MCMining LIMITED

AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

(Expressed in United States Dollars unless otherwise stated)

The directors of MC Mining Limited submit herewith the annual report of the Company and the entities controlled by the Company (its subsidiaries), collectively referred to as the "Group", for the financial year ended 30 June 2018. All balances are denominated in United States dollars unless otherwise stated.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and key management personnel

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

Bernard Robert Pryor	Independent Non-Executive Chairman	Mr Pryor is currently the chief executive officer of Alufer Mining Limited and was previously the CEO of African Minerals Limited and prior to that the Chief Executive of Q Resources Plc. Between 2006 and 2010 he held senior executive positions within Anglo American Plc as Head of Business Development, and CEO of Anglo Ferrous Brazil Inc.
David Hugh Brown	Executive Director and Chief Executive Officer	Mr Brown is a Chartered Accountant (CA (SA)) and completed his articles with Ernst & Young, graduating from the University of Cape Town. Mr Brown joined MC Mining following a tenure of almost 14 years at Impala Platinum Holdings Limited (Implats). He joined the Impala Group in 1999 and served as CFO of Implats before being appointed chief executive officer in 2006. He is currently an independent Non-executive Director of Vodacom Group Limited and Northam Platinum Limited. In the past he has served as a non-executive director of Simmer & Jack Limited, as well as Edcon Holdings Limited and chairman of ASX listed Zimplats Holdings Limited.
Brenda Berlin	Executive Director and Chief Financial Officer	Ms Berlin was appointed as CFO and Executive Director of MC Mining on 24 April 2018 from Implats where she held the position of Group CFO. Brenda joined Implats in 2004 and held a number of senior appointments including head of group corporate finance activities until her appointment as CFO in 2011. She is a CA (SA) and obtained degrees from the University of the Witwatersrand and completed her articles at PwC South Africa. Prior to working at Implats, Brenda worked for Johnnic Holdings Limited in the corporate finance department and following its unbundling, remained with JCI Limited (JCI) assuming responsibility for business development. After leaving JCI Brenda commenced working for Southern Mining Corporation Limited.

De Wet Olivier Schutte	Executive Director and Chief Financial Officer	Mr Schutte resigned as CFO and Executive Director on 30 November 2017. De Wet is a CA (SA) and completed an MBA at the University of Virginia in 2002. He has been involved at a senior level in the mining and natural resources industry for the past 16 years, most notably as Managing Director, Natural Resources at Macquarie Bank and CFO at the listed platinum producer, Atlatsa Resources Corporation Limited. Prior to these positions he worked for Harmony Gold Mining (Pty) Ltd as its New Business and Exploration Executive for a period of three years.
An Chee Sin	Non-executive Director	Mr Chee Sin is an Accredited Tax Practitioner with the Singapore Institute of Accredited Tax Professionals and is also a Chartered Accountant with the Institute of Singapore Chartered Accountants. He has more than 17 years of extensive experience in international and local corporate taxation and co-founded Pinnacle Tax Services Pte Ltd (Pinnacle Tax) in 2004. Prior to joining Pinnacle Tax he held the position of Director of Corporate Tax with KPMG and has coordinated various advisory projects, including cross-border fund structures, corporate restructurings, treasury and mergers and acquisitions.
Andrew David Mifflin	Independent Non-Executive Director	Mr Mifflin obtained his BSc. (Hons) Mining Engineering from Staffordshire University and has a Master's Degree in Business Administration. Andrew has over 30 years' experience specifically in the coal mining arena. His experience spans across various organisations such as British Coal Corporation, Xstrata and more recently GVK Resources. He has gained in depth knowledge in coal operations, both thermal and hard coking coal as well as in project development.
Brian He Zhen	Non-executive Director	Mr Zhen holds a bachelor's degree in business administration from Sichuan University and is currently Marketing and Public Relations Executive for Pan African Mining Pvt. Ltd. Between 2012 and 2015, Brian worked as Managing Director of Real Gain Investment Pvt. Ltd and was responsible for infrastructure and construction market development, as well as overseas market investments. He has previously served as Construction Manager for CRI – Eagle Investments (Pty) Ltd and Eagle Canyon Investments (Pty) Ltd.

Khomotso Brian Mosehla	Independent Non-Executive Director	Mr Mosehla is a CA (SA) and completed his articles with KPMG. Khomotso worked at African Merchant Bank Limited for five years where he gained a broad range of experience, including management buy-out, leveraged buy-out and capital restructuring/raising transactions. In 2003, he established Mvelaphanda Corporate Finance for the development of Mvelaphanda's mining and non-mining interests. Mr Mosehla served as a director on the boards of several companies, including Mvelaphanda Resources Limited, and he is currently the CEO of Mosomo Investment Holdings Proprietary Limited. Mr Mosehla is currently a Non-executive Director of Northam Platinum Limited as well as Zambezi Platinum Limited.
Peter George Cordin	Independent Non-Executive Director	Mr Cordin has a Bachelor of Engineering from the University of Western Australia and is experienced in the evaluation, development and operation of resource projects within Australia and overseas. He is a Non-executive Director of Vital Metals Limited and Aurora Minerals Limited.
Rudolph Henry Torlage	Independent Non-Executive Director	Mr Torlage resigned as a Director of the Company on 26 April 2018. He is a CA (SA) and has over twenty years' experience with ArcelorMittal South Africa Limited (AMSA). He is currently General Manager, Strategy and Special Projects and a Board member of various unlisted AMSA Group companies. He was previously the Executive Director Finance at AMSA.
Shangren Ding	Non-executive Director	Mr Ding is an experienced professional engineer and has worked for a number of mining and energy companies as well as acting as a consultant to government geological bureaus. Shangren has over 30 years' experience predominantly in the coal mining sector and has gained extensive operational coal mining knowledge through chief operating roles at a number of mines in the Heilongjiang province in the People's Republic of China. Since 2014, Mr Ding has worked in a number of senior roles for Beijing Haohua Energy Resource Co., Ltd.
Thabo Felix Mosololi	Independent Non-Executive Director	Mr Mosololi is a CA (SA) and brings considerable expertise as a director of various companies as well as from his time as Finance Director and Operations Director with Tsogo Sun. Thabo has 20 years of experience within the South African corporate environment. Mr Mosololi is currently a director of Pan African Resources PLC.

De Wet Schutte resigned on 30 November 2017 and Rudolph Torlage resigned on 26 April 2018 while Brenda Berlin, An Chee Sin and Brian He Zhen were appointed to the Board of Directors on 24 April 2018. All other directors held office during and since the end of the previous financial year.

Directorships of other listed companies

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

Director	Company	Period of directorship
Bernard Pryor	None	
David Brown	Vodacom Group Limited	2012 – Present
	Northam Platinum Limited	2017 – Present
Brenda Berlin	Impala Platinum Holdings Limited	2011-2017
	Zimplats Holdings Limited	2011-2017
An Chee Sin	None	
Andrew Mifflin	None	
Brian He Zhen	None	
Khomotso Mosehla	Northam Platinum Limited	2015 – Present
	Zambezi Platinum Limited	2015 – Present
Peter Cordin	Vital Metals Limited	2009 – Present
	Aurora Minerals Limited	2014 – Present
Rudolph Torlage	None	
Shangren Ding	None	
Thabo Mosololi	Evraz Highveld Steel & Vanadium Limited	2013 – 2015
	Pan African Resources PLC	2014 – Present

Directors' shareholdings

The following table sets out each director's relevant interest in shares or options in shares or debentures of the Company as at the date of this report. All shareholdings, options and performance rights reflect the 20:1 share consolidation completed in December 2017.

Director	Ordinary shares	Performance rights	Unlisted options
B Pryor (1)	7,500	–	50,000
D Brown (2)	41,250	1,674,061	–
B Berlin	–	–	–
A Chee Sin	–	–	–
A Mifflin (3)	–	–	50,000
H Zhen	–	–	–
K Mosehla (4)	–	–	50,000
P Cordin (5)	68,553	–	50,000
S Ding	–	–	–
T Mosololi (6)	500	–	50,000
	117,803	**1,674,061**	**250,000**

1. *Mr Pryor was issued with the following share options:*
   - *50,000 share options with an exercise price of GBP1.10, and expiring three years from date of issue, issued on 27 November 2015.*
2. *Mr Brown was issued with the following performance rights:*
   - *485,702 unlisted conditional performance rights were granted on 30 November 2015. 562,747 performance rights were granted on 30 November 2016. 625,612 performance rights were granted on 24 November 2017. The performance rights were granted for no consideration. No exercise price is payable upon exercise of the performance rights.*
3. *Mr Mifflin was issued 50,000 share options with an exercise price of GBP1.10, and expiring three years from date of issue, issued on 27 November 2015.*
4. *Mr Mosehla was issued 50,000 share options with an exercise price of GBP1.10, and expiring three years from date of issue, issued on 27 November 2015.*
5. *47,915 shares are held by the Cordin Pty Ltd (The Cordin Family Trust) and 20,638 shares held by Cordin Pty Ltd (The Cordin Superannuation Fund). Mr Cordin is a beneficiary of both the trust and superannuation fund. Mr Cordin was issued 50,000 share options with an exercise price of GBP1.10, and expiring three years from date of issue, issued on 27 November 2015.*
6. *Mr Mosololi was issued 50,000 share options with an exercise price of GBP1.10, and expiring three years from date of issue, issued on 27 November 2015.*

Remuneration of directors and key management personnel

Information about the remuneration of directors is set out in the remuneration report of this directors' report, on pages 15 to 16. Shareholder nominee non-executive directors are not remunerated. During the reporting period, no senior management satisfy the criteria of 'key management personnel'.

Share options granted to directors and senior management

During and since the end of the financial year, share options and performance rights were granted to Directors and key management personnel of the Company and of its controlled entities as part of their remuneration. Details of options and performance rights granted to Directors and senior management are set out on pages 18 to 19.

Company secretary

Mr Tony Bevan, a qualified Chartered Accountant with over 25 years' experience, is the Company Secretary and works with Endeavour Corporate Pty Ltd, the company engaged to provide contract secretarial, accounting and administration services to MC Mining.

Principal activities

The Company is a limited company incorporated in Australia. Its common shares are listed on the ASX, the AIM and the JSE in South Africa. The principal activities of the Company and its subsidiaries are the acquisition, exploration, development and operation of metallurgical and thermal coal projects in South Africa.

The Group's principal assets and projects include:

- The Uitkomst Colliery, an operating metallurgical coal mine with a *circa* 16 year life of mine (LOM);
- Makhado hard coking and thermal coal project;
- The Vele Colliery, a semi-soft coking and thermal coal mine, which remains on care and maintenance; and
- Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane in the Soutpansberg Coalfield;

During the year, the Mooiplaats Colliery, which was on care and maintenance, was sold in November 2017.

Review of operations - Operational salient features

- No fatalities (FY2017: none) and one LTI, our first incident in four years (FY2017: none);
- The Uitkomst Colliery produced 607,960 tonnes (t) of raw coal comprising 505,130t of run of mine (ROM) coal and 102,830t bought-in during the period;
- The Colliery sold 475,089t of coal - 329,060t from ROM coal, 53,699t from blending slurry and 92,330t from purchased coal - generating sales revenue of $32.7 million;
- Metallurgical and thermal coal markets were favourable during the twelve months with coking coal prices increasing due to weather-associated disruptions in Australia but softened towards the end of FY2018 while thermal coal prices improved due to steady demand;
- The Company completed a revised developed plan for the fully permitted Makhado Project reducing capital requirements and the construction period, leading to earlier than planned production, an extended LOM and amended sales and marketing plans;
- The Vele Colliery remained on care and maintenance and was granted an amendment to its Integrated Water Use Licence (IWUL) during the reporting period. This amendment is required for the diversion of a perennial stream for the plant modification process. The Company continues to assess the status of the operation within the Group;

Corporate salient features

- Increase of the Uitkomst BEE interest to 30% ensuring the Colliery complies with the draft Mining Charter 3 ownership requirements;
- Successful action resulting in the High Court of South Africa discharging an interim interdict, originally granted in December 2014, against the Makhado Project Environmental Authorisation;
- Commencement of Makhado Project hard coking and export thermal coal off-take discussions with various parties resulting in negotiations being at an advanced stage at the end of the period. Discussions with potential funders for Makhado have started and various funding structures are being assessed;
- The Company continued the search for a second cash generator and assessed several potential targets during the period but these did not meet MC Mining's investment criteria;
- The Company changed its name from Coal of Africa Limited to MC Mining during the period to reflect its potential growth, particularly of its hard coking (metallurgical) coal prospects; and
- Completion of a 20:1 share consolidation in December 2017.

Subsequent events

Khethekile Mining (Pty) Ltd

The Group purchased the business operations of Khethekile Mining (Pty) Ltd (Khethekile), the independent mining contractor at the Uitkomst Colliery. The transaction resulted in Uitkomst acquiring all of Khethekile's mining equipment (including conveyor systems and coal mining and transportation equipment) and taking transfer, in accordance with section 197 of the Labour Relations Act of South Africa, of some 340 Khethekile employees. The acquisition of Khethekile's mining assets cost $4.9 million (R65 million) and all regulatory approvals and conditions precedent were satisfied and the transaction closed on 1 August 2018.

Mooiplaats Colliery S102

The S102 application to, amongst other things, incorporate certain prospecting rights into Mooiplaats Colliery's mining right was approved by the Department of Mineral Resources ("DMR") in August 2018. The timing of the ten quarterly payments to settle the remaining balance of R112.9 million of the purchase price was dependent on the S102 approval. The first quarterly payment of R11.3 million was received in August 2018.

Makhado Project Regulatory Progress

In September 2018 the DMR approved the Environmental Authorisation for the Makhado project.

There have been no other events between 30 June 2018 and the date of this report which necessitate adjustment to the consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity and the consolidated statements of cash flows at that date.

