

Universal Coal Plc
(Registration number 4482856)
Consolidated Annual Financial Statements
for the year ended 30 June 2017

Universal Coal Plc

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Corporate directory

Directors

John Hopkins OAM	Non-executive Chairman
Henri Bonsma	Non-executive Director
Tony Weber	Executive Director and Chief Executive Officer
Shammy Luvhengo	Executive Director
David Twist	Non-executive Director
Carlo Baravalle	Non-executive Director
Nonkululeko Nyembezi	Non-executive Director
Andries Engelbrecht	Non-executive Director

Company secretary

Benjamin Harber (United Kingdom) of Shakespeare Martineau LLP

ASX Liaison and local agent

Emma Lawler (Australia) of Company Matters Proprietary Limited

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Operational office

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Auditors

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United Kingdom

Stock exchange listing

Australian Securities Exchange
(Share code: UNV)

Share registrars

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Corporate directory

Bankers

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Solicitors

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United Kingdom

Webber Wentzel Attorneys
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Website

www.universalcoal.com

Company registration number

4482856

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Universal Coal Plc

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Strategic Report

The Directors present their strategic report with the statutory financial statements of the Group and the Company for the year ended 30 June 2017.

1. CORPORATE STRATEGY

Universal Coal's vision is to become the next mid-tier, lowest cost quartile coal mining company in South Africa, delivering long-term value to shareholders. We intend to achieve this lowest cost quartile through:

- taking advantage of our multi-disciplinary skill set, experience and relationships developed over 30 years;
- expansion of our existing thermal coal production and resource footprint in the Emalahleni (previously Witbank) Coalfield through organic growth;
- advancing our substantial coking coal project interests, located within South Africa's emerging Soutpansberg Coalfields;
- assessing additional coal assets around our key focus areas that support low cost sustainable growth; and
- continually improving safety performance across all sites.

2. REVIEW OF THE BUSINESS

The results for the year and financial position of the Company and Group are as shown in the financial statements.

The principal activity of the Group in the year under review was that of coal mining, coal beneficiation and exploration and development of coal interests in South Africa.

The function of the business review is to provide a balanced and comprehensive review of the Group's performance and developments during the year and its position at the year end. The review also covers the principal risks and uncertainties faced by the Group.

Kangala Colliery:

Located in the Emalahleni area approximately 65km from Johannesburg in the Mpumalanga province of South Africa and consist of the Wolwenfontein and Middelbult projects.

The Kangala Colliery achieved record production and sales figures during the year and this is being reflected in the revenue as well as earnings before interest, taxation and depreciation ("EBITDA") for the FY2017. Mine planning and management at Kangala has been commendable during the period by proactive stripping and preparation that allowed for sufficient coal availability on stockpiles for processing during the slower months.

Kangala also experienced the benefit of the Coal Handling and Processing Plant ("CHPP") for the full period under review with consistent plant yields of 66% achieved during the period. Also, the mining contractor introduced a larger mining fleet which remained on site for the full period to assist in the handling of increased production.

The Kangala Colliery has finalised its Eskom contract and has committed coal to Eskom under the renewed Coal Supply Agreement ("CSA") until 2023. The Colliery have also finalised an export off-take for a small portion of its production, allowing for the benefit from higher export prices.

ROM tonnages for the year improved by 12% year-on-year with a total of 3 660 697 tonnes (2016: 3 269 212 tonnes) and tonnes sold increased by 21% to 2 463 224 (2016: 2 037 390).

The increase in revenue per tonne¹ of A\$41.4 (2016: A\$38.52) for the period has been affected by the slight exposure to the export market currently achieving higher prices than in the previous period, as well as the 8% increase of the South African Rand ("ZAR") against the ("A\$") over the reporting period.

Cash cost per ROMt² of A\$14.4 (2016: A\$12.72) has increased by 13% from the previous period. 80% of the year on year increase is due to the increase of the South African Rand against the Australian Dollar over the reporting period. The remainder of the increase are due to inflationary increased and other expected increases on diesel and power.

The gross profit margin for the 2017 financial year was 22% (2016: 20%), reflecting a gross margin per sales tonne of A\$11.63 (2016: A\$9.34).

¹ Revenue per tonne is calculated by dividing revenue from product sales, excluding transport and other income, by tonnes of product sold.

² Cash cost per tonne is calculated based on cost of sales, excluding inventory movements, transport, depreciation and indirect costs divided by tonnes mined in the period.

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Strategic Report (continued)

New Clydesdale Colliery ("NCC")

Located in the Kriel district, approximately 149km from Johannesburg, consists of the Roodekop and Diepspruit projects.

The Company officially commissioned the NCC mine in September 2016 with the production of the first ROM tonnes from the Diepspruit underground section. To capitalise on the recovery in the global thermal coal markets, it was decided to proceed with the underground development first, being economically favourable with the recovery in export thermal coal prices coinciding with a low rand exchange rate. The underground operation yields a higher quality output, suitable for both the local and international markets. The underground section ramped up to steady state production by December 2016.

Roodekop commenced development of the opencast pit in January 2017 and in June 2017 the Colliery had reached a steady state production from both the underground and opencast area and is confident that the Colliery will reach its nameplate production number early in the FY2018.

During the period NCC has entered into a long-term off-take agreement with Glencore Plc to supply 650kt per annum of export quality coal as well as committed to a seven-year Eskom CSA supplying 1.2 million tonnes per annum of thermal coal to the local power producer.

During the period Ingwenya Mineral Processing Proprietary Limited was appointed to conduct the refurbishment and the future operation of the Coal Handling and Processing Plant. STA Coal Mining Company Proprietary Limited was appointed to conduct the underground mining, and Trollope Mining is currently responsible for the Roodekop development and opencast mining.

The Colliery had successfully concluded on the Investec Loan facility which has enable the Colliery to successfully complete the refurbishment of the CHPP and the mine development during the period.

ROM tonnages for the FY2017 totalled 763 892 tonnes mined, 872 425 of low grade surface coal and 134 379 of coal treated per toll wash agreement. The total coal available for processing during the period under review totalled 1 681 351 tonnes resulting in a total of 539 695 tonnes of coal sold to market for the FY2017. A revenue per tonne sold of A\$36.76 have been achieved during the year, and a related A\$10.8 cash cost per ROM tonne. These costs are affected by the fact that not all tonnes are mined (tonnes from discard have been rewashed and charges for the toll wash agreement also included). A more accurate cost per tonne is expected in the FY2018 year contributed by the more consistent production numbers over the period.

NCC is currently in the process of amalgamating the UCDIV and UCDVIII projects and has already received the section 11 authorisation from the Department of Mineral Resources ("DMR") to move the Mining right previously held within UCDVIII to UCDIV. All other legal transfers will occur in the next financial year.

During the FY2017 the NCC acquired a 29% in the Eloff Mining Company (Pty) Ltd ("Eloff Project"), a company incorporated in South Africa. The acquisition price of A\$4.35 million has been settled from the Company's cash resources. The Eloff Project is the holding company for two prospecting rights, covering an area of 8 168ha. The Eloff Project owns the surface rights to 6 146.7ha of the project area. These surface rights cover most if not all the areas identified for the Kangala expansion and the Mining Right application has already been submitted to the DMR. The acquisition allows Universal the opportunity to consolidate the contiguous resource base of the Eloff project with Universal's existing Kangala mine and provides optionality to extend Kangala's mine life.

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Strategic Report (continued)

Other assets

The Brakfontein project is located in the Delmas district less than 20km from the Kangala Colliery. The Brakfontein is fully compliant with a Mining Right, IWUL and the Environmental Authorisation granted in terms of NEMA. The Brakfontein project is currently in the tender process for potential off-take agreements and once a favourable contract has been secured will be the short-term development focus for the Company.

The Berenice and Cygnus Projects remain significant metallurgical coal assets located in the Soutpansberg Coalfield of the Limpopo Province of South Africa. The Berenice and Cygnus Projects has resources in excess of 1.35 billion tonnes. A Mining Right application has been submitted over the Berenice project to the authorities in December 2015 and an Environmental Impact Assessment has been commissioned.

Universal Group and Acquisitions

Group cash generated from operations in the year was A\$26.3million (2016: A\$10.4 million). Bank balances representing both unrestricted and restricted cash balances at the year-end totalled A\$15.2 million (2016: A\$7.6 million). The increase in cash is due to the positive cash flow generated by the Kangala Colliery and the NCC reaching positive cashflows towards the end of the financial period. The increase in cash is also post the cash flow of A\$4.35 million for the acquisition of the 29% stake in the Eloff Project.

The Group realised an EBITDA result of A\$25 million (2016: A\$13.6 million) or 17% of total revenue (2016: 14%). Profit for the year after taxation of A\$4 million (2016: A\$16.5 million) has been negatively affected by the loss on disposal of asset within the NCC to the value of A\$9.7 million. The operating profit for the FY2017 shows a significant increase of 136% from the previous year which supports the successful results of the safe and cost-effective mining operations. The FY2016 profit was enhanced by the gain on bargain purchase of the NCC asset of A\$15.9 million.

During the FY2017 the Group had made a successful application to the British High Court for the reduction of capital to cancel the share premium account and diminish the retained loss carried at the Group level. Shareholder approval has been received and ultimately allows the Group to distribute dividends back to shareholders if the group liquidity and solvency allows for this distribution.

Financial year 2016 has seen a recovery in the South African Rand against the Group's reporting currency being the Australian Dollar, leading to a gain reflected under Other Comprehensive Income on exchange differences on the translation of foreign operations in the amount of A\$11.2 million (2016: loss of A\$18.4 million). This gain was accounted for as an increase of the Foreign Currency Translation Reserve account in the Consolidated Statement of Financial Position.

Markets

Key Performance Indicators:

The key performance indicators that the Directors monitor on a regular basis are:

- run-of-Mine ("ROM") tonnages, processing plant yields and sales tonnages;
- revenue per tonne;
- cash cost per run-of-mine tonne ("ROMt");
- gross margin in percentage and gross margin per sales tonne;
- EBITDA and EBITDA percentage of revenue on a monthly and year-to-date basis; and
- management of liquid resources through regular analysis of working capital requirements, bank balances, stay in business capital requirements, cash flow forecasts, accounts receivable and accounts payable ageing metrics.

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Strategic Report (continued)

3. PRINCIPAL RISKS

The management of the business and the execution of the Group's strategy are subject to a number of risks.

Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

A strategic risk assessment has been conducted and a risk management process to mitigate identified risks that are applicable has been adopted by the Group.

The key business risks affecting the Group are set out below:

Principal risks

Operational risk

Mining operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, rock falls, flooding, dam wall failure, regulatory stoppages and other incidents or conditions which could result in damage to plant or equipment, the environment or interruptions to coal production and sales and which could impact production throughout. Although it is intended to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on the Group's operations and its financial results. The Group has adopted policies supporting operations at the Kangala and NCC, will maintain policies appropriate to the stage of development of its various other projects.

Cash flow risk

The Group's operations have successfully generated sufficient cash flows through the production and sale of coal and both operations are current self-sustained by their own generated cash flows. Both Kangala and NCC have obtained debt facilities to finance the original mine development and has to date met all commitments on repayment of these facilities. Kangala has been able to settle a significant portion of its outstanding shareholders' loans during the period and the final settlement of these loans are expected in July 2017. NCC utilised its debt facility to finance the development and working capital required to commence operations at the Colliery.

The directors regularly review cash flow requirements to ensure the Company can meet financial obligations as and when they fall due. Corporate costs and corporate funding commitments are currently serviced out of excess cash generated from operations in the form of managements fees. The Company also expects to receive dividends from Kangala as soon as the final shareholders' loans have been settled in full.

The Company has also been able to settle the Susquehanna Pacific (Pty) Ltd converting notes according the Convertible Note agreement. The Company is in a position to settle these notes in cash when this option is elected by the indebted party.

Commodity Price Risk

Factors beyond the control of the Group may affect the marketability of any minerals discovered. Coal prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculate activities and increased production due to improved mining and production methods. The Group ensures that all projects are subjected to detail feasibility studies to ensure a reasonable level of confidence appropriate to the circumstance under consideration. All operational feasibility is monitored on an ongoing basis by applying market forecast prices and indicators to the operational financial models. The Group also mitigates the risk of commodity price risk by securing long-term off-take agreement.

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Strategic Report (continued)

Other risks

Speculative Nature of Mineral Exploration and Development

Development of the Group's mineral exploration properties is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of speculative exploration risk reduces substantially when a Group's properties move from the exploration phase to the development phase. The Group mitigates this risk as far as possible by the completion of detailed technical feasibility studies, environmental impact assessments, the entering into of off-take agreements, detailed due diligence activities and conducting rigorous credit committee evaluations through debt funding arrangements with financial institutions.

The discovery of mineral deposits is dependent upon a number of factors including the technical skill of the exploration personnel involved. The commercial viability of a coal deposit, once discovered, is also dependent upon a number of factors, including the size, grade and proximity to infrastructure, coal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. In addition, several years can elapse from the initial phase of drilling until commercial operations are commenced.

Financial instrument risk

The Company and Group are exposed to risks arising from financial instruments held. These are discussed in note 31.

Strategic risk

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result, the Group may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Group will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. The Group expects to undertake sufficient due diligence where warranted to help ensure opportunities are subjected to proper evaluation.

Commercial risk

The mining industry is competitive and there is no assurance that, even if commercial quantities of coal are discovered, a profitable market will exist for the sale of such coal. There can be no assurance that the quality of the coal will be such that the Group's properties can be mined economically.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, Directors and employees.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Group's operations. Environmental and employee health and safety laws and regulations have tended to become more stringent over time. Any changes in such laws or in the environmental conditions at the Group's properties could have a material adverse effect on the Group's financial condition, cash flows or results of operations.

Failure to comply with applicable environmental and health and safety laws can result in injunctions, damages, suspension or revocation of licences and the imposition of penalties. Whilst endeavouring to do so, there can be no assurance that the Group has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not adversely affect the Group's business, results of operations, financial condition or prospects.

Political Risk

Political and regulatory instability has been the cause for major investment uncertainty during the current period. This has all contributed to the anxiety surrounding investment in the South African mining space. The Department of Mineral Resources ("DMR") unveiled new rules for black economic empowerment, including more rigorous ownership requirements, increased expectations on skills development, and expanded quotas for buying goods and services from black-owned companies. That said though, UNV is in the enviable position that it fulfils nearly all the obligations in the revised charter in its current format. Never the less, at the time of this report the revised mining charter has been prevented from implementation due to application for a court to interdict the DMR by the mining houses.

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Strategic Report (continued)

4. NON-CURRENT ASSET CHANGES

Rounding of amounts

All amounts are presented in A\$'000 unless otherwise noted.

Details of major changes in the nature of the non-current assets of the Group during the year were as follows:

Universal Coal Development I (Pty) Ltd (Kangala Colliery)

The Kangala Colliery is operating at steady state production and successfully contributes to the Group by way of management fees and repayment of shareholder loans.

There was no change in the Group's ownership percentage in the year under review.

Universal Coal Development II (Pty) Ltd (Berenice Project)

Universal Coal has applied to the relevant authorities for a Mining Right over the Berenice Project and has commissioned an Environmental impact Assessment.

There was no change in the Group's ownership percentage in the year under review.

Universal Coal Development III (Pty) Ltd (Brakfontein Project)

The Brakfontein project is fully regulated with a Mining Right and NEMA (National Environmental Management Act) as well as an Integrated Water Use Licence. The Company is currently assessing various options regarding mine development and potential off-takes for this project.

There was no change in the Group's ownership percentage in the year under review.

Universal Coal Development IV (Pty) Ltd (Roodekop Project) and Universal Coal Development VIII (Pty) Ltd (NCC)

As Universal Coal and Energy Holdings South Africa Pty Ltd ("UCEHSA") has operational control over Universal Coal Development VIII (Pty) Ltd and Universal Coal Development IV (Pty) Ltd it is exposed to and has rights to variable returns from its involvement with these entities, and has the ability to affect those returns through its operational control contained in the Operating and Management Agreement over Universal Coal Development VIII (Pty) Ltd and Universal Coal Development IV (Pty) Ltd. The investment continues to be accounted for as a subsidiary for the 2017 financial period.

There was no change in the Group's ownership percentage in the year under review.

Eloff Mining Company (Pty) Ltd (Eloff Project)

During the period, the Universal Coal Development IV (Pty) Ltd acquired a 29% stake in the Eloff Mining Company (Pty) Ltd, a company incorporated in South Africa. The acquisition price of A\$4.35 million has been settled from the Company's cash resources. Universal Coal effectively own 14.29% of the Eloff Projects as the Universal Coal Development IV (Pty) Ltd are held 49% by Universal Coal and 51% by Ndalamo Resources (Pty) Ltd.

Universal Coal Development V (Pty) Ltd (Cygnus Project)

Refer to the Berenice Project (Universal Coal Development II (Pty) Ltd).

There was no change in the Group's ownership percentage in the year under review.

Universal Coal Development VI (Pty) Ltd (Donkin Project)

There was no change in the Group's ownership percentage in the year under review.

Universal Coal Development VII (Pty) Ltd (SPV for additional coal projects)

There was no change in the Group's ownership percentage in the year under review.

Twin Cities Trading 374 (Pty) Ltd (Darwina Louw 254 IR and Strehla 261 IR application)

There was no change in the Group's ownership percentage in the year under review.

Epsimax (Pty) Ltd (Vlakvarkfontein 213 IR application)

There was no change in the Group's ownership percentage in the year under review.

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Strategic Report (continued)

Episolve (Pty) Ltd (Goedgedacht 228IR application)

There was no change in the Group's ownership percentage in the year under review.

Bold Moves 1765 (Pty) Ltd (Langsloot Project)

There was no change in the Group's ownership percentage in the year under review.

Universal Coal Logistics (Pty) Ltd

There was no change in the Group's ownership percentage in the year under review.

Universal Coal Power Generation (Pty) Ltd

There was no change in the Group's ownership percentage in the year under review.

5. ENVIRONMENTAL RESPONSIBILITY

The Group recognises that its activities require it to have regard to the potential impact that it, its subsidiaries and partners may have on the environment. Where mining, exploration and development works are carried out, care is taken to limit the amount of disturbance and where any such works are required they are carried out as and when required.

6. EVENTS SUBSEQUENT TO REPORTING DATE

Issue of Ordinary Shares

On 17 July 2017, 350 000 converting notes were settled in cash.

On 8 August 2017, 350 000 converting notes were settled in cash.

On 14 September 2017, 350 000 converting notes were settled in cash.

On 26 September 2017, the board of directors declared a final gross cash dividend of A\$0.01 (2016: A\$nil) per share in respect of the year ended 30 June 2017. The dividend is declared in Australian dollar and is subject to shareholder approval at the annual general meeting for FY2017.

