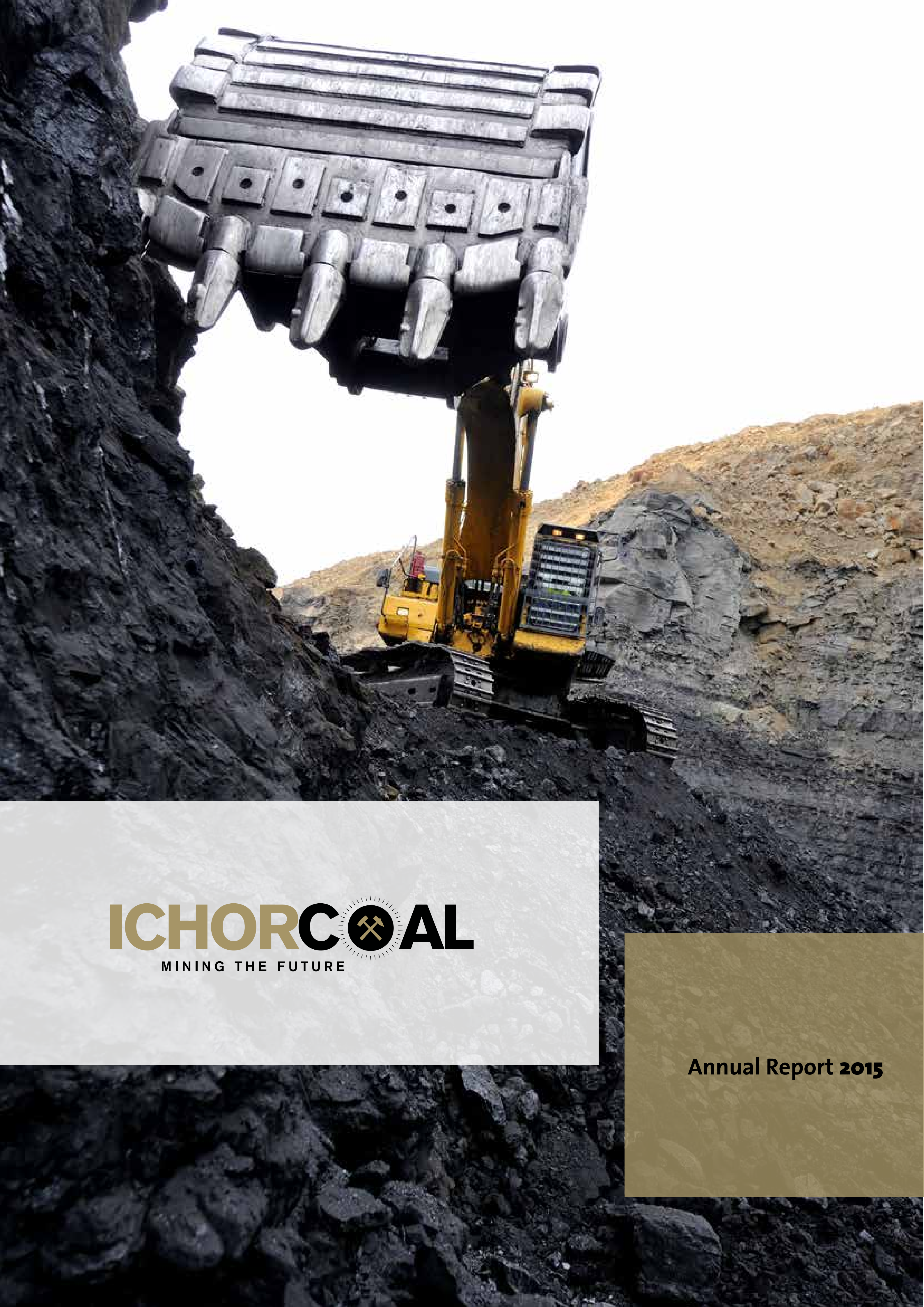


ICHORCOAL

MINING THE FUTURE

Annual Report 2015

CONTENTS

ICHOR COAL

KEY FIGURES

GROUP PERFORMANCE INDICATORS

Income statement figures	1 Jan – 31 Dec 2015 € k	1 Jan – 31 Dec 2014 € k
Revenue	**46 236**	48 630
EBITDA	**1 382**	7 266
EBIT	**(24 738)**	(108)
Profit or loss for the year	**(8 843)**	(15 386)

