ICHORCOAL
MINING THE FUTURE

ICHOR COAL N.V. GROUP (53748662)

Statutory Annual Report

31 December 2016

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Report of the Supervisory Board

Dear Shareholders,

The weaker trend in coal prices observed in 2015 continued into the early part of 2016. Despite expectations, international coal prices started to recover in the second half of the year, making 2016 a better year for the sector than the prior year. However, the South African economy performed poorly, with electricity demand levels reducing further compared to 2015.

Despite the negative operating environment and offtake shortfalls from Eskom, Ichor Coal N.V.'s (IchorCoal) production remained satisfactory with good cost management and safety performance. The surface mine at Vunene came close to its end of life, with less than 300,000 tonnes of coal left to be mined by the end of the financial year. The project aimed at bringing the underground mine back into production continued at a much slower pace than planned given continuing difficulty in obtaining external project finance to complete the refurbishment. Penumbra Coal Mining remained in care and maintenance for most of the year, with preparations to bring the mine into production reaching an advanced stage in the latter part of the year.

Our joint venture with Mbuyelo Group performed very well with the first phase of the Manungu coal mine reaching steady state in the middle of the year. Universal Coal commenced mining operations at New Clydesdale with a plan to reach full production by the end of 2017.

Cooperation with the Management Board

During the period under review, the Supervisory Board performed all of its obligations required by law and the company's articles of association. The Management Board informed us regularly, promptly and comprehensively about business policy and other fundamental issues related to corporate Management and planning. Moreover, the Supervisory Board was kept informed about the financial position and development of the company as well as transactions and events of significance. We have advised the Management Board and monitored its management of the business. Important subjects and pending decisions were discussed at regular Board meetings.

Further, the Supervisory Board had insight into the assets, earnings and financial position of the company at all times. Proposals and reports of the Management Board were carefully reviewed, discussed in detail and approved insofar as this is required by law and the company's articles of association. Between meetings, the Management Board kept the Supervisory Board informed by written or verbal reports about ongoing business developments, projects, earnings and financial position of the company.

Annual audit and consolidated financial statements

The auditing company selected by shareholders at the last annual general meeting was KPMG Accountants N.V., which replaced Ernst & Young after the company and the latter agreed not to renew EY's engagement. KPMG has audited the 2016 annual financial statements and Management report prepared by the Management Board of IchorCoal as at 31 December 2016 and has issued an unqualified audit opinion, with an emphasis of matter for going concern. The annual financial statements of IchorCoal and the audit reports from the auditors were submitted immediately upon completion to the Supervisory Board. These were discussed extensively at the Supervisory Board meetings held on 31 October 2018 and 12 Novembers 2018. After careful review, no objections were raised and the Supervisory Board approved the annual financial statements of Ichor Coal N.V. for the year ended 31 December 2016.

Changes in the Management Board

The Dutch Parliament adopted new legislation to amend the Dutch Civil Code in connection with the rules on management and supervision within public limited liability companies. The Act on Management and Supervision came into force on 1 January 2013. In 2016, IchorCoal's Supervisory Board did not meet the new guidelines in terms of gender diversity, but is committed to striving to achieve adequate and balanced Board composition when making future appointments. This will be done taking into account all relevant selection criteria, including, but not limited to, gender balance and executive experience.

As at 31 December 2016, the Supervisory Board of the entity consisted of four members as it was during the 2015 financial year. Edwin Eichler, who was appointed Supervisory Board member in March 2014, resigned from the Board on 10 April 2017, and has been replaced by Markus Meister, who has been appointed as new member of the Supervisory Board on 31 October 2017 and who has been elected as Vice Chairman on 17 December 2017.

On behalf of the Supervisory Board of Ichor Coal N.V., I wish to express my appreciation to all of our stakeholders for their continuing support.

South Africa, 12 November 2018

For the Supervisory Board

Lars Windhorst

Chairman

Report of the Management Board

Group structure and activities

Ichor Coal N.V. KVK 53748662 (“IchorCoal Group” or the “Group” or the “Company”) is a limited liability company incorporated in Amsterdam, the Netherlands with its shares admitted for trading on the High Risk Market of the Hamburg Stock Exchange and the open market on the Basic Board of the Frankfurt Stock Exchange (non-regulated). The head office is located at 30 Jellicoe Avenue, Rosebank 2196, South Africa.

The Ichor Coal Group is an international mining company focusing on thermal coal production in South Africa. With access to approximately 2.2 billion metric tonnes of coal resources on 13 properties, IchorCoal began operations in 2011 with a stated long-term ambition to increase its attributable production to 15m tonnes per annum through both organic and acquisitive growth. The Group has strong existing relationships with all relevant authorities and institutions in the South African market, with experienced and capable Management and operational teams, with an unwavering commitment to achieving best-in-class safety, health, environmental and social development standards.

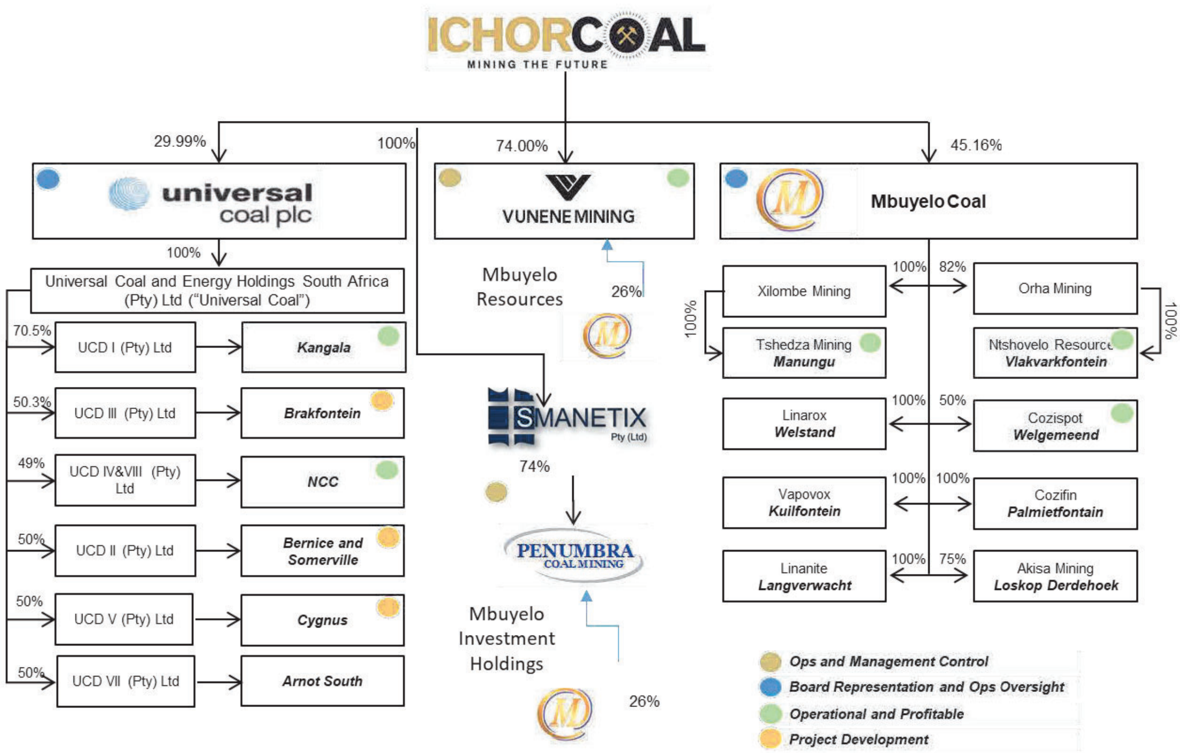
The Group continued its focus on the local power utility, Eskom, as its primary customer with four entities within the portfolio each having a coal supply agreement in place during the year. However, electricity demand declined in line with the slower rate of economic growth in South Africa whilst simultaneously, the local renewable energy programme started to feed electricity to the grid. These two factors had a direct knock-on impact on the volume of coal supplied to the power utility which sought to lower its overall coal offtake and renegotiate the prices at which it buys coal from the industry. Understandably, these developments had a negative impact on some of the operations. With the recovery in international prices in the second half of the year, the two mines with some exposure to export markets were able to benefit from this turnaround.

During December 2015, Ichor Coal N.V. acquired a 100% interest in Penumbra Coal Mining (Pty) Ltd, a South African mining company with one operating site in Ermelo, Mpumalanga province. In January 2016, 26% of the interest in Penumbra Coal Mining was divested to our preferred Broad Based Black Economic Empowerment (BBBEE) partner, Mbuyelo Investment Holdings, in accordance with the requirements of South African mining legislation. The transfer to Mbuyelo Investment Holdings (MIH) was made at a value of €849 000 financed by redeemable preference shares. However, from an accounting point of view, not all the risks were substantially transferred to MIH as at 31 December 2016. Consequently, from an accounting point of view, Penumbra was still held at 100% by Ismanetix and consequently is fully consolidated as per 31 December 2016.

With the imminent redemption date for the convertible bonds in June 2017, Management embarked on an effort to obtain bondholder consent to amend certain terms and conditions. This was achieved in June 2017 at a meeting of bondholders at which they approved a two year extension of the maturity of the bonds to 30 June 2019 and a reduction in the coupon rate to 5% from the previous 8% as well as a reset of the conversion price to €0.70.

As at year-end 2016, Ichor Coal N.V. held interest in the following entities:

IchorCoal Group Structure



Financial review

Analysis of consolidated statement of comprehensive income

Revenues

Reported revenues of IchorCoal Group reached €39 089 000 in the year ended 31 December 2016 (2015: €46 236 000). Revenue achieved in the 2016 financial year reduced in line with lower sales volumes of 1 456 000 tonnes compared to 1 658 000 tonnes in 2015, marginally offset by price increases on the coal supply agreement with the energy utility and premiums achieved on export coal.

Cost of sales

Purchased goods and services amounted to €32 872 000 (2015: €40 174 000). The decrease in cost of sales relates largely to a reduction in mining costs due to certain opencast pits reaching end of life and a drop in Eskom offtake with the resultant lower production tonnes for the year under review.

Income from investments

The Group recorded its share in the profit/loss from its investments in associates. The associate investment companies performed below par in the current financial year compared to prior year, with the Group realising income of €2 613 000 (2015: €8 786 000). The major variance relating to income from investments can be attributed to the weakening of the average rand exchange rate against the euro for the year under review.

Other income

Other income amounted to €13 788 000 (2015: €29 315 000 restated). Other income consists mainly of Management fees received at IchorCoal Group level and foreign exchange gains during the current reporting period, due to the strengthening of the rand against the euro at the end of the reporting period. The reported foreign exchange gain amounted to €12 790 000. In the prior year, a foreign exchange loss was recognised in expenses amounting to €14 887 000.

Other operating expenses

Operating expenses increased from €41 889 000 to €74 432 000 mainly due to depreciation and impairment charges amounted to €71 448 000 (2015: €22 996 000) and mainly include depreciation of equipment and mineral assets of Vunene Mining, and an impairment loss of €50 556 000 recognised on the assets of Vunene Mining and Penumbra Coal Mining at year end. Increases in depreciation relate mainly to higher mine closure cost provisions that have been capitalised on mining assets. In the current year, the company has realised foreign exchange gains, which have been presented under other income

The impairment losses is related to: €33 625 000 have been recorded on mining assets in relation to the purchase and development of Vunene Mining. An impairment test was performed on the intangible assets identified on the acquisition of Penumbra Coal Mining, and an impairment of €16 624 000 was recognized on the mining right and €307 000 on the customer relationship was recorded accordingly.

General and administrative expenses

General and administrative expenses decreased from €2 978 000 to €2 616 000 as a result of the lower cost base in South Africa and limited merger and acquisition activities during the 2016 financial year.

Financial result

Finance income decreased significantly in the current year compared to 2015 as a result of a change in fair value of €2 930 000 in 2016 (2015: €18 938 000 gain) that was recognised on the conversion option component of the convertible bonds. The revaluation loss is classified as finance cost.

Income taxes

Income tax expense for the period of €4 974 000 (2015: benefit of €5 031 000 restated) arose from deferred tax liabilities being offset against unrecognised taxable losses.

Result for the year

The Group reported a loss after tax of €66 066 000 for the year ended 31 December 2016 (2015: €11 919 000 restated profit).

Analysis of consolidated statement of financial position

Intangible assets

The customer relationship, which had been recognised in the course of the acquisition of Vunene Mining, has been further depreciated and impaired to book value of nil at year end. The mining right recognised with the acquisition of Penumbra Coal Mining was impaired by €16 624 000 with a remaining book value of €4 825 000 at year end.

Property, plant and equipment

Property, plant and equipment decreased by €32 699 000 during the year under audit compared to the prior year, mainly due to foreign exchange translation gains, changes in closure cost provisions and impairments recognised during the year. Changes in closure cost provisions that were capitalised resulted in an addition to the mining assets of €8 478 000. The mining assets were depreciated and impaired by €52 450 000.

Non-current financial assets

During December 2015, Ichor Coal N.V. acquired 100% interest in Penumbra Coal Mining for a purchase consideration of €3 604 000 and assumed control with effect from that date. In Jan 2016 26% of the interest in Penumbra was sold to our preferred BBBEE partner, Mbuyelo Investment Holdings, in accordance with the requirements of South African mining legislation. The transfer to Mbuyelo Investment Holdings was made at a value of €849 000 financed by redeemable preference shares. However, from an accounting point of view, not all the risks were substantially transferred to MIH as at 31 December 2016. Consequently, from an accounting point of view, Penumbra was still held for 100% by Ismanetix and consequently is fully consolidated as per 31 December 2016.

Net working capital

The following net working capital definition is used within the Group: total current assets excluding cash and cash equivalents less total current liabilities excluding interest bearing loans and borrowings.

The Group's net working capital as at 31 December 2016 decreased by €6 949 000. The variance between the fiscal year 2016 and 2015 can be analysed as follows:

	31 Dec 2016	31 Dec 2015
	€ k	€ k
Inventories	1 934	2 753
Trade and other receivables	3 205	4 350
Other current financial assets	2 785	1 204
Other assets	42	57
Other current financial liabilities	-60	-469
Trade and other payables	-11 541	-4 675
Liabilities from income taxes	-	-
Other non-financial liabilities	-668	-574
	-4 303	2 646

More detailed information on the individual items of net working capital is set out in the notes to the consolidated financial statements, however major movements are explained as follows:

- Vunene Mining stock levels reduced significantly between Dec 2015 and Dec 2016;
- Trade receivables in Vunene Mining reduced in accordance with the reduced sales volumes offset by a small price adjustment;
- Other increases to current financial assets relate to mine rehabilitation investment products to support guarantees issued to government;
- Trade payables increased in Vunene Mining and Penumbra Coal Mining due to cash flow constraints.

Shareholder equity

Ichor Coal N.V. did not issue any shares during the financial year ended 31 December 2016. As at year end, the issued and paid up share capital therefore remained €6 792 000. The authorised share capital amounted to €25 000 000 divided into 250 000 000 shares with a nominal value of €0.10 each. A detailed analysis of movements in equity during the year is presented in the 'Consolidated Statement of Changes in Equity' in the Group financial statements.

Shareholder equity attributable to the owners of the parent as at 31 December 2016 amounts to a positive equity of €698 000 (2015: €55 086 000, restated). A detailed analysis of movements in equity during the year is presented in the “Consolidated Statement of Changes in Equity” in the Group financial statements.

The stand-alone financial statements as at 31 December 2016 report a positive net equity of €9 682 000 (2015: €45 208 000) and a loss after tax for the financial year of €38 461 000 (2015: loss of €9 588 000).

Financing and liquidity

In addition to shareholder support and asset disposal, the future liquidity and financial flexibility of the Group are provided through a combination of operational cash flows, its own liquidity as well as access to financing facilities provided by mainly by financial institutions and other group entities.

At a meeting of IchorCoal bondholders on 20 June 2017, bondholders consented to an amendment of certain terms and conditions of the convertible bonds due in June 2017 resulting in the maturity of the bonds being extended by 2 years. Moreover, the fixed interest payable on the bonds was reduced from 8% per annum to 5% and the conversion price reduced from €4.50 to €0.70.

Financial risk management policy

The Group is exposed to various financial risks which arise out of its business activities. These risks include investment risks, financial market risks such as currency and interest rate risks, liquidity risks, credit risks and commodity price risks.

The Group manages these risks in accordance with its risk strategy to mitigate any material negative effects on the financial performance of IchorCoal Group. A detailed description of the Group’s financial risk management is disclosed in the notes to the consolidated financial statements.

Business risks

The company operates in the coal mining sector and the sector has been experiencing challenges both locally and internationally. The market challenges pose a major risk in the mining industry and have resulted in a few players in the industry closing down and selling their assets. For a large part of the year, mining companies experienced tough conditions with regard to export markets and the cost of exporting coal. The company has noted this risk and has put measures in place to manage and mitigate such risk to the extent possible. Please refer note 10.3

Risk appetite

The level of risk that the IchorCoal Group is prepared to accept in pursuit of its objectives and before any action is deemed necessary to reduce these risks represents the company's risk appetite. Moreover, the risk appetite is a balance between the potential benefits of mining and the threats that any change will bring.

Financial instruments can only be used to mitigate risks and not for trading and/ or speculation purposes.

In IchorCoal the risk appetite adopted as a response to the risks was set to a low to moderate level considering the nature of the environment in which the company operates, and the substantial investments that have to be made for mining operations.

However, the appropriate approach may be different across the entire Group depending on the type of project, circumstances, level of risks versus rewards etc. In each and every case the Supervisory Board has an ultimate opinion and it ensures that the company's view over the risk appetite is consistently applied. Moreover, a precise measurement is not always possible and risk appetite may be defined by a broad statement of approach, as the company has an appetite for some types of risk, as detailed below and might be averse to others, depending on the context and the potential losses or gains.

Please see below the risk appetite table for the main risks faced by the Group:

Risk Category	**Category description**	**Risk mitigation**	**Risk appetite**
Operational risk	The risk associated with the daily operational activities such as geology, potential strikes, etc	Management ensures that there are proper controls in place and maintains an open communication channel with workers through their union representatives	Low – moderate on a case by case basis in accordance with normal business operations
Financial risk	The risk associated with potential financial losses and the uncertainty of returns, structure of debt and cash flows	Management ensures that there are proper controls in place and the controls are reviewed regularly	Low – moderate on a case by case basis in accordance with financing and cash flow activities
Business risk	This risk is associated with market conditions primarily price and demand for coal in domestic and international markets. Management accepts this risk as being inherent in the industry sector in which we operate.	Management ensures that there are business plans in place that give clear guidance on the business operations and monitor that regularly. Financial instruments are also used from time to time to hedge against price volatility.	Low – moderate
Environmental and compliance risk	The risks that may arise from health and safety and environmental matters, intellectual property rights, compliance with local and international laws	Management ensures compliance with applicable laws and regulation, and continued education to members of staff on applicable legislation	Zero

Interest rate risk	The risk that interest rates on long term borrowings can be high and unaffordable	Management reviews interest on long term borrowings. Interests rates are agreed on fixed rates and Management can negotiate lower rates	Low
Credit risk	The risk that the group will not able to collect from customers and make payment to suppliers when payments are due	Management ensures that the group deposits cash with major banks which have high credit standing and limits exposure to any one counter party	Low
Liquidity risk	The risk associated with the inability to meet obligations when they fall due	Management continually monitors the operational and capital cash requirements and the availability of financial resources. With the bond maturity date less than 12 months away and with no readily available resources to meet that obligation, Management has embarked on a sale of assets with a view to realizing adequate proceeds to redeem the bonds.	High
Commodity price risk	The risk associated with commodity prices in the international coal markets	Management reviews prices and where possible, fixed sale prices are negotiated and hedging instruments are considered	Low - moderate
Investment risk	The risk associated with selection of investments	Management ensures that all investment transactions are subject to due diligence and involvement of experts	Low

Future research and development activities

The Group has not carried out any research and development activities during the year and, due to the nature of its business, does not expect to conduct any research and development activities in 2017.

Going concern

IchorCoal Management uses the going concern assumption in the preparation of the company’s 2016 annual accounts.

The Group´s financials show a positive equity of approximately €4.1m and a loss generated during the year of €66 m, mainly related to the impairment recognized on assets. The working capital is negative, primarily due to the convertible bond now being classified as a current liability. However, in June 2017, the bondholders approved an extension of the maturity date to June 2019.

The main source of income for the Group is mining revenues generated from its subsidiary Vunene and the dividends received from its associates, Mbuyelo Coal and Universal Coal. Management expects to receive dividend income for the foreseeable future. In 2017 and 2018 the company received an aggregate dividend from both investments of approximately €5,6m. To the extent that there is a shortfall between these sources of income and cash requirements, the Group is dependent on shareholder financial support.

In the next twelve months there will be significant cash out that will result in the group experiencing a cash shortage; the main reasons are mentioned below.

The elements of our business plan that are most pertinent to supporting the application of the going concern assumption are briefly outlined below:

Convertible bonds

At a meeting of IchorCoal bondholders on 20 June 2017, bondholders consented to an amendment of certain terms and conditions of the convertible bonds due in May 2017 resulting in the maturity of the bonds being extended by 2 years. Moreover, the fixed interest payable on the bonds was reduced from 8% per annum to 5% and the conversion price reduced from €4.50 to €0.70. IchorCoal currently does not have sufficient cash reserves or cash flows to settle these convertible bonds as and when they become repayable in June 2019. Currently, Management and the Supervisory Board (with the support of the majority shareholder) are working on a plan to find alternatives for the settlement of the bonds, which may include a further disposal of assets. One such disposal has been concluded with two still in train at the time of writing. Management has confidence these will be completed before the maturity date of the convertible bonds. However, the outcome remains uncertain at this time.

Management expects that the majority shareholder will continue to provide financial support as they have done up to now. This is confirmed by the fact that the outstanding shareholder loan has no specified term and therefore no fixed date of repayment. Moreover, an agreement was reached in April 2017 to convert the €10,8m outstanding balance on the shareholder loan as at 31 May 2017 to equity.

Sale of Vunene and Penumbra

Management accepted an offer to sell 74% of its interest in Vunene Mining and Penumbra Coal Mining at a value lower than the carrying value. Should the sale be successful, the expected capital expenditure will become the responsibility of the new owners. In the case of the sale of Vunene, all conditions precedent have been met on 30 October 2018. Certain conditions precedent remain outstanding in the case of the disposal of Penumbra, principally securing financing for the transaction which the buyer is in the final stages of finalising. Notably, the buyer has obtained in-principle approval for the financing and fulfilled most of the subject conditions with only a few remaining outstanding at this time. Consequently, there is still uncertainty with respect to the closing of this transaction; despite that Management has a high degree of confidence the transaction will close during the early part of next year.

