Registration number 4482856

UNIVERSAL COAL plc

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2011

CONTENTS

COPORATE DIRECTORY

DIRECTORS:	Antony Harwood	Executive Chairman
	Anton Weber	Chief Executive Officer
	Hendrik Bonsma	Non-Executive Director
	John Hopkins	Non-Executive Director
	Shammy Luvhengo	Non-Executive Director

JOINT COMPANY SECRETARIES:
John Bottomley (United Kingdom)
of SGH Company Secretarial Services LLP

and

Dan Robinson (Australia)
of Pursuit Capital (Pty) Ltd

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DIRECTORS' REPORT

The Directors present their report with the statutory financial statements of the Group and the Company for the year ended 30 June 2011.

1. REVIEW OF THE BUSINESS

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

The principal activity of the Group in the year under review continued to be that of minerals exploration and development of coal interests in South Africa.

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

At this stage in the Company's development, the key performance indicators that the Directors monitor on a regular basis are management of liquid resources, which are cash-flows and bank balances. Net Group cash inflow in the year was A$ 12,574,868. Bank balances at the year-end totalled A$ 12,829,956.

Principal risks

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

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

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

Financial instrument risk

The Company and Group are exposed to risks arising from financial instruments held. These are discussed in Note 20.

Strategic risk

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

Commercial risk

The mining industry is competitive and there is no assurance that, even if commercial quantities of coal are discovered, a profitable market will exist for the sale of such coal. There can be no assurance that the quality of the coal will be such that the Group's properties can be mined at a profit. Factors beyond the control of the Group may affect the marketability of any minerals discovered. Coal prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. Ultimately, the Group expects that all projects will be the subject of sufficient feasibility analysis to ensure a reasonable level of confidence appropriate to the circumstances under consideration.

Funding risk

The Group has raised funds via equity contributions from new and existing shareholders, thereby ensuring the Company remains a going concern until such time that an off-take agreement/debt financial arrangement be entered into. The directors regularly review cash flow requirements to ensure the Company can meet financial obligations as and when they fall due.

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

Staffing and Key Personnel Risks
Recruiting and retaining qualified personnel is critical to the Group's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. While the Group has good relations with its employees, these relations may be impacted by changes in the scheme of labour relations which may be introduced by the relevant governmental authorities. Adverse changes in such legislation may have a material adverse effect on the Group's business, results of operations and financial condition. Staff are encouraged to discuss with management matters of interest to the employees and subjects affecting day-to-day operations of the Group.

Speculative Nature of Mineral Exploration and Development
Development of the Group's mineral exploration properties is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of risk reduces substantially when a Group's properties move from the exploration phase to the development phase.

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

Political Stability
The Group is conducting its activities in South Africa. The Directors believe that the Government of South Africa supports the development of natural resources by foreign investors and actively monitor the situation. However, there is no assurance that future political and economic conditions in South Africa will not result in the Government of South Africa adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, may affect the Group's ability to develop the projects.

Uninsurable Risks
The Group may become subject to liability for accidents, pollution and other hazards against which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, such as in amounts, which exceed policy limits.

Security of Tenure
The Group will investigate its rights to explore and extract minerals from all of its material properties and, to the best of its knowledge, those rights are expected to be in good standing. No assurance can be given, however, that the Group will be able to secure the grant or the renewal of existing mineral rights and tenures on terms satisfactory to it, or that governments in the jurisdiction in which the Group operates will not revoke or significantly alter such rights or tenures or that such rights or tenures will not be challenged or impugned by third parties, including local governments or other claimants. Although the Group is not currently aware of any existing title uncertainties with respect to any of its future material properties, there is no assurance that such uncertainties will not result in future losses or additional expenditures, which could have an adverse impact on the Group's future cash flows, earnings, results of operations and financial condition.

Government Regulations
The Group's activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment and upon the interests of indigenous people. Permits from a variety of regulatory authorities are required for many aspects of mine operations and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays, the extent of which cannot be predicted.

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

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

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

2. THE BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

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

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

On 8 July 2010, Dan Robinson was appointed as joint Company Secretary, based in Australia. Universal Coal plc further strengthened its Board with the appointments of directors John Hopkins on 1 September 2010 and Shammy Luvhengo on 7 September 2010. As a result of Timothy Horgan's resignation from the position of joint Company Secretary on 31 January 2011, accordingly John Bottomley was appointed on 8 April 2011, based in the United Kingdom.

The names of Directors who held office during the 2011 year are:

Director Name	Position	Nationality	Appointed
Antony Harwood	Executive Chairman	British	
Anton Weber	Chief Executive Officer	South African	
Hendrik Bonsma	Non-Executive Director	South African	
John Hopkins	Non-Executive Director	Australian	1 September 2010
Shammy Luvhengo	Non-Executive Director	South African	7 September 2010

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

The joint Company Secretaries are:

- Dan Robinson - appointed on 8 July 2010
- John Bottomley – appointed on 8 April 2011

3. DIRECTORS MEETINGS

The Company held 7 (seven) Board meetings during the course of the year and the number of meetings attended by each of the directors of the Company during the year to 30 June 2011 are:

Director Name	Position	Number of Meetings Attended	Number of Meetings Eligible to Attend
Antony Harwood	Executive Chairman	7	7
Anton Weber	Chief Executive Officer	7	7
Hendrik Bonsma	Non-Executive Director	7	7
John Hopkins	Non-Executive Director	3	3
Shammy Luvhengo	Non-Executive Director	3	3

During the year under review, there were no Board committees therefore no committee meetings were held during the period. Subsequent to the year-end the remuneration and audit committees were formed with Mr. Hopkins and Mr. Bonsma acting as the respective Chairmen.

4. RESULTS

The Group realised a loss for the year of A$ 8,776,823 (2010: loss of A$ 5,043,902). This loss was the result of the costs of on-going exploration and development on our properties, including the Kangala feasibility study, exploration activities and assessment of acquisition opportunities, administration as well as the costs involved in the listing of the company on the Australian Stock Exchange.

The company recapitalised via the above mentioned listing on the Australian Stock Exchange (ASX) in December 2010 and has no debt funding. The company was officially listed on the ASX on 10 December 2010, raising A$ 20,421,690 at a share price of A$0.26 per share. In addition to these funds, further funds were raised as pre-IPO funding and from the exercise of certain options. These funds are to be used to develop the Kangala mine, for preparation of feasibility studies on other properties, to continue the exploration programme and to cover expenses and working capital as well as the expenses of the offer.

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

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

Universal Coal Development I (Pty) Ltd
There was no change in the ownership percentage in the year under review.

Universal Coal Development II (Pty) Ltd
On 1 July 2010, the contractual agreement between Bono Lithihi Investments (Pty) Ltd and Universal Coal & Energy Holdings South Africa (Pty) Ltd took effect, which led to the issue of 99 additional Ordinary shares, allocating a 93% interest in Universal Coal Development II (Pty) Ltd to Bono Lithihi Investments (Pty) Ltd, thus changing the nature of the investment from a subsidiary in the prior period to a 7% held associate in the current year. The effective date of this transaction was 1 July 2010, as the directors resolutions were ratified on the said date.

Universal Coal Development III (Pty) Ltd
Universal Coal Developments III (Pty) Ltd issued 22 Ordinary shares to Universal Coal & Energy Holdings South Africa (Pty) Ltd, which was ratified through a signed directors resolution dated 14 August 2010, thus increasing the interest held by Universal Coal & Energy Holdings South Africa (Pty) Ltd from 15% to 30%, along with the related decrease in the interest held by Unity Rocks Mining (Pty) Ltd. Accordingly the investment is still accounted for as an associate in the 2011 financial period.

Universal Coal Development IV (Pty) Ltd

Universal Coal Developments IV (Pty) Ltd issued 57 additional Ordinary shares during the 2011 financial period to Universal Coal & Energy Holdings South Africa (Pty) Ltd, which was ratified through a signed directors resolution dated 1 April 2011, thus increasing the interest held by Universal Coal & Energy Holdings South Africa (Pty) Ltd to 50%, along with the related decrease in the interest held by Xakwa Investments (Pty) Ltd. The change in the percentage interest held by Universal Coal & Energy Holdings South Africa (Pty) Ltd in Universal Coal Development IV (Pty) Ltd has had no effect on the treatment of Universal Coal Development IV (Pty) Ltd as an associate as control and the option to purchase a further 24% will only be available after completion of a feasibility study.

Universal Coal Development V (Pty) Ltd

During the current financial period Universal Coal & Energy Holdings South Africa (Pty) Ltd acquired a 10% interest in Universal Coal Development V (Pty) Ltd. Due to the significant influence Universal Coal & Energy Holdings South Africa (Pty) Ltd has in Universal Coal Development V (Pty) Ltd, the acquisition will be accounted for an associate investment during the 2011 financial period.

5. ENVIRONMENTAL RESPONSIBILITY

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

6. DIVIDENDS

There have been no dividends declared or paid during the current period (2010: A$ nil).

7. POLICY ON PAYMENT OF CREDITORS

The Group and Company's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that the suppliers are aware of the terms of payment and to abide by them. The Group and Company settles its trade payables in accordance with this policy. Trade payables of the Group as at 30 June 2011 were equivalent to 35 (2010: 22) days purchases, based on the average daily amount invoiced by suppliers to the Group during the year.

8. CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, the Group made no charitable or political contributions (2010: A$ nil).

9. GOING CONCERN

The accounts have been prepared on the going concern basis. The Directors believe that this basis is appropriate despite the loss for the year of A$ 8,776,823 (2010: loss of A$ 5,043,902). At the year end the Group has A$12,829,956 (2010: A$ 255,088) of cash reserves. On 9 December 2010, Universal Coal plc was admitted to the official list of the ASX, with official quotation of the Company's securities commencing on 10 December 2010. This occurred following the Board resolution on 24 November 2010 to approve the issue of 78,544,962 ordinary shares under the Prospectus at an issue price of A$0.26, raising the company funds of A$ 20,421,690. In addition to these funds, further funds were raised as pre-IPO funding and from the exercise of certain options. The Directors are therefore satisfied that the Group has adequate resources to continue in business for the foreseeable future.

10. CAPITAL STRUCTURE AND SHARE ISSUES

Capital structure at 30 June 2011:

Current issued share capital (shares)	203,684,554
Outstanding share options (potential shares)	26,646,177

Ordinary share issues during the year:

On 2 September 2010, the Board approved the issue of 1,001,258 (2,002,516 post share split) ordinary shares at a deemed issue price of A$0.245 to various Directors and senior management of the Company as part of a Salary Sacrifice Agreement. Also, the Board approved the issue of 10,700,000 (21,400,000 post share split) ordinary shares in the Company to parties associated with Injula Mining as consideration for the Kangala Project.

Further, the Board approved the issue of 1,615,000 ordinary shares at a price of A$0.80 per share to investors that invested as part of the pre-IPO round of fundraising. A provision of the pre-IPO placement was that if the issue price is lower than the expected IPO price of A$0.50 per share, additional shares would be issued to the subscribers in such amount as to maintain the 20% discount on the IPO placement price which was offered under the terms of the placing letter. As the IPO placement price was set at A$0.26 an additional 4,596,538 ordinary shares were issued.

