Universal Coal Plc

(Registration number 4482856)

Consolidated Annual Financial Statements

for the year ended 30 June 2014

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	Benjamin Harber (United Kingdom) of SGH Martineau Company Secretarial LLP and Emma Lawler (Australia) of Company Matters (Pty) Ltd	
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)	

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
Share registrars	Computershare Investor Services (Pty) Ltd Level 2, 45 St Georges Terrace Perth WA 6000, Australia Telephone: +61 89 323 2000 Computershare Investor Services Plc The Pavilions, Bridgwater Road Bristol BS99 6ZY United Kingdom Telephone: +44 87 0702 003
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

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

Strategic Report

The Directors present their strategic report with the statutory financial statements of the Group and the Company for the year ended 30 June 2014.

1. CORPORATE STRATEGY

Our aim at Universal Coal is to achieve excellence as a mid-tier coal mining company, producing a diversified product range of export and domestic thermal and coking coal through:
- Taking advantage of our multi-disciplinary skills set, experience and relationships developed over 30 years
- Expansion of our existing thermal coal production and resource footprint in the Witbank Coalfield through organic growth
- Exploration of our two substantial coking coal projects (+30,000 hectares), located within South Africa's emerging Soutpansberg and Tuli Coalfields, and
- Identifying and acquiring additional coal assets around our key focus areas.

2. REVIEW OF THE BUSINESS

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

The principal activity of the Group in the year under review was that of coal mining, coal beneficiation and mineral exploration and development of coal interests in South Africa.

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

Development of the Kangala Colliery:
The Kangala Colliery was successfully developed during the year under review on time and within budget. First coal production was achieved in February 2014 with the Crush & Screen plant commissioned during the month of March 2014 and first coal sales to Eskom occurred in April 2014. The Wash plant was commissioned post year end in July 2014 and completion testing as required by Rand Merchant Bank commenced in August 2014. At the date of this report the completion testing activities are exceeding expectations and the due date for achieving a completion certificate remains 31 October 2014.

Key Performance Indicators:
The key performance indicators that the Directors monitor on a regular basis are:
- Sales price per tonne
- Cost per run-of-mine tonne ("ROMt")
- Gross margin in percentage and gross margin per sales tonne
- Earnings before interest taxation and depreciation (EBITDA) and EBITDA percentage of revenue
- Management of liquid resources, which are cash-flows and bank balances.

The gross profit margin for the 2014 financial year was 42%, well ahead of expectations considering the Kangala Colliery was only in its first three months of production life. Sales price per tonne and cost price per ROMt were in line with expectations.

Net Group cash outflow in the year was A$409,104 (2013: outflow of A$1,383,802). Bank balances representing both unrestricted and restricted cash balances at the year-end totalled A$7,032,780 (2013: A$7,441,884).

The Group realised a loss for the year after taxation of A$3,786,592 (2013: profit of A$6,551,876). The loss has arisen as a result of costs incurred for administrative and payroll functions which were not entirely covered by the profits generated from only 3 months' production at the Kangala Colliery.

The prior period profit arose 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%).

2014 has seen a substantial devaluation of the South African Rand ("ZAR") against the Group's reporting currency being the Australian Dollar ("A$"), leading to a loss reflected under Other Comprehensive Income/Loss on exchange differences on the translation of foreign operations in the amount of A$8,667,585 (2013: A$984,214). This loss was accounted for as a reduction of the Foreign Currency Translation Reserve account in the Consolidated Statement of Changes in Equity.

Strategic Report

Universal Coal is making great strides on its way to becoming a mid-tier coal company with over 2 billion tonnes of JORC-compliant coal resources under management and the potential introduction of a second operating mine in NCC-Roodekop. The Company has under its management three mining rights and has title over six prospecting rights encompassing five project areas all of which are located within the borders of South Africa.

The Kangala Project completed capital development and commenced coal production in February 2014. The Roodekop Project is only awaiting an Integrated Water Use Licence (IWUL) to commence mine development and the Brakfontein Project has been awarded a Mining Right, with water and waste licence applications submitted to the relevant authorities in the previous financial year.

A planned pre-feasibility study at the Berenice and Cygnus Projects are envisaged to be concluded during the 2015 financial year supported by favourable exploration and assay results. Somerville and Donkin Projects remain exploration target areas with an initial drilling programme planned to commence in 2015.

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

3. PRINCIPAL RISKS

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

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

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

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

Principal risks

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 conducting rigorous credit committee evaluations through debt funding arrangements with financial institutions.

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

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.

Strategic Report

Funding risk
The Group has raised funds via equity contributions from new shareholders and via debt through the issuing of Converting Notes and through banking project financing arrangements, thereby ensuring the Company remains a going concern until such time that revenues are earned through the production and sale of coal. The Kangala Colliery in its first three months of operation generated healthy cash reserves and returns for its shareholders. The directors regularly review cash flow requirements to ensure the Company can meet financial obligations as and when they fall due.

Other risks

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

Strategic risk
Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result 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.

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

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

4. NON-CURRENT ASSET CHANGES

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
The development of the Kangala Colliery was the prime focus point for the management team who managed to successfully bring the Kangala Colliery into production on time and on budget during the 2014 financial year.

The production, sales and revenues for the Kangala mine for the year ended 30 June 2014 are reflected below:

	3 months to 30 June 2014
Run-of-Mine (tonnes)	633 384
Domestic Product Sales (tonnes)	375 333
Export Product Sales (tonnes)	-
Gross revenue (A$'000)	A$11 838

Run-of-Mine (ROM)
The ROM for 12 months ended 30 June 2014 was 633 384 tonnes which was in excess of planned ramp-up volumes. Of the 633 384 ROM tonnes produced during the 12 months to 30 June 2014, 393 758 tonnes were processed for sales, 69 987 tonnes were utilised for lining the base of the product and ROM stockpiles and 169 639 tonnes remained on the ROM stockpile for processing and sale in the following financial year.

Domestic Product Sales
Domestic product sales were in line with contracted tonnages and the delivery requirements as per the Eskom Coal Supply Agreement.

Export Product Sales
There were no export product sales during the year due to the delayed commissioning of the Dense Media Separation ("DMS") plant as a result of the installation of the additional processing capacity. The first export sales product stockpile was built on 30 June 2014 and is included in the inventory balance at year end. There is sufficient Mid Seam on the ROM stockpile to meet off-take requirements in the following quarter and the first shipment of export coal is anticipated in September 2014.

Gross Revenue
Revenues for the quarter were 8.7% higher than expected owing to the higher quality coal specification supplied to Eskom.

Strategic Report

Operational Performance (tonnes)	12 Months ended 30 June 2014
Run-of-mine (ROM) production	
Kangala Colliery	633 384
Total ROM production	**633 384**
Feed to plant	
Kangala Colliery	418 450
Total feed to plant	**418 450**
Plant Yields	
Kangala Colliery	100%
Domestic sales	375 333
Export sales	0
Total sales	**375 333**

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

Universal Coal Development II (Pty) Ltd
There was no change in the Group's ownership percentage in the year under review.

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

Universal Coal Development V (Pty) Ltd
There was no change in the Group's ownership percentage in the year under review.

Universal Coal Development VI (Pty) Ltd
There was no change in the Group's ownership percentage in the year under review.

Universal Coal Development VII (Pty) Ltd
There was no change in the Group's ownership percentage in the year under review.

Universal Coal Development VIII (Pty) Ltd
On 18 March 2014, Universal Coal and Energy Holdings South Africa (Pty) Ltd subscribed for 49 shares of ZAR1 each in Main Street 1201 (Pty) Ltd (renamed Universal Coal Development VIII (Pty) Ltd) with the balance of the equity share capital being held by Ndalamo Resources (Pty) Ltd. As Universal Coal and Energy Holdings South Africa (Pty) Ltd has operational control over Universal Coal Development VIII (Pty) Ltd and is exposed to and has rights to variable returns from its involvement with Universal Coal Development VIII (Pty) Ltd and has the ability to affect those returns through its operational power over Universal Coal Development VIII (Pty) Ltd, the investment has been accounted for as a subsidiary for the 2014 financial period.

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.

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

Strategic Report

Universal Coal Power Generation (Pty) Ltd
There was no change in the Group's ownership percentage in the year under review.

5. ENVIRONMENTAL RESPONSIBILITY

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

6. EVENTS SUBSEQUENT TO REPORTING DATE

Strategic investment by Ichor Coal B.V.

On 1 September 2014, Universal Coal Plc entered into a Subscription Agreement with Ichor Coal BV for the strategic investment of A$24,483,400 comprising as follows:

- a subscription for 80,440,000 ordinary shares of Universal Coal Plc (and CHESS Depositary Interests to which the ordinary shares relate on a one for one basis) at a price of A$0.145 per Ordinary Share for proceeds of A$11,663,800; and
- a subscription for 71,220,000 non-voting, non-cumulative convertible preferred shares at a price of A$0.18 per Preferred Share for proceeds of A$12,819,600.

Furthermore, on 1 September 2014, Universal Coal Plc entered into a Warrant Instrument with Ichor Coal BV whereby Ichor Coal BV would subscribe for 71,220,000 Warrants, exercisable for a period of 18 months at a strike price of A$0.36.

Further investment by Coal Development Holding B.V.

A further agreement was entered into with Coal Development Holding BV on 28 August 2014 where, Coal Development Holding BV will exercise its conversion rights under the existing A$3.25 million Convertible Loan Notes, which will convert at an effective price of A$0.125 per Ordinary Share for the issue of 26,000,000 Ordinary Shares and entered into a Subscription Letter Agreement, by which Coal Development Holding will subscribe for 6,250,000 Ordinary Shares at A$0.16 per Ordinary Share for total consideration of A$1,000,000.

The above agreements and transactions are all subject to Shareholder approval which is due to be sought at a General Meeting of Shareholders to be conducted on 6 October 2014.

Brakfontein Mining Right

On 25 July 2014, Universal Coal Development III (Pty) Ltd was granted a Mining Right over portions 6, 8, 9, 10, 20, 26, 30 and the remaining extent of the farm Brakfontein 264 IR in the Magisterial District of Delmas by the South African Department of Mineral Resources.

7. STRATEGIC ACQUISITION

Acquisition of the New Clydesdale Colliery ("NCC"):

On 31 January 2014, Universal Coal Plc entered into a binding sale of assets agreement with Exxaro Coal Mpumalanga (Pty) Ltd to acquire all the assets and assume certain liabilities of the New Clydesdale Colliery ("NCC"), located adjacent to the Universal Coal's Roodekop deposit in the Witbank coalfield. The transaction remains subject to the fulfilment, or to the extent possible, the waiver of suspensive conditions for transactions of this nature such as Ministerial consent in terms of section 11 of the Mineral Resources and Petroleum Development Act 28 of 2002 (as amended) ("MPRDA").

ON BEHALF OF THE BOARD:

MR JOHN HOPKINS
CHAIRMAN
29 September 2014

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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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
29 September 2014

Directors' Report

The Directors present their report with the statutory financial statements of the Group and the Company for the year ended 30 June 2014.

The Company is incorporated and domiciled in the United Kingdom. The address of the registered office is One America Square, Crosswall, London, EC3N 2SG. The registered number of the company is 4482856.

1. REVIEW OF THE BUSINESSS

Please refer to the relevant section contained with the Strategic Report.

2. FINANCIAL RISK MANAGEMENT

Please refer to the relevant section contained with the Strategic Report.

