Universal Coal Plc

(Registration number 4482856)
Consolidated Annual Financial Statements
for the year ended 30 June 2013

Corporate Directory

Directors	John Hopkins	Non-Executive Chairman
	Hendrik Bonsma	Non-Executive Director
	Anton Weber	Executive Director and Chief Executive Officer
	Shammy Luvhengo	Executive Director
	David Twist	Non-Executive Director
	Carlo Baravalle	Non-Executive Director
Joint company secretaries	John Bottomley (United Kingdom) of SGH Martineau Company Secretarial LLP and Emma Lawler (Australia)	
United Kingdom registered office	One America Square Crosswall London EC3N 2SG United Kingdom Telephone: +44 20 7264 4444 Facsimile: +44 20 7264 4440	
Australian registered office	Level 12 680 George Street Sydney, NSW, 2000 Australia Telephone: +61 28 280 7355	
Operational office	467 Fehrsen Street Brooklyn, 0182, Pretoria South Africa Telephone: +27 12 460 0805 Facsimile: +27 12 460 2417	
Auditors	BDO LLP 55 Baker Street London W1U 7EU United Kingdom	
Stock exchange listing	Australian Securities Exchange (Share code: UNV)	
Share registrars	Computershare Investor Services (Pty) Ltd Level 2, 45 St Georges Terrace Perth WA 6000, Australia Computershare Investor Services Plc The Pavilions, Bridgwater Road Bristol BS99 6ZY United Kingdom	

Corporate Directory

Bankers	HSBC Bank Australia Ltd Level 1, 190 St Georges Terrace Perth WA 6000, Australia HSBC Bank Plc Coventry DSC, Harry Weston Road Binley West Midlands CV3 2TQ United Kingdom
Company registration number	4482856
Solicitors	Mayer Brown International LLP 201 Bishopgate London Greater London EC2M EUG United Kingdom Webber Wentzel Attorneys 10 Fricker Road Illovo Boulevard Illovo, Johannesburg 2196 South Africa
Website	www.universalcoal.com

Contents

The reports and statements set out below comprise the consolidated annual financial statements presented to the shareholders:

Directors' Report

The Directors present their report with the statutory financial statements of the Group and the Company for the year ended 30 June 2013.

1. Review of activities

Main business and operations

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 mineral exploration and development of coal interests in South Africa.

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

Key Performance Indicators:

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 outflow in the year was A$ 1,383,802 (2012: A$ 4,004,270). Bank balances representing both unrestricted and restricted cash balances at the year end totalled A$ 7,441,884 (2012: A$ 8,825,686).

Development of the Kangala Colliery:

The Company, through its 70.5% owned subsidiary, Universal Coal Development I (Pty) Ltd entered into a coal supply agreement with Eskom for the supply of circa 2 million tonnes per annum of thermal coal and entered into another coal supply agreement with Exxaro Resources for the supply of up to 100,000 tonnes per annum of export quality thermal coal from its Kangala Project.

Universal Coal secured its portion of equity funding of A$ 12,5 million (ZAR: 112,8 million) through a private equity placement in December 2012 together with a shareholders loan of A$ 5,2 million (ZAR: 47,2 million) from Black Economic Empowerment partner Mountain Rush Trading 6 (Pty) Ltd and further obtained a senior secured project finance facility of A$ 33,2 million (ZAR 300 million) through Rand Merchant Bank enabling full scale commencement of development activities at the Kangala Colliery.

Investments in Subsidiaries and Earn-In:

The Company earned into a 50% shareholding of the Berenice Project (Universal Coal Development II (Pty) Ltd) and Cygnus Project (Universal Coal Development V (Pty) Ltd) respectively and increased its shareholding in the Roodekop Project by exercising an option to acquire an additional 24% to reach an ownership level of 74% in Universal Coal Development IV (Pty) Ltd.

Principal risks

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

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

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

Directors' Report

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

Principal risk

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 Group mitigates this risk as far as possible by the completion of detailed technical feasibility studies, environmental impact assessments, the entering into of offtake agreements, detailed due diligence activities and debt funding arrangements with financial institutions.

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

Other risks

Financial instrument risk

The Company and Group are exposed to risks arising from financial instruments held. These are discussed in note 25.

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 and via debt through the issuing of Converting Notes, thereby ensuring the Company remains a going concern until such time that revenues are earned through the off-take agreements. Furthermore the company has raised funds at subsidiary level via debt through a senior secured project financing facility for Kangala and a supporting shareholder loan in support of the owner's contributions to the development costs. The directors regularly review cash flow requirements to ensure the Company can meet financial obligations as and when they fall due.

Directors' Report

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 has adopted policies supporting development of the Kangala mine and will maintain policies appropriate to the stage of development of its various other 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.

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 monitors 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. The Group has procured insurance policies relating to professional indemnity, public liability, loss of profits and construction works for the Kangala Colliery. Furthermore the Group has adopted and maintains policies and procedures relating to Health and Safety, Environmental, Sustainability, Stakeholder Engagement, Social, Human Resources, Bribery, Conflicts and Corporate Governance.

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. The Group does exercise best efforts to timeously lodge the required renewals, extensions and similar applications with the authorities as required by local legislation and also leverages on partnerships with Black Economic Partners and existing relationships to successfully maintain all requisite licences in good standing with the relevant local authorities.

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 and the Chief Executive Officer.

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

On 5 December 2012, the Company entered into a private placement agreement with Coal Development Holdings B.V. (CDH) for the acquisition of 29.99% of the issued share capital of Universal Coal Plc. One of the key terms of the placement was that CDH has the right to nominate two Non-Executive Directors to the Company's Board. Following Shareholder approval at the Company's Annual General Meeting on 21 December 2012, the Board of Universal Coal Plc approved the appointment of Mr David Twist and Mr Carlo Baravalle as Non-Executive Directors effective from 7 January 2013.

The names of Directors who held office during the 2013 year are:

Name	Position	Nationality	Appointed
John Hopkins	Non-Executive Chairman	Australian	
Hendrik Bonsma	Non-Executive Director	South African	
Anton Weber	Executive Director and Chief Executive Officer	South African	
Shammy Luvhengo	Executive Director	South African	
David Twist	Non-Executive Director	British	7 January 2013
Carlo Baravalle	Non-Executive Director	British	7 January 2013

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

The joint Company Secretaries are John Bottomley (United Kingdom) and Emma Lawler (Australia).

Directors' Report

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 2013 are:

Director Name	Position	Number of Meetings Attended	Number of Meetings Eligible to Attend
John Hopkins	Non-Executive Chairman	7	7
Hendrik Bonsma	Non-Executive Director	6	7
Anton Weber	Executive Director and Chief Executive Officer	7	7
Shammy Luvhengo	Executive Director	7	7
Carlo Baravalle	Non-Executive Director	3	3
David Twist	Non-Executive Director	3	3

4. Committee Meetings

The Company held 2 (two) Audit and Risk Committee meetings during the course of the year and the number of meetings attended by each of the members during the year to 30 June 2013 are:

Director Name	Position	Number of Meetings Attended	Number of Meetings Eligible to Attend
Hendrik Bonsma	Non-Executive Director (Chairman)	2	2
John Hopkins	Non-Executive Director	2	2
Carlo Baravalle	Non-Executive Director	1	1

The Company held 2 (two) Remuneration Committee meetings during the course of the year and the number of meetings attended by each of the members during the year to 30 June 2013 are:

Director Name	Position	Number of Meetings Attended	Number of Meetings Eligible to Attend
John Hopkins	Non-Executive Director (Chairman)	2	2
Hendrik Bonsma	Non-Executive Director	2	2
David Twist	Non-Executive Director	1	1

5. Results

The Group realised a profit for the year of A$ 6,551,876 (2012: profit of A$ 2,779,977). The profit has arisen from an accounting entry in the amount of A$ 6,643,558 upon step-up acquisitions through earn-in agreements with Universal Coal Development II (Pty) Ltd (40% to 50%), Universal Coal Development V (Pty) Ltd (20% to 50%) and the adjustment in fair value prior to step-up of Universal Coal Development IV (Pty) Ltd and a gain of A$ 5,464,333 through exercising an option to purchase 24% of Universal Coal Development IV (Pty) Ltd (50% to 74%). The prior period profit has arisen from an accounting entry in the amount of A$ 8,778,507 upon step-up acquisitions through earn-in agreements with Universal Coal Development II (Pty) Ltd (7% to 40%) and Universal Coal Development III (Pty) Ltd (30% to 50.29%) and a gain of A$ 899,098 through step-up of associated undertaking to subsidiary of Universal Coal Development III (Pty) Ltd.

Universal Coal is making great strides on its way to becoming a mid-tier coal company with almost 2 billion tonnes of JORC-compliant coal resources. The Company has been awarded two mining rights and six prospecting rights over five project areas all of which are located within the borders of South Africa.

The Kangala Project is under capital development and will commence with coal production in February 2014. Roodekop Project is only awaiting an Integrated Water Use Licence (IWUL) to enable mine development activities and all the Brakfontein Project licence applications have been submitted to the relevant authorities.

A second round of exploration and related assay activities at Berenice and Cygnus Projects rendered highly favourable results supporting the commencement of a prefeasibility study currently planned for 2014. Somerville and Donkin Projects remain exploration target areas with an initial drilling programme planned to commence in 2014.

This pipeline of credible thermal and coking coal assets provides a clear path to growing the company and creating shareholder value over time.

Universal Coal Global Coal Resources Summary (JORC-Compliant)

Project	Reserve Proved Mt	Resource Measured Mt	Resource Indicated Mt	Resource Inferred Mt	Total Mt	Attributable to Universal Mt[7]
Thermal Coal (Witbank)						
Kangala[1]	20.80	72.88	19.48	33.64	146.80	103.50
Roodekop[2]	-	82.92	1.44	-	84.36	62.42
Brakfontein[3]	-	70.50	15.00	2.20	87.70	44.10
Total Thermal Coal[7]	**20.80**	**226.30**	**35.92**	**35.84**	**318.86**	**210.02**
Coking Coal (Limpopo)						
Berenice[4]	-	393.97	694.27	116.07	1,204.31	602.16
Cygnus[5]	-	30.94	106.65	8.22	145.81	72.91
Somerville[4]	-	-	-	274.22	274.22	137.11
Donkin[6]	-	-	-	42.42	42.42	6.36
Total Coking Coal[7]	**-**	**424.91**	**800.92**	**440.93**	**1,666.76**	**818.54**
Total[7]	**20.80**	**651.21**	**836.84**	**476.77**	**1,985.62**	**1,028.56**

Notes:

Mineral resources are stated inclusive of mineral reserves.

1. Universal has an attributable interest of 70.5% of the Kangala Project.
2. Universal has an attributable interest of 74% in the Roodekop Project.
3. Universal has an attributable interest of 50.29% in the Brakfontein Project and the right to negotiate to acquire up to a 74% interest upon completion of the BFS and award of a mining right.
4. Universal has an attributable interest of 50% in the Berenice and Somerville Projects with an option to acquire up to a 74% interest.
5. Universal has an attributable interest of 50% in the Cygnus Project with an option to acquire up to a 74% interest.
6. Universal has an attributable interest of 15% in the Donkin Project that will increase to 50% on completion of certain exploration milestones.
7. Rounding (conforming to the JORC Code) may cause computational discrepancies.