ON BEHALF OF THE BOARD:



**Mr JOHN HOPKINS OAM
CHAIRMAN**

26 September 2017

Universal Coal Plc

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Consolidated Annual Financial Statements for the year ended 30 June 2017

Directors' Responsibilities and Approval

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements and have elected to prepare the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group [and company] for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- prepare a directors' report, a strategic report and directors remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

We confirm to the best of our knowledge:

- The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.
- The annual report (including the directors report and strategic report) includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description of the principal risks and uncertainties that they face.

ON BEHALF OF THE BOARD



MR JOHN HOPKINS OAM
CHAIRMAN

26 September 2017

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Directors' Report

The Directors present their report with the statutory financial statements of the Group and the Company for the year ended 30 June 2017.

1. REVIEW OF THE BUSINESS

Please refer to the relevant section contained within the Strategic Report.

2. FINANCIAL RISK MANAGEMENT

Please refer to the relevant section contained within the Strategic Report.

3. THE BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

The Board ordinarily meets on a quarterly basis and as and when further required, providing effective leadership and overall management of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the Directors in a timely manner, prior to the Board meetings. The Board may delegate certain responsibilities to Board committees and the Chief Executive Officer.

All Directors have access to the advice of the joint Company Secretaries who are responsible for ensuring that all Board procedures are followed. Any Director may take independent professional advice, with consultation with the Chairman, at the Company's expense in the furtherance of his duties.

The names of Directors who held office during the 2017 year were:

Director Name	Position	Nationality
John Hopkins OAM	Non-executive Chairman	Australian
Henri Bonsma	Non-executive Director	South African
Tony Weber	Executive Director and Chief Executive Officer	South African
Shammy Luvhengo	Executive Director	South African
David Twist	Non-executive Director	British
Carlo Baravalle	Non-executive Director	British
Nonkululeko Nyembezi	Non-executive Director	South African
Andries Engelbrecht	Non-executive Director	South African

The composition of the Board reflects a wealth of minerals exploration and mine development experience.

The joint Company Secretaries are Benjamin Harber (United Kingdom) and the ASX Liaison Officer is Emma Lawler (Australia).

4. DIRECTORS MEETINGS

The Company held 4 (four) Board meetings during the course of the year and the number of meetings attended by each of the directors of the Company during the year to 30 June 2017 were:

Director Name	Position	Number of meetings attended	Number of meetings eligible to attend
John Hopkins OAM	Non-executive Chairman	4	3
Henri Bonsma	Non-executive Director	4	4
Tony Weber	Executive Director and Chief Executive Officer	4	4
Shammy Luvhengo	Executive Director	4	4
David Twist	Non-executive Director	4	4
Carlo Baravalle	Non-executive Director	4	3
Nonkululeko Nyembezi	Non-executive Director	4	4
Andries Engelbrecht	Non-executive Director	4	4

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Directors' Report

5. COMMITTEE MEETINGS

The Company held 2 (two) Audit and Risk Committee meetings during the course of the year and the number of meetings attended by each of the members during the year to 30 June 2017 are:

Director Name	Position	Number of meetings attended	Number of meetings eligible to attend
Henri Bonsma	Non-executive Director	2	2
John Hopkins OAM	Non-executive Director	2	2
Carlo Baravalle	Non-executive Director	2	1
Nonkululeko Nyembezi	Non-executive Director	2	2

The Company held 2 (two) Remuneration Committee meetings during the course of the year and the number of meetings attended by each of the members during the year to 30 June 2017 are:

Director Name	Position	Number of meetings attended	Number of meetings eligible to attend
John Hopkins OAM	Non-executive Director	2	2
Henri Bonsma	Non-executive Director	2	2
David Twist	Non-executive Director	2	2
Andries Engelbrecht	Non-executive Director	2	2

6. DIVIDENDS

On 26 September 2017, the board of directors declared a final gross cash dividend of A\$0.01 (2016: A\$nil) per share in respect of the year ended 30 June 2017. The dividend is declared in Australian dollar and is subject to shareholder approval at the annual general meeting for FY2017.

7. GOING CONCERN

The accounts have been prepared on the going concern basis. At the year-end, the Group had A\$14 460 894 (2016: A\$7 048 030) of unrestricted cash reserves and A\$724 339 (2016: A\$526 594) of restricted cash.

The performance of the Kangala Colliery during the 2017 financial year has demonstrated its ability to generate sufficient cash flows to support the Colliery project debt repayments, operating costs and to cover the Group overheads. The Colliery has settled all outstanding shareholder loans post year-end. The NCC cash flow forecast proves the ability to generate sufficient cash flow to support the operating cost and debt repayment. The Colliery can still rely on potential Investec facility drawdowns for development purpose if needed. On this basis, and the detailed cash flow modelling performed by management, the Directors are therefore satisfied that the Group has adequate resources to continue as a going concern for a period of not less than 12 months from the date of approval of these financial statements.

Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Directors' Report

8. CAPITAL STRUCTURE AND SHARE ISSUES

	2017 Number of shares
Capital structure at 30 June 2017:	
Current issued ordinary share capital (shares)	522 471 758
Converting notes (potential shares)	12 228 125
Outstanding share options (potential shares)	3 300 001

Ordinary share issues during the year:

On 7 July 2016, 350 000 converting notes were redeemed in exchange for 2 007 774 Ordinary Shares at an issue price of A\$0.1743 per Ordinary Share.

On 8 August 2016, 171 500 converting notes were redeemed in exchange for 1 486 242 Ordinary Shares at an issue price of A\$0.1154 per Ordinary Share.

On 9 September 2016, 171 500 converting notes were redeemed in exchange for 1 494 694 Ordinary Shares at an issue price of A\$0.1147 per Ordinary Share.

On 10 October 2016, 350 000 converting notes were redeemed in exchange for 2 770 923 Ordinary Shares at an issue price of A\$0.1263 per Ordinary Share.

On 14 November 2016, 350 000 converting notes were redeemed in exchange for 2 537 077 Ordinary Shares at an issue price of A\$0.1380 per Ordinary Share.

On 12 December 2016, 350 000 converting notes were redeemed in exchange for 2 658 261 Ordinary Shares at an issue price of A\$0.1317 per Ordinary Share.

On 3 June 2017, 22 474 315 unlisted options issued to Susquehanna Pacific Pty Ltd have expired.

9. REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Universal Coal Plc.

The overall strategic aim of Universal Coal Plc's reward management is to develop and implement the reward policies, processes and practices required to support the achievement of the organisation's goals by helping to ensure that Universal Coal Plc has the ability to attract and retain competent, well-motivated and committed people.

The philosophy underpinning the strategy is that people should be rewarded for the value they create.

Remuneration:

Salary/Fees

Executive Directors are paid a fixed salary which is paid monthly in arrears per the service agreement for services rendered as an employee of Universal Coal Plc.

Non-Executive Directors are paid a fixed annual fee for acting as a Director of Universal Coal Plc which is paid monthly in arrears for services rendered as a Director.

Other Payments

No other payments are due to Directors (2016: A\$ nil).

Share Options

As noted with section 10 of the Directors report there have been no share options issued to Directors in the year (2016: A\$ nil).

Short-Term Cash Incentives

No additional amounts of cash were paid to Directors as part of the short-term cash incentive scheme for the year ending June 2017.

Universal Coal Plc

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Consolidated Annual Financial Statements for the year ended 30 June 2017

Directors' Report

REMUNERATION REPORT (continued)

Long-Term Benefits

No long term benefits were paid to the Directors during the year (2016: A\$ nil).

Termination Payments

No termination fees were paid to Directors during the year (2016:A\$ nil).

Service contracts:

Tony Weber

Executive service agreement:

- Commencement date is 1 July 2011.
- Salary and Directors' fees payable from 1 July 2016 are A\$392 000 per annum.
- Termination is subject to 12 months' notice by either party.

Shammy Luvhengo

Executive service agreement:

- Commencement date is 1 July 2011.
- Salary and Directors' fees payable from 1 July 2016 are A\$273 000 per annum.
- Termination is subject to three months' notice by either party.

Henri Bonsma

Non-executive service agreement:

- Commencement date is 1 December 2009.
- Directors' fees payable from 1 July 2016 was A\$80 000 per annum.
- Consultancy fees are payable at the rate of \$1 355 per day with a maximum of five days per month (paid to service company).
- Termination is subject to three months' notice by either party.

John Hopkins OAM

Non-executive service agreement:

- Commencement date is 1 September 2010.
- Directors' fees payable from 1 July 2016 are A\$118 000 per annum.
- Termination is subject to three months' notice by either party.

David Twist

Non-executive service agreement (paid to African Minerals Exploration & Development GP SARL)

- Commencement date is 7 January 2013.
- Directors' fees payable from 1 July 2016 are A\$80 000 per annum.
- Termination is subject to CDH's discretion and along terms contained within a Subscription Agreement or by shareholders' resolution to remove.

Carlo Baravalle

Non-executive service agreement (paid to African Minerals Exploration & Development GP SARL)

- Commencement date is 7 January 2013.
- Directors' fees payable from 1 July 2016 are A\$80 000 per annum.
- Termination is subject to CDH's discretion and along terms contained within a Subscription Agreement or by shareholders' resolution to remove.

Nonkululeko Nyembezi

Non-executive service agreement (paid to IchorCoal N.V.)

- Commencement date is 16 October 2014.
- Directors' fees payable from 1 July 2016 are A\$80 000 per annum.
- Termination is subject to IchorCoal's discretion and along terms contained within a Subscription Agreement or by a shareholders' resolution to remove.

Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Directors' Report

REMUNERATION REPORT (continued)

Andries Engelbrecht

Non-executive service agreement (paid to IchorCoal N.V.)

- Commencement date is 16 October 2014.
- Directors' fees payable from 1 July 2016 are A\$80 000 per annum.
- Termination is subject to IchorCoal's discretion and along terms contained within a Subscription Agreement or by a shareholders' resolution to remove.

Post-Employment Benefits

Directors do not receive retirement benefits in any form upon termination of their employment or service.

Directors' remuneration, Company and consolidated

Details of the nature and amount of each element of remuneration of each Director, including their names and executive/non-executive position of Universal Coal Plc are set out in the following tables:

2017		Short-term benefits		
All figures are stated in Australian dollars		Salary/Fees/Consultancy	Total	% Options
Executive directors				
Tony Weber		392 000	392 000	- %
Shammy Luvhengo		273 000	273 000	- %
Non-executive directors				
Henri Bonsma		160 804	160 804	- %
John Hopkins OAM		118 000	118 000	- %
David Twist		80 000	80 000	- %
Carlo Baravalle		80 000	80 000	- %
Nonkululeko Nyembezi-Heita		80 000	80 000	- %
Andries Engelbrecht		80 000	80 000	-
TOTAL		1 263 804	1 263 804	- %

2016		Short-term benefits		
All figures are stated in Australian dollars		Salary/Fees/Consultancy	Short-term incentive	Total
Executive directors				
Tony Weber		370 000	87 750	457 750
Shammy Luvhengo		257 500	61 000	318 500
Non-executive directors				
Henri Bonsma		177 483	-	177 483
John Hopkins OAM		118 000	-	118 000
David Twist		80 000	-	80 000
Carlo Baravalle		80 000	-	80 000
Nonkululeko Nyembezi-Heita	1	80 000	-	80 000
Andries Engelbrecht	2	80 000	-	80 000
TOTAL		1 242 983	148 750	1 391 733

10. SHARE OPTIONS

No share options were issued to Directors during the year (2016: \$nil).

Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Directors' Report

11. DIRECTORS' INTERESTS

Directors		2017	
		Number of fully paid ordinary shares	Share options outstanding
Tony Weber		9 518 489	-
Henri Bonsma		5 701 392	-
John Hopkins OAM		40 000	-
Shammy Luvhengo		2 200 000	-
David Twist	1	-	-
Carlo Baravalle	1	-	-
Nonkululeko Nyembezi	2	-	-
Andries Engelbrecht	2	-	-

¹ Nominated director of Coal Development Holding B.V with an indirect interest of 143 467 056 CDI's.

² Nominated director of IchorCoal N.V with an indirect interest of 151 660 000 CDI's.

12. ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

13. DIRECTORS INDEMNITY

The Company has arranged appropriate Directors' and Officers' insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

14. EVENTS AFTER THE REPORTING PERIOD

Please refer to the relevant section contained with the Strategic Report.

15. FUTURE DEVELOPMENTS

The Company anticipates the 2017 financial year will entail the attentions of Directors and management to focus on the following potential development activities:

- Obtain additional shares in the Eloff Colliery to allow the Company a majority share of the resource.
- Ensure the Colliery is fully regulated by means of a Mining Right, IWUL and Environmental authorisations.
- Secure off-take agreements for the Brakfontein project and evaluate the implementation of a development strategy for the project.
- Secure the Mining Right at Berenice/Cygnus and continue with pre-feasibility and environmental studies.

Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Directors' Report

16. DIRECTORS STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 12.

Having made enquiries of fellow Directors, each of these Directors confirms that:

- To the best of each Directors' knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to take to make themselves aware of any information needed by the Company's auditors for the purpose of their audit.

ON BEHALF OF THE BOARD:



MR JOHN HOPKINS

CHAIRMAN

26 September 2017

Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Consolidated and Company Statements of Financial Position as at 30 June 2017

		Group		Company	
	Note	2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000
Assets					
Non-Current Assets					
Property, plant and equipment	4	115 149	104 733	-	-
Intangible assets	5	45 803	49 362	-	-
Investments in subsidiaries	7	-	-	60 258	60 423
Investments in associated undertakings	8	8 340	6	-	-
Loan receivable	9	8 378	6 475	-	-
Other financial assets	10	1 293	-	-	-
		178 963	160 576	60 258	60 423
Current Assets					
Inventories	11	5 157	3 118	-	-
Trade and other receivables	12	21 353	10 782	2 104	2 841
Cash and cash equivalents (including restricted amounts)	13	15 185	7 575	233	81
		41 695	21 475	2 337	2 922
Total Assets		220 658	182 051	62 595	63 345
Equity and Liabilities					
Equity					
Share capital	14	44 466	43 374	44 466	43 374
Share premium	14	-	52 941	-	52 941
Reserves	16	(5 570)	(12 170)	755	2 498
Retained earnings/(accumulated loss)		49 758	(10 678)	15 403	(42 183)
Attributable to Equity Holders of Parent		88 654	73 467	60 624	56 630
Non-controlling interest	7	34 249	32 536	-	-
Total Equity		122 903	106 003	60 624	56 630
Liabilities					
Non-Current Liabilities					
Borrowings	17	25 068	19 096	-	-
Converting notes	18	1 476	4 891	1 476	4 891
Derivative financial liability	19	277	1 658	277	1 658
Deferred tax	20	10 124	9 267	-	-
Provisions	21	32 341	25 798	-	-
		69 286	60 710	1 753	6 549
Current Liabilities					
Borrowings	17	6 539	5 215	-	-
Trade and other payables	22	21 930	10 123	218	166
		28 469	15 338	218	166
Total Liabilities		97 755	76 048	1 971	6 715

Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Consolidated and Company Statements of Financial Position as at 30 June 2017

	Group		Company	
Note	2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000
Total Equity and Liabilities	220 658	182 051	62 595	63 345

The notes on page 25 to 80 form part of the financial statements.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Group profit for the year includes a profit after tax of A\$2 251 068 (2016: loss of A\$2 080 442), which is dealt with in the financial statements of the Parent Company.

The financial statements of Universal Coal plc, registered number 4482856, were approved by the Board of Directors and authorised for issue on 26 September 2017.

Signed on behalf of the Board of Directors



MR JOHN HOPKINS OAM
Chairman
26 September 2017

Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Group			
	Note	2017 A\$ '000	2016 A\$ '000
Revenue		149 297	97 581
Cost of sales	24	(121 854)	(78 559)
Gross profit		27 443	19 022
Operating expenses		(14 753)	(13 640)
Operating profit	23	12 690	5 382
Finance income	25	1 776	2 687
Loss on sale of fixed assets	6	(9 725)	(2 098)
Foreign exchange loss		(14)	(16)
Impairment loss - intangible assets	5	-	(2 634)
Gain on bargain purchase	6	-	15 872
Gain on acquisition of associated undertaking	8	3 972	-
Increase/(decrease) in fair value of derivative financial liability	19	1 381	(283)
Finance expenses	26	(6 129)	(1 017)
Profit before taxation		3 951	17 893
Taxation	27	49	(1 443)
Profit for the year		4 000	16 450
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		11 157	(18 383)
Other comprehensive income/(loss) for the year net of taxation		11 157	(18 383)
Total comprehensive income/(loss) for the year		15 157	(1 933)
Profit attributable to:			
Owners of the parent		5 101	8 556
Non-controlling interest		(1 101)	7 894
Profit for the year		4 000	16 450
Total comprehensive income/(loss) attributable to:			
Owners of the parent		13 444	(4 740)
Non-controlling interest		1 713	2 807
		15 157	(1 933)
Earnings per share			
Per share information			
Basic earnings per share (c)	32	0.98	1.69
Diluted earnings per share (c)	32	0.98	1.69

The notes on page 25 to 80 form part of the financial statements.

Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Foreign currency translation reserve	Convertible instrument reserve	Share based payment reserve	Total reserves	Retained earnings/ (accumulated loss)	Total attributable to equity holders of the group	Non-controlling interest	Total equity
	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000
Balance at 1 July 2015	42 989	52 605	95 594	(2 800)	2 053	4 709	3 962	(22 070)	77 486	26 086	103 572
Profit for the year	-	-	-	-	-	-	-	8 556	8 556	7 894	16 450
Other comprehensive income	-	-	-	(13 296)	-	-	(13 296)	-	(13 296)	(5 087)	(18 383)
Total comprehensive income for the year	-	-	-	(13 296)	-	-	(13 296)	8 556	(4 740)	2 807	(1 933)
Transactions with owners											
Conversion of options	104	96	200	-	-	(163)	(163)	163	200	-	200
Conversion of converting notes	281	240	521	-	-	-	-	-	521	-	521
Transfer between reserves	-	-	-	-	-	(2 673)	(2 673)	2 673	-	-	-
Dilution of shareholding in subsidiary	-	-	-	-	-	-	-	-	-	3 643	3 643
Other movements within equity	385	336	721	-	-	(2 836)	(2 836)	2 836	721	3 643	4 364
Balance at 1 July 2016	43 374	52 941	96 315	(16 096)	2 053	1 873	(12 170)	(10 678)	73 467	32 536	106 003
Profit for the year	-	-	-	-	-	-	-	5 101	5 101	(1 101)	4 000
Other comprehensive income	-	-	-	8 343	-	-	8 343	-	8 343	2 814	11 157
Total comprehensive loss for the year	-	-	-	8 343	-	-	8 343	5 101	13 444	1 713	15 157
Transactions with owners											
Conversion of options	-	-	-	-	-	-	-	-	-	-	-
Conversion of converting notes	1 092	651	1 743	-	-	-	-	-	1 743	-	1 743
Transfer between reserves	-	(53 592)	(53 592)	-	-	(1 743)	(1 743)	55 335	-	-	-
Other movements within equity	1 092	(52 941)	(51 849)	-	-	(1 743)	(1 743)	55 335	1 743	-	1 743
Balance at 30 June 2017	44 466	-	44 466	(7 753)	2 053	130	(5 570)	49 758	88 654	34 249	122 903
Note	14	14	14	16	16	15		16		7 & 16	

The notes on pages 25 to 80 form part of the financial statements.

Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Company Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Foreign currency translation reserve	Convertible instruments reserve	Share based payment reserve	Total reserves	Retained earnings/ (accumulated loss)	Total equity
	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000
Balance at 1 July 2015	42 989	52 605	95 594	625	-	4 709	5 334	(42 939)	57 989
Loss for the year	-	-	-	-	-	-	-	(2 080)	(2 080)
Total comprehensive loss for the year	-	-	-	-	-	-	-	(2 080)	(2 080)
Transactions with owners									
Conversion of options	104	96	200	-	-	(163)	(163)	163	200
Conversion of converting notes	281	240	521	-	-	-	-	-	521
Transfer between reserves	-	-	-	-	-	(2 673)	(2 673)	2 673	-
Other movements within equity	385	336	721	-	-	(2 836)	(2 836)	2 836	721
Balance at 1 July 2016	43 374	52 941	96 315	625	-	1 873	2 498	(42 183)	56 630
Profit for the year	-	-	-	-	-	-	-	2 251	2 251
Total comprehensive income for the year	-	-	-	-	-	-	-	2 251	2 251
Transactions with owners									
Conversion of options	-	-	-	-	-	-	-	-	-
Conversion of converting notes	1 092	651	1 743	-	-	-	-	-	1 743
Transfer between reserves	-	(53 592)	(53 592)	-	-	(1 743)	(1 743)	55 335	-
Other movements within equity	1 092	(52 941)	(51 849)	-	-	(1 743)	(1 743)	55 335	1 743
Balance at 30 June 2017	44 466	-	44 466	625	-	130	755	15 403	60 624
Note(s)	14	14	14	16	16	15		16	

The notes on pages 25 to 80 form part of the financial statements.

Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Consolidated and Company Statements of Cash Flows

		Group		Company	
	Note(s)	2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000
Cash flows from operating activities					
Cash generated from / (utilised in) operations	28	26 321	10 376	(507)	(5 375)
Cash flows from/(used in) investing activities					
Acquisition of property, plant and equipment	4	(13 222)	(11 421)	-	-
Sale of property, plant and equipment		1 715	1 001	-	-
Acquisition of other intangible assets	5	(773)	(282)	-	-
Business acquisition	6	-	(7 454)	-	-
Repayment of capital / (investments in) subsidiaries	7	-	-	-	6 183
Investments in associated undertakings	8	(4 361)	-	-	-
Purchase of other financial assets		(1 293)	-	-	-
Loans to related parties	9	11	-	2 987	-
Transfer (to)/from restricted cash		(197)	19 321	-	-
Finance income	25	497	709	-	2
Net cash from/(used in) investing activities		(17 623)	1 874	2 987	6 185
Cash flows from/(used in) financing activities					
Proceeds from share issues, net of share issue expenses	14	-	200	-	200
Draw down from Investec project finance facility		13 130	30 403	-	-
Repayment of Investec project finance facilities		(8 239)	(5 154)	-	-
Repayment of RMB project finance facility		-	(30 393)	-	-
Shareholder loan repayment		(1 864)	(1 462)	-	-
Transaction costs on Investec project finance facility		-	(494)	-	-
Cash settlement of converting notes		(1 922)	(858)	(1 922)	(858)
Finance expenses	26 & 29	(2 633)	(2 628)	(406)	(699)
Net cash from/(used in) financing activities		(1 528)	(10 386)	(2 328)	(1 357)
Total cash movement for the year		7 170	1 864	152	(547)
Unrestricted cash at the beginning of the year		7 048	6 691	81	628
Effect of exchange rate movement on cash balances		243	(1 507)	-	-
Total cash and cash equivalents	13	14 461	7 048	233	81
Restricted cash	13	724	527	-	-
Total cash and cash equivalents (including restricted cash)	13	15 185	7 575	233	81

The notes on pages 25 to 80 form part of the financial statements

Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated and Company Annual Financial Statements

1. Significant accounting policies

General Information

The Company is domiciled in the UK. The address of the registered office is 60 Gracechurch Street, London, EC3V 0HR. The registered number of the company is 4482856.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. Both the Parent Company financial statements and the Group financial statements have been prepared on a historical cost basis, apart from those items adjusted for fair value and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS's") and IFRIC interpretations, issued by the International Accounting Standards Board and as adopted by the European Union.

Going concern

The accounts have been prepared on the going concern basis. At the year end the Group had A\$14 460 894 (2016: A\$7 048 030) of unrestricted cash reserves and A\$724 339 (2016: A\$526 594) of restricted cash.

The performance of the Kangala Colliery during the 2017 financial year has demonstrated its ability to generate sufficient cash flows to support the Colliery project debt repayments, operating costs and to cover the Group overheads. The Colliery has settled all outstanding shareholder loans post year-end. The NCC cash flow forecast proves the ability to generate sufficient cash flow to support the operating cost and debt repayment. The Colliery can still rely on potential Investec facility drawdowns for development purpose if needed. On this basis, and the detailed cash flow modelling performed by management, the Directors are therefore satisfied that the Group has adequate resources to continue as a going concern for a period of not less than 12 months from the date of approval of these financial statements.

Functional and presentation currency

Items included in the consolidated annual financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the South African business operations is South African Rand (ZAR).

The Company's functional currency is Australian Dollar. The consolidated annual financial statements are presented in Australian Dollar, which is the Group's presentation currency. Further details are provided on the foreign currency accounting policy in note 1.7

1.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets acquired, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 *Business Combinations* are recognised at their fair values at acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date that arises from past events and its fair value can be measured reliably.

Any difference arising between the fair value and the tax base of the acquiree's assets and liabilities that give rise to a taxable or deductible difference result in the recognition of a deferred tax liability or asset.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination and disclosed in the note for business combinations.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated and Company Annual Financial Statements

1.1 Basis of consolidation (continued)

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. A parent entity has power over the subsidiary, when it has existing rights to direct the relevant activities of the subsidiary. The relevant activities are those which significantly affect the subsidiary's returns. Subsidiaries are fully consolidated from the date on which control is transferred until the date that the control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Inter-company transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation.

The company's investments in its subsidiaries are carried at cost, less any impairment recognised.

Non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. The non-controlling interests' share of losses, where applicable, are attributed to the non-controlling interests irrespective of whether the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

Investment in associates

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interest in associates is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is recognised as a gain or loss at the date of acquisition.

Subsequent to initial recognition associates include the Group's share of the profit or loss and other comprehensive income of the associate, until the date on which significant influence or joint control ceases.

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1.2 Intangible assets

Exploration and evaluation assets

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity include researching and analysing historical exploration data, gathering exploration data through geophysical studies, exploratory drilling and sampling, determining and examining the volume and grade of resources, surveying transportation and infrastructure requirements, conducting market and finance studies and borrowing cost.

Exploration and evaluation expenditure for each area of interest is capitalised and carried forward as an asset if:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively by its sale; or
- it is planned to continue with active and significant operations in relation to the area, or at the reporting period end, the activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves.

Purchased exploration and evaluation assets are recognised as assets at cost of acquisition or at fair value if purchased as part of a business combination.

Capitalised exploration and evaluation expenditure is recorded as a component of intangible assets. No amortisation is charged during the exploration and evaluation phase.

Exploration and evaluation assets are transferred to "Mine development assets" once the technical feasibility and commercial viability of extracting the mineral resource supports the future development of the property and such development has been appropriately approved. Prior to transferring the exploration and evaluation assets to mine development assets, an impairment test is completed.

1.3 Property, plant and equipment

Mining Assets

Mine assets including capitalised exploration and evaluation expenditures and capitalised mine development expenditure is stated at cost less accumulated depreciation and less accumulated impairment losses.

Upon transfer of Exploration and evaluation assets to Mine development assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities are capitalised. Development expenditure is net of proceeds from the incidental sale of coal extracted during the development phase.

Stripping costs incurred in the development phase of a mine before production commences are capitalised, where they give rise to future benefits, as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units of production basis.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed.

Once the project reaches commercial production, all assets included in "Mine development assets" are transferred to "Mine assets".

Capital work in progress is disclosed as an asset category of property, plant and equipment, which is measured at cost and is not depreciated. Capital work in progress consists of capital expenditure less revenue generated by the project prior to reaching commercial production.

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1.3 Property, plant and equipment (continued)

Depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Depreciation is charged so as to write off the costs of assets, over their estimated useful lives:

Item	Average useful life
Mineral properties	Units of production
Development and production assets	Units of production
Land rehabilitation asset	Units of production
Mine development asset	Units of production
Mining infrastructure	Units of production
Mine owners assets	Units of production
Processing plant	Units of production
Deferred stripping costs	Units of production
Motor vehicles	4 years straight line
Furniture and fixtures	5 years straight line
Computer equipment	3 years straight line

Depreciation costs calculated using the units of production method are included in cost of sales in the statement of comprehensive income, as these costs pertain to mining assets while depreciation charges resulting from the straight lining method are included in operating expenses in the Statement of Comprehensive Income.

The units of production depreciation method refers to the estimated economically recoverable reserves which are used in determining the depreciation of mine specific assets proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has limitations resulting from both its physical life and the present assessment of economically recoverable reserves (proven and probable reserves) to which the asset is related.

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Stripping costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine are capitalised as a stripping activity asset. Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realised in the form of improved access to coal to be mined in the future, the costs are recognised as a non-current asset, referred to as a "stripping activity asset", if the following criteria are met:

- future economic benefits (being improved access to the coal body) are probable;
- the component of the coal body for which access will be improved can be accurately identified; and
- the costs associated with the improved access can be reliably measured.

If one of the criteria is not met, the production stripping costs are charged to the Statement of Comprehensive Income as operating costs as they are incurred. The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal, plus an allocation of directly attributable overhead costs.

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Stripping costs (continued)

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the "Mine asset" in the statement of financial position. The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

1.4 Financial instruments

Recognition

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

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise of trade and other receivables and loan receivable, which are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Restricted cash

Restricted cash comprises cash balances which are restricted through the granting of security in favour of various financial institutions.

Other Financial assets:

Other financial assets comprise of investment policies dedicated as collateral to the funding of the rehabilitation obligation. These investments are initially measured at cost and subsequently measured at fair value through profit and loss.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of interest rate swaps and embedded conversion options in convertible loan notes, are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

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1.4 Financial instruments (continued)

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Financial assets

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

Financial liabilities

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

Subsequent to initial measurement, such liabilities are carried at amortised cost using the effective interest method.

Borrowings

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

Derecognition

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

1.5 Converting notes

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. Interest on the debt element of the loan accretes over the term of the loan. The remainder of the proceeds is allocated to the convertible instrument reserve within shareholders' equity, net of income tax effects.

In terms of the Convertible Loan Note Agreement the conversion to ordinary shares takes place at the conversion price (note 18) per ordinary share. The financial liability is reclassified to equity and no gain or loss is recognised in profit or loss.

1.6 Tax

Current taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the end of the reporting period. Current taxation assets and liabilities are measured at the amount expected to be recovered from or paid to the local taxation authorities.

Deferred tax

Deferred income tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts on the Statement of Financial Position.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or joint venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

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1.6 Tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

1.7 Foreign currencies

Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or loss.

On consolidation, the results of overseas operations are translated into A\$ at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

1.8 Share based payments

The Company has granted equity-settled share-based payments in the form of share options and warrants. The fair value of the incentive granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employees or third parties become unconditionally entitled to the incentives. When identifiable, the fair value is determined by the value of the services provided. When a fair value for the services provided cannot be ascertained the fair value is measured based upon commonly used valuation models.

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1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.10 Inventories

Inventories, which includes finished product and run of mine, are stated at the lower of cost of production on the weighted average basis or estimated net realisable value. Cost of production includes direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less marketing costs. Net realisable value also incorporates any directly attributable mine general and administration costs of processing in the case of the run of the mine stockpiles.

Consumables are stated at the lower of cost or net realisable value.

1.11 Revenue

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur as determined by customer offtake arrangements and delivery terms for the supply of coal. At this point the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the commodities and the costs incurred, or to be incurred, in respect of the sale can be reliably measured.

Revenue generated from the rendering of toll washing services is recognised for measured tonnages completed during the financial period.

Revenue generated by any mining operation prior to reaching commercial production is capitalised to the Mine development asset.

1.12 Borrowing costs

Interest is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity. Borrowing costs are expensed as incurred except to the extent that it relates directly to the construction of property, plant and equipment during the time that it is required to complete and prepare the asset for its intended use, when it is capitalised as part of property, plant and equipment. Borrowing costs are capitalised as part of the cost of the asset where it is probable that the asset will result in economic benefit and where the borrowing cost can be measured reliably. No interest or borrowing costs have been capitalised during the year.

1.13 Fair value

A number of assets and liabilities included in the Group and Company's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group and Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted).
- Level 2: Observable direct or indirect inputs other than Level 1 inputs.
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

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The Group and Company measures a number of financial instruments at fair value. All instruments are categorised as level 3, there are no level 1 or level 2 instruments.

For more detailed information in relation to the fair value measurement of the items above, please refer to note 31.

1.14 Short-term and long-term loans

Finance income on loans receivable are accrued on a timely basis using the effective interest method, which exactly discounts estimated future cash flows through the expected life of the financial asset, to which the finance income derived, to its net carrying value.

Finance income during the year related to bank interest received and interest on the Ndalamo Resources (Pty) Ltd ("Ndalamo") loan accrued. The impact of discounting was immaterial.

Interest income and expense are reported on an accrual basis.

1.15 Provisions

Rehabilitation provisions

The Group records the present value of estimated costs of legal and constructive obligations required to restore mining and other operations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and revegetation of affected areas. The obligation generally arises when the "Mine development asset" is installed or the ground/environment is disturbed at the mining production location.

The provision is discounted using a current market-based pre-tax discount rate. Over time, the discounted liability is increased for the change in present value based on the discount rates and the unwinding of the discount is included in finance expenses. The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations.

At the time of establishing the provision, a corresponding asset is capitalised by increasing the carrying amount of the related mine assets. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

Additional disturbances or changes in rehabilitation costs are recognised as additions to the corresponding mine assets and rehabilitation liability when they occur. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Costs related to restoration of site damage (subsequent to start of commercial production) 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.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

1.16 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.17 Preferred shares

Where the contractual terms of preferred shares do not meet the definition of a financial liability, they are recognised in equity. If the contractual terms meet the financial liability definition the preferred shares will be accounted for in terms of accounting policy 1.4. The preferred shares are convertible in to ordinary shares at the election of the holder, in the ratio of one preferred share to one ordinary share.

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1.18 Judgements made in applying accounting policies and key sources of estimation uncertainty

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were:

Impairment of intangible assets and property, plant and equipment (note 4 and 5)

In formulating accounting policies the Directors are required to apply their judgement, and where necessary engage professional advisors, with regard to the impairment review assumptions used in assessing the carrying value of its assets.

These assets of the Group are subject to periodic review by the Directors.

Property, plant and equipment (note 4)

Property, plant and equipment primarily consists of mining assets at the Kangala and NCC. The Group assesses each asset or cash generating unit ("CGU") in each reporting period to determine whether any indication of impairment exists. These assessments require the use of estimates and assumptions such as commodity prices, discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and resources and operating performance. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows.

Estimated economically recoverable coal reserves at the Kangala and NCC are used in determining the depreciation of mine specific assets proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has limitations resulting from either its physical life or the present assessment of economically recoverable reserves to which the asset is related. This requires the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure, as explained in more detail below under coal resource estimate.

Intangible assets (note 5)

The application of the Group's accounting policy for exploration and evaluation expenditure requires estimates and assumptions to determine whether future commercial exploitation or sale are likely. This requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Exploration and evaluation assets are assessed by management for impairment when there are facts and circumstances that suggests that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

Management considers the following indicators in assessing if an impairment test is required:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In the event that an impairment indicator is identified by management the recoverable amount of the exploration and evaluation asset is required to be determined. The determination of the recoverable amount requires the use of valuation estimates, judgments and assumptions such as techniques and methodologies contained within competent person's reports, commodity prices, discount rates, future capital requirements, exploration potential and reserves and resources.

These estimates and assumptions are subject to risk and uncertainty and may change if new information becomes available or if there are significant fluctuations in commodity markets. There is therefore, the possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the intangible asset.

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1.18 Judgements made in applying accounting policies and key sources of estimation uncertainty (continued)

Impairment (note 5)

Coal resource estimate (Note 8)

The Group discloses its coal reserves and resources in accordance with "The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the 'JORC Code') which is set by the Australian Joint Ore Reserves Committee ('The JORC Committee'). The JORC Committee comprises representatives of The Minerals Council of Australia ("MCA"), The Australasian Institute of Mining and Metallurgy ("The AusIMM"), the Australian Institute of Geoscientists ("AIG"); as well as representatives of the Australian Securities Exchange ("ASX"), the Financial Services Institute of Australasia ("FinSIA") and the accounting profession. The JORC Code is a binding standard for Public Reporting and disclosure in Australasia, applied by appropriately qualified and experienced persons ("Competent Persons"), and sets out minimum standards, recommendations and guidelines that requires the use of information relating to the geological and technical data on the size, depth, shape and grade of the coal body and suitable production techniques and recovery rates. Further, the JORC Code requires estimates of foreign exchange rates, commodity prices, future capital requirements and production costs. Due to the change of such information over time as well as additional data that may be collected, estimates of reserves and resources may change and may subsequently affect the financial results and positions of the Group, including:

- The carrying value of exploration and evaluation assets, mine properties, and property, plant and equipment may be affected due to changes in estimated future cash flows, which may result in accelerated depreciation or impairment.
- Depreciation and amortisation charges in the statement of comprehensive income may change where such charges are determined using the units of production method, or where the useful life of the related assets change.
- Provisions for rehabilitation and environmental provisions may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
- Contingent liabilities may change where the level of future obligations and economic outflows are based on reserve estimates.

