluation assets	**104,893**	118,498
Development expenditure	**103,030**	114,315
Balance at end of year	**207,923**	232,813
A reconciliation of development, exploration and evaluation expenditure is presented below:		
Exploration and evaluation assets		
Balance at beginning of year	**118,498**	139,991
Additions	**1,187**	145
Movement in Rehabilitation asset	**(18)**	–
Foreign exchange differences	**(14,774)**	(21,638)
Balance at end of year	**104,893**	118,498
Development assets		
Balance at beginning of year	**114,315**	131,720
Additions	**–**	2,454
Transfer from property, plant and equipment	**6,501**	–
Movement in Rehabilitation asset	**(167)**	–
Deferred tax asset	**(1,488)**	–
Foreign exchange differences	**(16,131)**	(19,859)
Balance at end of year	**103,030**	114,315

IMPAIRMENT TESTING

Exploration and Evaluation Assets

As of 30 June 2016, the net book value of the following project assets were classified as Exploration and Evaluation assets:

- Greater Soutpansberg Project: $54.4 million
- Makhado Project: $50.5 million

In terms of AASB 6 – Exploration for and Evaluation of Mineral Resource management have performed an assessment of whether facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. In performing its assessment, management have considered its exploration rights to the exploration areas, its planned & budgeted exploration activities and the likelihood of the recoverability of the net book value from the successful development of the areas of interest. Management have concluded that no indicators of impairment for its Exploration and Evaluation assets exist as at 30 June 2016.

Development Assets

As of 30 June 2016 the net book value of the following project assets were included in Development assets:

- Vele Colliery: $103 million

In terms of AASB 136 – Impairment of Assets management has identified the coal commodity price as an indicator that the Vele assets may be impaired and have performed a formal impairment assessment.

Management have adopted the fair value less costs of disposal approach to estimate the recoverable amount of the project, before comparing this amount with the carrying value of the associated assets and liabilities in order to assess whether an impairment of the carrying value is required under AASB 136. Management formed the view that impairment is not likely.

In calculating the fair value less costs of disposal, management have forecast the cash flows associated with the project over its expected life of 17 years until 2033. The cash flows are estimated for the assets of the colliery in its current condition together with capital expenditure required for the colliery to resume operation and discounted to its present value using a post-tax discount rate that reflects the current market assessments of the risks specific to the Vele Colliery. The identification of impairment indicators and the estimation of future cash flows require management to make significant estimates and judgments. Details of the key assumptions used in the fair value less costs of disposal calculation at 30 June 2016 are included below.

Key assumptions

	2017	2018	2019	2020	LT
Thermal coal price (USD, nominal) [1]	63.6	65.1	66.8	68.4	67.8[2]
Hard coking coal price (USD, nominal) [3]	86.5	91.3	97.2	105.6	111.2[4]
Exchange rate (USD/ZAR, nominal)	17.9	18.5	19.3	20.0	20.0[5]
Discount rate [6]					16.1%
Inflation rates USD					2.5%
ZAR					6.0%
Production start date [7]					February 2018

[1] *Management's assumptions reflect the Richards Bay export thermal coal (API4) price.*

[2] *LT thermal coal price equivalent to USD 60 per tonne in 2016 dollars*

[3] *Management's assumption of the hard coking coal price is made after considering relevant broker forecasts*

[4] *LT hard coking coal price equivalent to USD 111 per tonne in 2016 dollars*

[5] *From 2021, the exchange rate is derived with reference to the 2020 assumption, and inflated by the compounding differential between USD and ZAR inflation rates*

[6] *Management prepared a nominal ZAR-denominated, post-tax discount rate, which was calculated with reference to the Capital Asset Pricing Model (CAPM).*

[7] *The recoverable amount is based on obtaining project financing in order for production to commence in February 2018. Management has assumed the project will be financed in the time frame required and has determined the recoverable amount on that basis. Any delay to the production start date will impact the recoverable value.*

13. DEVELOPMENT, EXPLORATION AND EVALUATION EXPENDITURE continued

IMPAIRMENT ASSESSMENT

	USD million
Value of Vele using the discounted cash flow method based on the current life of mine model	99
Value of resources not currently included in the life of mine model 8	11
Total value attributed to Vele	110
Carrying Value of Vele cash-generating unit	103

(8) Excluded from the value of the Vele Colliery derived from the discounted cash flow model, is any value attributable to resources remaining after the projections made in the current life of mine ("LOM") model. In order to assess the potential value of resources outside of the current LOM model, a resource valuation was undertaken by management in January 2016 in consultation with external independent valuations experts. This valuation applied a weighted average multiple of ZAR 3.8/tonne of resources, or USD 0.25/tonne which resulted in an indicative valuation of $57 million at that time. An alternative valuation of the resources outside of the LOM model has been performed by extending the discounted cash flow model by ten years, which results in a valuation of $11 million. The value of the resources outside of the LOM model could therefore be in the range of $11 million to $57 million.

SENSITIVITY ANALYSIS

Changes in key assumptions in the table below would have the following approximate impact on the recoverable amount of the Vele Colliery as calculated using the discounted cash flow method and excluding the effect of the value attributable to resources outside the LOM.

