



THE WATERBERG
COAL COMPANY LTD

ABN 64 065 480 453

Half-year Financial Report

31 December 2014

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CORPORATE DIRECTORY

Directors

Dr. Mathews Phosa (Chairman)
Mr. Stephen Miller (Executive Director)
Mr. Edwin Leith Boyd (Non-Executive Director)

Company Secretary

Mr. Edwin Leith Boyd

Registered Office and Principal Place of Business

Level 2
1 Walker Avenue
West Perth, WA 6005
Australia
Telephone: + 618 9485 0888
Facsimile: + 618 9485 0077

Share Registry

Australia

Automatic Registry Services Pty Ltd
Level 1
7 Ventnor Ave
West Perth, WA 6005
Telephone: + 618 9324 2099

South Africa

Trifecta Capital Services
Trifecta Capital House
Nr 31 Beacon road
Florida-North
1709 South Africa

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008

Stock Exchange Listing

The Waterberg Coal Company Limited shares are listed on the Australian Securities Exchange and the Johannesburg Stock Exchange.

ASX and JSE code: WCC

DIRECTORS' REPORT

The directors of The Waterberg Coal Company Limited (the "Group" or "WCC") submit the financial report of the consolidated entity for the half-year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dr Mathews Phosa	Non - Executive Chairman
Mr Stephen Miller	Executive Director
Mr Edwin Leith Boyd	Non-Executive Director

Results

The loss after tax for the half year ended 31 December 2014 was \$47,987,139 (31 December 2013 loss of \$21,943,804).

Review of Operations

During the period, the Group, a party to the Waterberg Coal Project Joint Venture, continued to progress matters relating to the proposed development of an opencast mining operation to produce 10 million tonnes per annum of coal (product) to Eskom, the South African parastatal power utility.

The material matters attended to during the period include as follows:

Project Optimisation Study – The Eskom Project

The Waterberg Coal Project's (WCP) technical team continued with the project value engineering and optimisation process during the period. As part of the optimisation process, Engineering, Procurement and Construction Management contractors ARDBEL (a joint venture between ELB Engineering Services and the DRA Group), reviewed the project capital expenditure requirements arising from the Feasibility Study and have identified significant capital savings.

With respect to off-take discussions with Eskom; these are on-going and include finalisation of the coal specifications, pricing, delivery dates; and the review by Eskom of the due diligence into the DFS for the Eskom Project.

The Export Project - Definitive Feasibility Study

During the period, Ardbel were commissioned to produce a DFS on the Export Project, to be located in the south of the WCP area. The Export Project anticipates the build up to 4 million tonnes per annum over a five year period in export production; with first coal production targeted during the 3rd quarter 2016. The reduced period to complete this study accrues from the significant database and work product that was generated from the Eskom Project DFS, with additional work being carried out with respect to, inter alia, logistics (including rail), coal product off-take arrangements and water.

The WCP partners have been in discussions with various Banks and funding agencies with respect to financial requirements for the proposed development. Pursuant to the discussions to date with such parties, an international mineral consultancy has been commissioned as Independent Technical Experts to produce a due diligence report for the purposes of Bank funding.

Access to Water

The Waterberg Coal Project Partners (WCP) has received confirmation from the Lephalale Municipality of an agreement for the right to utilise all treated water, other than water currently contracted by the Municipality to third parties and to become operator of the Paarl Water Treatment plant.

The plant has a treatment capacity of 10 million litres per day, or 3.64 million cubic metres per annum. Sufficient water is available for the proposed project development.

Port capacity

During the period WCP Partners entered discussions with RBT Grindrod Terminals regarding port allocation at the Richards Bay Terminal (RBGT) for confirmation of their capacity for the handling and loading of project coal. Negotiations are proceeding on the final volumes, timeline and contracted price. A formal contract will be executed once final arrangements with offtaking parties has been completed with confirmed volumes for offtakes for the first 10 years.

South Australian Tenements

The Company held 3 exploration tenements in the Gawler Craton of South Australia which are highly prospective for gold and copper-gold mineralisation. The Company entered into an agreement to sell EL4445 which was announced to the market on 24 November 2014. The Gawler Craton is host to large copper-gold deposits such as Olympic Dam and Prominent Hill to the east, and gold deposits such as Challenger, Tarcoola and Tunkillia in the west.

During the period, the Company continued to compile and validate exploration data relating to the remaining 2 tenements and is assessing the prospectivity of targets within the license holdings. The Company has designed work programmes to test these targets however these work programmes have not been carried out to date. The Company continues to consider its strategy with regards to these tenements.

