ICHOR COAL N.V. GROUP (53748662)

Consolidated Financial Statements

31 December 2017

Table of Contents | **Page**

Report of the Supervisory Board

Dear Shareholders,

2017 marked a turning point in the evolution of Ichor Coal N.V. The opencast mine at Vunene came to the end of operations having depleted all surface mineable resources. As previously reported, raising the capital for the further development of the underground mine proved unsuccessful, therefore the logical result was to dispose of the asset. A purchase agreement was concluded with a South African Company in the early part of August 2017. The same purchaser also made an offer to acquire the neighbouring Penumbra Coal mine in September. The Vunene transaction closed successfully in November 2018 with a cash settlement of €9.3m, whilst Penumbra remains ongoing.

The two affiliate companies performed exceptionally well. Mbuyelo Coal – in which IchorCoal holds a 45% equity stake – reached steady state production at Manungu Colliery. In addition, the Company concluded the purchase of the 50% of Welgemeend mine it did not previously own, becoming the sole shareholder in that mine. By the end of the financial year, Mbuyelo therefore operated three mining operations, namely: Manungu, Welgemeend and Vlakvlakfontein. Pleasingly, the Company declared its maiden dividend during the year and has been paying regular dividends ever since.

Universal Coal turned out a pleasing performance for the year, ramping up operations at recently acquired New Clydesdale to full production. With NCC's exposure to both domestic and export coal markets, the mine benefited from the recovery in international thermal coal prices, which persisted throughout 2017. Universal also declared a maiden dividend in 2017. In May 2019 IchorCoal disposed of its entire holding of 151,660,000 shares in Universal Coal plc at a price of A$31.5c per share through a private placement to a number of institutional investors undertaken by the Company's broker in Australia, which is higher than its carrying value.

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 of 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

KPMG Accountants N.V was reappointed as the auditors by the shareholders at the last annual general meeting. KPMG has audited the 2017 annual financial statements and management report prepared by the Management Board of IchorCoal as at 31 December 2017 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 meeting held on 23 July 2019. 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 2017.

Changes in the Supervisory 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 2017, 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 considering all relevant selection criteria, including, but not limited to, gender balance and executive experience.

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

The focus of the group is now firmly on the redemption of the outstanding convertible bonds in the middle of 2019. The Management Board – with the support of the Supervisory Board – is well advanced in the execution of its plans to realise sufficient cash to meet this obligation when it falls due.

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, 2 September 2019

For the Supervisory Board

Tarek Malak

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 public 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.

With opencast mining operations essentially coming to an end at Vunene in the early part of the year, the primary focus shifted from capital raising efforts to an attempt to source a buyer for the asset who would be in a position to deploy the necessary capital to develop the underground mine. This culminated in the conclusion of a sale of shares and claims agreement on 6 August 2017 whereby the purchaser – Into Africa Mining – would acquire our entire shareholding in Vunene Mining for a purchase consideration of R150m or €9.3m at the then ruling exchange rate. Given the proximity of Penumbra Coal Mining, the purchaser subsequently made an offer to also acquire the Penumbra mine for a purchase consideration of R55m. The sale agreement in respect of the latter was signed on 27 September 2017.

Accordingly, the 2017 accounts reflect a steep decline in production volume from 1.45m tonnes in prior year to 465,000 tonnes representing the remaining mineable resource in the surface pits. This effect carries throughout the income statement with corresponding drops in operating costs and profit.

The operating environment was generally supportive of coal producers from both demand and price perspectives. Both associate companies in which we hold significant minority positions were able to profit from this. Mbuyelo Coal – in which we hold a 45% stake – reached steady state at the Manungu Colliery which supplies the electricity utility in accordance with a long-term coal supply agreement. Whilst that implies that the mine has no exposure to export prices, it does guarantee security of supply. Similarly, Vlakvarkfontein is also an Eskom supplier whereas Welgemeend produces a range of coal qualities which affords the mine exposure not only to Eskom, but also domestic non-Eskom and export markets. Accordingly, Mbuyelo Coal performed exceptionally well and declared its maiden dividend during the reporting period.

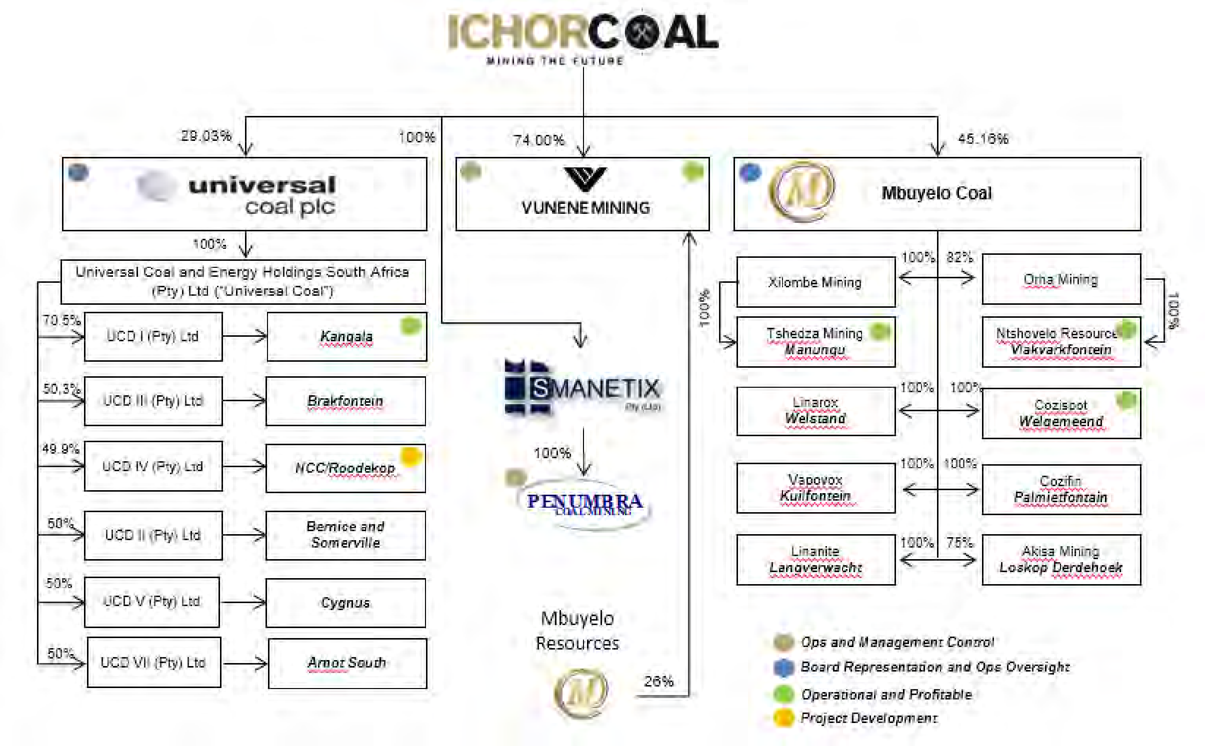
IchorCoal owns 29% of the total issued share capital in Universal Coal. Having acquired New Clydesdale the previous year, Universal ramped up production to nameplate capacity during the financial year and therefore received a major boost from favourable export market conditions. Kangala also performed well and fulfilled its obligations towards Eskom in full. Universal declared its maiden dividend in 2017.

With the imminent redemption date for the convertible bonds coming up in June 2019, the Management Board actively engaged in a series of transactions with the ultimate aim of realising sufficient cash to meet this obligation. At the time of writing, progress on these transactions is at varying stages as outlined below:

- Sale of Vunene Mining to Into Africa Mining was completed in November 2018 with proceeds of €9.3m, exceeding its carrying value in the consolidated financial statements;
- Sale of Penumbra Coal Mining to Into Africa Mining is well advanced with an expected closing date of end March 2020 and proceeds of €3.5m, exceeding its carrying value in the consolidated financial statements;
- Sale of Universal Coal to a number of institutional investors through a private placement was completed in May 2019 with proceeds of €29m, exceeding its carrying value in the consolidated financial statements;
- Formal negotiations are progressing with a potential acquirer to sell our stake in Mbuyelo Coal, for an expected amount exceeding its carrying value in the consolidated financial statements.

Due to the reason mentioned above, as at 31 December 2017 Vunene was presented as an asset ´held for sale´ and its recoverable amount was considered its sale price collected in October 2018.

As at year-end 2017, Ichor Coal N.V. held an interest in the following entities:


ICHORCOAL
MINING THE FUTURE
29.03%
100%
74.00%
45.16%
universal coal plc
VUNENE MINING
Mbuyelo Coal
100%
Universal Coal and Energy Holdings South Africa (Pty) Ltd ("Universal Coal")
70.5%
UCD I (Pty) Ltd
Kangala
50.3%
UCD III (Pty) Ltd
Brakfontein
49.9%
UCD IV (Pty) Ltd
NCC/Roodekop
50%
UCD II (Pty) Ltd
Bernice and Somerville
50%
UCD V (Pty) Ltd
Cygnus
50%
UCD VII (Pty) Ltd
Arnot South
SMANETIX
100%
PENUMBRA
Mbuyelo Resources
26%
100%
Xilombe Mining
100%
82%
Orha Mining
100%
Tshedza Mining
Manungu
Ntshovelo Resource
Vlakvarkfontein
Linarox
Welstand
100%
100%
Cozispot
Welgemeend
Vapovox
Kuilfontein
100%
100%
Cozifin
Palmietfontain
Linanite
Langverwacht
100%
75%
Akisa Mining
Loskop Derdehoek
Ops and Management Control
Board Representation and Ops Oversight
Operational and Profitable
Project Development

Financial review

Analysis of consolidated statement of comprehensive income

Revenues

Reported revenues for IchorCoal Group reached €16 224 000 in the year ended 31 December 2017 (2016: €39 089 000). Revenue achieved in the 2017 financial year reduced in line with lower sales volumes of 465 000 tonnes compared to 1 456 000 tonnes in 2016, since opencast mining operations essentially came to an end at Vunene in the early part of the year. This was marginally offset by price increases on the coal supply agreement with the energy utility.

Cost of sales

Purchased goods and services amounted to €14 036 000 (2016: €32 872 000). The decrease in cost of sales relates largely to a reduction in mining costs due to the 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 companies recorded substantial increases compared to prior year, with the Group realising income of €12 855 000 (2016: €2 613 000). The major variance relating to income from investments can be attributed to the improved performance of both Universal and Mbuyelo Coal, which reported profits for the year under review.

Other income

Other income amounting to €45 128 000 (2016: €13 788 000) consists mainly of management and directors' fees received at IchorCoal Group level and foreign exchange gains during the reporting period due to the strengthening of the rand against the euro. The reported foreign exchange loss amounted to €3 089 000 versus €12 790 000 gain in the prior year. At year end Vunene is classified as held for sale. In this process a reversal of impairment of €44 million was realised.

Other operating expenses

Operating expenses decreased from €74 432 000 to €10 850 000 largely resulting from depreciation and impairment charges amounting to €71 448 000 charged in 2016. This related to higher depreciation of equipment and mineral assets at Vunene Mining and an impairment loss of €50 556 000 recognised on the assets of Vunene Mining and Penumbra Coal Mining at year end 2016. The primary reason for the increase in the depreciation charge in 2016 was the higher mine closure cost provisions that were capitalised on mining assets. During the 2017 financial year, there was no impairment recognised for Vunene Mining and Penumbra Coal Mining. Vunene Mining has been presented and classified as held for sale, and the resulting measurement lead to a reversal of impairment accounted for in 'Other Income'.

General and administrative expenses

General and administrative expenses increased from €2 616 000 to €3 807 000 as a result of increased activity at Penumbra Coal Mining.

Financial result

Finance income increased from €151 000 to €8 492 000 in the current year compared to 2016 as a result of a fair value gain realised on the conversion option of the convertible bonds. This was due to the significant modification of the convertible bond conditions, including the extension of the maturity from June 2017 to June 2019. Finance costs decreased from €16 543 000 to €11 507 000 due to the interest on the convertible bonds being adjusted from 8% to 5%, contributing to the significant decrease in the finance cost reported in the current year.

Income taxes

Income tax expense for the period of €1 935 000 (2016: benefit of €4 974 000) arose from deferred tax liabilities being offset against unrecognised taxable losses.

Result for the year

The Group reported a profit after tax of €40 563 000 for the year ended 31 December 2017 (2016: €66 066 000 loss).

<u>Analysis of consolidated statement of financial position</u>

Intangible assets

The customer relationship which had been recognised in the course of the acquisition of Vunene Mining was further depreciated and impaired to a nil book value at 2016 year end. The mining right recognised with the acquisition of Penumbra Coal Mining was depreciated to a book value of €4 708 000 for the period under review.

Property, plant and equipment

Property, plant and equipment decreased by €23 023 000 compared to the prior year, mainly due to the deconsolidation of Vunene Mining assets and classification as held for sale.

Assets held for sale

Vunene Mining was classified as held for sale in 2017. The assets held for sale were measured at the offer value, resulting in an impairment reversal for the year.