Inventories (note 11)

Inventory stockpiles are measured by appropriately qualified persons, applying surveying methodologies, which consider the size and grade of the coal stockpile. The estimated recovery percentage is based on the expected processing method. In addition, net realisable value tests are performed at each reporting date and represent the estimated future sales price of the run-of-mine (ROM) coal the entity expects to realise when the ROM coal is processed and sold, less estimated costs to bring the ROM coal to sale.

Judgment is applied in estimating the variables noted above.

Fair value of financial instruments (note 31)

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of zero interest converting notes and shareholder loans are calculated as the present value of the converting loan notes and shareholder loans discounted at market related interest rates from the respective maturity date.

Rehabilitation provision (note 21)

The Group assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and discount rates. Estimates and assumptions may change if new information becomes available, which could have a material effect on the carrying value of the mine rehabilitation provision and the related mineral asset.

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1.18 Judgements made in applying accounting policies and key sources of estimation uncertainty (continued)

Recovery of deferred tax assets (note 20)

Deferred tax assets require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. This requires estimates of future taxable income based on forecasted cash flows as well as judgement about the application of existing tax legislation in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be adversely impacted.

Subsidiaries (note 7)

The Group consolidates certain subsidiaries on the basis of effective control in accordance with IFRS 10. In assessing control, potential voting rights are only considered if they are substantive. Areas reviewed by the Group which may evidence effective control include:

- Holding a significant voting interest (even if less than half of the voting rights).
- The ability to establish policies and guide operations through appointing the investee's senior management.
- The minority shareholders have no participating rights or other preferential rights, excluding standard protective rights.
- Ownership of a majority of the voting power that participates in the general meetings and ability to appoint the majority of directors and indirectly, senior management.

Refer to note 7 for specific considerations in assessing control of the various subsidiaries.

Business Combinations (note 6)

The valuation techniques used for measuring the fair value of material assets and liabilities acquired were as follows:

Assets and liabilities acquired	Valuation technique
Property, plant and equipment	Depreciated replacement cost: Depreciated replacement cost reflects adjustment for physical deterioration as well as functional and economic obsolescence.
Inventories	Market realisation value
Intangible assets	Market comparison technique and cost technique
Reserves	Market comparison technique

Refer to note 6 for specific considerations in the estimates and judgements involved.

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2. Standards and Interpretations

The consolidated annual financial statements have been prepared on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period.

Standards and interpretations effective and adopted in the current year

The following were amendments to published standards and interpretations to existing standards effective in the year and adopted by the Group. These new standards and interpretations had no effect on reported results, financial position or disclosure in the financial statements:

Amendment to IFRS 11 Joint arrangements – acquisition of interests in joint operations

Amendment to IAS 27 Separate financial statements – equity method

New standards and interpretations not yet adopted

The Group has elected not to early adopt the following revised and amended standards, which are not yet mandatory in the EU. The list below includes only standards and interpretations that could have an impact on the Consolidated Financial Statements of the Group.

Standards	Details of amendment	Annual periods beginning on or after
IFRS 9 Financial instruments	The complete standard has been issued in July 2014 including the requirements previously issued and additional amendments. The new standard replaces IAS 39 and includes a new expected loss impairment model, changes to the classification and measurement requirements of financial assets as well as to hedge accounting. The effect from the additional disclosure requirements will be assessed and disclosure will be made once the Group has fully assessed the impact of applying IFRS 9 during FY2018.	1 January 2018
IFRS 15 Revenue from contracts with customers	The new standard was issued in May 2014 and establishes the principles for the measurement, recognition and disclosure of useful information in the financial statements in respect of contracts with customers. The company has only 2 contracted customers to consider and will allow for the additional disclosure as required in IFRS. The company will fully assess the impact during the FY2018.	1 January 2018
IFRS 16 Leases	The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The effect from the additional disclosure requirements will be assessed and disclosure will be made once the Group has fully assessed the impact of applying IFRS 16 during the FY2018.	1 January 2019

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3. Segmental reporting

All investments in associates and subsidiaries operate in one geographical location being South Africa, and are organised into three business units from which the Group's expenses are incurred and revenues are earned, being (1) for the exploration and development of coal, (2) mining and sale of coal and (3) corporate activities. The reporting on these investments to the Chief Operating Decision Makers, the Board of Directors, focuses on the on the key performance indicators that the Directors monitor on a regular basis which are:

- Run-of-Mine (ROM) tonnages, processing plant yields and sales tonnages
- Revenue per tonne
- Cash cost per run-of-mine tonne (ROMt)
- Gross margin in percentage and gross margin per sales tonne
- Management of liquid resources through regular analysis of working capital requirements, bank balances, stay in business capital requirements, cash flow forecasts, accounts receivable and accounts payable ageing metrics

The NCC mining operations effectively commenced during the period, thus the mining and sale of coals: NCC represents a new operating segment in the period.

The non-current assets relating to the capitalisation expenditure associated with the coal projects are located in South Africa. All corporate expenditure, assets and liabilities relate to incidental operations carried out in the United Kingdom, Australia and South Africa.

For the year ended 30 June 2017	Mining and sale of coal: Kangala	Mining and sale of coal: NCC	Exploration and development of coal	Corporate (Unallocated)	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenue	129 297	20 000	-	-	149 297
Cost of sales	(100 461)	(21 393)	-	-	(121 854)
Cost of sales - depreciation	(12 265)	(1 692)	-	-	(13 957)
Cost of sales excluding depreciation	(88 196)	(19 701)	-	-	(107 897)
Gross profit	28 836	(1 393)	-	-	27 443
Operating expenses	(6 812)	(3 089)	(102)	(4 750)	(14 753)
Finance income	330	109	-	1 337	1 776
Foreign exchange loss	-	-	-	(14)	(14)
Finance expenses	(3 142)	(2 332)	-	(655)	(6 129)
Loss on sale of fixed assets	-	(9 725)	-	-	(9 725)
Gain on acquisition of associated undertaking	-	3 972	-	-	3 972
Decrease in fair value of derivative financial liability	-	-	-	1 381	1 381
Profit / (loss) before taxation	19 212	(12 458)	(102)	(2 701)	3 951
Taxation	(4 390)	4 439	-	-	49
Profit / (loss) after taxation	14 822	(8 019)	(102)	(2 701)	4 000
Total non-current assets	40 280	74 812	54 945	8 926	178 963
Total capital expenditure	1 768	14 929	773	13	17 483
Total assets	66 210	90 879	55 580	7 989	220 658
Total liabilities	(46 167)	(50 535)	(27)	(1 026)	(97 755)

Revenue to the value of A\$ 122 156 001 and A\$ 26 850 459 was received from Eskom Holdings SOC Limited and Glencore Plc respectively.

All revenues were earned in South Africa.

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3. Segmental reporting (continued)

For the year ended 30 June 2016	Mining and sale of coal: Kangala	Exploration and development of coal	Corporate (Unallocated)	Total
	A\$'000	A\$'000	A\$'000	A\$'000
Revenue	95 491	2 090	-	97 581
Cost of sales	(76 633)	(1 926)	-	(78 559)
Cost of sales - depreciation	(6 494)	-	-	(6 494)
Cost of sales excluding depreciation	(70 139)	(1 926)	-	(72 065)
Gross profit	18 858	164	-	19 022
Operating expenses	(4 338)	(2 896)	(6 406)	(13 640)
Finance income	200	207	2 280	2 687
Foreign exchange loss	-	-	(16)	(16)
Impairment of intangible assets	-	(2 634)	-	(2 634)
Finance expense	(4 591)	4 521	(947)	(1 017)
Loss on sale of fixed assets	-	(2 098)	-	(2 098)
Gain on bargain purchase	-	15 872	-	15 872
Increase in fair value of derivative financial liability	-	-	(283)	(283)
Profit / (loss) before taxation	10 129	13 136	(5 372)	17 893
Taxation	(2 004)	561	-	(1 443)
Profit / (loss) after taxation	8 125	13 697	(5 372)	16 450
Total non-current assets	45 919	106 486	8 171	160 576
Total capital expenditure	7 900	3 778	25	11 703
Total assets	59 219	113 989	8 843	182 051
Total liabilities	(40 611)	(28 722)	(6 715)	(76 048)

Revenue to the amount of A\$ 70 949 000 was received from a single customer, being Eskom Holdings SOC Limited.

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4. Property, plant and equipment

Group	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Mine development	12 361	(4 961)	7 400	10 510	(2 768)	7 742
Mining infrastructure	13 479	(5 207)	8 272	10 739	(2 804)	7 935
Processing plant	48 808	(6 897)	41 911	49 396	(3 226)	46 170
Mine owners assets	15 280	(2 508)	12 772	10 087	(1 317)	8 770
Mineral properties	8 545	(1 609)	6 936	7 783	(908)	6 875
Development and production assets	23 423	(2 751)	20 672	13 019	(1 264)	11 755
Land rehabilitation asset	7 155	(1 565)	5 590	3 340	(941)	2 399
Furniture and fixtures	46	(36)	10	40	(30)	10
Computer equipment	189	(108)	81	116	(67)	49
Motor vehicles	1 000	(232)	768	239	(123)	116
Capital work in progress	4 136	-	4 136	5 580	-	5 580
Deferred stripping costs	8 965	(2 364)	6 601	8 165	(833)	7 332
Total	143 387	(28 238)	115 149	119 014	(14 281)	104 733

Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	Additions	Disposals	Transfers	Foreign exchange movements	Depreciation	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Mine development	7 742	-	-	820	1 031	(2 193)	7 400
Mining infrastructure	7 935	966	-	722	1 052	(2 403)	8 272
Processing plant	46 170	138	(11 930)	6 362	4 842	(3 671)	41 911
Mine owners assets	8 770	-	-	4 204	989	(1 191)	12 772
Mineral properties	6 875	-	-	-	762	(701)	6 936
Development and production assets	11 755	-	-	9 128	1 276	(1 487)	20 672
Land rehabilitation asset	2 399	4 652	(1 165)	-	328	(624)	5 590
Furniture and fixtures	10	62	-	-	(54)	(8)	10
Computer equipment	49	2	-	-	71	(41)	81
Motor vehicles	116	774	(36)	-	23	(109)	768
Capital work in progress	5 580	10 116	-	(12 108)	548	-	4 136
Deferred stripping costs	7 332	-	-	-	798	(1 529)	6 601
Total	104 733	16 710	(13 131)	9 128	11 666	(13 957)	115 149

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Notes to the Consolidated and Company Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Additions through business combinations	Disposals	Foreign exchange movements	Depreciation	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Mine development	10 626	-	-	-	(1 745)	(1 139)	7 742
Mining infrastructure	10 325	481	-	-	(1 703)	(1 168)	7 935
Processing plant	14 050	274	40 676	-	(7 273)	(1 557)	46 170
Mine owners assets	4 398	11	7 431	(800)	(1 648)	(622)	8 770
Mineral properties	8 532	-	-	-	(1 291)	(366)	6 875
Development and production assets	4 759	-	9 463	-	(1 957)	(510)	11 755
Land rehabilitation asset	3 555	-	-	(189)	(586)	(381)	2 399
Furniture and fixtures	15	1	-	-	(2)	(4)	10
Computer equipment	48	14	-	-	(1)	(12)	49
Motor vehicles	126	626	-	-	(599)	(37)	116
Capital work in progress	2 665	3 509	-	-	(594)	-	5 580
Deferred stripping costs	1 853	6 505	-	-	(275)	(751)	7 332
	60 952	11 421	57 570	(989)	(17 674)	(6 547)	104 733

Pledged as security

On 31 July 2015 the group entered into new debt financing agreements with Investec Bank Limited (Investec), acting through its Corporate and Institutional Banking division, replacing the existing banking facilities with Rand Merchant Bank, a division of FirstRand Bank Limited.

Security over the debt facilities are standard for a facility of this nature, and involve first ranking security over assets, including bonds over movable and immovable property, mining and surface rights. A project completion guarantee for NCC has been provided from the parent company; Universal Coal plc.

Refer to note 17 for changes in security due to new financing facilities.

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5. Intangible assets

Group	2017			2016		
	Project	Cost	Accumulated amortisation and impairment	Carrying value	Cost	Accumulated amortisation and impairment
		A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Exploration and evaluation assets (held by:)						
Universal Coal Development I (Pty) Ltd	Kangala	909	-	909	828	-
Universal Coal Development II (Pty) Ltd	Berenice	33 492	(2 634)	30 858	30 337	(2 634)
Universal Coal Development III (Pty) Ltd	Brakfontein	10 170	-	10 170	9 250	-
Universal Coal Development IV (Pty) Ltd	Roodekop	-	-	-	8 159	-
Universal Coal Development V (Pty) Ltd	Cygnus	3 671	-	3 671	3 344	-
Other Intangible Assets						
Computer software		590	(395)	195	401	(323)
Total		48 832	(3 029)	45 803	52 319	(2 957)

Reconciliation of intangible assets - Group - 2017

	Project	Opening balance	Additions	Foreign exchange movements	Transfer to Property Plant and Equipment	Amortisation	Total
		A\$'000	A\$'000	A\$'000		A\$'000	A\$'000
Universal Coal Development I (Pty) Ltd	Kangala	828	-	81	-	-	909
Universal Coal Development II (Pty) Ltd	Berenice	27 703	440	2 715	-	-	30 858
Universal Coal Development III (Pty) Ltd	Brakfontein	9 250	14	906	-	-	10 170
Universal Coal Development IV (Pty) Ltd	Roodekop	8 159	169	800	(9 128)	-	-
Universal Coal Development V (Pty) Ltd	Cygnus	3 344	-	327	-	-	3 671
Computer software		78	150	7	-	(40)	195
		49 362	773	4 836	(9 128)	(40)	45 803

Roodekop has commenced development during the current period and has been transferred to property, plant and equipment.

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5. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2016

	Project	Opening balance	Additions	Foreign exchange movements	Amortisation and impairment	Total
		A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Universal Coal Development I (Pty) Ltd	Kangala	965	-	(137)	-	828
Universal Coal Development II (Pty) Ltd	Berenice	35 237	116	(5 016)	(2 634)	27 703
Universal Coal Development III (Pty) Ltd	Brakfontein	10 745	34	(1 529)	-	9 250
Universal Coal Development IV (Pty) Ltd	Roodekop	9 513	-	(1 354)	-	8 159
Universal Coal Development V (Pty) Ltd	Cygnus	3 886	119	(661)	-	3 344
Computer software		214	13	(65)	(84)	78
		60 560	282	(8 762)	(2 718)	49 362

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5. Intangible assets (continued)

Supplementary information on intangible assets

The following detailed schedule provides additional information pertaining specifically to the interests held by Universal Coal Plc in the identifiable Mining Rights (MR) and Prospecting Rights (PR) as at year end:

Project	Entity	Location	Property	Size (hectare)	Permit type & Number	Expiry date	Comment	% Interest
Kangala	Universal Coal Development I (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Wolvenfontein 244IR: Portion 1 and RE of Portion 2	951	Mining right: MP30/5/1/2/2/429MR	02/05/2032	Refer to Note 4 for security provided	70.50 %
Kangala	Universal Coal Development I (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Middelbult 235IR: Portions 40 and 82	942	Prospecting Right: MP30/5/1/1/2/6 41PR	09/07/2017	The renewal of the prospecting right was granted in July 2014 for a further three years. Mining right in application	70.50 %
Kangala	Universal Coal Development I (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Modderfontein 236IR: Portion 1	127	Prospecting Right: MP30/5/1/1/2/6 39PR	09/07/2017	Relinquished	- %
Berenice	Universal Coal Development II (Pty) Ltd	Waterpoort, Limpopo Province, South Africa	Berenice 548 MS; Celine 547 MS; Doornvaart 355 MS; Portion 1 Gezelschap 395 MS; Longford 354 MS; Matsuri 358 MS	6 595	Prospecting Right: LP30/5/1/1/2/37 6PR	19/03/2016	A mining right application was submitted in December 2015 and is pending	50.00 %
Brakfontein	Universal Coal Development III (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Brakfontein 264IR : Portions 6, 8, 9, 10, 20, 26, 30 and Remaining Extent	879	Mining Right: MP30/5/1/2/2/1 0027MR	07/2034	A mining right was granted in July 2014 for 20 years. Execution and registration of the right is pending	50.29 %

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5. Intangible assets (continued)

Project	Entity	Location	Property	Size (hectare)	Permit type & Number	Expiry date	Comment	% Interest
Roodekop	Universal Coal Development IV (Pty) Ltd	Kriel, Mpumalanga Province, South Africa	Roodekop 63IS	835	Mining Right: MP30/5/1/1/2/4 92MR	05/02/2034	S102 has been granted to allow the amalgamation of the NCC and Roodekop project. Once the Mining Right has been executed this Mining Right will be held in Universal Coal Development IV (Pty) Ltd	49.00 %
Eloff	Universal Coal Development IV (Pty) Ltd	Delmas. Mpumalanga Province. South Africa	Droogfontein 242IR. Strydpan 243IR. Stompiesfontein 273IR	8 168	Prospecting Rights: 788/2007(PR) & 817/2007(PR)	-	Acquired during 2017. mining right in application	14.20 %
Cygnus	Universal Coal Development V (Pty) Ltd	All Days, Limpopo Province, South Africa	Cygnus 543MS and adjacent farms	12 299	Prospecting Right: LP30/5/1/1/2/12 76PR	31/03/2019	Prospecting right renewal executed on 29 June 2016	50.00 %
New Clydesdale Colliery	Universal Coal Development VIII (Pty) Ltd	Kriel, Mpumalanga Province, South Africa	Middel drift 42 IS (portion 4), Diepspruit 41 IS (RE, RE of portions 1, 2, 3, portions 7, 8, 9, 10), Rietfontein 43 IS (RE, RE of portion 1, portion 3, M/A 2, 3, 4 of RE portion 1), Vaalkrans 29 IS (portions 4, 6, 8, 9, 11, 12, 13, 14, 16, RE of portion 16, M/A 2 of portion 6), Clydesdale 483 IS, Lourens 472 IS, Enkelbosch 20 IS (M/A 4 and 5) and Haasfontein 28 IS (portion 1, M/a 6 and 7 of portion 7)	4 125	Mining right: MP30/5/1/2/2/148MR	05/12/2019	S102 has been granted to allow the amalgamation of the NCC and Roodekop project. Once the Mining Right has been executed this Mining Right will be held in Universal Coal Development IV (Pty) Ltd	49.00 %

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5. Intangible assets (continued)

Project	Entity	Location	Property	Size (hectare)	Permit type & Number	Expiry date	Comment	% Interest
Arnot South Project	Universal Coal Development VII (Pty) Ltd	Arnot. Mpumalanga Province. South Africa	Vlakfontein 166 IS (RE Ext. portions 2. 5. 8. 9. 10. 13 and 14); Tweefontein 203 IS (RE Ext. of portion 3. RE Ext. of portion 5. RE Ext. of portion 9. RE Ext. of portion 10 and portions 4. 7. 8. 11. 12. 13. 14. 18. 19. 20. 21. 22. 23. 24. 25); Op Goeden Hoop 205 IS (RE Ext. of portion 2); Groblersrecht 175 IS – whole farm; Klipfontein 495 IS (RE Ext. of MA 1); Vaalwater 173 IS (portions 10. 12. 14. RE Ext. of portion 2); Mooiplaats 165 IS (portions 4. 11. 12. 13. 15 and 16); Helpmekaar 168 IS – whole farm; Schoonoord 164 IS (portion 19); Leeuwpans 494 JS (portions 7. 8. 9. RE Ext. and RE Ext. of portion 4); Weltevreden 174 IS (portions 1. 2 (MA). 4 and RE Ext); Nootgedacht 493 JS (portions 4 and 9)	15 532	Prospecting Right: MP30/5/1/1/2/360PR	(Original application) 30/10/2006 & 29/10/2011	Renewal of the prospecting right is pending and the acquisition is subject to the successful approval of the Prospecting Right transfer to Universal Coal in accordance with Section 11 of the Mineral and Petroleum Resources Development Act. 2002	50.00 %

During the current period, the Modderfontein prospecting right has been relinquished due to the fact that the project did not prove to be financially viable. No asset value has been attributed to this right and therefore no impairment has been incurred. During the prior financial year, the Somerville project was impaired by A\$2.63 million as the prospecting right over the Somerville project area expired and was not capable of further renewal.