Resource Statement

An updated Independent Competent Persons Resource Statement was released to the market on 24 October 2013 reflecting the increased borehole database following the completion of the 2013 drilling programme on the four farms covered by the Mining Right (Smitspan, Massenberg, Hooikraal and Minnasvlakte), and the two farms held under Prospecting Rights (Vetleegte and Swanepelpan).

The resource statement for the Waterberg Coal Project now stands at 3.88 billion tonnes of coal with coal in the measured category of 2.07 billion tonnes (Table 1). This represents a substantial increase in the coal resource for the Waterberg Coal Project. Previously, SRK Consulting (December 2012) declared a Coal Resource of 1.183 billion tonnes on the two farms Smitspan and Massenberg, of which 1.004 billion tonnes was in the Measured category. The Resource Statement was prepared on behalf of the Waterberg Coal Joint Venture Parties (WCJVP) by Gemecs (Pty) Limited in their capacity as Independent Competent Persons. For more detailed information on the Independent Competent Persons Resource Statement please refer to the ASX announcement dated 24 October 2013.

Table 1 – Coal Resource on all six Waterberg Coal Project Properties under both Prospecting Permit and Mining Right						
Resource Classification	Coal Resource¹(Mt)	Ash % (ad)	IM % (ad)	Vol % (ad)	CV (Mj/kg) (ad)	TS % (ad)
Measured	2,070.3	57.9	2.2	17.6	10.51	0.96
Indicated	856.3	59.4	2.3	17.2	9.96	1.00
Inferred	956.7	58.9	2.2	17.5	10.26	1.03
Total Resources	3,883.3	58.5	2.2	17.5	10.33	0.99
Coal Resource¹ based on minimum thickness cut-off of 0.5m						

Competent Person Statement

¹Gemecs (Pty) Limited was commissioned by the Waterberg Coal Company "WCC", to undertake an Updated Independent Persons Geological Report for the Sekoko Waterberg Coal Project.

The Coal Resources were estimated in accordance with the South African code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("SAMREC Code"), Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code") and South African National Standard (SANS 10320:2004) guidelines.

The information that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Coenraad D van Niekerk, Pr.Sci.Nat (Reg. No 400066/98), M.Sc Hons (Geology), MDP, an employee of Gemecs (Pty) Limited, who is a Fellow of the Geological Society of South Africa. Mr Niekerk is a mining geologist with 38 years' experience in the mining industry, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Niekerk consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Corporate Activities

On 16 July 2014, WCC resolved to extend the existing A\$3 million facility to Firestone Energy Limited by a further A\$3 million facility.

On 31 October 2014, WCC requested SBSA as facility agent for the Lenders under the Secured Convertible Note facility ("the Facility") which had a maturity date of 9 October 2014, to extend the facility. SBSA extended the Facility on an on-demand basis however has now sought to have the Facility redeemed by 9 April 2015...

On 10 November, Firestone Energy Limited, Waterberg Coal's 45.88% subsidiary announced that it had entered into a term sheet for US\$5 million financing by way of a convertible note issue with Four Oaks Credit Fund Limited.

On 24 November 2014, WCC announced the entry into a sale and purchases agreement with Apollo Minerals Limited in respect of EL 4445, Claypan Dam, one of the South Australian Licences.

On 28 November 2014, WCC held its Annual General Meeting of shareholders at which meeting all resolutions were passed.

On 31 December 2014, WCC announced the lapsing of 11,992,823 quoted options (WCCO) and 23,187,500 unquoted options.

Dividends

No dividend is recommended nor has one been declared or paid since the end of the financial period.

Subsequent Events

The Export Project

On 29 January 2015, the Company issued a revised business update and cautionary which announced Ardbel were commissioned to produce a DFS on the viability of a standalone Export Project to be located in the south of the Waterberg Coal Project ("WCP") area. Stage I of the Export Project anticipates the build up to 4 million tonnes per annum of export product; with first coal to be produced during the 3rd quarter 2016.

On 28th November 2014, the Company announced the finalisation of the terms of sale of its South Australian tenement EL4445 Claypan Dam to Apollo Minerals Limited. On 14th January 2015, the Company received confirmation of the issue of 6,818,182 shares in Apollo Minerals Limited as the first tranche of consideration payable in accordance with the terms of the sale and purchase agreement.

Arising from the DFS for the Export Project, WCC has been in discussions with certain banks and finance agencies with respect to the funding required to retire the Group's indebtedness and also to provide the capital required to develop the Export Project (which forms part of the WCP) and for general working capital. To this end the lead manager of the proposed banking syndicate, has commissioned an international mineral consultancy as its independent technical expert to produce a due diligence report for the purposes of credit committee approval and project funding. As part of the funding requirements for the Export Project, the WCP Partners have now reached agreement in principle with an international power utility for that party to be the sole "off taker" of the export quality product accruing from the development. In principle commercial terms, product qualities and specifications have been agreed. As of the date of this report the parties have commenced drafting a legally binding off take agreement. An off take agreement is a condition precedent for the drawdown of any funding to be provided by the project financiers. Furthermore, the Waterberg Coal Project Partners have also reached an agreement in principle with an international mining and EPC contractor to contribute funding for the Group's working capital requirements.

