



PROJECTS OF SIGNIFICANCE

ANNUAL REPORT 2018

Universal Coal is committed to building a sustainable mid-tier coal mining company, providing investors with exposure to coking and thermal coal assets with the potential to develop into

PROJECTS OF SIGNIFICANCE

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About this report

This annual report covers Universal Coal Plc's (Universal Coal, Universal or the Company) results and those of its subsidiaries for the financial year ended 30 June 2018, and includes comparative data.

The report is our primary report to shareholders and presents a concise view of the Company, its performance, strategy and governance, with readers directed to our website – www.universalcoal.com – for additional information. The aim of the report is to provide meaningful and transparent information to enable investors and other stakeholders to make an informed assessment of Universal Coal and its prospects, our impacts and the sustainable value we create. The Company is incorporated and domiciled in the United Kingdom, and all monetary values in this report are given in Australian dollar (A\$) unless otherwise stated.

Responsibility and preparation

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 have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and in accordance with the provisions of the Companies Act, 2006. The Directors are also required to prepare financial statements in accordance with the rules of the Australian Securities Exchange (ASX).

Highlights of the year

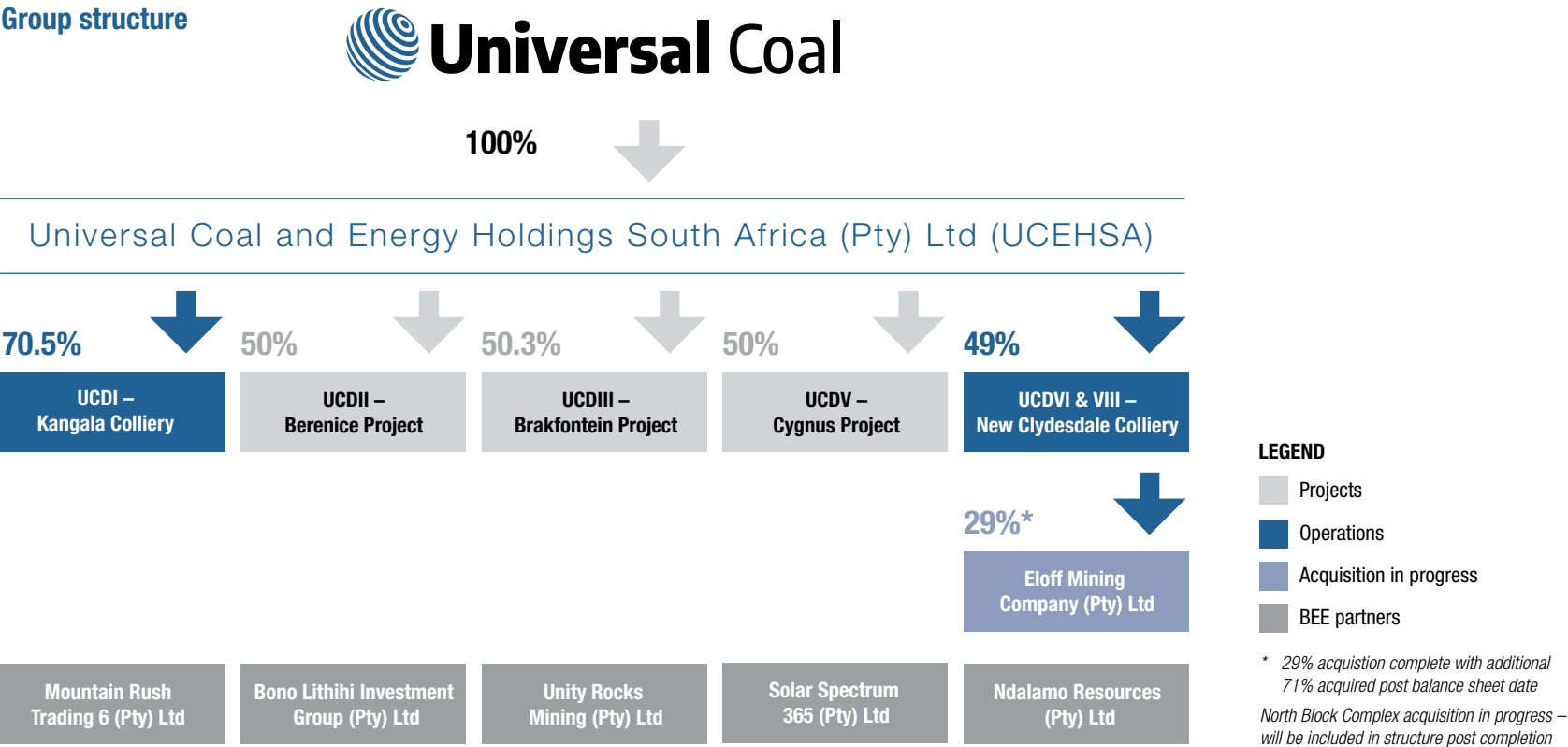
Adding shareholder value through the acquisition, exploration, development and commercialisation of coal projects in South Africa.



Corporate profile

Universal Coal, a mid-tier coal mining company, has a portfolio of producing, development and exploration assets located across South Africa’s major coalfields, providing investors with exposure to thermal and coking coal assets with the potential to develop into mines of regional significance, with sustained production and cashflow.

Group structure



Well-positioned to

ACHIEVE MORE GROWTH

from our current asset base



Corporate profile continued

LOCATION OF OPERATIONS AND PROJECTS



LEGEND

Thermal coal – mines

1 Kangala

2 NCC

3 NBC*

Thermal coal – projects

4 Eloff*

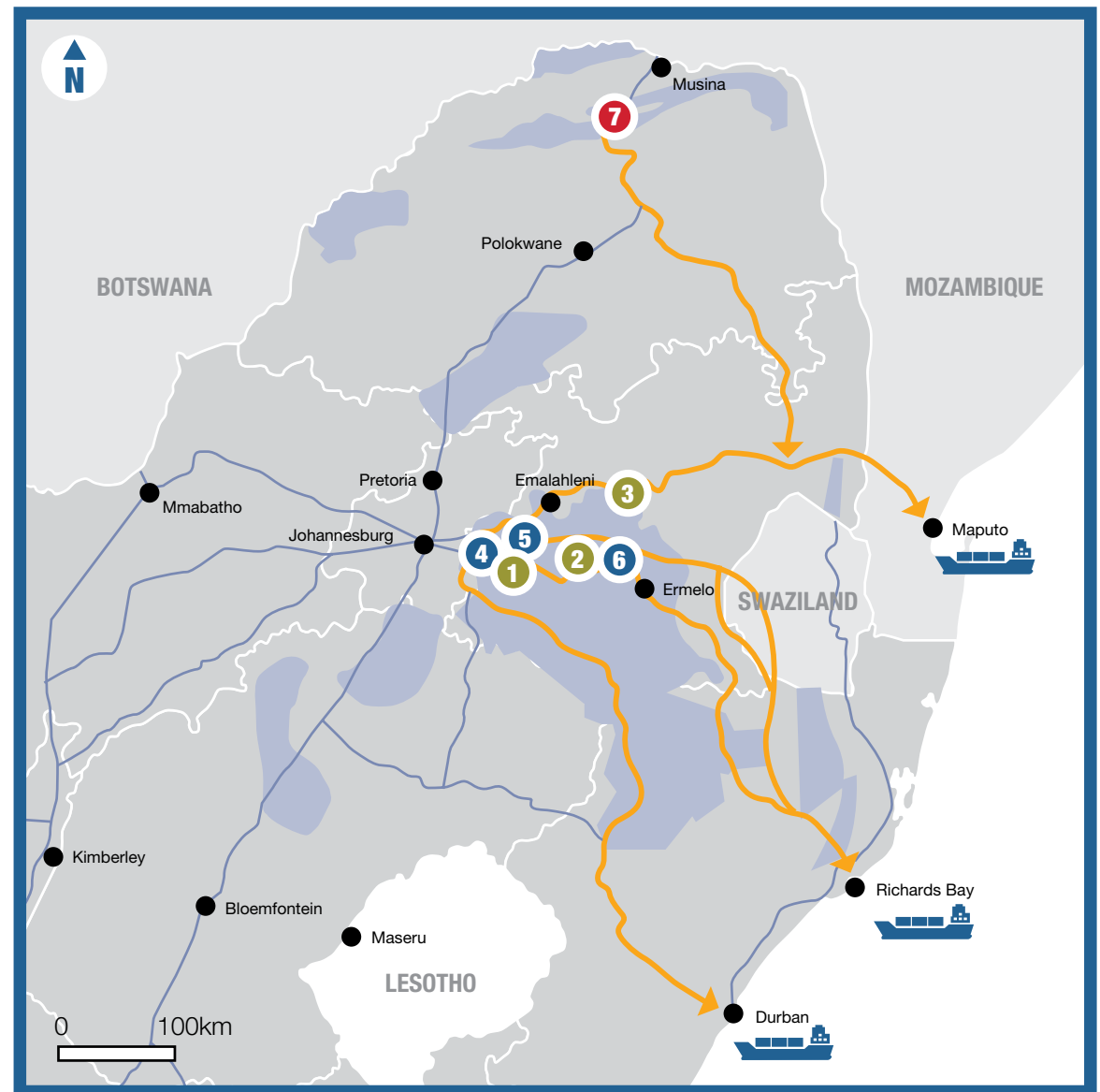
5 Brakfontein

6 Arnot South

Coking coal – project

7 Berenice/Cygnus

* Under acquisition at 30 June 2018



Kangala

102.36Mt Resource

inclusive of 31.6Mt Reserve

Open-pit, truck and shovel operation, located 65km east of Johannesburg, in the Witbank Coalfield, Mpumalanga province

New Clydesdale Colliery

139.63Mt Resource

inclusive of 53.6Mt Reserve

Open-pit operation which is extended by the underground workings, located 35km south of Witbank

Eloff

424Mt Resource

Contiguous to Kangala, allowing for low cost expansion and long-term sustainability, has a Mining Right in application

Brakfontein

75.8Mt Resource

inclusive of 9.1Mt Reserve

Located in the Delmas district, 25km east of Kangala mine, has all regulatory authorisations granted

Arnot South

206.6Mt Resource

Located within the Witbank coalfield, 50km from NCC, completed a feasibility study and submitted a Mining Right in application in CY2018

Berenice/Cygnus

1.35Bt Resource

Located in the Soutpansberg Coalfield, 90km southwest of Musina, in the Limpopo province, has a Mining Right application lodged with the DMR

Section 1:

LEADERSHIP

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GROWTH & INSPIRATION

Knowledgeable Directors, from diverse backgrounds with the skill sets and expertise relevant to our business



Chairman's letter

Financial year 2018 has been one of significant progress and transformative growth for Universal Coal Plc, one in which the Company delivered strong financial performance, excellent operational progress, and successfully engaged in acquisitions that will be strongly earnings accretive. Underpinned by a rebound in coal prices, Universal, and by extension its shareholders, have reaped the benefits.

All key milestones were reached during the year, with earnings increasing every quarter due to record production levels at the Company's operating coal mines in South Africa. Both the Kangala Colliery (Kangala) and the New Clydesdale Colliery (NCC) have gone from strength to strength, and overall, Universal is well-positioned to achieve more growth from its existing asset base.

Group earnings before interest, tax, depreciation and amortisation (EBITDA)* exceeded market guidance at A\$72.3 million, a 189% increase on the prior year EBITDA of A\$25 million. Attributable EBITDA** was up strongly from A\$18 million in FY2017 to A\$45 million, a 150% increase.

** EBITDA is an alternative performance measure used by management to evaluate financial performance. EBITDA is calculated by adjusting operating profit with the aggregate of depreciation and amortisation included in the cost of sales and operating expenses. EBITDA provides management with an indication of the cash based earnings as the profit has been adjusted to excluded non-cash charges. Refer to note 3 of the Company financial statements for the reconciliation of the EBITDA*

*** Attributable EBITDA is calculated by multiplying the operational EBITDA with effective shareholding %*

This very pleasing earnings growth has been driven by the record production of 4.7Mt from Universal's mines, up from 3Mt in the prior year. Production attributable to Universal Coal was 2.9Mt.

The Company has again rewarded shareholders with dividends of 2 cents declared, for the FY2018.

This financial year we have experienced much improved sentiment with coal prices hitting a six-year high driven primarily by customers in Asia locking in much needed supply. It is in this more stable climate that Universal is carving out a reputation as one of South Africa's leading and dependable multi-mine coal producers.

Universal continues to drive shareholder value through the production of cost effective tonnages and pleasingly, we have achieved targeted volumes at both the Kangala and New Clydesdale. Furthermore, export tonnages substantially grew from NCC which contributed to the Company's revenue and earnings growth.

Universal maintains a strong working relationship with all its customers, including Eskom, and we are pleased to report that since securing the coal supply agreements last year, sales from NCC have increased quarter-on-quarter.

“Universal is carving out a reputation as one of South Africa's leading and dependable multi-mine coal producers.”



Chairman's letter continued

“We entered this financial year with the aim of exceeding 4Mt sales and we are proud to have accomplished this.”

While we have achieved solid organic growth from existing operations, we recognise the importance of the Company expanding its asset base in South Africa, and other markets where we see opportunity.

With this in mind, Universal is committed to advancing its active mergers and acquisitions (M&A) strategy, one that has already yielded substantial returns with the strategic acquisition of the fully-operational North Block Complex (NBC) for R170 million (approximately A\$18.6 million) announced in March 2018. NBC has the potential to contribute 2.7Mtpa of saleable product to the Company and we expect to finalise the transaction later this year.

In securing NBC, we have significantly increased Universal's already robust production profile, but this acquisition also delivers considerable optionality and diversification. As outlined in March, Universal intends to convert NBC to a multi-product operation with the gradual inclusion of the adjacent Paardeplaats Project. This will increase exposure to higher margin export markets, whilst maintaining supply of coal to local customers.

This provides an insight into the importance of an active M&A strategy, and we will continue to identify opportunities that add value to the Company's growing portfolio.

A good example of this is the proposed expansion at Kangala Colliery, which is poised for expansion through the acquisition of the Eloff Project (Eloff). Eloff is contiguous to the Kangala open-cut mining area and hosts a South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC), 2007 edition amended July 2009 – compliant coal resource of 424Mt.

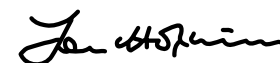
Following Universal's initial investment for 29% of the project through a joint venture company, Universal Coal Development IV (Pty) Ltd (UCDIM), owned in conjunction with Ndalamo

Resources (51%), UCDIV has moved to acquire the remaining 71% to obtain full ownership of the Eloff Project and finalised these acquisitions post year end.

Eloff has the capacity to significantly lift the Company's production scalability at Kangala Colliery and allows for consolidation of the contiguous resource base. Eloff will require minimal development capital, leveraging current infrastructure and will be funded from operational cashflows, allowing for little to no drawdown on the existing cash reserves.

We entered this financial year with the aim of exceeding 4Mt sales and we are proud to have accomplished this. However, it is important to remind shareholders that Universal is still in its early stages of growth and we see considerable scope to broaden our assets in South Africa and other markets, both organically and through acquisitions that have solid earnings characteristics.

I would like to commend Tony Weber and the Company's management team on their continued hard work and commitment during the financial year. I would also like to take this opportunity to thank shareholders for their ongoing support as Universal Coal continues to progress its growth strategy into the current financial year and beyond.



John Hopkins OAM
Non-executive Chairman
28 September 2018

Chief Executive Officer's report

It is with great pleasure that Universal Coal can look back on another successful year, highlighted by the delivery of exceptionally strong financial and operational results, and a second year of solid returns to shareholders in respect to our dividend payment.

Our ambition remains to successfully extract maximum value from our producing assets; to deliver near-term organic growth from the maturation of our robust project development pipeline; and to pursue additional acquisition opportunities of value-accretive production and advanced pre-development projects.

Most pleasingly, through the alignment of these growth initiatives, Universal Coal is now on the cusp of becoming a 10Mtpa saleable tonne coal producer over the course of the next three years, be it not at the expense of effective cost control or safety.

Across the board, our teams have continued to deliver on both our corporate and operational objectives, reflected in a 189% increase in earnings in the year ended 30 June 2018, allowing the Company to close the year with a solid market capitalisation of some A\$167 million.

Financial performance

At an operating level, EBITDA was in line with final guidance, rising to A\$72.3 million. This was initially on the back of the Kangala Colliery's consistent production and profit generation, but during the second half year especially New Clydesdale Colliery (NCC) making a positive contribution as they reached full production capacity. The Company also experienced significant uplift from improved API 4 coal pricing.

Sales tonnages rose to 4.7Mtpa, compared with 3Mtpa the previous year. Coal prices hit a six-year high, currently holding at what now appear to be sustainable levels for the

foreseeable future. All this bodes well for the year ahead, as it did for the year that was, with revenues boosted by NCC's greater exposure to export quality coal, increasing by 112% to A\$316 million.

Cash generated from Group operating activities rose to A\$64.1 million. Supported by stronger cash flows, the Board declared a final dividend of A\$0.01, bringing the total dividend for the year to A\$0.02 resulting in a dividend pay-out ratio of 45% of Attributable Net Profit after tax. The total cash balance at year-end was a healthy A\$36.8 million.

Operating performance

Universal Coal's current operations and projects comprise the Group's three thermal coal mines (Kangala, NCC and the North Block Complex (NBC)*; three thermal coal projects (Eloff, Brakfontein and Arnot South); and the Berenice/Cygnus coking coal project.

* NBC is still under acquisition

Kangala Colliery

Location:	Witbank Coalfield, Mpumalanga province
Ownership:	70.5%, with operational control
Description	Open-pit, pit and shovel operation, run on an outsource model managed by Universal Coal on-mine management team
Number of employees:	62
Sales:	2Mtpa off-take agreement with Eskom, until 2023; export sales at spot market pricing
Current LoM:	Potential to exceed 20 years when including the Eloff Project and Middelbult extensions



Chief Executive Officer's report continued



Kangala	2018	2017	% Change
ROM	4 025 496	3 660 697	10
Feed to plant	4 045 795	3 672 853	
Plant yields (%)	67	66	
Total sales	2 609 920	2 463 155	6
Domestic/ Eskom	2 544 440	2 386 749	7
Export	65 480	76 406	(14)
Safety:			
Fatalities	0	0	
Reportable injuries	0	3	
Reserves and Resources	102.36Mt Resource (gross tonnes <i>in-situ</i>) inclusive of 31.6Mt Reserve		

Kangala expansion: Eloff Project

Located adjacent to the Kangala pit, the Eloff Project holds a significant open-pit resource base of 424Mt, and provides the Group with strategic near-term flexibility and upside as it will enable the potential low-cost expansion of the life of mine at Kangala, as well as the potential for additional standalone extensions within the broader project area.

Following the acquisition of a 29% interest in the Eloff Project in June 2017, the acquisition of the additional 71% interest became effective post year end.

New Clydesdale Colliery

Location:	Witbank Coalfield, Mpumalanga province
Ownership:	49% interest, with operational control
Description	Open-pit, pit and shovel operation; Underground room and pillar operations
Number of employees:	57
Sales:	1.2Mtpa offtake agreement with Eskom to 2023; export sales at spot market pricing
Current LoM:	20 years

NCC	2018	2017	% Change
ROM	3 673 712	763 892	381
Feed to plant	3 278 141	*	
Plant yields (%)	65	*	
Total sales	2 139 661	539 695	296
Domestic/Eskom	1 373 028	209 696	555
Export	766 633	329 999	132
Safety:			
Fatalities	0	0	
Reportable injuries	2	3	
Reserves and Resources	139.63Mt Resource (gross tonnes <i>in-situ</i>) inclusive of 53.6Mt Reserve		

* Not disclosed during ramp up and development phase of the colliery

North Block Complex

In line with the Group's value-accretive project acquisition strategy, in March 2018, Universal Coal with our partner Ndalamo Resources (Pty) Ltd acquired 100% of the NBC from Exxaro Coal for a headline purchase consideration of A\$18.6 million (subject to potential liability offsets).

This high-quality, low-strip-ratio coal resource has potential to produce both export and domestic thermal coal. Historically, the colliery has produced around 3.5Mtpa ROM, with some 2.7Mt of annual sales to Eskom. To date approvals have been received from the Competition Commission, Section 11 ministerial consent from the Department of Mineral Resources (DMR) for the Eerstelingsfontein and Glisa sections. The Company awaits the granting of the Paardeplaats Mining right and Section 11 transfer from the DMR. The transaction is expected to close during the second quarter of FY2019.

Brakfontein "Ubuntu" Project

Located in the Delmas area, approximately 25km from the Kangala Colliery, the Brakfontein Project holds a Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC)-compliant resource of 75.8Mt, of which 9.1Mt is in the measured category. All regulatory approvals are in place for the project, and a detailed mine development planning and off-take agreement discussions are currently underway. The project has the potential to contribute around 1.2Mt (saleable product) and is in close proximity to existing infrastructure. Universal Coal holds a 50.29% interest in the project.

Arnot South Project

Arnot South comprises a prospecting right over 15,000ha located some 50km north-east of NCC, and contains a total

historic resource of 206.6Mt of thermal coal. Universal Coal holds a 50% interest in the Project.