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 2017 increased by €4 635 000. The variance between the fiscal year 2017 and 2016 can be analysed as follows:

	31 Dec 2017	31 Dec 2016	Change
	€ k	€ k	€ k
Inventories	-	1,934	-1,934
Trade and other receivables	1,340	3,205	-1,865
Other current financial assets	875	2,785	-1,910
Other assets	55	42	13
Other current financial liabilities	-	-60	60
Trade and other payables	-1,358	-11,541	10,183
Other non-financial liabilities	-581	-668	87
	331	-4,303	4,634

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 since Dec 2016. During 2017 the inventories were classified as assets held for sale. Stock levels at Penumbra Coal Mining were nil.

- Trade receivables in Vunene Mining were transferred to assets held for sale. Trade receivables in Penumbra Coal Mining decreased slightly compared to prior year.

- Decreases to current financial assets relate to mine rehabilitation investment products for Vunene Mining that have been transferred to assets held for sale;

- Trade payables decreased substantially in both Vunene Mining and Penumbra Coal Mining, together with a transfer to liabilities held for sale.

Shareholder equity

Ichor Coal N.V. issued shares during the year resulting in a €2 726 000 increase in share capital. As at year end, the issued and paid-up share capital therefore amounted to €9 518 000 (2016: €6 792 000), and the share premium amounted to €96 203 000 (2016: €87 562 000). 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 2017 amounted to a positive equity of €56 448 000 (2016: €698 000).

The stand-alone financial statements as at 31 December 2017 report a positive net equity of €2 948 000 (2016: €9 682 000) and a loss after tax for the financial year of €18 416 000 (2016: loss of €38 461 000).

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 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 generally experienced favourable market conditions both locally and internationally during the reporting period. In particular, international thermal coal prices remained high, leading to increased revenues from export markets. That said, mining is a highly cyclical industry and therefore the risk of a downturn is ever present and continually monitored. The Company has noted this risk and has put measures in place to manage and mitigate such risk to the extent possible. Please refer to 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 and level of risk versus rewards. In each and every case the Supervisory Board has the 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	Low

Interest rate risk	The risk that interest rates on long term borrowings can be high and unaffordable	Management reviews interest rates 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 be 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. Due to the nature of its business, it does not expect to conduct any research and development activities in 2018.

Going concern

The 2017 financial statements have been prepared on a going concern basis. In arriving at this conclusion, a number of factors were considered as outlined below.

Financial considerations

The Group´s balance sheet shows a positive equity of approximately €57.7m and a profit generated during the year of €40.5m.

The main source of income for the Group is mining revenues generated from its subsidiary Vunene Mining 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 aggregate dividend income from both investments of €4.8m and €7.7m respectively. To the extent that there is a shortfall between these sources of income and cash requirements, the Group is dependent on financial support from its shareholder.

In the next twelve months there will be significant cash outflow that will result in the group experiencing a cash shortage; the main reasons are mentioned 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 June 2017 resulting in the maturity of the bonds being extended by 2 years till June 2019. 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.

In June 2019, IchorCoal has concluded an irrevocable undertaking with Tennor Holding B.V. (formerly Sapinda Holding B.V.) through which the latter has agreed to convert its bondholding amounting to €34.5m into equity at a conversion price of €0.10 during the course of the third quarter of 2019. That left the remaining convertible bonds with third parties to a value of €43.1m, which was redeemed in cash on 29 July 2019. Tennor has furnished a subordinated shareholder loan up to a maximum of €5 million to cover any shortfall in the Company's available cash resources for this purpose. Moreover, an agreement was reached in April 2017 to convert the €10.8m outstanding balance on the shareholder loan as at 31 May 2017 into equity.

Management expects that the majority shareholder will continue to provide financial support as they have done up to now. The outstanding shareholder loan has a six month term and is expected to be repaid in December 2019 upon the conclusion of the disposal of IchorCoal's shares in Mbuyelo Coal. Management believes that the shareholder is willing to extend this loan to a later date, if required, which has not been formalised yet.

Sale of Vunene and Penumbra

Management accepted an offer to sell IchorCoal's entire 74% interest in Vunene Mining and Penumbra Coal Mining at a purchase consideration of €9.3m and €3.5m respectively. In the case of Vunene, all conditions precedent have been met and settlement effected in November 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 that the transaction will close by the first quarter of 2020.

Sale of Universal Coal

On 3 May 2019, IchorCoal announced the disposal of its entire 29% equity stake in Universal Coal plc through a private placement to a number of institutional investors for a purchase consideration of A$0.315 per share. The proceeds after transaction costs amounting to A$47m – equivalent to approximately €29m at the prevailing exchange rate – were received on the 6th of May 2019.

Sale of Mbuyelo Coal

IchorCoal owns a 45% share in Mbuyelo Coal. Mbuyelo Group – the majority owner of the Company - has expressed an interest in acquiring a 10% stake and furnished a non-binding offer to that effect. Negotiations to agree terms are ongoing and expected to conclude during the course of 2019. It needs to be noted however that at the time of writing, no evidence has been furnished of the potential acquirer's ability to fund the purchase price, which would be approximately €19m depending on the conclusion of final terms.

Shareholder support

Given timing considerations, IchorCoal's majority shareholder has confirmed its willingness to advance a shareholder loan to cover the shortfall in the Company's available cash resources for the completion of the redemption of the bonds. A loan agreement to give effect to this arrangement was concluded on 22 June 2019.

Business performance

The business plan forecast assumes a continuation of current favourable market conditions with ongoing supply of coal to Eskom by the investee Company. The plan is constructed against a backdrop of continued reliance on coal by the electricity utility. In addition, the associate Company has operating entities that are producing coal and are generating positive cash flow from operations. The mines with exposure to export markets have performed exceptionally well in the reporting period. Provided current export pricing levels persist, it can be expected that financial performance in 2019 will be correspondingly strong.

The 2019-20 business plan for Mbuyelo Coal foresees a total dividend payout of €14m for the year. In March 2019, Mbuyelo declared a total dividend of €4.7m of which IchorCoal's share was €2.1m. Universal Coal on the other hand declared a dividend of A$2c a share in April payable in May 2019; the payout to IchorCoal was €1.8m.

Cash flow and liquidity

IchorCoal's 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 Vunene but remain responsible for those at Penumbra until that transaction is concluded. However, in accordance with the terms of the share and claims purchase agreement concluded with the purchaser of Penumbra, Into Africa Mining has taken full responsibility for the risks and benefits accruing from the operation with effect from the date on which Competition Commission was granted on 22 November 2017. Furthermore, the Group will continue to receive dividends from the associate company until its disposal is successfully completed.

Management conclusion regarding the Going Concern assumption

The going concern of the Company depends on the successful sale of the Mbuyelo shares, the conversion of the shareholder bonds into equity during the third quarter of 2019, the level of dividends to be received from the Mbuyelo investment until the disposal of the shares and on the continuing support from IchorCoal's majority shareholder - Tennor Holding - via a subordinated shareholder loan. Management therefore is of the opinion that a material uncertainty exists with respect to the going concern assumption of the Company. However, management is very confident that adequate financial resources will be available either via its majority shareholder or via the disposal of the shares in the Mbuyelo investment to continue its operations in the foreseeable future.

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 2017 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 Management Board

Pursuant to Dutch Law it is required that the Management Board contain a minimum of 30% male and 30% female Board members. IchorCoal fulfilled these criteria as the Management Board reflects a 50/50 split between female and male members of the Board for the period under review. The Company believes that as currently constituted, the Management Board has the diversity of experience, expertise and background and appropriate independence and judgment that will allow the Board to fulfil its responsibilities and operate effectively.

Compliance statement

The Management Board hereby declares that to the best of its knowledge, the financial statements for the year ended 31 December 2017 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 2017 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 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 to 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 in accordance with set tariffs set by local government from time to time.

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 government 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 require reporting.

Remuneration of Managing and Supervisory Directors

The remuneration policy is approved by sharehoders and is available in full on the Company´s website at www.ichorcoal.com. For the Management Board, the remuneration elements are:

base salary, short term variable incentive, long term variable incentive, retirement savings and other benefits.

Remuneration of the directors is as per table below:

Name	Board fees €	Sharebased payments €	Short term compensation €	Total €
Andries Engelbrecht	**-**	**33**	**352**	**385**
Nonkululeko Nyembezi	**-**	**109**	**762**	**871**
Paolo Babieri	**26**	**-**	**-**	**26**
Total	**26**	**142**	**1 114**	**1 282**

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

The Code applies to all Board members and employees of IchorCoal and its subsidiaries. The Code represents a set of values recognised, adhered to and promoted by the Group which are based on the principles of integrity, diligence and fairness.

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

The Company closely monitors the effectiveness of and compliance with the Code. Violation of the Code is verified through periodic activities performed by the Management Board. The Code is available on the governance section of the Company´s website.

The internal organisation and staffing level

As at end 2017, IchorCoal at Company level had 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

As at end 2017, IchorCoal at consolidated level had a total of 413 employees

Rosebank, 2 September 2019

Nonkululeko Nyembezi
Chief Executive Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

The accompanying notes form part of these financial statements.

	Note	31 Dec 2017 € k	31 Dec 2016 € k
Assets			
Non-current assets			
Intangible assets	6.1	4,708	4,873
Property, plant and equipment	6.2	9,059	32,082
Investments accounted for using the equity method	6.3	91,888	86,096
Other financial assets		113	110
Deferred tax assets	6.4	210	227
		105,978	**123,388**
Current assets			
Assets held for sale	6.10	71,755	-
Inventories	6.5	-	1,934
Trade and other receivables	6.6	1,340	3,205
Other current financial assets	6.7	875	2,785
Other assets	6.8	55	42
Cash and cash equivalents	6.9	1,318	1,598
		75,343	**9,564**
Total Assets		**181,321**	**132,952**
Equity and liabilities			
Equity			
Share capital	6.11	9,518	6,792
Share premium	6.11	96,203	87,562
Legal reserve participations		19,154	11,183
Share based payment reserves	6.11	1,412	855
Retained earnings	6.11	-86,764	-23,033
Other reserves	6.11	-17,775	-18,930
Result for the year	6.11	34,700	-63,731
Equity attributable to owners of the parent		**56,448**	**698**
Non-controlling interest	6.11	1,287	3,432
Total equity		**57,735**	**4,130**
Non-current liabilities			
Provisions	6.12	3,931	17,003
Interest-bearing loans and borrowings	6.13	76,476	-
Other non-current financial liabilities	6.14	7,875	15,400
Deferred tax liabilities	6.4	5,035	3,156
		93,317	**35,559**
Current liabilities			
Liabilities held for sale	6.10	28,219	-
Current provisions	6.12	112	2,799
Interest-bearing loans and borrowings	6.13	-	78,195
Other current financial liabilities	6.14	-	60
Trade and other payables	6.15	1,358	11,541
Other liabilities	6.16	580	668
		30,269	**93,263**
Total liabilities		**123,586**	**128,822**
Total equity and liabilities		**181,321**	**132,952**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 2017 € k	31 Dec 2016 € k
Revenue	7.1	16,224	39,089
Cost of sales	7.2	-14,036	-32,872
Gross profit		**2,188**	**6,217**
Other income	7.4	45,128	13,788
Selling and distribution expenses		-	-218
Other operating expenses	7.5	-10,850	-74,432
General and administrative expenses	7.6	-3,807	-2,616
Operating profit or loss		**32,659**	**-57,261**
Share of profit from equity accounted investees	7.3	12,855	2,613
Finance income	7.7	8,492	151
Finance costs	7.7	-11,507	-16,543
Profit or loss before income taxes		**42,499**	**-71,040**
Income tax expense	7.8	-1,935	4,974
Profit or loss from continuing operations		**40,564**	**-66,066**
Profit or loss for the year		**40,564**	**-66,066**
Other comprehensive income			
Items that can be reclassified to profit or loss			
Foreign currency translation differences	7.9	1,117	5,842
Other comprehensive income from continuing operations		**1,117**	**5,842**
Other comprehensive income after income taxes		**1,117**	**5,842**
Total comprehensive income		**41,681**	**-60,224**
Profit or loss attributable to:			
Owners of the parent		42,672	-61,118
Non-controlling interest		-2,108	-4,948
		40,564	**-66,066**
Total comprehensive income attributable to:			
Owners of the parent		43,826	-54,625
Non-controlling interest		-2,145	-5,599
		41,681	**-60,224**
Basic earnings/ Diluted earnings per share from continuing operations attributable to owners of parent	7.10	**0.45**	**-0.90**

The accompanying notes form part of these financial statements.

ICHOR COAL N.V. GROUP 53748662

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

		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
1 Jan 2017		**6,792**	**87,562**	**-23,033**	**-63,731**	**-18,930**	**855**	**11,183**	**698**	**3,432**	**4,130**
Appropriation of prior year results	6.11			-63,731	63,731	-			-	-	-
Share Capital increase	6.11	2,726	8,641	-	-	-	-	-	11,367	-	11,367
Transfer to legal reserve participations		-	-	-	-7,972	-	-	7,972	-	-	-
Result for the period	6.11	-	-	-	42,672	-	-	-	42,672	-2,108	40,564
Other comprehensive income - Equity accounted investments		-	-	-	-	130	-	-	130	-	130
Other comprehensive income - FCTR	6.11	-	-	-	-	1,024	-	-	1,024	-37	987
Total comprehensive income		-	-	**-**	**34,700**	**1,154**	**-**	**7,972**	**43,826**	**-2,145**	**41,681**
Share based Payment	6.11	-	-	-	-	-	557	-	557	-	557
		-	-	-	-	-	557	-	557	-	557
31 Dec 2017	6.11	**9,518**	**96,203**	**-86,764**	**34,700**	**-17,776**	**1,412**	**19,155**	**56,448**	**1,287**	**57,735**

The accompanying notes form part of these financial statements.