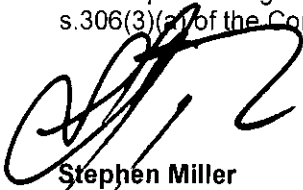
There are no other significant events subsequent to the end of the period.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Group with an Independence Declaration in relation to the review of the half-year financial report.

This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3)(a) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to be 'S. Miller', written over the printed name.

Stephen Miller
Executive Director

16 March 2015

DECLARATION OF INDEPENDENCE BY IAN SKELTON TO THE DIRECTORS OF THE WATERBERG COAL COMPANY LIMITED

As lead auditor for the review of The Waterberg Coal Company Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of The Waterberg Coal Company Limited and the entities it controlled during the period.



Ian Skelton

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2014

	Note	31 December 2014 \$	31 December 2013 \$
Continuing operations			
Interest revenue		105,840	7,905
Other Income		10,443	-
Consultants & legal expenses		(974,614)	(1,191,229)
Foreign exchange gain / (loss)		(103,296)	-
Impairment of available for sale financial assets		(811,602)	-
Share of loss of associate	8	(62,534)	(163,340)
Share based payments expense	13	-	(7,045,631)
Finance costs	2	(44,602,428)	(12,161,202)
Other expenses		(1,548,948)	(1,390,307)
Loss before income tax		(47,987,139)	(21,943,804)
Income tax expense		-	-
Net loss from continuing operations		(47,987,139)	(21,943,804)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		3,880,481	1,120,379
Total comprehensive loss for the period		(44,106,658)	(20,823,425)
Loss for the period attributable to:			
Members of the parent entity		(46,662,621)	(21,278,627)
Non-controlling interest		(1,324,518)	(665,177)
		(47,987,139)	(21,943,804)
Total comprehensive loss for the period attributable to:			
Members of the parent entity		(44,344,358)	(20,551,675)
Non-controlling interest		237,700	(271,750)
		(44,106,658)	(20,823,425)
Earnings / (loss) per share profit attributable to the ordinary equity holders of the Group:			
Basic earnings / (loss) per share (cents per share)		(14.90)	(9.93)
Diluted earnings / (loss) per share (cents per share).		N/A	N/A

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 31 December 2014

	Note	31 December 2014 \$	30 June 2014 \$
Current Assets			
Cash and cash equivalents	3	1,032,166	8,704,374
Trade and other receivables	4	501,562	485,268
Total Current Assets		1,533,728	9,189,642
Non-Current Assets			
Exploration and evaluation expenditure	5	81,589,281	76,762,076
Property, plant & equipment	6	4,312,454	4,103,027
Other receivables	4	3,975,877	3,413,417
Available for sale financial assets	7	468,285	2,430,319
Investment in associate	8	21,672,993	21,735,527
Total Non-Current assets		112,018,890	108,444,366
Total Assets		113,552,618	117,634,008
Current Liabilities			
Trade and other payables	9	14,001,784	14,404,987
Financial liabilities	10	108,156,637	69,139,092
Borrowings	11	10,874,615	10,047,528
Total Current Liabilities		133,033,036	93,591,607
Non-Current Liabilities			
Financial liabilities	10	19,730,315	19,146,476
Total Non-Current Liabilities		19,730,315	19,146,476
Total Liabilities		152,763,351	112,738,083
Net Assets		(39,210,733)	4,895,925
Equity			
Contributed equity	12	54,099,744	54,099,744
Reserves		11,698,182	9,379,919
Accumulated losses		(112,769,471)	(66,106,850)
Capital and reserves attributable to owners of The Waterberg Coal Company Limited		(46,971,545)	(2,627,187)
Non-controlling interest		7,760,812	7,523,112
Total Equity		(39,210,733)	4,895,925