Financial review

- Operating cash flows of $6.4 million generated by the Uitkomst Colliery;
- Payment of a $2.3 million dividend by Uitkomst with MC Mining receiving $2.0 million as a portion of the Black Economic Empowerment (BEE) partners' dividends, which was utilised to reduce their vendor-financed investment loans;
- The sale of Mooiplaats on 2 November 2017 for $12.9 million (ZAR179.9 million). An initial payment of $4.8 million (ZAR67 million)was received on the transaction closing date of which $1.1 million (ZAR 15.0 million) was paid to the Black Economic Partner, Ferret Mining and Environmental Services Proprietary Limited, in full and final settlement of their equity. The balance of the purchase price, being $8.1 million (ZAR112.9 million) will be settled in 10 quarterly instalments from August 2018;
- Cash of $1.5 million released from the restructuring of rehabilitation-linked guarantees and investments due to excess collateral in these instruments arising from an improved credit rating for the Group;

- $1.5 million (R20 million) available under the Rand Merchant Bank (RMB) general banking facility secured during FY2018;
- $9.1 million (R120 million) of the $18.2 million (R240 million) three year Industrial Development Corporation of South Africa Limited (IDC) loan was available at year-end;
- The sale of Mooiplaats yielded cost savings of $1.4 million (R18 million) during the year and a cash release to MC Mining of $1.1 million;
- The R/$ exchange rate continues to be volatile and gains/losses from these elements are unpredictable;
- Contributing to the loss were non-cash charges of $92.5 million (FY2017: $9.3 million) which includes the following:
    - impairment of the investment in Vele of $87.5 million (FY2017: $nil)
    - depreciation and amortisation of $1.5 million (FY2017: $0.4 million)
    - share based payment expense of $1.3 million (FY2017: $0.3 million)
    - unrealised foreign exchange loss of $ 2.2 million (FY2017: gain $2 million)
- Total unrestricted cash balances at year-end of $10.9 million (FY2017: $9.6 million).

Future developments

MC Mining aims to become the premier hard coking coal producer in South Africa and will continue to build on the progress made during FY2018. The post balance sheet acquisition of underground contract mining operations at Uitkomst facilitates further operational efficiencies. The Company will also continue its search for a second cash generator enabling it to move to self-sufficiency.

Uitkomst acquired the independent mining contractor, Khethekile Mining (Pty) Ltd's (Khethekile), business operations at the Colliery subsequent to year-end. The underground mining operations were previously undertaken by Khethekile and in terms of the transaction, Uitkomst acquired all of Khethekile's mining equipment and took transfer of approximately 340 employees working at the Colliery and at Khethekile's Newcastle offices. The integration of Khethekile's operations together with mining optimization programs at the Colliery are expected to result in production at the Colliery improving on FY2018 results.

The new order mining right (NOMR) for MC Mining's 69% (post BEE transaction) owned Makhado Project was granted in May 2015 and also has a LOM IWUL. The project has 344.8 million mineable tonnes of coal in situ and the Company completed a Competent Persons Report (CPR) during the reporting period, revising the project's development plan to reduce execution risk, capital expenditure and shorten the mine's construction period. This revised plan has been designed to ensure scalability, dependant on market conditions and Makhado will generate 4.0 million tonnes per annum of ROM coal yielding hard coking coal and export quality thermal coal.

The revised project delivers similar returns to the original Makhado Project with significantly reduced execution risk as a result of the construction period reducing from 26 to 12 months, resulting in an estimated payback period of 42 months. This positions Makhado to take advantage of higher global coal prices due to the limited number of new collieries being built and the Company awaits access to two farms comprising the project area prior to development proceeding. These properties are subject to the finalization of the legislated land claims process and the Company has also commenced the process to obtain access in terms of mining legislation. The drive to secure access to the Makhado Project is running in parallel with the funding and marketing processes and the Company is hopeful that the construction of this project will commence during the calendar year.

The exploration and development of MC Mining's Soutpansberg coalfield prospects is the catalyst for the long-term growth of the Company. The DMR is processing the Company's NOMR applications for the Mopane, Generaal, Chapudi and Telema & Gray Projects and these licences will hopefully be granted during FY2019.

The Vele Colliery is expected to remain on care and maintenance while its status in the Group is being assessed.

Environmental regulations

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation and there has consequently been no breach. The Group is subject to numerous environmental regulations in South Africa, including:

- The environmental provisions in the Mineral and Petroleum Resources Development Act (No 28 of 2002);
- National Environmental Management Act (No. 107 of 1998);
- National Water Act (No. 45 of 1965);
- Environment Conservation Act (No. 73 of 1989); and
- National Environmental Management Air Quality Act (No. 39 of 2004).

The Board believes that there are adequate systems in place for the management of its environmental impacts but from time to time statutory non-compliances may occur. The Board takes these seriously and continues to monitor compliance.

Corporate Governance

The Group recognises the need for the highest standards of corporate behaviour and accountability. The Directors have accordingly followed the recommendations set by the ASX Corporate Governance Council. For further information on corporate governance policies adopted by MC Mining Limited, refer to the website : http://www.mcmining.co.za/corporate-governance/board-committees-and-charters and the annual report.

Dividends

No dividend has been paid or proposed for the financial year ended 30 June 2018 (FY2017: nil).

Shares under option or issued on exercise of options or performance rights

All share, options and performance rights disclosed in this report reflect changes resulting from the 20:1 share consolidation completed in December 2017.

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

	Number of shares under option	**Class of shares**	**Exercise price**	**Expiry date**
Investec options	1,000,000	Ordinary	ZAR26.40	21 October 2018
ESOP Unlisted Options	250,000	Ordinary	GBP1.10	27 November 2018
Total Unlisted Options	**1,250,000**			

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

Details of unissued performance rights granted as at the date of this report are:

	Number of shares under performance rights	**Class of shares**	**Exercise price**	**Expiry date**
Performance rights	1,027,209	Ordinary	Nil	1 December 2018
Performance rights	1,082,875	Ordinary	Nil	29 November 2019
Performance rights	1,722,383	Ordinary	Nil	23 November 2020
Total performance rights	**3,832,467**			

No shares or interests were issued during or since the end of the financial year as a result of exercise of options.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*.

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

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, a total of four scheduled board meetings were held as well as four Nomination and Remuneration Committee and Safety and Health Committee meetings while six Audit and Risk Committee meetings were held.

	Board Meetings		**Audit and Risk Committee Meetings**		**Nomination and Remuneration Committee Meetings**		**Safety, Health and Environment Committee Meetings**	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
B Pryor	4	4	4	4	6	6	–	–
D Brown	4	4	–	–	6	6	4	4
B Berlin(1)	2	2	–	–	–	–	–	–
D Schutte(2)	2	2	–	–	–	–	–	–
A Chee Sin(3)	1	1	–	–	–	–	–	–
A Mifflin	4	4	–	–	–	–	4	4
H Zhen(3)	1	1	–	–	–	–	–	–
K Mosehla	4	4	4	4	–	–	–	–
P Cordin	4	4	–	–	–	–	4	4
R Torlage(4)	3	3	–	–	–	–	–	–
S Ding	4	4	–	–	–	–	–	–
T Mosololi	4	2	4	4	6	6	–	–

1. *Joined the Company in March 2018 and appointed as CFO and Executive Director in April 2018*
2. *Resigned in November 2017*
3. *Appointed in April 2018*
4. *Resigned in April 2018*

Proceedings on behalf of the Company

No persons applied for leave to bring or intervene in proceedings on behalf of the Company during or since the end of the financial year.

Non-audit services

Non-audit services were provided during the current financial year for services rendered relating to additional review procedures. Details of amounts paid or payable to the auditor for services provided during the year by the auditor are outlined in note 10 to the consolidated financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 21 of these consolidated financial statements.

Remuneration report (audited)

This remuneration report, which forms part of the Directors report, sets out information about the remuneration of MC Mining Limited's Directors and its senior management for the financial year ended 30 June 2018. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director details;
- Remuneration policy;
- Relationship between the remuneration policy and company performance;
- Remuneration of Directors and senior management; and
- Key terms of employment contracts.

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

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

Total remuneration for all Non-Executive Directors, excluding share-based payments, as approved by shareholders at the November 2010 General Meeting, is not to exceed A$1,000,000 per annum ($740,700).

The Board has nominated a Nomination and Remuneration Committee which was made up as follows: Mr Pryor (Chairman), Mr Mosololi and Mr Brown. The Company does not have any scheme relating to retirement benefits for Executive or Non-Executive Directors.

Director and key management personnel details

The following persons acted as directors of the Company during or since the end of the financial year:

- B Pryor Independent Chairman
- D Brown Chief Executive Officer and Executive Director
- B Berlin(1) Chief Financial Officer and Executive Director
- D Schutte(2) Chief Financial Officer and Executive Director
- A Chee Sin(1) Non-Executive Director
- A Mifflin Independent Non-Executive Director
- H Zhen(1) Non-Executive Director

- K Mosehla Independent Non-Executive Director
- P Cordin Independent Non-Executive Director
- R Torlage[(3)] Non-Executive Director
- S Ding Non-Executive Director
- T Mosololi Independent Non-Executive Director

1. *Appointed as Directors on 24 April 2018*
2. *Mr Schutte resigned as an Executive Director on 30 November 2017*
3. *Mr Torlage resigned as a Non-Executive Director on 26 April 2018*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Apart from the Executive Directors, no employees satisfy the definition of 'key management' to be separately disclosed in this remuneration report.

Remuneration policy

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

The Board's policy for determining the nature and amount of remuneration for management personnel of the Group is as follows:

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

The Nomination and Remuneration Committee reviews senior management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

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

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

The Board's policy is to remunerate Non-executive Directors at market rates for time, commitment and responsibilities. Shareholder nominee Non-executive Directors are not remunerated. The Nomination and Remuneration Committee determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees, excluding share-based payments that can be paid to Non-executive Directors is A$1,000,000 ($740,700).

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

Options granted under the Employee Share Option Plan do not carry dividend or voting rights. Options are valued using a binomial option pricing model and the Black-Scholes option pricing model was used to validate the price calculated.

The Company has a shareholder approved performance rights plan (the Plan) to assist in the reward, retention and motivation of eligible employees and to align the interest of eligible employee with the shareholders of the Company. Prior to a performance right being exercised, the performance grants do not carry any dividend or voting rights. Any performance rights will be granted for no consideration and no exercise price is payable upon exercise of the performance rights.

All the performance rights proposed to be granted are subject to the following vesting conditions:

- Vesting of the performance rights will be subject to a hurdle rate based on the compound annual growth rate in total shareholder return (TSR) across the three years commencing on the grant date of the performance rights (Performance Period).

- The hurdle is a measure of the increase in the Company's share price and is a target for the TSR.

- The base price for the TSR calculation will be the volume weighted average price (VWAP) of shares over the five days prior to the grant date.

- The end price for the TSR calculation will be the VWAP over the last five days of the Performance Period.

Performance-based remuneration

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

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

Hedging of Management Remuneration

No member of executive management entered into an arrangement during or since the end of the financial year to limit the risk relating to any element of that person's remuneration.

Relationship between remuneration policy and Company performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2018.

	Year ended 30 June 2018 $'000	**Year ended 30 June 2017 $'000**	**Year ended 30 June 2016 $'000**	**Year ended 30 June 2015 $'000**	**Year ended 30 June 2014 $'000**
Revenue	32,693	-	-	-	4,060
Net loss before tax from continuing operations	97,043*	17,662	23,903	6,711	84,120
Net loss after tax from continuing operations	103,763	17,367	22,472	6,711	84,120
Share price at start of year (1)	A$0.05	A$0.06	A$0.09	A$0.07	A$0.19
Share price at end of year	A$0.36	A$0.05	A$0.06	A$0.09	A$0.07

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000	Year ended 30 June 2014 $'000
Basic and diluted loss per share ($ cents) from continuing operations	73.54*	17.26	1.19	0.47	8.02

** includes the $87.5 million impairment of the Vele Colliery assets*

(1) The share price at the start of the year is prior to the share consolidation that took place in December 2017.

Remuneration of directors and key management personnel

Details of the nature and amount of each major element of the remuneration of each director are:

	Short term employee benefits			**Post-employment benefits**		**Share-based payments**	**Total**	**Share based % of Total**
2018	**Salary and fees**	**Bonus**	**Non - monetary benefits**	**Super-annuation**	**Termination benefits**	**Options / Shares**		
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-Executive Directors								
B Pryor	69,566	-	-	–	-	-	69,566	-
A Chee Sin(1)	-	-	-	-	-	-	-	-
A Mifflin	46,278	-	-	-	-	-	46,278	-
H Zhen(1)	-	-	-	-	-	-	-	-
K Mosehla	47,076	-	-	–	-	-	47,076	-
P Cordin	42,263	-	-	4,015	-	-	46,278	-
R Torlage(2)	-	-	-	–	-	-	-	-
S Ding	-	-	-	-	-	-	-	-
T Mosololi	47,076	-	-	–	-	-	47,076	-
Executive Directors								
D Brown	479,667	210,446	-	-	-	272,924	963,037	28
B Berlin(3)	131,270	-	-	-	-	-	131,270	-
D Schutte (4)	125,344	109,120	-	-	178,470	-	412,934	-
	988,540	**319,566**	**-**	**4,015**	**178,470**	**272,924**	**1,763,515**	**15**

1. *Mr Chee Sin and Mr Zhen were appointed on 24 April 2018*

2. *Mr Torlage resigned on 26 April 2018*

3. *Ms Berlin was appointed on 24 April 2018.*

4. *Mr Schutte resigned on 30 November 2017*

No director appointed during the period received a payment as part of his consideration for agreeing to hold the position.

In September 2017, performance bonuses of $0.3 million were paid out in relation to certain performance targets met for the 2017 financial year. The performance targets were based on a combination of individual performance and corporate key performance indicators including; safety, acquisition of a cash generator and the sale of Mooiplaats.