For changes in non-controlling interest during the financial year 2017, refer also to note 10.4: ‘Relationships with related parties’.

The profit for the year from continuing operations is made up from €42 672 000 less the amount related to the share of profit of the equity accounted investees, €7 972 000, 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 2017

		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	6.11			5,887	-5,887	-	-	-	-	-	-
Transfer to legal reserve participation		-	-	-	-2,613	-	-	2,613	-	-	-
Result for the period	6.11	-	-	-	-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	6.11	-	-	-	-	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	6.11	-	-	-	-	-	237	-	237	-	237
		-	-	-	-	-	237	-	237	-	237
31 Dec 2016	6.11	**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 for 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 CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 2017	31 Dec 2016
	€ k	€ k
Profit or loss for the period	**40,564**	**-66,066**
Reconciliation of profit or loss to the cash flow from operating activities:		
Depreciation, amortization and impairments	-41,129	71,448
Profit or loss from investments in associates	-12,855	-2,613
Dividend income	4,884	-
Sharebased payment expense	557	237
Gain or loss on conversion component of Convertible Bonds	-9,162	2,138
Interest on Convertible and Corporate Bonds	10,951	13,149
Interest paid	-4,970	-6,229
Changes due to foreign currency changes	3,036	-11,867
Other non-cash items	-275	77
Changes in deferred taxes	1,935	-4,982
Changes in inventories	1,694	1,280
Changes in trade and other receivables	2	1,334
Changes in trade and other payables	-7,003	5,199
Changes in provisions	2,048	4,699
Changes due to changes in consolidated entities	-509	-
Other interest on debts and borrowings	664	759
Interest income	-7	-6
Changes in other working capital items	-	21
Cash flow from operating activities	**-9,575**	**8,578**
Proceeds from disposals of intangible assets and property, plant and equipment	7	2,992
Purchases of intangible assets and property, plant and equipment	-2,239	-17,294
Purchases of shares in consolidated subsidiaries, less cash acquired	-	-
Purchases of investments in associates and other non-current financial assets	-638	-784
Cash flow from investing activities	**-2,870**	**-15,086**
Proceeds from interest-bearing loans and borrowings received	12,292	-
Repayments of interest-bearing loans and borrowings received	-	-550
Cash inflow from interest-bearing loans and borrowings given	-	7,445
Cash flow from financing activities	**12,292**	**6,895**
Cash flow-related changes in cash and cash equivalents	**-153**	**386**
Changes in cash and cash equivalents due to exchange rates	-127	-115
Cash and cash equivalents at beginning of period	1,598	1,327
Cash and cash equivalents at end of period	**1,318**	**1,598**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial statements

1 General Information

Corporate information

Ichor Coal N.V. KVK53748662, is a public 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 (non-regulated markets). The head office is located at 30 Jellicoe Avenue, Rosebank, South Africa, 2196.

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

The financial statements were approved by the Supervisory Board for issuance on 23 July 2019.

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 and presented in euro with all values 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

The 2017 financial statements have been prepared on a going concern basis. In arriving at this conclusion, a number of factors were considered as outlined below.

Financial considerations

The Group´s balance sheet shows a positive equity of approximately €57.7m and a profit generated during the year of €40.5m.

The main source of income for the Group is mining revenues generated from its subsidiary Vunene Mining 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 aggregate dividend income from both investments of €4.8m and €7.7m respectively. To the extent that there is a shortfall between these sources of income and cash requirements, the Group is dependent on financial support from its shareholder.

In the next twelve months there will be significant cash outflow that will result in the group experiencing a cash shortage; the main reasons are mentioned 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 June 2017 resulting in the maturity of the bonds being extended by 2 years till June 2019. 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.

In June 2019, IchorCoal has concluded an irrevocable undertaking with Tennor Holding B.V. (formerly Sapinda Holding B.V.) through which the latter has agreed to convert its bondholding amounting to €34.5m into equity at a conversion price of €0.10 during the course of the third quarter of 2019. That left the remaining convertible bonds with third parties to a value of €43.1m, which was redeemed in cash on 29 July 2019. Tennor has furnished a subordinated shareholder loan up to a maximum of €5 million to cover any shortfall in the Company's available cash resources for this purpose. Moreover, an agreement was reached in April 2017 to convert the €10.8m outstanding balance on the shareholder loan as at 31 May 2017 into equity.

Management expects that the majority shareholder will continue to provide financial support as they have done up to now. The outstanding shareholder loan has a six month term and is expected to be repaid in December 2019 upon the conclusion of the disposal of IchorCoal's shares in Mbuyelo Coal. Management believes that the shareholder is willing to extend this loan to a later date, if required, which has not been formalised yet.

Sale of Vunene and Penumbra

Management accepted an offer to sell IchorCoal's entire 74% interest in Vunene Mining and Penumbra Coal Mining at a purchase consideration of €9.3m and €3.5m respectively. In the case of Vunene, all conditions precedent have been met and settlement effected in November 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 that the transaction will close by the first quarter of 2020.

Sale of Universal Coal

On 3 May 2019, IchorCoal announced the disposal of its entire 29% equity stake in Universal Coal plc through a private placement to a number of institutional investors for a purchase consideration of A$0.315 per share. The proceeds after transaction costs amounting to A$47m – equivalent to approximately €29m at the prevailing exchange rate – were received on the 6th of May 2019.

Sale of Mbuyelo Coal

IchorCoal owns a 45% share in Mbuyelo Coal. Mbuyelo Group – the majority owner of the Company - has expressed an interest in acquiring a 10% stake and furnished a non-binding offer to that effect. Negotiations to agree terms are ongoing and expected to conclude during the course of 2019. It needs to be noted however that at the time of writing, no evidence has been furnished of the potential acquirer's ability to fund the purchase price, which would be approximately €19m depending on the conclusion of final terms.

Shareholder support

Given timing considerations, IchorCoal's majority shareholder has confirmed its willingness to advance a shareholder loan to cover the shortfall in the Company's available cash resources for the completion of the redemption of the bonds. A loan agreement to give effect to this arrangement was concluded on 22 June 2019.

Business performance

The business plan forecast assumes a continuation of current favourable market conditions with ongoing supply of coal to Eskom by the investee Company. The plan is constructed against a backdrop of continued reliance on coal by the electricity utility. In addition, the associate Company has operating entities that are producing coal and are generating positive cash flow from operations. The mines with exposure to export markets have performed exceptionally well in the reporting period. Provided current export pricing levels persist, it can be expected that financial performance in 2019 will be correspondingly strong.

The 2019-20 business plan for Mbuyelo Coal foresees a total dividend payout of €14m for the year. In March 2019, Mbuyelo declared a total dividend of €4.7m of which IchorCoal's share was €2.1m. Universal Coal on the other hand declared a dividend of A$2c a share in April payable in May 2019; the payout to IchorCoal was €1.8m.

Cash flow and liquidity

IchorCoal's 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 Vunene but remain responsible for those at Penumbra until that transaction is concluded. However, in accordance with the terms of the share and claims purchase agreement concluded with the purchaser of Penumbra, Into Africa Mining has taken full responsibility for the risks and benefits accruing from the operation with effect from the date on which Competition Commission was granted on 22 November 2017. Furthermore, the Group will continue to receive dividends from the associate company until its disposal is successfully completed.

Management conclusion regarding the Going Concern assumption

The going concern of the Company depends on the successful sale of the Mbuyelo shares, the conversion of the shareholder bonds into equity during the third quarter of 2019, the level of dividends to be received from the Mbuyelo investment until the disposal of the shares and on the continuing support from IchorCoal's majority shareholder - Tennor Holding - via a subordinated shareholder loan. Management therefore is of the opinion that a material uncertainty exists with respect to the going concern assumption of the Company. However, management is very confident that adequate financial resources will be available either via its majority shareholder or via the disposal of the shares in the Mbuyelo investment to continue its operations in the foreseeable future.

Accounting policies

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by IchorCoal in its annual financial statements as at 31 December 2017.

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 June, February and June year ends respectively. The consolidated financial statements relate to the period from 1 January 2017 to 31 December 2017. 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 currencies 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 2017.

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 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 is measured initially at the 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 2017 Share-holding in %	31 Dec 2016 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	21.14
Linarox***	South Africa	45.16	45.16
Universal Coal Plc	United Kingdom	29.03	29.03
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 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 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 which are 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 the following changes:

1 Euro in foreign currency	Average exchange rate	Average exchange rate	Exchange rate at reporting date	
	2017	2016	31 Dec 2017	31 Dec 2016
US dollar	1.13	1.11	1.19	1.05
SA rand	15.06	16.27	14.79	14.38
AU dollar	1.47	1.49	1.53	1.46

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 acquisition target.

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 can 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.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

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 have occurred since the initial recognition of the asset (an incurred 'loss event') have 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 3.3 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 2017 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 2017.

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.

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

IFRS 9 largely retains the existing requirements of IAS 39 for classification of financial liabilities. Under IAS 39 all fair value changes of liabilities designated as at fair value through profit or loss ("FVTPL") are recognised in profit or loss whereas under IFRS 9 these fair value changes are generally presented in other comprehensive income for changes in credit risk and profit or loss for remaining change in fair value.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Management performed an assessment of the financial assets against the business model and SPPI criteria to determine whether the recognition and measurement would materially change from IAS 39 to IFRS 9. Based on its assessment, management does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities, cash and cash equivalents or quoted equity shares that are managed on a FVOCI basis. However, the rehabilitation investment fund, consisting of a current account, money market account and Liberty Life Policy, has been impacted by IFRS 9's new classification requirements. The current account and money market account will continue to be measured at amortised cost, however, the Liberty Life Policy will be reclassified to FVTPL. This is due to the fact that the cash flows from the policy does not meet IFRS 9's 'solely payment of principal and interest' requirement." 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.

(ii) Impairment

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss (ECL) model. This new model will require considerable judgement about how changes in economic factors affect ECLs which will be determined on a probability-weighted basis. The new model will apply to financial assets measured at amortised cost, debt instruments which are measured at fair value through other comprehensive income and to contract assets. The new model does not apply to equity instruments measured at fair value through other comprehensive income.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after reporting period; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. Lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component. 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 does not expect 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.

Default policy
“The Group considers a financial asset to be in default when it is more than 90 days past due.”

Write off policy
“The gross carrying amount of a financial asset is written off, either partially or in full, to the extent that there is no realistic prospect of recovery.”

Individual or collective basis
[Include how the debtors book was segmented between Eskom and other debtors and on what basis was it split like this.]

Instances in which impairments can be reversed
An entity shall recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the report date to the amount that is required to be recognised.

Sources of data used in the calculation
PD – for the probability of default, we looked at the credit rating of ESKOM, which is the only/main debtor of Vunene mining. According to S&P Eskom is rated as CCC, which means that the power utility is vulnerable and dependent on favourable business, financial and economic conditions to meet its financial commitments. We however have a long trading history with ESKOM in which the utility has not once defaulted on payment. Therefor we believe that the probability of default to be very small to immaterial

LGD – The loss given default for ESKOM is also based on the above-mentioned facts and therefor the difference between expected cashflow and actual cashflow is iammterial

EAD – at most on month sales

Lifetime – as the payment terms are 30 days - 30/360 days

Impairment calc	= PD x LGD x EAD x Lifetime
	= 0% x 0% x R18,000,000 x 30/360
	= ZERO

Historical payment patterns
ESKOM have a 30 day payment pattern and have not missed a payment since start of contract.

(iii) Hedge accounting

The Group does not currently have any existing hedge relationships that are currently designated in effective hedging relationships and the amended IFRS 9 will have no impact on the Group.

Disclosures
IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs.

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- Management will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.
- The new hedge accounting requirements should be applied prospectively.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

o The determination of the business model within which a financial asset is held.

o The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss.
o The designation of certain investments in equity instruments not held for trading as at fair value through other comprehensive income"

IFRS 15 Revenue from Contracts with Customers

IFRS 15, as issued in May 2014, replaces IAS 18, IAS 11 and IFRIC 13, and 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. Management plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application 1 January 2018. As a result, IFRS 15 will be applied to open contracts at 1 January 2018.

Management performed an assessment of key open revenue contracts during the year. Based on its assessment, contracts with customers for the sale of coal will result in one performance obligation, being the sale of coal. No significant impact on the timing of revenue recognition is expected. Management will make use of available practical expedients where relevant."

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 currently 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 2017	491	-	23,638	3,416	27,545
Reclassification to assets held for sale	-454	-	-	-	-454
Effect of translation to presentation currency	-13	-	-673	-99	-785
31 Dec 2017	**24**	**-**	**22,965**	**3,317**	**26,306**
Amortization and impairments					
1 Jan 2017	443	-	18,813	3,416	22,672
Additions	16	-	-	-	16
Reclassification to assets held for sale	-445	-	-	-	-445
Effect of translation to presentation currency	-11	-	-535	-99	-645
31 Dec 2017	**3**	**-**	**18,278**	**3,317**	**21,598**
Carrying amounts					
31 Dec 2017	**21**	**-**	**4,687**	**-**	**4,708**
1 Jan 2017	48	-	4,825	-	4,873

	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

Assets held for sale

Assets relating to Vunene Mining have been classified as held for sale for the year under review. More details on assets held for sale are presented in note 6.10.