3. THE BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

The Board ordinarily meets on a quarterly basis and as and when further required, providing effective leadership and overall management of the Group's affairs through the schedule of matters reserved for its decision. 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.

The names of Directors who held office during the 2014 year are:

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

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

The joint Company Secretaries are Benjamin Harber (United Kingdom) and Emma Lawler (Australia).

4. DIRECTORS MEETINGS

The Company held 4 (four) 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 2014 are:

Director Name	Position	Number of Meetings Attended	Number of Meetings Eligible to Attend
John Hopkins	Non-Executive Chairman	4	4
Hendrik Bonsma	Non-Executive Director	4	4
Carlo Baravalle	Non-Executive Director	4	4
David Twist	Non-Executive Director	4	4
Anton Weber	Executive Director and Chief Executive Officer	4	4
Shammy Luvhengo	Executive Director	4	4

Directors' Report

5. 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 2014 are:

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

The Company held 1 (one) Remuneration Committee meeting during the course of the year and the number of meetings attended by each of the members during the year to 30 June 2014 are:

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

6. DIVIDENDS

There have been no dividends declared or paid during the current period (2013: A$ nil).

7. GOING CONCERN

The accounts have been prepared on the going concern basis. At the year end the Group had A$2,657,801 (2013:A$5,487,114) of unrestricted cash reserves and is reliant on the timing of cashflows from the Kangala Colliery and entering into finance arrangements for the release of certain restricted cash reserves which were successfully concluded on 9 September 2014. The going concern premise is further contingent on the successful conclusion of the Ichor Coal B.V. and the Coal Development Holding B.V. strategic investments. Both these transactions are conditional upon a vote in favour of the proposed resolutions to be held at a general meeting of shareholder on 6 October 2014. Irrevocable undertakings to vote in favour of the proposed resolutions have already been received by the Company, totalling more than 50% of the eligible votes. The Directors are therefore satisfied that the Group has adequate resources to continue in business for the foreseeable future, however should the transactions not be approved by shareholders, the Group would need to raise further financing either through an equity capital raise, debt capital or a combination of both. These conditions indicate the existence of an uncertainty related to events or conditions that may cast doubt about the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

8. CAPITAL STRUCTURE AND SHARE ISSUES

Capital structure at 30 June 2014:

Current issued share capital (shares)	321,775,447
Converting notes (potential shares)	53,241,594
Outstanding share options (potential shares)	46,590,043
Outstanding warrants (potential shares)	19,500,000

Directors' Report

Ordinary share issues during the year:

Issue of Shares to a Director
On 28 November 2013, a Revival, Reinstatement and Amendment Agreement was entered into between Universal Coal Plc, Universal Coal Development II (Pty) Ltd and Mr Shammy Luvhengo, an Executive Director of the Company. On 17 December 2013 at the Company's Annual General Meeting, a resolution was approved by the Members to compensate Mr Luvhengo in the amount of £ 220 000 in consideration for the discharge of the services and Mr Luvhengo would immediately thereafter subscribe for 2.2 million Chess Depository Interests ("CDI's") in the Company at an issue price of A$0.17. On 9 January 2014, the Board resolved that the condition precedent had been fulfilled and on 14 January 2014 and the Company settled the £ 220 000 due to Mr Luvhengo and Mr Luvhengo immediately thereafter subscribed for 2.2 million ordinary shares at an equivalent issue price of A$0.17 per share.

Issue of Convertible Loan Notes and Warrants
On 24 January 2014 at a meeting of the Members of Universal Coal Plc, approval was granted for the issuance of 3,250,000 unsecured zero interest convertible loan notes of A$1.00 each and 19,500,000 warrants to subscribe for Ordinary Shares at A$0.23 each to a related party of the Company. Coal Development Holding B.V. (CDH) holds 29.99% of the shares in the Company and has appointed 2 Directors to the Board of the Company. While CDH is not defined as a related party under the ASX Listing Rules, in light of CDH's cornerstone investment in the Company and its position as a substantial shareholder of the Company, the Directors, in the interests of good governance sought shareholder approval under ASX Listing Rule 10.11 for the issue of the convertible loan notes and warrants to CDH.

9. REMUNERATION REPORT

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

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

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

Remuneration:

Salary/Fees
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 (2013: A$ nil).

Share Options
As noted with section 7 of the Directors report there have been no share options issued to Directors in the year (2013: A$ nil).

Short-Term Cash Incentives
No short term cash incentives were paid during the year to Directors (2013: A$ nil).

Long-Term Benefits
No long term benefits were paid during the year (2013: A$ nil).

Termination Payments
No termination fees were paid to Directors during the year (2013: nil).

Directors' Report

Service contracts:

Anton Weber
Executive Service agreement:
- Commencement date is 1 July 2011.
- Salary and Director's fees payable from 1 July 2013 are A$ 339,000 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 July 2013 are A$ 235,000 per annum.
- Termination is subject to 3 months' notice by either party.

Hendrik Bonsma
Non-Executive Service agreement
- Commencement date is 1 December 2009.
- Director's fees payable from 1 July 2013 was A$ 77,000 per annum
- 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 July 2013 are A$ 114,000 per annum.
- Termination is subject to 3 months' notice by either party.

David Twist
Non-Executive Service agreement (paid to company)
- Commencement date is 7 January 2013.
- Director's fees payable from 7 January 2013 are A$ 77 000 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 company)
- Commencement date is 7 January 2013.
- Director's fees payable from 7 January 2013 are A$ 77 000 per annum.
- Termination is subject to CDH's discretion and along terms contained within a Subscription Agreement or by shareholders' resolution to remove.

Directors' Report

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

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:

2014	**Short-term benefits**		
All figures are stated in Australian dollars	**Salary/ Fees/Consultancy**	**Total**	**% Options**
Executive Directors			
Anton Weber	339,000	339,000	-%
Shammy Luvhengo	235,000	235,000	-%
Non-Executive Directors			
Hendrik Bonsma	168,959	168,959	-%
John Hopkins	114,000	114,000	-%
David Twist[1]	77,000	77,000	-%
Carlo Baravalle[1]	77,000	77,000	-%
TOTAL	**1,010,959**	**1,010,959**	**-%**

[1] Paid to African Minerals Exploration and Development GP SARL

2013	**Short-term benefits**		
All figures are stated in Australian dollars	**Salary/ Fees/Consultancy**	**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	-%
TOTAL	**867,466**	**867,466**	**-%**

[1] Appointed on 7 January 2013

10. SHARE OPTIONS

No share options were issued to Directors during the year (2013: nil).

11. DIRECTORS INTERESTS

Director Name	Number of fully paid ordinary shares	Share Options Outstanding
Anton Weber	7,774,494	2,123,056
Hendrik Bonsma	4,109,726	1,821,420
John Hopkins	40,000	800,000
Shammy Luvhengo	-	1,303,805
David Twist[1]	-	-
Carlo Baravalle[1]	-	-

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

12. 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.

13. DIRECTORS INDEMNITY

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

14. EVENTS AFTER THE REPORTING PERIOD

Please refer to the relevant section contained with the Strategic Report.

15. FUTURE DEVELOPMENTS

The Company anticipates the 2015 financial year will entail the attentions of Directors and management to focus on the following potential development activities:

- investigate opportunities for throughput expansion at the Kangala Colliery
- develop the joint NCC–Roodekop mine complex being:
  - completion of boxcut and commencement of the opencast mining activities at Roodekop
  - re-opening of the underground workings at NCC
  - capital expansion of the NCC plant to cater for multi-product processing flexibility
- progress the feasibility studies at Brakfontein for Board evaluation
- commence with pre-feasibility studies at Berenice/Cygnus

16. DIRECTORS STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 11.

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.

ON BEHALF OF THE BOARD:

MR JOHN HOPKINS
CHAIRMAN
29 September 2014

Statement of Financial Position as at 30 June 2014

		Group		Company	
All figures are stated in Australian Dollars	**Note(s)**	**2014 A$ '000**	**2013 A$ '000**	**2014 A$ '000**	**2013 A$ '000**
Assets					
Non-Current Assets					
Property, plant and equipment	4	51 607	23 054	-	4
Intangible assets	5	56 836	64 331	-	-
Investments in subsidiaries	6	-	-	44 842	42 718
Investments in associated undertakings	7	5	5	-	-
		108 448	**87 390**	**44 842**	**42 722**
Current Assets					
Inventories	9	3 273	-	-	-
Trade and other receivables	10	6 068	3 081	19	172
Cash and cash equivalents	11	7 033	7 442	71	2 275
		16 374	**10 523**	**90**	**2 447**
Total Assets		**124 822**	**97 913**	**44 932**	**45 169**
Equity and Liabilities					
Equity					
Share capital	12	26 253	26 054	26 253	26 054
Share premium	12	41 967	41 792	41 967	41 792
Reserves	14	836	10 175	6 743	6 920
Accumulated loss		(22 870)	(19 899)	(39 228)	(35 867)
Attributable to Equity Holders of Parent		46 186	58 122	35 735	38 899
Non-controlling interest		25 114	27 641	-	-
Total Equity		**71 300**	**85 763**	**35 735**	**38 899**
Liabilities					
Non-Current Liabilities					
Long term loans	15	26 609	3 172	-	-
Converting notes	16	7 742	5 524	7 742	5 524
Derivative financial liability	17	1 357	-	1 357	-
Deferred tax	8	589	-	-	-
Provisions	18	3 869	896	-	-
		40 166	**9 592**	**9 099**	**5 524**
Current Liabilities					
Trade and other payables	19	6 892	2 558	98	746
Short term loans	15	6 464	-	-	-
		13 356	**2 558**	**98**	**746**
Total Liabilities		**53 522**	**12 150**	**9 197**	**6 270**
Total Equity and Liabilities		**124 822**	**97 913**	**44 932**	**45 169**

The notes on page 23 to 77 form part of the financial statements.