	Short term employee benefits			**Post-employment benefis**		**Share-based payments**	**Total**	**Share based % of Total**
2017	**Salary and fees**	**Bonus**	**Non - monetary benefits**	**Super-annuation**	**Termination benefits**	**Options / Shares**	**Salary and fees**	**Bonus**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-Executive Directors								
B Pryor	54,573	-	-	-	-	-	54,573	-
A Mifflin	39,964	-	-	3,441	-	-	43,405	-
K Mosehla	36,371	-	-	-	-	-	36,371	-
P Cordin	39,639	-	-	3,766	-	-	43,405	-
R Torlage	36,371	-	-	-	-	-	36,371	-
S Ding	-	-	-	-	-	-	-	-
T Mosololi	36,371	-	-	-	-	-	36,371	-
Executive Directors								
D Brown	445,867	179,271	-	-	-	155,653	780,791	20
D Schutte	278,142	101,173	-	-	-	98,830	478,145	21
	967,298	**280,444**	**-**	**7,207**	**-**	**254,483**	**1,509,432**	**17**
Key Management								
C Bronn[1]	249,957	58,918	-	-	-	-	308,875	-
	1,217,255	**339,362**	**-**	**7,207**	**-**	**254,483**	**1,818,307**	**14**

1. *Mr Bronn resigned as Chief Operating Officer on 30 June 2017. No replacement was named and there is no additional key management personnel this year.*

Share-based payments granted as compensation for the current financial year

During the financial year, the following share-based payment arrangements were in existence:

Option series	Number	Grant date	Expiry date	Exercise price	Grant date value	Vesting date
ESOP unlisted options	250,000	27/11/2015	27/11/2018	GBP1.10	AUD0.024	(1)

1. *A total of 250,000 options (post the 20:1 share consolidation) were granted to non-executive Directors Mr Pryor, Mr Mifflin, Mr Mosehla, Mr Cordin and Mr Mosololi vesting immediately on grant date.*

The following grants of share-based payment compensation to executive management personnel relate to the current financial year:

		During the financial year				
Name	**Option series**	**Number granted**	**Number vested**	**% of grant vested**	**% of grant forfeited**	**% of compensation for the year consisting of options**
D Brown	Performance grant	625,612	-	-	n/a	28
D Schutte(1)	Performance grant	394,862	-	-	100%	0

1. *Mr Schutte resigned during the financial year and therefore forfeited the performance grant.*

During the year, none of the executive management personnel exercised options or performance rights granted to them as part of their compensation.

Key terms of employment contracts

The Company has entered into formal contractual employment agreements with the Chief Executive Officer and the Chief Financial Officer who are both Executive Directors of the Company. There are no formal contractual employment agreements with any other member of the Board. The employment conditions of the Chief Executive Officer and Chief Financial Officer are:

Current

1. Mr Brown's appointment as CEO commenced on 1 February 2014 with an annual remuneration of ZAR6.1 million and a six-month notice period. During the year, Mr Brown received 625,612 performance rights. The performance rights factor in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date.

2. Ms Berlin was appointed on 24 April 2018 as CFO Financial Director with an annual remuneration of ZAR5.1 million and a six month notice period. No performance rights were awarded to Ms Berlin during the period.

3. Mr Schutte resigned as CFO on 30 November 2017 and under his agreement he received an annual remuneration of ZAR3.8 million with a three month notice period. All performance rights previously awarded to Mr Schutte were forfeited on his resignation.

Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2018.

Other Transactions

No other transactions were entered into with any member of Key Management Personnel other than those detailed in this Remuneration Report.

Director equity holdings

Option holdings

The movement during the reporting period in the number of options over ordinary shares at GBP1.10, vesting immediately held directly, indirectly or beneficially by each director including their personally-related entities, is as follows:

	Held at 1 July 2017	**Granted as remuneration**	**Exercised**	**Expired/Other changes**	**Held at 30 June 2018**
Non-Executive Directors					
B Pryor	1,000,000	-	-	(950,000)[1]	50,000
A Chee Sin	-	-	-	-	-
A Mifflin	1,000,000	-	-	(950,000) [1]	50,000
H Zhen	-	-	-	-	-
K Mosehla	1,000,000	-	-	(950,000) [1]	50,000
P Cordin	1,000,000	-	-	(950,000) [1]	50,000
R Torlage	-	-	-	-	-
S Ding	-	-	-	-	-
T Mosololi	1,000,000	-	-	(950,000)[1]	50,000
Executive Directors					
D Brown	-	-	-	-	-
B Berlin	-	-	-	-	-
D Schutte	-	-	-	-	-

1. *The number of options reduced as a result of the 20:1 share consolidation completed during the period*

The movement during the reporting period in the number of performance grants over ordinary shares exercisable in three years' time subject to performance criteria, held directly, indirectly or beneficially by each director including their personally-related entities, is as follows:

	Held at 1 July 2017	**Granted as remuneration**	**Exercised**	**Expired/Other changes**	**Held at 30 June 2018**
Non-Executive Directors					
B Pryor	-	-	-	-	-
A Chee Sin	-	-	-	-	-
A Mifflin	-	-	-	-	-
H Zhen	-	-	-	-	-
K Mosehla	-	-	-	-	-
P Cordin	-	-	-	-	-
R Torlage	-	-	-	-	-
S Ding	-	-	-	-	-
T Mosololi	-	-	-	-	-
Executive Directors					
D Brown	1,048,449	625,612	-	-	1,674,061
B Berlin	-	-	-	-	-
D Schutte(1)	671,683	394,862	-	(1,066,545)	-

1. *Mr Schutte resigned during the financial year and therefore forfeited all performance rights*

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

	Held at 1 July 2017	**Granted as remuneration**	**Exercised**	**Expired/Other changes[1]**	**Held at 30 June 2018**
Non-Executive Directors					
B Pryor	150,000	-	-	(142,500)	7,500
A Chee Sin	-	-	-	-	-
A Mifflin	-	-	-	-	-
H Zhen	-	-	-	-	-
K Mosehla	-	-	-	-	-
P Cordin	1,371,059	-	-	(1,302,506)	68,553
R Torlage	-	-	-	-	-
S Ding	-	-	-	-	-
T Mosololi	10,000	-	-	(9,500)	500
Executive Directors					
D Brown	825,000	-	-	(783,750)	41,250
B Berlin	-	-	-	-	-
D Schutte	-	-	-	-	-

1. *20:1 share consolidation completed in December 2017*

This marks the end of the remuneration report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors

Bernard Robert Pryor

Chairman

27 September 2018

David Hugh Brown

Chief Executive Officer

27 September 2018

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Brookfield Place, Tower 2
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

The Board of Directors
MC Mining Limited
Suite 8, 7 The Esplanade
Mount Pleasant WA 6153

27 September 2018

Dear Directors

MC Mining Limited (formerly Coal of Africa Limited)

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

As lead audit partner for the audit of the financial statements of MC Mining Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants

The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) in the directors' opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1.1 to the consolidated financial statements;

c) in the directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity; and

d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors

Bernard Pryor	**David Brown**
Chairman	Chief Executive Officer
27 September 2018	27 September 2018

MC MINING LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2018

	Note	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Continuing operations			
Revenue	5	32,693	-
Cost of sales	6	(27,340)	-
Gross profit		5,353	-
Other operating income	7	1,410	368
Other operating (losses)/gains	8	(1,192)	4,136
Impairment expense	9	(87,475)	(10,624)
Administrative expenses	10	(12,704)	(10,683)
Operating loss		(94,608)	(16,803)
Interest income		1,201	326
Finance costs	11	(3,636)	(1,185)
Loss before tax		(97,043)	(17,662)
Income tax (charge)/credit	12	(6,720)	295
Net loss for the year from continuing operations		(103,763)	(17,367)
Discontinued operations			
Profit for the year from operations classified as held for sale	13	2,185	1,815
LOSS FOR THE YEAR		(101,578)	(15,552)
Other comprehensive (loss)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(2,393)	16,057
Total comprehensive (loss)/income for the year		(103,971)	505
Loss for the year attributable to:			
Owners of the Company		(101,413)	(15,536)
Non-controlling interests		(165)	(16)
		(101,578)	(15,552)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(103,806)	521
Non-controlling interests		(165)	(16)
		(103,971)	505
Loss per share	14		
From continuing operations and discontinued operations			
Basic and diluted (cents per share)		(71.99)	(15.45)
From continuing operations			
Basic and diluted (cents per share)		(73.54)	(17.26)
Headline loss per share		(12.12)	(7.89)

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

	Note	30 June 2018 $'000	30 June 2017 $'000
ASSETS			
Non-current assets			
Development, exploration and evaluation expenditure	15	144,922	232,822
Property, plant and equipment	16	29,452	30,531
Other receivables	18	226	237
Other financial assets	19	4,324	9,171
Restricted cash	22	84	52
Loan receivable	13	3,946	-
Deferred tax assets	27	-	5,713
Total non-current assets		182,954	278,526
Current assets			
Inventories	20	730	1,688
Trade and other receivables	21	5,496	6,107
Tax receivable		36	326
Loan receivable	13	3,290	-
Other financial assets	19	4	5
Cash and cash equivalents	22	10,931	9,624
		20,487	17,750
Assets classified as held for sale	23	-	9,791
Total current assets		20,487	27,541
Total assets		203,441	306,067
LIABILITIES			
Non-current liabilities			
Deferred consideration	24	-	1,916
Borrowings	25	10,191	8,197
Provisions	26	5,458	7,468
Deferred tax liability	27	5,991	6,087
Other liabilities	28	181	-
Total non-current liabilities		21,821	23,668
Current liabilities			
Deferred consideration	24	2,017	-
Trade and other payables	29	6,845	4,224
Provisions	26	569	597
Other liabilities	28	1,024	-
Current tax liabilities		431	1,290
		10,886	6,111
Liabilities associated with assets held for sale	23	-	3,414
Total current liabilities		10,886	9,525
Total liabilities		32,707	33,193
NET ASSETS		170,734	272,874
EQUITY			
Issued capital	30	1,040,950	1,040,950
Accumulated deficit	31	(851,535)	(750,100)
Reserves	32	(19,075)	(18,535)
Equity attributable to owners of the Company		170,340	272,315
Non-controlling interests	34	394	559
TOTAL EQUITY		170,734	272,874

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

MC MINING LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Issued capital	Accumulated deficit	Share based payment reserve	Capital profits reserve	Warrants reserve	Foreign currency translation reserve	Attributable to owners of the parent	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017	**1,040,950**	**(750,100)**	**713**	**91**	**1,134**	**(20,473)**	**272,315**	**559**	**272,874**
Total comprehensive loss for the year	-	(101,413)	-	-	-	(1,879)	**(103,292)**	(165)	**(103,457)**
Loss for the year	-	(101,413)	-	-	-	-	**(101,413)**	(165)	**(101,578)**
Other comprehensive loss, net of tax	-	-	-	-	-	(2,393)	**(2,393)**	-	**(2,393)**
Sale of Mooiplaats Colliery	-	-	-	-	-	514	**514**	-	**514**
Dividends	-	(22)	-	-	-	-	**(22)**	-	**(22)**
Performance grants issued to employees	-	-	616	-	-	-	**616**	-	**616**
Share options cancelled/forfeited	-	-	(161)	-	-	-	**(161)**	-	**(161)**
IFRS 2 Black economic empowerment charge	-	-	884	-	-	-	**884**	-	**884**
Balance at 30 June 2018	**1,040,950**	**(851,535)**	**2,052**	**91**	**1,134**	**(22,352)**	**170,340**	**394**	**170,734**
Balance at 1 July 2016	**1,006,435**	**(736,403)**	**2,274**	**91**	**-**	**(36,530)**	**235,867**	**575**	**236,442**
Total comprehensive loss for the year	-	(15,536)	-	-	-	16,057	**521**	(16)	**505**
Loss for the year	-	(15,536)	-	-	-	-	**(15,536)**	(16)	**(15,552)**
Other comprehensive loss, net of tax	-	-	-	-	-	16,057	**16,057**	-	**16,057**
Shares issued for capital raising (net of costs)	14,864	-	-	-	-	-	**14,864**	-	**14,864**
Shares issued for conversion of YBI loan	10,000	-	-	-	-	-	**10,000**	-	**10,000**
Performance grants issued to employees	-	-	466	-	-	-	**466**	-	**466**
Share options expired	-	1,839	(1,839)	-	-	-	**-**	-	**-**
Share options cancelled/forfeited	-	-	(188)	-	-	-	**(188)**	-	**(188)**
Warrants issued to the IDC	-	-	-	-	1,134	-	**1,134**	-	**1,134**
Shares issued for the acquisition of Uitkomst Colliery	9,651	-	-	-	-	-	**9,651**		**9,651**
Balance at 30 June 2017	**1,040,950**	**(750,100)**	**713**	**91**	**1,134**	**(20,473)**	**272,315**	**559**	**272,874**

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

	Note	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Cash flows from operating activities			
Receipts from customers		36,923	117
Payments to suppliers and employees		(34,921)	(10,341)
Cash generated from/(used in) operations	36	2,002	(10,224)
Interest received		603	471
Interest paid		(11)	(14)
Tax paid		(1,234)	-
Net cash generated from/(used in) operating activities		**1,360**	**(9,767)**
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(2,887)	(164)
Proceeds from the sale of property, plant and equipment		96	2
Investment in development assets	15	(4)	(6)
Investment in exploration assets	15	(3,801)	(430)
Net cash outflow on business combination	39	-	(8,394)
Proceeds from the sale of Holfontein	23	-	3,042
Net proceeds from the sale of Mooiplaats Colliery	13	2,315	-
Decrease/(increase) in other financial assets	19	4,921	(402)
(Increase)/decrease in restricted cash		(32)	197
Net cash generated from/(used in) investing activities		**608**	**(6,155)**
Cash flows from financing activities			
Payment of deferred consideration	24	-	(18,247)
Proceeds from loans payable	25	-	9,004
Debt issuance costs	25	-	(91)
Proceeds from loans receivable	18	-	457
Proceeds from the issue of shares (net of share issuance costs)		-	14,864
Net cash generated by financing activities		**-**	**5,987**
Net increase/(decrease) in cash and cash equivalents		**1,968**	**(9,935)**
Net foreign exchange differences		(683)	58
Cash and cash equivalents at beginning of the year		9,646	19,523
Cash and cash equivalents at the end of the year	**22**	**10,931**	**9,646**

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

1. GENERAL INFORMATION

MC Mining Limited ("MCM" or the "Company") is a limited company incorporated in Australia. Its common shares are listed on the Australian Securities Exchange ('ASX'), the Alternative Investment Market of the London Stock Exchange ('AIM') and the Johannesburg Securities Exchange ('JSE') in South Africa. The addresses of its registered office and principal places of business is Suite 8, 7 The Esplanade, Mt Pleasant, Perth, Western Australia 6000.

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

The Group's principal assets and projects include:

- The operating mine, Uitkomst Colliery, acquired on 30 June 2017;
- The Makhado hard coking and thermal coal project that has been granted a new order mining right ("NOMR"), an integrated water use licence ("IWUL") and an environmental authorisation;
- The Vele Colliery, a semi soft coking and thermal coal mine, currently under care and maintenance and has been granted the final IWUL relating to the new perennial stream diversion application;
- Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane; and
- The Mooiplaats Colliery, which was on care and maintenance, was sold during the financial year in November 2017.