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

Universal Coal and Energy Holdings South Africa (Pty) Ltd, on 17 September 2012 secured a 65% project financing arrangement of A$ 33,2 million (ZAR 300 million) with Rand Merchant Bank (RMB) for the debt funding component of the Kangala Project and Universal Coal Plc further secured a private placement transaction of A$ 13.6 million with Coal Development Holding B.V. (CDH) in December 2012 allowing Universal Coal to complete its attributable 35% equity financing requirement of A$ 12,5 million (ZAR112,.8 million) as part of the Kangala Project Financing Facility with RMB. On 4 March 2013, the Board approved the mine development of the Kangala Colliery and ratified the appointment of key contractors for various development and operational disciplines.

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

Universal Coal Development II (Pty) Ltd

On 15 January 2013, a further 20 (twenty) shares of Universal Coal Development II (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement increasing the Group’s total shareholding in Universal Coal Development II (Pty) Ltd to 50%. As Universal Coal has an option to exercise over a further 24% share purchase, the investment has been accounted for as a subsidiary for the 2013 financial period.

Universal Coal Development III (Pty) Ltd

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

Universal Coal Development IV (Pty) Ltd

On 23 January 2013, Universal Coal exercised its option to acquire an additional 24% of the share capital of Universal Coal Development IV (Pty) Ltd for a consideration of ZAR 5 million. On this date 48 (forty eight) ordinary shares were transferred from Xakwa Investments (Pty) Ltd to Universal Coal and Energy Holdings South Africa (Pty) Ltd resulting in an effective ownership of 74% of Universal Coal Development IV (Pty) Ltd.

Universal Coal Development V (Pty) Ltd

On 22 April 2013, a further 67 (sixty seven) shares of Universal Coal Development V (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement increasing the Group’s total shareholding in Universal Coal Development V (Pty) Ltd to 50%. As Universal Coal has an option to exercise over a further 24% share purchase, the investment has been accounted for as a subsidiary for the 2013 financial period.

Universal Coal Development VI (Pty) Ltd

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

Universal Coal Development VII (Pty) Ltd

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

Twin Cities Trading 374 (Pty) Ltd

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

Epsimax (Pty) Ltd

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

Episolve (Pty) Ltd

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

Directors' Report

Bold Moves 1765 (Pty) Ltd

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

Universal Coal Logistics (Pty) Ltd

On 28 June 2013, Universal Coal and Energy Holdings South Africa acquired 49 (forty nine) ordinary shares in Universal Coal Logistics (Pty) Ltd representing a 49% ownership, the balance of which is held by Camiscope (Pty) Ltd. This entity was formed to enable Universal Coal to apply for and participate in the Quattro Export Entitlement Programme allowing junior coal miners in South Africa to export coal to international markets through the 91 Mtpa Richards Bay Coal Terminal.

Universal Coal Power Generation (Pty) Ltd

On 9 July 2012, Universal Coal and Energy Holdings South Africa acquired 100 (one hundred) ordinary shares in Universal Coal Power Generation (Pty) Ltd representing a 100% ownership. This entity was formed to investigate possible opportunities for participation in the Independent Power Producer programme in South Africa.

6. 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

7. Dividends

There have been no dividends declared or paid during the current period (2012: A$ nil).

8. 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 2013 were equivalent to 43 (2012: 48) days purchases, based on the average daily amount invoiced by suppliers to the Group during the year.

9. Charitable and Political Contributions

During the year, the Group made no charitable or political contributions (2012: A$ nil).

10. Going concern

The accounts have been prepared on the going concern basis. At the year end the Group had A$ 5,487,114 (2012: A$ 7,815,998) of unrestricted cash reserves and is reliant on the timing of cashflows from the Kangala Colliery. The Directors are therefore satisfied that the Group has adequate resources to continue in business for the foreseeable future.

11. Capital Structure and Share Issues

Capital structure at 30 June 2013:

Current issued share capital (shares)	319,575,447
Converting notes (potential shares)	29,965,753
Outstanding share options (potential shares)	59,520,492

Ordinary share issues during the year:

On 2 July 2012, the Company issued 343 431 Chess Depositary Interests (CDI's) at an issue price of A$ 0.119 to Susquehanna Pacific Pty Ltd (Susquehanna) pursuant to the Converting Note Agreement dated 4 April 2012 between the Company and Susquehanna.

On 17 July 2012, Universal Coal Plc entered into a binding Private Placement Deed with Power Origin Developments Ltd (Power Origin) for up to 19.99% of the issued share capital of Universal Coal Plc in two tranches. The first tranche being executed on 13 August 2012 whereby 12,264,521 CDI's were issued to Power Origin at an issue price of A$ 0.163072 for A$ 2,000,000. The Company had agreed to grant Power Origin an extension to satisfy certain conditions precedent for the issue of the further tranche of CDI's, this extension has since lapsed and the Company terminated further discussions with Power Origin.

On 2 October 2012, the Company arranged for the issue of 1,442,265 CDI's at an issue price of A$0.1043 per CDI to Susquehanna in satisfaction of the Company's obligation to pay interest to Susquehanna pursuant to the Converting Note Agreement dated 4 April 2012 between the Company and Susquehanna.

On 31 December 2012, 95,840,676 fully paid ordinary shares (CDI's) were issued to Coal Development Holding B.V (CDH) a special purpose entity of African Minerals Exploration & Development GP SARL (AMED), with CDH subscribing to 29.99% of the issued share capital in Universal Coal at $0.141568 per CDI.

12. Remuneration Report

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

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

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

Remuneration:

Salary/Fees

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

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

Other Payments

No other payments are due to Directors (2012: A$ nil)

Share Options

Refer to section 13 of the Directors report.

Short-Term Cash Incentives

No short term cash incentives were paid during the year to Directors (2012: A$ nil).

Long-Term Benefits

No long term benefits were paid during the year (2012: A$ nil).

Termination Payments

No termination fees were paid to Directors during the year (2012: A$ 186,360).

Directors' Report

Service contracts:

Anton Weber
Executive Service agreement:
- Commencement date is 1 July 2011
- Salary and Director's fees payable from 1 January 2012 are A$ 325,000 per annum
- Termination is subject to 12 months' notice by either party

Shammy Luvhengo
Executive Service agreement
- Commencement date is 1 July 2011
- Salary and Director's fees payable from 1 January 2012 are A$ 225,000 per annum
- Termination is subject to 3 months' notice by either party
- 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 . At 30 June 2013 the terms remain outstanding and the shares have not been issued.

Hendrik Bonsma
Non-Executive Service agreement
- Commencement date is 1 December 2009
- Director's fees payable from 1 July 2012 are A$ 55,000 per annum but was adjusted to A$ 75,000 per annum in line with other non-executive director fees from 7 January 2013
- Consultancy fees are payable at the rate of $ 1,610 per day with a maximum of 5 days per month (paid to service company).
- Termination is subject to 3 months' notice by either party

John Hopkins
Non-Executive Service agreement
- Commencement date is 1 September 2010
- Director's fees payable from 1 April 2012 are A$ 110,000 per annum

David Twist
Non-Executive Service agreement (paid to service company)
- Commencement date is 7 January 2013
- Director's fees payable from 7 January 2013 are A$ 75,000 per annum
- Termination is subject to CDH's discretion and along terms contained within a Subscription Agreement or by shareholders' resolution to remove

Carlo Baravalle
Non-Executive Service agreement (paid to service company)
- Commencement date is 7 January 2013
- Director's fees payable from 7 January 2013 are A$ 75,000 per annum
- Termination is subject to CDH's discretion and along terms contained within a Subscription Agreement or by shareholders' resolution to remove

Post-Employment Benefits

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

Directors' Report

Directors' remuneration, Company and consolidated

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

2013 **All figures are stated in Australian dollars**	**Short -term benefits** **Salary/Fees/ Consultancy**	**Share based payments**	**Termination payments**	**Total**	**% Options**
Executive Directors					
Anton Weber	325 000	-	-	325 000	- %
Shammy Luvhengo	225 000	-	-	225 000	- %
Non-Executive Directors					
Hendrik Bonsma	132 466	-	-	132 466	- %
John Hopkins	110 000	-	-	110 000	- %
David Twist[1]	37 500	-	-	37 500	- %
Carlo Baravalle[1]	37 500	-	-	37 500	- %
	867 466	**-**	**-**	**867 466**	**- %**

[1] Appointed on 7 January 2013

2012 **All figures are stated in Australian dollars**	**Short-term benefits** **Salary/Fees/ Consultancy**	**Share based payments**	**Termination payments**	**Total**	**% Options**
Executive Directors					
Antony Harwood[1]	160 709	136 178	186 360	483 247	28 %
Anton Weber	263 434	136 178	-	399 612	34 %
Shammy Luvhengo[2]	203 391	40 854	-	244 245	17 %
Non-Executive Directors					
Hendrik Bonsma	112 721	108 943	-	221 664	49 %
John Hopkins	61 900	27 236	-	89 136	31 %
	802 155	**449 389**	**186 360**	**1 437 904**	**31 %**

[1] Resigned 18 April 2012
[2] Appointed as Executive Director on 1 July 2011

13. Share Options

No share options were issued to Directors during the year (2012: A$ 449,389).

Directors' Report

14. Directors' interests

Director Name	Number of fully paid ordinary shares	Share Options Outstanding
Anton Weber[1]	5 411 198	3 802 405
Hendrik Bonsma[1]	4 109 726	3 165 899
John Hopkins	40 000	1 135 870
Shammy Luvhengo	-	1 303 805
David Twist[2]	-	-
Carlo Baravalle[2]	-	-

Notes:

1. Messrs Anton Weber and Hendrik Bonsma each hold a relevant interest in 4,000,000 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 Mr Weber and Mr Bonsma were not directors of the Company at the time of execution of the Kangala Acquisition Agreement, the Company obtained shareholders' approval on 8 September 2010 for the entry into the Kangala Project arrangements, for the purpose of the issue of these Shares.

2. Nominated director of Coal Development Holding B.V with an indirect interest of 95,840,676 CDI's.

15. Rounding of Amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

16. 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.

17. 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 7.

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.

18. Events after the reporting period

On 30 July 2013, Universal Coal successfully effected its 1st drawdown of the Kangala Project Finance Facility in the amount of A$ 2.8 million (ZAR 25 million) and on 6 September the 2nd drawdown in the amount of A$ 3,7 million (ZAR 35 million) was effected.

ON BEHALF OF THE BOARD:

MR JOHN HOPKINS
CHAIRMAN
27 September 2013

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 (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss 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 as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and undertakings included in the consolidation taken as a whole; and
- the report and financial statements include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of principal risks and uncertainties that they face.