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6. Business combinations (completed in a prior period)

Universal Coal Development VIII Proprietary Limited ("UCD VIII")

During the previous financial period, UCD VIII acquired all of the assets and assumed certain liabilities of NCC from Exxaro Coal Mpumalanga Proprietary Limited ("Exxaro"). UCEHSA (an intermediary holding company) holds a 49% interest in UCD VIII and a BEE partner, Ndalamo, holds the balance of 51% of the equity of UCD VIII. Management has performed a control assessment as required under IFRS 10 Consolidated Financial Statements and concluded that by virtue of the Operating and Management Agreement ("O&M") between UCD IV, UCD VIII, UCEHSA and Ndalamo, UCD VIII is controlled by UCEHSA. UCEHSA is a wholly owned subsidiary of Universal Coal Plc.

The acquisition of NCC will enable the Group to realise synergies from the access to the Roodekop coal reserves that are located adjacent to NCC. The Roodekop reserves are held by the Group in UCD IV.

In the eleven months to 30 June 2016, UCD VIII through its acquisition of the NCC contributed a profit of A\$18.9 million (ZAR180 million) to the group's results. This includes a gain on bargain purchase of A\$15.9 million (ZAR155 million), a decrease in the rehabilitation provision of A\$6.6 million (ZAR50 million) due to a change in estimate and a loss of A\$3.6 million (ZAR25 million) relating to the trading of coal. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2015. Management has assessed the additional effect of UCD VIII's revenue and profit on the group results, had the acquisition occurred on 1 July 2015, as not being material as the mine was on care and maintenance and therefore had minimal activity.

Identifiable assets acquired and liabilities assumed

	Note	Cost A\$'000	Fair value uplift A\$'000	Fair Value A\$'000
Property, plant and equipment	4	3 907	44 200	48 107
Mining resource	4	1 441	8 022	9 463
Inventory		1 596	1 664	3 260
Environmental rehabilitation provision	21	-	(30 331)	(30 331)
Deferred tax liability	20	-	(7 173)	(7 173)
Total fair value of identifiable net assets acquired		6 944	16 382	23 326

Measurement of fair values

NCC's operations are subject to specific environmental regulations. The Group has conducted an assessment of the environmental rehabilitation provision arising from these regulations and has recognised an amount, which reflects the fair value of such liabilities (refer to page 36).

Consideration transferred

The following table summarises the acquisition date fair value of the consideration transferred:

	2016 A\$'000
Cash	6 934
Contingent consideration	520
Total consideration transferred	7 454

The original purchase price of A\$15 million (ZAR170 million) inclusive of Value Added Taxation, was amended by the parties to A\$6.9 million (ZAR76 million) inclusive of Value Added Taxation, following further negotiation and offset of the obligation for Exxaro to transfer the rehabilitation trust fund and the assumption of UCD VIII to repair the discard facility.

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6. Business combinations (completed in a prior period) (continued)

Contingent consideration

At acquisition date, a condition of sale existed whereby the purchase consideration for the acquisition of the NCC may or may not have been increased upwards by A\$0.5 million (ZAR5.7 million). This condition was dependent on the DMR and the Department of Water Affairs and Sanitation accepting and unconditionally approving a high-density polyethylene (plastic) lined solution for the management of the Discard Facility stormwater run-off. The required approval was subsequently obtained and the contingent consideration was settled in November 2015. The A\$0.5 million represented the acquisition date fair value. Due to the short term between acquisition date and the date of settlement of the contingent consideration, management does not consider the effects of discounting as material.

Acquisition related costs

The Group incurred acquisition-related costs of A\$1 655 618 in legal fees, transfer costs, registration costs, licence fees, and statutory approval costs. These costs were included in under operating expenses in the financial results.

Gain on acquisition

The gain on business acquisition has been recognised as follows:

	2016
	A\$'000
Consideration transferred	7 454
Fair value of identifiable net assets	(23 326)
Gain on acquisition	<u>(15 872)</u>

A gain of A\$15.9 million has been recognised. Exxaro had previously placed NCC under care and maintenance as NCC did not fit in with Exxaro's strategic plan. Universal Coal purchased NCC from Exxaro in order to realise the synergies on Universal Coal's adjacent coal reserves, Roodekop. The gain has been included in a separate line item on the consolidated statement of profit and loss.

Loss on assets acquired

During FY2017 NCC incurred a loss on the sale of assets of A\$9.725 million arising from the sale of underground mining assets. An underground contract miner was appointed at NCC and has supplied new equipment tailored to the current underground conditions.

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7. Investments in subsidiaries

Significant subsidiaries of the Group, which are those with the most significant contribution to the Group's net profit or net assets, is currently limited to Universal Coal Development I (Pty) Ltd, Universal Coal Development IV (Pty) Ltd and Universal Coal Development VIII (Pty) Ltd. The registered office for all subsidiaries are listed as:

467 Fehrsen Street
Brooklyn, 0182, Pretoria
South Africa

Subsidiaries with non-controlling interests

Subsidiaries	Country of incorporation	Principal Activity	Effective interest	
			2017	2016
Universal Coal and Energy Holdings South Africa (Pty) Ltd	South Africa	Mining and energy holding company	100.00 %	100.00 %
Bold Moves 1765 (Pty) Ltd	South Africa	Coal prospecting and mining company	74.00 %	74.00 %
Episolve (Pty) Ltd	South Africa	Coal prospecting and mining company	74.00 %	74.00 %
Epsimax (Pty) Ltd	South Africa	Coal prospecting and mining company	74.00 %	74.00 %
Twin Cities Trading 374 (Pty) Ltd	South Africa	Coal prospecting and mining company	74.00 %	74.00 %
Universal Coal Power Generation (Pty) Ltd	South Africa	Coal prospecting and mining company	100.00 %	100.00 %
Universal Coal Development I (Pty) Ltd	South Africa	Coal prospecting and mining company	70.50 %	70.50 %
Universal Coal Development II (Pty) Ltd	South Africa	Coal prospecting and mining company	50.00 %	50.00 %
Universal Coal Development III (Pty) Ltd	South Africa	Coal prospecting and mining company	50.29 %	50.29 %
Universal Coal Development IV (Pty) Ltd	South Africa	Coal prospecting and mining company	49.00 %	49.00 %
Universal Coal Development V (Pty) Ltd	South Africa	Coal prospecting and mining company	50.00 %	50.00 %
Universal Coal Development VII (Pty) Ltd	South Africa	Coal prospecting and mining company	50.00 %	50.00 %

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7. Investments in subsidiaries (continued)

Universal Coal Development VIII (Pty) Ltd	South Africa	Coal prospecting and mining company	49.00 %	49.00 %
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The country of incorporation and the principal place of business are the same in all cases.

The investment in the directly held subsidiaries at 30 June was:

	2017 A\$'000	2016 A\$'000
Country of incorporation	South Africa	South Africa
Class of share	Ordinary	Ordinary
Portion held of the ordinary shares	100 %	100 %
Reconciliation of movements for the year:		
Balance at beginning of the year	60 423	65 162
Repayment of capital from subsidiary	(165)	(4 739)
Total carrying value at the end of the year	60 258	60 423

Control considerations where 50% or less of share capital held:

Universal Coal Development IV (Pty) Ltd

During the previous financial period, Ndalamo subscribed for an additional 102 shares in UCD IV for the amount of ZAR40 million (A\$3.6 million). Ndalamo settled the subscription price through effecting a draw down under the Term Loan Agreement with UCEHSA. The Ndalamo Ltd loan is secured through a share pledge, bears interest at prime plus 1% per annum and is fully repayable by 30 June 2020 in varying capital installments. The balance of the equity share capital post the subscription represented 49% or 148 shares being held by UCEHSA.

The Ndalamo loan interest rate has been reduced during the current year. The original loan agreement included a loan interest of prime plus 7.5%.

Although the Group owns less than 50% of UCD IV, management has determined that the Group controls the entity because UCEHSA manages and directly controls the entity by virtue of an Operating and Management agreement, receiving substantially all of the returns related to their operations and net assets and has the current ability to direct the entities activities that most significantly affect these returns. The relevant activities are the mining, processing and selling of coal.

As UCEHSA has operational control over UCD IV and is exposed to and has rights to variable returns from its involvement with UCD IV and has the ability to affect those returns through its operational power over UCD IV, the Company has been accounted for as a subsidiary for the 2016 financial period.

Universal Coal Development II (Pty) Ltd

Although the Group owns 50% of UCD II, management has determined that the Group controls the entity because within the shareholder arrangement UCEHSA has an option to purchase a further 24% of shares in UCD II. UCEHSA has the practical ability to exercise the option as no restriction exists on the exercise of the option. This potential voting right has therefore, been considered to be substantive and has been included in management's assessment as to whether UCEHSA has control.

Universal Coal Development V (Pty) Ltd

Although the Group owns 50% of UCD V, management has determined that the Group controls the entity because UCEHSA has an option to exercise a further 24% share purchase and has the practical ability to exercise the option as no restriction exists on the exercise of the option. Therefore, the right to exercise this option is considered substantive and has been included in management's assessment as to whether UCEHSA has control.

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7. Investments in subsidiaries (continued)

Universal Coal Development VII (Pty) Ltd

Although the Group owns 50% of UCD VII, management has determined that the Group controls the entity because the chairman of the Board of UCD VII, who has the casting vote at Directors meetings is a Director of and appointed by UCEHSA. The Board is responsible for the management of Universal Coal Development VII (Pty) Ltd.

Universal Coal Development VIII (Pty) Ltd

Although the Group owns less than 50% (49%) of UCD VIII, management has determined that the Group controls the entity because UCEHSA manages and directly controls the entity by virtue of an Operating and Management agreement, receiving substantially all of the returns related to their operations and net assets and has the current ability to direct the entities activities that most significantly affect these returns. The relevant activities are the mining, processing and selling of coal.

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7. Investments in subsidiaries (continued)

The following tables summarise the information relating to each of the Group's material subsidiaries that has a material Non-controlling interest ("NCI"):

30 June 2017

Summarised statement of financial position	NCI Percentage %	Non current assets A\$'000	Current assets A\$'000	Total assets A\$'000	Non current liabilities A\$'000	Current liabilities A\$'000	Total liabilities A\$'000	Intra-group eliminations A\$'000	Carrying amount of non-controlling interest A\$'000
Universal Coal Development I (Pty) Ltd	29.50 %	40 280	25 930	66 210	(29 023)	(17 144)	(46 167)	-	5 239
Universal Coal Development IV (Pty) Ltd	51.00 %	28 507	5 375	33 882	(33 428)	(5 037)	(38 465)	35 171	5 860
Universal Coal Development VIII (Pty) Ltd	51.00 %	46 305	10 691	56 996	(9 162)	(8 104)	(17 266)	(35 171)	(1 455)
Non-controlling interest in all other subsidiaries*									24 605
Non-controlling interest per statement of financial position									34 249

* Other non-controlling interests of A\$20.9 million relate to UCD II(A\$15.4 million) and UCD III(A\$5.05 million), and represent the non-controlling interests of share of exploration assets.

Summarised statement of comprehensive income	NCI Percentage %	Revenue A\$'000	Profit/(loss) before tax A\$'000	Tax expense A\$'000	Profit/(loss) A\$'000	Other comprehensive income A\$'000	Total comprehensive income A\$'000	Profit/(loss) allocated to non-controlling interest A\$'000
Universal Coal Development I (Pty) Ltd	29.50 %	129 297	14 222	(4 390)	9 832	-	9 832	2 900
Universal Coal Development IV (Pty) Ltd	51.00 %	-	(1 440)	7 261	5 821	-	5 821	2 969
Universal Coal Development VIII (Pty) Ltd	51.00 %	20 000	(14 657)	(2 808)	(17 465)	-	(17 465)	(8 907)
Profit or loss allocated to non-controlling interest of other subsidiaries								1 937
Total profit or loss allocated to non-controlling interest								(1 101)

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7. Investments in subsidiaries (continued) Summarised statement of cash flows

	NCI Percentage %	Cash flow from operating activities A\$'000	Cash flow from financing activities A\$'000	Cash flow from investing activities A\$'000	Net increase/ (decrease) in cash flow A\$'000
Universal Coal Development I (Pty) Ltd	29.50 %	25 184	(15 331)	(2 316)	7 537
Universal Coal Development IV (Pty) Ltd	51.00 %	(393)	6 125	(7 770)	(2 038)
Universal Coal Development VIII (Pty) Ltd	51.00 %	(1 607)	8 832	(6 114)	1 111
Total		23 184	(374)	(16 200)	6 610

30 June 2016

Summarised statement of financial position

	NCI Percentage %	Non current assets A\$'000	Current assets A\$'000	Total assets A\$'000	Non current liabilities A\$'000	Current liabilities A\$'000	Total liabilities A\$'000	Intra-group eliminations A\$'000	Carrying amount of non- controlling interest A\$'000
Universal Coal Development I (Pty) Ltd	29.50 %	46 109	13 300	59 409	(36 880)	(13 452)	(50 332)	(12 368)	1 801
Universal Coal Development IV (Pty) Ltd	51.00 %	2 780	3 656	6 436	(273)	(268)	(541)	(273)	2 314
Universal Coal Development VIII (Pty) Ltd	51.00 %	47 133	2 245	49 378	(36 283)	(1 297)	(35 753)	(5 719)	7 530
Non-controlling interest in all other subsidiaries*									20 891
Non-controlling interest per statement of financial position									32 536

* Other non-controlling interests of A\$20.9 million relate to UCD II(A\$15.4 million) and UCD III(A\$5.05 million), and represent the non-controlling interests of share of exploration assets.

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7. Investments in subsidiaries (continued)

Summarised statement of comprehensive income	NCI Percentage %	Revenue A\$'000	Profit/(loss) before tax A\$'000	Tax expense A\$'000	Profit/(loss) A\$'000	Other comprehensive income A\$'000	Total comprehensive income A\$'000	Profit/(loss) allocated to non-controlling interest A\$'000
Universal Coal Development I (Pty) Ltd	29.50 %	95 197	7 011	(2 004)	5 007	-	5 007	1 387
Universal Coal Development IV (Pty) Ltd	51.00 %	-	(92)	-	(92)	-	(92)	(47)
Universal Coal Development VIII (Pty) Ltd	51.00 %	2 140	14 260	(561)	14 821	-	14 821	7 559
Profit or loss allocated to non-controlling interest of other subsidiaries								(1 005)
Total profit or loss allocated to non-controlling interest								7 894

Summarised statement of cash flows

	NCI Percentage %	Cash flow from operating activities A\$'000	Cash flow from financing activities A\$'000	Cash flow from investing activities A\$'000	Net increase/ (decrease) in cash flow A\$'000
Universal Coal Development I (Pty) Ltd	29.50 %	11 766	(6 036)	(7 336)	(5 582)
Universal Coal Development IV (Pty) Ltd	51.00 %	166	4 697	(1 219)	3 643
Universal Coal Development VIII (Pty) Ltd	51.00 %	(1 670)	40 787	(37 948)	1 169
Total		10 262	39 448	(46 503)	(770)

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	Group		Company	
	2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000

8. Investments in associated undertakings

The group has interests in three associates, of which only one is regarded as individually material. The following table summarises, in aggregate, the carrying amount and share of profit and other comprehensive income of these individually immaterial associated undertakings:

Group

Name of company	% ownership interest 2017	% ownership interest 2016	Carrying amount 2017	Carrying amount 2016
Universal Coal Logistics (Pty) Ltd	49.00 %	49.00 %	11	6
Universal Coal Development VI (Pty) Ltd	15.00 %	15.00 %	5	-
Eloff Mining Company (Pty) Ltd	29.00 %	- %	8 324	-
			<u>8 340</u>	<u>6</u>

Group	
2017 A\$ '000	2016 A\$ '000

Carrying amount of investments accounted for using the equity method

Opening balance	6	12
Acquisition of associated undertaking at cost	4 350	-
Gain on acquisition of associated undertaking	3 972	-
Investment in the period	11	-
Impairment of investment in associate (included in operation expenses)	-	(5)
Foreign exchange movement in opening balances	1	(1)
Total carrying value at the end of the year	8 340	6

On 30 June 2017, the subsidiary UCD IV acquired 29% of the shares of the Eloff Mining Company (Pty) Ltd and paid A\$4.35 million in cash for the investment. The investment includes the Group's share of the difference between the acquisition price and its share of the fair value of the associates net assets on acquisition. The fair value increase mainly related to the intrinsic market value of the coal resource held by the associate at acquisition. Coal resource valuation are considered a significant judgement per note 1.18.

All the associate companies are incorporated in South Africa and operate in the coal mining industry.