Going Concern

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2018 of $103.8 million (30 June 2017: $17.4 million). The current period loss included a non-cash impairment expense of $87.5 million relating to the Vele Colliery (2017: $10.6 million impairment of the intangible asset). During the twelve month period ended 30 June 2018 net cash inflows from operating activities were $1.4 million (30 June 2017 net outflow: $9.8 million). As at 30 June 2018 the Consolidated Entity had a net current asset position of $9.6 million (30 June 2017: net current asset position of $18 million).

The directors have prepared a cash flow forecast for the period ended 30 September 2019, taking into account available facilities and expected cash flows to be generated by Uitkomst, which indicates that the Consolidated Entity will have sufficient cash flow to fund their operations for at least the twelve month period from the date of signing this report and therefore are of the opinion that the use of the going concern basis remains appropriate.

Basis of presentation

1.1. Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 27 September 2018.

1.2. Basis of Preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account

1. GENERAL INFORMATION (CONTINUED)

when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

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

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

Restatement

Change in classification of expenses

During the period, the Group has changed the method of classification of expenses within the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Expenses previously classified using the nature of the expenses are now classified using the function of the expenses.

With the acquisition of the Uitkomst colliery effective 30 June 2017, this method will provide more relevant information to users of the financial statements and align the Group with common practice within the industry. Prior year comparatives at 30 June 2017 have been reclassified on this basis with additional information about the nature of expenses disclosed in note 10.

2. ACCOUNTING POLICIES

2.1. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to any category of equity as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under Accounting Standard AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

2.2. Business combinations

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

2.3. Functional and presentation currency

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

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

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

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

2. ACCOUNTING POLICIES (CONTINUED)

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which

  are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

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

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

2.4. Non-current assets held for sale

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

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

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

2.5. Exploration and evaluation expenditure

(i) Pre-licence costs

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

(ii) Exploration and evaluation expenditure

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

2. ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation activity includes:

i. Researching and analysing historical exploration data
ii. Gathering exploration data through geophysical studies
iii. Exploratory drilling and sampling
iv. Determining and examining the volume and grade of the resource
v. Surveying transportation and infrastructure requirements
vi. Conducting market and finance studies

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

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

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

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

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

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

2.6.Property, plant and equipment – Development assets

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

No depreciation is recognised in respect of development assets.

Development assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.12.

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

2.7.Property, plant and equipment – Mining property

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

Mining property includes plant and equipment associated with the mining property.

2. ACCOUNTING POLICIES (CONTINUED)

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

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

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

Mining property is assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.12.

2.8. Deferred stripping costs

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

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

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

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

2.9. Property, plant and equipment – Mining Rights

Mining rights are classified as property plant and equipment on commencement of commercial production.

Depreciation is charged using the units-of-production method. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

Mining rights are assessed for impairment if facts and circumstances indicate that an impairment may exist.

2.10. Property, plant and equipment (excluding development assets, mining property and mining rights)

Freehold land is stated at cost and is not depreciated.

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

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

2. ACCOUNTING POLICIES (CONTINUED)

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and the useful lives.

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

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

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

2.11. Intangible assets, excluding goodwill

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

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

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

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

2.12. Impairment of tangible and intangible assets other than goodwill

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

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

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

2.13. Leasing

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

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 2.23 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

2.14. Inventories

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

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

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

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

2.15. Trade receivables

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.16. Cash and cash equivalents

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

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

2.17. Financial instruments

Recognition

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

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

Effective interest method

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

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

Financial assets

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

2. ACCOUNTING POLICIES (CONTINUED)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 35.

Held to maturity investments

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

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Available for sale investments

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

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

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

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

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

Impairment of financial assets

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Derecognition

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

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

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

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

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.

2. ACCOUNTING POLICIES (CONTINUED)

Derecognition

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

Equity instruments

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

2.18. Trade payables

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

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

2.19. Provisions

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

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

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The entity recognizes a provision for financial guarantees when it is probable that an outflow of resources embodying economic benefits and will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- Financial difficulty of the debtor
- Defaults or delinquencies in interest and capital repayment of the debtor
- Breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms.
- A decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Rehabilitation provision

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

The initial estimate of the rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated or amortised on the same basis as the related asset. Changes in the estimate of the provision are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

2.20. Share-based payments transactions of the Group

Equity-settled

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 33.

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

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

Accounting for BEE transactions

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

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

2.21. Taxation, including sales tax

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

Current taxation

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

Deferred taxation

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

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

2. ACCOUNTING POLICIES (CONTINUED)

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

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

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

Current and deferred tax for the year

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

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

Sales tax

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

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

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

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

2.22. Revenue recognition

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

Sale of goods

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Interest income

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

2.23. Borrowing costs

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

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

2.24. Employee benefits

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

2.25. Segment information

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

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

2.26. Adoption of new and revised Accounting Standards and Interpretations

In the current year the Group has adopted all of the new and revised standards and interpretation issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reported period. New and revised standards and amendments therof and interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* which clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and it is not effected by possible future changes in the carrying amount or expected manner of recovery of the asset;.
- *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* which amend existing presentation and disclosure requirements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes; and
- *AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2016 – 2016 Cycle* which clarify the existing disclosure requirements and scope of *AASB 12 Disclosure of Interest in Other Entities* to apply to interests that are classified as held for sale or distribution.

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods.

2. ACCOUNTING POLICIES (CONTINUED)

At the date of the authorisation of this financial report, a number of Standards and Interpretations were in issue but not yet effective. The Group has assessed those that are relevant to its operations as follows:

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Group
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	The Group has performed a detailed assessment and reviewed its financial assets and liabilities and is expecting the following impacts as discussed below. The other financial assets held by the Group include: • equity investments currently measured at fair value through profit or loss which would likely continue to be measured on the same basis under AASB 9. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affects the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group has undertaken a detailed assessment of how its impairment provisions on trade receivables would be affected by the new model and concludes that it will not have a material impact upon initial adoption. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. Expected date of adoption by the Group: 1 July 2018

Title of standard	**Nature of change**	**Impact**	**Mandatory application date/ Date of adoption by Group**
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	Management has assessed the effects of applying the new standard on the Group's financial statements, especially with the acquisition of Uitkomst Colliery on 30 June 2017. The assessment is as follows: Revenue, from the sale of coal will not be materially affected by the adoption AASB 15.	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. Expected date of adoption by the Group: 1 July 2018.
AASB 16 *Leases*	AASB 16 was issued in February 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The exceptions are short-term and low-value leases.	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has operating leases of $1.1 million. Some of these operating leases may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16 and will be recognised on a straight-line basis as an expense in profit or loss. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of the rights of use assets and leases liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of its cash flows going forward.	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The primary areas in which estimates and judgements are applied are discussed below.

Asset carrying values and impairment charges

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. Key assumptions include future coal prices, future operating costs, discount rates, foreign exchange rates and coal reserves. Refer to note 15.

Coal reserves

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

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

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

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

Depreciation and amortisation charges in the consolidated statement of profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

Exploration and evaluation assets

Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. The Group applies the principles of AASB 6 and recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting policy, a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss. Refer to note 15.

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS (CONTINUED)

Development expenditure

Development activities commence after the commercial viability and technical feasibility of the project is established. Judgment is applied by management in determining when a project is commercially viable and technically feasible. Any judgments may change as new information becomes available. If, after having commenced the development activity, a judgment is made that a development asset is impaired, the appropriate amount will be written off to the consolidated statement of comprehensive income. Refer to note 15.

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

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

Rehabilitation and restoration provisions

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

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

Changes in the estimates and assumptions used could have a material impact on the carrying value of the rehabilitation provision and related asset. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time. The carrying amount of the rehabilitation provision is set out in note 24.

Recoverability of non-current assets

As set out in note 15, certain assumptions are required to be made in order to assess the recoverability of non-current assets where there is an impairment indicator. Key assumptions include future coal prices, future operating costs, discount rate, foreign exchange rates and estimates of coal reserves. Estimates of coal reserves in themselves are dependent on various assumptions (refer above). Changes in these assumptions could therefore affect estimates of future cash flows used in the assessment of recoverable amounts, estimates of the life of mine and depreciation. Refer to note 15.

Non-current assets held for sale and discontinued operations

A non-current asset, or disposal group, is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continued use. In accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', assets which meet the definition of held for sale are valued at the lower of carrying value and fair value less costs to sell.

Judgement is required by management in determining whether an asset meets the AASB 5 criteria of held for sale, including whether the asset is being actively marketed, is available for sale in its current condition and whether a sale is highly probable within 12 months of classification as held for sale. When calculating fair value less costs to sell, estimates of future disposal proceeds are also required. Refer to note 23 for further details.

4. SEGMENT INFORMATION

The Group has three reportable segments: Exploration, Development and Mining.

The Exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As of 30 June 2018, projects within this reportable segment include four exploration stage coking and thermal coal complexes, namely Chapudi (which comprises the Chapudi project, the Chapudi West project and the Wildebeesthoek project), Generaal (which comprises the Generaal project and the Mount Stuart project), Mopane (which comprises the Voorburg project and the Jutland project) and Makhado (comprising the Makhado project and the Makhado Extension project).

The Development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As of 30 June 2018, the only project included within this reportable segment is the Vele Colliery, in the early operational and development stage.

The Mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale and consists of Uitkomst Colliery and the Klipspruit project. No revenue or costs were recognised for the Uitkomst Colliery for the prior year as the effective date of acquisition was 30 June 2017.

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

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

Each reportable segment is managed separately because, amongst other things, each reportable segment has substantially different risks.

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

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

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

4. SEGMENT INFORMATION (CONTINUED)

For the year ended 30 June 2018

	Exploration	**Development**	**Mining**	**Total**
Revenue	-	-	32,693	32,693
Cost of sales	-	-	(27,340)	(27,340)
Gross profit	**-**	**-**	**5,353**	**5,353**
Other income	11	102	988	1,101
Other operating (losses)/gains	-	-	25	25
Impairment expense	-	(87,475)	-	(87,475)
Administrative expenses	(1,129)	(985)	(1,275)	(3,389)
Operating (loss)/profit	**(1,118)**	**(88,358)**	**5,091**	**(84,385)**
Interest income	21	-	173	194
Finance costs	(2,578)	(464)	(75)	(3,117)
(Loss)/profit before tax	**(3,675)**	**(88,822)**	**5,189**	**(87,308)**
Income tax charge	(461)	(5,816)	(1,744)	(8,021)
Net loss for the year	**(4,136)**	**(94,638)**	**3,445**	**(95,329)**
Segment assets	**122,175**	**28,180**	**30,821**	**181,176**
Items included in the Group's measure of segment assets				
- Addition to non-current assets	**3,801**	**4**	**1,881**	**5,686**
Segment liabilities	**(14,166)**	**(4,464)**	**(9,272)**	**(27,902)**

4. SEGMENT INFORMATION (CONTINUED)

For the year ended 30 June 2017

	Exploration	**Development**	**Mining**	**Total**
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross profit	**-**	**-**	**-**	**-**
Other income	87	172	-	259
Other operating (losses)/gains	1,556	3	-	1,559
Administrative expenses	(2,088)	(1,173)	-	(3,261)
Operating (loss)/profit	**(445)**	**(998)**	**-**	**(1,443)**
Interest income	2	14	-	16
Finance costs	(1,062)	(120)	-	(1,182)
(Loss)/profit before tax	**(1,505)**	**(1,104)**	**-**	**(2,609)**
Income tax credit	-	295	-	295
Net loss for the year	**(1,505)**	**(809)**	**-**	**(2,314)**
Segment assets	**124,216**	**120,406**	**31,016**	**275,638**
Items included in the Group’s measure of segment assets				
- Addition to non-current assets (including Uitkomst)	**679**	**6**	**31,016**	**31,701**
Segment liabilities	**(8,758)**	**(6,672)**	**(9,045)**	**(24,475)**

4. SEGMENT INFORMATION (CONTINUED)

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

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Total loss for reportable segments	(95,329)	(2,314)
Reconciling items:		
Other operating income	309	2,085
Other operating (losses)/gains	(1,216)	2,329
Impairment expense	-	(10,624)
Administrative expenses	(9,315)	(9,150)
Interest income	1,006	310
Finance costs	(519)	(3)
Income tax credit	1,301	-
Net loss for the year from continuing operations	**(103,763)**	**(17,367)**
(Profit)/loss for the year from operations classified as held for sale	2,185	1,815
Loss for the year	**(101,578)**	**(15,552)**
Total segment assets	**181,176**	**275,638**
Reconciling items:		
Unallocated property, plant and equipment	2,688	4,118
Other financial assets	3,574	7,311
Other receivables	7,645	-
Unallocated current assets	8,358	9,310
Assets classified as held for sale	-	9,690
Total assets	**203,441**	**306,067**
Total segment liabilities	**27,902**	**24,475**
Reconciling items:		
Deferred consideration	2,016	1,916
Unallocated liabilities	2,789	3,388
Liabilities associated with assets held for sale	-	3,414
Total liabilities	**32,707**	**33,193**

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

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

4. SEGMENT INFORMATION (CONTINUED)

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Revenue by location of operations		
South Africa	32,693	-
Australia	-	-
Total revenue	32,693	-
Non-current assets by location of operations		
South Africa	182,946	278,526
Australia	-	-
Total non-current assets	182,946	278,526

5. REVENUE

Revenue consists solely of the sale of coal by the Uitkomst Colliery.

6. COST OF SALES

Cost of sales consists of:

Employee costs	(3,232)	-
Depreciation and amortisation	(1,240)	-
Inventory	(3,433)	-
Mining contractor	(12,912)	-
Utilities	(454)	-
Human resources	(756)	-
Training	(53)	-
Wash plant	(418)	-
Administration	(349)	-
Environmental	(60)	-
Logistics	(1,109)	-
Engineering	(2,602)	-
Safety	(105)	-
Security	(226)	-
Royalties	(391)	-
	(27,340)	-

There were no comparative figures for the cost of sales, as Uitkomst was acquired on 30 June 2017. Refer to Note 39.