Statement of Comprehensive Income

		Group	
All figures are stated in Australian Dollars	**Note(s)**	**2014 A$ '000**	**2013 A$ '000**
Gross revenue		11 838	-
Cost of sales	20	(6 905)	-
Gross profit		**4 933**	**-**
Operating expenses		(5 021)	(4 155)
Share-based payment charge	13	-	(339)
Operating loss	21	**(88)**	**(4 494)**
Finance income	22	242	546
Foreign exchange (loss) / gain		(39)	13
Foreign exchange differences recycled on step up		-	(643)
Share of operating loss of associated undertakings		(2)	(10)
Gain arising on step up of interest in associated undertaking	6	-	6 644
Gain arising on step up of associated undertaking to subsidiary	7	-	5 464
Finance expenses	23	(1 954)	(968)
Derivative financial liability		(1 357)	-
(Loss) / profit before taxation		**(3 198)**	**6 552**
Taxation	24	(589)	-
(Loss) / profit for the year		**(3 787)**	**6 552**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(8 668)	(984)
Total comprehensive (loss) / income for the year		**(12 455)**	**5 568**
Total comprehensive (loss) / income attributable to:			
Owners of the parent		(12 834)	5 643
Non-controlling interest		379	(75)
		(12 455)	**5 568**
(Loss) / profit attributable to :			
Owners of the parent		(4 166)	6 627
Non-controlling interest		379	(75)
		(3 787)	**6 552**
(Loss) / earnings per share			
Basic (loss) / earnings per share (c)	32	(1.30)	2.45
Diluted (loss) / earnings per share (c)	32	(1.30)	2.32

The notes on page 23 to 77 form part of the financial statements

Consolidated 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	Convertible instrument reserve A$ '000	Share based payment reserve A$ '000	Total reserves A$ '000	Accumulated loss A$ '000	Total attributable to equity holders of the group A$ '000	Non-controlling interest A$ '000	Total equity A$ '000
Balance at 01 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 loss	-	-	-	(984)	-	-	(984)	-	(984)	-	(984)
Total comprehensive loss 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 01 July 2013	**26 054**	**41 792**	**67 846**	**1 824**	**2 053**	**6 298**	**10 175**	**(19 899)**	**58 122**	**27 641**	**85 763**
(Loss) / profit for the year	-	-	-	-	-	-	-	(4 166)	(4 166)	379	(3 787)
Other comprehensive loss	-	-	-	(8 668)	-	-	(8 668)	-	(8 668)	-	(8 668)
Total comprehensive loss for the year	**-**	**-**	**-**	**(8 668)**	**-**	**-**	**(8 668)**	**(4 166)**	**(12 834)**	**379**	**(12 455)**
Issue of shares	199	175	374	-	-	(374)	(374)	-	-	-	-
Fair value adjustment	-	-	-	-	1 392	-	1 392	-	1 392	-	1 392
Exchange differences on translating foreign operations	-	-	-	-	(494)	-	(494)	-	(494)	(2 906)	(3 400)
Transfers between reserves	-	-	-	-	-	(1 195)	(1 195)	1 195	-	-	-
Other movements within equity	**199**	**175**	**374**	**-**	**898**	**(1 569)**	**(671)**	**1 195**	**898**	**(2 906)**	**(2 008)**
Balance at 30 June 2014	**26 253**	**41 967**	**68 220**	**(6 844)**	**2 951**	**4 729**	**836**	**(22 870)**	**46 186**	**25 114**	**71 300**
Note(s)	12	12	12	14	14	13		14		14	

The notes on page 23 to 77 form part of the financial statements

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	Convertible instrument reserve A$ '000	Share based payment reserve A$ '000	Total reserves A$ '000	Accumulated loss A$ '000	Total equity A$ '000
Balance at 01 July 2012	**17 534**	**35 358**	**52 892**	**622**	**-**	**6 128**	**6 750**	**(31 644)**	**27 998**
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 expense	-	(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**	**-**	**15 124**
Balance at 01 July 2013	**26 054**	**41 792**	**67 846**	**622**	**-**	**6 298**	**6 920**	**(35 867)**	**38 899**
Loss for the year	-	-	-	-	-	-	-	(4 556)	(4 556)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4 556)**	**(4 556)**
Issue of shares	199	175	374	-	-	(374)	(374)	-	-
Fair value adjustment	-	-	-	-	1 392	-	1 392	-	1 392
Transfer between reserves	-	-	-	-	-	(1 195)	(1 195)	1 195	-
Other movements within equity	**199**	**175**	**374**	**-**	**1 392**	**(1 569)**	**(177)**	**1 195**	**1 392**
Balance at 30 June 2014	**26 253**	**41 967**	**68 220**	**622**	**1 392**	**4 729**	**6 743**	**(39 228)**	**35 735**
Note(s)	12	12	12	14	14	13		14	

The notes on page 23 to 77 form part of the financial statements

Consolidated and Company Statement of Cash Flows

		Group		Company	
All figures are stated in Australian Dollars	**Note(s)**	**2014 A$ '000**	**2013 A$ '000**	**2014 A$ '000**	**2013 A$ '000**
Cash flows from operating activities					
Cash used in generated from operations	25	(608)	(4 948)	(2 574)	(3 100)
Cash flows from investing activities					
Acquisition of property, plant and equipment	4	(30 334)	(14 299)	-	-
Acquisition of other intangible assets	5	(775)	(598)	-	-
Proceeds on sale of other intangible assets	5	-	24	-	-
Investment in subsidiary		-	-	(2 124)	(11 907)
Subsidiary undertakings acquired		-	(1 801)	-	-
Investment in associated undertakings		(2)	(5)	-	-
Transfer to restricted cash		(2 421)	(945)	-	-
Finance income	22	242	546	23	412
Net cash from investing activities		**(33 290)**	**(17 078)**	**(2 101)**	**(11 495)**
Cash flows from financing activities					
Proceeds on share issue, net of share issue expenses	12	-	14 763	-	14 763
Proceeds from issue of converting notes	16	3 250	-	3 250	-
Cash inflow from shareholders loans		-	5 225	-	-
Proceeds from long term loans		29 043	-	-	-
Finance expense	23	(740)	(384)	(740)	(384)
Net cash from financing activities		**31 553**	**19 604**	**2 510**	**14 379**
Total cash movement for the year		**(2 345)**	**(2 422)**	**(2 165)**	**(216)**
Cash at the beginning of the year		5 487	7 816	2 275	2 478
Effect of exchange rate movement on cash balances		(485)	93	(39)	13
Total unrestricted cash and cash equivalents at end of the year	11	**2 657**	**5 487**	**71**	**2 275**
Restricted cash	11	4 376	1 955	-	-
Total cash	11	**7 033**	**7 442**	**71**	**2 275**

The notes on pages 23 to 77 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 loss for the year includes a loss after tax of A$4,556,150 (2013: loss of A$4,223,429) 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$2,657,801 (2013:A$5,487,114) of unrestricted cash reserves and is reliant on the timing of cashflows from the Kangala Colliery and entering into finance arrangements for the release of certain restricted cash reserves which were successfully concluded on 9 September 2014. The going concern premise is further contingent on the successful conclusion of the Ichor Coal B.V. and the Coal Development Holding B.V. strategic investments. Both these transactions are conditional upon a vote in favour of the proposed resolutions to be held at a general meeting of shareholder on 6 October 2014. Irrevocable undertakings to vote in favour of the proposed resolutions have already been received by the Company, totalling more than 50% of the eligible votes. The Directors are therefore satisfied that the Group has adequate resources to continue in business for the foreseeable future, however should the transactions not be approved by shareholders, the Group would need to raise further financing either through an equity capital raise, debt capital or a combination of both. These conditions indicate the existence of an uncertainty related to events or conditions that may cast doubt about the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

Functional and presentation currency

Items included in the consolidated annual financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the South African business operations is South African Rand (ZAR).

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. Further details are provided on the foreign currency accounting policy in note 1.8.

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.

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 Company. 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.

Non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group’s equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder’s share of changes in equity since the date of the combination. The non-controlling interests’ share of losses, where applicable, are attributed to the non-controlling interests irrespective of whether the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

1.1 Basis of consolidation (continued)

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.

Changes in Ownership

Changes in the ownership interest of subsidiaries, without a loss of control, are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When changes in the ownership interest of subsidiaries result in a loss of control, the Group derecognises the assets and liabilities, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity of the subsidiary. The Group further recognizes the fair value of the consideration received, the fair value of any investment retained and recognises any surplus or deficit in profit or loss.

All intra-group balances, transactions, profits and losses are eliminated by consolidation.

1.2 Intangible assets

Exploration and evaluation assets

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity include researching and analysing historical exploration data, gathering exploration data through geophysical studies, exploratory drilling and sampling, determining and examining the volume and grade of resources, surveying transportation and infrastructure requirements, conducting market and finance studies and borrowing cost.

Exploration and evaluation expenditure for each area of interest is capitalised and carried forward as an asset if:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or

- it is planned to continue with active and significant operations in relation to the area, or at the reporting period end, the activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves.

Purchased exploration and evaluation assets are recognised as assets at cost of acquisition or at fair value if purchased as part of a business combination.

Capitalised exploration and evaluation expenditure is recorded as a component of intangible assets. No amortisation is charged during the exploration and evaluation phase.

Exploration and evaluation assets are transferred to “Mine development assets” once the technical feasibility and commercial viability of extracting the mineral resource supports the future development of the property and such development has been appropriately approved. Prior to transferring the "mine development assets" to Property, plant and equipment an impairment test is completed.

Computer software

Externally acquired intangible assets, such as Computer Software, are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives as noted below:

Item	**Useful life**
Computer software	2 years

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.

1.3 Property, plant and equipment

Mine Assets

Mine assets including capitalised exploration and evaluation expenditures and capitalised mine development expenditure is stated at cost less accumulated depreciation and less accumulated impairment losses.

Upon transfer of "Exploration and evaluation assets" to "Mine development assets", all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised. Development expenditure is net of proceeds from the incidental sale of coal extracted during the development phase.

Stripping costs incurred in the development phase of a mine before production commences are capitalised, where they give rise to future benefits, as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units of production basis.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed.

After production starts, all assets included in "Mine development assets" are transferred to "Mine assets".

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

Depreciation

Property, plant and equipment is 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:

Item	**Average useful life**
Mineral properties	Units of production
Development and production assets	Units of production
Land rehabilitation asset	Units of production
Mine development asset	Units of production
Mine infrastructure	Units of production
Mine owners assets	Units of production
Processing plant	Units of production
Motor vehicles	4 years straight line
Furniture and fixtures	5 years straight line
Computer equipment	3 years straight line

The units of production depreciation method refers to the estimated economically recoverable reserves which are used in determining the depreciation of mine specific assets proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has limitations resulting from either its physical life and the present assessment of economically recoverable reserves to which the asset is related.

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.

Notes to the Consolidated and Company Annual Financial Statements

1.4 Financial instruments

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

Financial assets and liabilities are initially recognised and subsequently measured based on their classification.

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 derivative 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.

Restricted cash

Restricted cash comprises cash balances which are restricted through the granting of security in favour of various financial institutions.

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.

Trade payables and other short-term and long-term monetary liabilities.

Trade payables and other short-term and long-term monetary liabilities, which are initially recognised at fair value, are subsequently carried at amortised cost using the effective interest method.

Notes to the Consolidated and Company Annual Financial Statements

1.4 Financial instruments (continued)

Derivatives

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

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

1.5 Converting notes

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. Interest on the debt element of the loan accrete over the term of the loan. The remainder of the proceeds is allocated to the convertible instrument reserve within shareholders' equity, net of income tax effects.

1.6 Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments during the lease term calculated using the interest rate implicit in the lease agreement. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases, where substantially all the risks and rewards of ownership do not pass to the Group, are classified as operating leases. Operating lease payments are recognised as an operating expense in profit or loss 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.

1.7 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.

1.7 Tax (continued)

Deferred tax

Deferred income tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts and their carrying amounts on the Statement of Financial Position.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or joint venturer and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

1.8 Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

On consolidation, the results of overseas operations are translated into A$ at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

1.9 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 based upon commonly used valuation models.

1.10 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.

1.11 Inventories

Inventories, which includes finished product and run of mine, are stated at the lower of cost of production on the weighted average basis or estimated net realisable value. Cost of production includes direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less marketing costs. Net realisable value also incorporates costs of processing in the case of the run of mine stockpiles.

Consumable stores are stated at the lower of cost on the weighted average basis or estimated replacement value

Notes to the Consolidated and Company Annual Financial Statements

1.12 Stripping costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine are capitalised as set out in Section 1.5 Mine development assets.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to coal to be mined in the future, the costs are recognised as a non-current asset, referred to as a “stripping activity asset”, if the following criteria are met:

- future economic benefits (being improved access to the coal body) are probable
- the component of the coal body for which access will be improved can be accurately identified
- the costs associated with the improved access can be reliably measured

If one of the criteria is not met, the production stripping costs are charged to the statement of profit or loss as operating costs as they are incurred.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal, plus an allocation of directly attributable overhead costs.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the “Mine asset” in the statement of financial position.