Sensitivity	Change in variable	Effect on fair value less costs of disposal using discounted cash flow method (USD million)
Long term coal prices	+10.0%	18
	-10.0%	(17)
Long term exchange rate	+10.0%	23
	-10.0%	(24)
Discount rate	+1.0%	(7)
	-1.0%	7
Operating costs	+10.0%	(16)
	-10.0%	17
Delays in production start date	+12 months	(14)

14. PROPERTY, PLANT AND EQUIPMENT

	Mining property, plant and equipment	Land and buildings	Leasehold improvements	Motor vehicle	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2016						
Cost						
At beginning of year	50	16,701	463	732	1,831	19,777
Additions	–	–	–	56	58	114
Transferred to development assets	–	(6,501)	–	–	–	(6,501)
Disposals	–	–	–	(59)	–	(59)
Exchange differences	(8)	(2,832)	(73)	(124)	(292)	(3,329)
At end of year	42	7,368	390	605	1,597	10,002
Accumulated depreciation						
At beginning of year	36	857	462	517	1,646	3,518
Depreciation charge	–	171	–	103	77	351
Accumulated depreciation on disposals	–	–	–	(37)	–	(37)
Exchange differences	(6)	(148)	(73)	(89)	(269)	(585)
At end of year	30	880	389	494	1,454	3,247
Net carrying value at end of year 2016	12	6,488	1	111	143	6,755
2015						
Cost						
At beginning of year	28	17,403	540	828	2,048	20,847
Additions	28	1,824	–	20	75	1,947
Disposals	–	–	–	–	–	–
Exchange differences	(6)	(2,526)	(77)	(116)	(292)	(3,017)
At end of year	50	16,701	463	732	1,831	19,777
Accumulated depreciation						
At beginning of year	11	714	537	447	1,725	3,434
Depreciation charge	–	230	1	130	136	497
Accumulated depreciation on disposals	–	–	–	–	–	–
Exchange differences	25	(87)	(76)	(60)	(215)	(413)
At end of year	36	857	462	517	1,646	3,518
Net carrying value at end of year 2015	14	15,844	1	215	185	16,259

15. INTANGIBLE ASSETS

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
Balance at beginning of year	**11,682**	15,488
Amortisation	**(848)**	(975)
Foreign exchange differences	**(345)**	(2,831)
Balance at end of year	**10,489**	11,682

In August 2008 the Company entered into a throughput agreement with TCM, a subsidiary of Grindrod, the operator of the Matola Terminal, and CMR Engineers & Project Managers Proprietary Limited.

This agreement granted the Company one mtpa of port capacity through the Matola terminal commencing 1 January 2009, for an initial term of five years. This capacity was increased to approximately three mtpa in March 2011 and the Company has the right to renew the agreement (subject to certain conditions) at the end of the initial term, for further periods of 3 successive periods of 5 years each for a total of 15 years.

During the prior year the Company reached an agreement with Grindrod to settle the current liabilities to date as well as cover all future take or pay obligation until 31 December 2016. The settlement of $10.3 million was paid during the prior financial year.

The terms of the Throughput Agreement can be renegotiated if required to facilitate any production by its Vele Colliery and Makhado Project.

16. OTHER RECEIVABLES

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
Carrying amount of:		
Nimag loan	**811**	1,503
Other loans	**202**	243
	1,013	1,746
Balance at beginning of year	**1,746**	2,245
Loans repaid	**(444)**	–
Other	**–**	(312)
Foreign exchange differences	**(289)**	(187)
Balance at end of year	**1,013**	1,746

Nimag loan

CoAL provided a loan as part of the NiMag disposal to settle the balance of the purchase consideration. The loan bears interest at the South African prime overdraft rate less 0.5%, payable quarterly in arrears.

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
17. OTHER FINANCIAL ASSETS		
Carrying value of financial assets at fair value through profit or loss		
Listed securities		
– Equity securities	**188**	468
Unlisted securities		
– Equity securities in investment funds	**5,545**	3,145
	5,733	3,613
Fair value movements in other financial assets are recognised in other (losses)/gains in the consolidated statement of profit or loss. Refer note 7. Listed investments are carried at the market value as at the reporting date and unlisted investments are valued with reference to the investment company's fund statement.		
Deposits	**1,488**	266
	7,221	3,879
Other financial assets have been analysed between current and non-current as follows:		
Current	**188**	468
Non-current	**7,033**	3,411
	7,221	3,879
18. INVENTORIES		
Consumable stores	**5**	218
Finished goods	**–**	18
	5	236

The cost of inventories recognised as an expense during the year in respect of continuing operations was $0.05 million (2015: $0.5 million).