On 8 September 2010, the Company held a General Meeting in which all resolutions were unanimously passed. The resolutions passed included the reorganisation of share capital which involved splitting each issued and unissued ordinary share into two new ordinary shares of 5 pence (Sterling) each.

On 29 September 2010, the Board approved the issue of 1,500,000 ordinary shares to Maclure Capital Ltd in settlement of a liability as consideration for introducing the Company to Injula Mining Operations (Pty) Ltd and to the Kangala coal project.

On 3 November 2010, the Board approved variations to existing option terms and conditions to ensure that they complied with ASX listing rules. Due to an ASX prescribed minimum option exercise price of A$0.20 certain parts of options formally exercisable at the price per share of A$0.245 or A$0.20 could not be adjusted to achieve Company's aims. Accordingly, the Company agreed to pay a cash bonus to affected option holders, which payment liability was discharged by the issue of shares in the Company (the number of shares issued calculated with reference to a price of A$0.26 per share). As such, 5,592,642 shares in the Company were issued at a price of A$0.26 in settlement of a cash bonus of A$ 1,454,087.

On 9 December 2010, Universal Coal plc was admitted to the official list of the ASX, with official quotation of the Company's securities commencing on 10 December 2010.

On 7 January 2011, the Board approved the issue of 573,922 ordinary shares issued to Subiaco Capital to discharge a liability in lieu of consulting fees for the provision of corporate and financial advice and investor relations services.

11. REMUNERATION REPORT

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

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

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

Remuneration:

Salary/Fees
Key Management Personnel are paid a fixed salary which is paid monthly in arrears per the service agreement for services rendered as an employee of Universal Coal plc.

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

Other Payments
No other payments are due to Key Management Personnel.

Share Options
Refer to section 12 of the Directors report.

Short-Term Cash Incentives
No short term cash incentives were paid during the year.

Long-Term Benefits
No short term cash incentives were paid during the year.

Service contracts and consultancy agreements:

Antony Harwood

Consultancy agreement:
- Consultancy agreement through Zander Investing Ltd
- Commencement date is 1 July 2010 to 30 June 2013
- Base salary for the year ended 30 June 2011 was A$ 160,979 (£ 100,000) per annum

Service agreement:
- Commencement date is 1 December 2009
- Directors fees payable are A$ 48,294 (£ 30,000) per annum
- Termination is subject to 12 months' notice by either party

Anton Weber

Consultancy agreement:
- Consultancy agreement through Zander Investing Ltd
- Commencement date is 1 July 2010 to 30 June 2013
- Base salary for the year ended 30 June 2011 was A$ 160,979 (£ 100,000) per annum

Service agreement:
- Commencement date is 1 December 2009
- Directors fees payable are A$ 48,294 (£ 30,000) per annum
- Termination is subject to 12 months' notice by either party

Hendrik Bonsma

Service agreement
- Commencement date is 1 December 2009
- Directors fees payable are A$ 48,294 (£ 30,000) per annum
- Consultancy fees are payable at the rate of $ 1,610 (£ 1,000) per day with a maximum of 5 days per month
- Termination is subject to 3 months' notice by either party

John Hopkins

Service agreement
- Commencement date is 1 September 2010
- Directors fees payable are A$ 48,294 (£ 30,000) per annum
- Termination is subject to 3 months' notice by either party

Shammy Luvhengo

Consultancy agreement:
- Consultancy agreement in a personal capacity
- Duration of agreement is from 1 February 2011 to 30 June 2011
- Base salary for the year ended 30 June 2011 was A$ 139,207(ZAR 960,000) per annum
- Upon successful completion of terms within an agreement between the Company and Mr Luvhengo and subject to approval by the Board, Mr Luvhengo will be issued with 2,200,000 ordinary shares at an issue price of A$ 0.23 (£0.15)

Service agreement
- Commencement date is 7 September 2010
- Directors fees payable are A$ 48,294 (£ 30,000) per annum
- Termination is subject to 3 months' notice by either party

Post-Employment Benefits

Key management personnel or other personnel do not receive retirement benefits in any form upon termination of their employment or service.

Directors' and key management personnel remuneration, Company and consolidated

Details of the nature and amount of each element of remuneration of each Key Management Personnel, including their names and position of Universal Coal plc are set out in the following tables:

2011 All figures are stated in Australian dollars	Short-term benefits Salary/ Fees	Share based payments	Termination payments	Total	% Options
Executive Directors					
Antony Harwood	209,272	139,925	-	349,197	40%
Anton Weber	209,272	112,408	-	321,680	35%
Non-Executive Directors					
Hendrik Bonsma	101,294	89,490	-	190,784	47%
John Hopkins[3]	40,245	32,069	-	72,314	44%
Shammy Luvhengo[4]	106,896	386,222[9]	-	493,118	7%
	666,979	760,114	-	1,427,093	
Key Management Personnel					
Duncan Craib[5]	85,452	18,873	71,492	175,817	11%
Timothy Horgan[5]	113,464	18,874	95,610	227,948	8%
Marthinus Malan[6]	159,508	75,494	-	235,002	32%
Michael Seeger[6]	156,608	18,873	-	175,481	11%
Daryl Edwards[7]	18,126	-	-	18,126	-%
Dan Robinson[8]	65,000	-	-	65,000	-%
John Bottomley[8]	3,823	-	-	3,823	-%
TOTAL	**1,268,960**	**892,228**	**167,102**	**2,328,290**	

[3] Appointed on 1 September 2010
[4] Appointed on 7 December 2010
[5] Resigned on 31 January 2010. Duncan Craib was the Company's former Chief Financial Officer and Timothy Horgan was the Company's former Company Secretary
[6] Appointed on 1 December 2009. Marthinus (Jaco) Malan is the Company's Chief Geologist and Michael Seeger is the Company's Chief Engineer.
[7] Appointed on 1 June 2011. Daryl Edwards is the Company's current Chief Financial Officer
[8] Outsourced service contracts. Dan Robinson and John Bottomley are the joint Company secretaries.
[9] Shares to the value of A$ 354,153 have been accrued for but have not been issued and are subject to Board approval

2010 All figures are stated in Australian dollars	Short-term benefits Salary/ Fees	Share based payments	Termination payments	Total	% Options
Executive Directors					
Antony Harwood[1]	-	306,272	-	306,272	100%
Anton Weber[1]	53,947	121,282	-	175,229	69%
Non-Executive Directors					
Hendrik Bonsma[1]	64,736	21,112	-	85,848	25%
Bruce Stewart[2]	22,537	-	-	22,537	-%
Alistair Clayton[2]	28,247	-	-	28,247	-%
Nathan McMahon[2]	45,074	-	-	45,074	-%
	214,541	448,666	-	663,207	
Key Management Personnel					
Duncan Craib	64,709	24,147	-	88,856	27%
Timothy Horgan	106,528	10,732	-	117,260	9%
TOTAL	**385,778**	**483,545**	**-**	**869,323**	

[1] Appointed on 1 December 2009
[2] Resigned on 1 December 2009

12. SHARE OPTIONS

As part of the listing process, certain Directors and Key Management Personnel were granted share options in order to align the interests of Directors and Key Management Personnel with those of Shareholders.

The amounts of these share options have been fair valued at the date of the grant using the most common method of valuation; being the Black-Scholes valuation model. Share options carry no voting rights and each option is convertible into one ordinary share in the company.

The terms and conditions of these share options are:

Director **All figures are stated in Australian dollars**	**Grant Date**	**Price**	**Amount**	**In relation to**	**Vested %**	**Expiry**	**Black-Scholes Valuation**
Antony Harwood	9 Dec 2010	$ 0.20	1,000,000	Director	33%	9 Dec 2015	$ 54,281
	9 Dec 2010	$ 0.26	310,752	Salary sacrifice	100%	9 Dec 2015	$ 45,558
	9 Dec 2010	$ 0.39	1,000,000	Director	33%	9 Dec 2015	$ 40,087
Anton Weber	9 Dec 2010	$ 0.20	1,000,000	Director	33%	9 Dec 2015	$ 54,281
	9 Dec 2010	$ 0.26	123,056	Salary sacrifice	100%	9 Dec 2015	$ 18,041
	9 Dec 2010	$ 0.39	1,000,000	Director	33%	9 Dec 2015	$ 40,087
Hendrik Bonsma	9 Dec 2010	$ 0.20	1,000,000	Director	33%	9 Dec 2015	$ 54,281
	9 Dec 2010	$ 0.26	21,420	Salary sacrifice	100%	9 Dec 2015	$ 3,140
	9 Dec 2010	$ 0.39	800,000	Director	33%	9 Dec 2015	$ 32,069
John Hopkins	9 Dec 2010	$ 0.39	800,000	Director	33%	9 Dec 2015	$ 32,069
Shammy Luvhengo	9 Dec 2010	$ 0.39	800,000	Director	33%	9 Dec 2015	$ 32,069

Key Management Employee **All figures are stated in Australian dollars**	**Grant Date**	**Price**	**Amount**	**In relation to**	**Vested %**	**Expiry**	**Black-Scholes Valuation**
Tim Horgan	9 Dec 2010	$ 0.20	200,000	Executive	33%	9 Dec 2015	$ 10,856
	9 Dec 2010	$ 0.26	10,889	Salary sacrifice	100%	9 Dec 2015	$ 1,596
	9 Dec 2010	$ 0.39	200,000	Executive	33%	9 Dec 2015	$ 8,017
Duncan Craib	9 Dec 2010	$ 0.20	200,000	Executive	33%	9 Dec 2015	$ 10,856
	9 Dec 2010	$ 0.26	24,500	Salary sacrifice	100%	9 Dec 2015	$ 3,592
	9 Dec 2010	$ 0.39	200,000	Executive	33%	9 Dec 2015	$ 8,017
Marthinus Jacobus	9 Dec 2010	$ 0.20	800,000	Executive	33%	9 Dec 2015	$ 43,425
Malan	9 Dec 2010	$ 0.39	800,000	Executive	33%	9 Dec 2015	$ 32,069
Michael Seeger	9 Dec 2010	$ 0.20	200,000	Executive	33%	9 Dec 2015	$ 10,856
	9 Dec 2010	$ 0.39	200,000	Executive	33%	9 Dec 2015	$ 8,017

As a result of the Board's decision to seek official listing to the Australian Stock Exchange (ASX) all existing options were re-evaluated to comply with ASX listing rules and regulations. All existing option terms and conditions at the date of the listing were varied to ensure that they comply with ASX listing rules.

Outstanding options were revised to comply with the ASX listing rules and share split noted above, which resulted in the following options being issued with a 5 year expiry date:

Number of options	Exercise price
4,400,000	A$ 0.20
5,108,617	A$ 0.26
3,200,000	A$ 0.34
5,800,000	A$ 0.39

On 24 November 2010, the Board resolved to approve the issue of options over ordinary shares to company advisors. Stonebridge Securities Ltd or its nominee, received options equivalent to 2.5% of the issued shares in the Company upon listing with expiry dates of 31 December 2013, on the following basis:

Number of options	Exercise price
1 972,180	A$ 0.26
1,972,180	A$ 0.286
986,090	A$ 0.312

Further, Pursuit Capital Ltd or its nominee, received in options equivalent to 5% of the issued shares in the Company upon listing, resulting in the grant of 3,007,110 options, exercisable at A$0.26 with an expiry date of 24 November 2015.
On 7 January 2011, the Board approved the issue of 500,000 unlisted options issued to Subiaco Capital in lieu of consulting fees for the provision of corporate and financial advice and investor relations services. 200,000 of these options were exercised on 14 February 2011 and 100,000 options were exercised on 8 March 2011.