ON BEHALF OF THE BOARD

MR JOHN HOPKINS
CHAIRMAN
27 September 2013

Report of the Independent Auditor

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 2013 which comprise the Consolidated and Company Statement of Financial Position, the Consolidated Statement of comprehensive Income, the Consolidated and Company Statement of Changes in Equity, the 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 (IFRSs) as adopted by the European Union 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Report of the Independent Auditor

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
27 September 2013

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

Consolidated and Company Statement of Financial Position as at 30 June 2013

		Group		Company	
All figures are stated in Australian Dollars	**Note(s)**	**2013 A$ '000**	**2012 A$ '000**	**2013 A$ '000**	**2012 A$ '000**
Assets					
Non-Current Assets					
Property, plant and equipment	4	23 054	166	4	6
Intangible assets	5	64 331	19 799	-	-
Investments in subsidiaries	6	-	-	42 718	30 811
Investments in associated undertakings	7	5	15 282	-	-
		87 390	**35 247**	**42 722**	**30 817**
Current Assets					
Trade and other receivables	8	3 081	1 652	172	251
Cash and cash equivalents (including restricted amounts)	9	7 442	8 826	2 275	2 478
		10 523	**10 478**	**2 447**	**2 729**
Total Assets		**97 913**	**45 725**	**45 169**	**33 546**
Equity and Liabilities					
Equity					
Share capital	10	26 054	17 534	26 054	17 534
Share premium	10	41 792	35 358	41 792	35 358
Reserves	11	10 175	8 293	6 920	6 750
Retained deficit		(19 899)	(26 695)	(35 867)	(31 813)
		58 122	34 490	38 899	27 829
Non-controlling interest		27 641	4 973	-	-
Attributable to Equity Holders of Parent		**85 763**	**39 463**	**38 899**	**27 829**
Liabilities					
Non-Current Liabilities					
Long term loans	13	3 172	-	-	-
Converting Notes	14	5 524	5 315	5 524	5 315
Provisions	15	896	-	-	-
		9 592	**5 315**	**5 524**	**5 315**
Current Liabilities					
Trade and other payables	16	2 558	947	746	402
Total Liabilities		**12 150**	**6 262**	**6 270**	**5 717**
Total Equity and Liabilities		**97 913**	**45 725**	**45 169**	**33 546**

The notes on page 24 to 63 form part of the financial statements.

Consolidated Statement of Comprehensive Income

		Group	
All figures are stated in Australian Dollars	**Notes**	**2013 A$ '000**	**2012 A$ '000**
Operating expenses		(4 155)	(6 051)
Share based payment charge	12	(339)	(1 051)
Operating loss	17	**(4 494)**	**(7 102)**
Finance income	18	546	283
Foreign exchange gain/(loss)		13	(13)
Share of operating (loss)/profit of associated undertakings		(10)	3
Gain arising on step up of interest in associated undertaking	7	6 644	8 778
Gain arising on step up of associated undertaking to subsidiary	6	5 464	899
Foreign exchange differences recycled on step up		(643)	-
Finance expenses	19	(968)	(69)
Profit before taxation for the year		**6 552**	**2 779**
Taxation	20	-	-
Profit after taxation for the year		**6 552**	**2 779**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(984)	(1 249)
Total comprehensive income for the year		**5 568**	**1 530**
Profit for the year attributable to:			
Owners of the parent		6 627	2 900
Non-controlling interest		(75)	(121)
		6 552	**2 779**
Total comprehensive income attributable to:			
Owners of the parent		5 643	1 651
Non-controlling interest		(75)	(121)
		5 568	**1 530**
Earnings per share			
Basic earnings per share - cents	27	2.45	1.40
Diluted earnings per share - cents	27	2.32	1.40

The notes on page 24 to 63 form part of the financial statements

Consolidated and Company Statement of Changes in Equity

All figures are stated in Australian Dollars	Share capital A$ '000	Share premium A$ '000	Total share capital A$ '000	Foreign currency translation reserve A$ '000	Capital contribution reserve A$ '000	Share Based payment reserve A$ '000	Total reserves A$ '000	Retained deficit A$ '000	Total attributable to equity holders of the group A$ '000	Non-controlling interest A$ '000	Total equity A$ '000
Group											
Balance at 1 July 2011	**17 077**	**34 495**	**51 572**	**3 414**	**-**	**3 373**	**6 787**	**(29 634)**	**28 725**	**(548)**	**28 177**
Profit for the year	-	-	-	-	-	-	-	2 900	2 900	(121)	2 779
Other comprehensive income	-	-	-	(1 249)	-	-	(1 249)	-	(1 249)	-	(1 249)
Total comprehensive income for the year	**-**	**-**	**-**	**(1 249)**	**-**	**-**	**(1 249)**	**2 900**	**1 651**	**(121)**	**1 530**
Issue of shares	457	863	1 320	-	-	-	-	-	1 320	-	1 320
Share based payments	-	-	-	-	-	2 794	2 794	-	2 794	-	2 794
Transfer between reserves	-	-	-	-	-	(39)	(39)	39	-	-	-
Non-Controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	5 642	5 642
Other movements within equity	**457**	**863**	**1 320**	**-**	**-**	**2 755**	**2 755**	**39**	**4 114**	**5 642**	**9 756**
Balance at 1 July 2012	**17 534**	**35 358**	**52 892**	**2 165**	**-**	**6 128**	**8 293**	**(26 695)**	**34 490**	**4 973**	**39 463**
Profit for the year	-	-	-	-	-	-	-	6 627	6 627	(75)	6 552
Other comprehensive income	-	-	-	(984)	-	-	(984)	-	(984)	-	(984)
Total comprehensive income for the year	**-**	**-**	**-**	**(984)**	**-**	**-**	**(984)**	**6 627**	**5 643**	**(75)**	**5 568**
Issue of shares	8 520	7 239	15 759	-	-	-	-	-	15 759	-	15 759
Share issue expenses	-	(805)	(805)	-	-	-	-	-	(805)	-	(805)
Share based payments	-	-	-	-	-	339	339	-	339	-	339
Fair value adjustment	-	-	-	-	2 053	-	2 053	-	2 053	-	2 053
Transfer between reserves	-	-	-	-	-	(169)	(169)	169	-	-	-
Non-Controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	22 743	22 743
Foreign exchange differences recycled on step up	-	-	-	643	-	-	643	-	643	-	643
Other movements within equity	**8 520**	**6 434**	**14 954**	**643**	**2 053**	**170**	**2 866**	**169**	**17 989**	**22 743**	**40 732**
Balance at 30 June 2013	**26 054**	**41 792**	**67 846**	**1 824**	**2 053**	**6 298**	**10 175**	**(19 899)**	**58 122**	**27 641**	**85 763**
Note(s)	10	10	10	11	11	12		11		11	

The notes on pages 24 to 63 form part of the financial statements

Consolidated and Company Statement of Changes in Equity

All figures are stated in Australian Dollars	Share capital A$ '000	Share premium A$ '000	Total share capital A$ '000	Foreign currency translation reserve A$ '000	Share Based payment reserve A$ '000	Total reserves A$ '000	Retained deficit A$ '000	Total equity A$ '000
Company								
Balance at 1 July 2011	**17 077**	**34 495**	**51 572**	**622**	**3 373**	**3 995**	**(26 665)**	**28 902**
Loss for the year	-	-	-	-	-	-	(5 187)	(5 187)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(5 187)**	**(5 187)**
Issue of shares	457	863	1 320	-	-	-	-	1 320
Share based payments	-	-	-	-	2 794	2 794	-	2 794
Transfer between reserves	-	-	-	-	(39)	(39)	39	-
Other movements within equity	**457**	**863**	**1 320**	**-**	**2 755**	**2 755**	**39**	**4 114**
Balance at 1 July 2012	**17 534**	**35 358**	**52 892**	**622**	**6 128**	**6 750**	**(31 813)**	**27 829**
Loss for the year	-	-	-	-	-	-	(4 223)	(4 223)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(4 223)**	**(4 223)**
Issue of shares	8 520	7 239	15 759	-	-	-	-	15 759
Share issue expenses	-	(805)	(805)	-	-	-	-	(805)
Share based payments	-	-	-	-	339	339	-	339
Transfer between reserves	-	-	-	-	(169)	(169)	169	-
Other movements within equity	**8 520**	**6 434**	**14 954**	**-**	**170**	**170**	**169**	**15 293**
Balance at 30 June 2013	**26 054**	**41 792**	**67 846**	**622**	**6 298**	**6 920**	**(35 867)**	**38 899**
Note(s)	10	10	10	11	12		11	

The notes on pages 24 to 63 form part of the financial statements

Consolidated and Company Statement of Cash Flows

		Group		Company	
All figures are stated in Australian Dollars	Note(s)	2013 A$ '000	2012 A$ '000	2013 A$ '000	2012 A$ '000
Cash flows from operating activities					
Cash used in operations	22	(4 948)	(7 110)	(3 100)	(4 305)
Cash flows from investing activities					
Acquisition of property, plant and equipment	4	(14 299)	(130)	-	(6)
Proceeds on sale of property, plant and equipment	4	-	3	-	-
Acquisition of other intangible assets	5	(598)	(1 374)	-	-
Proceeds on sale of other intangible assets	5	24	-	-	-
Subsidiary undertakings acquired		(1 801)	-	-	-
Investment in subsidiary		-	-	(11 907)	(12 318)
Investment in associated undertakings		(5)	(3 644)	-	-
Transfer to restricted cash		(945)	(1 010)	-	-
Finance income	18	546	283	412	204
Finance expense	19	(384)	(69)	(384)	(69)
Net cash from investing activities		**(17 462)**	**(5 941)**	**(11 879)**	**(12 189)**
Cash flows from financing activities					
Proceeds on share issue, nett of share issue expenses	10	14 763	1 320	14 763	1 320
Proceeds from issue of Converting Notes		-	7 000	-	7 000
Cash inflow from shareholders loans	13	5 225	-	-	-
Net cash from financing activities		**19 988**	**8 320**	**14 763**	**8 320**
Total cash movement for the year		**(2 422)**	**(4 731)**	**(216)**	**(8 174)**
Cash at the beginning of the year		7 816	12 830	2 478	10 607
Effect of exchange rate movement on cash balances		93	(283)	13	45
Total unrestricted cash and cash equivalents at end of the year	9	**5 487**	**7 816**	**2 275**	**2 478**
Restricted cash	9	1 955	1 010	-	-
Total cash	9	**7 442**	**8 826**	**2 275**	**2 478**

The notes on pages 24 to 63 form part of the financial statements

Notes to the Consolidated and Company Annual Financial Statements

1. Significant accounting policies

General Information

The Company is domiciled in the UK. The address of the registered office is 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 profit for the year includes a loss after tax of A$ 4,223,429 (2012: loss of A$ 5,187,502) which is dealt with in the financial statements of the parent Company.

Going concern

The accounts have been prepared on the going concern basis. At the year end the Group had A$ 5,487,114 (2012: A$ 7,815,998) of unrestricted cash reserves and is reliant on the timing of cash flows from the Kangala Colliery. The Directors are therefore 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 Australian Dollar ("A$"). The consolidated annual financial statements are presented in Australian Dollar ("A$") which is the Group's presentation currency.

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

1.1 Basis of consolidation

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets 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.