Berenice-Cygnus coking coal Project

Universal Coal holds a 50% interest in the massive Berenice-Cygnus semi-soft coking coal project, located in the Soutpansberg Coalfield. This 1.35Bt JORC-compliant shallow resource has the potential for a 10Mtpa open-cut operation, with a +25 year LoM. The project is located some 20km from existing railway infrastructure. The Mining Right application has been accepted by the DMR, as has the submission for environmental authorisation and water license. Feasibility and development will be considered once all the regulatory approvals have been granted.

Improved regulatory climate

The appointment of President Ramaphosa, first to lead the ruling party and then to lead the country, has provided much hope to citizens and investors alike.

Minister Mantashe, a former trade union leader, is well-known to the industry, and has most certainly sought to engage in good faith with the industry in an effort to improve governance and reduce uncertainty, with the revised draft Mining Charter 2019 being an improvement on the previous version, although it is hoped that the final version that is presented to Cabinet, will seek to improve the competitiveness of the industry and foster growth.

Delivering benefits to all stakeholders

Universal Coal remains committed and focused to delivering positive contributions to all stakeholders involved with the Group, and as such is mindful of its responsibilities as an employer, as a neighbour, and as an upstanding corporate citizen.



Chief Executive Officer's report continued



We are proud to contribute well above the levels of requirement stipulated in our Social and Labour Plans (SLPs), and we have an active and ongoing programme of engagement with our stakeholders. Three particular areas of focus deserve special mention:

- Universal Coal places a great deal of emphasis on recruitment and employment from local municipal areas, as we are acutely aware that one of the greatest benefits our mining operations can have is the creation of jobs, both directly and indirectly. Around 88% of employees at Kangala and 80% of NCC employees are sourced from the local municipality
- Our enterprise development and localisation programme is intent on creating and nurturing economic opportunity. In this regard, we spent some R365 million with local, historically disadvantaged South African (HDSA) suppliers, service providers and small, medium and micro enterprise (SMME) programmes to implement and grow this initiative
- Our training and development and educational support programmes extend from the provision of adult basic education training to all employees and community members; to 63 current one-year internships for university graduates in geology, metallurgy, mechanical engineering and environmental management; and the allocation of eight comprehensive bursaries to community students in engineering and accounting training at tertiary education institutions, as well as financial assistance to six employees for further study. In addition, around 200 local residents have now been successfully trained as operators on articulated dump trucks and excavators, and approximately 100 operators have been appointed as dump truck operators for NCC and Kangala

Full reports on our safety and health performance, socio-economic impacts and environmental performance are detailed later in this report.

Pursuing growth

Universal Coal intends growing sales to 7.5Mtpa by December 2019. Ownership of the Eloff Mining Company, as well as the integration of the NBC is expected to come into effect during the second quarter of FY2019. Further acquisition opportunities to enhance the Company's production and earnings profile continue to be explored and will be reported on in due course.

Safety and health

The safety and health of all Universal Coal employees and contractors remains of paramount importance, and I am pleased to be able to report that health and safety standards across the business were again significantly improved during FY1 2018.

The Kangala Colliery achieved an average total recordable injury frequency rate of 0.22, with NCC suffering two reportable injuries when a fall of ground incident at Diepspruit underground mine, and a drill rod accident regrettably injured an employee. Our continued good safety performance is a credit to our management team, to our unions and our employees, who have together ensured that safety remains our foremost priority.

FY2019 outlook

Universal Coal is expected to deliver around 6Mtpa saleable tonnes to the market in FY2019. The Company's long-term contracts provide support and stability to margins and cash

flows, while allowing sufficient room for expansion. Currently, ~80% of sales are into solid, domestic markets with downside protection on price, while the remaining 20% of sales are destined for high-value international markets.

At current projections, attributable capital and acquisition expenditure is expected to be of the order of A\$20 million for FY2019. The Company's gearing of 24% provides ample opportunity for growth, with no need for shareholder dilution.

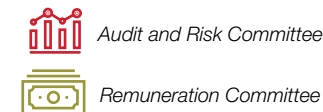
I am extremely grateful to have the support and guidance of our Board and the management team whose relentless efforts have yielded exceptional results. I would also like to express my gratitude to our supportive shareholders, employees, and the communities in which we operate for their continued support and commitment towards the future of Universal Coal. We have entered this year with great optimism and I look forward to reporting on a number of important developments across the business in due course.



Tony Weber
Chief Executive Officer
28 September 2018



Directors





1: John Hopkins OAM

LL.B (UWA)

Non-executive Chairman (Independent)

Appointed: 18 April 2012

Board committee membership:  * 

* Chair of the Committee

John Hopkins is a professional company director and former lawyer. John has over the past 30 years been on the board or chairman of more than 20 public listed resource companies in Australia, UK and Canada, and as such, has been involved in the financing and development and subsequent M&A activities of many energy (both coal and oil and gas), gold, base metals, mineral sands and other resources.

He currently also chairs Wolf Minerals Ltd, ASX and Alternative Investment Market (AIM) listed and has in the past seven years overseen its transition from explorer to major western world tungsten producer. John is also a Fellow of the Australian Institute of Company Directors and was awarded the Medal of the Order of Australia (OAM) in 2015 for services to the minerals and resources sector.

2: Tony Weber

MSc Mining Eng

Executive Director, Chief Executive Officer
(Non-independent)

Appointed: 1 December 2009

Tony Weber, co-founder of Universal Coal, is a mining engineer with over 20 years' experience in mining spanning project assessment, finance, development and operations. Prior to joining Universal Coal, Tony was an executive director at Nkwe Platinum Limited, an Australian-listed platinum developer, as well as operations manager at the Potgietersrus Platinum Mine and at the Gamsberg Project.

Tony has also worked at NCC and at the Greenside Colliery for Gold Fields of South Africa, and for a brief period at the Prosper Hannel Colliery in Germany. He has significant skills and experience in coordinating project feasibility studies and hands-on operational experience in the coal extraction industry.

3: Shammy Luvhengo

BSc Geology

Executive Director, Director Business Development (Non-independent)

Appointed: 7 September 2010

Shammy Luvhengo is a qualified investment banker and geologist. He started his career with Exxaro Resources before moving into the investment world. Shammy worked for Investec Bank and Nedbank Capital, structuring and implementing project finance and Black Economic Empowerment (BEE) deals within the resources industry. Prior to joining Universal Coal, he worked at Nkwe Platinum Ltd as head of business development and investor relations.

4: Henri Bonsma

B. Proc

Non-executive Director (Independent)

Appointed: 1 December 2009

Board committee membership:  

* *Chair of the Committee*


Henri Bonsma is a qualified lawyer and successful businessman with interests throughout South Africa. Henri has been actively investing in the South African mining industry for over a decade. He is a co-founder of Universal Coal and has been involved in the establishment of various other junior chrome, platinum and iron ore companies and promoted several listings on the Johannesburg Stock Exchange (JSE), AIM and ASX.

5: Carlo Baravalle

MBA (INSEAD)

Non-executive Director (Non-independent)

Appointed: 7 January 2013

Board committee membership: 


Carlo Baravalle spent several years in strategic consulting working on assignment for French conglomerates between Paris and the USA and in the telecoms industry becoming a director of the corporate finance telecoms team at Warburg before taking a senior global position at Lucent Technologies. Carlo became involved with the private equity industry working with a company owned by Apax Partners as MD International, as a main board member at The Exchange FS, and later as senior vice-president for EMEA, Asia and LatAm for LCC, a telecoms engineering company initially invested by the Carlyle Group. In 2006, he launched a private equity fund of funds aimed mainly at Italian institutional investors.

6: David Twist

BSc (Hons) (Geology), Ph.D.(Geology)

Non-executive Director (Non-independent)

Appointed: 7 January 2013

Board committee membership: 


Dr David Twist has more than 30 years' experience in geological research, exploration and developing mineral resource projects. Among others, he is the co-founder of Sephaku Fluoride (Pty) Limited, African Precious Minerals and APM Mining, Sephaku Holdings Limited, Taung Gold (Pty) Limited and Sedibelo Platinum Mines Limited (formerly, Platmin Limited), where he also served as chief executive officer (CEO) until 2006. He also served as executive director for most of the companies mentioned above. He is a founding partner at AMED Funds, one of Universal Coal's largest shareholders and has been appointed to the Universal Board as the representative of AMED Funds.

7: Nonkululeko Nyembezi

BSc (Hons), MSc, MBA

Non-executive Director (Non-independent)

Appointed: 16 October 2014

Board committee membership: 


Nonkululeko Nyembezi is the CEO of IchorCoal N.V., an international mineral resources company focusing on coal mining in South Africa. Nonkululeko was previously CEO of ArcelorMittal South Africa, the largest steel producer on the African continent. Nonkululeko has held executive and non-executive positions on numerous boards in both the public and private sectors. She currently serves as independent non-executive chairman of the JSE and Alexander Forbes Group Holdings Ltd.

8: Andries Engelbrecht

Government Certificate of Competency as Mechanical Engineer for mines, MBA

Non-executive Director (Non-independent)

Appointed: 16 October 2014

Board committee membership: 

Andries Engelbrecht is currently the chief operating officer of IchorCoal N.V. Andries has 22 years' experience in the mining industry. Prior to joining IchorCoal he was the chief operating officer of Riversdale Mining Ltd, responsible for all Africa-based operations and projects. Before that, he held the roles of general manager and engineering manager at Zululand Anthracite Colliery. He has also held positions at Khutala Colliery (Ingwe Coal Corporation), BHP Billiton and Richards Bay Coal Terminal.

Section 2:

REVIEW OF THE YEAR

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DELIVERY & PERFORMANCE

Significant progress and transformative growth delivering strong financial performance, excellent operational progress, and successfully executed acquisitions



Mineral Resources and Ore Reserves statement

Mineral Resources and Ore Reserves

Ore Reserves and Mineral Resources estimates for the Universal Coal owned operations and projects are reported in accordance with the JORC Code, 2012 as required by the ASX and are also SAMREC compliant.

The SAMREC Code is a rigorous code that delivers compliant Mineral Resource and Ore Reserve estimates and is a “qualifying foreign estimate” for the purpose of ASX Listing Rules. Both these Codes represent current best practice for reporting Ore Reserves and Mineral Resources.

Ore Reserve and Mineral Resource information in the following tables is based on estimations compiled by Competent Persons, as defined by the JORC, including independent consultants and fulltime employees of Universal Coal. All Competent Persons have more than the required minimum of five years’ relevant estimation experience and are members of recognised professional bodies whose members

are bound by a professional code of ethics. Each Competent Person consents to the inclusion in this report of information they have provided in the form and context in which it appears. Competent Persons responsible for the estimates are listed on page 20, by project, along with their professional affiliation, employer and accountability for Ore Reserves and/or Mineral Resources.

Ore Reserves

The Ore Reserve figures in the following tables are as at 30 June 2018. Summary data as at 30 June 2017 is shown for comparison. Metric units are used throughout. The figures used to calculate Universal Coal’s share of Ore Reserves are often more precise than the rounded numbers shown in the tables, hence slight differences might result if the calculations are repeated using the tabulated figures.

The variation in Ore Reserves between 30 June 2017 and 30 June 2018 is due to depletion through production and remodelling following infill drilling and mine redesign using current investment assumptions, including the use of projected long-term commodity prices, in calculating Ore Reserve estimates as prescribed by the JORC Code, 2012.

	Universal Coal share	2018 Production		2017 Production	
		Universal Coal		Universal Coal	
		Total	share	Total	share
		‘000t	‘000t	‘000t	‘000t
Kangala	70.5	2 610	1 840	2 463	1 737
NCC	49.0	2 140	1 048	540	264
Universal Coal total		4 750	2 888	3 003	2 001

- Marketable coal production figures refer to the total quantity of saleable coal produced on a product moisture basis following onsite processing
- Rounding off (conforming to the JORC Code) may cause computational discrepancies



Mineral Resources and Ore Reserves statement continued

		Ore Reserves				Marketable Ore Reserves		Universal Coal share at 30 June 2018		
Mine type	2018	2018	2017	2017	2018	2017	Interest	Ore	Marketable	
	Proved	Probable	Proved	Probable				Reserves	Ore Reserves	
	'000t	'000t	'000t	'000t	'000t	'000t	%	'000t	'000t	
Ore Reserves at operating mine										
Kangala ¹	O/C	31 645	–	12 294	–	17 228	7 612	70.5	22 310	12 146
NCC	O/C & U/G	47 558	6 074	49 969	7 336	34 756	36 890	49	26 280	17 031
Undeveloped Ore Reserves										
Brakfontein	O/C	9 100	–	9 100	–	7 248	7 248	50.29	4 576	3 645
Total		88 303	6 074	71 363	7 336	59 232	51 750		53 166	32 822

O/C: open-cut, U/G: underground

¹ A material increase in the Kangala Ore Reserves from end June 2017 to end June 2018 is due to the inclusion of Middelbult Ore Reserves following a pre-feasibility study performed in July 2017. The inclusion is aligned with the JORC Code. As per note 5 of the annual financial statements, the Middelbult project is classified as an Exploration and Evaluation asset. Middelbult will only be transferred to Property plant and equipment at the earlier of the DMR granting the S102 approval or the commencement of production at Middelbult

- Ore Reserve figures tabulated have been stated on an air-dried moisture basis
- Marketable Ore Reserve tonnages are reported on a product moisture basis
- The yield factors applied reflect the impact of further processing, where necessary, to provide marketable coal and are based on theoretical yields for the different export and domestic products as derived from test work conducted on drill core, adjusted by practical plant factors established during feasibility studies and current operational performance
- Coals have been analysed on an air-dried moisture basis in accordance with South African standards and the gross calorific values also reported on that basis
- Rounding off (conforming to the JORC Code) may cause computational discrepancies



Mineral Resources

As required by the ASX, the following table contains details of other mineralisation, as at 30 June 2018, that has a reasonable prospect of being economically extracted in the future but which is not yet classified as Proved or Probable Ore Reserves. This material, as defined under the 2012 JORC Code, is Mineral Resources estimates which are largely based on geological information with only preliminary consideration of mining, economic and other factors. While in the judgement of the Competent Persons there are

realistic expectations that all or part of the Mineral Resources will eventually become Proved or Probable Ore Reserves, there is no guarantee that this will occur as the result depends on further technical and economic studies and prevailing economic conditions in the future.

As in the case of Ore Reserves, operation and project estimates are completed using or testing against Universal Coal's long-term pricing and market forecasts/scenarios. All Mineral Resource figures are stated as inclusive of the Ore Reserves reported.



	Likely mining method	Coal type	Coal Mineral Resources at end 2018			Total Mineral Resources		Universal Coal interest	
			Measured	Indicated	Inferred	2018	2017	2018	2018
			Mt	Mt	Mt	Mt	Mt	%	Mt
Arnot South ^{1,2}	O/C & U/G	TC	2.28	65.30	139.00	206.58	206.58	50.00	103.29
Berenice Cygnus	O/C & U/G	MC & TC	424.90	800.90	124.30	1 350.10	1 350.10	50.00	675.05
Brakfontein	O/C & U/G	TC	31.70	39.40	4.70	75.80	75.80	50.29	32.12
Eloff ⁴	O/C & U/G	TC	9.40	213.50	201.10	424.00	424.00	14.20	60.20
Kangala ^{1,3}	O/C & U/G	TC	55.00	15.03	32.33	102.36	108.53	70.50	72.16
NCC ³	O/C & U/G	MC & TC	91.90	41.78	5.95	139.63	143.85	49.00	68.42

TC: thermal coal, MC: metallurgical/coking coal

¹ Mineral Resources for Kangala and Arnot South were updated during the 2017 financial year to comply with the JORC Code, 2012

² Arnot South 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 (MPRDA), 2002

³ Reduction in the Kangala and NCC Mineral Resources from end June 2017 to end June 2018 is due to production

⁴ Eloff remaining 51% under acquisition at 30 June 2018; post balance sheet date, finalised acquisition of remaining 71%

- Mineral Resources are stated inclusive of Mineral Reserves
- Mineral Resources are stated as gross tonnes in-situ (GTIS)
- Rounding (conforming to the JORC Code) may cause computational discrepancies

Mineral Resources and Ore Reserves statement continued

Mineral Resources and Ore Reserves corporate governance

Universal Coal subscribes to a governance process supporting the generation and publication of Mineral Resources and Ore Reserves to comply with the JORC Code, 2012, which includes ongoing review and reporting of Mineral Resources and Ore Reserves when and where material changes occur. Universal Coal's chief geologist has the ultimate responsibility

for development of the Company's Mineral Resources and Ore Reserves estimation and reporting standards and procedures, while overseeing and signing-off on the appointment of Competent Persons, and the reviewing of exploration results, Mineral Resources or Ore Reserve data prior to public reporting.

Universal Coal ascribes to the continued enhancement of governance processes and Competent Person development and training.

Competent Persons

Competent Person	Association ¹	Employer
MINERAL RESOURCES		
Arnot South, Berenice, Brakfontein, Cygnus and Kangala (Middelbult)		
NJ Denner	SACNASP	Gemecs (Pty) Ltd
Kangala (Wolvenfontein)		
S Mokitimi	SACNASP	Universal Coal/Gemecs (Pty) Ltd
N Denner	SACNASP	Universal Coal/Gemecs (Pty) Ltd
D Zulu	SACNASP	Universal Coal/Gemecs (Pty) Ltd
NCC		
S Mokitimi	SACNASP	Universal Coal/Gemecs (Pty) Ltd
P Rantao	SACNASP	Universal Coal/Gemecs (Pty) Ltd
N Denner	SACNASP	Universal Coal/Gemecs (Pty) Ltd
Eloff		
J Malan	SACNASP	Universal Coal

Competent Person	Association ¹	Employer
ORE RESERVES		
Brakfontein		
K Donaldson	ECSA	Universal Coal
M Vertue	ECSA	Universal Coal
Kangala		
P van der Linde	ECSA	Mindset/HF Procon (Pty)
M Vertue	ECSA	Mindset/HF Procon (Pty)
H Fourie	ECSA	Mindset/HF Procon (Pty)
NCC		
P van der Linde	ECSA	Mindset/HF Procon (Pty)
M Vertue	ECSA	Mindset/HF Procon (Pty)
H Fourie	ECSA	Mindset/HF Procon (Pty)

SACNASP: South African Council for Natural Scientific Professions, ECSA: Engineering Council of South Africa

¹ Recognised overseas professional organisations as defined by the JORC Code



Prospecting and mining tenement information

Project	Location	Property	Size (ha)	Permit type and number	Expiry date	Comment
Kangala	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	Right executed and registered
	Delmas, Mpumalanga province, South Africa	Middelbult 235IR: portions 40 and 82	942	Prospecting Right: MP30/5/1/1/2/641PR	09/07/2017	Mining Right application accepted but application still in progress; S102 application to include Prospecting Right in current Kangala Right also submitted to DMR
Berenice	Waterpoort, Limpopo province, South Africa	Berenice 548 MS, Celine 547 MS, Doornvaart 355 MS, Gezelschap 395 MS, Longford 354 MS, Matsuri 358 MS	6 595	Prospecting Right: LP30/5/1/1/2/376PR	19/03/2016	Mining Right in application and accepted by the DMR. LP30/5/1/1/2/1013MR
Brakfontein	Delmas, Mpumalanga province, South Africa	Brakfontein 264IR: portions 6, 8, 9, 10, 20, 26, 30 and RE	879	Mining Right: MP30/5/1/1/2/10027MR	01/07/2034	The Mining Right has been executed and registration with DMR title deeds office in progress
Roodekop/ NCC	Kriel, Mpumalanga province, South Africa	Roodekop 63 IS and Middeldrift 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)	835 and 4 125	Mining Right: MP30/5/1/1/2/492MR (consolidation of 148MR and 492MR)	05/02/2034	S102 for the amalgamation of Mining Right: MP30/5/1/1/2/492MR and MP30/5/1/1/2/148MR granted by DMR; the Consolidated Mining Right: MP30/5/1/1/2/492MR executed, awaiting registration by DMR titles deeds office

Mineral Resources and Ore Reserves statement continued

Project	Location	Property	Size (ha)	Permit type and number	Expiry date	Comment
Eloff	Delmas, Mpumalanga province, South Africa	Droogfontein 242IR, Strydpan 243IR, Stompiesfontein 273IR	8 168	Prospecting Rights: 788/2007(PR) and 817/2007(PR)	–	Mining Right application underway, acquisition of an additional 71% finalised post year end
Cygnus	Alldays, Limpopo province, South Africa	Cygnus 543 MS and adjacent farms	12 299	Prospecting Right: LP30/5/1/1/2/1276PR	31/03/2019	Prospecting Right renewal executed in 2016
Arnot South	Hendrina, Mpumalanga province, South Africa	Vlakfontein 166 IS (RE Ext portions 2, 5, 8, 9, 10, 13, 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 M/A 1) Vaalwater 173 IS (portions 10, 12, 14, RE Ext of portion 2), Mooiplaats 165 IS (portions 4, 11, 12, 13, 15, 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 (M/A), 4 and RE Ext), Nooitgedacht 493 JS (portions 4 and 9)	15 532	MP30/5/1/1/2/360PR	–	Under acquisition, awaiting S11 ministerial approval

RE: remaining extent

Sustainability report



SAFETY AND HEALTH

Zero harm is achievable. When extracting and processing coal at our various operations we aspire to Zero Harm to our people, our host communities, and the environment as much as is operationally practicable.