Balance sheet figures	31 Dec 2015 € k	31 Dec 2014 € k
Total assets	**165 079**	176 629
Non-current assets	**155 388**	150 432
Current assets	**9 691**	26 196
Total equity	**47 545**	64 236
Non-current liabilities	**105 274**	103 199
Current liabilities	**12 260**	9 193

Cash flow figures	31 Dec 2015 € k	31 Dec 2014 € k
Cash flow from operating activities	**(5 386)**	9 906
Cash flow from investing activities	**(17 423)**	(18 280)
Cash flow from financing activities	**4 996**	18 178
Cash flow-related changes in cash and cash equivalents	**1 327**	19 140

REVENUE (€k)

46 236

THOUSAND

(2014: €48 630)

COAL PRODUCED

1.87

MILLION TONNES

(2014: 1.85)

EBITDA (€k)

1 382

THOUSAND

(2014: €7 266)

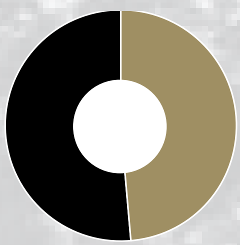
ATTRIBUTABLE RESOURCES OF APPROXIMATELY

494

MILLION TONNES ON 12 PROPERTIES

REVENUE (€)

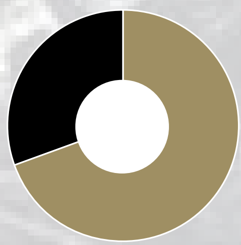
thousand



2015 46 236
2014 48 630

EBITDA (€)

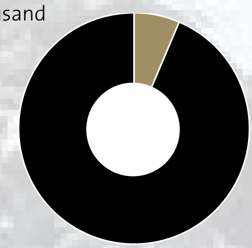
thousand



2015 (16 562)
2014 7 266

CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (€)

thousand



2015 1 327
2014 19 140

MESSAGE FROM THE CEO

NONKULULEKO NYEMBEZI-HEITA

Dear shareholder

We are disappointed to report a loss of €0.09 per share for the year to end December 2015 on the back of a dramatic drop in international thermal coal prices, lower sales and sharply lower exchange rate of the South African Rand to the Euro.

OPERATING ENVIRONMENT

On the macro-economic front, 2015 proved to be an exceptionally challenging year for the commodities sector as a whole, with the possible exception of gold. More specifically, the coal industry had to contend with a near perfect storm of negative events, chief amongst which were the slump in Chinese thermal coal consumption, the steep drop in international prices and rising concerns about climate change culminating in the Paris accord.

While boom and bust cycles are common for commodities, the combination of factors pushing coal prices down has been unprecedented: oversupply in China while main exporters expanded capacities; the increasing gas production in the United States; major cost reductions in the industry, sometimes by gaining scale and increasing production; the currency depreciation in exporting countries; low oil prices; and, finally, the slowdown in Chinese industrial output leading to lower consumption.

Coal demand is set to rise in India and the ASEAN countries, which – while robust – will not compensate for the new trajectory of Chinese coal demand. These developments – and the consensus forecast that coal prices are set to stay lower for longer – are concerning for the coal industry as a whole.

However, as the International Energy Agency notes in its 2015 Coal Medium-Term Market Report, such persistent low prices make coal very attractive for power generators. The current 1 900 GW of installed coal capacity globally will expand as capacity under development in Asia exceeds the likely retirements in Europe and the United States. Coal power plants, once constructed and operating, run for a long time, especially in places with power shortages.

Turning to domestic conditions, the trend in South Africa's economy has been decidedly negative, with GDP growth posting a lacklustre 1.3% in 2015 with even lower growth forecast for 2016. The local power utility, Eskom, has committed billions of rands in investments to generate an additional 9 600MW of electricity as well as reconditioning existing generating infrastructure. The first unit of the new Medupi Power Station was successfully synchronised onto the grid in 2015, adding 800MW to existing capacity. Completion of the next unit is scheduled for early 2017 with all the units expected to be online in 2020. Meanwhile preparations are proceeding for the new Kusile Power Station to go live, with the first unit coming on stream in 2018.