Purchased rights

The purchased rights relate to accounting software used by the parent Company and Penumbra Coal Mining for the daily accounting and office functions.

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. The customer relationship has been fully impaired at year end and has a null carrying amount (2016: €612 000). See below for more details on the 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 there was no indication of impairment identified. The carrying value of the mining right amounted to €4 687 000 (2016: €4 825 000). The decrease in the carrying amount was due to a foreign exchange translation loss at year end.

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 in 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 above 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 estimate based on the historical industry average weighted average cost of capital, with a debt weighting of 30% at a market interest rate of 8.91%.

Sensitivity on discount rate

	-1%	15.89%	+1%
Value in Use	21 374 000	19 925 000	18 597 000

The cash flow projections included specific estimates for life of mine (13 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 once-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 for the assets was above the carrying values, therefore no impairment of the assets was deemed necessary.

Details	**Mining Right** **Penumbra Coal Mining**
Carrying value	€13 592 000
Value in use	€19 925 000
Impairment	€0

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

Intangible assets relating to Vunene Mining have been reclassified as held for sale during the year.

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 2017	97,007	3,875	21,202	3,959	126,043
Additions	1,876	14	192	167	2,249
Disposals	-	-	-	-7	-7
Transfers	-649	232	417	-	-
Reclassification to assets held for sale	-43,322	-3,687	-16,297	-3,804	-67,110
Effect of translation to presentation currency	-2,739	-106	-593	-109	-3,547
					-
31 Dec 2017	**52,173**	**328**	**4,921**	**206**	**57,628**
Depreciation and impairments					
1 Jan 2017	91,017	413	1,265	1,266	93,961
Additions - depreciation	1,365	255	1,183	177	2,980
Disposals	-	-	-	-	-
Reclassification to assets held for sale	-41,111	-658	-2,726	-1,265	-45,760
Effect of translation to presentation currency	-2,557	-7	-15	-33	-2,612
31 Dec 2017	**48,714**	**3**	**-293**	**145**	**48,569**
Carrying amounts					
31 Dec 2017	**3,459**	**325**	**5,214**	**61**	**9,059**
1 Jan 2017	5,990	3,462	19,937	2,693	32,082

	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

Changes in closure costs at Vunene Mining have resulted in further capital expenditure on mine assets in 2016 and 2017 respectively. The depreciation of mine assets is based on the unit of production method. The reclassification of the mine assets of Vunene to assets held for sale had an impact of €21 341 900, being the difference between the nominal value of the mine assets and the accumulated depreciation.

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 that 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 during the 2016 financial year. 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. The estimated future cash flows that the Group expects to derive from the mining assets have decreased, indicating that impairment is required. This was due to various impairment indicators being present at year end. These included:

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

Determining recoverable amount

Management calculated the recoverable amounts for the above 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 estimate based on the historical industry average weighted average cost of capital, with a debt weighting 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 once-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 was below the carrying value, therefor an impairment of the assets was deemed necessary in 2016.

	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 for 2017 as the carrying amount 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 in 2014. Under the terms of the transaction, the Company paid a total consideration of €16 800 000 (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 transaction costs of €457 000 which were capitalised. As at 31 December 2017, IchorCoal had 151 660 000 ordinary shares in Universal Coal plc and the carrying value of the investment was €26 134 969 (2016: €23 694 000). The Group's share of the profit by the entity for the period 1 January 2017 to 31 December 2017 was €3 916 351 and share of other comprehensive income €129 810 (2016: €3 135 000). Universal Coal declared a maiden dividend in the reporting period.

Carrying amount as at 31 Dec 2016	23 694 000
Share of profit	3 916 351
Share of OCI	129 810
Dividend received	(984 300)
Forex	(620 892)
Carrying amount as at 31 Dec 2017	26 134 969

An impairment assessment was performed on the investment in Universal Coal at 31 December 2017 taking into account market conditions and the results indicated that no impairment trigger events were present.

Universal Coal Plc is an illiquid stock; thus, the share price is a poor indication of value and since IchorCoal has two directors on the board of Universal, management has a better view of fundamental value. In addition, independent market research supports a value of between 22 and 30 Australian cents per share. Based on this, the fundamental value exceeds the current book value. On 3 May 2019, IchorCoal announced the disposal of its entire 29% equity stake in Universal Coal plc through a private placement to a number of institutional investors for a purchase consideration of A$0.315 per share. The proceeds after transaction costs amounting to A$47m – equivalent to approximately €29m at the prevailing exchange rate – were received on the 6th of May 2019.

Summarised 31 December 2017 financial statement information of Universal Coal, which is not adjusted for the percentage of ownership held by the Company, is disclosed below:

	31 Dec 2017	31 Dec 2016
	€ k	€ k
Current assets	32,140	18,058
Non-Current assets	119,915	114,630
	152,055	132,688
Total assets		
Current liabilities	22,835	11,781
Non-current liabilities	43,991	40,115
	66,826	51,896
Total liabilities		
Equity	85,229	80,792
Revenue	58,966	72,657
Profit/(loss) after tax	- 5,677	- 1,971
Other comprehensive income	659	10,454
Total comprehensive income	- 5,018	8,483

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 2017.

The Group's share of profits of Mbuyelo Coal for the reporting period was € 8 938 461 (2016: €3 303 000 profit). Mbuyelo Coal declared and paid dividends with the Company's share of the dividend amounting to €3 899 224 (2016: €833 000).

As at 31 December 2017, the carrying value of the investment in Mbuyelo Coal was €65 753 329 (2016: €62 402 000). The increase in the carrying amount of the investment is mainly due to profits for the financial year 2017.

Carrying amount as at 31 Dec 2016	62 402 000
Share of profit	8 938 461
Dividends received	(3 899 224)
Forex	(1 687 908)
Carrying amount as at 31 Dec 2017	65 753 329

An impairment assessment was performed on 31 December 2017 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.

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 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 estimate based on the historical industry average weighted average cost of capital amounting to 15%, with a debt weighting of 30% at a market interest rate of 8.91%

Summarised 28 February 2018 financial statement information of Mbuyelo Coal, which is not adjusted for the percentage of ownership held by the Company, is disclosed below:

	28-Feb-18	31 Dec 2016
Year end Report	€ k	€ k
Current assets	34,421	17,648
Non-current assets	147,236	89,511
Total Assets	**181,657**	**107,159**
Equity	89,451	76,943
Current liabilities	28,668	6,600
Non-current liabilities	63,538	23,616
Total liabilities	**92,206**	**30,216**
Total equity and liabilities	**181,657**	**107,159**
Revenue	135,309	51,264
Share of Profit (loss) in Joint venture	-	81
Profit(loss) after tax	8,672	7,313
Total comprehensive income(loss) for the period	**143,981**	**58,658**

6.4 Deferred tax

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

	31 Dec 2017		31 Dec 2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€ k	€ k	€ k	€ k
Property, plant and equipment	210	-	227	-
Non-current financial assets	-	-	-	-
Other asets	-	5,035	-	3,156
Other provisions	-	-	-	-
Other liabilities	-	-	-	-
Temporary differences	**210**	**5,035**	**227**	**3,156**
Tax loss carry-forwards	-	-	-	-
Total	**210**	**5,035**	**227**	**3,156**
Forex differences	-	-	-	-
Amounts as per balance sheet	**210**	**5,035**	**227**	**3,156**

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 €94 537 (2016:€172 000) in respect of losses amounting to €337 631 (2016:€ 613 000) that can be carried forward against future taxable income.

6.5 Inventories

Inventories of €0 (2016: €1 934 000) consist solely of coal stockpiles at Vunene and Penumbra. There was no obsolete coal stock and no write-downs at year end. The decrease on inventories was due to no stockpiles at year end at Penumbra. Vunene stockpiles are included in assets held for sale.

6.6 Trade and other receivables

Trade and other receivables as at 31 December 2017 amounted to €1 340 000 (2016: €3 205 000). There are no valuation allowances recorded for doubtful trade receivables in 2017 and 2016 respectively. Please refer to note 10.3: 'Credit risk exposure'.

Receivables of €0 (2016: €1 098 000) were up to 60 days or more past their due date. There were no indications at the reporting date that would suggest that customers would not fulfil their payment obligations.

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

	31 Dec 2017 € k	**31 Dec 2016 € k**
up to 30 days	-	722
31 to 90 days	-	1 599
91 to 180 days	-	-
181 days and longer	-	-
Total trade receivables past due	**-**	**2 321**

6.7 Other current financial assets

Other current financial assets consist of the following:

	31-Dec-17 € k	31-Dec-16 € k
Rehabilitation investment fund	653	2 208
Deposits	219	496
Other	3	81
Other current financial assets	**875**	**2 785**

The rehabilitation investment funds are held by 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 Penumbra Coal Mining as part of a provision for future expenditure relating to the rehabilitation of the mined sites. Other current financial assets relating to Vunene Mining are presented as held for sale in note 6.10.

6.8 Other assets

The following table summarises the components of other assets:

	31 Dec 2017 € k	31 Dec 2016 € k
Receivables from value added tax	55	42
Other non-financial assets	**55**	**42**

6.9 Cash and cash equivalents

As at 31 December 2017 IchorCoal Group's unrestricted cash and cash equivalents were made up as follows:

	31 Dec 2017 € k	31 Dec 2016 € k
Cash at banks	1 318	1 598
Cash and cash equivalents	**1 318**	**1 598**

6.10 Disposal group held for sale

Management accepted an offer to sell the Company's entire 74% interest in Vunene Mining at a purchase consideration of R150m (€9.3m). All conditions precedent have been met and settlement effected in November 2018. Accordingly, part of that facility is presented as a disposal group held for sale.

Impairment result relating to the disposal group

Impairment gains of €44m for write-ups of the disposal group to its fair value less costs to sell have been included in 'other income'. The impairment gains have been applied to increase the carrying amount of property, plant and equipment within the disposal group, by reversing prior year impairments.

Assets and liabilities of disposal group held for sale

At 31 December 2017, the disposal group was stated at the lower of its carrying amount and fair value less costs to sell and comprised the following assets and liabilities:

	Vunene Group EUR
Statement of financial position	
Non-current assets	
Intangible assets	
Purchased rights and licenses	9,448
Property, plant and equipment	
Land and buildings	3,235,751
Technical equipment and machinery	13,571,311
Other equipment, operational and office equipment	2,331,489
Mine properties	45,550,252
Deferred tax assets	11,120
Current assets	
Inventories	
Raw materials and consumables	155,260
Trade and other receivables	
Trade receivables	1,771,206
Other current financial assets	
Other financial assets	2,512,470
Cash and cash equivalents	1,054,964
	70,203,271
Equity	**10,135,478**
Non-current liabilities	
Other non-current financial liabilities	876,869
Current liabilities	
Other provisions	17,617,672
Interest-bearing loans and borrowings	29,712,458
Other current financial liabilities	9,287,540
Trade and other payables	
Trade payables	2,567,593
Liabilities from income taxes	
Other non-financial liabilities	
Liabilities from other taxes	5,661
	70,203,271
Income statement	
Revenue	15,186,789
Cost of sales	-11,479,131
Other income	80,484
Reversal impairment	44,125,128
Depreciation, amortisation and impairments	-2,506,921
General and administrative expenses	-5,707,743
Finance revenue	65,910
Finance costs	-3,402,739
Income taxes	-513
Profit before tax	**36,361,264**

There are no cumulative income or expenses recognised in OCI relating to the disposal group.

Measurement of fair values

Fair value hierarchy

The non-recurring fair value measurement for the disposal group of €44 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

6.11 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 €9 518 500 (2016: €6 792 000) is divided into 95 185 000 (2016: 67 920 000) shares with a nominal value of €0.10 each. 27 265 000 shares were issued during the 2017 financial year.

During the year the Company issued 27 264 611 shares with a nominal value of €0.10 each. The new share issue is composed as follows:

	Number of shares	**EUR per share**
Sapinda loan converted into equity (19 June 2017)	6 750 000	0.40
Conversion of convertible bonds (31 May 2017)	111 111	0.40
Conversion of loan into equity (31 October 2017)	20 403 500	0.40
Total shares issued	27 264 611	

During May 2017 the Company entered into a subscription agreement with Sapinda Holding B.V. to convert the loan payble to Sapinda Asia Limited to equity. The outstanding loan balance amounted to €10 861 400. The conversion to equity was done in two parts, with the first conversion done during June 2017 and the final conversion in October 2017. A total of 27 153 500 shares were issued for the conversion of the loan into equity.

On 31 May 2017, the Company issed 111 111 shares with the nominal value of €0.10 for a consideration of €4.5 per share.

The issued share capital at year end 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 share capital amounts to €25 000 000 (2016: €25 000 000) and is divided into 250 000 000 (2016: 250 000 000) shares with a nominal value of €0.10 each. There was no change in authorised share capital during the year under review.

Share premium

The share premium consists of the consideration beyond the nominal value of the shares issued during the year amounting to €8 641 000. Capital reserves are not distributable to the equity holders of the Company.

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 the currency translation loss of €17 775 000 (2016: €18 930 000).