The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

No stripping costs were incurred during the production phase and as such, no stripping asset was recognised at 30 June 2014.

1.13 Revenue

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur as determined by customer offtake arrangements and delivery terms for the supply of coal. At this point the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the commodities and the costs incurred, or to be incurred, in respect of the sale can be reliably measured.

Notes to the Consolidated and Company Annual Financial Statements

1.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised up to the date when the qualifying asset is ready for its intended use as part of the cost of the respective asset and amortised over the useful life of the asset. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

Capitalisation is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Fair value disclosure

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs.
- Level 3: Unobservable inputs (i.e. not derived from market data) .

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of financial instruments at fair value. All instruments are categorised as level 3, there are no level 1 or level 2 instruments.

Financial instrument	Fair Value at 30 June 2014 A$'000	Valuation technique
Embedded derivative on Susquehanna conversion option	1,357	The embedded derivatives are measured using discounted cash flows and option model valuation techniques.
Interest rate hedge	101	The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

1.16 Short term and long term loans

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.

1.17 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.

The obligation to restore environmental damage caused through mining is raised as the relevant mining takes place. Assumptions have been made as to the remaining life of existing operations based on studies conducted by independent technical advisers.

The estimated cost of decommissioning and rehabilitation will generally occur on or after the closure of the mine, based on current legal requirements and existing technology. A provision is raised based on the present value of the estimated costs. These costs are included in the cost of the related asset. The capitalised assets are depreciated in accordance with the accounting policy for property, plant and equipment. Increases in the provision, as a result of the unwinding of discounting are charged to the Consolidated Statement of Comprehensive Income within finance expense. The cost of the ongoing programmes to prevent and control pollution, and ongoing rehabilitation costs of the Group’s operations, is charged against income as incurred. Changes to the present value of the obligation due to changes in assumptions are recognised as adjustments to the provision together with an associated increase/(decrease) in the related decommissioning asset to the extent that a decommissioning asset exists. In circumstances where the decommissioning asset has been fully amortised the adjustment is recognised within profit or loss.

Notes to the Consolidated and Company Annual Financial Statements

1.18 Provisions

Rehabilitation provisions

The Group records the present value of estimated costs of legal and constructive obligations required to restore mining and other operations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and revegetation of affected areas. The obligation generally arises when the "Mine development asset" is installed or the ground/environment is disturbed at the mining production location.

The provision is discounted using a current market-based pre-tax discount rate. Over time, the discounted liability is increased for the change in present value based on the discount rates and the unwinding of the discount is included in interest expense. The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations.

At the time of establishing the provision, a corresponding asset is capitalised by increasing the carrying amount of the related mine assets. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

Additional disturbances or changes in rehabilitation costs are recognised as additions to the corresponding mine assets and rehabilitation liability when they occur. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss. If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Costs related to restoration of site damage (subsequent to start of commercial production) which is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

Other provisions

Provisions are recognised when there is a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and that amount can be reliably estimated. Where the effect is material, the provision is discounted to net present value using an appropriate current market-based pre-tax discount rate. Over time, the discounted liability is increased for the change in present value based on the discount rates and the unwinding of the discount is included in interest expense.

1.19 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.

Notes to the Consolidated and Company Annual Financial Statements

1.20 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.

The Group assesses each asset or cash generating unit (CGU) in each reporting period to determine whether any indication of impairment exists. These assessments require the use of estimates and assumptions such as commodity prices, discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and resources and operating performance. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

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

Coal resource estimate

For accounting purposes, the Group discloses its coal reserves and resources in accordance with "The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the'JORC Code') which is set by the Australian Joint Ore Reserves Committee ('The JORC Committee'). The JORC Committee comprises representatives of The Minerals Council of Australia (MCA), The Australasian Institute of Mining and Metallurgy (The AusIMM), the Australian Institute of Geoscientists (AIG); as well as representatives of the Australian Securities Exchange (ASX), the Financial Services Institute of Australasia (FinSIA) and the accounting profession. The JORC Code is a binding standard for Public Reporting and disclosure in Australasia, applied by appropriately qualified and experienced persons (Competent Persons), and sets out minimum standards, recommendations and guidelines that requires the use of information relating to the geological and technical data on the size, depth, shape and grade of the coal body and suitable production techniques and recovery rates Further, the JORC Code requires estimates of foreign exchange rates, commodity prices, future capital requirements and production costs. Due to the change of such information over time as well as additional data that may be collected, estimates of reserves and resources may change and may subsequently affect the financial results and positions of the Group, including:

- The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charges in profit or loss may change where such charges are determined using the units of production method, or where the useful life of the related assets change.
- Provisions for rehabilitation and environmental provisions may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
- Contingent liabilities may change were the level of future obligations and economic outflows are based on reserve estimates.

Units of production depreciation (note 4)

Estimated economically recoverable reserves are used in determining the depreciation of mine specific assets proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has limitations resulting from either its physical life or the present assessment of economically recoverable reserves to which the asset is related. This requires the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

Rehabilitation provision (note 18)

The Group assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and discount rates. Estimates and assumptions may change if new information becomes available, which could have a material effect on the carrying value of the mine rehabilitation provision and the related mineral asset.

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.

The application of the Group's accounting policy for exploration and evaluation expenditure requires estimates and assumptions to determine whether future commercial exploitation or sale are likely. This requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available.

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.

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.

Inventories (note 9)

Inventory stockpiles are measured by appropriately qualified persons, applying surveying methodologies, which consider the size and grade of the coal stockpile. The estimated recovery percentage is based on the expected processing method. In addition, net realisable value tests are performed at each reporting date and represent the estimated future sales price of the run-of-mine (ROM) coal the entity expects to realise when the ROM coal is processed and sold, less estimated costs to bring the ROM coal to sale.

Judgment is applied in estimating the variables noted above.

Fair value determination (note 15 and 16)

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.

The fair value of zero interest converting notes and shareholder loans are calculated as the present value of the converting loan notes and shareholder loans discounted at market related interest rates from the respective maturity date.

Share based payments (note 13)

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

Recovery of deferred tax assets (note 8)

Deferred tax assets require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. This requires estimates of future taxable income based on forecasted cash flows as well as judgement about the application of existing tax legislation in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be adversely impacted.

Contingencies (note 34)

Management assesses the existence and the economic effects of contingencies at each reporting date. The estimate of the economic effect is based on the outcome and the possibly resulting obligation and outflow of economic benefits.

2. Standards and interpretations

The consolidated annual financial statements have been prepared on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period.

The following standards, interpretations and amendments became effective during the year and were adopted by the company.

Standards	Details of amendment	Annual periods beginning on or after
IFRS 1, First time adoption of International Financial Reporting Standards	Annual improvements 2011 -2013 Cycle: Amendments to the Basis of Conclusion clarify the meaning of "effective IFRs"	1 January 2013
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 13 Fair Value Measurement	Annual Improvements 2010–2012 Cycle: Amendments to clarify the measurement requirements for those short term payables and receivables. Annual Improvements 2011–2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with IAS 39 or IFRS 9.	1 January 2013
IAS 19 Employee Benefits	Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS19 for contributions from employees or third parties that are linked to service have been amended.	1 July 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. Standards and interpretations (continued)

2.1 Standards and interpretations not yet effective

Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Description	Effective date
IFRS 9	Financial Instruments	1 January 2019
IFRS 10	Consolidated Financial Statements.	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments)	1 January 2014
IAS 36	Recoverable Amounts (Amendments)	1 January 2014
IAS 39	Novation of Derivatives (Amendments)	1 January 2014
IFRIC 21	Levies	1 January 2014
IAS 19	Defined Benefit Plans (Amendments)	1 July 2014
IFRS 15	Revenue from contracts with customers	1 January 2017
Annual Improvements to IFRSs1	(2010-2012 Cycle)	1 July 2014
Annual Improvements to IFRSs1	(2011-2013 Cycle)	1 July 2014

Management is currently assessing the impact of the above standards, interpretations on the financial statements. Management does not expect the impact to be material.

3. Segmental Report

All investments in associates and subsidiaries operate in one geographical location being South Africa, and are organised into two business units from which the Group's expenses are incurred and revenues are earned, being (1) for the exploration and extraction of coal and (2) mining and sale of coal. 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 mining and sale of coal represents a new operating segment in the year. During 2013 the business engaged purely in the development, exploration and extraction of coal.

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 2014

	Production and sale of coal	Indirect Interest in Exploration and development of coal	Corporate (Unallocated)	Total
	A$'000	A$'000	A$'000	A$'000
Revenue	11 838	-	-	11 838
Cost of sales	(6 905)	-	-	(6 905)
Cost of sales -Depreciation	(1 326)	-	-	(1 326)
Cost of sales excluding depreciation	(5 579)	-	-	(5 579)
Gross profit	4 933	-	-	4 933
Operating expenses (excl share based payments)	(2 090)	(129)	(2 802)	(5 021)
Share of loss of associate undertakings	-	(2)	-	(2)
Foreign exchange loss	-	-	(39)	(39)
Net finance cost	(759)	-	(953)	(1 712)
Derivative financial liability	-	-	(1 357)	(1 357)
Profit / (loss) before taxation	2 084	(131)	(5 151)	(3 198)
Taxation	(589)	-	-	(589)
Profit / (loss) after taxation	1 495	(131)	(5 151)	(3 787)
Total non-current assets	51 773	56 604	71	108 448
Total capital expenditure	32 066	775	-	32 841
Total Assets	63 642	57 844	3 336	124 822
Total Liabilities	(44 168)	(59)	(9 295)	(53 522)

Revenue to the amount of A$11 838 was received from a single customer.