Notes to the Consolidated and Company Annual Financial Statements

1.1 Basis of consolidation (continued)

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 subsidiaries are carried at cost, less any impairment recognised.

Associated undertakings

An associated undertaking 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 associated undertakings are accounted for using the equity method of accounting and are initially recognised at cost. Any premium paid for an associated undertaking 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 associated undertaking. The carrying amount of investment in an associated undertaking is subject to impairment in the same way as described below.

An increase in the holding of an entity already classified as an associated undertaking, which does not result in control being passed to the company, is accounted for by determining the fair value of the consideration paid to acquire the additional interest and the fair value of the share of net assets. The difference between the two is recognised as goodwill. Any negative goodwill is taken to the profit and loss as a gain on step up.

An increase in the holding of an entity already classified as an associated undertaking, which results in control being passed to the company, is accounted for by determining the fair value of the consideration paid to acquire the additional interest and the fair value of the share of net assets. The difference between the two is recognised as goodwill. Any negative goodwill is taken to the profit and loss as a gain on step up of associated undertaking to subsidiary.

The Group's share of its associated undertakings' 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 associated undertaking equals or exceeds its interest in the associated undertaking no further losses are recognised.

1.2 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.

Notes to the Consolidated and Company Annual Financial Statements

1.3 Intangible assets

Exploration and evaluation assets

The Group capitalises the fair value of the consideration paid for exploration and prospecting rights together with all other costs incurred provided they meet the recognition criteria. 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 as development and production assets and will be amortised per the policy below. The amortisation expense will be included within the cost of sales in the Statement of Comprehensive Income.

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

1.4 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

1.5 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, on the following basis:

Item	Average useful life
Mining assets	
Mineral properties	Units of production method
Development and production assets	Units of production method
Other assets	
Furniture and fixtures	5 years straight line
Computer equipment	3 years straight line

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.

1.5 Property, plant and equipment (continued)

Capital work in progress

Capital expenditure relating to mine development projects are accounted for as capital work in progress until steady state is reached, at which point it is transferred to development and production assets.

1.6 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”.

Financial instruments designated as at fair value through profit or loss

This category comprises derivatives that were not designated and effective for hedge accounting at inception. The liabilities are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value in the Consolidated Statement of Comprehensive Income in the finance income or finance expense line.

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

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.

Derivatives

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

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

Derivatives are classified as financial assets at fair value through profit or loss - held for trading.

Notes to the Consolidated and Company Annual Financial Statements

1.6 Financial instruments (continued)

Hedging activities

Designated hedging instruments are excluded from the definition of financial instruments at fair value through profit or loss.

The group enters into financial transactions to ensure a degree of interest rate certainty and to guarantee the interest rate changes through economic conditions beyond management's control is hedged through interest rate swaps. Financial instruments entered into in pursuit of this objective are specifically designated as hedges of the planned future interest rate variances.

Gains and losses on interest rate hedging instruments that effectively establish interest rate fluctuations in the future, are recognised in income or expense at the earlier of any cash flow or delivery of the related hedged production.

1.7 Converting notes

On initial recognition the converting notes have been split into a financial liability and a derivative financial liability. The financial liability is subsequently recognised at amortised cost and the derivative financial liability measured at fair value through the profit and loss.

1.8 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 liability. This liability is not discounted.

1.9 Tax

Current taxation

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

Deferred tax

Deferred 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.

1.10 Foreign currencies

Company

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

Notes to the Consolidated and Company Annual Financial Statements

1.10 Foreign currencies (continued)

Group

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

At the end of the reporting period:

- Assets and liabilities for each balance sheet presented (including comparatives) are translated at the closing rate;
- Income and expenses for each income statement (including comparatives) is translated at exchange rates at the rate of exchange ruling at the date of transaction;

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.

1.11 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.

1.12 Employee benefits

Short-term employee benefits

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

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

1.13 Environmental expenditure

Long-term environmental obligations comprising decommissioning, restorations and rehabilitation provisions are based on the group's environmental management plans, in compliance with the current environmental and regulatory requirements as determined by the regulatory authorities within South Africa.

Site restoration and dismantling cost

The company has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss.

(c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

1.13 Environmental expenditure (continued)

Decommissioning and rehabilitation provisions

Provision is made for the net present value of the estimated future decommissioning costs at the end of the operating life of the mine. When this provision gives access to future economic benefits, an asset is recognised and included within mining assets. The unwinding of the decommissioning obligation is included in the Statement of Comprehensive Income. The estimated future cost of decommissioning obligations are regularly reviewed and adjusted as appropriate for new circumstances or changes in law or technology. The estimates are discounted at a pre-tax rate that reflects current market assessments of the time value of money.

Restoration costs

Estimated restoration costs are accrued and expended over the operating life of each mine using the units-of-production method based on estimated proved and probable mineral reserves. Expenditure on ongoing rehabilitation costs is brought to account when incurred.

1.14 Financial guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such.

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

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

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

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

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

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.

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, in order to determine 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.

Notes to the Consolidated and Company Annual Financial Statements

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

Associated undertakings (note 7)

The Directors believe, after careful consideration of the contractual earn-in arrangements, that the Group, as a matter of fact, exercises significant influence over the activities and operations of Universal Coal Development VI (Pty) Ltd. Therefore, the associated undertaking is accounted for on the equity basis.

Subsidiaries (note 6)

Judgement has been applied by management in assessing control over entities in which the company hold a total shareholding of 50%. Where the company has an option to exercise a further share purchase, the investment has been accounted for as a subsidiary.

Exploration and development assets (note 5)

On valuation of exploration and development assets, reliance is placed on the valuation opinion which has been derived from competent persons' reports.

Fair value of derivatives

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

Rehabilitation provision (note 15)

Provision has been made for the net present value of the estimated initial rehabilitation costs as at the commencement of mine development. This provision gives access to future economic benefits, and an asset has been recognised and included within mining assets. At year-end no unwinding of the rehabilitation obligation has occurred and as such has not been included in the Statement of Comprehensive Income. The effects of discounting are considered negligible and have not been taken into account in the carrying value of the rehabilitation provision.

Notes to the Consolidated and Company Annual Financial Statements

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. The 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 entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.	1 January 2013
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 2015
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 2014
	Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.	1 January 2013
	IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must be accounted for at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement.	1 January 2014
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 2014
	Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.	1 January 2013

Notes to the Consolidated and Company Annual Financial Statements

2. New Standards and Interpretations (continued)

Standards	Details of amendment	Annual periods beginning on or after
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 2014
	Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.	1 January 2013
	New disclosures required for Investment Entities (as defined in IFRS 10).	1 January 2014
IFRS 13 Fair Value Measurement	New guidance on fair value measurement and disclosure requirements.	1 January 2014
IAS 1 Presentation of Financial Statements	Annual Improvements 2009–2011 Cycle: Amendments clarifying the requirements for comparative information including minimum and additional comparative information required.	1 January 2013
IAS 16 Property, Plant and Equipment	Annual Improvements 2009-2011 Cycle: Amendments to the recognition and classification of servicing equipment.	1 January 2013
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 2014
	Requirement to account for interests in ‘Investment Entities’ at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent.	1 January 2014
IAS 28 Investments in Associates	Consequential amendments resulting from the issue of IFRS 10,11 and 12.	1 January 2014
IAS 32 Financial Instruments: Presentation	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.	1 January 2013
	Annual Improvements 2009-2011 Cycle: Amendments to clarify the tax effect of distribution to holders of equity instruments.	1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	Capitalisation of stripping costs in the production phase of a surface mine until they meet the definition of inventory in IAS 2 : Inventories.	1 January 2013

Notes to the Consolidated and Company Annual Financial Statements

2. New Standards and Interpretations (continued)

The Group have not yet assessed the impact of IFRS 9, IFRS 10 or IFRIC 20. 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 relevant in the year but considered not to be material:

Standards	Details of amendment	Annual periods beginning on or after
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

Notes to the Consolidated and Company Annual Financial Statements

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. The segments have similar economic characteristics and are therefore aggregated in accordance with IFRS 8. 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, Australia and South Africa.

For the year ended 30 June 2013	**Indirect Interest in Exploration and development of coal**	**Corporate (Unallocated)**	**Total**
	A$'000	**A$'000**	**A$'000**
Operating expenses (excluding share based payments)	(224)	(3 931)	(4 155)
Share based payments expense	-	(339)	(339)
Share of loss of associate undertakings	(10)	-	(10)
Gain arising on step-up of interest in associated undertaking	6 644	-	6 644
Foreign exchange profit	-	13	13
Gain arising on step up of associated undertaking to subsidiary	5 464	-	5 464
Foreign exchange differences recycled on step up	(643)	-	(643)
Net finance cost	-	(422)	(422)
PROFIT / (LOSS) BEFORE AND AFTER TAXATION	11 231	(4 679)	6 552
TOTAL NON-CURRENT ASSETS	87 289	101	87 390
TOTAL ASSETS	91 256	6 657	97 913
TOTAL LIABILITIES	(5 538)	(6 612)	(12 150)

For the year ended 30 June 2012	**Indirect Interest in Exploration and development of coal**	**Corporate (Unallocated)**	**Total**
	A$'000	**A$'000**	**A$'000**
Operating expenses (excluding share based payments)	(64)	(5 987)	(6 051)
Share based payments expense	-	(1 051)	(1 051)
Share of operating profit of associate undertakings	3	-	3
Gain arising on step-up of interest in associated undertaking	8 778	-	8 778
Foreign exchange loss	-	(13)	(13)
Gain arising on step up of associated undertaking to subsidiary	899	-	899
Net finance income	-	214	214
PROFIT / (LOSS) BEFORE AND AFTER TAXATION	9 616	(6 837)	2 779
TOTAL NON-CURRENT ASSETS	35 133	114	35 247
TOTAL ASSETS	36 111	9 614	45 725
TOTAL LIABILITIES	(472)	(5 790)	(6 262)

Notes to the Consolidated and Company Annual Financial Statements

4. Property, plant and equipment

Group	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000
Mineral properties	4 053	-	4 053	-	-	-
Development and production assets	7 016	-	7 016	-	-	-
Furniture and fixtures	39	(16)	23	31	(8)	23
IT equipment	58	(25)	33	38	(13)	25
Capital work in progress	11 929	-	11 929	118	-	118
Total	**23 095**	**(41)**	**23 054**	**187**	**(21)**	**166**

Reconciliation of property, plant and equipment - Group - 2013

	Opening balance	Additions	Transfers from intangible assets	Depreciation	Total
	A$'000	A$'000	A$'000	A$'000	A$'000
Mineral properties	-	4 053	-	-	4 053
Development and production assets	-	-	7 016	-	7 016
Furniture and fixtures	23	8	-	(8)	23
IT equipment	25	20	-	(12)	33
Capital Work in Progress	118	11 811	-	-	11 929
	166	**15 892**	**7 016**	**(20)**	**23 054**

Reconciliation of property, plant and equipment - Group - 2012

	Opening balance	Additions	Disposals	Foreign exchange movements	Depreciation	Total
	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000
Furniture and fixtures	30	5	(4)	-	(8)	23
Computer equipment	26	9	-	(1)	(9)	25
Capital work in progress	-	118	-	-	-	118
	56	**132**	**(4)**	**(1)**	**(17)**	**166**