13. DIRECTORS INTERESTS

Director Name	Number of fully paid ordinary shares	Share Options Outstanding[2]
Antony Harwood[1]	4,591,811	2,310,752
Anton Weber[1]	4,630,346	2,123,056
Hendrik Bonsma[1]	4,109,725	1,821,420
John Hopkins	-	800,000
Shammy Luvhengo	-	800,000

Notes:
1. Messrs Anton Weber and Hendrik Bonsma each hold a relevant interest in 4,000,000 Shares and Dr Antony Harwood holds 3,000,000 Shares by virtue of the issue of the Injula Consideration Shares pursuant to the Deed of Cession, in accordance with the Kangala Acquisition Agreement. Notwithstanding that Dr Harwood, Mr Weber and Mr Bonsma were not directors of the Company at the time of execution of the Kangala Acquisition Agreement, the Company obtained Shareholder approval on 8 September 2010 for the entry into the Kangala Project arrangements, for the purpose of the issue of these Shares.

2. Please refer to the Remuneration Report above for details of these options.

14. DIRECTORS INDEMNITY

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

15. DIRECTORS STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 6.

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

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

16. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to year end, the interest held by Universal Coal & Energy Holdings South Africa (Pty) Ltd in Universal Coal Development II (Pty) Ltd had increased to 40% from the current 7% due to the completion of the Indicated Coal Resources as per the addendum to the Acquisition and Option Agreement.

On 30 August 2011, Universal Coal & Energy Holdings South Africa (Pty) Ltd entered into an earn-in agreement with Universal Coal Development VI (Pty) Ltd ("UCDVI") and Pacific Breeze Trading 725 (Pty) Ltd, whereby after successful completion of a legal and technical due diligence and subject to Board approval, Universal Coal & Energy Holdings South Africa (Pty) Ltd will be granted 15% ownership in UCDVI. Universal Coal & Energy Holdings South Africa (Pty) Ltd will further achieve an additional 10% upon the confirmation of a an inferred resource, a further 10% on confirmation of an indicated resource and a further 15% on confirmation of a measured resource.

ON BEHALF OF THE BOARD:

DR ANTONY HARWOOD
CHAIRMAN
29 September 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

ON BEHALF OF THE BOARD:

DR ANTONY HARWOOD
CHAIRMAN
29 September 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL COAL PLC

We have audited the financial statements of Universal Coal plc for the year ended 30 June 2011 which comprise the consolidated and company statement of financial position, the consolidated statement of comprehensive income, the group and company statement of changes in equity, consolidated and company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union (IFRSs) and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs;
- the parent company financial statements have been properly prepared in accordance with IFRSs and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

BDO LLP

Anne Sayers (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
30 September 2011

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

CONSOLIDTAED AND COMPANY STATEMENT OF FINANCIAL POSITION

All figures are stated in Australian Dollars		GROUP		COMPANY	
		2011	2010	**2011**	2010
	Note	**A$'000**	A$'000	**A$'000**	A$'000
Assets					
Non-Current Assets					
Property, plant and equipment	4	**56**	11	**-**	-
Intangible assets	5	**5,082**	5,000	**-**	-
Investments in subsidiaries	6	**-**	-	**18,208**	13,029
Investments in associates	7	**8,000**	4,985	**-**	-
		13,138	9,996	**18,208**	13,029
Current Assets					
Trade and other receivables	8	**439**	829	**255**	149
Cash and cash equivalents	9	**12,830**	255	**10,607**	104
		13,269	1,084	**10,862**	253
Total Assets		**26,407**	11,080	**29,070**	13,282
Equity and Liabilities					
Equity					
Share capital	10	**17,077**	7,730	**17,077**	7,730
Share premium	10	**34,495**	18,218	**34,495**	18,218
Foreign Currency Translation Reserve		**3,674**	4,253	**622**	2,697
Shares to be issued		**-**	5,105	**-**	5,105
Share based payment reserve		**3,373**	1,857	**3,373**	1,857
Retained deficit		**(32,557)**	(26,109)	**(26,665)**	(22,440)
		26,062	11,054	**28,902**	13,167
Non-controlling interest		**(512)**	(185)	**-**	-
Equity Attributable to Equity Holders of Parent		**25,550**	10,869	**28,902**	13,167
Liabilities					
Current Liabilities					
Trade and other payables	13	**857**	211	**168**	115
Total Equity and Liabilities		**26,407**	11,080	**29,070**	13 282

The notes on page 23 to 51 form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All figures are stated in Australian Dollars	Note	**2011** A$'000	2010 A$'000
Exploration expenditure		**(1,256)**	(701)
Operating expenses		**(5,642)**	(2,571)
Share based payment charge		**(3,750)**	(1,889)
Impairment reversal		**-**	183
Operating loss	14	**(10,648)**	(4,978)
Finance income	15	**458**	1
Foreign exchange gain/(loss)		**1,254**	(6)
Share of operating loss of associated undertakings	7	**(406)**	(61)
Gain arising on step up of interest in associated undertaking	7	**567**	-
Finance expenses	15	**(2)**	-
Loss for the year	14	**(8,777)**	(5,044)
Other comprehensive income:			
Exchange differences on translation of foreign operations		**(544)**	2,743
Total comprehensive loss		**(9,321)**	(2,301)
Loss attributable to :			
Owners of the parent		**(8,415)**	(4,864)
Non-controlling interest		**(362)**	(180)
		(8,777)	(5,044)
Total comprehensive loss attributable to:			
Owners of the parent		**(8,994)**	(2,116)
Non-controlling interest		**(327)**	(185)
		(9,321)	(2,301)
Loss Per Share			
Basic and diluted loss per share (cents)	23	**(5.4)**	(7.5)

The notes on page 23 to 51 form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY (GROUP)

GROUP	Share capital	Share premium	Total share capital	Foreign currency translation reserve	Shares to be issued	Share based payment reserve	Total reserves	Retained deficit	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
All figures are stated in Australian Dollars	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000
Balance at 1 July 2009	**5,051**	**12,100**	**17,151**	**1,505**	**5,318**	**-**	**6,823**	**(21,245)**	**2,729**	**-**	**2,729**
Total comprehensive loss for the year	-	-	-	2,748	-	-	2,748	(4,864)	(2,116)	(185)	(2,301)
Issue of shares	2,679	6,118	8,797	-	(213)	-	(213)	-	8,584	-	8,584
Share based payments	-	-	-	-	-	1,857	1,857	-	1,857	-	1,857
Balance at 1 July 2010	**7,730**	**18,218**	**25,948**	**4,253**	**5,105**	**1,857**	**11,215**	**(26,109)**	**11,054**	**(185)**	**10,869**
Total comprehensive loss for the year	-	-	-	(579)	-	-	(579)	(8,415)	(8,994)	(327)	(9,321)
Issue of shares	9,347	16,277	25,624	-	(5,105)	-	(5,105)	-	20,519	-	20,519
Share based payments	-	-	-	-	-	3,483	3,483	-	3,483	-	3,483
Transfer between reserves	-	-	-	-	-	(1,967)	(1,967)	1,967	-	-	-
Balance at 30 June 2011	**17,077**	**34,495**	**51,572**	**3,674**	**-**	**3,373**	**7,047**	**(32,557)**	**26,062**	**(512)**	**25,550**
Note	10	10	10			12					

The notes on page 23 to 51 form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY (COMPANY)

COMPANY	Share capital	Share premium	Total share capital	Foreign currency translation reserve	Shares to be issued	Share based payment reserve	Total reserves	Retained deficit	Total attributable to equity holders of the Company	Total equity
All figures are stated in Australian Dollars	**A$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**
Balance at 1 July 2009	**5,051**	**12,100**	**17,151**	**-**	**5,318**	**-**	**5,318**	**(18,870)**	**3,599**	**3,599**
Total comprehensive loss for the year	-	-	-	2,697	-	-	2,697	(3,570)	(873)	(873)
Issue of shares	2,679	6,118	8,797	-	(213)	-	(213)	-	8,584	8,584
Share based payments	-	-	-	-	-	1,857	1,857	-	1,857	1,857
Balance at 1 July 2010	**7,730**	**18,218**	**25,948**	**2,697**	**5,105**	**1,857**	**9,659**	**(22,440)**	**13,167**	**13,167**
Total comprehensive loss for the year	-	-	-	(2,075)	-	-	(2,075)	(6,192)	(8,267)	(8,267)
Issue of shares	9,347	16,277	25,624	-	(5,105)	-	(5,105)	-	20,519	20,519
Share based payments	-	-	-	-	-	3,483	3,483	-	3,483	3,483
Transfer between reserves	-	-	-	-	-	(1,967)	(1,967)	1,967	-	-
Balance at 30 June 2011	**17,077**	**34,495**	**51,572**	**622**	**-**	**3,373**	**3,995**	**(26,665)**	**28,902**	**28,902**
Note	10	10	10							

The notes on page 23 to 51 form part of the financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

All figures are stated in Australian Dollars		GROUP		COMPANY	
		2011	2010	**2011**	2010
	Note	**A$'000**	A$'000	**A$'000**	A$'000
Cash flows from operating activities					
Cash used in operations	18	**(5,871)**	(3,580)	**(4,386)**	(1,753)
Net cash used in operating activities		**(5,871)**	(3,580)	**(4,386)**	(1,753)
Cash flows from investing activities					
Acquisition of property, plant and equipment	4	**(52)**	(7)	**-**	-
Acquisition of intangible assets	5	**(1,190)**	-	**-**	-
Investment in subsidiary	6	**-**	-	**(7,051)**	(3,051)
Investment in associated undertakings	7	**(2,186)**	(950)	**-**	-
Finance income		**458**	1	**444**	1
Net cash used in investing activities		**(2,970)**	(956)	**(6,607)**	(3,050)
Cash flows from financing activities					
Proceeds of share issue	10	**21,863**	4,472	**21,863**	4,472
Finance expense	15	**(2)**	-	**-**	-
Net cash generated from financing activities		**21,861**	4,472	**21,863**	4,472
Total cash movement for the year		**13,020**	(64)	**10,870**	(331)
Cash at the beginning of the year	9	**255**	826	**104**	787
Effect of exchange rate movement on cash balances		**(445)**	(507)	**(367)**	(352)
Total cash at end of the year	9	**12,830**	255	**10,607**	104

The notes on page 23 to 51 form part of the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

General information
The Company is domiciled in the UK. The address of the registered office is One America Square, Crosswall, London EC3N 2SG. The registered number of the company is 4482856.

Basis of preparation
The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards IFRS's and IFRIC interpretations, issued by the International Accounting Standards Board and as adopted by the European Union (IFRS).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Group loss for the year includes a loss after tax of A$ 6,192,653 (2010: loss of A$ 3,570,417) which is dealt with in the financial statements of the parent Company.