Legal reserve participations

The legal reserve for participating interests, which amounts to €19 154 000 (2016: €11 183 000), pertains to participating interests that are measured at net asset value. The reserves equal to the share in the results and direct changes in the 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 detailed below. 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 value at grant date of the equity-settled share based payment plans were as follows:

	2017 Grant 1 & 2	**2017 Grant 3 & 4**	**2016 Grant 1 & 2**	**2016 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 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 2017 to 31 December 2017. 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 2017	**Exercise price**	**Number of options 2016**	**Weighted average exercise price**
Outstanding 1 January	**565 000**	**€4.65**	**565 000**	**€4.80**
Granted during the year	-	€0.00	-	€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	280 003	€4.80

Equity share based payments are measured at the fair value of the equity instrument at the date of the grant, which was €1 412 000 (2016 €855 000). 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 2017 the following entities were consolidated in the Group's consolidated financial statements whereas non-controlling interest stakes were held by third parties:

	31 Dec 2017 € k	31 Dec 2016 € k
Vunene Mining (Pty) Ltd, South Africa	2 139	4 127
Indawo Estate (Pty) Ltd, South Africa	-164	-44
Foreign currency translation reserves	-688	-651
Non-controlling interest	**1 287**	**3 432**

Company	**Country of incorporation**	**31 Dec 2017 Shareholding in %**	**31 Dec 2016 Shareholding 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

6.12 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 2017 € k	31 Dec 2016 € k
Environmental rehabilitation current operations	3 931	17 003
Non-current other provisions	**3 931**	**17 003**

Current provisions are broken down as follows:

	31 Dec 2017 € k	31 Dec 2016 € k
Environmental rehabilitation current operations	-	2 550
Environmental rehabilitation past operations	-	249
Leave pay	112	-
Current other provisions	**112**	**2 799**

Environmental rehabilitation – Vunene Mine (included in liabilities held for sale)

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 2017, due to the presentation as held for sale €0 (2016: €16 790 000) 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 opencast mine's useful life.

The discount rate used is the average funding cost of the Company, which was 13% in both 2017 and 2016.

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 from 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 or preliminaries and generals.

Environmental cost – Vunene Wetland

In 2012 an NGO laid criminal charges against Vunene for mining within 500 meters of what is assumed to be a wetland. The Company consulted its attorneys on this matter as well as the director of Water Affairs. A plea agreement was reached between the Company and the state in which 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.

Point (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 2017, €0 (2016: €16 790 000) total cost – discounted at a prime rate of 13% (2016: 13.00%) – 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.

All provisions relating to Vunene Mining have been classified as liabilities held for sale.

A rehabilitation provision of €3 931 000 (2016: €2 764 000) was raised at Penumbra Coal Mining. The variance between the years is related to the exchange rate difference.

In thousands of euro	Environmental rehabilitation current operations
Balance at 1 January 2017	19 553
Provisions made during the year	1 068
Provisions moved to Liabilities held for sale	(16 789)
Unwind of discount	157
Foreign exchange movements	(58)
Balance at 31 December 2017	3 931
Non-current	3 931
Current	-
Total	3 931

6.13 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 2017, interest bearing loans and borrowings were as follows:

	31 Dec 2017	31 Dec 2016
	€ k	€ k
Ichor Coal N.V. convertible bonds	74 076	78 195
Into Africa Mining and Exploration (Pty) Ltd	2 400	-
Loans and borrowings	**76 476**	**78 195**

Convertible bonds

In 2012 the Company issued convertible bonds worth €80 000 000 at par, which – subject to early prepayment or conversion – mature in June 2017. The convertible bonds carried 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 the current financial year.

Each convertible bond had a nominal value of €100 000 and an initial conversion price of €4.50, which entitled each bondholder to convert into 22 222 new ordinary bearer shares of the Company.

If at any point the outstanding principal fell 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 amounted to 140% of the conversion price on each such day, the Company had 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 was exercised.

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

As at 31 December 2017 no events occurred which triggered an adjustment to the conversion price or a clean-up option.

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

Based on IAS 39 accounting for 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 2017 has increased due to the reduced remaining time to expiry as well as higher volatility. The fair value of the conversion component was €4 381 000 (2016: €4 113 000). The resulting fair value gain of €6 551 000 (2016: €2 930 000 loss) has been recognised in the statement of comprehensive income.

The fair value of the host component of €52 155 000 at inception date was 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 components 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 2017, the total carrying value of the host component was €69 695 000 (2016: €74 082 000) including accrued interest.

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.

The change in the terms of the bonds prompted a change in the accounting treatment of the bonds. The accounting treatment pre changes in terms was derecognised and the amended fair value was recognised at the end of June 2017.

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

	31-Dec-17	31-Dec-16
	€ k	€ k
Host instrument opening balance	74,082	67,168
Conversion component opening balance	4,113	687
	78,195	67,855
Cash-effective movements		
Interest for the period	2,724	6,241
Interest payments during the period	-3,114	-6,229
Non-cash-effective movements		
Fair value movement of conversion component	-2,389	2,930
Accrued effective interest portion	3,542	6,908
Foreign exchange		490
Conversion	-684	
Host instrument Closing balance	76,550	
Conversion component Closing balance	1,724	
	78,274	
Bond Dercognition on change of terms	-78,274	
	-0	
Bond rere Host instrument opening balance	66,667	
Conversion component opening balance	10,933	
Cash-effective movements		
Interest for the period	2,188	
Interest payments during the period	-1,940	
Non-cash-effective movements		
Fair value movement of conversion component	-6,551	
Accrued effective interest portion	2,796	
Foreign exchange	-16	
Host instrument closing balance	69,695	74,082
Conversion component closing balance	4,381	4,113
Ichor Coal N.V. convertible bonds	74,076	78,195

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.

6.14 Other financial liabilities

	31 Dec 2017 €k	31 Dec 2016 €k
Access fees	-	633
Sapinda Invest S.a.r.l.	3 703	1 788
Sapinda Holding B.V.	3 129	12 979
Into Africa Mining and Exploration (Pty) Ltd	1 043	-
Non-current loans and borrowings	**7 875**	**15 400**

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

The Company utilised a drawdown facility from Sapinda Holding 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 on the Sapinda Invest S.a.r.l. loan. The Loan from Sapinda Holdings B.V. is interest free. During the year, an outstanding amount of €10 800 000 of the loan from Sapinda Holding B.V. was converted into equity.

Access fees

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 2017. According to the Group's accounting policy this amount is discounted by the borrowing rate of the Company, which remained unchanged at 8.5%.

6.15 Trade and other payables

The trade and other payables of €1 358 000 (2016: €11 541 000) mainly relate to payables to mining contractors and trade and other payables assumed on consolidation of Penumbra Coal.

6.16 Other liabilities

The other liabilities comprise the following:

	31 Dec 2017 € k	31 Dec 2016 € k
Accrued liabilities	580	668
Other non-financial liabilities	**580**	**668**

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

6.17 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	Undiscounted cash outflows		
	31-Dec-17	2017	2018 - 2020	2021 ff.
	€ k	€ k	€ k	€ k
Non-current loans and borrowings	76,476	2,400	77,600	-
Current loans and borrowings	-	-	-	-
Trade and other payables	1,358	1,358	-	-
Other non-current financial liabilities	7,875	-	7,875	-
Other current financial liabilities	-	-	-	-
Other liabilities and liabilities from income taxes	581	581	-	-

	Carrying amount	Undiscounted cash outflows		
	31-Dec-16	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	-	-

7 NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

7.1 Revenue

The following table provides information regarding the split of revenue:

	31 Dec 2017 € k	31 Dec 2016 € k
Mining revenues	16 224	37 893
Care and maintenance services	-	933
Rental income	-	263
Revenue	**16 224**	**39 089**

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 all generated in South Africa.

7.2 Cost of sales

The following table provides information regarding purchased goods and services:

	31 Dec 2017 € k	31 Dec 2016 € k
Equipment rental	754	13 890
Consumables	976	6 357
Labour	6 502	2 838
Outsourced mining services	1 531	7 749
Change in coal stock	2 304	1 255
Other services	1 969	140
Cost of rendering care and maintenance services	-	643
Cost of sales	**14 036**	**32 872**

Cost of sales decreased by €18 836 000 compared to prior year due primarily 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.

7.3 Share of profit from equity accounted investees

Share of profit from equity accounted investees amounted to €12 984 000 (2016: €2 613 000), and contains the share of profit from Mbuyelo Coal which amounted to €8 938 461 (2016: €3 303 000) and the share of profit from Universal Coal of €4 046 000 (2016: €690 000 loss). Included in the profit from Universal was other comprehensive income of €130 000 (2016: €3 135 000) which was moved to OCI on the income statement, therefore only €12 855 000 (2016: €2 613 000) reflect as income from investments on the income statement.

7.4 Other income

Other income amounted to €45 128 000 (2016: €13 788 000). The Group incurred foreign exchange translation losses in the current year which were classified as other operating expenditure for an amount of approximately €3 089 000 (2016: profit €12 790 000). The Company received total dividend income of €3 899 224 from Mbuyelo Coal and €984 300 from Universal Coal plc. Included in other income is the reversal of the previous year’s impairment of €44 million in order to reflect Vunene at fair value.

7.5 Other operating expenses

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

	31 Dec 2017 € k	31 Dec 2016 € k
Consulting and legal expenses	503	639
Audit and accounting service expenses	459	153
Insurance contributions	235	164
Depreciation of property, plant and equipment	2 980	20 262
Amortisation of intangible assets	16	630
Impairment loss		50 556
Management fees	136	112
Foreign exchange losses	3 089	-
Other	3 432	1 916
Other operating expenses	**10 850**	**74 432**

For further details, see note 6.1 and note 6.2 for more details on impairment.

7.6 General and administrative expenses

General and administrative expenses are as follows:

	31 Dec 2017 € k	31 Dec 2016 € k
Salaries and wages	2 330	1 493
Share based payment	141	277
IT and communication	176	142
Head office and other expenses	1 160	704
General and administrative expenses	**3 807**	**2 616**

IchorCoal Company 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 are no operational activities done at IchorCoal level and that the entity is now mainly a holding Company.

As at end 2017, IchorCoal at consolidated level had a total of 413 employees

7.7 Finance income and costs

The financing revenue and cost are split as follows:

	31 Dec 2017	**31 Dec 2016**
	€ k	**€ k**
Interest income from bank accounts	73	151
Interest income	**73**	**151**
Fair value gain on conversion component of convertible bonds	8 419	-
Finance income	**8 492**	**151**

	31 Dec 2017 € k	31 Dec 2016 € k
Interest on convertible bonds	10 951	13 149
Interest on corporate bonds	-	-
Interest on debts and borrowings	613	-542
Interest on rehabilitation provision	98	814
Other	-155	192
Interest and similar expenses	**11 507**	**13 613**
Fair value loss on conversion component of convertible bonds	-	2 930
Finance costs	**11 507**	**16 543**

The technical equipment and machinery include preparation of the underground mine for returning to operations and machinery purchased for open cast mining activities. During the year €nil borrowing costs were capitalised whereas in 2016 €1 325 was incurred and capitalised.

7.8 Income tax

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

	2017 € k	2016 € k
Income before income taxes	-27,812	- 71,040
Tax rate	28%	28%
Expected tax (expense)/ benefit	**- 7,787**	**- 19,891**
Permanent differences	7,281	15,163
Timing difference	-	-
Deferred tax not raised	830	4,771
Current Income Taxes for prior years	-	-
Deferred income taxes for prior years	-	- 5,195
Unutilised assessed losses	1,464	178
Nondeductable expenses	147	-
Other effects / Change in Tax Rate	-	-
Forex differences	-	-
Income taxes	**1,935**	**- 4,974**

The Company did not recognise deferred tax assets of €94 537 (2016: €172 000) in respect of losses amounting to €337 631 (2016:€613 000) 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 law.

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

	1 Jan - 31 Dec 2017 € k	**1 Jan - 31 Dec 2016 € k**
Current tax	-	-
Deferred tax	(1 935)	4 794
Income tax for the year	**(1 935)**	**4 794**

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 2017 financial year amounted to €0.46 (2016: €-0.90 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:

	2017	**2016**
Shares issued and fully paid as of 1 January	95 185	67 920
Weighted average number of shares outstanding	**95 185**	**67 920**

The basic earnings per share were calculated as follows:

	2017	2016
	€ k	€ k
Shares issued and fully paid as of 1 January	95,185	67,920
Weighted average number of shares outstanding	**95,185**	**67,920**

	2017	2016
	€ k	€ k
Total Profit or (Loss)	40,564	-66,066
Less Non-controlling interest	-2,108	-4,948
Profit or Loss attributable to Owners of parent	**42,672**	**-61,118**
Basic earnings per share	***0.45***	***-0.90***

Diluted earnings per share

During 2012 the Company issued convertible bonds of €80 000 000, which resulted in an adjustment to the weighted average number of shares outstanding of 17 714 000 in 2016 and 110 857 000 in 2017. 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. 5 bonds were converted during the current financial year resulting in the issue of 111 111 shares.

Share-based payments were excluded from the calculation due to their non-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 2017 amounted to €1 318 000 (2016: €1 598 000).

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 2017 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, therefor the use of segmental 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 development potential. Vunene Mining still represented the Group's major mining asset as at 31 December 2017. 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 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, 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 issued 27 264 611 new shares during the reporting period.