Details of mineral properties

	Group	
	2013	2012
	A$'000	A$'000
Portion 1 of farm Wolvenfontein, 244 IR, Gauteng Province	4 053	-

5. Intangible assets

Group	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000
Mining and Prospecting Rights (held by:)						
Universal Coal Development I (Pty) Ltd	1 202	-	1 202	8 024	-	8 024
Universal Coal Development II (Pty) Ltd	36 970	-	36 970	-	-	-
Universal Coal Development III (Pty) Ltd	12 215	-	12 215	11 709	-	11 709
Universal Coal Development IV (Pty) Ltd	9 808	-	9 808	-	-	-
Universal Coal Development V (Pty) Ltd	4 079	-	4 079	-	-	-
Other Intangible Assets						
Computer software	121	(64)	57	113	(47)	66
Total	**64 395**	**(64)**	**64 331**	**19 846**	**(47)**	**19 799**

Reconciliation of intangible assets - Group - 2013

	Opening balance	Additions	Disposals	Transfers to property, plant and equipment	Acquired via business combinations	Foreign exchange movements	Depreciation	Total
	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000
Mining and Prospecting Rights								
Universal Coal Development I (Pty) Ltd	8 024	194	-	(7 016)	-	-	-	1 202
Universal Coal Development II (Pty) Ltd	-	-	-	-	36 517	453	-	36 970
Universal Coal Development III (Pty) Ltd	11 709	506	-	-	-	-	-	12 215
Universal Coal Development IV (Pty) Ltd	-	-	-	-	9 448	360	-	9 808
Universal Coal Development V (Pty) Ltd	-	-	-	-	4 041	38	-	4 079
Other Intangible Assets								
Computer software	66	60	(19)	-	-	-	(50)	57
	19 799	**760**	**(19)**	**(7 016)**	**50 006**	**851**	**(50)**	**64 331**

5. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2012

	Opening balance	Additions	Foreign exchange movements	Depreciation	Total
	A$'000	A$'000	A$'000	A$'000	A$'000
Mining and Prospecting Rights					
Universal Coal Development I (Pty) Ltd	6 970	1 058	(4)	-	8 024
Universal Coal Development III (Pty) Ltd	-	11 619	90	-	11 709
Other Intangible Assets					
Computer software	67	46	-	(47)	66
	7 037	**12 723**	**86**	**(47)**	**19 799**

Supplementary information on Intangible Assets

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

Project and Entity	Asset	Registration Number	Permit Number	Interest (%)	Licence Expiry Date	Renewal submitted	Area (ha)
Kangala Project: Universal Coal Development I (Pty) Ltd	Middelbult 235 IR, Portions 40 & 82	588/2006 PR	MP30/5/1/1/641 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#	48/2013 PR	MP30/5/1/2/2/429 MR	70.5%	02/05/2032	-	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	To be registered	MP30/5/1/1/2/492 MR	74%	20 years from execution	-	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	MP30/5/1/1/2/1879P R	50.29%	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	50%	19/03/2016	-	39,484
Cygnus Project: Universal Coal Development V (Pty) Ltd	Cygnus Project	227/2008 PR	LP30/5/1/1/2/1276PR	50%	06/05/2013	25/02/2013	12,299
Donkin Project: Universal Coal Development VI (Pty) Ltd	Donkin Project	16/2010 PR	LP30/5/1/1/2/2074PR	15%	08/12/2014	-	1,178

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.

6. Investments in subsidiaries

Name of company	% holding 2013	% holding 2012	Carrying amount 2013 A$'000	Carrying amount 2012 A$'000
Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA)	100.00 %	100.00 %	42 718	30 811
Held indirectly			-	-
Universal Coal Development I (Pty) Ltd	70.50 %	70.50 %		
Universal Coal Development II (Pty) Ltd	50.00 %	n/a	-	-
Universal Coal Development III (Pty) Ltd	50.29 %	50.29 %	-	-
Twin Cities Trading 374 (Pty) Ltd	74.00 %	74.00 %	-	-
Episolve (Pty) Ltd	74.00 %	74.00 %	-	-
Epsimax (Pty) Ltd	74.00 %	74.00 %	-	-
Bold Moves 1765 (Pty) Ltd	74.00 %	74.00 %	-	-
Universal Coal Development IV (Pty) Ltd	74.00 %	n/a	-	-
Universal Coal Development V (Pty) Ltd	50.00 %	n/a	-	-
Universal Coal Development VII (Pty) Ltd	50.00 %	n/a	-	-
Universal Coal Power Generation (Pty) Ltd	100.00 %	n/a	-	-
			42 718	**30 811**

The investment in the directly held subsidiaries at 30 June 2013 was:	Total
	A$'000
Country of incorporation:	South Africa
Class of share:	Ordinary
Proportion held of the ordinary shares:	100%
Reconciliation of movements for the 2013 year	
Balance at beginning of the year	30 811
Investment in the period	11 907
Total carrying value at the end of the year	**42 718**

The investment in the directly held subsidiaries at 30 June 2012 was:	Total
	A$'000
Country of incorporation	South Africa
Class of share:	Ordinary
Proportion held of the ordinary shares:	100%
Reconciliation of movements for the 2012 year	
Balance at beginning of year	18 208
Investment in the period	12 603
Total carrying value at the end of the year	**30 811**

6. Investments in subsidiaries (continued)

Universal Coal Development II (Pty) Ltd

On 15 January 2013, a further 20 (twenty) shares of Universal Coal Development II (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement representing a total shareholding in Universal Coal Development II (Pty) Ltd of 50%. Within the shareholder arrangement Universal Coal and Energy Holdings South Africa (Pty) Ltd has an option to exercise over a further 24% share purchase in Universal Coal Development II (Pty) Ltd. This has been deemed a potential voting right and included in Management's assessment as to whether Universal Coal and Energy Holdings South Africa (Pty) Ltd has control. Therefore the investment has been included as a subsidiary in the year.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value	Adjustment	Fair value
	A$'000	A$'000	A$'000
Intangible assets	5 292	31 225	36 517
Total net assets (100%)	5 164	31 225	36 388

Fair value of consideration paid	A$'000
Fair value of previous share recognised as investment in associated undertaking	14 606
Cash consideration paid	1 144
Total consideration	15 750
Gain arising on step up of associated undertaking to subsidiary	2 444
Fair value of asset acquired (50% interest)	**18 194**

The gain arising on step up of associated undertaking to subsidiary has been recognised in the Consolidated Statement of Comprehensive Income.

Universal Coal Development IV (Pty) Ltd

On 23 January 2013, Universal Coal exercised its option to acquire an additional 24% of the share capital of Universal Coal Development IV (Pty) Ltd for a consideration of ZAR 5 million. On this date 48 (forty eight) ordinary shares were transferred from Xakwa Investments (Pty) Ltd to Universal Coal and Energy Holdings South Africa (Pty) Ltd resulting in an effective ownership of 74% of Universal Coal Development IV (Pty) Ltd.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value	Adjustment	Fair value
	A$'000	A$'000	A$'000
Intangible asset	2 507	6 941	9 448
Total net assets (100%)	2 770	6 941	9 711

Fair value of consideration paid	A$'000
Fair value of previous share recognised as investment in associated undertaking	4 724
Cash consideration paid	618
Total consideration	5 342
Gain arising on step up of associated undertaking to subsidiary	1 844
Fair value of asset acquired (74% interest)	**7 186**

The gain arising on step up of associated undertaking to subsidiary has been recognised in the Consolidated Statement of Comprehensive Income.

6. Investments in subsidiaries (continued)

Universal Coal Development V (Pty) Ltd

On 22 April 2013, a further 67 (sixty seven) shares of Universal Coal Development V (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement increasing the Group's total shareholding in Universal Coal Development V (Pty) Ltd to 50%. As Universal Coal has an option to exercise over a further 24% share purchase, the investment has been accounted for as a subsidiary for the 2013 financial period.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value	Adjustment	Fair value
	A$'000	A$'000	A$'000
Intangible asset	276	3 765	4 041
Total net assets (100%)	283	3 765	4 048

Fair value of consideration paid:	A$'000
Fair value of previous share recognised as investment in associated undertaking	808
Cash consideration paid	39
Total consideration	847
Gain arising on step up of associated undertaking to subsidiary	1 177
Fair value of asset acquired (50% interest)	**2 024**

The gain arising on step up of associated undertaking to subsidiary has been recognised in the Consolidated Statement of Comprehensive Income.

7. Investments in associated undertakings

Name of company	% holding 2013	% holding 2012	Carrying amount 2013 A$'000	Carrying amount 2012 A$'000
Universal Coal Development II (Pty) Ltd ("UCDII")	50.00 %	40.00 %	-	11 702
Universal Coal Development IV (Pty) Ltd ("UCDIV")	74.00 %	50.00 %	-	3 278
Universal Coal Development V (Pty) Ltd ("UCDV")	50.00 %	20.00 %	-	302
Universal Coal Development VI (Pty) Ltd ("ÜCDVI")	15.00 %	15.00 %	5	-
Universal Coal Logistics (Pty) Ltd ("UCL")	49.00 %	n/a	-	-
			5	**15 282**

Universal Coal Development II (Pty) Ltd

On 15 January 2013, a further 20 (twenty) shares of Universal Coal Development II (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement increasing the Group's total shareholding in Universal Coal Development II (Pty) Ltd to 50%. As Universal Coal has an option to exercise over a further 24% share purchase, the investment has been accounted for as a subsidiary for the 2013 financial period.

Universal Coal Development IV (Pty) Ltd

On 23 January 2013, Universal Coal exercised its option to acquire an additional 24% of the share capital of Universal Coal Development IV (Pty) Ltd for a consideration of ZAR 5 million. On this date 48 (forty eight) ordinary shares were transferred from Xakwa Investments (Pty) Ltd to Universal Coal and Energy Holdings South Africa (Pty) Ltd resulting in an effective ownership of 74% of Universal Coal Development IV (Pty) Ltd.

Universal Coal Development V (Pty) Ltd

On 22 April 2013, a further 67 (sixty seven) shares of Universal Coal Development V (Pty) Ltd were issued to Universal Coal and Energy Holdings South Africa (Pty) Ltd in accordance with the earn in Acquisition and Option Agreement increasing the Group's total shareholding in Universal Coal Development V (Pty) Ltd to 50%. As Universal Coal has an option to exercise over a further 24% share purchase, the investment has been accounted for as a subsidiary in the 2013 financial year.