Going concern

The accounts have been prepared on the going concern basis. The Directors believe that this basis is appropriate despite the loss for the year of A$ 8,776,823 (2010: loss of A$ 5,043,902). At the year end the Group has A$ 12,829,956 (2010: $ 255,088) of cash reserves. On 9 December 2010, Universal Coal plc was admitted to the official list of the ASX, with official quotation of the Company's securities commencing on 10 December 2010. This occurred following the Board resolution on 24 November 2010 to approve the issue of 78,544,962 ordinary shares under the Prospectus at an issue price of A$0.26, raising the company funds of A$ 20,421,690. The Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future.

Functional and presentation currency
Items included in the consolidated annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The Company's functional currency is Pounds Sterling ("£"). The consolidated annual financial statements are presented in Australian Dollar ("A$") which is the Group's presentation currency. For the purposes of the Group's presentation currency, the comparatives for the year ended 30 June 2010 were translated for the statement of financial position using $:£ exchange spot rate on that date, being $0.5664:£1, for the statement of changes in comprehensive income the average $:£ exchange rate during the year being $0.5567:£1, for the opening balances at 01 July 2009 using the $:£ exchange spot rate on that date being $0.4873:£1. The resulting exchange differences have been taken to the Foreign Currency Translation Reserve.

The accounts are presented in A$'000 unless otherwise stated.

Basis of consolidation

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

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

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

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

(b) Subsidiaries
Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights are taken into account. Subsidiaries are fully consolidated from the date on which control is transferred until the date that the control ceases.
The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Inter-company transactions, balances and unrealised gains on transactions between Group entities are eliminated.

The consolidated financial statements have been prepared in accordance with IAS 27 'Consolidated and Separate Financial Statements' and IFRS 3 'Business Combinations'.

The company's investment in its subsidiary is carried at cost, less any impairment recognised.

(c) Associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The degree of control and contractual ability to direct the use of funding provided by the Group are taken into consideration.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost plus any goodwill arising. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. The carrying amount of investment in an associate is subject to impairment in the same way as described below.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated Statement of Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate no further losses are recognised.

Finance income
Finance income is accrued on a timely basis using the effective interest method, which exactly discounts estimated future cash flows through the expected life of the financial asset, to which the finance income derived, to its net carrying value. The only finance income in the year related to bank interest received in the year. The impact of discounting was immaterial.

Interest income and expense are reported on an accrual basis.
Intangible assets

Exploration and evaluation assets
The Group capitalises the fair value of the consideration paid for exploration and prospecting rights. All other costs incurred are expensed as they are incurred. The Group has taken into consideration the degree to which expenditure can be associated with finding specific mineral resources. Once all relevant mining and operating licences have been granted, the intangible assets will be reclassified to an item of property, plant and equipment and will be amortised over the expected life of the mining licences. The amortisation expense will be included within the administration expenses in the Statement of Comprehensive Income.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Computer software
Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 years

Impairment of assets
Where appropriate the Group reviews the carrying amounts of its property, plant and equipment, intangible assets and investments to determine whether there is any indication that those assets have suffered an impairment.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. 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.

The 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 pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. 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 (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment. Depreciation is charged so as to write off the costs of assets, over their estimated useful lives, using the straight line method on the following basis:

Item	Useful life
Computer equipment	3 years
Furniture and fittings	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.
The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

Financial assets and liabilities are initially recognised and subsequently measured based on their classification as "loans and receivables" or "financial liabilities measured at amortised costs".

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

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

Other financial liabilities
Other financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Leases
A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset or liability is not discounted.

Any contingent rents are expensed in the period in which they are incurred.

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

Deferred tax
Deferred tax is calculated using the balance sheet liability method, which requires provision for temporary differences between the tax bases of assets and liabilities and their carrying amounts on the Statement of Financial Position. Tax rates enacted at the end of the reporting period are used to determine the deferred tax balances. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Foreign currencies

Company
Assets and liabilities in foreign currencies are translated into Australian Dollar ("$") at the rates of exchange ruling at the end of the reporting period. Transactions in foreign currencies are translated into Sterling ("£") at the rate of exchange ruling at the date of transaction. Such exchange differences are taken into account in arriving at the operating result.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Group
The Group translates its foreign operations using the closing rate method.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;

- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the translation of the net assets of foreign operations are taken to the foreign exchange reserve. Other exchange differences are taken to the Statement of Comprehensive Income.

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

Where outstanding share options have been modified in the year under review, the full expenditure is accounted for immediately and the related adjustment is made to opening retained earnings.

Employee benefits

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

The expected cost of profit sharing, share options and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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

(a) Impairment of intangible assets and property, plant and equipment (note 4 and 5)
In formulating accounting policies the Directors are required to apply their judgement, and where necessary engage professional advisors, with regard to the impairment review assumptions used in assessing the carrying value of its assets.

These assets of the Group are subject to periodic review by the Directors.
On review during the year, the Directors have noted no circumstances which would suggest that at this time any impairment is necessary given the preliminary results on surveys obtained to date. The situation will be closely monitored and adjustments made in future periods if there are indications that the assets held are not recoverable.

(b) Share-based payments (note 12)
In determining the fair value of equity settled share based payments and the related charge to the Statement of Comprehensive Income, the Group must make assumptions about inputs into valuation models, future events and market conditions. Judgement is made as to the likely number of shares that will vest, and inputs into valuation models, the fair value of each award granted.

Share options are measured at fair value at the grant date using the Black-Scholes model. The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest.

(c) Associated undertakings (note 7)
The Directors believe, after careful consideration, that the Group, as a matter of fact, exercises significant influence over the activities and operations of Universal Coal Development II (Pty) Ltd, Universal Coal Development III (Pty) Ltd, Universal Coal Development IV (Pty) Ltd and Universal Coal Development V (Pty) Ltd. Therefore, the associated undertakings are accounted for on the equity basis.

2. NEW STANDARDS AND INTERPRETATIONS

The financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period. There following new standards, interpretations and amendments to published standards effective in the year have not been adopted by the Group:

Standards	Details of amendment	Annual periods beginning on or after
IFRS 7: Financial Instruments: Disclosures	- Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period	1 July 2011
IFRS 9: Financial Instruments	New standard that forms the first part of a three-part project to replace *IAS 39 Financial Instruments: Recognition and Measurement*	1 January 2013
IFRS 10: Consolidated Financial Statements	New standard that replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess	1 January 2013
IFRS 11: Joint Arrangements	New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities	1 January 2013
IFRS 12: Disclosure of Interests in Other Entities	New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles	1 January 2013
IFRS 13: Fair Value Measurement	New guidance on fair value measurement and disclosure requirements	1 January 2013
IAS 1: Presentation of Financial Statements	- New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.	1 July 2012
IAS 12: Income Taxes	-Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.	1 January 2012
IAS 19: Employee Benefits	Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans	1 January 2013
IAS 27: Consolidated and Separate Financial Statements	Consequential amendments resulting from the issue of IFRS 10,11 and 12	1 January 2013
IAS 28: Investments in Associates	Consequential amendments resulting from the issue of IFRS 10,11 and 12	1 January 2013

The Group have not yet assessed the impact of IFRS 9. Except for the amended disclosure requirements of IAS24 Revised the above new standards, amendments and interpretations are not expected to materially affect the Group's reporting or reported numbers.

New IFRS issued by the IASB and applied in these financial statements are as follows:

The amendments as set out below are considered not to be material:

Standards	Details of amendment	Annual periods beginning on or after
IAS 1: Presentation of Financial Statements	-Current/non-current classification of convertible instruments -Clarification of statement of changes in equity	1 January 2010 1 January 2011
IAS 7: Statement of Cash Flows	-Classification of expenditures on unrecognised assets	1 January 2010
IAS 24: Related Party Disclosures	-Simplification of the disclosure requirements for government-related entities -Clarification of the definition of a related party	1 January 2011
IAS 27: Amendment – Consolidated and separate financial statements	- Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements	1 July 2010
IFRS3: Revised – Business Combinations	- Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS - Clarification on the measurement of non-controlling interests - Additional guidance provided on un-replaced and voluntarily replaced share-based payment awards	1 January 2011
IFRS 2: - Amendment - Group Cash -settled Share-based Payment Transactions	- Clarification of scope of IFRS 2 and IFRS 3 revised - Amendments relating to group cash-settled share-based payment transactions – clarity of the definition of the term “Group” and where in a group share based payments must be accounted for.	1 July 2009 1 January 2010

3. SEGMENTAL REPORT

All investments in associates and subsidiaries operate in one geographical location being South Africa, and are organised into one business unit from which the Group's expenses are incurred and future revenues are expected to be earned, being for the exploration for and extraction of coal and production of Coal through in-direct holdings. The reporting on these investments to the Chief Operating Decision Makers, the Board of Directors, focuses on the use of the profit and loss and capitalisation of the coal projects.

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

For the year ended 30 June 2011	**Indirect Interest in Exploration and development of coal**	**Corporate (Unallocated)**	**Total**
	A$'000	**A$'000**	**A$'000**
Total revenues	**-**	**-**	**-**
Exploration expenditure	**(1,256)**		**(1,256)**
Admin expenses (exc share based payments)		**(5,642)**	**(5,642)**
Share based payments expense	**-**	**(3,750)**	**(3,750)**
Share of operating loss of associate	**(406)**	**-**	**(406)**
Gain arising on step-up of interest	**567**	**-**	**567**
Foreign exchange gain		**1,254**	**1,254**
Net finance income	**-**	**456**	**456**
Profit / (loss) before and after taxation	**(1,095)**	**(7,682)**	**(8,777)**
Total non-current assets	**13,138**	**-**	**13,138**
Total assets	**26,381**	**26**	**26,407**
Total liabilities	**(281)**	**(576)**	**(857)**

For the year ended 30 June 2010	Indirect interest in Exploration and development of coal	Corporate (Unallocated)	Total
	A$'000	A$'000	A$'000
Total revenues	-	-	-
Share based payments expense	-	(1,889)	(1,889)
Exploration expenditure	(701)	-	(701)
Admin expenses (exc share based payments)	-	(2,571)	(2,571)
Refund relating to Vlakplaats coal project	183	-	183
Share of operating loss of associate	(61)	-	(61)
Foreign exchange loss		(6)	(6)
Net finance income	-	1	1
Profit / (loss) before and after taxation	(579)	(4,465)	(5,044)
Total non-current assets	9,985	11	9,996
Total assets	10,827	253	11,080
Total liabilities	(94)	(117)	(211)

4. PROPERTY PLANT AND EQUIPMENT

Group	2011		
	Cost	**Accumulated depreciation**	**Carrying value**
	A$'000	**A$'000**	**A$'000**
Furniture and fixtures	**34**	**(4)**	**30**
Computer equipment	**29**	**(3)**	**26**
Total	**63**	**(7)**	**56**

Reconciliation of property, plant and equipment - Group - 2011

	Opening balance	**Additions**	**Disposals**	**Foreign exchange movements**	**Depreciation**	**Total**
	A$'000	**A$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**
Furniture and fixtures	**11**	**23**	**-**	**(1)**	**(3)**	**30**
Computer equipment	**-**	**29**	**-**	**-**	**(3)**	**26**
	11	**52**	**-**	**(1)**	**(6)**	**56**