Sale of Universal Coal

Ichor Coal N.V. owns a 29% share in Universal Coal plc. On 22 October 2018 the Board of Universal Coal received a fully-funded binding offer from a South African based consortium to purchase 100% of the company at a purchase consideration of A$0.35 per share. In an announcement on the ASX – where Universal Coal is listed – the Board informed the market of this development and its intention to engage further with the consortium to progress the offer. In the event that this transaction closes successfully, IchorCoal will realise approximately €33m at the current Australian dollar/euro exchange rate. These proceeds will be used to pay down debt.

Operating climate

The business plan forecast assumes a continuation of current favourable market conditions with ongoing supply of coal to the electricity utility. The plan is constructed against a backdrop of continued reliance on coal by the electricity utility. In addition, all the associate companies have operating entities that are producing coal and are generating positive cash flow from operations.

For the Vunene Mining activities capital expenditure is needed for the new underground coal mine. The timing of these cash outflows is flexible based on available financing. Delay of this expenditure however will result in postponing related proceeds. However, as mentioned above, after the sale transaction is finalized, the cash out for capital expenditure will no longer be the Group´s obligation.

Business performance

Year-on-year improvement in operational performance achieved in 2016 will be maintained in 2017 and 2018 in the associated investments. However, revenue and ebitda will be lower than the previous year at subsidiaries, due to the Vunene opencast sections being mined out and limited investments in additional capacity in the underground sections. Penumbra Coal Mining started production in one section in order to reduce the reliance on shareholder support for the care and maintenance activities.

Cash flow and liquidity

IchorCoal expenditure and cash flow forecast mainly relates to the operational expenses of the holding company and the redemption of the convertible bonds in 2019. The Group no longer has financial obligations in relation to the capex commitments at Vunene but remain responsible for those at Penumbra until that transaction is concluded.

Management conclusion regarding the Going Concern assumption

On the basis of the above mentioned expected cash outflow relating to the redemption of the convertible bonds in June 2019 and the uncertainty about the successful completion of the sale of Penumbra and Universal Coal, Management is of the opinion that a material uncertainty exists with respect to the going concern assumption of the Company. However, due to the forecast dividend income and financial support the majority shareholder intends to grant, Management is of the opinion that the group will have adequate liquidity to continue its operations for the next 12 months.

Notwithstanding the material uncertainty set out above, Management is confident that adequate financial resources will be obtained to apply the going concern assumption based on the current business plan, the completed sale of Vunene and well advanced actions initiated with respect to the disposal of Penumbra and Universal Coal as described above.

Future outlook

Against the odds, international coal prices have remained strong for most of 2017 and 2018 with consensus views expecting the status quo to remain for the short to medium term. However the bulk of coal output from the portfolio of assets owned by the IchorCoal Group has limited exposure to export markets being largely a domestic supplier.

Considering the intended sale of the investments in Vunene and Penumbra, revenues, capital expenditure and number of FTE are expected to be at the same level of 2016 during 2017 and 2018.

For further detail on the subsequent events we refer to the note 10.8.

Discussions to settle the way forward for the Group's stake in Mbuyelo Coal are advancing. It is anticipated that this matter will also come to a conclusion during the first quarter of 2019.

Having passed a modest maiden dividend in the 2016 financial year, Mbuyelo Coal substantially increased its dividend in 2017 and 2018. The Board of the company is deliberating an appropriate policy stance on this issue and will agree a dividend policy in the near future. The Board of Universal Coal approved a formal dividend policy during 2017 after which it declared its maiden dividend.

Dutch Act on management and supervision

On 31 May 2011 the Dutch Parliament adopted new legislation to amend Book 2 of the Dutch Civil Code in connection with the rules on management and supervision within public limited liability companies (N.V.). The Act on Management and Supervision came into force on 1 January 2013.

The Dutch Act on Management and Supervision provides a guideline for gender diversity with no sanctions imposed for non-compliance with the guideline. The act indicates target figures for a balanced gender distribution on Boards with at least 30% occupied by women and at least 30% by men. In 2016 IchorCoal's Supervisory Board did not meet the new guidelines in terms of gender diversity but it commits itself to striving to achieve adequate and balanced Board composition when making future appointments. This will be done taking into account all relevant selection criteria, including but not limited to gender balance and executive experience.

Composition of the Board of Directors

Pursuant to Dutch Law is required that the Board of Directors contain a minimum of 30% male and 30% female Board members. Ichor reach this criteria as female Board member represent 50% of the total members. The company believes that at current the Board of Directors has the diversity of experience, expertise and background and the appropriate independence and judgment that will allow the Board of Directors to fulfil its responsibilities and operate appropriately.

<u>Compliance statement</u>

The Management Board hereby declares that to the best of its knowledge, the financial statements for the year ended 31 December 2016 give a true and fair view of the assets, liabilities, financial position and profits or losses of Ichor Coal N.V. , that this report gives a true and fair view of the position on the reporting date as well as of the development and performance of the company during the 2016 financial year and that the principal risks facing the company have been adequately described herein.

Forward looking statements

This Management Board report includes forward looking statements that reflect the current opinion of Management with regard to future events. Any statement contained in this report reflecting or building upon intentions, assumptions, expectations, forecasts and underlying assumptions is a forward looking statement. These statements are based upon plans, estimates and forecasts that are currently available to Management. They therefore only refer to the point in time at which they were made. Forward looking statements are naturally subject to risks and uncertainties, which could result in actual developments differing significantly from these forward looking statements or events implied or expressed therein.

Management does not assume any responsibility for such statements and does not intend to update such statements in view of new information or future events.

Payments to Government

Bonus payments

These are payments for bonuses. Such payments are more common to the oil and gas industry whereby bonuses may be paid to a government upon signing an agreement or a contract, or when a commercial discovery is declared, or production has commenced or reached a milestone.

Dividends

These comprise dividend payments other than dividends paid to a government as an ordinary shareholder of an entity unless paid in lieu of production entitlements or royalties.

Import duties

These comprise all customs/excise/import and export duties. Typically, these taxes tend to become payable and are paid to governments at the point where goods are imported and exported from territories. These taxes form part of our operating and capital incurred costs.

Income taxes

This comprises any tax on the business calculated on the basis of its profits, income or capital gains. Typically, these taxes would be reflected in corporate income tax returns made to governments.

Infrastructure improvement projects

These are payments which relate to the construction of infrastructure (road, bridge or rail) not substantially dedicated for the use of extractive activities. Payments which are of a social investment in nature, for example building of a school or hospital, are excluded.

Licence fees

These include fees and other sums paid as consideration for acquiring a licence to gain access to an area where extractive activities are performed. Administrative government fees that are not specifically related to the extractive sector, or to access to extractive resources, are excluded. Also excluded are payments made in return for services provided by a government.

Local government levies

This comprises regional services levies paid to local government as outlined in the introduction to this report.

Payroll related taxes

These include PAYE payments. PAYE represents payroll and employer taxes payable as a result of a company's capacity as an employer. Typically, these taxes would be reflected in payroll tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return. These taxes form part of our operating costs.

Production entitlements

These include a host government's share of production in the reporting period derived from projects we operate. This includes the government's share as a sovereign entity or through its participation as an equity or interest holder in projects within its home country. In certain contractual arrangements, for example production sharing contracts which are more common to the oil and gas industry, a government through its participation interest may contribute funding of capital and operating expenditure to projects, from which it derives production entitlement to cover funding costs.

Royalties

These comprise payments made to governments in the form of royalties. Typically these tend to become payable, and are paid, in the year to which they relate. These taxes form part of our operating costs.

Net indirect taxes

These comprise value added tax and other fuel levies or equivalent payments on goods and services we use within our operations (both domestic and international), less any refunds we may receive.

Withholding tax

These comprise taxes that are required to be withheld in advance on payments made to suppliers. Typically, these taxes would be reflected in income tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return.

Based on the above mentioned, Management has analysed the reporting requirements and is of the opinion that no payments were made to government that requires reporting.

Remuneration of Managing and Supervisory directors

The Remuneration policy is approved by the Supervisory Board and is available in full on the Company´s website at www.ichorcoal.com. For the executive Directors/Management Board the remuneration elements are: base salary, short term variable incentive, long term variable incentive, pension and retirement savings and other benefits.

Amounts received by the Management Board during the 2016 financial year:

€ k	Short Term Compensation	Share Based Payments	Total
Nonkululeko Nyembezi-Heita	705	227	932
Andries Engelbrecht	436	123	559
Total	**1 141**	**350**	**1 491**

The code of conduct (´Code´) was approved by the Supervisory Board of IchorCoal on October 2014.

The Code applies to all Board member and employees of Ichor and its subsidiaries. The Code represents a set of values recognized, adhered to and promoted by the Group which are conducted on the principles of integrity, diligence and fairness.

The Code treats aspects of conduct related to the economic, social and environmental dimension.

The company closely monitors the effectiveness of and compliance with the Code. Violations of the Code is verified through periodical activities performed by the Management Board. The Code is available on the Governance section of the company´s website.

Information whether specific codes of conduct are being followed and what these are, whether application of these codes of conduct is mandatory or voluntary, with reference to the information available concerning compliance with the codes of conduct.

The internal organisation and staffing level

IchorCoal has a total of 5 employees with the following designations:

Designation	Number
Chief executive officer	1
Chief operating officer	1
Support and admin staff	2
Professional	1

The number of employees is limited due to the fact that there is no operational activities done at Ichor level and that the entity is mainly a holding company.

Johannesburg, 12 November 2018

Nonkululeko Nyembezi
Chief Executive Officer

Andries Engelbrecht
Chief Operating Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	31 Dec 2016 € k	Restated 31 Dec 2015 € k
Assets	-		
Non-current assets			
Intangible assets	6.1	4 873	22 154
Property, plant and equipment	6.2	32 082	64 781
Investments accounted for using the equity method	6.3	86 096	67 966
Other financial assets		110	88
Deferred tax assets	6.4	227	399
		123 388	**155 388**
Current assets			
Inventories	6.5	1 934	2 753
Trade and other receivables	6.6	3 205	4 350
Other current financial assets	6.7	2 785	1 204
Other assets	6.8	42	57
Cash and cash equivalents	6.9	1 598	1 327
		9 564	**9 691**
Total Assets		**132 952**	**165 079**
Equity and liabilities	-		
Equity			
Share Capital	6.10	6 792	6 792
Share premium	6.10	87 562	87 562
Legal Reserve	6.10	11 183	8 570
Share Based Payment Reserves	6.10	855	618
Retained earnings	6.10	-23 033	-28 920
FCTR	6.10	-18 930	-25 423
Loss for the year	6.10	-63 731	5 887
Equity attributable to owners of the parent		**698**	**55 086**
Non-controlling interest	6.10	3 432	9 031
Total equity		**4 130**	**64 117**
Non-current liabilities			
Provisions	6.11	17 003	10 983
Interest-bearing loans and borrowings	6.12	-	74 238
Other non-current financial liabilities	6.13	15 400	438
Deferred tax liabilities	6.4	3 156	7 715
		35 559	**93 374**
Current liabilities			
Current provisions	6.11	2 799	1 471
Interest-bearing loans and borrowings	6.12	78 195	399
Other current financial liabilities	6.13	60	469
Trade and other payables	6.14	11 541	4 675
Other liabilities	6.15	668	574
		93 263	**7 588**
Total liabilities		**128 822**	**100 962**
Total equity and liabilities		**132 952**	**165 079**

The accompanying notes form part of these financial statements.The comparative information for the period 1 January until 31 December 2015 reflects a restatement made in connection with correction of error on first time consolidation of assets acquired in a business combination. See note 10.7 for further explanations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	31 Dec 2016 € k	Restated 31 Dec 2015 € k
Revenue	7.1	39 089	46 236
Cost of sales	7.2	-32 872	-40 174
Gross profit		**6 217**	**6 062**
Other income	7.4	13 788	29 315
Selling and distribution expenses		-218	-80
Other operating expenses	7.5	-74 432	-41 889
General and administrative expenses	7.6	-2 616	-2 978
Operating loss		**-57 261**	**-9 570**
Share of profit from equity accounted investees	7.3	2 613	8 786
Finance income	7.7	151	19 849
Finance costs	7.7	-16 543	-12 177
Profit or loss before income taxes		**-71 040**	**6 888**
Income tax expense	7.8	4 974	5 031
Profit or loss from continuing operations		**-66 066**	**11 919**
Profit or loss for the year		**-66 066**	**11 919**
Other comprehensive income			
Items that can be reclassified to profit or loss			
Foreign currency translation differences	7.9	5 842	-12 441
Other comprehensive income from continuing operations		**5 842**	**-12 441**
Other comprehensive income after income taxes		**5 842**	**-12 441**
Total comprehensive income		**-60 224**	**-522**
Profit or loss attributable to:			
Owners of the parent		-61 118	14 673
Non-controlling interest		-4 948	-2 754
		-66 066	**11 919**
Total comprehensive income attributable to:			
Owners of the parent		-54 625	1 793
Non-controlling interest		-5 599	-2 315
		-60 224	**-522**
Basic earnings per share from operations attributable to owners of parent	7.10	**-0,90**	**0,22**

The accompanying notes form part of these financial statements.

The comparative information for the period 1 January until 31 December 2015 reflects a restatement made in connection with correction of error on first time consolidation of assets acquired in a business combination. See note 10.7 for further explanations.

ICHOR COAL N.V. GROUP 53748662

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

		Equity attributable to owners of the parent								Non-controlling interest	
		Share Capital			Profit or loss for the period	FCTR					
		Ordinary shares	Share premium	Retained earnings	Continuing operations		Share Based Payment	Legal Reserve	**Total**	Continuing operations	**Total equity**
	Note	€ k	€ k	€ k	€ k	€ k	€ k		€ k	€ k	€ k
01 January 2016 before restatement		**6 792**	**87 562**	**-29 136**	**-6 090**	**-18 648**	**618**	**-**	**41 098**	**6 447**	**47 545**
Impact of Restatement		-	-	216	11 977	-6 775	-	8 570	13 988	2 584	16 572
01 January 2016 restated		**6 792**	**87 562**	**-28 920**	**5 887**	**-25 423**	**618**	**8 570**	**55 086**	**9 031**	**64 117**
Appropriation of prior year results	6.10			5 887	-5 887	-	-	-	-	-	-
Transfer to Legal reserve		-	-	-	-2 613	-	-	2 613	-	-	-
Loss for the period	6.10	-	-	-	-61 118	-	-	-	-61 118	-4 948	-66 066
Other comprehensive income - Equity accounted investments		-	-	-	-	3 135	-	-	3 135	0	3 135
Other comprehensive income - FCTR	6.10	-	-	-	-	3 358	-	-	3 358	-651	2 707
Total comprehensive income		-	-	-	**-63 731**	**6 493**	-	**2 613**	**-54 625**	**-5 599**	**-60 224**
Share based Payment	6.10	-	-	-	-	-	237	-	237	-	237
		-	-	-	-	-	237	-	237	-	237
31 Dec 2016	**6.10**	**6 792**	**87 562**	**-23 033**	**-63 731**	**-18 930**	**855**	**11 183**	**698**	**3 432**	**4 130**

The accompanying notes form part of these financial statements.

For changes in non-controlling interest during the financial year 2016, refer also to Note 10.4 Relationships with related parties.

The loss of the year from continuing operations is made up from € 61 118 000 less the amount related to the share of profit of the equity accounted investees, € 2 613 000, which is transferred to the Legal reserve.

ICHOR COAL N.V. GROUP 53748662

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

		Equity attributable to owners of the parent									
		Share Capital			Profit or loss for the period	FCTR				Non-controlling interest	
		Ordinary shares	Share premium	Retained earnings	Continuing operations		Share Based Payment	Legal Reserve	**Total**	Continuing operations	**Total equity**
	Note	€ k	€ k	€ k	€ k	€ k	€ k		€ k	€ k	€ k
1 Jan 2015		**6.792**	**87.562**	**-13.352**	**-15.784**	**-12.543**	**216**	-	**52.891**	**11.345**	**64.236**
Appropriation of prior year results	6.10	-	-	-15.784	15.784	-	-	-	-	-	-
Restatement		0	0	216	11.977	-6.775	0	8.570	13.988	2.584	16.572
Loss for the period	6.10	-	-	-	-6.090	-	-	-	-6.090	-2.754	-8.844
Other comprehensive income	6.10	-	-	-	-	-6.105	-	-	-6.105	-2.145	-8.250
Total comprehensive income		-	-	-	**-6.090**	**-6.105**	-	**8.570**	**-12.195**	**-4.899**	**-17.094**
Share based Payment	6.10	-	-	-	-	-	402		402	-	402
		-	-	-	-	-	402	-	402	-	402
31 Dec 2015	**6.10**	**6.792**	**87.562**	**-28.920**	**5.887**	**-25.423**	**618**	**8.570**	**55.086**	**9.031**	**64.117**

The accompanying notes form part of these financial statements.

The comparative information for the period 1 January until 31 December 2015 reflect restatement made in connection with correction of error on first time consolidation of assets acquired in a business combination. See note 10.7 for further explanations.

ICHOR COAL N.V. GROUP 53748662

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	31 Dec 2016 € k	31 Dec 2015 € k
Profit or loss for the period		**-66 066**	**-8 843**
Reconciliation of profit or loss to the cash flow from operating activities:			
Depreciation, amortization and impairments	7.5	71 448	22 996
Profit or loss from investments in associates	7.3	-2 613	-8 786
Gain on bargain purchase	10.7	-	-5 903
Profit on sale of assets	6.1/6.2	-	16
Sharebased payment expense	6.10	237	402
Gain or loss on conversion component of Convertible Bonds	7.7	2 138	-18 938
Interest on Convertible and Corporate Bonds	7.7	13 149	12 106
Interest paid	7.7	-6 229	-6 248
Changes due to foreign currency changes		-11 867	15 729
Other non-cash items		77	-8 845
Changes in deferred taxes	6.4	-4 982	-6 474
Changes in inventories	6.5	1 280	-1 887
Changes in trade and other receivables	6.6	1 334	-26
Changes in trade and other payables	6.14	5 199	5 218
Changes in provisions	6.11	4 699	4 195
Changes due to changes in consolidated entities		0	
Other interest on debts and borrowings	7.7	759	205
Interest income	7.7	-6	-325
Changes in other working capital items	6.8/7/13/15	21	22
Cash flow from operating activities		**8 578**	**-5 386**
Proceeds from disposals of intangible assets and property, plant and equipment	6.1/6.2	2 992	17
Purchases of intangible assets and property, plant and equipment	6.1/6.2	-17 294	-13 972
Purchases of shares in consolidated subsidiaries, less cash acquired		-	-3 468
Purchases of investments in associates and other non-current financial assets		-784	-
Cash flow from investing activities		**-15 086**	**-17 423**
Proceeds from interest-bearing loans and borrowings received	6.12	-	6 996
Repayments of interest-bearing loans and borrowings received	6.12	-550	-2 000
Cash inflow from interest-bearing loans and borrowings given	6.12	7 445	-
Cash flow from financing activities		**6 895**	**4 996**
Cash flow-related changes in cash and cash equivalents		**386**	**-17 813**
Changes in cash and cash equivalents due to exchange rates		-115	-
Cash and cash equivalents at beginning of period		1 327	19 140
Cash and cash equivalents at end of period	6.9	**1 598**	**1 327**

The accompanying notes form part of these financial statements.

The comparative information for the period 1 January until 31 December 2015 reflects a restatement made in connection with correction of error on first time consolidation of assets acquired in a business combination. See note 10.7 for further explanations.

Notes to the Consolidated Financial statements

1 General Information

Corporate information

Ichor Coal N.V. KVK53748662, is a limited liability company incorporated in Amsterdam, the Netherlands. The shares of Ichor Coal N.V. are admitted for trading on the High Risk Market of the Hamburg Stock Exchange and the Entry Standard of the Frankfurt Stock Exchange. The head office is located at 30 Jellicoe Avenue, Rosebank, South Africa, 2196.

Ichor Coal is an international mining group company focusing on thermal coal production in South Africa. The company owns and operates its coal resources and sells the output coal both locally and in international markets. Furthermore, the company holds substantial non-controlling interest in two South African coal mining companies.

The financial statements were approved by the Supervisory Board for issuance on 31 October 2018 and 12 November 2018.

2 Basis of preparation

This section provides additional information about the overall basis of preparation that the directors consider useful and relevant in understanding these financial statements.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with Section 2:362(9) of the Netherlands Civil Code unless otherwise disclosed. The financial statements have been prepared on the historical cost basis. The financial statements are presented in euro and all values are rounded to the nearest thousand (€ k) except where otherwise indicated.

The consolidated statement of comprehensive income is classified using the function of expense method.

Going concern

IchorCoal Management uses the going concern assumption in the preparation of the Company's 2016 annual accounts.

The Group´s financials show a positive equity of approximately €4.1m and a loss generated during the year of €66 m, mainly related to the impairment recognized on assets. The working capital is negative due primarily to the convertible bond now being classified as a current liability. However, in May 2017, the bondholders approved an extension of the maturity date to June 2019.

The main source of income for the Group is mining revenues generated from its subsidiary Vunene and the dividends received from its associates, Mbuyelo Coal and Universal Coal. Management expects to receive dividend income for the foreseeable future. In 2017 and 2018 the company received an aggregate dividend from both investments of approximately €5,6m. To the extent that there is a shortfall between these sources of income and cash requirements, the Group is dependent on shareholder financial support.

In the next twelve months there will be significant cash out that will result in the group experiencing a cash shortage; the main reasons are mentioned below.

The elements of our business plan that are most pertinent to supporting the application of the going concern assumption are briefly outlined below:

Convertible bonds

At a meeting of IchorCoal bondholders on 20 June 2017, bondholders consented to an amendment of certain terms and conditions of the convertible bonds due in May 2017 resulting in the maturity of the bonds being extended by 2 years. Moreover, the fixed interest payable on the bonds was reduced from 8% per annum to 5% and the conversion price reduced from €4.50 to €0.70. IchorCoal currently does not have sufficient cash reserves or cash flows to settle these convertible bonds as and when they become repayable in June 2019. Currently, Management and the Supervisory Board (with the support of the majority shareholder) are working on a plan to find alternatives for the settlement of the bonds, which may include a further disposal of assets. One such disposal has been concluded with two still in train at the time of writing. Management has confidence these will be completed before the maturity date of the convertible bonds. However, the outcome remains uncertain at this time.

