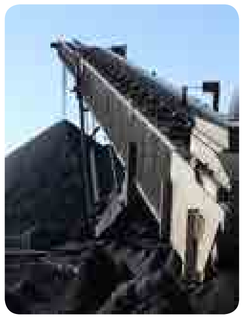
Integrated Annual Report

2015

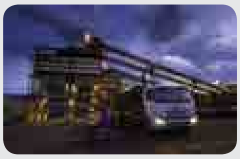


KeatonEnergy

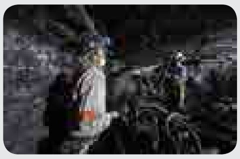
Keaton Energy Holdings Limited

Inside this year's report

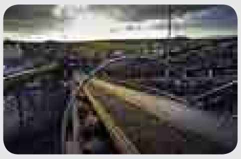
1 About this Integrated Annual Report



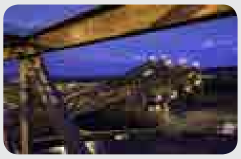
2 Group overview



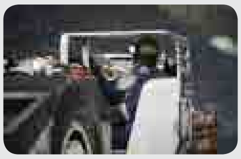
3 Leadership review



4 Operational review



5 Financial performance review



Investment case

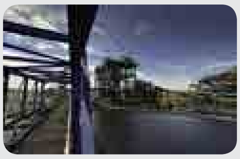
- Coal remains the major energy source for electricity production worldwide
- Long-life Vanggatfontein Colliery
- Development of long-life Moabsvelden
- Strong internal pipeline of projects
- Long-term off-take contracts for existing production
- Notable safety record
- Excellent labour relations record
- Strong balance sheet
- Healthy margins
- Strong management team
- Efficient and effective decision-making
- Ability to capitalise on high growth opportunities
- Agile and continually seeking new revenue streams

6 Our operating context

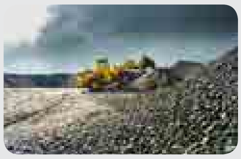
7 Governance

8 Group and company Annual Financial Statements

9 Shareholders' information



10 Administration and contact details



About this Integrated Annual Report

Scope and boundaries

Our 2015 Integrated Annual Report presents a concise, integrated overview of the financial, operational and ESG performance of the group for the year 1 April 2014 to 31 March 2015, and follows our Integrated Annual Report for the previous year published in August 2014.

The report covers the holding company, Keaton Energy, and all of its operations and subsidiaries as illustrated in the group structure on pages 12 and 13. There was no change to any measurement techniques nor were there any re-statements of previously reported information.

Reporting approach

In compiling the report we were guided by international and South African reporting guidelines including King III and the International Integrated Reporting Framework (issued in December 2013), as well as best practice. In addition, we comply with the disclosure requirements of South African legislation including the Companies Act, JSE Listings Requirements, and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee as well as with IFRS. The statement of Coal Resources and Coal Reserves has been prepared in compliance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code, 2009). The sustainability information has been compiled with reference to the GRI G4 guidelines based on a self-declared core compliance. The GRI index is available on the website at www.keatonenergy.co.za.

We have determined materiality based on the following criteria:

- issues that are critical to achieving our strategic objectives and therefore the sustainability of our business;
- key risks identified by our risk management process; and
- feedback from our key stakeholders.

Feedback on report

We welcome your feedback on this report. Please email your comments to investors@keatonenergy.co.za.

Key company data

Keaton Energy Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2006/011090/06
ISIN: ZAE000117420
JSE Main Board sector: Coal
Share code: KEH
Listing date: 2008
Shares in issue: 224 442 642 (at 31 March 2015)

The group's Executive Directors are Mandi Glad (CEO) and Jacques Rossouw (CFO). They can be contacted at the registered office of the company (see page 205).

The company's contact details are disclosed on page 205.

Obtaining your Keaton Energy reports

Download these in PDF format from:
www.keatonenergy.co.za
or request your printed copies from:
Keaton Energy Holdings Limited
Ground Floor, Eland House
The Braes, 3 Eaton Road, Bryanston, 2191
South Africa
Tel: +27 (0) 11 317 1700
Fax: +27 (0) 11 463 4759

Learn more about Keaton Energy
www.keatonenergy.co.za

Additional web information
This icon denotes additional information on a particular subject discussed in the Integrated Annual Report, that can be found on the website www.keatonenergy.co.za.

Sustainability theme discussed
This icon denotes a sustainability theme discussed in a particular section of the Integrated Annual Report.

The matters below have accordingly been determined as material, and we endeavour to discuss these in detail in this report:

Safety

Zero harm to our people is our number one priority. Detailed information regarding our safety programmes and statistics is provided on pages 34 to 36.

Labour

Our employees are a key enabler of our success and we operate in a volatile labour market which poses a considerable risk. Information regarding our management of the workforce in this context appears on pages 60 to 63.

Production

The majority of our coal production is sold to Eskom, with the balance being exported into the Brazilian iron ore pelletising market and sold locally into the domestic metallurgical industry. A new 32-Ash product market was developed and the product is currently being sold into the export metallurgical market. More details on our business model and production plans appear on pages 16 to 23.

Compliance ⊕

Mining in South Africa is subject to an array of legislative obligations, including compliance with the Mining Charter, health and safety, labour and environmental laws. Our compliance is addressed throughout this report as well as in supplementary information provided on www.keatonenergy.co.za.

Stakeholder engagement

Critical to maintaining the group's social licence to operate, we must identify, understand and respond appropriately to issues and concerns raised by a broad stakeholder base. More information regarding our stakeholder engagement activities is provided on page 80.

Environmental best practice

We operate in a high-impact industry and minimising our environmental impact is key to our operational integrity and sustainability. Details of our environmental impacts and our efforts to mitigate these are provided on pages 37 to 41.

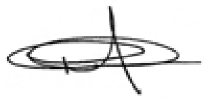
Management of Coal Resources and Coal Reserves ⊕

The Coal Resources and Coal Reserves which the company holds through its Mining and/or Prospecting Rights represent the foundation of our strategy and the reason for our continued existence. Understanding and managing this natural resource is fundamental to the long-term success of our collieries and our sustainable development strategy. Read more about our Coal Resources and Coal Reserves on pages 50 to 59 and in the full report on www.keatonenergy.co.za.

Assurance

Keaton Energy's external auditors, KPMG Inc., have independently audited the financial statements for the year ended 31 March 2015. Their unqualified audit report is set out on pages 106 and 107. The scope of their audit is limited to the information set out in the financial statements on pages 108 to 181.

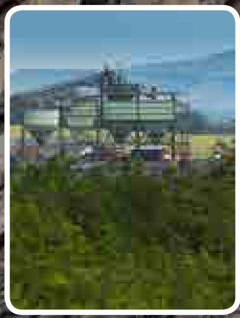
David Salter
Non-Executive Chairman



Mandi Glad
Chief Executive Officer

Jacques Rossouw
Chief Financial Officer

Group overview



Group overview

2

Keaton Energy is a leading South African junior coal miner, with a total coal resource of 390.1Mt and ROM Coal Reserve of 90.9Mt under management.

Salient features

Revenue up 5% to **R1.45 billion**

Cash generated from operations **up 29%** to **R536.9 million**

R83 million of debt repaid

HEPS of 0.4 cents per share down from **30.3 cents per share**

Total coal sales up **10%** to **2.85Mt**

Fatality at Vaalkrantz

Vaalkrantz impairment of **R56.5 million** and reversal of related DTA of **R35.9 million**

Significant coal theft and corruption discovered at Vaalkrantz

New management team at Vaalkrantz

MPRDA **section 102 Mining Right extension** received for Vaalkrantz

Introduced new product into the export metallurgical market from Vaalkrantz

Construction of the filter press plant at Vanggatfontein

Long-term off-take contracts for the majority of the group's existing production and new products

Zero labour unrest and strengthened relationships with organised labour

Conducted skills audit and identified skills gaps

Strengthened community relationships through advancement of formal dialogue platforms

Steady state operations at Vanggatfontein with consistent superior performance and cash generation

Integrated Water Use Licence for Vanggatfontein granted

Group overview

Who we are

Keaton Energy is a leading South African junior coal miner, with a total coal resource of 390.1Mt and ROM Coal Reserve of 90.9Mt under management.

Safety

- One fatality at Vaalkrantz
- 0.22 LTIFR (2014: 0.23) at Vaalkrantz
- 0.10 LTIFR (2014: 0.09) at Vanggatfontein

Labour force

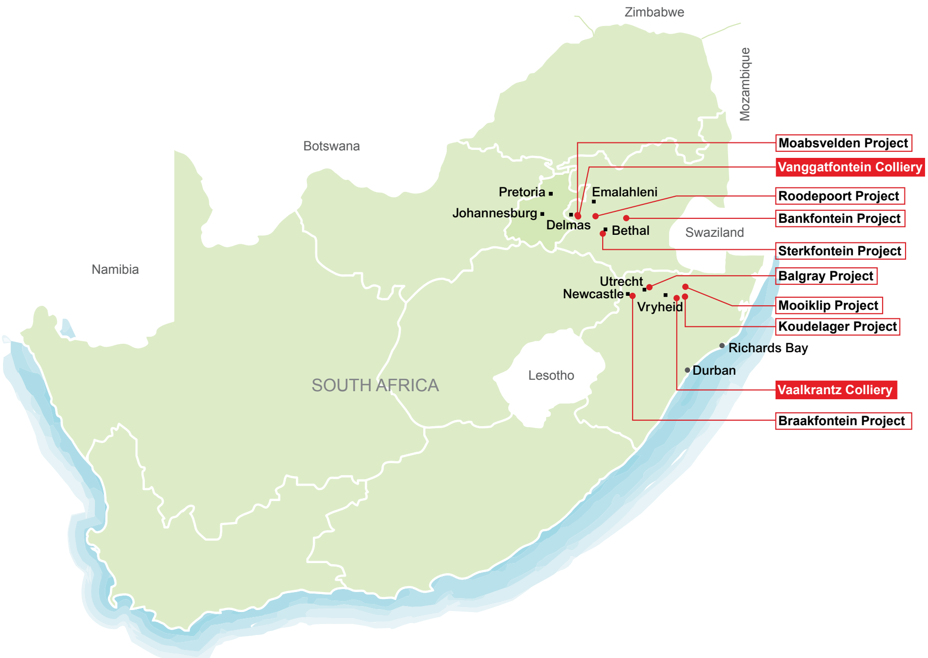
- 1 433 employees inclusive of contractors (FY14: 1 180)
- New management team at Vaalkrantz

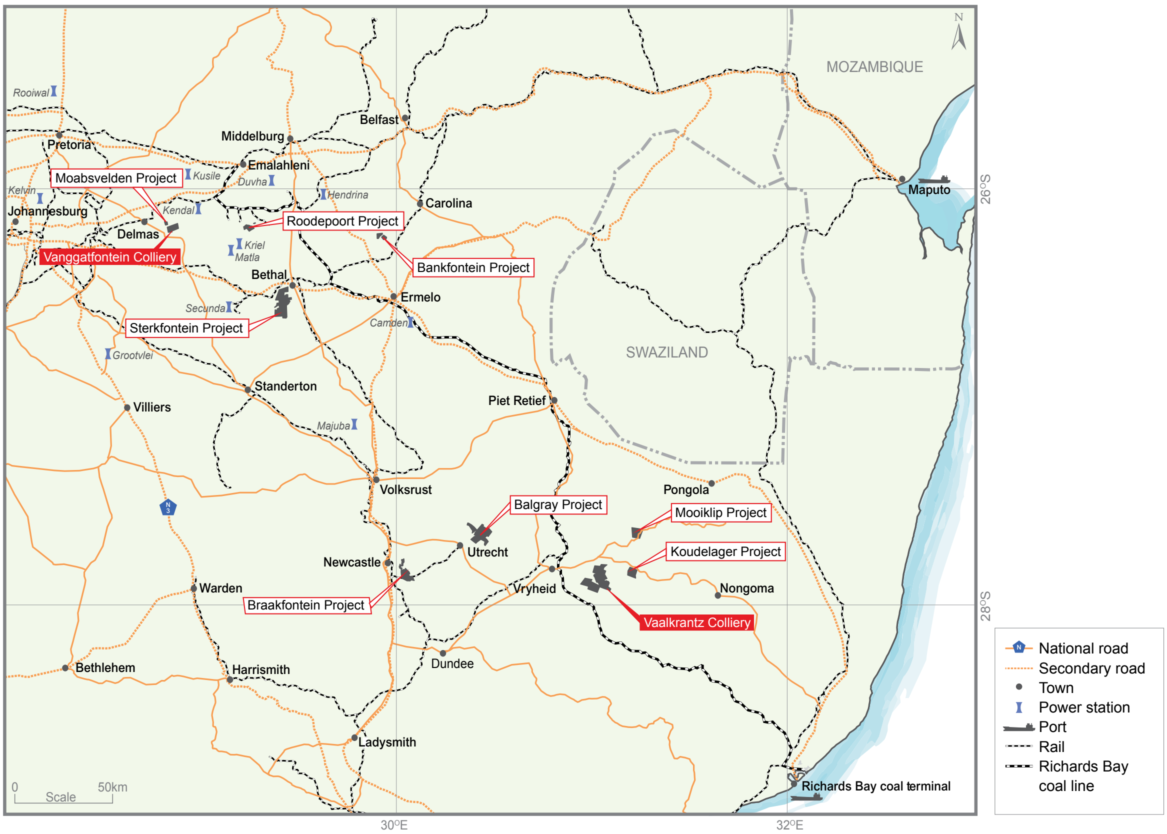
Production and sales volumes

- Total production for FY15 amounted to 2.85Mt (FY14: 2.59Mt)
- At Vanggatfontein – 2.45Mt (FY14: 2.29Mt)
  - Thermal coal production up 4% to 2.28Mt
  - 5-seam metallurgical coal production up 29% to 126 107t
  - B-grade coal production up 351% to 46 554t
- At Vaalkrantz – 0.4Mt (FY14: 0.30Mt)
  - Anthracite coal production including new 32-Ash anthracite up 30% to 395 450t.

Keaton Energy has two operating collieries. Vanggatfontein produces coal for supply to Eskom and metallurgical coal for domestic industrial consumers. Vaalkrantz produces anthracite for domestic and international industries. We employ a forward-thinking approach to ensure our sustainability, continually seeking new revenue streams, development projects and means to further increase LOM at our existing operations. We also look to capitalise on high growth opportunities to continue diversifying and mitigating our risk.

Geographical footprint





Key milestones

2006

Keaton Energy **established**

KeatonEnergy»
Keaton Energy Holdings Limited

2008

JSE

Keaton Energy listed on the Main Board, **JSE** in April

2009

163Mt Resource and **25.9Mt** Reserve declared at Vanggatfontein in May

2010

Earthworks at Vanggatfontein **commenced** in February

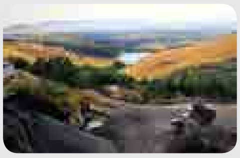
First **5-seam coal delivered** from Vanggatfontein in December

2011

First **Eskom coal produced** from Vanggatfontein in June

Acquisition of Leeuw Mining and Exploration concluded in December

2012



1 249% increase in revenue to **R474 million**

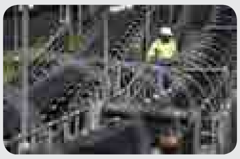
99% increase in ROM production to **560kt** at Vaalkrantz

2013

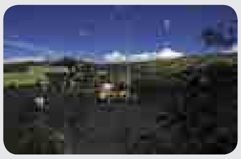
Zero LTIFR at Vanggatfontein

94% increase in revenue to **R919 million**

58% increase in Eskom sales to **1.5Mt**



2014



200% increase in HEPS to **30.3 cps**

49% increase in group revenue to **R1.4 billion**

Acquisition of Xceed Resources Limited concluded

R350 million financing facility concluded

2015

Operations

Vanggatfontein

The Vanggatfontein Colliery is located 16km south-east of Delmas in South Africa's Mpumalanga province.

Vaalkrantz

The Vaalkrantz Anthracite Colliery is located 20km east of Vryheid in South Africa's KwaZulu-Natal province and has been in production since 2003.

Projects

Moabsvelden
Braakfontein
Balgray
Koudelager
Sterkfontein
Mooiklip
Bankfontein
Roodepoort

5% increase in group revenue to **R1.45 billion**

Cash generated from operations **up 29% to R536.9 million**

Construction of **filter press plant** at Vanggatfontein

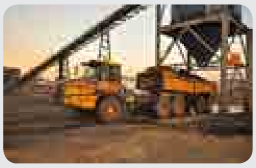
New 32-Ash anthracite product delivered to export market

R83 million of debt repaid

Implementation of **SAP ERP** across the group

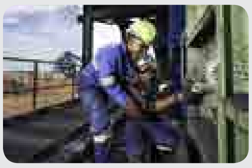
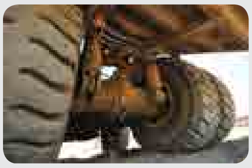
Corporate structure

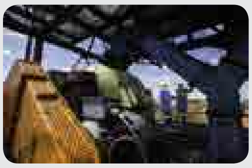
Keaton Energy Holdings Limited

	Keaton Administrative and Technical Services Proprietary Limited	Keaton Energy Holdings Limited **100%**		
	Keaton Mining Proprietary Limited	Keaton Energy Holdings Limited[1] **74%**	Rutendo Mining Proprietary Limited **26%**	*Colliery/ Projects:* **Vanggatfontein Sterkfontein**
	Xceed Resources Limited	Keaton Energy Holdings Limited **100%**		
	Labohlano Trading 46 Proprietary Limited	Keaton Energy Holdings Limited[1] **74%**	Moneybox Investments 156 Proprietary Limited **26%**	*Projects:* **Sterkfontein**
	Leeuw Mining and Exploration Proprietary Limited	Keaton Energy Holdings Limited[2] **74%**	JPI Leeuw and Associates Proprietary Limited **26%**	*Colliery/Projects:* **Vaalkrantz Koudelager Balgray**
	Amalahle Exploration Proprietary Limited	Keaton Energy Holdings Limited [1] **74%**	Camden Bay Investments 64 Proprietary Limited **26%**	*Projects:* **Mooiklip**

[1] *Refer to note 39 in the notes to the Financial Statements for a change in the ownership structure.*

[2] *Refer to notes 19.2 and 39 in the notes to the Financial Statements for a change in the ownership structure of Leeuw Mining and Exploration Proprietary Limited.*

	Ausco Services Proprietary Limited	Xceed Resources Limited **100%**
	Ausco Finance Proprietary Limited	Xceed Resources Limited **100%**
	Focus Coal Investments Proprietary Limited	Xceed Resources Limited **100%**

	Neosho Trading 86 Proprietary Limited	Focus Coal Investments Proprietary Limited **74%**	DL Sikhosana AP Sikhosana ME Dhladhla **26%**	*Projects:* **Moabsvelden**
	Richtrau No 377 Proprietary Limited	Focus Coal Investments Proprietary Limited **15%**	Humpfuna Mining and Exploration Proprietary Limited **85%**	*Projects:* **Roodepoort**
	Richtrau No 379 Proprietary Limited	Focus Coal Investments Proprietary Limited **15%**	Humpfuna Mining and Exploration Proprietary Limited **85%**	*Projects:* **Bankfontein**

	Leeuw Braakfontein Colliery Proprietary Limited	Leeuw Mining and Exploration Proprietary Limited **100%**	*Projects:* **Braakfontein**

Our assets in a snapshot – Operating collieries

Vanggatfontein Colliery

Ownership
Keaton Mining Proprietary Limited
(74% Keaton Energy, 26% Rutendo Mining Proprietary Limited).
Refer to note 39 in the notes to the Financial Statements for a change in the ownership structure of Keaton Mining Proprietary Limited.

Mining method
Opencast

Infrastructure
- A 100tph 5-seam coal washing plant producing duff, peas and nuts
- A 500tph coal washing plant producing domestic thermal coal for Eskom
- Change houses, offices, workshops, laboratory and clinic
- Pollution control facilities, twin-lined co-disposal facilities with related dirty water management systems
- Bulk water and power reticulation, extensive road infrastructure, stockpile areas, weighbridge facilities and access roads

Location
16km south-east of Delmas, Mpumalanga

Property, plant and equipment value at 31 March 2015
R707.5 million

Products
Thermal coal for Eskom and metallurgical coal for domestic industrial consumers

Employees
15 permanent, 478 contractors, 20 interns/graduates
(FY14: 14 permanent, 418 contractors)

LTIFR to 31 March 2015
0.10 (FY14: 0.09)

2015 sales (Mt)
2.5
FY14: 2.3

2015 sales (Rm)
1 181.1
FY14: 1 127.2

Coal Reserve	Coal Resource	Life of mine	Washing capacity	Permitting
49.2Mt (FY14: 57.2Mt)	119.3Mt (FY14: 145.6Mt)	20 years (FY14: 17 years+)	600tph DMS	Mining Right

Vaalkrantz Colliery

Ownership

Leeuw Mining and Exploration Proprietary Limited

(74% Keaton Energy, 26% JPI Leeuw and Associates Proprietary Limited). Refer to notes 19.2 and 39 in the notes to the Financial Statements for a change in the ownership structure of Leeuw Mining and Exploration Proprietary Limited.

Mining method

Underground

Infrastructure

- Two shaft complexes comprising four underground access portals
- A 110tph two-stage anthracite washing plant producing duff, peas and nuts
- Change houses, offices, workshops, laboratory and clinic
- Extensive fleet of underground mining equipment, related power and water reticulation, extensive road infrastructure, stockpile areas and weighbridges
- Railway siding

Location

20km east of Vryheid, KwaZulu-Natal

Property, plant and equipment value at 31 March 2015

R52 million

Products

Anthracite for domestic consumption and exports

Employees

52 permanent, 35 interns/learners/apprentices, 2 MQA fixed-term contracts, 794 contractors (FY14: 53 permanent, 669 contractors)

LTIFR to 31 March 2015

0.22 (FY14: 0.23)

2015 sales (Mt)

0.40
FY14: 0.30

2015 sales (Rm)

266.7
FY14: 245.4

Coal Reserve

2.0Mt
(FY14: 2.7Mt)

Coal Resource

11.5Mt
(FY14: 15.2Mt)

Life of mine

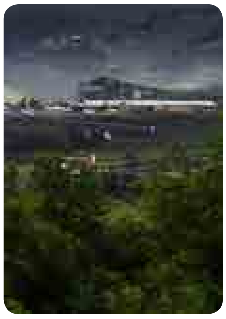
5 years
(FY14: 4 years+)

Washing capacity

110tph two-stage DMS

Permitting

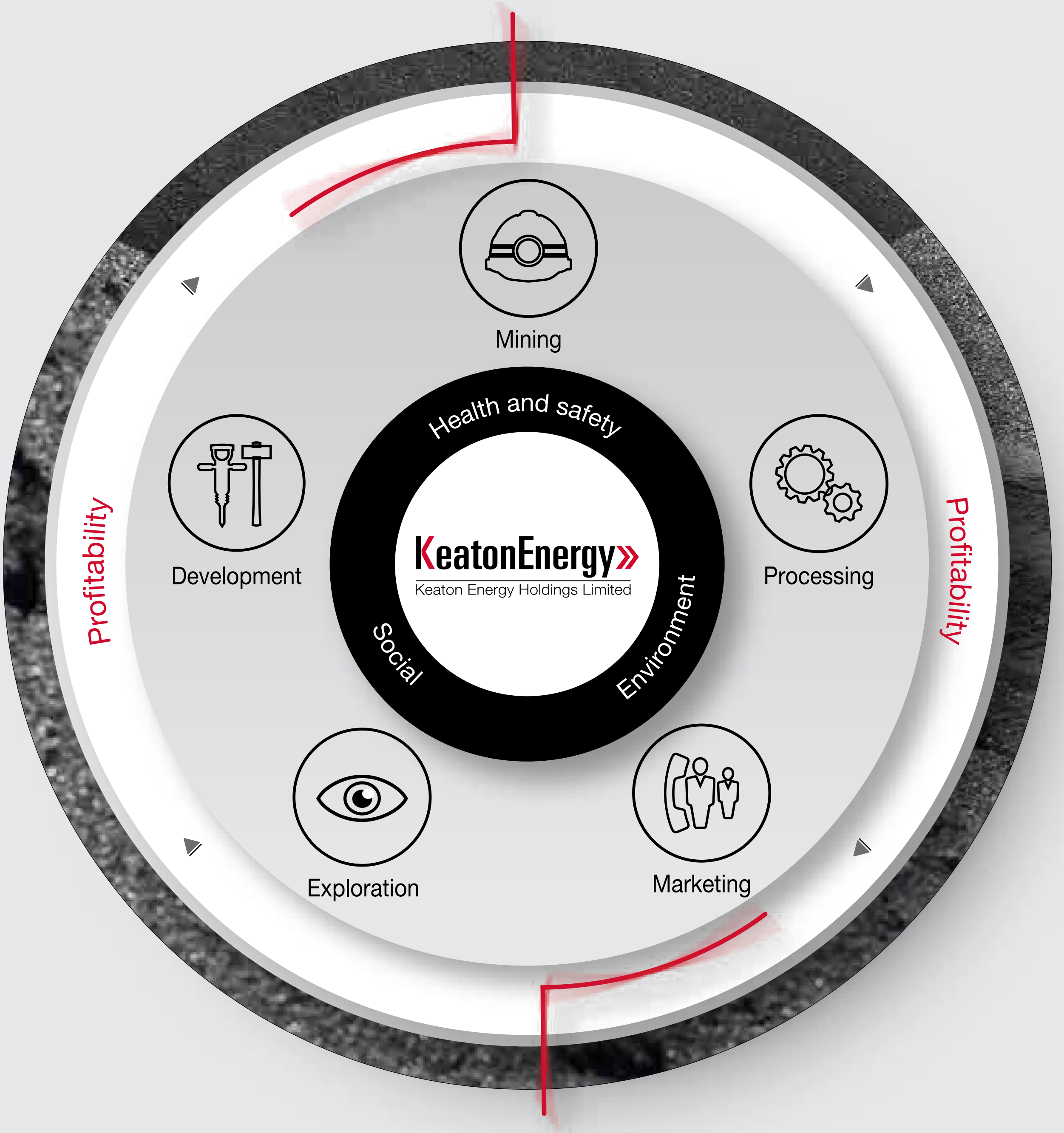
Mining Right



Strategy scorecard

Principles of our strategy

Our overriding strategic objective is to drive sustainable growth in a safe manner while creating an attractive investment case with steady returns for our shareholders. We are a South African-based company in the energy business, focused on thermal and metallurgical coal, with plans to enter the power generation market.



We aspire to be the leader in transformation, thus giving us a competitive edge within our market. We apply our strengths in operational efficiency, agility and stakeholder management to achieve our strategic objectives.

We manage each operating mine for optimal production, focusing on reducing unit cost per saleable tonne, developing our projects innovatively through available synergies that will optimise initial capital outlays while reducing ongoing operating costs. We support this with innovative thinking to generate alternative revenue streams through new saleable products into new markets by leveraging existing resources and infrastructure, or by offering underutilised capacity at our plants to other miners.

We prioritise sustainable operations by actively minimising our environmental impact and effect on surrounding communities and the safety and health risks to which our employees are exposed in the ordinary course of business. We search constantly for both resource replacement and growth opportunities to ensure longevity for our business.

See below our scorecard including these objectives:

Strategic objective	Progress in FY15	Focus in FY16
Optimising our resources and driving continuous improvement		
Optimise Vanggatfontein	• Optimisation ongoing • R394.3 million invested in ongoing mine development: stripping costs and opening of Pit 4 to create further mining flexibility • R34.8 million slurry filter press plant constructed, commissioned on schedule at end-June 2015 • Improved utilisation of available plant capacity	• Improve utilisation of available plant capacity • Expand slurry markets • Improve coal recovery • Surface Rights acquisition • Integration of Moabsvelden into the Vanggatfontein complex
Stabilise Vaalkrantz	• New management appointed • Comprehensive review of safety procedures concluded • Several other optimisation initiatives implemented • New saleable product introduced • MPRDA section 102 Mining Right extension granted and executed	• Establish and implement a new SHE management system at Vaalkrantz that is in line but not limited to the Risk Management Policy • Increase plant capacity to support production of our new high-ash export product • Complete underground development work and increase production face availability • Reduce cost per tonne • Continue efforts to develop reserve replacement projects
Bring Moabsvelden online	• Negotiations with Eskom Coal relating to CSA at an advanced stage. Eskom HDSA ownership requirement of 50% + 1 share is key to the conclusion of the CSA • Process for awarding IWUL well advanced • Negotiations relating to the acquisition of Surface Rights nearing conclusion • EMP amendment application submitted and in the final stages of review and approval • Integration plans constantly being refined to leverage off operational and management synergies	• Finalisation of Eskom CSA • Constant government liaison and consultation to facilitate and award approval of IWUL and amended EMP • Conclusion of surface rights acquisition • Finalise funding requirements • Commencement of box-cut development and processing plant construction • First product currently scheduled for the third quarter of the 2016 calendar year

Strategy scorecard continued

Strategic objective	Progress in FY15	Focus in FY16
Braakfontein	• Drilling to provide structural information of top and bottom coal seams in the opencast and underground interface completed • Geological model and resource estimate updated to incorporate all new drilling data • BFS commissioned • EMP amendment, NEMA and NWA applications and specialist studies initiated	• Conclusion of BFS • MPRDA, NEMA and NWA regulatory submission and approvals • Negotiation of Richards Bay and/or other port allocation • Negotiation of Eskom CSA for middling product
Balgray	• Negotiations around award of Mining Right well advanced with particular reference to ground and surface water impacts • Negotiations with surface rights owners, interested and affected parties concluded to provide access for confirmatory drilling programme • Application submitted for Mining Permit for the remining of historic discard dumps	• Conclusion of Mining Right application process and award of Mining Right • NEMA and NWA regulatory approvals • Commencement of confirmatory and in-fill drilling • Feasibility study for a standalone operation on Balgray
Koudelager	• Prospecting Right awarded over contiguous remaining extent property • Geological structural interpretation re-assessed and access options tabled	• Integration of new Prospecting Right into current geological model • Design of exploration programme, drilling and upgrade of coal resource on new Prospecting Right
Sterkfontein	• Full package of Prospecting Right renewals granted and executed • Options analysis commenced to establish the best development strategy for the project	• Call option granted to Moneybox Investments 156 Proprietary Limited to acquire the Sterkfontein Project as fully set out in note 39 (v) of the notes the Financial Statements
Mooiklip	• Preliminary exploration drilling concluded to assess whether the property will deliver an anthracite resource of economic quantity	• Determine whether the coal resource will justify a further phase of drilling with a view to conclude the acquisition of Mooiklip
Bankfontein	• No further technical work conducted • Preliminary discussions commenced with potential JV and/or consolidation partners	• Opportunity to consolidate Bankfontein and the broader Roodepoort farm into a single exploration tenement with critical mass is being pursued
Roodepoort	• No further technical work conducted • Preliminary discussions commenced with potential JV and/or consolidation partners	• Possible JV and/or consolidation opportunities are being pursued to add value to the existing coal resource

Strategic objective	Progress in FY15	Focus in FY16
Responsible and effective management of capital		
Cost containment	• Intensive cost and productivity focus • Production costs managed closely	• Increase Vaalkrantz production volumes and reduce unit cost per tonne • Consolidate mining contractors at Vaalkrantz to create production flexibility and reduce unit cost per tonne • Improve underutilised plant capacity at both operations
Creation of new revenue streams	• Expanded product ranges at both operations • Construction of filter press plant at Vanggatfontein to improve water utilisation and reduce the group's environmental footprint by eliminating wet slurry disposal on site	• Commission secondary wash plant at Vaalkrantz • Generate revenue from toll washing at underutilised plants • Commission filter press plant at Vanggatfontein • Expand slurry filter cake markets
Risk management	• Risk assessment workshop facilitated at both mines and at group level • Identification of a range of key risks across the company • Compilation of three risk registers	• Frequent feedback regarding risks identified • Elimination/mitigation of identified risks • Finalise risk registers and update mitigating controls • Implement and audit controls
Safeguarding our assets	• Implemented improved controls and IT systems to assist with safeguarding assets	• Continuous monitoring of the effectiveness of our preventive and detection controls • Build on a culture of zero tolerance
Creating a safe, enabling environment for our employees		
Safety	• Safety system at Vaalkrantz revised • Training reviewed • Development of safety improvement plans • Ongoing health surveillance	• Roll-out revised systems • Continuous monitoring of revised systems and controls
Human Resources	• Conducted independent audit of human resource policies • Continuous review of policies to ensure legal compliance • Identified critical path positions to drive succession planning and using innovative recruitment initiatives, improve employment equity to drive transformation • Market-related remuneration • Short and long-term incentive schemes • Appropriate policies and procedures governing all aspects of employment • Invested R6.4 million in skills development programmes	• Conduct human resource audits on a quarterly basis to ensure progress on identified non-conformances and tracking of initiatives

Strategy scorecard continued

Strategic objective	Progress in FY15	Focus in FY16
Mining responsibly		
Reduce our environmental impact	• Commissioning filter press plant at Vanggatfontein to improve raw water utilisation and reduce slurry disposal footprint • Managing and mitigating historical issues of environmental non-compliances at Vaalkrantz	• Continuing implementation of our concurrent rehabilitation plans • Implementation at Vaalkrantz of our proposed water management strategy once accepted and approved by DWS • Optimise the usage of the filter press plant at Vanggatfontein and the secondary wash plant at Vaalkrantz to ensure execution of strategies to reduce footprint • Ongoing tracking of Vaalkrantz and Moabsvelden environmental authorisation permitting issues and close-out thereof
Compliance	• Ensuring compliance with applicable legislation of all operations and development projects • Pursuing status of submitted applications for IWULs for Moabsvelden and Vaalkrantz	• Maintaining compliance with applicable legislation of all operations and development projects • Pursuing status of submitted applications for IWUL for Vaalkrantz and Moabsvelden
Meeting our social and labour responsibilities	• Active engagement with local communities • Areas requiring attention identified in the 2014 audit have been addressed or are in the process of being addressed. These are monitored accordingly and quarterly feedback is made to the Board • Introduced systems to facilitate compliance with SLP • Vaalkrantz indigent housing project (six houses) completed • Ezinyambe crèche revamp completed at Vaalkrantz • Agrihub project feasibility completed at Vanggatfontein • 19 houses completed as part of Vanggatfontein relocation project • Stand donated by the local municipality for the construction of the Community Skills Development Centre in Delmas • Vaalkrantz Ezinyambe water reticulation project completed	• Monitor progress and ensure regular feedback • Revitalise Future Forum structures and improve functionality • Roll out implementation of Agrihub project at Vanggatfontein • Roll out implementation of Community Skills Development Centre at Vanggatfontein • Roll out implementation of eco furniture factory at Vaalkrantz

Strategic objectives

1
Optimising our resources and driving continuous improvement

2
Responsible and effective management of capital

3
Creating a safe, enabling environment for our employees

4
Mining responsibly

5
Risk management

6
Compliance

7
Meeting our social and labour responsibilities

How we create value

Our business is built on a cost-efficient, target-driven, outsourced mining model. We operate on a “lean and mean” basis, with a small head office team supporting our decentralised mine management with specialist disciplines and administration. This management structure means we are adept at quick and effective decision-making. We focus on realising group-wide synergies wherever possible to enhance our efficiency and ensure our cost base is reduced.

What we put in

1

Financial	Human	Manufactured	Intellectual	Social	Natural
• Cash flow from operations • Working capital management • Capital investment in equipment, development projects and acquisition opportunities to support our growth model and optimise production and plant capacity • Borrowings targeted to reduce the group’s cost of capital • Market-related compensation and incentives • Efficient systems, controls and processes	• Effective, experienced and ethical leadership • hands-on executives • Skilled on-mine management and contractors • Productive workforce • Health, safety and wellness programmes • Skills development, learnerships and bursaries	• Operating collieries • Mine infrastructure • Processing capacity • Innovative technology to reduce environmental impact and produce new revenue streams	• Networks • Specialisation in building and operating mines • Rigorous service level agreements • Risk management • Reputation and brand management • Governance structures • Legislative compliance	• Mining and Prospecting Rights • Skills development, learnerships and bursaries • Zero-harm approach to safety • Transformation • Effective stakeholder engagement • Promotion of women in mining • SLP commitments and community projects	• Sizeable coal resources and reserves • Land • Water • Energy

4

Financial	Human	Manufactured	Intellectual	Social	Natural
• Able to fund our business and grow organically and acquisitively • Financial stability • Business sustainability • Tax contribution	• Effective leadership • Labour stability • Job creation • Safe working conditions • Effective skills retention strategy • Promotions based on training programmes and skills development	• Saleable product that generates revenue • Fully operating collieries • Increased production through organic growth and acquisitions	• Accurate information within the group • Improved productivity and efficiencies • Effective decision-making	• Inflow of employee earnings • Investment in community infrastructure and skills development centres	• Power for South Africans • Contained depletion of resources • Controlled environmental impact from emissions, water use and land use

How we impact our world

Our vision

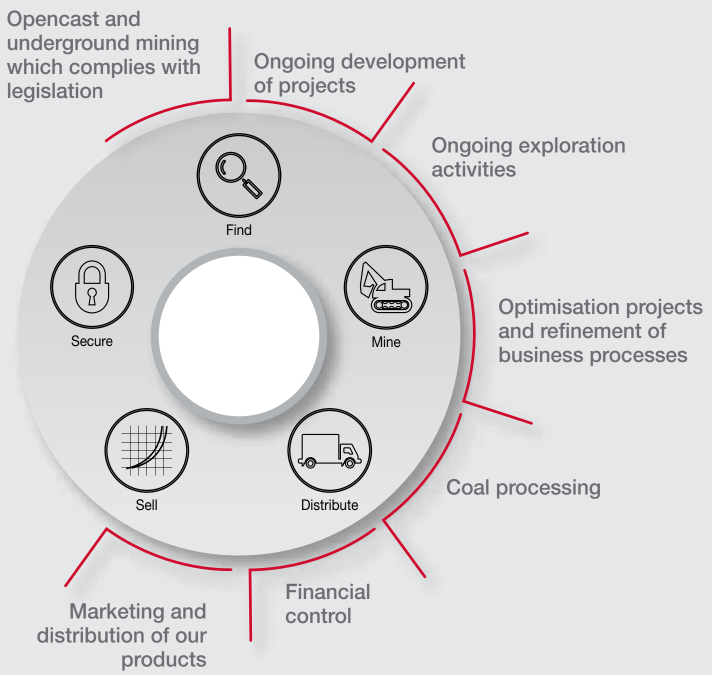
To grow a safe and sustainable coal mining business that serves the best interests of all our stakeholders.

Our values

Safety, responsibility, authenticity, respect, delivery, accountability, relationships and team work.

2

What we do (Business model)



3

What we produce (Outputs)

The key outputs of the Keaton Energy business model are as follows:

Products

- Anthracite
- Eskom thermal coal
- Domestic thermal coal
- Metallurgical coal
- Coal fines and discard products

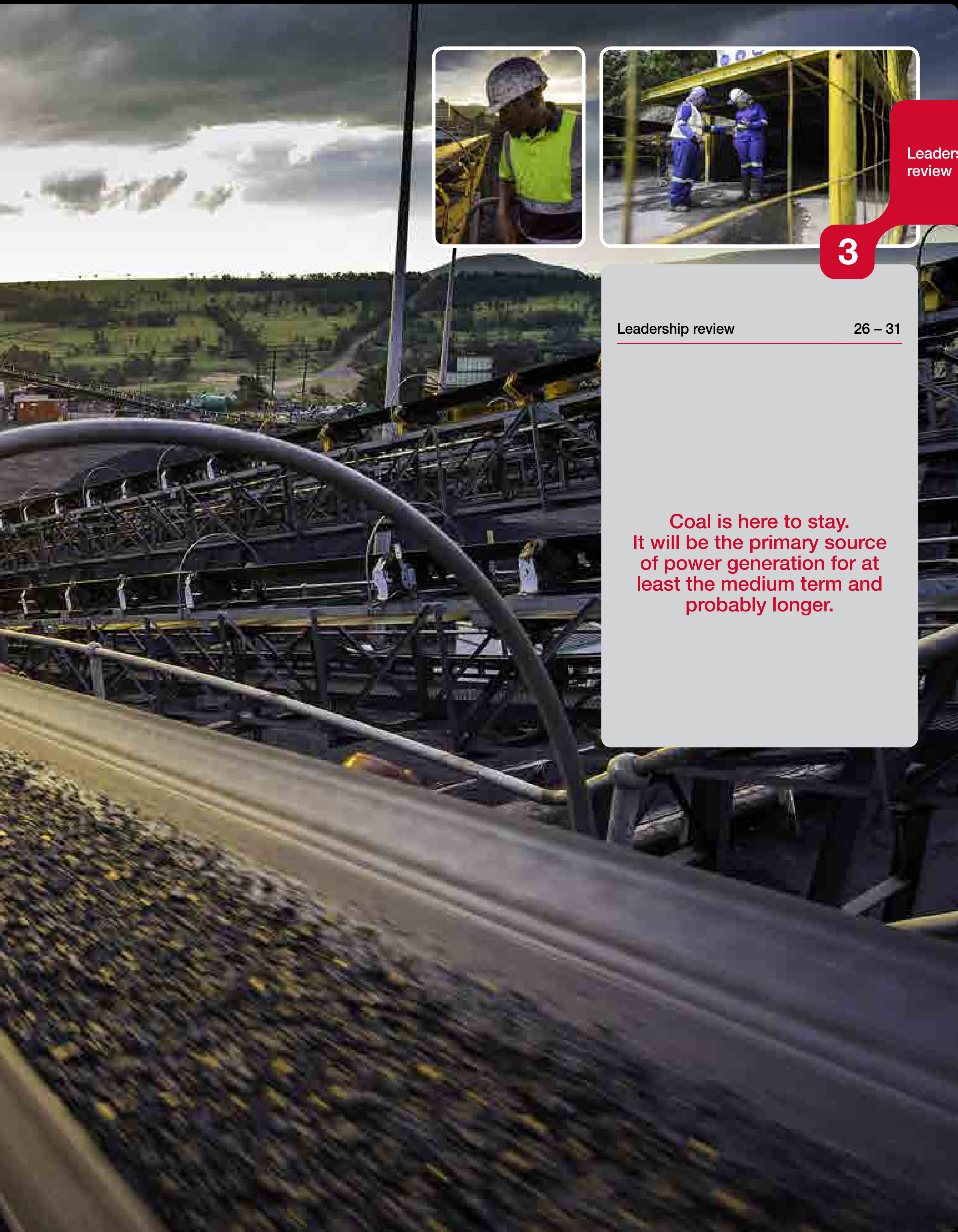
Services

- Processing capacity
- Trading

Waste

- Waste water
- Coarse discard
- Fine coal slurry
- Emissions

Leadership review



Coal is here to stay.
It will be the primary source of power generation for at least the medium term and probably longer.

Leadership review

David Salter
Non-Executive Chairman

Mandi Glad
Chief Executive Officer

Jacques Rossouw
Chief Financial Officer

Letter to shareholders from CEO Mandi Glad, CFO Jacques Rossouw and Chairman David Salter.

Dear shareholders,

We ended last year stating confidently: "This year Keaton Energy delivered on its promises. We are safe, we are profitable. We are growing towards 5Mtpa of saleable coal. Vanggatfontein, our long-life openpit colliery has reached steady state, while production at Vaalkrantz has stabilised in the face of difficult mining conditions and labour issues".

Unfortunately, the 2015 financial year did not continue this trend. A solid first half of the year was marred by a fatality and the discovery of significant coal theft and corruption at the group's Vaalkrantz Colliery during the last quarter of the year. Although results from our long-life, thermal coal Vanggatfontein Colliery were as forecast for the full year, the group's results were considerably below plan. Management has acted quickly to restructure, re-evaluate and optimise operations at Vaalkrantz.

Safety

Zero harm remains a key focus for the group and safety is of paramount importance. Regrettably, a fatality occurred at Vaalkrantz Colliery in February 2015 as reported previously, when Mr Sihle Petros Xulu lost his life in an isolated fall of ground. We again extend our heartfelt condolences to the family, friends and colleagues of Mr Xulu. A full investigation was conducted into the accident and, based on the findings, the entire safety system at Vaalkrantz was redesigned and our focus on safety was reinforced. The lost-time injury frequency rate (per 200 000 hours worked) was 0.10 at Vanggatfontein (2014: 0.09) and 0.22 at Vaalkrantz (2014: 0.23).

Operational overview

Our two collieries, Vanggatfontein and Vaalkrantz, produce thermal coal for supply to Eskom as well as a range of specialist coals for the domestic and export metallurgical industries, namely: 5-seam coal and premium anthracite for domestic metallurgical customers; B-grade coal for domestic customers; and anthracite exported to Brazil through off-take partner Glencore.

Vanggatfontein

Vanggatfontein continued to achieve its targets while retaining its good safety record. The colliery delivered 2 278 761 tonnes of washed 2 and 4-seam thermal coal to Eskom, up 4% on the previous year's 2 192 519 tonnes, and 5-seam metallurgical coal sales increased 29% to 126 107 tonnes from 97 635 tonnes. Discard and slurry sales were negligible as the materials were used for on-site activities, whereas in 2014 discard and slurry sales totalled 844 334 tonnes. No third party toll washing took place during the year due to full utilisation of the dedicated 5-seam plant for our own coal. B-grade coal sales of 46 554 tonnes were achieved (2014: 10 328 tonnes) as the product gained market acceptance.

Vaalkrantz

The colliery suffered a tough year. The fatality and consequent disruption of production impacted performance. Further, R24.7 million of product stock losses were identified in the last quarter of the financial year, which was deeply disappointing. We took decisive action and initiated a thorough investigation by multiple agencies who not only confirmed the loss, but also a variety of other corrupt practices at the colliery. Collusion between our employees and external contractors has cost us dearly, notwithstanding production of anthracite coal being up 30% to 395 450 tonnes, including the newly introduced high-ash product.

"Vanggatfontein is expected to maintain its performance with a steady supply to Eskom in terms of the secure medium to long-term contract. We believe we have implemented all the necessary changes at Vaalkrantz and are optimistic that the new management team and systems will help improve performance. We are confident of our long-term prospects, underpinned by the growth potential in the coal industry over the next decade and beyond." Mandi Glad (CEO)

A new management team is in place at the colliery and is making progress towards overcoming the losses of the last year. A full review of all aspects of the Vaalkrantz business resulted in an impairment charge of R56.5 million and a related deferred tax asset reversal of R35.9 million.

Vaalkrantz faces an uncertain future. We continue to seek viable options for keeping the colliery open in the face of difficult mining conditions and falling export prices and demand. It is unclear if we will be successful.

Projects

Moabsvelden remains our short-term growth priority. The initiation of construction of this expansion to Vanggatfontein awaits the grant of its integrated water use IWUL and the conclusion of a CSA with Eskom.

Subsequent to the year-end the company and Keaton Mining Proprietary Limited granted a call option to Moneybox Investments 156 Proprietary Limited to acquire the Sterkfontein project as fully set out in note 39 (v) of the notes to the Financial Statements.

The future of coal

Coal is here to stay. Notwithstanding the overblown claims of the anti-coal lobby brigade, coal will be the primary source of power generation for at least the medium term and probably longer. Keaton Energy is positioned to be part of this as a South African-focused coal and energy company.

BEE

Keaton Energy was one of the first mining companies listed on the JSE that was fully empowered from inception, albeit at project level. With a changing business and empowerment landscape, we embarked on a restructuring of the BEE holdings during the year such that most of our partners will be shareholders in the listed vehicle. This was achieved by entering into a sales agreement with Camden Bay Investments 64 Proprietary Limited and JPI Leeuw and Associates Proprietary Limited, and share exchange agreements with Moneybox Investments 156 Proprietary Limited and Rutendo Mining Proprietary Limited subsequent to year-end. Details of these agreements are disclosed in notes 19 and 39 of the notes to the Financial Statements.

Thus, we will be fully empowered at the holding company level, with a simplified structure and cash flow distribution that is more appropriate for taking advantage of opportunities within the industry.

Group financial performance

FY15 has seen the group maintain its consistent steady-state performance at Vanggatfontein with outstanding cash generation, achieving EBITDA of R626.9 million. Cash generated from this operation has been utilised responsibly to reduce long-term debt levels, reinvested in continuous development to expose coal and applied towards the payment of dividends to its shareholders. The operation has largely been derisked and it is expected that this performance will continue for years to come.

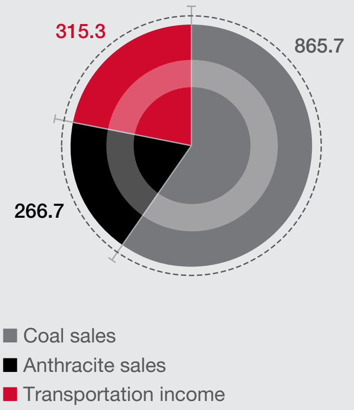
At Vaalkrantz the group faced immense challenges in FY15 as a result of continuous difficult mining and geological conditions, the fatality, and stock losses as a result of theft and collusion. As a result, a critical review was done of the reserve and an updated mine plan resulted in an impairment charge of R56.5 million for the year. It is expected that the new Enyati Alfred development section will be completed in October 2015, which will increase production levels.

Leadership review continued

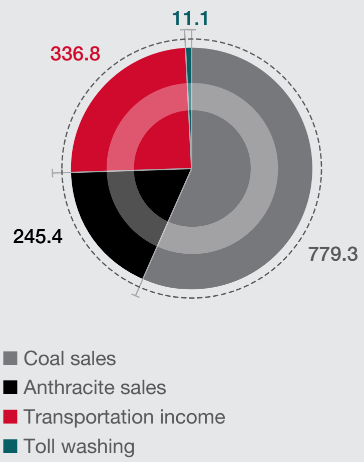
The group's net debt levels decreased for the year as a result of debt repayments of R83 million and cash generated by operations, which was up 29% from R416.9 million in FY14 to R536.9 million in FY15. The net debt-to-equity ratio pleasingly improved from 35% in FY14 to 34% in FY15, a level we are comfortable with. It is expected that this ratio will temporarily increase in the near future as we seek appropriate funding for the development of Moabsvelden.

Group liquidity remained in line with that of FY14. Credit risk remains a high focus area in the group and is monitored continuously in line with approved credit policies. No significant risk was identified in year-end customer balances and all our customers pay within the allowed credit days. Trade payables at 31 March 2015 still include approximately R42 million relating to the Megacube litigation matter. A counter claim far exceeding this amount was submitted and it is expected that this matter will conclude in FY17.

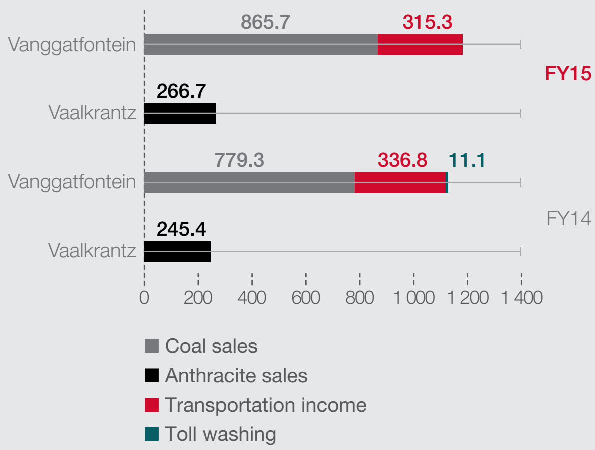
Revenue FY15 (Rm)



Revenue FY14 (Rm)

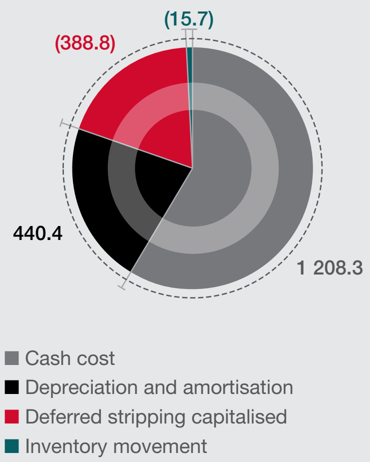


Segmental revenue (Rm)

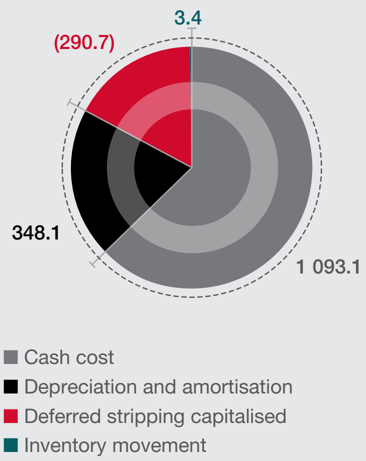


Group revenue increased by 5% to R1.45 billion from R1.37 billion in the previous year due to increased sales volumes at both Vanggatfontein and Vaalkrantz. The increase in sales volumes at Vaalkrantz mainly related to the introduction of a new high ash product which is sold into the export market. A four-year off-take agreement was secured for this product. Gross profit achieved for the year was R203.5 million or 14% of revenue, down slightly compared to R218.7 million for FY14 as a result of the rehandle of approximately 600 000 BCM of dump material which will provide further mining flexibility and access to additional coal reserves. The impact of this once-off event was R12 million.

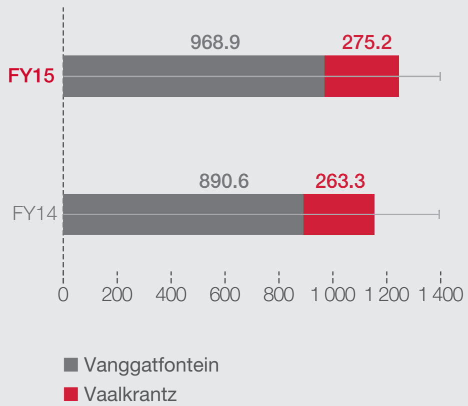
Cost of sales FY15 (Rm)



Cost of sales FY14 (Rm)



Segmental cost of sales (Rm)

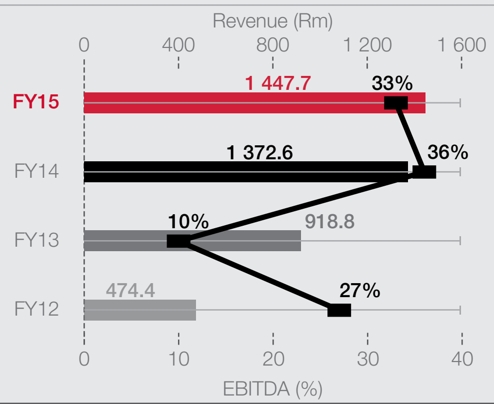


Cash cost increased by 11% from R1 093.1 million in FY14 to R1 208.3 million in FY15 as a result of an increase in both coal volumes and waste volumes at Vanggatfontein as well as the once-off rehandle of dump material discussed above. The additional volumes resulted in a 5% increase in cash cost with the remaining 6% relating to inflationary increases afforded to our suppliers, which again illustrates that our focus remains on cost containment.

Other income increased from R13 million in FY14 to R19.9 million in FY15 as a result of a gain realised on the settlement of the DRA matter.

Mining and related expenses increased from R11.5 million in FY14 to R126.4 million in FY15. The increase mainly relates to the impairment recognised at Vaalkrantz of R56.5 million, the provision raised for coal losses as a result of theft at Vaalkrantz of R24.7 million, incremental salary-related expenses of R11.8 million as a result of production and head office bonuses in line with the group's incentive policy, and incremental SLP spend of R8.3 million as part of an agreed catch-up plan with the DMR at both operations.

EBITDA



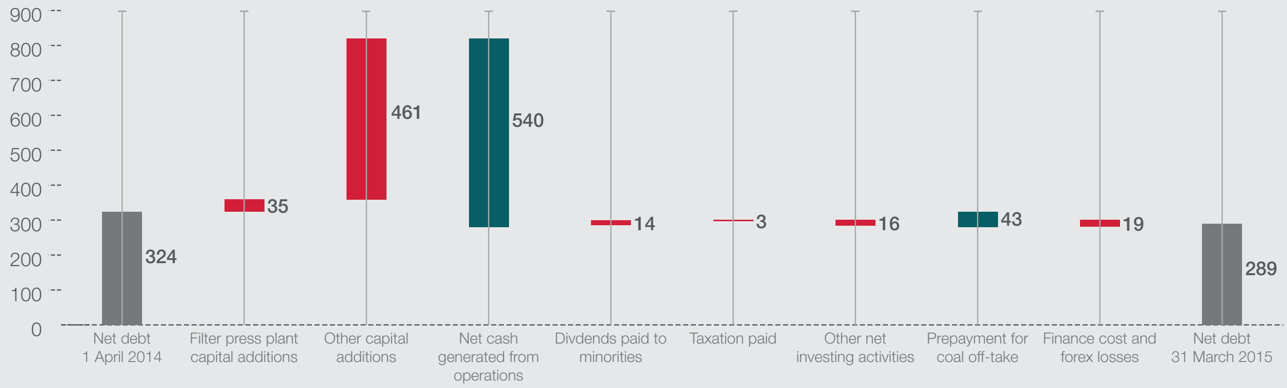
Vanggatfontein achieved an EBITDA of R626.9 million in FY15 compared to R545.1 million in FY14, an increase of 15%. Vaalkrantz EBITDA decreased from R2.1 million in FY14 to a loss of R88.8 million in FY15 as a result of the impairment and stock losses discussed above.

Income taxation expense increased year on year as a result of the reversal of previously recognised deferred tax assets relating to Vaalkrantz of R35.9 million as a result of the impairment assessment.

Net loss for the year was R71.9 million compared to a net profit of R64.4 million in FY14 as a result of the once-off charges referred to above. Consequently headline earnings per share declined to 0.4 cents per share from 30.3 cents per share. On a normalised basis headline earnings per share equates to 18.1 cents per share for the year ignoring the impact of the stock losses at Vaalkrantz and the reversal of the deferred taxation asset relating to the impairment at Vaalkrantz.

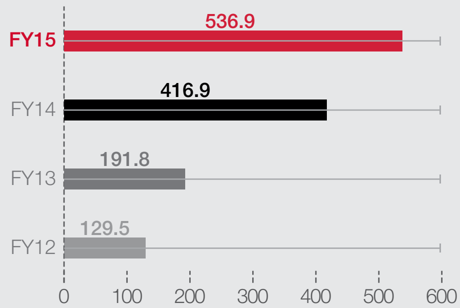
Leadership review continued

Group net debt (Rm)



Group net debt (borrowings less cash and cash equivalents) decreased from R324 million at 31 March 2014 to R289 million at 31 March 2015. The decrease is a result of a decrease in interest-bearing borrowings from R393.6 million to R361.1 million mainly as a result of debt repayments to the value of R83 million, R72.7 million of which relates to the Investec term loan. The reduction in debt was offset by an increase in cash and cash equivalent of R3 million year-on-year.

Cash generated from operations (Rm)



Cash generated by operations after working capital requirements and net finance cost but before taxation paid was R540.1 million compared to R419.7 million in FY14. This was offset by capital investment of R461 million and debt repayments as described previously.

The majority of capital development, R431 million, was spent at Vanggatfontein primarily on ongoing mine development relating to stripping costs. Capital investment at Vaalkrantz totalled R19.5 million mainly relating to the development of the new Enyati Alfred section.

A more detailed analysis of the group's financial performance is set out on pages 70 to 75 and 100 to 181. A five-year review of the group's results and key performance ratios are provided on page 76.

Governance

Keaton Energy applies the corporate governance requirements of the latest Companies Act and the King III regulations instituted by the JSE. In addition, we also adopted the JSE's recommendation to publish integrated and sustainability reports annually in line with the international IIRC and GRI reporting standards. However, these annual reporting and assurance requirements continue to demand excessive management time, cost and effort, which is absolutely ludicrous for a company of our size. It is hoped that the in-progress King IV regulations will have a more realistic, useful and business-focused flavour and not just a vehicle to provide billable hours for auditors and consultants.

We have, for some years, believed that only a handful of people read our annual reports. It remains a sore point among the Keaton leadership that so much effort and cost is expended for so little return.

Directorate

Gunvor SA, the group's largest shareholder, changed its nominated directors during the year. Dirk Jonker resigned on 1 July 2014 and Meindert Witteveen, Head of Coal and Iron Ore at Gunvor SA, was appointed as a non-executive director with effect from 5 September 2014. The Board thanks Mr Jonker for his contribution over the past three years. Post year-end, Jeroen Schurink resigned with effect from 30 June 2015 and Mr Hoang Gia Mai, Gunvor SA's Chief Investment Officer, we appointed as a non-executive director effective 1 July 2015. The Board thanks Mr Schurink for his contribution to the company.