Notes to the consolidated financial statement continued

for the year ended 30 June 2016

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
19. TRADE AND OTHER RECEIVABLES		
Trade receivables	**48**	95
Other receivables	**963**	1,111
Allowance for doubtful debts	**(345)**	(414)
	666	792
The carrying amount of trade and other receivables approximate their fair value due to their short-term maturity.		
The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed in note 19. The Group does not hold any collateral as security.		
Movements on the allowance for doubtful debts are as follows:		
Balance at beginning of year	**414**	484
Allowance for bad debts	**–**	6
Foreign exchange differences	**(69)**	(76)
Balance at end of year	**345**	414
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	**48**	95
Past due 0 to 30 days	**–**	–
Past due 31 to 60 days	**–**	–
Past due 61 to 90 days	**–**	–
	48	95
Currency analysis of trade receivables		
SA Rand	**48**	95
	48	95

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	**$'000**

20. CASH AND CASH EQUIVALENTS

Bank balances	**19,502**	17,759
Bank balances included in a disposal group held for sale (refer note 21)	**21**	123
	19,523	17,882
Restricted cash	**249**	1,023
Restricted cash included in a disposal group held for sale (refer note 21)	**219**	264
	468	1,287

The restricted cash balance of $0.2 million(2015 – $1.0 million) is held on behalf of subsidiary companies in respect of the rehabilitation guarantees issued to the DMR in respect of environmental rehabilitation costs of $6.3 million (2015: $10.1 million). This cash is 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, the United Kingdom and the Republic of South Africa.

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

21. ASSETS CLASSIFIED AS HELD FOR SALE

Carrying amounts of		
Holfontein Investments Proprietary Limited ('Holfontein')	**–**	–
Langcarel Proprietary Limited ('Mooiplaats')	**11,835**	14,764
	11,835	14,764
Assets classified as held for sale		
Holfontein	**–**	–
Mooiplaats	**14,567**	18,118
	14,567	18,118
Liabilities associated with assets held for sale		
Holfontein	**–**	–
Mooiplaats	**2,732**	3,354
	2,732	3,354
Holfontein		
Net assets of Holfontein Investments Proprietary Limited	**–**	–
Impairment on assets held for sale	**–**	–
	–	–

During the year, the Company received R2.5 million ($0.2 million) of the balance outstanding of R17.2 million ($1.2 million) from the prior year for the sale of the undeveloped Opgoedenhoop mining right. The Company has agreed on new settlement terms for the balance of R15.9 million ($1 million) outstanding at 30 June 2016, which includes, R1 million ($0.1 million) to be settled in September 2016 and the balance remaining to be settled in full in December 2016. The outstanding balance will accrue interest at the South African prime rate. Any default in the payment terms will result in interest at the South African prime rate plus 4%.

Notes to the consolidated financial statement continued

for the year ended 30 June 2016

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
21. ASSETS CLASSIFIED AS HELD FOR SALE continued		
Assets classified as held for sale		
Property, plant and equipment	**14,069**	16,770
Other financial assets	**202**	710
Restricted cash	**219**	264
Inventories	**–**	13
Trade and other receivables	**56**	238
Cash and cash equivalents	**21**	123
	14,567	18,118
Liabilities classified as held for sale		
Provisions	**2,332**	2,855
Trade payables and accrued expenses	**400**	499
	2,732	3,354
Net assets of Mooiplaats	**11,835**	14,764
22. DEFERRED CONSIDERATION		
Deferred consideration	**16,016**	18,687
	16,016	18,687
Opening balance	**18,687**	29,800
Loan advanced	**–**	65
Repaid during the year	**(4,066)**	(10,000)
Interest accrued	**1,443**	33
Gain on valuation at amortised cost	**–**	(1,303)
Foreign Exchange	**(48)**	92
Balance at end of year	**16,016**	18,687
Current	**16,016**	3,265
Non-Current	**–**	15,422
	16,016	18,687

The Deferred Consideration relates to the second tranche (part of the total acquisition price of $75 million for Chapudi and Kwezi) of $30 million payable to Rio Tinto. During the year the Company renegotiated the payment term of this loan. The Company was required to pay a minimum payment of $100,000 a month as well as additional committed money on the sale of non-core assets. In May 2016, the monthly payment was revised to $650,000 per month, with an additional $1 million payable on 15 May 2016 and $2 million payable on 15 September 2016. This arrangement includes interest at 4% as per the original agreement.

Full and final settlement of the outstanding balance plus all accrued interest remains 15 June 2017.

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
23. BORROWINGS		
Yishun Brightrise Investment PTE Limited loan		
Loan advanced	**10,000**	–
During the period, a loan for $10 million was provided to the Company by its shareholder Yishun. The loan bears no interest and is only repayable in limited circumstances, including conditions relating to Baobab Mining and Exploration Proprietary Limited.		
Investec bank facility		
Loan advanced	**–**	6,372
Loan repaid	**–**	(5,909)
	–	463
Foreign exchange differences	**–**	(463)
	–	–
The Company, through its wholly owned subsidiary GVM Metals Administration (South Africa) (Pty) Ltd had secured an 18-month, ZAR210 million (approximately US$20.0 million) working capital facility from Investec. The facility was repaid in full during the prior financial year. In addition, CoAL had issued 20 million options to Investec which are exercisable at ZAR1.32 before October 2018.		
24. PROVISIONS		
Employee provisions	**207**	221
Biodiversity offset provision	**1,856**	2,773
Rehabilitation provisions	**2,338**	3,033
	4,401	6,027

Employee provisions

The provision for employees represents unused annual leave entitlements.