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2014

	Contributed Equity \$	Accumulated (Losses) \$	Share based payment reserve \$	Foreign currency translation reserve \$	Total \$	Non- controlling interests \$	Total Equity/(Net deficiency) \$
Balance at 1 July 2014	54,099,744	(66,106,850)	11,286,876	(1,906,957)	(2,627,187)	7,523,112	4,895,925
Loss for the period	-	(46,662,621)	-	-	(46,662,621)	(1,324,518)	(47,987,139)
Other comprehensive loss	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	2,318,263	2,318,263	1,562,218	3,880,481
Total comprehensive loss for the period	-	(46,662,621)	-	2,318,263	(44,344,358)	237,700	(44,106,658)
Transactions with owners in their capacity as owners							
Shares issued, net of transaction costs	-	-	-	-	-	-	-
Shares issued on acquisition	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-
Balance at 31 December 2014	54,099,744	(112,769,471)	11,286,876	411,306	(46,971,545)	7,760,812	(39,210,733)
Balance at 1 July 2013	32,139,838	(18,828,302)	4,241,245	-	17,552,781	-	17,552,781
Loss for the period	-	(21,278,627)	-	-	(21,278,627)	(665,177)	(21,943,804)
Other comprehensive loss	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	726,952	726,952	393,427	1,120,379
Total comprehensive loss for the period	-	(21,278,627)	-	726,952	(20,551,675)	(271,750)	(20,823,425)
Transactions with owners in their capacity as owners							
Shares issued, net of transaction costs	2,959,933	-	-	-	2,959,933	-	2,959,933
Shares issued on acquisition	11,026,874	-	-	-	11,026,874	-	11,026,874
Share based payments	-	-	7,045,631	-	7,045,631	-	7,045,631
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	11,526,801	11,526,801
Balance at 31 December 2013	46,126,645	(40,106,929)	11,286,876	726,952	18,033,544	11,255,051	29,288,595

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the half-year ended 31 December 2014

	31 December 2014 \$	31 December 2013 \$
Cash flows from operating activities		
Payments to suppliers (including GST) and employees	(3,511,429)	(2,223,505)
Interest paid	(4,226,798)	-
Facility fees paid	-	(645,900)
Interest received	105,840	134,786
Net cash outflows from operating activities	(7,632,387)	(2,734,619)
Cash flows from investing activities		
Payments for exploration and evaluation	(494,465)	(2,417,942)
Payments for property, plant and equipment	(6,439)	-
Cash acquired on acquisition of subsidiary	-	75,789
Proceeds from sale of financial assets	581,035	-
Net cash inflows / (outflows) from investing activities	80,131	(2,342,153)
Cash flows from financing activities		
Proceeds from issue of shares	-	2,563,500
Payments for share issue costs	-	(81,067)
Proceeds from borrowings	136,000	2,058,000
Repayment of borrowings	-	-
Loans repaid by other entities	47,101	-
Loans to other entities	(505,008)	(356,224)
Payment of transaction costs	(150,000)	-
Net cash inflows / (outflows) from financing activities	(471,907)	4,184,209
Net increase / (decrease) in cash & cash equivalents held	(8,024,163)	(892,563)
Cash & cash equivalents at the beginning of period	8,704,374	8,439,558
Net foreign exchange differences	351,955	(200,629)
Cash and cash equivalents at the end of period	1,032,166	7,346,366

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2014

Corporate Information

The consolidated financial statements of The Waterberg Coal Company Limited (the "Group") for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 16 March 2015.

The Waterberg Coal Company Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the Johannesburg Stock Exchange. The registered office of The Waterberg Coal Company Limited is Level 2, 1 Walker Avenue, West Perth, Western Australia 6005, Australia.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

1. Statement of significant accounting policies

(a) Basis of preparation

These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2014 and any public announcements made by The Waterberg Coal Company Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated.

The half-year report has been prepared on an accruals basis and is based on historical costs.

New accounting standards and interpretations

All new and amended Australian Accounting Standards and Interpretations effective from 1 July 2014 have been adopted, including:

- *AASB 2013 - 3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- *AASB 2014 – 1 Amendments to Australian Accounting Standards*
- *Interpretation 21 Levies*

None of these Standards had a material effect on the financial position or performance of the Group.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and therefore, no change necessary to the Group's accounting policies.

Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

As previously advised the Waterberg Coal Company Limited ("**WCC**" or "**the Company**") has requested Standard Bank of South Africa ("**SBSA**") as facility agreement for the Lenders under the Convertible Debt Facility ("**the Facility**"), which had a maturity date of 9 October 2014, to extend the facility for a six month period. SBSA extended the Facility on an "on demand" basis however sought to have the Facility redeemed by 9 April 2015. The carrying amount of this facility as at 31 December 2014 is \$91,875,000 at fair value. If the facility was to be settled in cash, as at 31 December 2014, the amount payable in principle and interest would be \$41,211,541.