Universal is committed to introducing and sustaining a healthy and safe working environment, by operating in an environmentally and socially responsible manner, focused on share price while adding value to all stakeholders.

Our principles

A zero-tolerance approach will save lives and protect the environment.



Be responsible and accountable



Embrace the culture of learning from previous incidents



Respect and protect the culture, beliefs and heritage of the communities in which we operate



Simple, non-negotiable standards and rules

Accordingly, we remain committed to providing safe working environments for our employees and contractors, incorporating the highest safety and health standards across all our sites. We aim to instil a work culture that views safety and health as of paramount importance, and train our employees to not only work responsibly but to look after their own and fellow employees' health and safety.

Sustainability report continued

Kangala Colliery

We are delighted to report Kangala Colliery's continuously improving safety record with an average total recordable injury frequency rate of 0.22 in FY2018, compared to 0.50 in FY2017 and 0.87 recorded in 2016, due to management's continued hard work with contractors and employees in achieving a Zero Harm environment.

The management team's safety strategic drive "ASIPHEPHE", which was established in FY2017 and aimed at reducing safety and health incidents and accidents, has yielded excellent results in 2018.

This safety drive entails weekly visible leadership and behavioral change coaching, inspections and training programmes which are conducted on site by both management and employees. Where unsafe activities or conditions are identified an instruction to "stop and fix" is issued straight away or if possible the initiator or observer fixes such non-conformance or behavior on the spot.

In FY2018, the DMR's inspectors of machinery equipment and mining and medical visited Kangala Colliery on several occasions. There were no major findings reported and all action plans were implemented. Audit feedback revealed improvement, compliance and best practice in the mining industry.

Kangala maintained personal dust exposure and noise induced hearing loss (NIHL) within the acceptable limits as per industry occupational hygiene targets. An annual average respirable coal dust level of 0.44mg/m³ of personal dust exposure was maintained (48 readings) in FY2018, well below the target threshold of 1.5mg/m³. There were no NIHL claims in FY2018.

In caring for the well-being of our employees, we also conducted a health wellness programme for all contractors and employees on 1 December 2017. Employees voluntarily tested for HIV, high blood pressure, sugar diabetes and cholesterol.

Approximately 30% of the total workforce including contractors and sub-contractors attended.

As part of our Zero Harm objective, we had planned to achieve our OHSAS 18001 management systems certificate in June 2018. Due to unforeseen circumstances, this was changed and our plan is now to comply with ISO 45001.

To date, the stage one audit of ISO 45001 Health and Safety Management System has been completed and we plan to be ISO 45001 certified in Q3/Q4 of CY2018.



In FY2018, Kangala achieved:

1 808 036

fatality-free man hours

34 794

*fatality-free shift milestone
in March*

0.22

*total recordable injury
frequency rate*

New Clydesdale Colliery

NCC has managed to maintain a good safety record with the Universal Coal management team facilitating the smooth running of the operation comprising of 89 Universal Coal employees and approximately 1 200 contractors.

NCC is currently running full production with three sections at Diepspruit underground operations, Roodekop open-cast mining and the coal beneficiation plant.

Many internally trained operators from the local community have been successfully absorbed into the workforce with no negative effect on our health and safety statistics.



In FY2017, the safety targets were set at Lost Time Injury Frequency Rate (LTIFR) of 0.25 and a zero fatality rate. NCC achieved a LTIFR of 0.09 having suffered one LTI at Diepspruit underground, where a fall of ground incident occurred and, regrettably, injured one of our employees.

In partnership with safety and health regulatory authorities (DMR, Department of Health and Department of Labour), NCC has successfully demonstrated its commitment to continuous improvement and drive towards Zero Harm providing a safe, healthy environment for our employees, contractors, clients and community.

We believe that measuring ourselves against industry leading practices and implementing good safety and health systems and conditions will assist us in becoming the flagship for health and safety in the industry. All regulatory audits requirements were met.

Going forward, NCC's plan and focus will be on improving and achieving our health and safety targets through continuous collaboration with our contractors, communities and stakeholders.

In FY2018, NCC achieved:

4 348 856

fatality-free shifts

383 350

hours worked without a LTI

0.09

LTIFR

Sustainability report continued



ENVIRONMENTAL MANAGEMENT

The Company continues to take a proactive approach towards environmental management.

Prior to any mining activity, we developed an Environmental Management Plan (EMP) for each of our operations, which identifies and addresses environmental impacts that could occur during the exploration, mining and mine closure phases. Incorporated within the EMP are reports and plans to address water management, land management, waste management (non-hazardous and hazardous materials), air quality management, energy consumption and greenhouse gas emissions.

Kangala Colliery

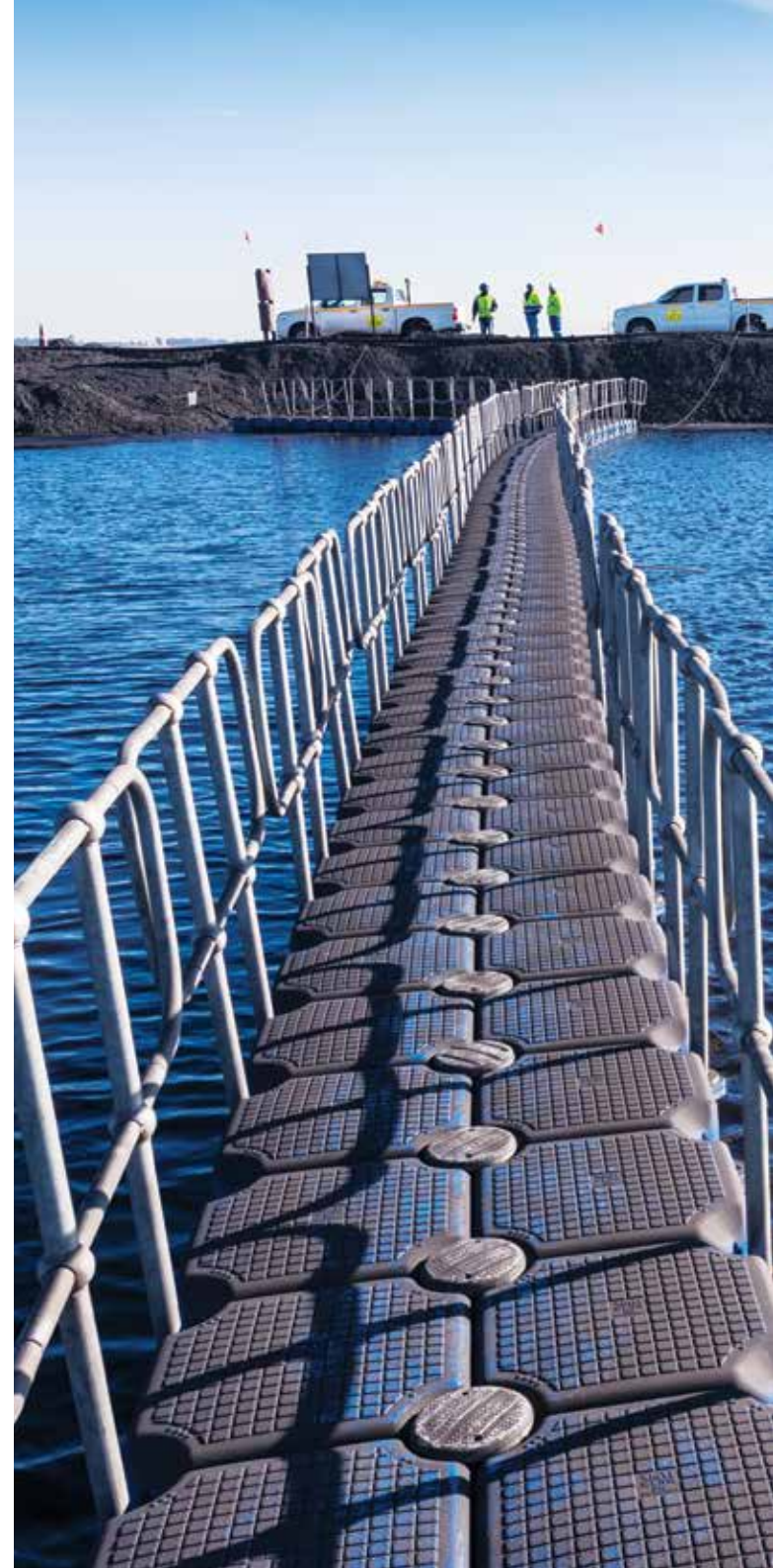
Since FY2016, Kangala has invested heavily to ensure that every aspect of production is optimised to eliminate and minimise the impacts of pollution associated with the operation. In FY2017, this commitment was formally recognised with Kangala Colliery achieving Environmental System Management under the new standard (ISO 14001:2015).

ISO 14001 is one of the most ambitious standards published by the International Standards Organisation (ISO) and sets clear guidelines and requirements for how an environmental management system should operate to achieve continual improvement. Certification against ISO 14001 confirms that a company has demonstrated a clear commitment to sustainability and has a robust system of administrative checks and auditability. We are delighted that Kangala is certified, as this international environmental standard assists the mine to measure its environmental compliance.

Annual environmental performance assessment audits were conducted by an external environmental specialist and by regulatory authorities to assess the level of compliance with the conditions of the EMP, the mine's Environmental Authorisations and the Environmental Management Programme (EMPr). Environmental legal compliance audits were also performed by an independent specialist. No major findings were reported from any of these audits and no environmental penalties have been received from the regulatory authorities.

Water management

Kangala Colliery conducted internal and external integrated water use license (IWUL) audits in FY2018. An external IWUL audit reported a slight increase of 0.04% in compliance with IWUL conditions from 95.42% to 95.83% in FY2017 and FY2018 respectively.





Surface and groundwater monitoring continues, with sampling and analysis of various chemical constituents and groundwater level measurements conducted on a monthly and quarterly basis as required by the IWUL and South African National Standards (SANS) drinking water quality standards, to ensure effective management of the water resources on site and in surrounding areas. The monitoring results are well below the sulphate water quality objective target of 400mg/l specified in the IWUL and the SANS drinking water quality standards.

Water quantity abstracted for potable use and production purposes was within the authorised quantities for consumption, with actual abstraction of 6 493m³/a for potable use and 10 202m³/a for production purposes, both quantities well below the water use license limit of 32 400m³/a and 60 060m³/a, respectively.

Best practices concerning dirty and clean water management at the plant area has been implemented and was commended by the regulatory authority during their site inspection visit.

Biomonitoring

River monitoring is conducted using the well-established biomonitoring protocol for rivers, the South African Scoring System Version 5, during wet and dry seasons. During wet season biomonitoring, the biological trends revealed an overall improvement in the river health. No marked fluctuations were observed during the dry season between the upstream and downstream systems, indicating no discernible influence on these systems from Kangala's mining operations.

Air quality and environmental dust fallout

In June 2018, an environmental dust awareness programme was carried out in Eloff township, one of our neighbouring communities, to increase community awareness on dust,

including how dust fallout emanates from different sources, dust hazard identification, prevention and mitigation measures thereof.

In FY2018, the dust fallout rates recorded at the monitoring sites were below the non-residential area standard of 1 200mg/m²/day. There were no instances where the non-residential area standard of 1 200mg/m²/day was exceeded. The highest dust concentration recorded was 1 071mg/m²/day in quarter two of FY2018. Therefore, the dust fallout rates at the sites are in compliance with the South African National Dust Control Regulations, 2013 for FY2018.

The daily average PM10 concentrations fell below the SANS of 75ug/m³, with the highest concentration recorded at 61.28ug/m³.

Noise monitoring

The measurement and rating of environmental noise with respect to health, land use, annoyance and to speech communication (SANS10103:2008), was used to assess the noise impacts of mining operations. All measurements taken on the different days during the surveys revealed noise levels below the minimum statutory requirements. The highest noise recorded was 43.7db(A) in quarter two of FY2018, below the average of 45db(A).

Middelbult Kangala Mining Right consolidation process

Application to consolidate the current Kangala Colliery Mining Right on the farm Wolvenfontein with that on the adjoining Middelbult farm was lodged with the DMR in FY2018. It is planned that the consolidation process will extend Kangala Colliery's life-of-mine (LoM) by an additional 10 years. The coal reserves on the Middelbult section extend the open-cast workings, with mining infrastructure at the current Kangala Colliery remaining adequate. The consolidation application under Section 102 of the MPRDA, 2002 (Act 28 of 2002) undertook an integrated process encompassing the Mining

Sustainability report continued



Rights consolidation, Environmental Impact Assessment for the requisite of an Environmental Authorisations and Waste License, application as well as the Water Use license application process under the National Water Act, 1998 (Act 36 of 1998). The Consolidated Mining Right is anticipated in quarter four of CY2018.

New Clydesdale Colliery

NCC aims to minimise and limit any negative environmental impacts that may arise from the mining activity and promotes efficient use of resources, such as energy and water where possible. NCC has an approved consolidated EMP for the open-cast operation, plant area and underground operations.

In FY2018, an IWUL audit was conducted by an independent environmental practitioner. An average compliance percentage of 63% was achieved, with 30% of the license conditions not applicable. An action plan to address non-compliance has been developed and submitted to the relevant regulatory authority. Internal environmental risk assessments have been performed and areas of improvement identified. Practical measures to manage and/or prevent the risks have been identified and are being implemented.

Water management

Surface and ground water quality sampling and analysis of various chemical constituents and groundwater level measurements are conducted on a monthly and quarterly basis as prescribed in the IWUL license. For the reporting period, surface water quality constituents are generally within ideal to acceptable fitness for use categories and trends exhibit an improvement in water quality. Groundwater quality in terms of pH and electrical conductivity, as well as concentrations of the chloride, fluoride, sulphate, nitrate, calcium, magnesium and sodium conforms to the requirements for the current groundwater reserve quality in the area.

“We aim to minimise and limit any negative environmental impacts that may arise from the mining activity and promote efficient use of resources.”

Biomonitoring

Integration of aquatic macroinvertebrate and ichthyofaunal results obtained during the monitoring period indicated that the instream aquatic ecosystem for streams that are in the vicinity (Olifants River and the Steenkoolspruit Dam) could be regarded as being in a seriously modified state (i.e. Ecological Category E).

Importantly, it could be determined that current activities associated with NCC are not having a discernible impact on the watercourses from the perspective of aquatic biota, as the ecological state of sites downstream of the mine differed little in comparison to samples obtained at the upstream references sites.

Air quality and environmental dust fallout

The dust fallout monitoring network at NCC comprises single and directional dust fallout monitors. Monitoring is undertaken at 16 strategic positions. Where exceedances have been observed on residential dust limits, they have been established to be emanating from the nearby construction activity and are not related to NCC mining activities. The measured fallout dust from NCC is generally within the prescribed limits. A digital air quality monitoring system to monitor PM2.5 and PM10 ambient dust has been installed.

Noise monitoring

Noise surveys are conducted quarterly to determine and assess the noise impacts (including cumulative impacts) to receptors and resources near the operation. The exercise considers two key areas of interest with respect to the noise climate under study:

- Determination of whether there is an increase in ambient noise from the baseline measurements
- The assessment of the prevailing noise levels and their potential impacts on noise sensitive receptors in the study area

The prevailing noise climate in the study area was dominated by the traffic noise both during daytime and evening, and not so much by mining activities especially during daytime. It was noted that the background noise levels (LA90) at nearly all monitoring sites obtained during the reporting period were consistently below the rating limit “compliant”, with the exception of the sites alongside busy roads.



Vaalkrantz rehabilitation: placing of overburden and subsoil

Mine rehabilitation

Mine closure and environmental liabilities

A detailed environmental liability has been conducted for Kangala Colliery and NCC. An appropriate financial provision, without a shortfall, for the current and potential environmental damage is in place for both operations.

Concurrent rehabilitation is progressing well at Kangala and backfilling of the pit commenced in FY2017. To date, significant work has been done to achieve the rehabilitation plan to alleviate the space constraints and avoid future

double material handling. During FY2018, a total volume of 5 351 486m³ material was moved as part of concurrent backfilling bringing the total backfilling to 15 049 822m³. This consequently allowed Kangala to start with 25ha of topsoil placement and 15ha of vegetation.

A detailed post-mining landform design for a historical mining area called Vaalkrantz North has been developed and approved by the relevant authority. Rehabilitation is 60% complete and backfilling at Roodekoop open-cast section has commenced.



Sustainability report continued



SOCIO ECONOMIC DEVELOPMENT

Universal's approach to socio-economic development (SED) is about empowering previously disadvantaged members of our host communities with resources, support and skills so they can become economically active and ultimately lead better lives.

We strive to nurture, advance and sustain Small, Medium and Micro Enterprises (SMMEs) in our areas of operation, by providing technical and business development support through mentoring and coaching.

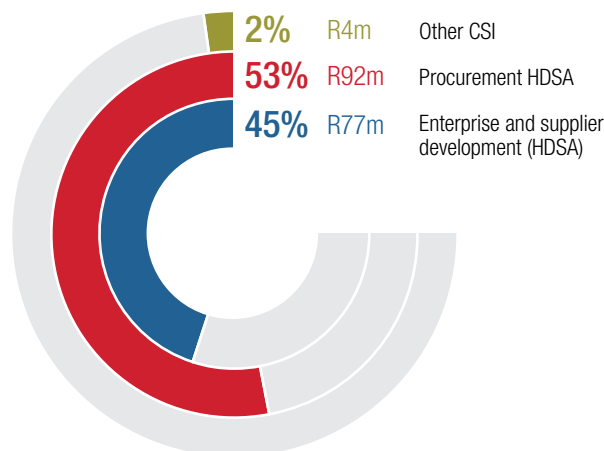
Procurement, enterprise development and supplier development

Universal is committed to the growth of historically disadvantaged South African (HDSA) suppliers and undertakes to maximise the value of cost-effective and reliable procurement of capital goods, consumables and services from companies owned, managed and controlled by HDSAs of the affected communities.

In FY2018, Kangala invested R173m on procurement from local HDSAs, a noticeable improvement from R80m in FY2017. This amount included local community supplier development, enterprise development projects and programmes established during the financial year.

In FY2018, NCC spent R198m on HDSA procurement.

Kangala



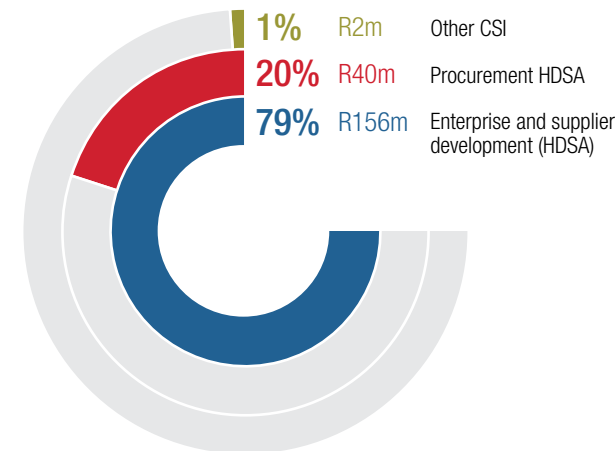
Corporate social investment

Community development is an integral part of our strategic commitment to the sustainable development of the communities in which we operate and the lives that we touch throughout our business value chain. We believe that this investment will result in the socio-economic independence of the people surrounding our areas of operations, beyond our mining activities. We actively support projects and have rolled out various corporate social investment (CSI) programmes which positively impact the communities in which we operate.

Local economic development

Kangala initiated and implemented a local economic development (LED) project to improve infrastructure (bigger classrooms, offices, boardroom, kitchen) and conditions at Mafa Max Secondary School, Delmas, one of the best

NCC



performing schools in our host community. Kangala also distributed school uniforms to learners, specifically identified as needing assistance, from eight primary schools surrounding the operation. During the year, the Kangala community was hit by a severe thunderstorm that destroyed houses, left people injured and homeless. Kangala Colliery distributed food parcels and blankets to affected residents. Kangala Colliery hosted a community wellness day in FY2018 to inspire, educate, and engage employees and members of the local communities on wellness and practicing a healthy lifestyle. The day was filled with educational activities, demonstrations, presentations on nutrition, fitness, stress management, and voluntary health screenings.

NCC, in collaboration with the local municipality, undertook to renovate and upgrade the standard of the community recreational park, Klipfontein Dam. The revamping works included but was not limited to, fencing off the park,

introducing a controlled access gate and guard house, construction of ablution facilities, and suitable waste management facility on site. Construction work was awarded to a local community supplier, who in turn hired labourers from the community thereby creating jobs for local community members. It is hoped that the revamped recreational area will eliminate criminal activity that often occurs in the park due to lack of controlled access, and will also generate some revenue for the local municipality.

Human resources development

We have identified education as a key area that will change the lives of the youth in our host communities and are therefore offering skills training programmes, internships and learnerships, higher education funding, building further education facilitates and making donations to local schools.

Kangala Colliery Bursary Fund

Again, we awarded five new comprehensive bursaries to university students, mainly in core mining related fields ie. geology, mechanical, electrical and mining engineering, mine survey, and one in finance. The beneficiaries are three female and two male students from Mafa Max Motloung and Swartklip Secondary Schools, situated in the local municipalities surrounding our operations.