7. OTHER OPERATING INCOME

Other operating income includes:

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Rental income	212	196
Scrap sales	102	172
Transport income	728	-
Diesel recoupment	239	-
Other	129	-
	1,410	368

8. OTHER OPERATING (LOSSES)/GAINS

Other operating (losses)/gains include:

Foreign exchange (loss)/gain		
- unrealised	(2,211)	1,971
- realised	699	1,393
Other	320	944
	(1,192)	4,308

9. IMPAIRMENT EXPENSE

During the period, the Group made the decision to prioritise the Makhado Project and consequently to delay the redevelopment of the Vele Colliery to better align with the timing of the Musina-Makhado SEZ in Limpopo. This has resulted in the forecast production date for the Vele Colliery being delayed, with production now expected to commence in July 2021. In terms of AASB 136 – Impairment of Assets, management identified this as an indicator that the Vele assets may be impaired and performed a formal impairment assessment at 31 December 2017. Refer to note 13 for details of the impairment.

In the prior period, MC Mining decided not to renew the take or pay obligation with TCM, a subsidiary of Grindrod, the operator of the Matola Terminal, and CMR Engineers & Project Managers Proprietary Limited. In August 2008 the Company entered into a throughput agreement with TCM. This agreement granted the Company one million tonnes per annum ("mtpa") of port capacity through the Matola terminal commencing 1 January 2009, for an initial term of five years. This capacity was increased to approximately three mtpa in March 2011 and the Company had the right to renew the agreement (subject to certain conditions) at the end of the initial term, for further periods of three successive periods of five years each for a total of 15 years.

MC Mining decided not to renew the take or pay obligation beyond 31 December 2016 to avoid any further liabilities until export orientated production can be forecast with certainty, and as a result impaired the intangible asset.

New terms can be negotiated if required to facilitate any production by its Vele Colliery and Makhado Project.

10. ADMINISTRATIVE EXPENSES

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Employee expense	(5,979)	(4,646)
IFRS2 Black Economic Empowerment expense (1)	(884)	-
Depreciation	(264)	(354)
Professional fees	(542)	(1,102)
Transaction costs	(608)	(1,135)
Legal expenses	(534)	(378)
Other overheads	(3,893)	(3,068)
	(12,704)	(10,683)

(1) The Black Economic Empowerment expense relates to the 21% shareholding that Pan African Resources Coal Holdings Proprietary Limited (the majority shareholder in Uitkomst Colliery) sold to the Black economic empowerment parties on 1 January 2018, in order to comply with BEE legislation pertaining to the mining industry and ensure a social licence to operate.

Included in administrative expenses is auditors' remuneration as follows:

Remuneration for audit and review of the financial report:

Deloitte - Australia	(115)	(92)
Deloitte – South Africa	(289)	(200)
	(404)	(292)

Non-audit related services performed:

Deloitte - Australia	(7)	(34)
Deloitte – South Africa	(4)	(5)
	(11)	(39)

11. FINANCE COSTS

Interest on borrowings	(2,932)	(1,051)
Unwinding of interest	(559)	(120)
Other	(145)	(14)
Tax expense in respect of the prior year	(3,636)	(1,185)

12. INCOME TAX (CHARGE)/CREDIT

Income tax recognised in profit or loss from continuing operations

Current tax

Tax expense in respect of the current year	(1,565)	-
Tax expense in respect of the prior year	878	-
Deferred tax (Note 27)		
Recognition of deferred tax assets on assessed losses	-	295
Deferred tax asset derecognised	(5,816)	-
Current year deferred tax	(213)	-
Withholding taxes	(4)	-
Total income tax (expense)/credit recognised	(6,720)	295

12. INCOME TAX (CHARGE)/CREDIT (CONTINUED)

The Group's effective tax rate for the year from continuing operations was 6.9% (2017: (2%)). The tax rate used for the 2018 and 2017 reconciliations below is the corporate tax rate of 30% for Australian companies. The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Loss from continuing operations before income tax	(97,045)	(17,662)
Income tax benefit calculated at 30% (2017: 30%)	29,114	5,299
Tax effects of:		
Expenses that are not deductible for tax purposes	(26,846)	(157)
Differences in tax rates	(53)	(127)
Income not taxable	380	436
Other temporary differences not recognized	(4,080)	(5,156)
Other	(297)	-
Prior year adjustments	878	-
Derecognition of deferred tax asset – Losses	(5,816)	-
Income tax (expense)/credit	(6,720)	295

Income tax recognised in profit or loss from discontinued operations

Current tax

Tax expense in respect of the current year	-	-
	-	-

Deferred tax (Note 27)

Recognition of deferred tax asset – Losses	-	-
Income tax credit	-	-

The Group's effective tax rate for the year from discontinued operations was (0%) (2017: 0%). The tax rate used for the 2018 and 2017 reconciliations below is the corporate tax rate of 30% payable by Australian corporate entities. The income tax expense for the year can be reconciled to the accounting profit as follows:

Profit/(loss) before income tax from discontinued operations	2,185	1,815
Income tax benefit calculated at 30% (2017: 30%)	(656)	(545)
Tax effects of:		
Expenses that are not deductible for tax purposes	(144)	(80)
Differences in tax rates	(10)	37
Income not taxable	936	846
Other temporary differences not recognized	(126)	(258)
Income tax credit	-	-

13. DISCONTINUING OPERATIONS

13.1 Disposal of Langcarel (Pty) Ltd ("Mooiplaats")

During the period, the Company as well as it's BEE partner Ferret, entered into a sale of shares and claims agreement ("the Agreement") with MCH and Mooiplaats Mining Limited ("Mooiplaats Mining"). In terms of the Agreement, MC Mining and Ferret disposed of 100% of their shares in Mooiplaats Mining and the Group disposed of its respective claims against Mooiplaats Mining and its wholly-owned subsidiary Langcarel Proprietary Limited ("the Transaction"), the owner

13. DISCONTINUING OPERATIONS (CONTINUED)

of the Mooiplaats Colliery. The sale was finalized on 2 November 2017 for an aggregate purchase price of $13.1 million (ZAR179.9 million). The purchase price will be settled as follows:

- an initial tranche of $4.9 million (ZAR 67 million) on the effective date of sale ($3.8 million (ZAR52 million) to the Group and $1.1 million (ZAR15 million) to Ferret for full and final settlement of their equity); and
- the balance of $8.2 million (ZAR112.9 million) to be settled in not more than 10 quarterly instalments, with the first Deferred Payment expected to be due by the end of August 2018, to coincide with the timing of the incorporation of Portions 2, 3 and the remaining extent of the farm Klipbank 295 IT into the Mooiplaats Colliery NOMR.

The Deferred Payments of $8.2 million (ZAR 112.9 million) have been present valued to an amount of $6.6 million at 2 November 2017, to account for the time value of money.

Mooiplaats was classified as held for sale as at 30 June 2017.

The profit/(loss) for the period until the sale of Mooiplaats is analysed as follows:

	Period ended 2 November 2017 $'000s	**Year ended 30 June 2017 $'000s**
Other gains	3,126	-
		-
Expenses	(941)	(1,207)
Profit/(loss) before tax	2,185	(1,207)
Profit/(loss) for the year from operations held for sale (attributable to owners of the Company)	2,185	(1,207)

Included in other gains is the reversal of prior year asset impairments of $3.1 million.

Net cash outflows from operating activities	(483)	(860)
Net cash infows/(outflows) from investing activities	1,451	(140)
Net cash inflows from financing activities	513	761
Net cash inflows/(outflows)	1,481	(239)

The major classes of assets and liabilities of Mooiplaats at the effective date of sale were as follows:

Assets classified as held for sale		
Property, plant and equipment	8,332	9,407
Other financial assets	-	239
Inventories	1	1
Trade and other receivables	234	21
Cash and cash equivalents	1,403	22
	9,970	9,690
Liabilities classified as held for sale		
Provisions	(2,744)	(2,937)
Trade payables and accrued expenses	(30)	(477)
	(2,774)	(3,414)
Net assets classified as held for sale	**7,196**	**6,276**
Impairment reversal	3,160	-
Net assets of Mooiplaats	**10,356**	**6,276**

13. DISCONTINUING OPERATIONS (CONTINUED)

Consideration received or receivable:

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Cash	3,718	-
Receivable	6,638	-
Total disposal consideration	10,356	-
Carrying value of net assets sold	(10,356)	-
	-	-
Present value of loan receivable at 2 November 2017	6,638	-
Unwinding of interest	505	-
Foreign exchange difference	93	-
	7,236	-
Current portion of receivable at 30 June 2018	(3,290)	-
Long term portion of receivable at 30 June 2018	3,946	-

13.2 Analysis of loss for the year from discontinuing operations

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

Loss for the year from discontinuing operations

Reversal of impairment	3,120	3,022
Other gains	6	-
	3,126	3,022
Expenses	(941)	(1,207)
Profit before tax	2,185	1,815
Profit for the year from operations held for sale (attributable to owners of the Company)	2,185	1,815

These operations have been classified and accounted for at 30 June 2017 as a disposal group held for sale (see note 23).

13.3 Holfontein (Pty) Ltd ('Holfontein')

The Company finalized the disposal of the Holfontein thermal coal project near Secunda in Mpumalanga during the prior financial year. Holfontein was disposed for $3.8 million (ZAR50 million), of which $0.8 million (ZAR10 million) was received in prior periods.

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

14.1. Basic loss/(profit) per share

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
	Cents per share	Cents per share
From continuing operations	(73.54)	(17.26)
From discontinuing operations	1.55	1.81
	(71.99)	(15.45)
Loss for the year attributable to owners of the Company	(101,413)	(15,536)
Less: (Profit)/loss for the year from operations held for sale	(2,185)	(1,815)
Loss used in the calculation of basic loss per share from continuing operations	(103,598)	(17,351)

Weighted number of ordinary shares

	'000 shares	'000 shares
Weighted average number of ordinary shares for the purposes of basic loss per share	140,880	100,531

The comparative loss per share has been adjusted to reflect the share consolidation completed during the current period (refer Note 30).

14.2. Diluted loss per share

Diluted loss per share is calculated by dividing loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of diluted ordinary share that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

As at 30 June 2018, 1,250,000 options and 2,408,752 warrants (2017 – 4,031,762 (pre consolidation 80,635,237) options and 283,771 (5,675,415 pre consolidation) weighted average number of warrants), were excluded from the computation of the loss per share as their impact is anti-dilutive.

14.3. Headline loss per share (in line with JSE requirements)

The calculation of headline loss per share at 30 June 2018 was based on the headline loss attributable to ordinary equity holders of the Company of $17.1 million (2017: $7.9 million) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2018 of 140,879,585 (2017: 100,531,081).

The adjustments made to arrive at the headline loss are as follows:

Loss for the period attributable to ordinary shareholders	(101,413)	(15,536)
Adjust for:		
Impairment expense	87,475	7,602
Asset held for sale impairment reversal	(3,120)	-
on disposal of property, plant and equipment	(10)	-
Headline earnings	(17,068)	(7,934)
Headline loss per share (cents per share)	*(12.12)*	*(7.89)*

15. DEVELOPMENT, EXPLORATION AND EVALUATION EXPENDITURE

Development, exploration and evaluation expenditure comprises:

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Exploration and evaluation assets	116,889	118,652
Development expenditure	28,033	114,170
Balance at end of year	144,922	232,822

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

Exploration and evaluation assets		
Balance at beginning of year	118,652	104,893
Additions	3,801	430
Movement in Rehabilitation asset	(79)	(37)
Transfer from development assets	-	2,342
Acquisition of Uitkomst Colliery (refer note 39)	-	249
Foreign exchange differences	(5,485)	10,775
Balance at end of year	116,889	118,652
Development assets		
Balance at beginning of year	114,170	103,030
Additions	4	6
Movement in Rehabilitation asset	(2,323)	2,004
Transfer to exploration and evaluation assets	-	(2,342)
Impairment expense	(87,475)	-
Foreign exchange differences	3,657	11,472
Balance at end of year	28,033	114,170

Impairment testing

Exploration and Evaluation Assets

As of 30 June 2018, the net book value of the following project assets were classified as Exploration and Evaluation assets:

- Greater Soutpansberg Project: $62.9 million
- Makhado Project: $53.7 million
- Uitkomst North adit: $0.2 million
- Other: $0.1 million

In terms of AASB 6 - Exploration for and Evaluation of Mineral Resource management have performed an assessment of whether facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. In performing its assessment, management have considered its exploration rights to the exploration areas, its planned & budgeted exploration activities and the likelihood of the recoverability of the net book value from the successful development of the areas of interest. Management have concluded that no indicators of impairment for its Exploration and Evaluation assets exist as at 30 June 2018.

15. DEVELOPMENT, EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

Development Assets

As of 30 June 2018 the net book value of the following project assets were included in Development Assets:

- Vele Colliery: $28 million

During the half year to 31 December 2017, the Group made the decision to prioritise the Makhado Project and consequently to delay the redevelopment of the Vele Colliery to better align with the timing of the Musina-Makhado SEZ in Limpopo. This resulted in the forecast production date for the Vele Colliery being delayed with production now expected to commence in July 2021. In terms of AASB 136 – Impairment of Assets, management identified this as an indicator that the Vele assets may be impaired and management performed a formal impairment assessment at 31 December 2017.

The recoverable value of the project was calculated using the fair value less costs of disposal approach to estimate the recoverable amount of the project, before comparing this amount with the carrying value of the associated assets and liabilities in order to assess whether an impairment of the carrying value was required under AASB 136. Due to the recoverable value being less than the carrying value, an impairment charge of $87.5 million was recognised during the half year ended 31 December 2017, and accordingly forms part of this annual report.

In calculating the fair value less costs of disposal, management forecasted the cash flows associated with the project over its expected life of 15 years until 2037 based on the current life of mine model. The cash flows are estimated for the assets of the colliery in its current condition together with capital expenditure required for the colliery to resume operations, discounted to its present value using a post-tax discount rate that reflects the current market assessments of the risks specific to the Vele Colliery. The identification of impairment indicators and the estimation of future cash flows required management to make significant estimates and judgments. Details of the key assumptions used in the fair value less costs of disposal calculation at 31 December 2017 have been included below.

Management have identified no indicators that the Vele assets may be any further impaired than the impairment charge processed at 31 December 2017. Accordingly, as no indicators were noted management have not performed an additional impairment assessment as at 30 June 2018.

Key assumptions

	2018	2019	2020	2021	LT
Thermal coal price (USD, nominal)[1]	80	75	69	69	70[2]
Hard coking coal price (USD, nominal)[3]	153	135	129	125	129[4]
Exchange rate (USD / ZAR, nominal)	12.7	12.5	13.2	14.3	15.0[5]
Discount rate[6]					16.75%
Inflation rates USD					2.1%
ZAR					5.1%
Production start date[7]					FY 2022

15. DEVELOPMENT, EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

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

(2) Long-term thermal coal price equivalent to USD 65 per tonne in 2017 dollars.