While Eskom's investment in coal-fired power generation infrastructure resulted in a flurry of new investment in coalfields by more than a hundred junior miners, many succumbed to a lack of expertise and scale to operate sustainably. This situation has been worsened by the local and global economic slowdown and the depressed coal market. A coal supply shortage that had initially been

estimated at 60 million tonnes per annum by Eskom has now been revised sharply downwards to an annual 22 million tonnes. A major reason is the decline in economic output leading to lower electricity demand, a situation that no doubt will reverse as economic growth starts to pick up. Therefore, many investment decisions have been delayed or postponed, and some cancelled. Investors, banks and other lenders have severely curtailed funding to the sector.

FINANCIAL PERFORMANCE

Against a marginal increase in production year-on-year, sales dropped 11% due to reduced offtake from Eskom and curtailment of the export programme. The latter became necessary as export prices fell 25% year-on-year, well below profitable levels. Revenue was correspondingly down, dropping 5% compared to prior year.

Vunene faced more difficult geological conditions in its opencast mining operations in the period, as evidenced by the marked deterioration in strip ratio, which rose 33%. This had a direct bearing on costs, with the cash cost per tonne up 9%.

However, the weakening of the rand against the euro was the single biggest negative factor. The weaker currency accounted for a substantial part of the decline in EBITDA, which closed the year at €1 million from a positive €7 million in prior year. Of this amount currency impacts accounted for negative €15 million.

OPERATIONAL REVIEW

Strategically, we continued to focus on executing our stated ambition of building a portfolio of high quality assets to take us closer to our objective of becoming the leading mid-tier producer and South Africa's pre-eminent medium-sized coal miner. To that end, we completed the acquisition of Penumbra Mine in Ermelo and anticipate starting work on bringing the mine to production during the course of 2016.

While coal demand from Eskom remains robust, the rate of growth in demand has fallen behind Eskom's earlier forecasts on the back of lower economic growth. This presented challenges for our Vunene operation, due to Eskom reducing their offtake, resulting in lower sales compared to prior year. The impact was magnified by the collapse of export prices leading to the suspension of our export programme. Although Eskom will remain the backbone of our sales for the foreseeable future, we consistently monitor international markets to assess the attractiveness of export sales opportunities. This in turn will determine the optimal time to resume export activities. We continually examine the potential for examining alternative new markets – particularly in the ASEAN countries – and developing new marketing relationships locally to diversify our customer base.

Our Vunene mine achieved an excellent safety performance, with 2015 being another fatality free year. As the operation's surface mine inches closer to end of life, it is confronting ever tougher geological conditions, with the strip ratio rising from an average of 5.93 in the prior year to 7.88 this reporting period. This is very high indeed by South African standards for a purely truck and shovel mining method, with a concomitant impact on mining costs. The opencast section will be mined out during the course of 2017, by which time mining operations will have shifted to the underground mine.

The capital expenditure on the refurbishment of the underground section at Vunene amounted to R134 million for the year, equivalent to €8 million at the prevailing exchange rates. The total capital expenditure across the group amounted to R206 million. The underground project proceeded according to plan, with the first blast in 25 years being achieved at the historic Usutu Colliery in February this year. This is a welcome development and positions the mine well to reach steady state production during the course of 2018 at a projected annual output of 1.6 million tonnes.

MESSAGE FROM THE CEO (CONTINUED)

In the Mbuyelo stable, the Manungu project met its target of producing first coal in July. It took some time to overcome the usual teething problems that accompany new mine establishment. However, at the time of this report, the mine has now overcome these and successfully delivering against its coal supply obligations with a target of annual run-of-mine of 1.6 million tonnes untill 2018 and 3 million tonnes thereafter.

BUSINESS DEVELOPMENT

We completed the acquisition of Penumbra at a consideration of R55 million during December and we now hold a 74% stake in the asset, with the remainder owned by Mbuyelo. The latter, in turn, completed the purchase of Ntshovelo, which has resulted in the group being the majority shareholder in Vlakvarkfontein. Correspondingly, this has lifted IchorCoal's exposure to Vlakvarkfontein to 37%.