2018 Kangala Colliery Bursary Fund recipients



2018 NCC Bursary Fund recipients

New Clydesdale Colliery Bursary Fund

The New Clydesdale Colliery Bursary Fund, for previously disadvantaged and academically deserving students from the hosting communities, sponsored its first intake of university bursary students in FY2018. The three students from Emalahleni local municipality schools all received a four-year comprehensive bursary that covers tuition fees, accommodation and meals, book allowance, experiential training and a monthly allowance.

Sustainability report continued



Community trainings programmes

Kangala sees education as a strategic asset and as such embarked on funding training programmes for the interested and affected communities at a recognised and accredited colliery training college. Access to Adult Basic Education and Training (ABET) has also been provided for to those adults who want to complete their basic education, especially in the areas of numeracy and literacy.

During the year, the following training was undertaken at Kangala:

- 5 apprentices registered to study electrical and fitter courses
- 10 students were enrolled for a basic blasting certificate
- 14 candidates started with ABET level 4
- 10 applicants were given learnerships opportunity to study and obtain basic welding skills



Hope of Generation Directors



Apprenticeship students



ABET candidates



Basic blasting course attendees



Local trucking



Mafa Max Secondary School



Phentagram for waste management facility

Strategic report

Universal strives to be a multi-mine thermal coal producer with a solid project expansion and development pipeline

The Directors present their Strategic report with the statutory financial statements of the Group and the Company for the year ended 30 June 2018.

1. CORPORATE STRATEGY

Universal Coal's strategy 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 by:

- Taking advantage of our multi-disciplinary skills set, experience and relationships developed over 30 years
- Expanding our existing thermal coal production and resource footprint in the Emalahleni (previously Witbank) Coalfield through organic growth
- Advancing our substantial coking coal project, located within South Africa's emerging Soutpansberg Coalfields
- Assessing additional coal assets around our key focus areas that support sustainable growth
- 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 mineral 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 year-end.



“Universal Coal’s strategy is to become the next mid-tier, lowest cost quartile coal mining company in South Africa, delivering long-term value to shareholders.”

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 consists of the Wolwenfontein and Middelbult projects.

Kangala Colliery achieved record production and sales figures during the year and this is being reflected in the revenue as well as EBITDA for FY2018. Mine planning and management at Kangala has been commendable during the period with 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 with the handling of increased production.

The Colliery has a Coal Supply Agreement (CSA) with Eskom valid until 2023. The Colliery also continues to sell a small amount of export product at spot price to our off-take partners at NCC, allowing for the benefit from higher export prices.

Run-of-mine (ROM) tonnages for the year improved by 10% year-on-year with a total of 4 025 496t (2017: 3 660 697t). Tonnes sold increased by 6% to 2 609 920t (2017: 2 463 155t).

The increase in revenue per sales tonne¹ of A\$44.4 (2017: A\$41.5)¹ for the period is due to the standard annual price increase as per the Eskom off-take agreement and on average a slightly stronger South African rand against the Australian dollar over the reporting period.

Cash cost² per run-of-mine tonne (ROMt) of A\$12.1 (2017: A\$14.4)² has decreased since the previous year due to the reduction in mining cost per ROMt produced. The mining cost reduced by 14% due to lower strip ratios for current mining sections and the effective saving caused by the reduction of waste removal. Also, the increase in tonnages for the year have reduced the fixed cost per tonne included in the total mining cost.

¹ Revenue per tonne is calculated by dividing revenue from product sales, excluding transport and other income, by tonnes of product sold. Calculation does not take into account the effects of FCTR

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. Calculation does not take into account the effects of FCTR

New Clydesdale Colliery

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

The Colliery has been producing since September 2016, but FY2018 was the first year that name plate production was reached. The Colliery produces both a domestic thermal coal and export quality coal product. The exposure to the export markets has allowed the Company to capitalise on the recovery in the global thermal coal markets and benefit from the significant increase in export market prices during FY2018.

NCC has long-term off-take agreements with a well-known trader to supply 650kt per annum of export quality coal (6 000kcal, 15% ash), as well as a seven-year Eskom Coal Supply agreement supplying 1.2Mt per annum of thermal coal to the local power producer.

ROM tonnages for FY2018 totaled 3 673 712t (2017: 763 892t) mined, a 381% increase since the previous period reflecting the NCC name plate production achieved. NCC delivered a total of 2 139 661 (2017: 539 695) of sales tonnes to market for FY2018 of which 766 633t was export quality coal.

The revenue per sales tonne at NCC increased from A\$32.73 per tonne to A\$87.04 for the period under review. The increase in revenue per tonne is due to the significant increase in export market prices and the increase in the NCC exposure to export quality product. For the current year 36% of the tonnes sold at NCC was committed to export sales, although this is expected to increase to approximately 40% for FY2019.

The cash cost per tonne for FY2018 was A\$37.73 per tonne and has increased since the previous period. During the previous period the Colliery was still in development and ramp-up and therefore some charges were still capitalised to the development asset and effectively reduced the cash cost per tonne. FY2018 is a true reflection of the cash cost of production at NCC.

The gross profit margin for the 2018 financial year is 20%. The majority of the Group capital expenditure was incurred at NCC to enhance the operating and beneficiation ability of the Colliery. Various capital projects were completed during the year, including a new secondary crushing circuit for the two export plants, a raw coal screen circuit to allow for the increased sales to Eskom as well as reducing rehandling of middling product between plants through the installation of end use product belts.

Strategic report continued

Other assets

Brakfontein Project

The Brakfontein project is located in the Delmas district less than 20km from the Kangala Colliery and is fully compliant with a Mining Right, IWUL and the Environmental Authorisation granted in terms of National Environmental Management Act (NEMA). The Company is evaluating various mining plans while negotiating favourable off-take agreements for the Brakfontein Project, with the view to developing the asset.

The Company has submitted a tender for coal supply to Eskom for the full production of the Brakfontein mine. Brakfontein is currently planned as an open-cast, truck and shovel operation with all the ROM coal being crushed and screened. Currently, the mine plan indicates a 100ktpm saleable product available to Eskom.

Berenice and Cygnus Projects

The Berenice and Cygnus Projects remain significant metallurgical coal assets located in the Soutpansberg Coalfield in the Limpopo province of South Africa. The Berenice and Cygnus Projects have resources in excess of 1.35Bt. A Mining Right application was submitted over the Berenice Project to the authorities in December 2015 and has been accepted by the DMR. An Environmental Impact Assessment has been commissioned.

Asset under acquisition

Eloff Project

The Eloff Mining Company (Pty) Ltd (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 Coal the opportunity to consolidate the contiguous resource base of the Eloff Project with Universal

Coal's existing Kangala mine and provides optionality to extend Kangala's mine life. The Eloff Project allows for a significant extension on the Kangala LoM by incorporating the contiguous Eloff Project resource base. According to preliminary mine plans the Company projects a potential double up on Kangala volumes once the Eloff Project is included in the production profile.

The first 29% of the Eloff Project was acquired June 2017 for the acquisition price of A\$4.35 million has been settled from the Company's cash resources. In November 2017, the Company acquired 51% of the Eloff Project from Exxaro by acquiring 100% of Manyeka Coal (Pty) Ltd (Exxaro was the 100% owner of Manyeka). The acquisition was for A\$9 million and a bank guarantee of 10% of the value has been delivered to Exxaro as deposit. The acquisition of Manyeka was effective in August 2018 with the waiver of the last remaining conditions to the sales agreements. The payment date of the outstanding balance to Exxaro has been deferred to 31 October 2018.

The Eloff Project acquisitions were successfully completed post the balance sheet date with the acquisition of the last remaining 20% from South32 SA Coal Holdings Proprietary Limited. The 20% was acquired for the acquisition price of A\$3.45 million and was settled from Company's cash resources.

North Block Complex

NBC (Pty) Ltd, is owned by UCEHSA (49%) and by Ndalamo (51%). NBC acquired 100% of the North Block complex asset from Exxaro in March 2018 for an acquisition price of R170 million and a bank guarantee of 10% of the value has been delivered to Exxaro.

NBC has historically contributed 2.7Mtpa of saleable product and the Company is confident that these levels will be maintained post acquisition, and once the Paardeplaats prospecting area can be included in the production pipeline. The current production at NBC is mainly for the domestic thermal product.

Since March, the Company has made significant progress on the fulfillment of the conditions precedent and expects the transaction to be concluded before the end of CY2018.

The Company has already received regulatory and statutory approvals in terms of the Competition Act No. 89 of 1998 (as amended) for the transaction contemplated in the agreement. Post year end, the Company has been granted ministerial approval in terms of Section 11 approval for the transfer of ownership for the Glisa and Eerstelingsfontein Mining Rights.

The following suspensive conditions are still outstanding:

- Ministerial approval in terms of Section 11 of the MPRDA, the Paardeplaats Prospecting Right
- Resolution of matters issued under the National Water Act, 36 of 1998, in respect of the Glisa mining operations
- Confirmation of the renewal of the Glisa Mining Right and Paardeplaats Prospecting Right and the associated EMP reports
- No material adverse change

Universal Group and acquisitions

Universal Coal achieved exceptional results for the year ended 30 June 2018, delivering EBITDA of A\$72.3 million compared to A\$25 million in the prior year. Operational revenue increased by 112% as the Company benefited from two producing collieries and improved outlook for coal markets. The Company currently has both the Kangala Colliery and NCC at full production delivering positive results for the year. NCC operated at name plate production for the year with positive contributions to revenue and profit for Universal Coal. The Company achieved sales tonnes of 4.7Mtpa (attr. 2.9Mtpa) for the current year compared to the 3Mtpa of sales in the prior year. The majority of the increase was driven by NCC which also has a greater exposure to export quality coal and thus high prices.

Due to the higher export prices the Company's gross profit margin increased by 7% from the comparative period and the profit before tax increased by A\$45.5 million to A\$49.4 million (June 2017: A\$3.9 million).

After translating foreign operations and accounting for the effects of exchange rate differences, the Company has achieved a comprehensive profit of A\$32.3 million for the financial year ended 30 June 2018 (30 June 2017: A\$15.1million). This is after the negative effect of translation of foreign operations of A\$3.6 million (June 2017: positive A\$11.1million) as a result of an appreciation in the average foreign exchange translation to the South African rand, which is the functional currency of the underlying business subsidiaries.

The previous year's profit was negatively impacted by a loss of A\$9.7 million arising from the sale of underground mining assets. Assets acquired as part of the acquisition became redundant when an underground contract miner was appointed at NCC and supplied new equipment tailored to the underground conditions. The current year profit was positively affected by the reversal of a portion of the rehabilitation provision of A\$6.2million(note 18).

Group cash generated from operations was A\$64.1 million (2017: A\$26.3 million). Bank balances representing both unrestricted and restricted cash balances at the year end totaled A\$36.8 million (2017: A\$15.2 million). The increase in cash is due to the strong cash generation and positive cash flow from both Kangala Colliery and NCC during the year. The increase in cash is after taking into account an aggregate of A\$10.7million of capital expenditure incurred at the two operations, and a total of A\$17.4 million of dividends paid to Universal Coal's shareholders.

During the period, the Company paid a total of A\$17.4 million in dividends to shareholders. The dividend consisted of A\$5.2 million (A\$0.01 per share) final FY2017 dividend paid in December 2017, and also A\$5.2 million (A\$0.01 per share) interim FY2018 dividend paid in February 2018. These dividends were paid to Universal Coal Plc shareholders. The remainder of

the dividend payment was due to the Kangala operational equity shareholder at Kangala Colliery.

The average export price achieved (at average R: A\$) for the period was A\$103 per tonne.

On 31 August 2018, the Board of Directors declared a final gross cash dividend of A\$0.01 (2017: A\$ 0.01) per share for the year ended 30 June 2018. The dividend, declared in Australian dollars, is subject to shareholder approval at the 2018 Annual General Meeting (AGM). This brings the total dividend for the FY2018 to A\$0.02 per share representing 45% of attributable net profit after tax.

Markets

Key performance indicators

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

- ROM tonnages, processing plant yields and sales tonnages
- Revenue per tonne
- Cash cost per 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
- 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

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



Strategic report continued

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 Kangala and NCC, and 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 currently self-sustained by their own generated cash flows. Both Kangala and NCC have obtained debt facilities to finance the original mine development and have to date met all commitments on repayment of these facilities. Kangala settled all outstanding shareholder loans 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 management fees. Kangala commenced dividend distribution to shareholders during FY2018.

The Company has also been able to settle the Susquehanna Pacific (Pty) Ltd converting notes according to the Convertible Note agreement. The Company settled these notes in cash.

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 detailed 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 agreements.

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 through the completion of detailed technical feasibility studies, environmental impact assessments, entering into 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 may elapse from the initial phase of drilling until commercial operations commence.

Financial instrument risk

The Company and Group are exposed to risks arising from financial instruments held. These are discussed in note 29.

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.

Strategic report continued

Political risk

Political and regulatory instability has been the cause of major investment uncertainty during the current period. This has all contributed to the anxiety surrounding investment in the South African mining space. The DMR unveiled new rules for BEE, 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, the Group is in a fortunate position that it fulfils nearly all obligations in the revised Mining Charter in its current format. Nevertheless, at the time of this report the revised Mining Charter had not yet been implemented.

4. NON-CURRENT ASSET CHANGES

Rounding of amounts

All amounts are presented in A\$ 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 dividend distributions.

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 (accepted by the DMR) 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, NEMA as well as an IWUL. 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 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 investments continued to be accounted for as a subsidiary for the 2018 financial period.

The Group is currently in the process of amalgamating the Universal Coal Development IV (Pty) Ltd and Universal Coal Development VIII (Pty) Ltd projects and has already received the Section 102 authorisation from the DMR to move the Mining Right previously held within UCDVIII to UCDIV. All other legal transfers will occur in the next financial year.

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

Eloff Mining Company (Pty) Ltd (Eloff Project)

UCDIV acquired a 29% stake in the Eloff Mining Company (Pty) Ltd during FY2017. Universal Coal effectively owns 14.29% of Eloff. Since FY2017, the Company signed purchase agreements for the acquisition of an additional 51% of the

project from Exxaro and the remaining 20% holding from South 32. These agreements were finalised post balance sheet date. Post year end the UCDIV effectively owns 100% of the Eloff Project.

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

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.

Epsolve (Pty) Ltd (Goedgedacht 228 IR 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 extent of disturbance and where any such works are necessary they are carried out as and when required.

6. EVENTS SUBSEQUENT TO REPORTING DATE

In August 2018, the Company received ministerial approval for the Section 11 ownership transfer of the two mining rights (Glisa and Eerstelingsfontein) from NBC to the Group.

On 3 August 2018, the Sale of Shares and Claims Agreement entered into between UCDIV and Exxaro to purchase 51% of the shares in Eloff Project (through Manyeka Coal Mines Proprietary Limited) was effective.

On 31 August 2018, the Board of Directors declared a final gross cash dividend of A\$0.01 (2017: A\$ 0.01) per share in respect of the year ended 30 June 2018. The dividend is declared in Australian dollar and is subject to shareholder approval at the AGM for 2018.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'John Hopkins', written over a white background.

John Hopkins OAM
Non-executive Chairman
28 September 2018

Section 3:

GOVERNANCE

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EXPERTISE & COMPLIANCE

Sound corporate governance, transparency and an unwavering adherence to legislation, regulations and codes enhances the long-term interests of our shareowners



Corporate governance statement

The Board of Directors is responsible for the overall strategy, governance and performance of the Company.

The Company is a producing mining company, whose strategy is to add substantial shareholder value through the acquisition, exploration, development and commercialisation of coal projects in the Republic of South Africa. The Board has adopted a corporate governance framework which it considers to be suitable given the size, history and strategy of the Company.

Corporate governance principles and recommendations

In accordance with the ASX Listing Rules, Universal Coal is required to disclose the extent to which it has followed the ASX Corporate Governance Council's Principles and Recommendations (ASX Recommendations) during the financial year. Where the Company has not followed an ASX Recommendation, this has been identified and an explanation for the departure has been given.

This Corporate governance statement reports against the third edition of the ASX Recommendations and the practices detailed in this Corporate governance statement are current as at 28 September 2018. It was approved by the Board and is available on the Universal Coal website.

Further details relating to the Company's corporate governance practices are available in the Corporate Governance Plan on the Company's website at www.universalcoal.com/about-us/corporate-governance.

Principle 1: Lay solid foundations for management and oversight

The Board of Directors is responsible for the overall strategy, governance and performance of the Company.

Board Charter

The Board has adopted a formal Board Charter which clearly details its functions and responsibilities and delineates the role of the Board from that of the senior executives. The Board's function and responsibilities include strategy and planning, corporate governance, appointment of the CEO, remuneration, capital expenditure and financial reporting, performance monitoring, risk management, audit and compliance, developing and monitoring diversity policies and objectives.

A copy of the Board Charter is available in the Corporate Governance Plan on the Company's website at www.universalcoal.com/about-us/corporate-governance.

Delegation to CEO and senior executives

The Board Charter states that day-to-day management of the Company's affairs is delegated to the CEO and the implementation of the corporate strategy and policy initiatives has been formally delegated by the Board to the CEO and senior executives as set out in the authority of delegation policy.

Access to information and independent advice

The Company Secretary provides assistance to the Board. Directors also have access to senior executives at any time to request any relevant information. The Board Charter provides that:

- All Directors have unrestricted access to Company records and information except where the Board determines that such access would be adverse to the Company's interests
- All Directors may consult management and employees as required to enable them to discharge their duties as Directors
- The Board, Board committees or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board

Board committees

To assist the Board in carrying out its functions, the Board has established:

- Audit and Risk Committee
- Remuneration Committee

Each committee is established according to a charter that is approved by the Board. Each committee is entitled to the resources and information it requires to discharge its responsibilities, including direct access to senior executives, employees and advisers as needed.

Director selection process and Board renewal

The composition of the Board is reviewed regularly to ensure the appropriate mix of skills, diversity and expertise is present to facilitate successful strategic direction.

As detailed in the Board Charter, in appointing new members to the Board consideration is given to the ability of the appointee to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company. Consideration will also be given to achieving a Board with a diverse range of backgrounds.

The process used for selecting new members for the Board, as set out in the Board Charter, may be assisted by the use of external search organisations as appropriate. An offer of a Board appointment will be made by the Chairman of the Board only after having consulted with all Directors. Detailed background information in relation to a potential candidate is provided to all Directors.

No new Directors were appointed during FY2018.

Corporate governance statement continued

Executive Directors are provided with executive contracts of employment and Non-executive Directors are provided with service agreements setting out the key terms and conditions relative to that appointment.

When appointing any new Director, at the commencement of the selection process, the Company will undertake appropriate checks on potential candidates to consider their suitability to fill a casual vacancy on the Board or for election as a Director.

Director rotation requirements in the Company's Articles of Association require that each year one-third of Directors, or if the number is not a multiple of three, a number nearest to one-third but not exceeding one-third, must retire from office. Subject to the provisions of the Company's Articles of Association, prior to the Board proposing re-election of Non-executive Directors, their performance will be evaluated by the Board to ensure that they continue to contribute effectively to the Board. In addition, material information is provided to shareholders regarding each Director being proposed for election or re-election to assist shareholders in their decision to elect or re-elect a Director.

Company Secretary

All Directors have direct access to the Company Secretary, who is responsible to the Board, through the Chairman, on all matters relating to the conduct and functions of the Board and committees. The Company Secretary's responsibilities are set out in the Board Charter.

Diversity

The Board has a Diversity Policy in place which is available in the Corporate Governance Plan on the Company's website at www.universalcoal.com/about-us/corporate-governance. The Board is committed to workplace diversity and recognises the

benefits arising from diversity, including a broad pool of high quality employees, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

The policy provides a framework for the Company to achieve:

- A diverse and skilled workforce that supports continuous improvement and achievement of corporate goals
- A workplace culture characterised by inclusive practices and behaviours
- Equal employment and career development opportunities for all staff, regardless of gender, age, ethnicity or cultural background
- A work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives

The Board is responsible for setting and carrying out strategies to meet the objectives of the policy, including setting measurable objectives to achieve gender diversity and annually assessing the measurable objectives and the Company's progress in addressing them. From time to time, the Board will consider the establishment, amendment or removal of measurable objectives. When measurable objectives are implemented by the Board, the CEO will report to the Board on progress on an annual basis. As the Company is now a fully operational coal producer, the number of employees has increased and is now 168 (2017: 129) (excluding graduates). However, the Company is still a small employer and as such has not implemented measurable objectives at this stage. The Board will consider establishing appropriate objectives and strategies for diversity as the Company's staff levels grow.