Outlook

Vanggatfontein is expected to maintain its consistent performance, both operationally and financially, delivering into its long-term contract with Eskom and also providing the local market with high-grade metallurgical and B-grade coal.

At Moabsvelden we are addressing regulatory requirements and expect these to be resolved in the near future. Off-take negotiations with Eskom are progressing well and we are confident of securing appropriate funding for the project.

We will continue to seek viable options at Vaalkrantz, though success is not guaranteed.

We look forward to a better year in 2016.

David Salter
Non-Executive Chairman

Mandi Glad
Chief Executive Officer

Jacques Rossouw
Chief Financial Officer

16 September 2015

Operational review

Operational review

4

Keaton Energy has two operating collieries. Vanggatfontein produces coal for supply to Eskom and metallurgical coal for domestic industrial consumers. Vaalkrantz produces anthracite for domestic and international industries.

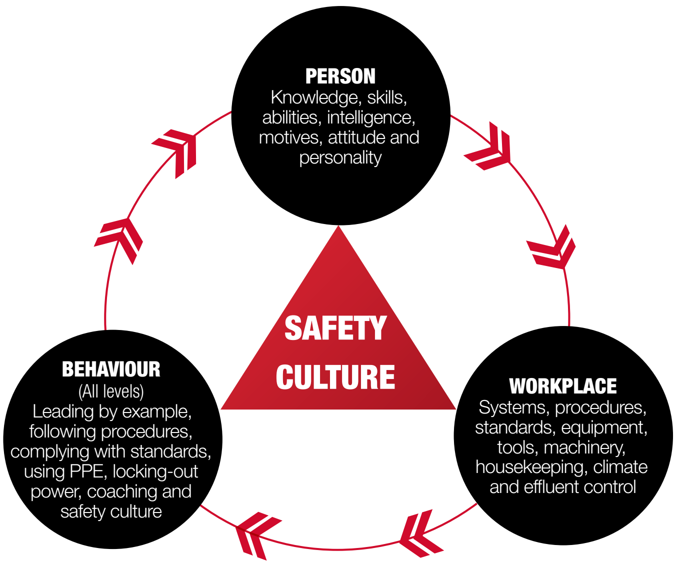
Safety and health

We regret that during the year we recorded our first fatality within the group.

Mr Sihle Petros Xulu, a general worker employed by Thata Dark Drill Enterprises at Vaalkrantz, was fatally injured in an isolated fall of ground during the night shift on 4 February 2015. No other persons were injured. The Board and Management again extend their sincere condolences to Mr Xulu's family, friends and colleagues.

Our approach

Our target is zero fatalities, zero injuries, zero harm.



Our people have the right to work in a safe and healthy environment, therefore we are committed to conducting operations within the spirit and detail of the MHSA and the OHSA.

The Board monitors Keaton Energy's safety and health performance through the SHE Committee, which meets at least quarterly. This committee is chaired by Dr David Salter and its members include Gerard Kemp and Mandi Glad.

Responsibility for health and safety is driven from the top down and is viewed to be everyone's responsibility. On-site, the SHE Manager, Mine Manager and all employees are responsible for health and safety.

Management of safety and health

Formal health and safety committees are in place at all operations. These committees meet regularly to discuss pertinent safety issues and risks observed during the previous shift, day, week and month. This ensures operational teams effectively communicate any safety issues and risks as well as providing ongoing assessment of our safety performance. Every incident and accident is investigated by the SHE and Mine Managers at mine level. The findings from these investigations are reported to the group EXCO, the SHE Committee, the Board and to the DMR as specified in the MHSA, subsection 11.5.

Each mine tracks its respective adherence to standards and legislation, and progress to zero harm, through self-assessments and head office and external audits. Key progress milestones include visible felt leadership, which we consider to be a key driver of safety excellence, effective HIRAs and PTOs specifically focussed on the elimination of repeat incidents.

We have also developed and implemented a COP for each site drawn up in accordance with DMR 16/3/2/1-A5 Guideline issued by the Chief Inspector of Mines, detailing how to identify, prepare for and respond to all emergency situations affecting employees and surrounding communities, for instance fire, flood and bomb threats. Our operations have drawn up and implemented all the mandatory COPs as required and listed by the DMR. These COPs are revised and updated every two years or when required as specified in the MHSA.

In January 2014 we launched a safety recognition award for teams reaching their safe day targets. The award also recognises year-on-year safety improvements in LTIFR and reinforces safety behaviour. This immediate and public recognition of safety achievements reinforces our credo that "safety is the responsibility of all".

All of our workforce is represented in formal joint management-worker forums, a 25% increase on the previous year.

Safety performance

	Vanggatfontein		Vaalkrantz	
	2015	2014	**2015**	2014
Fatality-free man hours	**5 673 673**	4 549 624	**286 893**	65 582 129
Fatality-free shifts	**3 563 978**	2 570 455	**31 034**	7 282 255
Lost-time injuries	**3**	2	**2**	5
LTIFR per 200 000 man hours worked	**0.10**	0.09	**0.22**	0.23
Medicals conducted	**1 982**	1 046	**524**	1 334
Cases of occupational health disease	**0**	1	**2**	13

Vaalkrantz

Following the fatality at Vaalkrantz, all underground operations were suspended and a full investigation into the accident was launched. The fatal accident was reported to representative unions and to the DMR who conducted a safety audit.

Based on the findings, the entire safety system at Vaalkrantz was revised and key points addressed. A baseline risk assessment was completed during April 2015 and the top 10 major hazards at Vaalkrantz were redefined based on the outcome. An issue-based risk assessment was undertaken for each hazard identified. Our induction programme was realigned with the revised baseline risk assessment and all our employees were retrained on effective HIRA. The induction process was revised to include written examinations to determine competency.

The training needs of the mine were reviewed and the training matrix updated. Refresher training was provided for the following specific positions:

- All miners and shift overseers – Competent “A” course
- All roof bolt operators – Competent “B” course
- All blasting assistants – Competent “C” course

Vanggatfontein

During the year, task teams were set up to develop SOPs aligned to the top five identified risks:

- Hazards related to highwalls
- Trackless mobile machinery
- Electrical lock-out
- Conveyor belts
- General employee competencies

Self-assessments were conducted and HIRA standards were revised and implemented. As part of the SOPs, a safety communication strategy was developed, which includes the submission of site progress reports to the formal safety and health forums every quarter. A revised visible felt leadership standard has been applied and consistent disciplinary action is applied at all levels.

Further, in FY15 Vanggatfontein was audited by the DMR, Eskom and independent legal consultants. No major issues were raised but some procedures were identified as requiring corrective action. This was taken with feedback provided to management, EXCO and the SHE Committee. First aid and safety representative training was conducted.

Health performance

Maintaining a healthy workforce promotes productivity and reduces health risks. An effective health management system is therefore a priority.

Occupational Medical Surveillance Programme

Medical surveillance is a legal requirement of the MHSA and OHSA and conducted on all our operations as identified and specified in the applicable mandatory COP based on the DMR Guideline, DMR 16/3/2/3-A1 Minimum Standards of Fitness to Perform Work at a Mine. It is used to identify trends in health deterioration potentially as a result of occupations or work environments as well as individual health issues. The information gathered plays an important role in mitigating risk. At Keaton Energy surveillance is currently outsourced to third parties. Our occupational healthcare service providers are Ganala Kriel Occupation Health and Wellness Centre at Vanggatfontein and Occu-sure at Vaalkrantz. Our occupational health clinics and medical surveillance programmes receive consistently high ratings during regular DMR audits.

Safety and health continued

All mine employees, both permanent and contract, undergo a medical examination when they join the group and periodically during their service at Keaton Energy. Key occupational health indicators are then continually monitored through regular wellness checks. On leaving the group, all employees undergo an exit medical.

We further provide regular health briefings, which encourage employees to be vigilant about conditions that could affect their own or their colleagues' safety and health. We provide information on the implications of exposure to various workplace risks and educate employees on measures to maintain good health. All members of the workforce are encouraged to test for chronic diseases and those on chronic medications are frequently reminded to take their prescribed medication. The occupational clinics provide a Hypertension and Diabetes Awareness Programme.

Noise induced hearing loss and occupational lung diseases are prevented through technical engineering programmes aimed at suppressing noise and dust in the workplace, the provision of protective equipment and ongoing employee education and involvement.

Employees diagnosed with TB are managed according to the national health guidelines and may continue to work in their normal positions once they are non-infectious. Once diagnosed with a TB infection, the employee is required to remain off duty for two weeks and is removed from underground work until the Occupational Medical Practitioner deems him/her fit for duty following a further diagnostic X-ray. Treatment is administered by local clinics and the DOTS strategy is implemented. TB-affected employees also receive nutritional support. All TB cases are investigated in terms of section 11.5 of the MHSA.

Our HIV/Aids management strategy is in line with national DMR and Department of Health guidelines as well as current best practice. A Voluntary Counselling and Testing Programme is in place at Vaalkrantz and is being rolled out at Vanggatfontein. The occupational health clinics on the mines offer pre-HIV and post-HIV test counselling, ongoing HIV counselling and monitoring of CD4 counts and viral loads on a monthly basis. HIV-positive employees are referred to local clinics for monthly anti-retroviral medication. HIV-positive employees also receive treatment for opportunistic infections and immunisations (flu vaccinations) as well as nutritional support. Employees are encouraged to disclose their status to their partners and contact cards are supplied.

Primary healthcare

Due to the remote location of Vaalkrantz and as part of our community social investment, the mine's clinic also provides primary healthcare services to all employees and contractors working on the mine.

Occupational Health Programme

We have engaged two part-time occupational hygienists for our operations at Vaalkrantz (Highveld Environmental Control Services) and Vanggatfontein (Ganala Kriel Occupation Health and Wellness Centre CC).

Occupational health exposure risk assessments were conducted for both sites and a health risk register developed for occupational exposures. Monitoring is conducted by the appointed occupational hygienists.

The required mandatory COPs for occupational health programmes on personal exposure to airborne pollutants (in accordance with the DME Guideline 16/3/2/4-A1), exposure to noise (in accordance with DME Guideline 16/3/2/4-A3) and exposure to thermal stress (in accordance with MDR Guideline 16/3/2/4-A2) were developed and implemented. These mandatory COPs are revised every two years and are updated accordingly.

Occupational hygiene sampling, testing and monitoring is performed on a frequency as identified and specified on the health register, with quarterly, six monthly and annual reports submitted to the DMR in accordance with the MHSA.

We further provide regular health briefings with various related topics being discussed at weekly toolbox talks.

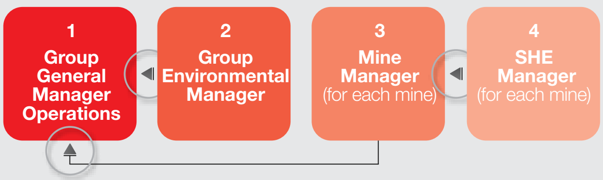
Environment

We operate in an industry that has a significant impact on the environment. Environmental management is therefore a critical part of the day-to-day management processes at Keaton Energy. A review of the group's environmental policy and the development of an integrated environmental strategy are under way. Our primary focus at this stage is to ensure that we are fully compliant with all applicable legislation and associated regulations, including the NEMA, MPRDA and NWA.

We undertake ongoing and extensive consultation with all stakeholders, especially landowners and occupiers of affected land, and any party that may register itself as an interested/affected party as per legislation and associated regulations.

Our Group Environmental Manager is responsible for managing and reporting on the group's environmental performance, impacts and mitigation, as well as ensuring that all our operations and development projects are legally compliant with all applicable environmental legislation. This is driven through the functional reporting structure where the Group Environmental Manager reports to the Group General Manager Operations. The SHE Manager at each mine in turn reports to the respective Mine Managers who report to the Group General Manager Operations.

All attend the Board SHE Committee meetings



We manage our daily environmental footprint with the implementation of the mandatory EMPs at the mines. Vanggatfontein and Moabsvelden both have approved EMPs in place. A consolidated and amended EMP for Vaalkrantz has been submitted to the DMR following the incorporation of facilities and infrastructure for the Vaalkrantz Mine. The EMP for Vaalkrantz has been was approved by the DMR as part of the section 102 application during the year under review. These EMPs focus on:

- responsible mining
- monitored water usage
- reducing emissions
- reducing spillages
- recycling
- rehabilitation

We have indicated our eagerness to address and rectify any possible historical incidents of non-compliance and have demonstrated our proactive approach to responsible environmental management and ensuring that our acquired asset at Vaalkrantz is operated in accordance with the principles of Duty of Care and is environmentally compliant. A Section 24G rectification application (in terms of NEMA) was submitted to the provincial Department of Environmental Affairs in 2014 for the illegal construction of a mine residue dump and associated activities under the previous ownership at Vaalkrantz. During the reporting period under review we were fined for the unlawful commencement of this listed activity. We have since paid the administrative fine of R0.2 million and are in discussions with the provincial Department of Environmental Affairs to obtain approval for this activity.

Environmental expenditure for measuring, monitoring and mitigating risks and impacts represents a sizeable proportion of our operations' operating and capital budgets.

Environmental expenditure	2015 R	2014 R
Pollution control and prevention	**2 629 356**	1 953 047
Rehabilitation expenditure	**3 109 717**	6 193 929
Environmental operational expenditure including development project studies	**20 850 064**	21 567 706
Total	**26 589 137**	29 714 682

Klip Colliery case study

In September 2008, we received a mining permit to commence opencast mining on a small area on the farm Klipfontein, near the town of Ogies in Mpumalanga. Mining commenced at Klip Colliery and all available coal was mined using opencast methods. Rehabilitation work at Klip Colliery started in 2010 with backfilling of the opencast void and returning previously stockpiled topsoil to the new ground level.

Severe water erosion necessitated major maintenance work on the rehabilitated site. An erosion control plan was implemented in 2012 with substantial reshaping completed and a system of erosion management berms constructed in 2013. The site was also infested with wattle trees, a declared weed for the area. All wattle trees were removed as part of the 2013 work and the site was seeded with a seed mix of indigenous grass species (Figure 1).

Figure 1: Indigenous grass growing on the Klip Colliery site

Environment continued

Klip Colliery case study continued

Subsequent monitoring of the site indicated minor reinfestation by wattle trees and spreading infestation of wild tomato (also a declared weed in the area). Some differential settlement occurred on the backfilled area, causing cracks and erosion that would lead to significant increases in rainwater ingress to the spoil material (Figure 2).

As part of the ongoing maintenance of the site, as committed to in the closure plan submitted to the DMR, we reshaped the subsided areas and conducted extra compaction before covering with topsoil from stockpiles specifically created for this purpose. Figure 3 shows a subsided area after being reshaped, compacted and covered with topsoil. Areas of continued erosion were also remedied during this reporting period, by topsoil placement and introducing brush packing for added stability against erosion (Figure 4). Lime, fertiliser and compost were further applied to existing bare patches on the site, to ensure effective vegetation cover is established.

We will continue to monitor the site and one more planned weed control exercise will be undertaken during the 2015/2016 growing season, before transferring the environmental liability to the current surface rights owners, Anglo Coal. The intention is to transfer the property back to them for their infrastructure needs as part of the Kusile Power Station development.

Figure 2: Some of the cracks caused by differential settlement

Figure 3: Remediation work on a subsided area in progress

Figure 4: Brush packing placed to reduce water erosion on areas recently covered with topsoil

At year-end, the total mine closure and environmental rehabilitation provision for the group amounted to R270.1 million (FY14: R215.2 million).

Water

Vanggatfontein Colliery has an IWUL issued by the DWS in January 2015. The Colliery endeavours to be self-sufficient in terms of water supply and usage. Water from openpit workings is pumped to the PCD which supplies the coal handling and processing plant, before being recycled via slurry dams back to the PCD for reuse in the plant. Clean water for the operation of the flocculent plant is sourced from on-site boreholes. The water management system is designed to separate clean and dirty water, and to optimise the recycling and reuse of dirty water.

An IWBSM was developed in 2012 with the main focus on water usage and pollution sources in the reticulation system. The IWBSM assists in defining and driving water management strategies and aids in the decision-making process by simulating and evaluating various water management strategies before implementation. It was updated in the year as part of the IWUL application to achieve effective and efficient utilisation of our water resources based on reducing our water demand, reusing our process water and preventing any discharges to the environment. We developed a static water balance and a baseline dynamic model with most of the associated flow information available. This played a role in our decision to begin construction of the filter press plant on Vanggatfontein, with the benefit of a meaningful improvement in raw water utilisation.

The IWBSM will undergo continuous updating as different operational components are implemented and more metering information becomes available. This will result in a more refined model which will equip us to report the percentage of water recycled and reused at our Vanggatfontein operations more accurately in future reports.

At Vaalkrantz, water is sourced from three earthwall dams constructed within the mine's footprint, which are fed by surface water run-off, as well as three separate springs above the Enyati and West Block Adits. In addition, Number 2 PCD collects supernatant water from the Number 2 Mine Residue Dump (MRD) and returns this water to the coal handling and processing plant, the primary source of recycled water at the mine. Groundwater that seeps into the underground workings during mining is stored in low-lying underground areas and pumped either to underground mining equipment that relies on a constant water supply for operation and maintenance or to the surface as part of safe mining practices. Flow metering devices will be installed in the next financial year to monitor the volumes of groundwater decant to surface and included in the annual update of the water balance at Vaalkrantz. The Colliery is aware of the current drought conditions occurring regionally in KZN and is investigating various options to maximise the reuse and recycling of all available water on site. Dam water levels, which are said to be the lowest in 13 years, started to decline in October 2013 when the province received minimal rainfall for two hydrological seasons.

Rainwater is accounted for in the total water reused on the sites. Neither mine uses water purchased or supplied by the municipalities.

Water withdrawal by source (m^3)

	Vanggatfontein		Vaalkrantz	
Water source	**2015**	2014	**2015**	2014
Groundwater	**506 283**	456 302	**98 100**	–
Surface water	**n/a***	n/a	**146 498**	288 548
Total water used for primary activity	**506 283**	456 302	**244 598**	288 548

** Surface water is not abstracted for use at Vanggatfontein – only groundwater from boreholes is used as a source of water.*

At both Vanggatfontein and Vaalkrantz, water consumption is monitored by strategically placed water meters where both losses and inefficient water uses can be identified and remedied.

Percentage of total volume of water recycled and reused

Water is recycled at both mines, either for processing or dust suppression activities. We estimate that the percentage of water recycled at Vanggatfontein amounts to 67% (FY14: 76%) and at Vaalkrantz 18% (FY14: 13%).

Materials

Measuring explosives used is important, as explosives contribute to Keaton Energy's GHG emissions. The following materials were consumed at our two mines during the year:

	Vanggatfontein		Vaalkrantz	
Consumed materials	**2015**	2014	**2015**	2014
ANFO explosives (tonnes)	**6 437**	5 672	**172**	195

Energy

Monitoring energy consumption determines Keaton Energy's scope 1 and 2 GHG emissions. We have been measuring and reporting our energy consumption and related emissions since 2012. The following sources of energy were consumed at our two mines during the year:

	Vanggatfontein		Vaalkrantz	
Energy source	**2015**	2014	**2015**	2014
Diesel energy consumed (GJ)	**470 995**	414 110	**68 976**	42 474
Petrol energy consumed (GJ)	**–**	–	**34**	86
Electrical energy consumed (GJ)	**42 338**	47 285	**33 184**	33 140

The following factors were applied to convert the consumption of energy sources to energy statistics: Diesel 39.6GJ/tonne; petrol 32.4GJ/tonne; electricity 0.0036GJ/kWh.

Energy intensity

Using the energy figures above and the total sales volumes for each mine, it is possible to determine the energy intensity of each mine – an indication of the cost of energy required to produce each tonne of saleable product – as well as efficiency trends.

	Vanggatfontein		Vaalkrantz	
	2015	2014	**2015**	2014
Total energy (GJ)	**513 333**	461 395	**102 194**	75 700
Energy intensity (GJ/saleable tonne)	**0.209**	0.201	**0.258**	0.242

Emissions

Our risk management processes require that we take cognisance of both the risks and opportunities that relate to current views on climate change and consider these as part of the company's ongoing strategy development. Growing concern regarding the potential impacts of anthropogenic climate change and the South African government's plans to introduce a carbon tax mean that managing our emissions is, and will increasingly become more material to the way we run our business.

Environment continued

In order to control Keaton Energy's GHG emissions, we carefully budget fuel consumption for our mining and logistics operations to ensure that they are operated and maintained to maximise fuel efficiency.

Using the World Business Council for Sustainable Development/ World Resources Institute (WBCSD/WRI) Greenhouse Gas Protocol, we provide data on scopes 1 and 2 for our two operating collieries. Emissions related to head office activities in Johannesburg are not reported due to their insignificance. Scope 1 and 2 emissions have been determined by applying published emissions factors to direct energy measurements taken at the respective sites.

Direct and indirect GHG emissions (scope 1 and 2)

	Vanggatfontein		Vaalkrantz	
	2015	2014	**2015**	2014
Scope 1 (tCO_2e)	**32 822**	28 860	**4 649**	2 900
Scope 2 (tCO_2e)	**11 643**	13 004	**9 126**	9 113
Total (tCO_2e)	**44 465**	41 864	**13 775**	12 013

Note: The above emissions exclude any estimate of the global warming potential arising from the release of methane from coal mining operations.

The following factors were applied to convert the consumption of energy sources to GHG emissions statistics: Diesel 0.00267ℓ/ tCO_2e; Petrol 0.00231ℓ/tCO_2e; and electricity 0.99kWh/tCO_2e (FY14: 1.03kWh/tCO_2e).

Our coal is trucked to rail sidings, end-users or ports by outsourced independent contractors. Based on operational data collected, it is estimated that the hauliers' vehicles used to deliver our product travelled about 20.2 million kilometres per annum. Using the 2015 DEFRA emissions factor for vehicles weighing more than 33 tonnes and operating at 50% average load, this activity produces approximately 10 983 tCO_2e (FY14: 22 240 tCO_2e), which is a significant decrease due to emission factors being updated for 2015. We consider many other contributors to our other indirect GHG emissions (scope 3) to be immaterial and as such do not measure or report on this indicator.

GHG emissions intensity

Using the GHG emissions figures disclosed previously, together with the total sales volumes for each mine, it is possible to determine the emission intensity of each mine.

	Vanggatfontein		Vaalkrantz	
	2015	2014	**2015**	2014
Emission intensity (tCO_2/saleable tonne)	**0.0181**	0.0183	**0.0348**	0.0384

Biodiversity

The total area of land disturbed by the company's mining operations is 425 hectares – 353 hectares at Vanggatfontein and 72 hectares at Vaalkrantz. Neither mine is within nor adjacent to protected areas or areas of high biodiversity. Biodiversity management plans are not considered necessary.

At Vanggatfontein five bio-monitoring sites on the Wilge River and its tributaries are monitored during the wet and dry seasons. Blast vibration and noise monitoring are also conducted on a regular basis.

Particulate matter

Fugitive dust at the Vanggatfontein Colliery is monitored at various locations to ensure compliance with applicable legislation. A dust suppression spray system and a misting system reduce fugitive dust levels from the respective coal handling and processing plants. Dust generated on unpaved roads is suppressed using water bowsers to wet the roads. We are investigating alternate road building materials which can be treated with dust suppressant to further reduce the mine's dust generation.

Vanggatfontein has a weather station to assist in determining the sources of fugitive dust by correlating trend analysis with weather conditions. It also provides early warning of large storms and high winds. There are 14 dust fallout buckets within 2 kilometres of the mine, from which samples are taken on a monthly basis. Most of the monitoring stations within the Mining Right area are in compliance with the South African National Standards industrial limit of 600mg/m² to 1 200mg/m² per day, except for monitoring stations in the vicinity of the plant and the mine entrance. Coal transport trucks are covered with tarpaulins after they are loaded with coal, and dust buckets strategically placed on the access road measure the dust emissions. The impact of dust, vibration and noise at mining operations at Vaalkrantz is limited as it is an underground mine.

Effluents and waste

Effluents

We regularly monitor the quality of both ground and surface water, although our collieries do not discharge any dirty water into the environment. At Vanggatfontein we record the water levels of 25 boreholes on a monthly basis and test quality quarterly. Sixteen surface water sites are also sampled quarterly for quality. At Vaalkrantz the surface and groundwater monitoring points are sampled on a monthly basis. In 2014 we submitted a water management strategy to DWS in support of our IWUL application for Vaalkrantz. We are waiting DWS approval for implementation of the strategy in a phased approach over three years. We are optimistic that the proposed strategy will assist in the approval of our IWUL.

Waste

Our mines generate consumable waste, processing waste and development waste. Recycling of consumable waste has been limited to scrap metal and used oils, but we are considering introducing recycling programmes to further reduce consumable waste and lower operating costs. Processing waste is produced during the beneficiation of coal. Processing plant fine coal discard, or slurry, has for many years been stored in purpose-built Tailings Storage Facilities (TSFs) or co-disposal facilities. At Vanggatfontein the group has embarked on the sale of slurry and discard as by-products in their respective processes. Slurry is used in the brickmaking industry and discard is used for briquettes in the domestic heating and industrial boiler industries.

A filter press plant has been constructed at Vanggatfontein and was designed with the specific intention of increasing revenue from the colliery, reducing our environmental footprint and improving raw water utilisation. Fine coal and dense medium separation (DMS) discard is stockpiled on co-disposal facilities. The filter press plant will eliminate the slurry stream and the mine will no longer discard a carbonaceous wet stream from coal processing operations. This materially reduces the short-term risk of water decant liabilities. In the long-term we will substantially reduce the volume of fine discard and therefore the impact on surface and groundwater sources. In addition we will be able to remine our historically deposited discards, further reducing our discard footprint and environmental liabilities.

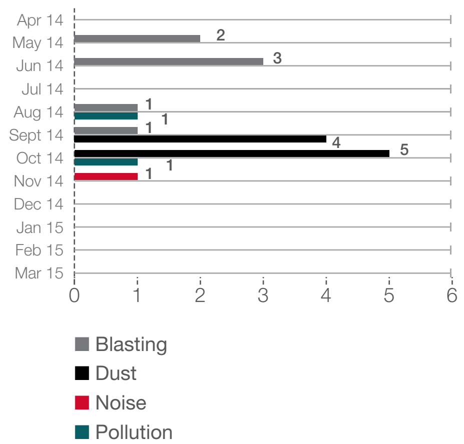
Vaalkrantz has a significant quantity of mining discard which has built up over the years that must be vegetated and rehabilitated when the mine is closed. No overburden dumps are present at Vaalkrantz as the Coal Reserve is mined directly via adits. Limited overburden removed during adit establishment is utilised to establish adit platforms. Geochemical assessments were conducted at the discard dumps and adits. Results showed that there is potential for acid generation at the dump but that the dump is lined with dolerite which is believed to have zero to very low permeability.

During the year no significant spills occurred which required reporting to the authorities.

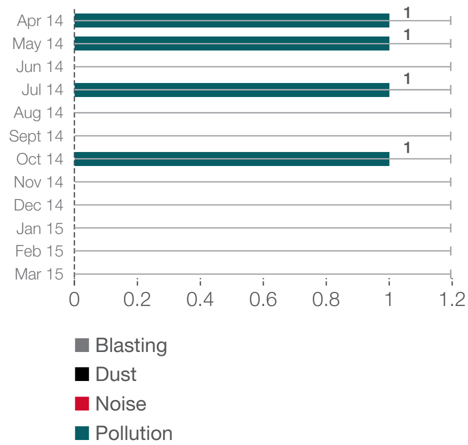
Environmental complaints

Vanggatfontein maintains a formal environmental complaints register and incidents are reported through a formal incident reporting and investigation system. A complaint is defined as a critical observation or query about our environmental aspects, policy, management system or performance from interested and affected parties requesting a response or remedial action, or otherwise worthy of response. The following graphic reflects the number and nature of the complaints received, investigated and resolved at Vanggatfontein and Vaalkrantz during the year:

Vanggatfontein environmental complaints



Vaalkrantz environmental complaints



Vanggatfontein Colliery

The Vanggatfontein operation comprises a contractor-operated opencast mine which delivers 5, 2 and 4-seam ROM coal to our two coal handling and processing plants – a 100tph 5-seam plant and a 500tph 2 and 4-seam plant. Both plants are owned by Keaton Mining but operated by a specialist contractor. The 2 and 4-seam products are trucked and/or railed to Eskom and the 5-seam products trucked to various domestic metallurgical customers.

FY15 review

Vanggatfontein continued its record-breaking operational performance during the year. The Colliery continued to supply Eskom and 5-seam domestic metallurgical clients. Good planning practices paid off, with stable supply and reliable quality across both product streams. The optimisation of the 5-seam plant utilisation continued. The objective remains to limit downtime during the wet season on both plants and to improve feed to the plants to strengthen productivity and more fully utilise spare capacity.

The Colliery delivered 2.28Mt washed 2 and 4-seam thermal coal to Eskom, an increase of 4% on the previous year. Sales of 5-seam metallurgical coal increased 29% year-on-year to 0.13Mt. We expanded our product range with the introduction of B-grade sized coal to the market, achieving volumes of 0.05Mt for the year.

We maintained our safety record with positive feedback from regulatory bodies during all audits/visits in the year. Vanggatfontein reported a 0.10 LTIFR (FY14: 0.09).

Optimisation

Post year-end we conducted additional core drilling to upgrade the current drilling density in key pit areas where structural and quality information was considered insufficient for long-term planning confidence. This programme provided the required data for the inclusion of certain resource blocks which had previously been excluded from the LOM plan.

Construction of the R41.5 million filter press plant began and progressed well in the financial year, with R34.8 million spent. The plant was commissioned in June 2015 and the project was completed on schedule and within budget. This plant eliminates wet slurry production from the two CHPPs and dramatically improves water recovery from the tailings stream. The plant further eliminates the need for a new co-disposal facility which adds to our efforts to reduce our environmental impact.

Prospects

The current Vanggatfontein ROM Coal Reserve will sustain a 20-year life. Eskom's demand is expected to continue increasing, positioning Vanggatfontein, as a primarily Eskom-focused producer, for continued growth.

Key facts

Ownership
Keaton Mining Proprietary Limited
(74% Keaton Energy, 26% Rutendo Mining Proprietary Limited)
Refer to note 39 in the notes to the Financial Statements for a change in the ownership structure of Keaton Mining Proprietary Limited.

Mining method
Opencast truck and shovel

Infrastructure
- A 100tph 5-seam coal washing plant producing duff, peas and nuts for the domestic metallurgical industry
- A 500tph coal washing plant producing domestic thermal coal for Eskom
- Changehouses, offices, workshops, laboratory and clinic
- Pollution control facilities, twin-lined co-disposal facilities with related dirty water management systems
- Bulk water and power reticulation, extensive road infrastructure, stockpile areas, weighbridge facilities and access roads

Location
16km south-east of Delmas, Mpumalanga

Property, plant and equipment value at 31 March 2015
R707.5 million

Products
Thermal coal for Eskom and metallurgical coal for domestic industrial consumers

Employees
15 permanent, 478 contractors, 20 interns/graduates
(FY14: 14 permanent, 418 contractors)

LTIFR to 31 March 2015
0.10 (FY14: 0.09)

Coal Reserve	Coal Resource (MTIS)	Life of mine	Washing capacity	Permitting
49.2Mt (FY14: 57.2Mt)	119.3Mt (FY14: 145.6Mt)	20 years (FY14: 17 years+)	600tph DMS	Mining Right

Contribution to group performance	FY15	FY14	% change
Production			
Sales (Mt)	**2.5**	2.3	9
ROM (Mt)	**3.7**	3.4	9
Waste (Mm^3)	**10.7**	9.9	8
Strip ratio achieved	**2.9**	2.9	–
Safety			
LTIFR	**0.10**	0.09	11
Fatality-free man hours	**5 673 673**	4 549 624	25
People			
Number of employees (including contractors)	**513**	432	19
Financial performance			
Revenue (Rm)	**1 181.1**	1 127.2	5
Gross profit (%)	**18**	21	(14)
EBITDA (Rm)	**626.9**	545.1	15
Depreciation/amortisation (Rm)	**(423)**	(308.6)	37
Operating profit (Rm)	**203.8**	236.4	(14)
Capex (Rm)	**431**	294.3	46

Vaalkrantz Colliery

Vaalkrantz comprises the Enyati and West adits which provide access to the high-quality Alfred and Gus seams of the Vryheid Coalfield. Generally, mining conditions in the KwaZulu-Natal coalfields are among the most challenging in the South African coal industry as the seams are narrow and the intensity of dolerite dykes and sills, which are responsible for the creation of the anthracitic-quality coal seams, make underground planning and operation very complex. ROM production is trucked from the respective adits to the central double-stage DMS CHPP where sized products of various qualities are produced. All of our saleable coal is trucked from the plant to our boomlaer rail siding near Hlobane, from where products are either trucked or railed to both domestic and export customers.

FY15 review

Vaalkrantz faced serious challenges in the last quarter of FY15. Regrettably we recorded our first fatality since taking over the mine (see page 34 for details). All underground operations at Vaalkrantz were immediately suspended and a full investigation into the accident was launched. The fatal accident was reported to the DMR and representative unions.

The fatality prompted the group to not only review and revise (where necessary) our safety systems, COPs and SOPs, but also to retrain all staff to ensure improved safety levels.

In a further blow we discovered massive stock discrepancies. We commissioned multiple agencies to undertake investigations and criminal charges were ultimately laid against employees. As a result we are focused on implementing more effective safety and control systems on site to eliminate or mitigate risks as far as possible on all levels. We have appointed a new management team at the mine to implement these systems.

Optimisation

The ROM Coal Reserve of 2.0Mt should sustain the operation in its current form for the next five years. A key challenge is to identify, explore and implement reserve replacement coal blocks to maintain sustainable plant feed and saleable product.

During the year a MPRDA section 102 Mining Right extension application was granted over Portions 4 and 5 of the farm Rustplaats 165HU, providing access to a number of useful near-outcrop opportunities in close proximity to the coal processing plant. Further drilling was conducted on the respective blocks to confirm the continuity of both geological and coal quality. (These blocks are described in more detail in the Coal Resource and Reserve Supplement.)

We also introduced a new product into the export metallurgical market – high ash anthracite – and secured a long-term off-take agreement. We further recommissioned a secondary wash circuit in the CHPP to assist in producing this product.

A supplementary rewash plant is also under construction, which will be utilised to produce additional high ash product for export purposes. This additional plant will be fed with discard material from the current Vaalkrantz co-disposal dumps and the product will be supplied against the off-take agreement in place to fulfil our commitments. This initiative will materially reduce our environmental footprint. The additional opportunity/flexibility that this plant provides to the current CHPP capabilities, will also result in additional ROM or discard material being beneficiated in future from sources on and around the mine.

Further, operations on the mine will be optimised by limiting the number of contractors on site, with particular reference to underground mining. Historically, the mine utilised three contractors to mine the four separate production areas. Nearing end of mine life, and considering that geological challenges will remain in these sections, flexibility is required from the mining operation to have specific teams utilised for dyke development and conduct horizontal drilling to increase planning capabilities and to have the flexibility of moving teams and machinery when and where necessary to optimise mining performance. Therefore, a reduction to only one mining contractor to provide this flexibility is key for the future.

Key facts

Ownership

Leeuw Mining and Exploration Proprietary Limited
(74% Keaton Energy, 26% JPI Leeuw and Associates Proprietary Limited)

Refer to note 19.2 and note 39 in the notes to the Financial Statements for a change in the ownership of Leeuw Mining and Exploration Proprietary Limited.

Mining method

Underground conventional bord and pillar

Infrastructure

- Two shaft complexes comprising four underground access portals
- A 110tph two-stage anthracite washing plant producing duff, peas and nuts
- Change houses, offices, workshops, laboratory and clinic
- Extensive fleet of underground mining equipment, related power and water reticulation, extensive road infrastructure, stockpile areas and weighbridges
- Railway siding

Location

20km east of Vryheid, KwaZulu-Natal

Property, plant and equipment value at 31 March 2015

R52 million

Products

Anthracite for domestic and export metallurgical markets

Employees

52 permanent, 35 interns/learners/apprentices, 2 MQA fixed-term contracts, 794 contractors (FY14: 53 permanent, 669 contractors)

LTIFR to 31 March 2015

0.22 (FY14: 0.23)

Coal Reserve	Coal Resource (MTIS)	Life of mine	Washing capacity	Permitting
2.0Mt (FY14: 2.7Mt)	11.5Mt (FY14: 15.2Mt)	5 years (FY14: 4 years+)	110tph two-stage DMS	Mining Right

	FY15	FY14	% change
Production			
Sales (Mt)	**0.40**	0.30	33
ROM (Mt)	**0.35**	0.43	(19)
Safety			
LTIFR	**0.22**	0.23	(4)
Fatality-free man hours	**286 893**	65 582 129	(100)
People			
Number of employees (including contractors)	**883**	722	22
Financial performance			
Revenue (Rm)	**266.7**	245.4	9
Gross loss (%)	**(3)**	(7)	(57)
EBITDA (Rm)	**(88.8)**	2.1	(>100)
Depreciation/amortisation (Rm)	**(18.3)**	(39.4)	(54)
Operating loss (Rm)	**(107.1)**	(37.3)	>100
Capex (Rm)	**19.5**	3.8	>100

Pipeline projects

Moabsvelden

Key facts

Ownership

Neosho Trading 86 Proprietary Limited
(74% Keaton Energy, 26% minority grouping)

Location

13km east of Delmas, Mpumalanga

Project status

Development, awaiting IWUL and Eskom CSA

Highlights FY15

- Independent Project Implementation Report completed
- Surface acquisition nearing completion
- Negotiations with Eskom regarding CSA well advanced, 50% + 1 HDSA equity ownership programme and IWUL remain the final qualifying submissions
- IWUL application presentations and discussions well advanced

Mining method

Opencast truck and shovel

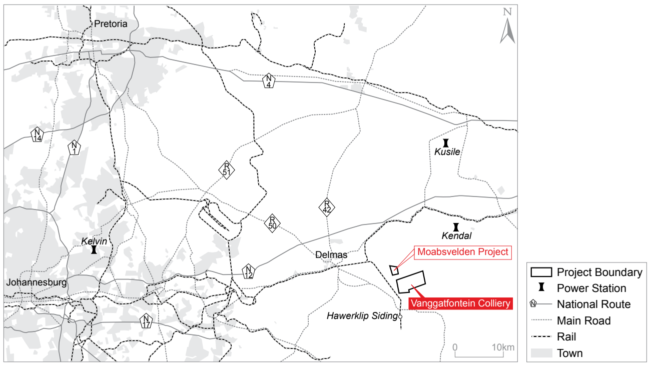
Infrastructure

Satellite opencast pit, ROM hauled to Vanggatfontein for processing through new CHPP

Planned products

- Primary washed Eskom thermal product
- 5-seam metallurgical product
- Fine coal filter cake

Moabsvelden locality diagram



Coal Reserve	Coal Resource (MTIS)	Life of mine	Washing capacity	Permitting
39.8Mt	54.7Mt 5, 4, 2 and 1 seams of the Witbank Coalfield	16 years	350tph DMS (200ktpm)	Mining Right

Braakfontein

Key facts

Ownership

Leeuw Braakfontein Colliery Proprietary Limited – 100% held by Leeuw Mining and Exploration Proprietary Limited (74% Keaton Energy, 26% JPI Leeuw and Associates Proprietary Limited)

Refer to note 19.2 and note 39 in the notes to the Financial Statements for a change in the ownership structure of Leeuw Mining and Exploration Proprietary Limited.

Location

10km south-east of Newcastle, KwaZulu-Natal

Project status

BFS commissioned December 2014, final report expected during Q4 of 2015

Highlights FY15

- 33 borehole underground access decline confirmatory drilling programme completed November 2015
- Suite of specialist environmental studies commenced November 2014
- Airborne survey and high-resolution baseline environmental imagery completed November 2014

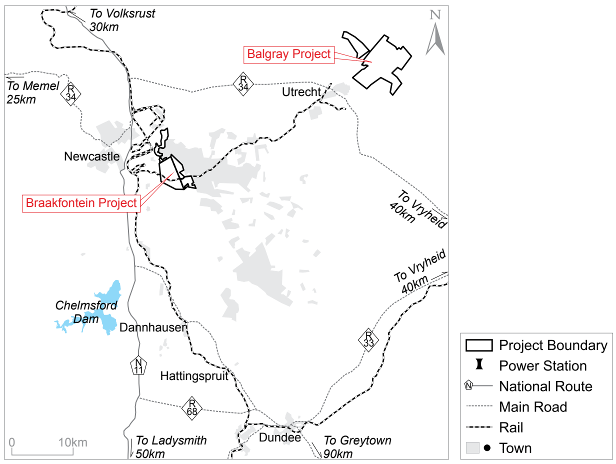
Mining method

Largely mechanised underground with three-year opencast from commissioning

Infrastructure

Integrated standalone opencast and underground operation. Coal processing through on-site CHPP. Pollution control facilities, offices, water supply and power supply, and roads

Braakfontein locality diagram



Planned saleable products

- Primary product for supply into the export thermal market
- Secondary middling product for supply to Eskom

Coal Reserve	Coal Resource (MTIS)	Life of mine	Washing capacity	Permitting
None declared	60.1Mt top and bottom seams of the Klip River Coalfield	15 years	250tph (135ktpm)	Mining Right

Balgray

Key facts

Ownership

Leeuw Mining and Exploration Proprietary Limited (74% Keaton Energy, 26% JPI Leeuw and Associates Proprietary Limited)

Refer to note 19.2 and note 39 in the notes to the Financial Statements for a change in the ownership structure of Leeuw Mining and Exploration Proprietary Limited.

Location

5km north-east of Utrecht, KwaZulu-Natal

Project status

Pre-feasibility exploration will commence upon award of Mining Right

Highlights FY15

- Mining Right Application response document including mitigating measures to deal with impacts of ground and surface water, ecotourism initiatives and local community support initiatives was submitted to the DMR during December 2014. Outcome of these processes will provide the terms upon which the Mining Right will be awarded
- Negotiations with surface owners and interested and affected parties completed

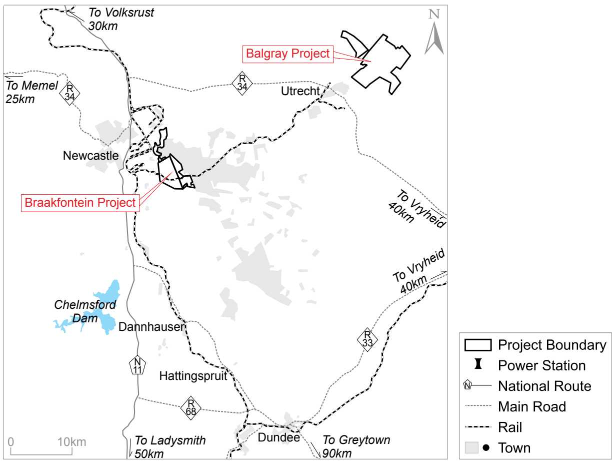
Mining method

Underground scoop bord and pillar on the 1.3m thick Gus seam

Infrastructure

Satellite underground adit, ROM proposed to be hauled to Vaalkrantz through existing Vaalkrantz CHPP

Balgray locality diagram



Planned saleable products

Anthracite for sale into the export and domestic ferroalloy markets

Coal Reserve	Coal Resource	Life of mine	Washing capacity	Permitting
None declared	None declared	N/A	Still to be determined by feasibility study	Mining Right application

Sterkfontein

Key facts

Ownership

Keaton Mining Proprietary Limited (74% Keaton Energy, 26% Rutendo Mining Proprietary Limited) and **Labohlano Trading 46 Proprietary Limited** (74% Keaton Energy, 26% Moneybox Investments Proprietary Limited)

Call option granted to Moneybox Investments 156 Proprietary Limited to acquire the Sterkfontein Project as fully set out in note 39(v) of the notes to the Financial Statements.

Location

10km south-west of Bethal, Mpumalanga

Mining method

Underground mechanised bord and pillar

Infrastructure

Integrated standalone underground operation. Access and ventilation shafts, CHPP, pollution control facilities, offices, water and power supply, access and site roads

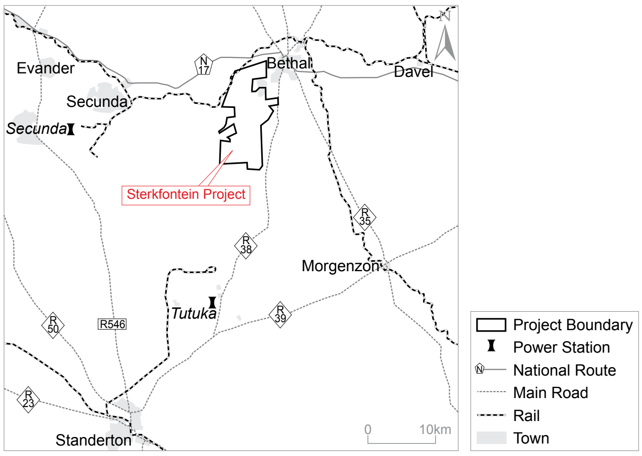
Highlights FY15

Three Prospecting Rights successfully renewed

Planned saleable products

- Primary product for supply into the export thermal market
- Secondary middling product for supply to Eskom

Sterkfontein locality diagram



Coal Reserve	Coal Resource (MTIS)	Life of mine	Washing capacity	Permitting
None declared	90.9Mt 4 seam of the Highveld Coalfield	Still to be determined by feasibility study	Still to be determined by feasibility study	Prospecting Right

Pipeline projects continued

Koudelager

Key facts

Ownership

Leeuw Mining and Exploration Proprietary Limited
(74% Keaton Energy, 26% JPI Leeuw and Associates Proprietary Limited)

Refer to note 19.2 and note 39 in the notes to the Financial Statements for a change in the ownership structure of Leeuw Mining and Exploration Proprietary Limited.

Location

40km east of Vryheid, KwaZulu-Natal

Project status

Pre-feasibility exploration

Highlights FY15

Additional Prospecting Right over the remaining extent of Koudelager 115HU executed and registered

Mining method

Underground narrow seam conventional bord and pillar

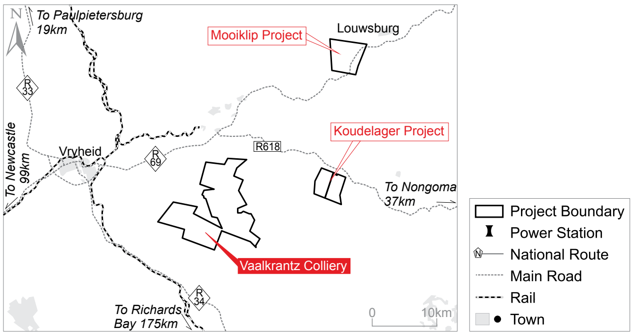
Infrastructure

Satellite underground adit, ROM proposed to be hauled to Vaalkrantz through existing Vaalkrantz CHPP

Planned saleable products

- Primary product for supply into the domestic metallurgical market
- Secondary product for supply into the Brazilian iron ore pelletising market

Koudelager locality diagram



Coal Reserve	Coal Resource (MTIS)	Life of mine	Washing capacity	Permitting
None declared	12.3Mt	N/A	Still to be determined by feasibility study	Mining Right and contiguous Prospecting Right

Mooiklip

Key facts

Ownership

BSC Resources Proprietary Limited – Option and Acquisition Agreement with Amalahle Exploration Proprietary Limited (74% Keaton Energy, 26% Camden Bay Investments 64 Proprietary Limited) to purchase 100% of the project

Refer to note 39 in the notes to the Financial Statements for a change in the ownership structure.

Location

40km east-north-east of Vryheid, KwaZulu-Natal

Highlights FY15

- Prospecting Right executed July 2014
- Surface owner negotiations completed
- Preliminary three borehole exploration programme completed January 2015
- Additional two borehole structural exercise planned FY16

Mining method

Underground narrow seam conventional bord and pillar

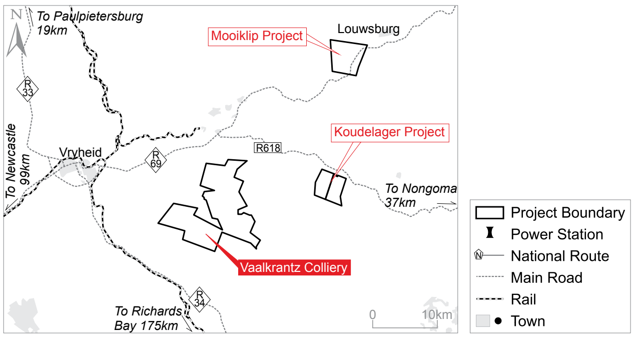
Infrastructure

Satellite underground adit, ROM proposed to be hauled to Vaalkrantz through existing Vaalkrantz CHPP

Planned saleable products

Anthracite for sale into the export and domestic ferroalloy markets

Mooiklip locality diagram



Coal Reserve	Coal Resource	Life of mine	Washing capacity	Permitting
None declared	None declared	N/A	Still to be determined	Prospecting Right

Bankfontein

Key facts

Ownership

Richtrau 379 Proprietary Limited (15% Focus Coal Investments Proprietary Limited (held 100% by Keaton Energy), 85% Hampfuna Mining and Exploration Proprietary Limited)

Location

30km north of Ermelo, Mpumalanga

Highlights FY15

No additional technical work was conducted during FY15, discussions regarding the creation of critical mass with adjoining mineral rights holders initiated

Mining method

Underground mechanised bord and pillar, potential for opencast truck and shovel

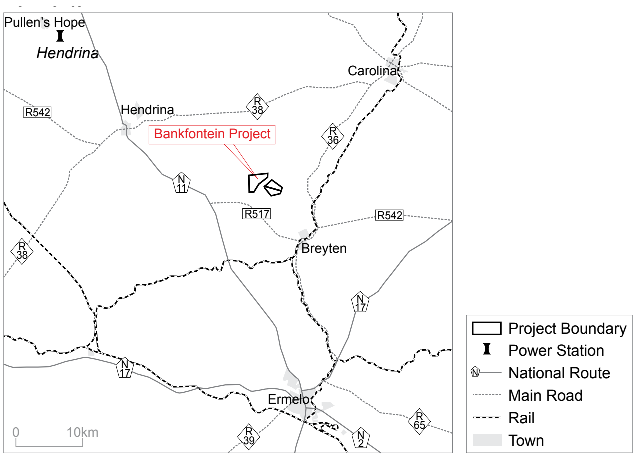
Infrastructure

Still to be determined

Planned saleable products

Export and Eskom-quality thermal coal, potential for high-quality domestic industrial applications

Bankfontein locality diagram



Coal Reserve	Coal Resource (MTIS)	Life of mine	Washing capacity	Permitting
None declared	16.1Mt	N/A	Still to be determined	Prospecting Right

Roodepoort

Key facts

Ownership

Richtrau 377 Proprietary Limited (15% Focus Coal Investments Proprietary Limited (held 100% by Keaton Energy), 85% Hampfuna Mining and Exploration Proprietary Limited)

Location

6km north of Kriel, Mpumalanga

Highlights FY15

No additional technical work was conducted during FY15, discussions regarding the creation of critical mass with adjoining mineral rights holders initiated

Mining method

Underground mechanised bord and pillar, potential for opencast truck and shovel

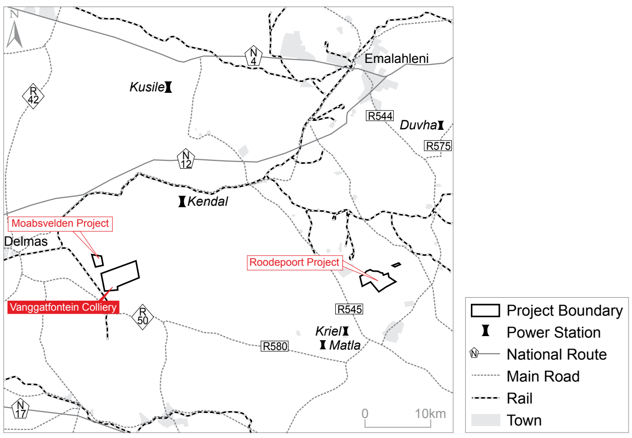
Infrastructure

Still to be determined

Planned saleable products

Export and Eskom-quality thermal coal

Roodepoort locality diagram



Coal Reserve	Coal Resource (MTIS)	Life of mine	Washing capacity	Permitting
None declared	25.1Mt	N/A	Still to be determined	Prospecting Right

Coal Resource and Reserve Statement

Introduction

Our coal portfolio consists of two operating assets and a number of exploration properties, grouped into two broad geographic regions. The Mpumalanga region comprises the Vanggatfontein operation and Moabsvelden development project located approximately 15km east of the town of Delmas, and the Sterkfontein, Roodepoort and Bankfontein exploration properties located near the towns of Bethal, Kriel and Breyten in the Mpumalanga province respectively (Figure 1). The KZN region comprises the Vaalkrantz anthracite operation and the Koudelager, Balgray and Mooiklip anthracite exploration properties, as well as the Braakfontein feasibility-stage thermal exploration property.

Our Coal Resource management strategy seeks to strengthen the group's coal reserve position, to systematically replace depleted reserve tonnes and to create growth opportunities through ongoing exploration and resource evaluation. The fundamental principles are to ensure compliance with public regulatory codes and internal standards through integrity, transparency and materiality in reporting, and to inform stakeholders on the status of the group's core asset base.

The information in this report is presented on a group and regional basis in appropriate detail, summarising the current status and changes at each operation, reserve replacement and growth project.

As at the end of March 2015 Keaton Energy holds a total managed Coal Resource of 390.1 million tonnes (Mt) (attributable 264.3Mt) and a corresponding total managed Coal Reserve of 90.9Mt (attributable 67.3Mt) net of 4.05Mt depletion for the period.

Important notes:

- Coal Resources are reported inclusive of Coal Reserves, net of mining depletions.
- All Coal Resources and Coal Reserves reported are managed by Keaton Energy unless otherwise stated.
- Rounding-off of figures in this report may result in minor computational discrepancies. Where this occurs it is not deemed significant.
- All references to tonnes (t) and/or tons are metric units.
- All Coal Resource tonnes are reported on an air dried (AD) basis, with Coal Reserve tonnages reported on an as received (AR) basis.
- The Coal Resources and Coal Reserves are estimates at a point in time and will be affected by changes in coal market pricing, currency fluctuations, permitting, changes in legislation, costs and other operating parameters.

Note: For abbreviations refer to Annexure 1 on pages 197 to 199.

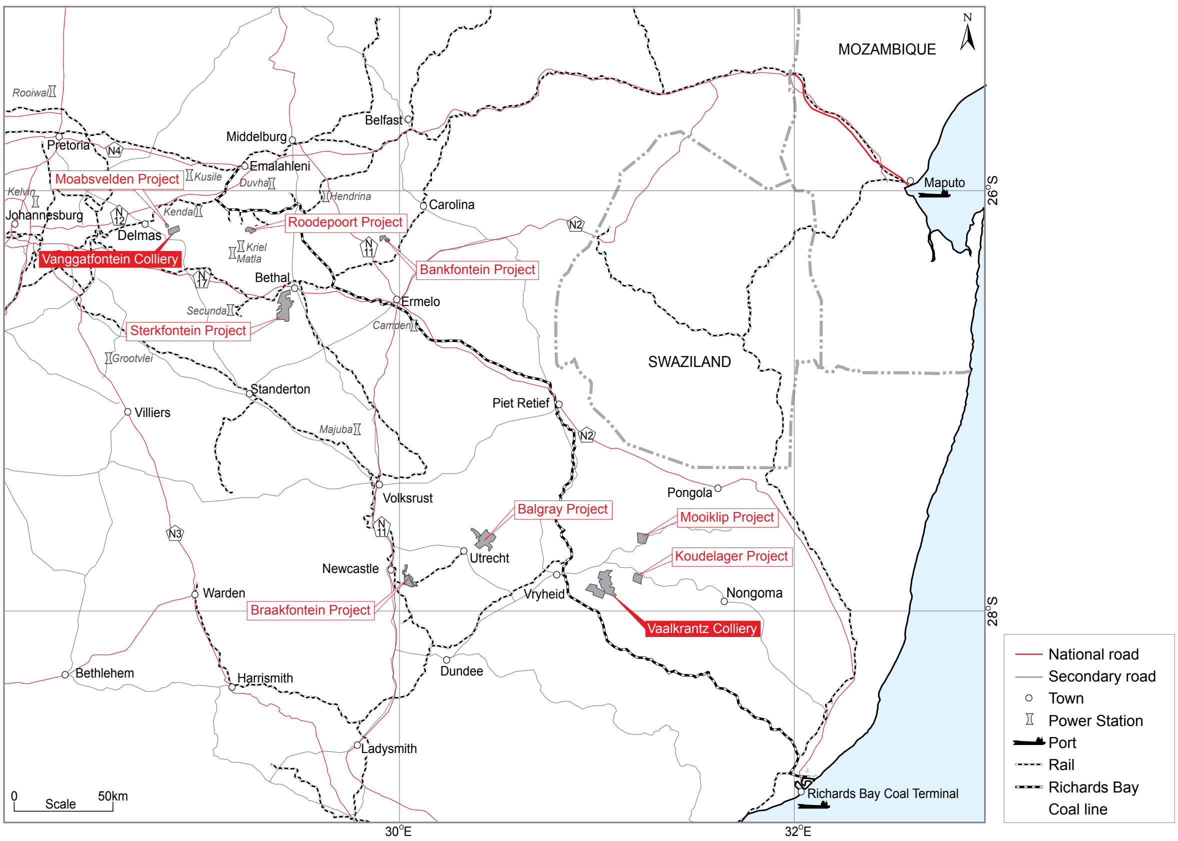


Figure 1: Locality

Compliance and reporting basis

This Coal Resource and Coal Reserve Statement has been compiled consistent with the terms of The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (the SAMREC Code, 2007 as amended July 2009). Under the SAMREC Code particular reference is made to the South African Guide to the Systematic Evaluation of Coal Resources and Coal Reserves – South African National Standard (SANS 10320:2004). Reporting is also in accordance with section 12.11 of the JSE Listings Requirements.

The respective Coal Resource and Coal Reserve tables are compiled from comprehensive independent statements received from appointed Competent Persons (CPs). Each CP has sufficient, relevant experience in the style of mineralisation, type of deposit, mining method and activity for which they have taken responsibility, to qualify as a CP as defined in section 9 of the SAMREC Code. The CPs have signed off their respective estimates and consent to the inclusion of same into this report in the form and context in which they appear.

The condensed Coal Resource and Coal Reserve Statement was compiled from relevant data extracted from the respective contributing CP reports by Mr Graham Stacey. Mr Stacey is the Lead Competent Person, registered with the South African Institute of Mining and Metallurgy ((SAIMM, PO Box 61127, Marshalltown, 2107), registration number 701319) holds a BSc Eng (Mining) (University of the Witwatersrand (WITS)), an MBA (WITS) and a Mine Manager's Certificate (coal). He is a mining engineer with 20 years' experience in mining project development and is an independent consultant to Keaton Energy. He has provided written consent to the inclusion in this report of the SAMREC compliant Coal Resource and Coal Reserve estimates in the form and context in which they appear.

Competent Persons

The Coal Resource estimations and classifications for the Vanggatfontein, Vaalkrantz, Braakfontein, Koudelager and Sterkfontein assets were prepared under the supervision of Dr Philip John Hancox of Caracle Creek International Consulting Coal Proprietary Limited (CCIC Coal, PO Box 9062, Devon Valley, 1715). Dr Hancox is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP: Private Bag X450, Silverton, 0127. Registration number 400224/04) as well as a member and fellow of the Geological Society of South Africa and the Society of Economic Geologists. He is also lifetime member of the Geostatistical Association of South Africa, an executive committee member of the Fossil Fuel Foundation, and a core member of the Prospectors and Developers Association of Canada. He has 17 years' experience in the South African coal industry, holds a PhD from WITS University, and has authored a number of published and unpublished academic articles on the Karoo Basin and its contained coal deposits, as well as over 70 peer-reviewed scientific papers on various aspects of sedimentary geology, basin analysis, coal and palaeontology. He is also a regular presenter and contributor at coal conferences, and was a member of the SABS TC-27 Working Group, which recently completed a re-write of the SANS 10320 coal guidelines.

The Moabsvelden, Bankfontein and Roodepoort Projects Coal Resource estimates and classifications were prepared by Mr Kobus Dippenaar of Gemecs Proprietary Limited ((Gemecs, PO Box 652252, Benmore, Sandton, 2010)). Mr Dippenaar holds a BSc Honours degree in Geology from the University of Pretoria and is a member in good standing of SACNASP (registration number 400079/94). Mr Dippenaar has over 24 years' experience in the mining industry, mainly on coal geology and environmental disciplines.