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 a constant gearing ratio.

	31-Dec-17 € k	31-Dec-16 € k
Interest bearing loans and borrowings	76,476	93,654
Accounts payable and accrued liabilities	1,938	12,209
Less Cash and cash equivalent	-1,318	-1,598
Net debt	**77,096**	**104,265**
Equity	57,735	4,130
Equity and net debt	134,831	108,395
Gearing ratio	**57%**	**96%**

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 2017			
	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	1,340	1,340	-	-
Other current financial assets	875	875	-	-
Cash and cash equivalents	1,318	1,318	-	-
Other assets	55	55	-	-
Liabilities				
Interest-bearing loans and borrowings	76,476	-	72,141	4,335
Other non-current financial liabilities	7,875	-	7,875	-
Trade and other payables	1,358	-	1,358	-
Other liabilities	581	-	581	-

	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	-

As at 31 December 2017, 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 2017, 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 gain of €6 551 000 (2016: €2 930 000 loss) 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.

Except for the convertible bonds which mature in 2019, 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 Exchange at 31 December 2017. 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 2017.

	Carrying amount	Level 1	Level 2	Level 3
	€ k	€ k	€ k	€ k
Liabilities				
Interest-bearing loans and borrowings	76,476	-	-	74,261
Other financial liabilities	7,875	-	-	-
Trade and other payables	1,358	-	-	-
Other liabilities	581	-	-	-

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 €6 551 000; total interest income and total interest expense for financial assets and liabilities that are not at fair value through profit or loss were €73 000 (2016: €151 000) and €11 507 000 (2016: €16 543 000), 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 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 shareholders. 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 2017, the Group had no foreign exchange derivatives.

In 2017 the Group realised a net loss of €3 089 000 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.

	2017	2016
	€k	**€k**
Convertible bonds	74 076	78 195
Sapinda Holding B.V loan	3 129	12 979
Sapinda Invest S.a.r.l loan	3 703	1 788
Position exposed to foreign exchange rate	80 908	92 962
Net statement of financial position exposure	**80 908**	**92 962**

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 loss would have increased by €309 000. Similarly, if the rand had strengthened by 10%, the net currency loss would have decreased by €309 000. 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. Any such risk is evaluated within the Group and may be mitigated by interest rate derivatives, if deemed necessary. As at 31 December 2017, 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 on the convertible bonds of €77 600 000 until maturity in June 2019 amounted to €3 880 000 in 2018, subject to the exercise of the option to convert.

31.12.2017						
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	4 043	4 043	112	-	-	3 931
Loans and borrowings – Bonds – Host component	76 476	77 600	-	77 600	-	-
Other financial liabilities	8 546	8 546	581	-	-	7 875
Trade creditors	1 358	1 358	1 358	-	-	-
Derivative liabilities	-	-	-	-	-	-
Loans and borrowings – Bonds – Convertible option	4 381	4 381	4 381			

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	1 340
Other current financial assets	875
Cash and cash equivalents	1 318

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. 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 2017.

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 2017 is as follows:

	2017 € k	2016 € k
Neither past due nor impaired		
Eskom (rating Ba3 from Moody's)	-	881
Four or more years' trading history with the Group*	-	881
Less than four years' trading history with the Group*	-	-
Higher risk	-	-
	-	**881**

	2017 € k	2016 € k
Past due but not impaired		
Past due 1–30 days	-	722
Past due 31–90 days	-	1 599
Past due 91–120 days	-	-
Total not impaired trade receivables	**-**	**2 321**

Commodity price risk

IchorCoal'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 whereas 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 2017, 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

The loan from Sapinda amounted to €6 832 000 (2016: €14 767 000) 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	687	75	109	871
Andries Engelbrecht	318	34	33	385
Total	**1 005**	**109**	**142**	**1 256**

The short-term compensation is made up of the following elements:

Nonkululeko Nyembezi: Salary of €495 000 (2016: €458 000); bonus of €166 000 (2016: €154 000); medical aid reimbursement of €6 000 (2016: €5 000), provident fund contributions of €74 000 (2016: €69 000) and a car allowance of €20 000 (2016: €19 000).

Andries Engelbrecht: Salary of €229 000 (2016: €212 000); travel reimbursement €9 000 (2016: €7 000), provident fund contributions of €34 000 (2016: €32 000) and bonus payment made during the year relates to retention bonuses of €80 000 (2016: €185 000).

The Supervisory Board of the Company consisted of four individuals throughout the year. Two 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 was paid to Paolo Barbieri at 31 December 2017, no other remuneration was paid to the rest of the Supervisory Board 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 2017.

Vunene

VB Minerals (Pty) Ltd is currently claiming an amount of approximately €283 793 for alleged breach of contract. The matter is due to go to trial during 2019. The Company's maximum financial exposure relating to the case is approximately €337 849. In the opinion of the Company's legal advisor the odds of a judgement in the Company's favour are better than even. In that event, the Company's total future legal costs relating to the matter will be about €10 135.

In 2012 an NGO laid criminal charges against Vunene Mining 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. Appropriate rehabilitation of a portion of the wetland however is not finalised. The deadline for finalising this is December 2019. The Company consulted with a professional team supporting and advising on rehabilitation. It was agreed to approach the prosecutor and request his consent to support an application to extend and/or amend the deadline to December 2020. The Company believes the application for a postponement will be successful. Based on the assumption that a postponement/amendment will not need the assistance of an advocate and limited assistance by the wetland specialists, the legal and environmental practitioners' expenses are estimated at €33 785.

As at end December 2017, the Group's purchase obligations from contract mining companies amounted to €774 240.

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

	31 Dec 2017 **€ k**	**31 Dec 2016** **€ k**
Due within one year	184	146
Due in one to five years	-	184
Due in more than five years	-	-
Total	**184**	**330**

10.6 Audit fees

Total audit fees of €200 000 have been incurred from KPMG Netherlands and €310 000 from KPMG South Africa.

10.7 Events after the reporting date

Management accepted an offer to sell IchorCoal's entire 74% interest in Vunene Mining and Penumbra Coal Mining at a purchase consideration of €9.3m and €3.5m respectively. In the case of Vunene, all conditions precedent have been met and settlement effected in November 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 that the transaction will close by the first quarter of 2020.

On 3 May 2019, IchorCoal announced the disposal of its entire 29% equity stake in Universal Coal plc through a private placement to a number of institutional investors for a purchase consideration of A$0.315 per share. The proceeds after transaction costs amounting to A$47m – equivalent to approximately €29m at the prevailing exchange rate – were received on the 6th of May.

At the annual meeting of IchorCoal shareholders held on 7 January 2019, shareholders approved a partial amendment of the articles of association of the Company. This was done in order to allow the Company to issue shares pursuant to its obligation under the terms of the convertible bonds and maintain sufficient flexibility for any future issuances. The authorised share capital was increased from the current €25 million to €47.5m, which falls within the stipulated maximum of five times the Company's issued capital allowed under Dutch law. The deed of amendment of the articles of association was subsequently executed.

On 29 July 2019, the Company redeemed convertible bonds to the value of €43.1m. The balance of €34.5m will be converted to equity pursuant to an irrevocable undertaking to effect such conversion by Tennor Holding B.V. This is expected to be finalised during the third quarter of 2019.

After 4.5 years as IchorCoal Chief Operating Officer and member of the Management Board, Andries Engelbrecht resigned from the Company with effect from 30 September 2018.

There were no further subsequent events.

Johannesburg, 2 September 2019

Nonkululeko Nyembezi
Chief Executive Officer

STAND-ALONE STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2017

(before appropriation of results)

	Note	31 Dec 2017 € k	31 Dec 2016 € k
Assets			
Non-current assets			
Intangible assets	3.1	21	22
Property, plant and equipment	3.2	60	99
Shares in Subsidiaries	3.3	-	25,980
Investments in associates	3.4	69,132	71,156
Other non-current financial assets	3.5	113	108
		69,326	**97,365**
Current assets			
Assets held for sale	3.3	10,135	-
Trade and other receivables	3.7	341	150
Other current financial assets	3.8	6,801	6,055
Other assets	3.9	55	42
Cash and cash equivalents	3.10	1,295	31
		18,627	**6,278**
Total Assets		**87,953**	**103,643**
Equity and liabilities			
Equity			
Share capitla	3.11	9,518	6,792
Share Premium	3.11	97,932	89,291
Share based payment reserve	3.11	997	855
Retained earnings	3.11	-81,915	-43,454
Other comprehensive income	3.11	-5,169	-5,341
Loss for the year	3.11	-18,416	-38,461
Total equity		**2,947**	**9,682**
Non-current liabilities			
Interest-bearing loans and borrowings	3.12	74,076	-
Other Non-current financial liabilities	3.13	7,875	14,767
Deferred tax liabilities	3.6	1,968	-
		83,919	**14,767**
Current liabilities			
Interest-bearing loans and borrowings	3.12	-	78,195
Other current financial liabilities	3.14	-	166
Trade and other payables	3.15	507	171
Other liabilities	3.16	580	662
		1,087	**79,194**
Total liabilities		**85,006**	**93,961**
Total equity and liabilities		**87,953**	**103,643**

The accompanying notes form part of these financial statements.

STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 2017 € k	31 Dec 2016 € k
Other income	4.1	6,020	14,022
General and administrative expenses	4.2	-1,389	-1,392
Other operating expenses	4.3	-21,958	-37,308
Finance costs	4.4	-10,796	-16,672
Finance income	4.4	11,642	2,889
Loss before income taxes		-16,481	-38,461
Income taxes	4.5	-1,935	-
Loss for the year		**-18,416**	**-38,461**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods	3.11	172	2,698
Total comprehensive income		**-18,244**	**-35,763**

The accompanying notes form part of these financial statements.

STAND-ALONE STATEMENT OF CHANGES IN EQUITY THE YEAR ENDED 31 DECEMBER 2017

	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 2017	3.11	**6,792**	**89,291**	**-43,454**	**-38,461**	**-5,341**	**855**	**9,682**
Appropriation of prior year results		-	-	-38,461	38,461	-	-	-
Share capital	3.11	**2,726**	**8,641**	**-**	**-**	**-**	**-**	**11,367**
Profit or loss for the year		-	-	-	-18,416	-	-	-18,416
Other comprehensive income	3.11	-	-		-	172	-	172
Total comprehensive income		**2,726**	**8,641**	**-**	**-18,416**	**172**	**-**	**-6,877**
Share based payment	3.11	-	-	-	-	-	142	142
							142	**142**
31 Dec 2017		**9,518**	**97,932**	**-81,915**	**-18,416**	**-5,169**	**997**	**2,947**

STAND-ALONE STATEMENT OF CHANGES IN EQUITY THE YEAR ENDED 31 DECEMBER 2017

	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**

The accompanying notes form part of these financial statements.

STAND-ALONE STATEMENT OF CASHFLOWS THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 2017 € k	31 Dec 2016 € k
Profit or loss		-18,416	-38,461
Reconciliation of profit or loss to the cash flow from operating activities:			
Depreciation and amortisation of fixed assets	4.5	36	37
Impairment loss	4.6	18,205	36,745
Investment income	4.1	-159	-833
Loss/(Profit) on sale of assets	3.2	-	-
Loss/(gain) on conversion component of Convertible Bonds	3.12	-8,419	2,930
Gain on remeasurement of convertible bond	3.12	-744	
Interest on Convertible Bonds	4.4	10,951	12,265
Interest paid	3.2	-1,991	-6,229
Other interest on debts and borrowings	4.4	-148	698
Interest Income	4.4	-910	-2,889
Changes due to foreign currency changes		3,056	-12,128
Changes in share based payment expense	3.11	141	237
Loss from disposal of shares in affiliates		-	-
Changes in foreign currency changes in equity	3.11	-	-
Changes in deferred taxes	3.6	1,935	-
Changes in trade and other receivables	3.7	-192	-20
Changes in trade and other payables	3.15	333	-151
Changes in other financial liabilities	3.14	-61	-5
Changes in other assets	3.9	-14	20
Cash flow from operating activities		**3,605**	**-7,784**
Proceeds from disposal of intangible assets and property, plant and equipment	3.1/3.2	-	-
Proceeds from disposal of shares in affiliates	3.1/3.2	-	-
Purchases of intangible assets and property, plant, and equipment	3.1/3.2	-	-
Purchases of investments in affiliates, associates and other non-current financial assets		-	-
Cash flow from investing activities		**-**	**-**
Proceeds from interest-bearing loans and borrowings given	3.8		-463
Proceeds from interest-bearing loans and borrowings received	3.13	996	615
Repayments of interest-bearing loans and borrowings received		-3,357	-624
Cash-outflow from interest-bearing loans and borrowings given	3.13		7,445
Cash-inflow from interest-bearing loans and borrowings given	3.13		307
Cash flow from financing activities		**-2,361**	**7,280**
Cash flow-related changes in cash and cash equivalents		**1,244**	**-504**
Changes in cash and cash equivalents due to exchange rates		21	10
Cash and cash equivalents at beginning of period		31	525
Cash and cash equivalents at end of period	3.10	**1,295**	**31**

		31-Dec-17	31-Dec-16
		€ k	€ k
Total consolidated equity		57,735	4,129
Difference in accumulated retained earnings			
Individual retained earnings	(1)	-81,915	-43,454
Consolidated retained earnings	(1)	86,764	23,034
Difference in net result			
Individual result	(1)	-18,416	-38,461
Consolidated result attributable to the shareholders	(1)	-34,700	63,731
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)	14,450	12,306
Accumulated other comprehensive income	(5)	12,605	13,587
Legal reserve	(6)	-19,154	-11,183
Share based payment Penumbra		-414	-
Total stand-alone equity		**2,947**	**9,682**

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 Company's 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 IchorCoal purchased a 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 IchorCoal and its subsequent first-time consolidation in Group accounts.