On 30 September 2015, we made a A$0.16 a share cash offer for Universal Coal in which we already own 29.99%. We allowed our offer to lapse on the expiry date of 5 February 2016 for several reasons, not least of which was the reduced value proposition of Universal Coal in Australian dollar terms given that the rand depreciated 18.8% against the Australian dollar between the time of making the offer and January 2016. Moreover, a counter bid was launched in December at a price of A$25c a share. Given these factors, taken together with the challenging coal sector environment, the attractiveness of the acquisition needed to be reassessed.

EXTERNAL STAKEHOLDERS

As much as management focused our attention on developing our existing assets organically and through examining the potential for acquisitions, stakeholder relationships remained a key priority. We have maintained and continue to build fruitful relationships with key stakeholders including various levels of government, regulators, employees, organised labour, business partners, Eskom, suppliers, contractors and local communities. These relationship are vital for us to retain our licence to operate. We are committed to meeting our obligations and earning their support.

The implementation of our social and labour plan (SLP) is proceeding as planned. We submitted a new SLP for implementation for a five-year period starting in January 2015 and conduct our corporate social investment (CSI) according to the plan. Vunene, in particular, has made great strides on community engagement and its SLP, which has a focus on human resource and local economic development. Over the next 10 years, Vunene will implement a series of integrated programmes to create a positive "domino" effect of lasting and visible impact. I look forward to reporting back on this progress. We will combine our CSI activities with those of Penumbra to make a more meaningful impact on local economic development and the surrounding communities, with whom we focus on nurturing good relationships.

The year also saw us participate as a sponsor in a unique event – the Clipper Race 2015-16, a 40 000 nautical mile race around the world on a 70-foot ocean racing yacht. IchorCoal's sponsorship of the Clipper Race 2015-16 team – aboard the Ichor Coal/Sapinda Rainbow yacht – gave support to an extremely worthy cause in South Africa. The Sapinda Rainbow Foundation raised funds for the benefit of the Ndlovu Care Group, which has developed and run extensive community healthcare and community development programmes in rural South Africa and developed a research programme aimed at tackling the challenge of managing the HIV/Aids epidemic worldwide.

We take corporate social responsibility very seriously – it is a cornerstone of all our decisions and actions as well as being an essential part of doing business in South Africa, where the business community plays a big role in the country's efforts to address poverty and socio-economic development.

OUTLOOK

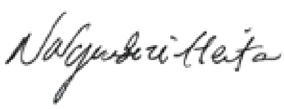
Looking ahead, we do not expect a short-term recovery in market conditions, with the consensus view being that the thermal coal prices are likely to only start experiencing positive momentum in 2017. From a domestic market point of view, the demand looks set to remain healthy even at these low levels of economic growth.

Our focus in 2016 is to preserve cash and minimise costs, both common themes in the mining community given current conditions. Vunene will complete phase 1 of the underground project and start production as per the master plan. We also aim to progress bringing Penumbra into production. All this will be achieved against the backdrop of a group-wide culture of zero harm.

We continue to nurture growth ambitions but perforce have adjusted the timescale within which to achieve the output target of 15 million tonnes per annum to 2019. We believe that thermal coal demand and supply would be likely back in balance by then. Most importantly, we believe coal will continue to enjoy a significant share of global electricity generation albeit at lower levels than today.

New mining legislation and the administration and interpretation thereof, remain a serious concern for the South African mining industry. We look forward to policy certainty from the South African government on the amendments to the Mineral and Petroleum Resources Amendment Bill and the empowerment provisions in the Mining Charter.

To conclude, I thank all stakeholders, including my management team, employees, contractors, suppliers, customers and investors for their support in 2015. Our supervisory board has continued to challenge us and support us through a most difficult year, for which I am grateful. In particular, our employees' hard work has been pivotal in ensuring that IchorCoal remains strong and focused in what has proved to be a stormy year for the sector as a whole.



Nonkululeko Nyembezi-Heita
Chief Executive Officer

MESSAGE FROM THE COO

ANDRIES ENGELBRECHT

Dear shareholder

This year saw a mixed performance, with generally good production performances offset by offtake shortfalls, but also excellent cost management and safety indicators.

Vunene Mining, in which IchorCoal holds 74%, reached a noteworthy milestone during the financial year, achieving 2 000 fatality-free production shifts on 21 December 2015. Overall the safety performance was much improved with no lost time injuries recorded for the year, a testament to visible leadership efforts delivering results.