Summarised financial information of material associates

Eloff Mining Company Proprietary Limited

Statement of financial position

Assets

Non-current assets	5 652	-	-	-
Current assets	2 943	-	-	-

Liabilities

Current liabilities	(4 850)	-	-	-
Total net assets	3 745	-	-	-

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	Group		Company	
	2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000
8. Investments in associated undertakings (continued)				
Eloff Mining Company Proprietary Limited				
Statement of profit/loss and other comprehensive income				
Revenue	659	-	-	-
Profit from continuing operations	511	-	-	-
9. Loan receivable				
Loans and receivables				
Ndalamo Resources Proprietary Limited	8 378	6 475	-	-
<p>The loan is secured against a share pledge of Ndalamo's shares in UCD VIII and UCD IV, bears interest at prime plus 1% per annum and is fully repayable by 30 June 2020 in varying capital installments. The balance above represents a net amount of A\$5.0 million (2016: A\$4.6 million) and accumulated interest of A\$3.3 million (2016: A\$1.9 million). To date a gross capital amount of A\$17.1 million (2016: A\$13.5 million) has been loaned to Ndalamo of which A\$12.1 million (2016: A\$8.9 million) has been on lent to UCD IV and UCD VIII. On consolidation this amount is offset against the gross loan balance due to offsetting rights included in the agreements.</p>				
10. Other financial assets				
Mining rehabilitation guarantees				
Opening balance	-	-	-	-
Acquired during the year	1 293	-	-	-
Closing balance	1 293	-	-	-
<p>Legislation stipulates that all mining operations within South Africa are required to make provision for environmental rehabilitation during the life of the mine and at closure. In line with this requirement the company entered into policies with a reputable insurance broker to set aside funds for aforementioned purposes. On the back of these policies the insurance broker provide the required mining rehabilitation guarantees which are accepted by the DMR. The company makes annual premium payments towards structured products that will allow the matching of the environmental rehabilitation liability against company assets over a period of time.</p> <p>This financial asset comprises the premium paid to the insurer; plus interest; less charges, and claims paid by the insurer to the company and is measured at amortised cost, as the formula includes the effect of the time value of money.</p>				
11. Inventories				
Run-of-mine (ROM) stockpiles	2 640	2 191	-	-
Coal product stockpiles	1 799	294	-	-
Consumable stores	627	561	-	-
Diesel on hand	91	72	-	-
	5 157	3 118	-	-

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	Group		Company	
	2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000
12. Trade and other receivables				
Trade receivables	17 727	7 366	2 000	2 800
Deposits	1	8	-	-
Financial assets	17 728	7 374	2 000	2 800
Value Added Taxation	1 378	1 457	43	41
Prepayments	2 247	1 951	61	-
	21 353	10 782	2 104	2 841

Significant Prepayments: Universal Coal Development VII (Pty) Ltd

On 19 April 2012, UCEHSA acquired 1 (one) ordinary share (50%) of UCD VII, a special purpose entity formed with the intention of acquiring additional prospecting rights in South Africa. Because certain conditions precedent still have to be concluded, the contribution of A\$ 1 732 800 (2016: A\$ 1 574 494) is included in prepayments.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	14 461	7 048	233	81
Restricted cash	724	527	-	-
	15 185	7 575	233	81

Restricted cash and cash equivalents

Restricted cash and cash equivalents consist of standby equity and security for financial guarantees provided by financial institutions on behalf of the Group.

Supplier guarantees	724	527	-	-
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Supplier guarantees

Supplier guarantees have been provided to certain suppliers of UCD I and have been fully secured by a cash balance of A\$0.7 million (ZA7.2 million) (2016: A\$0.5 million (ZAR5.6 million)).

14. Share capital

Issued

522 471 758 (2016: 509 516 787)

Ordinary shares of £0.05	44 466	43 374	44 466	43 374
Share premium	-	52 941	-	52 941
	44 466	96 315	44 466	96 315

Reconciliation of number of shares issued:

Reported as at 01 July 2016	43 374	42 989	43 374	42 989
Issue of shares – ordinary shares	-	6 481	-	6 481
Conversion of debentures	-	(6 481)	-	(6 481)
Exercise of share options	-	104	-	104
Conversion of convertible notes	1 092	281	1 092	281
	44 466	43 374	44 466	43 374

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	Group		Company	
	2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000
14. Share capital (continued)				
Reconciliation of share premium:				
Reported as at 1 July 2016	52 941	52 605	52 941	52 605
Issue of ordinary shares	-	6 339	-	6 339
Transfer to reserves*	(53 592)	-	(53 592)	-
Conversion of preferred shares	-	(6 339)	-	(6 339)
Exercise of share options	-	96	-	96
Conversion of convertible notes	651	240	651	240
	<u>-</u>	<u>52 941</u>	<u>-</u>	<u>52 941</u>

*During the current financial period, the Company implemented a capital reduction scheme where the share premium account was cancelled and set off against the accumulated loss. The Company had a Share premium account to the value of A\$53,591,657 at June 2017 that is classified as a distributable reserve. The Reduction in capital has been approved by shareholders and has also been granted by the United Kingdom High court of justice on 28th June 2017. The Company now presents a positive distributable reserve instead of an accumulated loss which enables the company to facilitate future dividend payments.

Significant changes in the share capital of the Group and Company during the 2017 financial year were as follows:

Ordinary shares	Date of issue	Number of shares issued	Cumulative shares issued
Opening balance		-	509 516 787
Conversion of convertible notes	7 July 2016	2 007 774	511 524 561
Conversion of convertible notes	8 August 2016	1 486 242	513 010 803
Conversion of convertible notes	9 September 2016	1 494 694	514 505 497
Conversion of convertible notes	10 October 2016	2 770 923	517 276 420
Conversion of convertible notes	14 November 2016	2 537 077	519 813 497
Conversion of convertible notes	12 December 2016	2 658 261	522 471 758
Closing balance			<u>522 471 758</u>

During the year, the Company issued 12 954 971 shares to Susquehanna Pacific (Pty) Ltd in redemption of converting notes received under the Converting Note Agreement (refer to Note 18).

Significant changes in the share capital of the Group and Company during the 2016 financial year were as follows:

Ordinary shares	Date of issue	Number of shares issued	Cumulative shares issued
Opening balance		-	434 465 447
Conversion of preferred shares	14 August 2015	71 220 000	505 685 447
Exercise of share options	8 December 2015	1 000 000	506 685 447
Conversion of convertible notes	19 May 2016	1 876 340	508 561 787
Conversion of loan notes	15 June 2016	955 000	509 516 787
Closing balance			<u>509 516 787</u>

During the prior year, the Company issued 2 831 340 shares to Susquehanna Pacific (Pty) Ltd in redemption of converting notes received under the Converting Note Agreement (refer to Note 18).

Preferred shares	Date of issue	Number of shares issued	Cumulative shares issued
Opening balance		-	71 220 000
Conversion to ordinary shares	14 August 2015	(71 220 000)	-
			<u>71 220 000</u>

A conversion notice for 71 220 000 preferred shares was received from the holder of the preferred shares and on 14 August 2015, 71 220 000 ordinary shares were converted from preferred to ordinary shares.

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	Group		Company	
	2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000

14. Share capital (continued)

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

15. Share based payments

Share Options

The Company has share based payment arrangements relating to share options granted, which are as below:

2017 Grant	Expiry Date	Exercise Price	Number issued	Outstanding 2017
01/04/2013	01/04/2018	A\$ 0.26	3 300 001	3 300 001
2016 Grant	Expiry Date	Exercise Price	Number issued	Outstanding 2016
04/06/2012	03/06/2017	A\$ 0.263	16 855 736	16 855 736
04/06/2012	03/06/2017	A\$ 0.275	5 618 579	5 618 579
01/04/2013	01/04/2018	A\$ 0.26	3 300 001	3 300 001
			25 774 316	25 774 316

The fair value of the share-based payment is based upon the Black-Scholes formula, a commonly used option pricing model. The calculation of volatility used in the model is based upon an average of market prices against current market prices of listed companies operating in the mining industry.

All options are equity settled and it has been assumed that all options will vest.

Group Share Options

	Year ended 30 June 2017	Year ended 30 June 2016
Outstanding at start of year	25 774 316	46 090 043
Weighted average exercise price	A\$ 0.27	A\$ 0.27
Lapsed	(22 474 315)	(20 315 727)
Weighted average exercise price	A\$ 0.27	A\$ 0.29
Outstanding at end of year	3 300 001	25 774 316
Exercisable at the end of the year	3 300 001	25 774 316
Exercise date within one year	3 300 001	22 474 315
Weighted average contractual life	1.0 year	1.0 year
Weighted average exercise price	A\$ 0.26	A\$ 0.27

Share based payments represent the value of unexercised share options to employees. The charge for share options in the year amounted to A\$ Nil (2016: A\$ Nil).

16. Reserves

Share capital relates to the nominal value of the shares issued. The share premium relates to the excess consideration paid over the nominal value of the shares after deducting related expenses. The share premium reserve has been canceled during the capital reduction scheme implement during the current financial year.

The foreign currency translation reserve relates to the foreign exchange effect of the retranslation of the Group's overseas subsidiaries on consolidation into the Group's financial statements.

The share based payment reserve, holds the equity element of the share option transactions adjusted for transfer on exercise, cancellation or expiry of options.

The convertible instrument reserve consists of the equity component recognised by fair valuing shareholder loans and converting loan note liabilities.

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	2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000

16. Reserves (continued)

The accumulated loss reserve is the cumulative net losses recognised in the statement of comprehensive income adjusted for transfer on exercise, cancellation or expiry of options from the share option reserve.

17. Borrowings

Non-current liabilities

Shareholder's loans	-	2 252	-	-
Investec Project Finance Facilities	25 068	16 844	-	-
	<u>25 068</u>	<u>19 096</u>	<u>-</u>	<u>-</u>

Current liabilities

Current portion of Investec Project Finance Facilities	6 539	5 215	-	-
	<u>6 539</u>	<u>5 215</u>	<u>-</u>	<u>-</u>

Shareholder's loan

Mountain Rush Trading 6 Proprietary Limited	-	2 252	-	-
	<u>-</u>	<u>2 252</u>	<u>-</u>	<u>-</u>

The Mountain Rush loan above is unsecured, interest free and has no specified terms of repayment. In accordance with IAS 39, the present value of the loan has been calculated at the prime rate of interest in South Africa plus two percent over 1 year (2016: 2 years), with the present value of the equity component being recognised in a capital contribution reserve.

Finance facilities

Investec Project Finance Facilities	<u>31 607</u>	<u>22 059</u>	<u>-</u>	<u>-</u>
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Investec Project Finance Facilities

On 31 July 2015 Universal Coal entered into new financing agreements with Investec Bank Limited ("Investec"), acting through its Corporate and Institutional Banking division, replacing the existing banking facilities with Rand Merchant Bank, a division of FirstRand Bank Limited.

Funds from the Investec facility are available as follows:

- Tranche A: Settlement of the Kangala project finance facility of A\$26 million (ZAR285 million plus ZAR5 million for fees).
- Tranche A: A Working Capital Facility: A\$2.2 million (ZAR25 million) facility for working capital for the Kangala Colliery.
- Tranche B: A\$19 million (ZAR215 million) facility to fund the balance of capital development activities at NCC.

The Kangala loan bears interest at three-month JIBAR plus 4% p.a. and the NCC loan at three month JIBAR plus 4.5% p.a.

Repayment of Tranche A will follow a quarterly cycle over twenty repayment periods, with interest being serviced simultaneously. The revolving working capital facility has a tenure of five years and must be repaid at the end of the period. Repayment of Tranche B will benefit from a repayment holiday for the first 12 months, and sixteen quarterly repayments will be made thereafter. Interest on this second tranche will be serviced quarterly following drawdown.

Security over the debt facilities are standard for a facility of this nature, and involve first ranking security over assets, including bonds over movable, immovable, mining and surface rights. A project completion guarantee for NCC was provided from the parent company; Universal Coal plc.

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17. Borrowings (continued)

Transaction costs (debt issuance costs) of ZAR9.4 million (A\$9 million) have been settled by utilising the finance facility. Debt issuance costs are recorded as a deferred charge and amortised over the term of the debt using the effective interest method.

Investec Short term loan

A Short-term uncommitted revolving working capital facility of A\$2.2 million (ZAR25 million) has been provided to the Kangala Colliery by Investec Bank Limited which is secured in line with the security package for the project financing facility. Interest on the daily outstanding balance is levied at JIBAR plus 4% per annum.

At the end of the year the full working capital facility was undrawn and available for draw down as required.

Group		Company	
2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000

18. Converting notes

Held at amortised cost

Susquehanna Pacific (Pty) Ltd

1 476	4 891	1 476	4 891
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Converting notes and options issued to Susquehanna Pacific (Pty) Ltd

On 5 April 2012, Universal Coal Plc entered into a binding Converting Note Agreement with Susquehanna Pacific (Pty) Ltd for 7 000 000 unlisted and secured Converting Notes at a coupon rate of 9.5% per annum and a maturity date of 7 years to be issued together with a maximum of 22 474 315 share options as follows:

7,000,000 unlisted and secured Convertible Notes at a face value of A\$ 1 each and a maximum of 22 474 315 options ("Tranche A").

The Tranche A options will be issued at a maximum of:

- 16 855 736 options (low) at an exercise price of A\$ 0.2628 per option with a grant date of 4 June 2012 and an expiry date of 3 June 2017
- 5 618 579 options (high) at an exercise price of A\$ 0.2745 per option with a grant date of 4 June 2012 and an expiry date of 3 June 2017

See also Note 15: Share Based Payments

Subject to the terms of the Converting Note Agreement, the rate at which Converting Notes convert into CDI shares is equal to the principal amount outstanding on the Converting Notes divided by the Conversion Price.

The Conversion Price for the Converting Notes is equal to 110% of the Close Price. The Close price is determined as follows:

Close Price =

(a) A\$0.25 per CDI if at any time during an 8 week notice period the 5 day VWAP is equal to or greater than A\$0.25 per CDI or

(b) A\$0.2336

Specific terms of the Converting Notes:

- Other than a conversion permitted as a result in a change of control or default event, no conversion is permitted for the first 7½ months.
- Noteholders are not permitted to hold in excess of 19.99% of the CDI's in issue. A monthly cap of 5% of the principal amount of the Converting Notes if they are first ranking in the capital structure of the Company and
- A monthly cap of 10% of the principal amount of the Converting Notes if they are subordinated in the capital structure of the Company

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18. Converting notes (continued)

- Converting Notes may be converted or redeemed if a change of control event occurs
- All outstanding Converting Notes must be converted on the maturity date
- If by the date, 3 years and 6 months after the Closing Date, the 5 day, 10 day and 30 day VWAP on the first day of the month is equal to or greater than the Conversion Price, the Noteholder may issue a Conversion Notice to convert as many Converting Notes as it wishes.
- If by the date, 3 years and 6 months after the Closing Date, the 5 day, 10 day and 30 day VWAP on the first day of the month is lower than the Conversion Price then the Noteholder must issue a Conversion Notice to convert between 2.45% and 5% of the Principal being A\$7,000,000 or 7,000,000 Converting Notes. Once the Conversion Notice is issued, Universal Coal may elect to redeem the Converting Notes for cash or convert the Converting Notes into ordinary share capital by dividing the cash amount that is payable by 90% x lower of the 5 day, 10 day and 30 day 30 day VWAP on the first day of the month.
- The coupon rate of 9.5% fixed per annum is payable quarterly in arrears in cash or for the first 18 months, in shares at a 10% discount to the lower of the 5, 10 and 30 day VWAP.

Converting Notes

During the year converting notes were converted or redeemed as follows:

Date	Method	Number	Outstanding balance A\$
Opening balance		5 621 000	5 621 000
07/07/2016	Shares issued	(350 000)	5 271 000
08/08/2016	Shares issued	(171 500)	5 099 500
09/09/2016	Shares issued	(171 500)	4 928 000
10/10/2016	Shares issued	(350 000)	4 578 000
14/11/2016	Shares issued	(350 000)	4 228 000
12/12/2016	Shares issued	(350 000)	3 878 000
13/01/2017	Paid cash	(350 000)	3 528 000
13/02/2017	Paid cash	(350 000)	3 178 000
13/03/2017	Paid cash	(171 500)	3 006 500
18/04/2017	Paid cash	(350 000)	2 656 500
15/05/2017	Paid cash	(350 000)	2 306 500
16/06/2017	Paid cash	(350 000)	1 956 500
Closing balance		1 956 500	1 956 500

Converting Notes

Group		Company	
2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000
Movement in Susquehanna Pacific (Pty) Ltd Loan			
Opening balance	4 891	6 021	4 891
Converting notes converted to equity	(1 743)	(522)	(1 743)
Converting notes settled in cash	(1 922)	(858)	(1 922)
Amortised financing cost	250	250	250
1 476	4 891	1 476	4 891

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	Group		Company	
	2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000

19. Derivative financial liability

Opening balances	1 658	1 375	1 658	1 375
(Decrease)/increase in fair value	(1 381)	283	(1 381)	283
Closing balance	277	1 658	277	1 658

Contained within the Susquehanna Pacific (Pty) Ltd Converting Notes is an acceleration option which in the event that the Universal Coal Plc share price is equal to or above the Conversion Price on or after 30 November 2015, there is an option to convert all outstanding loan notes. This is considered to be an embedded derivative ("Converting Option") contained within the Converting notes.

The Conversion Price is A\$ 0.25696 per share, calculated as 110% of the lower of A\$ 0.2336 and A\$ 0.25. Refer to note 18: Converting notes.

The fair value of the Converting Option has been determined by using the Black Scholes option pricing model, a commonly used option pricing model.

The following key inputs were used in the valuation of the Derivative Financial Liability:

	2017	2016
Share price	A\$0.16	A\$0.20
Strike price	A\$0.25696	A\$0.25696
Volatility	67.3%	67.3%
Risk free rate	1.82%	1.82%
Time to maturity	1.92 years	2.92 years

The indicative fair value of the Converting Option at 30 June 2017 is A\$ 0.0364 (2016: A\$ 0.0758) per option.

There are still 1 956 500 loan notes (with a face value of A\$ 1 each) in issue which are convertible at a price of A\$ 0.25696. On exercise, this would result in the issue of the total of 7 614 026 new shares. The total indicative fair value of the Converting Option over these new shares is A\$0.28 million (2016: A\$1.7 million).

Group	
2017 A\$ '000	2016 A\$ '000

20. Deferred tax

Reconciliation of deferred tax liability

At beginning of year	9 267	1 745
Foreign exchange adjustments to balance at beginning of the year	908	(205)
Statement of comprehensive income charge	(49)	1 443
Net amount raised on the acquisition of NCC	-	7 173
Foreign exchange adjustments to spot at year end	(2)	(889)
Balance at the end of the year	10 124	9 267

Comprising

Deferred tax liability	20 423	16 589
Deferred tax asset	(10 299)	(7 322)
Total net deferred tax liability	10 124	9 267

The deferred tax assets and liabilities are offset to determine the amounts stated in the Consolidated Statements of Financial Position when the taxes can be legally offset and will be settled net.