7. Investments in associated undertakings (continued)

Universal Coal Development VI (Pty) Ltd

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

Universal Coal Logistics (Pty) Ltd

On 28 June 2013, Universal Coal and Energy Holdings South Africa acquired 49 (forty nine) ordinary shares Universal Coal Logistics (Pty) Ltd representing a 49% ownership, the balance of which is held by Camiscope (Pty) Ltd. This entity was formed to enable Universal Coal to apply for and participate in the Quattro Export Entitlement Programme allowing junior coal miners in South Africa to export coal to international markets through the 91 Mtpa Richards Bay Coal Terminal

The associated undertakings at 30 June 2013 were:	UCD II	UCD IV	UCD V	UCD VI	UCL	Total
	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000
Country of incorporation:	South Africa	South Africa	South Africa	South Africa	South Africa	
Class of share:	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary	
Proportion held of the ordinary shares:	n/a*	n/a*	n/a*	15%	49%	
Reconciliation of movements for the 2013 year						
Balance at beginning of year	11 702	3 278	302	-	-	15 282
Investments in the period	-	-	-	6	-	6
Share of (loss) / profit of associated undertaking	(6)	1	(4)	(1)	-	(10)
Gain arising on step-up of interest	4 059	2 033	552	-	-	6 644
Movements in exchange rates	(1 149)	(588)	(42)	-	-	(1 779)
Disposals (transfer to subsidiaries)	(14 606)	(4 724)	(808)	-	-	(20 138)
TOTAL CARRYING VALUE AT THE END OF THE YEAR	**-**	**-**	**-**	**5**	**-**	**5**

* In the 2013 period this entity is classified as a subsidiary and consolidated.

The associated undertakings at 30 June 2012 were:	UCD II	UCD III	UCD IV	UCD V	Total
	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	40%	40%	50%	20%	
Reconciliation of movements for the 2012 year					
Balance at beginning of the year	2 293	2 922	3 300	157	8 672
Investments in the period	2 485	475	532	152	3 644
Share of (loss) / profit of associated undertaking	(3)	(3)	10	(1)	3
Gain arising on step-up of interest	7 028	1 750	-	-	8 778
Movements in exchange rates	(101)	(338)	(564)	(6)	(1 009)
Disposals (transfer to subsidiaries)	-	(4 806)	-	-	(4 806)
TOTAL CARRYING VALUE AT THE END OF THE YEAR	**11 702**	**-**	**3 278**	**302**	**15 282**

Notes to the Consolidated and Company Annual Financial Statements

7. Investments in associated undertakings (continued)

Financial information of Associated Undertakings

All the associated undertakings have prepared audited financial statements for the year ended 30 June 2013 and are accounted for in Universal Coal Plc using the equity method of accounting.

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	
	2013	2012	2013	2012
	A$'000	A$'000	A$'000	A$'000
Trade receivables	74	-	-	-
Prepayments	1 495	1 454	150	138
Deposits	9	108	-	95
Value Added Taxation	1 168	90	22	18
Other receivables	335	-	-	-
	3 081	**1 652**	**172**	**251**

Prepayments: Universal Coal Development VII (Pty) Ltd

On 19 April 2012, Universal Coal & Energy Holdings South Africa (Pty) Ltd acquired 1 (one) ordinary share (50%) of Universal Coal Development VII (Pty) Ltd, a special purpose entity formed with the intention of acquiring additional prospecting rights in South Africa. The contribution of A$ 1,327,197 continues to be treated as a prepayment during the 2013 financial period as certain conditions precedent still have to be concluded.

9. Cash and cash equivalents (including restricted amounts)

Cash and cash equivalents consist of:

	Group		Company	
	2013	2012	2013	2012
	A$'000	A$'000	A$'000	A$'000
Bank balances	2 318	492	2 275	478
Fixed term deposits	3 169	7 324	-	2 000
Restricted cash	1 955	1 010	-	-
	7 442	**8 826**	**2 275**	**2 478**

9. Cash and cash equivalents (including restricted amounts) (continued)

Restricted cash and cash equivalents

Restricted cash and cash equivalents consist of standby equity and financial guarantees.

	Group		Company	
	2013	2012	2013	2012
	A$'000	A$'000	A$'000	A$'000
Financial guarantees	293	1 010	-	-
Standby Equity Account	1 662	-	-	-
	1 955	**1 010**	**-**	**-**

The standby equity account relates to a reserve cash account that is earmarked for possible Kangala capital project cost overruns.

Financial guarantees

A rehabilitation guarantee for the full amount of the rehabilitation provision has been provided to Universal Coal Development I (Pty) Ltd by a registered financial institution and is partly secured by a cash investment account with a cash balance of A$ 292,659. Monthly contributions are made to the cash investment account and revised annually in agreement with the registered financial institution.

	Group	
	2013	2012
A summary of the guarantees is below:	A$'000	A$'000
Xakwa Investments (Pty) Ltd	6	6
Department of Minerals and Energy	287	1 000
	293	**1 006**

10. Share capital

Authorised:

Number	**Class**	**Nominal Value 2013** **£**	**Nominal Value 2012** **£**
500 000 000	Ordinary	0.05	0.05

Alotted, issued and fully paid:

Number	**Class**	**Nominal Value** **£**	**2013** **A$'000**	**2012** **A$'000**
2013: 319,575,447	Ordinary	0.05	26 054	
2012: 209,684,554	Ordinary	0.05		17 534

	Group		Company	
	2013	2012	2013	2012
	A$'000	A$'000	A$'000	A$'000
Share Capital Reconciliation				
Opening balance	17 534	17 077	17 534	17 077
Issue of shares	8 520	457	8 520	457
CLOSING BALANCE	**26 054**	**17 534**	**26 054**	**17 534**

10. Share capital (continued)

	Group		Company	
	2013	2012	2013	2012
	A$'000	A$'000	A$'000	A$'000
Share Premium Reconciliation				
Opening balance	35 358	34 495	35 358	34 495
Issue of shares	7 239	863	7 239	863
Share issue costs	(805)	-	(805)	-
CLOSING BALANCE	**41 792**	**35 358**	**41 792**	**35 358**

Significant changes in the share capital of the Company during the 2013 financial year were as follows:

Shares	**Date**	**Number of shares issued**	**Cumulative shares issued**
Opening Balance as at 30 June 2012	1 July 2012	-	209 684 554
Issue of shares	2 July 2012	343 431	210 027 985
Issue of shares	13 August 2012	12 264 521	222 292 506
Issue of shares	2 October 2012	1 442 265	223 734 771
Issue of shares	31 December 2012	95 840 676	319 575 447
			319 575 447

Significant changes in the share capital of the Company during the 2012 financial year were as follows:

Shares	**Date**	**Number of shares issued**	**Cumulative shares issued**
Opening balance as at 30 June 2011	1 July 2011	-	203 684 554
Issue of shares	1 November 2011	6 000 000	209 684 554
			209 684 554

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

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

The 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.

Non-controlling interest is the non-controlling shareholders' interest in the net assets of the group.

The capital contribution reserve relates to discounting of shareholder's loan to its fair value at year-end.

Notes to the Consolidated and Company Annual Financial Statements

12. Share Based Payments

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

2013

Grant date	Expiry Date	Exercise Price	Number Issued	Outstanding 2013
09/12/2010	09/12/2015	A$ 0.26	490 617	490 617
09/12/2010	09/12/2015	A$ 0.20	3 800 001	3 800 001
09/12/2010	09/12/2015	A$ 0.39	5 200 001	5 200 001
09/12/2010	09/12/2015	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
09/01/2012	15/03/2014	A$ 0.40	7 999 998	7 999 998
22/06/2012	31/12/2014	A$ 0.40	500 000	500 000
04/06/2012	03/06/2017	A$ 0.263	16 855 735	16 855 735
04/06/2012	03/06/2017	A$ 0.275	5 618 579	5 618 579
01/04/2013	01/04/2018	A$ 0.26	3 300 001	3 300 001
TOTAL			**59 520 492**	**59 520 492**

2012

Grant date	Expiry Date	Exercise Price	Number Issued	Outstanding 2012
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	-
09/01/2012	15/03/2014	A$ 0.40	8 000 000	8 000 000
22/06/2012	31/12/2014	A$ 0.40	500 000	500 000
04/06/2012	03/06/2017	A$ 0.263	16 855 735	16 855 735
04/06/2012	03/06/2017	A$ 0.275	5 618 579	5 618 579
TOTAL			**57 920 491**	**57 420 491**

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.

Notes to the Consolidated and Company Annual Financial Statements

12. Share Based Payments (continued)

Group Share Options	Year ended 30 June 2013	Year ended 30 June 2012
Outstanding at start of year	57 420 491	26 646 177
Weighted average exercise price	A$ 0.30	A$ 0.29
Granted	3 300 001	30 974 314
Weighted average exercise price	A$ 0.26	A$ 0.30
Cancelled	(1 200 000)	(200 000)
Weighted average exercise price	A$ 0.34	A$ 0.26
OUTSTANDING AT END OF YEAR	**59 520 492**	**57 420 491**
Exercisable at end of year	**59 520 492**	**31 546 517**
Exercise date within one year	**-**	**25 873 974**

Group Share Options		
Outstanding at the beginning of the year	57 420 491	26 646 177
Granted during the year	3 300 001	30 974 314
Forfeited during the year	(1 200 000)	(200 000)
Outstanding at the end of the year	59 520 492	57 420 495
Weighted average contractual life	4 years	4 years
Weighted average exercise price	A$ 0.30	A$ 0.30

Information on options granted during the 2013 year	
Grant date	1 Apr 13
Number of options	3 300 001
Expected volatility	79.17%
Risk-free interest rate	5.38%
Weighted average share price at grant date	A$ 0.09
Expected life	5 years
Expected dividend	zero
Fair value per option	A$ 0.04

Information on options granted during the 2012 financial year:				
Grant date	9 Jan 12	22 June 2012	4 June 2012	4 June 2012
Number of options	8 000 000	500 000	16 855 735	5 618 579
Expected volatility	80.03%	75.85%	75.80%	75.80%
Risk-free interest rate	5.38%	5.38%	5.38%	5.38%
Weighted average share price at grant date	A$ 0.21	A$ 0.16	A$ 0.145	A$ 0.145
Expected life	3 years	3 years	5 years	5 years
Expected dividend	zero	zero	zero	zero
Fair Value per option	A$ 0.08	A$ 0.04	A$ 0.08	A$ 0.08

Share based payments represent the value of unexercised share options to employees. The charge for share options in the year amounted to A$ 339,485 (2012: A$ 1,051,263).

13. Long Term Loans

Shareholders loans	Group		Company	
	2013	2012	2013	2012
	A$'000	A$'000	A$'000	A$'000
Mountain Rush Trading 6 (Pty) Ltd	3 172	-	-	-

The loan is unsecured, bears no interest and has no fixed repayment terms.

In accordance with IAS 39, the loan has been present valued at the prime rate of interest in South Africa plus two percent over five years with the equity component being recognised in a capital contribution reserve.

Kangala Project Finance Facility

Universal Coal, through its 100% owned subsidiary Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA) entered into a secured funding agreement with FirstRand Bank Limited, acting through its Rand Merchant Bank division for a project financing facility with a maximum commitment value of A$33,2 million (ZAR300 million). These funds will be on-lent to a 70.5% subsidiary Universal Coal Development I (Pty) Ltd (UCDI) through means of an intercompany loan agreement for the purposes of developing the Kangala Mine.