Coal Resource and Reserve Statement continued

During his career he was employed as mine, project and exploration geologist, as well as environmental manager at a number of different operations in South Africa. The respective estimates are extracts of Competent Persons' reports authored by Mr Dippenaar in compliance with the recommendations and guidelines set out in the SAMREC Code.

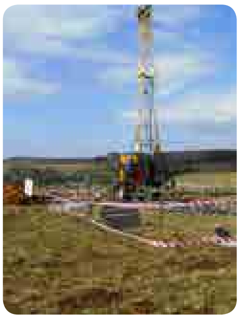
The Vanggatfontein Colliery and Moabsvelden Project Coal Reserve estimates and classifications were prepared by Mr Leon Raaths of Miptec Consulting Proprietary Limited (PO Box 40084, Reyno Ridge, 1049). Mr Raaths holds a BTech Mining degree, a BSc in Operations Research and an MBL. Mr Raaths is registered with the SAIMM (registration number 702015). Mr Raaths has 25 years' experience in coal mining, the largest portion of which was on technical and project disciplines, where the determination of Coal Reserves was part of his responsibility. This was largely for BHP's South African collieries, Xstrata South Africa, CIC Energy and now as an independent consultant for various smaller operations. Mr Raaths is currently responsible for all short, medium and long-term planning as well as data management and reconciliations for Keaton's Vanggatfontein Colliery. Mr Raaths is also a member of the South African Colliery Manager's Association (SACMA).

The Vaalkrantz Colliery Coal Reserve estimate and classification was prepared under the supervision of Mr Piet van der Linde of Mindset Mining Consultants Proprietary Limited (Mindset, 298 Stokkiesdraai Street, Pretoria, 0165). Mr Van Der Linde holds a National Higher Diploma in Mining Engineering and a Mine Manager's Certificate (coal). Mr van der Linde is a registered Professional Certified Engineer with the Engineering Council of South Africa ((ECSA, Private Bag X691, BRUMA, 2026), registration number 200690043), has 36 years' experience in the mining industry, 19 of which were in the coal sector. Mindset has been involved in operational planning in a consulting capacity at Vaalkrantz Colliery since September 2008.

The respective CPs are listed below with reference to the respective operations and projects for which they have taken responsibility.

Competent Person

Operation/ project	Holding company	Coal Resource estimate	Coal Reserve estimate
Vanggatfontein Colliery	Keaton Mining Proprietary Limited	Dr PJ Hancox, CCIC Coal Proprietary Limited	Mr L Raaths, Miptec Proprietary Limited
Vaalkrantz Colliery	Leeuw Mining & Exploration Proprietary Limited	Dr PJ Hancox, CCIC Coal	Mr P van der Linde, Mindset Mining Consultants Proprietary Limited
Moabsvelden Project	Neosho Trading 86 Proprietary Limited	Mr K Dippenaar, Gemecs Proprietary Limited	Mr L Raaths, Miptec Proprietary Limited
Braakfontein Project	Leeuw Braakfontein Colliery Proprietary Limited	Dr PJ Hancox, CCIC Coal	N/A
Koudelager Project	Leeuw Mining & Exploration Proprietary Limited	Dr PJ Hancox, CCIC Coal	N/A
Sterkfontein Project	Keaton Mining Proprietary Limited and Labohlano Trading 46 Proprietary Limited	Dr PJ Hancox, CCIC Coal	N/A
Bankfontein Project	Xceed Resources Limited	Mr K Dippenaar, Gemecs	N/A
Roodepoort Project	Xceed Resources Limited	Mr K Dippenaar, Gemecs	N/A



Copies of the respective contributing CP reports are available from Keaton Energy on request.

Definitions of Coal Resources and Coal Reserves

The following Coal Resource and Coal Reserve definitions are extracts from the SAMREC Code and SANS 10320:2004.

An **"Inferred Coal Resource"** is that part of a Coal Resource for which volume or tonnage and coal quality can be estimated only with a low level of confidence. It is inferred from geological evidence and sampling and assumed physical continuity with or without coal quality continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, information that is limited or of uncertain quality and reliability.

An Inferred Coal Resource is defined by the coal in the full seam above the minimum thickness cut-off and relevant coal quality cut-offs, as defined by the Competent Person, which meets the criteria for reasonable and realistic prospects of eventual economic extraction. An Inferred Coal Resource is quantified by a minimum of one (1) cored borehole with coal quality data per 100ha (approximately 1km spacing) for multiple seam deposit types which categorises all of Keaton Energy's coal deposit types.

An **"Indicated Coal Resource"** is that part of a Coal Resource for which tonnage, densities, shape, physical characteristics and coal quality can be estimated with a moderate level of confidence. It is based on information from exploration, sampling and testing of material gathered from locations such as outcrops, trenches, pits, workings and drill holes. The locations are appropriate to confirm physical continuity, while the locations are too widely or inappropriately spaced to confirm the continuity of the coal quality. However, such locations are spaced closely enough for such continuity to be assumed.

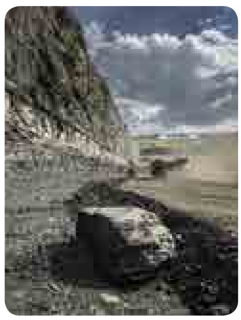
An Indicated Coal Resource is defined by the coal in the full seam above the minimum thickness cut-off and relevant coal quality cut-offs, as defined by the Competent Person, which meets the criteria for reasonable and realistic prospects of eventual economic extraction. An Indicated Coal Resource is quantified by a minimum of four (4) cored boreholes with coal quality data per 100ha (approximately 500m spacing) for multiple seam deposit types.

A **"Measured Coal Resource"** is that part of a Coal Resource for which tonnage, densities, shape, physical characteristics and coal quality can be estimated with a high level of confidence. It is based on detailed and reliable information from exploration, sampling and testing of material gathered from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm physical and coal quality continuity.

A Measured Coal Resource is defined by coal in the full seam above the minimum thickness cut-off and relevant coal quality cut-offs, as defined by the Competent Person, which meets the criteria for reasonable and realistic prospects of eventual economic extraction. A Measured Coal Resource is quantified by a minimum of eight (8) cored boreholes with coal quality data per 100ha (approximately 350m spacing) for all deposit types.

The classification of Coal Resources into Inferred, Indicated and Measured categories is therefore a function of increasing geological confidence in the estimate based on the density of points of observation, the physical continuity of the coal seams, the distribution and the reliability of the coal sampling data, the coal quality continuity, the reliability of the geological model, and the evaluation method. Factors that contribute to the uncertainty in Coal Resource estimation include the key constraints used to construct the geological model, seam thickness variations and coal quality distribution within the geological model.

A **"Probable Coal Reserve"** is the economically mineable material derived from a Measured or Indicated Coal Resource or both. It is estimated with a lower level of confidence than a Proved Coal Reserve. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project or a life-of-mine plan for an operation must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.



Coal Resource and Reserve Statement continued

A **"Proved Coal Reserve"** is the economically mineable material derived from a Measured Coal Resource. It is estimated with a high level of confidence. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project or a life-of-mine plan for an operation must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

A **"mineable in situ Coal Reserve"** is the tonnage and coal quality, at specified moisture content, contained in coal seams, or sections of seams, that are proposed for mining, adjusted by the application of the geological loss factors. Sufficient information must be available to enable conceptual or detailed mine planning, and such mine planning must have been undertaken.

A **"run-of-mine (ROM) Coal Reserve"** is the tonnage and coal quality of mineable in situ Coal Reserves that are expected after all geological losses, mining losses, mining dilution, contamination and moisture content factors have been applied.

A **"Saleable Coal Reserve"** is the tonnage and coal quality that will be available for sale, either in the raw ROM state at a specified moisture content or after beneficiation of the ROM Coal Reserve has produced materials at specified qualities, moisture contents and size ranges.

Coal Resource estimation methodology

Prior to the acquisition of Xceed Resources in February 2014, all of Keaton Energy's Coal Resource estimates were compiled by Dr PJ Hancox from CCIC Coal. Subsequent to the acquisition of Xceed in February 2014, for continuity the Coal Resource estimates for the contributing Xceed assets continue to be compiled by Mr K Dippenaar of Gemecs. The respective modelling and estimation methodologies applied by the respective CPs are described here for completeness. While the electronic modelling packages differ, the fundamental estimation and classification approaches are unlikely to yield material variances in the estimated tonnages and categorisations. In any event, the guiding principle behind Coal Resource categorisation relies on drill hole densities for the respective coal resource categories as defined above.

CCIC Coal

The geological models and volume and tonnage estimations for the Vanggatfontein, Vaalkrantz, Braakfontein, Sterkfontein and Koudelager assets were generated using the CAE Datamine Studio 3™ software (Studio 3). In preparation for the geological model and estimation of the Coal Resource, three separate databases were compiled and validated, these being the collar, lithology and raw quality databases. The limit of weathering and depth of soft overburden were identified where possible.

To avoid estimation errors caused by differences in seam thicknesses, quality control performed on the qualities database involved ensuring that the sampling intervals matched the coal intervals in the lithology logs. Where differences were recorded between the coal thicknesses in the sampling and lithology logs, the sampling intervals were considered to reflect the true thickness, and the lithology logs were adjusted accordingly. Where possible these were also compared with the wireline logs.

As a first pass of the modelling procedure, distances between borehole collars were measured to establish the approximate borehole spacing. The wireframes of the geological model were extended beyond the outermost boreholes by one third of the average drill spacing or to a fixed boundary such as the property boundary, projected outcrop and/or limit of weathering. Wireframes of the seams were produced and checked for geological integrity. The final wireframes of the different seams were verified and limited against the property boundaries. These wireframes were then used to create block models consisting of cells 50m x 50m x seam thickness. Raw qualities were estimated into these cells using the inverse distance squared method with a search radius depending on the average borehole spacing. The minimum number of samples was set as one and the maximum number of samples at five.

Prior to the estimation of volumes and tonnages, which were undertaken on the block model, the resource categories were established according to SAMREC guidelines by calculating the average number of boreholes per 100ha (BH/100ha).

In order to estimate the GTIS, a thickness cut-off was applied depending on an opencast or underground mining method, as well as a raw ash cut-off of 50%, and a dry ash-free volatile matter cut-off depending on the coal type (>24% for bituminous coal, 24% to 16.5% for devolatilised/lean coal, <16.5% for burnt/anthracitic coal). Furthermore, the average estimated raw relative density was used for the tonnage estimation. A geological loss factor depending on the resource category, structural complexity, dolerite intrusions and level of weathering was applied to the GTIS in order to receive TTIS or MTIS as the case may be, dependent upon whether any selective mining was planned for the resource.

Gemecs

Geological, structural and coal quality models were constructed for the Moabsvelden, Bankfontein and Roodepoort Projects using Gemcom Minex™ modelling software. Seam floor and roof elevations, seam thickness, raw air-dried coal qualities, topography, limit of weathering and strip ratio (BCM/t) were modelled for each of the in situ coal seams. All the potential resource coal seams and the parting bands were modelled.

Resource boundaries were based on the occurrence of the seams and the mineral right boundaries. Total seam thickness rather than selected sub-plies were used in the modelling process. The MINEX general algorithm, also known as the growth technique, was used for modelling (gridding) of both structural and quality parameters and the gridding was conducted on a mesh size of 25m x 25m within a polygon limit for the existing data. A surface grid of the topography was created using a digital terrain model imported in .dxf format. A weathering surface determined by the limit of weathering as recorded in each borehole was also created. This is a very important surface because it defines the sub-outcrop limits and lateral extent of the seams. No Coal Resources are estimated between the surface grid (TOPS) and the limit of weathering surface (LOW).

Quality grids for raw as well as washed coal qualities and yields are modelled. All the reported coal qualities, i.e. CV, Ash, VM, FC, IM, TS, TP and yield are modelled per coal Seam to enable raw and washability reporting. Various coal quality grids were modelled on a project by project basis depending on market specifications.

Principally, the main criterion for resource classification is based on the number of boreholes intersecting a particular coal seam(s) within a specified area and the confidence in projecting the coal quality across each seam based on the analysis performed on samples taken from the cores of the individual borehole intersections. Classification was guided by the following: borehole density; geological and grade continuity; geological structure and its influence on mining; and geological complexity. The borehole density and spatial distribution of cored boreholes, sampled and analysed for raw ash content, is sufficient to allow for confident extrapolation of physical and quality parameters between boreholes and also allows for the Coal Resources to be adequately categorised into Inferred, Indicated and Measured Resources as per the SAMREC Code. Coal Resource classification based on borehole density (points of observation supported by analytical data) is as follows: Measured: 16 boreholes per 100ha (250m x 250m grid), Indicated: four boreholes per 100ha (500m x 500m grid spacing), Inferred: one borehole per 100ha (1 000m x 1 000m grid spacing).

Coal Reserve estimation methodology

Coal reserves are declared for the operating Vanggatfontein and Vaalkrantz Collieries, and the Moabsvelden development asset. Coal Reserve estimates for the opencast Delmas assets, Vanggatfontein and Moabsvelden, have been compiled by Mr Leon Raaths of Miptec Mining Consultants. The estimates for the underground Vaalkrantz Colliery has been estimated by Mindset. While the resource estimation process is not dissimilar for opencast and underground assets, the mode of mine design and coal reserve estimation is somewhat different for the different styles of mining. Each of the respective consultants' methodologies is therefore described here.

Coal Resource and Reserve Statement continued

Table 1: Keaton Energy Holdings Group Coal Resource and Coal Reserve Summary

	At 31 March 2015						
	Coal Resource (MTIS) (AD)#				ROM Coal Reserve (Mt) (AR)#		
	Inferred Mt	Indicated Mt	Measured Mt	Total Coal Resource Mt	Probable Mt	Proved Mt	Total ROM Coal Reserve Mt
Vanggatfontein Colliery	**–**	**33.0**	**86.3**	**119.3**	**9.4**	**39.8**	**49.2**
5 seam	–	2.7	2.7	**5.4**	0.6	1.5	**2.1**
4 seam	–	15.9	48.6	**64.5**	4.5	21.4	**25.9**
2 seam	–	14.4	35.0	**49.4**	4.3	16.9	**21.2**
Moabsvelden Project	**–**	**–**	**54.7**	**54.7**	**3.9**	**35.9**	**39.8**
5 seam	–	–	2.8	**2.8**	0.1	2.7	**2.9**
4 seam	–	–	23.2	**23.2**	2.2	16.7	**18.9**
2 seam	–	–	24.2	**24.2**	1.4	14.0	**15.4**
1 seam	–	–	4.5	**4.5**	0.2	2.4	**2.6**
Bankfontein Project	**11.0**	**5.1**	**–**	**16.1**	**–**	**–**	**–**
A seam	0.5	–	–	**0.5**	–	–	**–**
B lower seam	5.6	3.9	–	**9.5**	–	–	**–**
C lower seam	2.3	1.1	–	**3.4**	–	–	**–**
D seam	2.6	0.1	–	**2.7**	–	–	**–**
Roodepoort Project	**4.7**	**11.6**	**8.9**	**25.1**	**–**	**–**	**–**
2 upper seam	2.2	7.2	5.6	**15.0**	–	–	**–**
2 lower seam	1.8	3.2	2.1	**7.1**	–	–	**–**
1 seam	0.6	1.1	0.9	**2.6**	–	–	**–**
1A seam	0.1	0.0	0.2	**0.4**	–	–	**–**
Sterkfontein Project	**40.6**	**50.2**	**–**	**90.9**	**–**	**–**	**–**
4 seam	40.6	50.2		**90.9**	–	–	**–**
Vaalkrantz Colliery	**–**	**11.5**	**–**	**11.5**	**2.0**	**–**	**2.0**
Alfred seam	–	8.2	–	**8.2**	1.6	–	**1.6**
Gus seam	–	3.3	–	**3.3**	0.4	–	**0.4**
Braakfontein Project	**–**	**60.1**	**–**	**60.1**	**–**	**–**	**–**
Top seam	–	36.6	–	**36.6**	–	–	**–**
Bottom seam	–	23.4	–	**23.4**	–	–	**–**
Koudelager Project	**0.9**	**11.4**	**–**	**12.3**	**–**	**–**	**–**
Upper Alfred seam	–	2.4		**2.4**	–	–	**–**
Lower Alfred seam	–	1.1		**1.1**	–	–	**–**
Gus seam	0.9	0.5		**1.4**	–	–	**–**
Upper Dundas seam	–	2.1		**2.1**	–	–	**–**
Lower Dundas seam	–	5.3		**5.3**	–	–	**–**
Total	**57.2**	**182.9**	**149.9**	**390.1**	**15.3**	**75.6**	**90.9**
Keaton attributable*	**33.1**	**125.5**	**105.7**	**264.3**	**11.3**	**56.0**	**67.3**

 # Full project Resources and Reserves are stated, AD – air dried, AR – as received.

** Bankfontein and Roodepoort Projects 15% held by Keaton Energy, all other collieries/projects held 74% by Keaton Energy.*

Coal Resources reported in this summary table are quoted inclusive of Coal Reserves.

Rounding may result in minor variances in totals presented in this table.

Comprehensive Coal Resource and Coal Reserve Supplement includes full details of respective Coal Resource and Coal Reserve estimates and qualities.

At 31 March 2014						
Coal Resource (MTIS) (AD)#				ROM Coal Reserve (Mt) (AR)#		
Inferred Mt	Indicated Mt	Measured Mt	Total Coal Resource Mt	Probable Mt	Proved Mt	Total ROM Coal Reserve Mt
–	62.5	83.1	145.6	5.9	51.3	57.2
–	2.9	3.5	6.4	0.8	2.2	3.0
–	45.9	38.5	84.4	3.1	27.0	30.1
–	13.7	41.1	54.8	2.0	22.1	24.1
–	2.0	53.5	55.5	1.2	41.4	42.6
–	–	3.0	3.0	–	2.7	2.7
–	0.8	24.8	25.6	1.2	18.1	19.3
–	1.0	21.8	22.8	–	17.4	17.4
–	0.2	3.9	4.1	–	3.2	3.2
11.0	5.1	–	16.1	–	–	–
0.5	–	–	0.5	–	–	–
5.6	3.9	–	9.5	–	–	–
2.3	1.1	–	3.4	–	–	–
2.6	0.1	–	2.7	–	–	–
5.3	12.2	8.8	26.3	–	–	–
2.5	7.6	5.6	15.7	–	–	–
2.0	3.4	2.1	7.5	–	–	–
0.6	1.2	0.9	2.7	–	–	–
0.2	–	0.2	0.4	–	–	–
40.6	50.2	–	90.8	23.6	–	23.6
40.6	50.2	–	90.8	23.6	–	23.6
–	15.2	–	15.2	2.5	0.2	2.7
–	9.6	–	9.6	1.9	0.1	2.0
–	5.6	–	5.6	0.6	0.1	0.7
–	64.9	–	64.9	24.9	–	24.9
–	39.7	–	39.7	13.6	–	13.6
–	25.2	–	25.2	11.3	–	11.3
0.9	11.4	–	12.3	–	–	–
–	2.4	–	2.4	–	–	–
–	1.1	–	1.1	–	–	–
0.9	0.5	–	1.4	–	–	–
–	2.1	–	2.1	–	–	–
–	5.3	–	5.3	–	–	–
57.8	223.5	145.4	426.7	58.1	92.9	151.0
33.2	155.3	102.4	290.9	43.0	68.7	111.7

Coal Resource and Reserve Statement continued

Miptec

In the first instance it is important that the geological and mining modelling packages provide the primary order-of-magnitude cross-check of the in situ volumes, relative densities and tonnages. Miptec utilises RPM Global's OpenCutCoal XPac package as the pit design and scheduling software which provides this first GTIS handshake on the basis of the primary exploration inputs, both structural and quality. With a <2.5% variance in GTIS estimates the XPac model is deemed to have agreed the gross in situ structure and quantum.

A rigorous life of mine (LOM) scheduling exercise is then set up, with reserving modifying factors informed by experience in the current Vanggatfontein pits, from both a pit planning and coal processing point of view. In-pit seam losses and practical coal processing plant yield are therefore the key parameters which are constantly monitored and modified in the forward-looking models to inform realistic expectations of future production. Experience at Vanggatfontein since commencement in 2010 clearly leads to improved prediction of mine and plant output.

Miptec's LOM schedule then provides the basis for the economic modelling of the draft coal reserve which is conducted in-house by Keaton Energy. The colliery financial model itself is then provided to Miptec for a cross-check of the application of the schedule provided and ultimately the economics of the coal reserve over the full mine life.

Mindset

Electronic modelling of the Vaalkrantz resource by Mindset was carried out using very much the same process flow. The respective geological model grids, provided by CCIC Coal, are audited and verified in terms of global GTIS estimates. Structural and/or quality variations are queried and dealt with directly.

Mindset similarly imports seam grids into RPM Global's Underground Coal XPac software and panel designs, pillar designs, panel layouts, schedules and production volumes generated electronically. At Vaalkrantz the reserving modifying factors are applied informed by experience on the Gus and Alfred horizons since Keaton Energy's involvement in December 2011. Mindset's long-term involvement at Vaalkrantz, from feasibility, construction, mine development through to operational management, positions them well to provide the best possible view of the mineable reserve in a challenging geological setting.

The LOM production schedules generated then provide the basis for the economic modelling of the draft reserve estimates which are conducted in-house by Keaton Energy.

Material movements in comparable Coal Resources and Coal Reserves

Operations

The Coal Resource estimate for Vanggatfontein Colliery was impacted upon by the removal of wetland resources below a newly delineated wetland on the Western Resource Block (WRB). The net tonnage loss totalled 19.0Mt on an MTIS basis. ROM depletion for the period amounted to 3.7Mt from the 5, 4 and 2 seams. The combined MTIS Coal Resource fell 18% from 145.6Mt to 119.3Mt. The Vanggatfontein ROM Coal Reserve reduced 14% as a result of delays in the diversion of the provincial road to enable the extension of the VG3 and VG4 pit endwalls. The newly delineated WRB wetland has had no effect on the Coal Reserve estimate.

At Vaalkrantz a 15% reduction in the Alfred Seam resource from 9.6Mt to 8.2Mt was as a result of premature extraction of infrastructure from the southern extremities of both the Enyati and West adits due to deteriorating mining conditions adjacent to the Enyati dolerite sill

which cuts through the Alfred horizon at both shafts. Mining conditions adjacent to the sill simply deteriorated earlier than anticipated meaning that several advance panels which had been planned closer to the intrusion were abandoned and excluded from the current Coal Reserve footprint.

Similarly, a 41% reduction in the Gus Seam resource from 5.6Mt to 3.3Mt resulted from the prudent exclusion of remnant blocks previously considered mineable but no longer accessible using current infrastructure. These blocks will be reconsidered in future if infrastructure to those blocks is re-established. The total Vaalkrantz ROM Coal Reserve reduced 26% from 2.7Mt to 2.0Mt, consisting of a 0.35Mt depletion for the period as well as the exclusion of remnant blocks currently considered unmineable as discussed above. Reserve replacement remains a challenge at Vaalkrantz and numerous greenfield and brownfield opportunities within the existing Mining Right boundary are being investigated on an ongoing basis.

Growth projects

A fundamental decision was taken to withdraw the Coal Reserve estimates previously declared as at 31 March 2014 for the Sterkfontein and Braakfontein projects. Both estimates have been withdrawn on the basis of economic study merit and veracity. After a detailed re-assessment of the previously declared Sterkfontein Project Coal Reserve estimate by the responsible CP, it was evident that the estimate had been compiled on the basis of the findings and conclusions of a concept study compiled by independent consultant RSV Enco Consulting Proprietary Limited during May 2013. At the time the CP was of the view that the underground life-of-mine production schedule and associated economic study had been conducted in sufficient detail to support the declaration of a Coal Reserve for the project. However, notwithstanding the relative confidence in the project and its economics, the SAMREC Code sections 33 and 34 are clear on the level of study required for the declaration of Probable and Proved Coal Reserve estimates. In terms of these guidelines, therefore, the Coal Reserve previously declared has been formally retracted from Keaton Energy's 31 March 2015 Coal Resource and Coal Reserve estimate.

There was no change to the Sterkfontein 90.9Mt (MTIS) Coal Resource estimate declared at 31 March 2014.

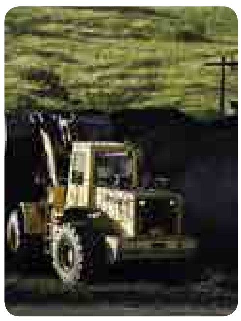
The Braakfontein Project has historically been the subject of two independent feasibility studies, as well as a May 2013 concept study which essentially stood as an update of a 2009 feasibility study. In December 2014 Mindset was again commissioned to compile a new feasibility study on the project in order to understand the impact of the results of recent exploration drilling and prevailing coal market and economic conditions. Braakfontein has to date been designed primarily as an export colliery with a secondary thermal quality product for sale domestically. The continued decline in the price of international seaborne thermal coal has clearly changed the manner in which South African coal projects are viewed from a marketing point of view. Braakfontein is therefore currently being studied to determine the optimal product mix as a key determinant of the project's feasibility. The 31 March 2014 Coal Reserve estimate has therefore been withdrawn pending finalisation of the Mindset 2015 feasibility study which is expected during the fourth quarter of the 2015 calendar year. The results of that study will form the basis of an updated Coal Reserve estimate during FY16.

The Braakfontein Project MTIS Coal Resource reduced 7% from 64.9Mt to 60.1Mt on the back of a remodel of the resource incorporating the results of 33 decline structure open percussion holes drilled during the last quarter of the 2014 calendar year. Additional data for 35 historic boreholes was also acquired during 2014 which included structural and partial quality information which was incorporated into the remodel.

The Moabsvelden geological model was updated to include six additional core boreholes drilled during December 2014 resulting in a 0.8Mt (1%) reduction in the MTIS Coal Resource. The Moabsvelden ROM Coal Reserve reduced 7% from 42.6Mt to 39.8Mt exclusively due to a wetland buffer increase from 50m to 150m and the knock-on effect on the MV1 pit box-cut position and the mineability of sections of the long-term MV3 pit. The 150m wetland buffer has been recommended by the Department of Water and Sanitation (DWS) as a condition of the Moabsvelden IWUL. While this buffer remains a draft proposal, it has been applied in deriving the Moabsvelden Coal Reserve.

There were no material changes to the Koudelager, Bankfontein and Roodepoort Project Coal Resource estimates reported as at 31 March 2014.

In summary, total managed Coal Resources therefore reduced by 9% from 426.7Mt to 390.1Mt, and total managed Coal Reserves reduced by 40% from 151Mt to 90.9Mt. The withdrawal of the Sterkfontein and Braakfontein Coal Reserve estimates accounted for the majority of the Coal Reserve movement.



Our people

We foster an inclusive, young, dynamic, honest and transparent culture. We share a common goal and have a good work ethic. Our employees take accountability for and ownership of their delegated responsibilities and we demand that contractors do likewise.

Key indicators

	2015	2014
Permanent employees	**104**	95
Interns/graduates	**57**	–
Contract employees	**1 272**	1 085
Total employees	**1 433**	1 180
Female employees	**184**	151
Number of employees hired/(terminated) including contractors	**253**	(41)
Percentage of employees represented by unions (%)	**31**	3
Total training spend (Rm)	**6 418 017**	647 592

Movement in employee numbers (Keaton Energy staff only)

	Head office	Vanggatfontein	Vaalkrantz	Total
Permanent employees at 31 March 2014	28	14	53	95
Non-Executive Directors	8	–	–	8
Appointments	9	1	7	17
Resignations	(5)	–	(2)	(7)
Dismissals	(1)	–	(1)	(2)
Separation agreement	–	–	(2)	(2)
Ill health	–	–	(1)	(1)
Retirement	–	–	(1)	(1)
Deceased	–	–	(2)	(2)
Abscondment	–	–	(1)	(1)
Transfer	(2)	–	2	–
Permanent employees at 31 March 2015	**37**	**15**	**52**	**104**

	Head office	Vanggatfontein	Vaalkrantz	Total
New engagements				
Male	2	1	6	9
Female	7	–	1	8
Terminations				
Male	4	–	8	12
Female	2	–	2	4
Transfers				
Male	1	–	–	1
Female	1	–	–	1

Human capital management is the responsibility of the Group Human Capital Manager, Mr Paul Bester. Our human resources policies assist line managers and employees in understanding workplace policies, procedures and behaviour. Copies of the policies are provided to all employees during induction.

The continuous internal audit by Keaton Energy's human resource department, supported by a review done by an independent consultant in the year, found that all Keaton Energy's policies comply with all minimum standards as per South African labour law.

Where any changes or updates are required due to legislative changes, the Group Human Capital Manager, as mandated by EXCO, amends the policies. All amendments are communicated in writing to all employees. Minimum notice periods regarding operational changes are provided for in the Basic Conditions of Employment Act, which is applied when applicable.

Our recruitment strategy is aligned to local recruitment within the geographical areas in which we operate. Only when the required skills are not available locally would we consider candidates from other geographical areas. Currently Keaton Energy does not directly employ migrant labour.

Demographics

Total staff for the group by employment level as at 31 March 2015

	Female					Male							
	A	C	I	W	Total female	A	C	I	W	Total male	Grand total	% black	% female
Top management	1	–	–	1	2	1	–	–	7	8	10	20	20
Senior management	–	–	1	3	4	3	–	–	4	7	11	36	36
Middle management	1	–	–	1	2	3	–	–	5	8	10	40	20
Junior management	3	1	1	4	9	4	–	–	8	12	21	43	43
Other	18	–	–	–	18	34	–	–	–	34	52	100	35
Grand total	**23**	**1**	**2**	**9**	**35**	**45**	**–**	**–**	**24**	**69**	**104**	**68**	**34**

A African
C Coloured
I Indian
W White

Labour relations

The group supports every employee's right to belong to a union and demonstrates this through an open and transparent relationship with all unions and their representatives.

Compared to FY14 where only staff members employed by Keaton Energy at our Vaalkrantz Colliery were members of organised labour unions, during FY15 there has been a significant increase in union membership among contractors at both Vanggatfontein and Vaalkrantz Collieries. Union membership among Keaton Energy employees showed no increase for the reporting period.

Our people continued

Workplace	Union membership		% of workforce unionised		% AMCU membership		% NUM membership	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Keaton Energy head office	**–**	–	**–**	–	**–**	–	**–**	–
Vaalkrantz Colliery	**280**	36	**31.7**	5	**88.6**	1.7	**11.4**	3.3
Contractor employed	**244**	–	**30.7**	–	**96.7**	–	**3.3**	–
Keaton Energy employed	**36**	36	**69.2**	67.9	**33.3**	33.3	**66.7**	66.7
Vanggatfontein Colliery	**167**	–	**32.5**	–	**65.9**	–	**34.1**	–
Contractor employed	**167**	–	**34.9**	–	**65.9**	–	**34.1**	–
Keaton Energy employed	**–**	–	**–**	–	**–**	–	**–**	–

The company does not use the services of labour brokers.

In terms of recognition agreements with AMCU and NUM at Vaalkrantz Colliery, Keaton Energy negotiates annually regarding conditions of employment. Contractors engage autonomously with unions within their workplaces. Wage agreements are applied fairly across the workforce, irrespective of gender, race or union membership.

The disciplinary system applies to all employees of the company. Our Disciplinary Policy is aimed at leading our employees towards an improved work attitude and responsibility. Disciplinary measures are therefore used to correct rather than punish. All employees are expected to be conversant with the policy and to this end it is communicated in their on-boarding process and forms part of their terms and conditions of employment. Further, managers responsible for maintaining discipline are trained by a human resources functionary in interpreting the policy and applying the related procedures.

Our Grievance Policy and Procedures are founded on the principle that it is in the interests of both employees and employer to observe a grievance procedure to resolve any dissatisfaction or feeling of injustice regarding an employee's work or employment situation. Employees and their representatives will not suffer any prejudice as a consequence of lodging a grievance in terms of this procedure. We consider a grievance to be any matter of concern to an employee or group of employees arising out of the working situation, but excluding any issue which is required to be dealt with by the company and a recognised trade union, as well as any grievance of an individual or individuals over disciplinary action by management or an alleged unfair dismissal.

Skills development

We regard employee training and development as a key enabler of achieving our strategic, business and operational goals. Our total investment in training spend (including that spent by contractors) for the year was R6.4 million (2014: R0.6 million). The significant increase in spend is due to the inclusion of SLP and internship spend. During the year, both Keaton Mining and LME signed on 20 work experience learning students, 20 graduate interns and 18 apprentices. Most of the training spend was directed to these beneficiaries. Their training involved both on-the-job and off-the-job training.

We encourage employees to participate in bursary schemes as well as Keaton Energy-funded short courses to increase skills levels. Internal staff training and development is managed by the Group Human Capital Manager with external training and development managed by the Group SLP Manager through the group's SLP commitments as regulated by the MPRDA. Our average hours of training and training expenditure are summarised below:

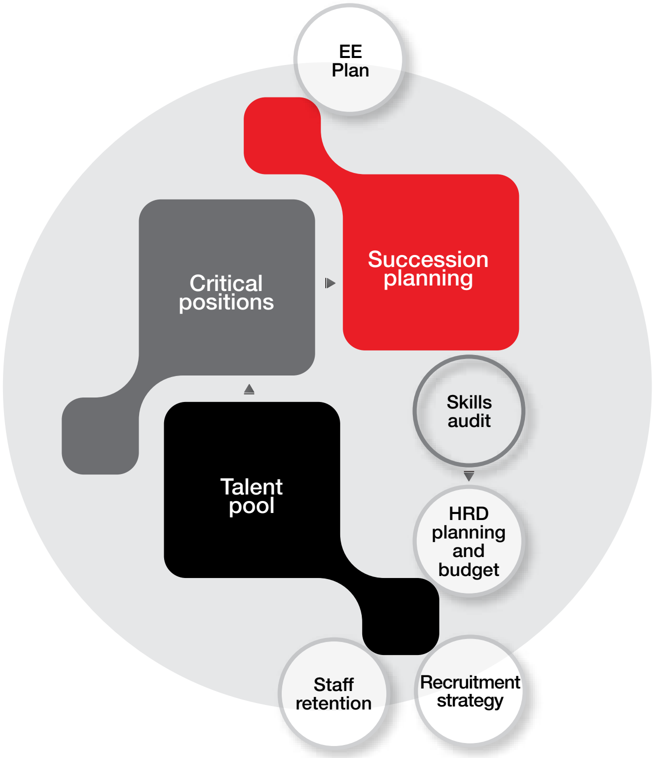
Average hours of training and training expenditure

	2015	2014	2013	2012
Total training expenditure (rand)	**6 418 017***	647 592	694 215	591 228
Training expenditure as percentage of payroll (%)	**3.7**	3.2	5.0	1.0
Average hours of training per employee	**24**	16	16	16

Note: The above figures have been provided on a group basis and therefore differ from the information provided in the Mining Charter scorecards for each of the individual operations. The Mining Charter scorecard is available on our website www.keatonenergy.co.za.

** Includes SLP spend on bursaries, internships and apprenticeship training.*

In the past year we identified our critical path positions, with our operational circumstances in mind, through a skills audit that identified gaps. A human resource development plan was implemented and aligned with training and development budgets. Our succession planning will be aligned with our Employment Equity Plan, which is a legal requirement.



One of our biggest human capital development challenges is maintaining the balance between employee career aspirations, the demands of changing operational requirements and portable skills training. Keaton Energy's skills development programmes provide technical skills that are portable within the mining industry. These include occupational health and safety and training for specific operational functions.

Decision-making processes pertaining to the awarding of bursaries, work integrated learning opportunities and apprenticeships are informed by the commitment to building sustainable communities. As such, preference is given to the academic and skills development of host community beneficiaries although this approach does not specifically exclude beneficiaries from the rest of South Africa. With regard to local economic development initiatives that are incorporated in the SLP, the group prioritises investment in infrastructure development projects that benefit the broader host community rather than a few individuals.

Keaton Energy has established a formal framework for performance management and career development for all its employees. Individual performance is assessed in terms of a scorecard of key performance areas, which are derived from existing job descriptions and are aligned to the overall performance measures of the group. The performance management scorecard and the assessment process also provide an opportunity to comment on developmental plans for the individual employees. See the Remuneration Committee Report on pages 92 to 95 for further detail.

Case study

Upskilling women in mining

Ntando Mtolo is a beneficiary of Keaton Energy's bursary programme. She was born and raised in Pietermaritzburg in KwaZulu-Natal and at 22 holds a National Diploma in Mining Engineering as well as a BTech degree in Mining Engineering from the University of Johannesburg. Ntando joined the mining industry four years ago with the aim of making a significant and positive contribution in a male-dominated industry. Keaton Energy awarded her a bursary to fund her studies and she is currently enrolled as part of Keaton Energy's Graduate Development Programme at Vaalkrantz Colliery in KwaZulu-Natal.

Ntando enjoys the outdoors including hiking, bungee jumping and river rafting. She also enjoys reading and in particular expanding her knowledge of the industry. She loves exploring new innovations and new technologies, is enthusiastic and faces every challenge with tenacity.

Over the years the mining industry has grown in mechanisation and innovation and has also seen the increased involvement of females in industry. Ntando's ultimate dream, and what she strives for personally, is to be part of this evolution.

Social investment

We strive to minimise potentially negative social impacts while promoting opportunities for the local communities in our areas of operation. To achieve this we monitor, measure and manage our social and economic impacts in terms of SLPs, which are reported annually to the DMR in terms of the MPRDA.

Mine management is proactive in building and maintaining stakeholder relationships with the local communities through the following structures:

- Future Forums – community representatives, mine management, contractor management, employees, the local municipality, and representatives of traditional authorities are represented. Community representatives and traditional authority representatives are elected by the relevant ward or traditional structures. The Future Forum sits once a month and minutes of meetings serve as an official record of proceedings. Any grievances that cannot be resolved at forum level are escalated to mine management and if again not resolved, to the group EXCO whose decision is final; and
- Specific purpose stakeholder engagement with special interest groups on a needs basis. The South African National Civics Organisation and the Relocation Task Team, a body set up by Keaton Energy together with the Victor Khanye local municipality to facilitate the relocation of households from the Vanggatfontein farm, are examples of such special interest groups.

Our strategy for social and economic advancement of host communities is informed by the local municipality's Integrated Development Plan (IDP), and is translated into action through local initiatives incorporated into each mine's SLP. Key initiatives include local economic development projects, bursary awards to local qualifying Grade 12 graduates, internships, work integrated learning opportunities, and apprenticeship opportunities for youths.

Given that our culture is to always go the extra mile, we respond to additional community needs not included in the IDP. We work directly with host communities and not through charitable organisations.

The following community upliftment projects were undertaken during the year:

- Construction of 19 houses in Delmas for the relocation of families from the Vanggatfontein property

- Construction of six houses in Mbilane, Vryheid, for indigent families

- Revamping of the crèche in Ezinyambe, Vryheid, and registration with the Department of Social Development as an Early Childhood Development Centre

Social investment continued

- Apprenticeship Programme at Vaalkrantz Colliery, to which 18 unemployed youths signed on
- The Graduate Internship Programme at both Vaalkrantz Colliery and Vanggatfontein Colliery, to which 20 graduates signed on
- Work integrated learning opportunities at both Vaalkrantz Colliery and Vanggatfontein Colliery offered to 20 University of Technology students
- Construction of a water reticulation system for the Ezinyambe community.

Our strategy to improve the CSI component of our Mining Charter scorecard focuses on the award of bursaries, internship opportunities, apprenticeship training, procurement from HDSA-owned local suppliers and development of a talent pipeline to improve the group's HDSA representation in management. Accordingly, SLP targets have been set for:
- Bursaries
- Internships
- Apprenticeships
- Procurement.

Bursars, interns, and apprenticeship/learnership targets and actuals

	Vanggatfontein		Vaalkrantz	
	Target	Actual	Target	Actual
Bursaries	7	10	4	10
Interns (graduates and work experience students)	6	20	15	17
Apprentices and learnerships	14	–[1]	17	18

[1] *Apprentices/learnerships will be signed on during the second half of the 2015 calendar year once some of the current learners have completed their programme and exited the system. The operations are currently congested with interns/learners.*

An electronic data recording and monitoring system has been introduced, which captures all the Mining Charter and SLP-related compliance data. The compliance status of the group can be assessed at any point in time and relevant corrective action taken, if necessary. The system is also complemented by monthly status reviews with the Future Forum and quarterly reviews by EXCO.

Transformation

We acknowledge that integrating genuine transformation that permeates the group is critical for our sustainability in South Africa. Keaton Energy contributes to transformation by increasing the interests of HDSAs in the resources industry. All our operating subsidiaries are fully empowered in line with the requirements of the Mining Charter. HDSAs, including women, are represented as owners and directors of the operating subsidiaries and the holding company, and as employees in senior executive roles in the group.

The group complies with the provisions of the EE Act. All appointments are signed off by the Group Human Capital Manager and the CEO to ensure that the principles of the EE Act continue in force and those HDSAs with the requisite skills are appointed wherever possible.

Our Procurement Policy encourages giving preference to suitably qualified B-BBEE entities and we specifically support local SMMEs through targeted procurement initiatives. The majority of our operational procurement is consumed by our specialist contractors, who are in turn obligated to exercise Keaton Energy's procurement preference principles and to report on progress.

Preferential procurement

Procurement spend and targets

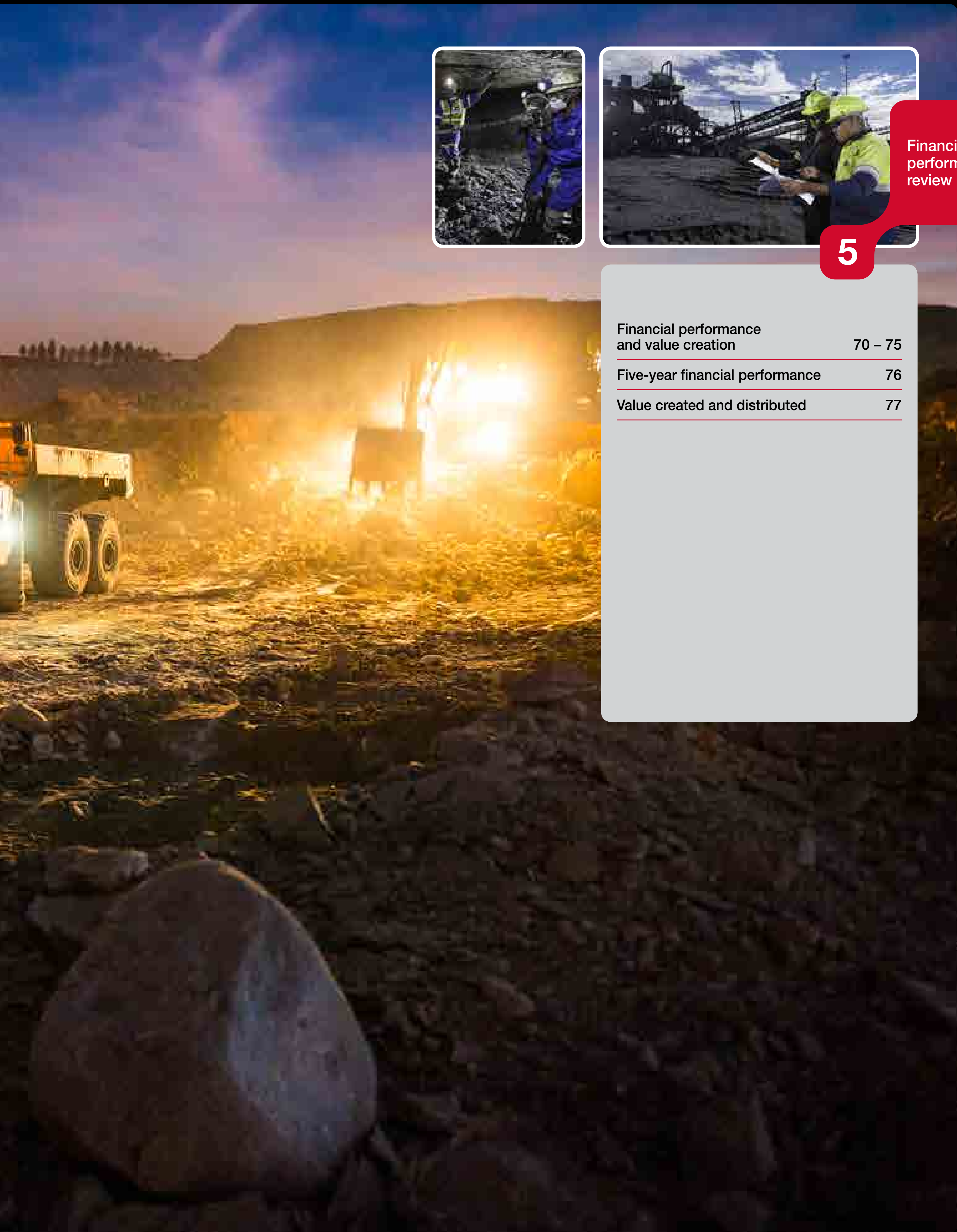
Vanggatfontein

Service rendered	Total procurement spend (A) R million	Non-dis-cretionary spend (B) R million	Dis-cretionary spend (A-B=C) R million	Spend with BEE entities (D) R million	% spend with BEE entities	% target	% variance
Capital	45.4	0	45.4	36.8	81	40	41
Consumables	649.7	0	649.7	213.5	33	50	(17)
Services	853.6	8.4	845.2	335.3	40	70	(30)
Total	**1 548.7**	**8.4**	**1 540.3**	**585.6**			

Vaalkrantz

Service rendered	Total procurement spend (A) R million	Non-dis-cretionary spend (B) R million	Dis-cretionary spend (A-B=C) R million	Spend with BEE entities (D) R million	% spend with BEE entities	% target	% variance
Capital	21.4	0	21.4	16.0	75	40	35
Consumables	165.6	0	165.6	73.9	45	50	(5)
Services	324.5	40.3	284.2	191	68	70	(2)
Total	**511.5**	**40.3**	**471.2**	**280.9**			

Financial performance review



5

Financial performance review

Financial performance and value creation

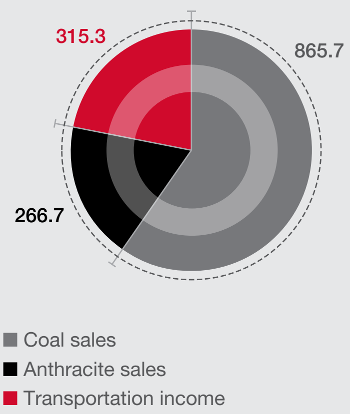
Financial performance and value creation

Extracts from the consolidated statement of profit or loss and other comprehensive income.

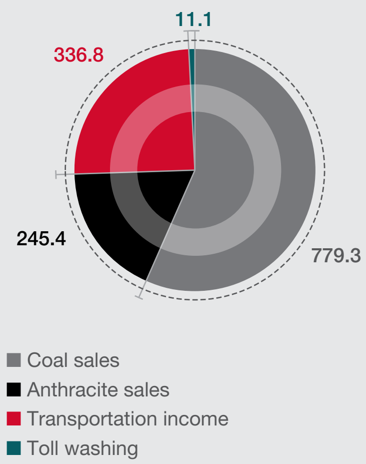
	Year ended 31 March		
R million	**FY15**	FY14	% change
Revenue	**1 447.7**	1 372.6	5
Cost of sales	**(1 244.2)**	(1 153.9)	8
Gross profit	**203.5**	218.7	(7)
Mining and related expenses	**(126.4)**	(11.5)	>100
Administrative expenses	**(60.2)**	(70.1)	(14)
Operating profit before net finance cost	**36.9**	150.1	(75)
Net finance costs	**(49.7)**	(47.7)	4
Income taxation expense	**(59.0)**	(38.0)	55
Net (loss)/profit for the year	**(71.8)**	64.4	(>100)

Group revenue increased by 5% from R1 372.6 million in FY14 to R1 447.7 million in FY15. The increase was a result of higher sales volumes at both Vanggatfontein and Vaalkrantz. The decrease in transport revenue was a result of reduced transport rates from Eskom and shorter delivery distances. The decrease in transport rates from Eskom resulted in a similar reduction of 6% in transport rates paid to our suppliers.

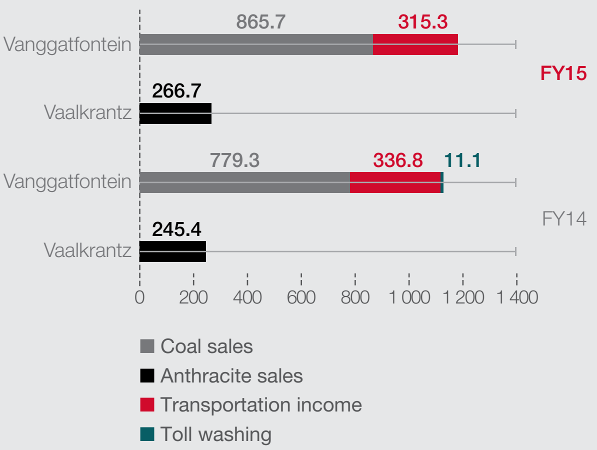
Revenue FY15 (Rm)



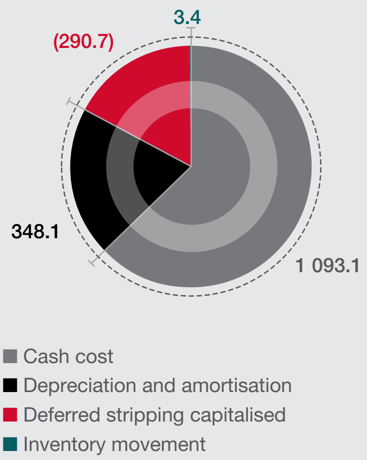
Revenue FY14 (Rm)



Segmental revenue (Rm)



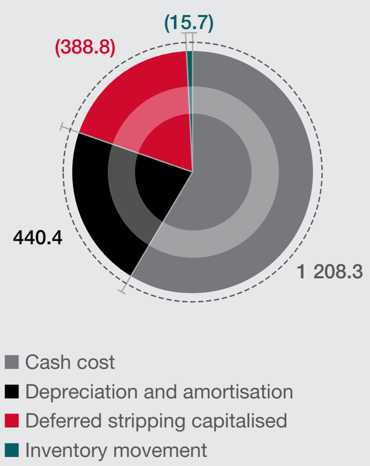
Cost of sales FY14 (Rm)



Vanggatfontein delivered 2.3Mt of washed 2 and 4-seam thermal coal to Eskom during FY15, an increase of 4% from the previous year's 2.2Mt. Sales of 5-seam metallurgical coal increased 29% to 0.13Mt from 0.1Mt. B-grade coal sales were 0.05Mt compared to 0.01Mt in FY14. The increased utilisation of the dedicated 5-seam plant did not allow for any third-party toll washing (FY14: 0.1Mt).

Vaalkrantz sold 0.4Mt of anthracite to domestic and international metallurgical markets, a 30% increase over the previous year's 0.3Mt. The increase was mainly due to the introduction of a new high ash product which is sold into the export market. Sales volumes achieved for this product were 0.1Mt (FY14: nil).

Cost of sales FY15 (Rm)



Cost of sales increased by 8% from R1 153.9 million in FY14 to R1 244.2 million in FY15. The increase is mainly attributable to an increase in both waste volumes (8%) and production volumes (14%) at Vanggatfontein. The strip ratio achieved (excluding dump/spoil rehandle) at Vanggatfontein for the year was 2.9 (FY14: 2.9).

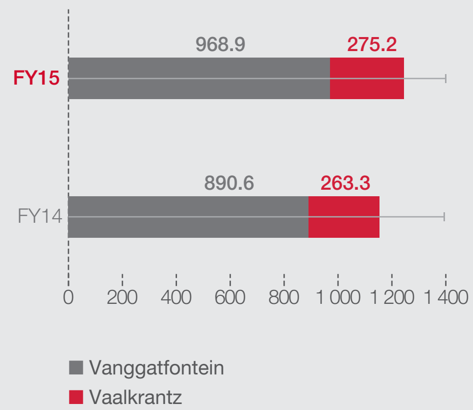
Cash cost increased by 11% from R1 093.1 million in FY14 to R1 208.3 million in FY15. The increase was largely a result of the increased mining volumes at Vanggatfontein discussed above. Waste volumes were up 8% excluding the rehandle of approximately 600 000BCM of dumps material to create further mining flexibility in our three open pits. The impact of this once-off event was R12 million for the year.

The effect of the additional waste and coal volumes resulted in an increase of approximately 5% in cash cost with the remaining 6% attributable to contractual increases to suppliers, illustrating that our focus remains on cost containment.

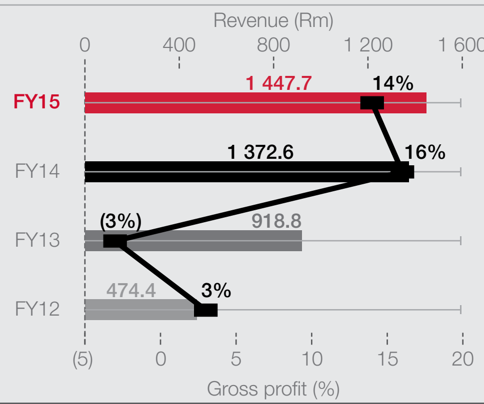
At Vaalkrantz ROM production volumes decreased by 19% from 0.43Mt in FY14 to 0.35Mt in FY15 mainly as a result of increasingly difficult mining conditions in the West Alfred production section and the fatality in February 2015. The shortfall in production was made up by procuring additional ROM volumes from third parties to meet customer obligations. The increase in cost of sales was 4.5% at this operation.

Financial performance and value creation continued

Segmental cost of sales (Rm)



Gross profit



The gross profit of R203.5 million or 14% of revenue was down slightly year-on-year mainly due to the additional once-off waste volumes rehandled at Vanggatfontein, discussed above, as well as a decrease in overall yields at Vaalkrantz.

Mining and related expenses

The increase in mining and related expenses year-on-year mainly relates to:

(i) An impairment recognised on our Vaalkrantz assets of R56.5 million. The impairment was a result of challenging geological conditions experienced over the past number of years. This, coupled with depressed coal prices, lower than expected yields and the fatality in February 2015 as a result of an isolated fall of ground incident, resulted in a critical re-review of the Colliery's LOM plan. The group calculated the recoverable amount for Vaalkrantz (using a value-in-use model), which resulted in an impairment charge of R56.5 million. In addition the extent of the taxable profits to be realised over the revised LOM plan did not support the previously recognised deferred taxation asset relating to assessed losses and capital allowances. As a result, the deferred taxation asset had to be reversed. More detail is provided in the income taxation expense section.

(ii) Stock theft of R24.7 million, which was discovered at Vaalkrantz during the last quarter of the financial year. A thorough investigation undertaken by multiple agencies pointed to collusion between employees and third parties. A provision for this amount was raised to replace the stock that was sold to customers in anticipation of delivery.

(iii) Incremental SLP spend of R8.3 million as part of an agreed catch-up plan with DMR at both operations and salary-related expenses of R11.8 million mainly relating to production bonuses at Vanggatfontein and head office bonuses in line with the group's adopted incentive scheme.

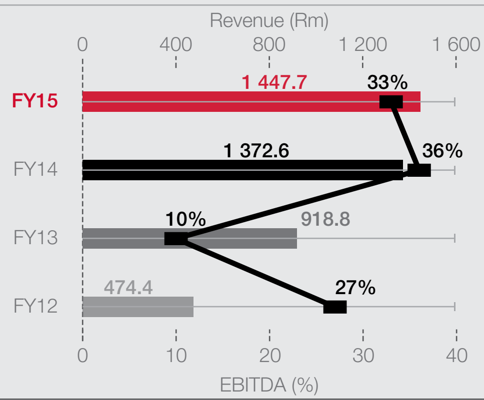
Administrative expenses

Administrative expenses decreased by 14% from R70.1 million in FY14 to R60.2 million in FY15 mainly as a result of acquisition-related cost to the value of R13.2 million attributable to the acquisition of Xceed in FY14.

Operating profit before net finance cost

For a further breakdown of the contribution by each operating segment to operating profit/(loss) before net finance cost refer to the Segment Report on pages 172 to 174.

EBITDA



The decrease in EBITDA is as a result of the additional waste volume at Vanggatfontein as well as the impairment and stock losses due to theft at Vaalkrantz. All of which have been discussed previously. For a further breakdown of the contribution by each operating segment to EBITDA refer to the Segment Report on pages 172 to 174 to the section dealing with operating profit/(loss) before depreciation/amortisation.

Net finance cost

Net finance cost of R49.7 million was in line with the expense of R47.7 million in FY14. The majority of finance costs relates to the interest on the Investec term loan facility of R28.2 million (FY14: R4.2 million to Investec and R15.9 million to Nedbank) and interest relating to the unwinding of the environmental provision of R17.7 million (FY14: R13.4 million)

Income taxation expense

The income taxation expense of R59 million for the year ended 31 March 2015 is mainly attributable to:

(i) Keaton Mining Proprietary Limited's taxation expense of R46.4 million, as a result of the utilisation of unredeemed capital expenditure due to the continued profitable performance at Vanggatfontein. The deferred taxation liability in the statement of financial position accordingly increased when compared to the liability at 31 March 2014.

(ii) Leeuw Mining and Exploration Proprietary Limited's net taxation expense of R16.7 million after the reversal of the previously recognised deferred taxation asset relating to Vaalkrantz Colliery of R35.9 million.

Headline earnings per share

Headline earnings per share decreased from 30.3 cents per share in FY14 to 0.4 cents per share in FY15. The main reasons for the decrease relates to the once-off decrease in profit margins at Vanggatfontein, the stock losses at Vaalkrantz as a result of theft and the reversal of the deferred taxation assets following the impairment recognised at Vaalkrantz, all of which have been discussed above.

On a normalised basis headline earnings per share would have equated to 18.1 cents per share as illustrated below:

	Rm[1]	Cents per share
Headline earnings per share as reported	0.97	0.4
Stock theft	13.1	5.9
Reversal of deferred taxation asset following impairment assessment at Vaalkrantz	26.6	11.8
Normalised earnings	40.7	18.1

[1] *Net of taxation and non-controlling interest.*

Extracts from the consolidated statements of financial position

	At 31 March		
R million	**FY15**	FY14	% change
Non-current assets	**1 569.4**	1 612.4	(3)
Property, plant and equipment	**768.6**	797.2	(4)
Intangible assets	**716.4**	700.7	2
Deferred taxation	**–**	17.1	(100)
Other	**84.4**	97.4	(13)
Current assets	**308.0**	259.5	19
Cash and cash equivalents	**72.5**	69.6	4
Other	**235.5**	189.9	24
Total assets	**1 877.4**	1 871.9	0
Equity	**838.3**	916.2	(9)
Non-current liabilities	**688.2**	675.6	2
Borrowings	**251.7**	341.8	(26)
Mine closure and environmental rehabilitation provision	**270.1**	215.2	26
Deferred taxation	**129.2**	87.4	48
Other	**37.2**	31.2	19
Current liabilities	**350.9**	280.1	25
Borrowings	**109.4**	51.7	>100
Provisions	**24.7**	–	100
Other	**216.8**	228.4	(5)
Total liabilities	**1 039.1**	955.7	9

For a breakdown of total assets and liabilities per operation refer to the Segment Report on pages 172 to 174.

Financial performance and value creation continued

Property, plant and equipment

Property, plant and equipment decreased by 4% from R797.2 million in FY14 to R768.6 million in FY15. The main reason for the decrease relates to:

(i) Capital investment at Vanggatfontein of R431 million. The investment mainly relates to mine development (stripping cost) of R394.3 million and the construction of the filter press plant of R34.8 million both of which were funded from operational cash flows. The rehabilitation assets at Vanggatfontein also increased by R38.1 million, relating to the increase in the rehabilitation liability.

(ii) Capital investment at Vaalkrantz of R19.5 million. The investment mainly relates to the development of the new Enyati Alfred Central production section of R12.4 million.

(iii) The above capital investments were offset by depreciation charges of R462.3 million in FY15 compared to R359.3 million in FY14 as a result of an increase in production volumes in FY15 at Vanggatfontein, as well as the impairment charge of R56.5 million on Vaalkrantz.