Management expects that the majority shareholder will continue to provide financial support as they have done up to now. This is confirmed by the fact that the outstanding shareholder loan has no specified term and therefore no fixed date of repayment. Moreover, an agreement was reached in April 2017 to convert the €10,8m outstanding balance on the shareholder loan as at 31 May 2017 to equity.

Sale of Vunene and Penumbra

Management accepted an offer to sell 74% of its interest in Vunene Mining and Penumbra Coal Mining at a value lower than the carrying value. Should the sale be successful, the expected capital expenditure will become the responsibility of the new owners. In the case of the sale of Vunene, all conditions precedent have been met on 30 October 2018. Certain conditions precedent remain outstanding in the case of the disposal of Penumbra, principally securing financing for the transaction which the buyer is in the final stages of finalising. Notably, the buyer has obtained in-principle approval for the financing and fulfilled most of the subject conditions with only a few remaining outstanding at this time. Consequently, there is still uncertainty with respect to the closing of this transaction; despite that Management has a high degree of confidence the transaction will close during the early part of next year.

Sale of Universal Coal

Ichor Coal N.V. owns a 29% share in Universal Coal plc. On 22 October the Board of Universal Coal received a fully-funded binding offer from a South African based consortium to purchase 100% of the company at a purchase consideration of A$0.35 per share. In an announcement on the ASX – where Universal Coal is listed – the Board informed the market of this development and its intention to engage further with the consortium to progress the offer. In the event that this transaction closes successfully, IchorCoal will realise approximately €33m at the current Australian dollar/euro exchange rate. These proceeds will be used to pay down debt.

Operating climate

The business plan forecast assumes a continuation of current favourable market conditions with ongoing supply of coal to the electricity utility. The plan is constructed against a backdrop of continued reliance on coal by the electricity utility. In addition, all the associate companies have operating entities that are producing coal and are generating positive cash flow from operations.

For the Vunene Mining activities capital expenditure is needed for the new underground coal mine. The timing of these cash outflows is flexible based on available financing. Delay of this expenditure however will result in postponing related proceeds. However, as mentioned above, after the sale transaction is finalized, the cash out for capital expenditure will no longer be the Group´s obligation.

Business performance

Year-on-year improvement in operational performance achieved in 2016 will be maintained in 2017 and 2018 in the associated investments. However, revenue and ebitda will be lower than the previous year at subsidiaries due to the Vunene opencast sections being mined out and limited investments in additional capacity in the underground sections. Penumbra Coal Mining started production in one section in order to reduce the reliance on shareholder support for the care and maintenance activities.

Cash flow and liquidity

IchorCoal expenditure and cash flow forecast mainly relates to the operational expenses of the holding company and the redemption of the convertible bonds in 2019. The Group no longer has financial obligations in relation to the capex commitments at Vunene but remain responsible for those at Penumbra until that transaction is concluded.

Management conclusion regarding the Going Concern assumption

On the basis of the above mentioned expected cash outflow relating to the redemption of the convertible bonds in June 2019 and the uncertainty about the successful completion of the sale of Penumbra and Universal Coal, Management is of the opinion that a material uncertainty exists with respect to the going concern assumption of the Company. However, due to the forecast dividend income and financial support the majority shareholder intends to grant, Management is of the opinion that the group will have adequate liquidity to continue its operations for the next 12 months.

Notwithstanding the material uncertainty set out above, Management is confident that adequate financial resources will be obtained to apply the going concern assumption based on the current business plan, the completed sale of Vunene and well advanced actions initiated with respect to the disposal of Penumbra and Universal Coal as described above.

Accounting policies

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by Ichor in its annual financial statements as at 31 December 2015.

The financial year of the Group and all subsidiary companies included in the consolidated financial statements corresponds to the calendar year, i.e. from 1 January to 31 December, except for the financial year of the subsidiary Penumbra Coal Mining and associates Mbuyelo Coal and Universal Coal, which have February and June year ends respectively. The consolidated financial statements relate to the period from 1 January 2016 to 31 December 2016. The consolidated financial statements include the results of Mbuyelo Coal and Universal Coal accounted for using the equity method. Penumbra Coal has been included in the consolidated financial statements for a whole financial year.

Financial and Presentation currency

The Group's consolidated financial statements are presented in euro. The functional currency of the group entities are South African rand and Australian Dollar. The financial statements are presented in euro and all values are rounded to the nearest thousand.

Basis of consolidation

The consolidated financial statements comprise Ichor Coal N.V. and its subsidiaries and associates as at 31 December 2016.

Subsidiaries

Subsidiaries are entities on which the company is able to exercise control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting, or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's own accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Associates

An associate is an entity over which the company has significant influence. 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. Investments in associates are accounted for using the equity method of accounting. Under this method, the investment is initially recorded at cost, including any goodwill, and is subsequently adjusted by the Group's pro-rata share of the associate's profit or loss and other comprehensive income post transaction date.

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 recognised directly in equity and attributed to owners of the parent.

Non-controlling interest

NCI are measured initially at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Companies included in the consolidated financial statements

The scope of consolidation, including Ichor Coal N.V. as parent company, comprises the following consolidated companies:

Company	Country of incorporation	31 Dec 2016 Share-holding in %	31 Dec 2015 Share-holding in %
Ichor Coal N.V.	Netherlands		
Subsidiaries			
Vunene Mining (Pty) Ltd	South Africa	74.00	74.00
Buena Vista Trade 69 (Pty) Ltd *	South Africa	74.00	74.00
Indawo Estates (Pty) Ltd *	South Africa	40.70	40.70
Ismanetix (Pty) Ltd	South Africa	100.00	100.00
Penumbra Coal Mining (Pty) Ltd**	South Africa	100.00	100.00
Associates			
Mbuyelo Coal	South Africa	45.16	45.16
Akisa Mining Resources ***	South Africa	33.87	33.87
Xilombe Mining***	South Africa	45.16	45.16
Thsedza Mining***	South Africa	45.16	45.16
Orha Mining Resources***	South Africa	37.03	37.03
Ntshovelo Resources***	South Africa	37.03	37.03
Linanite***	South Africa	45.16	45.16
Cozifin***	South Africa	45.16	45.16
Vapovox ***	South Africa	45.16	45.16
Cozispot***	South Africa	21.14	22.58
Linarox***	South Africa	45.16	45.16
Universal Coal Plc	United Kingdom	29.03	29.99
UCD I (Pty) Ltd (Kangala) ****	South Africa	21.14	21.14
UCD II (Pty) Ltd (Brakfontein) ****	South Africa	15.08	15.08
UCD IV (Pty) Ltd (NCC) ****	South Africa	14.97	14.97
UCD II (Pty) Ltd (Berenice) ****	South Africa	15.00	15.00
UCD V (Pty) Ltd (Cygnus) ****	South Africa	15.00	15.00
UCD VII (Pty) Ltd (Arnot South) ****	South Africa	15.00	15.00

* These are investments held directly by Vunene Mining. Effective shareholding is reflected above.
** Penumbra investment is held directly by Ismanetix (Pty) Ltd at 74%. Effective shareholding is 100%.
*** These are investments held by Mbuyelo Coal
**** These are investments held by Universal Coal

3 ACCOUNTING POLICIES

3.1 Foreign currency translation

Foreign currencies

The functional currency of the company was changed to South African rand (ZAR) in the 2015 financial year but the presentation currency remains the euro. The reason for the change of functional currency to the South African rand is due to the fact that the South Africa is the primary economic environment in which the company operates. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date of transaction.

Transactions in foreign currencies

Purchases and sales in foreign currencies are translated at the exchange rate on the date of the transaction. Assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate on the reporting date. Any foreign exchange gains or losses resulting from such translations are recognised in the statement of comprehensive income.

Translation of separate financial statements denominated in foreign currency

Assets and liabilities of entities part of the Group for which the functional currency is not the rand are translated at the exchange rate prevailing at the reporting date.

Income and expenses of these entities are translated into rand at the average exchange rate for the year. Equity components are translated at the historical exchange rate at the date of origination. Foreign exchange differences resulting from the translation are charged or credited directly to equity in the translation reserve, i.e. to other comprehensive income.

The exchange rates of foreign currencies to the rand that are relevant for the Group were subject to following changes:

1 Euro in foreign currency	Average exchange rate	Average exchange rate	Exchange rate at reporting date	
	2016	2015	31 Dec 2016	31 Dec 2015
US dollar	1.11	1.11	1.05	1.09
SA rand	16.27	14.15	14.38	16.84
AU dollar	1.49	1.48	1.46	1.50

3.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method as of the date on which the company became a subsidiary. The date of acquisition is the date when the ability to control the acquired entity or business passes to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date, fair value and the amount of any non-controlling interest, valued at fair value or at the proportionate share of the acquiree's identifiable net assets in the acquiree.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Mineral reserves, resources and exploration potential that are able to be reliably valued are recognised in the assessment of fair values on acquisition.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the contingent consideration are recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for any existing ownership of the company over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of annual impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.3 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, other than that acquired from the purchase of another company, 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. Capitalized exploration and evaluation expenditure is recorded as a component of intangible assets. No amortisation is charged during the exploration and evaluation phase.

All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated by the carrying amount of the assets potentially exceeding their recoverable amounts, an assessment is performed for each area of interest or at the cash generating unit level. To the extent that capitalised expenditure is not expected to be recovered it is charged against profit or loss.

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.

Mine development assets

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 all but 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.
All capitalised mine development expenditure is monitored for indications of impairment. Where a potential impairment is indicated by the carrying amount of the assets potentially exceeding their recoverable amounts, an assessment is performed for each area of interest or at the cash generating unit level. To the extent that capitalised expenditure is not expected to be recovered it is charged against profit or loss.

When a mine construction project moves into the production stage, the capitalization 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’.

Mine assets

Mine assets including capitalised exploration and evaluation expenditures and capitalised mine development expenditure are stated at cost less accumulated depreciation and less accumulated impairment losses. Upon commencement of production, the mine assets are depreciated using a unit of production method based on the estimated economically recoverable reserves to which they relate or are written off if the property is abandoned. The net carrying amounts of capitalised exploration and evaluation expenditures and capitalised mine development expenditure at each mine property are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount of the assets potentially exceed their recoverable amounts. To the extent that these values exceed their recoverable amounts, that excess is fully charged against profit or loss in the financial year in which this is determined.

Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Property, plant, and equipment is depreciated on a straight-line basis over the estimated useful life. Where parts of an asset have different useful lives, depreciation is calculated on each separate part. The asset’s residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period, and adjusted prospectively if appropriate. For purposes of depreciation, the following useful lives are applied (for the current and comparative years):

	Useful life in years	Depreciation method used
Leasehold improvements	6 - 15	straight line
Technical equipment and machinery	4 - 15	straight line
Other operational and office equipment	3 - 20	straight line
Mine assets	Life of Mine	Units of production

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is de-recognised.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. All other day-to-day maintenance and repairs costs are expensed as incurred.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost including expenses incidental to the acquisition). The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

A summary of the policies applied to the Group's intangible assets is, as follows:

Item	**Useful life**	**Amortisation method**
Purchase rights	Three years	Straight line
Exploration assets	Transferred to mine asset	Transferred to mine assets after production starts
Mining rights	Life of mine	Straight line
Customer relationship	Five years	Straight line

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Estimated useful economic lives are determined as the period over which the Group expects to use the asset or the number of production (or similar) units expected to be obtained from the asset by the Group and for which the Group retains control of access to those benefits. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

An intangible asset is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

Impairment of non-financial assets

At each reporting date the Group assesses whether there is an indication that an asset (or cash-generating unit (CGU)) may be impaired. If any indication exists or when annual impairment testing for an asset is required, the Group estimates the asset's or CGU's recoverable amount. Recoverable amount is the higher of an asset's or CGU's fair value less cost of disposal and its value in use. It is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount. In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. In determining fair value less cost of disposal, recent market transactions are taken into account if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecasts generally cover a period of five years. For longer periods a long-term growth rate is calculated and applied to projected future cash flows after the fifth year for the life of the asset.

Impairment losses of continuing operations, including inventory write downs, are recognised in profit or loss, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase and is recognised through other comprehensive income.

Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, long-term restricted deposits, trade and other receivables and loans, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments, as defined by IAS 39.

Financial assets at fair value through profit and loss are carried at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance revenue (positive net changes in fair value) in the statement of comprehensive income. The Group has not designated any financial assets at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognised in profit or loss. Reassessment occurs only if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or there is a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 6.6.

Derecognition

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when either:

The rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include: indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognised in the statement of comprehensive income. Interest income (recorded as finance income in the statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of interest-bearing loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, interest-bearing loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

This category includes the conversion component of combined financial liabilities issued by the Group.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest. The effective interest amortisation is included as finance costs in the statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the associated obligation is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward commodity contracts, to hedge its commodity price risks. However, such contracts are not accounted for as designated hedges under IAS 39. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income.

Commodity contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group’s expected purchase, sale or usage requirements fall within the exemption from IAS 32 and IAS 39, which is known as the ’normal purchase or sale exemption’.

For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Group recognises such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset.

Inventories

Inventories are physically measured or estimated and valued at the lower of cost and net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise in the ordinary course of the business when the product is processed and sold, less the estimated cost of completion and the estimated cost necessary to make the sale. Where the time value of money is material, these future prices and costs to complete are discounted. The cost is determined on the basis of weighted average production cost and comprises direct raw material cost, direct labour cost, an allocation of production overhead, depreciation and amortisation of mining property, plant and equipment if it was incurred for bringing each product to its present location and condition.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed to determine whether fulfilment is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that right is not explicitly specified in an arrangement. The Group is not a lessor in any transactions, it is only a lessee.

Finance leases, which transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group, 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. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

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.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, including any restricted cash. Restricted cash is not available for use by the Group and therefore is not considered highly liquid — for example, cash set aside to cover rehabilitation obligations. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Share Capital

Ordinary shares issued by the company are classified as equity and recorded at the net proceeds received, which is the fair value of the consideration received less incremental cost directly attributable to the issuance of new shares. The nominal par value of the issued shares is taken to the share capital account and any excess is recorded in the capital reserves account, including the costs that were incurred with the share issue.

Convertible Bonds

Convertible bonds are separated into a host and a conversion component based on the terms of the contract.

The convertible bonds contract contains an embedded derivative, therefore the initial recognition has a portion of equity option (conversion) component and the loan liability component. The fair value of the equity component is determined using an option price model. The carrying amount of the equity component is remeasured in subsequent years and recorded at fair value through profit and loss until it is extinguished on conversion or redemption. The loan liability component is held at amortized cost. An effective interest rate was calculated based on the fair value of the loan liability at inception and subsequent contractual coupon payments.

Transaction costs are apportioned between the host and the conversion component of the convertible bond based on the allocation of proceeds to the components when the instruments are initially recognised. Transaction costs are deducted from the host component. Transaction cost associated with the conversion component are recorded to profit and loss.

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, 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.

Any rehabilitation obligations arising through the production of inventory are expensed as incurred. 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.

Taxes

Current Taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax legislation used to compute the tax obligation are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred taxes

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. 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 venture 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 statement of comprehensive income.

Revenue recognition

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. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title or economic interest passes to the customer. 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. Service revenues are generated on a monthly basis on a care and maintenance service agreement upon the performance of the agreed service activities.

Stripping cost

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 2.4 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 comprehensive income 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.

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.

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

4 Accounting estimates and assumptions

The preparation of the consolidated financial statements requires Management to make estimates and assumptions that affect the presentation of assets and liabilities, the disclosure of contingent liabilities at the reporting date, and the presentation of income and expenses. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Actual results may differ from these estimates under different assumptions and conditions.

4.1 Coal resource estimates

For accounting purposes, the Group estimates its South African coal reserves and resources in line with the “South African Code for the reporting of exploration results, mineral resources and mineral reserves” (SAMREC Code), which is prepared by the South African Mineral Resource Committee. The SAMREC code requires the use of information, compiled by appropriately qualified persons, 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 SAMREC 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 are 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

4.2 Exploration and evaluation expenditures

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.

4.3 Units of production depreciation

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 both its physical life and 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.

4.4 Mine rehabilitation provision

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.

4.5 Impairment of assets

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.

4.6 Recovery of deferred tax assets

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.

4.7 Inventories

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.

4.8 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (see Note 3).

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

4.9 Contingencies

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.

4.10 Share based payment reserve

The company issued stock options to the managing directors of the company as a long-term incentive scheme. The option agreements have a term of 10 years from the date of the agreement and vest over a period of 3 years in 3 equal instalments at the end of each calendar year from the agreements. The options may be exercised at any time during the term. At the end of the term the options expire.

In transactions with employees and others providing similar services the entity shall measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received. The term “employees and others providing similar services” is defined as follows: Individuals who render personal services to the entity and either (a) the individuals are regarded as employees for legal or tax purposes, (b) the individuals work for the entity under its direction in the same way as individuals who are regarded as employees for legal or tax purposes, or (c) the services rendered are similar to those rendered by employees.

In this case the beneficiaries are managing directors of the company and therefore providing services as defined above. Therefore the service is measured at the fair value of the options granted.

For transactions measured by reference to the fair value of the equity instruments granted, an entity shall measure the fair value of equity instruments granted at the measurement date, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted.

If market prices are not available, the entity shall estimate the fair value of the equity instruments granted using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties.

Employee options with long lives are usually exercisable during the period between vesting date and the end of the options' life, and are often exercised early. These factors should be considered when estimating the grant date fair value of the options. This might preclude the use of the Black-Scholes-Merton formula, which does not allow for the possibility of exercise before the end of the option's life and may not adequately reflect the effects of expected early exercise, which applies. Therefore the binomial model is chosen which is usually applied to American style options which allow for exercise over a period of time.

5 New and amended standards and interpretations

5.1 Changes in accounting policies and interpretations

There were no changes in accounting policies during the 2016 financial year. The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its annual financial statements as at 31 December 2015.

5.2 Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Group’s financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards and interpretations when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. The Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

(i) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently presented as accumulated OCI will be reclassified to opening retained earnings.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS9 would not have a significant impact. If the Group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9.

(ii) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects a significant impact on its equity due to the unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(iii) Hedge accounting

The Group does not currently have any existing hedge relationships that are currently designated in effective hedging relationships and the amended IFRS9 will have no impact on the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, as issued in May 2014, establishes a new five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue or industry. The principles in IFRS 15 provides a more structured approach to measuring and recognising revenue and will be applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

This new revenue standard, which has been jointly issued by the IASB and the US Financial Accounting Standards Board (FASB), is applicable to all entities and will supersede the current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018, but early adoption is permitted under IFRS.

Contracts with customers in which the sale of coal is generally expected to be the only performance obligation are not expected to have any significant impact on the Group's profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The Group does not recognise deferred tax assets in respect of losses that can be carried forward against future taxable income, therefore it is not expected to be any significant impact due to the future adoption of this amendment.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements, but it is not expected to be significant.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions

Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is assessing the impact of the new standard.

6 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1 Intangible assets

The changes in intangible assets were as follows:

	Purchased rights	Exploration and Evaluation Asset	Mining right	Customer Relationship	Total
	€ k	€ k	€ k	€ k	€ k
Acquisition or production cost					
1 Jan 2016	432	1 024	20 185	2 934	24 575
Additions	1	-	-	-	1
Disposals - Reclassification	-	-1 060	-	-	-1 060
Effect of translation to presentation currency	58	36	3 453	482	4 029
31 Dec 2016	**491**	**-**	**23 638**	**3 416**	**27 545**
Amortization and impairments					
1 Jan 2016	374	-	-	2 047	2 421
Additions	18	-	-	612	630
Impairment loss for the year	0	-	16 624	307	16 931
Effect of translation to presentation currency	51	-	2 189	450	2 690
31 Dec 2016	**443**	**-**	**18 813**	**3 416**	**22 672**
Carrying amounts					
31 Dec 2016	**48**	**-**	**4 825**	**-**	**4 873**
1 Jan 2016	58	1 024	20 185	887	22 154

	Purchased rights	Exploration and Evaluation Asset	Mining right	Customer Relationship	Total
	€ k	€ k	€ k	€ k	€ k
Acquisition or production cost					
1 Jan 2015	410	268	-	3 509	4 187
Additions	112	951	-	-	1 063
Additions through business combinantions	-	-	22 365	-	22 365
Disposals	-10	-	-	-	-10
Effect of translation to presentation currency	-80	-195	-2 180	-575	-3 030
31 Dec 2015	**432**	**1 024**	**20 185**	**2 934**	**24 575**
Amortization and impairments					
1 Jan 2015	278	-	-	1 743	2 021
Additions	167	-	-	704	871
Effect of translation to presentation currency	-71	-	-	-400	-471
31 Dec 2015	**374**	**-**	**-**	**2 047**	**2 421**
Carrying amounts					
31 Dec 2015	**58**	**1 024**	**20 185**	**887**	**22 154**
1 Jan 2015	132	268	-	1 766	2 166

Purchased rights

The purchased rights in 2016 relate to accounting software used by the parent company and the subsidiary for its daily accounting and office functions.

Exploration and evaluation asset

The exploration and evaluation asset results from the current exploration activities at Vunene Mining. Management determines on an annual basis whether the exploration and evaluation asset is impaired by assessing whether indicators exist that would affect the carrying value. No indications of impairment have been identified and activities to recoup the current costs through successful development of the pits continue. Stripping costs relating to opencast pits were reclassified to property, plant and equipment.

Customer relationship

The purchased customer relationship represents non-contracted interactions with a South African utility company. The amortisation of the customer relationship is based on future deliveries, while the expected remaining amortisation period for customer relationship is based on the projected contract period at the time of the acquisition. During the year, the customer relationship has been further depreciated by €612 000 (2015: €704 000). The customer relationship has been fully impaired at year end and has a carrying amount of €nil. See below for more details on impairment of the Customer relationship.

Mining right

The mining right resulted from the acquisition of Penumbra Coal Mining. Impairment testing was done on the mining right at year end, and indications of impairment were identified resulting in an impairment charge of €16 624 000, and the resulting carrying amount of €4 825 000.

Impairment testing

Impairment indicators existed at year end and an impairment assessment was completed to determine the extent of the possible impairment.

Indicators included, but were not limited to:

- The Group has been reporting losses year on year.

- Increase cost base due to year on year increases in labour and mining costs
- Carrying amounts of certain assets were identified to be higher than the recoverable amount.

Determining recoverable amount

Management calculated the recoverable amounts for the abovementioned assets by determining a value in use. The calculation of value in use, included the following assumptions:

- an estimate of the future cash flows the entity expects to derive from the asset
- a discount rate of 15.89%

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 30% at a market interest rate of 8.91%.