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

5) The comprehensive income results from translation.

6) The legal reserves participating interests represent 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 public 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 (non-regulated markets). The 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. The Company has access to approximately 2.4 billion metric tonnes of coal resources on 16 properties located primarily in the Mpumalanga coalfields in South Africa. 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 2 September 2019.

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 and presented in euro with all values rounded to the nearest thousand (€ k).

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

Foreign currencies

The functional currency of the Company was changed to South African rand (ZAR) in the 2014 financial year but the presentation currency remains the euro. The reason for the change of functional currency was due to the fact that 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 rate at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rate 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 € k	Total € k
Acquisition or production cost		
1 Jan 2017	38	38
31 Dec 2017	**38**	**38**
Amortisation and impairment		
1 Jan 2017	16	16
Additions	1	1
31 Dec 2017	**17**	**17**
Carrying amounts		
31 Dec 2017	**21**	**21**
1 Jan 2017	22	22

	Purchased rights € k	Total € 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

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 indicated no impairment 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 in 2016 and nil in the current year.

3.2 Property, plant and equipment

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

	Office equipment €k	Computer equipment €k	Furniture €k	Total €k
Acquisition or production cost				
1 Jan 2017	19	42	141	202
Currency effects	0	8	4	12
31 Dec 2017	**19**	**50**	**145**	**214**
Depreciation and impairments				
1 Jan 2017	12	34	57	103
Additions	2	10	24	36
Currency effects	2	1	12	15
31 Dec 2017	**16**	**45**	**93**	**154**
Carrying amounts				
31 Dec 2017	**3**	**5**	**52**	**60**
1 Jan 2017	7	8	84	99

	Office equipment €k	Computer equipment €k	Furniture €k	Total €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

The entity realised foreign exchange gains at the end of the reporting period to the amount of €27 000 (2016: €43 000) on the translation of values of property, plant and equipment into the presentation currency.

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

3.3 Shares in subsidiaries

Shares in subsidiaries are as follows:

	31 Dec 2017 € k	31 Dec 2016 € k
Shares in Vunene Mining (74%)	-	25,979
Shares in Ismanetix (100%)	-	1
Shares in affiliates	**-**	**25,979**

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

IchorCoal holds a 74% interest in Penumbra Coal Mining through 100% owned 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 as at 31 December 2017 and an impairment loss recognised at the end of the reporting period. An impairment loss amounting to €14 848 000 (2016:€12 826 000) was accounted for on the investment in Vunene Mining. There was no impairment loss realised in the investment in Ismanetix during the year under review.

Reconciliation of the investment in Vunene Mining :

	31 Dec 2017 € k	31 Dec 2016 € k
Carrying value of investment	25,979	34,581
Impairment loss for the year	-14,848	-12,826
Foreign currency translation gain	-996	4,224
Vunene Mining reclassified to Assets held for sale	-10,135	-
Carrying value of investment	**-**	**25,979**

Ichorcoal accepted an offer for its share in Vunene Mining and the transaction was concluded in November 2018 for a purchase price of R150 000 000 (€9.3 million). Due to this sale, the investment was reclassified to assets held for sale.

The investment in Vunene Mining was written down to the purchase price of €9.3 million resulting in an impairment loss of €14 848 000 realised in profit and loss.

The Group acquired an interest in Penumbra Coal Mining in December 2015 which had been placed in business rescue at the time of acquisition and 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 share purchase agreement. Penumbra Coal Mining resumed production in October 2017.

3.4 Investments in associates

Investments in associates are as follows:

	31 Dec 2017 € k	31 Dec 2016 € k
Shares in Mbuyelo Coal (45.16%)	53,132	54,688
Shares in Universal Coal Plc (29.03%)	16,000	16,468
Investment in associates	**69,132**	**71,156**

The Company holds a 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 decrease in the cost of the investment in associates of €2 024 000 (2016:€10 393 000 increase) is as a result of foreign exchange translation losses realised at the end of the reporting period. Mbuyelo Coal and Universal Coal are incorporated in South Africa and the UK respectively with all operating activities in South Africa.

There was no acquisition of additional interest or disposal of interest in the associates during the year.

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 whilst in the case of Universal Coal, value was derived from the net asset value and reference to market multiples.

3.5 Other non-current financial assets

	31 Dec 2017 € k	31 Dec 2016 € k
Restricted reserve	113	108
Other non-current financial assets	**113**	**108**

The Company has a deposit account in the amount of €113 000 (2016:€108 000) held at a local bank. It is used to back up a guarantee issued by the bank in relation to the lease agreement for the head office premises. The increase in the restricted reserves is due to €5 000 in interest earned on the account during the year under review.

3.6 Deferred tax

The net deferred tax asset and liability recognised in the statement of financial position is detailed below:

	31 Dec 2017		31 Dec 2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€ k	€ k	€ k	€ k
Non-current financial assets	-	-	-	-
Other liabilities	-	1,968	-	-
Temporary differences	**-**	**1,968**	**-**	**-**
Tax loss carry-forwards	**-**	**-**	**-**	**-**
Total	**-**	**1,968**	**-**	**-**
Offsetting	-	-	-	-
Amounts as per balance sheet	**-**	**1,968**	**-**	**-**

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

	2017	2016
	€ k	€ k
Deferred tax assets at the beginning of the period	-	-
Deferred tax liabilities at the beginning of the period	-	-
Net tax position at the beginning of the period	**-**	**-**
Deferred tax benefit/ (expense) of current year	-1,935	-
Net tax position as of 31 December	**-1,935**	**-**
Deferred tax assets at the end of the period	-	-
Deferred tax liabilities at the end of the period	-1,968	-
Forex exchanges	-34	-

A deferred tax asset has not been recognised in respect of a portion of the accumulated tax losses of because it is not probable that future taxable profit will be available against which the Group and Company can use the benefits therefrom.

3.7 Trade and other receivables

	31 Dec 2017 € k	31 Dec 2016 € k
Trade receivables	341	150
Trade and other receivables	**341**	**150**

Management believes that the trade receivables are fully recoverable.

3.8 Other current financial assets

Other current financial assets comprise the following:

	31 Dec 2017 € k	31 Dec 2016 € k
Loan to Ismanetix (Pty) Ltd	6,798	6,051
Other financial assets	3	4
Other current financial assets	**6,801**	**6,055**

The Company advanced a loan to Vunene Mining in 2013 and Penumbra Coal Mining in 2016, in the latter case 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 to Vunene Mining has been deemed not recoverable at year end and fully impaired at the reporting date. Impairment on this loan amounted to €3 357 000 which purely relates to interest earned on the loan during the year.

The loan to Ismanetix was used to finance the acquisition of Penumbra Coal Mining and to further finance the cost of care and maintainance at the mine. Interest on the loan was charged at the prime rate 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 2017 € k	31 Dec 2016 € k
Receivables from other taxes	55	42
Other assets	**55**	**42**

Receivables form other taxes mainly consist of VAT.

3.10 Cash and cash equivalents

The Company's cash and cash equivalents of €1 295 000 (2016:€31 000) represent cash at banks.

3.11 Equity

Share capital

The issued share capital of €9 518 500 is divided into 95 185 000 (2016: 67 920 000) ordinary shares with a nominal value of €0.10 each. During the year the Company issued 27 261 611 shares with a nominal value of €0.10 each. The new share issue consists of:

	Number of shares	EUR per share
Sapinda loan converted into equity (19 June 2017)	6 750 000	0.40
Conversion of convertible bonds (31 May 2017)	111 111	0.40
Conversion of loan into equity (31 October 2017)	20 403 500	0.40

In May 2017 the Company entered into a subordinated loan agreement with Sapinda Holding B.V. to have the €10 861 400 outsanding loan payable to Sapinda Asia converted to equity. The conversion to equity was done in two parts, with one conversion in June 2017 and the second one during October 2017. A total of 27 153 500 shares were issued for the conversion of the loan into equity. The new shares were issued upon the execution of the subscription agreement betweeen the Company and Sapinda Holding B.V.

On 31 May 2017 the Company issued 111 111 shares with a nominal value of €0.10 for a consideration of €4.50 per share to a bondholder who elected to convert his holding to equity.

The issued share capital consists of fully paid-up ordinary shares, each carrying the right to a dividend as declared and the right to one vote at shareholders' meetings.

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

The authorised share capital amounts to €25 000 000 (2016: €25 000 000) and is divided into 250 000 000 (2016: 250 000 000) shares with a nominal value of €0.10 each. There was no change in authorised share capital during the reporting period.

Share Premium

The share premium consists of the consideration beyond the nominal value of the shares issued during the year amounting to €8 641 000. Capital reserves are not distributable to the equity holders of the Company.

Other reserves

Other reserves reflect differences from a currency translation loss of €5 169 000 (2016: €5 341 000 loss). The change in the currency translation reserve for the year is €172 000.

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 payment is measured at the fair value of the equity instrument at the date of the grant, which was €997 000 (2016: €855 000). 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 are 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); -> 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 assessed at year end with reference to a 12 month period from 1 January to 31 December 2017. 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 495%.

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

3.12 Interest-bearing loans and borrowings

	31 Dec 2017 € k	31 Dec 2016 € k
Long term portion - Convertible bonds	74,076	-
Short term portion - Convertible bonds	-	78,195
Interest-bearing loans and borrowings	**74,076**	**78,195**

Interest-bearing loans relate to €80 000 000 convertible bonds that were issued by the Company in 2012. Please refer to note 6.13: “Interest-bearing loans and borrowings” in the consolidated financial statements for further details.

3.13 Other non-current financial liabilities

	31 Dec 2017 € k	31 Dec 2016 € k
Sapinda Invest	3,703	1,788
Sapinda Holdings BV	3,129	-
Into Africa Mining (Pty) Ltd	1,043	12,979
Other Non-Current financial liabilities	**7,875**	**14,767**

3.14 Other current financial liabilities

	31 Dec 2017 € k	31 Dec 2016 € k
Loan from affiliates - Mbuyelo	-	166
Other current financial liabilities	**0**	**166**

Mbuyelo Coal declared and paid dividends during the year and the dividend was set off against the outstanding loan resulting in full settlement of the loan.

3.15 Trade and other payables

	31 Dec 2017 € k	31 Dec 2016 € k
Trade payables	507	171
Trade and other payables	**507**	**171**

Trade and other payables solely relate to trade payables.

3.16 Other liabilities

Other liabilities comprise:

	31 Dec 2017 € k	31 Dec 2016 € k
Accrued liabilities	580	662
Other non-financial liabilities	**580**	**662**

Accrued liabilities mainly comprise liabilities resulting from personnel costs, accounting and 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 31 Dec 2017 € k	Undiscounted cash outflows 2017 € k	2018 - 2020 € k	2020 ff. € k
Interest-bearing loans and borrowings	74,076	-	77,600	-
Trade and other payables	504	504	-	-

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

4 Notes to the stand-alone statement of comprehensive income

4.1 Other income

Other income is as follows:

	31 Dec 2017 € k	31 Dec 2016 € k
Foreign exchange gains	-	12,790
Management and board fees	364	389
Gain on remeasurement of bonds	744	0
Investment income	4,884	833
Others	28	10
Other operating income	**6,020**	**14,022**

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

The foreign exchange gain is mainly due to the translation of the convertible bonds and Sapinda loan that was realised in the prior year. During the financial year, the Company realised foreign exchange losses.

The gain on re-measurement of the bonds resulted from the re-measurement of convertible bonds during the year. There was a modification on the convertible bonds resulting from the change in bond terms and interest rate. (For more details, refer to note 6.13: “Interest bearing borrowings” in the consolidated financial statements).

Due to the appreciation of the rand against major currencies, the Company earned foreign exchange translation gains during the 2016 financial year. In contrast, a foreign exchange translation loss was recognised in the year under review and has been classified as “Operating expense”.

Investment income relates to dividend income received from Mbuyelo Coal and Universal Coal. The dividend was paid out in accordance with the Company’s interest in the two companies and amounted to €3 899 224 and €984 300 respectively. Total dividend income amounted to €4 883 524 for the financial year.

4.2 General and administrative expenses

General and administrative expenses consist of the following:

	31 Dec 2017 € k	31 Dec 2016 € k
Wages and salaries	813	848
Employee benefits	121	112
Share based payment expense	141	237
Other expenses	314	195
General and admin expenses	**1,389**	**1,392**

4.3 Other operating expenses

Other operating expenses are as follows:

	31 Dec 2017 € k	31 Dec 2016 € k
Foreign exchange losses	3,089	-
Legal and consulting costs	169	421
Audit and accounting services	377	57
Depreciation, amortisation and impairment	18,241	36,771
Other	82	59
Other operating expenses	**21,958**	**37,308**

The significant decrease in other operating expenses is largely due to the decline in the impairment charge. Foreign exchange translation losses incurred during the current year are classified as other operating expense.