Group	2009	2010		
	Net Book Value	Cost	Accumulated depreciation	Carrying value
	A$'000	**A$'000**	**A$'000**	**A$'000**
Furniture and fixtures	6	13	(2)	11
Computer equipment	-	-	-	-
Total	6	13	(2)	11

Reconciliation of property, plant and equipment - Group - 2010

	Opening balance	Additions	Disposals	Foreign exchange movements	Depreciation	Total
	A$'000	A'000	A$'000	A$'000	A$'000	A$'000
Furniture and fixtures	6	7	-	-	(2)	11

5. INTANGIBLE ASSETS

Group	**2011**			2010		
	Cost	**Accumulated amortisation**	**Carrying value**	Cost	Accumulated amortisation	Carrying value
	A$'000	**A$'000**	**A$'000**	A$'000	A$'000	A$'000
Mining & Prospecting Rights						
Universal Coal Development I (Pty) Ltd	**5,015**	**-**	**5,015**	4,372	-	4,372
Universal Coal Development II (Pty) Ltd	**-**	**-**	**-**	628	-	628
Other Intangible Assets						
Computer software	**67**	**-**	**67**	-	-	-
Total	**5,082**	**-**	**5,082**	5,000	-	5,000

Reconciliation of intangible assets Group – 2011

	Opening balance	Additions	Disposals	Foreign exchange movements	Total
	A$'000	A$'000	A$'000	A$'000	A$'000
Mining & Prospecting Rights					
Universal Coal Development I (Pty) Ltd	4,372	1,123	-	(480)	5,015
Universal Coal Development II (Pty) Ltd	628	-	(628)	-	-
Other Intangible Assets					
Computer software	-	67	-	-	67
	5,000	1,190	(628)	(480)	5,082

The disposal of Universal Coal Development II (Pty) Ltd reflects the de-recognition of the assets of the subsidiary as a result of the dilution from a 100% owned subsidiary to a 7% owned associate.

Reconciliation of intangible assets Group – 2010

	Opening balance	Additions	Disposals	Foreign exchange movements	Total
	A$'000	A$'000	A$'000	A$'000	A$'000
Mining & Prospecting Rights					
Universal Coal Development I (Pty) Ltd	5,181	-	(650)	(159)	4,372
Universal Coal Development II (Pty) Ltd	-	628	-	-	628
	5,181	628	(650)	(159)	5,000

The disposal amount in Universal Coal Development I (Pty) Ltd reflects transfer of a prepaid amount for the 2010 year which was reversed in the 2011 year.

Supplementary information on Intangible Assets

The following detailed schedule provides additional information pertaining specifically to the interest's held by Universal Coal plc in the identifiable Mining & Prospecting Rights as at year end:

Project	Asset	Registration Number	Permit Number	Interest (%)	Licence Expiry Date	Renewal submitted	Licence Area (ha)
Kangala Project: Universal Coal Development I (Pty) Ltd	Middelbult 235 IR, Portions 40 & 82	588/2006 PR	MP30/5/1/1/640 PR	70.5%	06/11/2011	12/08/2011	942
Kangala Project: Universal Coal Development I (Pty) Ltd	Wolvenfontein 244 IR, Portion 1 and RE of Portion 2#	654/2006 PR	MP30/5/1/2/429 MR	70.5%	06/11/2011	n/a	951
Kangala Project: Universal Coal Development I (Pty) Ltd	Modderfontein 236 IR, Portion 1	93/2007 PR	MP30/5/1/1/2/639PR	70.5%	06/11/2011	15/08/2011	127
Roodekop Project: Universal Coal Development IV (Pty) Ltd	Roodekop 63 IS IR, the whole farm	191/2009 PR	MP30/5/1/1/2/1980PR	50%	20/04/2012		860
Brakfontein Project: Universal Coal Development III (Pty) Ltd	Brakfontein 264 IR, Portions 6, 8, 9, 10, 20, 26, 30 and RE of 264 IR	245/2008 PR	MP30/5/1/1/2/1879PR	30%	09/07/2011	12/04/2011	879
Berenice and Somerville Project: Universal Coal Development II (Pty) Ltd	Berenice and Somerville Projects, several farms	342/2009 PR	LP30/5/1/1/2/376PR	7%	24/07/2011	20/04/2011	39,484
Cygnus Project: Universal Coal Development V (Pty) Ltd	Cygnus Project	227/2008 PR	LP30/5/1/1/2/1276PR	10%	06/05/2013		12,299
Twin Cities Trading 374 (Pty) Ltd	Darwina Louw 254 IR##	-	MP30/5/1/1/2/5196PR	74%	-	-	693
Twin Cities Trading 374 (Pty) Ltd	Strehla 261 IR, Portions 3(RE), 6, 8, 9, 12, 13 & RE##	-	MP30/5/1/1/2/5176PR	74%	-	-	1,337

On 27 September 2010, UCD I was granted a Mining Right to mine for coal, in respect of Wolvenfontein No. 244 IR. The Mining Right comes into effect on the date on which the environmental management programme is approved in terms of section 39(4) of the MPRDA.

In Application.

6. INVESTMENT IN SUBSIDIARIES

Name of company	% holding 2011	% holding 2010	Carrying amount 2011 A$'000	Carrying amount 2010 A$'000
Universal Coal & Energy Holdings South Africa (Pty) Ltd ("UCEHSA")	**100%**	100%	**18,208**	13,029
Universal Coal Development I (Pty) Ltd	**70.5%**	70.5%		
Universal Coal Development II (Pty) Ltd#	**n/a**	100%		
Twin Cities Trading 374 (Pty) Ltd*	**74%**	74%		

in the prior this entity was classified as a subsidiary and consolidated
* held indirectly. All indirect subsidiaries are incorporated and operate in South Africa

	Total A$'000
The investment in subsidiaries at 30 June 2011 were:	
Country of incorporation:	South Africa
Class of share:	Ordinary
Proportion held of the ordinary shares:	100%
Reconciliation of movements for the 2011 year	
Balance at beginning of year	**13,029**
Investment in the period	**7,051**
Foreign exchange movement	**(1,872)**
Disposal of investment in subsidiary	**-**
Total carrying value at the end of the year	**18,208**
Reconciliation of movements for the 2010 year	
Balance at beginning of year	6,447
Investment in the period	6,582
Total carrying value at the end of the year	13,029

7. INVESTMENT IN ASSOCIATED UNDERTAKINGS

Name of company	2011 holding	2010 holding	Carrying Amount 2011 A$'000	Carrying Amount 2010 A$'000
Universal Coal Development II (Pty) Ltd ("UCDII") #	**7%**	n/a	**1,918**	-
Universal Coal Development III (Pty) Ltd ("UCDIII")	**30%**	15%	**2,839**	2,651
Universal Coal Development IV (Pty) Ltd ("UCDIV")	**50%**	25%	**3,087**	2,334
Universal Coal Development V (Pty) Ltd ("UCDV")	**10%**	n/a	**156**	-
			8,000	4,985

in the prior this entity was classified as a subsidiary and consolidated

Universal Coal Development II (Pty) Ltd
On 1 July 2010, the contractual agreement between Bono Lithihi Investments (Pty) Ltd and Universal Coal & Energy Holdings South Africa (Pty) Ltd took effect, which led to the issue of 99 additional Ordinary shares, allocating a 93% interest in Universal Coal Development II (Pty) Ltd to Bono Lithihi Investments (Pty) Ltd, thus changing the nature of the investment from a subsidiary in the prior period to a 7% held associate in the current year. The effective date of this transaction was stated to be 1 July 2010, as the directors resolutions were ratified on the said date.

Universal Coal Development III (Pty) Ltd
Universal Coal Development III (Pty) Ltd issued 22 Ordinary shares to Universal Coal & Energy Holdings South Africa (Pty) Ltd, which was ratified through a signed directors resolution dated 14 August 2010, thus increasing the interest held by Universal Coal & Energy Holdings South Africa (Pty) Ltd from 15% to 30%, along with the related decrease in the interest held by Unity Rocks Mining (Pty) Ltd. Accordingly the investment is still accounted for as an associate in the 2011 financial period.

Universal Coal Development IV (Pty) Ltd
Universal Coal Development IV (Pty) Ltd issued 57 additional Ordinary shares during the 2011 financial period to Universal Coal & Energy Holdings South Africa (Pty) Ltd, which was ratified through a signed directors resolution dated 1 April 2011, thus increasing the interest held by Universal Coal & Energy Holdings South Africa (Pty) Ltd to 50%, along with the related decrease in the interest held by Xakwa Investments (Pty) Ltd. The change in the percentage interest held by Universal Coal & Energy Holdings South Africa (Pty) Ltd in Universal Coal Development IV (Pty) Ltd has had no effect on the treatment of Universal Coal Development IV (Pty) Ltd as an associate on consolidation.

Universal Coal Development V (Pty) Ltd
During the current financial period Universal Coal & Energy Holdings South Africa (Pty) Ltd acquired a 10% interest in Universal Coal Development V (Pty) Ltd. Due to the significant influence Universal Coal & Energy Holdings South Africa (Pty) Ltd has in Universal Coal Development V (Pty) Ltd, the acquisition will be accounted for an associate investment during the 2011 financial period.

	UCD II	UCD III	UCD IV	UCD V	TOTAL
The associated undertakings at 30 June 2011 were:	A$'000	A$'000	A$'000	A$'000	A$'000
Country of incorporation:	South Africa	South Africa	South Africa	South Africa	
Class of share:	Ordinary	Ordinary	Ordinary	Ordinary	
Proportion held of the ordinary shares:	7%	30%	50%	10%	
Reconciliation of movements for the 2011 year					
Balance at beginning of year	**-**	**2,651**	**2,334**	**-**	**4,985**
Acquisition of investment in associate	**646**	**-**	**-**	**-**	**646**
Investments in the period	**1,401**	**246**	**382**	**157**	**2,186**
Share of loss of associate	**(160)**	**(63)**	**(182)**	**(1)**	**(406)**
Gain arising on step up of interest	**-**	**-**	**567**	**-**	**567**
Movements in exchange rates	**31**	**5**	**(14)**	**-**	**22**
Total carrying value at the end of the year	**1,918**	**2,839**	**3,087**	**156**	**8,000**
Reconciliation of movements for the 2010 year					
Balance at beginning of year	-	394	238	-	632
Investment in the period	-	2,282	2,134	-	4,416
Share of loss of associate	-	(25)	(36)	-	(61)
Movements in exchange rates	-	-	(2)	-	(2)
Total carrying value at the end of the year	-	2,651	2,334	-	4,985

Financial information of Associated Undertakings:

All the associated undertakings have prepared audited financial statements for the year ended 30 June 2011 and are accounted for in Universal Coal plc using the equity method of accounting.