Notes to the Consolidated and Company Annual Financial Statements

3. Segmental Report (continued)

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 (excl share based payments)	(224)	(3 931)	(3 931)
Share based payments expense	-	(339)	(339)
Share of operating loss of associate undertakings	(10)	-	-
Gain arising on step-up of interest in associated undertaking	6 644	-	-
Foreign exchange loss	-	13	13
Gain arising on step up of associated undertaking to subsidiary	5 464	-	-
Foreign exchange differences recycled on step up	(643)	-	-
Net finance income	-	(422)	(422)
Profit / (loss) before and after taxation	11 231	(4 679)	(4 679)
Total non-current assets	87 289	101	101
Total assets	91 256	6 657	6 657
Total liabilities	(5 538)	(6 612)	(12 150)

4. Property, plant and equipment

Group	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000
Mine development	11 545	(295)	11 250	-	-	-
Mining infrastructure	11 243	(332)	10 911	-	-	-
Processing plant	6 138	(180)	5 958	-	-	-
Mine owners assets	4 803	(140)	4 663	-	-	-
Mineral properties	3 742	(110)	3 632	4 053	-	4 053
Development and production assets	5 208	(153)	5 055	7 016	-	7 016
Land rehabilitation asset	3 869	(114)	3 755	-	-	-
Furniture and fixtures	36	(20)	16	39	(16)	23
Computer equipment	69	(34)	35	58	(25)	33
Motor vehicles	201	(31)	170	-	-	-
Capital work in progress	6 162	-	6 162	11 929	-	11 929
Total	**53 016**	**(1 409)**	**51 607**	**23 095**	**(41)**	**23 054**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - For the year ended 30 June 2014

	Opening balance	Additions	Transfers	Foreign exchange movements	Depreciation	Total
	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000
Mine development	-	-	11 545	-	(295)	11 250
Mining infrastructure	-	-	11 243	-	(332)	10 911
Processing plant	-	-	6 138	-	(180)	5 958
Mine owners assets	-	-	4 803	-	(140)	4 663
Mineral properties	4 053	-	-	(311)	(110)	3 632
Development and production assets	7 016	-	-	(1 808)	(153)	5 055
Land rehabilitation asset	-	3 057	811	-	(113)	3 755
Furniture and fixtures	23	7	-	(10)	(4)	16
Computer equipment	33	28	-	(16)	(10)	35
Motor vehicles	-	201	-	-	(31)	170
Capital work in progress	11 929	28 773	(34 540)	-	-	6 162
	23 054	**32 066**	**-**	**(2 145)**	**(1 368)**	**51 607**

Reconciliation of property, plant and equipment - Group - For the year ended 30 June 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
Computer equipment	25	20	-	(12)	33
Capital work in progress	118	11 811	-	-	11 929
	166	**15 892**	**7 016**	**(20)**	**23 054**

Notes to the Consolidated and Company Annual Financial Statements

4. Property, plant and equipment (continued)

Pledged as security

As part of the Kangala Project Financing Agreements, the following bonds were passed as security for the obligations of Universal Coal Development I (Pty) Ltd in favour of Rand Merchant Bank, a division of the FirstRand Bank Limited:

- a general notarial bond for an amount of A$45,741,800 (ZAR456,000,000);
- a covering mortgage bond over Portion 1 of the Farm Wolvenfontein No. 244 IR, for an amount of A$45,741,800 (ZAR456,000,000); and
- a mining bond over the mining right awarded by the Department of Mineral Resources under reference number MP30/5/1/2/2/429MR, measuring a combined area of 950.9112 hectares in extent, for an amount of A$45,741,800 (ZAR456,000,000).

The following cession and pledge agreements were also concluded to and in favour of Rand Merchant Bank, a division of the FirstRand Bank Limited:

- by Universal Coal Development I (Pty) Ltd which has pledged and ceded all of its rights, title and interest in its banking accounts, insurances, contractors agreements, intellectual property, investments and all claims against third parties;
- Universal Coal and Energy Holdings South Africa (Pty) Ltd which has pledged and ceded all of its rights, title and interest in equity instruments, claims against and all loans to Universal Coal Development I (Pty) Ltd;
- Universal Coal and Energy Holdings South Africa (Pty) Ltd which has subordinated all of its claims against Universal Coal Development I (Pty) Ltd.

Refer to Note 19: Trade and other payables for information relating to security over motor vehicles.

Borrowing costs capitalised

Borrowing costs in the amount of A$1,471,747 (ZAR14,671,849) were incurred at JIBAR + 4.95% per annum and capitalised in accordance with IAS23 to mine owners assets.

Details of mineral properties

	Group	
	2014	2013
	A$000	A$000
Portion 1 of farm Wolvefontein, 244 IR Mpumalanga Province	3 632	4 053

Notes to the Consolidated and Company Annual Financial Statements

5. Intangible assets

Group	2014			2013		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	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	912	-	912	1 202	-	1 202
Universal Coal Development II (Pty) Ltd	33 249	-	33 249	36 970	-	36 970
Universal Coal Development III (Pty) Ltd	9 894	-	9 894	12 215	-	12 215
Universal Coal Development IV (Pty) Ltd	8 878	-	8 878	9 808	-	9 808
Universal Coal Development V (Pty) Ltd	3 671	-	3 671	4 079	-	4 079
Other Intangible Assets						
Computer software	335	(103)	232	121	(64)	57
Total	**56 939**	**(103)**	**56 836**	**64 395**	**(64)**	**64 331**

Reconciliation of intangible assets - Group - For the year ended 30 June 2014

	Opening balance	Additions	Amortisation	Foreign exchange movements	Total
	A$'000	A$'000	A$'000	A$'000	A$'000
Other Intangible Assets					
Computer software	57	244	(39)	(30)	232
Mining and Prospecting Rights					
Universal Coal Development I (Pty) Ltd	1 202	-	-	(290)	912
Universal Coal Development II (Pty) Ltd	36 970	159	-	(3 880)	33 249
Universal Coal Development III (Pty) Ltd	12 215	35	-	(2 356)	9 894
Universal Coal Development IV (Pty) Ltd	9 808	327	-	(1 257)	8 878
Universal Coal Development V (Pty) Ltd	4 079	10	-	(418)	3 671
	64 331	**775**	**(39)**	**(8 231)**	**56 836**

5. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2013

	Opening balance	Additions	Disposals	Transfers	Acquired via business combination	Foreign exchange movements	Amortisation	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)

Supplementary information on Intangible Assets

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

Project	Entity	Location	Property	Size (hectare)	Permit Type & Number	Expiry Date	Comment	% Interest
Kangala	Universal Coal Development I (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Wolvenfontein 244IR: Portion 1 and RE of Portion 2	951	Mining Right: MP30/5/1/2/2/429MR	02/05/2032	Refer to Note 4 for security provided	70.5%
Kangala	Universal Coal Development I (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Middelbult 235IR: Portions 40 and 82	942	Prospecting Right: MP30/5/1/1/2/641PR	09/07/2017	Renewal of the prospecting right was granted in July 2014 for a further three years	70.5%
Kangala	Universal Coal Development I (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Modderfontein 236IR: Portion 1	127	Prospecting Right: MP30/5/1/1/2/639PR	09/07/2017	Renewal of the prospecting right was granted in July 2014 for a further three years	70.5%
Berenice & Somerville	Universal Coal Development II (Pty) Ltd	Waterpoort, Limpopo Province, South Africa	Berenice 548 MS; Celine 547 MS; Doncaster 414 MS; Doornvaart 355 MS; Duinen 419 MS; Gezelschap 395 MS; Hastings 485 MS; Longford 354 MS; Matsuri 358 MS; Monmouth 294 MS; Scot 465 MS; Secrabje 470 MS; Smithfield 456 MS; Trekpad 455 MS; Troy 458 MS; Twyfelfontein 483 MS; Vriendschap 460 MS; Wintersveld 427 MS; Ratho 1 MS; Parma 40 MS; Pont Drift 12 MS; Princess Royal 10 MS; Montrow 6 MS; Somerville 9 MS and Patricia 65 MS	39,484	Prospecting Right: LP30/5/1/1/2/376PR	19/03/2016	Renewal of the prospecting right was granted in March 2013 for a further three years	50%
Brakfontein	Universal Coal Development III (Pty) Ltd	Delmas, Mpumalanga Province, South Africa	Brakfontein 264IR : Portions 6, 8, 9, 10, 20, 26, 30 and Remaining Extent	879	Mining Right: MP30/5/1/2/2/10027MR	2034	A mining right was granted in July 2014 for 20 years. Execution and registration of the right is pending	50.29%
Roodekop	Universal Coal Development IV (Pty) Ltd	Kriel, Mpumalanga Province, South Africa	Roodekop 63IS	835	Mining Right: MP30/5/1/1/2/492MR	05/02/2034	-	74%

5. Intangible assets (continued)

Project	Entity	Location	Property	Size (hectare)	Permit Type & Number	Expiry Date	Comment	% Interest
Cygnus	Universal Coal Development V (Pty) Ltd	All Days, Limpopo Province, South Africa	Cygnus 543MS and adjacent farms	12,299	Prospecting Right: LP30/5/1/1/2/1276PR	In renewal	Renewal of the prospecting right for a further three years is pending	50%
Donkin	Universal Coal Development VI (Pty) Ltd	All Days, Limpopo Province, South Africa	Donkin 72MS	1,178	Prospecting Right: LP30/5/1/1/2/2074PR	08/12/2014	-	15%

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 2014	% holding 2013	Carrying amount 2014 A$'000	Carrying amount 2013 A$'000
Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA)	100.00 %	100.00 %	44 842	42 718
Held Indirectly:				
Bold Moves 1765 (Pty) Ltd	74.00 %	74.00 %	-	-
Episolve (Pty) Ltd	74.00 %	74.00 %	-	-
Epsimax (Pty) Ltd	74.00 %	74.00 %	-	-
Twin Cities Trading 374 (Pty) Ltd	74.00 %	74.00 %	-	-
Universal Coal Power Generation (Pty) Ltd	100.00 %	100.00%	-	-
Universal Coal Development I (Pty) Ltd	70.50 %	70.50%	-	-
Universal Coal Development II (Pty) Ltd	50.00 %	50.00 %	-	-
Universal Coal Development III (Pty) Ltd	50.29 %	50.29 %	-	-
Universal Coal Development IV (Pty) Ltd	74.00 %	74.00 %	-	-
Universal Coal Development V (Pty) Ltd	50.00 %	50.00%	-	-
Universal Coal Development VII (Pty) Ltd	50.00 %	50.00%	-	-
Universal Coal Development VIII (Pty) Ltd	49.00 %	-%	-	-
			44 842	**42 718**

The investment in the directly held subsidiaries at 30 June 2014 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 2014 year	
Balance at beginning of the year	42 718
Investment in the period	2 124
Total carrying value at the end of the year	**44 842**

Notes to the Consolidated and Company Annual Financial Statements

6. Investments in subsidiaries (continued)

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 year	30 811
Investment in the period	11 907
Total carrying value at the end of the year	**42 718**

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

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:

6. Investments in subsidiaries (continued)

	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**

Universal Coal Development V (Pty) Ltd

On 22 April 2013, a further 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 2014	% holding 2013	Carrying amount 2014 A$'000	Carrying amount 2013 A$'000
Universal Coal Development VI (Pty) Ltd (UCDVI)	15.00 %	15.00 %	5	5
Universal Coal Logistics (Pty) Ltd ("UCL")	49.00 %	49.00 %	-	-
			5	**5**

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.

The associated undertakings at 30 June 2014 were:	UCD VI	UCL	Total
	A$'000	A$'000	A$'000
Country of incorporation:	South Africa	South Africa	
Class of share:	Ordinary	Ordinary	
Proportion held of the ordinary shares:	15%	49%	
Reconciliation of movements for the 2014 year			
Balance at beginning of year	5	-	5
Investments in the period	2	-	2
Share of loss of associated undertaking	(2)	-	(2)
Total carrying value at the end of the year	**5**	**-**	**5**

Notes to the Consolidated and Company Annual Financial Statements

7. Investments in associated undertakings (continued)

Associated undertakings at 30 June 2013	UCD II A$'000	UCD IV A$'000	UCD V A$'000	UCD VI A$'000	Total A$'000
Country of incorporation:	South Africa	South Africa	South Africa	South Africa	
Proportion held of the ordinary shares:	n/a*	n/a*	n/a*	15%	
Reconciliation of movements for the 2013 year:					
Balance at the beginning of the year	11 702	3 278	302	-	15 282
Investments in the year	-	-	-	6	6
Share of (loss) / profit of associated undertakings	(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)	(800)	-	(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.

Financial information of Associated Undertakings

All the associated undertakings have prepared audited financial statements for the year ended 30 June 2014 and are accounted for in Universal Coal Plc using the equity method of accounting.