WCC has been in discussions with certain banks and funding agencies with respect to the funding required to, not only redeem the Facility; but also to provide the capital required to develop the Export Project, which forms part of the WCP and also to provide general working capital. To this end the proposed lead manager of the banking syndicate, has commissioned an international mineral consultancy as its independent technical expert to produce a due diligence report for the purposes of credit committee approval and project funding. Furthermore, as part of the funding requirements for the Export Project, the WCP Partners has now reached agreement in principle with an international power utility for that party to be the sole "off taker" of the export quality product accruing from the development. In principle commercial terms, product qualities and specifications have been agreed and as of the date of this report the parties have commenced drafting a legally binding off take agreement. An off take agreement is a conditions precedent for the drawdown of any funding to be provided by the project financiers. Furthermore, the Waterberg Coal Project Partners have also reached an agreement in principle with an international mining and EPC contractor to contribute funding for the Group's working capital requirements.

The Group also has various other borrowings and trade creditors due totalling \$60,888,351, including accrued interest. These amounts will also be required to be paid or refinanced and maturity dates extended. WCC has engaged with these other providers of short term debt to seek an extension of the current maturity dates. It is anticipated that these amounts will be settled arising from the current financial arrangements and discussions are on foot.

Notwithstanding the ability of the Group to refinance its short term borrowings, in order for the Group to continue as a going concern, and to progress the Waterberg Coal Project, the Group will have to receive regulatory approval, inter alia, and raise adequate project financing and working capital.

The Directors believe that it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The ability (as supported by the Group's past trade record) to issue additional shares under the Corporation Act 2001 to raise further working capital;
- The ongoing discussions with its financiers in respect to extending or refinancing its borrowings;
- The ongoing discussions with financiers and investors to fund the development of the Waterberg Coal Project; and
- Receipt of full regulatory approval for the development.

Should the Group not be able to obtain funds and refinance its borrowings, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in this financial report. The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

(b) Comparatives

Where required by Australian Accounting Standards, comparatives have been adjusted to conform to changes in presentation for the current financial period. (c)

Significant Estimates

Control

The directors have concluded that the group controls Firestone Energy Limited, even though it holds less than half of the voting rights of this subsidiary. This is because the group is the largest shareholder with a 45.88% equity interest, common boards of both companies, and controls the relevant activities of Firestone Energy Limited.

Exploration and evaluation expenditure

Exploration and evaluation expenditure costs related to each identifiable area of interest are carried forward to the extent that:

- i. The rights to tenure of the areas of interest are current and the Group controls the area of interest in which the expenditure has been incurred; and
- ii. Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- iii. Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to the area of interest are continuing.

Exploration and evaluation expenditure are generally capitalised where a JORC (Joint Ore Reserves Committee) resource has been identified and probable future economic benefits are demonstrated.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

In the event that an area of interest is abandoned or if the directors consider the expenditure to be of no value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Impairment

Exploration and evaluation assets are assessed at each reporting period for indicators of impairment and where impairment indicators exist, recoverable amounts of these assets will be estimated based on discounted cash flows from their associated cash generating units. The consolidated statement of comprehensive income will recognise expenses arising from the excess of the carrying values of exploration and evaluation assets over the recoverable amounts of these assets.

Investments in associates

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised. Details of the Group's investments in associates are provided in note 8.

Segment information

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

2. Finance costs

	31 Dec 2014 \$	31 Dec 2013 \$
Facility fees	65,694	1,887,535
Interest expense	4,935,350	2,567,060
Amortisation of convertible note transaction costs	192,216	-
Accretion of convertible note debt component	391,623	-
Net expense on financial assets and liabilities at fair value through profit or loss (refer note 10)	39,017,545	7,706,607
	44,602,428	12,161,202

3. Cash and cash equivalents

	31 Dec 2014 \$	30 June 2014 \$
Cash at bank and in hand	1,032,166	2,103,312
Restricted cash ¹	-	6,601,062
	1,032,166	8,704,374

¹ Included in the cash balance at 30 June 2014 was \$6,601,062 held as a security deposit on the AUD 35 million convertible note facility (Note 10). The security deposit has been used to repay a portion of the interest owing under that facility.

4. Trade and other receivables

	31 Dec 2014 \$	30 June 2014 \$
Current		
GST receivable	151,208	133,552
Prepayments	350,354	350,336
Other receivables	-	1,380
	501,562	485,268

Receivables are non-interest bearing and are generally on 30 day terms and therefore due to their short term nature, their carrying values approximate their fair values. A provision is recognised when there is objective evidence that the individual trade receivable is impaired. The receivables credit risk has been reviewed and assessed as immaterial as the counterparties are recognised and reputable companies. None of the current receivables are impaired nor past due.

Non-current

Environmental rehabilitation bond	1,495,786	1,420,502
Advances to Sekoko Coal Pty Ltd	2,479,785	1,992,624
Advances to Sekoko Resources Pty Ltd	306	291
	3,975,877	3,413,417

The Group agreed to provide Sekoko Coal (Pty) Ltd with an unsecured loan of \$2,479,785 for expenditure on the Waterberg Coal Project. The loan is non-interest bearing and will be repayable once the project generates revenue. Their fair value materially approximates their carrying value at reporting date.