(3) Management's assumption of the hard coking coal price was made after considering relevant broker forecasts.

(4) Long-term hard coking coal price equivalent to USD 120 per tonne in 2017 dollars.

(5) From 2022, the exchange rate is derived with reference to the 2021 assumption, and inflated by the compounding differential between USD and ZAR inflation rates. The comparative discount rate applied at 30 June 2017 is 16.1%.

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

(7) The production start date assumes that sufficient project finance is able to be raised by management in order to commence production in July 2021. Management is in the early stages of considering the financing options available.

Impairment Assessment

	USD million
Carrying Value of Vele Cash Generating Unit	117.8
Recoverable value	30.3
Impairment expense (allocated to development assets)	(87.5)

Sensitivity Analysis

Sensitivity	**Change in variable**	**Effect on fair value less costs of disposal**
Long term coal prices	+10.0%	21
	-10.0%	(24)
Long term exchange rate	+10.0%	25
	-10.0%	(29)
Discount rate	+1.0%	(2)
	-1.0%	2
Operating costs	+10.0%	(14)
	-10.0%	14
Delays in production start date	+12 months	(4)

16. PROPERTY, PLANT AND EQUIPMENT

	Mining property, plant and equipment	Mining rights	Land and buildings	Leasehold improvements	Motor vehicle	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2018							
Cost							
At beginning of year	1,996	20,243	8,783	438	1,048	2,037	34,545
Additions	296	-	2,566	-	-	25	2,887
Disposals	(23)	-	-	(318)	(22)	(23)	(386)
Rehabilitation asset	207	-	-	-	-	-	207
Exchange differences	(128)	(975)	(1,691)	-	(79)	(112)	(2,985)
At end of year	2,348	19,268	9,658	120	947	1,927	34,268
Accumulated depreciation							
At beginning of year	34	-	1,184	438	610	1,748	4,014
Depreciation charge	149	974	197	-	63	121	1,504
Accumulated depreciation on disposals	(9)	-	-	(318)	(22)	(22)	(371)
Exchange differences	(11)	(64)	(70)	-	(96)	(90)	(331)
At end of year	163	910	1,311	120	555	1,757	4,816
Net carrying value at end of fiscal year 2018	2,185	18,358	8,347	-	392	170	29,452

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Mining property, plant and equipment $'000	Mining rights $'000	Land and buildings $'000	Leasehold improvements $'000	Motor vehicle $'000	Other $'000	Total $'000
30 June 2017							
Cost							
At beginning of year	42	-	7,368	390	605	1,597	10,002
Additions		-	5	-	7	152	164
Disposals	-	-	-	-	(17)	(4)	(21)
Acquisition of Uitkomst Colliery (refer note 39)	1,948	20,243	433	-	373	90	23,087
Exchange differences	6	-	977	48	80	202	1,313
At end of year	1,996	20,243	8,783	438	1,048	2,037	34,545
Accumulated depreciation							
At beginning of year	30	-	880	389	494	1,454	3,247
Depreciation charge	-	-	181	-	66	107	354
Accumulated depreciation on disposals	-	-	-	-	(17)	(2)	(19)
Exchange differences	4	-	123	49	67	189	432
At end of year	34	-	1,184	438	610	1,748	4,014
Net carrying value at end of fiscal year 2017	**1,962**	**20,243**	**7,599**	**-**	**438**	**289**	**30,531**

17. INTANGIBLE ASSETS

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Balance at beginning of year	-	10,489
Amortisation	-	-
Impairment	-	(10,624)
Foreign exchange differences	-	135
Balance at end of year	-	-

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

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

17. INTANGIBLE ASSETS (CONTINUED)

During the 2015 financial year, the Company reached an agreement with Grindrod to settle the current liabilities to date as well as cover all future take or pay obligations until 31 December 2016. During the year ended 30 June 2017 MC Mining decided not to renew the take or pay obligation beyond 31 December 2016 to avoid any further liabilities until export orientated production can be forecast with certainty, and as a result impaired the intangible asset in full, with no further rights to port capacity currently existing following termination.

New terms can be negotiated if required to facilitate any production by its Vele Colliery and Makhado Project.

18. OTHER RECEIVABLES

Carrying amount of:	**Year ended 30 June 2018 $'000**	**Year ended 30 June 2017 $'000**
Other loans	226	237
	226	237
Balance at beginning of year	237	1,013
Loans repaid	-	(457)
Interest	-	61
Other	-	7
Foreign exchange differences	(11)	108
Transfer Nimag loan to trade and other receivables	-	(495)
Balance at end of year	226	237

Nimag loan

MC Mining provided a loan as part of the NiMag disposal to settle the balance of the purchase consideration. The loan was settled in full in the current financial year. The loan bore interest at the South African prime overdraft rate less 0.5%, payable quarterly in arrears.

19. OTHER FINANCIAL ASSETS

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

Listed securities		
- Equity securities	4	5
Unlisted securities		
- Equity securities in investment funds*	3,901	7,489
- Acquisition of Uitkomst Colliery	-	19
	3,905	7,513

Fair value movements in other financial assets are recognised in other (losses)/gains in the consolidated statement of profit or loss. Refer note 8.

* Listed investments are carried at the market value as at the reporting date and unlisted investments are valued with reference to the investment company's fund statement.

Deposits	423	1,663
	4,328	9,176

19. OTHER FINANCIAL ASSETS (CONTINUED)

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Balance at beginning of year	9,176	7,221
Revaluations	297	521
Interest received	-	2
Disposal of investment	(5,712)	(760)
Deposit received	-	(21)
Acquisition of investments	791	1,181
Acquisition of Uitkomst Colliery (refer note 39)	-	19
Foreign exchange differences	(224)	1,013
Balance at end of year	4,328	9,176

20. INVENTORIES

Finished goods	249	-
Consumable stores	212	12
Other	278	292
Acquisition of Uitkomst (refer note 39)	-	1,384
Provision for obsolete inventory	(9)	-
	730	1,688

The Uitkomst inventory acquired in the prior year consisted of finished goods of $1.2 million (ZAR15.3 million), consumable stores of $0.2 million (ZAR2.9 million) and a provision for obsolete inventory of $0.02 million (ZAR0.2 million).

The cost of inventories recognised as an expense during the year in respect of continuing operations was $3.4 million (2017: $0.03 million).

21. TRADE AND OTHER RECEIVABLES

Trade receivables	4,189	127
Other receivables	1,678	1,519
Allowance for doubtful debts	(371)	(390)
Acquisition of Uitkomst Colliery (refer note 39)	-	4,851
	5,496	6,107

The carrying amount of trade and other receivables approximate their fair value due to their short-term maturity.

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

Movements on the allowance for doubtful debts are as follows:

Balance at beginning of year	(390)	(345)
Allowance for bad debts in current year	-	-
Foreign exchange differences	19	(45)
	(371)	(390)

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

Credit quality of trade receivables

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Not past due	4,189	127
Past due 0 to 30 days	-	-
Past due 31 to 60 days	-	-
Past due 61 to 90 days	-	-

Currency analysis of trade receivables

SA Rand	4,189	127
	4,189	127

22. CASH AND CASH EQUIVALENTS

Bank balances	10,931	9,624
Bank balances included in a disposal group held for sale	-	22
	10,931	9,646
Restricted cash	84	52
Restricted cash included in a disposal group held for sale	-	-
	84	52

The restricted cash balance of $0.1 million (2017 - $0.1 million) is held on behalf of subsidiary companies in respect of the rehabilitation guarantees issued to the DMR in respect of environmental rehabilitation costs of $6.3 million (2017: $6.3 million). This cash is not available for use other than for those specific purposes.

Credit risk

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

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

23. ASSETS CLASSIFIED AS HELD FOR SALE

Carrying amounts of

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Langcarel Proprietary Limited ('Mooiplaats')	-	6,276
Property held for sale - Uitkomst	-	101
Assets classified as held for sale		
Mooiplaats	-	9,690
Property held for sale-Uitkomst	-	101
	-	9,791
Liabilities associated with assets held for sale		
Mooiplaats	-	3,414
	-	3,414
Assets classified as held for sale		
Property, plant and equipment	-	9,407
Other financial assets	-	239
Restricted cash	-	-
Inventories	-	1
Trade and other receivables	-	21
Cash and cash equivalents	-	22
Uikomst property, plant and equipment	-	101
	-	9,791
Liabilities classified as held for sale		
Provisions	-	2,937
Trade payables and accrued expenses	-	477
	-	3,414
Net assets held for sale	-	6,377

Holfontein

In the prior period, the sale of Holfontein was finalised and the Company received the balance outstanding of $3 million (ZAR40 million). The sale resulted in a reversal of prior period impairments of $3 million.

Opgoedenhoop

During the prior year, the Company received $0.1 million (ZAR1 million) of the balance outstanding of $1.3 million (ZAR17.3 million) from the sale of the undeveloped Opgoedenhoop mining right. The balance outstanding at 30 June 2018 is $1.5 million (ZAR19.1 million). The outstanding balance is accruing interest at the South African prime rate plus 4% as there has been a default in the payment terms. Subsequent to year-end, a final settlement agreement was entered into for $1.2 million (R16.5 million), of which $1 million (R14.1 million) was received on 31 August 2018. The balance of $0.2 million (2.4 million) is due by 31 December 2018.

Uitkomst property

In the prior period Uitkomst had signed an "offer to purchase" for the sale of a building for $0.1 million (ZAR1.3 million). The sale was finalised in the current year.

24. DEFERRED CONSIDERATION

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Deferred consideration	2,017	1,916
Balance at beginning of year	1,916	16,016
Uitkomst deferred consideration (refer note 36)	-	1,916
Repaid during the year	-	(18,247)
Interest accrued	374	839
Foreign Exchange	(273)	1,392
Balance at end of year	2,017	1,916
Current	2,017	-
Non-Current	-	1,916
	2,017	1,916

The opening balance Deferred Consideration in the prior year relates to the second tranche (part of the total acquisition price of $75 million for Chapudi and Kwezi) of $30 million payable to Rio Tinto. Full and final settlement of the outstanding balance plus all accrued interest was made in June 2017. The loan included interest at 4% as per the original agreement.

The additional deferred consideration present as at 30 June 2017 related to a deferred amount of $1.9 million (R25 million) included in the acquisition price of $21.1 million (ZAR275 million), payable to Pan African Resources Plc ("Pan African") for the acquisition by the Company of PAR Coal (refer note 39). The amount bears interest at the South African prime rate and will be settled on 30 June 2019. The Company is entitled to prepay any amounts in respect of the deferred consideration at any time until 30 June 2019. To the extent that certain coal buy in opportunities are not secured by or with the assistance of Pan African, within 2 years from the effective date, which could result in MC Mining suffering a lower economic benefit, the deferred consideration can be reduced by such value, subject to a maximum of $1.3 million (ZAR15 million).

25. BORROWINGS

Industrial Development Corporation of South Africa Limited	10,191	8,197
	10,191	8,197
Balance at beginning of year	8,197	10,000
Yishun Brightrise Investment PTE Limited – converted to equity	-	(10,000)
Industrial Development Corporation of South Africa Limited	-	9,004
Debt issuance costs capitalised –cash based	-	(91)
Debt issuance costs capitalised - warrants	-	(1,096)
Interest	2,439	212
Foreign Exchange	(445)	168
Balance at end of year	10,191	8,197

Yishun Brightrise Investment PTE Limited

During the 2016 period, a loan for $10 million was provided to the Company by its shareholder Yishun. The loan carried no interest and was only repayable in limited circumstances, including conditions relating to Baobab Mining and Exploration Proprietary Limited.

25. BORROWINGS (CONTINUED)

During the 2017 financial year, the loan was converted into the Company's shares (245,037,981 shares were issued at a price of $0.04081 per share). Post consolidation of the shares these shares translated to 12,251,899 shares.

Industrial Development Corporation of South Africa Limited

During the prior period, the Company entered into a loan agreement (the "Loan Agreement") with the Industrial Development Corporation of South Africa Limited ("IDC") and Baobab Mining and Exploration Proprietary Limited ("Baobab"), a subsidiary of MC Mining and owner of the mining right for the Makhado Project ("the Project"). In terms of the Loan Agreement, the IDC will advance loan funding up to $18.4 million (ZAR240 million) to Baobab for use in the Project to advance the operations and implementation of the Project. Under the Loan Agreement, the loan funding is to be provided in two equal tranches of $9.2 million (ZAR120 million) upon written request from Baobab.

In May 2017, the first tranche was drawn down by the Company. This is repayable on the third anniversary of each advance. On the third anniversary, the Company is required to repay the loan amount plus an amount equal to the after tax internal rate of return equal to 16% of the amount of each advance.

MCM is also required to issue warrants under the Loan Agreement, in respect of MCM shares, to the IDC pursuant to each advance date as soon as the relevant shareholder approval is obtained. The warrants for the first draw down equates to 2.5% of the entire issued share capital of MCM as at 5 December 2016. This equated to 2,408,752 (pre consolidation: 48,175,033) shares. The price at which IDC shall be entitled to purchase the MCM shares is equal to a thirty percent premium to the 30 day volume weighted average price of the MCM shares as traded on the JSE as at 5 December 2016 (R0.60 per share pre the share consolidation). The IDC is entitled to exercise the warrants for a period of five years from the date of issue.

Furthermore, upon each advance date, Baobab shall be required to issue new ordinary shares in Baobab to the IDC equivalent to 5% of the entire issued share capital of Baobab at such time. New ordinary shares equivalent to 5% in Baobab were issued to the IDC following the first advance.

If the second tranche of $9.2 million (ZAR120 million) is not required by Baobab and therefore not advanced by Baobab, the IDC may elect to exercise one of the following rights:

- Baobab shall issue new ordinary shares in Baobab equivalent to 5% of the entire issued share capital of Baobab to the IDC for an aggregate subscription price of $4.6 million (ZAR60 million); or
- Baobab shall issue ordinary shares in Baobab equivalent to 1% of the entire issued share capital of Baobab to the IDC for an aggregate share price of $0.08 (ZAR1); or
- A penalty fee of $0.9 million (ZAR12 million) shall be paid to the IDC by Baobab.

The second tranche remains undrawn at the date of this report.