As security, UCEHSA has pledged its shares in UCDI together with any claims and loans to UCDI and UCDI has ceded its right, title and interest to the Project Accounts, Insurances, Intellectual Property, Investments and any claims against third parties.

The Kangala Project Financing Facility attracts an interest rate of Johannesburg Interbank Agreed Rate (JIBAR) plus 4.95% pre-completion and JIBAR plus 4.25% post completion. On 19 June 2013, as a condition of the financing, UCEHSA executed an interest rate hedge to cover at least 50% of its interest rate exposure on the outstanding loan balance. The exposure on the hedge at 30 June 2013 was immaterial and as such has not been accounted for in the 30 June 2013 consolidated annual financial statements of Universal Coal.

The Kangala Project Financing Facility is to be repaid in 18 (eighteen) equal quarterly instalments commencing on 31 January 2015 and any interest incurred on the outstanding loan balance prior to this date will be capitalised in line with IAS 23: Borrowing Costs.

Facility Close was achieved on 19 June 2013, however at 30 June 2013 the full Kangala Project Financing Facility remained undrawn and available.

14. Converting Notes

	Group		Company	
	2013	2012	2013	2012
	A$'000	A$'000	A$'000	A$'000
Converting Notes	5 524	5 315	5 524	5 315

On 5 April 2012, Universal Coal Plc entered into a binding Converting Note Agreement with Susquehanna Pacific Pty Ltd for a maximum of 12,000,000 unlisted and secured Converting Notes at a coupon rate of 9.5% per annum and a maturity date of 7 years to be issued in two tranches together with a maximum of 38,527,394 share options as follows:

14. Converting Notes (continued)

Tranche 1: 7,000,000 unlisted and secured Convertible Notes at a face value of A$ 1 each and a maximum of 22,474,314 options ("Tranche A").

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

- 16,855,735 options (low) at an exercise price of A$ 0.2628 per option with a grant date of 4 June 2012 and an expiry date of 3 June 2017
- 5,618,579 options (high) at an exercise price of A$ 0.2745 per option with a grant date of 4 June 2012 and an expiry date of 3 June 2017

See also note 12: Share Based Payments

Tranche 2: 5,000,000 unlisted and secured Convertible Notes at a face value of A$ 1 each and a maximum of 16,053,080 options ("Tranche B") executable from 1 September 2012 at the election of Susquehanna Pacific Pty Ltd.

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

- 12,039,810 options (low) at an exercise price of 112.5% of the Close Price per option with a grant date of the date on which the Tranche 2 Converting Notes are issued under the Converting Note Agreement and an expiry date of 3 June 2017
- 4,013,270 options (high) at an exercise price of 117.5% of the Close Price per option with a grant date of the date on which the Tranche 2 Converting Notes are issued under the Converting Note Agreement and an expiry date of 3 June 2017

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

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

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

(b) A$0.2336

14. Converting Notes (continued)

Specific terms of the Converting Notes:

- Other than a conversion permitted as a result in a change of control or default event, no conversion is permitted for the first 7½ months.
- Noteholders are not permitted to hold in excess of 19.99% of the CDI's in issue
- A monthly cap of 5% of the principal amount of the Converting Notes if they are first rankling in the capital structure of the Company and
- A monthly cap of 10% of the principal amount of the Converting Notes if they are subordinated in the capital structure of the Company
- Converting Notes may be converted or redeemed if a change of control event occurs
- All outstanding Converting Notes must be converted on the maturity date
- If by 3½ years all of the Converting Notes have not been converted or redeemed, then the Noteholder may on a monthly basis convert as many of or a proportion of the Converting Notes.

The coupon rate of 9.5% fixed per annum is payable quarterly in arrears in cash or for the first 18 months, in shares at a 10% discount to the lower of the 5, 10 and 30 day VWAP.

	Group		Company	
Reconciliation of Converting Notes	2013	2012	2013	2012
	A$'000	A$'000	A$'000	A$'000
Opening balance	5 315	-	5 315	-
Convertible Notes issued	-	7 000	-	7 000
Capitalised financing costs	-	(1 744)	-	(1 744)
Accrued interest costs	-	41	-	41
Accrued interest paid	(41)	-	(41)	-
Amortised financing costs	250	18	250	18
	5 524	**5 315**	**5 524**	**5 315**

15. Provisions

Reconciliation of provisions - Group - 2013

	Opening balance	Additions	Total
	A$'000	A$'000	A$'000
Environmental rehabilitation	-	896	896

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

The effects of discounting are considered negligible and have not been taken into account in the rehabilitation provision presented.

Notes to the Consolidated and Company Annual Financial Statements

16. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	A$'000	A$'000	A$'000	A$'000
Trade payables	2 316	738	557	201
Other accrued expenses	242	209	189	201
	2 558	**947**	**746**	**402**

17. Operating loss

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

Operating lease charges	2013	2012
	A$'000	A$'000
Premises		
• Contractual amounts	76	86
Equipment		
• Contractual amounts	17	17
	93	**103**

Remuneration receivable by the company's auditor or an associate of the company's auditor for the auditing of these accounts	113	123
Profit on sale of fixed assets	3	-
Depreciation on property, plant and equipment	20	17
Depreciation on intangibles (software)	50	47
Employee costs	1 477	1 771
Financial advisory fees	246	1 851
Share based payments	339	1 051

18. Finance income

Interest revenue	2013	2012
	A$'000	A$'000
Bank and fixed deposit interest	546	283

19. Finance expenses

	2013	2012
	A$'000	A$'000
Converting notes - interest	718	51
Amortised finance expense	250	18
	968	**69**

Notes to the Consolidated and Company Annual Financial Statements

20. Taxation

No provision has been made for 2013 tax as the group has no taxable income. The estimated tax loss available for set off against future taxable income is A$ 40,262,907 (2012: A$ 35,688,907).

No provision has been made for the 2013 deferred taxation as no taxable income has been received to date. The estimated deferred tax asset available for set off against future taxation liabilities is A$ 10,365,615 (2012: A$ 9,279,116) 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 2013 or for the year ended 30 June 2012.

Factors affecting the tax charge

The tax assessed for the year is different to the standard rate of corporation tax in the UK.

	2013	2012
	A$'000	A$'000
Profit on ordinary activities before tax	6 552	2 779
Profit on ordinary activities multiplied by the average rate of corporation tax in SA of 28% (2012: 26% UK)	1 835	723
Effects of:		
Non-deductible expenditure	95	273
Non-taxable income	(3 390)	(2 516)
Tax losses for which no deferred asset was recognised	1 460	1 520
Total tax	-	-

21. Operating lease commitments

Minimum lease payments due	2013	2012
	A$'000	A$'000
- within one year	101	92
- in second to fifth year inclusive	95	87
	196	**179**

Notes to the Consolidated and Company Annual Financial Statements

22. Cash used in operations

	Group		Company	
	2013	2012	2013	2012
	A$'000	A$'000	A$'000	A$'000
Profit/(loss) before taxation	6 552	2 779	(4 223)	(5 187)
Adjustments for:				
Depreciation and amortisation	70	64	2	-
Profit on sale of assets	(3)	-	-	-
Gain arising on step up of associated undertaking to subsidiary	(5 464)	(899)	-	-
Gain arising on step up of interest	(6 644)	(8 778)	-	-
Foreign exchange differences recycled on step up	643	-	-	-
Finance income	(546)	(283)	(412)	(204)
Finance expenses	968	69	968	69
Share of loss of associated undertakings	10	(3)	-	-
Foreign exchange (gain)/loss	(13)	13	(12)	13
Share based payment transactions	339	1 051	339	766
Changes in working capital:				
Trade and other receivables	(1 429)	(1 213)	79	4
Trade and other payables	569	90	159	234
	(4 948)	**(7 110)**	**(3 100)**	**(4 305)**

23. Significant non-cash transactions

	Group		Company	
	2013	2012	2013	2012
	A$'000	A$'000	A$'000	A$'000
Operating activities				
Depreciation and amortisation	70	64	2	-
Share of loss of associated undertakings	10	(3)	-	-
Share based payment transactions	339	1 051	339	766
	419	**1 112**	**341**	**766**
Investment activities				
Gain arising on step up of associated undertaking to subsidiary	(5 464)	(899)	-	-
Gain arising on step up of interest	(6 644)	(8 778)	-	-
Foreign exchange differences recycled on step up	643	-	-	-
Profit on sale of intangible assets	(3)	-	-	-
Purchase of tangible assets	1 593	-	-	-
Purchase of intangible assets	161	-	-	-
	(9 714)	**(9 677)**	**-**	**-**
Financing activities				
Non-cash interest on financing activities	393	59	393	59

Notes to the Consolidated and Company Annual Financial Statements

24. Related parties

Relationships	
Subsidiaries	Universal Coal & Energy Holdings South Africa (Pty) Ltd Universal Coal Development I (Pty) Ltd Universal Coal Development II (Pty) Ltd Universal Coal Development III (Pty) Ltd Universal Coal Development IV (Pty) Ltd Universal Coal Development V (Pty) Ltd Universal Coal Development VII (Pty) Ltd Twin Cities Trading 374 (Pty) Ltd Epsimax (Pty) Ltd Episolve (Pty) Ltd Bold Moves 1765 (Pty) Ltd Universal Coal Power Generation (Pty) Ltd
Associated undertakings	Universal Coal Development VI (Pty) Ltd Universal Coal Logistics (Pty) Ltd
Black Economic Empowerment Partners	Bono Lithihi Investments Group (Pty) Ltd Unity Rocks Mining (Pty) Ltd Xakwa Investments (Pty) Ltd Mountain Rush Trading 6(Pty) Ltd Solar Spectrum Trading 365 (Pty) Ltd Proper Health (Pty) Ltd Pacific Breeze Trading 725 (Pty) Ltd Azaramix Investments (Pty) Ltd Idada Trading 368 (Pty) Ltd Camiscope (Pty) Ltd
Other related parties and connected persons	KEE Enterprises (Pty) Ltd Hendrik Bonsma Zander Investments Ltd Ofhani Phaswana African Minerals Exploration and Development GP SARL Coal Development Holding B.V.

Related party transactions and balances

	Group		Company	
	2013	2012	2013	2012
	A$'000	A$'000	A$'000	A$'000
Consulting fees paid to related parties				
Ofhani Phaswana	33	150	-	-
Zander Investments Ltd	-	347	-	347
African Minerals Exploration and Development Fund SICAR	75	-	75	-
Rent paid to related parties				
KEE Enterprises (Pty) Ltd	68	80	-	-
Loan from related party				
Mountain Rush Trading 6 (Pty) Ltd	3 172	-	-	-

24. Related parties (continued)

A consultancy agreement was entered into with Ofhani Phaswana, a director of Bono Lithihi Investments Group (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$ 11,000 are payable, the last of which was settled on 30 September 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$ 5,667 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 were 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. The consultancy agreement with Zander Investments Limited was terminated on 18 April 2012 in accordance with the resignation of Antony Harwood and termination fees of A$ 178,100 was paid on 1 March 2013.

Universal Coal Plc entered into various "arms-length" transactions with Black Economic Empowerment Partners as identified above in relation to the application, acquisition and earn-in of coal prospecting licences in South Africa. Refer to note 6, 7 and 8 for details of the transactions.