5. Exploration and evaluation expenditure

	31 Dec 2014 \$	30 June 2014 \$
Opening balance at the beginning of the period	76,762,076	25,291,518
Interest in joint venture acquired on acquisition of Firestone Energy Limited (Exploration and Evaluation Expenditure) ¹	-	56,152,478
Additional exploration expenditure	494,465	584,701
Foreign exchange adjustment	4,332,740	(5,266,621)
Carrying amount at the end of the period	81,589,281	76,762,076

¹ On 23 September 2013, the off-market takeover bid for all the ordinary shares in Firestone Energy Limited ('Firestone') closed. At the conclusion of the offer, the Group's shareholding in Firestone is 45.88%. The Group is a participant with Sekoko Coal (Pty) Ltd in a coal project in the Waterberg locality in South Africa.

Firestone is a participant with Sekoko Coal (Pty) Ltd in a coal project in the Waterberg locality in South Africa. The Group holds a 60% earn-in interest and Sekoko Coal (Pty) Ltd a 40% interest, and the project is funded in the same ratio. The joint venture is carried out through the Company's 100%-owned subsidiaries, Lexshell 126 General Trading (Pty) Ltd and Checkered Flag Investments 2 (Pty) Ltd.

The joint venture agreements in relation to the Waterberg joint venture require unanimous consent from all parties for all relevant activities. The joint venture is unincorporated. This entity is therefore classified as a joint operation and the Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in accordance with AASB 11 *Joint Arrangements*.

The principal place of business of the joint operation is in South Africa.

6. Property, plant and equipment

	31 Dec 2014 \$	30 June 2014 \$
Opening balance at the beginning of the period	4,103,027	-
Additional property, plant & equipment expenditure	6,439	61,219
Property, plant & equipment acquired on acquisition of subsidiary ¹	-	4,345,235
Depreciation	(14,278)	(32,599)
Foreign exchange adjustment	217,266	(270,828)
Carrying amount at the end of the period	4,312,454	4,103,027

¹ On 23 September 2013, the off-market takeover bid for all the ordinary shares in Firestone Energy Limited ('Firestone') closed. At the conclusion of the offer, the Group's shareholding in Firestone is 45.88%.

7. Available for sale financial assets

	31 Dec 2014 \$	30 June 2014 \$
Opening balance at the beginning of the period	2,430,319	-
Additions during the period ¹	-	4,324,481
Disposals during the period ²	(1,150,432)	
Impairment charged to profit or loss ³	(811,602)	(1,894,162)
Carrying amount at the end of the period	468,285	2,430,319

¹ On 7 March 2014, the Company entered into a Share Exchange Agreement with Global Resources Investment Trust Plc ('GRIT'), a company listed on the London Stock Exchange. The Company exchanged 20,000,000 new Ordinary shares in the Company at a price of approximately £0.1168 per share and received 2,335,220 ordinary shares in the capital of GRIT at the issue price of approx. AUD \$4.32 million.

² During the period, the Company sold 1,105,415 GRIT shares incurring a loss on disposal of \$569,397.

³ Due to the significant and sustained decline in value of GRIT shares, an impairment charge of \$1,380,999 has been charged to the profit or loss.

8. Investment in associate

	31 Dec 2014 \$	30 June 2014 \$
Investment in Sekoko Coal (Pty) Ltd	21,950,000	21,950,000
Share of loss of associate ¹	(277,007)	(214,473)
	21,672,993	21,735,527

¹ In June 2013 the Group acquired a 25% interest in Sekoko Coal (Pty) Ltd, resulting in a 10% indirect interest in the Waterberg Coal Project.

9. Trade and other payables

	31 Dec 2014 \$	30 June 2014 \$
Trade creditors	2,630,050	3,092,115
Other creditors and accruals	4,335,908	1,041,442
Interest payable ¹	7,035,826	10,271,430
	14,001,784	14,404,987

Trade payables are non-interest bearing and are normally settled on 30 day terms and therefore due to their short term nature, their carrying values approximate their fair values.

10. Financial liabilities

Current	31 Dec 2014 \$	30 June 2014 \$
Convertible note facility at fair value ¹	108,156,637	69,139,092
	108,156,637	69,139,092

Non-current	31 Dec 2014 \$	30 June 2014 \$
Convertible note facility at fair value ²	19,730,315	19,146,476
	19,730,315,	19,146,476

¹The Group has entered into various convertible facility agreements. The facilities were due to mature in October 2014 and November 2014. As per agreements with the Lenders and the Company, the facilities have been extended on an on-demand basis. These convertible notes, if converted rather than repaid, convert to as number of shares at a multiple of 2.1 times the face value at a discount of 20% of the 30 day VWAP prior to the conversion date. Interest is accrued monthly in arrears. Included in this balance is \$91,875,000 that relates to the fair value of the loan with SBSA. If the facility was to be settled in cash, as at 31 December 2014, the amount payable in principle and interest would be \$41,211,541. The groups other current convertible note facilities are also measured and recorded at fair value. The total fair value expense for these notes for the 6 months ended 31 December 2014 is \$39,017,545 (31 December 2013: 7,706,607).