Summary financial information of associated undertakings is set our below:

Summary financial information – 2011:	**UCD II**	**UCD III**	**UCD IV**	**UCD V**
	A$'000	**A$'000**	**A$'000**	**A$'000**
Loss for the period	**(1,673)**	**(212)**	**(429)**	**(11)**
Non-current assets	**1,012**	**2,612**	**2,124**	**147**
Current assets	**175**	**14**	**-**	**-**
Total assets	**1,187**	**2,626**	**2,124**	**147**
Current liabilities	**710**	**60**	**-**	**-**
Non-current liabilities	**-**	**-**	**-**	**-**
Total liabilities	**710**	**60**	**-**	**-**
Total equity shareholders' funds	**477**	**2,566**	**2,124**	**147**

Summary financial information – 2010:	**UCD II**	**UCD III**	**UCD IV**	**UCD V**
	A$'000	**A$'000**	**A$'000**	**A$'000**
Loss for the period	-	(166)	(238)	-
Non-current assets	-	2,506	2,126	-
Current assets	-	-	-	-
Total assets	-	2,506	2,126	-
Current liabilities	-	-	-	-
Non-current liabilities	-	-	-	-
Total liabilities	-	-	-	-
Total equity shareholders' funds	-	2,506	2,126	-

Associates with less than 20% holding

Universal Coal & Energy Holdings South Africa (Pty) Ltd exercises significant influence over the entities above as it has significant operating influence, or has authority to influence the policies and procedures of the company.

8. TRADE AND OTHER RECEIVABLES

	GROUP		**COMPANY**	
	2011	2010	**2011**	2010
Trade and other receivables consist of:	**A$'000**	A$'000	**A$'000**	A$'000
Prepayments	**161**	672	**137**	7
Deposits	**95**	-	**95**	-
Value Added Taxation	**183**	44	**23**	29
Rental deposit	**-**	113	**-**	113
	439	829	**255**	149

9. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2011	2010	**2011**	2010
Cash and cash equivalents consist of:	**A$'000**	A$'000	**A$'000**	A$'000
Cash at bank	**3,643**	149	**2,532**	-
Fixed term deposits	**9,187**	106	**8,075**	104
	12,830	255	**10,607**	104

Financial guarantees
Certain financial guarantees have been entered into by Universal Coal plc in relation to rehabilitation bonds and are secured against the cash at bank balance.

	GROUP	
	2011	2010
A summary of the guarantees is below:	**A$'000**	A$'000
Xakwa Investments (Pty) Ltd	**6**	-
Department of Minerals and Energy	**33**	-
	39	-

10. SHARE CAPITAL

Authorised:

Number	**Class**	**Nominal Value 2011 £**	**Nominal Value 2010 £**
500,000,000	Ordinary	0.05	0.10

Allotted, issued and fully paid:

Number	**Class**	**Nominal Value £**	**2011 A$'000**	2010 A$'000
2011: 203,684,554	Ordinary	0.05	17,077	
2010: 43,779,487	Ordinary	0.10		7,730

	GROUP		COMPANY	
	2011	2010	**2011**	2010
Share Capital Reconciliation:	**A$'000**	A$'000	**A$'000**	A$'000
Opening balance	**7,730**	5,051	**7,730**	5,051
Movements for the year	**9,347**	2,679	**9,347**	2,679
Closing balance	**17,077**	7,730	**17,077**	7,730

	GROUP		COMPANY	
	2011	2010	**2011**	2010
Share Premium Reconciliation:	**A$'000**	A$'000	**A$'000**	A$'000
Opening balance	**18,218**	12,100	**18,218**	12,100
Movements for the year	**16,277**	6,118	**16,277**	6,118
Closing balance	**34,495**	18,218	**34,495**	18,218

Significant changes in the share capital of the Company during the financial year was as follows:

Shares:	Date	Number of shares issued	Cumulative shares issued
Opening Balance as at 30 June 2010	1 July 2010	-	43,779,487
Salary Sacrifice Agreement with Directors	2 September 2010	2,002,516	45,782,003
Pre "IPO" fund raising share issue	7 September 2010	6,211,538	51,993,541
Share split as per "ASX" listing requirements	9 September 2010	43,779,487	95,773,028
Issue of shares in settlement of professional fees	29 September 2010	1,500,000	97,273,028
Re-priced option agreements	3 November 2010	5,592,642	102,865,670
Issue of shares to acquire Kangala Project	16 November 2010	21,400,000	124,265,670
Issue of shares to raise capital - "IPO"	9 December 2010	78,544,962	202,810,632
Issue of shares in settlement of consulting fees	5 January 2011	573,922	203,384,554
Exercise of share options at A$0.26 per share	14 February 2011	200,000	203,584,554
Exercise of share options at A$0.26 per share	8 March 2011	100,000	203,684,554
			203,684,554

Significant changes in the share capital of the Company during the prior financial year was as follows:

Shares:	Date	Number of shares issued	Cumulative issued shares
Opening Balance as at 1 July 2009	1 July 2009	-	246,094,900
Issue of shares to raise capital	1 July 2009	30,000,000	276,094,900
Issue of shares to raise capital	4 August 2009	5,450,000	281,544,900
Issue of shares to raise capital	3 November 2009	15,750,000	297,294,900
Share split as per "AGM"	31 December 2009	(267,565,412)	29,729,488
Issue of shares to raise capital	2 February 2010	4,016,666	33,746,154
Issue of shares to raise capital	8 February 2010	33,333	33,779,487
Issue of shares to raise capital	5 May 2010	10,000,000	43,779,487
			43,779,487

11. RESERVES

Share capital relates to the nominal value of the shares issued. The share premium relates to the excess of consideration paid over the nominal value of the shares after deducting related expenses.

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

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

The shares to be issued reserve, represents the fair value of shares to be issued as already approved by the Board but not yet issued.

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

12. SHARE BASED PAYMENTS

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

Grant Date	Expiry Date	Exercise Price	Number Issued	Outstanding 2011
09/12/2010	09/12/2015	A$ 0.26	490,617	490,617
09/12/2010	09/12/2015	A$ 0.20	4,400,000	4,400,000
09/12/2010	09/12/2015	A$ 0.39	5,800,000	5,800,000
09/12/2010	03/11/2015	A$ 0.26	4,618,000	4,618,000
09/12/2010	31/12/2013	A$ 0.26	1,972,180	1,972,180
09/12/2010	31/12/2013	A$ 0.286	1,972,180	1,972,180
09/12/2010	31/12/2013	A$ 0.312	986,090	986,090
09/12/2010	24/11/2015	A$ 0.26	3,007,110	3,007,110
09/12/2010	03/11/2015	A$ 0.34	3,200,000	3,200,000
07/01/2011	31/12/2011	A$ 0.26	500,000	200,000
TOTAL			**26,946,177**	**26,646,177**

Grant Date	Expiry Date	Exercise Price	Number Issued	Outstanding 2010
07/10/2009	07/10/2014	£ 0.30	4,100,000	4,100,000
07/10/2009	07/10/2014	£ 0.80	1,600,000	1,600,000
01/03/2010	30/04/2015	£ 0.30	309,925	309,925
01/03/2010	30/04/2015	£ 0.45	1,800,000	1,800,000
01/03/2010	28/02/2015	£ 0.90	2,900,000	2,900,000
TOTAL			**10,709,925**	**10,709,925**

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

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

Group Share Options	**Year ended 30 June 2011**	Year ended 30 June 2010
Outstanding at start of year	**10,709,925**	249,997
Weighted average exercise price	**£ 0.50**	£ 0.05
Granted	**26,946,177**	10,709,925
Weighted average exercise price	**A$ 0.29**	£ 0.50
Forfeited	**-**	(249,997)
Weighted average exercise price	**-**	£ 0.05
Cancelled	**(10,709,925)**	-
Weighted average exercise price	**£ 0.50**	
Exercised	**(300,000)**	-
Weighted average exercise price	**A$ 0.26**	-
Outstanding at end of year	**26,646,177**	10,709,925

Group Share Options	Year ended 30 June 2011	Year ended 30 June 2010
Outstanding at the beginning of the year	**10,709,925**	249,997
Granted during the year	**26,946,177**	10,709,925
Forfeited during the year	**-**	(249,997)
Cancelled during the year	**(10,709,925)**	-
Exercised during the period	**(300,000)**	--
Outstanding at the end of the year	**26,646,177**	10,709,925
Weighted average contractual life	**4 years**	5 years
Weighted average exercise price	**A$ 0.29**	£ 0.50

At year end ended 30 June 2011 19,845,777 share options were exercisable from grant date.

Options outstanding as at 30 June 2011:	Exercisable from grant date	Exercise date within one year	Exercise date between two and five years	Total
Options exercisable at A$0.20 on or before 9/12/2015	1,466,960	1,466,520	1,466,520	4,400,000
Options exercisable at A$0.26 on or before 9/12/2015	490,617	-	-	490,617
Options exercisable at A$0.39 on or before 9/12/2015	1,933,720	1,933,140	1,933,140	5,800,000
Options exercisable at A$0.26 on or before 3/11/2015	4,618,000	-	-	4,618,000
Options exercisable at A$0.26 on or before 31/12/2013	1,972,180	-	-	1,972,180
Options exercisable at A$0.286 on or before 31/12/2013	1,972,180	-	-	1,972,180
Options exercisable at A$0.312 on or before 31/12/2013	986,090	-	-	986,090
Options exercisable at A$0.26 on or before 24/11/2015	3,007,110	-	-	3,007,110
Options exercisable at A$0.34 on or before 3/11/2015	3,200,000	-	-	3,200,000
Options exercisable at A$0.26 on or before 31/12/2011	200,000	-	-	200,000
TOTAL	**19,846,857**	**3,399,660**	**3,399,660**	**26,646,177**

Information on options granted during the 2011 financial year:

Grant date	9 Dec 2010	9 Dec 2010	9 Dec 2010	9 Dec 2010	9 Dec 2010
Number of options	490,617	4,400,000	5,800,000	4,618,000	3,200,000
Expected volatility	59.41%	59.41%	59.41%	59.41%	59.41%
Risk-free interest rate	5.34%	5.34%	5.34%	5.34%	5.34%
Weighted average share price at grant date	A$ 0.26	A$ 0.26	A$ 0.26	A$ 0.26	A$ 0.26
Expected life	5 years	5 years	5 years	5 years	5 years
Expected dividend	-	-	-	-	-
Fair Value per option	**$ 0.32**	**$ 0.34**	**$ 0.28**	**$ 0.32**	**$ 0.29**

Grant date	9 Dec 2010	9 Dec 2010	9 Dec 2010	9 Dec 2010	7 Jan 2011
Number of options	1,972,180	1,972180	986,090	3,007,110	500,000
Expected volatility	59.41%	59.41%	59.41%	59.41%	59.41%
Risk-free interest rate	5.34%	5.34%	5.34%	5.34%	5.34%
Weighted average share price at grant date	A$ 0.26	A$ 0.26	A$ 0.26	A$ 0.26	A$ 0.41
Expected life	3 years	3 years	3 years	5 years	1 years
Expected dividend	-	-	-	-	-
Fair Value per option	**$ 0.28**	**$ 0.27**	**$ 0.26**	**$ 0.32**	**$ 0.20**

At year end ended 30 June 2010 7,576,592 share options were exercisable from grant date.