The cash flow projections included specific estimates for life of mine (14 years). Budgeted EBITDA was estimated taking into account past experience, adjusted as follows:

- Revenue growth was projected taking into account estimated sales volume and price growth for the life of mine. It was assumed that the sales price would increase in line with forecast inflation over the life of mine.
- Significant one-off environmental costs have been factored into the budgeted EBITDA, reflecting various potential regulatory developments. Other environmental costs are assumed to increase with inflation in other years.

The estimated recoverable amount of the assets were below the carrying values, there for an impairment of the assets was necessary.

Details	**Mining Right** **Penumbra Coal Mining**	**Customer relationship** **Vunene Mining**
Carrying value	€21 449 000	€307 000
Value in use	€4 825 000	€0 nil
Impairment	€16 624 000	€307 000

The figures represented in the table above only include the carrying value and value in use of the intangible assets included within the cash generating unit.

6.2 Property, plant and equipment

The following table shows the development of property, plant and equipment:

	Mine Assets	Land and Buildings	Technical equipment and machinery	Other equipment, operational and office equipment	Total
	€ k	**€ k**	**€ k**	**€ k**	**€ k**
Acquisition or production cost					
1 Jan 2016	79 240	3 204	9 472	1 222	93 138
Additions	8 478	12	6 776	2 027	17 293
Disposals	-	-68	-3 212	-9	-3 289
Transfers	-4 801	80	5 372	269	920
Effect of translation to presentation currency	14 090	647	2 794	450	17 981
					-
31 Dec 2016	**97 007**	**3 875**	**21 202**	**3 959**	**126 043**
Depreciation and impairments					
1 Jan 2016	26 905	175	656	621	28 357
Additions - depreciation	18 825	169	736	532	20 262
Impairment loss for the year	33 625	-	-	-	33 625
Disposals	-	-	-297	-	-297
Effect of translation to presentation currency	11 662	69	170	113	12 014
31 Dec 2016	**91 017**	**413**	**1 265**	**1 266**	**93 961**
Carrying amounts					
31 Dec 2016	**5 990**	**3 462**	**19 937**	**2 693**	**32 082**
1 Jan 2016	52 335	3 029	8 816	601	64 781

	Mine Assets	Land and Buildings	Technical equipment and machinery	Other equipment, operational and office equipment	Total
	€ k	€ k	€ k	€ k	€ k
Acquisition or production cost					
1 Jan 2015	80 055	3 391	1 923	1 136	86 505
Additions	11 719	120	518	217	12 574
Additions through business combination	2 929	343	8 835	19	12 126
Disposals	-25	-	-	-25	-50
Transfers	-94	-16	-	110	-
Disposal due to deconsolidation	-	-	-	-	-
Effect of translation to presentation currency	-15 344	-634	-1 804	-235	-18 017
31 Dec 2015	**79 240**	**3 204**	**9 472**	**1 222**	**93 138**
Depreciation and impairments					
1 Jan 2015	10 657	16	468	537	11 679
Additions - depreciation	10 647	193	314	203	11 357
Impairment loss for the year	10 769	-	-	-	10 769
Disposals	-	-	-	-1	-1
Effect of translation to presentation currency	-5 168	-34	-126	-118	-5 446
31 Dec 2015	**26 905**	**175**	**656**	**621**	**28 357**
Carrying amounts					
31 Dec 2015	**52 335**	**3 029**	**8 816**	**601**	**64 781**
1 Jan 2015	69 398	3 375	1 455	599	74 826

Mine assets

Changes in closure costs at Vunene Mining have resulted in further capital expenditure on mine assets in 2016. The depreciation of mine assets is based on the unit of production method.

During the year, exploration assets that were classified as intangible assets at Vunene Mining were transferred to property, plant and equipment. The transfer was made at a fair value of €920 000. Exploration and evaluation assets are transferred and capitalised to mine assets once the technical feasibility and commercial viability of extracting the mineral resources support the future development of the property and such development has been appropriately approved. The disposal occurred during the year did not generate a significant gain or loss.

The carrying value on the mine assets was identified to be higher than the value in use resulting in an impairment of €33 625 000. The value in use was determined using a discounted cash flow of estimated future cash flows plus the resource multiple of resources remaining.

Impairment testing

An impairment assessment was done in relation to the mining assets, and the estimated future cash flows that the Group expects to derive from the mining assets have decreased, indicating that impairments are required. This was due to various impairment indicators being present at year end. These included:

- Reported losses year on year
- Decreased in discounted cash flows
- Decrease in production
- Decrease in expected life of mine

Determining recoverable amount

Management calculated the recoverable amounts for the abovementioned assets by determining a value in use. The mine as a whole is seen as a cash generating unit. The calculation of value in use, included the following assumptions

- an estimate of the future cash flows the entity expects to derive from the asset
- a discount rate of 14.84% (pre-tax 15.52%).

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 30% at a market interest rate of 8.91%.

The cash flow projections included specific estimates for life of mine. Budgeted EBITDA was estimated taking into account past experience, adjusted as follows:

- Revenue growth was projected taking into account estimated sales volume and price growth for the life of mine. It was assumed that the sales price would increase in line with forecast inflation over the life of mine (22 years).
- Significant one-off environmental costs have been factored into the budgeted EBITDA, reflecting various potential regulatory developments. Other environmental costs are assumed to increase with inflation in other years.

The estimated recoverable amount of the Vunene assets were below the carrying values, there for an impairment of the assets was necessary.

	Mining assets Vunene Mining
Carrying value	€54 283 000
Value in use	€20 658 000
Impairment	€33 625 000

The figures represented in the table above only include the carrying value and value in use of the property, plant and equipment included within the cash generating unit.

There was no impairment recognised at Penumbra Coal Mining as the carrying amounts of the assets was less than the recoverable amounts. The recoverable amount of the assets in Penumbra Coal Mining was determined using discounted cash flows taking into account the resource multiple.

Land and buildings

The land and buildings relate to Indawo Estate and secure continued access to infrastructure for future mining activities.

Technical equipment and machinery

The technical equipment and machinery include the production preparation of underground operations and machinery purchased for opencast mining activities.

6.3 Investments accounted for using the equity method

Investment in Universal Coal plc

The company initially acquired a 29.99% shareholding in Universal Coal during October 2014. Under the terms of the transaction, the company paid a total consideration of EUR16 800 000 (AU$24 500 000). The transaction was completed on 16 October 2014.

Universal Coal issued the following instruments to Ichor Coal N.V.:

- 80 440 000 ordinary shares at a purchase price of AU$0.145 per share, in total AU$11 663 800
- 71 220 000 non-voting, non-cumulative convertible preferred shares at a price of AU$0.18 per share.
- 71 220 000 warrants to receive ordinary shares, exercisable for a period of 18 months at a strike price of AU$0.36 per share.

The value at initial acquisition amounted to €16 868 000 including acquisition transaction costs of €457 000 which were capitalised. As at 31 December 2016, IchorCoal had 151 660 000 ordinary shares in Universal coal plc and the carrying value of the investment in Universal Coal plc was €23 694 000 (2015: €17 870 000). The Group's share of loss of the entity for the period 1 January 2016 to 31 December 2016 is €690 000, and share of other comprehensive income is (€3 135 000) (2015: €4 315 000). Universal Coal did not declare a dividend in the reporting period. The increase in the carrying amount of the investment is mainly due to foreign currency translation gains of €3 379 000 resulting from the appreciation of the rand to euro currencies at the reporting date.

An impairment assessment was performed on the investment in Universal Coal at 31 December 2016 taking into account market conditions and the results indicated that no impairment was necessary.

Universal Coal Plc is an illiquid stock, the share price is a poor indication of value and since IchorCoal has two directors on the Board of Universal Coal Plc, Management has a better view of fundamental value. In addition, independent market research support a value of between 22.0 and 30.0 Australian cents. Based on the abovementioned the fundamental value exceeds the current book value.

Summarised 31 December 2016 financial statement information of Universal Coal, which is not adjusted for the percentage of ownership held by the company, is disclosed below:

	31 Dec 2016	Dec 2015
	€ k	€ k
Current asssets	18 058	16 573
Non-Current assets	114 630	105 044
Total assets	**132 688**	**121 617**
Current liabilities	11 781	8 983
Non-current liabilities	40 115	46 498
Total liabilities	**51 896**	**55 481**
Equity	**80 792**	**66 136**
Revenue	72 657	66 648
Profit (loss) after tax	-1 971	15 474
Other comprehensive income	10 454	-14 387
Total comprehensive income	**8 483**	**1 087**

Investment in Mbuyelo Coal

On 30 November 2012 the company concluded the purchase of 30% of the shares from a capital increase in Mbuyelo Coal, a South African holding company which in turn owns stakes in a suite of coal mining assets at varying stages from greenfield projects to pre-production mines. In 2013 the shareholding in Mbuyelo Coal was increased via a share capital increase that was fully subscribed by Ichor Coal N.V., raising the shareholding to 38%. In addition, various share purchase transactions were concluded to acquire shares in Mbuyelo during the same year which resulted in shareholding in Mbuyelo Coal of approximately 45% as at end 2014. There was no change in IchorCoal's shareholding in Mbuyelo Coal during the course of 2015 and 2016.

The Group's share of profits of Mbuyelo Coal for the reporting period was €3 303 000 (2015: €4 167 000 profit). Mbuyelo Coal declared and paid dividends with the company's share of the dividend amounting to €833 000.

As at 31 December 2016, the carrying amount of the investment in Mbuyelo Coal was €62 402 000 (2015: €50 096 000). The increase in the carrying amount of the investment is mainly due to profits for the financial year 2016 and due to foreign currency translation gains of €9 004 000 resulting from the appreciation of the rand to euro currencies at the reporting date.

An impairment assessment was performed on 31 December 2016 for the investment in Mbuyelo, taking into account the economic and market conditions in the coal industry. Upon the assessment, substantial improvements in Mbuyelo were identified, including significant growth and performance of the assets within the Mbuyelo Coal group. Given the significant performance improvement, there was no impairment indicated relating to the investment in Mbuyelo Coal.

The recoverable amount was determined with reference to a value in use calculation using the discounted cash flow method. Management calculated the recoverable amounts for the abovementioned assets by using the following assumptions:

- an estimate of the future cash flows the entity expects to derive from the asset
- a discount rate of 14.84% (pre-tax 15.52%)

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital amounting to 15%, with a possible debt leveraging of 30% at a market interest rate of 8.91%

Summarised 31 December 2016 financial statement information of Mbuyelo Coal, which is not adjusted for the percentage of ownership held by the company, is disclosed below:

Year end Report	31 Dec 2016 € k	31 Dec 2015 € k
Current assets	17 648	12 858
Non-current assets	89 511	73 581
Total Assets	**107 159**	**86 439**
Equity	76 943	61 208
Current liabilities	6 600	3 898
Non-current liabilities	23 616	21 333
Total liabilities	**30 216**	**25 231**
Total equity and liabilities	**107 159**	**86 439**
Revenue	51 264	12 730
Share of profit(loss) of investements	-	200
Share of Profit (loss) in Joint venture	81	-1 679
Profit(loss) after tax	7 313	9 227
Other comprehensive income(loss) for the period	-	-
Total comprehensive income(loss) for the period	**58 658**	**9 227**

6.4 Deferred tax

The Group's net deferred tax asset and liability recognised in the balance sheet are as follows:

	31 Dec 2016		31 Dec 2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€ k	€ k	€ k	€ k
Property, plant and equipment	227	-	140	5 168
Non-current financial assets	-	-	72	-
Other assets	-	3 156	-	2 547
Other provisions	-	-	124	-
Other liabilities	-	-	63	-
Temporary differences	**227**	**3 156**	**399**	**7 715**
Tax loss carry-forwards	-	-	-	-
Total	**227**	**3 156**	**399**	**7 715**
Forex differences	-	-	-	-
Amounts as per balance sheet	**227**	**3 156**	**399**	**7 715**

IchorCoal Management assesses the future utilisation of the tax loss carry-forwards as given based on the current Group forecasts of revenues and expenditures. Assessed losses carried forward are only utilised to the extent that the Group will generate future taxable profits.

The company did not recognise deferred tax assets of €172 000 (2015:€1 823 000) in respect of losses amounting to €613 000 (2015:€ 6 511 000) that can be carried forward against future taxable income.

6.5 Inventories

Inventories of €1 934 000 (2015: €2 753 000) consist solely of coal stockpiles at Vunene and Penumbra. There was no obsolete coal stock and no write downs at year end.

6.6 Trade and other receivables

Trade and other receivables as at 31 December 2016 amounted to €3 205 000 (2015: €4 350 000). Trade receivables are mainly related to major South African utility company, Eskom. There are no valuation allowances recorded for doubtful trade receivables in 2016 and 2015 respectively. Please refer to note 10.3 for credit risk exposure.

Receivables of €1 098 000 (2015: €82 000) were up to 60 days or more past their due date. There were no indications at the reporting date that would suggest that the customers would not fulfil their payment obligations.

The past due trade receivables at the reporting date for which no allowance for impairment allowance has been recorded are presented in the table below:

	31 Dec 2016 € k	**31 Dec 2015 € k**
up to 30 days	722	-
31 to 90 days	1 599	82
91 to 180 days	-	-
181 days and longer	-	-
Total trade receivables past due	**2 321**	**82**

Of the total trade and other receivables of €3 205 000, €1 252 000 was received after year end at Vunene Mining, €139 000 was received at IchorCoal and €417 000 was received at Penumbra Mining.

6.7 Other current financial assets

Other current financial assets consist of the following:

	31-Dec-16 € k	31-Dec-15 € k
Rehabilitation investment fund	2 208	964
Deposits	496	235
Other	81	5
Other current financial assets	**2 785**	**1 204**

The rehabilitation investment funds are held by Vunene Mining and Penumbra Coal Mining in relation to the funding of future environmental rehabilitation requirements as guaranteed to the South African Department of Mineral Resources.

The deposits represent contributions to investment funds by Vunene Mining and Penumbra Coal Mining as part of a provision fund for future expenditure relating to the rehabilitation of the minded sites.

6.8 Other assets

The following table summarises the components of other assets:

	31 Dec 2016 € k	31 Dec 2015 € k
Receivables from value added tax	42	57
Other non-financial assets	**42**	**57**

6.9 Cash and cash equivalents

As at 31 December 2016 IchorCoal Group's cash and cash equivalents were made up as follows:

	31 Dec 2016 € k	31 Dec 2015 € k
Cash at banks	1 598	1 327
Cash and cash equivalents	**1 598**	**1 327**

Included in cash at banks is a balance of €0 (2015: €568 000) held by Vunene Mining, which is only available for specified purposes in relation to infrastructure care and maintenance purposes.

6.10 Equity

The components and changes in consolidated equity are summarised in the consolidated statement of changes in equity.

Issued capital

The issued share capital of €6 792 000 is divided into 67 920 000 shares with a nominal value of €0.10 each. There was no change to issued capital as at 31 December 2016.

The issued capital consisted of fully paid-up ordinary shares. Each fully paid-up ordinary share carries the right to a dividend as declared and carries the right to one vote at shareholders' meetings.

All ordinary shares rank equally with regard to the Company's residual assets.

The authorised capital amounts to €25 000 000 (2015: €25 000 000) and is divided into 250 000 000 (2015: 250 000 000) shares with a nominal value of €0.10 each.

Share premium

There was no change in Share premium during the year under review

Retained earnings

The accumulated retained earnings including the net loss of prior years are attributable to the owners of the parent company.

Other reserves

Other reserves reflect differences from currency translation loss of €18 930 000 (2015: €25 423 000).

Legal reserve

The legal reserve for participating interests, which amounts to €11 183 000 (2015: €8 570 000, pertains to participating interests that are measured at net asset value. The reserve is equal to the share in the results and direct changes in equity (both calculated on the basis of the company's accounting policies) of the participating interests since the first measurement at net asset value, less the distributions that the company has been entitled to since the first measurement at net asset value, and less distributions that the company may effect without restrictions. As to the latter share, this takes into account any profits that may not be distributable by participating interests that are Dutch limited companies based on the distribution tests to be performed by the management of those companies. The legal reserve is determined on an individual basis.

Share based payment reserve

Equity settled share options

The company issued equity settled instruments to certain qualifying employees under an employee share option scheme to purchase shares in the company's authorised but unissued ordinary shares.

The key terms and conditions related to the grants under these programmes are as follows; all options are to be settled by the physical delivery of shares:

Grant date	Number of instruments	Vesting conditions	Contractual life of option
1 January 2014 (Grant 1)	100 000	3 years' service from grant date	10 years
1 March 2014 (Grant 2)	175 000	3 years' service from grant date	10 years
26 February 2015 (Grant 3)	90 000	3 years' service from grant date	10 years
26 February 2015 (Grant 4)	200 000	3 years' service from grant date	10 years
TOTAL	**565 000**		

Measurement of fair value

The fair value of the employee share options has been measured using the binomial model. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The inputs used in the measurement of the fair values at grant date of the equity-settled share based payment plans were as follows:

	2016 Grant 1 & 2	**2016 Grant 3 & 4**	**2015 Grant 1 & 2**	**2015 Grant 3 & 4**
Fair value at grant date	€1.44	€1.45	€1.44	€1.45
Share price at grant date	€4.81	€4.81	€4.81	€4.81

Exercise price	€4.80	€4.50	€4.80	€4.50
Expected volatility	40%	40%	40%	40%
Expected life	5.86 years	5.86 years	5.86 years	5.86 years
Expected dividends	0.5%	0.5%	0.5%	0.5%
Risk-free interest rate	0.1%	0.1%	0.1%	0.1%

Employee options with long lives are usually exercisable during the period between vesting date and the end of the options' life, and are often exercised early. These factors should be considered when estimating the grant date fair value of the options.

All option pricing models take into account, as a minimum, the following factors:

(a) the exercise price of the option was €4.8

(b) the life of the option: 10 years maximum

(c) the current price of the underlying shares: IchorCoal is listed, therefore price is available

(d) the expected volatility of the share price is to be derived from historical prices over a period of similar length as the options

(e) the dividends expected on the shares (if appropriate): to be derived from IchorCoal's financial forecasts and dividend history

(f) the risk free interest rate for the life of the option is the German government bond yield

As the option has no fixed term, potential early exercise needs to be estimated. Factors to consider in estimating early exercise include:

(a) the length of the vesting period, because the share option typically cannot be exercised until the end of the vesting period. Hence, determining the valuation implications of expected early exercise is based on the assumption that the options will vest;

(b) the average length of time similar options have remained outstanding in the past. Since there is no history, empirical data was used;

(c) the employee's level within the organization. Beneficiaries are managing directors;

(d) expected volatility of the underlying shares.

The volatility of the shares has been has been assessed at year end with reference to a 12 month period from 1 January 2016 to 31 December 2016. The results indicated that the shares are not effectively trading and the share price has dropped significantly over the period under review. The significant drop in the share price amounted to a volatility of 480%.

The assessment is performed on the basis of the stock price movements.

Reconciliation of outstanding share options

	Number of options 2016	**Exercise price**	**Number of options 2015**	**Weighted average exercise price**
Outstanding 1 January	**565 000**	**€4.65**	**275 000**	**€4.80**
Granted during the year	-	€0.00	290 000	€4.50
Forfeited during the year	-	€0.00	-	€0.00
Exercised during the year	-	€0.00	-	€0.00
Outstanding 31 December	**565 000**	**€4.65**	**565 000**	**€4.65**
Exercisable at 31 December	280 003	€4.65	91 667	€4.80

Equity share based payments are measured at the fair value of the equity instrument at the date of the grant, which was €855 000 (2015 €618 000). Deferred share based compensation is expensed over the vesting period, based on the company’s estimate of the shares that are expected to eventually vest.

Non-controlling interest

As at 31 December 2016 the following entities were consolidated in the Group's consolidated financial statements whereas non-controlling interest stakes were held by third parties:

	31 Dec 2016 € k	31 Dec 2015 € k
Vunene Mining (Pty) Ltd, South Africa	4 127	8 613
Indawo Estate (Pty) Ltd, South Africa	-44	-22
Foreign currency translation reserves	-651	439
Non-controlling interest	**3 432**	**9 031**

Company	Country of incorporation	31 Dec 2016 Share-holding in %	31 Dec 2015 Share-holding in %
Subsidiaries			
Vunene Mining (Pty) Ltd	South Africa	74.00	74.00
Indawo Estates (Pty) Ltd *	South Africa	40.70	40.70
Ismanetix (Pty) Ltd	South Africa	100.00	100.00
Penumbra Coal Mining (Pty) Ltd	South Africa	100.00	100.00

6.11 Provisions

The environmental rehabilitation provision relates to the mining activities of Vunene Mining and Penumbra Coal Mining. In accordance with South African legal requirements, mining companies are required to provide for rehabilitation work as part of their ongoing operations. An annual estimate of the closure activities and associated costs is made by Management, which are expected to meet the mine's environmental management programme obligation. The total provision varies depending on the development and depletion stages of mining pits at the mines.

Non-current provisions:

	31 Dec 2016 € k	31 Dec 2015 € k

Environmental rehabilitation current operations	17 003	10 983
Non-current other provisions	**17 003**	**10 983**

Current provisions are broken down as follows:

	31 Dec 2016 € k	31 Dec 2015 € k
Environmental rehabilitation current operations	2 550	1 156
Environmental rehabilitation past operations	249	271
Mining royalty tax	-	32
Leave pay	-	12
Current other provisions	**2 799**	**1 471**

Environmental rehabilitation – Vunene Mine

A provision for site restoration is recognised when the obligation arises as a result of the group's coal mining activities, as required by the Mineral and Petroleum Resources Development Act and Regulations.

At 31 December 2016 €16 790 000 (2015: €10 050 000) was provided for restoration and rehabilitation costs relating to operating sites in the provision for site restoration and rehabilitation. These restoration and rehabilitation expenditures are expected to be paid from 2019 onwards based on an estimate of the open cast mine's useful life.

The discount rate used is the average funding cost of the company (2016: 13.00%; 2015: 9.25%).

In the rehabilitation provision calculation the main assumptions used by Management are the following: the activities necessary for the rehabilitation of the opencast mining area based on Management´s experience regarding equipment needed and volumes. The volumes of voids and dumps as measured by a site surveyor and Management applied a load and haul principle, i.e. assuming that all material form the dumps would be used to fill in the voids. Management did not include any additional costs for demolition of infrastructure, disposal of demolition waste, post- vegetation monitoring or additional contingencies / preliminaries and generals.