² The total face value of the notes is \$20.684 million and the maturity date is 31 January 2017. They bear interest at a fixed rate of 8% per annum. The notes can be converted at any time before the

maturity date at a conversion price of \$0.025. They are secured over the assets of Firestone Energy Limited and its subsidiaries.

11. Borrowings

	31 Dec 2014 \$	30 June 2014 \$
Current		
<i>Unsecured loans carried at amortised cost</i>		
Loans payable	10,874,615	10,047,528
	10,874,615	10,047,528

Included in the above total are loans which include the following terms:

- A loan on which interest is charged at the South African prime rate of 9.0% (2014: 9.0%).
- Loans that are non-interest bearing and are repayable upon drawdown of project finance.
- A loan that is repayable upon drawdown of project finance and interest is charged at a fixed rate of 45%.
- A loan that is repayable upon drawdown of project finance and interest is charged at a fixed rate of 50%.
- A loan that is non-interest-bearing and repayable upon demand. A facility fee of approximately 10% is payable on repayment of the balance.

Due to their short term nature, the loans' carrying values approximate their fair values.

12. Contributed Equity

	31 Dec 2014	30 June 2014
Issued and fully paid ordinary share	313,265,213	313,265,213
Movement in ordinary shares on issue	No of shares	\$
At 1 July 2014	313,265,213	54,099,744
At 31 December 2014	313,265,213	54,099,744
At 1 July 2013	177,005,123	32,139,838
Shares issued via private placement	8,192,978	1,540,500
Shares issued via public offering	7,502,500	1,500,500
Shares issued on acquisition of subsidiary	71,792,189	11,026,874
Costs of issue	-	(81,067)
At 31 December 2013	264,492,790	46,126,645

13. Share Based Payments

	31 Dec 2014 \$	31 Dec 2013 \$
<i>Share based payments expense</i>		
Employee share based payments ¹	-	4,703,024
Share based payments to suppliers ²	-	2,342,607
	-	7,045,631
<i>Asset acquisition</i>		
Share based payments to vendors ³	-	11,026,874
<i>Capital raising expenses</i>		
Share based payments to suppliers ⁴	-	56,000

¹ The following options were granted to Directors during the 31 December 2013 prior period:

B McMaster – 20,000,000 options at a value of \$1,959,593

S Miller – 20,000,000 options at a value of \$1,959,593

D Crennan – 3,000,000 options at a value of \$293,939

J Hart – 3,000,000 options at a value of \$293,939

S Funston – 2,000,000 options at a value of \$195,960

² 27,000,000 options were granted to suppliers during the half year to 31 December 2013 at a value of \$2,342,607

³ During the half year to 31 December 2013, 71,792,189 shares were issued to shareholders of Firestone Energy Limited. The fair value of the shares of \$11,026,874 was determined by reference to the market value of Firestone Energy Limited shares held on the Australian Securities Exchange on the date the takeover was completed.

⁴ During the half year to December 2013, the Group issued 280,000 shares to Celtic Capital Pty Ltd for capital raising services performed. The fair value of the shares of \$56,000 was determined by reference to the market value on the Australian Securities Exchange at the date of transaction.

There were no share based payment transactions in the half year ended 31 December 2014.

14. Fair Value Measurement of Financial Instruments

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the consolidated statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

The fair value hierarchy consists of the following levels:

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
31 December 2014				
Financial assets / (liabilities)				
<i>Financial assets and liabilities at fair value through profit or loss:</i>				
Convertible note facility	-		(108,156,637)	(108,156,637)
Other financial asset (listed investment)	468,285	-	-	468,285
	468,285	-	(108,156,637)	(107,688,352)

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
30 June 2014				
Financial assets / (liabilities)				
<i>Financial assets and liabilities at fair value through profit or loss:</i>				
Convertible note facility	-	-	(69,139,092)	(69,139,092)
Other financial asset (listed investment)	2,430,319	-	-	2,430,319
	2,430,319	-	(69,139,092)	(66,708,773)

Included in Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on closing quoted bid prices at the end of the reporting period, excluding transaction costs. In determining the fair values of unlisted investments included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted.

Derivative instruments are included in Level 2 of the hierarchy with the fair values being determined using valuation techniques incorporating observable market data relevant to the hedged position.