On 5 December 2012, the Company entered into a private placement agreement with Coal Development Holding B.V. (CDH) for the acquisition of 29.99% of the issued share capital of Universal Coal Plc. One of the key terms of the placement was that CDH has the right to nominate two Non-Executive Directors to the Company's Board. Following Shareholder approval at the Company's Annual General Meeting on 21 December 2012, the Board of Universal Coal Plc approved the appointment of Mr David Twist and Mr Carlo Baravalle as Non-Executive Directors effective from 7 January 2013. Monthly fees of A$ 12,500 are payable to American Minerals Explorations and Development GP SARL.

Universal Coal Development I (Pty) Ltd secured a portion of the 100% Kangala equity funding requirement of A$ 17,7 million (ZAR: 160 million) through a shareholders loan of A$ 5,2 million (ZAR: 47,2 million) from Black Economic Empowerment partner Mountain Rush Trading 6 (Pty) Ltd

25. 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.

	2013		2012	
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	418	-	198	-
Cash and cash equivalents	7 442	-	8 826	-
Financial liabilities				
Shareholders' loan	-	3 172	-	-
Trade payables	-	2 552	-	938
Converting Notes	-	5 524	-	5 315
	7 860	**11 248**	**9 024**	**6 253**

Notes to the Consolidated and Company Annual Financial Statements

25. Risk management (continued)

Prepaid expenses and Value Added Taxation of A$ 2,662,804 (2012: A$ 1,454,339) and provisions of A$ 5,797 (2012: A$ 5,797) have been excluded.

	2013		2012	
The financial instruments of the Company 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	-	-	95	-
Cash and cash equivalents	2 275	-	2 478	-
Financial liabilities				
Trade payables	-	746	-	400
Converting Notes	-	5 524	-	5 315
	2 275	**6 270**	**2 573**	**5 715**

Prepaid expenses and Value Added Taxation of A$ 171,594 (2012: A$ 156,244) and provisions of A$ nil (2012: A$ nil) have been excluded.

The current 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.

Capital risk management

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

The group enters into financial transactions to ensure a degree of interest rate certainty and to guarantee the interest rate changes through economic conditions beyond management's control is hedged through interest rate swaps. Financial instruments entered into in pursuit of this objective are specifically designated as hedges of the planned future interest rate variances.

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

The Group finances its operations through equity and debt. During the current year the Group raised finance through the fresh issuing of equity and raising debt from a minority shareholder of Universal Coal Development I (Pty) Ltd. Furthermore, the group secured a 65% project finance debt facility to finance the Kangala mine development. During the prior year the Group raised finance through the issuing of converting notes (refer to note 14). No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without prior consent of the Company.

25. Risk management (continued)

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 South African Rand and British Pound. Universal Coal Plc is exposed to currency risk on cash reserves, deposits paid, trade receivables, trade payables and shareholder's loan.

However the majority of the Group's exposure is indirect resulting from those transactions entered into by its associated undertakings and subsidiaries, 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 items were:

	2013	**% Change**	**2012**	**% Change**	**2011**
ZA:AUD (Average)	9.0669	13.16%	8.0120	16.82%	6.8962
ZAR:AUD (Spot)	9.0334	7.90%	8.3717	15.67%	7.2360
GBP:AUD (Average)	0.6548	0.49%	0.6516	4.89%	0.6212
GBP:AUD (Spot)	0.6008	(7.65)%	0.6506	(1.63)%	0.6614

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

	British Pound	South African Rand	Australian Dollar	Total
	A$'000	A$'000	A$'000	A$'000
Current assets - 2013				
Trade and other receivables	-	418	-	418
Cash and cash equivalents	4	5 167	2 271	7 442
Liabilities - 2013				
Trade and other payables	75	1 806	671	2 552
Shareholders' loan	-	3 172	-	3 172
Converting Notes	-	-	5 524	5 524
Current assets - 2012				
Trade and other receivables	18	86	94	198
Cash and cash equivalents	40	6 348	2 438	8 826
Liabilities - 2012				
Trade and other payables	74	538	326	938
Converting Notes	-	-	5 315	5 315

Notes to the Consolidated and Company Annual Financial Statements

25. Risk management (continued)

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

	British Pound	South African Rand	Australian Dollar	Total
	A$'000	A$'000	A$'000	A$'000
Current assets - 2013				
Trade and other receivables	-	-	-	-
Cash and cash equivalents	4	-	2 271	2 275
Liabilties - 2013				
Trade and other payables	75	-	671	746
Converting Notes	-	-	5 524	5 524
Current assets - 2012				
Trade and other receivables	-	-	95	95
Cash and cash equivalents	40	-	2 438	2 478
Liabilities - 2012				
Trade and other payables	74	-	326	400
Converting Notes	-	-	5 315	5 315

Foreign Currency Risk Sensitivity Analysis:

Change in profit / (loss) - (AUD:ZAR)	2013	2012
	A$'000	A$'000
Improvement in AUD to ZAR by 10%	(1 149)	(809)
Decline in AUD to ZAR by 10%	1 149	809

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.

25. Risk management (continued)

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, short term deposits and interest on converting notes and hedges.

At 30 June 2013, if interest rates on Australian Dollar-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax profit for the year would have been A$ 23,770 (2012: A$24,380) higher/(lower), mainly as a result of higher/(lower) interest rates.

At 30 June 2013, if interest rates on Rand-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax profit for the year would have been A$ 49,270 (2012: A$ 63,480) 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:

2013 Group	Fixed interest rate	Floating Interest rate	Fixed interest maturing within one year	Non-interest bearing	Total
	A$'000	A$'000	A$'000	A$'000	A$'000
Financial assets					
Trade and other receivables	-	-	-	418	418
Cash and cash equivalents	-	7 442	-	-	7 442
Weighted average interest rate	-	3.2%	-	-	
Financial liabilities					
Trade and other payables	-	-	-	2 552	2 552
Converting Notes	5 524	-	-	-	5 524
Shareholder's loan	-	-	-	3 172	3 172
Weighted average interest rate	9.5%	-	-	0%	

25. Risk management (continued)

2012 Group	Fixed interest rate	Floating interest rate	Fixed interest maturing within one year	Non-interest bearing	Total
	A$'000	A$'000	A$'000	A$'000	A$'000
Financial assets					
Trade and other receivables	-	-	-	198	198
Cash and cash equivalents	-	492	8 334	-	8 826
Weighted average interest rate	-	2.50%	4.65%	-	
Financial liabilities					
Trade and other payables	-	-	-	938	938
Converting Notes	5 315	-	-	-	5 315
Weighted average interest rate	9.5%	-	-	0%	

2013 Company	Fixed interest rate A$'000	Floating interest rate A$'000	Fixed interest maturing within one year	Non-interest bearing A$'000	Total A$'000
	A$'000	A$'000	A$'000	A$'000	A$'000
Financial assets					
Trade and other receivables	-	-	-	-	-
Cash and cash equivalents	-	2 275	-	-	2 275
Weighted average interest rate	-	2.5%	-	-	
Financial liabilities					
Trade and other payables	-	-	-	746	746
Converting Notes	5 524	-	-	-	5 524
Weighted average interest rate	9.5%	-	-	0%	

2012 Company	Fixed interest rate A$'000	Floating interest rate A$'000	Fixed interest maturing within one year	Non-interest bearing A$'000	Total A$'000
	A$'000	A$'000	A$'000	A$'000	A$'000
Financial assets					
Trade and other receivables	-	-	-	95	95
Cash and cash equivalents	-	478	2 000	-	2 478
Weighted average interest rate	-	2.50%	4.73%	0%	
Financial liabilities					
Trade and other payables	-	-	-	400	400
Converting Notes	5 315	-	-	-	5 315
Weighted average interest rate	9.5%	-	-	0%	

Notes to the Consolidated and Company Annual Financial Statements

25. Risk management (continued)

Credit risk

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

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

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

Financial instrument	Group 2013	Group 2012	Company 2013	Company 2012
	A$'000	A$'000	A$'000	A$'000
Trade and other receivables	418	198	-	95
Cash and cash equivalents	7 442	8 826	2 275	2 478

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.

Group

At 30 June 2013	Less than 1 year	Greater than 1 year
	A$'000	A$'000
Trade and other payables	2 552	-
Converting Notes	-	7 000
Shareholder's loan	-	3 172

At 30 June 2012	Less than 1 year	Greater than 1 year
	A$'000	A$'000
Trade and other payables	938	-
Converting Notes	-	6 667

Company

At 30 June 2013	Less than 1 year	Greater than 1 year
	A$'000	A$'000
Trade and other payables	746	-
Converting Notes	-	7 000

At 30 June 2012	Less than 1 year	Greater than 1 year
	A$'000	A$'000
Trade and other payables	400	-
Converting Notes	-	6 667

Notes to the Consolidated and Company Annual Financial Statements

26. Employees and Directors

Average number of employees are as follows:	Group 2013	Group 2012
Staff (Operational resources)	12	9
Directors	6	3
	18	**12**

	Group 2013 A$'000	Group 2012 A$'000
Wages and salaries	1 477	1 585
Termination payments	-	186
Share based payments	339	1 051
	1 816	**2 822**

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

Certain employee costs directly attributable to the development of the Kangala Mine have been capitalised to Development and Production Assets.

Directors' remuneration was paid in cash. In the previous financial year 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).

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the company listed on page 7.

	2013 A$'000	2013 A$'000
Salary/Fees	1 707	1 476
Share based payments	87	630
Termination payments	-	186
	1 794	**2 292**

27. Earnings Per Share

	2013 A$	2012 A$
Numerator		
Profit used in basic earnings per share	6 626 821	2 900 175
Adjusted for convertible loan interest	343 897	69 000
Adjusted profit used in diluted earnings per share	**6 970 718**	**2 969 175**

Notes to the Consolidated and Company Annual Financial Statements

27. Earnings Per Share (continued)

	2013	2012
Denominator		
Weighted average number of shares used in basic earnings per share	270 506 171	207 668 161

Potential ordinary shares that could dilute earnings per share in future:	2013	2012
Weighted average number of shares used in basic earnings per share	270 506 171	207 668 161
Adjusted for effect of converting notes in issue	29 965 753	7 060 424
Weighted average number of shares used in diluted earnings per share	**300 471 924**	**214 728 585**

All share options have not been included in the calculation of diluted EPS because they are out of the money. The total number of options issued is disclosed in note 12.

28. Going concern

The accounts have been prepared on the going concern basis. At the year end the Group had A$ 5,487,114 (2012: A$ 7,815,998) of unrestricted cash reserves and is reliant on the timing of cashflows from the Kangala Colliery. The Directors are therefore satisfied that the Group has adequate resources to continue in business for the foreseeable future.

29. Events subsequent to reporting period

On 30 July 2013, Universal Coal successfully effected its 1st drawdown of the Kangala Project Finance Facility in the amount of A$ 2.8 million (ZAR 25 million) and on 6 September the 2nd drawdown in the amount of A$ 3,7 million (ZAR 35 million) was effected.