Environmental cost – Vunene Wetland

In 2012 a NGO has laid criminal charges against the company for mining within 500 meters of what is assumed to be a wetland. The company has engaged with the company attorneys on this matter as well as with the director of Water Affairs. A plea agreement was reached between the company and the State. The company was ordered to:

a) pay to various environmental protection entities an amount of €208 646 and

b) rehabilitate the wetland according to stipulations set out by the state and its experts,

Section (b) resulted in estimated additional costs of €278 195 for which an additional provision of €139 097 was provided for in 2012.

As at 31 December 2016 €16 790 000 (2015: €10 050 000) total cost – discounted at a prime rate of 13% (2015: 9.25%) – was provided for restoration and rehabilitation relating to past and current mining operations at Vunene Mining. Out of the total provision, €2 550 000 was expected to be paid within the next 12 months and therefore included in current provisions.

A rehabilitation provision of €2 764 000 (2015: €2 360 000) was raised at Penumbra Coal Mining, the variances between the years is related to the exchange rate difference

In thousands of euro	Environmental rehabilitation current operations	Environmental rehabilitation past operations	Total
Balance at 1 January 2016	12 139	271	12 410

Provisions made during the year	3 842	-	3 842
Provisions used during the year		-	-
Unwind of discount	814	-	814
Foreign exchange movements	2 758	(22)	2 736
Balance at 31 December 2016	19 553	249	19 802
Non-current	17 003	-	17 003
Current	2 550	249	2 799
Total	19 553	249	19 802

6.12 Interest bearing loans and borrowings

Financing of the IchorCoal Group is mainly obtained by the parent company Ichor Coal N.V. Direct external financing to the subsidiaries of the company is obtained in the form of trade or project finance facilities provided it is advantageous to the Group.

As at 31 December 2016, current interest bearing loans and borrowings are as follows:

	31 Dec 2016	31 Dec 2015
	€ k	€ k
Ichor Coal N.V. convertible bonds	78 195	399
Current loans and borrowings	**78 195**	**399**

The bonds have been classified as current liabilities due to the fact that as at 31 December 2016, they were maturing in May 2017. The current portion of the company's convertible bonds in the 2015 financial year originated solely from accrued interest expenses to be paid at the next quarterly interest due date.

As at 31 December 2016, non-current interest bearing loans and borrowings are shown below:

	31 Dec 2016 € k	31 Dec 2015 € k
Ichor Coal N.V. convertible bonds	-	67 456
Loan – Sapinda Holdings B.V.	-	3 282
Loan – Sapinda S.ar.l	-	3 500
Non-current loans and borrowings	**-**	**74 238**

Convertible bonds

In 2012 the company issued convertible bonds worth €80 000 000 at par, which – subject to early prepayment or conversion – mature in May 2017. The convertible bonds carry a fixed interest rate of 8% per annum to be paid quarterly in arrears. Under certain conditions, such as the issuance of new shares or payment of dividends in the form of ordinary shares, standard adjustment mechanisms would apply to the conversion share price or the company would obtain the right to pay back all – but not part – of the outstanding notes including the accrued interest. There was a conversion of 19 bonds during 2014 but none during 2015 and the current financial year.

The convertible bonds have a nominal value of €100 000 and an initial conversion price of €4.50, which entitles each bond holder to convert into 22 222 new ordinary bearer shares of the company.

If at any point the outstanding principal falls below 20% of the principal amount or if at any time after 7 June 2014, the ten consecutive days' average opening price of the ordinary shares of the issuer amounts to 140% of the conversion price on each such day, the company has the right to pay back all but not part of the outstanding notes including the accrued interest as of the day on which such clean-up option is exercised.

The interest rate of the convertible bonds is fixed until the maturity date.

As at 31 December 2016 no events occurred which triggered an adjustment to the conversion share price or a clean-up option.

At issuance in 2012, Management determined that the convertible bond was a combined financial instrument, which contains two components: the bond liability (host component) and a conversion option (conversion component).

Based on IAS 39 accounting the equity (conversion) option component was classified as a financial instrument at fair value through profit or loss and was initially recognised as a liability at the fair value of €25 100 000. The Group used a binomial options pricing model for the initial and subsequent determination of the fair value. Significant input factors for the model are the company's share price, the volatility of the share price and the remaining time to expiry. Although the company's share price decreased in the reporting period, the fair value of the conversion component as at 31 December 2016 has been increased due to the reduced remaining time to expiry as well as higher volatility. The fair value of the conversion component was €4 113 000 (2015: €687 000). The resulting fair value loss of €2 930 000 (2015: €18 938 000 gain) has been recognised in the statement of comprehensive income.

The fair value of the host component of €52 155 000 at inception date has been derived as the residual amount of the issue price less the conversion component and pro rata transaction costs. Transaction costs of 2.5% of the face value of the convertible bonds were apportioned between the host and conversion component based on the allocation of proceeds to the components. The host component was subsequently carried at the amortised cost using the effective interest method. As at 31 December 2016, the total carrying value of the host component was €74 082 000 (2015: €67 168 000) including accrued interest.

The movement of the convertible bonds during the year was as follows:

	31 Dec 2016	31 Dec 2015
	€ k	**€ k**
Host instrument opening balance	67 168	61 319
Conversion component opening balance	687	19 625
	67 855	80 944
Cash-effective movements		

Interest for the period	6 241	6 248
Interest payments during the period	-6 229	-6 248
Non-cash-effective movements		
Fair value movement of conversion component	2 930	-18 938
Accrued effective interest portion	6 908	5 849
Foreign exchange	490	
Host instrument closing balance	74 082	67 168
Conversion component closing balance	4 113	687
Ichor Coal N.V. convertible bonds	**78 195**	**67 855**

The convertible equity component is carried at fair value, the main assumption that might reasonably be expected to change is the historical volatility based on the share price movement of the underlying instrument.

6.13 Other financial liabilities

	31 Dec 2016 € k	31 Dec 2015 € k
Access fees	633	438
Sapinda Invest S.a.r.l	1 788	-
Sapinda Holdings B.V.	12 979	-
Non-current loans and borrowings	**15 400**	**438**

Loan – Sapinda Holding B.V.(related party)

The company utilised a drawdown facility from Sapinda Holdings B.V. amounting to €14 767 000, which was utilised for general corporate purposes and is convertible to equity. Interest is charged at a rate of 6% per annum. Subsequent to year end the loan from Sapinda B.V. has been converted to equity for an amount of EUR 10 800 000. A sub-area of the land at Vunene Mining belongs to farmers. For the right to mine on their land it was mutually agreed to pay the land owners a land access fee. The land access fee of €61 000 is payable in monthly instalments through December 2016. According to the Group's accounting policy this amount is discounted by the borrowing rate of the company, which remained unchanged at 8.5%.

Other current financial liabilities of €60 000 (2015: €469 000) pertain to outstanding access fees for mining activities on farmland at Vunene Mining and VAT payable for Penumbra Coal Mining.

6.14 Trade and other payables

The trade and other payables of €11 541 000 (2015: €4 675 000) mainly relate to payables to mining contractors at Vunene and trade and other payables assumed on consolidation of Penumbra Coal.

6.15 Other liabilities

The other liabilities composed as follows:

	31 Dec 2016 € k	31 Dec 2015 € k
Accrued liabilities	668	574
Other non-financial liabilities	**668**	**574**

The accrued liabilities mainly arise from mining contractor services obtained in December which had not been invoiced before year end.

6.16 Maturity analysis of financial liabilities

The contractually agreed (undiscounted) payment terms relating to financial and non-financial liabilities excluding interest payments, are presented below:

	Carrying amount 31-Dec-16	Undiscounted cash outflows		
		2017	2018 - 2020	2021 ff.
	€ k	€ k	€ k	€ k
Non-current loans and borrowings		-	-	-
Current loans and borrowings	78 195	-	77 600	-
Trade and other payables	11 541	11 541	-	-
Other non-current financial liabilities	15 400	-	15 400	-
Other current financial liabilities	60	60	-	-
Other liabilities and liabilities from income taxes	668	668	-	-

	Carrying amount 31-Dec-15	Undiscounted cash outflows 2016	2017 - 2020	2021 ff.
	€ k	€ k	€ k	€ k
Non-current loans and borrowings	74 238	-	78 100	-
Current loans and borrowings	399	399	-	-
Trade and other payables	4 675	4 675	-	-
Other non-current financial liabilities	438	-	438	-
Other current financial liabilities	469	469	-	-
Other liabilities and liabilities from income taxes	574	574	-	-

7 NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

7.1 Revenue

The following table provides information regarding the split of revenue:

	31 Dec 2016	31 Dec 2015
	€ k	€ k
Mining revenues	37 893	44 681
Care and maintenance services	933	1 215
Rental income	263	340
Revenue	**39 089**	**46 236**

Revenues from mining were generated from the Group's mining activities and the sale of the crushed coal to domestic customers and the export market. Care and maintenance services consist of costs recovered under the agreement to maintain the Vunene Mining underground mine infrastructure on behalf of a third party. This agreement was terminated in the last quarter of 2016. The revenues are generated all in South Africa, no geographical split relevant.

7.2 Cost of sales

The following table provides information regarding purchased goods and services:

	31 Dec 2016 € k	31 Dec 2015 € k
Equipment rental	13 890	20 779
Consumables	6 357	9 231
Labour	2 838	1 731
Outsourced mining services	7 749	10 550
Change in coal stock	1 255	-2 287
Other services	140	170
Cost of rendering care and maintenance services	643	0
Cost of sales	**32 872**	**40 174**

Cost of sales decreased by €7 302 000 compared to prior year, this was mainly due to changes in coal inventories, reduction in outsourced mining services and consumables.

Purchased service costs from mining were incurred through the mining activities of the Group and relate to contractors as well as operating supplies and consumables. Other service costs are incurred on the care and maintenance of the Vunene Mining underground mine infrastructure on behalf of a third party.

Furthermore, an unfavourable change in inventory amounting to €1 255 000 was realised due to valuation differences in inventory based on an decrease of coal stockpiles at year end, contributing to a slight increase in the cost of sales as compared to the prior year where a favourable change was realised and decreasing the cost of sales by €2 287 000.

7.3 Share of profit from equity accounted investees

Share of profit from equity accounted investees amounted to €2 613 000 (2015: €8 786 000), and contains the share of profit from Mbuyelo Coal which amounted to €3 303 000 (2015: €4 167 000) and its share of loss from Universal Coal of €690 000 (2015: €4 619 000 profit), both for the 12-month period to end December 2016. Included in the profit from Universal was other comprehensive income of €3 135 000, this was moved to OCI on the income statement, therefor only €2 613 0000 reflect as income from investments on the income statement.

7.4 Other income

Other income amounted to €13 788 000 (2015: €29 315 000). The Group incurred foreign exchange translation gains in the current year which were classified as other income for an amount of approximately €12 790 000. The company received total dividend income of €833 000 from Mbuyelo Coal, which was declared and paid in December 2016.

7.5 Other operating expenses

The following table provides an overview of the main items part of the other operating expenses:

	31 Dec 2016	31 Dec 2015
	€ k	€ k
Consulting and legal expenses	639	2 342
Audit and accounting service expenses	153	151
Other professional services	-	227
Foreign exchange losses	-	14 887
Insurance contributions	164	56
Depreciation of property, plant and equipment	20 262	11 356
Amortisation of intangible assets	630	871

Impairment loss	50 556	10 769
Advertising expenses	-	8
Management fees	112	151
Loss on sale of assets	-	16
Other	1 916	1 056
Other operating expenses	**74 432**	**41 889**

For further details, see note 6.1 and note 6.2 for more details on impairment. As at 31 December 2016, the foreign exchange is disclosed in the ´other income´ as the impact during the fiscal year 2016 is positive.

7.6 General and administrative expenses

General and administrative expenses are as follows:

	31 Dec 2016 € k	31 Dec 2015 € k
Salaries and wages	1 493	1 996
Share based payment	277	216
IT and communication	142	169
Head office expenses	704	597
General and administrative expenses	**2 616**	**2 978**

IchorCoal has a total of 5 employees with the following designations:

Designation	Number
Chief executive officer	1
Chief operating officer	1
Support and admin staff	2
Professional	1

The number of employees is limited due to the fact that there is no operational activities done at Ichor level and that the entity is mainly a holding company.

7.7 Finance income and costs

Financing revenue and cost split as follows:

	31 Dec 2016 € k	31 Dec 2015 € k
Interest income from bank accounts	151	156
Interest on other loans and borrowings	-	169
Interest income	**151**	**325**
Fair value gain on conversion component of convertible bonds	-	18 938
Foreign exchange	-	586
Finance income	**151**	**19 849**

	31 Dec 2016 € k	31 Dec 2015 € k
Interest on convertible bonds	13 149	12 097
Interest on corporate bonds	-	74
Interest on debts and borrowings	-542	-634
Interest on rehabilitation provision	814	640
Other	192	-
Interest and similar expenses	**13 613**	**12 177**
Fair value loss on conversion component of convertible bonds	2 930	-
Finance costs	**16 543**	**12 177**

The technical equipment and machinery include the production preparation of underground operations and machinery purchased for open cast mining activities. During the year €1 325 borrowing costs were capitalised whereas in 2015 €596 000 were incurred and capitalised.

7.8 Income tax

The factors affecting income tax expense for the period are listed below:

	2016	2015
	€ k	€ k
Income before income taxes	-71 040	6 888
Tax rate	28,00%	28,00%
Expected tax (expense)/ benefit	**-19 891**	**1 929**
Permanent differences	15 163	-1 581
Timing difference		-8 444
Deferred tax not raised	4 771	-1 606
Current Income Taxes for prior years	-	-3
Deferred income taxes for prior years	-5 195	-236
Unutilised assessed losses	178	4 909
Nondeductable expenses		-
Other effects / Change in Tax Rate	0	0
Forex differences		-
Income taxes	**-4 974**	**-5 031**

The company did not recognise deferred tax assets of €172 000 (2015:€4 680 000) in respect of losses amounting to €613 000 (2015:€16 713 000) that can be carried forward against future taxable income. The Group will not carry forward any assessed losses as it cannot be reliably determined if there will be any future taxable income against which such losses can be utilised.

The tax rate used for the above reconciliation is the corporate tax rate payable by corporate entities in South Africa on taxable profits under the tax law.

Total taxation benefit/(expense) can be broken down as follows:

	1 Jan - 31 Dec 2016 € k	1 Jan - 31 Dec 2015 € k
Current tax	-	-
Deferred tax	4 974	5 031
Income tax for the year	**4 974**	**5 031**

7.9 Other comprehensive income

Other comprehensive income relates to currency translation differences and the inclusion of share of other comprehensive income in equity accounted investments (refer to Note 7.3).

7.10 Earnings per share

Basic earnings per share

The basic earnings per share for the 2016 financial year amounted to €-0.90 (2015: € 0.22 restated). The basic earnings per share calculation is based on the profit or loss attributable to the owners of the parent company and the number of shares outstanding during the period, adjusted by the weighted average number of own treasury shares held by the Group during the period.

The weighted average number of shares outstanding was calculated as follows:

	2016	2015
Shares issued and fully paid as of 1 January	67 920	67 920
Weighted average number of shares outstanding	**67 920**	**67 920**

The basic earnings per share were calculated as follows:

	2016	2015
	€ k	€ k
Total Profit or (Loss)	-66 066	11 919
Less Non-controlling interest	-4 948	-2 754
Profit or Loss attributable to Owners of parent	**-61 118**	**14 673**
Basic earnings per share	***-0,90***	***0,22***

Diluted earnings per share

During 2012, the company issued convertible bonds of €80 000 000, which resulted in an adjustment to weighted average shares outstanding of 17 714 000 in 2016. Those shares as well as any income or loss adjustment in relation to them were excluded from the computation of diluted earnings per share as their effect is non-dilutive. There was no conversion made during the current financial year.

Share-Based Payments was excluded from the calculation due to its anti-dilutive effect.

8 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

The cash flow statement was prepared using the indirect method.

IchorCoal Group’s cash and cash equivalents as at 31 December 2016 amounted to €1 598 000 (2015: €1 327 000).

9 NOTES TO THE CONSOLIDATED SEGMENT REPORT

9.1 Basic principles of segment reporting

Ichor Coal N.V. is the parent company of IchorCoal Group, being responsible for all investments in coal resources and all central control functions such as strategy, finance, accounting/controlling. In 2016 mining activities were performed by Vunene Mining and Penumbra Coal Mining. The core business of the IchorCoal Group is investment in attractive coal resources in South Africa. IchorCoal has only one segment namely coal mining and it occurs in one geographical area, there for the use of segment reporting is not necessary.

10. OTHER DISCLOSURES

10.1 Capital management

To provide the financial stakeholders of the Group with satisfactory returns, Group Management aims to own and operate medium sized coal assets which are expandable and promise upstream development potential. Vunene Mining still represents the Group's major mining asset as at 31 December 2016. On 3 December 2015 the Group acquired Penumbra Coal Mining, which would form part of the mining assets within the Group. Penumbra Coal was purchased out of business rescue and was in care and maintenance at that year end.

Throughout the year Group Management continually reviews existing assets to identify whether they remain within management expected financial limits. We also continue to review assets in the South African market which potentially fit the strategy and only invest capital in those that meet our investment criteria. The Group's requirements for investments are projects that carry attractive rates of return, generate consistent cash flows and have potential for future value creation to ultimately allow the Group to return excess capital to its shareholders.

To ensure consistent and secure funding for the development of projects, Group Management monitors capital in the light of changes in economic conditions and significant transactions. Capital requirements are assessed and evaluated in conjunction with the Supervisory Board and any additional debt or equity issuance to meet those requirements is assessed for the likely impact on the capital structure of the Group. The Group did not issue any new shares.

IchorCoal Group monitors capital using a gearing ratio, which is net debt – including interest bearing loans and borrowings, less cash and short term deposits – divided by equity plus net debt. Notwithstanding the significant changes in the capital structure throughout the year, it remains Management's focus to maintain the gearing ratio constant

	31-dec-16	31-dec-15
	€ k	€ k
Interest bearing loans and borrowings	93.654	75.106
Less Cash and |cash equivalent	-1.598	-1.327
Net debt	**92.056**	**73.779**
Equity	4.130	64.117
Equity and net debt	96.186	137.897
Gearing ratio	**96%**	**54%**

10.2 Financial assets and liabilities

Presentation by categories

The balance sheet items as at 31 December 2016, comprising financial assets and liabilities can be attributed to the measurement categories according to IAS 39 as follows:

	31 December 2016			
	Carrying amount	**Loans and receivables**	**Financial liabilities measured at amortised cost**	**Financial liabilities at fair value through profit or loss**
	€ k	**€ k**	**€ k**	**€ k**
Assets				
Trade and other receivables	3 205	3 205	-	-
Other current financial assets	2 785	2 785	-	-
Cash and cash equivalents	1 598	1 598	-	-
Other assets	42	42	-	-
Liabilities				
Interest-bearing loans and borrowings	78 195	-	74 082	4 113
Other non-current financial liabilities	15 400	-	15 400	-
Trade and other payables	11 541	-	11 541	-
Other current financial liabilities	60	-	60	-
Other liabilities	668	-	668	-

	31 December 2015			
	Carrying amount	Loans and receivables	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
	€ k	€ k	€ k	€ k
Assets				
Trade and other receivables	4 350	4 350	-	-
Other current financial assets	1 204	1 204	-	-
Cash and cash equivalents	1 327	1 327	-	-
Other assets	57	57	-	-
Liabilities				
Interest-bearing loans and borrowings	74 637	-	73 950	687
Other non-current financial liabilities	438	-	438	-
Trade and other payables	4 675	-	4 675	-
Other current financial liabilities	469	-	469	-
Other liabilities	574	-	574	-

As at 31 December 2016, the financial assets and liabilities measured at fair value are categorised in the following classes:

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2016, the Group held the conversion component of the convertible bond at fair value through profit or loss in the statement of financial position. The conversion component has been valued using a binominal option pricing model, with share volatility, share price and time to maturity being significant input factors, and as such is classified as a Level 3. At inception the conversion option was valued at €25 100 000. As at year end, a loss of €2 930 000 (2015: €18 938 000 gain) has been recognised and recorded in profit and loss at year end. For purposes of the conversion option valuation, Management also took into account any adjustment necessary to measure the company's default risk on its derivative liability. Consequently, the credit risk of the company is incorporated into the fair value of the conversion option liability.

The amount of change in the fair value of the conversion component that is attributable to changes in the credit risk was €2 930 000 in 2016 and balance of the conversion component amounted to €4 113 000.

Except for the convertible bonds which mature in 2017, the financial assets and liabilities largely have short terms to maturity. Therefore, carrying amounts at the reporting date approximate fair value. The convertible bonds are listed on the Entry Standard of the Frankfurt Stock and traded at 90% as at 31 December 2016. The above fair value disclosure is based on that market value. However, it remains that for purposes of these financial statements, the carrying value of the host component represents the discounted nominal amount and the carrying value of the conversion component represents the fair value of the conversion option as at 31 December 2016.

The difference between the carrying amount of the convertible bonds and the undiscounted amount contractually required to pay at maturity to bond holders is € 95 000.

	31 Dec 2016			
	Carrying amount	Level 1	Level 2	Level 3
	€ k	€ k	€ k	€ k
Liabilities				
Interest-bearing loans and borrowings	78 195	-	-	74 082
Other financial liabilities	15 400	-	-	-
Trade and other payables	11 535	-	-	-
Other current financial liabilities	60	-	-	-
Other liabilities	668	-	-	-

	31 Dec 2015			
	Carrying amount	Level 1	Level 2	Level 3
	€ k	€ k	€ k	€ k
Liabilities				
Interest-bearing loans and borrowings	74.637	-	-	61.070
Other financial liabilities	438	-	-	-
Trade and other payables	4.675	-	-	-
Other current financial liabilities	469	-	-	-
Other liabilities	574	-	-	-

Other disclosures of financial assets and liabilities

The results from the various categories of financial assets and liabilities are broken down as follows: Net loss on financial liabilities at fair value through profit and loss was €2 930 000. Total interest income and total interest expense for financial assets and liabilities that are not at fair value through profit or loss were €151 000 (2015: €325 000) and €16 543 000 (2015: €12 177 000), respectively.

10.3 Group financial risk management

The Group is exposed to various financial risks which arise out of its business activities. In response, the Group has implemented risk management processes across all entities to identify risk exposures and to mitigate material negative effects on the financial performance or to secure achievement of Group objectives. In order to steer the Group's approach to risk mitigation from the top, an annual assessment of risk acceptance levels is performed by the Management Board and reviewed by the Supervisory Board. The risk management system of the Group is an integrated approach, segregated to fit its coal mining operations beyond any investment activities that the Group constantly undertakes.