Deferred taxation

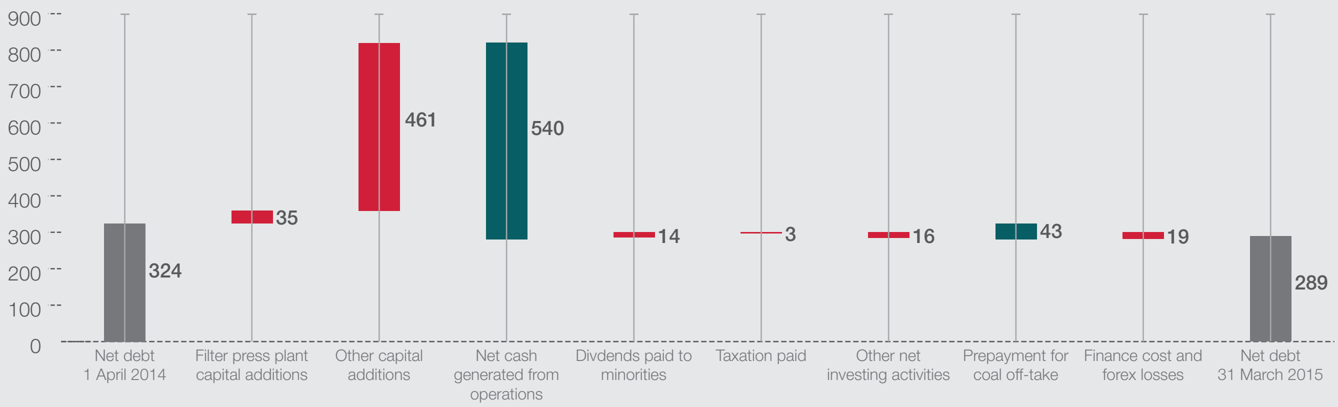
Group net deferred taxation liabilities increased from R70.3 million in FY14 to R129.2 million in FY15. The increase in net liabilities was attributable to the utilisation of estimated taxation losses and unredeemed capital expenditure by Keaton Mining, as a result of the improved operational and financial performance of Vanggatfontein and the reversal of the previously recognised deferred taxation asset related to Vaalkrantz discussed above.

Group net debt

Group net debt (borrowings less cash and cash equivalents) decreased from R324 million at 31 March 2014 to R289 million at 31 March 2015. The decrease is a result of a decrease in interest-bearing borrowings from R393.6 million to R361.1 million mainly as a result of debt repayments to the value of R83 million, R72.7 million of which relates to the Investec term loan. The reduction in debt was offset by an increase in cash and cash equivalent of R3 million year-on-year.

Cash generated by operations after working capital requirements and net finance cost but before taxation paid was R540.1 million compared to R419.7 million in FY14. This was offset by capital development described under property, plant and equipment and debt repayments as described above.

Group net debt (Rm)



Mine closure and environmental rehabilitation

The provision increased from R215.2 million in FY14 to R270.1 million in FY15. The rehabilitation liability at Vanggatfontein increased by R49.1 million during the year. The increase is mainly attributable to the additional ground disturbances at Pit 3 and Pit 4 as well as the unwinding of interest on previously recognised rehabilitation liabilities of R15.8 million. These increases were offset by rehabilitation work completed at Pit 1 of R4.8 million. The rehabilitation liability at Vaalkrantz increased by R5.7 million during the year, mainly due to the unwinding of interest on previously recognised rehabilitation liabilities.

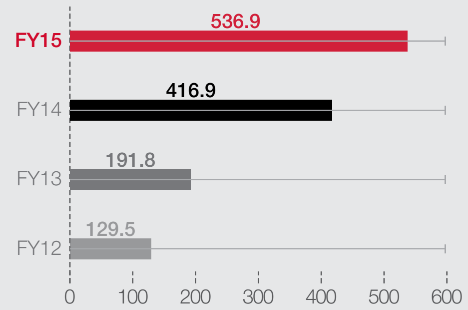
Provisions

The provision of R24.7 million relates to the coal theft at Vaalkrantz and was raised to replace stock that was sold to customers in anticipation of delivery.

Extracts from the consolidated statements of cash flows

	Year ended 31 March		
R million	**FY15**	FY14	% change
Cash flows from operating activities	**536.9**	416.9	29
Cash flows from investing activities	**(508.9)**	(500.1)	2
Cash flows from financing activities	**(25.0)**	133.2	(>100)
Net increase in cash and cash equivalents	**3.0**	50.0	(94)
Cash and cash equivalents at the beginning of the year	**69.6**	19.6	>100
Cash and cash equivalents at the end of the year	**72.6**	69.6	4

Cash generated from operations (Rm)



Operations generated net cash of R536.9 million in FY15 compared to R416.9 million in FY14 after taking working capital outflow of R34.1 million (FY14: R67 million), net finance cost of R18.5 million (FY14: R14.4 million) and taxation paid of R3.2 million (FY14: R2.8 million) into account. The increase in operational cash was as a result of the improved operational performance at Vanggatfontein.

Cash invested in investing activities increased from R500.1 million in FY14 to R508.9 million in FY15. The increase in investing activities relates mainly to the year-on-year increase in additions to property, plant and equipment discussed above. This increase was, however, offset by the acquisition of Xceed to the value of R192 million in FY14.

Financing activities utilised cash of R25 million in FY15 (FY14: cash generated of R133.2 million mainly relating to proceeds from the issue of shares and borrowings raised to conclude the Xceed acquisition). This is mainly due to borrowings repaid discussed above as well as dividends paid to minority shareholders at subsidiary level of R13.7 million. These were offset by a prepayment received for coal off-take at Moabsvelden of R43 million.

Five-year financial performance

	FY15	FY14	FY13	FY12	FY11
Statement of profit or loss and other comprehensive income (Rm)					
Revenue	**1 447.7**	1 372.6	918.8	474.4	35.2
Gross profit	**203.5**	218.7	(27.3)	14.6	12.1
EBITDA	**479.1**	498.8	87.7	242.9	(13.8)
Net (loss)/profit before tax	**(12.9)**	102.4	(171.6)	105.9	0.6
EPS (cents)	**(13.8)**	30.3	(44.2)	75.2	10.3
HEPS (cents)	**0.4**	30.3	(30.2)	9.5	10.3
Statement of financial position (Rm)					
Property, plant and equipment	**768.6**	797.2	776.1	832.7	479.5
Intangible assets	**716.4**	700.7	424.1	423.9	65.1
Cash and cash equivalents	**72.5**	69.6	19.6	60.5	27.0
Total assets	**1 877.4**	1 871.9	1 429.4	1 488.3	783.4
Equity attributable to owners of the company	**841.6**	865.0	709.2	778.7	591.3
Total equity	**838.3**	916.2	686.0	803.3	581.5
Borrowings	**361.1**	393.6	284.8	297.3	–
Total liabilities	**1 039.1**	955.7	743.4	685.0	201.9
Statement of cash flows (Rm)					
Cash flow from operating activities	**536.9**	416.9	191.8	129.5	3.0
Cash flow from investing activities	**(508.9)**	(500.1)	(216.9)	(295.9)	(368.3)
Cash flow from financing activities	**(25.0)**	133.2	(15.8)	199.9	57.2
Share price performance					
– High (rand per share)	**3.00**	3.40	3.74	3.68	6.01
– Low (rand per share)	**2.00**	1.00	1.55	2.20	2.85
– At year-end (rand per share)	**2.00**	2.52	1.90	2.85	3.15
Volumes traded (million)	**18.5**	16.7	16.7	13.4	20.6
Number of ordinary shares in issue at year-end (million)	**224.4**	224.3	191.7	188.8	171.5
Financial statistics					
Liquidity ratios					
– Current ratio	**0.88**	0.93	0.51	0.85	0.61
– Quick ratio	**0.72**	0.80	0.37	0.75	0.55
Profitability					
– Gross profit/(loss) margin (%)	**14**	16	(3)	3	34
– EBITDA margin (%)	**33**	36	10	51	(39)
– Net (loss)/profit before taxation margin (%)	**(1)**	7	(19)	22	2
– Return on equity (%)	**–**	7	(8)	2	3
Debt leverage					
– Debt-to-equity ratio	**43**	43	42	37	–
– Net debt-to-equity ratio	**34**	35	39	29	–
– Interest cover	**2.11**	2.97	(4.06)	0.16	(12)
Other					
– NAV per share (cents per share)	**373**	408	358	426	339
– TNAV per share (cents per share)	**54**	96	137	201	301
– Market capitalisation at year-end (million)	**448.7**	565.3	364.2	537.9	540.4
– Effective tax rate (%)	**(457.5)**	37.1	22.9	(5.8)	(1 054.5)

Current ratio	• Current assets/current liabilities
Quick ratio	• Current assets less inventories divided by current liabilities
EBITDA margin	• EBITDA as percentage of sales
Net (loss)/profit before taxation margin	• Net (loss)/profit before taxation divided by sales
Return on equity	• Headline earnings divided by ordinary shareholders' interest in capital and reserves
Debt-to-equity ratio	• Total debt divided by total equity. Total debt comprises long-term borrowings, overdrafts and short-term borrowings. Total equity comprises total shareholders' interest
Net debt-to-equity ratio	• Total debt less cash and cash equivalents divided by total equity. Total debt comprises long-term borrowings, overdrafts and short-term borrowings. Total equity comprises total shareholders' interest
Interest cover	• Profit before exceptional items and finance costs divided by finance costs
NAV per share	• Total equity divided by total number of shares in issue as at year-end. Total equity comprises total shareholders' interest
TNAV per share	• Total equity less intangible assets divided by total number of shares in issue as at year-end. Total equity comprises total shareholders' interest

Value created and distributed

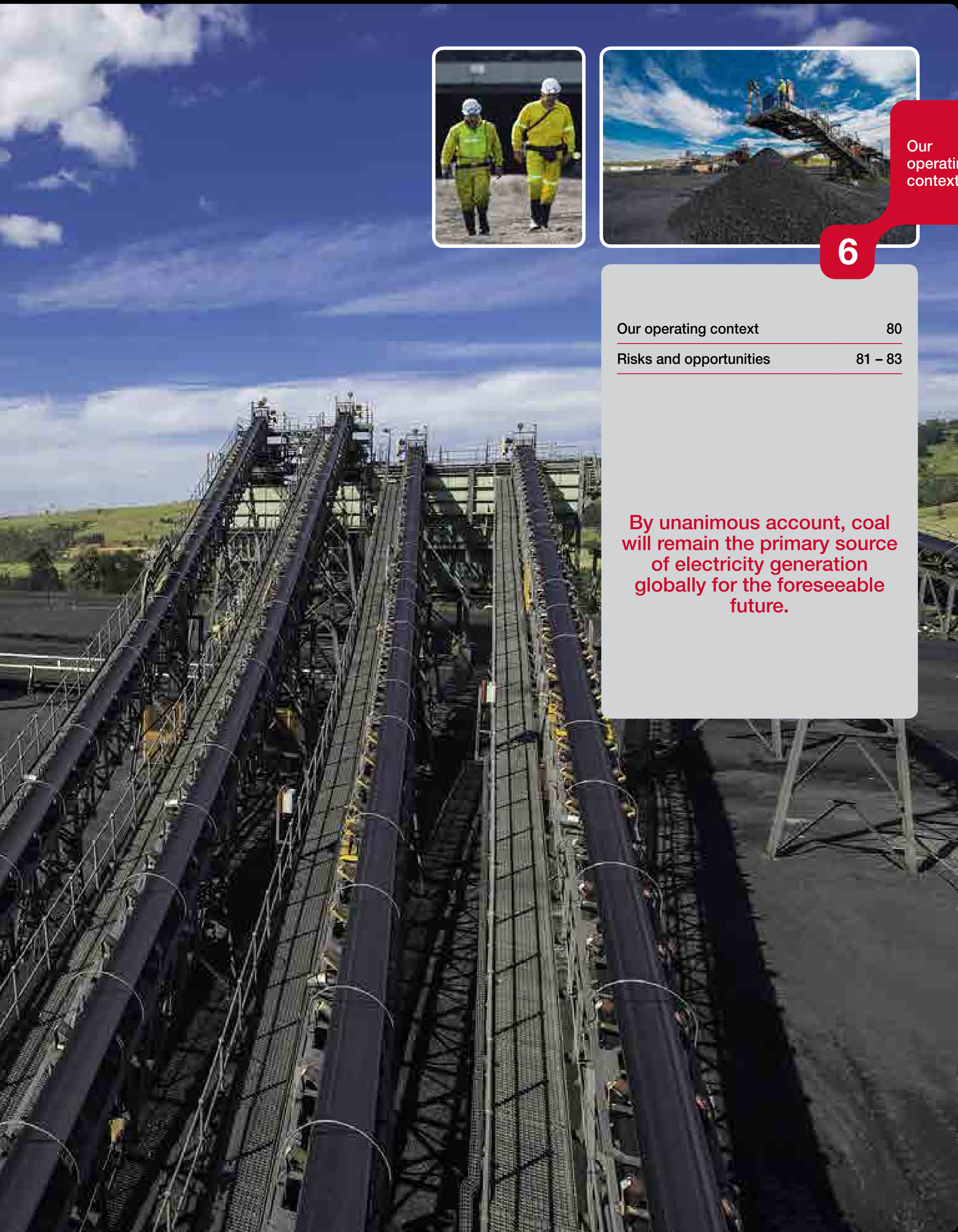
The value added statement shows the wealth the group has created through mining, exploration, trading and investing operations and how it was disbursed among the group's stakeholders.

The information used to prepare this table has been extracted from the group's Annual Financial Statements and books of prime entry.

Value added statement

	Group			
	31 March 2015 Rm	Wealth created %	31 March 2014 Rm	Wealth created %
Cash generated:				
Cash derived from sales and services	**1 439.7**		1 313.5	
Proceeds from shares issued for cash	**–**		58	
Cash generated from increase in borrowings	**5.5**		300	
Cash acquired through asset acquisition	**–**		2.6	
Income from investments and interest received	**4.4**		2.2	
Cash generated from the disposal of intangible assets	**–**		12	
Net cash invested in restricted cash and restricted investments	**(13.2)**		(13.2)	
Paid to suppliers for goods and services	**(795.5)**		(853)	
Cash value added	**640.9**	100	822.1	100
Cash utilised to:				
Pay to suppliers for mine development/infrastructure/exploration	**495.7**	77	307	37
Paid for asset acquisitions	**–**	–	194.7	24
Dividends paid to minorities on subsidiary level	**13.7**	2	–	–
Repayment of borrowings	**59.8**	9	213.9	26
Remuneration to employees and directors for services	**65.5**	10	53.8	7
Direct taxes paid to government	**3.2**	1	2.8	–
Cash disbursed among stakeholders	**637.9**	99	772.2	94
Cash generated in the group to maintain and develop operations	**3.0**	1	49.9	6
NOTES TO THE GROUP VALUE ADDED STATEMENT				
1. Tax contribution				
Direct taxes (as above)	**3.2**		2.8	
Value added taxes levied on purchases of goods and services	**158.6**		143.7	
	161.8		146.5	
2. Additional amounts collected by the group on behalf of government				
Value added tax and other duties charged on turnover	**204.0**		187.6	
Employees' tax deducted from remuneration paid	**20.5**		13.9	
Unemployment insurance fund	**0.3**		0.3	
	224.8		201.8	
3. Levies paid to government				
Rates and taxes paid to local authorities	**0.2**		0.2	
Royalties paid to government	**5.6**		4.5	
Unemployment insurance fund	**0.3**		0.3	
Skills development levy	**0.7**		0.6	
	6.8		5.6	

Our operating context



Our operating context

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By unanimous account, coal will remain the primary source of electricity generation globally for the foreseeable future.

Our operating context

By unanimous account, coal will remain the primary source of electricity generation globally for the foreseeable future and worldwide demand for electricity is forecast to rise 75% by 2035. Locally Eskom requires continuous coal supplies as it generates approximately 95% of South Africa's electricity through its coal-fired power stations. Further, demand for metallurgical coal both locally and abroad remains stable.

However, the uncertainty created by Eskom's current position presents a risk given that Keaton Mining is heavily exposed to this anchor customer. Further, the enforcement of tougher BEE requirements for Eskom suppliers poses a threat to the company. In addition, delays in regulatory processes and authorisations may lead to delays in the commissioning of some of our planned mines and developments, resulting in adverse impact on growth. There is also the possibility of tighter regulation of domestic coal prices and export volumes if government's proposal to declare coal as a strategic mineral is adopted. Please see a more detailed risk and opportunity analysis on pages 81 to 83.

Stakeholders

Key stakeholders in our group are listed below with the main issues that concern them:

Operational

DMR: Mineral Rights, SLP, Mining Works Programmes and Prospecting Works Programmes, Environmental Management Plans and Impact Assessments, health and safety

Department of Water and Sanitation and Department of Environmental Affairs: IWUL application approvals, NEMA applications and approvals

Department of Labour: Employment equity, workman's compensation, basic conditions of employment

SARS: Taxation, compliance, VAT

JSE: Adherence to the JSE Listings Requirements and company legislation

Host communities: SLPs, job creation, sustainable local economic development, impact on the communities and environment, water supply, rehabilitation of sites on closure.

Employees: Health and safety, stable working environment

External

Investors: Sustainability, profitability, ROI (share price and dividends), cash generation, corporate governance and compliance, risk management, remuneration practices, growth prospects, accessibility of leadership, succession

Funders: Solvency and liquidity, capital management, sustainability, credit rating, risk management

Contractors and suppliers: Timely payment, fair business practices, professional adjudication, vendor systems management

Customers: Security of supply at the committed volumes and qualities, ensuring B-BBEE compliance in order to deliver on procurement targets

Internal

- **Employees:** Job security, sustainability, competitive remuneration, opportunities for personal growth and development, skills development, achievable incentive programmes, safe and suitable working environment

New issues in 2015

- Host communities, contractor employees and organised labour calling for the replacement of the contractor mining model with an owner mining model. Contractor mining is viewed as similar to labour broking in terms of which the Mining Right holder is perceived to be unaccountable for exploitation of workers by the contractor
- Host communities lobbying for direct involvement in the day-to-day operational decision-making, with specific reference to recruitment and the appointment of service providers. Host communities are attempting to ring-fence all job opportunities for people living within the immediate vicinity of the operations, and exclude everyone else regardless of whether the excluded are South African citizens or not
- Increased host community activism against mining operations which, in many instances is politically motivated

Risks and opportunities

Risk management is a critical component of every employee's respective role and job description, and formal structures exist to govern actual risk management processes. The most significant risks faced by the group are indicated in the risk matrix below. For further detail on our risk management process please see the Risk Committee Report on page 97.

Risk/opportunity

Maintain our social licence to operate

Mitigation/enhancement strategy

- Act in a responsible manner with regard to social and environmental matters
- Meet and exceed obligations of the group's SLPs and the Mining Charter
- Proactive involvement as a responsible corporate citizen in sustainable socio-economic development initiatives
- Review legislative compliance for our entire legislative universe on a regular basis
- Engage regularly with all stakeholders, in particular communities and local and national government

Status

- Revisions to the operations' SLPs submitted
- No fines or sanctions relating to breaches recorded
- Stakeholder engagement is founded on regular meetings with the community, regulators and local government

Risk/opportunity

Recruit and retain key staff with specialised skills

Mitigation/enhancement strategy

- Innovative recruitment initiatives and succession planning
- Market-related remuneration
- Short- and long-term incentive schemes
- Training and development programmes
- Outsourced operating model, which reduces the requirement of in-house specialist skills
- Appropriate policies and procedures governing all aspects of employment

Status

- Continuous engagement with staff contractors, unions and other worker representatives
- Review of group's performance management system to ensure alignment with the company strategy
- Staff turnover for the year was 19.4%. The year-on-year increase is substantially due to corrective action taken by the group following investigations into the fraud and theft at Vaalkrantz Colliery, which involved dismissals

Risk/opportunity

Increasing operating costs as a result of exchange rate fluctuations, administered prices and labour rates

Mitigation/enhancement strategy

- Off-take contracts for both domestic and export products and services include price adjustment mechanisms for cost increases based on various baskets of indices
- Customer basket of indices aligned to combined supplier basket
- Stringent procurement policies
- All off-take contracts priced in South African rand

Status

- Outsourced operating model reduces fixed cost
- In the process of aligning major customer basket of indices with supplier indices to address risk of reduced profitability over time
- Outsourced operating model results in improved performance and aligns payment with performance
- Multi-year wage agreements signed by major contractors

Risks and opportunities continued

Risk/opportunity

Market conditions

Mitigation/enhancement strategy

- Multi-product company
- Further diversification of products including sale of previously discarded materials

Status

- Long-term off-take contracts for the majority of the group's existing production and new products
- Increased demand for the group's slurry and discard

Risk/opportunity

Fraud and corruption

Mitigation/enhancement strategy

- Visible zero tolerance approach to fraud, corruption and bribery through applicable policies, awareness campaigns, reporting mechanisms and disciplinary procedures
- Implementation of integrated IT system
- Introduction of additional preventative controls

Status

- Charges of fraud laid against former Vaalkrantz employees
- Insurance claim submitted
- Civil claims to be instituted
- Implemented SAP ERP across the group

Risk/opportunity

Raising growth capital for South African mining operations

Mitigation/enhancement strategy

- The company's major shareholders have many years of experience in the South African mining industry and have access to resources should opportunities arise
- Financial performance improves accessibility to bank funding

Status

- Growth capital requirement for the development of Moabsvelden
- Both equity and debt funding opportunities pursued to achieve the targeted debt-to-equity ratio and to reduce the group's cost of capital

Risk/opportunity

Compliance, in particular providing a safe workplace and meeting our environmental obligations

Mitigation/enhancement strategy

- Group Compliance Committee in place
- Employees trained in the policies and SOPs at all operations
- Safety and Health Committee
- SHE Manager at each operation
- Corporate appointees' and external advisers' assistance with compliance
- Compliance with EMPs
- Reporting and monitoring of key performance indicators
- Legal compliance audits conducted

Status

- Good safety record
- Regrettable fatality addressed in terms of policy review to prevent recurrence
- Review of integrated safety management system and implementation of an integrated environmental management system
- No monetary fines relating to breaches recorded, save for a section 24G fine in terms of NEMA
- Approved EMPs in place

Risk/opportunity

Industrial action

Mitigation/enhancement strategy

- Procedures to be implemented in the event of industrial action are documented and reviewed frequently
- Continuous engagement with unions and other worker representatives
- Multiple contractors appointed to undertake specific activities at operations
- Written SLAs in place between the company and contractors, requiring contractor employees to operate in terms of the company's policies and procedures, EMPs and SLPs

Status

- No industrial action recorded during the year

Risk/opportunity

Integrated Water Use Licences

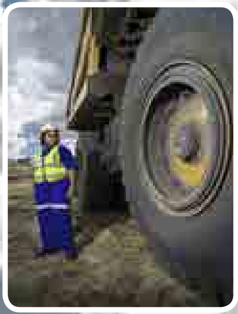
Mitigation/enhancement strategy

- Sophisticated water balance modelling implemented at Vanggatfontein to monitor IWUL licence conditions
- Moabsvelden IWUL application at an advanced stage at DWS
- Remedial measures implemented at Vaalkrantz
- A water management strategy and plan submitted to DWS for Vaalkrantz

Status

- Vanggatfontein awarded licence in 2015
- Status of licences for Vaalkrantz (application submitted 2009) is unknown, as DWS is facing a large backlog of applications and has to date not given feedback on acceptance of the strategy

Governance



Governance

7

Board of Directors

David Salter
(56)

Non-Executive Chairman

BSc (Hons), PhD, FSAIMM

Appointed: *January 2008*

David has 35 years' experience in international mineral technology, project development and mining executive management, and has previously served as the managing director of the Salene Group, JSE-listed Barplats Investments Limited and Eland Platinum Holdings Limited. David currently serves on the boards of TransAfrika Resources Limited and Tharisa plc.

Chairman of the SHE Committee

Chairman of the Nomination Committee

Member of the Risk and Social and Ethics Committees

Member of the Remuneration Committee

Gerard Kemp
(61)

Independent Non-Executive Director

MSc Mining Engineering

Appointed: *November 2012*

Gerard is currently the managing director of KCS Resources Limited. He was previously the CEO of Kaouat Iron Limited, a division of TransAfrika Resources. During his career he has spearheaded several large, successful BEE transactions and brings significant experience in corporate finance and executive mine management to the Board. He has completed development programmes in labour relations and management at the University of South Africa's School of Leadership.

Member of the Risk and Social and Ethics Committees

Member of the Audit Committee

Member of the Nomination Committee

Member of the SHE Committee

Member of the Remuneration Committee

Lizwi Mtumtum
(44)

Lead Independent Director

BA (Economics/ Accounting)

Appointed: *March 2008*

Lizwi is executive chairman of Emangweni Investments Proprietary Limited, an investment holding company, and Emangweni Properties Proprietary Limited, a black-owned and managed property investment company. He previously held positions at Pangbourne Properties, Yard Capital (a BEE investment holding company), Nedbank and Nedcor. He serves as an independent non-executive of Synergy Income Fund Limited where he is also chairman of the Audit and Risk Committee.

Chairman of the Audit Committee

Chairman of the Remuneration Committee

Member of the Risk and Social and Ethics Committees

Member of the Nomination Committee

Jeroen Schurink*
(45)

Non-Executive Director

Masters in International Management

Appointed: *March 2014*

Jeroen completed his master's degree in International Management at the Lausanne School of Business in 1992. He has 21 years' experience in finance having served as an associate director for Procter and Gamble and as the CFO for the Gunvor Group. In 2013 Jeroen was appointed as chief investment and operating officer at Gunvor.

Member of the Risk and Social and Ethics Committees

**Mr Schurink resigned with effect from 30 June 2015.*

Meindert Witteveen
(47)

Non-Executive Director

MSc (Business)

Appointed: *September 2014*

Meindert is head of coal and iron ore at Gunvor SA. He has 19 years' experience in dry bulk commodity markets, combining an understanding of physical coal, freight, metals and energy markets with knowledge of derivative trading. Before joining Gunvor in January 2013, Meindert was managing director at Black River, a Cargill subsidiary in commodity trading. He has previously also worked at Barclay's Capital and Credit Suisse.

Member of the Risk and Social and Ethics Committees

Gia Mai
(35)

Non-Executive Director

MA (Lousanne) CPA CFA (Switzerland)

Appointed: *July 2015*

Gia joined Gunvor to develop and head the corporate finance and investments team in 2008 and was later appointed Chief Investment Officer in 2015. He was previously with PwC for six years in auditing and transaction services.

Member of the Risk Committee

Antoinette Sedibe
(50)

Non-Executive Director

BA (Admin)

***Appointed:** April 2006*

Antoinette is managing director of Andisa Capital and a co-founder of Rutendo Mining. After starting her career with Nedbank's graduate programme, she moved to AECI where she was a foreign exchange and money market dealer in the treasury department before moving to the internal audit department. She assisted in setting up Polifin Treasury (a Sasol and AECI joint venture), and also gained extensive management, financial markets and treasury operations experience as a treasurer at Standard Bank's treasury outsourcing operation, where she was later appointed a director. Antoinette was appointed as an executive director of Andisa Capital in 2003.

Chair of the Social and Ethics Committee

Member of the Risk Committee

Paul Sadler
(77)

Independent Non-Executive Director

CA(SA)

***Appointed:** October 2010*

Paul has extensive auditing experience, much of which was in the mining sector, bringing valuable expertise to the Board. During his career he was involved with various mining companies including De Beers Group, Aquarius Platinum Limited and Barplats Mines Limited, at the latter serving as a member of the Audit Committee for two years. He was a partner at KPMG from 1980 until his retirement in 2003, after which he joined the Salene Group as a financial consultant.

Chairman of the Risk Committee

Member of the Social and Ethics Committees

Member of the Audit Committee

Member of the Nomination Committee

Phoevos Pouroulis
(41)

Non-Executive Director

BSc (Business Science)

***Appointed:** March 2007*

Phoevos is CEO of JSE-listed Tharisa plc, a chrome and platinum producer. He is a co-founder of Keaton Energy, which is one of a number of businesses locally and throughout Africa which he founded. He was instrumental in advising Chromex Mining plc on its establishment and was later appointed commercial director.

Member of the Risk and Social and Ethics Committees

Mandi Glad
(44)

Chief Executive Officer

***Appointed:** May 2009*

Mandi is the only female CEO of a JSE-listed mining company and played an integral role in the establishment of Keaton Energy. She held the positions of marketing and business development director and operations director before being appointed as CEO in September 2012. Mandi is an entrepreneur with more than 20 years' experience owning and operating a wide range of businesses. She has extensive strategic industrial relations skills and a detailed knowledge and experience of implementing the MPRDA and related regulatory processes, gained through her involvement with HDSAs and women-led coal mining initiatives. She co-owns Rutendo Holdings and Rutendo Mining.

Member of the SHE Committee

Member of the Risk and Social and Ethics Committees

Jacques Rossouw
(39)

Chief Financial Officer

BCom (Hons) Accounting, CA(SA)

***Appointed:** December 2011*

Jacques has extensive experience in the mining industry. Before joining Keaton Energy, he worked as manager in both corporate reporting and in operational finance at Harmony Gold Mining Company Limited for three years. Prior to this he was with PwC for six years where he completed his articles, completed a three-month working secondment to the USA and was appointed national middle market manager where he focused on risk management, audit methodology and best practice, learning and education, annual and financial reporting and budgeting for all middle market offices in South Africa.

Member of the Risk and Social and Ethics Committees

Corporate governance

At Keaton Energy we recognise that sound corporate governance contributes to our operational and strategic success. We continue to apply high corporate governance standards to ensure the group's ongoing sustainability, to create long-term shareholder value and to protect the interests of all stakeholders.

Our Board is responsible for defining the group's governance and compliance framework. In doing so the Directors are committed to upholding the King III RAFT principles, namely responsibility, accountability, fairness and transparency.

Code of Ethics

Ethical business practice lies at the heart of good governance, and is dictated by sound individual judgement and personal integrity.

As the head of group governance, the Board strives to ensure that Keaton Energy conducts its business with integrity, leading by example to entrench a culture of ethical conduct. This is formalised in a Code of Ethics (the Code) (available at www.keatonenergy.co.za) which applies beyond the Board to all employees of the group and to contractors.

The Code is a guide to expected ethical conduct in all areas, appropriate policies in respect of the safeguarding of assets and information, securities transactions and disclosure, corporate opportunities, the use of software and employee relations. The Code sets out the group's values and practices over and above requirements of formal governance codes and legal requirements such as the King III Report and the Companies Act. Any contravention of the Code is reviewed by the Lead Independent Director.

The Social and Ethics Committee monitors adherence to the Code and to ethical conduct generally. As part of its responsibility, the Committee ensures that the company's ethics performance is assessed, monitored, reported and disclosed. It reviews cases of conflicts of interest, misconduct, fraud, or any other unethical activity by employees or the company. Further, the Committee reviews the Code annually and recommends it to the Board for approval.

Keaton Energy's whistle-blowing policy supports enforcement of the Code. It provides a mechanism for employees to voice concerns internally in a responsible and effective manner without fear of reprisal. Disclosures are reported and reviewed by the Audit Committee, but may be referred back to management should it be considered appropriate.

Keaton Energy does not make any contributions (monetary or in-kind) to political parties or their representatives.

Our Board composition and governance framework

The Board composition is set out overleaf. We acknowledge the recommendations of King III for a majority of Independent Non-Executive Directors and will continue to take this into account with future appointments. In the interim, the composition is heavily weighted in favour of Non-Executive Directors given the number of shareholders represented on the Board.

The current size and composition of the Board is considered appropriate for the size of the company. In addition, the Non-Executive Directors have demonstrated the ability to act independently. The Chairman of the Board is not an Independent Non-Executive Director and as a compensation control, we have appointed a Lead Independent Director.

During the year Non-Executive Director Dirk Jonker resigned, effective 1 July 2014, and Meindert Witteveen, a representative of major shareholder Gunvor, was appointed as a Non-Executive Director on 5 September 2014. Jeroen Schurink resigned post-year-end with effect from 30 June 2015 and Gia Mai was appointed in his stead with effect from 1 July 2015.

The Board	
Responsibility	The Board retains full and effective control over the group and is responsible for providing strategic direction. The Board remains accountable for the performance of the group. (The responsibilities of the Board are set out in full in its Terms of Reference, which is available at www.keatonenergy.co.za.)
Members	Executive Directors Mandi Glad (CEO) Jacques Rossouw (CFO) Non-Executive Directors David Salter (Chairman) Phoevos Pouroulis Dirk Jonker (resigned 1 July 2014) Antoinette Sedibe Jeroen Schurink (resigned 30 June 2015) Gia Mai (appointed 1 July 2015) Meindert Witteveen (appointed 5 September 2014) Independent Non-Executives Lizwi Mtumtum (Lead Independent Director) Gerard Kemp Paul Sadler
Independent Non-Executive Directors	The Board formally evaluates the independence of the Non-Executive Directors annually in line with guidelines set out in the JSE Listings Requirements and King III.
Retiring Directors	One-third of the Board's Non-Executive Directors retire from office at each AGM in accordance with King III and the company's MoI. These are the directors who have served the longest since their last election. In addition, directors appointed since the previous AGM stand for re-election by shareholders at the AGM. Accordingly, the following Directors are standing for re-election by the shareholders at the upcoming AGM: Lizwi Mtumtum, Gerard Kemp, Paul Sadler, Meindert Witteveen and Gia Mai.
Succession planning	The Nominations Committee conducts an annual review of the group's succession strategy for the positions of Chairman, CEO, Board and senior management and provides feedback to the Board.
Self-evaluation	The Board conducts an annual self-evaluation exercise and the individual directors complete self-evaluation assessments. The Company Secretary co-ordinates the formal reporting of the consolidated results after performing the collation. The overall rating was satisfactory, however, a few minor comments have been made which will be addressed going forward.

Corporate governance continued

Committees		Number of Independent Non-Executive Directors
Audit Committee (for the full report including responsibilities see pages 104 and 105)	**Members** Independent Non-Executive Lizwi Mtumtum (Chair) Gerard Kemp Paul Sadler By invitation Mandi Glad (CEO) Jacques Rossouw (CFO) David Salter	3/3
Risk Committee (for the full report including responsibilities see page 97)	**Members** Independent Non-Executive Paul Sadler (Chair) Lizwi Mtumtum Gerard Kemp Non-Executive Dirk Jonker (resigned 1 July 2014) Phoevos Pouroulis David Salter Antoinette Sedibe Jeroen Schurink (resigned 30 June 2015) Meindert Witteveen (appointed 5 September 2014) Gia Mai (appointed 1 July 2015) Executive Mandi Glad (CEO) Jacques Rossouw (CFO)	3/10
Safety, Health and Environmental Committee (see Safety, Health, and Environmental on pages 34 to 41 and Social and Labour on pages 60 to 67) The Committee's responsibilities include: • developing SHE frameworks, policies and guidelines; • reviewing the policies and performances against SHE policies; • monitoring key indicators on accidents and incidents; and • considering substantive national and international regulatory and technical developments in SHE management.	**Members** Non-Executive David Salter (Chair) Independent Non-Executive Gerard Kemp Executive Mandi Glad (CEO)	1/3
Social and Ethics Committee (for the full report including responsibilities see page 96)	**Members** Independent Non-Executive Lizwi Mtumtum Gerard Kemp Paul Sadler Non-Executive Antoinette Sedibe (Chair) Dirk Jonker (resigned 1 July 2014) Phoevos Pouroulis David Salter Jeroen Schurink (resigned 30 June 2015) Meindert Witteveen (appointed 5 September 2014) Executive Mandi Glad (CEO) Jacques Rossouw (CFO)	3/10

Committees		Number of Independent Non-Executive Directors
Nominations Committee The responsibilities of the Nominations Committee are set out in full in its Terms of Reference, which is available at www.keatonenergy.co.za. The primary objective of the Nomination Committee is to establish formal and transparent procedures for the appointment of directors of the company, to fill a vacancy on the Board. The formal procedures for the appointment of directors include the following: • identify and participate in the selection of suitable candidates to be recommended to the Board for appointment as executive and non-executive directors; • review results of background checks on potential candidates prior to their nomination; and • ensure that appointments of directors to the Board have been formalised through an agreement. The intention is to create a balance between executive and non-executive directors, with the necessary mix of skills and experience to enhance the effectiveness of the Board. The composition of the Nominations Committee complies with the JSE Listings Requirements.	**Members** Non-Executive David Salter (Chair) Independent Non-Executive Gerard Kemp Lizwi Mtumtum Paul Sadler	3/4
Remuneration Committee (for the full report including responsibilities see pages 92 to 95)	**Members** Independent Non-Executive Lizwi Mtumtum (Chair) Gerard Kemp Non-Executive David Salter By invitation Mandi Glad (CEO) Jacques Rossouw (CFO)	2/3

Board and Committee meeting attendance is set out in Annexure 3 on page 201.

Share dealings and conflicts of interest

Employees and directors are prohibited from dealing in the company's shares during price-sensitive periods. Employees are obliged, in terms of regulatory and governance requirements, to disclose any dealings in the company's shares by themselves or related parties to the Company Secretary. The clearance procedure for directors to deal in the company's shares is regulated by a share dealing policy.

The policy on conflicts of interest requires that these are avoided as far as possible. This includes refraining from conducting business with a relative. However, in cases of unavoidable conflict, the CEO or CFO are required to approve the transaction and the Company Secretary is informed thereof.

Application of King III

The company complies in all material respects with the application of King III. The full King III application is available on the website. Compliance with the principles in Chapter 2 is set out in Annexure 4 on pages 202 to 204.

Remuneration Committee Report

At Keaton Energy, our policy is to reward all employees fairly for their individual and collective contributions in executing the Keaton Energy business strategy and delivering on the group's performance targets. We remunerate all employees in a competitive manner to attract, motivate and retain individuals of the necessary calibre. We believe our reward strategy has a direct impact on company culture, employee behaviour and the company's sustainability, beyond merely impacting our operating expenditure and shaping our employee profile.

To achieve our remuneration objectives, the group's Remuneration Policy ensures a balance between the interests of employees and all other stakeholders as well as takes into account the dynamics of the market and the context in which we operate.

Remuneration Committee

During the year under review, the Remuneration Committee comprised Independent Non-Executive Directors Lizwi Mtumtum (Chairperson) and Gerard Kemp, and Non-Executive Director and Board Chairman David Salter. The CEO and CFO are invited to attend but are excluded from any deliberations regarding their respective remuneration.

The Committee is governed by a detailed terms of reference which is reviewed annually. It meets at least four times a year (but more frequent meetings are arranged if required). Details of directors' attendance are set out in Annexure 3 on page 201.

The Committee is an independent and objective body, which monitors and strengthens the credibility of the group's executive and senior management remuneration system by linking remuneration to individual performance, the group's performance and market conditions. The Committee makes recommendations to the Board on remuneration packages and policies. These policies ensure that the interests of shareholders are protected and the financial well-being of the group is monitored. It further advises the Board on the remuneration of Non-Executive Directors, and also ensures that collective agreements reached between the employer and organised labour are fair and in line with the group's financial standing and market-related remuneration. To carry out its mandate, the Committee is entitled to obtain any information from any employee and external legal and/or other independent professional adviser if necessary, at the expense of the group.

The Committee is further responsible for devising a Remuneration Policy for the group. The Remuneration Policy is tabled at the AGM for a non-binding advisory vote by shareholders.

Pay mix

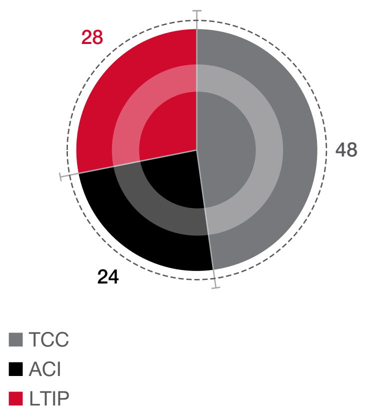
The Remuneration Committee ensures that the pay mix of guaranteed and performance-driven pay in cash, shares and other denominations, not only meets the group's needs, but also provides a true reflection of individual performance and group sustainability prospects.

The pay mix was designed to ensure that performance-driven pay for executives equals or exceeds guaranteed pay over time. It also ensures that for the most senior executives the orientation should be towards rewarding for long-term sustainable performance (share-based incentives) more so than operational performance (cash incentives).

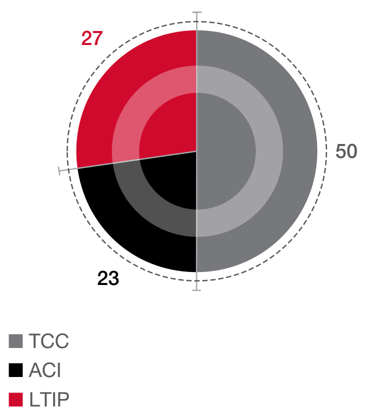
The pay mix policy addresses the major components of remuneration:

- Total cost to company guaranteed pay (TCC)
- Variable pay for performance:
  - Short-term incentives in the form of annual cash incentives (ACI)
  - Long-term (share-based) Incentive Plan (LTIP) expected reward.

Chief Executive Officer



Senior Executive



Notes

- *TCC is positioned at the median of the market for similar size companies.*
- *The annual cash incentives are based on the achievement of an "on target" but stretch performance, although not a maximum.*
- *The expected values of the LTIP present values of the targeted future monetary value arising from an annual offer.*

Guaranteed pay (TCC)

The Remuneration Committee reviews and approves levels of guaranteed pay to ensure they are market-related and reflect the contribution of employees, particularly Executive Directors and senior management. Keaton Energy aims to remunerate at the market median, except where necessary to secure scarce or critical skills. In this instance the group targets the upper quartile of the market or applies a specific premium to the median. Guaranteed pay is reviewed annually at the end of the calendar year. All other benefits, including pensions, other financial arrangements and, where applicable, benefits in kind are scrutinised to ensure they are justified, appropriately valued and suitably disclosed.

The group maintains an integrated pay line with pay levels allowing Keaton Energy to remain competitive and manage costs. The following steps are in place to ensure competitive pay levels:

- Establishing a target market for all job families and any particularly scarce or critical skills
- Managing total employment cost in light of its significant contribution to overall operating costs
- To achieve effective cost management, managing guaranteed pay levels in terms of TCC, which includes basic salary, allowances and company contributions to retirement funds and medical aid
- Utilising various market data sources, published annually, that provide remuneration information in both a sectorial and a general sense
- Additionally reviewing pay levels of top executive positions against national executive remuneration survey benchmarks
- Targeting the market median percentile within market data.

Annual incentive pay

The offer and payment of annual incentive pay to executives and senior management is entirely at the discretion of the Remuneration Committee. For head office employees an incentive pool is created from a weighted scorecard of group performance measures, and is then allocated to participants according to their respective individual performance based on performance scorecards. The group strives for a balance that reflects:

- Incentive payments funded from incremental performance
- Efforts to secure human capital in a volatile and unpredictable business environment
- Variable pay for performance that matches value contributions and aligns with best practice in the mining and resources market.

Full-time, on-mine employees at both Collieries are eligible for quarterly cash bonuses if they meet stringent production and safety performance criteria. No production bonuses are paid to contractors.

LTIPs (share-based)

2007 Share Plan

In the previous LTIP, Executive Directors and employees of participating companies were eligible for a bonus award equal to the increase in the value of the notional shares between the date on which the Remuneration Committee approved the award to the date of its exercise. In normal circumstances, the bonus award would be applied exclusively to the subscription and/or purchase of the group's shares. The participant had to achieve performance targets as specified in the bonus award certificates, over a three-year performance cycle, and remain employed within the group over the minimum employment period.

Details of all unvested awards as well as awards exercised during the current year are disclosed in note 21 on pages 147 to 152 to the financial statements.

2013 Share Plan

At the 2013 AGM the Keaton Energy 2013 Share Plan was approved. The plan includes a number of additional performance conditions designed to align the interests of participants with those of Keaton Energy's shareholders. It aims to reward shareholder alignment, retention of key talent and sustained performance in an increasingly difficult and volatile market.

Executives and selected senior managers of the company and its subsidiaries will be offered annually a weighted combination of:

- Allocations of Share Appreciation Rights (similar to the 2007 Share Plan)
- Conditional awards of (full value) performance shares
- Grants of (full value) restricted shares.

Share Appreciation Rights

Annual allocations of Share Appreciation Rights will be available to be settled in equal thirds on the third, fourth and fifth anniversaries but need not be exercised until the seventh anniversary, at which time they must be exercised or lapse.

On settlement, the value accruing to participants will be the appreciation of Keaton Energy's share price. Settlement may be in shares, which may be issued and allotted or acquired and transferred to participants, or via the settlement of a cash bonus of equivalent value.

Performance criteria are set out and if the specified performance targets are not met, the number of Share Appreciation Rights vesting in relation to the full number allocated will be reduced. In the past "bonus awards" (allocations) have been made using multiples of TCC to define the face values and, therefore, given the prevailing share (strike) price, the number of share options to be offered. This same methodology is to be retained for allocations of Share Appreciation Rights, but the set multiple will be reduced in order to accommodate the parallel offer of two other elements, both forms of a full value share. Therefore, a form of appreciation unit will continue to be offered in the future but at a reduced level in terms of target reward. The balance is made up from a weighted combination of the other two elements described below.

Full value shares

When a participant exercises a share option or Share Appreciation Right (or bonus award), the value that accrues to him is the positive gain (appreciation) of the underlying share above the strike price. Full value shares differ in that there is no strike price. The full value of the share accrues to a participant on vesting. As such full value shares are not as reliant on share price growth, and not as sensitive to the

Remuneration Committee Report continued

volatility of share prices, the timing of offers and the external factors that may have more influence on a share prices than that of the company's performance. Rather, they are more closely linked to company performance than unpredictable economic factors.

Performance share element

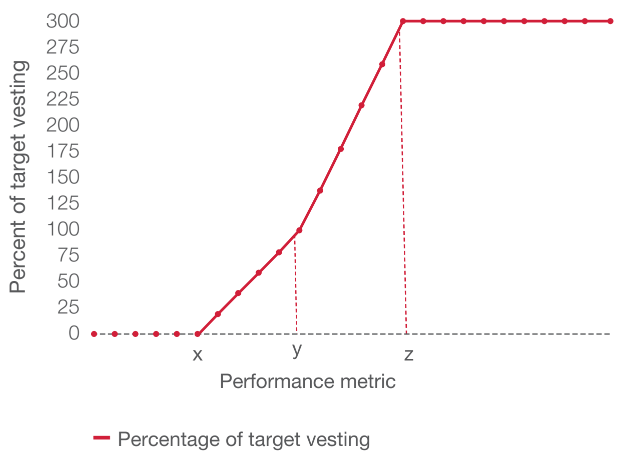
Executives and senior management will be awarded annual conditional performance shares. Performance shares will vest on the third anniversary of their award if the company has met specified performance criteria over the period. Essentially the value per share that vests is the full value of the share (there is no strike price), but the number of shares that will vest will depend on the above.

The Board, through the Remuneration Committee, will dictate the performance criteria for each award and it is intended that, until there is a change in policy, vesting will be governed by an equally weighted combination of:

- the group's total shareholder return (TSR) in relation to a comparator group TSR; and
- a weighted scorecard of operational and strategic metrics, providing for safety, production, profitability and growth elements.

In selecting the comparator group with which to rank the company's TSR performance, it was deemed inappropriate to select only those few companies that directly compete with the group. Rather, the intent is to select a comparator group that represents an alternative portfolio of investments in small cap companies that the shareholders of Keaton Energy could have made, and which in aggregate are likely to be similarly affected by the same external influences. In the schematic below, performance vesting is illustrated but without defining the specific performance metrics by which vesting will be governed.

Perfomance vesting (%)



Performance vesting

The performance curve above illustrates the following relationships:

- If the group's performance over the three-year period is "y" (median or 3.5/5), then the targeted number (one-third of the maximum number) of performance shares awarded will vest.
- If the group's performance over the three-year period is "z" (upper quartile or 4.5/5) or better, then the maximum number (three times the targeted number) of performance shares awarded will vest.
- If the group's performance over the three-year period is "x" (lower quartile or 2.5/5) or worse, then all performance shares awarded will be forfeited.
- If the group's performance over the three-year period lies between any of the above points, then a pro-rated number of performance shares will vest.

No retesting against the performance criteria will be allowed, and any performance shares not vesting will be forfeited. Performance Shares closely align the interests of shareholders with those of executives and senior management by rewarding superior shareholder and financial performance in the future. Performance Shares will be awarded predominantly to executives and senior management who can influence and impact long-term strategic performance.

Restricted Share element

On an annual basis, executives, senior managers and key talent may receive a grant of Restricted Shares. The value of Restricted Shares granted will be linked to the annual cash bonus scheme, in one or a combination of:

- Bonus matching: Matching, according to a specified ratio, the actual annual cash incentive accruing to the participating employee. Standard matching ratios will be set for each grade, based on: the on-target bonus percentage for the grade, the required balance within the offers of full value shares between performance shares and restricted shares. The standard matching ratio (although designed in relation to the on-target bonus) will be applied to the actual bonus achieved, irrespective of how this relates to on-target.
- Bonus deferral: An elective, prior year-end deferral of a portion (25%, 33% or 50%) of a participating employee's bonus calculation and its immediate conversion into Restricted Shares, with one-for-one matching with additional Restricted Shares.

As the individual is effectively opting to put an element at risk of a cash bonus that would otherwise accrue to him, this sub-element of the plan may be seen as a form of "co-investment". Restricted Shares will vest after three years, subject only to continued employment. Restricted Shares will be predominantly granted to high-performing executives and senior managers to assist in their retention. They provide for share-based retention of those employees who, through their performance on an annual basis, or their commitment to invest in the company's future, have demonstrated their value to the company.

Details of all unvested awards are disclosed in note 21 on pages 147 to 152 to the financial statements.

Performance management

There is an established formal framework for performance management. The performance management process occurs during October/November and April/May of each year.

Key performance areas (KPAs) are used to assess individual performance. They are derived from existing job descriptions and aligned to the overall performance measures of the group. KPAs include financial and non-financial measures and, where appropriate, are shared rather than individually owned. Personal skills and competencies are also included in individual scorecards. The scorecard elements are weighted and the overall score is the total of the employee's weighted scores.

Employees' development plans are also addressed through the performance management scorecard and process.

Review of 2015 packages

Directors

The remuneration packages for Executive Directors and the attendance fee structure for Non-Executive Directors are set out in note 34 of the annual financial statements.

The Non-Executive Directors do not have employment contracts with the group but are required to sign service agreements. These set out the duties and responsibilities expected of them as Non-Executive Directors. The remuneration of Non-Executive Directors is a matter for the executive members of the Board, and is approved by the company's shareholders in general meeting, acting pursuant to a recommendation of the Board.

The group's policy on remuneration for Non-Executive Directors is that this should be:

- fee-based, comprising a risk portion and an attendance portion
- market-related and comparable to companies of similar size and structure to the group and operating in the mining and resources sector; and
- not linked to share price or the group's performance.

The group pays for all travel and accommodation expenses incurred by directors to attend Board meetings and visits to group businesses. The group's Non-Executive Directors do not receive bonuses or share options, recognising that this can create potential conflicts of interest, which can impair the independence which Non-Executive Directors are expected to bring to bear in decision-making by the Board.

At the group's AGM to be held on 30 October 2015, shareholders will be required to approve the Non-Executive Director fees set out in the notice of AGM. Contracts, severance and termination of Executive Directors are subject to the group's standard terms and conditions of employment where notice periods are six months. In line with the remuneration guidelines of King III, none of the executives have extended employment contracts, special termination benefits or balloon payments linked to any restraint of trade.

The group's policy when terminating the services of an individual is to remunerate according to the guidelines established by governing labour law and, more specifically, as per the regulations of the Basic Conditions of Employment Act prevailing at time of termination. The group aims to apply this policy to all employees, but it is subject to negotiation in special circumstances. For Executive Directors, unless termination of employment occurs as a result of the misconduct or poor performance or his/her resignation (other than under circumstances of constructive dismissal, death, injury, illness or retirement), they will be entitled to a severance payment equal to their individual annual TCC less any other payments made or becoming due as a result of the termination of employment.

Prescribed officers

The remuneration packages for prescribed officers are set out in note 7 of the financial statements.

Retirement and other benefits

Keaton Energy contributes to the Keaton Energy Administrative and Technical Services (KATS) Provident Fund with Liberty Life (Corporate Benefits) (Liberty), the Keaton Mining Provident Fund with Liberty and the Leeuw Mining and Exploration Provident and Pension Fund with Liberty, as part of certain employees' TCC. The rate of contribution is between 3% and 15%, based on the pensionable salary of these individuals. The value of contributions for each Executive Director appears in the summary of directors' remuneration and benefits. Executive Directors and employees also receive a death-in-service benefit. None of the Non-Executive Directors contributed to the funds during the year (FY14: nil). The group has established a new Management Committee during the year, which operates according to the Terms of Reference relevant to umbrella funds.

Lizwi Mtumtum
Chairman of the Remuneration Committee

16 September 2015

Social and Ethics Committee Report

This Committee executes the duties assigned to it by the Companies Act as well as any additional duties assigned to it by the Board of Directors of Keaton Energy. Although management is tasked with the day-to-day operational sustainability of their respective areas of business, the Board remains ultimately responsible for group sustainability and has delegated certain duties in this regard to the Social and Ethics Committee.

A formal terms of reference has been adopted which guides the committee in ensuring that the group conducts its business in an ethical and properly governed manner, and in reviewing or developing policies, governance structures and practices for sustainability.

Details of Committee composition and meeting attendance are set out in Annexure 3 on page 201.

The core purpose of the Committee is to regularly monitor the group's activities with regard to any relevant legislation, other legal requirements or prevailing codes of best practice.

During the reporting period the Committee accordingly reviewed:

- progress in addressing the principles of the UN Global Compact Principles and the OECD;
- performance in respect of B-BBEE as measured against the Mining Sector Charter scorecard;
- employment equity plans for the group;
- skills and other development programmes aimed at the educational development of employees;
- corporate social investment programmes;
- labour practices and policies; and
- Code of Ethics.

Mechanisms to encourage ethical behaviour such as the Code of Ethics, policies and whistle-blowers hotline were confirmed as adequate by the Committee in the year.

No human rights incidents were reported. In South Africa, aspects such as prohibition of child labour, forced compulsory labour and discriminatory practices are monitored by the Department of Labour in addition to the Committee.

For detailed reports on matters in the purview of the Committee please see the Operational Review section of this IAR on pages 32 to 67.

Antoinette Sedibe
Social and Ethics Committee Chair

16 September 2015

Risk Committee Report

The Board is cognisant of the risks the group faces and the importance of effectively mitigating against them. Accordingly a dedicated Risk Committee has been appointed to specifically identify, review and monitor risks on a regular basis.

The Committee comprises the full Board and meets at least four times a year to review all risk management processes and outcomes. Independent Non-Executive, Paul Sadler, chairs the Committee and reports formally to the Board at quarterly Board meetings. The Board feels strongly that risk management is the responsibility of every director. All directors are therefore members of this committee. Even though the Chairman of the Board is a member of the Risk Committee he does not chair meetings of the Committee.

At each meeting, previously identified risks are monitored and potential risks are identified and reviewed for relevance and impact.

Among other matters the Risk Committee is responsible for:
- overseeing the development and annual review of a policy and plan for risk management, to be approved by the Board;
- ensuring a systematic, documented, formal risk assessment is conducted at least once a year which assessment should be continually reviewed, updated and applied;
- submitting an annual report to the Board on the effectiveness of the total risk management and assessment process and outcomes, including a register of the company's key risks; and
- ensuring co-ordination with the Audit Committee that is responsible for the risk management process regarding internal controls, financial reporting and IT risks.

The Committee is focused on reviewing the risk registers, of which there are three. An independent facilitator, PwC, was appointed to assist with identifying risks at operations and head office and to facilitate compiling the three updated risk registers. The assessment process highlighted the need for the mines and head office to align their respective risk registers and to appoint "risk owners" to manage specific risks.

Post-year-end the updated risk registers have been distributed to our operations. The Mine Managers and Company Secretary are the risk officers throughout the group and are responsible for reporting on risks. Mine Managers are responsible for managing the risk registers, which are circulated to the relevant people responsible for ensuring identified risks are being mitigated. The Risk Managers report any risk identified by the relevant people to the CEO. In turn they have appointed individuals responsible for implementing risk mitigations. The Board will use the top 20 risks in terms of the PwC risk review to set the group's risk appetite. A similar risk review exercise is intended to be undertaken every year going forward.

Risk management framework

The risk policy and plan were approved in February 2015.

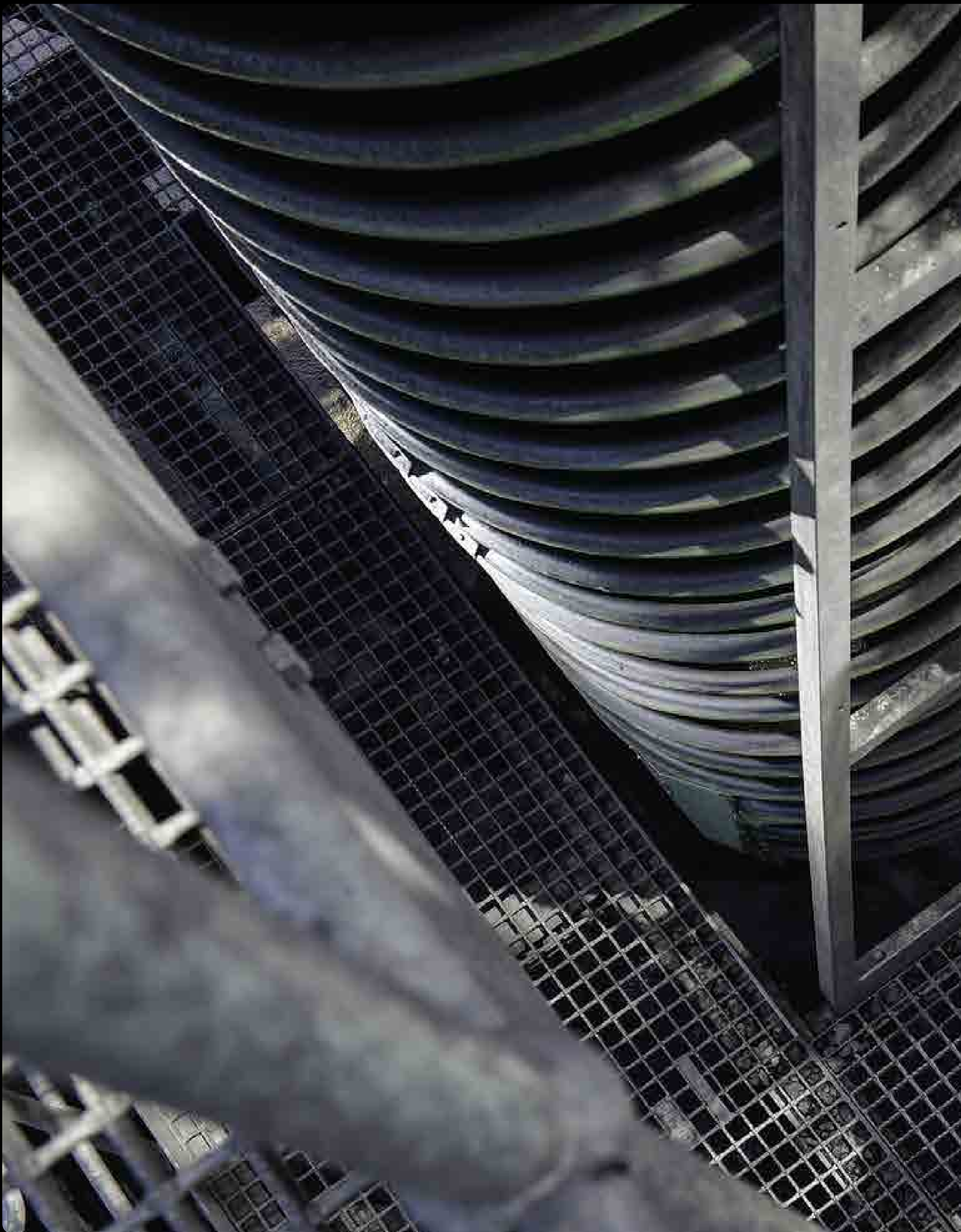
Responsibility:	• Board/Risk Committee • CEO • CFO • Compliance and Risk Officer

See pages 81 to 83 for a table of the group's key risks, opportunities and mitigations.

Paul Sadler
Chairman Risk Committee

16 September 2015

Group and company Annual Financial Statements



8 Group and company Annual Financial Statements

The preparation of the Financial Statements has been supervised by the group CFO, J Rossouw, a Chartered Accountant (SA). The Annual Financial Statements have been audited by KPMG Inc. in compliance with the requirements of the Companies Act, 2008, as amended, whose audit report is presented on pages 106 and 107.

The Annual Financial Statements were published on 30 September 2015.