8. Deferred tax

	Group		Company	
	2014	**2013**	**2014**	**2013**
Balance at the beginning of the year	-	-	-	-
Income statement charge	589	-	-	-
Balance at the end of the year	**589**	-	-	-
Comprising:				
Deferred tax asset	(576)	-	-	-
Deferred tax liability	1 165	-	-	-
	589	-	-	-

The deferred tax assets and liabiltiies are offset to determine the amounts stated in the Statement of Financial Position when the taxes can be legally offset and will be settled net.

Deferred tax comprises	
Deferred tax liability:	
- Accelerated capital allowances for tax purposes	1 165
Deferred Tax asset:	
- Tax losses	(576)
Net deferred tax liability	**589**

Deferred tax assets of A$576,000 (2013:$nil) have been recognised in respect of tax losses to be utilised by future taxable profits at Kangala. The Directors believe it will be probable that these tax assets will be recovered through future taxable profits generated by Kangala as production continues to ramp up.

Movements in deferred tax include amounts recognised in the statement of comprehensive income. The income statement charge for the year was A$588,918 (2013: A$nil).

9. Inventories

ROM stockpiles	2 828	-	-	-
Coal product stockpiles	379	-	-	-
Diesel on hand	66	-	-	-
	3 273	**-**	**-**	**-**

10. Trade and other receivables

Trade receivables	3 896	74	-	-
Prepayments	1 221	1 495	-	150
Deposits	510	9	-	-
Value Added Taxation	441	1 168	19	22
Other receivables	-	335	-	-
	6 068	**3 081**	**19**	**172**

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$ 1,216,508 continues to be treated as a prepayment during the 2014 financial period as certain conditions precedent still have to be concluded.

Notes to the Consolidated and Company Annual Financial Statements

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	Group		Company	
	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
Bank balances	2 657	5 487	51	2 275
Restricted cash	4 376	1 955	20	-
	7 033	**7 442**	**71**	**2 275**

Restricted cash and cash equivalents

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

	Group		Company	
	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
Financial guarantees	755	293	-	-
Standby equity account	1 595	1 662	-	-
Deposit guarantee	2 026	-	-	-
	4 376	**1 955**	**-**	**-**

Standby equity account

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

Deposit guarantee account

A deposit guarantee in the amount of A$2,026,219 (2013: A$nil) has been provided to Exxaro Coal Mpumalanga (Pty) Ltd as a non-refundable deposit for the acquisition of the assets of the New Clydesdale Colliery. This guarantee is fully collaterised by cash.

Financial guarantees

A rehabilitation guarantee for the full amount of the rehabilitation provision has been provided to Universal Coal Development I (Pty) Ltd and Universal Coal Development IV (Pty) Ltd by a registered financial institution and is partly secured by a cash investment account with a cash balance of A$754,970 (2013: A$292,569). Monthly contributions are made to the cash investment account and revised annually in agreement with the registered financial institution.

	Group	
	2014	2013
	A$'000	A$'000
Department of Minerals and Energy	755	293

12. Share capital

Authorised:

Number	Class	2014 Nominal Value £	2013 Nominal Value £
500,000,000	Ordinary	0.05	0.05

Alotted, issued and fully paid:

Number	Class	Nominal Value £	2014 A$'000	2013 A$'000
2014: 321,775,447	Ordinary	0.05	26 253	
2013: 319,575,447				26 504

	Group		Company	
	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
Share Capital - Reconciliation				
Opening balance	26 054	17 534	26 054	17 534
Issue of shares	199	8 520	199	8 520
Closing balance	**26 253**	**26 054**	**26 253**	**26 054**

	Group		Company	
	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
Share Premium - Reconciliation				
Opening balance	41 792	35 358	41 792	35 358
Issue of shares	175	7 239	175	7 239
Share issue expenses	-	(805)	-	(805)
Closing balance	**41 967**	**41 792**	**41 967**	**41 792**

Significant changes in the share capital of the Company during the 2014 financial year were as follows:

Shares	Date	Number of shares issued	Cumulative shares issued
Opening Balance as at 1 July 2013		-	319 575 447
Issue of shares	14 January 2014	2 200 000	321 775 447
		2 200 000	**321 775 447**

12. Share capital (continued)

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 1 July 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	1 November 2011	95 840 676	319 575 447
			319 575 447

13. Share based payments

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

2014

Grant date	Expiry Date	Exercise Price	Number Issued	Outstanding 2014
09/12/2010	09/12/2015	A$ 0.26	490 617	490 617
09/12/2010	09/12/2015	A$ 0.20	3 800 000	3 800 000
09/12/2010	09/12/2015	A$ 0.26	4 618 000	4 618 000
09/12/2010	24/11/2015	A$ 0.26	3 007 110	3 007 110
09/12/2010	09/12/2015	A$ 0.39	5 200 000	5 200 000
09/12/2010	03/11/2015	A$ 0.34	3 200 000	3 200 000
22/06/2012	31/12/2014	A$ 0.40	500 000	500 000
04/06/2012	03/06/2017	A$ 0.263	16 855 736	16 855 736
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			**46 590 043**	**46 590 043**

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	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
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**

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

13. Share based payments (continued)

Group Share Options	**Year ended 30 June 2014**	**Year ended 30 June 2013**
Outstanding at start of year	59 520 492	57 420 491
Weighted average exercise price	A$ 0.30	A$ 0.30
Granted	-	3 300 001
Weighted average exercise price		A$ 0.26
Lapsed	(12 930 449)	(1 200 000)
Weighted average exercise price	A$ 0.35	A$ 0.34
Outstanding at end of year	**46 590 043**	**59 520 492**
Exercisable at the end of the year	**46 590 043**	**59 520 492**
Exercise date within one year	**500 000**	**-**

Group Share Options		
Outstanding at the beginning of the year	59 520 492	57 420 491
Granted during the year	-	3 300 001
Forfeited during the year	-	(1 200 000)
Lapsed during the year	(12 930 449)	-
Outstanding at the end of the year	46 590 043	59 520 492
Weighted average contractual life	2.5 years	4 years
Weighted average exercise price	A$ 0.28	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

Share based payments represent the value of unexercised share options to employees. The charge for share options in the year amounted to A$nil (2013: A$339,485).

Notes to the Consolidated and Company Annual Financial Statements

14. 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 convertible instrument reserve consists of the equity component recognised by fair valuing shareholder loans and converting loan note liabilities.

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.

15. Short term and long term loans

Current liabilities

	Group		Company	
	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
Current portion of long term loan	4 458	-	-	-
Short term loan	2 006	-	-	-
	6 464	**-**	**-**	**-**

Short term loans

A short-term uncommitted demand facility of A$2.5 million (ZAR25 million) has been provided to the Kangala Colliery by FirstRand Bank Limited, acting through its Rand Merchant Bank division which is secured in line with the security package for the project financing facility. At 30 June 2014 the balance drawn against this working capital facility was A$2,006,219 (2013: A$ nil). Interest on the daily outstanding balance is levied at JIBAR plus 2.85% per annum.

Non-current liabilities	Group		Company	
	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
Shareholders loan - Mountain Rush Trading 6 (Pty) Ltd	3 176	3 172	-	-
Project financing facility - Rand Merchant Bank	27 891	-	-	-
Current portion of project financing facility	(4 458)	-	-	-
	26 609	**3 172**	**-**	**-**

15. Short term and long term loans (continued)

Shareholders loan

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

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 are 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.

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 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 has been capitalised up to 31 March 2014. The first interest payment is due on 31 January 2015.

Refer to Note 4, Property, plant and equipment, for securities and encumbrances relating to the Kangala Project FInance Facility.

16. Converting notes

	Group		Company	
	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
Converting Notes - Coal Development Holding B.V.	1 970	-	1 970	-
Converting Notes - Susquehanna Pacific Pty Ltd	5 772	5 524	5 772	5 524
	7 742	**5 524**	**7 742**	**5 524**

Converting notes and options issued to Susquehanna Pacific Pty Ltd

On 5 April 2012, Universal Coal Plc entered into a binding Converting Note Agreement with Susquehanna Pacific Pty Ltd for 7,000,000 unlisted and secured Converting Notes at a coupon rate of 9.5% per annum and a maturity date of 7 years to be issued together with a maximum of 22,404,304 share options as follows:

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 13: Share Based Payments

16. Converting notes (continued)

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

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

Converting Notes and Warrants issued to Coal Development Holding B.V. ("CDH")

On 24 January 2014 3,250,000 unsecured zero interest convertible loan notes of A$ 1.00 each convertible at an Ordinary Share Price of A$0.125 per Ordinary Share and 19,500,000 warrants to subscribe for Ordinary Shares at A$ 0.23 were issued to Coal Development Holding B.V.

Each Loan Note has a value of A$1.00 and may be converted into Ordinary Shares at a ratio of eight (8) Ordinary Shares in respect of one Loan Note, up to a maximum of 26 million Ordinary Shares. The Ordinary Shares issued on conversion will rank equally with existing fully paid Ordinary Shares on issue.

No interest will be payable on the Loan Notes.

CDH will have the right to convert the Loan Notes into Ordinary Shares when either:
(a) the Company has issued additional Ordinary Shares so as to permit the conversion of the Loan Notes without any Loan Noteholder and persons Acting in Concert with any Loan Noteholder thereby holding more than 29.99% of the issued and outstanding Ordinary Shares after giving effect to such conversion; or

(b) a Whitewash Resolution under the City Code on Takeovers and Mergers (UK) has been passed permitting the waiver of an offer under the City Code in respect of any such holding.

16. Converting notes (continued)

The Redemption Date for the Loan Note is the fourth anniversary of the date the Loan Note is issued (if conversion has not occurred prior to that date).

As part of the agreement between the Company and CDH, the Company will provide CDH with a warrant instrument. The warrant instrument provides that Warrants to subscribe for Ordinary Shares will be issued on the issue of the Loan Notes. 19,500,000 Warrants will be issued.

The Warrants will be convertible to Ordinary Shares on the payment of A$0.23 per Warrant, subject to the following conditions:

(a) The Warrants cannot be exercised unless the Loan Notes have been converted to Ordinary Shares;
(b) In the event of conversion of the total number of Loan Notes, all of the Warrants may be exercised;
(c) In the event of conversion of only part of the Loan Notes, the Warrants may be exercised in accordance with the relevant percentage of Converted Loan Notes – for example if 50% of the Loan Notes are converted, 50% of the Warrants may be exercised; and
(d) The Warrants will be able to be exercised and Ordinary Shares issued on exercise, at any time following conversion of the convertible loan notes up to 31 December 2015.

The Company will not seek quotation of the Warrants on any stock exchange. On exercise, each Warrant will convert into one Ordinary Share. The Ordinary Shares issued will rank equally with fully paid Ordinary Shares on issue.

In the event the Company reorganises its capital, then the number of Ordinary Shares over which a Loan Note or Warrant exists will be adjusted pursuant to the ASX Listing Rules.

	Group		Company	
Fair value of the financial liabilities carried at amortised cost	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
Opening balance	5 524	5 315	5 524	5 315
Issue of converting notes	3 250	-	3 250	-
Fair value adjustment	(1 392)	-	(1 392)	-
Accretion of deferred financing cost	112	-	112	-
Accrued interest	-	(41)	-	(41)
Amortised financing cost	248	250	248	250
	7 742	**5 524**	**7 742**	**5 524**

Notes to the Consolidated and Company Annual Financial Statements

17. Derivative financial liability

	Group		Company	
	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
Derivative financial liability	1 357	-	1 357	-

Contained within the Susquehanna Pacific Pty Ltd Converting Notes is an acceleration option which in the event that the Universal Coal plc share price is equal to or above the Conversion Price on or after 30 November 2015, there is an option to convert all outstanding loan notes. This is an accelerated embedded derivative ("Converting Option") contained within the Converting Notes.