Biodiversity offset provision

The Biodiversity offset agreement was signed by the Department of Environmental Affairs, South African National Parks Board and the Company to the value of R55 million ($4.7 million) over a 25 year period. The Biodiversity offset agreement commits the Company to pay R55million ($4.4 million) to the South African National Parks Board over a period of 25 years. The following payment arrangement has been agreed:

Phase 1 – R2million paid in 2015

Phase 2 – R15million from year 2016 to 2021 (R2.5million annually)

Phase 3 – R13million from year 2022 to 2028 (R1.8million annually)

Phase 4 – R13million from 2029 to 2033 (R2.6million annually)

Phase 5 – R12million from 2034 to 2038 (R2.4million annually)

For the purpose of the present value calculation these payments have been assume as equal annual payment and discounted at the South Africa inflation rate of 6%.

Notes to the consolidated financial statement continued

for the year ended 30 June 2016

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
24. PROVISIONS		
Rehabilitation provision		
Balance at beginning of year	**3,033**	4,643
Unwinding of discount	**–**	86
Change in assumptions on rehabilitation provisions	**(186)**	(1,051)
Foreign exchange differences	**(509)**	(645)
Balance at end of year	**2,338**	3,033

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. 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.

The period assumed in the calculation of the present value of the obligation is the aggregate of the construction period of the mine and the total estimated LOM.

The current estimate available is inflated by the South African inflation rate of 6% annually and the discount rate applied to establish the current obligation is a South Africa government bond rate at 30 June 2016 of 8.75% (2015: 8.32%) annually.

Due to the delay on the Vele Colliery start-up the estimated LOM has been extended causing a decrease in the present value of the environmental obligation.

The Makhado Project is still in Exploration phase and no formal decision to mine is currently in place.

Provisions have been analysed between current and non-current as follows:

	Year ended 30 June 2016	Year ended 30 June 2015
Current	**398**	294
Non-current	**4,003**	5,733
	4,401	6,027

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	**$'000**
25. DEFERRED TAX		
Deferred tax asset	**4,773**	2,320
	4,773	2,320
The gross movement on the deferred tax account is as follows:		
Balance at beginning of year	**2,320**	2,694
Recognised on tax losses	**1,437**	–
Provisions	**(5)**	–
Capital allowances	**1,488**	–
Exchange differences	**(467)**	(374)
Balance at end of year	**4,773**	2,320
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		
Capital allowances [(1)] on development assets	**3,378**	2,320
Tax losses	**1,400**	–
Balance at end of year	**4,778**	2,320
Deferred tax liabilities		
Provisions	**(5)**	–
Balance at end of year	**(5)**	–
Net deferred tax assets	**(4,773)**	–

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 $99 million (2015: $97 million) in respect of losses amounting to $207 million (2015: $158 million) and unredeemed capital expenditure of $134 million (2015: $176 million) that can be carried forward against future taxable income.

(1) The deferred tax asset recognised on capital allowances relates to a portion of the capital expenditure on the construction of the Vele plant. The deferred tax asset recognised on assessed losses relates to taxable losses for the Vele plant. The recognition of the asset is supported by the LOM model as future profits will be available to utilise the deferred tax asset.

	Year ended 30 June 2016	Year ended 30 June 2015
26. TRADE AND OTHER PAYABLES		
Trade payables	**956**	1,237
Accrued expenses	**1,333**	1,134
Other	**34**	348
	2,323	2,719

The average credit period is 30 days. Interest at the South African prime overdraft rate is charged on overdue creditors.

Notes to the consolidated **financial statement** continued

for the year ended 30 June 2016

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	**$'000**
27. ISSUED CAPITAL		
Fully paid ordinary shares		
1,927,001,328 (2015: 1,743,568,613) fully paid ordinary shares	**1,006,435**	992,374

Movements in fully paid ordinary shares	**Number**	$'000
At 30 June 2014	**1,048,368,613**	935,891
Issue of shares, net of issuance costs	**695,200,000**	56,483
At 30 June 2015	**1,743,568,613**	992,374
Issue of shares, net of issuance costs	**183,432,715**	14,061
At 30 Jun 2016	**1,927,001,328**	1,006,435

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

Share options granted

Share options granted under the Company's employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in note 30.

28. ACCUMULATED DEFICIT	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Accumulated deficit at the beginning of the financial year	**(718,081)**	(790,964)
Net loss attributed to Owners of the Company	**(23,445)**	(6,711)
Transferred from share based payment reserve	**5,123**	79,594
Accumulated deficit at the end of the financial year	**(736,403)**	(718,081)

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	**$'000**
29. RESERVES		
Capital profits reserve	**91**	91
Share based payment reserve	**2,248**	7,205
Foreign currency translation reserve	**(36,495)**	(7,609)
	(34,156)	(313)
Movements for the year can be reconciled as follows:		
Share-based payments reserve		
Opening balance	**7,205**	82,464
Share options issued during the year	**275**	4,335
Transfer from share based payment reserve	**(5,123)**	(79,594)
Share options cancelled	**(83)**	–
Closing balance	**2,274**	7,205
Foreign currency translation reserve		
Opening balance	**(7,609)**	52,263
Exchange differences on translating foreign operations	**(28,921)**	(59,872)
Closing balance	**(36,530)**	(7,609)

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.

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

30. SHARE-BASED PAYMENTS

EMPLOYEE SHARE OPTION PLAN

The Group maintains certain Employee Share Option Plans (ESOP's) for executives and senior employees of the Group as per the rules approved by shareholders on 30 November 2009. In accordance with the terms of the schemes, eligible 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, officers, lenders and equity funders of the Group outside the ESOP. 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 2016

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.