The risk management associated with the IchorCoal Group's coal mining activities involves the identification, classification, evaluation, controlling and monitoring of risks inherent to coal mining in a South African environment. It is the Group's policy to only accept risks if they are associated with significant earnings potential. Where possible, risks are minimised or transferred to third parties.

The Group's investment activities and associated risk management involves various activities such as careful review and analysis of investment opportunities. Here again, associated risks are identified, classified, evaluated, controlled and monitored by Management and presented to the Supervisory Board as part of the investment decision process. Each identified risk is quantified to assess the magnitude of its financial impact and if necessary to implement mitigating measures.

Main exposures identified include risks relating to investment, financial markets such as currency and interest rates, liquidity, credit and commodity prices. The following sections describe those risks and opportunities that could have a significant impact on the Group's net assets, financial position and results of operations.

Investment risks

IchorCoal Group is exposed to investment risks which originate in the selection of investment projects. Investments may not meet expected rates of return in the future, which would have a negative impact on the Group's financial results. IchorCoal Group Management in conjunction with the Supervisory Board mitigates such risks by employing a thorough assessment and approval process, which is supported by detailed financial, technical, geological and legal due diligence reports which examine for instance the size of the deposit, logistics infrastructure, financial situation, legal requirements, management and political situation. Final investment decisions above a certain threshold requires the approval of the company's Supervisory Board. Furthermore, significant cost and timeline overruns in asset development activities subsequent to an acquisition also pose risks to the Group. These risks are mitigated by Management via experienced in-house project controlling supported by professional local advisors.

Financial market risks

Because of its international activities the Group is exposed to a variety of financial market risks. For instance foreign exchange and interest rate fluctuations may have unwanted effects on the financial position of IchorCoal.

The Group is exposed to unwanted effects of foreign exchange transactions and translation. Financial assets or liabilities denominated in a currency other than the functional currency are periodically restated. Any associated gain or loss is taken to the statement of comprehensive income but not hedged in general. Some of the transactions are foreign currency transactions and therefore the Group is exposed to currency fluctuation risks. IchorCoal Management would enter into forward exchange contracts should the circumstances require and allow securitisation of revenue or expenditure streams subject to unwanted currency fluctuation. In such instances, forward transactions are presented to and approved by the Supervisory Board of the company. As at 31 December 2016, the Group had no foreign exchange derivatives.

In 2016 the Group realised a net profit of €14 188 000 from currency translation differences.

The summary quantitative data about the Group's exposure to currency risk as reported to the Management of the Group is as follows.

	31.12.2016	31.12.2015
	EUR	EUR
Convertible bonds	78 195	67 456
Sapinda Holdings B.V loan	12 979	3 282
Sapinda Invest S.a.r.I loan	1 788	3 500
Position exposed to foreign exchange rate	92 962	74 238
Net statement of financial position exposure	**92 962**	74 238

The Group's exposure to the volatility of the rand reaches its peak at year end. Had the rand weakened by a further 10%, the Group's net currency gains would have increased by €1 279 000. Similarly, if the rand had strengthened by 10%, the net currency loss would have decreased by €1 279 000. The above fluctuations are mainly the result of the following:

- In the current economic conditions, the rand continues to weaken against the euro, resulting in foreign exchange losses for the Group.
- The Group has convertible bond liabilities denominated in euro and on which the foreign exchange loss or gain is recognised as at year end.

The Group's current finance facilities are provided on a fixed interest rate basis that vary from facility to facility. Interest rate related risks may originate from finance facilities at fixed interest rates. Interest cash flow risks may originate from finance facilities at variable interest rates on the Group's possible future borrowings for investments. Any such risk is evaluated within the

Group and may be mitigated by interest derivatives, if deemed necessary. As at 31 December 2016, the Group had no interest rate derivatives.

Liquidity risk

The Group's liquidity risk arises from the possibility that it may not be able to meet its financial obligations as they fall due. Mitigating activities include forecasting and monitoring of operational and capital cash requirements. The main sources of liquidity come from the operating businesses and external borrowings. Management continually monitors the availability of financial resources to fund the Group's operating activities as well as its growth and development aspirations. This monitoring also contains an analysis of the due dates of the Group's financial obligations. The Group defaulted on payment obligations during the financial period. The default was at Vunene Mining level and was subsequently addressed after year end. The Group's future significant payment obligations result from the convertible bonds. The interest payment obligations of the convertible bonds of €78 100 000 until maturity in May 2017 amounted to €2 000 000 in 2017, subject to the exercise of the option to convert.

31.12.2016						
Financial liabilities		Contractual cash flows				
	Carrying amount	Total	12 months or less	1-2 years	2-5 years	More than 5 years
Non-derivative liabilities						
Provisions	19 802	19 802	-	-	-	19 802
Loans and borrowings – Bonds – Host component	74 082	74 082	74 028	-	-	-

Other financial liabilities	16 128	16 128	728	-	-	15 400
Trade creditors	11 541	11 541	11 541	-	-	-
Derivative liabilities	-	-	-	-	-	-
Loans and borrowings – Bonds – Convertible option	4 113	4 113	4 113			

31.12.2015						
Financial liabilities		Contractual cash flows				
	Carrying amount	Total	12 months or less	1-2 years	2-5 years	More than 5 years
Non-derivative liabilities	-	-	-	-	-	-
Provisions	12 454	12 454	-	-	-	12 454
Loans and borrowings	67 168	67 168	399	66 769	-	-
Other financial liabilities	4 925	4 925	4 925	-	-	-
Trade creditors	4 675	4 675	4 675	-	-	-

Derivative liabilities	-	-	-			
Loans and borrowings – Bonds – Convertible option	687	687	-	687		

Credit risk

Credit risks arise from business relationships with customers and suppliers. Financial assets may be impaired if business partners do not adhere to their payment obligations.

The maximum exposure on financial assets which are fundamentally subject to credit risk is limited to the total carrying value of relevant financial assets, as presented below

	€ k
Trade and other receivables	3 205
Other current financial assets	2 785
Cash and cash equivalents	1 598

To reduce the credit risk on cash and cash equivalents, Management carefully evaluates and selects banks before depositing cash. To reduce the credit risk on revenues, the Group's Management evaluates and monitors counterparties. Group Management further aims to utilise secured payment mechanisms or other risk mitigation instruments. In addition, risks from performance failures or poor performance of deliveries may arise. Management mitigates these risks appropriately by selecting creditworthy parties and by assessing individual conditions and structuring contracts accordingly. Prior to business relationships, Management evaluates its potential customers using available financial information or its own trading records. During this reporting period, the Group generated the majority of its sales from Eskom, South Africa's electricity utility company which has not defaulted in 2016.

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the aging of trade receivables that were past due but not impaired as at 31 December 2016 is as follows:

	2016 € k	2015 € k
Neither past due nor impaired		
ESKOM (rating Ba3 from Moody's)	881	1 753
Four or more years' trading history with the Group*	881	1 753
Less than four years' trading history with the Group*	-	-
Higher risk	-	-
	881	**1 753**

	2016 € k	2015 € k
Past due but not impaired		
Past due 1–30 days	722	-
Past due 31–90 days	1 599	82
Past due 91–120 days	-	-
Total not impaired trade receivables	**2 321**	**82**

Commodity price risk

IchorCoal Group's commodity price risk exposure arises from transactions on the world coal market. Sale of coal transactions are either on a fixed price basis or index-based. Cash flow risks may originate from sales agreements at fixed rates. Price risks may originate from index based sales agreements. Price risks arising out of fluctuations of applicable indices are mitigated by exchange traded commodity derivatives, if deemed necessary. Price escalation clauses are negotiated for fixed sales price agreements to mitigate adverse input pricing developments. Group Management evaluates such risks on a continuous basis as part of the risk management system and may be mitigated by hedging instruments, if deemed necessary. As at 31 December 2016, the Group had no hedging contracts in place.

10.4 Relationships with related parties

Related parties are defined as those persons and companies that control IchorCoal Group, or that are controlled or subject to significant influence by IchorCoal Group. Key Management personnel of the company as well as close family members of key Management are also related parties.

10. 4 Relationships with related parties

Transactions with subsidiaries and associates

Intercompany transactions within IchorCoal Group have been eliminated in the consolidated financial statements.

Transaction with shareholders

Loan from Sapinda amounted to €14 767 000 (2015: €6 782 000) including interest of €640 000 at the end of the reporting period.

Transactions with key Management personnel

During the year, Nonkululeko Nyembezi and Andries Engelbrecht held director positions in the company and received the following compensation:

€ k	Short Term Compensation (salary, bonus, provident fund contributions)	Post-employment benefits	Share Based Payments	Total

Nonkululeko Nyembezi-Heita	636	69	227	932
Andries Engelbrecht	404	32	123	559
Total	**1 040**	**101**	**350**	**1 491**

The short term compensation is made up by the following elements:

Nonkululeko Nyembezi: Salary of €458 000 (2015: €521 000); bonus of €154 000 (2015: €222 000); medical aid reimbursement of €5 000 (2015: €6 000), provident fund contributions of €69 000 (2015: €78 000) and a car allowance of €19 000 (2015: €22 000). Andries Engelbrecht: Salary of €212 000 (2015: €241 000); travel reimbursement €7 000 (2015: €10 000), provident fund contributions of €32 000 (2015: €36 000) and bonus payment made during the year relates to retention bonuses of €185 000 (2015: €126 000).

The Supervisory Board of the company consisted of four individuals throughout the year. The Supervisory Board members are entitled to Supervisory Board fees that accrued at year end as compensation for their services during the financial year. An amount of €26 250 accrued to Paolo Barbieri at 31 December 2016, no other remuneration was expected for the other Supervisor Board´s members.

10.5 Contingent liabilities and commitments

Penumbra

Penumbra Coal Mining has certain old mine workings on the mining right lease property. Management has made provision for additional water treatment costs in the rehabilitation provision relating to the water decanting in this area. There is however uncertainty on who is legally responsible for the rehabilitation of this area and additional charges could be incurred once all the stakeholders have been consulted in this regard. The extent of these charges cannot be reliably measured at the end of December 2016.

Vunene

VB Minerals (Pty) Ltd is currently claiming an amount of approximately €292 105 for (alleged) breach of contract. The matter is due to go to trial during 2018/2019. The company's maximum financial exposure relating to the case is approximately €347 744. In the opinion of the company's legal advisor the odds of a judgement in the company's favour is better than even. In that event, the company's total future legal costs relating to the matter will be about €10 432.

In 2012 a NGO has laid criminal charges against the company for mining within 500 meters of what is assumed to be a wetland. The company complied with the majority of the conditions of the plea agreement by making the required payments. The suitable rehabilitation of the Portion 14 Wetland however is not finalised and the deadline for finalising same is December 2019. The company consulted with a professional team supporting and advising on the rehabilitation. It was agreed to approach the learned prosecutor and request his consent to support an application to extend and/or amend the December 2017 date to December 2020. The company believes a postponement will be successful. Based on the assumption that a postponement/amendment will not need any assistance of an advocate and limited assistance by the wetland specialists, the legal and environmental practitioners' expenses is estimated not more than €34 774.

As at end December 2016, the Group's purchase obligations from contract mining companies amounted to €7 632 000. Capital commitments amounted to €1 323 000 which relates to the underground development at Vunene Mining.

The maturity of other financial obligations resulting from rental and lease agreements are split as follows:

	31 Dec 2016	**31 Dec 2015**
	€ k	**€ k**
Due within one year	146	169
Due in one to five years	184	382
Due in more than five years	-	-
Total	**330**	**551**

10.6 Audit fees

Total audit fees of €299 000 have been incurred from KPMG Netherlands, €310 000 KPMG South Africa.

10.7 Prior period error

During the preparation of the 2016 consolidation of the Ichor Coal Group financial statements, the Company's Management identified an error in the 2015 year-end balances. This error was related to the acquisition accounting of the Penumbra Coal Mining (Pty) Ltd (hereafter "Penumbra") completed in December 2015 by Ichor.

On 8 June 2015, Ichor concluded a purchase agreement via, Ismanetix with Mashala, which is an independent 3rd party, to purchase the shares, the claims and the ABSA Bank claims (3rd party Bank) in Penumbra for R55 million. As a result of the acquisition, a remaining gain was identified from the (bargain) purchase of Mashala for an amount of € 19 717 000, of which €16 568 000 is the gain due to the restatement and €3 149 000 is the exchange rate effect.

During the preparation of the 2016 consolidation, Management discovered that the shareholder loan acquired from Mashala was not properly accounted for. Instead of being eliminated as an intercompany transaction, it was carried on the balance sheet as an external borrowing. The agreement is quite clear that Ismanetix acquired the shareholders loan from Mashala therefore transferred to Ismanetix as buyer. The correct way of accounting for the shareholder loan is to eliminate the loan as an intercompany transaction. In addition the gross amount was initially recognized for approximately € 20,7 mln (ZAR 279 mln) instead the fair value included in the purchase agreement signed with Mashala, namely € 0 (ZAR 1): this has generated a bargain, refer to the below table. This equates to a prior period error and should be treated as such under EU-IFRS. We refer to the next paragraph for the corrected accounting.

Reconciliation to the previously reported statement of financial position as at 1 January 2015 and 31 December 2015 is as follows:

	Restated 31 Dec 2015	31 Dec 2015	Restatement
	€ k	€ k	€ k
Equity			
Legal Reserve	**8 571**	-	**8 571**
Accumulated retained earnings	**- 28 920**	- 29 136	**216**
Profit & Loss for the year	**5 887**	- 6 090	**11 977**
Accumulated other comprehensive income	**- 25 423**	- 18 647	**- 6 776**
Non-controlling interest	**9 031**	6 447	**2 584**
	-	-	**-**
Non-current liabilities			
Other non-current financial liabilities	**438**	*12 338*	**- 11 900**
Current liabilities			
Trade Payables	**4 675**	*9 345*	**- 4 670**
Income statement			
Gross Proft	6 062	6 062	**-**
Other income	29 315	6 569	**22 746**
Other operating expenses	- 41 969	- 42 682	**713**
General and administrative expenses	- 2 978	- 3 113	**135**
Share of profit and loss from equity accounted associate	8 786	8 786	**-**
Finance revenue	19 849	19 849	**-**
Finance costs	- 12 177	- 12 376	**199**
Income taxes	5 031	8 062	**- 3 031**
	-	-	**-**
Profit after tax	**11 919**	- 8 843	**20 762**
		-	
P&L owners	**14 672**	- 6 090	**20 762**
P&L NCI	**- 2 753**	- 2 753	**-**
Profit or loss	**11 919**	- 8 843	**20 762**

Note that the correction of error has a tax implication on the current tax expense, since the release of the shareholder's loan results in a more positive bargain result and consequently higher current tax expense as the bargain gain is taxed.

The restatement of € 8 571 000 represents the reclassification from the accumulated retained earnings to the legal reserve participations, to reflect the share in the result of participations generated in the prior years, for which IchorCoal cannot control the dividend payment.

Due to the fact that the error is material, the correction of the error has been accounted for and disclosed in accordance with the applicable reporting standards IAS 8.

10.8 Events after the reporting date

At a meeting of IchorCoal bondholders on 20 June 2017, bondholders consented to an amendment of certain terms and conditions of the convertible bonds due in June 2017 resulting in the maturity of the bonds being extended by 2 years. Moreover, the fixed interest payable on the bonds was reduced from 8% per annum to 5% and the conversion price reduced from €4.50 to €0.70.

IchorCoal has concluded an agreement with Sapinda Holding B.V. to convert all outstanding shareholder loans into equity. The outstanding shareholder loan as at end May 2017 was €10 861 400. As at date of report the full loan with Sapinda Holdings B.V. has been converted to equity.

Universal Coal Plc has successfully petitioned the High Court of Justice of England and Wales, granting orders for approving, reduction of capital in accordance with the Companies Act 2006 of the United Kingdom. This cleared the way for Universal Coal to commence dividend payments.

During September 2017 dilution of shareholding pursuant to a converting note agreement with Susquehanna Pacific (Pty) Ltd resulted in the reduction of the effective shareholding in Universal Coal Plc from 29.99% to 29.03%. The remainder of the converting notes with Susquehanna Pacific will be settled in cash.

IchorCoal Group received a conditional offer for its 74% interest in Vunene Mining (Pty) Ltd and Penumbra Coal Mining (Pty) Ltd. After evaluation, the Management Board accepted it. The sale of Vunene was completed on 30 October 2018 with a settlement of €9m. The Penumbra transaction is expected to close during the first quarter of 2019 at the latest. However there is no guarantee that in the case of the latter, this will lead to the conclusion of a successful transaction.

On 22 October 2018 the Board of Universal Coal received a fully financed, binding offer to acquire 100% of the issued shares in the company. The Board issued a market announcement on 26 October advising investors that the Board would proceed to conduct a fair and reasonable assessment of the offer and thereafter make a recommendation to shareholders. IchorCoal owns a 29% stake in Universal Coal. Should this transaction conclude successfully, IchorCoal would realise proceeds of €33m.

Application to liquidate Vunene Mining was submitted by Liviero Mining on 14 April 2017. Subsequently Ichor Coal N.V. reached agreement with Liviero Mining after which the matter was withdrawn from the roll.

Supplier VB Minerals (Pty) Ltd took legal action against Vunene Mining (Pty) Ltd regarding services rendered for alleged breach of contract. The matter is due to go to trial as counter parties to the matter have been amended from 2016. The maximum financial exposure of the Group is approximately €348 000. Based on the opinion of the Group's legal representatives about VB Mineral's likelihood of success, no provision has been made in this regard. There were no further subsequent events.

Johannesburg, 12 November 2018

Nonkululeko Nyembezi	Andries Engelbrecht
Chief Executive Officer	Chief Operating Officer

STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(before appropriation of results)

	Note	31 Dec 2016 € k	31 Dec 2015 € k
Assets			
Non-current assets			
Intangible assets	3.1	22	19
Property, plant and equipment	3.2	99	119
Shares in Subsidiaries	3.3	25 980	37 848
Investments in associates	3.4	71 156	60 763
Other non-current financial assets	3.5	108	4 475
		97 365	**103 224**
Current assets			
Trade and other receivables	3.7	150	515
Other current financial assets	3.8	6 055	16 683
Other assets	3.9	42	57
Cash and cash equivalents	3.10	31	525
		6 278	**17 780**
Total Assets		**103 643**	**121 004**
Equity and liabilities			
Equity			
Share capitla	3.11	6 792	6 792
Share Premium	3.11	89 291	89 291
Share based payment reserve	3.11	855	618
Retained earnings	3.11	-43 454	-33 866
Other comprehensive income	3.11	-5 341	-8 039
Loss for the year	3.11	-38 461	-9 588
Total equity		**9 682**	**45 208**
Non-current liabilities			
Interest-bearing loans and borrowings	3.12	-	70 738
Other Non-current financial liabilities	3.13	14 767	3 500
Deferred tax liabilities	3.6	-	-
		14 767	**74 238**
Current liabilities			
Interest-bearing loans and borrowings	3.12	78 195	399
Other current financial liabilities	3.14	166	297
Trade and other payables	3.15	171	291
Other liabilities	3.16	662	571
		79 194	**1 558**
Total liabilities		**93 961**	**75 796**
Total equity and liabilities		**103 643**	**121 004**

The accompanying notes form part of these financial statements.

STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	31 Dec 2016 € k	31 Dec 2015 € k
Other income	4.1	14 022	422
General and administrative expenses	4.2	-1 392	-1 868
Other operating expenses	4.3	-37 308	-17 008
Finance costs	4.4	-16 672	-12 207
Finance income	4.4	2 889	21 862
Loss before income taxes		-38 461	-8 799
Income taxes	4.5	-	-789
Loss for the year		**-38 461**	**-9 588**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods	3.11	2 698	-8 813
Total comprehensive income		**-35 763**	**-18 401**

The accompanying notes form part of these financial statements.3.11

STAND-ALONE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Share Capital	Share Premium	Accumulated retained earnings	Loss for the year	Other reserves	Share-based payment reserves	**Total**
		€ k	**€ k**	**€ k**	**€ k**	**€ k**	**€ k**	**€ k**
1 Jan 2016	3.11	**6 792**	**89 291**	**-33 866**	**-9 588**	**-8 039**	**618**	**45 208**
Appropriation of prior year results		-	-	-9 588	9 588	-	-	-
Profit or loss for the year		-	-	-	-38 461	-	-	-38 461
Other comprehensive income	3.11	-	-	-	-	2 698	-	2 698
Total comprehensive income		**-**	**-**	**-**	**-38 461**	**2 698**	**-**	**-35 763**
Share based payment	3.11	-	-	-	-	-	237	237
							237	237
31 Dec 2016		**6 792**	**89 291**	**-43 454**	**-38 461**	**-5 341**	**855**	**9 682**

ICHOR COAL N.V. 53748662

STAND-ALONE FINANCIAL STATEMENTS

STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Share Capital	Share Premium	Accumulated retained earnings	Loss for the year	Other reserves	Share-based payment reserves	Total
		€ k	€ k	€ k	€ k	€ k	€ k	€ k
1 Jan 2015	3.11	**6 792**	**89 291**	**-17 379**	**-16 487**	**774**	**216**	**63 208**
Appropriation of prior year results		-	-	-16 487	16 487	-	-	-
Profit or loss for the year		-	-	-	-9 588	-	-	-9 588
Other comprehensive income	3.11	-	-	-	-	-8 813	-	-8 813
Total comprehensive income		**-**	**-**	**-**	**-9 588**	**-8 813**	**-**	**-18 401**
Share capital increases	3.11	-	-	-	-	-	-	-
Share based payment	3.11	-	-	-	-	-	402	402
							402	**402**
31 Dec 2015		**6 792**	**89 291**	**-33 866**	**-9 588**	**-8 039**	**618**	**45 208**

The accompanying notes form part of these financial statements.