Proportion of women and men employed

	30 June 2015	30 June 2016	30 June 2017	30 June 2018
	%	%	%	%
Universal Coal Board				
Male	87.5	87.5	87.5	87.5
Female	12.5	12.5	12.5	12.5
Senior executive positions¹ (FTE)				
Male	86	80	75	71
Female	14	20	25	29
Employees (FTE)				
Male	62	70	64	58
Female	38	30	36	42

¹ Senior executive means all direct reports to the CEO

FTE: Full-time equivalent

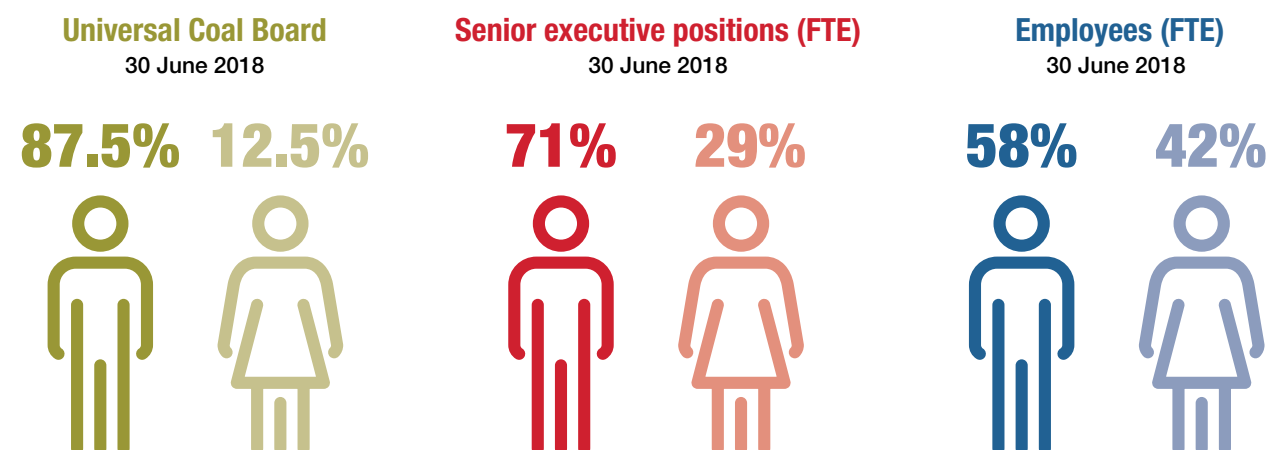
Board and Director performance evaluation

The Board did not undertake a review of its performance during the year ended 30 June 2018. The Board decided to not conduct a performance review process each year given the size of the Company. The last performance review process was undertaken in 2014. The performance review process the Board follows involves a self-assessment by Directors by way of a survey and includes a review of Board and committee operations and effectiveness, role of the Chairman, Board composition, individual Director contributions, and the relationship between the Board and management. When conducted, a report on the outcomes of the survey is provided to the Chairman who communicates and discusses the results with the Board to agree on any areas for change.

Performance of senior executives

The CEO and Chief Financial Officer (CFO) have employment contracts describing their terms of office, rights and responsibilities and entitlements on termination. Induction programmes are in place to allow new senior executives to participate fully and actively in management decision-making.

The performance of senior executives is reviewed regularly by the CEO on an informal basis. On an annual basis, the Remuneration Committee assesses the performance of the CEO as part of the annual remuneration determinations. An informal performance evaluation of the CEO was undertaken by the Remuneration Committee for the year ended 30 June 2018. The CEO evaluates the performance of the senior executives and this was completed for the year ended 30 June 2018.



Corporate governance statement continued

Principle 2: Structure the Board to add value

Nominations Committee

The accountabilities and responsibilities of the Nominations Committee are carried out by the Board. At this time, based on the Company's size and stage of development, it is not considered necessary to establish a separate Nominations Committee. The nomination related responsibilities of the Board include assessing the skills, diversity and necessary industry, technical or functional experience required by the Board, recommending Directors for re-election and conducting searches for new Board members when required.

Structure of the Board

The Board currently consists of eight directors including, an Independent Chairman, one additional Independent Non-executive Director, four Non-executive Directors who are not independent, and two Executive Directors.

<hr/>	
John Hopkins OAM (Chair)	Independent, Non-executive Director
Henri Bonsma	Independent, Non-executive Director
Tony Weber	CEO and Executive Director
Shammy Luvhengo	Executive Director
Carlo Baravalle	Non-executive Director
David Twist	Non-executive Director
Nonkululeko Nyembezi	Non-executive Director
Andries Engelbrecht	Non-executive Director
<hr/>	

The skills, experience, expertise and length of service/appointment date of each Director are set out on pages 14 and 15.

Chairman's responsibilities and independence

The Board Charter provides that the Chairman of the Board is responsible for the leadership of the Board, ensuring the Board is effective, setting the agenda of the Board, conducting Board meetings and conducting shareholder meetings.

The Chairman of the Board, John Hopkins OAM, is an Independent Non-executive Director. The roles of the Chairman and CEO are separated.

Board independence

An Independent Director is one who is independent of management and free from any business or other relationship, which could, or could reasonably be perceived to materially interfere with the exercise of independent judgement. Any Independent Director will meet the definition of what constitutes independence as set out in the ASX Recommendations and set out in Annexure A of the Board Charter. The materiality thresholds are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.

At this time, there are two Directors the Board has classified as independent – the Non-executive Chairman, John Hopkins OAM and Henri Bonsma. Tony Weber and Shammy Luvhengo are executives of the Company and therefore not independent. Carlo Baravalle and David Twist are not independent because they were nominated as Directors by one of the Company's substantial shareholders, Coal Development Holding B.V. Nonkululeko Nyembezi and Andries Engelbrecht are not independent because they were nominated as Directors by one of the Company's substantial shareholders, Ichor Coal N.V.

The Board Charter states that, where practical, the majority of the Board is comprised of Non-executive Directors and where practical, at least 50% of the Board will be independent.

At this stage, a majority of the Board are Non-executive Directors but the majority are not independent as only two of the eight Directors can be considered independent. The Board has assessed that this is appropriate for the current stage of development and size of the business and that the current Board members have the skills, expertise and experience required to effectively oversee the Company's business. The Board will review its composition at regular intervals.

Board skills matrix

The Board has not developed a skills matrix at this time. The Board has determined that as there are no foreseeable vacancies on the Board, the need for a skills matrix is not urgent. A skills matrix will, however, be developed over time. The Board also believes that the current skills represented on the Board are appropriate for the current stage of the Company's development and are appropriate to implement the Company's strategy. These skills include industry and operational experience, project assessment and management, financial, legal and executive experience.

Induction

There were no new Directors appointed during the year. However, when new Directors are appointed they are provided with information regarding the Company's strategy and operations and corporate governance practices and policies as an induction to the Company.

Continuing education

Directors are provided with continuing education opportunities to update and enhance their skills and knowledge. This consists of regular updates to the Board from management, separate to Board meetings, to ensure Non-executive Directors are well-informed of the Company's operations and any recent developments.

Principle 3: Promote ethical and responsible decision-making

Corporate Code of Conduct

The Company has implemented a Corporate Code of Conduct (the Code) which applies to Directors and employees. The Code provides a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The Code sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from Directors and employees.

Employees are encouraged to raise any matters of concern in good faith with the head of their business unit without fear of retribution. Where the matter is inappropriate to be raised with the head of their business unit, employees are able to raise the matter with the CEO or CFO as appropriate.

The CFO reviews and reports directly to the Board on any material breaches of the Code. The Audit and Risk Committee oversees procedures for whistleblower protection.

A copy of the Code is available in the Corporate Governance Plan on the Company's website at www.universalcoal.com/about-us/corporate-governance.

Dealings in securities

The Company has implemented a Securities Trading Policy which covers dealings in the Company's securities by its key management personnel (Directors and those employees reporting to the CEO). The Securities Trading Policy sets out the guidelines for trading in the Company's securities, including closed periods, exceptions and approval and notification requirements.

A copy of the Securities Trading Policy is available in the Corporate Governance Plan on the Company's website at www.universalcoal.com/about-us/corporate-governance.

Conflicts of interest

The Constitution and Code of Conduct set out the obligations of Directors in dealing with any conflicts of interest. The Board has adopted a Related Party Transactions/Conflicts Policy to provide further guidance to Directors regarding any potential related party transactions. Pursuant to the Constitution, Code of Conduct and Related Party Transaction/Conflicts Policy, Directors are obliged to:

- Disclose to the Board any actual or potential conflicts of interest which may exist as soon as they become aware of the issue
- Take any necessary and reasonable measures to resolve the conflict
- Comply with all laws in relation to disclosure of interests and restrictions on voting

Unless the Board determines otherwise, a Director with any actual or potential conflict of interest in relation to a matter before the Board, does not:

- Receive any Board papers in relation to that matter
- Participate in any discussion or decision-making in relation to that matter

The Company Secretary also maintains a register of any potential conflicts of interests of Directors.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Committee

The Board has established an Audit and Risk Committee governed by the Audit and Risk Committee Charter, which is available in the Corporate Governance Plan on the Company's website at www.universalcoal.com/about-us/corporate-governance.

The objective of the Audit and Risk Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance. The Audit and Risk Committee's responsibilities include:

- Review of financial reports
- Review and monitoring of risk management systems, practices and procedures
- External audit
- Any special reviews or investigations requested by the Board

Audit and Risk Committee composition

All members of the Committee are financially literate and have experience in the industry in which the Company operates. Profiles of each of the Committee members are set out in the Directors' report on pages 52 to 56.

The composition complies with the ASX Recommendations, except in relation to having a majority of Independent Directors, being composed of:

- Four members
- All Non-executive Directors with equal numbers of Independent Directors and Non-independent Directors
- A Chair who is an Independent Director and who is not the Chairman of the Board

Corporate governance statement continued

Membership of and attendance at Audit and Risk Committee meetings 2018

Member	Number of meetings eligible to attend	Number of meetings attended
Independent Non-executive Directors		
Henri Bonsma (Chair)	2	1
John Hopkins OAM	2	2
Non-executive Directors		
Carlo Baravalle	2	2
Nonkululeko Nyembezi	2	2

Audit

The Audit and Risk Committee is responsible for:

- The performance of the external auditor
- Ensuring rotation of the lead engagement partner
- Approving the audit plans and proposed fees for audit work
- Meeting with the external auditors as required without management present
- Monitoring independence of the external auditor

CEO and CFO declaration

Prior to Board approval of the Company's quarterly, half year and annual financial reports, the CEO and CFO must provide the Board with declarations required under Recommendation 4.2 of the ASX Principles. This process was followed during the year.

Auditor at the AGM

The auditor's lead engagement partner is present at the AGM to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

Principle 5: Make timely and balanced disclosure

The Company is committed to ensuring:

- Compliance with the requirements of the ASX Listing Rules
- All relevant regulations and ASX Recommendations
- Accountability at CEO level for that compliance
- Facilitation of an efficient and informed market in the Company's securities by keeping the market apprised through ASX announcements of all material information

The Company has implemented a Continuous Disclosure Policy which is designed to support the commitment to a fully informed market in the Company's securities by ensuring that announcements are:

- Made to the market (via the ASX Company Announcements platform) in a timely manner, are factual and contain all relevant material information
- Expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions

A copy of the Continuous Disclosure Policy is available in the Corporate Governance Plan on the Company's website at www.universalcoal.com/about-us/corporate-governance.

Principle 6: Respect the rights of shareholders

The Company has adopted a Shareholder Communications Policy which aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders through:

- Quarterly, half year and annual reports
- Disclosures and announcements made to the ASX
- Notices and explanatory notes of AGM and extraordinary general meetings, addresses or presentations made at those meetings
- The Company's website

The Board encourages participation by shareholders at all shareholder meetings which provides effective two-way communication with investors. Shareholders are encouraged to attend shareholder meetings but if they are unable to attend they are encouraged to vote via proxy and send any questions to the Company, details of which are provided in the notice of meeting. In addition, an investor relations programme is followed where key analysts and investors are briefed on a regular basis. The presentations for these meetings are provided to the ASX for all shareholders to access.

The Company's website provides detailed information for shareholders, including:

- Corporate governance policies
- Details of the Company's projects
- Sustainability programmes
- All ASX and media releases
- Copies of reports released by the Company
- Share price data

Shareholders have the option to receive communications from, and send communications to the Company and the Company's share registry, Computershare, electronically. In addition, contact details of the Company are included on the website for investors to email or telephone regarding any questions they may have.

A copy of the Shareholder Communications Policy is available in the Corporate Governance Plan on the Company's website at www.universalcoal.com/about-us/corporate-governance.

Principle 7: Recognise and manage risk

Audit and Risk Committee

In its function as a Risk Committee, the Audit and Risk Committee assists the Board in fulfilling its corporate governance responsibilities with regard to oversight of the Company's risk management systems, practices and procedures.

Details of the Audit and Risk Committee are contained in the disclosure under Principle 4. For details regarding the number of Audit and Risk Committee meetings and the attendance at those meetings, refer to the disclosure under Principle 4.

Risk Management Policy

The Company is committed to ensuring that:

- Its culture, processes and structures facilitate realisation of the Company's business objectives whilst material risks are identified, managed, monitored and wherever appropriate and possible, mitigated
- To the extent practicable, its systems of risk oversight, management and internal control comply with the ASX Recommendations

The Board determines the Company's risk profile and is responsible for overseeing and approving the Company's risk

management strategy and policies, internal compliance and internal control.

The Board has delegated to the Audit and Risk Committee responsibility for implementing the risk management system and reporting to the Board.

The Company's process of risk management and internal compliance and control includes:

- Identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives and monitoring the environment for emerging factors and trends that affect these risks
- Formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls
- Monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- Compliance with applicable laws and regulations
- Preparation of reliable published financial information
- Implementation of risk transfer strategies where appropriate, e.g. insurance

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management.

Management is required to assess risk management and associated internal compliance and control procedures and report regularly to the Audit and Risk Committee.

Further detail regarding specific risks facing the Company is noted in the Directors' report.

During the financial year ended 30 June 2018, the Board (through the Audit and Risk Committee) conducted an annual review of the Company's risk management framework. Senior management has reported to the Board (through the Audit and Risk Committee) on the effectiveness of the management of the material risks faced by the Company during FY2018. The Board and Audit and Risk Committee has reviewed the risk management framework and is satisfied that it continues to be sound.

Internal audit

Due to the size and current stage of development of the Company, the Board has not established an independent internal audit function. Oversight of the effectiveness of the Company's risk management and internal control processes currently form part of the responsibilities of the CFO (for financial risks and controls) and the CEO (for operational risks). As the Company continues to develop, the Audit and Risk Committee will consider establishing an independent internal audit function. In addition, the Audit and Risk Committee receives reports on and reviews risk management and internal control.

Economic, environmental and social sustainability risks

Universal Coal has material exposures to economic, environmental and social sustainability risks which are further disclosed under the Strategic report and the Sustainability report both contained within this Annual Report. The exposures include sustainable development, safety and health, environmental management and socio-economic development.

A copy of the Company's risk management policy is available in the Corporate Governance Plan on the Company's website at www.universalcoal.com/about-us/corporate-governance.

Corporate governance statement continued

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

The Remuneration Committee Charter is available on the Company's website in the Corporate Governance Plan at www.universalcoal.com/about-us/corporate-governance.

The primary purpose of the Committee is to support and advise the Board in fulfilling its responsibilities to shareholders by:

- Reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and directors who will create value for shareholders
- Ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration
- Recommending to the Board the remuneration of executive directors
- Fairly and responsibly rewarding executives having regard to the performance of the Company, the performance of the executive and the prevailing remuneration expectations in the market
- Reviewing the Company's recruitment, retention and termination policies and procedures for senior management
- Reviewing and approving the remuneration of direct reports to the CEO and as appropriate, other senior executives
- Reviewing and approving any equity based plans and other incentive schemes

Further details can be found in the Committee's Charter.

Remuneration Committee composition

Profiles of each of the Committee members are set out in the Directors' report on pages 52 to 56.

The composition complies with the ASX Recommendations, except in relation to having a majority of Independent Directors, being composed of:

- Four members
- All Non-executive Directors with equal numbers of Independent Directors and Non-independent Directors
- A Chair who is an Independent Director

Membership of and attendance at Remuneration Committee meetings 2018

Member	Number of meetings eligible to attend	Number of meetings attended
Independent Non-executive Directors		
John Hopkins OAM (Chair)	2	2
Henri Bonsma	2	2
Non-executive Directors		
David Twist	2	2
Andries Engelbrecht	2	2

Remuneration Policy

Information on the Company's remuneration policies and practices is set out in the Remuneration report in the Directors' report.

The remuneration of Non-executive Directors is a fixed annual fee. Non-executive Directors do not participate in other remuneration components such as performance related short-term or long-term incentives, options or variable remuneration and do not receive retirement benefits other

than superannuation. Information relating to the remuneration of Non-executive Directors is disclosed in the Remuneration report contained within the Directors' report.

The Company does not currently have an employee share and option plan as part of rewards for performance.

Under the Securities Trading Policy, participants are not permitted to enter into transactions with Securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements under any equity-based remuneration schemes awarded under any equity-based remuneration scheme currently in operation, or which will be offered by the Company in the future.

Conclusion

The Board is satisfied with its level of compliance and corporate governance requirements for the current stage of development and size of the Company. However, the Board recognises that processes and procedures require continual monitoring and improvement and this will continue to occur.

Waiver of Takeover Provisions by ASX

Background

As Universal Coal is incorporated in England and Wales, the rights of shareholders are primarily governed by English law and the Company's Articles of Association (Articles). The Takeover Provisions in the Corporations Act do not apply to the Company. In the United Kingdom, the City Code on Takeovers and Mergers (City Code) regulates takeovers and substantial shareholdings. The Company is currently not subject to the City Code and the shareholders are not afforded any of protections under the City Code. As a result, any takeover offer for the Company or consolidation of control in the Company will not

be regulated by takeovers provisions of the Corporations Act or the City Code.

The Company's Articles

The Articles contain certain limited takeover protections in Articles 18.1(b) to (e) (Takeover Provisions). The Takeover Provisions do not provide the full protections afforded by the Corporations Act or City Code.

In summary, the Takeover Provisions allow the Company's Board to impose "sanctions" (by way of a suspension of voting rights (Article 18.1(b)(iii)(A)) and by directing registered holders of shares to divest their interest in shares acquired above the threshold (Article 18.1(b)(iii)(B)) when:

- Shares in Universal are acquired above a specified threshold
- No follow-up offer is extended to shareholders generally

The acquisition threshold is 20%, unless the Board resolves under Article 18.1(b)(iii)(B) to increase it to 30%.

ASX Waiver

ASX Listing Rule 15.15 requires that a foreign company's constitution must not include provisions relating to takeovers and substantial shareholdings. In November 2015, the Company was granted a waiver in respect of ASX Listing Rule 15.15 (Waiver). The Waiver permits the Articles to continue to include the Takeover Provisions and the sanctions mentioned above on a conditional basis.

The conditions of the Waiver include the following:

- No resolution is passed to apply the 30% threshold to Article 18.1(b)(i), Article 18.1(b)(ii) or Article 18.1(b)(iii)
- The Company does not enforce the Takeover Provisions in Article 18.1(c), Article 18.1(d)(i) and Article 18.1(e)

- The Company does not exercise the sanctions other than in accordance with the ruling of a competent court that a person or persons to whom Article 18.1(b)(iii) applies has failed or will fail to comply with that Article within the 21 day period referred to in that Article
- If the Company becomes subject to a law of any jurisdiction which applies so as to regulate the acquisition of control, and the conduct of any takeover of the Company, the Company will consult promptly with ASX. If ASX considers that amendment to the Takeover Provisions or the sanctions is required, and such amendment is not made to the satisfaction of ASX, the waiver shall cease to apply

A copy of the Company's Articles is available at www.universalcoal.com/wp-content/uploads/2014/04/Articles-of-Association-6-Oct-2014.pdf

The material effects of the Takeover Provisions as varied by the Waiver:

- The Board of the Company cannot resolve to increase the acquisition threshold from 20% to 30%, as it was previously able to do under Article 18.1(b)(iii)(B)
- The Board of the Company cannot exercise the power granted by Article 18.1(c) to require a shareholder to disclose to the Board any persons or entities who are affiliated persons of, or who are acting in concert with, that shareholder in respect of an interest in the shares of the Company
- The Board of the Company cannot enforce the Takeover Provisions in circumstances where the City Code applies to the Company. In such circumstances, shareholders would have the protections afforded to them under the City Code and any takeover offer would be subject to the jurisdiction of the UK Panel on Takeovers and Mergers



- The Board of the Company will not have the benefit of Article 18.1(e), which purported to limit the liability of the Board in respect of the way its discretions and powers were exercised in respect of the Takeover Provisions
- Before the Board of the Company exercises its rights in respect of the sanctions, it must first obtain a ruling from a competent court that:
 - a person (together with persons acting with him) has acquired an interest in the shares of the Company that is equal to or higher than the acquisition threshold that applies to that shareholding (Relevant Person)
 - the Relevant Persons would be obliged to make a mandatory offer to the other shareholders under the City Code (as adjusted for the purposes of article 18.1(b)), if the City Code applied to the Company (Mandatory Offer)
 - the Relevant Persons have failed or will fail to make a Mandatory Offer on terms no less favourable to the other shareholders than would have been required if the City Code had applied to the Company, within 21 days following the date on which such an obligation would have arisen

Directors' report

The Directors present their report with the statutory financial statements of the Group and the Company for the year ended 30 June 2018.

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. These include 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 CEO.

All Directors have access to the advice of the Company Secretary and the ASX Liaison Officer who are responsible for ensuring that all Board procedures are followed and ASX Listing Requirements are adhered to. Any Director may take independent professional advice, in consultation with the Chairman first, at the Company's expense, in the furtherance of his or her duties.