26. PROVISIONS

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Employee provisions	378	381
Biodiversity offset provision	2,146	2,126
Rehabilitation provisions	3,503	5,558
	6,027	8,065

Employee provisions

The provision for employees represents unused annual leave entitlements.

26. PROVISIONS (CONTINUED)

Biodiversity offset provision

The Biodiversity offset agreement("BOA") was signed by the Department of Environmental Affairs ("DEA"), South African National Parks Board and the Company to the value of $4.0 million (ZAR55 million) over a 25 year period. The BOA commits the Company to pay $4.0 million (ZAR55 million) to the South African National Parks Board over a period of 25 years. The following payment arrangement has been agreed:

Phase 1 – ZAR2 million paid in 2015

Phase 2 – ZAR15 million from year 2016 to 2021 (ZAR2.5 million annually)

Phase 3 – ZAR13million from year 2022 to 2028 (ZAR1.8 million annually)

Phase 4 – ZAR13million from 2029 to 2033 (ZAR2.6 million annually)

Phase 5 – ZAR12million from 2034 to 2038 (ZAR2.4 million annually)

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

Rehabilitation provision

	Year ended 30 June 2018 $'000	**Year ended 30 June 2017 $'000**
Balance at beginning of year	5,558	2,338
Unwinding of discount	427	120
Change in assumptions on rehabilitation provisions	(2,337)	1,821
Acquisition of Uitkomst Colliery (refer note 39)	-	888
Foreign Exchange	(145)	391
Balance at end of year	3,503	5,558

The rehabilitation provision represents the current cost of environmental liabilities as at the respective year end. An annual estimate of the quantum of closure costs is necessary in order to fulfil the requirements of the DMR, as well as meeting specific closure objectives outlined in the mine's Environmental Management Programme ('EMP').

Although the ultimate amount of the obligation is uncertain, the fair value of the obligation is based on information that is currently available. This estimate includes costs for the removal of all current mine infrastructure and the rehabilitation of all disturbed areas to a condition as described in the EMP.

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

The current estimate available is inflated by the South African inflation rate of 4.4% annually and the discount rate applied to establish the current obligation is a South Africa government bond rate at 30 June 2018 of 9.25% (2017: 8.92%) annually.

Due to the changes in assumptions the Vele Colliery had a decrease in the present value of the environmental obligation.

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

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

Current	569	597
Non-current	5,458	7,468
	6,027	8,065

27. DEFERRED TAX

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Deferred tax asset	-	5,713
Deferred tax liability – Acquisition of Uitkomst Colliery (note 39)	-	(6,087)
Deferred tax liability	5,991	-
Net deferred tax liability	5,991	(374)

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

Balance at beginning of year	(374)	4,773
Recognised on tax losses	-	296
Provisions	104	(1)
Capital allowances	(225)	-
Acquisition of Uitkomst Colliery (refer note 39)	-	(6,087)
Prior year adjustment	(92)	-
Deferred tax asset derecognised (1)	(5,816)	-
Foreign Exchange	412	645
Balance at end of year	(5,991)	(374)

The deferred tax balances at year end are represented by:

Deferred tax assets		
Capital allowances on development assets (1)	-	3,825
Tax losses (1)	-	1,889
Provisions	371	-
Acquisition of Uitkomst Colliery - Provisions	-	377
Balance at end of year	371	6,091
Deferred tax liabilities		
Provisions	-	(1)
Acquisition of UItkomst – Property, plant and equipment	-	(6,464)
Capital allowances on property plant and equipment	(6,362)	-
Balance at end of year	(6,362)	(6,465)
Net deferred tax (liabilities)/assets	(5,991)	(374)

Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of $101.7 million (2017: $152.3 million) in respect of losses amounting to $226.7 million (2017: $306.4 million) and unredeemed capital expenditure of $126.9 million (2017: $149.5 million) that can be carried forward against future taxable income.

(1) The deferred tax asset balance at 30 June 2017 of $5.8 million, relating to the Vele Colliery, was derecognised with no additional deferred tax assets being recognized during the period. This decision was made due to the increased risk of recoverability of the deferred tax asset through future taxable earnings. This arises from the later commencement date of the Vele mine due to management's view of development of the SEZ and the prioritization of the Makhado Project. The charge to profit and loss was $5.8 million as a result of foreign exchange differences.

28. OTHER LIABILITIES

This liability relates to a retention agreement entered into with employees to provide a retention payment to encourage employees to remain with the Company, perform in a highly effective manner and proactively execute the commercial strategy that the Company employs.

29. TRADE AND OTHER PAYABLES

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Trade payables	1,395	2,925
Accrued expenses	4,942	1,107
Other	508	192
	6,845	4,224

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

30. ISSUED CAPITAL

During the reporting period, there were no shares issued, however the Company implemented a share consolidation of 20 to 1, on 6 December 2017, resulting in a post consolidation of shares of 140,879,585. The share consolidation had no impact on voting rights.

Fully paid ordinary shares		
140,879,585 (2017: 2,817,587,529 pre consolidation) fully paid ordinary shares	1,040,950	1,040,950

Movements in fully paid ordinary shares	**Number**	**$'000**
At 30 June 2016	1,927,001,328	1,006,435
Issue of shares, net of issuance costs	890,586,201	34,515
At 30 Jun 2017	2,817,587,529	1,040,950
Share consolidation (20:1)	(2,676,707,944)	-
At 30 Jun 2018	140,879,585	1,040,950

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

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

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

Share options granted

Share options granted under the Company's employee share option plan and performance rights carry no rights to dividends and no voting rights. The options were included in the implementation of the share consolidation. Further details of the employee share option plan are provided in note 33.

31. ACCUMULATED DEFICIT

Accumulated deficit at the beginning of the financial year	(750,100)	(736,403)
Net loss attributed to Owners of the Company	(101,413)	(15,536)
Transferred from share based payment reserve	-	1,839
Dividend expense	(22)	
Accumulated deficit at the end of the financial year	(851,535)	(750,100)

32. RESERVES

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Capital profits reserve	91	91
Share based payment reserve	2,052	713
Warrants reserve	1,134	1,134
Foreign currency translation reserve	(22,352)	(20,473)
	(19,075)	(18,535)

Movements for the year can be reconciled as follows:

Share-based payments reserve

Opening balance	713	2,274
Share options issued during the year	616	466
Transfer from share based payment reserve	-	(1,839)
Share options cancelled/forfeited	(161)	(188)
IFRS 2 Black economic empowerment charge	884	-
Closing balance	2,052	713

Foreign currency translation reserve

Opening balance	(20,473)	(36,530)
Exchange differences on translating foreign operations	(2,393)	16,057
Sale of Mooiplaats Colliery	514	-
Closing balance	(22,352)	(20,473)

Warrants reserve

Opening balance	1,134	-
Warrants issued to the IDC	-	1,134
Closing balance	1,134	1,134

Nature and purpose of reserves:

Capital reserve

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

Share-based payment reserve

Share based payments represent the value of unexercised share options and performance rights to directors and employees. It also includes IFRS2 Black Economic Empowerment charges.

Foreign currency translation reserve

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

Warrants reserve

The warrants reserve relates to the warrants issued to the IDC in terms of the Loan Agreement to advance funding to Baobab. Refer note 25.

33. SHARE-BASED PAYMENTS

Employee share option plan

The Group maintains certain Employee Share Option Plans ('ESOP's') for executives and senior employees of the Group as per the rules approved by shareholders on 30 November 2009. In accordance with the terms of the schemes, eligible executives and senior employees may be granted options to purchase ordinary shares. Share options have not been granted to employees.

Share options granted to Directors and Officers

The Group also grants share options to directors, officers, lenders and equity funders of the Group outside the ESOP. In accordance with the Group's policies, directors and officers may be granted options to purchase ordinary shares.

Share Option Terms, Vesting Requirements and Options Outstanding at 30 June 2018

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

The following share-based payment arrangements existed during the financial period ended 30 June 2018:

- The Company finalised an 18-month, ZAR210 million working capital facility from Investec Bank Limited during October 2013 and announced that it would issue 20,000,000 options to Investec. The 20,000,000 shareholder approved options were issued on 30 January 2015 and have an exercise price of ZAR1.32 and expire on 21 October 2018. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. Post the share consolidation, Investec holds 1,000,000 options. At reporting date, none of the options had been taken up or had lapsed.
- On 27 November 2015, 1,000,000 options were awarded and vested to each of the five independent non-executive directors at a price of GBP0.055 per option. The options expire on 27 November 2018. Upon conversion the shares will rank equally with existing shares, are not transferable and hold no voting or dividend rights. Post the share consolidation the independent non-executive directors each hold 50,000 options. At reporting date, none of the options had been taken up or had lapsed.

There has been no alteration of the terms and conditions of the above share based payment arrangements since the grant date. The following share-based payment arrangements were in existence at the end of the current year:

Option series	Number	Grant date	Expiry date	Exercise price	Far value at grant date	Weighted average remaining contractual life
Investec options	1,000,000	30/01/2015	21/10/2018	ZAR26.40(1)	ZAR15(1)	0.3 years
Non-executive director options	250,000	27/11/2015	27/11/2018	GBP1.10	ZAR15.40	0.4 years
	1,250,000					

(1) The pre consolidation exercise price and fair value at grant date were ZAR1.32 and ZAR0.75 respectively

(2) The pre consolidation exercise price and fair value at grant date were GBP0.055 and ZAR0.77 respectively

Fair value of share options granted during the year

There were no share options granted during the period.

Options were priced using a binomial option pricing model and the Black-Scholes option pricing model was used to validate the price calculated. Where relevant, the expected life used in the model has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

Expected volatility is calculated by Hoadley's volatility calculator for one, two and three year periods and a future estimated volatility level of 100% was used in the pricing model.

The total share based payment expense recognised in the current financial year is disclosed in the statement of changes in equity.

33. SHARE-BASED PAYMENTS (CONTINUED)

Movement in share options (post share consolidation)

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Options outstanding at beginning of year	1,250,000	2,108,896
Options expired	-	(330,146)
Options cancelled	-	(528,750)
Options outstanding at end of year	1,250,000	1,250,000
Weighted average exercise price (A$)	1.40	1.40
Options exercisable	1,250,000	1,250,000

Share options exercised during the year

No share options were exercised during the period.

Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of A$1.40 (2017: A$1.40), post the share consolidation, and a weighted average contractual life of 0.32 years (2017: 1.32 years).

Performance Rights Plan

The Performance Rights factor in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date. The Performance Rights were valued using a hybrid employee share option pricing model to simulate the total shareholder return of MC Mining at the expiry date using a Monte-Carlo model.

On 24 November 2017, 1,722,383 Performance Rights were issued to senior management.

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

	Performance rights
Spot 5 day VWAP	ZAR8.8
Exercise price	Nil
Expiry date	23 November 2020
Performance period	3.00
Risk free interest rate	8.09%

The total share based payment expense recognised in relation to the Performance Rights in the current financial year is $0.5 million.

In the prior period, 1,770,470 (post consolidation 35,409,403) Performance Rights were issued to senior management.

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

	Performance rights
Spot 5 day VWAP	ZAR12.6 (post share consolidation)
Exercise price	Nil
Expiry date	29 November 2019
Performance period	3.00
Risk free interest rate	8.24%

33. SHARE-BASED PAYMENTS (CONTINUED)

The total share based payment expense recognised in relation to the performance rights in the prior financial year is $0.4 million.

Movement in Performance Rights (post consolidation)

	Year ended 30 June 2018	Year ended 30 June 2017
Performance rights outstanding at beginning of year	2,781,767	1,770,481
Performance rights forfeited	(1,066,545)	(661,170)
Performance rights granted	2,117,245	1,672,456
Performance rights outstanding at end of year	3,832,467	2,781,767

34. NON-CONTROLLING INTEREST

Non-controlling interests comprise the following:

Freewheel Trade and Invest 37 Proprietary Limited	575	575
Baobab non-controlling interest	(181)	(16)
	394	559

35. FINANCIAL INSTRUMENTS

35.1. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings as detailed in note 25) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 30 to 32).

The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group revised its target gearing ratio, determined as the proportion of net debt to equity, from 0% to 15%. This was to enable the Company to raise the loan from the IDC.

Debt (1)	12,208	9,271
Equity (2)	170,732	272,874
Debt to equity ratio	0.07	0.03

1. Debt is defined as long-term and short-term borrowings as described in note 25.
2. Equity includes all capital and reserves of the Group that are managed as capital

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.2. Categories of financial instruments

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

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Financial assets		
Other receivables	226	237
Trade and other receivables	5,496	6,107
Cash and cash equivalents	10,931	9,624
Restricted cash	84	52
Loan receivable	7,236	-
Other Financial Assets	4,328	9,176
Total financial assets	28,301	25,196
Financial liabilities		
Deferred consideration	2,017	1,916
Borrowings	10,191	8,197
Trade and other payables	6,845	4,224
Total financial liabilities	19,053	14,337

Fair value of financial assets and liabilities

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

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

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

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities. The balances classed here are financial assets comprising deposits and listed securities (note 19).