30. SHARE-BASED PAYMENTS continued

SHARE OPTIONS GRANTED TO DIRECTORS AND OFFICERS continued

The following share-based payment arrangements existed during the financial period ended 30 June 2016:

- 2,670,000 options were issued on 16 September 2011 to eligible employees of CoAL as part of the ESOP. The options issued are exercisable prior to 14 February 2017 and have an exercise price of A$1.40 or ZAR7.60. The options vest in equal tranches on 1 July 2012, 1 July 2013 and 1 July 2014. 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.
- 3,932,928 options were granted on 22 November 2013 to eligible employees of CoAL as part of the ESOP. The options are exercisable prior to 30 June 2017 and have an exercise price of ZAR1.75. Two thirds of the options vested immediately and the remaining third on 1 July 2014. 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 Company finalised an 18-month, ZAR210 million working capital facility from Investec Bank Limited during October 2013 and announced that it would issue 20,000,000 Options to Investec. The 20,000,000 shareholder approved options were issued on 30 January 2015 and have an exercise price of ZAR1.32 and expire on 21 October 2018. 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.
- 10,575,000 options were awarded to Mr Brown on his appointment as Chief Executive Officer and Executive Director of the Company. The options were approved by shareholders on 28 November 2014 and issued on 1 February 2015 under the ESOP vesting in three equal tranches of 3,525,000 options on 1 February 2015, 1 February 2016 and 1 February 2017 respectively. The Options will expire on 1 February 2019 and are otherwise subject to the terms of the ESOP. 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.
- On 27 November 2015, 1,000,000 options were awarded and vested to each of the five independent non-executive directors at a price of GBP0.055 per option. The options expire on 27 November 2018. 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.

There has been no alteration of the terms and conditions of the above share based payment arrangements since the grant date. 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
ESOP unlisted options	2,670,000	16/09/2011	14/02/2017	A$1.40/ZAR7.60	ZAR3.46	0.6 years
ESOP unlisted options	3,932,928	22/11/2013	30/06/2017	ZAR1.75	ZAR0.52	1.0 years
Investec options	20,000,000	30/01/2015	21/10/2018	ZAR1.32	ZAR0.75	2.3 years
ESOP unlisted options	3,525,000	28/11/2014	01/02/2019	ZAR1.20	ZAR0.15	2.6 years
ESOP unlisted options	3,525,000	28/11/2014	01/02/2019	ZAR1.32	ZAR0.14	2.6 years
ESOP unlisted options	3,525,000	28/11/2014	01/02/2019	ZAR1.40	ZAR0.12	2.6 years
Non-executive director options	5,000,000	27/11/2015	27/11/2018	GBP0.055	ZAR0.77	2.4 years
	42,177,928					

FAIR VALUE OF SHARE OPTIONS GRANTED DURING THE YEAR

The weighted average fair value of share options granted during the financial year is A$0.024 (2015: A$0.07). Options were priced using a binomial option pricing model and the Black-Scholes option pricing model was used to validate the price calculated. 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 calculated by Hoadley's volatility calculator for one, two and three year periods and a future estimated volatility level of 100% was used in the pricing model.

Inputs into the binomial option pricing model for the current financial year were as follows (validated using the Black-Scholes valuation model):

	NED grants [1]
Closing share price on issue date	AUD0.051
Exercise price	GBP0.055
Expected volatility	100%
Option life remaining	3.01 years
Dividend yield	0%
Risk free interest rate	2.09%

[1] *Options granted to non-executive directors.*

The total share based payment expense recognised in the current financial year is $0.1 million.

Inputs into the binomial option pricing model for the prior financial year were as follows (validated using the Black-Scholes valuation model):

	ESOP grants [1]	ESOP grants [1]	ESOP grants [1]	Investec grant [2]	TMM grant [3]
Closing share price on issue date	ZAR0.53	ZAR0.53	ZAR0.53	ZAR1.35	ZAR1.04
Exercise price	ZAR1.20	ZAR1.32	ZAR1.45	ZAR1.32	ZAR0.30
Expected volatility	55.0%	55.0%	55.0%	55.0%	80.0%
Option life remaining	4.2 years	4.2 years	4.2 years	5.0 years	1.0 years
Dividend yield	0%	0%	0%	0%	0%
Risk free interest rate	6.92%	6.92%	6.92%	6.64%	6.7%

[1] *Options granted to Mr D Brown under the ESOP in terms of his appointment as Chief Executive Officer.*
[2] *Options granted to Investec in terms of the working capital facility.*
[3] *Options granted to TMM in terms of the three stage equity raise process.*

	Year ended 30 June 2016	Year ended 30 June 2015
	Number	**Number**
Options outstanding at beginning of year	**85,993,989**	21,168,990
Options expired	**(47,441,061)**	(3,000,001)
Options cancelled	**(1,375,000)**	(2,750,000)
Options granted	**5,000,000**	70,575,000
Options outstanding at end of year	**42,177,928**	85,993,989
Weighted average exercise price (A$)	**0.08**	0.17
Options exercisable	**38,652,928**	78,943,989

Share options exercised during the year

No share options were exercised during the period.

Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of A$0.08 (2015: A$0.17) and a weighted average contractual life of 1.32 years (2015: 1.86 years).

30. SHARE-BASED PAYMENTS continued

PERFORMANCE RIGHTS PLAN

On 27 November 2015, 33,449,124 Performance Rights were issued to senior management. The Performance Right factors in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date, 30 November 2015, ending on 1 December 2018. The Performance Rights were valued using a hybrid employee share option pricing model to simulate the total shareholder return of CoAL at the expiry date using a Monte-Carlo model.

Inputs into the model for the current financial year were as follows:

Performance rights	
Spot 5 day VWAP	AUD0.047
Exercise price	Nil
Expiry date	1 December 2018
Performance period	3.01
Risk free interest rate	2.09%

The total share based payment expense recognised in relation to the performance rights in the current financial year is $0.1 million.

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
31. NON-CONTROLLING INTEREST		
Non-controlling interests comprise the following:		
Freewheel Trade and Invest 37 Proprietary Limited	**575**	575
	575	575
32. FINANCIAL INSTRUMENTS		
32.1 CAPITAL MANAGEMENT		
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.		
The capital structure of the Group consists of net debt (borrowings as detailed in note 23) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 27 to 29).		
The Group is not subject to any externally imposed capital requirements.		
The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group is above its target gearing ratio of 0% determined as the proportion of net debt to equity. During 2016 the gearing ratio was higher than the target range due to the loan agreement entered into with Yishun which is a short term arrangement in terms of the subscription agreement entered into with Yishun for the subscription of shares in CoAL.		
Debt [(1)]	**10,000**	–
Net debt	**10,000**	–
Equity [(2)]	**235,867**	273,980
Net debt to equity ratio	**0.04**	–

1. Debt is defined as long-term and short-term borrowings as described in note 23.
2. Equity includes all capital and reserves of the Group that are managed as capital.

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
32.2 CATEGORIES OF FINANCIAL INSTRUMENTS		
The accounting policies for financial instruments have been applied to the line items below:		
Financial assets		
Other receivables	**1,013**	1,746
Trade and other receivables	**666**	792
Cash and cash equivalents	**19,502**	17,759
Restricted cash	**249**	1,023
Other Financial Assets	**7,221**	3,879
Total financial assets	**28,651**	25,199
Financial liabilities		
Deferred consideration	**16,016**	18,687
Borrowings	**10,000**	–
Trade and other payables	**2,323**	2,719
Total financial liabilities	**28,339**	21,406

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 consolidated financial statements approximate their respective fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into 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 1 financial assets comprise deposits and listed securities (note 17).

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 2 financial assets comprise investments with investment firms. These investments serve as collateral for rehabilitation guarantees. The fair value has been determined by the investment firms' fund statement (note 17).

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.

There were no assets reclassified into / out of FVTPL during the year nor were any assets transferred between levels.

As at 30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	188	5,545	–	5,733
As at 30 June 2015	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	468	3,145	–	3,613

Notes to the consolidated **financial statement** continued

for the year ended 30 June 2016

32. FINANCIAL INSTRUMENTS continued

32.3 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Corporate Treasury function reports quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

32.4 MARKET RISK

Foreign exchange risk

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

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

The Group generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

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

	Held in ZAR	Held in GBP	Held in AUD	Held in USD	Total
Balances at 30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Other receivables	**1,013**	**–**	**–**	**–**	**1,013**
Trade and other receivables	**616**	**–**	**50**	**–**	**666**
Cash [(1)] and cash equivalents	**3,642**	**4,692**	**22**	**11,395**	**19,751**
Total financial assets	**5,271**	**4,692**	**72**	**11,395**	**21,430**
Financial liabilities					
Deferred consideration	–	–	–	16,016	16,016
Borrowings	–	–	–	10,000	10,000
Trade and other payables	1,199		1,124	–	2,323
Total financial liabilities	1,199	–	1,124	26,016	28,339
Balances at 30 June 2015					
Financial assets					
Other receivables	1,746	–	–	–	1,746
Trade and other receivables	701	–	91	–	792
Cash [(1)] and cash equivalents	13,698	597	44	4,443	18,782
Total financial assets	16,145	597	135	4,443	21,320
Financial liabilities					
Deferred consideration	–	–	–	18,687	18,687
Borrowings	–	–	–	–	–
Trade and other payables	1,462		1,257	–	2,719
Total financial liabilities	1,462	–	1,257	18,687	21,406

[1.] Cash includes restricted cash

Balances classified as held for sale are not included in the above tables, or discussed in the subsequent narrative.

The following table details the Group's sensitivity to a 10% increase and decrease in the US dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the US dollar strengthens 10% against the relevant currency. For a 10% weakening of the US dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	Year ended 30 June 2016	Year ended 30 June 2015
Impact on profit/(loss)	**$'000**	**$'000**
Judgements on reasonable possible movements		
USD/ZAR increase by 10%	**(2,345)**	(2,355)
USD/ZAR decrease by 10%	**2,345**	2,355

32.5 INTEREST RATE RISK MANAGEMENT

The Group's interest rate risk arises mainly from short-term borrowings, cash and bank balances and restricted cash. The Group has variable interest rate borrowings. Variable rate borrowings expose the Group to cash flow interest rate risk.