Directors who held office during the 2018 year

Member	Position	Nationality
John Hopkins OAM (Chair)	Independent, Non-executive Director	Australian
Henri Bonsma	Independent, Non-executive Director	South African
Carlo Baravalle	Non-executive Director	British
David Twist	Non-executive Director	British
Tony Weber	CEO and Executive Director	South African
Shammy Luvhengo	Executive Director	South African
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 Company Secretary is Benjamin Harber (United Kingdom) and the ASX Liaison Officer is Emma Lawler (Australia).

4. Directors' meetings

Four Board meetings were held during the year to 30 June 2018

Member	Number of meetings eligible to attend	Number of meetings attended
John Hopkins OAM (Chair)	4	4
Henri Bonsma	4	4
Carlo Baravalle	4	4
David Twist	4	4
Tony Weber	4	4
Shammy Luvhengo	4	4
Nonkululeko Nyembezi	4	4
Andries Engelbrecht	4	4

5. Committee meetings

Two Audit and Risk Committee meetings were held during the year to 30 June 2018

Member	Number of meetings eligible to attend	Number of meetings attended
Henri Bonsma	2	1
John Hopkins OAM	2	2
Carlo Baravalle	2	2
Nonkululeko Nyembezi	2	2

Two Remuneration Committee meetings were held during the year to 30 June 2018

Member	Number of meetings eligible to attend	Number of meetings attended
Henri Bonsma	2	2
John Hopkins OAM	2	2
David Twist	2	2
Andries Engelbrecht	2	2

6. Dividends

On 31 August 2018, the Board declared a final gross cash dividend of A\$0.01 (2017: A\$0.01) per share in respect of the year ended 30 June 2018. The dividend is declared in Australian dollar and is subject to shareholder approval at the AGM for 2018. The total dividend including the interim dividend of A\$0.01, comes to A\$0.02 for the period ending 30 June 2018.

7. Going concern

The accounts have been prepared on the going concern basis. At the year end the Group had A\$33.5 million (2017: A\$14.4 million) of unrestricted cash reserves and A\$3.3 million (2017: A\$0.7 million) of restricted cash.

The current year Company performance has cemented Universal Coal as a cost effective coal producer with the ability to deliver on all production commitments and to generate sufficient cash flows to support the colliery project debt repayments, operating costs and to cover the Group overheads. Now, with two fully operational collieries, the Company has proven its reputation as a successful coal

project developer. The Company forecast is based on similar operational volumes and costing as in the 2018 financial year, with the assumption of current coal market prices for the export product sales. 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.

8. Capital structure and share issues

Capital structure at 30 June 2018	Million
Current issued ordinary share capital (shares)	522
Converting notes (potential shares)	–
Outstanding share options (potential shares)	–

Ordinary share issues during the year

No ordinary shares have been issued during the year under review.

9. Remuneration report

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

The overall strategic aim of Universal Coal'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 can 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.

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

Other payments

No other payments are due to Directors (2017: A\$ nil).

Share options

As noted in Section 10 of the Directors' report, there have been no share options issued to Directors in the year (2017: A\$ nil).

Short-term cash incentives

The Executive Directors received a performance based annual bonus to the value of 50% of their previous years annual salary. No short-term cash incentive scheme was paid to the Directors for the period ending June 2017.

Long-term benefits

No long-term benefits were paid during the year (2017: A\$ nil).

Termination payments

No termination fees were paid to Directors during the year (2017: A\$ nil).

Directors' report continued

Service contracts

Tony Weber

Executive service agreement

- Commencement date: 1 July 2011
- Salary and Directors' fees payable from 1 July 2017: A\$458 640 per annum
- Termination is subject to 12 months' notice by either party

Shammy Luvhengo

Executive service agreement

- Commencement date: 1 July 2011
- Salary and Directors' fees payable from 1 July 2017: A\$319 411 per annum
- Termination is subject to three months' notice by either party

John Hopkins OAM

Non-executive service agreement

- Commencement date: 1 September 2010
- Directors' fees payable from 1 July 2017: A\$118 000 per annum
- Termination is subject to three months' notice by either party

Henri Bonsma

Non-executive service agreement

- Commencement date: 1 December 2009
- Directors' fees payable from 1 July 2017: A\$80 000 per annum
- Consultancy fees are payable at the rate of \$1 391 per day with a maximum of five days per month (paid to service company)
- Termination is subject to three months notice by either party

David Twist

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

- Commencement date: 7 January 2013
- Directors' fees payable from 1 July 2017: A\$80 000 per annum
- Termination is subject to Coal Development Holding B.V. (CDH) discretion and along terms contained within a Subscription Agreement or by a shareholders' resolution to remove

Carlo Baravalle

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

- Commencement date: 7 January 2013
- Directors' fees payable from 1 July 2017: A\$80 000 per annum
- Termination is subject to CDH's discretion and along terms contained within a Subscription Agreement or by a shareholders' resolution to remove

Nonkululeko Nyembezi

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

- Commencement date: 16 October 2014
- Directors' fees payable from 1 July 2017: 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

Andries Engelbrecht

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

- Commencement date: 16 October 2014
- Directors' fees payable from 1 July 2017: 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

Nature and amount of each element of remuneration

Member	2018				2017			
	Short-term benefits: salary/ fees/consultancy	Short- incentive	Total	% Options	Short-term benefits: salary/ fees/consultancy	Short- incentive	Total	% Options
	A\$	A\$	A\$		A\$	A\$	A\$	
Executive Director								
Tony Weber	458 640	196 000	654 640		392 000	–	392 000	
Shammy Luvhengo	319 411	136 500	455 911		273 000	–	273 000	
Non-executive Director								
Henri Bonsma	163 482	82 000	245 482		160 804	–	160 804	
John Hopkins OAM (Chair)	118 000		118 000		118 000	–	118 000	
David Twist	80 000		80 000		80 000	–	80 000	
Carlo Baravalle	80 000		80 000		80 000	–	80 000	
Nonkululeko Nyembezi	80 000		80 000		80 000	–	80 000	
Andries Engelbrecht	80 000		80 000		80 000	–	80 000	
Total	1 379 533	414 500	1 794 033		1 263 804	–	1 263 804	

10. Share options

No share options were issued to Directors during the year (2017: nil).

Directors' report continued

11. Directors' interests

Member	Number of fully paid ordinary shares	Share options outstanding
Tony Weber	9 544 908	–
Henri Bonsma	5 990 158	–
John Hopkins OAM (Chair)	40 000	–
Shammy Luvhengo	2 200 000	–
David Twist	165 556	–
Carlo Baravalle ¹	26 419	–
Nonkululeko Nyembezi ²	–	–
Andries Engelbrecht ²	–	–

¹ Nominated Director of CDH with an indirect interest of 143 467 056 CHESS Depository Interests (CDIs)

² Nominated Director of IchorCoal N.V. with an indirect interest of 151 660 000 CDIs

12. Rounding of amounts

The Company is of a kind referred to in Australian Securities and Investments Commission (ASIC) Legislative Instrument 2016/191, issued by the ASIC 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 2019 financial year will require the Directors and management to focus on the following potential development activities:

- Progress on regulatory approvals for the Eloff Project
- Close out the acquisition of NBC and effectively transition the operating collieries to the Company's control
- Ensure the colliery is fully regulated by means of a Mining Right, IWUL and environmental authorisations

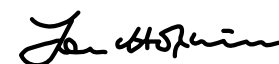
- Secure off-take agreements for the Brakfontein Project and commission the colliery as part of the company's short term development strategy
- Secure the Mining Right at Berenice/Cygnus and continue with pre-feasibility and environmental studies

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 52. 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
- Each Director has taken all the steps a Director might reasonably be expected to take to make himself or herself aware of any information needed by the Company's auditors for the purpose of their audit

On behalf of the Board



John Hopkins OAM
Chairman

Directors' responsibilities

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 IFRS 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 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 IFRS 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 Director's report and a Strategic report which all 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. 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 provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

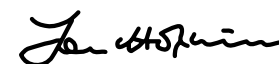
Website publication

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.

The Directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with IFRS as adopted by the European Union 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



John Hopkins OAM

Chairman

28 September 2018

Section 4:

FINANCIALS

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PERFORMANCE & HIGHLIGHTS

This financial year we have experienced much improved sentiment with coal prices hitting a six-year high.



Consolidated and Company statements of financial position

as at 30 June 2018

		Group		Company	
	Note	2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	112 630	115 149	–	–
Intangible assets	5	45 549	45 803	–	–
Investments in subsidiaries	6	–	–	48 901	60 258
Investments in associated undertakings	7	8 226	8 340	–	–
Loan receivable	8	10 575	8 378	–	–
Other financial assets	9	2 658	1 293	–	–
		179 638	178 963	48 901	60 258
Current assets					
Inventories	10	3 666	5 157	–	–
Trade and other receivables	11	44 417	21 353	1 318	2 104
Cash and cash equivalents (including restricted amounts)	12	36 872	15 185	1 802	233
		84 955	41 695	3 120	2 337
Total assets		264 593	220 658	52 021	62 595
EQUITY AND LIABILITIES					
Equity					
Share capital	13	44 466	44 466	44 466	44 466
Reserves	14	(8 695)	(5 570)	625	755
Retained earnings		63 415	49 758	6 863	15 403
Attributable to equity holders of parent		99 186	88 654	51 954	60 624
Non-controlling interest	6	38 747	34 249	–	–
Total equity		137 933	122 903	51 954	60 624

Consolidated and Company statements of financial position continued

for the year ended 30 June 2018

		Group		Company	
	Note	2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000
LIABILITIES					
Non-current liabilities					
Borrowings	15	21 997	25 068	–	–
Converting notes	16	–	1 476	–	1 476
Derivative financial liability		–	277	–	277
Deferred tax	17	11 246	10 124	–	–
Provisions	18	35 900	32 341	–	–
		69 143	69 286	–	1 753
Current liabilities					
Borrowings	15	10 979	6 539	–	–
Current tax payable		3 867	–	–	–
Trade and other payables	19	42 671	21 930	67	218
		57 517	28 469	67	218
Total liabilities		126 660	97 755	67	1 971
Total equity and liabilities		264 593	220 658	52 021	62 595

The notes on page 65 to 125 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\$1 780 137 (2017: profit of A\$2 251 068), 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 28 September 2018.

Signed on behalf of the Board of Directors



John Hopkins OAM

Chairman

28 September 2018

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2018

		Group	
	Note	2018 A\$'000	2017 A\$'000
Revenue		316 350	149 297
Cost of sales	21	(235 884)	(121 854)
Gross profit		80 466	27 443
Operating expenses		(27 711)	(14 753)
Operating profit	20	52 755	12 690
Finance income	22	3 797	1 776
Loss on sale of fixed assets		–	(9 725)
Foreign exchange loss		(70)	(14)
Share of profit of associated undertaking		187	–
Gain on acquisition of associated undertaking	7	–	3 972
Decrease in fair value of derivative financial liability		277	1 381
Finance expenses	23	(7 495)	(6 129)
Profit before taxation		49 451	3 951
Taxation	24	(13 479)	49
Profit for the year		35 972	4 000
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(3 580)	11 157
Other comprehensive (loss)/income for the year net of taxation		(3 580)	11 157
Total comprehensive income for the year		32 392	15 157
Profit attributable to:			
Owners of the parent		23 977	5 101
Non-controlling interest		11 995	(1 101)
Profit for the year		35 972	4 000
Total comprehensive income attributable to:			
Owners of the parent		20 982	13 444
Non-controlling interest		11 410	1 713
		32 392	15 157
Earnings per share			
Per share information			
Basic earnings per share (c)	30	4.59	0.98
Diluted earnings per share (c)	30	4.59	0.98

The notes on page 65 to 125 form part of the financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2018

	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 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 income for the year	–	–	–	8 343	–	–	8 343	5 101	13 444	1 713	15 157
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 1 July 2017	44 466	–	44 466	(7 753)	2 053	130	(5 570)	49 758	88 654	34 249	122 903
Profit for the year	–	–	–	–	–	–	–	23 977	23 977	11 995	35 972
Other comprehensive loss	–	–	–	(2 995)	–	–	(2 995)	–	(2 995)	(585)	(3 580)
Total comprehensive (loss)/income for the year	–	–	–	(2 995)	–	–	(2 995)	23 977	20 982	11 410	32 392
Transfer between reserves	–	–	–	–	–	(130)	(130)	130	–	–	–
Dividends	–	–	–	–	–	–	–	(10 450)	(10 450)	(6 912)	(17 362)
Other movements within equity	–	–	–	–	–	(130)	(130)	(10 320)	(10 450)	(6 912)	(17 362)
Balance at 30 June 2018	44 466	–	44 466	(10 748)	2 053	–	(8 695)	63 415	99 186	38 747	137 933
Note	13	13	13	14	14			14		6 & 14	

The notes on pages 65 to 125 form part of the financial statements.

Company statement of changes in equity

for the year ended 30 June 2018

	Share capital	Share premium	Total share capital	Foreign currency translation reserve	Share based payment reserve	Total reserves	Retained income	Total equity
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Balance at 1 July 2016	43 374	52 941	96 315	625	1 873	2 498	(42 183)	56 630
Loss for the year	–	–	–	–	–	–	2 251	2 251
Total comprehensive loss for the year	–	–	–	–	–	–	2 251	2 251
Transactions with owners								
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 1 July 2017	44 466	–	44 466	625	130	755	15 403	60 624
Profit for the year	–	–	–	–	–	–	1 780	1 780
Total comprehensive income for the year	–	–	–	–	–	–	1 780	1 780
Transactions with owners								
Transfer between reserves	–	–	–	–	(130)	(130)	130	–
Dividends	–	–	–	–	–	–	(10 450)	(10 450)
Other movements within equity	–	–	–	–	(130)	(130)	(10 320)	(10 450)
Balance at 30 June 2018	44 466	–	44 466	625	–	625	6 863	51 954
Note	13	13	13	14	14			

The notes on pages 65 to 125 form part of the financial statements.

Consolidated and Company statements of cash flows

for the year ended 30 June 2018

	Note	Group		Company	
		2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	25	64 166	26 321	155	(507)
Tax paid		(8 070)	–	–	–
Net cash from operating activities		56 096	26 321	155	(507)
Cash flows (used in)/from investing activities					
Acquisition of property, plant and equipment	4	(10 702)	(13 222)	–	–
Sale of property, plant and equipment		–	1 715	–	–
Acquisition of other intangible assets	5	(658)	(773)	–	–
Repayment of capital by subsidiaries	6	–	–	13 896	2 987
Investments in associated undertakings	7	167	(4 361)	–	–
Purchase of other financial assets		(1 385)	(1 293)	–	–
Loans to related parties	8	–	11	–	–
Finance income	22	1 396	497	–	–
Transfer to restricted cash		(2 605)	(197)	–	–
Net cash (used in)/from investing activities		(13 787)	(17 623)	13 896	2 987
Cash flows used in financing activities					
Draw down from Investec project finance facility		8 658	13 130	–	–
Repayment of Investec project finance facilities		(6 740)	(8 239)	–	–
Shareholder loan repayment		(899)	(1 864)	–	–
Dividends paid		(17 362)	–	(10 450)	–
Cash settlement of converting notes		(1 970)	(1 922)	(1 970)	(1 922)
Finance expenses	23 & 26	(3 292)	(2 633)	(62)	(406)
Net cash used in financing activities		(21 605)	(1 528)	(12 482)	(2 328)
Total cash movement for the year		20 704	7 170	1 569	152
Unrestricted cash at the beginning of the year		14 461	7 048	233	81
Effect of exchange rate movement on cash balances		(1 622)	243	–	–
Total cash and cash equivalents	12	33 543	14 461	1 802	233
Restricted cash	12	3 329	724	–	–
Total cash and cash equivalents (including restricted cash)	12	36 872	15 185	1 802	233

The notes on pages 65 to 125 form part of the financial statements.

Notes to the Consolidated and Company annual financial statements

for the year ended 30 June 2018

1. Significant accounting policies

General Information

The Company is domiciled in the UK. The address of the registered office is 6th Floor, 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 IFRS 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\$33.5 million (2017: A\$14.4 million) of unrestricted cash reserves and A\$3.3 million (2017: A\$0.7 million) of restricted cash.

The current year Company performance has cemented Universal Coal as a cost effective coal producer with the ability to deliver on all production commitments and to generate sufficient cash flows to support the colliery project debt repayments, operating costs and to cover the Group overheads. Now, with two fully operational collieries, the Company has proven its reputation as a successful coal project developer. The Company forecast is based on similar operational volumes and costing as in the 2018 financial year, with the assumption of current coal market prices for the export product sales. 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.

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.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

1. Significant accounting policies General Information continued

1.1 Basis of consolidation continued

Business combinations continued

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.

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.

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.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

1. Significant accounting policies General Information continued

1.3 Property, plant and equipment continued

Mining assets continued

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.

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 changes 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 derecognition 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 derecognition 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
- 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.

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).

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

1. Significant accounting policies General Information continued

1.4 Financial instruments continued

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.

Mining rehabilitation guarantee asset

Mining rehabilitation guarantee 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 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.

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 accrete 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 16) 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
- 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

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
- 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

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

1. Significant accounting policies General Information continued

1.6 Tax continued

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. On disposal of the foreign operation, relevant amounts in the foreign exchange reserve are reclassified to and recognised in the Statement of Profit or Loss.

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.

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 in line with the international Inco-terms, which varies according to the terms of the contract. Majority of the export sales are shipped Free-On-Board. 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)

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

1. Significant accounting policies General Information continued

1.13 Fair value continued

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.

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 28.

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 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. No indicators of impairment were identified in the current year.

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.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

1. Significant accounting policies General Information continued

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

Intangible assets (note 5) continued

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.

Coal resource estimate (note 5)

The Group discloses its coal reserves and resources in accordance with 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 10)

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 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.

Rehabilitation provision (note 18)

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.

Recovery of deferred tax assets (note 17)

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.

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 6 for specific considerations in assessing control of the various subsidiaries.

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

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

2. Standards and Interpretations continued

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 European Union (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 FY2019.	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 two contracted customers to consider and will allow for the additional disclosure as required in IFRS. The Company will fully assess the impact during the FY2019.	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 FY2019.	1 January 2019
IAS 12: Income Taxes	Clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises.	1 January 2019

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:

- ROM tonnages, processing plant yields and sales tonnages
- Revenue per tonne
- Cash cost per 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
- EBITDA
- EBITDA percentage of revenue on a monthly and year to date basis

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 2018	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	148 653	167 697	–	–	316 350
Cost of sales	(112 858)	(123 026)	–	–	(235 884)
Cost of sales – depreciation	(11 922)	(6 398)	–	–	(18 320)
Cost of sales excluding depreciation	(100 936)	(116 628)	–	–	(217 564)
Gross profit	35 795	44 671	–	–	80 466
Operating expenses	(8 048)	(14 027)	(166)	(5 471)	(27 712)
Finance income	760	376	–	2 662	3 798
Foreign exchange loss	–	–	–	(70)	(70)
Finance expenses	(2 373)	(4 570)	–	(552)	(7 495)
Share of profit of associated undertaking	–	187	–	–	187
Decrease in fair value of derivative financial liability	–	–	–	277	277
Profit/(loss) before taxation	26 134	26 637	(166)	(3 154)	49 451
Taxation	(7 027)	(5 580)	–	(872)	(13 479)
Profit/(loss) after taxation	19 107	21 057	(166)	(4 026)	35 972
Total non-current assets	31 341	85 749	45 475	17 073	179 638
Total capital expenditure	4 150	7 767	599	19	12 535
Total assets	54 061	133 975	45 518	31 039	264 593
Total liabilities	(41 634)	(60 081)	(147)	(24 798)	(126 660)

Revenue to the value of A\$223 496 000 and A\$92 854 000 was received from Eskom Holdings SOC Limited and Glencore Plc respectively.

All revenues were earned in South Africa.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

3. Segmental reporting continued

	2018		2017	
EBITDA Reconciliation	A\$'000		A\$'000	
Gross profit	80 466		27 443	
Operating expenses	(27 712)		(14 753)	
Depreciation and amortisation (note 25)	18 934		13 997	
FCTR impact on depreciation	588		(1 708)	
EBITDA	72 276		24 979	

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 expense	(3 142)	(2 332)	–	(655)	(6 129)
Loss on sale of fixed assets	–	(9 725)	–	–	(9 725)
Gain on bargain purchase	–	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.

4. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Group						
Mine development	16 341	(7 367)	8 974	12 361	(4 961)	7 400
Mining infrastructure	15 520	(7 474)	8 046	13 479	(5 207)	8 272
Processing plant	53 459	(13 416)	40 043	48 808	(6 897)	41 911
Mine owners assets	15 033	(4 367)	10 666	15 280	(2 508)	12 772
Mineral properties	8 407	(2 667)	5 740	8 545	(1 609)	6 936
Development and production assets	22 856	(4 521)	18 335	23 423	(2 751)	20 672
Land rehabilitation asset	14 625	(2 388)	12 237	7 155	(1 565)	5 590
Furniture and fixtures	206	(55)	151	46	(36)	10
Computer equipment	447	(186)	261	189	(108)	81
Motor vehicles	2 057	(568)	1 489	1 000	(232)	768
Capital work in progress	1 400	–	1 400	4 136	–	4 136
Deferred stripping costs	8 820	(3 532)	5 288	8 965	(2 364)	6 601
Total	159 171	(46 541)	112 630	143 387	(28 238)	115 149

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

4. Property, plant and equipment continued

Reconciliation of property, plant and equipment – Group – 2018

	Opening balance	Additions	Transfers	Foreign exchange movements	Depreciation	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Mine development	7 400	2	4 177	(119)	(2 486)	8 974
Mining infrastructure	8 272	2 269	–	(142)	(2 353)	8 046
Processing plant	41 911	5 429	–	(668)	(6 629)	40 043
Mine owners assets	12 772	–	–	(206)	(1 900)	10 666
Mineral properties	6 936	–	–	(113)	(1 083)	5 740
Development and production assets	20 672	–	–	(522)	(1 815)	18 335
Land rehabilitation asset	5 590	7 586	–	(90)	(849)	12 237
Furniture and fixtures	10	161	–	(1)	(19)	151
Computer equipment	81	261	–	(1)	(80)	261
Motor vehicles	768	1 073	–	(12)	(340)	1 489
Capital work in progress	4 136	1 508	(4 177)	(67)	–	1 400
Deferred stripping costs	6 601	–	–	(106)	(1 207)	5 288
	115 149	18 289	–	(2 047)	(18 761)	112 630

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
	104 733	16 710	(13 131)	9 128	11 666	(13 957)	115 149

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.

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 which was released in December 2017 upon NCC reaching completion phase.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

5. Intangible assets

		2018			2017		
	Project	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Group							
Exploration and evaluation assets (held by:)							
Universal Coal Development I (Pty) Ltd	Kangala	1 041	–	1 041	909	–	909
Universal Coal Development II (Pty) Ltd	Berenice	33 039	(2 634)	30 405	33 492	(2 634)	30 858
Universal Coal Development III (Pty) Ltd	Brakfontein	10 394	–	10 394	10 170	–	10 170
Universal Coal Development V (Pty) Ltd	Cygnus	3 635	–	3 635	3 671	–	3 671
Other intangible assets							
Computer software		642	(568)	74	590	(395)	195
Total		48 751	(3 202)	45 549	48 832	(3 029)	45 803

Reconciliation of intangible assets – Group – 2018

	Project	Opening balance	Additions	Foreign exchange movements	Amortisation	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Universal Coal Development I (Pty) Ltd	Kangala	909	147	(15)	–	1 041
Universal Coal Development II (Pty) Ltd	Berenice	30 858	40	(493)	–	30 405
Universal Coal Development III (Pty) Ltd	Brakfontein	10 170	389	(165)	–	10 394
Universal Coal Development V (Pty) Ltd	Cygnus	3 671	23	(59)	–	3 635
Computer software		195	55	(3)	(173)	74
Total		45 803	654	(735)	(173)	45 549

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	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
Total		49 362	773	4 836	(9 128)	(40)	45 803

Roodekop commenced development during the prior period and was transferred to property, plant and equipment.

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	Right executed and registered	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	Mining Right application has been accepted. Application still in progress. S102 application to include PR in current Kangala Right also submitted to DMR	70.50

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

5. Intangible assets continued

Supplementary information on intangible assets continued

Project	Entity	Location	Property	Size (hectare)	Permit type & number	Expiry date	Comment	% Interest
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	Mining Right in application LP30/5/1/1/2/10131MR under review by the DMR	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	The Mining Right has been executed. Registration with DMR Title Deeds office in progress	50.29
Roodekop/ New Clydesdale Colliery	Universal Coal Development IV (Pty) Ltd	Kriel, Mpumalanga province, South Africa	Roodekop 63IS and Middeldrift 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)	835 and 4 125	Mining Right: MP30/5/1/1/2/492MR (consolidation of 148 MR and 492 MR)	05/02/2034	S102 for the amalgamation of Mining Right MP30/5/1/1/2/492MR and MP30/5/1/1/2/148MR was granted by the DMR. The Consolidated Mining Right MP30/5/1/1/2/492MR has been executed, awaiting registration in by DMR Titles Deeds office	49.00

Project	Entity	Location	Property	Size (hectare)	Permit type & number	Expiry date	Comment	% Interest
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)	–	Mining Right in application underway. Acquisition of and additional 80% of this project in progress, S11 application to cede the Right has been submitted to the DMR	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
Arnot South Project	Universal Coal Development VII (Pty) Ltd	Arnot. Mpumalanga province. South Africa	Mining Right in application underway. Acquisition of and additional 51% of this project in progress, S11 application to cede the Right has been submitted to the DMR	15 532	Prospecting Right: MP30/5/1/1/2/360PR	(Original application) 30/10/2006 and 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	Mining Right in application underway. Acquisition of and additional 51% of this project in progress, S11 application to cede the Right has been submitted to the DMR

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

6. 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

Subsidiary	Country of incorporation	Principal activity	% Effective interest	
			2018	2017
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
Universal Coal Development VIII (Pty) Ltd	South Africa	Coal prospecting and mining company	49.00	49.00

The country of incorporation and the principal place of business are the same in all cases.

The investment in the directly held subsidiary, UCEHSA, at 30 June was:

	2018 A\$'000	2017 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	60 258	60 423
Repayment of capital from subsidiary	(11 357)	(165)
Total carrying value at the end of the year	48 901	60 258

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

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 IV (Pty) Ltd

During the 2016 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 loan is secured through a share pledge, bears interest at prime plus 1% per annum and is fully repayable by 30 June 2023 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 previous year. The original loan agreement included a loan interest of prime plus 7.5%. Subsequent to year-end, the Board approved the extension of the first loan repayment date to 30 June 2019; and the extension of the final settlement date to 30 June 2023.

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 is accounted for as a subsidiary.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

6. Investments in subsidiaries continued

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

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.

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.

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

Summarised statement of financial position

30 June 2018	NCI Percentage	Non- current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Intra-group eliminations	Carrying amount of non- controlling interest
	%	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Universal Coal Development I (Pty) Ltd	29.50	30 780	23 552	54 332	(18 257)	(21 917)	(40 174)	–	3 289
Universal Coal Development IV (Pty) Ltd	51.00	16 666	48 693	65 359	(10 231)	(27 853)	(38 084)	(32 783)	13 689
Universal Coal Development VIII (Pty) Ltd	51.00	46 533	1 358	47 891	(46 890)	(4 070)	(50 960)	32 783	(2 194)
Non-controlling interest in all other subsidiaries									23 963
Non-controlling interest per statement of financial position									38 747

* 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	Profit/(loss) before tax	Tax expense	Profit/(loss)	Total compre- hensive income	Profit/(loss) allocated to non- controlling interest
	%	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Universal Coal Development I (Pty) Ltd	29.50	150 751	23 769	(6 948)	16 821	16 821	4 962
Universal Coal Development IV (Pty) Ltd	51.00	162 689	21 553	(6 201)	15 352	15 352	7 829
Universal Coal Development VIII (Pty) Ltd	51.00	44 798	(1 973)	525	(1 448)	(1 448)	(739)
Profit or loss allocated to non-controlling interest of other subsidiaries							(57)
Total profit or loss allocated to non-controlling interest							11 995

Summarised statement of cash flows

	NCI percentage	Cash flow from operating activities	Cash flow from financing activities	Cash flow from investing activities	Net increase/ (decrease) in cash flow
	%	A\$'000	A\$'000	A\$'000	A\$'000
Universal Coal Development I (Pty) Ltd	29.50	35 976	(32 348)	(4 779)	(1 151)
Universal Coal Development IV (Pty) Ltd	51.00	14 994	11 012	(10 058)	15 948
Universal Coal Development VIII (Pty) Ltd	51.00	6 590	(2 388)	(6 315)	(2 113)
Total		57 560	(23 724)	(21 152)	12 684

A dividend of A\$6.9 million was paid by UC DI to its non-controlling shareholder.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

6. Investments in subsidiaries continued

Universal Coal Development VIII (Pty) Ltd continued

Summarised statement of financial position

30 June 2017	NCI percentage	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Intra-group eliminations	Carrying amount of non- controlling interest
	%	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	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	Profit/(loss) before tax	Tax expense	Profit/(loss)	Total comprehen- sive income	Profit/(loss) allocated to non- controlling interest
	%	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	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)

Summarised statement of cash flows

	NCI percentage	Cash flow from operating activities	Cash flow from financing activities	Cash flow from investing activities	Net increase/ (decrease) in cash flow
	%	A\$'000	A\$'000	A\$'000	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

7. 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:

Name of Company	Held by	% ownership interest	% ownership interest	Carrying amount	Carrying amount
		2018	2017	2018	2017
Group					
Universal Coal Logistics (Pty) Ltd		49.00	49.00	16	11
Universal Coal Development VI (Pty) Ltd		15.00	15.00	10	5
Eloff Mining Company (Pty) Ltd		29.00	29.00	8 200	8 324
				8 226	8 340

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

7. Investments in associated undertakings continued

	Group	
	2018 A\$'000	2017 A\$'000
Carrying amount of investments accounted for using the equity method		
Opening balance	8 340	6
Acquisition of associated undertaking at cost	–	4 350
Gain on acquisition of associated undertaking	–	3 972
Investment in the year	11	11
Share of operating profit of associated undertakings	187	–
Foreign exchange movement in opening balances	(312)	1
Total carrying value at the end of the year	8 226	8 340

On 30 June 2017, 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 1.17.

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

Summarised financial information of material associates

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Eloff Mining Company Proprietary Limited				
Statement of financial position				
Assets				
Non-current assets	5 569	5 652	–	–
Current assets	1 560	2 943	–	–
Liabilities				
Non-current liabilities	(79)	–	–	–
Current liabilities	(2 935)	(4 850)	–	–
Total net assets	4 115	3 745	–	–
Eloff Mining Company Proprietary Limited				
Statement of profit/loss and other comprehensive income				
Revenue	352	659	–	–
Profit from continuing operations	149	511	–	–
8. Loan receivable				
Loans and receivables				
Ndalamo Resources Proprietary Limited	10 575	8 378	–	–

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 2023 in varying capital installments. The balance above represents a net amount of A\$5.0 million (2017: A\$5.0 million) and accumulated interest of A\$5.6 million (2017: A\$3.3 million). To date a gross capital amount of A\$17.4 million (2017: A\$17.1 million) has been loaned to Ndalamo of which A\$12.4 million (2017: A\$12.1 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.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

9. Other financial assets

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Mining rehabilitation guarantees				
Opening balance	1 293	–	–	–
Acquired during the year	1 365	1 293	–	–
Closing balance	2 658	1 293	–	–

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.

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.

10. Inventories

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Raw materials, components	1 465	2 640	–	–
Coal product stockpiles	2 015	1 799	–	–
Consumable stores	–	627	–	–
Diesel on hand	186	91	–	–
	3 666	5 157	–	–

11. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Trade receivables	39 642	17 727	1 231	2 000
Deposits	11	1	–	–
Financial assets	39 653	17 728	1 231	2 000
Value Added Taxation	2 513	1 378	14	43
Prepayments	2 251	2 247	73	61
	44 417	21 353	1 318	2 104

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\$1 709 311 (2017: A\$1 732 800) is included in prepayments.

12. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Cash and cash equivalents consist of:				
Bank balances	33 543	14 461	1 802	233
Restricted cash	3 329	724	–	–
	36 872	15 185	1 802	233

Restricted cash and cash equivalents

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

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 (2017: A\$0.7 million).

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

12. Cash and cash equivalents continued

Financial guarantees

A financial guarantee has been provided to Exxaro Coal Central (Pty) Ltd as a condition precedent to a sale of shares and claims agreement relating to Eloff Mining Company Pty Ltd, and have been fully secured by a cash balance of A\$0.9 million (2017: A\$nil).

A financial guarantee has been provided to Exxaro Coal Mpumalanga (Pty) Ltd as a condition precedent to a sale of assets agreement relating to the purchase of North Block Complex assets and liabilities and have been fully secured by a cash balance of A\$1.7 million (30 June 2017: A\$nil).

13. Share capital

	Group		Company	
	2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000
Issued				
522 471 758 Ordinary shares of £0.05	44 466	44 466	44 466	44 466
Reconciliation of number of shares issued:				
Reported as at 01 July 2017	44 466	43 374	44 466	43 374
Conversion of convertible notes	–	1 092	–	1 092
	44 466	44 466	44 466	44 466
Reconciliation of share premium:				
Reported as at 1 July 2017	–	52 941	–	52 941
Transfer to reserves*	–	(53 592)	–	(53 592)
Conversion of convertible notes	–	651	–	651
	–	–	–	–

During 2017, 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 2018 financial year were as follows:

Ordinary shares	Date of issue	Number of shares issued	Cumulative shares issued
Opening balance		–	522 471 758
Closing balance			522 471 758

During the prior 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 16).

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			522 471 758

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.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

14. 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 cancelled during the capital reduction scheme implemented during the prior 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.

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.

15. Borrowings

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Non-current liabilities				
Investec Project Finance Facilities	21 997	25 068	–	–
	21 997	25 068	–	–
Current liabilities				
Current portion of Investec Project	10 979	6 539	–	–
Finance facilities	10 979	6 539	–	–
Finance facilities				
Investec Project Finance Facilities	32 976	31 607	–	–

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.

Funds from the Investec facility are available as follows:

- Tranche A: Settlement of the Kangala project finance facility of A\$28.5 million (ZAR285 million plus ZAR5 million for fees).
- Tranche A: A Working Capital Facility: A\$2.5 million (ZAR25 million) facility for working capital for the Kangala Colliery.
- Tranche B: A\$21.2 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 which was released in December 2017 upon NCC reaching completion phase..

Transaction costs (debt issuance costs) of ZAR9.4 million (A\$0.9 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\$2.5 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.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

16. Converting notes

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Held at amortised cost				
Susquehanna Pacific (Pty) Ltd	–	1 476	–	1 476
Movement in Susquehanna Pacific (Pty) Ltd Loan				
Opening balance	1 476	4 891	1 476	4 891
Converting notes converted to equity	–	(1 743)	–	(1 743)
Converting notes settled in cash	(1 970)	(1 922)	–	(1 922)
Amortised financing cost	494	250	–	250
	–	1 476	1 476	1 476

17. Deferred tax

	Group	
	2018	2017
	A\$'000	A\$'000
Reconciliation of deferred tax liability		
At beginning of year	10 124	9 267
Foreign exchange adjustments to balance at beginning of the year	(163)	908
Statement of Comprehensive Income charge	1 143	(49)
Foreign exchange adjustments to spot at year end	142	(2)
Balance at the end of the year	11 246	10 124
Comprising		
Deferred tax liability	21 687	20 423
Deferred tax asset	(10 441)	(10 299)
Total net deferred tax liability	11 246	10 124

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.

	Group	
	2018	2017
	A\$'000	A\$'000
<i>Deferred tax comprises</i>		
Deferred tax liability		
– Accelerated capital allowances for tax purposes	13 173	10 422
– Fair value increases in assets not recognised for tax purposes	8 514	10 001
Total deferred tax liability	21 687	20 423
Deferred tax asset		
– Tax losses	–	(1 088)
– Timing difference on rehabilitation provision	(10 441)	(9 211)
Deferred tax balance from temporary differences other than unused tax losses	(10 441)	(10 299)
Net deferred tax liability	11 246	10 124

Deferred tax assets of A\$10 441 000 (2017: A\$9 211 000) have been recognised due to the deductible temporary differences arising from the rehabilitation provision which will 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\$7 123 374 (2017: A\$9 992 918).

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

18. Provisions

Reconciliation of provisions – Group – 2018

	Opening balance A\$'000	Increase/ (decrease) in provision change in estimate A\$'000	Unwinding of provision A\$'000	Foreign exchange movement A\$'000	Total
Environmental rehabilitation – Kangala	3 541	271	545	(69)	4 288
Environmental rehabilitation – NCC	28 800	992	2 466	(646)	31 612
	32 341	1 263	3 011	(715)	35 900

Reconciliation of provisions – Group – 2017

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

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.

The cost of rehabilitation of the Kangala Colliery was estimated at A\$4.2 million (ZAR42.3 million) (2017: A\$4.0 million (ZAR39.5 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 2 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\$4.3 million (2017 A\$3.5 million).

The total cost of rehabilitation of NCC underground and opencast mines was estimated at A\$39.4 million (ZAR400.7 million) (2017:A\$35.9 million; ZAR358.7 million).

Included in the provision of A\$39.4 million (ZAR400.7 million) is an amount of A\$3.6 million (ZAR37.0 million) earmarked for the immediate rehabilitation of the old Vaalkrans mine. This resulted in a net reversal in the provision of A\$6.3m through profit and loss. This portion of the NCC rehabilitation provision has been excluded from the escalation and discounting calculation.

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 9 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\$31.6 million (2017:A\$28.8 million).

Refer to note 9 for financial guarantee undertaken on the environmental rehabilitation provision.

19. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Trade payables	26 094	19 083	20	181
Deferred revenue	3 148	–	–	–
Accrued expenses	13 429	2 847	47	37
Financial liabilities	42 671	21 930	67	218

20. Operating profit

	Group	
	2018	2017
	A\$'000	A\$'000
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 Consolidated group and parent financial statements	156	155
Amounts received or due and receivable by related practices of BDO (UK) for:		
The audit of subsidiary undertakings	180	96
Non audit services	51	50
Depreciation on property, plant and equipment	441	134
Amortisation on intangible assets (software)	173	40

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

21. Cost of sales

	Group	
	2018	2017
	A\$'000	A\$'000
Sale of goods		
Mining costs	90 976	47 946
Processing costs	23 429	14 072
Materials handling	5 306	4 129
Inventory movement	820	(1 269)
Indirect costs	17 977	6 560
Royalties and commissions	9 482	657
Ancillary costs	3 749	7 093
Depreciation of mining assets	18 320	13 957
Distribution costs	72 177	28 709
Rehabilitation provision reversal	(6 352)	–
	235 884	121 854
22. Finance income		
Interest revenue		
Bank and fixed deposit interest	1 425	497
Ndalamo loan interest	2 372	1 279
	3 797	1 776
23. Finance expenses		
Interest on Investec Project Finance Facility	3 928	2 952
Unwinding of rehabilitation provisions	3 011	2 521
Converting notes – interest	556	656
	7 495	6 129

24. Taxation

Analysis of the tax charge

Major components of the tax expense

	Group	
	2018	2017
	A\$'000	A\$'000
Current		
Local income tax - current period	12 335	2
Deferred		
Deferred tax	1 144	(51)
	13 479	(49)
<i>Factors affecting the tax charge</i>		
The assessed tax rate for the year is different to the standard rate of corporation tax in South Africa.		
Profit on ordinary activities before tax	49 451	3 951
Tax at the applicable tax rate of 28% (2017: 28%)	(13 846)	(1 106)
Tax effect of adjustments on taxable income		
Non-taxable gain on fair value adjustment of investment in associates	–	1 112
Non-deductible expenses	(482)	(49)
Tax losses utilised	5 943	720
Tax losses not recognised	(5 094)	(628)
Total taxation	(13 479)	49

The estimated tax loss available for set off against future taxable income is A\$25.4 million (2017: A\$35.7 million).

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

25. Cash generated from/(utilised in) operations

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Profit before taxation	49 451	3 951	1 780	2 251
Adjustments for:				
Depreciation and amortisation	18 934	13 997	–	–
Loss on sale of assets	–	9 725	–	–
Finance income	(3 797)	(1 776)	(2 598)	(2 822)
Finance expenses	7 495	6 129	556	656
Decrease in fair value of derivative financial liability	(277)	(1 381)	(277)	(1 381)
Foreign exchange loss	70	–	59	–
Share of profit of associated undertaking	(187)	–	–	–
Gain on acquisition of associated undertakings	–	(3 972)	–	–
Rehabilitation provision reversal	(6 352)	–	–	–
Changes in working capital:				
Decrease/(Increase) in inventories	1 408	(1 732)	–	–
(Increase)/decrease in trade and other receivables	(23 411)	(9 516)	786	737
Increase/(decrease) trade and other payables	20 832	10 896	(151)	52
	64 166	26 321	155	(507)

26. Significant non-cash transactions

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Operating activities				
Depreciation and amortisation	18 934	13 997	–	–
Loss on sale of assets	–	9 725	–	–
Share of profit of associated undertaking	(187)	–	–	–
Gain on acquisition of associated undertakings	–	(3 972)	–	–
Rehabilitation provision reversal	(6 352)	–	–	–
	12 395	19 750	–	–
Investing activities				
Finance income accrued (not received in cash at year end)	(2 401)	(1 279)	–	(2 822)
Additions to tangible fixed assets	(7 586)	(3 489)	–	–
	(9 987)	(4 768)	–	(2 822)
Financing activities				
Finance expenses (accrued not paid in cash at year end)	4 203	3 496	494	249
Derivative financial liability	(277)	(1 381)	(277)	(1 381)
	3 926	2 115	217	(1 132)

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

27. Note supporting the cashflow statement

	Non-current loans and borrowings (Note 15)	Current loans and borrowings (Note 15)	Converting notes (Note 16)
	A\$'000	A\$'000	A\$'000
At 1 July 2017	25 068	6 539	1 476
Cashflows			
– Draw down from Investec project finance facilities	8 658	–	–
– Repayment of Investec project finance facilities	(6 740)	–	–
– Shareholder loan repayment	(899)	–	–
– Cash settlement of converting notes	–	–	(1 970)
– Finance expenses	(3 230)	–	(62)
Non cashflows			
– Finance cost accruing in the year	3 928	–	556
– Transfer from non current to current borrowings	(4 546)	4 546	–
– Effects of foreign exchange	(242)	(106)	–
At 30 June 2018	21 997	10 979	–

28. Related parties

Relationships

Holding company	Universal Coal and Energy Holdings South Africa Proprietary Limited (UCEHSA)
Subsidiaries	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
Associated undertakings	Universal Coal Development VI (Pty) Ltd Universal Coal Logistics (Pty) Ltd Eloff Mining Company (Pty) Ltd
Black Empowerment Economic Partners	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
Other related parties and connected persons	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

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

28. Related parties continued

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
<i>Related party balances</i>				
Loan to related party				
Ndalamo Resources (Pty) Ltd	10 575	8 378	–	–
<i>Related party transactions</i>				
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	8 715	7 597	–	–
Ndalamo Resources (Pty) Ltd	4 207	184	–	–
Rent paid to related parties				
KEE Enterprises (Pty) Limited	109	97	–	–
Shareholder loan repayment				
Mountain Rush Trading 6 (Pty) Ltd	899	1 864	–	–

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\$0.9 million was made during the year (2017: A\$1.9 million) that settled the outstanding loan balance.