Options outstanding as at 30 June 2010:	Exercisable from grant date	Exercise date within one year	Exercise date after five years	Total
Options exercisable at GBP0.30 on or before 7/10/2014.	4,100,000	-	-	4,100,000
Options exercisable at GBP0.80 on or before 7/10/2014.	1,600,000	-	-	1,600,000
Options exercisable at GBP0.30 on or before 30/04/2015.	309,925	-	-	309,925
Options exercisable at GBP0.45 on or before 30/04/2015.	600,000	600,000	600,000	1,800,000
Options exercisable at GBP0.90 on or before 1/03/2015.	966,667	966,667	966,666	2,900,000
TOTAL	**7,576,592**	**1,566,667**	**1,566,667**	**10,709,925**

Information on options granted during the 2010 financial year:

Grant date	7 Oct 2009	7 Oct 2009	1 Mar 2010	1 Mar 2010	1 Mar 2010
Number of options	4,100,000	1,600,000	309,925	1,800,000	2,900,000
Expected volatility	59.41%	59.41%	59.41%	59.41%	59.41%
Risk-free interest rate	2.45%	2.45%	2.84%	2.84%	2.84%
Weighted average share price at grant date	£ 0.30	£ 0.30	£ 0.30	£ 0.30	£ 0.30
Expected life	5 years	5 years	5 years	5 years	5 years
Dividend	-	-	-	-	-
Fair Value per option	£ 0.30	£ 0.80	£ 0.30	£ 0.45	£ 0.90

Volatility has been based on the volatility of comparable listed Companies that are considered to be most comparable to Universal Coal plc. The risk-free rate has been determined with reference to similar period Government bond rates from the Reserve Bank of Australia.

Information on options granted during the year

Fair value was determined by using the Black-Scholes formula, a commonly used option pricing model. The calculation of volatility used in the model is based upon the share price and equity instrument movements during the financial period. The following factors are all taken into consideration when the option valuation as per the Black-Scholes model is used:

- Weighted average share price,
- Exercise price,
- Expected volatility,
- Option life,
- Expected dividends,
- The risk-free interest rate,

Share based payments represent the value of unexercised share options to Directors and employees. The charge for share options in the year amounted to A$ 3,750,026 (2010:A$ 1,889,126).

13. TRADE PAYABLES

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	A$'000	A$'000	**A$'000**	A$'000
Trade payables	**846**	163	**157**	67
Accrued expense	**11**	48	**11**	48
	857	211	**168**	115

14. OPERATING LOSS

The operating loss before tax is stated after charging:	2011 A$'000	2010 A$'000
Fees payable to the Company's Auditor for the audit of the Group's annual accounts – current auditor	-	-
Fees payable to the Company's Auditor for the audit of the Group's annual accounts – previous auditor	**136**	100
Depreciation on property, plant and equipment	**6**	107
Employee costs	**2,411**	3,343
Operating lease rentals - land and buildings	**81**	156
Operating lease rentals – plant and equipment	**16**	19
Share based payments	**3,750**	1,889

15. FINANCE INCOME AND EXPENSE

	2011 A$,000	2010 A$'000
Finance income		
Bank & fixed term deposit interest	**458**	1
Finance expense		
Bank account & credit facilities	**(2)**	-

16. TAXATION

No provision has been made for 2011 tax as the group has no taxable income. The estimated tax loss available for set off against future taxable income is A$ 28,713,834 (2010: loss of A$ 23,512,932).

No provision has been made for the 2011 deferred taxation as no income has been received to date. The estimated deferred tax asset available for set off against future taxation liabilities is A$ 7,608,368 (2010: A$ 6,581,621) arising from the availability of tax losses but has not been recognised as there is no certainty that sufficient profits will arise in future accounting periods from which these losses could be offset.

Analysis of the tax charge
No liability to UK corporation tax arose on ordinary activities for the year ended 30 June 2011 nor for the year ended 30 June 2010.

Factors affecting the tax charge
The tax assessed for the year is different to the standard rate of corporation tax in the UK. The difference is explained below:

	2011 A$'000	2010 A$'000
(Loss) on ordinary activities before tax	**(8,777)**	(5,044)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28 % (2010: 28%)	**(2,458)**	(1,412)
Effects of:		
Non-deductible expenditure	**1,164**	529
Non-taxable income	**(159)**	-
Tax losses for which no deferred asset was recognised	**1,453**	883
Total tax	-	-

17. OPERATING LEASE COMMITTMENTS

	2011 A$'000	2010 A$'000
Minimum lease payments due		
- within one year	**99**	57
- in second to fifth year inclusive	**199**	152
	298	209

18. CASH USED IN OPERATIONS

	Group		Company	
	2011	2010	**2011**	2010
	A$'000	A$'000	**A$'000**	A$'000
Loss before taxation	**(8,777)**	(5,044)	**(6,192)**	(3,570)
Adjustments for:				
Depreciation and amortisation	**6**	107	**-**	105
Loss from equity accounted investments	**406**	61	**-**	-
Finance income	**(458)**	(1)	**(444)**	(1)
Finance expenses	**2**	-	**-**	-
(Profit)/loss from foreign currency transactions	**(1,269)**	6	**(1,180)**	6
Share based payment transactions	**3,750**	1,889	**3,483**	1,889
Gain arising on step up of interest	**(567)**	-	**-**	-
Reversal of impairment of assets	**-**	-	**-**	(183)
Changes in working capital:				
Increase / (decrease) in trade and other receivables	**390**	(641)	**(106)**	32
Decrease / (increase) in trade and other payables	**646**	43	**53**	(31)
	(5,871)	(3,580)	**(4,386)**	(1,753)

19. RELATED PARTIES

Relationships:	
Subsidiaries	Universal Coal & Energy Holdings South Africa (Pty) Ltd
	Universal Coal Development I (Pty) Ltd
	Twin Cities Trading 374 (Pty) Ltd
Associates	Universal Coal Development II (Pty) Ltd
	Universal Coal Development III (Pty) Ltd
	Universal Coal Development IV (Pty) Ltd
	Universal Coal Development V (Pty) Ltd
Black Economic Empowerment Partners	Bono Lithihi Investments (Pty) Ltd
	Unity Rocks Mining (Pty) Ltd
	Xakwa Investments (Pty) Ltd
	Mountain Rush (Pty) Ltd/ Move-on-up (Pty) Ltd
	Solar Spectrum Trading 365 (Pty) Ltd
Other related parties and connected persons	KEE Enterprises (Pty) Ltd
	Hendrik Bonsma
	Shellbright Ltd
	Ofhani Phaswana

Related party transactions:		2011 A$'000	2010 A$'000
Consulting fees paid to related parties:			
Ofhani Phaswana		**203**	60
Rent paid to related parties			
KEE Enterprises (Pty) Ltd		**51**	49
Loans to related party:			
Xakwa Investments (Pty) Ltd	Loan balance at the beginning of the year	**141**	-
	Loans granted in the period	**139**	139
	Interest	**21**	2
	Loan balance at the end of the year	**301**	141

Loan to related party:

Loan by Universal Coal Development IV (Pty) Ltd granted to Xakwa Investments (Pty) Ltd.
The following terms and conditions are applicable as per the loan agreement:

- Interest is accrued for at the First National Bank Prime Interest rate throughout the period.
- Repayment of the loan will occur at the earlier of:
  - The date Universal Coal & Energy Holdings South Africa (Pty) Ltd exercises their option to acquire an additional 24% in Universal Coal Development IV (Pty) Ltd from Xakwa Investments (Pty) Ltd, reducing the option exercise price with the fair value of the loan granted on vesting date, or
  - At any time decided by Xakwa Investments (Pty) Ltd before the purchase option has been exercised.

Related Party Disclosures:

During the year ended 30 June 2009, Universal Coal plc had entered into agreements to issue 107m shares satisfying liabilities of A$ 3,462,353 (£2,140,000) in order for Universal Coal Development I (Pty) Ltd to acquire prospecting rights. Universal Coal Development I (Pty) Ltd is a related party by virtue of being a subsidiary of Universal Coal plc. In addition, Universal Coal plc agreed to issue 1.5m shares satisfying a liability of A$ 455,397 (£301,200) upon a dual listing on the Johannesburg Stock Exchange and pay A$ 688,865 (£455,615) in order for Universal Coal Development I (Pty) Ltd to optimise its working relationships. The 1.5.m shares were not issued during the year and the liability of A$ 455,397 (£301,200) was settled in cash as the dual listing on the Johannesburg Stock Exchange was not achieved.

During the year ended 30 June 2010, Universal Coal plc paid A$ 475,187 (£314,289) in cash (2009: A$ 302,389 (£200,000)) and 700,000 shares at an issue price of A$ 2.52 (£ 1.43) per share as settlement of a liability for facilitation fees for the introduction of partners relating to the Roodekop project agreement for Universal Coal Development III (Pty) Ltd. Universal Coal plc also paid A$ 343,116 (£226,937) in cash (2009: A$ 181,433 (£120,000)) and 700,000 shares at an issue price of A$ 2.52 (£ 1.43) per share as settlement of a liability for facilitation fees for the introduction of partners relating to the Brakfontein project agreement for Universal Coal Development IV (Pty) Ltd. Both entities are related parties by virtue of them being associated undertakings of Universal Coal plc.

As part of the above transactions, during the year ended 30 June 2010, Universal Coal plc loan facility increased with Universal Coal and Energy Holdings South Africa (Pty) Ltd whereby the subsidiary could borrow at an interest free rate the amounts necessary to invest in the Group companies. At the year end, Universal Coal and Energy Holdings South Africa (Pty) Ltd owed Universal Coal plc A$ 11,722,325 (2010:A$ 5,278,755). This amount is repayable on demand according to the agreement and has been treated as a capital contribution and is held within investments in subsidiaries as the Board expects returns through future profits as dividend income rather than loan repayments over a fixed term.

All of the amounts noted above have been classified as investments as the balances are not expected to be recovered by repayment of the loans, including the amount due from Universal Coal and Energy Holdings South Africa (Pty) Ltd. In the year ended 30 June 2009, a provision of A$ 183,000 (£101,836) had been made against the investments relating to Universal Coal and Energy Holdings South Africa (Pty) Ltd as a result of the aborted projects in Universal Coal Development II (Pty) Ltd. This amount of A$ 183,000 (£101,836) was refunded during the previous year ended 30 June 2010.

In the year ended 30 June 2010, a loan from Shellbright Limited had been converted to equity and there was A$ nil outstanding (2010: A$ nil). No interest was charged on the loan. Shellbright Limited is a related party by virtue of the fact that one of the previous directors of Universal Coal plc, Alastair Clayton, is a shareholder of Shellbright Limited. In addition, Universal Coal plc granted share options to Shellbright Limited in order to incentivise investment, as detailed in note 12.

A consultancy agreement was entered into with a Ofhani Phaswana, a director of Bono Lithihi Investments (Pty) Ltd on 15 February 2010 for facilitation services in the mining sector in South Africa and to represent Universal Coal plc as a "Black-Economic-Empowerment" partner. Monthly fees of A$ 14,500 are payable, the last of which will be settled on 1 January 2012.

A lease agreement was entered into with KEE Enterprises on 31 May 2011 for office rental in South Africa. The controlling shareholder of KEE Enterprises (Pty) Ltd, Hendrik Bonsma is also a non-executive director of Universal Coal plc. The period of the lease is for three years at a market related rental of A$ 6,800 per month with an annual escalation clause of 8% per annum. This transaction is considered to be at "arms-length".

A consultancy agreement was entered into on 1 July 2010 with Zander Investments Limited for the provision of the executive services of Antony Harwood and Anton Weber. The expiry date of the contract is 30 June 2013. Annual consultancy fees of A$ 160,979 for Antony Harwood and A$ 160,979 for Anton Weber are payable by Universal Coal plc. Effective 1 July 2011, the agreement with Zander Investments limited was amended in respect of the services of Anton Weber who was directly employed by Universal Coal plc from that date.