Directors' responsibility for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Keaton Energy Holdings Limited, comprising the statements of financial position at 31 March 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the Directors' Report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group financial statements and financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group annual financial statements and annual financial statements

The group annual financial statements and annual financial statements of Keaton Energy Holdings Limited, as identified in the first paragraph, were approved by the Board of Directors on 16 September 2015 and signed by:

Mandi Glad
Chief Executive Officer
Authorised Director

Jacques Rossouw
Chief Financial Officer
Authorised Director

16 September 2015

Declaration by the Company Secretary

I certify, in accordance with section 88(2)(e) of the Companies Act, 71 of 2008, as amended, that for the year ended 31 March 2015, Keaton Energy has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of this Act, and that all such returns and notices appear to be true, correct and up to date.

Anelia Schutte-Bouwer
Company Secretary

16 September 2015

Directors' Report

Nature of business

Keaton Energy holds interest in subsidiaries that develop and operate collieries in South Africa. The collieries produce thermal coal for supply to Eskom, South Africa's power utility, and metallurgical coal of varying quality for sale to domestic and export customers.

Review of business and operations

The financial results for Keaton Energy are presented for the year ended 31 March 2015 and the comparative results are presented for the year ended 31 March 2014.

The group's intention, since its founding in 2006, has been to take its South African exploration prospects rapidly up the value curve – through exploration and development to mining – to produce 2Mtpa of saleable coal in the short term, a target it comfortably achieved, and to grow into a mid-tier, 5Mtpa coal producer in the medium term.

The following commentary summarises the group's key activities during the year:

Safety

Zero harm remains a key focus for the group and safety is of paramount importance. Regrettably, a fatality occurred at Vaalkrantz Colliery in February 2015, as reported previously, when Mr Sihle Petros Xulu lost his life in an isolated fall of ground. We again extend our heartfelt condolences to the family, friends and colleagues of Mr Xulu. A full investigation was conducted into the accident and, based on the findings, the entire safety system at Vaalkrantz was redesigned and our focus on safety reinforced.

The lost-time injury frequency rate (per 200 000 hours worked) was 0.10 at Vanggatfontein (2014: 0.09) and 0.22 at Vaalkrantz (2014: 0.23).

Overview

Our two collieries, Vanggatfontein and Vaalkrantz, produce thermal coal for supply to Eskom as well as a range of specialist coals for the domestic and export metallurgical industries, namely: 5-seam coal and premium anthracite for domestic metallurgical customers; B-grade coal for domestic customers; and anthracite exported to Brazil through off-take partner Glencore.

Operational review

Vanggatfontein

Vanggatfontein continued to achieve its targets while retaining its good safety record. The colliery delivered 2 278 761 tonnes of washed 2 and 4-seam thermal coal to Eskom, up 4% on the previous year's 2 192 519 tonnes, and 5-seam metallurgical coal sales increased 29% to 126 107 tonnes from 97 635 tonnes. Discard and slurry sales were negligible as the materials were used for on-site activities, whereas in 2014 discard and slurry sales totalled 844 334 tonnes. No third-party toll washing took place during the year due to full utilisation of the dedicated 5-seam plant for our own coal. B-grade coal sales of 46 554 tonnes were achieved (2014: 10 328 tonnes) as the product gained market acceptance.

Construction of the filter press plant progressed well during the year. Subsequent to its successful commissioning on 2 July 2015 the plant will not only generate a new revenue stream for the group but also reduce the colliery's environmental footprint and improve raw water utilisation.

Vaalkrantz

The colliery endured a tough year. The fatality and consequent disruption of production impacted performance. Further, R24.7 million of product stock losses were identified in the last quarter of the financial year, which was deeply disappointing. We took decisive action and initiated a thorough investigation by multiple agencies which not only confirmed the loss, but also a variety of other corrupt practices at the colliery. Collusion between our employees and external contractors has cost us dearly, notwithstanding production of anthracite coal being up 30% to 395 450 tonnes, including the newly introduced high ash product.

A new management team is in place at the colliery and is making progress towards overcoming the losses of the last year. A full review of all aspects of the Vaalkrantz business resulted in an impairment charge of R56.5 million and a related deferred tax asset reversal of R35.9 million.

Group financial performance

Group revenue increased by 5% to R1.45 billion from R1.37 billion in the previous year due to increased sales volumes at both Vanggatfontein and Vaalkrantz. This translated into a gross profit of R203.5 million or 14% of revenue, down slightly year-on-year given a decrease in overall yields at Vaalkrantz, a decrease in metallurgical sales prices at both operations and the loss in production due to the fatality in February 2015.

Directors' Report continued

Other income increased from R13 million in FY14 to R19.9 million in FY15 as a result of the settlement of the DRA matter.

Mining and related expenses increased from R11.5 million in FY14 to R126.4 million in FY15. The increase relates mainly to the R56.5 million impairment recognised at Vaalkrantz, the R24.7 million provision raised for coal losses as a result of theft at Vaalkrantz and incremental SLP spend at both operations.

Income taxation expense increased year-on-year as a result of the reversal of previously recognised deferred taxation assets relating to Vaalkrantz due to the impairment assessment performed.

Net loss for the year was R71.9 million compared to a net profit of R64.4 million in FY14 as a result of the once-off charges referred to above. Consequently, headline earnings per share declined to 0.4 cents per share from 30.3 cents per share.

Capital investment for the group totalled R452.3 million in FY15 compared to R301 million in FY14. The majority, R431 million, was spent at Vanggatfontein primarily on ongoing mine development relating to stripping costs. Capital investment at Vaalkrantz totalled R19.5 million mainly relating to the development of the new Enyati Alfred section.

During the year the group repaid debt of R83 million with R72.7 million being repaid against the Investec term facility.

Cash and cash equivalents increased by R3 million year-on-year. Cash generated by operations of R536.9 million compared to R416.9 million in FY14, was offset by capital development and debt repayments as described above.

Going concern

At 31 March 2015 the company and group had adequate funding resources to continue to operate for the foreseeable future and have therefore continued to adopt the going-concern basis in preparing the financial statements. Refer to note 38 on page 180 for additional disclosure.

Significant events after 31 March 2015 up to the date of this report

Refer to note 39 on pages 180 and 181 for events after the reporting period identified.

Project update

Moabsvelden

Moabsvelden remains our short-term growth priority. The initiation of construction of this expansion to Vanggatfontein awaits the grant of its IWUL and the conclusion of a Coal Supply Agreement (CSA) with Eskom. Moabsvelden will essentially be operated as a satellite pit with similar ROM stripping ratios to Vanggatfontein. ROM will be transported back to the Vanggatfontein Colliery where a new CHPP is planned to process the Moabsvelden feed. Once the IWUL and CSA processes are concluded mine construction will take approximately 12 months to complete.

Share capital

Authorised share capital: 750 000 000 (FY14: 750 000 000) ordinary shares with no par value. Issued share capital: 224 442 642 (FY14: 224 310 979) ordinary shares with no par value.

Directorate

Gunvor SA, the group's largest shareholder, changed its nominated directors during the year. Dirk Jonker resigned on 1 July 2014 and Meindert Witteveen, Head of Coal and Iron Ore at Gunvor SA, was appointed as a Non-Executive Director with effect from 5 September 2014. The Board thanks Mr Jonker for his contribution over the past three years. Post-year-end, Jeroen Schurink resigned with effect from 30 June 2015 and Gia Mai, Gunvor SA Chief Investment Officer, was appointed as Non-Executive Director effective 1 July 2015. The Board thanks Mr Schurink for his contribution to the company.

With effect from September 2013 David Salter resigned from his function as an Executive Chairman and became Non-Executive Chairman. From September 2016 the three-year waiting period will have expired and he will then be deemed independent again.

The directors that held office at year-end are set out below:

Name and nationality (South African, unless otherwise stated)	Position	Independent
JD Salter (British)	Non-Executive Chairman	No
LX Mtumtum (Lead Independent Director)	Non-Executive Director	Yes
OP Sadler	Non-Executive Director	Yes
P Pouroulis (South African/Cypriot)	Non-Executive Director	No
APE Sedibe	Non-Executive Director	No
GH Kemp	Non-Executive Director	Yes
JHM Schurink (Dutch)	Non-Executive Director	No
MT Witteveen (Dutch)	Non-Executive Director	No
AB Glad	Executive Director	No
J Rossouw	Executive Director	No

Auditors

At the forthcoming AGM, shareholders will be requested to reappoint KPMG Inc. as auditors of the company and to hold office for the ensuing year until the conclusion of the next AGM. The designated partner will not be required to rotate as he has not yet reached the five-year rotational requirement.

Company Secretary

Mrs Anelia Schutte-Bouwer serves as the Company Secretary. Her contact details are the same as the company's registered address given below.

Registered address

Ground Floor
Eland House
The Braes
3 Eaton Avenue
Bryanston
2191

Directors' interest in share capital

Director	Nature of interest	Number of ordinary shares	Percentage of issued share capital at 31 March
31 March 2015			
P Pouroulis[1]	Indirect, beneficial	43 738 428	19.49
JD Salter[2]	Indirect, beneficial	2 450 000	1.09
APE Sedibe[1]	Indirect, beneficial	3 166 723	1.41
AB Glad	Indirect, beneficial	3 042 537	1.36
OP Sadler[1]	Direct, beneficial	114 285	0.05
		52 511 973	23.40
31 March 2014			
P Pouroulis[1]	Indirect, beneficial	41 688 428	18.59
JD Salter[2]	Indirect, beneficial	2 450 000	1.09
APE Sedibe[1]	Indirect, beneficial	3 166 723	1.41
AB Glad	Indirect, beneficial	3 042 537	1.36
OP Sadler[1]	Direct, beneficial	114 285	0.05
		50 461 973	22.50

[1] *Non-Executive Director*
[2] *Non-Executive Chairman*

There has been no material change in the directors' interest in the share capital of the company between the end of the financial year and the date of approval of the Annual Financial Statements.

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2015.

The main purpose of the Committee as provided for in the Companies Act, 71 of 2008 includes amongst others, the following responsibilities:
- To assist the Board in discharging its duties on safeguarding assets.
- To monitor the operation of an adequate system of internal control and control processes.
- To monitor the preparation of accurate financial reporting and financial statements in compliance with all applicable legal and corporate governance requirements and accounting standards.

The internal and external auditors have unrestricted access to the Chairman of the Audit Committee.

Composition and meeting attendance

The Committee is chaired by Lead Independent Non-Executive Director, Lizwi Mtumtum, and further consists of two Independent Non-Executive Directors, Gerard Kemp and Paul Sadler. A short *curriculum vitae* for each of these directors has been set out on pages 86 and 87 demonstrating their suitable skills and experience.

The Committee meets at least four times a year as per its terms of reference. The Chairman of the Board, CEO, CFO, internal auditor, external auditor and other assurance providers attend meetings by invitation only.

During the year four meetings were held. Details of Committee members' attendance are set out on page 201.

Terms of reference

The Committee has adopted formal terms of reference approved by the Board, which were reviewed during the year ended 31 March 2015. The Committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

Statutory roles and responsibilities

External audit

The Committee has satisfied itself that KPMG Inc. and Mr Willem Pretorius, the designated auditor, are independent of the company, which included consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the company, and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Assurance was given by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. The Committee ensured that the appointment of the auditor complied with all legislation relating to the appointment of auditors.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ending 31 March 2015.

There is a formal procedure that governs the process whereby the auditor is considered for non-audit services: the Committee approves the non-audit services by the external auditor and the nature and extent of non-audit services that the external auditor may provide in terms of the agreed pre-approved policy. This policy stipulates, *inter alia*, that specific audit services must be pre-approved by the Committee before such work is carried out by the auditor to ensure that the auditor's independence is not compromised.

Annual Financial Statements

The Committee has reviewed the accounting policies and the Annual Financial Statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

The Committee recommended the Annual Financial Statements for the year ended 31 March 2015, for approval to the Board. The Board has subsequently approved the Annual Financial Statements, which will be open for discussion at the forthcoming AGM. The Committee further reviewed and recommended to the Board for approval the Integrated Annual Report and the notice of AGM.

Report of the Audit Committee continued

Internal financial controls

The company's internal auditors are in the process of performing an assessment on the effectiveness of the company's system of internal control and risk management, including an ongoing assessment of internal financial controls. In terms of the internal auditors' written assessment, no weaknesses in financial control (design, implementation or execution), that are considered material and that have resulted in actual material financial loss, fraud or material errors were identified for the financial year ended 31 March 2015. The assessment by the internal auditors forms the basis for the Committee's recommendation in this regard to the Board, in order for the Board to report thereon.

IT risk

The Committee views IT governance as a crucial element of the business and considered whether IT risks were adequately addressed. The Committee is satisfied that adequate controls were in place.

Delegated roles and responsibilities

Integrated reporting

The Committee fulfils an oversight role regarding the company's Integrated Annual Report and the reporting process. The Committee considered the company's sustainability information as disclosed in the Integrated Annual Report and assessed its consistency with operational and other information known to Committee members and with the Annual Financial Statements. It is satisfied that the sustainability information is reliable and consistent with the financial results.

Going concern

The Committee has reviewed a documented assessment, including key assumptions prepared by management, of the going-concern status of the company and has accordingly made a recommendation to the Board. The Board's statement on the going-concern status of the group and company, as supported by the Committee, is set out on page 100 of the Integrated Annual Report.

Internal audit

The Committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its duties. Further, the Committee oversees co-operation between the internal and external auditors, and serves as a link between the Board and these functions.

The internal audit function is outsourced to PwC. The internal audit function's annual audit plan including the internal audit charter was approved by the Committee. The Committee is responsible for the assessment of the performance of the internal audit function. The Committee is satisfied with the quality and effectiveness of the service provided by PwC. During the year, the Committee met with both the external auditors and internal auditors without management being present. To the best of the Committee's knowledge the group has complied with all relevant and material legal, regulatory or other responsibilities.

Evaluation

The Committee members were all satisfied with the functioning of the Audit Committee. The Board was satisfied that the Committee members collectively have sufficient academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs and human resource management as required by section 94(5) of the Companies Act, read with Regulation 42.

Based on recommendation from the Nomination Committee, the Board recommends that the following individuals stand for re-election at the upcoming AGM:

- LX Mtumtum as a member and Chairman of the Audit Committee;
- OP Sadler as a member of the Audit Committee; and
- GH Kemp as a member of the Audit Committee.

In terms of the Companies Act, King III and JSE Listings Requirements, the Committee has considered and satisfied itself of the appropriateness of the expertise and experience of the CFO, Jacques Rossouw.

Lizwi Mtumtum
Audit Committee Chair
16 September 2015

Independent Auditor’s Report

To the shareholders of Keaton Energy Holdings Limited

We have audited the group financial statements and financial statements of Keaton Energy Holdings Limited, which comprise the statements of financial position at 31 March 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 108 and 181.

Directors’ responsibility for the financial statements

The company’s directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Keaton Energy Holdings Limited at 31 March 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2015, we have read the Declaration by the Company Secretary, the Directors' Report and the Report of the Audit Committee for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.

Per WS Pretorius
Chartered Accountant (SA)
Registered Auditor
Director
16 September 2015

KPMG Forum
1226 Francis Baard Street
Hatfield
Pretoria
0083

Statements of profit or loss and other comprehensive income

for the year ended 31 March 2015

		Group		Company	
	Notes	**Year ended 31 March 2015 R**	Year ended 31 March 2014 R	**Year ended 31 March 2015 R**	Year ended 31 March 2014 R
Revenue	4	**1 447 701 283**	1 372 605 263	**144 701 219**	108 178 337
Cost of sales	5	**(1 244 182 271)**	(1 153 868 958)	**(3 964 493)**	(2 999 866)
Gross profit		**203 519 012**	218 736 305	**140 736 726**	105 178 471
Other income	6	**19 931 160**	12 983 103	**–**	–
Mining and related expenses		**(126 390 102)**	(11 476 127)	**–**	–
Administrative expenses		**(60 206 564)**	(70 112 326)	**(40 803 610)**	(41 452 243)
Impairment of investments in subsidiaries	13	**–**	–	**(101 240 304)**	(4 453 489)
Impairment of other receivables	19.2	**–**	–	**(25 394 980)**	–
Operating profit/(loss) before net finance (cost)/income	7	**36 853 506**	150 130 955	**(26 702 168)**	59 272 739
Net finance (cost)/income	8	**(49 742 569)**	(47 733 377)	**575 870**	202 129
Finance income		**6 150 471**	2 834 446	**618 817**	264 673
Finance costs		**(55 893 040)**	(50 567 823)	**(42 947)**	(62 544)
Net (loss)/profit before taxation		**(12 889 063)**	102 397 578	**(26 126 298)**	59 474 868
Income taxation (expense)/credit	9	**(58 965 844)**	(37 975 490)	**1 673 176**	(3 465 560)
Net (loss)/profit for the year		**(71 854 907)**	64 422 088	**(24 453 122)**	56 009 308
Other comprehensive income					
Items that may be reclassified to profit or loss					
Foreign currency translation differences	22	**(130 247)**	355 566	**–**	–
Total comprehensive income		**(71 985 154)**	64 777 654	**(24 453 122)**	56 009 308
Net (loss)/profit attributable to:					
Owners of the company		**(31 028 870)**	59 528 868		
Non-controlling interest		**(40 826 037)**	4 893 220		
		(71 854 907)	64 422 088		
Total comprehensive income attributable to:					
Owners of the company		**(31 159 117)**	59 884 434		
Non-controlling interest		**(40 826 037)**	4 893 220		
		(71 985 154)	64 777 654		
Basic earnings per share (cents)	10	**(13.8)**	30.3		
Diluted earnings per share (cents)	10	**(13.8)**	30.0		

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

Statements of financial position

at 31 March 2015

	Notes	Group At 31 March 2015 R	Group At 31 March 2014 R	Company At 31 March 2015 R	Company At 31 March 2014 R
ASSETS					
Property, plant and equipment	12	**768 617 910**	797 155 080	**–**	–
Interest in subsidiary companies	13	**–**	–	**957 272 188**	915 875 527
Intangible assets	14	**716 434 140**	700 688 242	**–**	–
Deferred taxation	15	**–**	17 143 586	**–**	–
Investments and loans	35	**5 216 499**	5 151 877	**–**	–
Restricted cash	16.1	**10 780 613**	7 423 204	**1 418 581**	1 418 581
Restricted investments	17	**68 305 506**	47 268 749	**–**	–
Trade and other receivables	19.1	**–**	37 610 309	**–**	37 610 309
Total non-current assets		**1 569 354 668**	1 612 441 047	**958 690 769**	954 904 417
Restricted investments		**–**	3 452 896	**–**	–
Inventory	18	**54 110 477**	35 081 202	**–**	–
Trade and other receivables	19.2	**179 455 807**	151 336 193	**1 085 017**	5 770 139
Taxation		**1 901 772**	–	**4 616**	–
Cash and cash equivalents	16.2	**72 546 393**	69 556 044	**2 160 501**	2 119 338
Total current assets		**308 014 449**	259 426 335	**3 250 134**	7 889 477
Total assets		**1 877 369 117**	1 871 867 382	**961 940 903**	962 793 894
EQUITY					
Stated capital	20	**692 928 553**	692 928 553	**693 248 495**	692 928 553
Share-based payment reserve	20	**26 546 123**	18 788 161	**18 656 503**	13 220 294
Other reserves	22	**19 084 517**	19 214 764	**18 859 198**	18 859 198
Retained earnings		**103 072 976**	134 101 846	**206 706 085**	231 159 207
Total equity attributable to owners of the company		**841 632 169**	865 033 324	**937 470 281**	956 167 252
Non-controlling interest		**(3 374 543)**	51 183 265	**–**	–
Total equity		**838 257 626**	916 216 589	**937 470 281**	956 167 252
LIABILITIES					
Borrowings	23	**251 740 913**	341 837 771	**–**	–
Financial liabilities	24.1	**–**	604 497	**14 319 826**	–
Mine closure and environmental rehabilitation provision	25	**270 058 375**	215 181 397	**–**	–
Provisions	26.1	**31 768 646**	30 575 067	**–**	–
Deferred taxation	15	**129 179 335**	87 357 077	**503 666**	2 176 842
Deferred income	19.1	**5 417 691**	–	**–**	–
Total non-current liabilities		**688 164 960**	675 555 809	**14 823 492**	2 176 842
Borrowings	23	**109 375 308**	51 712 852	**–**	–
Financial liabilities	24.2	**67 816**	–	**5 054 057**	–
Trade and other payables	27	**216 843 420**	227 101 440	**4 593 073**	4 256 469
Taxation		**–**	1 280 692	**–**	193 331
Provisions	26.2	**24 659 987**	–	**–**	–
Total current liabilities		**350 946 531**	280 094 984	**9 647 130**	4 449 800
Total equity and liabilities		**1 877 369 117**	1 871 867 382	**961 940 903**	962 793 894

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

Statements of changes in equity

for the year ended 31 March 2015

	Stated capital R	Share capital R	Share premium R	Share-based payment reserve R	Other reserves R	Retained earnings R	Total equity attributable to owners of the company R	Non-controlling interest (NCI) R	Total equity R
Notes	20	20	20	20 and 21	22				
Group									
Balance at 31 March 2013	–	191 663	640 711 274	12 496 640	(18 751 111)	74 572 978	709 221 444	(23 184 564)	686 036 880
Net profit for the year	–	–	–	–	–	59 528 868	59 528 868	4 893 220	64 422 088
Other comprehensive income for the year	–	–	–	–	355 566	–	355 566	–	355 566
Transfer of share capital and share premium to stated capital[(1)]	640 902 937	(191 663)	(640 711 274)	–	–	–	–	–	–
Transactions with owners of the company recognised directly in equity									
Ordinary shares issued for cash (refer to notes 11 and 20)	58 047 856	–	–	–	–	–	58 047 856	–	58 047 856
Share issue expenses (refer to notes 11 and 20)	(6 022 240)	–	–	–	–	–	(6 022 240)	–	(6 022 240)
Share-based payments	–	–	–	6 291 521	–	–	6 291 521	–	6 291 521
Share-based payment reserve relating to the issue of shares at a discount (refer to notes 19 and 22)	–	–	–	–	37 610 309	–	37 610 309	–	37 610 309
Change in ownership interest in subsidiaries									
Xceed asset acquisition (refer to note 11)	–	–	–	–	–	–	–	69 474 609	69 474 609
Balance at 31 March 2014	**692 928 553**	**–**	**–**	**18 788 161**	**19 214 764**	**134 101 846**	**865 033 324**	**51 183 265**	**916 216 589**
Net loss for the year	**–**	**–**	**–**	**–**	**–**	**(31 028 870)**	**(31 028 870)**	**(40 826 037)**	**(71 854 907)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**(130 247)**	**–**	**(130 247)**	**–**	**(130 247)**
Dividends[(2)]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13 731 771)**	**(13 731 771)**
Transactions with owners of the company recognised directly in equity									
Share-based payments	**–**	**–**	**–**	**7 757 962**	**–**	**–**	**7 757 962**	**–**	**7 757 962**
Balance at 31 March 2015	**692 928 553**	**–**	**–**	**26 546 123**	**19 084 517**	**103 072 976**	**841 632 169**	**(3 374 543)**	**838 257 626**

(1) *A special resolution in terms of Regulation 31 of the Companies Act Regulations 2011 was adopted at the general meeting held on 28 May 2013 whereby all ordinary shares were converted into ordinary shares with no par value. It was resolved that all 250 million authorised shares and 191.7 million issued ordinary shares with a par value of 0.1 cents be converted into ordinary shares with no par value and that the share capital account and the share premium account of the company be transferred to the stated capital account.*

(2) *On subsidiary level Keaton Mining Proprietary Limited (Keaton Mining) declared and paid dividends of R52.8 million (2014: R nil) to its shareholders during the year.*

	Notes	Stated capital R	Share capital R	Share premium R	Share-based payment reserve R	Other reserves R	Retained earnings R	Total equity R
		20	20	20	20 and 21	22		
Company								
Balance at 31 March 2013		–	191 663	640 711 274	8 673 572	(18 751 111)	175 149 899	805 975 297
Total comprehensive income for the year		–	–	–	–	–	56 009 308	56 009 308
Transfer of share capital and share premium to stated capital[(1)]		640 902 937	(191 663)	(640 711 274)	–	–	–	–
Transactions with owners of the company recognised directly in equity								
Ordinary shares issued for cash (refer to notes 11 and 20)		58 047 856	–	–	–	–	–	58 047 856
Share issue expenses (refer to notes 11 and 20)		(6 022 240)	–	–	–	–	–	(6 022 240)
Share-based payments		–	–	–	4 546 722	–	–	4 546 722
Share-based payment reserve relating to the issue of shares at a discount (refer to notes 19 and 22)		–	–	–	–	37 610 309	–	37 610 309
Balance at 31 March 2014		**692 928 553**	**–**	**–**	**13 220 294**	**18 859 198**	**231 159 207**	**956 167 252**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**(24 453 122)**	**(24 453 122)**
Transactions with owners of the company recognised directly in equity								
Shares issued for cash		**319 942**	**–**	**–**	**–**	**–**	**–**	**319 942**
Share-based payments		**–**	**–**	**–**	**5 436 209**	**–**	**–**	**5 436 209**
Balance at 31 March 2015		**693 248 495**	**–**	**–**	**18 656 503**	**18 859 198**	**206 706 085**	**937 470 281**

(1) *A special resolution in terms of Regulation 31 of the Companies Act Regulations 2011 was adopted at the general meeting held on 28 May 2013 whereby all ordinary shares were converted into ordinary shares with no par value. It was resolved that all 250 million authorised shares and 191.7 million issued ordinary shares with a par value of 0.1 cents be converted into ordinary shares with no par value and that the share capital account and the share premium account of the company be transferred to the stated capital account.*

Statements of cash flows
for the year ended 31 March 2015

		Group		Company	
	Notes	Year to 31 March 2015 R	Year to 31 March 2014 R	Year to 31 March 2015 R	Year to 31 March 2014 R
Cash flows from operating activities					
Cash generated from/(utilised in) operations	29.1	**558 497 660**	434 156 956	**(16 421 241)**	(27 117 049)
Interest received		**4 419 200**	2 180 490	**618 817**	264 673
Interest paid		**(22 816 818)**	(16 583 349)	**(42 947)**	(62 544)
Taxation paid	29.2	**(3 182 464)**	(2 840 992)	**(197 947)**	(2 840 984)
Dividends received		**–**	–	**39 082 733**	–
Net cash from operating activities		**536 917 578**	416 913 105	**23 039 415**	(29 755 904)
Cash flows from investing activities					
(Increase)/decrease in investments in subsidiary companies	29.3	**–**	–	**(23 318 194)**	174 084 684
Additions to property, plant and equipment to expand operations		**(478 397 335)**	(301 629 924)	**–**	–
Additions to intangible assets		**(17 260 412)**	(5 418 625)	**–**	–
Xceed asset acquisition, net of cash acquired		**–**	(191 976 599)	**–**	(194 656 714)
Proceeds on disposal of property, plant and equipment		**661**	151 637	**–**	–
Proceeds on disposal of intangible asset		**–**	11 954 900	**–**	–
Investment in restricted investments		**(13 225 813)**	(21 678 943)	**–**	–
Withdrawal from restricted cash		**–**	8 474 743	**–**	–
Net cash from investing activities		**(508 882 899)**	(500 122 811)	**(23 318 194)**	(20 572 030)
Cash flows from financing activities					
Proceeds from the issue of shares		**–**	58 047 856	**319 942**	58 047 856
Payment of share issue expenses		**–**	(6 022 240)	**–**	(6 022 240)
Prepayment for coal off-take received		**43 028 000**	–	**–**	–
Borrowings repaid		**(59 840 559)**	(213 902 979)	**–**	–
Borrowings raised		**5 500 000**	300 000 000	**–**	–
Transaction costs relating to project finance arrangements		**–**	(4 971 037)	**–**	–
Dividends paid		**(13 731 771)**	–	**–**	–
Net cash from financing activities		**(25 044 330)**	133 151 600	**319 942**	52 025 616
Net increase in cash and cash equivalents		**2 990 349**	49 941 894	**41 163**	1 697 682
Cash and cash equivalents at the beginning of the year		**69 556 044**	19 614 150	**2 119 338**	421 656
Cash and cash equivalents at the end of the year	16.2	**72 546 393**	69 556 044	**2 160 501**	2 119 338

Notes to the financial statements
for the year ended 31 March 2015

1 General information
Keaton Energy Holdings Limited (registration number: 2006/011090/06) (the company) and its subsidiaries (collectively Keaton or the group) are primarily involved in coal mining and related activities including exploration, extraction and processing of coal at its operations in the Republic of South Africa.

The company is a public company incorporated and domiciled in South Africa, with its registered office at Ground Floor, Eland House, The Braes, 3 Eaton Road, Bryanston, 2191.

The group and company financial statements were authorised for issue by the Board of Directors on 16 September 2015.

2 Accounting policies
The principal accounting policies applied in the preparation of the group and company financial statements are set out below. These policies have been consistently applied by group entities in all years presented, unless otherwise stated. These financial statements are presented in South African rand (R), which is the company's functional currency. All financial information presented has been rounded to the nearest rand.

Where reference is made in the basis of preparation to the group, it should be interpreted as being applied to the group and company as the context requires.

Basis of preparation
The financial statements of the group and company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), International Financial Reporting Interpretations Committee (IFRIC), the Companies Act of South Africa and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting pronouncements as issued by the Financial Reporting Standards Council. The financial statements have been prepared under the historical cost convention, except for the following material items in the statement of financial position:
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- Share-based payments at fair value.

The preparation of the financial statements in accordance with IFRS requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. In particular, information about significant areas of estimation uncertainty or where a higher degree of judgement or complexity is involved in applying accounting are disclosed in note 3 to the accounting policies.

New standards, amendments to standards and interpretations to existing standards adopted by the group
None of the new standards, amendments to standards and interpretations to existing standards adopted by the group during the current financial year had a significant impact on the results of the group.

New standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted
At the date of authorisation of these financial statements, the standards, amendments to standards and interpretations listed below were in issue but not yet effective. These standards and interpretations have not been early adopted by the group and management is currently evaluating the impact of these on the group. The group plans to adopt these standards, amendments to standards and interpretations, where applicable, on the dates when they become effective.

The effective dates given are for financial periods beginning on or after the given date.

- *Equity Method in Separate Financial Statements* (Amendments to IAS 27) (effective 1 April 2016)
  The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures.
- *Disclosure Initiative* (Amendments to IAS 1) (effective 1 April 2016)
  The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

Notes to the financial statements continued

for the year ended 31 March 2015

2 Accounting policies (continued)

- IFRS 15 *Revenue from Contracts with Customers* (effective 1 April 2017)

  This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

  The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

  This new standard will most likely not have a significant impact on the group regarding the timing of when revenue is recognised and the amount of revenue recognised, however, extensive new disclosure will be required by the standard. The group is currently in the process of performing a more detailed assessment of the impact of this standard on the group and will provide more information in the year ending 31 March 2016 financial statements.

- IFRS 9 *Financial Instruments* (effective 1 April 2018)

  On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

  This standard could have a significant impact on the group, which will include changes in the measurement bases of the group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

- Annual improvements to IFRS 2010 to 2012 and 2011 to 2013 cycle (effective 1 April 2015)

  The board has made amendments to a total of nine standards. Most amendments will apply prospectively.

- Annual improvements to IFRS 2012 to 2014 cycle (effective 1 April 2016)

  The board has made amendments to four standards. Except for the amendments to IFRS 5, the amendments will apply retrospectively.

Consolidation

(i) Asset acquisition

For an asset acquisition, the purchase price is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the acquisition date. Such a transaction or event does not give rise to goodwill. Refer to note 11 for details on the Xceed asset acquisition that took place in the prior year.

(ii) Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. In the company financial statements investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration arrangements. Cost also includes directly attributable costs of the investment.

(iii) Loss of control

When the group loses control over the subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Non-controlling interest (NCI)

NCI is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments (where applicable) during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency gains and losses are generally recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into rand at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into rand at the exchange rates at the dates of transactions.

Foreign currency differences are recognised in other comprehensive income (OCI) and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the group disposes of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to NCI.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in OCI and accumulated in the foreign currency translation reserve.

Property, plant and equipment

(i) Mining assets

Mining assets include mine development costs, assets under construction, plant and equipment and mine infrastructure and are initially recognised at cost, after which they are measured at cost less accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Mine development is derecognised when a formal decision is taken to close a pit, mainly when it becomes not economic to continue mining. Any loss realised on the derecognition of the asset is recognised in profit or loss.

At the group's surface mines, when it has been determined that a mineral property can be economically developed as a result of establishing proved and probable reserves, costs incurred to develop the property are capitalised as incurred until the mine is considered to have moved into the production phase. These costs include costs to further delineate the coal seam and remove overburden to initially expose the coal seams.

Stripping costs incurred during the production phase of the group's surface operations to remove overburden and expose the coal reserve are capitalised as a stripping activity asset only when:

(a) it is probable that the future economic benefits (improved access to the coal reserve) associated with the stripping activity will flow to the group;

(b) the group can identify the component of the coal reserve exposed by the stripping activity; and

(c) the costs relating to the stripping activity associated with that component can be measured reliably.

Notes to the financial statements continued

for the year ended 31 March 2015

2 Accounting policies (continued)

Property, plant and equipment (continued)

(i) Mining assets (continued)

The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset (mine development). The stripping activity asset is initially measured at cost, being the accumulation of costs directly attributable to the stripping activity, plus an allocation of directly attributable overhead costs. The group identifies a component as the smallest measurable portion of the coal reserve within a pit, which the stripping activity provides direct access to and is usually identified through survey results. After initial recognition, the stripping activity asset is measured at cost less accumulated depreciation and accumulated impairment losses. The stripping activity asset is depreciated on a systematic basis, over the expected production life of the identified component of the coal reserve.

At the group's underground mines, all costs incurred to develop the property, including costs to access specific coal seams or other areas of the underground mine, are capitalised to the extent that such costs will provide future economic benefits. These costs include the cost of building access ways, continuing development, ramps, initial box-cuts and other infrastructure development. These assets are depreciated on a systematic basis, over the expected production life of the coal reserve.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition and construction of qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use. These costs are capitalised until the asset moves into the production phase. Other borrowing costs are expensed. Where a depreciable asset is used in the construction or extension of a mine, the depreciation is capitalised against the mine's cost.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised when the costs can be reliably measured and if it is probable that the future economic benefits embodied within the component will flow to the group. The carrying amount of the replaced component, if any, is derecognised and charged to profit or loss. Maintenance, day-to-day servicing and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged to the statement of profit or loss.

(ii) Non-mining assets

Land is shown at cost and not depreciated. Other non-mining items of property, plant and equipment, which include buildings and leasehold improvements, plant and equipment, furniture and equipment, and other items (which include motor vehicles and computer equipment) are shown at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

Depreciation of mining assets are computed principally by the units-of-production method based on estimated quantities of economically recoverable proved and probable reserves, which can be recovered in future from known mineral deposits. In most instances, proved and probable reserves provide the best indication of the useful life of the group's mines (and related assets). Depreciation of non-mining assets is calculated on a straight-line basis over the useful life of the asset.

(iv) Depreciation rates/useful lives of mining and non-mining assets

- buildings: life of the mine
- plant and equipment: straight-line method (between three and 10 years)
- mine infrastructure: the life of the mine
- mine development: the life of the mine
- vehicles: 20% per year
- computer equipment: 33.3% per year
- furniture and equipment: between 10% and 20% per year
- leasehold improvements on premises occupied under operating leases are written off over the term of the lease or its useful life if shorter.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

(v) *Amortisation of mineral and surface use rights*

Mineral interests associated with development and exploration phase mineral interests are not amortised until such time as the underlying property is converted to the production stage.

Intangible assets

Exploration and evaluation costs, including the costs of acquiring prospecting rights and directly attributable exploration expenditure, are capitalised as exploration and evaluation assets on a project-by-project basis, pending determination of the technical feasibility and commercial viability of each such project. Costs are recognised as exploration and evaluation assets from the date of granting of a prospecting right. The capitalised costs are presented as exploration and evaluation assets as a result of the nature of the assets acquired.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved reserves are determined to exist. Upon determination of proved reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment by allocating the relevant assets to cash-generating units or groups of cash-generating units, and then reclassified from exploration and evaluation assets to other appropriate categories of non-current assets. Depreciation of these assets commences once these assets are appropriately reclassified and are in commercial production.

Exploration and evaluation assets are assessed for impairment based on the guidance as provided by IFRS 6 *Exploration for and Evaluation of Mineral Resources*. These include:

- the period to explore, as granted in terms of the Prospecting Rights acquired, has expired during the period; or will expire in the near future; or is not expected to be renewed;
- further exploration on the projects is neither budgeted nor planned for in the near future;
- a decision was made not to develop a project; and
- there is an indication that the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from a successful development or the sale of the project.

If a project is abandoned, the related costs are expensed in profit or loss immediately.

Depreciation of exploration and evaluation assets commences when these assets are reclassified from exploration and evaluation assets to property, plant and equipment once these assets reach commercial production, and is recognised in cost of sales in profit or loss.

Intangible assets include acquisition-related fair values of the Quattro Scheme Participation of the Richards Bay Coal Terminal (RBCT). These assets are amortised on a straight-line basis over the expected life of 10 years. Intangible assets are evaluated for impairment indicators annually at the reporting date.

Intangible assets also include computer software that is acquired by the group. Computer software is measured at cost less accumulated amortisation and impairment losses. Computer software is amortised over its useful life of three years on a straight-line basis.

Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed annually at the reporting date for impairment indicators or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Each operating colliery, along with allocated common assets such as plants and administrative offices, is considered to be a cash-generating unit as each colliery is largely independent from the cash flows of other collieries and assets belonging to the group.

Value in use is generally determined by using discounted estimated future cash flows. Future cash flows are estimated based on quantities of recoverable minerals, expected coal prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, all based on life-of-mine plans. Future cash flows are discounted to their present value using a real discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Refer to note 3 of the accounting policies for a list of assumptions used to determine recoverable amounts/fair values of non-financial assets.

Notes to the financial statements continued

for the year ended 31 March 2015

2 Accounting policies (continued)

Impairment of non-financial assets (continued)

The term "recoverable minerals" refers to the estimated amount of coal that will be obtained from reserves and resources and all related exploration stage mineral interests after taking into account losses during coal processing and treatment. Estimates of recoverable minerals from such related exploration stage mineral interests will be risk adjusted based on management's relative confidence in such materials. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. With the exception of other mine-related exploration potential and greenfields exploration potential, estimates of future undiscounted cash flows are included on an area of interest basis, which generally represents an individual operating mine.

In the case of mineral interests associated with other mine-related exploration potential and greenfields exploration potential, cash flows and fair values are individually evaluated based primarily on recent exploration results and recent transactions involving sales of similar properties, if any. Assumptions underlying future cash flow estimates are subject to significant risks and uncertainties.

Non-financial assets are reviewed annually for possible reversal of impairments at the reporting date. Reversal of impairments is also considered when there is objective evidence to indicate that the asset is no longer impaired. Where an impairment subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but not higher than the carrying value that would have been determined had no impairment been recognised in prior years.

Financial instruments

Financial instruments are initially measured at fair value when the group becomes a party to contractual arrangements. Transaction costs are included in the initial measurement of financial instruments, with the exception of financial instruments classified as at fair value through profit or loss.

The subsequent measurement of financial instruments is discussed below.

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the group has transferred its rights to receive cash and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss recognised in equity is recognised in profit or loss. On derecognition of a financial liability, the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The group classifies its financial assets in the following categories: loans and receivables, held-to-maturity and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets are recognised on trade date, the date on which the group becomes a party to the contractual provisions.

(i) Financial assets

(a) **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost using the effective interest method less allowance for impairment. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables include trade and other receivables (excluding VAT and prepayments), investments and loans, and cash and cash equivalents.

Cash and cash equivalents are defined as cash on hand, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents exclude restricted cash.

Allowance for impairment of 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 receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The group considers evidence of impairment for trade and other receivables at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of trade and other receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance for impairment account against trade and other receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed (limited to the initial impairment loss recognised) through profit or loss.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

(b) **Financial assets at fair value through profit or loss** have two subcategories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management in terms of specified criteria:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency (applicable to the group).
- A group of financial assets is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy.
- The item proposed to be designated at fair value through profit or loss is a hybrid contract that contains one or more embedded derivatives.

These assets are subsequently measured at fair value with gains or losses arising from changes in fair value recognised in profit or loss in the period in which they arise. Refer to note 17, restricted investments for additional information.

(c) **Held-to-maturity investments** are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Held-to-maturity investments include restricted cash.

The group assesses at the end of each reporting period whether there is objective evidence that a held-to-maturity investment is impaired as a result of an event. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the held-to-maturity investment's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss.

If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Financial liabilities

(a) **Borrowings** are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost, comprising original debt less principal payments and amortisation, using the effective interest method. Any difference between proceeds (net of transaction cost) and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest method.

Fees paid on the establishment of loan facilities are capitalised as a prepayment and amortised over the period of the facility to which they relate.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(b) **Trade and other payables** are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables are classified as current liabilities if payment is due within 12 months. If not, they are presented as non-current liabilities.

(c) **Financial liabilities**

IDC equity-linked call option

The option was recognised initially at fair value and the attributable transaction costs recognised in profit or loss. Subsequent to initial recognition, the option is measured at fair value and changes therein are recognised in administration expenses in profit or loss.

Financial guarantees

Financial guarantees are contracts that require the company to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of the debt instrument. Financial guarantee liabilities are initially recognised at fair value. Subsequent to initial recognition the financial guarantee liabilities are measured at the higher of:

- the amount determined in accordance with IAS 37; and
- the amount recognised initially less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

Guarantees that do not meet the definition of financial guarantee contracts are not recognised by the group, but the carrying value of the guarantees are disclosed. Refer to notes 16, 23, 24 and 27 in this regard.

Notes to the financial statements continued
for the year ended 31 March 2015

2 Accounting policies (continued)

(iii) Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

The group holds derivative financial instruments to hedge some of its foreign currency risk exposures. Derivatives are recognised initially at fair value and the attributable transaction cost is recognised in the statement of profit or loss. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in administration expenses in profit or loss.

Inventories

Inventories comprise coal run-of-mine stockpiles, coal product stockpiles and consumables. Inventories are measured at the lower of cost and net realisable value after appropriate allowances for obsolete, redundant and slow-moving stockpiles and consumables.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to perform the sale.

Cost is determined by reference to direct mining expenditure and an appropriate portion of overhead expenditure including amortisation and depreciation at the relevant stage of production based on normal production levels. Coal stockpiles are valued at average production cost.

Leased assets and lease payments

Capitalised leased assets are depreciated over the shorter of their estimated useful lives and the lease terms. Refer to the accounting policy dealing with the group's leases.

Leases of items of property, plant and equipment, where the group has substantially all the risks and rewards of ownership, are classified as finance leases. The assets are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made or received under finance leases are apportioned between the finance expense or income and the reduction of the outstanding liability or receivable. The finance expense or income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability or receivable.

Future lease payments, net of finance charges, are included in non-current borrowings, with the current portion included under current liabilities.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Other leases are operating leases and the leased assets are not recognised on the group's statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the group's incremental borrowing rate.

Environmental trust funds

Contributions are made to the group's trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the group's mines. The trusts are consolidated into the group as the group exercises full control of the trust. The measurement of the investments held by the trust funds is dependent on their classification under financial assets and income received and fair value movements are treated in accordance with these classifications.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at reporting date using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. This estimate takes into account the associated risks and uncertainties. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed.

(i) Mine closure and environmental rehabilitation provision

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project as soon as the obligation to incur such costs arises.

These costs are recognised in profit or loss over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period.

If a decrease in liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy dealing with impairments of non-financial assets.

Current and deferred taxation

The current income taxation charge is the expected taxation payable on the taxable income for the year and is calculated on the basis of the taxation laws enacted or substantively enacted at the reporting date in the country where the group operates and generates taxable income. Management periodically evaluates positions taken in taxation returns with respect to situations in which applicable taxation regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the taxation authorities.

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Under this method deferred taxes are recognised for the taxation consequences of temporary differences by applying expected taxation rates to the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except to the extent that deferred taxation arises from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect the accounting or taxable profit or loss at the time of the transaction. Deferred taxation is charged to profit or loss, except where the taxation relates to items recognised in OCI or directly in equity, in which case the taxation is also recognised in OCI or directly in equity. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, unutilised taxation losses and unutilised capital allowances carried forward. Deferred taxation assets relating to the carry forward of unutilised taxation losses and unutilised capital allowances are recognised to the extent that it is probable that future taxable profits will be available against which the unutilised taxation losses and unutilised capital allowances can be utilised.

Deferred taxation is provided on temporary differences arising from investments in subsidiaries, 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 taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Interest received from and paid to the taxation authorities is classified as finance income and finance cost.

Notes to the financial statements continued

for the year ended 31 March 2015

2 Accounting policies (continued)

Employee benefits

(i) Short-term employee benefits

The costs of all short-term employee benefits are recognised in the period in which the employee renders the related service. The accruals for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the group has a present obligation to pay as a result of the employees' service provided. The accruals have been calculated at undiscounted amounts based on current salary levels.

(ii) Defined contribution plan

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity in terms of the defined contribution provident plan and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

(iii) Equity compensation benefits

Entities within the group receiving goods or services shall measure the share-based payment transaction as equity settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.

Cash-settled share-based payments are remeasured at each reporting date. The expense recognised in profit or loss for the year represents that portion of the fair value that is attributable to the portion of the contractual period which had elapsed at the reporting date and the movement in fair value between the grant date/previous reporting date and the current reporting date, with a corresponding increase in liabilities.

Equity-settled share-based payments are measured at fair value that includes market performance conditions but excludes the impact of any service and non-market performance conditions of the equity instruments at the date of the grant. The share-based payments are expensed as an employee expense with a corresponding increase in equity over the vesting period, based on the group's estimate of the shares that are expected to eventually vest. Share-based payment expenses recognised in current and previous financial years are reversed out of profit or loss in the event of termination of the share plan (forfeited/lapsed) for "fault" and "no fault" definitions, to the extent that shares have not become unconditional/not vested. The group used an appropriate option pricing model in determining the fair value of the options granted.

Non-market vesting conditions are included in assumptions about the number of appreciation rights or notional shares to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each reporting date to reflect the best estimate or actual number of share appreciation rights that vest, with any adjustment being made to both equity and profit or loss as an employee cost. When the group issues share-based instruments to settle certain transactions, the payments are measured at the fair value of the goods and services provided. If the fair value of the goods or services cannot be determined, the share-based payment is measured at the fair value of the equity instrument at the date of the grant, the date the group obtains the goods or the counterparty renders the service.

(iv) Leave pay

The group accrues for the cost of the leave days granted to employees during the period in which the leave days accumulate.

Stated capital

Stated capital is classified as equity. Incremental costs directly attributable to the issue of the ordinary shares and share options are recognised as a deduction from equity.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

(i) Sale of coal and anthracite

The group enters into contracts for the sale of coal and anthracite. Revenue arising from coal and anthracite sales under these contracts is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the customer, collection of the sales price is probable and associated costs can be reliably estimated. As sales from coal and anthracite contracts are subject to a customer survey with regards to quality, sales are initially recognised on a provisional basis using the group's best estimate of the product quality. Subsequent agreed quality adjustments are recognised directly in revenue, if different from the initial certificates. Income earned from the transport of coal to third parties is recognised as revenue in profit or loss as and when the coal exits the mine premises (over the weigh-bridge).

(ii) Toll washing

Toll washing revenue is generated through third-party coal being washed at the group's relevant plants. Revenue is recognised when the coal being washed exits the mine premises (over the weigh-bridge). The revenue amount is calculated by multiplying the tonnes washed by the rate per tonne as agreed upon between the group and the relevant third party.

(iii) Management fees

The company has entered into a service agreement with one of its subsidiaries, Keaton Administrative and Technical Services Proprietary Limited (KATS), whereby its directors and employees provide management services to other operating and exploration subsidiaries in the group. These services are on-charged on a monthly basis based on actual time spent managing the operating and exploration subsidiaries

(iv) Investment income from subsidiaries

In the company's separate financial statements investment income received by the company on loan capital, ordinary shares and preference shares are classified as revenue and recognised using the effective interest method. Amortisation of financial guarantees provided to subsidiaries is also classified as revenue. Refer to note 4 in this regard.

Other income

(i) Discard sales

Course discard coal sales and slurry sales are sold to a number of local customers and are recognised as other income as and when it exits the mine premises (over the weigh-bridge).

(ii) Royalty income

During prior years, the group concluded a sales agreement with Kleinfontein Colliery Proprietary Limited (Kleinfontein), a subsidiary of Umcebo Mining Proprietary Limited, in terms of a mining right disposed to Kleinfontein. The group generates royalty income over the life of the attributable resource.

(iii) Sundry income

Sundry income mainly consists of medical induction expenses recovered from customers as part of their safety induction course before entering the mining operation premises.

Finance income and costs

Finance income comprises interest received and receivable on funds invested and dividend income. Interest income is recognised on a time-proportion basis in profit or loss as it accrues, taking into account the principal outstanding and using the effective interest method. Dividend income is recognised in profit or loss on the date the group has a right to receive payment.

Finance costs comprise interest payable on borrowings calculated using the effective interest method, unwinding of the discount on environmental and other provisions and dividends on preference shares classified as liabilities. Borrowing costs capitalised are excluded.

Dividends declared

Dividends declared are recognised in the period in which they are approved by the Board of Directors. Dividends are payable in South African rand net of withholding tax.

Earnings per share

The group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding, adjusted for the effects of all potential dilutive ordinary shares.

Notes to the financial statements continued

for the year ended 31 March 2015

2 Accounting policies (continued)

Segment reporting

The segment report has been prepared in accordance with IFRS 8 *Operating Segments* which defines requirements for the disclosure of financial information of an entity's operating segments. An operating segment is identified as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity;
- whose operating results are reviewed regularly by the entity's chief operating decision maker (CODM) in order to allocate resources and assess its performance; and
- for which discrete financial information is available.

CODM is defined as the Executive Committee of the group.

The basis of segment reporting is representative of the internal structure used for management reporting, as well as the structure in which the CODM reviews the information, which are the group's mining projects in the respective operating subsidiaries. The basis of segmental allocation is determined as follows:

- Operating profit/loss (before net finance income/costs and taxation) that can be directly attributed to a segment and a relevant portion of the operating profit/loss that can be allocated on a reasonable basis to a segment, including the effect of transactions with other operating segments.
- Total segment assets are those assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Measurement of fair values

A number of the group's accounting policies and disclosures require the measurement of fair values, for both financial assets and liabilities. The group has an established control framework with respect to the measurement of fair values. Significant valuation issues are reported to the group Audit Committee.

When measuring the fair value of an asset or liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Restricted investments (note 17)
- Financial liabilities (note 24)
- Financial instruments (note 32).

3 Critical accounting estimates and judgements

The applied estimates are based on historical data and other factors that management considers appropriate under the given circumstances, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the group is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates are based or due to new information or subsequent events. Estimates and underlying assumptions are reassessed on a regular basis. Changes to accounting estimates are recognised prospectively in the current and future periods if the change affects the current as well as future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 Impairment of mining assets

The recoverable amount of mining assets is generally determined using discounted future cash flows. Management also considers such factors as the quality of the individual mineral deposit, market risk, and asset-specific risks in determining the fair value.

Key assumptions for the calculations of the mining assets' recoverable amounts are coal and anthracite prices, marketable real discount rates and the annual life-of-mine plans. The life-of-mine plans are based on the proved and probable reserves as included in the reserve declaration, which are determined in terms of SAMREC as well as where applicable resources where management has high confidence in the mineral deposit and economical recovery of coal, based on historic and similar geological experience.

During the year under review, the group calculated the recoverable amounts (generally value in use) based on updated life-of-mine plans, contracted coal prices for Eskom and market-related coal prices for metallurgical coal and anthracite and a real discount rate, which ranges between 9.6% and 15% (2014: 9.6% to 12.5%), depending on the asset. Cash flows used in the impairment calculations are based on life-of-mine plans which are between five years and 12 years. Based on the impairment calculations performed, as noted above, an impairment was recognised on the Vaalkrantz assets. Refer to note 12 for additional information regarding the impairment.

Factors affecting the estimates include:

- changes to proved and probable reserves;
- economical recovery of resources;
- the yields of the coal reserves may vary significantly from time to time;
- review of strategy;
- unforeseen operational issues at the mines;
- differences between actual commodity prices and commodity price assumptions;
- changes in the discount rates; and
- changes in capital, operating mining, processing and reclamation costs.

Sensitivity analyses are also performed where estimates and assumptions used in the impairment calculation are stretch-tested to determine the impact on the recoverable amount. Some of the most significant assumptions that influence the life-of-mine plans, and therefore impairments, are the expected coal commodity prices and yields at our Vaalkrantz operation. A 5% decrease in these assumptions at the reporting date would have resulted in an additional impairment at the Vaalkrantz operation of R52 million. This analysis assumes that all other variables remain constant.

3.2 Estimate of exposure and liabilities with regard to rehabilitation costs

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements. At year-end, the company uses independent third parties in quantifying the environmental rehabilitation liability estimates, which includes among others, surveyed measurements to estimate the volumes required at the group's opencast mines, to fill the void at year-end. Significant judgement is applied in estimating ultimate rehabilitation cost that will be required in future to rehabilitate the group's mines. The ultimate cost may significantly differ from current estimates.

Management used an inflation rate of 5.7% (2014: 5.8%) and the expected life of the mines according to the life of-mine plans in the calculation of the estimated net present value of the rehabilitation liability. The discount rates used for the calculation are dependent on the operation's life of mine and are as follows: for one to five years: 7.1% (2014: 7.8%); and for 10 years and beyond: 7.8% (2014: 8.5%). These estimates were based on recent yields determined on government bonds. Refer to note 25 for additional information.

Notes to the financial statements continued
for the year ended 31 March 2015

3 Critical accounting estimates and judgements (continued)

3.3 Estimate of taxation

Significant judgement is required in determining the income taxation liability. There are many transactions and calculations for which the ultimate taxation determination is uncertain during the ordinary course of business. Where the final taxation outcome is different from the amounts that were initially recognised, such differences will impact the income taxation and deferred taxation liabilities in the period in which such determination is made. Management has to exercise judgement with regards to deferred taxation assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred taxation assets are not recognised. Refer to note 15 for additional information.

3.4 Fair value of share-based payments

The fair value of the 2007 share plan share appreciation rights is determined by using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

The fair value of the 2013 share plan options is determined by using the Monte Carlo simulation method. Measurement inputs include the share price on the measurement date, the total return index for 11 other companies that are peers to the company, company performance scorecard, expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, forfeiture rates, and the risk-free interest rates (sourced from the Bond Exchange of South Africa).

Refer to note 21 for detail on each of these inputs used.

3.5 Assessment of contingencies

Contingencies will only realise when one or more future events occur or fail to occur. The exercise of significant judgement and estimates of the outcome of future events is required during the assessment of the impact of such contingencies. Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which the suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the group may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the group could be materially affected by the outcome of the litigation.

3.6 Coal reserves and resources

Coal reserves and resources are estimates of the amount of tonnes that can be economically and legally extracted from the group's properties. In order to calculate the reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, yields, production techniques, recovery rates, production costs and commodity prices. Estimating the quantities and/or yields of the reserves and resources requires the size, shape and depth of the coal deposit to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data. Because the economic assumptions used to estimate the reserves and resources change from year to year, and because additional geological data is generated during the course of operations, estimates of the mineral reserves and resources may change from year to year. Changes in the reserves and resources may affect the group's financial results and financial position in a number of ways, including:

- assets carrying values may be affected due to changes in estimated cash flows;
- depreciation and amortisation charged in profit or loss may change as they are calculated on the units-of-production method; and
- environmental provisions may change as the timing and/or cost of these activities may be affected by the change in reserves.

At the end of each financial year, the estimate of proved and probable reserves and resources is updated. Depreciation of mining assets is prospectively adjusted, based on these changes.

		Group		Company	
		Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
4	**Revenue**				
	Coal sales	**865 723 757**	779 295 600	**–**	–
	Anthracite sales	**266 646 732**	245 389 932	**–**	–
	Transportation income	**315 330 794**	336 802 126	**–**	–
	Toll washing	**–**	11 117 605	**–**	–
	Amortisation of financial guarantee	**–**	–	**5 054 057**	–
	Management fees	**–**	–	**4 162 718**	3 149 859
	Investment income from subsidiaries – loans and receivables	**–**	–	**25 972 542**	29 448 967
	Investment income from subsidiaries – preference share investment	**–**	–	**70 429 169**	75 579 511
	Investment income from subsidiaries – ordinary share investment	**–**	–	**39 082 733**	–
		1 447 701 283	1 372 605 263	**144 701 219**	108 178 337
5	**Cost of sales**				
	Mining contractors	**626 471 961**	506 465 456	**–**	–
	Amortisation and depreciation of assets	**440 431 815**	346 896 213	**–**	–
	Fuel	**137 169 926**	126 343 158	**–**	–
	Run-of-mine purchases	**33 643 362**	13 487 985	**–**	–
	Labour	**24 118 551**	33 160 231	**3 964 493**	2 999 866
	Consumables and maintenance costs	**22 505 839**	15 823 902	**–**	–
	Other direct mining costs	**34 973 755**	63 733 057	**–**	–
	Transport costs	**301 689 195**	320 201 981	**–**	–
	Toll washing costs	**–**	10 606 749	**–**	–
	Inventory movement	**6 384 129**	3 411 361	**–**	–
	Deferred stripping capitalised[1]	**(388 801 090)**	(290 739 106)	**–**	–
	Royalty taxation	**5 594 828**	4 477 971	**–**	–
		1 244 182 271	1 153 868 958	**3 964 493**	2 999 866

[1] *The deferred stripping credit relates to costs incurred, in an opencast operation, in advance to pre-strip an area of waste in order to expose the coal reserve. The costs are capitalised to mine development costs in property, plant and equipment until such time as the coal exposed is subsequently mined. The stripping activity asset is depreciated on the units-of-production method, over the expected production life of the identified component of the coal reserve.*

		Group		Company	
		Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
6	**Other income**				
	Discard sales	**1 423 839**	8 842 332	**–**	–
	Royalty income	**329 150**	3 339 188	**–**	–
	Sundry income[1]	**18 178 171**	801 583	**–**	–
		19 931 160	12 983 103	**–**	–

[1] *The increase for the year mainly relates to a R9.2 million credit on the settlement of the DRA Mineral Projects Proprietary Limited (DRA) liability previously included under trade and other payables. Refer to note 27 for additional information.*

Notes to the financial statements continued

for the year ended 31 March 2015

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	Year to 31 March 2015 R	Year to 31 March 2014 R
7 Operating profit/(loss) before net finance (cost)/income				
Operating profit/(loss) before net finance (cost)/income are stated after:				
Professional and consultant fees	**7 561 299**	16 915 069	**3 859 151**	10 537 582
Consulting fees	**7 552 131**	16 720 139	**3 859 151**	10 342 652
Administration fees	**9 168**	194 930	**–**	194 930
Impairment losses	**56 532 043**	–	**126 635 284**	4 453 489
Impairment of investment in subsidiaries[1]	**–**	–	**101 240 304**	4 453 489
Impairment of other receivables[2]	**–**	–	**25 394 980**	–
Impairment of property, plant and equipment[3][4]	**56 532 043**	–	**–**	–
Loss on disposal of property, plant and equipment[4]	**3 532 262**	12 484	**–**	–
Loss on disposal of intangibles	**–**	50 544	**–**	–
Amortisation of intangible assets	**1 514 514**	1 514 516	**–**	–
Depreciation	**440 134 476**	346 496 968	**–**	–
Buildings and leasehold improvements	**858 228**	770 357	**–**	–
Plant and equipment	**18 167 598**	21 436 551	**–**	–
Furniture and equipment	**707 678**	384 427	**–**	–
Mine development	**434 285 950**	327 948 635	**–**	–
Mine infrastructure	**7 414 681**	7 930 607	**–**	–
Other	**831 877**	814 801	**–**	–
Total depreciation[5]	**462 266 012**	359 285 378	**–**	–
Movement to inventory	**(22 131 536)**	(12 788 410)	**–**	–
Depreciation recognised in:	**440 134 476**	346 496 968	**–**	–
Cost of sales	**438 917 301**	345 381 697	**–**	–
Administrative expenses	**1 217 175**	1 115 271	**–**	–

[1] *The company has impaired certain investments in subsidiaries/loans to subsidiaries where impairment indicators were identified. Refer to note 13 in this regard.*
[2] *Refer to note 19.2 for additional disclosure.*
[3] *Impairment recognised on Vaalkrantz assets, refer to notes 3.1 and 12 for additional disclosure.*
[4] *The increase in mining and related expenses year-on-year mainly relates to these expenses.*
[5] *Refer to note 12 for additional disclosure.*

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
7 Operating profit/(loss) before net finance (cost)/income (continued)				
Directors' remuneration and benefits				
Executive Directors – for managerial services	**18 128 962**	11 845 525	**18 128 962**	11 845 525
Short-term employee benefits: salaries[4]	**13 146 465**	7 577 135	**13 146 465**	7 577 135
Post-employment benefits: provident fund and group risk contributions	**608 185**	522 865	**608 185**	522 865
Share-based payments – equity settled	**4 374 312**	3 745 525	**4 374 312**	3 745 525
Non-Executive Directors – for services rendered as directors	**4 235 381**	3 502 826	**4 235 381**	3 502 826
Remuneration as Non-Executive Directors	**3 776 133**	3 043 578	**3 776 133**	3 043 578
Share-based payments – equity settled	**459 248**	459 248	**459 248**	459 248
Total directors' emoluments	**22 364 343**	15 348 351	**22 364 343**	15 348 351
Key management remuneration and benefits (excluding Executive Directors)*				
Short-term employee benefits: salaries as employees[4]	**3 786 559**	406 067	**3 786 559**	406 067
Post-employment benefits: provident fund and group risk contributions	**170 217**	27 267	**170 217**	27 267
Termination benefits	**180 890**	–	**180 890**	–
	4 137 666	433 334	**4 137 666**	433 334
Employee remuneration and benefits				
Short-term employee benefits: salaries as employees[4]	**39 245 712**	37 916 627	**2 728 919**	1 578 073
Post-employment benefits: provident fund and group risk contributions	**4 329 586**	4 276 955	**335 539**	219 905
Share-based payments – equity settled	**2 924 402**	2 086 748	**602 649**	341 949
Termination benefits	**248 631**	–	**74 148**	–
	46 748 331	44 280 330	**3 741 255**	2 139 927
Total employee benefits	**73 250 340**	60 062 015	**30 243 264**	17 921 612
Audit fees	**3 263 666**	2 725 603	**1 819 572**	1 068 222
External audit services	**2 973 504**	2 165 973	**1 755 081**	946 973
Internal audit services	**290 162**	559 630	**64 491**	121 249
Legal fees	**9 442 678**	5 393 789	**3 192 740**	881 202
Marketing and investor relation costs	**2 197 974**	2 900 067	**2 197 974**	2 900 067
Stock loss provision[4][6]	**24 659 987**	–	**–**	–
Net realisable value adjustment on inventory	**2 746 060**	3 307 225	**–**	–
Rent expense	**2 244 192**	951 902	**–**	–
Acquisition-related costs	**–**	13 066 287	**–**	13 066 287
Foreign exchange loss	**7 734 085**	9 708 129	**36 244**	808 214

* *31 March 2015 – Prescribed officers include the Executive Directors and key management (Chief Operating Officer).*
31 March 2014 – Prescribed officers include the Executive Directors and key management (Chief Operating Officer who was appointed on 1 February 2014).