STAND-ALONE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	31 Dec 2016 € k	31 Dec 2015 € k
Profit or loss		-38 461	-9 588
Reconciliation of profit or loss to the cash flow from operating activities:			
Depreciation and amortisation of fixed assets	4.3	37	43
Impairment loss	4.3	36 734	-
Investment income	4.1	-833	-
Loss/(Profit) on sale of assets	3,2	-	16
Loss on conversion component of Convertible Bonds	3.12	2 930	-18 938
Interest on Convertible Bonds	4.4	13 149	12 106
Interest paid	4.4	-6 229	-6 248
Other interest on debts and borrowings	4.4	698	36
Interest Income	4.4	-2 889	-2 337
Changes due to foreign currency changes		-12 128	12 588
Changes in share based payment expense	3.11	237	402
Changes in deferred taxes	3.6	-	792
Changes in trade and other receivables	3.7	-20	40
Changes in trade and other payables	3.15	-151	-94
Changes in other financial liabilities	3.14	-5	-450
Changes in other assets	3.9	31	72
Cash flow from operating activities		**-6 900**	**-11 560**
Proceeds from disposal of intangible assets and property, plant and equipment	3.1/3.2	-	36
Proceeds from disposal of shares in affiliates	3.1/3.2	-	-
Purchases of intangible assets and property, plant, and equipment	3.1/3.2	-	-31
Purchases of investments in affiliates, associates and other non-current financial assets		-	-3 266
Cash flow from investing activities		**-**	**-3 261**
Proceeds from interest-bearing loans and borrowings given	3.8	-463	-925
Proceeds from interest-bearing loans and borrowings received	3.13		297
Repayments of interest-bearing loans and borrowings received		-624	-1 985
Cash-outflow from interest-bearing loans and borrowings giver	3.13	7 445	-6 117
Cash-inflow from interest-bearing loans and borrowings given	3.13	38	6 782
Cash flow from financing activities		**6 396**	**-1 948**
Cash flow-related changes in cash and cash equivalents		**-504**	**-16 769**
Changes in cash and cash equivalents due to exchange rates		10	-
Cash and cash equivalents at beginning of period		525	17 294
Cash and cash equivalents at end of period	3.10	**31**	**525**

STAND-ALONE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

		31-Dec-16	Restated 31-Dec-15
		€ k	**€ k**
Total consolidated equity		4 129	64 117
Difference in accumulated retained earnings			
Individual retained earnings	(1)	-43 454	-33 866
Consolidated retained earnings	(1)	23 034	28 920
Difference in net result			
Individual result	(1)	-38 461	-9 588
Consolidated result attributable to the shareholders	(1)	63 731	-5 887
Acquisition of HMS Bergbau AG shares	(2)	1 730	1 730
Non-controlling interest in the Group due to the acquisition of Vunene Mining Group	(3)	-15 737	-15 737
Non-controlling interest in the Group due to the annual result and comprehensive income	(4)	12 306	6 706
Accumulated other comprehensive income	(5)	13 587	17 383
Legal reserve	(6)	-11 183	-8 570
Total stand-alone equity		**9 682**	**45 209**

1) Ichor Coal N.V.'s investments in its subsidiaries and associates are accounted for using the cost method in the standalone financial statements. The consolidated statement of comprehensive income reflects the share of the results of operations of the subsidiaries and associates. The difference in accounting policies applied causes a difference between the consolidated and standalone results.

2) In 2012 Ichor Coal N.V. purchased a further 289,957 shares in HMS Bergbau AG for a total consideration of €1 669 000, resulting in a relative adjustment of non-controlling interest of €307 000 and capital reserves of €1 362 000. In 2013 Ichor Coal N.V. purchased further 111,515 shares in HMS Bergbau AG for a total consideration of €544 000, resulting in a relative adjustment of non-controlling interest of €176 000 and capital reserves of €368 000.

3) The non-controlling interest of €15 737 000 in the Group is due to the acquisition of shares in Vunene Mining by Ichor Coal N.V. and its subsequent first time consolidation in Group accounts.

4) The non-controlling interest in the Group due to the annual result and comprehensive income represent the share of those items attributable to the minority shareholder.

5) The comprehensive income results from translation.

6) The legal reserves represents the results from Mbuyelo Coal and Universal Coal Plc

Notes to the Stand-Alone Financial Statements

1 GENERAL INFORMATION

1.1 Corporate information

Ichor Coal N.V. KVK 53748662, is a limited liability company incorporated in Amsterdam, Netherlands. The shares of Ichor Coal N.V. are admitted for trading on the High Risk Market of the Hamburg Stock Exchange and the Entry Standard of the Frankfurt Stock Exchange. The Ichor Coal N.V. head office is located at 30 Jellicoe Avenue, Rosebank 2196, South Africa.

Ichor Coal N.V. ("IchorCoal" or the "company") is a holding company focusing on mining operations, such as exploration, development and production of thermal coal in South Africa through its subsidiaries and investments. With access to approximately 2.4 billion metric tonnes of coal resources on 16 properties, IchorCoal has a stated long-term ambition to increase its current attributable production of around 2.1 million tonnes per annum to 15 million tonnes per annum by 2019 through both organic and acquisitive growth. The IchorCoal Group has strong existing relationships with Eskom and all other relevant authorities and institutions in the South African market. The Group also has enviable access to experienced and capable Management and operational teams and an unwavering commitment to achieving best-in-class safety, health, environmental and social development standards.

The financial statements were approved by the Supervisory Board on 12 November 2018.

1.2 Basis of preparation

Overview

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with Section 2:362(9) of the Netherlands Civil Code.'. The financial statements have been prepared on the historical cost basis. The financial statements are presented in euro and all values are rounded to the nearest thousand (€ k).

The same basis of preparation applies as described in the notes to the consolidated financial statements. We refer to Note 2: 'Basis of Preparation' of the consolidated financial statements.

Foreign currencies

The functional currency of the company was changed to South African rand (ZAR) in the 2015 financial year but the presentation currency remains the euro. The reason for the change of functional currency to the South African rand is due to the fact the South Africa is the primary economic environment in which the company operates. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Purchases and sales in foreign currencies are translated at the exchange rate on the date of the transaction. Assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate on the reporting date. Any foreign exchange gains or losses resulting from such translations are recognised in the statement of comprehensive income

2 SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

The same accounting and valuation methods apply as described in the notes to the consolidated financial statements. We therefore refer to note 3 ‘Accounting Policies’ of the consolidated financial statements. Subsidiaries and associates are stated applying the cost method in the stand alone financial statements which is different to the consolidated financial statements.

3 NOTES TO THE STAND-ALONE STATEMENT OF FINANCIAL POSITION

3.1 Intangible assets

The changes in intangible assets were as follows:

	Purchased rights	Total
	€ k	€ k
Acquisition or production cost		
1 Jan 2016	32	32
Currency effects	6	6
31 Dec 2016	**38**	**38**
Amortisation and impairment		
1 Jan 2016	13	13
Additions	1	1
Currency effects	2	2
31 Dec 2016	**16**	**16**
Carrying amounts		
31 Dec 2016	**22**	**22**
1 Jan 2016	19	19

	Purchased rights	Total
	€ k	€ k
Acquisition or production cost		
1 Jan 2015	23	23
Additions	23	23
Disposals	-9	-9
Currency effects	-5	-5
31 Dec 2015	**32**	**32**
Amortisation and impairments		
1 Jan 2015	14	14
Additions	1	1
Disposals	-1	-1
Currency effects	-1	-1
31 Dec 2015	**13**	**13**
Carrying amounts		
31 Dec 2015	**19**	**19**
1 Jan 2015	9	9

The purchased right relates to the accounting software used by the entity. The accounting software is held through a license agreement which is renewable annually. There were no software purchases or disposals in the year under review.

The accounting software is amortised over a period of 5 years using the straight line method. Impairment assessment results indicted no impaiment on the software during the financial year under review.

The entity experienced stronger currency movements at year end resulting in foreign exchange translation gains realised on Intangible assets to the amount of €6 000.

3.2 Property, plant and equipment

The changes in property, plant and equipment were as follows:

	Office equipment	Computer equipment	Furniture	Total
	€ k	€ k	€ k	€ k
Acquisition or production cost				
1 Jan 2016	16	35	121	172
Currency effects	3	7	20	30
31 Dec 2016	**19**	**42**	**141**	**202**
Depreciation and impairments				
1 Jan 2016	9	15	29	53
Additions	1	14	21	36
Currency effects	2	5	7	14
31 Dec 2016	**12**	**34**	**57**	**103**
Carrying amounts				
31 Dec 2016	**7**	**8**	**84**	**99**
1 Jan 2016	7	20	92	119

	Office equipment	Computer equipment	Furniture	Total
	€ k	€ k	€ k	€ k
Acquisition or production cost				
1 Jan 2015	30	40	144	214
Additions	2	7	-	9
Disposals	-13	-5	-	-18
Currency effects	-3	-7	-23	-33
31 Dec 2015	**16**	**35**	**121**	**172**
Depreciation and impairments				
1 Jan 2015	10	2	10	22
Additions	1	17	24	42
Disposals	-	-1	-	-1
Currency effects	-2	-3	-5	-10
31 Dec 2015	**9**	**15**	**29**	**53**
Carrying amounts				
31 Dec 2015	**7**	**20**	**92**	**119**
1 Jan 2015	20	38	134	192

There was no disposal or additions the the items of property, plant and equipment in the year under review. The entity realised foreign exchange gains at the end of the reporting period to the amount of €43 000 on the translation of values of property, plant and equipment into the presentation currency.

The Management did not identify any impairment trigger at reporting date.

3.3 Shares in subsidiaries

Shares in subsidiaries are composed as follows:

	31 Dec 2016 € k	31 Dec 2015 € k
Shares in Vunene Mining (74%)	25,979	34,581
Shares in Ismanetix (100%)	1	-
Shares in Penumbra Mining (100%)	-	3,267
Shares in affiliates	**25,980**	**37,848**

Vunene Mining and Penumbra Coal Mining, are both incorporated in South African with all operating activities in South Africa. Both companies have operations located in Ermelo town wich is based in the Mpumalanga province of South Africa.

IchorCoal owns 100% interest in Penumbra Coal Mining and the shareholding is held through Ismanetix (Pty) Ltd.

The difference in the cost of the investment in Vunene Mining is due to the foreign currency exchange difference as a result of the strengthening of the rand against the euro at the end of the reporting period, and further translation of the balance of the investment into the presentation currency (euro) at the reporting date as at 31 December 2016 and an impairment loss recorgnised at the end of the reporting period. An impairment loss amounting to €12 826 000 was accounted for on the investment in Vunene Mining. Even if Penumbra recognized a significant loss of approximately €13 533 000, at standalone level there was no impairment triggers in the shares in Ismanetix (Pty) Ltd.

Reconciliation of the Investment in Vunene Mining as at 31 December 2016:

	31 Dec 2016 € k
Carrying value of investment	34 581

Impairment loss for the year	-12 826
Foreign currency translation gain	4 224
Investments in affiliates	**25 979**

The Group acquired an interest in Penumbra Coal Mining in December 2015. Penumbra Coal Mining was placed in business rescue and is operated under care and maintenance. IchorCoal made a payment through Ismanetix to the amount of €3 200 000 and obtained control as set out in the sales agreement. Penumbra Coal Mining resumed production during October 2017.

3.4 Investments in associates

Investments in associates are composed as follows:

	31 Dec 2016 € k	31 Dec 2015 € k
Shares in Mbuyelo Coal	54 688	46 700
Shares in Universal Coal Plc	16 468	14 063
Investments in associates	**71 156**	**60 763**

The company holds 45% interest in Mbuyelo Coal and a 29% interest in Universal Coal Plc. The investment in associates is accounted for using the cost method. The increase in the cost of the investment in associates of €10 393 000 is as a result of foreign exchange translation gains realised at the end of the reporting period. Mbuyelo Coal and Universal Coal Plc, have both been incorporated in South Africa and the UK with all operating activities in South Africa.

There was no acquisition of additional interest or disposal of interest in the associate during the year under review.

For a further discussion on the movement in the value of the investments in associates, please refer to note 6.3: “Investments accounted for using the equity method” in the consolidated financial statements.

The value in use for the investment in Mbuyelo Coal was determined based on a Discounted cashflow method, incorporating a WACC of 14.84%. The value in use for Universal Coal Plc was determined using a net asset value and reference to the share price.

3.5 Other non-current financial assets

	31 Dec 2016 € k	31 Dec 2015 € k
Loans to affiliates	-	4 389
Restricted reserve	108	86
Other non-current financial assets	**108**	**4 475**

The loans to affiliates relates to intercompany loans the company issued to Vunene mining and Ismanetix (Pty) Ltd to finance the cost of and maintenance at Penumbra Coal Mining. The loans to affiliates are subject to interest at prime plus 2.5%.

The company has a deposit account in the amount of €108 000 (2015:€86 000) held at a local bank. It is currently used to back up a guarantee issued by the bank in relation to the lease agreement for the head office premises.

3.6 Deferred tax

The Company's net deferred tax asset and liability recognised in the statement of financial position are as follows:

	31 Dec 2016		31 Dec 2015	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
	€ k	**€ k**	**€ k**	**€ k**
Non-current financial assets	-	-	-	-
Other liabilities	-	-	-	-
Temporary differences	**-**	**-**	**-**	**-**
Tax loss carry-forwards	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**
Offsetting	-	-	-	-
Amounts as per balance sheet	**-**	**-**	**-**	**-**

The Company's deferred tax balances were subject to following changes during the financial year:

	2016	**2015**
	€ k	€ k
Deferred tax assets at the beginning of the period	-	792
Deferred tax liabilities at the beginning of the period	-	-
Net tax position at the beginning of the period	**-**	**792**
Deferred tax benefit/ (expense) of current year	-	-789
Net tax position as of 31 December	**-**	**3**
Deferred tax assets at the end of the period	-	-
Deferred tax liabilities at the end of the period	-	-
Forex exchanges	-	-3

A deferred tax asset has not been recognised in respect of a portion of the accumulated tax losses of ZAR 18 964 279 (EUR 1 319 000) because it is not probable that future taxable profit will be available against which the Group and Company can use the benefits there from.

3.7 Trade and other receivables

	31 Dec 2016 € k	31 Dec 2015 € k
Receivable due from Vunene Mining	-	407
Trade receivables	150	108
Trade and other receivables	**150**	**515**

Management believes that trade receivables are fully recoverable.

3.8 Other current financial assets

Other current financial assets comprise the following:

	31 Dec 2016 € k	31 Dec 2015 € k
Loan to Vunene Mining	-	15 755
Loan to Ismanetix (Pty) Ltd	6 051	925
Other financial assets	4	3
Other current financial assets	**6 055**	**16 683**

The Company issued a loan to Vunene Mining and Penumbra Mining. The loan to Vunene Mining was issued with effect from finacial year 2013, whereas the loan to Penumbra Coal Mining was issued effective from 2016 financial year to fund the cost of care and maintanance.

During the 2013 financial year Vunene Mining significantly increased its mining operations through the development of three further opencast pits. In the 2015 and 2016 financial years, additional capital expenditure was incurred in relation to the refurbishment of the underground operations and machinery purchases. The financing for the increase was obtained through intercompany loans in the prior and current financial years.

The loan from Vunene Mining has been deemed as not recoverable at year end and the loan was fully impaired at the reporting date.

The loan to Ismanetix (Pty) Ltd was used to finance the acquisition of Penumbra Coal Mining and to further finance the cost of care and maintainance at Penumbra Coal Mining. Interest on the loan was charged at Prime plus 2.5%. The loan has no fixed repayment terms, but is regarded as short term debt. The loan is deemed recoverable and no impairment was recorded at year end.

3.9 Other assets

	31 Dec 2016 € k	31 Dec 2015 € k
Receivables from other taxes	42	57
Other assets	**42**	**57**

Receivables form other taxes mainly consist of VAT.

3.10 Cash and cash equivalents

The Company's cash and cash equivalents of €31 000 (€525 000) represent cash at banks.

3.11 Equity

Share capital

The issued capital of €6 792 000 is divided into 67 920 000 (2015: 67 920 000) ordinary shares, with a nominal value of €0.10 each. There was no change to issued capital as at 31 December 2016.

The issued capital at year end consisted of fully paid-up ordinary shares. Each fully paid-up ordinary share carries the right to dividend as declared and carries the right to one vote at shareholders' meetings.

All ordinary shares rank equally with regard to the Company's residual assets.

The authorised capital amounts to €25 000 000 (2015: €25 000 000) and is divided into 250 000 000(2015: 250 000 000) shares with a nominal value of €0.10 each.

Share Premium

There was no change in share premium during the year under review. Capital reserves are not distributable to equity holders of the Company.

Other reserves

Other reserves reflect differences from currency translation loss of €5 341 000 (2015: €8 039 000 loss), the change in the currency translation reserve for the year is € 2 698 000.

Accumulated retained earnings

The accumulated retained earnings include the net loss of prior years.

Share based payments

The Company issued equity-settled instruments to certain qualifying employees under an employee share option scheme to purchase shares in the Company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instrument at the date of the grant, which was €855 000 (2015 €618 000). Deferred share-based compensation is expensed over the vesting period based on the Company's estimate of the shares that are expected to eventually vest.

Employee options with long lives are usually exercisable during the period between vesting date and the end of the options' life and are often exercised early. These factors should be considered when estimating the grant date fair value of the options.

All option pricing models take into account, as a minimum, the following factors:

(a) the exercise price of the option;-> €4.8

(b) the life of the option; -> 10 years maximum

(c) the current price of the underlying shares; -> IchorCoal is listed, therefore price is available

(d) the expected volatility of the share price;-> to be derived from historical prices over a period of similar length as the options

(e) the dividends expected on the shares (if appropriate); and-> to be derived from IchorCoal's financial forecasts and dividend history

(f) the risk-free interest rate for the life of the option.-> German government bond yield

As the option has no fixed term, a potential early exercise needs to be estimated. Factors to consider in estimating early exercise include:

(a) the length of the vesting period, because the share option typically cannot be exercised until the end of the vesting period. Hence, determining the valuation implications of expected early exercise is based on the assumption that the options will vest;

(b) the average length of time similar options have remained outstanding in the past. Since there is no history, empirical data was used;

(c) the employee's level within the organisation. Beneficiaries are managing directors;

(d) expected volatility of the underlying shares.

The volatility of the shares has been has been assessed at year end with reference to a 12 month period from 1 January 2016 to 31 December 2016. The results indicated that the shares are not effectively trading and the share price has dropped significantly over the period under review. The significant drop in the share price amounted to a volatility of 480%.

The assessment is performed on the basis of the stock price movements

3.12 Interest-bearing loans and borrowings

	31 Dec 2016 **€ k**	**31 Dec 2015** **€ k**
Long term portion - Convertible bonds	-	67,456
Short term portion - Convertible bonds	78,195	399
Sapinda Holdings BV	-	3,282
Interest-bearing loans and borrowings	**78,195**	**71,137**

Interest-bearing loans relate to €80 000 000 convertible bonds that were issued by the Company in 2012. Please refer to note 6.12: “Interest-bearing loans and borrowings” in the consolidated financial statements for further details.

3.13 Other Non- current financial liabilities

	31 Dec 2016 € k	31 Dec 2015 € k
Sapinda Invest	1,788	3,500
Sapinda Holdings BV	12,979	-
Other Non-Current financial liabilities	**14,767**	**3,500**

3.14 Other current financial liabilities

	31 Dec 2016 € k	31 Dec 2015 € k
Loan from affiliates - Mbuyelo	166	297
Other current financial liabilities	**166**	**297**

Mbuyelo Group declared and paid dividends during the year under review and the divided was set off against the loan.

3.15 Trade and other payables

	31 Dec 2016 € k	31 Dec 2015 € k
Trade payables	171	291
Trade and other payables	**171**	**291**

Trade and other payables solely relate to trade payables.

3.16 Other liabilities

Other liabilities are composed as follows:

	31 Dec 2016 € k	31 Dec 2015 € k
Accrued liabilities	662	571
Other non-financial liabilities	**662**	**571**

Accrued liabilities mainly comprise liabilities resulting from personnel costs, audit and accounting as well as other consulting services.

3.17 Maturity analysis of financial liabilities

The contractually agreed (undiscounted) payments relating to financial liabilities are presented in the following table:

	Carrying amount	Undiscounted cash outflows		
	31 Dec 2016	2017	2018 - 2020	2020 ff.
	€ k	€ k	€ k	€ k
Interest-bearing loans and borrowings	78 195	-	78 195	-
Trade and other payables	171	171	-	-

	Carrying amount	Undiscounted cash outflows		
	31 Dec 2015	2016	2017 - 2019	2019 ff.
	€ k	€ k	€ k	€ k
Interest-bearing loans and borrowings	74 637	399	74 238	-
Trade and other payables	291	291	-	-

4 Notes to the stand-alone statement of comprehensive income

4.1 Other income

Other income is as follows:

	31 Dec 2016 € k	31 Dec 2015 € k
Foreign exchange gains	12,790	-
Management and board fees	389	422
Investment income	833	-
Others	10	-
Other operating income	**14,022**	**422**

Management fees relate to fees received from Universal Coal and Vunene Mining.

The foreign exchange gain is mainly due to the translation of the convertible bond and Sapinda loan occurred during the period.

Due to the appreciation of the rand against major currencies, the company earned foreign exchange translation gains during the financial year.

Investment income relates to dividend income received during the year from Mbuyelo Coal. The dividend was paid out in accordance with the company's interest in Mbuyelo.

4.2 General and administrative expenses

General and administrative expenses consist of the following:

	31 Dec 2016 € k	31 Dec 2015 € k
Wages and salaries	848	991
Employee benefits	112	83
Share based payment expense	237	402
Other expenses	195	392
General and admin expenses	**1 392**	**1 868**

4.3 Other operating expenses

Other operating expenses are as follows:

	31 Dec 2016 € k	31 Dec 2015 € k
Foreign exchange losses	-	14,887
Loss on disposal of fixed assets	-	16
Legal and consulting costs	421	1,864
Travel expenses	0	0
Audit and accounting services	57	109
Depreciation, amortisation and impairment	36,771	43
Other	59	89
Other operating expenses	**37,308**	**17,008**

The significant decrease in other operating expenses, other than depreciation and impairment, is as a result of foreign exchange translation gains in the current year which has been classified as other income.

Depreciation and amortisation

	31 Dec 2016 € k	31 Dec 2015 € k
Depreciation	36	42
Amortisation	1	1
Depreciation and amortisation	**37**	**43**

Impairment Losses

	€ k	€ k
Impairment loss	36 734	0
Impairment loss	**36 734**	**0**

The Investment in Vunene Mining was impaired at year end with an impairment loss amounting to €12 826 000 A further impairment loss amounting to €23 908 000 was in relation to the intercompany loan that was deemed not to be recoverable from. This was due to various impairment indicators being present at year end. These included:

- Vunene Mining has been reporting losses year on year.

- Increase cost base due to year on year increases in labour and mining costs

- Carrying amounts of certain assets were identified to be higher than the recoverable amount.