20. RISK MANAGEMENT

Financial risk management

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

	2011		2010	
The financial instruments of the Group are:	**Loans and receivables**	**Financial liabilities**	Loans and receivables	Financial liabilities
	A$'000	**A$'000**	A$'000	A$'000
Financial assets				
Trade and other receivables	**278**	**-**	157	-
Cash and cash equivalents	**12,830**	**-**	255	-
Financial liabilities				
Trade payables	**-**	**857**	-	211
	13,108	**857**	412	211

Prepaid expenses of A$ 160,869 (2010: A$ 672 000) have been excluded.

The financial instruments of the Company are:	**2011** Loans and receivables	**2011** Financial liabilities	2010 Loans and receivables	2010 Financial liabilities
	A$'000	**A$'000**	A$'000	A$'000
Financial assets				
Trade and other receivables	**117**	**-**	142	-
Cash and cash equivalents	**10,607**	**-**	104	-
Financial liabilities				
Trade payables	**-**	**168**	-	115
	10,724	**168**	246	115

Prepaid expenses of A$ 138,343 (2010: A$ 7,359) have been excluded.

The fair value of the Group and Company's financial assets and financial liabilities is not considered to be materially different to the book value disclosed above.

a) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while optimising the debt and equity balance. The capital structure of the Group consists entirely of equity comprising issued capital, equity and retained deficit.

The Group does not enter into derivative or hedging transactions and it is the Group's policy that no trading in financial instruments will be undertaken.

Where future investment in the interest in associates or other Group projects is required the Board will assess the structure of whether it can be funded from existing resources or financing arrangements as appropriate.
The Group finances its operations through equity. During the year the Group raised finance through a successful listing on the ASX. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without prior consent of the Company.

b) Market risk

(i) Foreign exchange risk

Universal Coal plc operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Australian Dollar, South African Rand and British Pound. Universal Coal plc is exposed to currency risk on cash reserves, deposits paid, trade receivables, and trade payables.

However the majority of the Group's exposure is indirect resulting from those transactions entered into by its associates consequently the direct currency risk facing the Group is not considered to materially affect its financial position and operating results.

Exchange rates used for conversion of foreign transactions and balances were:

	2011	**% Change**	**2010**	**% Change**	**2009**
ZAR:AUD (Average)	6.8962	2.89%	6.7024	5.90%	6.3291
ZAR:AUD (Spot)	7.2360	10.57%	6.5445	3.18%	6.3431
GBP:AUD (Average)	0.6212	11.61%	0.5566	9.57%	0.4609
GBP:AUD (Spot)	0.6614	16.79%	0.5663	16.24%	0.4872

The table below classifies the group's foreign currency risk between the different functional currencies as at year end, and the respective balance thereof:

The Group's financial assets and liabilities are denominated in the different currencies as set out below:

	British Pound A$'000	South African Rand A$'000	Australian Dollar A$'000	Total A$'000
Current assets - 2011				
Trade and other receivables	**107**	**171**	**-**	**278**
Cash and cash equivalents	**209**	**2,223**	**10,398**	**12,830**
Current liabilities - 2011				
Trade and other payables	**110**	**689**	**58**	**857**
Current assets - 2010				
Trade and other receivables	142	15	-	157
Cash and cash equivalents	104	151	-	255
Current liabilities - 2010				
Trade and other payables	115	96	-	211

Prepaid expenses of A$ 160,869 (2010: A$ 672 000) have been excluded.

The Company's financial assets and liabilities are denominated in the different currencies as set out below:

	British Pound A$'000	South African Rand A$'000	Australian Dollar A$'000	Total A$'000
Current assets - 2011				
Trade and other receivables	**117**	**-**	**-**	**117**
Cash and cash equivalents	**209**	**-**	**10,398**	**10,607**
Current liabilities - 2011				
Trade and other payables	**110**	**-**	**58**	**168**
Current assets - 2010				
Trade and other receivables	142	-	-	142
Cash and cash equivalents	104	-	-	104
Current liabilities - 2010				
Trade and other payables	115	-	-	115

Prepaid expenses of A$ 138,343 (2010: A$ 7,359) have been excluded.

Foreign Currency Risk Sensitivity Analysis:

	2011 A$'000	2010 A$'000
Change in profit/ (loss) – (AUD: ZAR)		
Improvement in AUD to ZAR by 10%	235	134
Decline in AUD to ZAR by 10%	(287)	(164)
Change in profit/ (loss) - (AUD: GBP)		
Improvement in AUD to GBP by 10%	563	325
Decline in AUD to GBP by 10%	(688)	(397)

(ii) Price risk

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

(ii) Interest rates on financial assets and liabilities

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

The Group's interest rate risk arises from cash held and short term deposits.

At 30 June 2011, if interest rates on Australian Dollar-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax profit for the year would have been $128,229 (2010: $ 2,551) higher/(lower), mainly as a result of higher/(lower) interest rates.

At 30 June 2011, if interest rates on Rand-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax profit for the year would have been $ 23,325 (2010: $ 1,472) higher/(lower), mainly as a result of higher/(lower) interest rates.

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

2011 Group	**Floating interest rate**	**Fixed interest maturing within one year**	**Non-interest bearing**	**Total**
	A$'000	**A$'000**	**A$'000**	**A$'000**
Financial assets				
Trade and other receivables	**-**	**-**	**439**	**439**
Cash and cash equivalents	**3,643**	**9,187**	**-**	**12,830**
Weighted average interest rate	**4.65%**	**3.65%**	**0%**	
Financial liabilities				
Trade and other payables			**857**	**857**
Weighted average interest rate			**0%**	

2010 Group	Floating interest rate	Fixed interest maturing within one year	Non-interest bearing	Total
	A$'000	A$'000	A$'000	A$'000
Financial assets				
Trade and other receivables	-	-	829	829
Cash and cash equivalents	149	106	-	255
Weighted average interest rate	0.05%	0%	0%	

2010 Group	Floating interest rate	Fixed interest maturing within one year	Non-interest bearing	Total
	A$'000	A$'000	A$'000	A$'000
Financial liabilities				
Australian Dollar	-	-	211	211
Weighted average interest rate			0%	

2011 Company	**Floating interest rate**	**Fixed interest maturing within one year**	**Non-interest bearing**	**Total**
	A$'000	**A$'000**	**A$'000**	**A$'000**
Financial assets				
Trade and other receivables	**-**	**-**	**255**	**255**
Cash and cash equivalents	**2,532**	**8,075**	**-**	**10,607**
Weighted average interest rate	**4.65%**	**3.65%**	**0%**	
Financial liabilities				
Trade and other payables	**-**	**-**	**168**	**168**
Weighted average interest rate			**0%**	

2010 Company	Floating interest rate	Fixed interest maturing in more than one year	Non-interest bearing	Total
	A$'000	A$'000	A$'000	A$'000
Financial assets				
Trade and other receivables	-	-	149	149
Cash and cash equivalents	104	-	-	104
Weighted average interest rate	0.05%	0%	0%	
Financial liabilities				
Trade and other payables	-	-	115	115
Weighted average interest rate			0%	

(d) *Credit risk*

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

The Group is exposed to credit risk on cash deposits however it does not consider that it has significant exposure because it banks with reputable institutions in various locations, including HSBC Bank plc and HSBC Bank Australia Ltd.

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

Financial instruments	**Group**		**Company**	
	2011	2010	**2011**	2010
	A$'000	A$'000	**A$'000**	A$'000
Trade & other receivables	**439**	829	**255**	149
Cash & cash equivalents	**12,830**	255	**10,607**	104

e) *Liquidity risk*

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

	Less than 1 year A$'000
GROUP	
At 30 June 2011	
Trade and other payables	**857**
At 30 June 2010	
Trade and other payables	211
COMPANY	
At 30 June 2011	
Trade and other payables	**168**
At 30 June 2010	
Trade and other payables	115

21. EMPLOYEES AND DIRECTORS

	Group 2011	Group 2010
Average number of employees are as follows:		
Staff (Operational resources)	**9**	7
Directors	**3**	3
	12	10

	Group 2011 A$'000	Group 2010 A$'000
Wages and salaries	**1,450**	1,179
Social security costs	**-**	276
Termination payments	**167**	-
Share based payments	**892**	484
	2,509	1,939

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

The Directors and key management personnel are listed on page 11. Their remuneration and the details of the highest paid director is also listed on page 11.

Directors' remuneration was paid in cash and via the grant of shares in exchange for fees sacrificed in accordance with their contracts and agreements with the Company. In addition all Directors have received options to purchase Ordinary Shares of the Company at exercise prices that vary in accordance to the year of grant (see Note 12).

22. COMPARATIVE FIGURES

The prior period consolidated annual financial statements have been converted to Australian Dollar ("$") in line with the change in the presentational currency in the current period.

The figures have been translated via the use of the applicable foreign exchange conversion rates noted elsewhere in this report.

23. LOSS PER SHARE

	2011	2010
	A$'000	A$'000
Numerator		
(Loss) used in basic and diluted LPS	**(8,415,135)**	(4,863,646)

	2011	2010
Denominator		
Weighted average number of shares used in basic LPS	**156,352,540**	64,668,157

Certain executive and employee options have not been included in the calculation of diluted LPS because their inclusion would dilute the loss per share further. The total number of options in issue is disclosed on Note 12.

Potential ordinary shares that could dilute EPS in future:	**2011**	2010
Weighted average number of shares used in basic EPS	**156,352,540**	64,668,157
Effect of share options in issue	**26,646,177**	10,709,925
Weighted average number of shares (dilutive) EPS	**182,998,717**	75,378,082

24. GOING CONCERN

The accounts have been prepared on the going concern basis. The Directors believe that this basis is appropriate despite the loss for the year of A$ 8,776,823 (2010: loss of A$ 5,043,902). At the year end the Group has A$ 12,829,956 (2010: $ 255,088) of cash reserves. On 9 December 2010, Universal Coal plc was admitted to the official list of the ASX, with official quotation of the Company's securities commencing on 10 December 2010. This occurred following the Board resolution on 24 November 2010 to approve the issue of 78,544,962 ordinary shares under the Prospectus at an issue price of A$0.26, raising the company funds of A$ 20,421,690. The Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future.

25. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to year end, the interest held by Universal Coal & Energy Holdings South Africa (Pty) Ltd in Universal Coal Development II (Pty) Ltd had increased to 40% from the current 7% due to the completion of the Indicated Coal Resources as per the addendum to the Acquisition and Option Agreement.

On 30 August 2011, Universal Coal & Energy Holdings South Africa (Pty) Ltd entered into a earn-in agreement with Universal Coal Development VI (Pty) Ltd ("UCDVI") and Pacific Breeze Trading 725 (Pty) Ltd, whereby after successful completion of a legal and technical due diligence and subject to Board approval, Universal Coal & Energy Holdings South Africa (Pty) Ltd will be granted 15% ownership in UCDVI. Universal Coal & Energy Holdings South Africa (Pty) Ltd will further achieve an additional 10% upon the confirmation of a an inferred resource, a further 10% on confirmation of an indicated resource and a further 15% on confirmation of a measured resource.