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20. Deferred tax (continued)

Deferred tax comprises

Deferred tax liability

- Accelerated capital allowances for tax purposes	10 422	2 917
- Fair value increases in assets not recognised for tax purposes	10 001	13 672
Total deferred tax liability	20 423	16 589

Deferred tax asset

- Tax losses	(1 088)	-
- Timing difference on rehabilitation provision	(9 211)	(7 322)
Deferred tax balance from temporary differences other than unused tax losses	(10 299)	(7 322)
Net deferred tax liability	10 124	9 267

Deferred tax assets of A\$ 10 299 000 (2016: A\$ 7 322 000) have been recognised in respect of tax losses to be utilised by future taxable profits. The Directors believe it will be probable that these tax assets will be recovered through future taxable profits generated by the NCC.

All other tax losses carried forward are in entities for which no taxable profit is anticipated to arise in the near future. No deferred tax asset has been recognised on these losses as there is no certainty that sufficient profits will arise in future accounting periods from which these losses could be offset. The estimated unrecognised deferred tax asset is A\$ 9 992 918 (2016: A\$ 5 715 024).

21. Provisions

Reconciliation of provisions - Group - 2017

	Opening balance	Increase/(decr ease) in provision - change in estimate	Unwinding of provision	Foreign exchange movement	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Environmental rehabilitation - Kangala	3 934	(1 165)	386	386	3 541
Environmental rehabilitation - NCC	21 864	2 659	2 135	2 142	28 800
	25 798	1 494	2 521	2 528	32 341

Reconciliation of provisions - Group - 2016

	Opening balance	Decrease in provision - change in estimate	Business acquisition	Unwinding of provision	Foreign exchange movement	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Environmental rehabilitation	4 446	(188)	-	320	(644)	3 934
Environmental rehabilitation - NCC	-	(6 656)	30 331	2 217	(4 028)	21 864
	4 446	(6 844)	30 331	2 537	(4 672)	25 798

The rehabilitation provision relates to the estimated costs of correcting any disturbance relating to mining activities and those incidental thereto for the Kangala and NCC. The level of provision is commensurate with work completed to date.

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The cost of rehabilitation of the Kangala Colliery was estimated at A\$4.0 million (ZAR39.5 million) (2016: A\$4.6 million (ZAR50.9 million)). The future value of the Kangala provision was calculated by escalating estimated costs at CPI of 6% per annum over the life of the mine of 5 years. This amount is discounted at the 10 year South African Government Bond Rate of 8.94% to arrive at a carrying value of A\$3.5 million (2016: A\$3.9 million).

The total cost of rehabilitation of NCC underground and opencast mines was estimated at A\$35.9million (ZAR358.7) (2016:A\$30.3 million; ZAR289.7 million).

The future value of the NCC provision was calculated by escalating estimated costs at CPI of 6% per annum over the life of the mine of 10 years. This amount is discounted at the 10 year South African Government Bond Rate of 8.94% to arrive at a carrying value of A\$28.8 million.

Refer to Note 13 for financial guarantee undertaken on the environmental rehabilitation provision.

Group		Company	
2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000

22. Trade and other payables

Trade payables	19 083	8 821	181	45
Accrued expenses	2 847	1 302	37	121
Financial liabilities	21 930	10 123	218	166

Group	
2017 A\$ '000	2016 A\$ '000

23. Operating profit

Operating profit for the year is stated after accounting for the following:

Auditors' remuneration

Amounts received or due and receivable by BDO (UK) for:

The audit of the company's annual accounts

205 125

Amounts received or due and receivable by related practices of BDO (UK) for:

The audit of subsidiary undertakings

96 106

Depreciation on property, plant and equipment

134 181

Amortisation on intangible assets (software)

40 136

24. Cost of sales

Sale of goods

Mining costs	47 946	34 092
Processing costs	14 072	6 024
Materials handling	4 129	2 987
Inventory movement	(1 269)	(1 419)
Indirect costs	6 560	4 729
Royalties and commissions	657	320
Ancillary costs	7 093	5 341
Depreciation of mining assets	13 957	6 494
Distribution costs	28 709	19 991
	121 854	78 559

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	Company	
	2017 A\$ '000	2016 A\$ '000
25. Finance income		
Interest revenue		
Bank and fixed deposit interest	497	709
Ndalamo loan interest	1 279	1 978
	1 776	2 687
26. Finance expenses		
Interest on Investec Project Finance Facility	2 952	3 915
Interest on RMB Project Finance Facility	-	273
Unwinding of rehabilitation provisions	2 521	2 537
Converting notes - interest	656	948
Decrease in rehabilitation provision estimate	-	(6 656)
	6 129	1 017
27. Taxation		
No provision has been made for 2017 tax as the Group has no taxable income. The estimated tax loss available for set off against future taxable income is A\$35.7 million (2016: A\$30.9 million).		
For the assessment of the deferred tax asset, refer to note 20.		
Analysis of the tax charge		
No liability to UK corporation tax arose on ordinary activities for the year ended 30 June 2017 or for the year ended 30 June 2016.		
Factors affecting the tax charge		
The tax assessed for the year is different to the standard rate of corporation tax in South Africa.		
Profit on ordinary activities before tax	3 951	17 893
Tax at the applicable tax rate of 28% (2016: 28%)	(1 106)	(5 010)
Tax effect of adjustments on taxable income		
Non-taxable gain on fair value adjustment of investment in associates	1 112	-
Non-taxable gain on bargain purchase	-	4 046
Non-deductible expenses	(49)	(1 358)
Tax losses utilised	720	415
Under/over provision in previous years	-	151
Tax losses not recognised	(628)	313
Total taxation	49	(1 443)

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	Group		Company	
	2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000
28. Cash generated from / (utilised in) operations				
Profit / (loss) before taxation	3 951	17 893	2 251	(2 080)
Adjustments for:				
Depreciation and amortisation	13 997	6 631	-	-
Loss on sale of assets	9 725	2 098	-	-
Foreign exchange loss	-	16	-	16
Finance income	(1 776)	(2 687)	(2 822)	(1 461)
Finance expenses	6 129	1 017	656	948
(Decrease)/increase in fair value of derivative financial liability	(1 381)	283	(1 381)	282
Gain on bargain purchase	-	(15 872)	-	-
Gain on acquisition of associated undertakings	(3 972)	-	-	-
Impairment to intangible assets	-	2 634	-	-
Changes in working capital:				
(Increase) / decrease in inventories	(1 732)	(1 265)	-	-
(Increase) / decrease in trade and other receivables	(9 516)	(2 566)	737	(2 810)
Increase / (decrease) trade and other payables	10 896	2 194	52	(270)
	26 321	10 376	(507)	(5 375)
29. Significant non-cash transactions				
Operating activities				
Depreciation and amortisation	13 997	6 631	-	-
Loss on sale of assets	9 725	2 098	-	-
Impairment of intangible assets	-	2 634	-	-
Gain on acquisition of associated undertakings	(3 972)	-	-	-
	19 750	11 363	-	-
Investing activities				
Finance income accrued (not received in cash at year end)	(1 279)	(1 978)	(2 822)	(1 459)
Additions to tangible fixed assets	(3 489)	-	-	-
	(4 768)	(1 978)	(2 822)	(1 459)
Financing activities				
Finance expenses (accrued not paid in cash at year end)	3 496	1 611	249	249
Derivative financial liability	(1 381)	283	(1 381)	282
	2 115	1 894	(1 132)	531

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30. Related parties

Relationships

Holding company

Subsidiaries

Associated undertakings

Black Empowerment Economic Partners

Other related parties and connected persons

Universal Coal and Energy Holdings South Africa
Proprietary Limited (UCEHSA)

Universal Coal Development I (Pty) Ltd

Universal Coal Development II (Pty) Ltd

Universal Coal Development III (Pty) Ltd

Universal Coal Development IV (Pty) Ltd

Universal Coal Development V (Pty) Ltd

Universal Coal Development VII (Pty) Ltd

Universal Coal Development VIII (Pty) Ltd

Twin Cities Trading 374 (Pty) Ltd

Epsimax (Pty) Ltd

Episolve (Pty) Ltd

Bold Moves 1765 (Pty) Ltd

Universal Coal Power Generation (Pty) Ltd

Universal Coal Development VI (Pty) Ltd

Universal Coal Logistics (Pty) Ltd

Eloff Mining Company (Pty) Ltd

Unity Rocks Mining (Pty) Ltd

Mountain Rush Trading 6 (Pty) Ltd

Solar Spectrum Trading 365 (Pty) Ltd

Proper Health (Pty) Ltd

Pacific Breeze Trading 725 (Pty) Ltd

Azaramix Investments (Pty) Ltd

Identity Coal (Pty) Ltd

Ndalamo Resources (Pty) Ltd

Bono Lithihi Investments Group (Pty) Ltd

KEE Enterprises (Pty) Ltd

Henri Bonsma

Coal Development Holding B.V

African Minerals Exploration and Development GP
SARL

IchorCoal N.V.

Bonsma Enterprises (Pty) Ltd

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30. Related parties (continued)

	Group		Company	
	2017 A\$ '000	2016 A\$ '000	2017 A\$ '000	2016 A\$ '000
Related party balances				
Loan from related parties				
Mountain Rush Trading 6 (Pty) Limited	-	2 252	-	-
Loan to related party				
Ndalamo Resources (Pty) Limited	8 378	6 475	-	-
Related party transactions				
Consulting fees paid to related parties				
African Minerals Exploration and Development GP SARL	160	160	160	160
IchorCoal N.V.	160	160	160	160
Mountain Rush Trading 6 (Pty) Limited	7 597	5 621	-	-
Goods sold to related parties				
Bonsma Enterprises (Pty) Ltd	-	152	-	-
Rent paid to related parties				
KEE Enterprises (Pty) Limited	97	91	-	-
Shareholder loan repayment				
Mountain Rush Trading 6 (Pty) Ltd	2 252	1 463	-	-

UCD I secured a portion of the 100% Kangala equity funding requirement of A\$16.9 million (ZAR160 million) through a shareholders loan of A\$4.30 million (ZAR47.2 million) from Black Economic Empowerment partner Mountain Rush Trading 6 (Pty) Ltd. A shareholder loan repayment of A\$2.3 million (ZAR 23 million) was made during the year (2016: A\$ 1.5 million (ZAR:R 16.1 million)).

On 12 August 2014, a financing term sheet was entered into between UCEHSA and Ndalamo for the financing of the NCC Roodekop project. The loan is secured against a share pledge of Ndalamo's shares in UCD VIII and UCD IV, bears interest at prime plus 1% per annum and is fully repayable by 30 June 2020 in varying capital installments. The balance above represents a net amount of A\$5.0 million (2016: A\$4.6 million) and accumulated interest of A\$3.3 million (2016: A\$1.9 million). To date a gross capital amount of A\$17.1 million (2016: A\$13.5 million) has been loaned to Ndalamo of which A\$12.1 million (2016: A\$8.9 million) has been on lent to UCD IV and UCD VIII. On consolidation this amount is offset against the gross loan balance due to offsetting rights included in the agreements.

On 5 December 2012, the Company entered into a private placement agreement with Coal Development Holding B.V. (CDH) a wholly owned investment vehicle of African Minerals Exploration and Development GP SARL for the acquisition of 29.99% of the issued share capital of Universal Coal Plc. One of the key terms of the placement was that CDH has the right to nominate two Non-Executive Directors to the Company's Board. Following Shareholder approval at the Company's Annual General Meeting on 21 December 2012, the Board of Universal Coal Plc approved the appointment of Mr David Twist and Mr Carlo Baravalle as Non-Executive Directors effective from 7 January 2013. Monthly fees of A\$13.3 thousand are payable to African Minerals Exploration and Development GP SARL.

On 1 September 2014, Universal Coal Plc entered into a Subscription Agreement with IchorCoal N.V. for the strategic investment of A\$24.5 million and furthermore entered into a Warrant Instrument with IchorCoal N.V. whereby IchorCoal N.V. would subscribe for 71 220 000 Warrants, exercisable for a period of 18 months at a strike price of A\$0.36. As part of the investment and effective from 16 October 2014, Messrs Nonkululeko Nyembezi and Andries Engelbrecht were appointed to the Board of Universal Coal as nominee directors of IchorCoal N.V. Monthly fees of A\$13.3 thousand are payable to IchorCoal N.V.

Fees paid to Mountain Rush Trading 6 (Pty) Ltd relate to facilitation and service fees permitted in the Facilitation and Service Fee Agreement entered into on 6 May 2013 between Mountain Rush Trading 6 (Pty) Ltd, UCD I and UCEHSA.

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30. Related parties (continued)

During the prior period under review Bonsma Enterprises (Pty) Limited ("Bonsma Enterprises") bought certain of the assets of NCC. These assets were made available on bid offer to the public. The controlling shareholder of Bonsma Enterprises, Henri Bonsma is also a non-executive director of Universal Coal Plc.

A lease agreement was entered into with KEE Enterprises on 1 June 2014 for office rental in South Africa. The controlling shareholder of KEE Enterprises (Pty) Ltd, Henri Bonsma is also a non-executive director of Universal Coal Plc. The period of the lease is for 5 years at a market related rental of A\$7.6 thousand per month with an annual escalation clause of 8% per annum.

On 30 June 2017, the subsidiary UCD IV acquired 29% of the shares of the Eloff Mining Company (Pty) Ltd and paid A\$4.35 million in cash for the investment.

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31. Risk management

Financial risk management

A. Accounting Classifications and Fair values

The Group's activities expose it to a variety of financial risks: in particular market risk (including currency risk, fair value and interest rate risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's performance. The Board, on behalf of the members, carries out risk management and governance practices.

The financial instruments of the Group are:	Note	Fair value hierarchy	Loans and receivables		Financial Liabilities		
			Carrying amount	Fair value	Carrying amount	Fair value	
			A\$'000	A\$'000	A\$'000	A\$'000	
30 June 2017							
Financial assets							
Trade and other receivables	¹	12	Level 3	17 728	17 728	-	-
Unrestricted cash	¹	13	Level 2	14 461	14 461	-	-
Restricted cash	¹	13	Level 2	724	724	-	-
Loan receivable	¹	9	Level 3	8 378	8 378	-	-
Other financial assets		10	Level 3	1 293	1 293	-	-
				<u>42 584</u>	<u>42 584</u>	<u>-</u>	<u>-</u>
Financial liabilities							
Trade payables	¹	22	Level 3	-	-	21 930	21 930
Derivative financial liability	³	19	Level 3	-	-	277	277
Borrowings	²	17	Level 3	-	-	31 607	31 607
Converting notes	²	18	Level 3	-	-	1 476	1 476
				<u>42 584</u>	<u>42 584</u>	<u>55 290</u>	<u>55 290</u>

The financial instruments of the Group are:	Note	Fair value hierarchy	Loans and receivables		Financial Liabilities		
			Carrying amount	Fair value	Carrying amount	Fair value	
			A\$'000	A\$'000	A\$'000	A\$'000	
30 June 2016							
Financial assets							
Trade and other receivables	¹	12	Level 3	7 374	7 374	-	-
Unrestricted cash	¹	13	Level 2	7 048	7 048	-	-
Restricted cash	¹	13	Level 2	527	527	-	-
Loan receivable		9	Level 3	6 475	6 475	-	-
				<u>21 424</u>	<u>21 424</u>	<u>-</u>	<u>-</u>
Financial liabilities							
Shareholder's loan	²	17	Level 3	-	-	2 252	2 252
Trade payables	¹	22	Level 3	-	-	10 122	10 122
Derivative financial liability	³	19	Level 3	-	-	1 658	1 658
Borrowings	²	17	Level 3	-	-	22 059	22 059
Converting notes	²	18	Level 3	-	-	4 891	4 891
				<u>21 424</u>	<u>21 424</u>	<u>40 982</u>	<u>40 982</u>

¹ The carrying amount of these financial assets and liabilities are a reasonable approximation of their fair values

² Financial liabilities recognised at amortised cost

³ Financial liabilities designated as at fair value through profit or loss

Value Added Taxation and prepayments of A\$3.6 million (2016: A\$3.4 million) and provisions and deferred tax of A\$42.7 million (2016: A\$36.9 million) have been excluded as these do not meet the definition of a financial asset or financial liability as defined in IAS 32 Financial Instruments: Presentation.

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31. Risk management (continued)

The financial instruments of the Company are:	Note	Fair value hierarchy	Loans and receivables		Financial Liabilities		
			Carrying amount	Fair value	Carrying amount	Fair value	
			A\$'000	A\$'000	A\$'000	A\$'000	
30 June 2017							
Financial assets							
Trade and other receivables	¹ 12	Level 3	2 000	2 000	-	-	
Bank balances	¹ 13	Level 2	233	233	-	-	
			<u>2 233</u>	<u>2 233</u>	<u>-</u>	<u>-</u>	
Financial liabilities							
Trade and other payables	¹ 22	Level 3	-	-	218	218	
Derivative financial liability	³ 19	Level 3	-	-	277	277	
Converting notes	² 18	Level 3	-	-	1 476	1 476	
			<u>2 233</u>	<u>2 233</u>	<u>1 971</u>	<u>1 971</u>	
The financial instruments of the Company are:	Note	Fair value hierarchy	Loans and receivables		Financial Liabilities		
			Carrying amount	Fair value	Carrying amount	Fair value	
			A\$'000	A\$'000	A\$'000	A\$'000	
30 June 2016							
Financial assets							
Trade and other receivables	¹ 12	Level 3	2 800	2 800	-	-	
Bank balances	¹ 13	Level 2	81	81	-	-	
			<u>81</u>	<u>81</u>	<u>-</u>	<u>-</u>	
Financial liabilities							
Trade and other payables	¹ 22	Level 3	-	-	166	166	
Derivative financial liability	³ 19	Level 3	-	-	1 658	1 658	
Converting notes	² 18	Level 3	-	-	4 891	4 891	
			<u>2 881</u>	<u>2 881</u>	<u>6 715</u>	<u>6 715</u>	

¹ The carrying amount of these financial assets and liabilities are a reasonable approximation of their fair values

² Financial liabilities recognised at amortised cost

³ Financial liabilities designated as at fair value through profit or loss

Prepaid expenses and Value Added Taxation of A\$105 000 (2016: A\$41 000) have been excluded as these do not meet the definition of a financial asset or financial liability as defined in IAS 32 *Financial Instruments: Presentation*.

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31. Risk management (continued)

B. Valuation Techniques and significant unobservable inputs

The Group has assessed the different levels in the fair value hierarchy, for its financial instruments, based on the inputs used in the valuation techniques.

The following tables show the valuation techniques used in measuring level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at Fair Value

Type	Valuation Technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial liabilities (derivative component)	Black-Scholes option pricing model.	Share price volatility	Refer to the sensitivity analysis table below.