Determining recoverable amount

Management calculated the recoverable amounts for the abovementioned assets by determining a value in use. The calculation of value in use, included the following assumptions:

- an estimate of the future cash flows the entity expects to derive from the asset
- a discount rate of 14.84% (pre-tax 15.52%)

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 30% at a market interest rate of 8.91%.

The cash flow projections included specific estimates for life of mine. Budgeted EBITDA was estimated taking into account past experience, adjusted as follows:

- Revenue growth was projected taking into account estimated sales volume and price growth for the life of mine (22 years). It was assumed that the sales price would increase in line with forecast inflation over the life of mine.
- Significant one-off environmental costs have been factored into the budgeted EBITDA, reflecting various potential regulatory developments. Other environmental costs are assumed to increase with inflation in other years.

	Investment in Vunene Mining
Carrying value	€35 785 000
Value in use	€22 959 000
Impairment	€12 826 000

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4.4 Financial income

The company's financial income mainly results from accrued interest on loans provided to its subsidiary Vunene Mining.

The financial income comprises the following:

	31 Dec 2016 € k	31 Dec 2015 € k
Interest on other loans and borrowings	2 882	2 117
Total interest income	**2 882**	**2 117**
Other interest income	7	220
Gain on conversion component convertible bonds	-	18 938
Foreign exchange	-	587
Total finance income	**2 889**	**21 862**

The financial expense is broken down as follows:

	31 Dec 2016 € k	31 Dec 2015 € k
Interest on Convertible Bonds	13,149	12,097
Effective interest on Corporate Bonds	-	74
Other	698	36
Foreign exchange	-105	-
Total interest and similar expenses	**13,742**	**12,207**
Loss on conversion option of Convertible Bonds	2,930	-
Total finance costs	**16,672**	**12,207**

Included in finance cost is a loss on revaluation of the conversion component of the convertible bonds. The conversion option has been classified as finance cost due to IFRS requirements.

4.5 Income tax

The factors affecting income tax expense for the period are listed below:

	2016	2015
	€ k	€ k
Income before income taxes	-38,461	-8,799
Tax rate	28.00%	28.00%
Expected tax (expense)/ benefit	**-10,769**	**-2,464**
Permanent differences	11,358	2,464
Unrecognized tax losses and interest carry forwards	-	789
Decrease in deferred tax not recognised	-589	-
Income taxes	**-**	**789**
Effective tax rate	0%	-9%

The enacted tax rate is 28%. The German office was closed during the 2015 financial year. An exit tax filing has been finalised and there were no taxable activities during the financial year in Germany. The company has been registered in South Africa for taxation purposes and complies with all South African taxation requirements.

Total taxation benefit/ (expense) can be broken down as follows:

	31 Dec 2016	31 Dec 2015
	€ k	**€ k**
Deferred taxes	-	-789
Income taxes	**-**	**-789**

A deferred tax asset has not been recognised in respect of a portion of the accumulated tax losses of ZAR 18 964 279 (EUR 1 319 000) because it is not probable that future taxable profit will be available against which the Group and Company can use the benefits there from.

5 Other disclosures

5.1 Capital management

For a further analysis and discussion on capital management, refer to note “10.1 Capital management” in the consolidated financial statements.

5.2 Financial risk management

For a further analysis and discussion on financial risk management, refer to note “10.3 Financial risk management” in the consolidated financial statements.

5.3 Relationships with related parties

Related parties are defined as those persons and companies that control the Company or that are controlled or subject to significant influence by the Company. Key Management personnel of the Company as well as their close family members are also related parties.

Transactions with subsidiaries and associates

During the year, the Company entered into various loan agreements with Vunene Mining for mine development purposes on an equivalent basis to third party agreements. As at year end, €nil (2015: €20 144 000), including accrued interest of € nil (2015: €2 117 000), is outstanding. Interest amounting to € 2 336 000 was incurred on the Vunene Mining loan in the year. Furthermore, the Company performed certain group functions, which have been reimbursed by Vunene Mining via a Management fee of €281 000 (2015: €314 000). The Company also performed group functions to Universal Coal Plc and received directors fees amounting to €108 000 (2015: €108 000).

The company further made loan to Penumbra Coal Mining, which was used to finance the cost of Care and maintenance. The loan amount as at year end amounted to €6 051 000. The balance is inclusive of €3 500 000 which was used to finance the acquisition.

Mbuyelo Coal made a loan to the company during the year amounting to €166 000 including accrued interest. Interest was charged at market rates on the loan. Mbuyelo Coal paid divided to the amount of €833 000 during the year.

Transactions with shareholders

The outstanding interest on the loan from Sapinda amounted to €14 767 000 (2015: €6 782 000) as at 31 December 2016. Interest of €640 000 was incurred on the loan during the reporting period.

Transactions with key Management personnel

Key Management personnel comprise the directors of the Company. During the year, the Company issued equity-settled share instruments to certain qualifying employees. Please refer to note "3.11 Equity" and "10.4 Relationships with related parties" of this document for further details.

5.4 Other financial commitments

The maturity of other financial obligations resulting from rental and lease agreements are shown below:

	31 Dec 2016 EUR k	31 Dec 2015 EUR k
Due within one year	169	169
Due in one to five years	169	382
Due in more than five years	-	-
Total	**338**	**551**

The Company is currently not involved as a defendant in any litigation. The Company has no contingent lialbilites.

5.5 Events after the reporting date

At a meeting of IchorCoal bondholders on 20 June 2017, bondholders consented to an amendment of certain terms and conditions of the convertible bonds due in June 2017 resulting in the maturity of the bonds being extended by 2 years. Moreover, the fixed interest payable on the bonds was reduced from 8% per annum to 5% and the conversion price reduced from €4.50 to €0.70.

IchorCoal has concluded an agreement with Sapinda Holding B.V. to convert all outstanding shareholder loans into equity. The outstanding shareholder loan as at end May 2017 was €10 861 400. As at date of report the full loan with Sapinda Holdings B.V. has been converted to equity.

Universal Coal Plc has successfully petitioned the High Court of Justice of England and Wales, granting orders for approving, reduction of capital in accordance with the Companies Act 2006 of the United Kingdom. This cleared the way for Universal Coal to commence dividend payments.

During September 2017 dilution of shareholding pursuant to a converting note agreement with Susquehanna Pacific (Pty) Ltd resulted in the reduction of the effective shareholding in Universal Coal Plc from 29.99% to 29.03%. The remainder of the converting notes with Susquehanna Pacific will be settled in cash.

IchorCoal Group received a conditional offer for its 74% interest in Vunene Mining (Pty) Ltd and Penumbra Coal Mining (Pty) Ltd. After evaluation, the Management Board accepted it. The sale of Vunene was completed on 30 October 2018 with a settlement of €9m. The Penumbra transaction is expected to close during the first quarter of 2019 at the latest. However there is no guarantee that in the case of the latter, this will lead to the conclusion of a successful transaction. Discussions to settle the way forward for the Group’s stake in Mbuyelo Coal are advancing. It is anticipated that this matter will also come to a conclusion during the first quarter of 2019.

Having passed a modest maiden dividend in the 2016 financial year, Mbuyelo Coal substantially increased its dividend in 2017 and 2018. The Board of the company is deliberating an appropriate policy stance on this issue and will agree a dividend policy in the near future. The Board of Universal Coal approved a formal dividend policy during 2017 after which it declared its maiden dividend.

On 22 October 2018 the Board of Universal Coal received a fully financed, binding offer to acquire 100% of the issued shares in the company. The Board issued a market announcement on 26 October advising investors that the Board would proceed to conduct a fair and reasonable assessment of the offer and thereafter make a recommendation to shareholders. IchorCoal owns a 29% stake in Universal Coal. Should this transaction conclude successfully, IchorCoal would realise proceeds of €33m.

Application to liquidate Vunene Mining was submitted by Liviero Mining on 14 April 2017. Subsequently Ichor Coal N.V. reached agreement with Liviero Mining after which the matter was withdrawn from the roll.

Supplier VB Minerals (Pty) Ltd took legal action against Vunene Mining (Pty) Ltd regarding services rendered for alleged breach of contract. The matter is due to go to trial as counter parties to the matter have been amended from 2016. The maximum financial exposure of the Group is approximately €348 000. Based on the opinion of the Group’s legal representatives about VB Mineral’s likelihood of success, no provision has been made in this regard. There were no further subsequent events.

Johannesburg, 12 November 2018

Nonkululeko Nyembezi	Andries Engelbrecht
Chief Executive Officer	Chief Operating Officer

Other information

Appropriation of result

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been recovered, other reserves and unappropriated results are at the disposal of the shareholder in accordance with the Company's articles of association. Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the shareholder's equity exceeds the amount of the issued capital and the legal and/ or statutory reserves.

The Management proposes to the Supervisory Board to deduct the loss for the year from retained earnings. This proposal has been reflected in the stand-alone financial statements and consolidated financial statements.

Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of Ichor Coal N.V.

Report on the audit of the financial statements 2016 included in the Statutory Annual Report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Ichor Coal N.V. (hereinafter 'Company') as at 31 December 2016 and of its result and its cash flows for the year 2016 then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2016 of Ichor Coal N.V. based in Amsterdam, the Netherlands. The financial statements include the consolidated financial statements and the standalone financial statements.

The financial statements comprise:

1 the consolidated and stand-alone statement of financial position as at 31 December 2016;

2 the following consolidated and stand-alone statements for 2016: the statements of comprehensive income, changes in equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Ichor Coal N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Material uncertainty related to going concern

We draw attention to the going concern paragraph on page 15 in section 2 of the financial statements which indicates the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the going concern assessment as prepared by management we:

- obtained an understanding of the financial position of the Company;
- performed inquiry and attended meetings with the Board of Management and Supervisory Board in relation to the going concern assumption;
- evaluated management's plans for future actions in relation to its going concern assessment of the Company, whether the outcome of these plans is likely to improve the situation and whether management's plans for ensuring going concern of activities are feasible;
- inspected and analysed the Company's cash flow forecast which includes management's plans for future action:
    - evaluated the reliability of the underlying data generated to prepare the forecast with several underlying documents;
    - determined whether there is adequate support for the assumptions underlying the forecast; and
    - assessed whether any subsequent information has become available since the date on which management made its assessment.
- assessed the impact of the letter of financial support management obtained from its shareholder Sapinda Holding B.V. on the going concern assumption;
- consulted with our department of professional practice;
- evaluated whether the use of the going concern assumption is appropriately disclosed in the financial statements, and;
- reported the going concern issue to those charged with governance and requested a confirmation in writing relating to management future plans to ensure going concern
- assessed the impact of the material uncertainty on our auditors report.

Audit approach

Summary

MATERIALITY	
Financial statements as a whole:	Financial statements stand-alone:
- Materiality of EUR 1.3 million	- Materiality of EUR 1 million
- 1% of total assets of EUR 134 million	- 1% of total assets of EUR 103 million

GROUP AUDIT
- 99% of total assets
- 100% of revenue

KEY AUDIT MATTERS
- Estimation of environmental rehabilitation of the mining sites provisions
- Fair value of the conversion option within the convertible bonds
- The recoverable amounts of the mining rights and assets
- The estimation of coal reserves
- Error Accounting

UNQUALIFIED OPINION
- material uncertainty related to going concern

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 1.3 million. The materiality is determined with reference to the relevant benchmark of total assets (1%). We consider total assets as the most appropriate benchmark, because Ichor Coal is an international mining Group focusing on thermal coal production in South Africa. Therefore, we consider total assets the primary focus for the users of the financial statements. The Company owns and operates its coal resources and sells the output coal both locally and in international markets. Therefore, on the basis of our knowledge of the entity and based upon our inquires with Management, we concluded that the entity's financial statements are mainly focused on total assets. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board of Ichor Coal N.V. that misstatements in excess of EUR 60 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Ichor Coal N.V. is the head of a group of components. The financial information of this group is included in the consolidated financial statements of Ichor Coal N.V.

Our group audit is mainly focused on significant components. Significant components are components, which either are individually financially significant from a group perspective and/or components comprising a significant risk. The components considered as significant are all located in South Africa.

The Group operates through a number of legal entities and these form reporting components that are primarily country based. To provide sufficient coverage over the Group's financial information, including the identified significant risk of material misstatements, we performed for all significant components a full scope audit of the reporting package and specified audit procedures on one non-significant component.

We instructed component auditors in such way that all significant areas are covered, including the key audit matters as detailed further in the section 'Key audit matters' and the information to be reported back. We instructed the component auditors to use a component materiality of EUR 578 thousand in their local audits, reflecting the mix of size and risk profile of the Group across the components. The work on the components was performed by component auditors, that were not all part of the KPMG Network and the audit of the parent Company was performed within the KPMG network.

We have assessed the working papers of the following entities during a site visit as part of our audit:

- Vunene Mining, which is audited by SizweNtsalubaGobodo Inc;
- Penumbra Coal Mining and Mbuyelo Coal, both entities are audited by KPMG SA;
- Universal Coal Plc., which is audited by BDO LLP

Telephone and/or (online) meetings were also held with these component auditors. The findings reported to us as the Group team were discussed in detail with component auditors and any additional audit procedures required by the group audit team were followed up by the component auditors.

For the remaining components and account balances, none of which individually represented more than 1% of any of the Group's assets, we performed analytical reviews on the remaining population to substantiate our assessment that there are no risks of material misstatement.

By performing the procedures mentioned above at group components, together with the additional audit procedures performed at group level mainly relating to covering 99% of total assets and 100% of revenues, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the 'Material uncertainty related to the going concern' section we have determined the matters described below to be the key audit matters to be communicated in our report.

Estimation of environmental rehabilitation (ER) of the mining sites provisions

Description

ER of the mining sites provisions are highly judgmental, as they are calculated using cost models based on assumptions that are impacted by the costs associated to the legal and constructive obligations for restoration of the environment, the estimated lives of the operation and other factors.

ER provisions are also affected by the changes of the underlying information used in the cost model for the estimation of the provision, such as 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 over time.

Our response

In auditing the ER provisions we:

- obtained an understanding of the process in place and evaluated the design and implementation of controls regarding the process of measurement of the provisions;
- identified the cost assumptions that have the most significant impact on the provisions and tested the appropriateness of these assumptions using third party evidence, mainly including cost of machinery and diesel rates;
- performed a review to ensure that all key movements were understood, corroborated and recorded correctly;
- engaged our sustainability specialist to perform procedures over the accuracy, completeness and obligation assertions relating to the material legal and/or constructive obligations for restoration of the environment, the estimated lives of the operation and other factors as accounted for in accordance with IAS37. In addition, information about geological and technical data on the size, depth, shape and grade of the coal body and suitable production techniques and recovery rates over time were assessed by the sustainability specialist.
- engaged our sustainability specialist to evaluate the reasonableness of the discount rate and valuation model applied to the provisions;
- evaluate the reasonableness of the cash flow projections applied in the valuation model based on agreements and the quantity model;
- verified the completeness of the cost estimate data by comparing it with work performed on coal reserves and testing of PP&E;
- assessed whether ER movements should be recorded in the income statement or capitalised by understanding the reason for the change and by comparing the movement with the carrying amount of the related mining asset; and
- assessed the adequacy of the disclosures made by the Company in this area and assessed the Company's compliance with EU-IFRS accounting policies.

Our observation

We found that Management's assessment of the estimated environmental provision resulted in a balanced outcome and that the risk is adequately disclosed in note 6.11 of the financial statements.

Fair value of the conversion option within the convertible bonds

Description

Within the convertible bond the conversion option is considered as an embedded derivative.

The bond liability is classified as a liability and accounted for at amortised cost. The conversion option is classified as a financial instrument and accounted for at fair value.

The fair value of the bonds for the initial recognition, as well as for the subsequent measurement is estimated using on a binomial options pricing model.

The estimation requires significant judgement in applying the assumptions within the binominal option pricing model. Additionally, this was a focus area of our audit due to the complex accounting treatment and thereto related risk of material misstatement.

Our response

In auditing the fair value of the conversion option within the convertible bond we:

- obtained an understanding of the process in place and evaluated the design and implementation of controls regarding the recognition and measurement of the conversion option;
- engaged our valuation specialist to evaluate the reasonableness of the fair value of the embedded derivative ("option") component within the convertible bond contract. The main assumptions evaluated within the fair value calculation are the risk free rate, the dividend yield and volatility of the share price. Also the appropriateness of the valuation model used was part of the scope of the specialist.
- assessed the reasonableness of Company's assumptions by developing our own expectations based on our knowledge of the client and industry;
- inspected the legal documentation and compared to external data sources, and
- assessed the adequacy of the disclosures made by the Company in this area and assessed the Company's compliance with EU-IFRS accounting policies.

Our observation

We found that Management's assessment of the fair value of the conversion option within the convertible bonds resulted in a balanced outcome and that the risk is adequately disclosed in note 6.12 of the financial statements.

Recoverable amounts of the mining rights and assets

Description

The mining rights and assets are depreciated using a unit of production method based on the estimated economical recoverable reserves to which they relate.

The Company assesses each asset at each reporting period whether any indication of impairment exists. In case of an impairment trigger the Company's assessment requires the use of a model and assumptions to determine whether the recoverable amount is less than the carrying amount. The relevant assumptions in determining the recoverable amount of an asset are: commodity prices, discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, lifetime, reserves and resources and operating performance. A change in these assumptions could have a significant impact on the recoverable amounts of the Company's mining rights and assets.

Our response

In auditing the recoverable amounts of the mining rights and assets we:

- obtained an understanding of the process in place and evaluated the design and implementation of controls regarding the mining rights and assets;
- tested for indicators of impairment and validated the appropriateness of the level at which the impairment testing is performed;
- engaged our valuation specialist to evaluate the reasonableness of the discount rates and valuation model applied to the mining assets and rights;
- assessed the cash flow inputs where impairment tests were undertaken by:
    - assessing whether the net profit included in the cash flow forecast are appropriate, by comparing the actual net profit to the average net profit percentage of the prior 3 years forecasts and actuals (including comparison between actuals and forecast);
    - confirming that operating expenditure profiles and capital costs are supported by approved budgets;
    - reconciling coal reserve volumes to the assumptions used in the impairment models (like discount rate, exploration potential) and confirmed that the lifetime assumptions were consistent with those applied in the environmental rehabilitation provision models; and
    - performing sensitivity analyses on certain key variables in the cash flow models to understand the impact of changes in certain assumptions (including coal prices, production and operating expenditure levels and resources and operating performance).
- assessed the adequacy of the disclosures made by the Company in this area and assessed the Company's compliance with EU-IFRS accounting policies.

Our observation

We found that Management's assessment of the recoverable amounts of the mining rights and assets resulted in a balanced outcome and that the risk is adequately disclosed in note 6.1 of the financial statements.

KPMG

The estimation of coal reserves, including the calculation of depreciation, depletion and amortisation

Description

The estimation and measurement of coal reserves impacts a number of material elements of the financial statements including depletion, depreciation and amortisation. There is technical uncertainty in assessing reserve quantities that determines the Company's reserves.

Proved reserves estimates, calculated pursuant to "South African Code for the reporting of exploration results, mineral resources" (SAMREC Code), can fluctuate over the years as they depend on geological and technical data on the size, depth, shape and grade of the coal body and suitable production techniques and recovery rates.

Our response

In auditing the estimation of coal reserves, including reserves used in the calculation of depletion, depreciation and amortisation, we:

- obtained an understanding of the process in place and evaluated the design and implementation of controls regarding the Company's coal reserves estimation process;
- vouched specific items for the significant additions and 100% for the reduction in the coal reserves by reconciling the movements with underlying source documentation (e.g. bill of lading) for quantity and quality of the coal delivered;
- obtained the externally certified coal reserve report regarding the Company's technical and commercial coal reserves as prepared by the Company's external coal reserve estimation expert;
- evaluate the reasonableness of the external certification coal reserve report by assessing the independence and competence of the expert, assessing the methods used, and reconciling the coal reserve amounts included in the report; and
- assessed the adequacy of the disclosures made by the Company in this area and assessed the Company's compliance with EU-IFRS accounting policies.

Our observation

We found that Management's assessment of the estimation of coal reserves, including the calculation of depreciation, depletion and amortisation resulted in a balanced outcome and that the risk is adequately disclosed in note 4.1, 4.3 of the financial statements.

KPMG

Error Accounting

Description

While preparing the 2016 financial statements management identified an error in the 2015 year-end balances of the Ichor Coal Group financial statements. The error relates to the acquisition accounting of the Penumbra Coal Mining (Pty) Ltd acquisition completed in December 2015. The acquisition was accounted for in accordance with IFRS 3 – Business Combinations. In the PPA, management incorrectly recognized liabilities, which should not have been recognised. We note that there has been no change in the relevant laws and regulations, nor in the accounting treatment applied in prior years. The net effect of the error is an increase of the results for the year ended 31 December 2015 of approximately EUR 20.8 million (ZAR 279 million).

Our response

In auditing the error of accounting we:

- inquired and attended meetings with the Board of Management and Supervisory Board about the nature of the accounting error;
- obtained management's assessment of the accounting treatment in relation to the error accounting;
- inspected and analysed the underlying reports and documents in relation to the acquisition of the Penumbra Coal Mining (Pty) Ltd;
- reviewed the audit files of the predecessor auditor in relation to the accounting for the acquisition of the Penumbra Coal Mining (Pty) Ltd;
- inspected and analysed the accounting treatment in relation to the error accounting based in IAS 8 and assessed the reasonableness;
- analysed whether the error is considered a material error which would trigger a restatement of prior year comparative information;
- consultation with our department of professional practice;
- evaluated whether the error accounting is appropriate in the presentation of the financial statements and the relevant disclosures; and
- informed the predecessor auditor on the identified matter.

Our observation

We concur with management´s assessment and the correction and presentation of the material error (in accordance with IAS 8) in the 2015 comparative financial information, which is included in note 10.7 of the financial statements for the year 2016.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

— Report of the Supervisory Board;

— Report of the Management Board;

— the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements;

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Management is responsible for the preparation of the other information, including the Management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of Ichor Coal N.V. on 23 May 2017, for the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Management and Supervisory Board for the financial statements

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting unless the Board of Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in appendix A of this auditor's report. This description forms part of our auditor's report.

Amstelveen, 12 November 2018

KPMG Accountants N.V.

L.M.A. van Opzeeland RA

Appendix: Description of our responsibilities for the audit of the financial statements

KPMG

Appendix A

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ichor Coal N.V.'s internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management;
- concluding on the appropriateness of the Board of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ichor Coal N.V.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group components. Decisive were the size and/or the risk profile of the group components or operations. On this basis, we selected group components for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

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

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.