The Group has not entered into any agreements, such as hedging, to manage this risk.

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 2016	Year ended 30 June 2015
Impact on profit/(loss)	**$'000**	**$'000**
Judgements on reasonable possible movements		
Increase of 0.2% in LIBOR	**38**	40
Decrease of 0.2% in LIBOR	**(38)**	(40)
Increase of 1.0% in JIBAR	**188**	202
Decrease of 1.0% in JIBAR	**(188)**	(202)

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 short-term borrowings.

32.6 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.

At year end there is no significant concentration of credit risk represented in the cash and cash equivalents, restricted cash and trade accounts receivables balance. The Group manages its credit risk by predominantly dealing with counterparties with a positive credit rating.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Notes to the consolidated **financial statement** continued

for the year ended 30 June 2016

32. FINANCIAL INSTRUMENTS continued

32.7 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:

	United Kingdom	Australia	South Africa	Total
Balances at 30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents and restricted cash	**16,096**	**22**	**3,633**	**19,751**
	16,096	**22**	**3,633**	**19,751**
Balances at 30 June 2015				
Cash and cash equivalents and restricted cash	5,020	45	13,717	18,782
	5,020	45	13,717	18,782

The contractual maturities of the Group's financial liabilities at the reporting date were as follows:

	Less than 6 months	Between 6 – 12 months	Greater than 12 months	Total
Balances at 30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**
Deferred consideration	**5,250**	**10,766**	**–**	**16,016**
Borrowings [(1)]	**–**	**10,000**	**–**	**10,000**
Trade and other payables	**2,323**	**–**	**–**	**2,323**
	7,573	**20,766**	**–**	**28,339**
[1.] Not interest bearing				
Other receivables	**–**	**–**	**1,013**	**1,013**
Trade and other receivables	**666**	**–**	**–**	**666**
Cash and cash equivalents	**19,502**	**–**	**–**	**19,502**
Restricted cash	**249**	**–**	**–**	**249**
Other financial assets	**188**	**–**	**7,033**	**7,221**
	20,605	**–**	**8,046**	**28,651**
Balances at 30 June 2015				
Deferred consideration	2,600	665	15,422	18,687
Borrowings [(1)]	–	–	–	–
Trade and other payables	2,719	–	–	2,719
	5,319	665	15,422	21,406
[2.] Interest bearing at rates between 4 % and 10 %				
Other Receivables	1,746	–	–	1,746
Trade and Other Receivables	792	–	–	792
Cash and Cash Equivalent	17,759	–	–	17,759
Restricted Cash	1,023	–	–	1,023
Other financial assets	468	–	3,411	3,879
	21,788	–	3,411	25,199

	Note	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000

33. NOTES TO THE STATEMENT OF CASH FLOWS

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:

	Note	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Cash and bank balances	20	**19,523**	17,882
Reconciliation of loss before tax to net cash used in operations			
Loss before tax (continuing and discontinuing operations)		**(24,876)**	(6,711)
Add back:			
Depreciation		**351**	497
Amortisation		**848**	975
Impairment losses		**360**	–
Share-based payment		**193**	3,064
Re-valuation of investments		**76**	281
Write-off of inventory		**198**	847
Sundry income (non-cash)		**–**	(487)
Gain on revaluation of Deferred Consideration		**–**	(1,303)
Movement in provisions		**(181)**	368
Finance costs (net)		**849**	1,504
(Profit) on sale of assets		**(8)**	–
Foreign exchange (gains) / losses on operating activities		**9,568**	(14,504)
Changes in working capital			
Decrease in inventories		**8**	4
Decrease in trade and other receivables		**265**	1,282
(Decrease) / increase in trade and other payables		**(788)**	(935)
Cash used in operations		**(13,137)**	(15,121)

34. CONTINGENCIES AND COMMITMENTS

CONTINGENT LIABILITIES

The Group is currently involved in litigation as outlined below ($ amounts presented within have been computed using the exchange rate as of 30 June 2016 unless otherwise stated):

Ferret Mining & Environmental Services Proprietary Limited

During the prior financial year, Ferret's 26% shareholding in Mooiplaats Mining Limited was re-instated. Although they are not entitled to any assets or claims in the Mooiplaats group, they are entitled to receive ZAR15million (US$1.0 million) upon the successful disposal of the Mooiplaats Colliery.

Issue of Share Options to De Wet Schutte

In terms of his appointment as Chief Financial officer, Mr Schutte is entitled to receive 6,600,000 options in three equal tranches over a three year period (Year 1: 2,200,000 at ZAR 1, 20, Year 2: 2,200,000 at ZAR 1, 32, Year 3: 2,200,000 at ZAR 1, 45) These are granted in accordance with the Company's employee share option plan and are subject to shareholder approval.

Makhado Water Commitment

CoAL has agreed to acquire water allocation for the Makhado Project from water users situated near the proposed colliery and the Company has undertaken to increase supply assurance without impacting negatively on the water available for agriculture. The parties have in principle agreed to avoid endangering local agriculture by creating new water, primarily by reducing losses, improving distribution and countering leakages and evaporation. The creation of new water will be financed either through CoAL's funds, outside funding or a Public-Private-Partnership with one or more organs of State or other appropriate entities.