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 2023 in varying capital installments. The balance above represents a net amount of A\$5.0 million (2017: A\$5.0 million) and accumulated interest of A\$5.6 million (2017: A\$3.3 million). To date a gross capital amount of A\$17.4 million (2017: A\$17.1 million) has been loaned to Ndalamo of which A\$12.4 million (2017: A\$12.1 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.

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.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

29. 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:		Loans and receivables		Financial Liabilities	
		Fair value hierarchy	Carrying amount	Carrying amount	Fair value
			A\$'000	A\$'000	A\$'000
30 June 2018					
Financial assets					
Trade and other receivables ¹	11	Level 3	39 653	39 653	–
Unrestricted cash ¹	12	Level 2	33 543	33 543	–
Restricted cash ¹	12	Level 2	3 329	3 329	–
Loan receivable ¹	8	Level 3	10 575	10 575	–
Other financial assets	9	Level 3	2 658	2 658	–
			89 758	89 758	–
Financial liabilities					
Trade and other payables ¹	19	Level 3	–	42 671	42 671
Borrowings ²	15	Level 3	–	32 976	32 976
			89 758	75 647	75 647

			Loans and receivables		Financial Liabilities	
The financial instruments of the Group are:			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	11	Level 3	17 728	17 728	–	–
Unrestricted cash ¹	12	Level 2	14 461	14 461	–	–
Restricted cash ¹	12	Level 2	724	724	–	–
Loan receivable ¹	8	Level 3	8 378	8 378	–	–
Other financial assets		Level 3	1 293	1 293	–	–
			42 584	42 584	–	–
Financial liabilities						
Trade payables ¹	19	Level 3	–	–	21 930	21 930
Derivative financial liability ³		Level 3	–	–	277	277
Borrowings ²	15	Level 3	–	–	31 607	31 607
Converting notes ²	16	Level 3	–	–	1 476	1 476
			42 584	42 584	55 290	55 290

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\$4.8 million (2017: A\$3.6 million) and provisions and deferred tax of A\$46 million (2017: A\$42.7 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.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

29. Risk management continued

The financial instruments of the Company are:

30 June 2018

Financial assets

Trade and other receivables ¹Bank balances ¹

Financial liabilities

Trade and other payables ¹

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 2018					
Financial assets					
11	Level 3	1 231	1 231	–	–
12	Level 2	1 802	1 802	–	–
		3 033	3 033	–	–
Financial liabilities					
19	Level 3	–	–	67	67
		3 033	3 033	67	67

The financial instruments of the Group are:

30 June 2017

Financial assets

Trade and other receivables ¹

Bank balances

Financial liabilities

Trade and other payables ¹Derivative financial liability ³Converting notes ²

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					
11	Level 3	2 000	2 000	–	–
12	Level 2	233	233	–	–
		233	233	–	–
Financial liabilities					
19	Level 3	–	–	218	218
	Level 3	–	–	277	277
16	Level 3	–	–	1 476	1 476
		2 233	2 233	1 971	1 971

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\$87 000 (2017: A\$105 000) 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.

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 A\$'000	10% decrease in input A\$'000
Derivative financial liability	277	322	232
Converting notes	1 476	1 624	1 328

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. 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 instruments 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.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

29. Risk management continued

Foreign exchange risk continued

Exchange rates used for conversion of foreign items were:

	2018	% Change	2017	% Change	2016
ZAR:AUD (Average)	9.9550	(2.88)	10.2501	(3.03)	10.5705
ZAR:AUD (Spot)	10.1640	(1.64)	10.0003	(8.92)	10.9795
GBP:AUD (Average)	0.5754	(3.18)	0.5943	20.79	0.4920
GBP:AUD (Spot)	0.5606	(5.14)	0.5910	6.83	0.5532

Foreign Currency Risk Sensitivity Analysis:

	2018 A\$'000	2017 A\$'000
Change in profit/(loss) – (AUD:ZAR)		
Improvement in AUD to ZAR by 10%	(4 496)	(359)
Decline in AUD to ZAR by 10%	5 495	439

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, trade payables and a shareholder's loan. The Group incurs interest on its borrowings (variable) and is exposed to cash flow interest rate risk on borrowings. 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 2018, 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\$10 171 (2017: A\$1 514) higher/(lower), mainly as a result of higher/(lower) interest rates.

At 30 June 2018, 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\$248 905 (2017: A\$112 232) 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:

	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 2018					
Group					
Financial assets					
Cash and cash equivalents	–	36 872	–	–	36 872
Trade and other receivables	–	–	–	41 904	41 904
Loan receivable	10 575	–	–	–	–
Weighted average interest rate	11%	8.8%	–	–	–
Financial liabilities					
Trade and other payables	–	–	–	26 094	26 094
Borrowings	–	32 976	–	–	–
Weighted average interest rate	–	11.1%	–	–	–

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

29. Risk management continued

Interest rate on financial assets and liabilities continued

30 June 2017	Fixed interest rate A\$'000	Floating interest rate A\$'000	Fixed interest maturing within one year A\$'000	Non- interest bearing A\$'000	Total A\$'000
Financial assets					
Cash and cash equivalents	–	15 185	–	–	15 185
Trade and other receivables	–	–	–	19 975	19 975
Loan receivable	8 378	–	–	–	8 378
Weighted average interest rate	–	9.07%	–	–	–
Financial liabilities					
Trade and other payables	–	–	–	19 803	19 803
Converting notes	1 476	–	–	–	1 476
Derivative financial liabilities	277	–	–	–	277
Borrowings	–	31 607	–	–	31 607
Weighted average interest rate	10.55%	–	–	–	–

	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 2018					
Company					
Financial assets					
Cash and cash equivalents	–	1 802	–	–	1 802
Weighted average interest rate	–	2.3%	–	–	–
Financial liabilities					
Trade and other payables	–	–	–	20	20
Weighted average interest rate	–	–	–	–	–
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%	–	–	–	–

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.

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

29. Risk management continued

Credit risk continued

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

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Trade and other receivables	39 653	17 728	1 231	2 000
Cash and cash equivalents	36 872	15 185	1 802	233
Other financial assets	2 658	1 293	–	–

At 30 June 2018, the Group's most significant customers, Eskom Holdings SOC Limited, accounted for A\$13 048 136 (2017: A\$13 048 136) and Glencore Plc for A\$15 127 244 (2017: A\$2 503 945) of the trade and other receivables carrying amount. At 30 June 2018, the ageing of trade and other receivables that were not impaired was as follows

	Group		Company	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Neither past due nor impaired	38 121	15 873	1 231	2 000
Past due 1 – 30 days	1 532	292	–	–
Past due 31 – 90 days	–	1 563	–	–
	39 653	17 728	1 231	2 000

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.

At 30 June 2018

	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Group					
Borrowings	39 421	14 387	13 120	11 914	–
Trade and other payables	42 671	42 671	–	–	–

At 30 June 2017

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 2018

	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Company					
Trade and other payables	67	–	–	–	–

At 30 June 2017

Derivative financial instruments	277	277	–	–	–
Trade and other payables	228	228	–	–	–
Converting notes	1 957	1 957	–	–	–

Notes to the Consolidated and Company annual financial statements continued

for the year ended 30 June 2018

30. Earnings per share

	2018 A\$'000	2017 A\$'000
Numerator		
Earnings used in basic earnings per share (A\$)	23 977 893	5 100 540
Earnings used in diluted earnings per share (A\$)	23 977 893	5 100 540
Denominator		
Weighted average number of shares used in basic earnings per share	522 471 758	519 055 408
Potential ordinary shares that could dilute earnings per share in future:		
Weighted average number of shares used in basic earnings per share	522 471 758	519 055 408

31. Employees and Directors

	Number	Number
Average number of employees of the group are as follows:		
Staff (Operational resources)	160	121
Directors	8	8
	168	129
	A\$'000	A\$'000
Wages and salaries	9 404	5 363

	Number	Number
Average number of employees of the group are as follows:		
Staff (Operational resources)	1	1
Directors	8	8
	9	9
	A\$'000	A\$'000
Wages and salaries	1 874	1 505

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

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.

	2018 A\$'000	2017 A\$'000
Executive Directors	1 111	665
Senior Management	1 078	892
Non-executive Directors	683	598
	2 872	2 155

Tony Weber, CEO, is the highest paid director.

32. Events after the reporting period

In August 2018, the Company received ministerial approval for the Section 11 ownership transfer of the two mining rights (Glisa and Eerstelingsfontein) from NBC to the Group.

On 3 August 2018, the Sale of Shares and Claims Agreement entered into between UCDIV and Exxaro to purchase 51% of the shares in Eloff Project (through Manyeka Coal Mines Proprietary Limited) was effective.

On 31 August 2018, the Board of Directors declared a final gross cash dividend of A\$0.01 (2017: A\$0.01) per share in respect of the year ended 30 June 2018. The dividend is declared in Australian dollar and is subject to shareholder approval at the AGM for 2018.

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 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of cash flows and the consolidated and company statement of changes in equity 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, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group and parent company's affairs as at 30 June 2018 and 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 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 12 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.

Carrying value of Mining assets (see note 4)

The Group's mining assets represent the most significant asset on its consolidated statement of financial position totalling \$112.6m as at 30 June 2018 (2017: \$115.1m). Management are required to undertake an annual impairment review in line with the requirement of IAS 36 'Impairment of Assets'. This requires management to review for any indicators of impairment and where indicators are present undertake a full impairment review to ensure the assets are held at the higher of value in use or fair value less costs to sell. Management has considered that no indicators of impairment were present. Given the value of the assets in the context of the Group's overall consolidated statement of financial position, we consider this to be a key audit matter.

Our response

Our specific audit testing in this regard included:

- We visited both the Kangala and New Clydesdale Colliery (NCC) mine sites both pre and post year end. We held meetings with operational management and toured the mine sites in order to understand the operating activity in the year and assess for any signs of obsolescence or impairment.
- We compared the actual operating performance for the year back to the life of mine models to ensure the mines are operating in line with forecast.
- We reviewed board minutes and RNS announcements to assess for any evidence that the mining assets are not operating in line with expectation.
- We physically verified the capital expenditure incurred in the year to understand the upgrade to the mining assets and ensure this was not linked to a performance issue.

Accounting for rehabilitation provision

As at 30 June 2018 the group has a rehabilitation provision of \$35.9m (2017:\$32.3m) on the balance sheet. The provision is split between the Kangala \$4.3m (2017: \$3.5m) and NCC \$31.6m (2017: \$28.8m) mine sites. During the year management has undertaken a reassessment of the closure plans at both NCC and Kangala. This assessment includes a high level of judgement, use of external expertise and key estimates. Continued rehabilitation has also taken place at both mine sites which creates significant movements in the provisions recognised. The level of judgement applied in estimating the group's rehabilitation provisions is high and therefore we consider this to be a key audit matter.

Our response

Our specific audit testing in this regard included:

- We visited both the Kangala and NCC mines and physically verified the areas that had been rehabilitated during the period. We discussed the future plans for rehabilitation with operational management and verified these explanations back to the rehabilitation provision calculated by the finance team to ensure consistency.
- Management engaged an external expert to update the rehabilitation plans at both Kangala and NCC. We obtained a copy of these plans and undertook the following work –
 - Agreed the basis of the plans back to our understanding of the mine sites gained from our site visits.

- Held discussions with the expert to understand the methodologies applied, cost unit rates applied and adherence to South African regulation.
- Obtained independence confirmations from external expert and assessed technical capability to undertake the work scoped.
- Verified unit costs applied in the closure plan back to rehabilitation costs incurred in the period to ensure these are at market rates.
- Obtained both historic and current survey reports to support the cubic metres of earthwork to be moved as part of the rehabilitation plans.
- Verified other key estimates such as inflation and discount rates back to empirical market data.
- Verified the underlying mechanics of the rehabilitation provisions to ensure that movements related to work performed, unwinding of discount and change in underlying estimates have been accounted for in the appropriate financial statement area.

Our application of materiality

	Materiality/ \$	Basis for materiality
FY 2018	3.0m	6.5% of Profit before tax
FY 2017	4.1m	2.0% of total assets

We consider profit before tax to be the financial metric of the most interest to shareholders and other users of the financial statements, given the Group now has two mines operating with consistent production. The Group is now developing a dividend

policy and therefore we consider a profit based measure to be an appropriate basis for materiality. We had previously used total assets as the group was bringing its mines through to consistent commercial production.

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.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2017: 75%) of the above materiality levels.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of \$150,000 (2017: \$205,000).

Whilst materiality for the financial statements as a whole was \$3.0 million, each significant component of the group was audited to a lower level of materiality ranging from \$0.7 million to \$2.5 million which is used to determine the financial

Independent auditor's report to the members of Universal Coal Plc continued

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 held in UCD I and the NCC mine held across UCDIV and UCD VIII, all of which were subject to a full scope audit. Together with the parent company and its Group consolidation, which was also subject to a full scope audit, these represent the significant components of the Group.

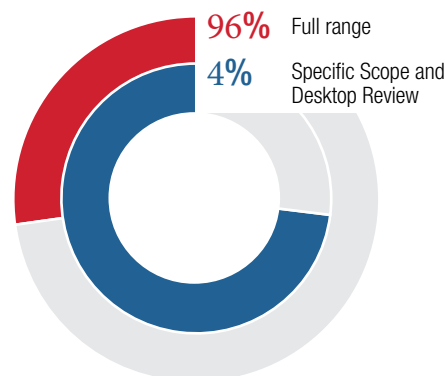
The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures, together with additional substantive testing over the risk areas detailed above where applicable to that component. We set out below the extent to which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

Whilst materiality for the financial statements as a whole was \$3.0m, each component of the group was audited to a lower level of materiality.

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. We set out below the extent to which the group's profit was subject to audit versus review procedures.

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.

Scope of our audit



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 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

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.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Matt Crane (Senior Statutory Auditor)

28 September 2018

For and on behalf of BDO LLP, Statutory Auditor
London

ASX additional information

Shareholdings

The issued capital of the Company as at 31 August 2018 is 522 471 758 ordinary fully paid shares/CDIs. As at 31 August 2018, there were no other securities on issue.

Ordinary shares/CDIs at 31 August 2018

Range	Total holders	Number of shares	% of issued capital
1 – 1 000	103	32 135	0.01
1 001 – 5 000	206	627 965	0.12
5 001 – 10 000	218	1 807 689	0.35
10 001 – 100 000	623	22 563 559	4.32
100 001 and over	217	497 440 410	95.21
Rounding			-0.01
	1 367	522 471 758	100.00

Unmarketable parcels

As at 31 August 2018, the total number of shares on issue was 522 471 758. There were 141 shareholders (with a total of 88 084 shares) holding less than a marketable parcel of shares under the ASX Listing Rules. The ASX Listing Rules define a marketable parcel of shares as “a parcel of not less than AU\$500”.

Top 20 shareholders as at 31 August 2018

	Number of shares	% of issued capital
1. Ichor Coal N.V.	151 660 000	29.03
2. Coal Development Holding B.V.	143 467 056	27.46
3. Citicorp Nominees Pty Ltd	20 002 489	3.83
4. Maple Leaf International Limited	20 000 000	3.83
5. Mr Geoffrey Robert Tarrant and Mrs Deborah Lee Tarrant and associated holdings	13 153 262	2.52
6. JP Morgan Nominees Australia (Pty) Ltd	10 758 179	2.06
7. Anton Weber	9 544 908	1.83
8. National Nominees Ltd	9 540 734	1.83
9. CS Fourth Nominees Pty Limited	8 496 594	1.63
10. BNP Paribas Nominees (Pty) Ltd	8 053 006	1.54
11. Henri Willem Bonsma	5 701 392	1.09
12. Pheasant Dime Investments Limited	3 850 000	0.74
13. Lambro Holdings (Pty) Ltd <Stewart S/F A/C>	3 500 000	0.67
14. Marthinus Jacobus Malan	3 400 000	0.65
15. Brazil Farming Pty Ltd	3 000 000	0.57
16. Brispot Nominees Pty Ltd	2 984 167	0.57
17. Mr Darren Hile	2 887 952	0.55
18. One Managed Inv't Funds Ltd <Sandon Capital Inv>	2 847 363	0.55
19. Mr Matthew Paul Hile	2 633 030	0.50
20. Allbest Resources Inc	2 500 000	0.48
Total	427 980 132	81.92
Balance of register	94 491 626	18.08
Grand total	522 471 758	100.00

Voluntary escrow

There are no Universal Coal securities under voluntary escrow.

Substantial holders

Universal Coal has been notified of the following substantial holder of its securities via a substantial shareholding notice released to the ASX:

Coal Development Holding B.V. 141 921 603 CDIs*

* As per notification to the ASX via a substantial shareholder notice (9 March 2015)

The Company is aware that Coal Development Holding B.V. now holds 143 467 056 CDIs which is 27.46% of the issued capital of the Company.

In addition, the Company is aware that IchorCoal N.V. has a 29.03% interest in the Company's issued capital.

Securities purchased on-market

There were no securities purchased on-market during the year.

On-market buy back

There is no current on-market buy back.

Stock exchange listing

Universal Coal CDIs are only listed on the ASX.

Voting rights

Each CDI issued by Universal Coal represents one fully paid ordinary share. Each ordinary fully paid share and CDI carries one vote per share/CDI without restriction. There are no other classes of equity securities.

Corporate directory

Directors

John Hopkins OAM	<i>Non-executive Chairman</i>
Henri Bonsma	<i>Non-executive Director</i>
Tony Weber	<i>Executive Director and CEO</i>
Shammy Luvhengo	<i>Executive Director</i>
David Twist	<i>Non-executive Director</i>
Carlo Baravalle	<i>Non-executive Director</i>
Nonkululeko Nyembezi	<i>Non-executive Director</i>
Andries Engelbrecht	<i>Non-executive Director</i>

Company Secretary

Benjamin Harber (United Kingdom) of
Shakespeare Martineau LLP

ASX Liaison and local agent

Emma Lawler (Australia) of Company Matters
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Stock exchange listing

Australian Securities Exchange
(Share code: UNV)

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Website

www.universalcoal.com

Company registration number

4482856

Glossary of terms

A\$	Australian dollar
ABET	Adult basic education and training
AGM	Annual general Meeting
AIM	Alternative Investment Market
ASX	Australian Securities Exchange
ASX Recommendations	ASX Corporate Governance Council's Principles and Recommendations
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHPP	Coal Handling and Processing Plant
CSA	Coal Supply Agreement
CSI	Community social investment
DMR	Department of Mineral Resources
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECSA	Engineering Council of South Africa
Eloff	Eloff Project
EMP	Environmental Management Plans
EMPr	Environmental Management Programme
FTE	Full-time equivalent
GTIS	Gross tonnes <i>in-situ</i>

HDSA	Historical disadvantaged South African
IFRS	International Financial Reporting Standards
ISO	International Standards Organisation
IWUL	Integrated water use license
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
JSE	Johannesburg Stock Exchange
Kangala	Kangala Colliery
LED	Local economic development
LoM	Life-of-mine
LTIFR	Lost Time Injury Frequency Rate
M&A	Mergers and acquisitions
MC	Metallurgical coal
MPRDA	Mineral and petroleum Resources Development Act
MQA	Mining Qualification Authority
MT	Million tonnes
Mtpa	Million tonnes per year
NBC	North Block Complex
NCC	New Clydesdale Colliery
NEMA	National Environmental Management Act

NIHL	Noise induced hearing loss
O/C	Open cut
OAM	Order of Australia
PM10	Particulate matter with a mass median diameter of less than 10 micrograms
RE	Remaining extent
ROM	Run-of-mine
ROMt	Run-of-mine tonne
SACNASP	South African Council for Natural Scientific Professions
SAIMM	South African Institute of Mining and Metallurgy
SAMREC	South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2007 edition amended July 2009
SANS	South African National Standards
SASS5	South African Scoring System Version 5
SED	Socio-economic development
SMME	Small, Medium and Micro-sized Enterprises
TC	Thermal coal
U/G	Underground
UCDIV	Universal Coal Development IV (Pty) Ltd



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