Level 3 Fair Values

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values:

	Note	Derivative financial liability A\$'000	Converting notes A\$'000
Balance at 1 July 2016	18 & 19	1 658	4 891
Gain included in profit and loss		(1 381)	250
Converting notes converted to equity		-	(1 743)
Converting notes settled in cash		-	(1 922)
Balance at 30 June 2017		277	1 476

Sensitivity of Level 3 financial assets and liabilities

The carrying amount of financial assets and liabilities that are valued using inputs other than observable market data are calculated using appropriate valuation models, including discounted cash flow modelling, with inputs such as term of instruments, risk free interest rate, volatility and consumer price index. The potential effect of using reasonably possible alternative assumptions in these models, based on change in the most significant input by 10 Percent while holding all other variables constant would have the following effects:

30 June 2017	Carrying amount A\$'000	10% increase in input	10% decrease in input
Derivative financial liability	277	322	232
Converting notes	1 476	1 624	1 328
30 June 2016	Carrying amount A\$'000	10% increase in input	10% decrease in input
Derivative financial liability	1 658	1 952	1 378
Converting notes	4 891	5 380	4 402

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31. Risk management (continued)

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while optimising the debt and equity balance. The capital structure of the Group consists of equity comprising issued share capital, equity reserves, accumulated loss and debt comprising of converting notes, shareholder's loan, long term loans and short term loans.

Where future investment in the interest in associates or other Group projects is required the Board will assess the structure of whether it can be funded from existing resources or financing arrangements as appropriate.

The Group finances its operations through equity and debt. During the prior year the Group raised finance through refinancing the Kangala project finance debt facility and securing a project financing facility at NCC for the balance of the capital development finance. Drawdown on the NCC project finance facility is dependant on securing a long-term coal offtake agreement. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without prior consent of the Company.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Group's subsidiary entities all have functional currencies of ZAR. The majority of transactions entered into by the entities and the denomination of assets / liabilities are ZAR.

As the functional currency of Universal Coal PLC is Australian Dollar there are significant foreign exchange gains or losses recognised in other comprehensive income of the consolidation of subsidiaries. However this is not considered a financial instrument risk for the Group as there is no monetary gain or loss.

The Group is however exposed to ZAR to AUD currency risk on future distributions made by the subsidiaries which Management monitor on a continuing basis.

Exchange rates used for conversion of foreign items were:

	2017	% Change	2016	% Change	2015
ZAR:AUD (Average)	10.2501	(3.03)	10.5705	10.68	9.5506
ZAR:AUD (Spot)	10.0003	(8.92)	10.9795	16.59	9.4173
GBP:AUD (Average)	0.5943	20.79	0.4920	(7.13)	0.5298
GBP:AUD (Spot)	0.5910	6.83	0.5532	13.27	0.4884

Foreign Currency Risk Sensitivity Analysis:

	2017	2016
	A\$ '000	A\$ '000
Change in profit / (loss) - (AUD:ZAR)		
Improvement in AUD to ZAR by 10%	(359)	(1 512)
Decline in AUD to ZAR by 10%	439	1 847

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Notes to the Consolidated and Company Annual Financial Statements

31. Risk management (continued)

Price risk

Prices ultimately received for coal sales in relation to the Group's investments will have significant impact on the profitability and viability of all projects in which the Group has an interest. An increase in prices may have significant and leveraged effect on the current and future values of projects and shares held, the converse will apply where prices fall.

The Kangala and NCC have contracted prices with a majority customer in Eskom Holdings SOC Limited, which is not subject to global commodity pricing fluctuations. However the Kangala and NCC have contracted sale agreements with Glencore Plc which are subject to the global commodity price fluctuations as well as foreign exchange variances.

The company does not currently have a foreign exchange hedging policy, but the exposure will be managed as export sales volumes increase in the future.

Interest rate on financial assets and liabilities

The Group's financial assets consist of cash and cash equivalents and other receivables. The Group earns interest on its cash and cash equivalents, consequently the Group is exposed to cash flow interest rate risk on its financial assets which earn interest based on variable interest rates. To mitigate this risk the cash balances maintained by the Group is proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group requires.

The Group's financial liabilities consist of borrowings, converting notes, trade payables and a shareholder's loan. The Group incurs interest on its borrowings (variable) and converting notes (fixed) and is exposed to cash flow interest rate risk on borrowings and fair value interest rate risk on converting notes. The Group does not enter into hedging agreements at this point in time and proactively manages cash flow interest rate risk by analysing interest rate forward curves.

At 30 June 2017, if interest rates on Australian Dollar-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax profit for the year would have been A\$1 514 (2016: A\$3 535) higher/(lower), mainly as a result of higher/(lower) interest rates.

At 30 June 2017, if interest rates on Rand-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax profit for the year would have been A\$112 232 (2016: A\$167 025) higher/(lower), mainly as a result of higher/(lower) interest rates.

The Group and Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

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31. Risk management (continued)

Group

	Fixed interest rate	Floating interest rate	Fixed interest maturing within one year	Non-interest bearing	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
30 June 2017					
Financial assets					
Cash and cash equivalents	-	15 185	-	-	15 185
Trade and other receivables	-	-	-	19 975	19 975
Loan receivable	8 378	-	-	-	-
Weighted average interest rate	-	9.07 %	-	-	9
Financial liabilities					
Trade and other payables	-	-	-	19 083	19 083
Converting notes	1 476	-	-	-	1 476
Derivative financial liabilities	277	-	-	-	277
Borrowings	-	31 607	-	-	31 607
Weighted average interest rate	10.55 %	- %	-	-	11
30 June 2016					
Financial assets					
Cash and cash equivalents	-	7 575	-	-	7 575
Trade and other receivables	-	-	-	9 325	9 325
Loan receivable	6 475	-	-	-	6 475
Weighted average interest rate	-	9.32 %	-	-	-
Financial liabilities					
Trade and other payables	-	-	-	8 821	8 821
Converting notes	4 891	-	-	-	4 891
Derivative financial liabilities	1 658	-	-	-	1 658
Shareholders loan	-	-	-	2 252	2 252
Borrowings	-	22 059	-	-	22 059
Weighted average interest rate	10.80 %	- %	-	-	-

Company

	Fixed interest rate	Floating interest rate	Fixed interest maturing within one year	Non-interest bearing	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
30 June 2017					
Financial assets					
Cash and cash equivalents	-	233	-	-	233
Weighted average interest rate	-	2.3 %	-	-	-
Financial liabilities					
Trade and other payables	-	-	-	171	171
Converting notes	1 476	-	-	-	1 476
Derivative financial liabilities	277	-	-	-	277
Weighted average interest rate	9.3 %	-	-	-	-
30 June 2016					
Financial assets					
Cash and cash equivalents	-	81	-	-	81
Weighted average interest rate	-	2.5 %	-	-	-
Financial liabilities					
Trade and other payables	-	-	-	45	45
Converting notes	4 891	-	-	-	4 891
Derivative financial liabilities	1 658	-	-	-	1 658
Weighted average interest rate	9.5 %	-	-	-	-

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31. Risk management (continued)

Credit risk

The carrying amount of the Group's financial assets represents its maximum exposure to credit risk.

The Group is exposed to credit risk on payments from customers and cash deposits however it does not consider that it has significant exposure because its major customers are Eskom Holdings SOC Limited (Eskom) and Glencore Plc. The Group also banks with reputable institutions in various locations, including HSBC Bank Australia Ltd, ANZ Bank Australia, ABSA Bank Ltd, Investec Ltd and FirstRand Bank. Eskom Holdings SOC Limited is a state owned company and is backed by the South African Government. Both key customers continue to pay their outstanding balances on a monthly basis.

Financial assets exposed to credit risk at year end were as follows:

Financial assets	Group		Company	
	Group - 2017	Group - 2016	Company - 2017	Company - 2016
Trade and other receivables	17 728	7 374	2 000	2 800
Cash and cash equivalents	15 185	7 575	233	81
Other financial assets	1 293	-	-	-

At 30 June 2017, the Group's most significant customers, Eskom Holdings SOC Limited, accounted for A\$ 13 048 136 (2016: A\$ 6 856 375) and Glencore Plc for A\$ 2 503 945 (2016: A\$ nil) of the trade and other receivables carrying amount.

At 30 June 2017, the ageing of trade and other receivables that were not impaired was as follows:

	Group		Company	
	2017 A\$'000	2016 A\$'000	2017 A\$'000	2016 A\$'000
Neither past due nor impaired	15 873	7 017	2 000	2 800
Past due 1 - 30 days	292	-	-	-
Past due 31 - 90 days	1 563	357	-	-
Past due 91 - 120 days	-	-	-	-
	17 728	7 374	2 000	2 800

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customer's credit rating if they are available.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors rolling forecasts of the Group's and Company's liquidity reserve. The review consists of considering the liquidity of local markets, projecting cash flows and the level of liquid assets to meet these. The Management raises additional capital financing when the review indicates this to be necessary.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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31. Risk management (continued)

Group

At 30 June 2017	Total A\$'000	Less than 1 year A\$'000	Between 1 and 2 years A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000
Borrowings	31 607	6 539	6 539	18 529	-
Derivative financial instruments	277	277	-	-	-
Trade and other payables	21 930	21 930	-	-	-
Converting notes	1 957	1 957	-	-	-

At 30 June 2016	Total A\$'000	Less than 1 year A\$'000	Between 1 and 2 years A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000
Borrowings	22 059	5 215	5 215	11 629	-
Derivative financial instruments	1 658	-	-	1 658	-
Trade and other payables	8 821	8 821	-	-	-
Converting notes	5 621	2 058	3 563	-	-
Shareholders loan	2 836	-	-	2 836	-

Company

At 30 June 2017	Total A\$'000	Less than 1 year A\$'000	Between 1 and 2 years A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000
Derivative financial instruments	277	277	-	-	-
Trade and other payables	228	228	-	-	-
Converting notes	1 957	1 957	-	-	-

At 30 June 2016	Total A\$'000	Less than 1 year A\$'000	Between 1 and 2 years A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000
Derivative financial instruments	1 658	-	-	1 658	-
Trade and other payables	45	45	-	-	-
Converting notes	5 621	2 058	3 563	-	-

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	2017	2016
32. Earnings Per Share		
Numerator		
Earnings used in basic earnings per share (A\$)	5 100 540	8 556 042
Earnings used in diluted earnings per share (A\$)	5 100 540	8 556 042
Denominator		
Weighted average number of shares used in basic earnings per share	519 055 408	506 502 245
Potential ordinary shares that could dilute earnings per share in future:		
Weighted average number of shares used in basic earnings per share	519 055 408	506 502 245
Adjusted for convertible preferred shares in issue	-	-

Convertible loan notes and share options have not been included in the calculation of diluted earnings per share because they are out of the money. The total number of options and warrants issued is disclosed in note 15.

33. Employees and Directors

Average number of employees of the group are as follows:

	Number	Number
Staff (Operational resources)	121	94
Directors	8	8
	129	102

	A\$'000	A\$'000
Wages and salaries	5 363	3 236

Average number of employees of the company are as follows:

	Number	Number
Staff (Operational resources)	1	2
Directors	8	8
	9	10

	A\$'000	A\$'000
Wages and salaries	1 505	1 467

There are no pension contributions paid by the Group in the current or prior year.

Certain employee costs directly attributable to the development of mining assets have been capitalised to Development and Production Assets amounting to A\$1 188 895 (2016: A\$1 157 367).

The key management personnel of the business are considered to be the executive and non-executive directors of the Company, as well as senior management being the chief financial officer, director of corporate affairs, chief geologist and chief development engineer. Refer to Section 9: Remuneration Report of the Directors Report.

	2017 A\$'000	2016 A\$'000
Executive directors	665	776
Senior Management	892	918
Non-executive directors	598	615
	2 155	2 309

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34. Events after the reporting period

On 17 July 2017, 350 000 converting notes were settled in cash.

On 8 August 2017, 350 000 converting notes were settled in cash.

On 14 September 2017, 350 000 converting notes were settled in cash.

On 26 September 2017, the board of directors declared a final gross cash dividend of A\$0.01 (2016: A\$nil) per share in respect of the year ended 30 June 2017. The dividend is declared in Australian dollar and is subject to shareholder approval at the annual general meeting for FY2017.

Independent auditor's report to the members of Universal Coal PLC

Opinion

We have audited the financial statements of Universal Coal Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 which comprise the consolidated and parent company statements of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated and the parent company's statements of changes in equity, the consolidated and the parent company's statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- the group and parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

MATTER

Carrying value of mining assets

The group's mining assets, including property, plant and equipment, and stockpiles, represent its most significant assets and total \$78.9m at 30 June 2017.

For the year ended 30 June 2017 management were required to assess whether there is any indication that an asset may be impaired in accordance with the requirements of IAS 36 'Impairment of Assets'. The New Clydesdale Colliery entered into production during the year, and as a result management prepared a formal impairment test using the value in use (VIU) method to determine if as at 30 June 2017 the recoverable amount of the mining assets was greater than the carrying value. No impairment charge has been recognised for the year ended 30 June 2017.

This formal assessment involved significant management judgement, which increased the risk of material misstatement. The details regarding management's judgements are included on pages 34 - 36 to the financial statements.

OUR RESPONSE

We evaluated management's impairment model against the detailed mine plan, approved reserve report and our understanding of the operations from an onsite visit. We critically challenged the key estimates and assumptions used by management.

Our testing included verification of price inputs to contractual offtake arrangements; recalculation of discount rates; and critical review of the opencast cost and production profiles against historical performance and the overall mine plan.

We performed our own sensitivity analysis over individual key inputs, together with a combination of sensitivities over such inputs.

MATTER

Disposal of assets at NCC

During the year assets held at New Clydesdale Colliery (NCC) were sold to a third party mining contractor. The assets sold comprised mining assets which were acquired through the business combination completed on 30 July 2015.

In accordance with IFRS 3, these assets were recognised on acquisition at their respective fair values. The fair value was determined as the "depreciated replacement cost" as provided by independent third party valuation experts. The depreciated replacement cost was considered the appropriate valuation methodology to reflect the value that could be generated by the assets under the "best use" principle noted in IFRS 3.

During the year assets to the value of AUD 11.2m were disposed of in return for proceeds of AUD 1.5m, resulting in a loss of AUD 9.7m. Given the significant loss recognised on disposal, we considered whether the loss was indicative of challenges to the fair value applied at initial recognition.

The determination of the loss on sale and the fair value of the assets was considered a significant risk due to the unusual nature of the transaction and the quantum thereof.

Disclosure regarding this transaction can be found on page 47 to the financial statements.

OUR RESPONSE

We tested management's control over the approval of the sale and the consideration agreed by the board and NCC operating committee.

We reassessed the valuation applied to the assets as part of the accounting for the business combination in 2015. We assessed the independence and qualifications of management's expert and challenged management as to whether the depreciated replacement cost valuation was representative of the best use principle under IFRS 3.

We recalculated the carrying value of the assets to the date of disposal as well as the loss on disposal to confirm arithmetic accuracy, and agreed the proceeds receivable through inspection of invoices raised by the contractor.

MATTER

Acquisition of shares in Eloff Mining Company

On 30 June 2017 the group completed the acquisition of a 29% stake in the Eloff Mining Company, a company which owns the adjacent land to Kangala.

The acquisition completed on the last day of the financial year and management determined that all conditions precedent in the acquisition agreement had been fulfilled and it was appropriate to account for the transaction in the period.

Management determined that the group has significant influence over the company and recognised an investment in an associate in line with the requirements of IAS 28 and fair valued the underlying assets and liabilities of the Eloff Mining Company. A gain of \$4m has been recognised in the statement of comprehensive income and this represents the excess of the group's share of the fair values of the assets and liabilities of Eloff over the consideration paid for the shares.

Given the size of the gain realised and the key judgements applied by management in determining the fair value of the underlying assets and liabilities of Eloff, this was deemed a key risk for our audit.

Disclosure regarding this transaction can be found on page 55 to the financial statements.

OUR RESPONSE

We verified the legal documentation to support that all conditions precedent had been fulfilled at 30 June 2017 and the group had legal title.

We verified the terms of the shareholder arrangement to confirm Universal's ability to appoint directors to the board and assert significant influence.

We verified the \$4.35m purchase price paid through to bank statements.

We agreed the underlying assets and liabilities acquired through to the company financial statements.

We obtained management's assessment of the fair value of the underlying assets and liabilities and critically challenged the key estimates and assumptions applied. Our testing included agreeing the exploration asset reserves to competent person reports (CPR), assessing the independence and qualifications of the expert who prepared the CPR and considering the value attributed to the reserves by reference to market data.

Our application of materiality

Group materiality FY 2017	Group materiality FY 2016	Basis for materiality
\$4.1 million	\$3.6 million	2% of total assets

Company materiality FY 2017	Company materiality FY 2016	Basis for materiality
\$1.2 million	\$1.2 million	2% of total assets

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Our determination of materiality has remained unchanged with no significant movement in the total assets in the year impacting materiality. We consider total assets to be the most significant determinant of the group's financial performance used by shareholders as the group continues to bring its mining assets through to production.

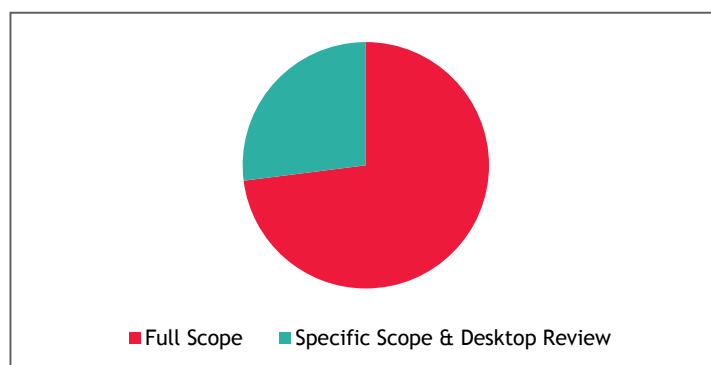
Whilst materiality for the financial statements as a whole was \$4.1 million, each significant component of the group was audited to a lower level of materiality ranging from \$0.4 million to \$2.5 million which is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes used during the audit.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

Our group audit scope focused on the group's principal operating locations being the Kangala mine and the NCC mine, which were both subject to a full scope audit. Together with the parent company, which was also subject to a full scope audit, these represent the significant components of the group.

The remaining components of the group were considered non-significant and these components were principally subject to analytical review procedures, together with additional substantive testing over the risk areas detailed above where applicable to that component. We set out below the extent to which the group's total assets were subject to audit versus review procedures.



The audits of each of the components were principally performed in South Africa (Pretoria) and the United Kingdom. All of the audits were conducted by BDO LLP and BDO member firms.

As part of our audit strategy, the Responsible Individual and senior members of the audit team visited each of the principal operating locations in the year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

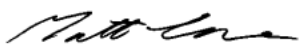
Auditor's responsibilities for the audit of the financial statements

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Matt Crane
For and on behalf of BDO LLP, Statutory Auditor
London

26 September 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).