The Conversion Price is A$0.25696 per share, calculated as 110% of the lower of A$0.2336 and A$ 0.25. Refer to note 16: Converting Notes.

Brokers and financial analysts have provided valuation reports on Universal Coal plc which indicate a rising share price potential above the Conversion Price over time. Based on this, a rational investor would in all likelihood not exercise the Converting Option and rather continue to earn the coupon on the Converting Notes (9.5% per annum) and only convert all of the outstanding Converting Notes at the maturity date.

The fair value of the Converting Option has been determined by using the Black Scholes option pricing model, a commonly used option pricing model.

The following key inputs were used in the valuation of the :

Current share price (as at 30 June 2014)	A$0.09
Strike price	A$0.25696
Volatility	93%
Risk free rate	3.55%
Time to maturity (30 June 2014 to 30 May 2019)	4.92 years

The indicative fair value of the Converting Option at 30 June 2014 is A$0.0498 per option.

There are still 7,000,000 loan notes (with a face value of A$1 each) in issue which are convertible at a price of A$0.25696. On exercise, this would result in the issue of the total of 27,241,594 new shares. The total indicative fair value of the Converting Option over these new shares is A$1,356,683.

18. Provisions

Reconciliation of provisions - Group - For the year ended 30 June 2014

	Opening balance	Additions	Total
	A$'000	A$'000	A$'000
Environmental rehabilitation	896	2 973	3 869

Reconciliation of provisions - Group - 2013

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 Kangala Colliery. The level of provision is commensurate with work completed to date.

The cost of rehabilitation was estimated at A$4,612,150 (R45,978,521). The fair value of the provision was calculated by escalating estimated costs at CPI of 6% per annum over the life of the mine of 9 years.

This amount is discounted at the 10 year South African Government Bond Rate of 8.09% to arrive at a fair value of A$3,868,891.

Notes to the Consolidated and Company Annual Financial Statements

19. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
Trade payables	6 218	2 316	64	557
Accrued expenses	595	242	34	189
Installment sale agreement	79	-	-	-
	6 892	**2 558**	**98**	**746**

The Installment sale agreement is repayable in 36 monthly installments of A$3,160. The loan bears interest at prime lending rate less 1%. The loan is secured over vehicles with a book value amounting to A$169,765.

The installment sale agreement has been classified as a current liability, as the intention of management is to repay the loan within the next 12 months.

20. Cost of sales

	Group	
	2014	2013
	A$'000	A$'000
Sale of goods		
Mining costs	3 561	-
Materials handling	738	-
Processing costs	799	-
Ancillary costs	484	-
Depreciation	1 323	-
	6 905	**-**

Notes to the Consolidated and Company Annual Financial Statements

21. Operating loss

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

	Group	
	2014	2013
	A$'000	A$'000
Operating lease charges		
Premises		
• Contractual amounts	91	76
Equipment		
• Contractual amounts	10	17
	101	**93**
Remuneration receivable by the company's auditor	100	79
Remuneration receivable by the auditor of group companies	50	34
Profit on sale of fixed assets	-	3
Depreciation on property, plant and equipment	45	20
Depreciation on intangibles (software)	39	50
Employee costs	1 449	1 477
Financial advisory fees	-	246
Share based payments	-	339

22. Finance income

Interest revenue		
Bank and fixed deposit interest	242	546

23. Finance expenses

Converting notes - interest	1 011	968
Long term liabilities - finance cost	855	-
Interest rate hedge expense	88	-
	1 954	**968**

Notes to the Consolidated and Company Annual Financial Statements

24. Taxation

No provision has been made for 2014 tax as the group has no taxable income. The estimated tax loss available for set off against future taxable income is A$32,978,604 (2013: A$40,262,907).

The Group has recognised a deferred tax asset of A$576,000 (2013: A$nil) which represents tax losses carried forward in UCD I which will be set off against future taxable profits. All other tax losses carried forward are in entities for which no taxable profit is anticipated to arise in the near future. No deferred tax asset has been recognised on these losses as there is no certainty that sufficient profits will arise in future accounting periods from which these losses could be offset. The estimated unrecognised deferred tax asset is A$9,032,840 (2013:A$10,365,615).

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 30 June 2014 or for the year ended 30 June 2013.

Major components of the tax expense

	Group	
	2014	2013
	A$000	A$000
Factors affecting the tax charge		
The tax assessed for the year is different to the standard rate of corporation tax in the UK.		
(Loss) / profit on ordinary activities before tax	(3 198)	6 552
(Loss) / profit on ordinary activities multiplied by the average rate of corporation tax in the UK and SA of 27.39% (2013: 26.94%)	(876)	1 835
Effects of:		
Non-Deductible expenditure	848	95
Non-taxable income	-	(3 390)
Tax losses and timing differences not recognised	(561)	1 460
Total tax	**(589)**	**-**

25. Cash used in operations

	Group		Company	
	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
(Loss)/profit before taxation	(3 198)	6 552	(4 556)	(4 223)
Adjustments for:				
Depreciation and amortisation	1 407	70	4	2
Profit on sale of assets	-	(3)	-	-
Gain arising on step up of associated undertaking to subsidiary	-	(5 464)	-	-
Gain arising on step up of interest	-	(6 644)	-	-
Finance income	(242)	(546)	(23)	(412)
Finance expenses	1 954	968	1 099	968
Foreign exchange differences recycled on step up	-	643	-	-
Share of operating loss of associated undertakings	2	10	-	-
Foreign exchange loss / (gain)	39	(13)	39	(12)
Share-based payment transactions	-	339	-	339
Derivative financial liability	1 357	-	1 357	-
Movements in provisions	51	-	-	-
Changes in working capital:				
Inventories	(3 273)	-	-	-
Trade and other receivables	(3 316)	(1 429)	153	79
Trade and other payables	4 611	569	(647)	159
	(608)	**(4 948)**	**(2 574)**	**(3 100)**

26. Significant non-cash transactions

	Group		Company	
	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
Operating activities				
Depreciation and amortisation	1 407	70	-	2
Share of loss of associated undertakings	2	10	-	-
Share based payments transactions	-	339	-	339
Trade and other receivables	329	-	-	-
Trade and other payables	(328)	-	-	-
	1 410	**419**	**-**	**341**
Investment activities				
Gain arising on step up of associated undertaking to subsidiary	-	(5 464)	-	-
Gain arising on step up of interest	-	(6 644)	-	-
Foreign exchange differences recycled on step up	-	643	-	-
Profit on sale of intangible asset	-	(3)	-	-
Purchase of tangible assets	(1 732)	1 593	-	-
Purchase of intangible assets	-	162	-	-
	(1 732)	**(9 713)**	**-**	**-**
Financing activities				
Non-cash interest on financing activities	1 214	393	359	393
Derivative financial liability	1 357	-	1 357	-
	2 571	**393**	**1 716**	**393**

27. Commitments

Authorised capital expenditure

At year end A$2.5 million (ZAR 25 million) has been committed to the extension of a Kangala Kidney stockpile.

Acquisition of the New Clydesdale Colliery (“NCC”):

On 31 January 2014, Universal Coal Plc entered into a binding sale of assets agreement with Exxaro Coal Mpumalanga (Pty) Ltd for an amount of A$17,052,864 to acquire all the assets and assume certain liabilities of the New Clydesdale Colliery (“NCC”), located adjacent to the Universal Coal’s Roodekop deposit in the Witbank coalfield. A deposit of A$2,006,219 has already been paid and the balance of A$15,046,645 remains as a potential financial commitment at 30 June 2014. The transaction remains subject to the fulfilment, or to the extent possible, the waiver of suspensive conditions for transactions of this nature such as Ministerial consent in terms of section 11 of the Mineral Resources and Petroleum Development Act 28 of 2002 (as amended) (“MPRDA”).

28. Related parties

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

28. Related parties (continued)

Related party transactions and balances

	Group		Company	
	2014	2013	2014	2013
	A$'000	A$'000	A$'000	A$'000
Consulting fees paid to related parties				
Ofhani Phaswana	100	33	-	-
African Minerals Exploration and Development GP SARL	154	75	-	75
Mountain Rush Trading 6 (Pty) Ltd	924	-	-	-
Rent paid to related parties				
KEE Enterprises (Pty) Ltd	84	68	-	-
Loans from related parties				
Mountain Rush Trading 6 (Pty) Ltd	4 735	5 225	-	-
Converting notes from related party				
Coal Development Holding B.V.	3 250	-	3 250	-

A lease agreement was entered into with KEE Enterprises on 1 June 2014 for office rental in South Africa. The controlling shareholder of KEE Enterprises (Pty) Ltd, Hendrik Bonsma is also a non-executive director of Universal Coal Plc. The period of the lease is for 5 years at a market related rental of A$ 7,234 per month with an annual escalation clause of 8% per annum. This transaction is considered to be at “arms-length”.

Fees paid to Mountain Rush Trading 6 (Pty) Ltd relate to facilitation and service fees permitted in the Facilitation and Service Fee Agreement entered into on 6 May 2013 between Mountain Rush Trading 6 (Pty) Ltd, Universal Coal Development I (Pty) Ltd and Universal Coal and Energy Holdings South Africa (Pty) Ltd. The transaction is considered to be at “arms-length”.

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 5, 6 and 7 for details of the transactions.

A consultancy agreement was extended with Ofhani Phaswana, a director of Bono Lithihi Investments Group (Pty) Ltd, on 1 September 2013 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$10,000 are payable, the last of which is scheduled to occur on 31 August 2014.

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$12,833 are payable to African Minerals Exploration 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.

On 24 January 2014 at a meeting of the Members of Universal Coal Plc, approval was granted for the issuance of 3,250,000 unsecured zero interest convertible loan notes of A$1.00 each and 19,500,000 warrants to subscribe for Ordinary Shares at A$0.23 each to Coal Development Holding B.V. (CDH) which holds 29.99% of the shares in the Company and has appointed 2 Directors to the Board of the Company. While CDH is not defined as a related party under the ASX Listing Rules, in light of CDH’s cornerstone investment in the Company and its position as a substantial shareholder of the Company, the transaction has been disclosed accordingly.

29. 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.

The financial instruments of the Group are:	2014		2013	
	Loans and receivables	Financial liabilities	Loans and receivables	Financial liabilities
	A$'000	A$'000	A$'000	A$'000
Financial assets				
Trade and other receivables	4 411	-	418	-
Unrestricted cash	2 657	-	5 487	-
Restricted cash	4 376	-	1 955	-
Financial liabilities				
Shareholders' loan	-	3 176	-	3 172
Trade payables	-	6 836	-	2 552
Converting Notes	-	7 742	-	5 524
Derivative financial liability	-	1 357	-	-
Short term and long term loans	-	29 897	-	-
	11 444	**49 008**	**7 860**	**11 248**

Prepaid expenses and Value Added Taxation of A$1,657,343 (2013: A$2,662,804) and provisions of A$3,920,050 (2013: A$901,521) have been excluded.

The financial instruments of the Company are:	2014		2013	
	Loans and receivables	Financial liabilities	Loans and receivables	Financial liabilities
	A$'000	A$'000	A$'000	A$'000
Financial assets				
Bank balances	51	-	2 275	-
Restricted cash	20	-	-	-
Financial liabilities				
Trade and other payables	-	98	-	746
Derivative financial liability	-	1 357	-	-
Converting notes	-	7 742	-	5 524
	71	**9 197**	**2 275**	**6 270**

Prepaid expenses and Value Added Taxation of A$18,929 (2013: A$171,594) 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.