[4] *The increase in mining and related expenses year-on-year mainly relates to these expenses.*

[6] *Refer to note 26.2 for additional disclosure.*

Notes to the financial statements continued

for the year ended 31 March 2015

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
8 Net finance (cost)/income				
Finance income				
Interest income – banks and money markets	**4 419 200**	2 180 490	**618 817**	264 673
Fair value through profit or loss financial assets – interest and dividend income[(1)]	**1 731 271**	653 956	**–**	–
Total finance income	**6 150 471**	2 834 446	**618 817**	264 673
Finance cost				
Financial liabilities	**(38 204 296)**	(37 178 260)	**(42 947)**	(62 544)
Borrowings	**(34 822 942)**	(26 560 588)	**–**	–
Amortisation of project finance cost[(2)]	**(1 329 429)**	(8 543 521)	**–**	–
Unwinding expense of vendor provision[(3)]	**(1 000 379)**	(503 109)	**–**	–
Interest expense – other	**(1 051 546)**	(1 571 042)	**(42 947)**	(62 544)
Non-financial liabilities				
Unwinding of discount on mine closure and environmental rehabilitation provision[(4)]	**(17 688 744)**	(13 389 563)	**–**	–
Total finance cost	**(55 893 040)**	(50 567 823)	**(42 947)**	(62 544)
Net finance (cost)/income	**(49 742 569)**	(47 733 377)	**575 870**	202 129

(1) *Refer to note 17 for a breakdown of restricted investments.*
(2) *Refer to note 23 for more detail on the project finance cost.*
(3) *Refer to note 26 for additional information.*
(4) *Refer to note 25 for additional information.*

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
9 Income taxation expense/(credit)				
Current taxation expense				
Current year	**–**	3 283 199	**–**	2 195 830
Deferred taxation				
Origination and reversal of temporary differences	**59 877 389**	35 580 910	**(1 673 176)**	1 269 730
Overprovision prior year	**(911 545)**	(888 619)	**–**	–
	58 965 844	37 975 490	**(1 673 176)**	3 465 560
Reconciliation of effective taxation rate				
Normal taxation rate for companies	**28.00%**	28.00%	**28.00%**	28.00%
Adjusted for:				
Non-deductible expenditure	**(126.74%)**	11.14%	**(147.40%)**	12.78%
Non-taxable income	**50.88%**	(5.85%)	**125.80%**	(34.03%)
CGT inclusion rate adjustment	**19.72%**	1.64%	**–**	(0.92%)
Deferred taxation – prior year recognition	**–**	(0.87%)	**–**	–
Deferred taxation asset not recognised	**(29.91%)**	3.03%	**–**	–
Deferred taxation asset reversed	**(406.72%)**	–	**–**	–
Overprovision prior year	**7.07%**	–	**–**	–
Other reconciling amounts	**0.21%**	–	**–**	–
Effective taxation rate	**(457.49%)**	37.09%	**6.40%**	5.83%

Current taxation has not been provided for as the group and company incurred taxation losses and have calculated taxation losses available for set-off against future taxable income. Refer to note 15 for additional disclosure.

	Group Year to 31 March 2015	Year to 31 March 2014
10 Earnings per share		
The calculation of basic earnings per share is based on net (loss)/profit for the year, attributable to owners of the company, divided by the weighted average number ordinary shares in issue during the year.		
Net (loss)/profit attributable to owners of the company (rand)	**(31 028 870)**	59 528 868
Weighted average number of ordinary shares in issue	**224 354 265**	196 403 786
Basic earnings per share (cents)	**(13.8)**	30.3
Diluted earnings per share		
The calculation of diluted earnings per share is based on net (loss)/profit for the year attributable to owners of the company. The weighted average number of shares in issue is adjusted to assume conversion of all potential dilutive shares as a result of share options granted under the share option schemes in issue. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the company's shares, based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.		
Weighted average number of ordinary shares in issue	**224 354 265**	196 403 786
Potential shares	**3 673 899**	2 050 793
Weighted average number of shares for diluted earnings per share	**228 028 164**	198 454 579
Diluted earnings per share (cents)[1]	**(13.8)**	30.0

[1] *Anti-dilutive in current year*

Notes to the financial statements continued
for the year ended 31 March 2015

	Group			
	Year to 31 March 2015		Year to 31 March 2014	
	Gross R	**Net R**	Gross R	Net R
10 Earnings per share (continued)				
Headline earnings per share				
The calculation of headline earnings, net of taxation and NCI, per share is based on the basic earnings per share calculation adjusted for the following items:				
Net (loss)/profit for the year attributable to owners of the company		**(31 028 870)**		59 528 868
Adjusted for:				
Loss on disposal of property, plant and equipment	**3 602 262**	**1 919 708**	92 836	66 842
Loss on disposal of intangible asset	**–**	**–**	50 544	26 930
Impairment of assets	**56 532 043**	**30 120 273**	–	–
Profit on disposal of property, plant and equipment	**(70 000)**	**(37 296)**	(80 352)	(42 811)
Total headline earnings		**973 815**		59 579 829
		Cents		Cents
Headline earnings per share		**0.4**		30.3
Diluted headline earnings per share		**0.4**		30.0

	Group	
	Number of shares 2015	Number of shares 2014
Weighted/weighted diluted average number of ordinary shares:		
Shares in issue at 1 April 2014 (1 April 2013)	**224 310 979**	191 663 141
Effect of shares issued 7 February 2014	**–**	4 740 645
Effect of shares issued 2 December 2014	**43 286**	–
Weighted number of ordinary shares at reporting date	**224 354 265**	196 403 786
Potential diluted shares	**3 673 899**	2 050 793
Diluted number of ordinary shares in issue at reporting date	**228 028 164**	198 454 579

11 Acquisition of Xceed Resources Limited

The following transaction took place during the 2014 financial year and is disclosed for comparative purposes:

On 6 February 2014 (the effective date), the group acquired the entire issued share capital of Xceed Resources Limited for a cash consideration of R194.7 million (AUD19.7 million). The acquisition was funded by a specific issue of shares to Plusbay Limited (discussed below) and the balance by a combination of debt and own cash. The transaction was accounted for as an asset acquisition under IFRS.

A total of 32 647 838 ordinary no par value shares were issued to Plusbay Limited, a wholly owned subsidiary of Gunvor Group Limited, a majority shareholder, for cash, at an issue price of R1.7782 per share. The shares were issued at a 10% discount to the company's 30-day volume weighted average price (VWAP) determined one day before 23 August 2013, being the date on which the Xceed acquisition was announced. The funds raised of R58 million, net of transaction costs of R6 million, were utilised to partially fund the acquisition of Xceed.

	% shareholding
Subsidiaries acquired as part of the Xceed group:	
Xceed Resources Limited	**100**
Focus Coal Investments Proprietary Limited	**100**
Neosho Trading 86 Proprietary Limited	**74**
Ausco Finance Proprietary Limited	**100**
Ausco Services Proprietary Limited	**100**

The following summarises the major classes and the recognised amounts of assets and liabilities acquired and consideration transferred on the effective date:	R
Consideration transferred	
Cash[1]	**194 656 714**
Assets and liabilities acquired	
Non-current	
Property, plant and equipment	**260 940**
Mining asset[2]	**284 709 240**
Restricted investments[3]	**5 726 715**
Investments and loans[4]	**5 151 877**
Vendor provision[5]	**(30 071 958)**
Non-controlling interest[6]	**(69 474 609)**
Current	
Cash and cash equivalents	**2 680 115**
Trade and other receivables	**396 789**
Restricted investments	**3 371 784**
Provisions	**(3 639 872)**
Trade and other payables[7]	**(4 454 307)**
Total	**194 656 714**

[1] *Cash consideration of AUD19 670 061, converted to rand using an exchange rate of R9.90 to the Australian dollar.*

[2] *Moabsvelden Project owned by Neosho Trading 86 Proprietary Limited (Neosho).*

[3] *The restricted investments are pledged as security for the environmental rehabilitation guarantees issued on behalf of Neosho.*

[4] *Fifteen percent equity interest in two South African coal projects namely Roodepoort and Bankfontein. The loans to Focus Coal Investments Proprietary Limited and Ausco Services Proprietary Limited are interest-free with no fixed repayment terms.*

[5] *Xceed is required to make payments in cash to the founding shareholders of the Moabsvelden Project for the acquisition of 74% of the issued share capital of Neosho. These payments are due at various stages of project development in accordance with a schedule of performance milestones. Refer to note 26 in this regard.*

[6] *Represents the 26% non-controlling interest in Neosho.*

[7] *Employee termination benefits relating to Xceed's former management.*

Notes to the financial statements continued

for the year ended 31 March 2015

	Land, buildings and leasehold improvements R	Mine development R
12 Property, plant and equipment		
Group		
Cost		
31 March 2015		
Opening balance	**38 818 599**	**1 167 097 812**
Additions	**25 021**	**408 959 920**
Change in estimates – environmental rehabilitation assets	**–**	**42 124 020**
Disposals	**(3 600 000)**	**–**
Closing balance	**35 243 620**	**1 618 181 752**
31 March 2014		
Opening balance	38 195 570	788 965 426
Additions	623 029	294 542 685
Change in estimates – environmental rehabilitation assets	–	83 589 701
Reclassification	–	–
Disposals	–	–
Closing balance	38 818 599	1 167 097 812
Accumulated depreciation and impairment losses		
31 March 2015		
Opening balance	**(3 440 152)**	**(668 685 871)**
Depreciation expense	**(858 228)**	**(434 285 950)**
Impairment loss[1]	**(6 045 862)**	**(41 591 422)**
Disposals	**–**	**–**
Closing balance	**(10 344 242)**	**(1 144 563 243)**
31 March 2014		
Opening balance	(2 669 795)	(340 737 236)
Depreciation expense	(770 357)	(327 948 635)
Disposals	–	–
Closing balance	(3 440 152)	(668 685 871)
Carrying amount		
31 March 2015	**24 899 378**	**473 618 509**
31 March 2014	35 378 447	498 411 941

All plant and equipment, except leasehold improvements, are owned.

[1] ***Impairment on Vaalkrantz***

Vaalkrantz has been experiencing challenging geological conditions. This, coupled with depressed coal prices, increased costs and lower than expected yields, resulted in a critical re-review of the colliery's life-of-mine plan. Using the updated life-of-mine plan of five years, contractual coal prices and a real discount rate of 15% (2014: 12%) the group calculated the recoverable amount for Vaalkrantz (using a value-in-use model) of R52 million, which resulted in an impairment charge of R56.5 million recorded in mining and related expenses in the statement of profit or loss. Also refer to note 3.1 for additional information disclosed.

	Assets under construction R	Plant and equipment R	Mine infrastructure R	Furniture and equipment R	Other R	Total R
	–	**234 979 584**	**109 024 051**	**3 708 461**	**5 169 055**	**1 558 797 562**
	34 829 528	**4 489 999**	**730 412**	**659 776**	**2 622 843**	**452 317 499**
	–	**267 066**	**(533 444)**	**–**	**–**	**41 857 642**
	–	**–**	**–**	**(57 912)**	**(539 872)**	**(4 197 784)**
	34 829 528	**239 736 649**	**109 221 019**	**4 310 325**	**7 252 026**	**2 048 774 919**
	2 022 555	234 089 984	109 459 448	2 966 316	2 915 883	1 178 615 182
	–	1 007 571	1 543 186	961 862	2 385 745	301 064 078
	–	(117 971)	(4 001 138)	–	–	79 470 592
	(2 022 555)	–	2 022 555	–	–	–
	–	–	–	(219 717)	(132 573)	(352 290)
	–	234 979 584	109 024 051	3 708 461	5 169 055	1 558 797 562
	–	**(60 553 729)**	**(24 871 878)**	**(1 677 011)**	**(2 413 841)**	**(761 642 482)**
	–	**(18 167 598)**	**(7 414 681)**	**(707 678)**	**(831 877)**	**(462 266 012)**
	–	**(5 023 282)**	**(3 782 186)**	**(24 828)**	**(64 463)**	**(56 532 043)**
	–	**–**	**–**	**56 309**	**227 219**	**283 528**
	–	**(83 744 609)**	**(36 068 745)**	**(2 353 208)**	**(3 082 962)**	**(1 280 157 009)**
	–	(39 117 178)	(16 941 271)	(1 388 763)	(1 691 030)	(402 545 273)
	–	(21 436 551)	(7 930 607)	(384 427)	(814 801)	(359 285 378)
	–	–	–	96 179	91 990	188 169
	–	(60 553 729)	(24 871 878)	(1 677 011)	(2 413 841)	(761 642 482)
	34 829 528	**155 992 040**	**73 152 274**	**1 957 117**	**4 169 064**	**768 617 910**
	–	174 425 855	84 152 173	2 031 450	2 755 214	797 155 080

Notes to the financial statements continued

for the year ended 31 March 2015

	Mining equipment R	Computer equipment R	Total R
12 Property, plant and equipment (continued)			
Additional disclosure for leased assets			
The following assets are pledged as security for instalment sale and lease agreements:			
Cost	4 567 546	1 032 430	5 599 976
Accumulated depreciation	(3 766 072)	(478 003)	(4 244 075)
Carrying value	801 474	554 427	1 355 901

Property, plant and equipment pledged as security for borrowings

Assets (including mineral rights) with a carrying value of R552.2 million of the Vanggatfontein Colliery in Delmas, Mpumalanga, have been secured by the registration of a general and special notarial bond as well as the registration of mortgage bonds over the fixed property in favour of Investec. Refer to note 23.

The surface rights of Braakfontein in Newcastle, KwaZulu-Natal, have been committed as security for the loan agreement with Vitol SA. Refer to note 23.

Insurance

All of the above assets, with the exception of land and mine development, are insured at approximate cost of replacement.

Land and buildings

Portion 3 of the Farm Vanggatfontein 251, Registration Division IR, Province of Mpumalanga, measuring 190.1501ha
Portion 5 (a portion of portion 4) of the farm Vanggatfontein 251, Registration Division IR, Province of Mpumalanga, measuring 204.8589ha
Remaining extent of portion 4 of the farm Vanggatfontein 251, Registration Division IR, Province of Mpumalanga, measuring 395.0091ha
Portion 10 of the farm Straffontein 252, Registration Division IR, Province of Mpumalanga, measuring 59.7374ha
Remaining extent of portion 8 of the farm Langkrans 367, Vryheid, KwaZulu-Natal, measuring 61.0637ha
Remaining extent of portion 1 of the farm Langkrans 367, Vryheid, KwaZulu-Natal, measuring 464.3193ha
Remaining extent of portion 3 of the farm Bloemendal 18, Vryheid, KwaZulu-Natal, measuring 239.4230ha
Remaining extent of portion 2 of the farm Weltevreden 53, HT, Utrecht, KwaZulu-Natal, measuring 457.3486ha
Remaining extent of portion 1 of the farm Weltevreden 53, HT, Utrecht, KwaZulu-Natal, measuring 642.9136ha
Remaining extent of Farm Braakfontein 4278, HT, Newcastle, KwaZulu-Natal, measuring 1264.2861ha
Remaining extent of the Farm Vaalkrantz 306, Vryheid, KwaZulu-Natal, measuring 607.4635ha
Portion 3 of the farm Rustplaas 165, HU, Vryheid KwaZulu-Natal, measuring 171.3064ha
Portion 4 of the farm Rustplaas 165, HU, Vryheid, KwaZulu-Natal, measuring 85.6532ha
Portion 5 of the farm Rustplaas 165, HU, Vryheid, KwaZulu-Natal, measuring 324.151ha

13 Interest in subsidiary companies

Set out below is a list of material subsidiaries of the group (refer to note 36 for a complete list of subsidiaries):

	Keaton Energy Holdings		
	Keaton Mining Proprietary Limited	Leeuw Mining and Exploration Proprietary Limited and its subsidiaries	Neosho Trading 86 Proprietary Limited
	South Africa – Mpumalanga	South Africa – KwaZulu-Natal	South Africa – Mpumalanga
	74%	74%	74%

The following table summarises the information relating to each of the group's subsidiaries that has material NCI, before intragroup eliminations:

	Keaton Mining Proprietary Limited	Leeuw Mining and Exploration Proprietary Limited and its subsidiaries	Neosho Trading 86 Proprietary Limited
31 March 2015			
NCI percentage	**26%**	**26%**	**26%**
Total non-current assets	**780 423 148**	**483 336 492**	**299 119 277**
Total current assets	**185 275 782**	**45 801 059**	**40 865 305**
Total non-current liabilities	**(1 026 989 308)**	**(467 530 827)**	**(43 028 000)**
Total current liabilities	**(216 293 401)**	**(115 147 370)**	**(29 425 903)**
Net (liabilities)/assets	**(277 583 779)**	**(53 540 646)**	**267 530 679**
Carrying amount of NCI	**(72 171 783)**	**(13 920 568)**	**69 557 977**
Revenue	**1 181 054 551**	**266 646 732**	**87 500**
Profit/(loss)	**53 663 171**	**(160 530 957)**	**201 903**
Total comprehensive income	**53 663 171**	**(160 530 957)**	**201 903**
Profit/(loss) allocated to NCI	**13 952 424**	**(41 738 049)**	**52 495**
Dividends paid to NCI	**13 731 771**	**–**	**–**
Net (decrease)/increase in cash and cash equivalents	**(36 081 584)**	**(1 786 693)**	**36 819 583**
31 March 2014			
NCI percentage	26%	26%	26%
Total non-current assets	735 204 901	527 868 218	290 713 532
Total current assets	204 138 591	45 336 557	3 427 669
Total non-current liabilities	(987 026 876)	(375 297 132)	(18 347 474)
Total current liabilities	(230 336 311)	(90 917 332)	(8 464 950)
Net (liabilities)/assets	(278 019 695)	106 990 311	267 328 777
Carrying amount of NCI	(72 285 121)	27 817 481	69 505 482
Revenue	1 127 215 331	245 389 932	175 000
Profit/(loss)	51 586 566	(18 324 902)	118 744
Total comprehensive income	51 586 566	(18 324 902)	118 744
Profit/(loss) allocated to NCI	13 412 507	(4 764 475)	30 873
Net increase in cash and cash equivalents	52 489 621	454 013	20 884

Notes to the financial statements continued
for the year ended 31 March 2015

	Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R
13 Interest in subsidiary companies (continued)		
Unlisted – shares at cost		
Labohlano Trading 46 Proprietary Limited[1]	**22 312 500**	22 312 500
Keaton Mining Proprietary Limited[2]	**12 000 074**	12 000 074
Keaton Administrative and Technical Services Proprietary Limited[3]	**100**	100
Amalahle Exploration Proprietary Limited	**74**	74
Mafla Coal Proprietary Limited	**74**	74
Leeuw Mining and Exploration Proprietary Limited[4]	**44 048 888**	44 048 888
Xceed Resources Limited[5]	**194 656 714**	194 656 714
Izwi Coal Proprietary Limited	**180**	180
Intshe Coal Proprietary Limited	**60**	60
Rafcoal Mining Proprietary Limited	**74**	74
	273 018 738	273 018 738
[1] *Labohlano Trading 46 Proprietary Limited – total acquisition price*	**22 312 500**	22 312 500
– share-based payment	**17 300 000**	17 300 000
– cash	**5 012 500**	5 012 500
[2] *Keaton Mining Proprietary Limited – total acquisition price*	**12 000 074**	12 000 074
– initial cash cost	**74**	74
– share-based payment (prospecting rights)	**12 000 000**	12 000 000
[3] *Keaton Administrative and Technical Services Proprietary Limited*	**100**	100
– initial cash cost	**100**	100
[4] *Leeuw Mining and Exploration Proprietary Limited – total acquisition price*	**44 048 888**	44 048 888
– share-based payment	**34 048 888**	34 048 888
– conversion of convertible loan	**10 000 000**	10 000 000
[5] *Xceed Resources Limited – total acquisition price*	**194 656 714**	194 656 714
– cash	**194 656 714**	194 656 714

	Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R
13 Interest in subsidiary companies (continued)		
Loans receivable from subsidiary companies		
Keaton Administrative and Technical Services Proprietary Limited(1)	**7 845 270**	7 159 976
Keaton Administrative and Technical Services Proprietary Limited(2)	**8 472 369**	6 606 577
Mafla Coal Proprietary Limited(2)	**690 969**	690 969
Izwi Coal Proprietary Limited(2)	**3 014**	3 014
Intshe Coal Proprietary Limited(2)	**1 022 087**	1 022 087
Rafcoal Mining Proprietary Limited(2)	**179 940**	179 940
Amalahle Exploration Proprietary Limited(3)	**361 588**	–
Labohlano Trading 46 Proprietary Limited(3)	**479 614**	101 185
Leeuw Mining and Exploration Proprietary Limited(4)	**22 141 420**	12 625 390
Leeuw Mining and Exploration Proprietary Limited(5)	**73 340 660**	34 891 384
Leeuw Mining and Exploration Proprietary Limited(6)	**81 029 486**	71 298 850
Leeuw Mining and Exploration Proprietary Limited – instalment sale agreement(7)	**10 317 600**	10 389 977
Ausco Services Proprietary Limited(8)	**–**	1 578 107
Xceed Resources Limited(8)	**6 234 258**	5 573 667
Neosho Trading 86 Proprietary Limited(8)	**37 610 309**	–
	249 728 584	152 121 123

(1) *This loan is unsecured and bears interest at prime and has no repayment terms.*
(2) *These loans are unsecured, interest-free and has no fixed terms of repayment. These loans have also been impaired to its recoverable amount.*
(3) *This loans bears interest at prime plus 2%, is unsecured, has no repayment terms and loan increases are settled on a monthly basis with the issue of unlisted cumulative redeemable preference shares.*
(4) *This loan is unsecured, bears interest at JIBAR +1.5% and has no repayment terms. Repayment may only be done after the repayment of the IDC loan (refer to note 23).*
(5) *This loan bears interest at prime plus 2%, is unsecured and has no capital repayment terms. Interest is settled monthly.*
(6) *This loans bears interest at the 90-day JIBAR +7%, is unsecured and has no repayment terms. Repayment may only be done after the repayment of the IDC loan (refer to note 23).*
(7) *Keaton Energy leases a coal washing plant to LME in terms of an instalment sale agreement taken over from Nedbank Limited. The coal washing plant serves as security for the lease. The instalment sale carries interest at prime and is payable on demand.*
(8) *These loans are unsecured, interest-free and have no fixed terms of repayment.*

	Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R
Unlisted cumulative redeemable preference shares at cost (including accrued preference dividends)		
Keaton Mining Proprietary Limited(1)	**487 694 256**	473 471 536
Labohlano Trading 46 Proprietary Limited(2)	**13 300 000**	12 300 000
Amalahle Exploration Proprietary Limited(2)	**9 200 000**	8 000 000
Izwi Coal Proprietary Limited(2)	**860 000**	860 000
Mafla Coal Proprietary Limited(2)	**3 900 000**	3 900 000
Leeuw Mining and Exploration Proprietary Limited(3)	**21 174 678**	16 995 834
	536 128 934	515 527 370

(1) *The preferences share investments are unsecured and attract dividends (finance income) at JIBAR plus 4%, compounded quarterly in arrears. The preference share has a redemption date of 2 May 2027. (2014: The preferences share investments are unsecured and attract dividends (finance income) at prime plus 5%, compounded quarterly in arrears). During 2015 repayments of R51.5 million were made (2014: R75.7 million).*
(2) *The preferences share investments are unsecured and attract dividends (finance income) at prime plus 5%, compounded quarterly in arrears. The investment in Mafla, Izwe, Intshe and Rafcoal consisting of preference shares and loans have been fully impaired. All preference dividends which are in arrears incur interest at prime plus 7%. Preference dividends are repayable after the third anniversary of the issue date, which repayment period commenced in May 2011 for Amalahle Exploration Proprietary Limited and in July 2012 for Labohlano Trading 46 Proprietary Limited. To date no actual repayments have been received, other than R0.5 million during 2015 (2014: R3.1 million) from Amalahle Proprietary Limited.*
(3) *The preferences share investments are unsecured and attract dividends (finance income) at an effective interest rate of 22.75%, compounded quarterly in arrears. The preference shares have no fixed redemption date.*

Notes to the financial statements continued
for the year ended 31 March 2015

	Company Year to 31 March 2015 R	Company Year to 31 March 2014 R
13 Interest in subsidiary companies (continued)		
Financial guarantee provided by parent		
Keaton Mining Proprietary Limited[(1)]	24 427 940	–
Total interest in subsidiary companies	1 083 304 196	940 667 231
Impairment of interest in subsidiary companies (refer to note 7)	(126 032 008)	(24 791 704)
Keaton Administrative and Technical Services Proprietary Limited	(13 899 782)	(10 135 232)
Mafla Coal Proprietary Limited	(4 591 043)	(4 591 043)
Izwi Coal Proprietary Limited	(863 194)	(863 194)
Intshe Coal Proprietary Limited	(1 022 147)	(1 022 147)
Rafcoal Mining Proprietary Limited	(180 014)	(180 014)
Leeuw Mining and Exploration Proprietary Limited[(2)]	(97 475 754)	–
Amalahle Exploration Proprietary Limited	(8 000 074)	(8 000 074)
Total carrying value of interest in subsidiary companies	957 272 188	915 875 527
Represented by the carrying value of the interest in:	957 272 188	915 875 527
Keaton Mining Proprietary Limited	524 122 270	485 471 610
Labohlano Trading 46 Proprietary Limited	36 092 114	34 713 685
Keaton Administrative and Technical Services Proprietary Limited	2 417 957	3 631 421
Amalahle Exploration Proprietary Limited	1 561 588	–
Leeuw Mining and Exploration Proprietary Limited	154 576 978	190 250 323
Neosho Trading 86 Proprietary Limited	37 610 309	–
Xceed Resources Limited	200 890 972	201 808 488

The directors of the company consider the carrying amount of the unlisted interests in subsidiaries to be a fair representation of the value on the investments given the various stages of development of the underlying assets.

The company has subordinated its claims against all loans, including preference share funding that existed on drawdown date in favour of Investec for the term facility, provided that these loans may be repaid at any time that dividend payments would be permitted.

(1) *The company has issued a limited guarantee to Investec, supported by a pledge of shares in and claims from subsidiaries, for the term facility. Refer to note 23.*

(2) *Vaalkrantz has been experiencing challenging geological conditions. This, coupled with depressed coal prices, increased costs and lower-than-expected yields, resulted in a critical re-review of the colliery's life-of-mine plan. This resulted in an impairment recognised on Vaalkrantz assets of R56.5 million, refer to notes 3.1 and 12 for additional disclosure. As a result, the company's investment in Leeuw Mining and Exploration Proprietary Limited and its subsidiaries was also tested for impairment. The company calculated the recoverable amount of this investment as R154.6 million, which resulted in an impairment charge of R97.5 million recognised in profit or loss.*

14 Intangible assets

	Exploration and evaluation assets			Other		
	Mineral and Prospecting Rights acquired R	Drilling expenses R	Other evaluation expenses R	Richards Bay Coal Terminal Quattro Scheme participation R	Computer software R	Total R
Group						
Cost						
31 March 2015						
Opening balance	**611 145 957**	**18 573 644**	**51 658 576**	**22 717 726**	**–**	**704 095 903**
Additions[(1)]	**–**	**1 567 377**	**9 745 315**	**–**	**5 947 720**	**17 260 412**
Closing balance	**611 145 957**	**20 141 021**	**61 403 891**	**22 717 726**	**5 947 720**	**721 356 315**
31 March 2014						
Opening balance	338 442 161	15 466 064	49 398 074	22 717 726	–	426 024 025
Additions	–	3 107 580	2 311 045	–	–	5 418 625
Mining assets acquired[(2)]	284 709 240	–	–	–	–	284 709 240
Disposal of Prospecting Right[(3)]	(12 005 444)	–	(50 543)	–	–	(12 055 987)
Closing balance	611 145 957	18 573 644	51 658 576	22 717 726	–	704 095 903
Accumulated amortisation						
31 March 2015						
Opening balance	**–**	**–**	**–**	**(3 407 661)**	**–**	**(3 407 661)**
Amortisation	**–**	**–**	**–**	**(1 514 514)**	**–**	**(1 514 514)**
Closing balance	**–**	**–**	**–**	**(4 922 175)**	**–**	**(4 922 175)**
31 March 2014						
Opening balance	–	–	–	(1 893 145)	–	(1 893 145)
Amortisation	–	–	–	(1 514 516)	–	(1 514 516)
Closing balance	–	–	–	(3 407 661)	–	(3 407 661)
Carrying amount						
31 March 2015	**611 145 957**	**20 141 021**	**61 403 891**	**17 795 551**	**5 947 720**	**716 434 140**
31 March 2014	611 145 957	18 573 644	51 658 576	19 310 065	–	700 688 242

(1) *Other evaluation expenses mainly relate to work performed on the Moabsvelden Project. The R5.9 million addition to computer software relates to the implementation of a new Enterprise Resource Planning (ERP) system.*
(2) *Moabsvelden mining asset acquired in the prior year. Refer to note 11.*
(3) *On 20 June 2013 the sale of the Impati Mining Right previously held by Leeuw Mining and Exploration Proprietary Limited, to Zinoju Coal Proprietary Limited was effected following receipt of ministerial consent. The sale resulted in an amount of R12 million received in cash on 25 June 2013.*

Intangible assets pledged as security for borrowings

All Mineral Rights of Keaton Mining have been encumbered by Investec. Refer to note 23.

Notes to the financial statements continued

for the year ended 31 March 2015

		Group		Company	
		Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
15	**Deferred taxation**				
	Deferred taxation assets	**–**	17 143 586	**–**	–
	Deferred taxation liabilities	**(129 179 335)**	(87 357 077)	**(503 666)**	(2 176 842)
		(129 179 335)	(70 213 491)	**(503 666)**	(2 176 842)
	Recognised net deferred taxation liability				
	At the beginning of the year	**(70 213 491)**	(35 521 200)	**(2 176 842)**	(907 112)
	Recognised in profit or loss in the income taxation (expense)/credit line	**(58 965 844)**	(34 692 291)	**1 673 176**	(1 269 730)
	Balance at the end of the year	**(129 179 335)**	(70 213 491)	**(503 666)**	(2 176 842)
	Deferred taxation liability balance consists of:				
	Capital allowances	**(130 531 153)**	(74 447 973)	**–**	–
	Property, plant and equipment	**(197 110 986)**	(134 698 764)	**–**	–
	Rehabilitation provisions	**66 579 833**	60 250 791	**–**	–
	Taxation losses	**224 209**	1 170 422	**224 209**	–
	Other provisions	**2 306 786**	5 011 962	**847 579**	683 980
	Loans to subsidiaries	**(1 575 454)**	(2 860 822)	**(1 575 454)**	(2 860 822)
	Other items	**396 277**	912 920	**–**	–
		(129 179 335)	(70 213 491)	**(503 666)**	(2 176 842)
	Unrecognised deferred taxation assets consist of:				
	Taxation losses[1]	**15 161 471**	10 811 329	**–**	–
	Capital allowances/provisions[1]	**60 623 095**	8 721 988	**–**	–
		75 784 566	19 533 317	**–**	–

[1] *Vaalkrantz has been experiencing challenging geological conditions. This, coupled with depressed coal prices, increased costs and lower-than-expected yields, resulted in a critical re-review of the colliery's life-of-mine plan. The extent of the taxable profits to be realised over the revised life-of-mine plan did not support the previously recognised deferred taxation asset relating to assessed losses and capital allowances. As a result, the deferred taxation asset of R52.4 million had to be reversed in the current year.*

The taxation losses normally expire within 12 months of the company not trading. The deductible temporary timing differences do not expire under current taxation legislation. Deferred taxation assets have not been recognised in terms of these items because the relevant companies do not have a history of taxable profits and taxable profits will not be available in the immediate future against which those companies can utilise these losses.

All of the above amounts have been calculated at the currently enacted income taxation rate of 28% (2014: 28%). Recognised amounts will be recovered from future taxable profits.

		Group		Company	
		Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
16	**Cash**				
16.1	**Restricted cash**				
	Long-term restricted cash	**10 780 613**	7 423 204	**1 418 581**	1 418 581
	These bank deposits are pledged and ceded against long-term environmental guarantees and creditor payment guarantees issued by/on behalf of the group.				
16.2	**Cash and cash equivalents**				
	Short-term deposits	**959**	963	**959**	963
	Cash in bank and on hand	**72 545 434**	69 555 081	**2 159 542**	2 118 375
		72 546 393	69 556 044	**2 160 501**	2 119 338

Cash and cash equivalents ceded as security for borrowings

All bank accounts and cash balances of Keaton Mining, with a carrying value of R36.3 million (2014: R66 million) have been ceded to Investec. Refer to note 23.

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
17 Restricted investments				
Non-current restricted investments				
Investments held by environmental trust funds[1]	**13 401 587**	10 370 277	**–**	–
Other restricted investments[2]	**54 903 919**	36 898 472	**–**	–
Total restricted investments	**68 305 506**	47 268 749	**–**	–
Reconciliation of the movement in the environmental trust funds:				
Balance at the beginning of the year	**10 370 277**	17 101 680	**–**	–
Contributions made	**1 912 464**	1 773 545	**–**	–
Investments liquidated	**–**	(8 474 743)	**–**	–
Interest income	**357 588**	335 070	**–**	–
Dividend income	**106 227**	5 175	**–**	–
Investment costs	**(473 654)**	(360 181)	**–**	–
Fair value movement	**1 128 685**	(10 269)	**–**	–
Balance at the end of the year	**13 401 587**	10 370 277	**–**	–
Reconciliation of the movement in other restricted investments:				
Balance at the beginning of the year	**36 898 472**	9 581 189	**–**	–
Acquired through Xceed acquisition[3]	**–**	5 726 715	**–**	–
Contributions made	**12 933 572**	20 574 279	**–**	–
Interest income	**856 511**	278 724	**–**	–
Dividend income	**410 945**	34 987	**–**	–
Investment costs	**(1 051 082)**	(389 813)	**–**	–
Fair value movement	**4 855 501**	1 092 391	**–**	–
Balance at the end of the year	**54 903 919**	36 898 472	**–**	–

These restricted investments are pledged as security for environmental rehabilitation guarantees issued by/on behalf of the group.

(1) *The environmental trust funds are irrevocable trusts under the group's control. Contributions to the trusts are invested in Sanlam and Momentum unit trusts where the underlying funds invest in equity instruments and money market investments, both local and foreign. The unit trusts investments are designated at fair value through profit or loss investments and recognised at fair value. These investments provide for the estimated cost of rehabilitation at the end of the life of the group's mines. Income earned on the investments, consisting of dividend income, local and foreign interest and fair value adjustments are reinvested.*

(2) *Included in other restricted investments are guarantees provided to Transnet for the rehabilitation of the railway siding at the group's Vaalkrantz Mine. Contributions to the fund are invested in Momentum unit trusts where the underlying funds invest in equity instruments and money market investments, both local and foreign. The unit trusts investments are fair value through profit or loss financial assets and are recognised at fair value. Income earned on the investments, consisting of dividend income and local and foreign interest, is reinvested.*

Also included in other restricted investments is an investment relating to the Nedbank Bettabeta Green Exchange Traded Fund (BGreen ETF). The BGreen ETF tracks the Nedbank Green Index which has been developed by Nedbank Capital in line with its green principles and commitment to preserving the environment, and in response to the increased demand from environmentally conscious investors. The index consists of a selection of stocks from the top 100 largest South African companies listed on the JSE. The investment is fair value through profit or loss financial assets and recognised at fair value.

Lastly, included in other restricted investments are various investments with Momentum unit trusts, where the underlying funds invest in equity instruments and money market investments, both local and foreign. The unit trusts investments are fair value through profit or loss financial assets and are recognised at fair value. Income earned on the investments, consisting of dividend income and local and foreign interest, is reinvested.

(3) *Refer to note 11.*

Notes to the financial statements continued

for the year ended 31 March 2015

		Group Year to 31 March 2015 R	Group Year to 31 March 2014 R	Company Year to 31 March 2015 R	Company Year to 31 March 2014 R
18	**Inventory**				
	Run-of-mine stockpiles	**26 857 320**	13 386 062	**–**	–
	Finished product stockpiles[1]	**15 999 818**	13 428 196	**–**	–
	Consumables[1]	**11 253 339**	8 266 944	**–**	–
	Total inventory	**54 110 477**	35 081 202	**–**	–

All inventory balances of Keaton Mining of R35.7 million (2014: R23.4 million) have been ceded to Investec. Refer to note 23.

[1] *During the current year, impairment of inventories to net realisable value amounted to R2.7 million (2014: R3.3 million) at the Vaalkrantz operation.*

		Group Year to 31 March 2015 R	Group Year to 31 March 2014 R	Company Year to 31 March 2015 R	Company Year to 31 March 2014 R
19	**Trade and other receivables**				
19.1	**Non-current trade and other receivables**				
	Prepayment[1]	**–**	37 610 309	**–**	37 610 309

[1] *As reported in the prior year, the non-current trade and other receivable of R37.6 million represented the discount to the fair value of the shares issued to Plusbay Limited, a wholly owned subsidiary of Gunvor Group Limited, (as part of the acquisition of Xceed Resources Limited) which was accounted for as a share-based payment. The discount was recognised as an asset as it then related to future financing to be obtained in the form of a USD4 million prepayment for coal.*

During the current period, the prepayment of USD4 million (R43 million) was received by Neosho Trading 86 Proprietary Limited from Gunvor, with the difference of R5.4 million recognised as deferred income on group level, relating to the coal to be delivered to Gunvor, once production at the Moabsvelden Project commences.

The company has recognised an intercompany receivable as the cash was received by Neosho Trading 86 Proprietary Limited, refer to note 13 which details the receivable by the company from Neosho Trading 86 Proprietary Limited.

		Group Year to 31 March 2015 R	Group Year to 31 March 2014 R	Company Year to 31 March 2015 R	Company Year to 31 March 2014 R
19.2	**Current trade and other receivables**				
	Financial assets				
	Trade receivables	**143 341 323**	135 630 678	**–**	–
	Allowance for impairment	**(368 386)**	(634 639)	**–**	–
	Trade receivables – net	**142 972 937**	134 996 039	**–**	–
	Other receivables	**6 832 581**	8 157 216	**617 471**	4 507 635
	Non-financial assets				
	Value added tax receivable	**4 255 309**	8 182 938	**467 546**	1 262 504
	Other receivables	**25 394 980**	–	**25 394 980**	–
	Impairment loss	**–**	–	**(25 394 980)**	–
	Other receivables – net[1]	**25 394 980**	–	**–**	–
		179 455 807	151 336 193	**1 085 017**	5 770 139

[1] *As disclosed in the 31 March 2014 Integrated Annual Report, the company entered into a share purchase agreement with JPI Leeuw and Associates Proprietary Limited (JPI) to acquire 18% of the equity interest held by JPI in Leeuw Mining and Exploration Proprietary Limited for a purchase consideration of R26 million. As at 31 March 2015 the acquisition of this equity interest has not yet become effective and as such the purchase consideration paid to date of R25.4 million is accounted for as a prepayment. Refer to note 39 for additional information.*

Based on the impairment assessment performed on the company's investment in Leeuw Mining and Exploration Proprietary Limited, when the above transaction becomes effective, the purchases consideration paid for the additional 18% investment currently would not be recoverable. Therefore on company level an impairment loss was recognised for the full purchase consideration. Refer to note 13 for additional information disclosed regarding the impairment assessment performed.

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
19 Trade and other receivables (continued)				
19.2 Current trade and other receivables (continued)				
The ageing of trade receivables at the reporting date was:				
Current	**116 951 158**	131 946 507	**–**	–
Past due by one to 30 days	**23 613 106**	2 894 566	**–**	–
Past due by 31 to 60 days	**1 870 242**	46 294	**–**	–
Past due by 61 to 90 days	**–**	–	**–**	–
Past due by more than 90 days	**906 817**	743 311	**–**	–
	143 341 323	135 630 678	**–**	–
The ageing of the allowance for impairment at the reporting date was:				
Current	**–**	–	**–**	–
Past due by one to 30 days	**–**	–	**–**	–
Past due by 31 to 60 days	**–**	–	**–**	–
Past due by 61 to 90 days	**–**	–	**–**	–
Past due by more than 90 days	**368 386**	634 639	**–**	–
	368 386	634 639	**–**	–
The movement in the allowance for impairment:				
Balance at the beginning of the year	**634 639**	634 639	**–**	–
Allowance for impairment	**(266 253)**	–	**–**	–
Balance at the end of the year	**368 386**	634 639	**–**	–

Based on past experience, the group believes that no impairment allowance is necessary in respect of fully performing receivables as the amount relates to customers that have a proven track record with the group.

Trade and other receivables ceded as security for borrowings

All trade and other receivable balances of Keaton Mining with a carrying amount of R127.5 million (2014: R115.2 million) have been ceded to Investec. Refer to note 23.

	Group and company			
	Year to 31 March 2015 Number of shares	Year to 31 March 2014 Number of shares	**Year to 31 March 2015 R**	Year to 31 March 2014 R
20 Stated capital and share-based payment reserve				
Authorised share capital				
Ordinary no par value shares[(1)]	**750 000 000**	750 000 000	**N/A**	N/A
Issued share capital				
At the beginning of the year	**–**	191 663 141	**–**	191 663
Transferred to stated capital[(1)]	**–**	(191 663 141)	**–**	(191 663)
At the end of the year	**–**	–	**–**	–
Share premium				
At the beginning of the year	**–**	–	**–**	640 711 274
Transferred to stated capital[(1)]	**–**	–	**–**	(640 711 274)
At the end of the year	**–**	–	**–**	–

[(1)] *A special resolution in terms of regulation 31 of the Companies Act Regulations 2011 was adopted at the general meeting held on 28 May 2013, whereby all ordinary shares were converted into ordinary shares with no par value. It was resolved that all 250 million authorised shares and 191.7 million issued ordinary shares with a par value of 0.1 cents be converted into ordinary shares with no par value and that the share capital account and the share premium account of the company be transferred to the stated capital account. It was also resolved that the authorised share capital increase from 250 million ordinary no par value shares to 750 million ordinary no par value shares.*

Notes to the financial statements continued

for the year ended 31 March 2015

	Group and company		Group		Company	
	Year to 31 March 2015 Number of shares	Year to 31 March 2014 Number of shares	**Year to 31 March 2015 R**	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
20 Stated capital and share-based payment reserve (continued)						
Stated capital						
At the beginning of the year	**224 310 979**	–	**692 928 553**	–	**692 928 553**	–
Transferred from share capital and share premium[(1)]	**–**	191 663 141	**–**	640 902 937	**–**	640 902 937
Shares issued for cash during the year[(2)]	**–**	32 647 838	**–**	58 047 856	**–**	58 047 856
Share issue expenses[(2)]	**–**	–	**–**	(6 022 240)	**–**	(6 022 240)
Shares issued in terms of the share scheme during the year[(3)]	**131 663**	–	**–**	–	**319 942**	–
At the end of the year	**224 442 642**	224 310 979	**692 928 553**	692 928 553	**693 248 495**	692 928 553

(1) *A special resolution in terms of regulation 31 of the Companies Act Regulations 2011 was adopted at the general meeting held on 28 May 2013, whereby all ordinary shares were converted into ordinary shares with no par value. It was resolved that all 250 million authorised shares and 191.7 million issued ordinary shares with a par value of 0.1 cents be converted into ordinary shares with no par value and that the share capital account and the share premium account of the company be transferred to the stated capital account. It was also resolved that the authorised share capital increase from 250 million ordinary no par value shares to 750 million ordinary no par value shares.*

(2) *A total of 32 647 838 ordinary no par value shares were issued to Plusbay Limited, a wholly owned subsidiary of Gunvor Group Limited for cash, at an issue price of R1.7782 per share. The shares were issued at a 10% discount to the company's 30-day volume weighted average price (VWAP) determined one day before 23 August 2013, being the date on which the Xceed acquisition was announced. The funds raised of R58 million, net of transaction costs of R6 million, were utilised to partially fund the acquisition of Xceed.*

(3) *A total of 131 663 ordinary no par value shares were issued to employees as a result of share options exercised in terms of the 2007 share plan. The company received cash from its subsidiary for the shares issued. From a group perspective the shares were issued for no consideration to the employees in terms of the share plan.*

The directors are authorised, by resolution of the shareholders and until the forthcoming Annual General Meeting, to allot, issue and otherwise dispose of the unissued shares. This is, however, subject to the Listings Requirements of the JSE Limited. Also refer to the directors' report for more detail on an upcoming general meeting.

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
Share-based payment reserve[(4)]				
At the beginning of the year	**18 788 161**	12 496 640	**13 220 294**	8 673 572
Share options expense arising from notional shares continued/granted during the year	**7 757 962**	6 291 521	**5 436 209**	4 546 722
At the end of the year	**26 546 123**	18 788 161	**18 656 503**	13 220 294

(4) *Refer to note 21 for detail on the share-based payment transactions.*

21 Share-based payment transactions

2007 share plan

The group established a long-term performance incentive scheme, consisting of share appreciation rights (SARs), the objective of which is to recognise the contributions of staff to the group's financial position and performance and to retain key employees. In terms of the scheme certain directors, employees and other third parties may receive a conditional right to a bonus award (conditional bonus award) equal to the increase in the value of a number of notional Keaton Energy ordinary shares (notional shares) between the date on which the Remuneration Committee of Keaton Energy approves the offer of the conditional bonus award to the end of the performance period (normally three years following the offer) applicable to the conditional bonus award.

The aggregate number of shares which may be allocated to the share plan on any day, when added to the total number of unexercised SARs, shall not exceed 33 666 396 shares. The limit applied to any one individual is 6 733 279 shares. The offer of SARs will be conditional upon achievement of performance targets as specified in the bonus award certificates, which is specific to each employee, and the minimum employment period.

Termination of employees' participation in the share plan is based on "no fault" and "fault" definitions.

Fault definitions

An award will lapse/be forfeited and revert back to the scheme and have no further force or effect on the earliest of:

- the date on which the performance targets (or a portion thereof) are not achieved, as determined by the Remuneration Committee; and
- the date a participant's employment with a member of the group terminates, if termination of employment occurs during the minimum employment period.

No fault definitions

In the event that a participant's employment with the group is terminated by reason of death, ill health, incapacity or redundancy, disposal of the majority of the issued shares or business of the participating company, the Remuneration Committee may in its absolute discretion:

- deem a *pro rata* portion of the bonus award to become unconditional and to be capable of being exercised within three months. The Remuneration Committee will take into consideration, among other things, the extent to which performance targets have been satisfied and the portion of minimum employment period which has expired; and
- allow the scheme to apply to the whole or a portion of the bonus award, which were made by the participant as though the individual had not ceased to be an employee.

Should the Remuneration Committee determine in its discretion that no portion of the participant's bonus award should become unconditional and be capable of being exercised, then the bonus award shall lapse upon termination of employment.

If a participant ceases to be an executive director or employee of a participating company for any reason and a bonus award shall already have become unconditional and shall not have lapsed for any reason before the date of cessation of employment, then the bonus award will lapse seven days after cessation of employment if it is not exercised before the expiry of that seven-day period.

The fair value of each notional share granted was estimated on the date of grant using the Black-Scholes option-pricing model. The cost is expensed over the vesting period. The Black-Scholes option-pricing model requires the input of subjective assumptions, including the expected term of the notional share award, share price volatility and applicable risk-free rate. Expected volatility is based on the historical average volatility of Keaton Energy's share price. These estimates involve inherent uncertainties and the application of management judgement. In addition, the group is required to estimate the expected forfeiture rate and only recognise an expense for those notional shares expected to vest. As a result, if other assumptions had been used, the recognised share-based appreciation right expense could have been different from that reported.

The SARs have an expiry date of six years from the grant date and the offer price equals the closing market price of the underlying shares on the 10-day volume weighted average share price immediately preceding the grant date.

The terms and conditions of the long-term performance incentive scheme stipulate that the Remuneration Committee of the group will determine the most appropriate manner to settle the amount due, it being the intention that the settlement will normally occur by way of an allotment and issue of new shares and/or the purchase and transfer of existing shares. However, if circumstances require, the group is entitled (on approval of the Remuneration Committee) to settle the amount due by way of a direct cash payment in rand, net of taxation. These cash payments must be applied in the subscription of new or the purchase of issued shares of the company. During the 2015 financial year two employees exercised their share appreciation rights, no employees exercised any share appreciation rights in the 2014 financial year.

Notes to the financial statements continued

for the year ended 31 March 2015

21 Share-based payment transactions (continued)

The terms and conditions of the 2007 share plan grants to date (excluding lapsed grants) are as follows:

Grant date	1 July 2010	25 August 2010	24 August 2011	2 December 2011
Number of notional shares granted	225 048	2 535 272	6 538 237	3 126 473
Vesting conditions	Minimum employment period of three years and certain performance targets	Minimum employment period of three years and certain performance targets	Minimum employment period of three years and certain performance targets	Minimum employment period of three years and certain performance targets
Average contractual life of notional shares (excluding three-year exercise period after vesting)	3 years	3 years	3 years	3 years
Weighted average share price (R) at grant date (offer or exercise price)	5.20	4.67	2.50	2.78
Fair value (R) per notional share at grant date	1.85	1.66	1.11	1.31
Expected volatility factor	39.1%	39.1%	48.5%	44.1%
Expected dividends	N/A	N/A	N/A	N/A
Risk-free interest rate (based on government bonds)	7.9%	7.9%	6.2%	6.4%

	SARs – Group		SARs – Company	
	Year to 31 March 2015	Year to 31 March 2014	**Year to 31 March 2015**	Year to 31 March 2014
Number of share options				
Share options granted	**33 743 150**	33 743 150	**23 072 603**	23 072 603
Vested not exercised	**11 534 389**	4 692 286	**7 822 526**	1 606 613
Exercised	**826 860**	–	**–**	–
Unvested	**14 042 378**	24 232 591	**10 138 448**	16 714 986
Transferred to other group companies	**–**	–	**2 785 886**	2 785 886
Forfeited and lapsed	**7 339 523**	4 818 273	**2 325 743**	1 965 118
Vesting periods of unvested shares				
Within one year	**3 874 239**	7 668 963	**2 901 198**	6 215 913
One to two years	**10 168 139**	4 252 239	**7 237 250**	3 018 073
Two to three years	**–**	12 311 389	**–**	7 481 000
Total number of unvested shares	**14 042 378**	24 232 591	**10 138 448**	16 714 986

	SARs – Group		SARs – Company	
	Number of shares 2015	**Weighted average exercise price (R) 2015**	**Number of shares 2015**	**Weighted average exercise price (R) 2015**
Activity on options granted not yet exercised				
Balance at the beginning of the year	**28 924 877**	**2.14**	**18 321 599**	**2.24**
Options granted	**–**	**–**	**–**	**–**
Options vested	**(7 668 963)**	**(2.64)**	**(6 215 913)**	**(2.67)**
Options vested not exercised	**6 842 103**	**2.66**	**6 215 913**	**2.67**
Options forfeited and lapsed	**(2 521 250)**	**(1.72)**	**(360 625)**	**(2.06)**
Balance at the end of the year	**25 576 767**	**2.46**	**17 960 974**	**2.46**

	2 December 2011	14 December 2011	15 December 2011	9 May 2012	6 June 2012	3 September 2012	12 June 2013
	1 041 526	410 614	905 797	78 671	4 291 138	278 656	12 311 389
	Minimum employment period of two years and certain performance targets	Minimum employment period of three years and certain performance targets	Minimum employment period of three years and certain performance targets	Minimum employment period of three years and certain performance targets	Minimum employment period of three years and certain performance targets	Minimum employment period of three years and certain performance targets	Minimum employment period of three years and certain performance targets
	2 years	3 years	3 years	3 years	3 years	3 years	3 years
	2.78	2.74	2.74	2.86	3.34	2.52	1.44
	0.65	1.25	1.24	1.60	1.72	1.02	0.69
	44.1%	44.3%	44.3%	42.3%	42.6%	45.6%	57.3%
	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	6.4%	6.7%	6.7%	6.7%	7.2%	6.1%	6.8%

	SARs – Group		SARs – Company	
	Number of shares 2014	Weighted average exercise price R 2014	Number of shares 2014	Weighted average exercise price R 2014
Activity on options granted not yet exercised				
Balance at the beginning of the year	18 247 454	3.09	10 840 599	3.15
Options granted	12 311 389	1.44	7 481 000	1.44
Options vested	(4 692 286)	(3.73)	(1 606 613)	(4.69)
Options vested not exercised	4 692 286	3.73	1 606 613	4.69
Options forfeited and lapsed	(1 633 966)	(2.87)	–	–
Balance at the end of the year	28 924 877	2.14	18 321 599	2.24

	Number of shares	Option price R	Remaining life (years)
List of options granted not yet vested (listed by grant date)			
6 June 2012	3 595 583	3.34	0.00
3 September 2012	278 656	2.52	0.42
12 June 2013	10 168 139	1.44	1.00
	14 042 378		

Notes to the financial statements continued

for the year ended 31 March 2015

21 Share-based payment transactions (continued)

2013 share plan

The group established a long-term performance incentive scheme, consisting of a performance shares plan (PSP) and a restricted shares plan (RSP), the objective of which is to attract, motivate, reward and retain participants who are able to influence the performance of the group, on a basis which aligns their interests with those of the company's shareholders. In terms of the scheme certain directors and employees may receive a conditional right to shares subject to the achievement of certain performance conditions.

The PSP vests subject to the achievement of two performance conditions, a non-market performance condition based on the company's performance scorecard and a market performance condition based on the performance of Keaton Energy relative to 11 other peer companies. The awards will vest at the end of the three-year performance period.

The RSP has a three-year restricted period and vests immediately at the end of this period.

The aggregate number of shares which may be allocated to the share plan shall not exceed 10 000 000 shares. The limit applied to any one individual is 1 500 000 shares.

Termination of employees' participation in the share plan is based on "no fault" and "fault" definitions.

Fault definitions

An award will lapse/be forfeited and have no further force or effect on the earliest of:

- the date on which the performance targets (or a portion thereof) are not achieved, as determined by the Remuneration Committee; and
- the date a participant's employment with a member of the group terminates, if termination of employment occurs during the minimum employment period.

No fault definitions

In the event that a participant's employment with the group is terminated by reason of death, ill health, incapacity or redundancy, retirement after retirement date, mutually agreed termination of employment or disposal of the majority of the issued shares or business of the participating company, the Remuneration Committee may in its absolute discretion:

- deem a *pro rata* portion of the award to become unconditional and to be capable of being exercised within three months. The Remuneration Committee will take into consideration, among other things, the extent to which performance targets have been satisfied and the portion of minimum employment period which has expired; and
- allow the scheme to apply to the whole or a portion of the award, which was made by the participant as though the individual had not ceased to be an employee.

The fair value of each award granted was estimated on the date of grant using the following methodology:

PSP company performance scorecard – Given that there are no dividends, this portion of the PSP was valued by multiplying the share price on grant date with the vesting percentage pertaining to the company performance score given, per grant.

PSP total shareholder return (TSR) scorecard – This portion of the PSP was valued using the Monte Carlo simulation method. The TSR index levels were simulated using a Geometric Brownian Motion (GBM), over the three-year performance period. Keaton Energy's share price is also simulated based on the TSR of Keaton Energy's simulated TSR index level. The fair value was then determined by multiplying Keaton Energy's share price by the vesting percentage and discounting the expected future share price to the grant date.

RSP – The value was calculated as the share price on the grant date less the present value of expected future dividends forfeited over the vesting period. However, as there are no dividends the fair value is determined to be the share price on grant date.

These estimates involve inherent uncertainties and the application of management judgement. In addition, the group is required to estimate the expected forfeiture rate and only recognise an expense for those notional shares expected to vest. As a result, if other assumptions had been used, the recognised share-based payment expense could have been different from that reported.

The terms and conditions of the long-term performance incentive scheme stipulate that the Remuneration Committee of the group will determine the most appropriate manner to settle the amount due, it being the intention that the settlement will normally occur by way of an allotment and issue of new shares and/or the purchase and transfer of existing shares. However, if circumstances require, the group is entitled (on approval of the Remuneration Committee) to settle the amount due by way of a direct cash payment in rand, net of taxation. These cash payments must be applied in the subscription of new or the purchase of issued shares of the company.

21 Share-based payment transactions (continued)

The terms and conditions of the 2013 share plan grants to date (excluding lapsed grants) are as follows:

	PSP – total shareholder return	PSP – company performance scorecard	RSP – restricted share plan
Grant date	25 June 2014	25 June 2014	25 June 2014
Number of options granted	1 028 070	1 028 070	1 494 855
Vesting conditions	Minimum employment period of three years and certain performance targets	Minimum employment period of three years and certain performance targets	Minimum employment period of three years and certain performance targets
Average contractual life of options	3 years	3 years	3 years
Weighted average share price (R) at grant date (offer or exercise price)	2.82	2.82	2.82
Fair value (R) per option at grant date	5.85	2.82	2.82
Expected dividends	N/A	N/A	N/A

	Group		Company	
	Year to 31 March 2015	Year to 31 March 2014	**Year to 31 March 2015**	Year to 31 March 2014
Number of share options				
Share options granted	**3 550 995**	–	**1 540 267**	–
Unvested	**2 596 039**	–	**1 540 267**	–
Forfeited and lapsed	**954 956**	–	**–**	–
Vesting periods of unvested shares				
Within one year	**–**	–	**–**	–
One to two years	**–**	–	**–**	–
Two to three years	**2 596 039**	–	**1 540 267**	–
Total number of unvested shares	**2 596 039**	–	**1 540 267**	–

	Group		Company	
	Number of shares 2015	**Weighted average exercise price (R) 2015**	**Number of shares 2015**	**Weighted average exercise price (R) 2015**
Activity on options granted not yet exercised				
Balance at the beginning of the year	**–**	**–**	**–**	**–**
Options granted	**3 550 995**	**3.70**	**1 540 267**	**3.79**
Options forfeited and lapsed	**(954 956)**	**(3.56)**	**–**	**–**
Balance at the end of the year	**2 596 039**	**3.75**	**1 540 267**	**3.79**

Notes to the financial statements continued

for the year ended 31 March 2015

21 Share-based payment transactions (continued)

	Number of shares	Remaining life (years)
List of options granted not yet vested (listed by grant date)		
25 June 2014	2 596 039	2.20
	2 596 039	

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
Share-based payment expense recognised				
2007 share plan	**5 403 453**	6 291 521	**4 023 499**	4 546 722
2013 share plan	**2 354 509**	–	**1 412 710**	–
	7 757 962	6 291 521	**5 436 209**	4 546 722

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
22 Other reserves				
Purchase price adjustment	**(30 751 111)**	(30 751 111)	**(30 751 111)**	(30 751 111)
Share-based payment adjustment transferred from share premium	**12 000 000**	12 000 000	**12 000 000**	12 000 000
Share-based payment reserve relating to the issue of shares at a discount[(1)]	**37 610 309**	37 610 309	**37 610 309**	37 610 309
Foreign currency translation reserve	**225 319**	355 566	**–**	–
	19 084 517	19 214 764	**18 859 198**	18 859 198

[(1)] *Share-based payment reserve relating to the issue of shares at a discount*

The share-based payment reserve relates to the issue of shares at a discount to its fair value, issued to Plusbay Limited (refer to notes 11 and 19.1). The shares were issued at R1.778 per share, with the fair value of these shares, at recording date in terms of IFRS 2, being equal to R2.93 per share.