The overall objective is the co-existence of mining and agriculture and includes a feasibility study and the completion of projects identified in the study which will facilitate the creation of new water. In terms of the agreement, the Company will be required to pay a total of $7.9 million. The first payments of $1.8 million are due 90 and 180 days after the granting of the IWUL, a further $0.6 million is payable eight months after the IWUL is granted and the balance within five years of the granting.

Commitments

In addition to the commitments of the parent entity as disclosed under note 38, subsidiary companies have financial commitments in terms of the NOMR granted by the South African DMR. The commitments are based on the revenue generated by the colliery during the financial year, and/or quantities of coal sold by the colliery during the financial year.

There are no other significant contingent liabilities as at 30 June 2016.

35. RELATED PARTY DISCLOSURES

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below:

	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
Short-term employee benefits	1,223	1,289
Post-employment benefits	9	10
Termination benefits	–	–
Share-based payments	209	131
	1,441	1,430

The Group has not provided any of its key management personnel with loans.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

36. CONTROLLED ENTITIES

Particulars in relation to controlled entities.

	Country of incorporation	Year ended 30 June 2016	Year ended 30 June 2015
		%	%
Bakstaan Boerdery Proprietary Limited *	South Africa	**100**	100
Baobab Mining & Exploration Proprietary Limited**	South Africa	**100**	100
Chapudi Coal Proprietary Limited ***	South Africa	**74**	74
Coal of Africa Plc****	Jersey	**–**	–
Coal of Africa & ArcelorMittal Analytical Laboratories Proprietary Limited	South Africa	**50**	50
Cove Mining NL	Australia	**100**	100
Evoc Mining NL****	Australia	**–**	–
Freewheel Trade and Invest 37 Proprietary Limited	South Africa	**74**	74
Fumaria Property Holdings Proprietary Limited	South Africa	**100**	100
Golden Valley Services Proprietary Limited	Australia	**100**	100
Greenstone Gold Mines NL****	Australia	**–**	–
GVM Metals Administration (South Africa) Proprietary Limited	South Africa	**100**	100
Harrisia Investments Holdings Proprietary Limited	South Africa	**100**	100
Holfontein Investments Proprietary Limited	South Africa	**74**	74
Kwezi Mining Exploration Proprietary Limited ***	South Africa	**74**	74
Langcarel Proprietary Limited *****	South Africa	**74**	74
Limpopo Coal Company Proprietary Limited	South Africa	**100**	100
MbeuYahsu Proprietary Limited	South Africa	**74**	74
Mooiplaats Mining Limited	South Africa	**74**	74
Regulus Investment Holdings Proprietary Limited	South Africa	**100**	100
Silkwood Trading 14 Proprietary Limited	South Africa	**100**	100
Tshikunda Mining Proprietary Limited	South Africa	**60**	60
Tshipise Energy Investments Proprietary Limited	South Africa	**50**	50

* *Subsidiary company of Fumaria Property Holdings Proprietary Limited*
** *74% on completion of the Makhado Project BBBEE transactions*
*** *Subsidiary companies of MbeuYashu Proprietary Limited*
**** *Deregistered*
***** *Subsidiary company of Mooiplaats Mining Limited*

37. EVENTS AFTER THE REPORTING PERIOD

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

- The Company announced on 15 July 2016 that the recommended offer by CoAL for the entire issued and to be issued share capital of Universal had lapsed.

There have been no other events between 30 June 2016 and the date of this report which necessitate adjustment to the consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity and the consolidated statements of cash flows at that date.

38. PARENT ENTITY FINANCIAL INFORMATION

	Parent entity	
	Year ended 30 June 2016	Year ended 30 June 2015
	$'000	$'000
Summary financial information		
Non-current assets	**234,664**	270,405
Current assets	**16,553**	6,806
Total assets	**251,217**	277,211
Current liabilities	**14,775**	5,389
Total liabilities	**14,775**	5,389
Net assets	**236,442**	271,822
Shareholders' Equity		
Issued capital	**1,006,435**	992,374
Accumulated deficit	**(952,060)**	(887,836)
Reserves	**182,067**	167,284
	236,442	271,822
Loss for the year	**(64,224)**	(238,420)
Total comprehensive loss	**(64,224)**	(238,420)

Commitments

- Coal has subordinated all loans to subsidiary companies

Independent auditors report

to the members of Coal of Africa Limited

Deloitte.

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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 2016, the statement of profit or loss and other 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 75 to 126.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated 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 company'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 company'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.

Limited liability by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited.

Independent auditors report continued

to the members of Coal of Africa Limited

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 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in note 1.

EMPHASIS OF MATTER

Without modifying our opinion, we draw attention to note 1 in the consolidated financial report, which indicates that the consolidated entity incurred a net loss of $22.5 million and experienced net cash outflows from operating and investing activities of $16.7 million for the year ended 30 June 2016, and as of that date the consolidated entity's current liabilities exceeded its current assets by $9.6 million, excluding assets and liabilities classified as held for sale. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company and consolidated entity to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 64 to 72 of the Directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the Corporations Act 2001.

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants
Perth, 30 September 2016