Valuation techniques used to derive level 3 fair values:

The fair value of convertible notes not traded in an active market is determined using an internally prepared discounted cash flow valuation technique using observable inputs (such as share price and the terms and conditions of the convertible notes as disclosed per note 10) and release of the initial calibration adjustment to the profit or loss.

No transfers between the levels of the fair value hierarchy occurred during the current or previous reporting periods.

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2014.

The following table presents the changes in level 3 instruments for the period ended 31 December 2014:

Financial liabilities:

	Convertible notes adjusted at fair value 2014 \$
Opening balance 1 July 2014	69,139,092
Issues / additions (net)	-
Losses recognised in finance expense (Note 2)	39,017,545
Closing balance 31 December 2014	108,156,637

The following table presents the changes in level 1 instruments for the period ended 31 December 2014:

Financial assets:

	Financial assets adjusted at fair value 2014 \$
Opening balance 1 July 2014	2,430,319
Disposal of shares	(1,150,432)
Impairment charged to profit or loss	(811,602)
Closing balance 31 December 2014	468,285

15. Dividends

No dividends have been paid or provided for during the period (2013: nil).

16. Commitments and Contingencies

The Group's wholly-owned subsidiary Utafutaji Trading 75 (Pty) Ltd was due to make further payments to purchase the mining tenement properties Swanepoelpan and Massenberg as follows:

Swanepoelpan	<ul style="list-style-type: none"> • 2,000,000 rand (A\$211,358) by 20 June 2014 • 3,000,000 rand (A\$317,038) by 20 July 2014 • 17,679,479 rand (A\$1,868,353) by 30 November 2014
Massenberg	<ul style="list-style-type: none"> • 8,500,000 rand (A\$898,273) by 22 June 2014 • 9,000,000 rand (A\$951,113) by 22 July 2014 • 17,500,000 rand (A\$1,849,386) by 30 November 2014

The above payments are currently being re-negotiated and will be made when project financing is completed. In the interim, a monthly access fee of ZAR100,000 is being paid per property.

There have been no other significant changes to commitments or contingencies since 30 June 2014.

17. Related party transactions

There have been no significant changes to related party transaction since 30 June 2014.

18. Events occurring after the reporting period

The Export Project

On 29 January 2015, the Company issued a revised business update and cautionary which announced Ardbel were commissioned to produce a DFS on the viability of a standalone Export Project to be located in the south of the Waterberg Coal Project ("WCP") area. Stage I of the Export Project anticipates the build up to 4 million tonnes per annum of export product; with first coal to be produced during the 3rdrd quarter 2016.

Based on the draft DFS and the optimisation exercise for the export project, the WCP partners are in discussions with certain Banks and potential coal offtake partners with respect to funding arrangements for the proposed Export Project Development.

On 28th November 2014, the Company announced the finalisation of the terms of sale of its South Australian tenement EL4445 Claypan Dam to Apollo Minerals Limited. On 14th January 2015, the Company received confirmation of the issue of 6,818,182 shares in Apollo Minerals Limited as the first tranche of consideration payable in accordance with the terms of the sale and purchase agreement.

Arising from the DFS for the Export Project, WCC has been in discussions with certain banks and finance agencies with respect to the funding required to retire the Group's indebtedness and also to provide the capital required to develop the Export Project (which forms part of the WCP) and for general working capital. To this end the lead manager of the proposed banking syndicate, has commissioned an international mineral consultancy as its independent technical expert to produce a due diligence report for the purposes of credit committee approval and project funding. As part of the funding requirements for the Export Project, the WCP Partners have now reached agreement in principle with an international power utility for that party to be the sole "off taker" of the export quality product accruing from the development. In principle commercial terms, product qualities and specifications have been agreed. As of the date of this report the parties have commenced drafting a legally binding off take agreement. An off take agreement is a condition precedent for the drawdown of any funding to be provided by the project financiers. Furthermore, the Waterberg Coal Project Partners have also reached an agreement in principle with an international mining and EPC contractor to contribute funding for the Group's working capital requirements.

There are no other significant events subsequent to the end of the period.

DIRECTORS' DECLARATION

In the opinion of the directors of The Waterberg Coal Company Limited ('the Group'):

1. The financial statements and notes thereto, as set out on pages 6 to 21, are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year then ended on that date; and
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5)(a) of the Corporations Act 2001



Stephen Miller
Executive Director
18 March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of The Waterberg Coal Company Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of The Waterberg Coal Company Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of The Waterberg Coal Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of The Waterberg Coal Company Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Waterberg Coal Company Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1(a) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon future successful fund raising and refinancing of borrowing facilities. This condition, along with other matters as set out in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd



Ian Skelton
Director

Perth, 16 March 2015