Depreciation and amortisation

	31 Dec 2017 € k	31 Dec 2016 € k
Depreciation	36	36
Amortisation	1	1
Depreciation and amortisation	**37**	**37**

Impairment Losses

	31 Dec 2017 € k	31 Dec 2016 € k
Impairment loss	18 205	36 734
Impairment loss	**18 205**	**36 734**

The investment in Vunene Mining was impaired at year end with an impairment loss amounting to €14 848 000 (2016:€12 826 000) A further impairment loss amounting to €3 357 000 (2016:€23 908 000) was in relation to the intercompany loan that was deemed not to be recoverable from Vunene Mining. This was due to various impairment indicators being present at year end. These included:

- Vunene Mining has been reporting losses year-on-year.
- Increase in 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 above assets by determining fair value less cost to sell. The calculation of value in use was based on the fair value receivable on the offer for the purchase of Vunene Mining.

	Investment in Vunene Mining
Carrying value	€24 983 000
Fair value less cost to sell	€10 135 000
Impairment	€14 848 000

.

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 2017 € k	31 Dec 2016 € k
Interest on other loans and borrowings	3 223	2 882
Total interest income	**3 223**	**2 882**
Other interest income	-	7
Gain on conversion component convertible bonds	8 419	-
Foreign exchange	-	-
Total finance income	**11 642**	**2 889**

The financial expense is broken down as follows:

	31 Dec 2017 € k	31 Dec 2016 € k
Interest on Convertible Bonds	10,951	13,149
Effective interest on Corporate Bonds	-	0
Other	-155	698
Foreign exchange	0	-105.00
Total interest and similar expenses	**10,796**	**13,742**
Loss on conversion option of Convertible Bonds	-	2,930
Total finance costs	**10,796**	**16,672**

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

4.5 Income tax

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

	31 Dec 2017 € k	31 Dec 2016 € k
Income before income taxes	-16,481	-8,799
Tax rate	*28%*	*28%*
Expected tax (expense)/ benefit	**4,615**	**2,464**
Permanent differences	-6,570	-2,464
Timing Differences	-	-
Adjustments to carrying amounts of deferred taxes	-	-789
Unrecognised tax losses and interest carry forwards	20	-
Other effects	-	-
Income taxes	**-1,935**	**-789**
Effective tax rate	12%	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 2017 € k	31 Dec 2016 € k
Deferred taxes	-1,935	0
Income taxes	**-1,935**	**0**

A deferred tax asset has not been recognised in respect of a portion of the accumulated tax losses because it is not probable that future taxable profit will be available against which the Group and Company can use the benefits therefrom.

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, the loan was deemed not recoverable and was fully impaired. Interest amounting to €3 223 000 (2016: €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 €255 000 (2016: €281 000). The Company also served on the board of Universal Coal plc and received directors fees amounting to €109 000 (2016: €108 000).

The Company further advanced a 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 €6 798 000. The balance is inclusive of €3 500 000 which was used to finance the acquisition.

During the year the Company received a loan from Mbuyelo Coal amounting to €405 000 including accrued interest, which was charged at market rates. A total of €3 899 224 in dividends was received from Mbuyelo Coal during the year.

Universal Coal plc paid dividends of €984 300 during the year.

Transactions with shareholders

The outstanding balance on the loan from Sapinda amounted to €6 832 000 (2016: €14 767 000) as at 31 December 2017. Interest of €858 000 (2016: €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 2017 € k	**31 Dec 2016 € k**
Due within one year	169	169
Due in one to five years	-	169
Due in more than five years	-	-
Total	**169**	**338**

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

5.5 Events after the reporting date

Management accepted an offer to sell IchorCoal's entire 74% interest in Vunene Mining and Penumbra Coal Mining at a purchase consideration of €9.3m and €3.5m respectively. In the case of Vunene, all conditions precedent have been met and settlement effected in November 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 that the transaction will close by the first quarter of 2020.

On 3 May 2019, IchorCoal announced the disposal of its entire 29% equity stake in Universal Coal plc through a private placement to a number of institutional investors for a purchase consideration of A$0.315 per share. The proceeds after transaction costs amounting to A$47m – equivalent to approximately €29m at the prevailing exchange rate – were received on the 6th of May.

At the annual meeting of IchorCoal shareholders held on 7 January 2019, shareholders approved a partial amendment of the articles of association of the Company. This was done in order to allow IchorCoal to issue shares pursuant to its obligations under the terms of the convertible bonds and maintain sufficient flexibility for any future issuances. The authorised share capital was increased from the current €25 million to €47.5m, which falls below the stipulated maximum of five times issued capital allowed under Dutch law. The deed of amendment of the articles of association was subsequently executed.

Supplier VB Minerals (Pty) Ltd took legal action against Vunene Mining (Pty) Ltd 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.

[On 26 July 2019, the Company redeemed convertible bonds to the value of €43.1m. The balance of €34.5m will be converted to equity pursuant to an irrevocable undertaking to effect such conversion by Tennor Holding B.V. This is expected to be finalised during the third quarter of 2019.

After 4.5 years as IchorCoal Chief Operating Officer and member of the Management Board, Andries Engelbrecht resigned from the Company with effect from 30 September 2018.

There were no further subsequent events.

Rosebank, 2 September 2019

Nonkululeko Nyembezi

Chief Executive 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 2017 included in the consolidated financial statements

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Ichor Coal N.V. as at 31 December 2017 and of its result and its cash flows for the year 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 2017 of Ichor Coal N.V. (the 'Company') based in Amsterdam, the Netherlands.

The financial statements comprise:

1 the consolidated and stand-alone statement of financial position as at 31 December 2017;

2 the following consolidated and stand-alone statements for 2017: the statements of comprehensive income, changes in equity and cash flows; and

3 the notes to the consolidated and stand-alone financial statements 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 the Company, 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 in the notes to the the conversion of the shareholder bonds into equity during the third quarter of 2019, which indicates that the going concern of the Company depends on the successful sale of the Mbuyelo shares, the conversion of the shareholder bonds into equity during the third quarter of 2019, the level of dividends to be received from the Mbuyelo investment until the disposal of the shares and on the continuing support from Tennor Holding (shareholder) via a subordinated shareholder loan. These conditions indicate 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;
- assessed management's action towards the bond redemption and related shareholder bridge loan;
- consulted with the going concern specialists from our Department of Professional Practice;
- 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.
- 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.

Audit approach

Summary

Materiality	
Consolidated financial statements:	*Stand-alone financial statements:*
— Materiality of EUR 1.3 million	— Materiality of EUR 880 thousand
— 0.7% of total assets of EUR 181 million	— 1% of total assets of 88 million

Group audit
— 85% of total assets — 100% of revenue

Key audit matters
— Estimation of environmental rehabilitation of the mining sites provisions — Fair value of the conversion option of the convertible bonds — The recoverable amounts of the mining rights and assets

Opinion
Unqualified — 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 (2016: EUR 1.3 million). The materiality is determined with reference to the relevant benchmark of total assets (0.7%; 2016: 1.0%). We consider total assets as the most appropriate benchmark because the Company 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.

We determined a separate materiality for our audit of the stand-alone financial statements. Based on our professional judgement we determined the materiality for the stand-alone financial statements at EUR 880 thousand (2016: EUR 1 million). The materiality is determined with reference to the relevant benchmark of total assets (1.0%; 2016: 1.0%). We consider total assets as the most appropriate benchmark because the Company is an international mining group focusing on its investments in the thermal coal production in South Africa. Therefore, we consider total assets the primary focus for the users of the stand-alone financial statements.

We agreed with the Supervisory Board 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

The Company is at the head of a group of components. The financial information of this group is included in the financial statements of the Company.

Our group audit mainly focused on significant components. Significant components are components, which are either individually financially significant from a group perspective and/or components comprising a significant risk. The significant components all operate (through their investments) in the South African coal mining industry.

The Company operates through a number of legal entities and these form reporting components that are primarily country based. To provide sufficient coverage over the Company's financial information, including the identified significant risks of material misstatements, we performed a full-scope audit for all significant components and review procedures for 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 900 thousand in their local audits, reflecting the mix of size and risk profile of the Company across the components.

We subjected three components to full scope audits for group reporting purposes. Besides the audit procedures we ourselves performed at the group component Ichor Coal N.V. we have:

— made use of the work of KPMG South Africa for the audit of Mbuyelo Coal and Penumbra Coal mining;

— made use of the work of SizweNtsalubaGobodo Inc. for the audit of Vunene Mining;

— made use of BDO LLP, for the review of Universal Coal.

We visited the components Mbuyelo, Penumbra and Universal Coal and performed file reviews of the work performed by the component auditors. The findings reported to us as the group audit 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.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our procedures as described above can be summarized as follows:

Total assets

85%	15%
Audit of the complete reporting package	Review of the complete reporting package

Revenue

100%
Audit of the complete reporting package

Audit scope in relation to fraud and non-compliance with laws and regulations

In accordance with the Dutch Standards on Auditing we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. In determining the audit procedures we will make use of the evaluation of management in relation to fraud risk management (prevention, detections and response), including ethical standards to create a culture of honesty.

In our process of identifying fraud risks we assessed fraud risk factors, which we discussed with management and the Audit Committee. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. We also assessed factors related to the risk of non-compliance with laws and regulations which could have a direct or indirect impact on the financial statements. In these risk assessments we made use of a forensic specialist.

Based on the auditing standards, we addressed the following presumed fraud risk that was relevant to our audit:

— fraud risk in relation to management override of controls.

We performed audit procedures at Group and component level designed to mitigate the risk of management override of controls. These procedures included, amongst others, evaluation of internal controls, testing of high-risk journal entries and the compliance with the Group's policies, laws and regulations, both at Group level and component level.

Our audit procedures included substantive audit procedures, including detailed testing of journal entries in non-routine transactions which included verification of source documentation (e.g. original bank statements and invoices). We discussed the risk of fraud with the Audit Committee and the Board of Directors and we read minutes of the Board of Directors.

In relation to non-compliance with laws and regulations, we identified laws and regulations (for example the South African mining laws and regulations and local relevant tax laws and financial reporting standards) that could reasonably be expected to have a material effect on the financial statements, based on our general and sector experience.

We discussed the policies and procedures regarding compliance with laws and regulations with the directors, those charged with governance and/or other management (as required by the auditing standards). We communicated identified laws and regulations within our audit team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Our procedures to address the fraud risk and/or risk of non-compliance to laws and regulations did not result in findings to be included in this auditor's report.

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.

The estimation of the coal reserves is no longer a key audit matter compared to previous year, as the estimation uncertainty in the determination of the coal reserves for the subsidiaries Penumbra and Vunene is considered limited given the fact that Penumbra is relatively small and Vunene is recorded as held for sale.

Estimation of environmental rehabilitation of the mining sites provisions

Description

The estimation of the environmental rehabilitation (ER) of the mining sites provisions as included in note 6.12 to the financial statements 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 in line with IAS 37.

ER provisions are also affected by the changes of the underlying assumptions 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 performed the following procedures:

- obtained an understanding of the management 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 cost of machinery and diesel rates;
- performed a review to ensure that all key movements were understood, corroborated and recorded correctly;
- engaged our environmental 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 IAS 37. 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 environmental specialist.
- engaged our environmental specialist to evaluate the reasonableness of the discount rate and valuation model applied to the calculation;
- 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 the historical accuracy of management's estimates (retrospective review);
- 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 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 6.12 of the financial statements.

Fair value of the conversion option of the convertible bonds

Description

Within the convertible bond, refer to note 6.14 to the financial statements, 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.

Our response

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

- obtained an understanding of the management 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;
- engaged our valuation specialist to perform a valuation of the fair value of the embedded derivative and a recalculation of the amortized cost carrying value of the financial liability component within the convertible bond contract;
- assessed the historical accuracy of management's estimates (retrospective review);
- 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 the Company's compliance with EU-IFRS accounting policies.

Our observation

We found that management's calculation of the fair value of the conversion option embedded in the convertible bonds resulted in a balanced outcome and that the risk is adequately disclosed in note 6.13 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 per asset at each reporting period whether any indication of impairment exists in accordance with IAS 36. In case of an impairment trigger the Company's assessment requires the use of a model and assumptions to assess whether the recoverable amount is exceeding 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 management 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 input parameters by:
    - o assessing whether the net profit included in the cash flow forecast is 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);
    - o confirming that operating expenditure profiles and capital costs are supported by approved budgets;
    - o 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
    - o 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 the Company's compliance with EU-IFRS accounting policies.

Our observation

We found that management's assessment of the recoverable amount (EUR 19.9 million) of the mining rights and assets resulted in sufficient headroom (EUR 6.4 million). The assessment is adequately disclosed in note 6.1 of the financial statements.

Report on the other information included in the consolidated financial Statements

In addition to the financial statements and our auditor's report thereon, the consolidated financial statements 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; and

— 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 the Company on 22 May 2017, for the audit of the years 2016 and 2017 and have operated as statutory auditor since the 2016 financial year.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Management and the 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 the Board of 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 I of this auditor's report. This description forms part of our auditor's report.

Amstelveen, 2 September 2019

KPMG Accountants N.V.

L.M.A. van Opzeeland RA

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

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

We have exercised professional judgement and have maintained professional scepticism 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 the Company'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 the Company'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.