23 Borrowings

Nedbank Limited

On 1 April 2011 Keaton Mining (cedent or borrower) concluded a project financing agreement with Nedbank Limited (agent or financing party) and its nominated security party (cessionary) to further fund the development of its Vanggatfontein Project. The loan facility comprised a senior loan facility of R230 million, a standby debt facility of R25 million for potential project cost overruns and a standby equity subscription agreement of R50 million.

On 29 January 2014 the senior loan facility was settled in full through the financing facility concluded with Investec Bank Limited.

The Nedbank loan bore interest at the 91-day JIBAR plus a margin of 5% (interest rate). The facility was repayable in sculptured quarterly payments commencing 30 June 2012. Total interest accrued up to 29 January 2014 amounted to R15.9 million. As a result of the settlement of the Nedbank loan, the remaining capitalised debt raising fees of R8.4 million were amortised to profit or loss.

Investec Bank Limited – loan

On 17 January 2014 Keaton Mining (cedent or borrower) concluded a facility agreement with Investec Bank Limited acting through its Corporate and Institutional Banking Division (lender or arranger) to settle the project finance facility with Nedbank Limited and to partially fund the acquisition of Xceed (refer to note 11 for more detail). The loan facility comprises a term facility of R300 million and a working capital facility of R50 million.

At reporting date R300 million of the term facility had been drawn. The loan bears interest at the three-month JIBAR plus a margin of 4% (interest rate). Commitment fees of 1% annually of undrawn facilities applies, which is payable to the lender. The facility is repayable in quarterly payments which commenced on 31 July 2014 and end on 31 October 2018. Total interest accrued up to 31 March 2015 amounted to R28.2 million (2014: R4.2 million). In the event that the borrower defaults, interest will be levied at a margin of 2% above the interest rate. In the event that the group's earnings before interest, tax, depreciation and amortisation (EBITDA) on a six-monthly basis does not exceed R200 million, the interest rate will be increased by a margin of 0.5% until such time that the group again achieves the targeted EBITDA.

At reporting date R5.5 million (2014: R nil) of the working capital facility had been drawn. The facility bears interest at the one-month JIBAR plus a margin of 3.75% and the interest will be due and payable monthly. Commitment fees of 0.75% annually of undrawn facilities applies, which is payable to the lender. The working capital facility is renewable annually.

Various guarantees, representations, warranties, undertakings, cessions, indemnities and pledges, normal to these financing arrangements, have been given by the borrower, Keaton Administrative and Technical Services Proprietary Limited (guarantor) and Keaton Energy Holdings Limited (guarantor) to the lender. These include:

The guarantors' guarantees, the full, due, proper and timeous performance of all the guaranteed financial obligations of the borrower. The guarantors have also subordinated any claims they have against the borrower in favour of the lender until such time as all obligations of the borrower in terms of the financing facility have been discharged finally and in full.

As continuing covering security for the due compliance by the borrower with all obligations the following securities exist:

- Registration of general and special notarial bonds over all moveable assets owned by the borrower
- Registration of mortgage bonds over all immovable properties owned by the borrower, to the extent legally possible
- Registration of mortgage bonds over all Mining Rights and Prospecting Rights to the extent possible
- Cession of all bank accounts and investments of the borrower
- Cession in *securitatem debiti* of all existing and future debtors
- Cession of all insurance policies and insurance proceeds of the borrower.

The debt covenant tests for the group are as follows:

Maximum total debt to equity	1:1
Loan life cover ratio (minimum)	1.5:1
Reserve tail ratio (minimum)	25%
Debt service cover ratio (minimum)	1.3:1
Current assets to current liabilities (minimum)	1.2:1
Maximum total debt to EBITDA	4:1

The debt covenant tests are performed bi-annually. During FY15 and FY14 there were no breaches of the covenants.

Notes to the financial statements continued

for the year ended 31 March 2015

23 Borrowings (continued)

Industrial Development Corporation (IDC) – loan agreement

LME entered into a loan agreement with the IDC during 2004 for further development of its Vaalkrantz Mine. LME defaulted on the loan when it failed to make payment to the IDC in terms of the loan agreement prior to the 2011 financial year. During the 2011 financial year Keaton Energy refinanced LME and concluded an agreement with the IDC whereby the IDC agreed to reschedule repayment terms on the loan.

In terms of the revised loan agreement, the loan was repayable in seven equal six-monthly instalments of R935 817 and a final instalment of R435 795 which commenced on 1 December 2012. The loan attracted interest at prime plus 2.5% which was payable monthly in arrears. The loan was secured by a cession and pledge by the company of so many ordinary shares in LME constituting 20% of the issued share capital. The loan was further secured by a first mortgage bond over the surface rights, a general notarial bond over all moveable assets, excluding the coal washing plant, and a special notarial bond over other moveable assets.

The loan was settled in full on 1 July 2014.

Industrial Development Corporation (IDC) – LME preference shares

During November 2004, the IDC subscribed to 60 cumulative redeemable preference shares with a par value of R1 and a premium of R127 082 in LME. In terms of the agreement LME had to pay on each dividend date the relevant preference dividend and start to redeem the preference shares in equal instalments in the 2008 financial year. LME defaulted when it failed to make payment to the IDC in terms of the preference share agreement.

During the 2011 financial year the IDC, similarly to the loan agreement above, agreed to reschedule repayment terms on the preference shares when Keaton Energy refinanced LME, and an addendum to the preference shares agreement was concluded. In terms of the addendum these shares are entitled to a preference dividend at a coupon rate of 14%, so as to provide the IDC with a real internal rate of return of 8% over the term of the agreement, with the understanding that any shortfall or excess be corrected on the "terminal redemption date" being 31 October 2015.

Dividends are compounded and payable quarterly. Payment of dividends is, however, dependent on LME's operational cash flow requirements, but in any event is payable no later than the terminal redemption date together with the redemption of the cumulative preference shares. The preference shares and accumulated dividends are secured by a cession and pledge by the company of so many ordinary shares in LME constituting 20% of the issued share capital. In addition to the redemption of the preference shares and accumulated dividends, LME will also pay the IDC an amount linked to the share price of Keaton Energy. Refer to note 24 in this regard.

Vitol SA – US dollar loan

During July 2008, LME entered into a coal sale agreement with Vitol SA for the supply of 500 000 tonnes of coal at a rate of 22 400 tonnes per month. This agreement has a prefinance loan clause where Vitol SA paid an amount of USD5.5 million to LME to assist with the development of the Braakfontein Mine within Leeuw Braakfontein Colliery Proprietary Limited (LBC) and to enable LME to meet its obligations to supply coal under the agreement.

This loan bears interest at the one-year USD LIBOR rate plus a margin of 3% prior to the commencement of coal supply, with an alternate margin of 2% once coal supply has commenced. The loan is repayable by reducing the sales price with USD12 per tonne of coal supplied to Vitol SA.

The loan is secured by a pledge of all interest (shares and claims on loan account) held by LME in LBC, as well as security cession of current and future right, title and interest in receivables and cash generated by sale of coal from LBC, as well as all surface rights relating to the LBC. Total repayments of R5.7 million relating to accrued interest were made during the current financial year (2014: R9 million).

Other borrowings

One of the subsidiaries in the group, KATS, entered into lease agreements with an IT equipment supplier for the supply of computer equipment. These loans attract interest at 5% per annum compounded annually, and are repayable over a term of 36 months.

23 Borrowings (continued)

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
Interest-bearing borrowings				
Non-current borrowings				
Nedbank Limited	**–**	–	**–**	–
Balance at the beginning of the year	**–**	147 561 755	**–**	–
Interest	**–**	15 930 239	**–**	–
Repayments (interest and capital)	**–**	(218 458 455)	**–**	–
Amortisation of issue costs	**–**	8 369 099	**–**	–
Net adjustments to current portion	**–**	46 597 362	**–**	–
Investec Bank Limited – Loan	**184 803 934**	249 731 047	**–**	–
Balance at the beginning of the year	**249 731 047**	–	**–**	–
Drawdown	**–**	300 000 000	**–**	–
Interest	**28 220 365**	4 177 353	**–**	–
Repayments (interest and capital)	**(72 743 239)**	–	**–**	–
Issue costs	**–**	(4 971 037)	**–**	–
Amortisation of issue costs	**1 329 429**	174 422	**–**	–
Net adjustments to current portion	**(21 733 668)**	(49 649 691)	**–**	–
Investec Bank Limited – Working capital facility (WCF)	**–**	–	**–**	–
Balance at the beginning of the year	**–**	–	**–**	–
Drawdown	**5 500 000**	–	**–**	–
Interest	**38 378**	–	**–**	–
Net adjustments to current portion	**(5 538 378)**	–	**–**	–
Industrial Development Corporation – Loan	**–**	2 338 168	**–**	–
Balance at the beginning of the year	**2 338 168**	4 199 308	**–**	–
Interest	**121 198**	605 743	**–**	–
Repayments (interest and capital)	**(4 331 000)**	(2 466 883)	**–**	–
Net adjustments to current portion	**1 871 634**	–	**–**	–
Industrial Development Corporation – LME preference shares	**–**	27 989 417	**–**	–
Balance at the beginning of the year	**27 989 417**	24 566 339	**–**	–
Dividends accrued	**4 183 696**	3 423 078	**–**	–
Net adjustments to current portion	**(32 173 113)**	–	**–**	–
Vitol SA	**66 665 511**	61 556 110	**–**	–
Balance at the beginning of the year	**61 556 110**	58 954 436	**–**	–
Interest	**2 235 181**	2 379 470	**–**	–
Repayments	**(5 696 384)**	(9 002 810)	**–**	–
Foreign exchange loss	**8 570 604**	9 225 014	**–**	–

Notes to the financial statements continued
for the year ended 31 March 2015

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
23 Borrowings (continued)				
Investec Bank Limited – instalment sale agreements	**–**	–	**–**	–
Balance at the beginning of the year	**–**	–	**–**	–
Interest	**–**	28 775	**–**	–
Repayments	**–**	(837 870)	**–**	–
Net adjustments to current portion	**–**	809 095	**–**	–
Other borrowings	**271 468**	223 029	**–**	–
Balance at the beginning of the year	**223 029**	107 860	**–**	–
Lease agreements concluded	**382 940**	354 564	**–**	–
Interest	**24 124**	15 930	**–**	–
Repayments	**(269 694)**	(214 127)	**–**	–
Net adjustments to current portion	**(88 931)**	(41 198)	**–**	–
Total non-current borrowings	**251 740 913**	341 837 771	**–**	–
Current borrowings				
Investec Bank Limited – Loan	**71 383 359**	49 649 691	**–**	–
Investec Bank Limited – WCF	**5 538 378**	–	**–**	–
Industrial Development Corporation – Loan	**–**	1 871 634	**–**	–
Industrial Development Corporation – LME Preference Shares	**32 173 113**	–		
Instalment sale agreements with other borrowers	**280 458**	191 527	**–**	–
Total current borrowings	**109 375 308**	51 712 852	**–**	–
Total interest-bearing borrowings	**361 116 221**	393 550 623	**–**	–
The future minimum payments on the instalment sale and lease agreements are as follows:				
Due within one year	**300 126**	192 943	**–**	–
Capital	**280 458**	176 767		
Interest	**19 668**	16 176		
Due between one and two years	**212 630**	154 868	**–**	–
Capital	**204 545**	147 158		
Interest	**8 085**	7 710		
Due between two and five years	**67 995**	78 722	**–**	–
Capital	**66 923**	77 018		
Interest	**1 072**	1 704		
	580 751	426 533	**–**	–
The maturity of borrowings is as follows:				
Current	**109 375 308**	51 712 852	**–**	–
Between one and two years	**67 347 334**	68 568 047	**–**	–
Between two and five years	**184 393 579**	273 269 724	**–**	–
Over five years	**–**	–	**–**	–
	361 116 221	393 550 623	**–**	–

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
24 Financial liabilities				
24.1 Non-current financial liabilities				
IDC equity-linked call option	**–**	604 497	**–**	–
Financial guarantee contracts issued	**–**	–	**14 319 826**	–
	–	604 497	**14 319 826**	–
24.2 Current financial liabilities				
IDC equity-linked call option	**67 816**	–	**–**	–
Financial guarantee contracts issued	**–**	–	**5 054 057**	–
	67 816	–	**5 054 057**	–

IDC equity-linked call option

In addition to the rescheduled repayment terms relating to the preference shares held by the IDC in LME (refer to note 23), the IDC and LME also agreed to the payment of an additional amount. The additional amount is a derivative financial instrument, the host of which being the redeemable cumulative preference shares.

The value of the option is dependent on a factor of between one and five, which is linked to the date the preference shares are likely to be redeemed. The factor is multiplied by an agreed base price and also multiplied by the difference between the closing price of the holding company's shares trading on the JSE on redemption date and the strike price of R4.32 offered to the IDC.

The option under consideration was valued by independent professional valuers, using a finite difference scheme for valuation. Assumptions used to value the option includes a probability linked to each of the likely redemption periods, the spot share price of the holding company on date of valuation, a term structure with JIBAR, FRA and swap data as inputs and volatility. The movement on the option is recognised in profit or loss.

The preference shares are repayable on 31 October 2015 and as the option expires on the same date, it is classified as current as at 31 March 2015. Refer to note 23 for the related preference share liability.

Financial guarantee contracts issued

The company has issued a limited guarantee to Investec, supported by a pledge of shares in and claims from subsidiaries, for the term facility. Refer to notes 13 and 23. The amount recognised for the financial guarantee contract represents the amount initially recognised less cumulative amortisation.

Notes to the financial statements continued
for the year ended 31 March 2015

		Group		Company	
		Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
25	**Mine closure and environmental rehabilitation provision**				
	Balance at the beginning of the year	**215 181 397**	140 309 452	**–**	–
	Increase in provision	**54 876 978**	74 871 945	**–**	–
	Additional provision due to new disturbances allocated to property, plant and equipment	**41 857 642**	79 470 592	**–**	–
	Rehabilitation work completed – Klip Colliery	**–**	(2 858 620)	**–**	–
	Change in estimate recognised in profit or loss	**(4 669 408)**	(15 129 590)	**–**	–
	Time value of money and inflation component of rehabilitation cost (refer to note 8).	**17 688 744**	13 389 563	**–**	–
	Balance at the end of the year	**270 058 375**	215 181 397	**–**	–

The group's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. Estimated future reclamation costs are based principally on legal and regulatory requirements. The above is a reconciliation of the total liability for environmental rehabilitation.

Refer to note 3 of the accounting policies for the accounting estimates used and judgement applied in calculating rehabilitation provisions. The rehabilitation liability represents management's best estimate as at year-end. While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the group has estimated that, based on current environmental and regulatory requirements, the total cost for the mines, in the current monetary terms, is approximately R350 million (2014: R292.7 million).

The group intends to finance the ultimate rehabilitation costs from the money invested in environmental trust funds (refer to notes 16 and 17), ongoing contributions, as well as the proceeds on sale of assets at the time of mine closure. The group has guarantees in place relating to the environmental liabilities as follows:

	Group	
	Year to 31 March 2015 R	Year to 31 March 2014 R
Guarantees		
Environmental rehabilitation guarantees issued to the DMR	**137 003 978**	119 106 337

These guarantees have been issued by third parties, R67.7 million (2014: R54.7 million) in bank deposits, unit trust and exchange traded funds (included in restricted cash – note 16.1 and restricted investments – note 17), as well as a limited indemnity by both Keaton Energy and Keaton Mining are being held as security by these third parties. The company is currently in process to increase its guarantees to the DMR due to the additional disturbances caused during the current financial year.

	Group	
	Year to 31 March 2015	Year to 31 March 2014
26 Provisions		
26.1 Non-current provisions		
Vendor provision		
Balance at the beginning of the year	**30 575 067**	–
Liability acquired through Xceed asset acquisition	**–**	30 071 958
Discount on provision unwound through profit or loss	**1 000 379**	503 109
Change in estimate	**193 200**	–
Balance at the end of the year	**31 768 646**	30 575 067

Xceed is required to make payments in cash to the founding shareholders of the Moabsvelden Project for the acquisition of 74% of the issued share capital of Neosho. These payments are due at various stages of project development in accordance with a schedule of performance milestones. The performance milestones, their status at 31 March 2015 (and 31 March 2014) and their values at 31 March 2015 (and 31 March 2014) are as follows:

	Status at 31 March 2015 and 31 March 2014	**Carrying value at 31 March 2015**	Carrying value at 31 March 2014
Performance milestone			
Acceptance by the DMR of an application for a Mining Right at Moabsvelden	**Achieved**	**–**	–
Granting of a Mining Right at Moabsvelden	**Achieved**	**–**	–
Commencement of commercial production at Moabsvelden (includes a success fee of 1% of the vendor payment, payable to each of the two advisers)	**Not yet achieved**	**31 768 646**	30 575 067

The estimated value attributable to these future payments has been determined using a discount rate of 10% (2014: 9.9%). During the prior periods, the group made a milestone payment of R26.4 million in respect of the granting of a Mining Right at Moabsvelden by the DMR.

26.2 Current provisions

	Group	
	Year to 31 March 2015	Year to 31 March 2014
Stock loss provision[1]	**24 659 987**	–
	24 659 987	–

[1] *Stock theft was discovered at Vaalkrantz during the last quarter of the financial year. A thorough investigation undertaken by multiple agencies pointed to collusion between employees and third parties. Criminal charges were laid against the employees. A provision for R24.7 million was raised to replace the stock that was sold to customers in anticipation of delivery. The corresponding debit entry was recorded in mining and related expenses in the statement of profit or loss.*

Notes to the financial statements continued

for the year ended 31 March 2015

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
27 Trade and other payables				
Financial Liabilities				
Trade and other payables[1]	**186 607 692**	191 230 363	**616 678**	778 495
Sundry payables and accrued expenses	**14 490 323**	18 644 063	**259 773**	214 490
Non-financial liabilities				
Value added tax	**2 038 199**	4 675 519	**–**	–
Payroll accruals[2]	**12 093 793**	11 729 861	**3 716 622**	3 263 484
Income received in advance	**1 613 413**	821 634	**–**	–
	216 843 420	227 101 440	**4 593 073**	4 256 469
The following payment guarantees exist:				
Payment guarantees issued to major suppliers	**22 357 000**	16 057 000	**–**	–

These guarantees have been issued by third parties. R8 million (2014: R4.5 million) in bank deposits (included in restricted cash – note 16) are being held by third parties for the guarantees as security.

[1] ***Settlement between Keaton Mining and DRA Mineral Projects Proprietary Limited (DRA):***
As reported in prior years, trade and other payables included an amount of R33 million owing to DRA. On 9 September 2014, Keaton Mining reached an agreement (the settlement agreement) with DRA for the settlement of all claims and disputes, being both historic and future liabilities arising out of the construction and commissioning of the Vanggatfontein Coal Processing Plant – Phase Two. As per the settlement agreement an amount of R23 million was paid to DRA.

Keaton Mining vs Megacube Mining Proprietary Limited (Megacube):
Included in trade and other payables is an amount of R42.5 million owing to Megacube. The group is disputing this amount. Refer to note 30 in this regard.

[2] *Payroll accruals*
These accruals comprise leave pay accrual, bonus accrual and other salary accruals. The leave pay accrual relates to vesting leave pay to which employees may become entitled on leaving the employment of the group. The accrual arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The bonus accrual consists of both a guaranteed portion and a performance-based portion based on the employee's achievement of performance targets. The employee must be in service at date of payment to qualify for the performance bonus.

28 Retirement plan

Provident fund

The majority of the group's salaried employees are members of the KATS provident fund, Keaton Mining provident fund, and LME provident fund. These funds are classified as defined contribution funds.

The provident funds are operated by Liberty Corporate Benefits on behalf of KATS, Keaton Mining and LME, are domiciled in the Republic of South Africa and are governed by the Pension Funds Act (Act No 24 of 1956).

The total cost recognised in profit or loss for the year of R5.1 million (2014: R4.8 million) represents contributions payable to these funds by the group at rates specified in the rules of the provident fund.

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
29 Notes to the statements of cash flows				
29.1 Cash generated from/(utilised in) operations				
Net (loss)/profit before taxation	**(12 889 063)**	102 397 578	**(26 126 298)**	59 474 868
Adjustments for:				
Impairment of property, plant and equipment	**56 532 043**	–	**–**	–
Impairment of investments in subsidiaries	**–**	–	**101 240 304**	4 453 489
Impairment of other receivables	**–**	–	**25 394 980**	–
Finance income	**(6 150 471)**	(2 834 446)	**(618 817)**	(264 673)
Finance costs	**55 893 040**	50 567 823	**42 947**	62 544
Dividend income	**–**	–	**(39 082 733)**	–
Depreciation and amortisation	**463 780 526**	348 011 486	**–**	–
Share options expenses	**7 757 962**	6 291 521	**5 436 209**	4 546 722
Loss on disposal of property, plant and equipment	**3 532 262**	12 484	**–**	–
Loss on disposal of intangible asset	**–**	50 544	**–**	–
Unrealised foreign exchange losses	**7 933 260**	9 225 014	**–**	–
Change in estimate – environmental rehabilitation	**(4 669 408)**	(15 129 590)	**–**	–
Fair value gains on financial instruments through profit or loss	**(6 520 872)**	(780 786)	**–**	–
Net realisable value adjustment on inventory	**2 746 060**	3 307 225	**–**	–
Provision for stock loss	**24 659 987**	–	**–**	–
Non-cash items included in revenue from subsidiaries	**–**	–	**(99 944 888)**	(92 471 592)
Changes in working capital	**(34 107 666)**	(66 961 897)	**17 237 055**	(2 918 407)
Inventory	**(21 775 335)**	12 892 546	**–**	–
Trade and other receivables	**(28 119 614)**	(65 724 560)	**16 900 451**	(4 859 374)
Trade and other payables	**15 787 283**	(14 129 883)	**336 604**	1 940 967
	558 497 660	434 156 956	**(16 421 241)**	(27 117 049)
29.2 Taxation paid				
Balance at the beginning of the year	**(1 280 692)**	(838 485)	**(193 331)**	(838 485)
Current income taxation	**–**	(3 283 199)	**–**	(2 195 830)
Balance at the end of the year	**(1 901 772)**	1 280 692	**(4 616)**	193 331
Paid during the year	**(3 182 464)**	(2 840 992)	**(197 947)**	(2 840 984)
29.3 Investment in subsidiary companies				
Increase in the carrying amount	**–**	–	**(41 396 661)**	(108 590 133)
Acquisition of subsidiary	**–**	–	**–**	194 656 714
Interest and preference dividends capitalised	**–**	–	**94 890 831**	92 471 592
Financial guarantee provided	**–**	–	**24 427 940**	–
Impairment loss	**–**	–	**(101 240 304)**	(4 453 489)
	–	–	**(23 318 194)**	174 084 684

Notes to the financial statements continued

for the year ended 31 March 2015

30 Contingent liabilities, commitments and legal disputes

The group has the following contingent liabilities, commitments and legal disputes:

Contingent commitments

(i) The company entered into shareholders' agreements with external shareholders of the company's exploration and operating subsidiaries. The following options existed in terms of the shareholders' agreements:

- The company had a call option to acquire the external shareholders' shares (all and not part of) in the exploration and operating subsidiaries; and
- The external shareholders had a put option to sell to the company (all and not part of) their shares in the exploration and operating subsidiaries.

The purchase consideration for both options shall be equal to the fair value of the shares and shall be satisfied by the issue of the company's ordinary shares calculated at the volume weighted average price of the company's shares traded on the JSE over the 10 days immediately preceding the date of exercise of the option.

The exercise of the call option was subject to the suspensive condition that within 150 business days (or such longer period as the company and the external shareholder may otherwise agree) the shareholders will have obtained all statutory and regulatory permissions and authorities required in order to implement the exchange of the shares. The call option was exercisable by written notice from signature date of the shareholders' agreement up to 1 May 2014.

The put option was subject to the suspensive conditions that at the time of exercise of the put option the exploration/operating subsidiary:

- will not suffer any prejudice or adverse effects in terms of the Broad-Based Black Economic Empowerment Act 2003, the provisions of any charter, the MPRDA or any law relating to empowerment; and
- that all statutory and regulatory permissions and authorities required to be able to exercise such put option are obtained within 150 days of the exercising of the option.

The put option was exercisable by written notice at any time for a period of 30 days commencing on 2 May 2014.

On 2 May 2014 the company exercised its call options in terms of the shareholders' agreement relating to two of the company's exploration subsidiaries, namely Amalahle Exploration Proprietary Limited (Amalahle) and Labohlano Trading 46 Proprietary Limited (Labohlano). Refer to note 39 (iii) and (iv) for more details regarding these transactions.

The external shareholder in one of the company's operating subsidiaries, Keaton Mining, has put its 26% interest in the company in accordance with the provisions of the shareholder's agreement. At the date of this report, some regulatory permissions and authorities required (including without limitation all and any shareholder approval and other approvals required in terms of the JSE Listings Requirements) were still outstanding.

(ii) During the 2010 financial year, Keaton Mining, a 74% subsidiary of the company, entered into an agreement with a consortium representing certain landowners at its Sterkfontein Project (Bethal). This agreement will govern future negotiations between Keaton Mining and the landowners in terms of its exploration and mining activities, as well as land access and acquisitions. The parties have also agreed certain payment mechanisms (for coal to be mined) for future compensation as required in terms of the MPRDA.

Legal dispute

Keaton Mining vs Megacube Mining Proprietary Limited (Megacube):

Included in trade and other payables (note 27) is an amount of R42.5 million for contract mining services rendered by Megacube to Keaton Mining. As a result of several alleged breaches of the contract mining agreement, Keaton Mining disputes that this amount is due and owing to Megacube. As a result of Megacube's breaches of the contract mining agreement, Keaton Mining has lodged several counterclaims against Megacube for damages and losses sustained. Keaton Mining delivered a notice of termination of the agreement to Megacube on 16 May 2012 in accordance with the provisions of the agreement and subsequently terminated the agreement on 5 July 2012. The litigation is ongoing.

	Group	
	Year to 31 March 2015 R	Year to 31 March 2014 R
Capital commitments		
Authorised but not contracted	**44 548 617**	61 361 450
Authorised and contracted	**16 830 134**	1 548 272

All contracted amounts will be funded through excising funding mechanisms within the group and cash generated from operations.

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
31 Operating lease payments				
Lease payments[(1)]	**1 944 219**	1 365 852	**–**	–
Recognised in profit or loss	**1 944 219**	1 365 852	**–**	–
Non-cancellable operating lease rentals are payable as follows:[(1)]				
Less than one year	**1 553 230**	1 527 861	**–**	–
One to five years	**1 126 433**	2 364 886	**–**	–
Total	**2 679 663**	3 892 747	**–**	–

(1) *Mainly consists of leases relating to the rent of the head office building and the weigh-bridges at Keaton Mining's Vanggatfontein Mine.*

32 Financial instruments

Overview

The group's financial instruments expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk. The group may use derivative financial instruments to hedge certain risk exposures.

This note presents information about the group's level of exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board has overall responsibility for the establishment and oversight of the group's risk management framework. The Risk Committee is responsible for developing and monitoring the group's risk management policies. This committee reports at least quarterly to the Board on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the group's risk management framework in relation to risks faced by the group. Internal audit assists the Audit Committee in its oversight role. It undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Notes to the financial statements continued

for the year ended 31 March 2015

	Loans and receivables R	Held-to-maturity investments R	At fair value through profit or loss financial assets (designated)/ liabilities R	Financial liabilities at amortised cost R
32 Financial instruments (continued)				
The group's financial instruments are set out below:				
Group				
At 31 March 2015				
Investments and loans	**5 216 499**	**–**	**–**	**–**
Restricted investments	**–**	**–**	**68 305 506**	**–**
Restricted cash	**–**	**10 780 613**	**–**	**–**
Trade and other receivables	**149 372 384**	**–**	**433 134**	**–**
Cash and cash equivalents	**72 546 393**	**–**	**–**	**–**
Borrowings	**–**	**–**	**–**	**361 116 221**
Vendor provision	**–**	**–**	**–**	**31 768 646**
Financial liabilities	**–**	**–**	**67 816**	**–**
Trade and other payables	**–**	**–**	**–**	**201 098 015**
At 31 March 2014				
Investments and loans	5 151 877	–	–	–
Restricted investments	–	3 452 896	47 268 749	–
Restricted cash	–	7 423 204	–	–
Trade and other receivables	143 153 255	–	–	–
Cash and cash equivalents	69 556 044	–	–	–
Borrowings	–	–	–	393 550 623
Financial liabilities	–	–	604 497	–
Vendor provision	–	–	–	30 575 067
Trade and other payables	–	–	–	209 874 426
Company				
At 31 March 2015				
Loans to subsidiaries	**201 680 704**	**–**	**–**	**–**
Preference shares in subsidiaries	**502 194 256**	**–**	**–**	**–**
Restricted cash	**–**	**1 418 581**	**–**	**–**
Trade and other receivables	**617 471**	**–**	**–**	**–**
Cash and cash equivalents	**2 160 501**	**–**	**–**	**–**
Trade and other payables	**–**	**–**	**–**	**876 451**
Financial liabilities	**–**	**–**	**–**	**19 373 883**
At 31 March 2014				
Loans to subsidiaries	140 089 881	–	–	–
Preference shares in subsidiaries	502 767 295	–	–	–
Restricted cash	–	1 418 581	–	–
Trade and other receivables	4 507 635	–	–	–
Cash and cash equivalents	2 119 338	–	–	–
Trade and other payables	–	–	–	992 985

32 Financial instruments (continued)

Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations timeously. Financial instruments, which subject the group to concentrations of credit risk, consist predominantly of restricted cash, trade and other receivables (excluding non-financial instruments), and cash and cash equivalents.

Exposure to credit risk on trade and other receivables is monitored on a regular basis to ensure that the customer remains within the negotiated terms. Customers are assessed on an individual basis to determine terms and conditions of sale transactions to limit the group's exposure to impairments. The group uses a credit agency, Experian, to recommend the appropriate credit terms of each new customer. Refer to note 19 for an analysis of the movement in allowance for impairment on trade and other receivables.

The group limits its counterparty exposures from its restricted cash and cash and cash equivalents by only dealing with well-established financial institutions of high-quality credit standing. At the reporting date all of the group's cash resources were deposited with reputable financial institutions of quality credit standing. The group has developed cash investment guidelines to ensure no significant concentration of credit risk.

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
Cash and cash equivalents and restricted cash				
Financial institutions' credit rating by exposure:				
AA-	**165 067**	633 965	**–**	–
BBB	**73 376 955**	69 977 442	**3 578 112**	4 955 884
BBB-	**6 427 574**	6 367 841	**970**	617
Attorney's trust funds	**3 357 410**	–	**–**	–
Cash and cash equivalents and restricted cash	**83 327 006**	76 979 248	**3 579 082**	4 956 501

The maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk at the reporting date. The total exposure at 31 March 2015 for the group was R306.7 million (31 March 2014: R276.0 million). The total exposure at 31 March 2015 for the company was R708.1 million (31 March 2014: R650.9 million). These are illustrated in the table under the overview section.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due, by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. In the ordinary course of business, the group receives cash from its operations and is required to fund working capital and capital expenditure requirements. The group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient marketable securities or cash resources either form operations or committed credit facilities to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. Refer to a maturity analysis under the market risk section on pages 168 and 169. The group has also provided indemnities to third parties in terms of certain unfunded guarantees (refer to note 27). Surplus cash is managed by investment in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk. The group does not consider the IDC option to have a material impact on liquidity risk.

Notes to the financial statements continued

for the year ended 31 March 2015

	Total R	Current R	Between one and two years R	Between two and five years R	Over five years R
32 Financial instruments (continued)					
Liquidity risk (continued)					
The following are the contractual maturities of financial liabilities (including principal and interest payments):					
Group					
31 March 2015					
Borrowings	**361 116 221**	**109 375 308**	**67 347 334**	**184 393 579**	**–**
Interest on borrowings	**61 008 639**	**28 303 653**	**18 919 235**	**13 785 751**	**–**
Vendor provision	**31 768 646**	**–**	**31 768 646**	**–**	**–**
Trade and other payables (excluding non-financial liabilities)	**201 098 015**	**158 645 129**	**42 452 886**	**–**	**–**
	654 991 521	**296 324 090**	**160 488 101**	**198 179 330**	**–**
31 March 2014					
Borrowings	393 550 623	51 712 852	68 568 047	273 269 724	–
Interest on borrowings	83 668 496	27 712 731	26 958 282	28 997 483	–
Vendor provision	30 575 067	–	30 575 067	–	–
Trade and other payables (excluding non-financial liabilities)	209 874 426	134 282 152	75 592 274	–	–
	717 668 612	213 707 735	201 693 670	302 267 207	–
Company					
31 March 2015					
Trade and other payables (excluding non-financial liabilities)	**876 451**	**876 451**	**–**	**–**	**–**
Financial liabilities (financial guarantee contracts)	**261 725 671**	**261 725 671**	**–**	**–**	**–**
	262 602 122	**262 602 122**	**–**	**–**	**–**
31 March 2014					
Trade and other payables (excluding non-financial liabilities)	992 985	992 985	–	–	–
	992 985	992 985	–	–	–

Capital risk management

The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business in a way that optimises the cost of capital and matches the current strategic business plan. There were no changes to this policy during the year. The Board monitors both the demographic spread of shareholders, as well as the return on capital. Capital is defined as total shareholders' equity, excluding non-controlling interests. The group's target return on capital, once all operations are fully ramped-up, is between 15% and 20%.

The group's externally invested funds produced income for the year of R6.2 million (2014: R2.8 million). This equates to an average return of 4.2% (2014: 3.0%) before tax.

The company's funds invested in its subsidiaries' mining operations and exploration projects earn a return of between prime plus 2% and 5% before tax, cumulative and compounded quarterly. The company only recognises this return once a proved and probable reserve has been declared in a subsidiary. The income for the year from the company's financial assets was R96.4 million (2014: R105.0 million). This equates to an average return of 14.2% (2014: 15.2%) before tax.

The group's externally imposed capital requirements are that of the Investec Bank Limited loan and previously Nedbank Limited loan. The group has complied with all the requirements present for the years 31 March 2015 and 2014, as detailed in note 23.

	Year to 31 March 2015 R	Year to 31 March 2014 R
32 Financial instruments (continued)		
Capital risk management (continued)		
The group's net debt to equity ratio as at the end of the reporting period was as follows:		
Interest-bearing debt	**361 116 221**	393 550 623
Less: Cash and cash equivalents	**(72 546 393)**	(69 556 044)
Net debt	**288 569 828**	323 994 579
Total equity	**838 257 626**	916 216 589
Net debt to equity ratio	**34%**	35%

Market risk

(i) Foreign exchange risk

The group is exposed to foreign exchange risk primarily with respect to the USD. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The group is mainly exposed to foreign exchange risk arising from borrowings denominated in a currency other than the functional currency. The group generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

	Group		Company	
	Year to 31 March 2015 USD	Year to 31 March 2014 USD	**Year to 31 March 2015 USD**	Year to 31 March 2014 USD
Exposure to foreign exchange risk				
Unsecured loans	**5 517 161**	5 824 323	**–**	–
Net exposure	**5 517 161**	5 824 323	**–**	–

	Average for the year 2015	**Year-end spot rate 2015**	Average for the year 2014	Year-end spot rate 2014
ZAR to USD	**11.06**	**12.08**	10.11	10.57

Sensitivity analysis

The group has reviewed its foreign currency exposure on financial assets and financial liabilities and has identified the following sensitivities for a 10% change in the exchange rate that will impact profit before tax. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis as in 2014.

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
ZAR against the USD				
Increase by 10%	**(6 666 551)**	(6 155 611)	**–**	–
Decrease by 10%	**6 666 551**	6 155 611	**–**	–

Notes to the financial statements continued
for the year ended 31 March 2015

32 Financial instruments (continued)

Market risk (continued)

(ii) Cash flow and fair value interest rate risk

Working capital and capital expenditure requirements are funded through cash generated by operations and the loan facilities provided to group entities. The group's interest rate risk arises mainly from long-term borrowings, cash and bank balances, restricted cash and restricted investments. The group has mainly variable interest rate borrowings. Variable rate borrowings expose the group to cash flow interest rate risk that will impact profit or loss. The group has not entered into any agreements, such as hedging, to manage this risk. The group's Risk Committee meets at least quarterly to specifically address and manage these risks.

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown in the table below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as in 2014.

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
Increase by 100 basis points	**(2 376 667)**	(2 489 276)	**6 769 246**	6 885 795
Decrease by 100 basis points	**2 376 667**	2 489 276	**(6 769 246)**	(6 885 795)

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates the periods in which they mature:

	Fixed or variable rate	Total R	Maturing – less than six months[1] R	Maturing – between six months and one year[1] R	Maturing – one to five years[1] R	Maturing – over five years[1] R
Group						
At 31 March 2015						
Financial assets						
Restricted investments	Variable	**68 305 506**	**–**	**–**	**–**	**68 305 506**
Restricted cash[2]	Variable	**10 780 613**	**–**	**–**	**10 780 613**	**–**
Short-term deposits	Variable	**959**	**959**	**–**	**–**	**–**
Cash in bank and on hand	Variable	**72 545 434**	**72 545 434**	**–**	**–**	**–**
		151 632 512	**72 546 393**	**–**	**10 780 613**	**68 305 506**
Financial liabilities						
Borrowings	Fixed/variable	**361 116 221**	**43 501 832**	**65 873 476**	**251 740 913**	**–**
At 31 March 2014						
Financial assets						
Restricted investments	Variable	50 721 645	–	3 452 896	–	47 268 749
Restricted cash[2]	Variable	7 423 204	–	–	7 423 204	–
Short-term deposits	Variable	963	963	–	–	–
Cash in bank and on hand	Variable	69 555 081	69 555 081	–	–	–
		127 700 893	69 556 044	3 452 896	7 423 204	47 268 749
Financial liabilities						
Borrowings	Fixed/variable	393 550 623	33 653 678	18 059 174	341 837 771	–

[1] *It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.*

[2] *These deposits are invested in rolling short-term deposits, but are pledged against Mining or Prospecting Right guarantees, Mining Permit guarantees, payment guarantees and a property transfer guarantee which all have different maturity dates.*

32 Financial instruments (continued)

Market risk (continued)

	Fixed or variable rate	Total R	Maturing – less than six months[1] R	Maturing – between six months and one year[1] R	Maturing – one to five years[1] R	Maturing – over five years[1] R
Company						
At 31 March 2015						
Financial assets						
Restricted cash[3]	Variable	**1 418 581**	**–**	**–**	**1 418 581**	**–**
Loans to subsidiaries	Variable	**201 680 704**	**–**	**–**	**201 680 704**	**–**
Preference shares in subsidiaries	Variable	**502 194 256**	**30 000 000**	**30 000 000**	**442 194 256**	**–**
Short-term deposits	Variable	**959**	**959**	**–**	**–**	**–**
Cash in bank and on hand	Variable	**2 159 542**	**2 159 542**	**–**	**–**	**–**
		707 454 042	**32 160 501**	**30 000 000**	**645 293 541**	**–**
At 31 March 2014						
Financial assets						
Restricted cash[3]	Variable	1 418 581	–	–	1 418 581	–
Loans to subsidiaries	Variable	140 089 881	–	–	140 089 881	–
Preference shares in subsidiaries	Variable	502 767 295	36 000 000	36 000 000	430 767 295	–
Short-term deposits	Variable	963	963	–	–	–
Cash in bank and on hand	Variable	2 118 375	2 118 375	–	–	–
		646 395 095	38 119 338	36 000 000	572 275 757	–

(1) *It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.*

(3) *These deposits are invested in rolling short-term deposits, but are pledged against guarantees that are valid over the life of a Prospecting Right/Mining Permit.*

(iii) Other price risk

The group is exposed to the risk of fluctuations in the fair value of its at fair value through profit or loss financial assets as a result of changes in market prices (other than changes in interest rates and foreign currencies). The company generally does not use any derivative instruments to manage this risk.

Sensitivity analysis

A 1% increase in the underlying JSE traded equity investments within units trust investments funds, with all other variables held constant, would have increased profit before tax by R0.7 million (2014: R0.5 million); an equal change in the opposite direction would have decreased profit or loss by R0.7 million (2014: R0.5 million). The analysis is performed on the same basis as in 2014. The financial assets to which these sensitivities have been performed are disclosed in note 17.

Commodity price sensitivity

Commodity price risk exists at the Vaalkrantz operation as disclosed in note 3.1. The group did not consider there to be any other significant concentration of commodity price risk, as the majority of sales are bound by negotiated rates for commodities that escalate annually based on a contractually agreed basket of indicators.

Fair value determination

Restricted investments, FECs and the IDC option are carried at fair value. The carrying values (less any impairment allowance) of restricted cash, cash and cash equivalents, investments and loans, trade and other receivables, borrowings (excluding IDC preference shares), vendor provision and trade and other payables are assumed to approximate their fair values. Refer to the table on page 170 for determination of financial assets and liabilities' fair values.

Notes to the financial statements continued

for the year ended 31 March 2015

32 Financial instruments (continued)

Market risk (continued)

(iii) Other price risk (continued)

The table below presents the group's fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly (that is, as prices) or indirectly (that is derived from prices); and

Level 3: Inputs for the asset that are not based on observable market data (that is unobservable inputs).

			Fair value		
	Accounting classification	Carrying amount R	Level 1 R	Level 2 R	Level 3 R
At 31 March 2015					
Group					
Financial assets					
Restricted investments	At fair value through profit or loss financial assets (designated)	**68 305 506**	**68 305 506**	**–**	**–**
Trade and other receivables (forward exchange contracts)	At fair value through profit or loss financial assets	**433 134**	**–**	**433 134**	**–**
Financial liabilities					
Short-term financial liabilities	At fair value through profit or loss financial liabilities	**67 816**	**–**	**67 816**	**–**
Borrowings (IDC preference shares)	Financial liabilities at amortised cost	**32 173 113**	**–**	**32 245 303**	**–**
Company					
Financial assets					
Loans to subsidiaries	Loans and receivables	**201 680 704**	**–**	**–**	**201 131 611**
Preference shares in subsidiaries	Loans and receivables	**502 194 256**	**–**	**–**	**591 241 618**
Financial liabilities					
Financial liabilities (financial guarantee contracts)	Financial liabilities at amortised cost	**19 373 883**	**–**	**15 903 440**	**–**
At 31 March 2014					
Group					
Financial assets					
Restricted investments	At fair value through profit or loss financial assets (designated)	47 268 749	47 268 749	–	–
Financial liabilities					
Long-term financial liabilities	At fair value through profit or loss financial liabilities	604 497	–	604 497	–
Borrowings (IDC preference shares)	Financial liabilities at amortised cost	27 989 417	–	29 643 243	–
Company					
Financial assets					
Loans to subsidiaries	Loans and receivables	140 089 881	–	–	152 588 181
Preference shares in subsidiaries	Loans and receivables	502 767 295	–	–	616 241 848

32 Financial instruments (continued)

Basis for determining fair values

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Interrelationship between unobservable inputs and fair value measurement
Financial assets Forward exchange contracts (FECs)	Valued by an independent financial institution using forward looking market rates until the realisation date of the relevant instruments.	• Forward looking market rates	The estimated fair value would (increase)/decrease pending changes to the unobservable inputs.
Financial assets Loans to subsidiaries Preference shares in subsidiaries	Discounted cash flows: considers the present value of the expected payments discounted using risk adjusted discount rates.	• Risk adjusted rate of 9.25% (2014: 9%) • Forecast repayment terms	The estimated fair value would (increase)/decrease pending changes to the unobservable inputs.
Financial liabilities Long-term/short-term financial liabilities (IDC option)	Refer to note 24 for the valuation technique used.	The value of the option is dependent on a factor of between one and five, which is linked to the date the preference shares are likely to be redeemed.	Refer to note 24 for additional interrelationships on the unobservable inputs.
Financial liabilities Financial liabilities (financial guarantee contracts)	A Hazard Rate Model was used to determine the default probabilities over the life of the loan. A discounted cash flow model was then used to determine the fair value of the expected cash flows.	• Credit spread of JIBAR plus 4% • Assumed recovery rate of 40% • Keaton Mining loan amortisation table • Interpolated ZAR interbank discount rates for the duration of the cash flows	The estimated fair value would (increase)/decrease pending changes to the unobservable inputs.
Financial liabilities Borrowings (IDC preference shares)	Discounted cash flows: considers the present value of the expected payments discounted using risk adjusted discount rates.	• Risk adjusted rate of 9.25% (2014: 9%) • Forecast repayment terms	The estimated fair value would (increase)/decrease pending changes to the unobservable inputs.

Notes to the financial statements continued
for the year ended 31 March 2015

33 Segment report for the year ended 31 March 2015

	Revenue		Operating profit/(loss) before depreciation/amortisation	
	Year to 31 March 2015	Year to 31 March 2014	**Year to 31 March 2015**	Year to 31 March 2014
Vanggatfontein Colliery[1][4]	**1 181 054 551**	1 127 215 331	**626 861 710**	545 060 021
Vaalkrantz Colliery[1][5]	**266 646 732**	245 389 932	**(88 810 932)**	2 118 963
Sterkfontein Project	**–**	–	**–**	–
Keaton Energy Holdings Limited[2]	**144 701 219**	108 178 337	**(26 702 168)**	59 272 739
Keaton Administrative and Technical Services Proprietary Limited[2]	**38 137 163**	26 468 973	**5 261 187**	(537 530)
Leeuw Braakfontein Project	**–**	–	**(8 643 883)**	(9 420 482)
Koudelager Project	**–**	–	**–**	–
Moabsvelden Project[2]	**87 500**	175 000	**635 262**	(278 288)
Other segments[2][3]	**225 000**	450 000	**(3 454 020)**	(1 745 230)
Total segments	**1 630 852 165**	1 507 877 573	**505 147 156**	594 470 193
Reconciliation to statements of profit or loss and other comprehensive income and financial position				
Intersegment, deferred taxation assets and liabilities and other consolidation adjustments	**(183 150 882)**	(135 272 310)	**(26 022 431)**	(95 705 524)
	1 447 701 283	1 372 605 263	**479 124 725**	498 764 669
Net finance cost[6]				
Net (loss)/profit before taxation				
Total assets and liabilities				

[1] *Revenue represents sales to external customers only.*
[2] *Revenue represents intersegment sales only.*
[3] *Includes the subsidiaries Amalahle Exploration Proprietary Limited, Labohlano Trading 46 Proprietary Limited, Ausco Finance Proprietary Limited, Ausco Services Proprietary Limited, Focus Coal Investments Proprietary Limited, Xceed Resources Limited, Klip Colliery and the Balgray Prospecting Rights.*
[4] *Coal sales to a major customer as a percentage of revenue exceeded 90% (31 March 2014: 92%).*
[5] *Coal sales to two major customers as a percentage of revenue amounted to 39% and 37% respectively (31 March 2014: 46% and 37%).*
[6] *Net finance cost is not reported as forming part of each segment's profit or loss as these are not measured or reported to the chief operating decision maker (CODM) in connection with the segment but rather on a collective company/group basis.*

Depreciation/amortisation		Operating profit/(loss) after depreciation/amortisation		Segment assets		Segment liabilities	
Year to 31 March 2015	Year to 31 March 2014	**Year to 31 March 2015**	Year to 31 March 2014	**At 31 March 2015**	At 31 March 2014	**At 31 March 2015**	At 31 March 2014
(423 026 499)	(308 632 449)	**203 835 211**	236 427 572	**937 240 995**	910 519 192	**1 150 738 857**	1 177 758 995
(18 327 526)	(39 417 314)	**(107 138 458)**	(37 298 351)	**137 443 556**	176 429 217	**357 638 745**	294 685 179
–	–	**–**	–	**66 014 112**	65 924 322	**72 702 768**	60 946 777
–	–	**(26 702 168)**	59 272 739	**961 940 903**	962 793 894	**23 966 952**	4 449 796
(899 670)	(583 951)	**4 361 517**	(1 121 481)	**17 254 237**	10 752 757	**47 865 641**	20 887 874
–	–	**(8 643 883)**	(9 420 482)	**305 464 569**	331 212 382	**98 613 931**	81 156 204
–	–	**–**	–	**26 140 496**	25 989 939	**–**	–
–	–	**635 262**	(278 288)	**339 984 582**	294 141 201	**72 453 903**	26 812 424
(17 524)	–	**(3 471 544)**	(1 745 230)	**333 232 451**	330 818 627	**113 421 178**	109 420 768
(442 271 219)	(348 633 714)	**62 875 937**	245 836 479	**3 124 715 901**	3 108 581 531	**1 937 401 975**	1 776 118 017
–	–	**(26 022 431)**	(95 705 524)	**(1 247 346 784)**	(1 236 714 149)	**(898 290 484)**	(820 467 224)
(442 271 219)	(348 633 714)	**36 853 506**	150 130 955	**1 877 369 117**	1 871 867 382	**1 039 111 491**	955 650 793
		(49 742 569)	(47 733 377)				
		(12 889 063)	102 397 578				
				1 877 369 117	1 871 867 382	**1 039 111 491**	955 650 793

Notes to the financial statements continued
for the year ended 31 March 2015

33 Segment report for the year ended 31 March 2015 (continued)

Vanggatfontein Colliery

The Vanggatfontein Colliery is an operating colliery in South Africa's Mpumalanga province, some 80km east of Johannesburg. The colliery first produced 5-seam coal in December 2010 with the production of 2- and 4-seam thermal coal following in June 2011. Vanggatfontein delivered 2 278 761 tonnes of washed 2- and 4-seam thermal coal to Eskom during the 2015 financial year (2014: 2 192 519 tonnes). 5-seam metallurgical coal sales increased to 126 107 tonnes in 2015 (2014: 97 635 tonnes).

Vaalkrantz Colliery

The Vaalkrantz Anthracite Colliery is near Vryheid in South Africa's KwaZulu-Natal province and has been in production since 2003. The colliery sold 395 450 tonnes of anthracite to domestic and international metallurgical markets during the 2015 financial year (2014: 303 837 tonnes).

Sterkfontein Project

Keaton Energy's Sterkfontein Project is located in the magisterial district of Bethal on the Highveld Coalfield in the Mpumalanga province. The project covers a total area of 8 020 hectares, for which a 90.9 million tonne coal resource has been declared. The 4-lower seam averages 1.93m in thickness over the total project area and will on average yield 43% export quality thermal coal and 22% domestic power station steam coal.

Leeuw Braakfontein Project

The Leeuw Braakfontein Project is located 10km south-east of Newcastle, KwaZulu-Natal. The project has a mining right and the group owns the surface rights. A resource of 60.1 million tonnes has been declared.

Moabsvelden Project

The Moabsvelden Project is located in South Africa's Mpumalanga province, in close proximity of the Vanggatfontein Colliery. First ROM production is planned to start by June 2016. A resource of 54.7 million tonnes and a reserve of 39.8 million tonnes have been declared.

Koudelager Project

The Koudelager Anthracite Project will provide future run-of-mine anthracite production to the Vaalkrantz Plant and is situated some 40km from the Vaalkrantz Colliery. A resource of 12.3 million tonnes has been declared.

Keaton Energy Holdings Limited

Keaton Energy Holdings Limited (KEHL) holds the group's interest in the operating subsidiaries and provides funding to those subsidiaries in terms of preference share subscription agreements and loan agreements entered into between each subsidiary and KEHL.

Keaton Administrative and Technical Services Proprietary Limited

Keaton Administrative and Technical Services, a 100% held subsidiary of KEHL, owns the group's head office assets and provides management, technical and administrative services to the group's operating and exploration subsidiaries.

Other segments

Other segments include the subsidiaries Amalahle Exploration Proprietary Limited, Labohlano Trading 46 Proprietary Limited, Ausco Finance Proprietary Limited, Ausco Services Proprietary Limited, Xceed Resources Limited, Focus Coal Investments Proprietary Limited, Klip Colliery and the Balgray Prospecting Rights.

Assets not allocated to segments

The other assets represent VAT receivables and deferred taxation assets and, due to their nature, are not allocated to the respective projects discussed above.

34 Remuneration of directors

The remuneration of the Executive Directors of the company is set out in the table below:

Executive Director	Basic salary R	Travel allowance R	Medical aid R	Group benefits R	Leave pay R	Performance bonuses R	Total R
2015							
Paid by the company:							
AB Glad	**3 201 668**	**–**	**91 467**	**182 019**	**962 848**	**3 484 615**	**7 922 617**
J Rossouw	**2 303 077**	**–**	**88 449**	**426 166**	**283 572**	**2 730 769**	**5 832 033**
	5 504 745	**–**	**179 916**	**608 185**	**1 246 420**	**6 215 384**	**13 754 650**
2014							
Paid by the company:							
AB Glad	2 687 049	240 000	83 682	150 807	–	1 300 000	4 461 538
J Rossouw	2 191 360	–	75 044	372 058	–	1 000 000	3 638 462
	4 878 409	240 000	158 726	522 865	–	2 300 000	8 100 000

The movement in the number of share options of the Executive Directors of the company is set out in the table below:

	Number of shares					
	Opening balance	Share options awarded during the year	Share options exercised/ lapsed during the year	Closing balance	Vesting dates	Offer price R
Executive Director						
AB Glad	569 727	–	–	569 727	30 Jun 13	4.67
AB Glad	1 134 989	–	–	1 134 989	31 Mar 14	2.52
AB Glad	1 017 855	–	–	1 017 855	30 Nov 14	2.81
AB Glad	1 284 431	–	–	1 284 431	31 Mar 15	3.34
AB Glad	3 150 000	–	–	3 150 000	31 Mar 16	1.44
AB Glad	–	750 389	–	750 389	25 Jun 17	N/A#
J Rossouw	355 872	–	–	355 872	30 Nov 14	2.81
J Rossouw	1 616 766	–	–	1 616 766	31 Mar 15	3.34
J Rossouw	2 087 250	–	–	2 087 250	31 Mar 16	1.44
J Rossouw	–	568 740	–	568 740	25 Jun 17	N/A#
	11 216 890	1 319 129	–	12 536 019		

Refer to note 21 for a detailed discussion on the recognition and measurement of share options under the 2013 share plan.

Notes to the financial statements continued
for the year ended 31 March 2015

34 Remuneration of directors (continued)

	Number of shares					
	Opening balance	Share options awarded during the year	Share options exercised/ lapsed during the year	Closing balance	Vesting date	Offer price R
Non-Executive Director						
JD Salter*	2 000 000	–	–	2 000 000	31 Mar 16	1.44
	2 000 000	–	–	2 000 000		

* *Allocated to Dr JD Salter during his appointment as Executive Chairman during the 2013 financial year.*

The remuneration of the Non-Executive Directors of the company is set out in the table below:

	Board member fees R	Committee fees R	Total R
Non-executive director			
2015			
JD Salter	**327 887**	**241 250**	**569 137**
D Jonker##	**72 864**	**13 662**	**86 526**
GH Kemp	**303 113**	**256 720**	**559 833**
LX Mtumtum	**303 113**	**286 717**	**589 830**
P Pouroulis	**303 113**	**74 539**	**377 652**
OP Sadler	**303 113**	**180 627**	**483 740**
APE Sedibe	**303 113**	**201 917**	**505 030**
JHM Schurink**	**303 113**	**74 406**	**377 519**
M Witteveen***	**183 616**	**43 250**	**226 866**
	2 403 045	**1 373 088**	**3 776 133**
2014			
JD Salter	287 918	224 129	512 047
D Jonker##	287 918	53 985	341 903
GH Kemp	287 918	173 364	461 282
LX Mtumtum	287 918	230 555	518 473
P Pouroulis	287 918	71 670	359 588
OP Sadler	287 918	137 070	424 988
APE Sedibe	287 918	114 857	402 775
JHM Schurink**	22 522	–	22 522
	2 037 948	1 005 630	3 043 578

Mr D Jonker resigned with effect from 1 July 2014.
** *Appointed 7 March 2014 and resigned on 30 June 2015.*
*** *Appointed 5 September 2014.*

	Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R
35 Related-party transactions		
Unless stated otherwise, all related-party transactions are concluded at arm's length in the normal course of business. All material intergroup transactions are eliminated on consolidation. The following transactions were carried out with related parties:		
Subsidiaries		
Keaton Administrative and Technical Services Proprietary Limited (100% subsidiary)		
• Intercompany loan balance (interest-free)	**8 472 369**	6 606 577
• Intercompany loan balance (interest at prime)	**7 845 270**	7 159 976
• Interest on interest-bearing loan balance	**685 293**	586 956
• Management fee paid to Keaton Energy (excluding VAT) – management, administration and accounting services	**4 162 718**	3 149 859
Keaton Mining Proprietary Limited (74% subsidiary)		
• Preference share investment balance (dividends at three months JIBAR + 4%)	**487 694 256**	473 471 536
• Interest on preference share investment (dividends at three months JIBAR + 4%)	**65 750 326**	69 182 251
• Interest on interest-bearing loan balance	**–**	11 014 700
• Pledge and cession of cash for the issue of guarantees on behalf of Keaton Mining Proprietary Limited	**933 409**	933 409
• Financial guarantee contract balance	**19 373 883**	–
• Amortisation of financial guarantee	**5 054 057**	–
Amalahle Exploration Proprietary Limited (74% subsidiary)		
• Preference share investment balance (dividends at prime + 5% – not accrued)	**9 200 000**	8 000 000
• Interest on preference share investment (dividends at prime + 5%)	**500 000**	3 091 000
• Intercompany loan balance (interest at prime + 2%)	**361 588**	–
• Interest on interest-bearing loan balance	**18 607**	–
• Pledge and cession of cash for the issue of guarantees on behalf of Amalahle Exploration Proprietary Limited	**360 000**	360 000
Mafla Coal Proprietary Limited (74% subsidiary)		
• Preference share investment balance (dividends at prime + 5% – not accrued)	**3 900 000**	3 900 000
• Intercompany loan balance (interest at prime + 2% not accrued)	**690 969**	690 969
• Pledge and cession of cash for the issue of guarantees on behalf of Mafla Coal Proprietary Limited	**125 172**	125 172
Labohlano Trading 46 Proprietary Limited (74% subsidiary)		
• Preference share investment balance (dividends at prime + 5% – not accrued)	**13 300 000**	12 300 000
• Intercompany loan balance (interest at prime + 2%)	**479 614**	101 185
• Interest on interest-bearing loan balance	**18 536**	11 745
Leeuw Mining and Exploration Proprietary Limited (74% subsidiary)		
• Preference share investment balance (dividends at prime + 5%)	**21 174 678**	16 995 834
• Intercompany loan balances	**22 141 420**	12 625 390
• Intercompany loan balance (interest at prime + 2%)	**73 340 660**	34 891 384
• Intercompany loan balance (interest at 90-day JIBAR + 7%)	**81 029 486**	71 298 850
• Instalment sale agreements (interest at prime)	**10 317 600**	10 389 977
• Interest on interest-bearing loan balances	**24 304 888**	16 873 138
• Interest on preference share investment	**4 178 844**	3 306 260
• Interest on instalment sale agreement	**945 218**	962 428

Notes to the financial statements continued
for the year ended 31 March 2015

	Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R
35 Related-party transactions (continued)		
Izwi Coal Proprietary Limited (60% subsidiary)		
• Intercompany loan balance (interest-free)	**3 014**	3 014
• Preference share investment balance (dividends at prime + 5% – not accrued)	**860 000**	860 000
Intshe Coal Proprietary Limited (60% subsidiary)		
• Intercompany loan balance (interest-free)	**1 022 087**	1 022 087
Rafcoal Mining Proprietary Limited (74% subsidiary)		
• Intercompany loan balance (interest-free)	**179 940**	179 940
Xceed Resources Limited (100% subsidiary)		
• Intercompany loan balance (interest-free)	**6 234 258**	5 573 667
Ausco Services Proprietary Limited*		
• Intercompany loan balance (interest-free)	**–**	1 578 107
Neosho Trading 86 Proprietary Limited (74% subsidiary)		
• Intercompany loan balance (interest-free)	**37 610 309**	–

* *100% subsidiary of Xceed Resources Limited.*

	Group		Company	
	Year to 31 March 2015 R	Year to 31 March 2014 R	**Year to 31 March 2015 R**	Year to 31 March 2014 R
Transactions with other related parties				
Roodepoort HMPL Proprietary Limited[(1)]				
• Interest-free loan with no fixed terms of repayment	**2 528 130**	2 502 343	**–**	–
Bankfontein HMPL Proprietary Limited[(1)]				
• Interest-free loan with no fixed terms of repayment	**2 688 369**	2 650 134	**–**	–
Arxo Logistics Proprietary Limited				
• Rental paid	**54 868**	–	**–**	–
Gunvor SA				
• Anthracite sales	**130 909 547**	112 530 520	**–**	–
Vizirama Proprietary Limited				
• Material handling and transportation	**35 903 398**	26 169 297	**–**	–
• Interest-free loan	**–**	1 500 000	**–**	–
• Payables	**5 300 846**	2 715 557	**–**	–
JPI Leeuw and Associates Proprietary Limited[(2)]				
• Purchase consideration	**25 394 980**	4 435 961	**–**	4 435 961
Andisa Capital Proprietary Limited				
• Foreign exchange risk management	**–**	390 198	**–**	390 198
Outstanding balances with other related parties				
Gunvor SA				
• (Payable)/receivable – The balances are unsecured, interest-free and payable within 30 days of invoice date	**(381 191)**	5 250 000	**–**	–

[(1)] *15% equity investment held. Included in investments and loans on the statement of financial position.*
[(2)] *Refer to note 19.2 for additional disclosure.*

35 Related-party transactions (continued)

Key management compensation

Refer to notes 7 and 34. Key management includes the Executive Directors of the company and the Chief Operating Officer.