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The financial assets classed as Level 2 comprise of investments with investment firms. These investments serve as collateral for rehabilitation guarantees. The fair value has been determined by the investment firms' fund statement (note 19).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

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

As at 30 June 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	5	3,901	-	**3,906**

As at 30 June 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	5	7,508	-	**7,513**

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.3. Financial risk management objectives

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

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

35.4. Market risk

Foreign exchange risk

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

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

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

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

	Held in ZAR	Held in GBP	Held in AUD	Held in USD	Total
Balances at 30 June 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Other receivables	236	-	-	-	236
Trade and other receivables	5,502	-	-	-	5,502
Cash and cash equivalents [1]	8,571	-	58	2,386	11,015
Total financial assets	14,309	-	58	2,386	16,753

[1] Cash includes restricted cash

Financial liabilities					
Deferred consideration	2,017	-	-	-	2,017
Borrowings	10,191	-	-	-	10,191
Trade and other payables	6,832	1	12	-	6,845
Total financial liabilities	19,040	1	12	-	19,053

35. FINANCIAL INSTRUMENTS (CONTINUED)

Balances at 30 June 2017	Held in ZAR $'000	Held in GBP $'000	Held in AUD $'000	Held in USD $'000	Total $'000
Financial assets					
Other receivables	237	-	-	-	237
Trade and other receivables	6,107	-	-	-	6,107
Cash and cash equivalents [1]	5,698	559	21	3,398	9,676
Total financial assets	12,042	559	21	3,398	16,020

[1] Cash includes restricted cash

Financial liabilities					
Deferred consideration	1,916	-	-	-	1,916
Borrowings	8,197	-	-		8,197
Trade and other payables	3,475	9	40	700	4,224
Total financial liabilities	13,588	9	40	700	14,337

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

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

Impact on profit / (loss)

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Judgements on reasonable possible movements		
USD/ZAR increase by 10%	(8,237)	(2,000)
USD/ZAR decrease by 10%	8,237	2,000

35.5. Interest rate risk management

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

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

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

35. FINANCIAL INSTRUMENTS (CONTINUED)

Impact on profit / (loss)

	Year ended 30 June 2018 $'000	**Year ended 30 June 2017 $'000**
Judgements on reasonable possible movements		
Increase of 0.2% in LIBOR	26	24
Decrease of 0.2% in LIBOR	(26)	(24)
Increase of 1.0% in JIBAR	130	121
Decrease of 1.0% in JIBAR	(130)	(121)

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

35.6. Credit risk

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

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

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

35.7 Liquidity risk

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

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

Balances at 30 June 2018	**United Kingdom $'000**	**Australia $'000**	**South Africa $'000**	**Total $'000**
Cash and cash equivalents and restricted cash	2,386	58	8,571	11,015
	2,386	58	8,571	11,015

Balances at 30 June 2017	**United Kingdom $'000**	**Australia $'000**	**South Africa $'000**	**Total $'000**
Cash and cash equivalents and restricted cash	3,967	21	5,688	9,676
	3,967	21	5,688	9,676

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Balances at 30 June 2018	Less than 6 months $'000	Between 6 – 12 months $'000	Greater than 12 months $'000	Total $'000
Deferred consideration (1)	-	2,017	-	2,017
Borrowings (1)	-	-	10,191	10,191
Trade and other payables	6,845	-	-	6,845
	6,845	2,017	10,191	19,053

Balances at 30 June 2018	Less than 6 months $'000	Between 6 – 12 months $'000	Greater than 12 months $'000	Total $'000
Other Receivables	-	-	226	226
Loan receivables	1,645	1,645	3,946	7,236
Trade and Other Receivables	5,502	-	-	5,502
Cash and Cash Equivalents	10,931	-	-	10,931
Restricted Cash	-	-	84	84
Other financial assets	4	-	5,453	5,457
	18,082	1,645	9,709	29,436

1. Interest bearing at rates between 10.25 % and 22.2 %

Balances at 30 June 2017	Less than 6 months $'000	Between 6 – 12 months $'000	Greater than 12 months $'000	Total $'000
Deferred consideration (1)	-	-	1,916	1,916
Borrowings (1)	-	-	8,197	8,197
Trade and other payables	4,224	-	-	4,224
	4,224	-	10,113	14,337

Balances at 30 June 2017	Less than 6 months $'000	Between 6 – 12 months $'000	Greater than 12 months $'000	Total $'000
Other Receivables		-	237	237
Trade and Other Receivables	6,107	-	-	6,107
Cash and Cash Equivalents	9,624	-	-	9,624
Restricted Cash	52	-	-	52
Other financial assets	5	-	9,170	9,175
	15,788	-	9,407	25,195

1. Interest bearing between 10% and 22.2%

36. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

Cash and bank balances	22	10,931	9,646

Reconciliation of loss before tax to net cash used in operations

Loss before tax (continuing and discontinuing operations)	(94,858)	(15,847)
Add back:		
Depreciation	1,504	354
Net impairment expense	84,355	7,602
Share-based payment	1,343	272
Bad debt written off	59	
Employee incentive	1,289	-
Re-valuation of investments	(294)	(526)
Movement in provisions	(105)	326
Finance costs (net)	2,394	503
Disposal of assets	(10)	(1)
Foreign exchange loss/(gains) on operating activities	2,211	(1,971)
Changes in working capital:		
Increase in inventories	938	(287)
Decrease in trade and other receivables	728	2,057
Decrease in trade and other payables	2,448	(2,706)
Cash used in operations	2,002	(10,224)

37. CONTINGENCIES AND COMMITMENTS

Contingent liabilities

The Group has no significant contingent liabilities at the reporting date.

Commitments

In addition to the commitments of the parent entity as disclosed under note 42, subsidiary companies have typical financial commitments associated with their NOMR's granted by the South African DMR.

38. RELATED PARTY DISCLOSURES

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

Short-term employee benefits	1,308	1,557
Post-employment benefits	4	7
Termination benefits	178	-
Share-based payments	273	254
	1,763	1,818

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

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

39. BUSINESS COMBINATIONS

Subsidiaries acquired

During the prior period, the Company entered into a sale of shares and claims agreement ("the Agreement") with Pan African to acquire 100% of the shares in and claims against PAR Coal for a purchase price of $21.1 million (ZAR275 million). PAR Coal holds a 91% shareholding in Uitkomst Colliery with the remaining 9% held by broad-based trusts (including employees and communities) and a strategic entrepreneur's trust.

Uitkomst is a high grade thermal export quality coal deposit with metallurgical applications, which is situated in the Utrecht coal fields in KwaZulu Natal, South Africa. Uitkomst consists of an existing underground coal mine (Uitkomst-South mine) and a planned life of mine extension into the northern area (Klipspruit-North mine). The South mine is an easily accessible and well established operating mine. Existing infrastructure such as power supply, water supply, buildings, workshops, weighbridge, water storage and management facilities are all in place. Uitkomst currently employs approximately 556 employees (including contractors).

The acquisition was effective on 30 June 2017.

Consideration transferred

In terms of the Agreement, the acquisition price was settled as follows:

- $9.4 million (ZAR125 million) paid in cash;
- $1.9 million (ZAR25 million) deferred consideration. The deferred consideration can be paid by MC Mining at any time prior to the 24 month anniversary of the effective date of acquisition. The deferred consideration bears interest at the South African prime rate and shall be paid on the second anniversary of the effective date. MC Mining is entitled to prepay any amounts in respect of the deferred consideration. If it is not settled after 24 months, the balance outstanding can be settled through the issue of new MC Mining shares at the 30 day volume weighted average price as traded on the JSE (MC Mining "VWAP") on the date immediately prior to the date on which Pan African gives its election. To the extent that certain coal buy in opportunities are not secured by or with the assistance of Pan African, within 2 years from the effective date, which could result in MC Mining suffering a lower economic benefit, the deferred consideration can be reduced by such value, subject to a maximum of $1.3 million (ZAR15 million); and
- MC Mining issued 261,287,625 new shares (equivalent to $9.4 million (ZAR125 million))

Acquisition related costs amounting to $0.2 million, have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year, within the "other expenses" line item.

39. BUSINESS COMBINATIONS (CONTINUED)

Assets acquired and liabilities recognised at the date of acquisition

The following summarises the amounts of assets acquired and liabilities recognised at the acquisition date:

	Carrying value '000's	Fair value '000's
Non-current assets		
Development, exploration and evaluation expenditure	249	249
Property, plant and equipment	13,666	23,087
Other financial assets	19	19
Current assets		
Inventories	1,383	1,383
Trade and other receivables	4,851	4,851
Cash and cash equivalents	999	999
Tax receivable	326	326
Assets classified as held for sale	101	101
Non-current liabilities		
Provisions	(888)	(888)
Deferred tax liability	(3,449)	(6,087)
Current liabilities		
Trade and other payables	(2,989)	(2,989)
Total identifiable net assets	**14,268**	**21,051**

Non-controlling interests

There was no non-controlling interest recognised on acquisition as the trusts that own shares in Uitkomst are effectively controlled by Uitkomst and the "N" shares held by the trust do not rank equally to the ordinary shares and therefore the trust do not participate in the profits and losses of Uitkomst.

Fair value

Fair value was estimated by an income-based valuation approach. The following were the key model inputs used in determining the fair value:

- Calculated cost of equity for Uitkomst discount rate 10.3%
- Average saleable production of 328,347 tonnes per annum
- Average selling price of ZAR957 per tonne

At the time the financial statements were authorised for issue, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised.

Goodwill

No goodwill arose on acquisition.

Net cash outflow on acquisition of subsidiaries

Development, exploration and evaluation expenditure	9,393
Property, plant and equipment	(999)
Other financial assets	8,394

Impact of acquisition on the results of the Group

Had this business combination been effected for the year ended 30 June 2017, the revenue of the Group from continuing operations would have been $31.8 million and the loss for the year from continuing operations would have been $13 million. The directors consider these "pro-forma" numbers to represent an approximate measure of theperformance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

39. BUSINESS COMBINATIONS (CONTINUED)

In determining the "pro-forma" revenue and profit of the Group had Uitkomst been acquired at the beginning of the current year, the directors have:

- Calculated depreciation of the mining asset on the basis of the fair value arising in the initial accounting of the business combination rather than the carrying amounts recognised in the pre-acquisition financial statement.

40. CONTROLLED ENTITIES

Particulars in relation to controlled entities.

	Country of incorporation	Year ended 30 June 2018 %	Year ended 30 June 2017 %
Bakstaan Boerdery Proprietary Limited *	South Africa	100	100
Baobab Mining & Exploration Proprietary Limited**	South Africa	95	95
Chapudi Coal Proprietary Limited ***	South Africa	74	74
Coal of Africa & ArcelorMittal Analytical Laboratories Proprietary Limited	South Africa	50	50
Cove Mining NL	Australia	100	100
Freewheel Trade and Invest 37 Proprietary Limited	South Africa	74	74
Fumaria Property Holdings Proprietary Limited	South Africa	100	100
Golden Valley Services Proprietary Limited	Australia	100	100
GVM Metals Administration (South Africa) Proprietary Limited	South Africa	100	100
Harrisia Investments Holdings Proprietary Limited	South Africa	100	100
Holfontein Investments Proprietary Limited	South Africa	-	-
Kwezi Mining Exploration Proprietary Limited ***	South Africa	74	74
Langcarel Proprietary Limited ****	South Africa	-	74
Limpopo Coal Company Proprietary Limited	South Africa	100	100
MbeuYahsu Proprietary Limited	South Africa	74	74
Mooiplaats Mining Limited *****	South Africa	-	74
Pan African Resources Coal Holdings Proprietary Limited	South Africa	100	100
Regulus Investment Holdings Proprietary Limited	South Africa	100	100
Silkwood Trading 14 Proprietary Limited	South Africa	100	100
Tshikunda Mining Proprietary Limited	South Africa	60	60
Tshipise Energy Investments Proprietary Limited	South Africa	50	50
Uitkomst Colliery Proprietary Limited	South Africa	100	100

* Subsidiary company of Fumaria Property Holdings Proprietary Limited

** 69% on completion of the Makhado Project BBBEE transactions

*** Subsidiary companies of MbeuYashu Proprietary Limited

**** Subsidiary company of Mooiplaats Mining Limited

***** Sold during the year together with its subsidiary Langcarel Proprietary Limited

41. EVENTS AFTER THE REPORTING PERIOD

Khethekile Mining (Pty) Ltd

The Company purchased the business operations of Khethekile Mining (Pty) Ltd (Khethekile), the independent mining contractor at the Uitkomst Colliery. The transaction resulted in Uitkomst acquiring all of Khethekile's mining equipment (including conveyor systems and coal mining and transportation equipment) and taking transfer, in accordance with section 197 of the Labour Relations Act of South Africa, of some 340 Khethekile employees. The acquisition of Khethekile's mining assets cost $4.9 million (R65 million) and all regulatory approvals and conditions precedent were met satisfied and the transaction closed on 1 August 2018.

Mooiplaats Colliery S102

The S102 application to, amongst other things, incorporate certain prospecting rights into Mooiplaats Colliery's mining right was approved by the Department of Mineral Resources ("DMR") in August 2018. The timing of the ten quarterly payments to settle the remaining balance of R112.9 million of the purchase price was dependent on the S102 approval. The first quarterly payment of R11.3 million was received in August 2018.

Makhado Project Regulatory Progress

In Sepember 2018 the DMR approved the Environmental Authorisation for the Makhado project.

There have been no other events between 30 June 2018 and the date of this report which necessitate adjustment to the consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity and the consolidated statements of cash flows at that date.

42. PARENT ENTITY FINANCIAL INFORMATION

	Parent entity	
	Year ended 30 June 2018 $'000	**Year ended 30 June 2017 $'000**
Summary financial information		
Non-current assets	171,397	273,541
Current assets	2,051	4,058
Total assets	173,448	277,599
Non-current liabilities	2,017	1,916
Current liabilities	697	2,809
Total liabilities	2,714	4,725
Net assets	170,734	272,874
Shareholders' Equity		
Issued capital	1,040,950	1,040,950
Accumulated deficit	(1,052,843)	(1,026,378)
Reserves	182,627	258,302
	170,734	272,874
Loss for the year	(26,465)	(74,318)
Total comprehensive loss	(26,465)	(74,318)

42. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

Contingencies and commitments

- MC Mining has subordinated all loans to subsidiary companies
- MC Mining has entered into a guarantee for the IDC borrowing facility entered into by Baobab (refer note 25)

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

Independent Auditor's Report to the members of MC Mining Limited (formerly Coal of Africa Limited)

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MC Mining Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of the Vele Colliery Development Assets As a result of the decision to prioritise the Makahdo Project, and consequently to delay the redevelopment of the Vele Colliery, the recoverable value of the Vele Colliery was assessed using a life of mine discounted cash flow model, resulting in an impairment charge being recognised of $87.5 million for the year ended 30 June 2018. The assessment of the recoverable value of the Vele Colliery requires management to exercise significant judgement, including the application of the following key assumptions within the impairment model: • long-term coal prices; • long-term exchange rates; • forecast capital expenditure; • forecast operating costs; • forecast production quantities; • discount rate; and • corporate tax rate.	In conjunction with our valuation experts, our procedures included, but were not limited to: • evaluating management's assessment as to whether an impairment indicator existed; • testing the mathematical accuracy of the impairment model and the carrying value of the Vele Colliery; • assessing key macroeconomic and corporate tax assumptions with reference to external evidence including: long-term coal prices, long-term exchange rates, and corporate tax rates; • assessing the reasonableness of management's underlying mine plan including the forecast production, forecast operating costs and forecast capital expenditures; • assessing the reasonableness of the discount rate applied; and • performing sensitivity analysis of the recoverable value of the Vele Colliery to changes in key assumptions. We also assessed the appropriateness of the disclosures in Note 15 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 20 of the Director's Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants
Perth, 27 September 2018