29. Risk management (continued)

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, shareholder's loan, long term loans and short term loans.

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 issuing of converting notes (refer to note 16). Furthermore, the group secured a 65% project finance debt facility and a shareholder loan for the balance of the equity requirement to finance the Kangala mine development. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without prior consent of the Company.

Foreign exchange risk

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, shareholder's loan and project finance debt facility.

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.

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

Exchange rates used for conversion of foreign items were:

	2014	% Change	2013	% Change	2012
ZAR:AUD (Average)	9.5202	5%	9.0669	13.16%	8.0120
ZAR:AUD (Spot)	9.9960	10.36%	9.0334	7.90%	8.3717
GBP:AUD (Average)	0.5652	-13.68%	0.6548	0.49%	0.6516
GBP:AUD (Spot)	0.5535	-7.87%	0.6008	-7.65%	0.65.6

Notes to the Consolidated and Company Annual Financial Statements

29. Risk management (continued)

	British Pound	South African Rand	Australian Dollar	Total
	A$'000	A$'000	A$'000	A$'000
Current assets - 2014				
Trade and other receivables	-	4 411	-	4 411
Cash and cash equivalents	4	6 962	67	7 033
Liabilities - 2014				
Trade and other payables	42	6 738	56	6 836
Shareholders' loan	-	3 176	-	3 176
Short term and long term loans	-	29 897	-	29 897
Converting notes	-	-	7 742	7 742
Derivative financial liability	-	-	1 357	1 357
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
Shareholder's loan	-	3 172	-	3 172
Converting notes	-	-	5 524	5 524

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 - 2014				
Cash and cash equivalents	4	-	67	71
Liabilties - 2014				
Trade and other payables	42	-	56	98
Converting notes	-	-	7 742	7 742
Derivative financial liability	-	-	1 357	1 357
Current assets - 2013				
Cash and cash equivalents	4	-	2 271	2 275
Liabilities - 2013				
Trade and other payables	75	-	671	746
Converting Notes	-	-	5 524	5 524

Foreign Currency Risk Sensitivity Analysis:

	2014	2013
Change in profit / (loss) - (AUD:ZAR)	A$'000	A$'000
Improvement in AUD to ZAR by 10%	(77)	(1 149)
Decline in AUD to ZAR by 10%	77	1 149

29. Risk management (continued)

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.

However, the Kangala Colliery has a contracted price with a majority customer in Eskom Holdings SOC Limited, which is not subject to global commodity pricing fluctuations.

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 long term loans, converting notes and hedges.

At 30 June 2014, if interest rates on Australian Dollar-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax loss for the year would have been A$11,397 (2013: A$23,770) higher/(lower), mainly as a result of higher/(lower) interest rates.

At 30 June 2014, if interest rates on Rand-denominated cash balances had been 1% higher/(lower) with all other variables held constant, post-tax loss for the year would have been A$55,398 (2013: A$49,270) 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:

2014 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	-	-	-	4 411	4 411
Cash and cash equivalents	-	7 033	-	-	7 033
Weighted average interest rate	-	3.1%	-	-	-
Financial liabilities					
Short term loan	-	2 006	-	-	2 006
Trade and other payables	-	79	-	6 757	6 836
Converting Notes	5 772	-	-	1 970	7 742
Derivative Financial Liability	1 357	-	-	-	1 357
Shareholder's loan		-	-	3 176	3 176
Long term loan	13 946	13 945	-	-	27 891
Weighted average interest rate	10.75%	10.47%	-	-	

29. Risk management (continued)

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%	-	-	-	
2014 Company					
Financial assets					
Cash and cash equivalents	-	71	-	-	71
Weighted average interest rate	-	2.5%	-	-	
Financial liabilities					
Trade and other payables	-	-	-	98	98
Converting Notes	5 772	-	-	1 970	7 742
Derivative financial liability	1 357	-	-	-	1 357
Weighted average interest rate	9.5%	-	-	-	
2013 Company					
Financial assets					
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%	-	-	-	

29. 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 payments from customers and cash deposits however it does not consider that it has significant exposure because Its major customer is Eskom Holdings SOC Limited and 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. Eskom Holdings SOC Limited is a state owned company and is backed by the South African Government.

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

Financial instrument	Group 2014 A$'000	Group 2013 A$'000	Company 2014 A$'000	Company 2013 A$'000
Trade and other receivables	4 411	418	-	-
Cash and cash equivalents	7 033	7 442	71	2 275

Liquidity risk

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

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group

At 30 June 2014	Less than 1 year A$'000	Greater than 1 year A$'000
Long term loans	4 458	23 433
Short term loan	2 006	-
Derivative financial instruments	-	1 357
Trade and other payables	6 892	-
Converting notes	-	10 250
Shareholder's loan	-	4 735
At 30 June 2013		
Trade and other payables	2 552	-
Converting notes	-	7 000
Shareholders loan	-	5 225

Company

At 30 June 2014	Less than 1 year A$'000	Greater than 1 year A$'000
Derivative financial instruments	-	1 357
Trade and other payables	98	-
Converting notes	-	10 250
At 30 June 2013		
Trade and other payables	746	-
Converting notes	-	7 000

Notes to the Consolidated and Company Annual Financial Statements

30. Going concern

The accounts have been prepared on the going concern basis. At the year end the Group had A$2,657,801 (2013:A$5,487,114) of unrestricted cash reserves and is reliant on the timing of cashflows from the Kangala Colliery and entering into finance arrangements for the release of certain restricted cash reserves which were successfully concluded on 9 September 2014. The going concern premise is further contingent on the successful conclusion of the Ichor Coal B.V. and the Coal Development Holding B.V. strategic investments. Both these transactions are conditional upon a vote in favour of the proposed resolutions to be held at a general meeting of shareholder on 6 October 2014. Irrevocable undertakings to vote in favour of the proposed resolutions have already been received by the Company, totalling more than 50% of the eligible votes. The Directors are therefore satisfied that the Group has adequate resources to continue in business for the foreseeable future, however should the transactions not be approved by shareholders, the Group would need to raise further financing either through an equity capital raise, debt capital or a combination of both. These conditions indicate the existence of an uncertainty related to events or conditions that may cast doubt about the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

31. Events subsequent to reporting period

Strategic investment by Ichor Coal B.V.

On 1 September 2014, Universal Coal Plc entered into a Subscription Agreement with Ichor Coal BV for the strategic investment of A$24,483,400 comprising as follows:

- a subscription for 80,440,000 ordinary shares of Universal Coal Plc (and CHESS Depositary Interests to which the ordinary shares relate on a one for one basis) at a price of A$0.145 per Ordinary Share for proceeds of A$11,663,800; and
- a subscription for 71,220,000 non-voting, non-cumulative convertible preferred shares at a price of A$0.18 per Preferred Share for proceeds of A$12,819,600.

Furthermore, on 1 September 2014, Universal Coal Plc entered into a Warrant Instrument with Ichor Coal BV whereby Ichor Coal BV would subscribe for 71,220,000 Warrants, exercisable for a period of 18 months at a strike price of A$0.36.

Further investment by Coal Development Holding B.V.

A further agreement was entered into with Coal Development Holding BV where, Coal Development Holding BV will exercise its conversion rights under the existing A$3.25 million Convertible Loan Notes, which will convert at an effective price of A$0.125 per Ordinary Share for the issue of 26,000,000 Ordinary Shares and entered into a Subscription Letter Agreement, by which Coal Development Holding will subscribe for 6,250,000 Ordinary Shares at A$0.16 per Ordinary Share for total consideration of A$1,000,000.

The above agreements and transactions are all subject to Shareholder approval which is due to be sought at a General Meeting of Shareholders to be conducted on 6 October 2014.

Brakfontein Mining Right

On 25 July 2014, Universal Coal Development III (Pty) Ltd was granted a Mining Right over portions 6, 8, 9, 10, 20, 26, 30 and the remaining extent of the farm Brakfontein 264 IR in the Magisterial District of Delmas by the South African Department of Mineral Resources.

32. (Loss) / Earnings Per Share

	2014	2013
	A$	A$
Numerator		
(Loss) / Earnings used in basic (loss) / earnings per share	(4 165 468)	6 626 821
Adjusted profit for convertible loan interest	1 010 544	343 897
Adjusted for fair value of Susquehanna conversion option	1 356 683	-
Adjusted (loss) / profit used in diluted (loss) / earnings per share	**(1 798 241)**	**6 970 718**

	2014	2013
Denominator		
Weighted average number of shares used in basic (loss) / earnings per share	320 582 022	270 506 171

Potential ordinary shares that could dilute (loss) / earnings per share in future:	2014	2013
Weighted average number of shares used in basic (loss) / earnings per share	320 582 022	270 506 171
Adjusted for effect of converting notes in issue	53 241 594	29 965 753
Weighted average number of shares used in diluted (loss) / earnings per share	**373 823 616**	**300 471 924**

All share options have not been included in the calculation of diluted (loss) / earnings per share because they are out of the money. The total number of options issued is disclosed in note 13.

33. Employees and Directors

Average number of employees are as follows:	Group	Group
	2014	2013
Staff (Operational resources)	27	12
Directors	6	6
	33	**18**

	Group	Group
	2014	2013
	A$'000	A$'000
Wages and salaries	1 424	1 477
Share based payments	-	339
	1 424	**1 816**

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 13).

The key management personnel of the business are considered to be the directors of the Company. Refer to Section 9: Remuneration Report of the Directors Report.

Notes to the Consolidated and Company Annual Financial Statements

34. Contingent liabilities

Rehabilitation Guarantee

Rehabilitation Guarantees have been provided by a financial institution to the Department of Mineral Resources in South Africa in the amount of A$2,247,185 (2013: A$895,667) which are secured against investment accounts which have a balance of A$754,970 (2013: A$292,569) at year end. The unsecured amount of A$1,492,295 (2013: A$603,098) is considered to be a contingent liability at year end.

Eskom Guarantee

A financial guarantee in favour of Eskom Holdings SOC Limited in the amount of A$254,680 (ZAR:2,538,900) has been provided by Rand Merchant Bank which is secured in accordance with the security package forming part of the Kangala protect finance facility. Refer to note 15.

Engen Guarantee

A financial guarantee in favour of Engen Petroleum Limited in the amount of A$802,488 (ZAR:8,000,000) has been provided by Rand Merchant Bank which is secured in accordance with the security package forming part of the Kangala protect finance facility. Refer to note 13.

Independent Auditor's Report

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 2014 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, 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 (IFRS) 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.

Director's Responsibility for the Financial Statements

Director's are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and as regards the parent company financial statements in accordance with the provisions of the Companies Act 2006, and for such internal control as the directors determine is necessary to enable the preparation the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that show a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

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

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 2014 and of the group's loss 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

Independent Auditor's Report

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group's ability to continue as a going concern is reliant on the timing of future cash flows from the Kangala Colliery and the successful conclusion of the Ichor Coal B.V. and the Coal Development Holding B.V. strategic investments. Both these transactions are conditional upon a vote in favour of the proposed resolutions to be held at a general meeting of shareholders on 6 October 2014. These conditions indicate the existence of an material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

BDO LLP

Anne Sayers (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
29 September 2014

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