Interest of directors in contracts

P Pouroulis and JD Salter are directors of Tharisa Minerals Limited (Tharisa). Arxo Logistics Proprietary Limited, which is the wholly owned subsidiary of Tharisa, sublet a portion of Eland House,The Braes, 3 Eaton Road, Bryanston, 2021, to Keaton Administration and Technical Services Proprietary Limited (KATS), a subsidiary of the company. Arxo earned rental income from the letting of the property. The lease is for 31 months commencing on 1 October 2014 and covered a total floor area of 57.63m^2.

APE Sedibe is a director of Andisa Capital Proprietary Limited. Andisa Capital Proprietary Limited supplied foreign exchange risk management services to Keaton Energy.

W Leeuw and A Leeuw resigned as directors of Leeuw Mining and Exploration Proprietary Limited on 31 March 2014. They are shareholders and directors of Vizirama Proprietary Limited (Vizirama). Vizirama supplied material handling equipment rentals to the group.

General

Some of the directors of Keaton Energy are also directors of its subsidiaries. Various shareholders' agreements, funding agreements and management agreements exist between the group's entities.

Other than the interest of directors in contracts listed above, no director of Keaton Energy has any material beneficial interests, whether direct or indirect, in transactions that were effected by the group during the current or immediate preceding financial year, that remain in any respect outstanding or unperformed.

36 Subsidiary companies

Keaton Energy's interests in subsidiary companies at 31 March 2015 were as follows:

	% shareholding
Keaton Administrative and Technical Services Proprietary Limited	100
Keaton Mining Proprietary Limited	74
Amalahle Exploration Proprietary Limited	74
Labohlano Trading 46 Proprietary Limited	74
Leeuw Mining and Exploration Proprietary Limited	74
Leeuw Braakfontein Colliery Proprietary Limited*	74
Leeuw Koudelager Colliery Proprietary Limited*	74
Leeuw Vaalkrantz Colliery Proprietary Limited*	74
Xceed Resources Limited	100
Focus Coal Investments Proprietary Limited**	100
Neosho Trading 86 Proprietary Limited**	74
Ausco Finance Proprietary Limited**	100
Ausco Services Proprietary Limited**	100
Izwi Coal Proprietary Limited	60
Rafcoal Mining Proprietary Limited	74
Intshe Coal Proprietary Limited	60
Mafla Coal Proprietary Limited	74

* *Indirect (subsidiaries of Leeuw Mining and Exploration Proprietary Limited).*

** *Indirect (subsidiaries of Xceed Resources Limited).*

Notes to the financial statements continued

for the year ended 31 March 2015

37 Dividends

No dividends have been declared nor are any proposed for the year ended 31 March 2015 (31 March 2014: R nil).

38 Going concern

At 31 March 2015, the company and group had adequate funding resources to continue to operate for the foreseeable future and have therefore continued to adopt the going-concern basis in preparing the financial statements. Funding resources are in the form of coal sales secured through Eskom and other off-take agreements, the directors' authority to issue further shares for cash and overdraft facilities. The company has subordinated its claims against a number of its subsidiaries in favour and for the benefit of other creditors of these companies, subject to certain claims and conditions as set out in the subordination agreements.

39 Significant events after 31 March 2015 up to the date of this report

(i) Mr JHM Schurink resigned as a Non-Executive Director with effect from 30 June 2015. Mr HG Mai was appointed as a Non-Executive Director with effect from 1 July 2015.

(ii) Subsequent to year-end the company entered into a share purchase agreement with JPI to acquire the remaining 8% of the equity interest held by JPI in Leeuw Mining and Exploration Proprietary Limited for a purchase consideration of R11 million. Up to date of this report the acquisition of this equity interest has not yet become effective.

(iii) During June 2015 the company entered into a Termination and Sale agreement in terms of which, subject to the fulfilment of certain conditions precedent (including, *inter alia,* approval being obtained from the Board of Directors of the various parties, compliance with the JSE Listings Requirements and the relevant provisions of the Companies Act, 2008), the external shareholder (Camden Bay Investments 64 Proprietary Limited) sold its 26% interest in Amalahle to the company for a purchase consideration of R1 million.

This transaction has been completed resulting in the company being the 100% shareholder of Amalahle.

(iv) During July 2015 the company entered into an agreement with the external shareholder (Moneybox Investments 156 Proprietary Limited (Moneybox)) and Labohlano in terms of which, subject to the fulfilment of certain conditions precedent (including, *inter alia*, approval being obtained from the Board of Directors of the various parties, exemption from the Takeover Regulations Panel from compliance with Part B and C of chapter 5 of the Companies Act, 2008 by Moneybox (the minority shareholder in Labohlano) and shareholder approval from Moneybox):

- The company exchanged 22 of the ordinary shares held by Moneybox in Labohlano for 3 819 900 new ordinary shares in the company at an issue price of R2.3687 per share; and
- The company purchased the remaining four ordinary shares held by Moneybox in Labohlano for a cash purchase consideration of R1.5 million.

This transaction has been completed resulting in the company being the 100% shareholder of Labohlano.

(v) During July 2015 the company and its subsidiary Keaton Mining concluded an agreement with Moneybox regarding the grant of call options by the company and Keaton Mining to Moneybox to acquire all of the ordinary shares, preference shares and associated preference dividends rights held by the company in Labohlano, and the prospecting rights and related geological and technical reports owned by Keaton Mining relating to the Sterkfontein Project. The total purchase price for the sale will be R152 million plus accrued preference dividends to the effective date. The options shall only become effective on the fulfilment of the last condition precedent (including, *inter alia*, approval being obtained from the Board of Directors of the various parties, shareholders' approval, compliance with the JSE Listings Requirements and the relevant provisions of the Companies Act, 2008 and approval being obtained from Investec Bank Limited in accordance with Keaton Mining's facility agreement). Up to the date of this report the options have not yet become effective.

(vi) Subsequent to year-end the company and Rutendo Mining Proprietary Limited (Rutendo Mining), a related party, concluded an agreement, subject to the fulfilment of certain conditions precedent (including, *inter alia*, approval being obtained from the Board of Directors of the various parties, shareholders' approval, compliance with the JSE Listings Requirements and the relevant provisions of the Companies Act and approval being obtained from Investec Bank Limited in accordance with Keaton Mining's facility agreement), whereby Rutendo Mining will exchange its 26% shareholding in Keaton Mining for 21.83% of the issued shares of the company. Rutendo Mining will subscribe for 63 731 714 fully paid up Keaton Energy shares at R2.3638 per Keaton Energy share equalling R150.6 million. In addition a cash payment of R6 million, payable in six equal interest-free monthly instalments commencing on 29 January 2016 will be made to Rutendo Mining.

This transaction has not yet been completed by the date of this report.

39 Significant events after 31 March 2015 up to the date of this report (continued)

(vii) The Vaalkrantz operation continued experiencing challenging geological conditions subsequent to year-end. This, coupled with the closure of two production sections as a result of safety and difficult mining conditions, continued depressed coal prices, increased costs and lower than expected yields resulted in the Board of Directors of the company resolving to dispose of the Vaalkrantz operation. In addition a decision was taken to also dispose of the Balgray Project and the Koudelager Project. The reason for disposing of the two projects is that they are seen as life extensions to the Vaalkrantz operation, which will utilise the existing infrastructure on Vaalkrantz. As a result the assets to be disposed of will have to be tested for impairment in terms of IAS 36 before being classified as held-for-sale in terms of IFRS 5, based on a non-binding offer received management estimates that this will result in an impairment loss of approximately R82.2 million for the group (company: Rnil).

40 Directors' interest in stated capital

	Nature of interest	Number of ordinary shares	Percentage of issued stated capital as at year-end
Director			
31 March 2015			
P Pouroulis#	Indirect, beneficial	**43 738 428**	**19.49**
JD Salter#	Indirect, beneficial	**2 450 000**	**1.09**
APE Sedibe#	Indirect, beneficial	**3 166 723**	**1.41**
AB Glad	Indirect, beneficial	**3 042 537**	**1.36**
OP Sadler#	Direct, beneficial	**114 285**	**0.05**
		52 511 973	**23.40**
31 March 2014			
P Pouroulis#	Indirect, beneficial	41 688 428	18.59
JD Salter#	Indirect, beneficial	2 450 000	1.09
APE Sedibe#	Indirect, beneficial	3 166 723	1.41
AB Glad	Indirect, beneficial	3 042 537	1.36
OP Sadler#	Direct, beneficial	114 285	0.05
		50 461 973	22.50

Non-Executive Director

There has been no material change in the directors' interest in the stated capital of the company between the end of the financial year and the date of approval of the Annual Financial Statements.

41 Directors' service contracts

Executive Directors' service contracts

The terms and conditions regulating the provision of services by the Executive Directors to the company are regulated by employment contracts with the company or its subsidiaries. All Executive Directors have identical rolling employment contracts containing a six-month notice period. Where appropriate and applicable to the position, a restraint of trade agreement will be entered into. The terms and conditions contained in the agreements entered into with the Executive Directors are normal for agreements of this nature. Unless termination of employment occurs as a result of the misconduct or poor performances of the Executive Director or his resignation or retirement (other than under circumstances of constructive dismissal), upon termination of employment the Executive Director shall be entitled to a severance payment equal to six months' remuneration, less any other payments made or becoming due to the Executive Director as a result of the termination of employment.

Non-Executive Directors' service contracts

The terms and conditions regulating the provision of services by the Non-Executive Directors to the company are regulated by service contracts with the company or its subsidiaries. All Non-Executive Directors have identical rolling service contracts. Save for restrictions concerning the non-solicitation of staff for a period of 12 months after termination of service, the service contracts do not contain any restraint of trade provisions. The terms and conditions contained in the agreements entered into with the Non-Executive Directors are normal for agreements of this nature.

Shareholders' information

Shareholders' information

9

Analysis of shareholders

As at 31 March 2015

31 March 2015

Analysis of ordinary shareholders	Number of shareholders	Number of shares	Percentage of issued share capital
Holdings of <100 000 shares	2 216	17 790 326	7.93%
Holdings of 100 000 to 499 999	78	14 480 695	6.45%
Holdings of 500 000 to 999 999	12	8 900 960	3.97%
Holdings of 1 000 000 to 4 999 999	16	34 888 848	15.54%
Holdings >5 000 000	7	148 381 813	66.11%
Total	**2 329**	**224 442 642**	**100.00%**

Major shareholders	Number of shares	Percentage of issued share capital
Shareholders holding 10% or more		
Plusbay Limited	78 476 411	34.97%
Shareholders holding 5% or more		
Langa Trust	19 208 428	8.56%
The Axel Trust	18 480 000	8.23%
Mrs Artemis Pouroulis	14 898 714	6.64%
Shareholders holding less than 5%		
Other shareholders	93 379 089	41.60%
	224 442 642	**100.00%**

Public and non-public shareholders	Number of shareholder accounts	Number of shares	Percentage of issued share capital
Public	2 322	93 453 361	41.64%
Non-public			
Directors and associates	6	52 512 870	23.40%
Persons interested (other than directors), directly or indirectly, in 10% or more	1	78 476 411	34.96%
Total	**2 329**	**224 442 642**	**100.00%**

Shareholders' diary

Financial year-end	31 March 2015
Preliminary annual results announcement	24 June 2015
Annual report posted	30 September 2015
Annual General Meeting	30 October 2015
Interim results announcement	November 2015

Notice of Annual General Meeting

Keaton Energy Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 2006/011090/06)
JSE share code: KEH ISIN: ZAE000117420
(Keaton Energy or the company or the group)

Notice is hereby given that the Annual General Meeting of shareholders of Keaton Energy Holdings Limited (the company) will be held at 10:00 on Friday, 30 October 2015 at Indigo 2, Ground Floor, The Forum, Wanderers Building, The Campus (Dimension Data), 57 Sloane Street (corner Main Street), Bryanston to consider and, if deemed fit, adopt with or without modification, the ordinary and special resolutions as set out in this notice of Annual General Meeting and to deal with such other business as may be dealt with at the Annual General Meeting.

The Board of Directors of the Company (the Board) has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 71 of 2008, as amended (the Companies Act), the record date for the purpose of determining which shareholders are entitled to participate in and vote at the Annual General Meeting is Friday, 23 October 2015. Accordingly, the last day to trade in the company's shares in order to be recorded in the register to be entitled to vote will be Friday, 16 October 2015.

Shareholders are advised that, in terms of section 63(1) of the Companies Act, any person attending or participating in an Annual General Meeting of shareholders must present reasonably satisfactory identification before being entitled to participate in and vote at the Annual General Meeting and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or proxy for a shareholder) has been reasonably verified. Forms of identification that will be accepted include original and valid identity documents, driver's licences or valid passports.

Presentation of group social and ethics committee report

In accordance with regulation 43(5)(c) of the Companies Act, the Social and Ethics Committee's Report included in this Integrated Annual Report on page 96 will be presented to shareholders at the Annual General Meeting.

RESOLUTIONS FOR CONSIDERATION AND ADOPTION
ORDINARY RESOLUTIONS: ORDINARY BUSINESS

1. Ordinary resolution number 1

Acceptance of Annual Financial Statements

"RESOLVED THAT the audited Annual Financial Statements of the company and its subsidiaries for the year ended 31 March 2015, including the Directors' Report, Audit Committee's Report and Independent Auditor's Report as required in terms of section 30(3)(d) of the Companies Act be and is hereby received and accepted."

Additional information in relation to ordinary resolution number 1

The complete audited Annual Financial Statements of the company and the group for the year ended 31 March 2015, including the Directors' Report, Audit Committee's Report and Independent Auditor's Report are included in the Integrated Annual Report on pages 100 to 181 of which this notice of Annual General Meeting forms part.

The shareholders are advised that the company's complete audited Annual Financial Statements for the years ended 31 March 2014 and 31 March 2015 are available on the company's website at the following address: www.keatonenergy.co.za and will be available for a period of no less than 12 months from the date of this notice.

Notice of Annual General Meeting continued

2. Ordinary resolution number 2 (comprising ordinary resolution numbers 2.1 and 2.2, all inclusive)

Re-election of director

"RESOLVED THAT by way of separate ordinary resolutions, each of:

2.1 MT Witteveen, who retires in terms of the company's Memorandum of Incorporation and who, being eligible and available for re-election, be and is hereby re-elected as a Non-Executive Director of the company.

2.2 HG Mai, who retires in terms of the company's Memorandum of Incorporation and who, being eligible and available for re-election, be and is hereby re-elected as a Non-Executive Director of the company."

Additional information in respect of ordinary resolution number 2

In terms of clause 32.5.1.2 of the company's Memorandum of Incorporation, the Board has the power to appoint any person as an additional director to the Board, provided that such appointment is confirmed by the shareholders of the company, in accordance with clause 32.2.1 of the company's Memorandum of Incorporation, at the next Annual General Meeting of the company.

Mr MT Witteveen and Mr HG Mai were appointed by the Board as additional directors to the Board on 5 September 2014 and 1 July 2015 respectively. Accordingly, both Mr MT Witteveen and Mr HG Mai are required, in terms of the company's Memorandum of Incorporation, to retire at the next Annual General Meeting of the company, but are eligible for re-election. Both Mr MT Witteveen and Mr HG Mai, being eligible, have offered themselves for re-election.

The reason for the proposed ordinary resolution number 2 is to elect, in accordance with the company's Memorandum of Incorporation and by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required by section 68(1) of the Companies Act, both Mr MT Witteveen and Mr HG Mai as directors of the company.

3. Ordinary resolution number 3 (comprising ordinary resolution numbers 3.1 to 3.3, all inclusive)

Re-election of director

"RESOLVED THAT by way of separate ordinary resolutions, each of:

3.1 LX Mtumtum, who retires by rotation at this Annual General Meeting in accordance with the company's Memorandum of Incorporation and who, being eligible and available for re-election, be and is hereby re-elected as Lead Independent Non-Executive Director of the company.

3.2 GH Kemp, who retires by rotation at this Annual General Meeting in accordance with the company's Memorandum of Incorporation and who, being eligible and available for re-election, be and is hereby re-elected as a Non-Executive Director of the company.

3.3 OP Sadler, who retires by rotation at this Annual General Meeting in accordance with the company's Memorandum of Incorporation and who, being eligible and available for re-election, be and is hereby re-elected as a Non-Executive Director of the company."

Additional information in respect of ordinary resolution number 3

In terms of clause 32.3.3 of the company's Memorandum of Incorporation one-third of the Non-Executive Directors of the company for the time being are required to retire from office at each Annual General Meeting. The directors of the company to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as directors of the company on the same day, those to retire shall, unless otherwise agreed among themselves, be determined by lot. A retiring director shall be eligible for re-election.

Mr LX Mtumtum, Mr GH Kemp and Mr OP Sadler all retire in accordance with clause 32.3.3 of the company's Memorandum of Incorporation and, being eligible offer themselves for re-election.

The reason for the proposed ordinary resolution number 3 is to elect, in accordance with the company's Memorandum of Incorporation and by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required by section 68(1) of the Companies Act, Mr LX Mtumtum as Lead Independent Non-Executive Director of the company and Mr GH Kemp and Mr OP Sadler as Non-Executive Directors of the company.

The Board recommends to shareholders the re-election of each of the retiring directors as set out in ordinary resolution number 2 and number 3.

A brief *curriculum vitae* in respect of each director referred to in ordinary resolution numbers 2 and 3 above appears on pages 86 and 87 of the Integrated Annual Report of which this notice of Annual General Meeting forms part.

4. Ordinary resolution number 4 (comprising ordinary resolution numbers 4.1 to 4.3, all inclusive)

Re-election of the Audit Committee member and Chairman

"RESOLVED THAT, by way of separate ordinary resolutions:

4.1 Mr LX Mtumtum, be and is hereby re-elected as a member and Chairman of the company's Audit Committee;

4.2 Mr GK Kemp, be and is hereby re-elected as a member of the company's Audit Committee;

4.3 Mr OP Sadler, be and is hereby re-elected as a member of the company's Audit Committee;

in terms of section 94(2) of the Companies Act to hold office until the next Annual General Meeting of the company and to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and King Report on Governance for South Africa 2009 (King III) and to perform such other duties and responsibilities as may from time to time be delegated by the Board for the company and all of its subsidiary companies."

Additional information in respect of ordinary resolution number 4

In terms of section 94(2) of the Companies Act, a public company must at each Annual General Meeting elect an Audit Committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Companies Act. In terms of Regulation 42 of the Companies Act Regulations, 2011, one-third of the members of the Audit Committee must have appropriate academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resources management.

A brief *curriculum vitae* of each of the Independent Non-Executive Directors mentioned in ordinary resolution number 4 appears on pages 86 and 87 of the Integrated Annual Report of which this notice of Annual General Meeting forms part.

The Board is satisfied that the proposed members of the Audit Committee meet all requirements of section 94(4) of the Companies Act and that they are independent according to King III and that they possess the required qualifications and experience as prescribed in the Companies Act Regulations, 2011.

5. Ordinary resolution number 5

Re-appointment of external auditors

"RESOLVED THAT KPMG Inc. (with Mr Willem Pretorius being the designated auditor), be and is hereby reappointed as the external auditors of the company and of the group for the financial year ending 31 March 2016 and to hold office until conclusion of the next Annual General Meeting of the company, and that their remuneration for the financial year ending 31 March 2016 be determined by the Audit Committee."

Additional information in respect of ordinary resolution number 5

In accordance with section 90(1) of the Companies Act, KPMG Inc. is proposed to be reappointed as the external auditors of the company, as nominated by the company's Audit Committee, until the conclusion of the company's next Annual General Meeting. The Audit Committee conducted an assessment of the performance and the independence of the external auditors and considered whether or not the external auditors comply with the requirements of sections 90(2) and 90(3) of the Companies Act and section 22 of the JSE Limited (JSE) Listings Requirements and the Board considered and accepted the findings.

The Board is satisfied that the proposed external auditors, being KPMG Inc., and Mr Willem Pretorius, the individual registered auditor, who will undertake the audit of the company and the group for the financial year ending 31 March 2016, comply with the relevant provisions of the Companies Act and are duly accredited by the JSE.

The percentage of voting rights required for ordinary resolution numbers 2, 3, 4 and 5 to be adopted is more than 50% of the voting rights exercised on such resolution.

Notice of Annual General Meeting continued

Ordinary resolutions: special business

6. Ordinary resolution number 6

Control of authorised but unissued shares

"RESOLVED THAT the authorised but unissued shares in the capital of the company limited to 15% of the number of listed equity securities in issue at the date of this notice being 228 262 542 ordinary shares, be and are hereby placed under the control and authority of the directors and that they be and are hereby authorised to allot, issue, grant options over and otherwise dispose of such shares to such persons on such terms and conditions and at such times as they may from time to time and at their discretion deem fit, subject to the provisions of the Companies Act, as may be amended from time to time, the company's Memorandum of Incorporation and the JSE Listings Requirements. Such authority shall be valid until the date of the next Annual General Meeting of the company or for 15 (fifteen) months from the date on which ordinary resolution number 6 is adopted, whichever period is shorter."

Additional information in respect of ordinary resolution number 6

The reason for ordinary resolution number 6 is that in terms of the company's Memorandum of Incorporation and subject to the provisions of the Companies Act, as may be amended from time to time and the JSE Listings Requirements, the shareholders of the company may authorise the directors to allot, issue, grant options over or otherwise dispose of such shares, as the directors in their discretion deem fit. The effect of ordinary resolution number 6 is to ensure that the directors have the necessary flexibility to allot and issue shares and grant options as they deem fit. It is noted that an issue as contemplated in sections 41(1) and (3) of the Companies Act must first be approved by way of special resolution in terms of section 41 of the Companies Act and is not authorised in terms of this resolution.

The percentage of voting rights required for ordinary resolution number 6 to be adopted is more than 50% of the voting rights exercised on such resolution.

7. Ordinary resolution number 7

General authority to issue shares for cash

"RESOLVED THAT, subject to ordinary resolution number 6 being passed, the directors of the company be and are hereby authorised, by way of a general authority, to allot and issue shares (and/or any options or convertible securities) for cash to such persons on such terms and conditions as the directors may from time to time in their discretion deem fit, subject to the provisions of the company's Memorandum of Incorporation, the Companies Act, as may be amended from time to time and the JSE Listings Requirements and subject to the following limitations, namely that:

- The equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- Any such issue will only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties, unless the JSE otherwise agrees;
- In respect of securities which are the subject of the general issue of shares for cash, such issue may not exceed 34 239 381 (thirty-four million, two hundred and thirty nine thousand, three hundred and eighty one), representing 15% (fifteen percent) of the number of listed equity securities in issue as at the date of this notice being 228 262 542 ordinary shares, provided that:
  - any equity securities issued under this authority during the period must be deducted from the number above;
  - in the event of a sub-division or consolidation of issued equity securities during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio;
  - the calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the notice of Annual General Meeting, excluding treasury shares;
- This authority shall be valid until the company's next Annual General Meeting or for 15 (fifteen) months from the date on which this ordinary resolution is adopted, whichever period is shorter;
- A SENS announcement giving full details of the issue, will be published at the time of any issue representing, on a cumulative basis within the period of this authority, 5% (five percent) or more of the number of shares in issue prior to the issue concerned; and
- The maximum discount permitted at which equity securities may be issued is 10% (ten percent) of the volume weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities. The JSE should be consulted for a ruling if the company's securities have not traded in such 30 (thirty) business day period."

Additional information in respect of ordinary resolution number 7

In accordance with the company's Memorandum of Incorporation, as well as the JSE Listings Requirements, the shareholders of the company have to approve a general issue of shares for cash. The existing authorities granted by the shareholders of the company at the previous Annual General Meeting held on 6 October 2014 expire at the Annual General Meeting to be held on 30 October 2015, unless renewed. This authority will be subject to the company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements. The directors of the company consider it advantageous to renew this authority to enable the company to take advantage of any business opportunity that may arise in the future.

The effect of ordinary resolution number 7 is that the directors will be able to issue the authorised but unissued ordinary shares in the share capital of the company for cash, as and when suitable business opportunities arise, subject to the JSE Listings Requirements, the restrictions/conditions set out in the authority and the Memorandum of Incorporation of the company.

This ordinary resolution number 7 is required, under the JSE Listings Requirements, to be passed by achieving a 75% (seventy-five percent) majority of the votes cast in favour of such resolution by all shareholders present or represented by proxy and entitled to vote at the Annual General Meeting.

8. Ordinary resolution number 8

Approval of Remuneration Policy

"RESOLVED THAT the group Remuneration Policy, as set out in the Integrated Annual Report on pages 92 to 95, be and is hereby approved by way of a non-binding advisory vote, as recommended in King III."

Additional information in respect of ordinary resolution number 8

In terms of King III recommendations, every year, the company's Remuneration Policy should be tabled for a non-binding advisory vote at the Annual General Meeting. The non-binding advisory vote is to enable shareholders of the company to express their views on the remuneration policies adopted and on their implementation. Accordingly, the shareholders of the company are requested to endorse the company's Remuneration Policy as recommended by King III.

As this matter is non-binding, no minimum voting threshold is needed for ordinary resolution number 8.

9. Special resolution number 1

Non-Executive Directors' remuneration

"RESOLVED as a special resolution in terms of section 66(9) of the Companies Act, that the company be and is hereby authorised to pay the following annual remuneration to its Non-Executive Directors for their services as directors for a period of two years from the date of this Annual General Meeting or until the Non-Executive Directors' remuneration is amended by way of special resolution of shareholders, whichever comes first:

	Board				Committees			
	Retainer		Attendance per meeting		Retainer		Attendance per meeting	
	Chairman	Member	Chairman	Member	Chairman	Member	Chairman	Member
FY14*	R364 319	R314 771			R62 954	R47 215		
FY15**	R233 893	R202 083	R38 982	R33 681	R40 416	R30 312	R6 736	R5 052

* *As approved at the Annual General Meeting held on 6 October 2014, based on an annual fee for the year.*
** *New proposed annual fee is split between a retainer portion, and an attendance portion.*

Notice of Annual General Meeting continued

Additional information in respect of special resolution number 1

In terms of section 66(8) and 66(9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders of the company within the previous two years and if not prohibited in terms of the company's Memorandum of Incorporation. Therefore, the reason for and the effect of special resolution number 1 is to approve the payment of and the remuneration payable by the company to its Non-Executive Directors for their services as directors of the company in terms of section 66 of the Companies Act. The fees payable to the Non-Executive Directors are detailed above.

The Remuneration Policy forms part of the remuneration report included in the Integrated Annual Report on pages 92 to 95.

Furthermore, in terms of King III, remuneration payable to Non-Executive Directors should be approved by shareholders in advance or within the previous two years.

The percentage of voting rights required for special resolution number 1 to be adopted is more than 75% of the voting rights exercised on such resolution.

10. SPECIAL RESOLUTION NUMBER 2

Financial assistance as contemplated in sections 44 and 45 of the Companies Act

"RESOLVED THAT in terms of the Companies Act, that the provision by the company of any direct or indirect financial assistance as contemplated in section 44 and/or section 45 of the Companies Act by way of loans, guarantees, the provision of security or otherwise to:

- any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company (or any future related or inter-related company), or for the purchase of any securities of the company or a related or inter-related company (or any future related company or inter-related company); or
- any present or future director or prescribed officer of the company or of a related or inter-related company (or any future related company or inter-related company), or to a related or inter-related company or corporation (or any future related or inter-related company or corporation), or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member for any purpose or in connection with any matter,

be and is hereby approved, subject to compliance with the requirements of:

(1) the Companies Act, in particular sections 44 and 45 thereof;

(2) the company's Memorandum of Incorporation;
each as presently constituted and as amended from time to time; and

(3) any other applicable laws that may exist from time to time,
such authority to endure until the forthcoming Annual General Meeting of the company."

Additional information in respect of special resolution number 2

The company, on a regular basis and in the ordinary course of its business, needs to provide financial assistance to certain related and inter-related companies in accordance with section 45 of the Companies Act, and furthermore it may be necessary for the company to provide financial assistance in the circumstances contemplated in section 44 of the Companies Act.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

The Board may not authorise the company to provide direct or indirect financial assistance as contemplated in sections 44 and 45 of the Companies Act unless:

- The particular provision of financial assistance is pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance, either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category.
- The Board is satisfied that, immediately after providing the financial assistance, the company would satisfy the "solvency and liquidity test" (being the test set out in section 4(1) of the Companies Act) and the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.
- The Board has ensured that any conditions or restrictions in respect of granting the financial assistance set out in the company's Memorandum of Incorporation have been satisfied.

Therefore the reason for special resolution number 2 is to obtain approval from the shareholders of the company to enable the company to provide financial assistance, when the need arises, in accordance with the provisions of sections 44 and 45 of the Companies Act the company's Memorandum of Incorporation and any other applicable laws that may exist from time to time. The effect of special resolution number 2 is that the company will have the necessary authority to authorise and provide the financial assistance as contemplated in sections 44 and 45 as and when required.

The percentage of voting rights required for special resolution number 2 to be adopted is more than 75% of the voting rights exercised on such resolution.

11. Special resolution number 3

Issuing of shares for purposes of the Keaton Energy Long-Term Performance Incentive Scheme

"RESOLVED THAT all the ordinary shares required for the purpose of carrying out the rules of the Keaton Energy Long-Term Performance Incentive Scheme, other than those which have previously been issued for the Keaton Energy Long-Term Performance Incentive Scheme in terms of resolutions duly passed at previous Annual General Meetings of the company, be and are hereby specifically placed under the control of the directors, who be and are hereby authorised to issue those shares pursuant to the rules of the Keaton Energy Long-Term Performance Incentive Scheme, including the issue to persons contemplated in section 41(1) of the Companies Act."

12. Special resolution number 4

Issuing shares for the purposes of the Keaton Energy 2013 Share Plan

"RESOLVED THAT all the ordinary shares required for the purpose of carrying out the rules of the Keaton Energy 2013 share plan, be and are hereby specifically placed under the control of the directors, who be and are hereby authorised to issue those shares pursuant to the rules of the Keaton Energy 2013 share plan, including the issue to persons contemplated in section 41(1) of the Companies Act."

Additional information in respect of special resolution numbers 3 and 4

In terms of section 41(1) of the Companies Act, a special resolution is required to be passed by the shareholders of the company for the allotment and issue of shares to directors, future directors, prescribed officers or future prescribed officers of the company.

The reason for special resolution numbers 3 and 4 is for the shareholders of the company to authorise the directors of the company to allot and issue shares to directors, future directors, prescribed officers and future prescribed officers of the company pursuant to and in accordance with the rules of the Keaton Energy Long-Term Performance Incentive Scheme and the Keaton Energy 2013 Share Plan.

The effect of special resolution numbers 3 and 4 is to ensure that the directors have the authority to allot and issue shares to the directors, future directors, prescribed officers or future prescribed officers of the company pursuant to and in accordance with the rules of the Keaton Energy Long-Term Performance Incentive Scheme and the Keaton Energy 2013 Share Plan.

The percentage of voting rights required for special resolution numbers 3 and 4 to be adopted is more than 75% of the voting rights exercised on such resolutions.

Notice of Annual General Meeting continued

13. Special resolution number 5

General authority to repurchase shares

"RESOLVED THAT the company, and any of its subsidiaries, be and is hereby authorised, by way of a general authority, in terms of the provisions of the JSE Listings Requirements, the Companies Act and as permitted by the company's Memorandum of Incorporation, to acquire, as a general repurchase, the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the Board may from time to time determine, but subject to the applicable requirements of the company's Memorandum of Incorporation, the provisions of the Companies Act and the JSE Listings Requirements, where applicable, and provided that:

(a) The number of ordinary shares in the aggregate acquired in any one financial year shall not exceed 20% (twenty percent) of the company's ordinary shares in issue at the date on which this special resolution number 5 is passed.

(b) The repurchase of shares will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited).

(c) The company has been given authority to repurchase its shares by its Memorandum of Incorporation.

(d) This general authority shall only be valid until the company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution number 5.

(e) In determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the volume weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the repurchase of such ordinary shares by the company.

(f) At any point in time, the company may only appoint 1 (one) agent to effect any repurchase(s) on the company's behalf.

(g) A resolution has been passed by the Board confirming that the Board has authorised the repurchase, that the company satisfied the solvency and liquidity test contemplated in the Companies Act and that since the solvency and liquidity test was performed, there have been no material changes to the financial position of the group.

(h) The company may not repurchase ordinary shares during a prohibited period, as defined in the JSE Listings Requirements, unless the company has a repurchase programme in place where the dates and quantities of the ordinary shares to be traded during the relevant period are fixed and not subject to any variation and full details of the programme have been supplied to the JSE in writing, prior to the commencement of the prohibited period.

(i) A SENS announcement will be published giving such details as may be required in terms of the JSE Listings Requirements as soon as the company has cumulatively repurchased 3% of the number of shares in issue at the date of the passing of this special resolution number 5 and for each 3% in aggregate of the initial number of shares acquired thereafter.

(j) The Board undertakes that it will not implement the proposed authority to repurchase shares, unless the directors are of the opinion that, for a period of 12 (twelve) months after the date of the repurchase that:
- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the company and the group;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes; and
- the working capital of the company and the group will be adequate for ordinary business purposes."

Additional information in respect of special resolution number 5

The reason for and effect of this special resolution number 5 is to grant the Board a general authority in terms of the JSE Listings Requirements, up to and including the date of the following Annual General Meeting of the company (provided that it shall not extend beyond 15 (fifteen) months from the date that this special resolution number 5 is passed), to approve the company's purchase of shares in itself, subject to the restrictions contained in special resolution number 5 and to authorise the company to acquire shares issued by the company in terms of the aforesaid approval. Please refer to the additional disclosure of information contained in this notice of Annual General Meeting, which disclosure is required in terms of the JSE Listings Requirements.

The percentage of the voting rights required for special resolution number 5 to be adopted is more than 75% of the voting rights exercised on such resolution.

Other disclosures in terms of section 11.26 of the JSE Listings Requirements

For the purposes of considering special resolution number 5 and in compliance with the JSE Listings Requirements, the information listed below has been included in the Integrated Annual Report of which this notice of Annual General Meeting forms part:

- Major shareholders of Keaton Energy – refer to page 184 of the Integrated Annual Report;
- Stated capital of Keaton Energy – refer to pages 145 and 146 of the Integrated Annual Report.

14. Special resolution number 6

Amendment of the Memorandum of Incorporation of the Company

"RESOLVED THAT in terms of sections 16(1)(c)(ii) and 16(5)(b)(ii) of the Companies Act, the existing Memorandum of Incorporation of the Company is to be amended by:

deleting clause 26.4.1 in its entirety and replacing it with the following:

26.4.1 "Each shareholder:

26.4.1.1 shall notify the company in writing of an address (as well as an electronic mail address, if applicable), which address shall be the shareholder's registered address for the purpose of receiving written notices from the company and if the shareholder has not named such an address the shareholder shall be deemed to have waived its right to be so served with notices until such time as the shareholder has provided the company in writing with an address for purposes of receiving written notices from the company;

26.4.1.2 acknowledges that all shareholder information including but not limited to circulars, integrated annual reports, interim reports, preliminary reports, listing particulars, dividends or interest notices, notices of meetings and forms of proxy (shareholder information) shall be posted on the company's website and simultaneously with or as soon as possible after the posting thereof, communicated to shareholders that it has been posted on the website by way of notice to the respective shareholders; and

26.4.1.3 who/which has furnished either an electronic mail address, postal address or physical address confirms that any shareholder information provided by means of electronic communication can conveniently be printed by the shareholder within a reasonable time and at a reasonable cost."; and

deleting article 26.4.8 in its entirety, which amendments are to take effect in accordance with section 16(9) of the Companies Act.

Additional information in respect of special resolution number 6

The reason for and effect of this special resolution number 6 is to provide for an electronic communication strategy which will save the company significant printing costs and postage fees. The proposed amendment to the Memorandum of Incorporation will allow for the company to deliver documents to shareholders by means of electronic communication which it was only previously able to do in limited circumstances.

The percentage of the voting rights required for special resolution number 6 to be adopted is more than 75% of the voting rights exercised on such resolution.

Material changes

There have been no material changes in the affairs or the financial position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice of Annual General Meeting.

Directors' responsibility statement

The directors, whose names are given on pages 86 and 87 of the Integrated Annual Report collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 5 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 5 contains all such information required by law and the JSE Listings Requirements.

Notice of Annual General Meeting continued

Proxies

An ordinary shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and act in his/her stead. A proxy need not be a member of the company. For the convenience of registered members of the company, a form of proxy is attached hereto.

The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in "own name" dematerialised form.

Securities depository participant

Ordinary shareholders who have dematerialised their ordinary shares through a central securities depository participant (CSDP) or broker other than with "own name" registration and who wish to attend the Annual General Meeting, must instruct their CSDP or broker to provide them with the relevant letter of representation to attend the Annual General Meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of their custody agreement entered into between them and the CSDP or broker.

Unless you advise your CSDP or broker, in terms of your agreement, by the cut-off time stipulated therein, that you wish to attend the Annual General Meeting or send a proxy to represent you, your CSDP or broker will assume that you do not wish to attend the Annual General Meeting or send a proxy.

Voting

On a show of hands, every shareholder present in person or by proxy, and if a member is a body corporate, its representative, will have one vote and, on a poll, every shareholder present in person or by proxy and, if the person is a body corporate, its representative, will have one vote for every share held or represented by him/her.

If you are in any doubt as to what action you should take in respect of the resolutions provided for in this notice, please consult your CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

Lodgement of forms of proxy

Forms of proxy should be lodged with the company at its registered address at Ground Floor, Eland House, The Braes, 3 Eaton Road, Bryanston, 2191, South Africa or the company's transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, South Africa, or posted to the company's transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa so as to be received by them by no later than 10:00 on Wednesday, 28 October 2015 in accordance with clause 29.4.3 of the company's Memorandum of Incorporation. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the Annual General Meeting.

By order of the Board

AC Schutte-Bouwer

16 September 2015
Johannesburg

Form of proxy

KeatonEnergy»
Keaton Energy Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 2006/011090/06)
JSE share code: KEH ISIN: ZAE000117420
(Keaton Energy or the company or the group)

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form (certificated ordinary shareholders); or
- have dematerialised their ordinary shares (dematerialised ordinary shareholders) and are registered with "own name" registration,

at the Annual General Meeting of shareholders of the company to be held at Indigo 2, Ground Floor, The Forum, Wanderers Building, The Campus (Dimension Data), 57 Sloane Street (corner Main Street), Bryanston on Friday, 30 October 2015 at 10:00.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the Annual General Meeting must inform their central securities depository participant (CSDP) or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the relevant letter of representation to attend the Annual General Meeting in person or by proxy and vote. If they do not wish to attend the Annual General Meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

I/we

of (address)

being the holder(s) of Keaton Energy ordinary shares,

Do hereby appoint (see note 2):

1. of or failing him/her

2. of or failing him/her

3. the Chairman of the Annual General Meeting,

as my/our proxy to act for me/us and on my/our behalf at the Annual General Meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the resolutions and/or abstain from voting in respect of the Keaton Energy ordinary shares registered in my/our name(s), in accordance with the following instructions (see note 3):

	Number of ordinary shares		
	For	**Against**	**Abstain**
Ordinary resolution number 1: Acceptance of Annual Financial Statements			
Ordinary resolution number 2.1:Re-election of Mr MT Witteveen as a director			
Ordinary resolution number 2.2: Re-election of Mr HG Mai as a director			
Ordinary resolution number 3.1: Re-election of Mr LX Mtumtum as a director			
Ordinary resolution number 3.2: Re-election of Mr GH Kemp as a director			
Ordinary resolution number 3.3: Re-election of Mr OP Sadler as a director			
Ordinary resolution number 4.1: Re-election of Mr LX Mtumtum as member and Chairman of the Audit Committee			
Ordinary resolution number 4.2: Re-election of Mr GH Kemp as a member of the Audit Committee			
Ordinary resolution number 4.3: Re-election of Mr OP Sadler as a member of the Audit Committee			
Ordinary resolution number 5: Re-appointment of KPMG Inc. as external auditors of the company			
Ordinary resolution number 6: Control of authorised but unissued shares			
Ordinary resolution number 7: General authority to issue shares for cash			
Ordinary resolution number 8: Approval of the group Remuneration Policy			
Special resolution number 1: Approval of Non-Executive Directors' remuneration			
Special resolution number 2: Financial assistance contemplated in sections 44 and 45 of the Companies Act			
Special resolution number 3: Issuing of shares for purposes of the Keaton Energy Long-Term Performance Incentive Scheme			
Special resolution number 4: Issuing of shares for purposes of the Keaton Energy 2013 Share Plan			
Special resolution number 5: General authority to repurchase shares			
Special resolution number 6: Amendment of the Memorandum of Incorporation			

Please indicate with an "X" in the space provided above how you wish your votes to be cast.

Signed at on 2015

Signature

Assisted by (where applicable)

Notes to the form of proxy

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

Summary of shareholders' rights

In respect of proxy appointments as contained in section 58 of the Companies Act, 71 of 2008, as amended (the Companies Act).

Please note that in terms of section 58 of the Companies Act:

This form of proxy must be dated and signed by the shareholder appointing the proxy.

- You may appoint an individual as a proxy, including an individual who is not a shareholder of the company, to participate in, speak and vote at a shareholders' meeting on your behalf.
- Your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this form of proxy.
- This form of proxy must be delivered to the transfer secretaries of the company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the Annual General Meeting.
- The appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the Annual General Meeting.
- The appointment of your proxy is revocable unless you expressly state otherwise in this form of proxy.
- As the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the company and the proxy as aforesaid.
- If this form of proxy has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's Memorandum of Incorporation to be delivered by the company to you will be delivered by the company to you or your proxy or proxies, if you have directed the company to do so, in writing and paid any reasonable fee charged by the company for doing so.
- Your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the Annual General Meeting, but only as directed by you on this form of proxy.

The appointment of your proxy remains valid only until the end of the Annual General Meeting or any adjournment or postponement thereof unless it is revoked by you before then on the basis set out above.

Notes

1. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the form of proxy will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholders' votes exercisable thereat.
3. If no proxy is inserted in the spaces provided, then the Chairman shall be deemed to be appointed as the proxy to vote or abstain as the Chairman deems fit.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. In order to be effective, forms of proxy must reach the registered address of the company or the company's transfer secretaries no later than 10:00 on Wednesday, 28 October 2015 being no later than 48 (forty-eight) hours before the Annual General Meeting to be held at 10:00 on Friday, 30 October 2015, provided that the Chairman of the Annual General Meeting may, in his discretion, accept proxies that have been delivered after the expiry of the aforementioned period up and until the time of commencement of the Annual General Meeting.
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or waived by the Chairman of the Annual General Meeting. CSDPs or brokers registered in the company's sub-register voting on instructions from beneficial owners of shares registered in the company's sub-register, are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the company or to the company's transfer secretaries, together with this form of proxy.
7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies, but may not be accepted by the Chairman.
8. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company.

Registered address
Ground Floor, Eland House
The Braes
3 Eaton Road
Bryanston
2191
South Africa

Transfer secretaries
Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg
2001
South Africa

Annexure 1

Definitions and abbreviations

3D	three dimensional
AD	air dried
ADUC	air dried, uncontaminated
AGM	Annual General Meeting
AMCU	Association of Mineworkers and Construction Union
AR	as received
B-BBEE	broad-based black economic empowerment
BCM	bulk cubic metres
BFS	bankable feasibility study
the Board	the Board of Directors of Keaton Energy Limited, as set out on pages 86 and 87
CEO	Chief Executive Officer. Keaton Energy's CEO is Mandi Glad
CFO	Chief Financial Officer. Keaton Energy's CFO is Jacques Rossouw
CHPP	coal handling and processing plant
COP	Code of Practice
CP	Competent Person
CPR	Competent Person's Report
the Companies Act	South African Companies Act, 71 of 2008, as amended
CSA	coal supply agreement
CSI	corporate social investment
cum	cumulative
the current year	the financial year ended 31 March 2015
CV	calorific value
DAFVOL	dry ash free volatiles
DMR	Department of Mineral Resources
DTA	Deferred Taxation Asset
DWS	Department of Water and Sanitation
EBITDA	earnings before interest, taxation, depreciation and amortisation
EE Act	Employment Equity Act
EIA	Environmental Impact Assessment
EMP	Environmental Management Programme
EPS	earnings per share
ERP	enterprise resource planning
ESG	environmental, social, governance
EXCO	Executive Committee of Keaton Energy
FC	fixed carbon
FRA	forward rate agreement
FY	financial year
GTIS	Gross tonnes *in situ*

Annexure 1 continued

ha	hectare
HDSA/s	Historically Disadvantaged South Africans
HEPS	headline earnings per share
IAR	Integrated Annual Report
IDP	Integrated Development Plan
IWBSM	Integrated water balance simulation model
IM	inherent moisture
IT	information technology
IFRS	International Financial Reporting Standards
IWUL	Integrated Water Use Licence
JIBAR	Johannesburg Inter Bank Agreed Rate
JSE	JSE Limited incorporating the Johannesburg Securities Exchange, the main bourse in South Africa
JV	joint venture
King III Report or King III	King Report on Corporate Governance for South Africa, 2009
the group or Keaton Energy	Keaton Energy Holdings Limited, listed on the JSE in the "coal mining" sector
km	kilometre
KPIs	key performance indicators – a set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals
ktpa	thousand tonnes per annum
KZN	KwaZulu-Natal
LOM	life of mine
LTIP	Long-term incentive plans
m	metres
MAMSL	metres above mean sea level
MJ/kg	megajoules per kilogram
mm	millimetres
MMR	Coal Resources and Mineral Reserves Report
MPRDA	Mineral and Petroleum Resources and Development Act
Mt	million metric tonnes
MTIS	million tonnes *in situ*
Mtpa	million tonnes per annum
NEMA	National Environmental Management Act
NWA	National Water Act
NUM	National Union of Mineworkers
PTO	planned task observations
the previous year	the year ended 31 March 2014
RD	relative density

ROM	run of mine
SAICA	South African Institute of Chartered Accountants
SAMREC	South African Mineral Resource Committee
SAMVAL	South African Mineral Asset Valuation
SANS	South African National Standard
SAP	systems applications and products
SARS	South African Revenue Service
SMME	small, micro and medium enterprises
SOP	standard operating procedure
SR	strip ratio
t	metric tonne
TOR	terms of reference
tpa	metric tonnes per annum
tph	metric tonnes per hour
tpm	metric tonnes per month
TS	total sulphur
TTIS	total tonnes *in situ*
the year or the year under review	the year ended 31 March 2015
VAT	value added tax
VGF	Vanggatfontein
VM	volatile matter
SHE	safety, health and environment
DOTS	Directly observed treatment, short course
EMP	Environmental Management Plan
GHGs	greenhouse gases
HIV/Aids	human immunodeficiency virus/Acquired immune deficiency syndrome
HIRA/s	Hazard Identification and Risk Assessment
LTI	lost-time injury
LTIFR	lost-time injury frequency rate, calculated as number of lost time injuries 200 000 man hours
MHSA	Mine Health and Safety Act, 29 of 1996
PCD	pollution control dam
OHSA	Occupational Health and Safety Act
SLP	Social Labour Plan, required in terms of the Mineral and Petroleum Resources Act
TB	pulmonary tuberculosis

Annexure 2

Responsibility statement and disclaimer

Responsibility statement

The Audit Committee acknowledges its responsibility on behalf of the Board to ensure the integrity of this Integrated Annual Report. The Committee has applied its mind to the report and believes that it appropriately and sufficiently addresses all key strategic issues, and fairly presents the integrated performance of Keaton Energy and its subsidiaries for the year within the scope and boundary above. The Audit Committee recommended this Integrated Annual Report to the Board for approval.

Forward looking statements

This Integrated Annual Report contains forward looking statements that, unless otherwise indicated, reflect the group's expectations as at year-end. Actual results may differ materially from the group's expectations. The group cannot guarantee that any forward looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these. The group disclaims any intention and assumes no obligation to revise any forward looking statement even if new information becomes available, other than as required by the JSE Listings Requirements or any other applicable regulations.

Mandi Glad
Chief Executive Officer

Jacques Rossouw
Chief Financial Officer

Lizwi Mtumtum
Chair Audit Committee

Annexure 3

Board and Committee meeting attendance

Directors	Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings	Risk Committee	SHE Committee	Social and Ethics Committee
Name							
David Salter	6(6)	4(4) invitee	4(4)	4(4)	4(4)	4(4)	4(4)
Mandi Glad	6(6)	4(4) invitee	2(4) invitee	4(4) invitee	4(4)	4(4)	4(4)
Jacques Rossouw	6(6)	4(4) invitee	–	4(4) invitee	4(4)	–	4(4)
Lizwi Mtumtum	5(6)	4(4)	3(4)	3(4)	3(4)	–	3(4)
Paul Sadler	6(6)	4(4)	4(4)	–	4(4)	–	4(4)
Gerard Kemp	6(6)	4(4)	2(4)	3(4)	3(4)	3(4)	3(4)
Meindert Witteveen**	3(3)	–	–	–	1(2)	–	1(2)
Jeroen Schurink***	4(6)	–	–	–	3(4)	–	2(4)
Antoinette Sedibe	6(6)	–	–	–	4(4)	–	4(4)
Phoevos Pouroulis	6(6)	–	–	–	4(4)	–	4(4)
Gia Mai****	–	–	–	–	–	–	–
Dirk Jonker*	1(2)	–	–	–	–	–	–

** Resigned on 1 July 2014*
*** Appointed 5 September 2014*
**** Resigned 30 June 2015*
*****Appointed 1 July 2015*

Annexure 4

King III application

Chapter 2: Boards and directors			
	Principle	**Status**	**Comments**
2.1	The Board should act as the focal point for and custodian of corporate governance.	Compliant	The Board is the focal point and custodian of corporate governance at Keaton Energy. In accordance with the well-defined TOR, the Board is committed to the highest standards of corporate governance. The TOR is reviewed annually and was completely reviewed and approved by the Board during the year. The Board meets at least four times a year.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Compliant	The Board is responsible for aligning the strategic objectives and vision with performance and sustainability considerations. The Board informs and approves strategy and strives to ensure the group's long-term sustainability. A formalised risk management process takes into account the full range of risks including strategic and operational risks, its impact on performance and sustainability and appropriate responses to minimise the potential impact on performance and sustainability.
2.3	The Board should provide effective leadership based on an ethical foundation.	Compliant	The Board provides effective leadership and is committed to the highest levels of corporate governance as a key driver of sustainability. This is driven through the Code of Ethics and monitored by the Audit and the Social and Ethics Committees.
2.4	The Board should ensure that the company is and is seen to be a responsible corporate citizen.	Compliant	Keaton Energy's Social and Ethics Committee reflects and effects the company's commitment to responsible corporate citizenship. In addition Keaton Energy has also adopted the principles of the Global Reporting Initiative (GRI).
2.5	The Board should ensure that the company's ethics are managed effectively.	Compliant	The Board takes responsibility for building and sustaining an ethical corporate culture within the group. The Board acts in accordance with its Code of Ethics which promotes and enforces ethical standards and ensures that the group's ethical standards are integrated into all the group's strategies and operations. Both the Audit and Social and Ethics Committees assist the Board in ensuring ethics are effectively managed.
2.6	The Board should ensure that the company has an effective and independent Audit Committee.	Compliant	Shareholders elect the members of the Audit Committee annually, all of whom are Independent Non-Executive Directors. It is chaired by Lead Independent Director Lizwi Mtumtum and consists of two additional members. The Board is satisfied with their levels of independence. The Committee is governed by the TOR, which is approved by the Board.
2.7	The Board should be responsible for the governance of risk.	Compliant	The Board has approved and implemented a policy and Risk Management Plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, as well as the related internal controls, compliance and governance processes within the group. Both the Audit and Risk Committees assist the Board with the evaluation and management of risk.
2.8	The Board should be responsible for IT governance.	Compliant	The Board ensures that IT governance is an integral part of corporate governance and that it is monitored and assessed on a regular basis. The Audit Committee assists the Board with IT governance.
2.9	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Compliant	The Board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards. Areas requiring attention were identified in the year during the audit conducted by independent consultants and have been or are being addressed.
2.10	The Board should ensure that there is an effective risk-based internal audit.	Compliant	The internal audit function is responsible for assisting the Board and management by independently reviewing the adequacy and effectiveness of the company's systems of internal control. The company's internal audit function is outsourced to PwC who in turn reports back to the Audit Committee.

Chapter 2: Boards and directors			
	Principle	**Status**	**Comments**
2.11	The Board should appreciate that stakeholders' perceptions affect the company's reputation.	Compliant	The Board recognises the importance of developing and nurturing positive and stable relationships with key stakeholders as a key driver of business success. The group applies various policies and methodologies to govern engagement with its stakeholders. Stakeholder engagement is a responsibility of the Social and Ethics Committee.
2.12	The Board should ensure the integrity of the company's Integrated Annual Report.	Compliant	The Audit Committee ensures that the Integrated Annual Report endeavours to provide a true view of the group's commitment to ensuring that financial, social and environmental sustainability permeates the entire business.
2.13	The Board should report on the effectiveness of the company's system of internal controls.	Compliant	The Audit Committee continuously ensures the soundness of the company's system of internal controls through independent review by internal and external audit.
2.14	The Board and its directors should act in the best interests of the company.	Compliant	The Board acknowledges its role as a trustee on behalf of the shareholders. Directors are permitted to take independent advice in connection with their duties at company cost. Real or perceived conflicts of interest are disclosed to the Board and managed appropriately. Members of the Board are governed by a formal policy within the Code of Ethics, in respect of dealing in Keaton Energy shares. The Board has unrestricted access to all company information, records, documents and property subject to following a Board-approved process.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	Compliant	The Board reviews the financial performance of the company quarterly to assess its financial position. The solvency and liquidity tests are performed quarterly in accordance with the Companies Act, 71 of 2008, to support the going concern statements. Should the company ever become financially distressed, the Board will consider appropriate mechanisms to address this matter.
2.16	The Board should elect a Chairman of the Board who is an Independent Non-Executive Director. The CEO of the company should not also fulfil the role of Chairman of the Board.	Compliant	The Chairman, David Salter, is a Non-Executive Chairman and the roles of CEO and Chairman are clearly defined. The Chairman is elected by the Board members and his ability to add value, and his performance is assessed every year. The Chairman's role and responsibility is formalised. As the Chairman is not independent, Lizwi Mtumtum has been appointed as Lead Independent Director.
2.17	The Board should appoint the CEO and establish a framework for the delegation of authority.	Compliant	The Board, through its Nomination Committee, has appointed Mandi Glad as CEO and a delegation of authority framework is reviewed regularly. The role and function of the CEO is formalised and performance measures are in place to appraise her performance. The CEO is not a member of the Remuneration, Nomination or Audit Committees.
2.18	The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent.	Partially compliant	The Board strives to achieve a balance of power with the majority of directors being Non-Executive Directors. At present the Board does not consist of a majority of Independent Non-Executive Directors due to the number of shareholder appointed directors. The Board is aware of the risks associated with this practice and takes all measures available to it to mitigate the risks and operate in an independent manner for the benefit of all shareholders. There is a clear division of responsibilities between the executives' responsibility for the running of the company's business and the leadership of the Board, such that no individual has unfettered powers of decision making.

Annexure 4 continued

King III application continued

Chapter 2: Boards and directors			
	Principle	**Status**	**Comments**
2.19	Directors should be appointed through a formal process.	Compliant	Procedures for appointments to the Board are formal and transparent and are a matter for the Board as a whole, assisted by the Nomination Committee. The Chairman of the Board chairs the Nomination Committee. Details of the directors' appointment procedure and composition of Board are provided in the Integrated Annual Report. The Board makes full disclosure regarding individual directors to enable shareholders to make their own assessment of directors. The number of meetings held each year by the Board and each Board Committee and the details of attendance of each director (as applicable) at such meetings are disclosed.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	Compliant	New appointees to the Board are familiarised with the group through an informal induction programme which includes an induction folder prepared by the Company Secretary and training by the sponsor. Ongoing director development is encouraged to enhance the effectiveness of the Board.
2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	Compliant	The Nomination Committee reviews that the appointment of Mrs Anelia Schutte-Bouwer as the Company Secretary is in compliance with the Companies Act 2008, the JSE Listings Requirements and the recommendations of King III. The Board has on recommendation from the Nomination Committee considered her qualifications, experience and competency and deems her to be suitably qualified and experienced to act as the group's Company Secretary. The Board is satisfied that Mrs Anelia Schutte-Bouwer maintains an arm's length relationship with the Board. The role and function of the Company Secretary is formalised.
2.22	The evaluation of the Board, its Committees and the individual directors should be performed every year.	Compliant	Annual evaluation of the Board, Committees and individual directors' performance are performed.
2.23	The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities.	Compliant	The Board delegates certain functions without abdicating its own responsibilities to the following Committees: • Audit Committee • Risk Committee • SHE Committee • Remuneration Committee • Nomination Committee • Social and Ethics Committee All the Committees' TOR outline composition, objectives, purpose and activities, as well as delegation of authorities, including the extent of the Committee's power to make decisions, tenure and reporting mechanism to the Board.
2.24	A governance framework should be agreed between the group and its subsidiary boards.	Compliant	The Board has approved a delegation of authority framework that includes subsidiary companies. In addition, all approved policies and processes apply to all companies within the group.
2.25	Companies should remunerate directors and executives fairly and responsibly.	Compliant	The group's Remuneration Committee determines the Remuneration Policy on executive and senior remuneration in line with the group's remuneration philosophy and strategy. A detailed Remuneration Committee Report is contained in the Integrated Annual Report on pages 92 to 95.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	Compliant	The remuneration of directors and prescribed officers is disclosed in the Integrated Annual Report on pages 175 and 176.
2.27	Shareholders should approve the company's Remuneration Policy.	Compliant	Shareholders consider and endorse, by way of a non-binding advisory vote, the company's Remuneration Policy at the Annual General Meeting.

The full King III application is available on the website, www.keatonenergy.co.za.

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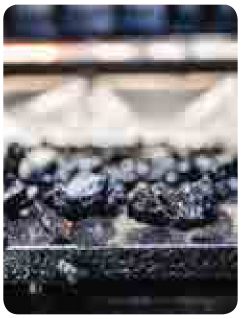

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