Vunene Mining's Usutu Colliery is located some 200 km southeast of Johannesburg near the town of Ermelo in the Mpumalanga province. The mine currently produces an average of 154 000 tonnes of coal per month.

For the year under review, the Usutu Colliery increased production to 1,87 million tonnes from 1,85 million tonnes the previous year. The mine's ability to further increase production was hampered by production output being restricted as a result of reduced offtake and delivery to power utility Eskom.

Total sales for the year were 1,66 million tonnes, 11% below that achieved the previous year. The decrease in sales volumes was as a result of an unforeseen reduction in offtake and delivery to Eskom as well as the deterioration of export coal prices, which rendered exports unfeasible. Vunene supplied Eskom exclusively during the period under review and, as a result, planned sales volumes were severely affected by excessive quality-related rejections.

However, the mine's performance for the year was good with the quality issues and high stockpile levels being resolved at year-end. Stockpile levels at the mine as at the end of December 2015 were 108kt, which is optimal.

The strip ratio was managed well, ending the year at 7.88, 3% below expectation. This remains relatively high, resulting in higher mining costs per tonne compared to numerous other players in the industry. However the cost per strip ratio has stabilised, barring once-off items and extraordinary circumstances. The cash cost per tonne of coal produced increased to R347.80 from R319.48 the previous year, which is a better than expected performance taking into consideration that the strip ratio increased by circa 30%.

Notwithstanding the increase in the strip ratio, Vunene kept a tight control on costs by extracting efficiencies, rigid cost management practices and streamlining contractor arrangements. As a result operational costs remained fairly constant at between 4% and 5% of cost of sales.

EBITDA for the year was down to R39,6 million from R146 million the previous year, primarily due to lower Eskom sales, increased costs and a lack of lucrative export sales realised in 2014.

The underground refurbishment at Usutu continued apace during the year, and subsequent to year-end, on 11 February 2016, the first underground blast at the Usutu Colliery in 25 years was initiated. Production at the C seam will commence during the latter part of 2016 with production from the B seam targeted for the fourth quarter of

2016. The underground operations will eventually replace the current opencast mining blocks.

In addition, Vunene made great strides on community engagement and its social and labour plan (SLP), which focuses on human resource and local economic development (LED) programmes. So far Vunene has invested R2.45 million, despite pressing economic challenges.

The acquisition of Penumbra Coal Mining, in which Ichor holds 74%, is complete and all regulatory approvals are now in place. The proximity of Penumbra to our existing Vunene operation presents a potential to extract material synergies. The Penumbra acquisition includes a rail siding and a yearly export allocation of 18 000 tonnes. Continuous miners and other section equipment from the Penumbra mine is being moved to Vunene, resulting in a total capital expenditure saving of about R60 million for the two-owner operated sections at Vunene.

Meanwhile care and maintenance activities at Penumbra mine will continue as planned – at a cost of some R2,5 million a month – until initial capital and operational funding is secured and marketing options are finalised. Various marketing options including Eskom, local and export is being explored. There is sufficient equipment currently available to commence with one drill and blast section.

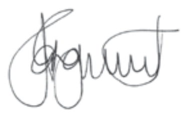
IchorCoal has a 45.16% stake in its strategic partner Mbuyelo Coal, which holds the Manungu project in the Witbank coalfield, the Vlakvarkfontein Colliery in the Delmas Coalfield and the Welgemeend Colliery. While not involved in the day-to-day management of the operations owned by Mbuyelo Coal our management board is regularly consulted and informed about developments.

The Manungu project has a 40,8mt phase 1 Eskom coal supply agreement in place and first coal was delivered to Eskom in July 2015. The project experienced a few start-up teething problems resulting in lower than targeted production, sales and operating profits. The mining contractor was changed due to poor standards and production shortfalls and the issues have been ironed out subsequent to year-end. A new permanent crushing plant was commissioned and completed during the year and is performing well.

At Vlakvarkfontein Colliery, negotiations for a coal supply agreement are well advanced, and at the Welgemeend Colliery, which is awaiting a coal supply agreement with Eskom, the first export sales were railed in July 2015.

Universal Coal, in which we hold 29.99%, had a pleasing year at its low-cost opencast Kangala Mine, which is now fully operational and offers production flexibility. A coal supply agreement with Eskom is in place for phase 1 of the six and a half-life year life of mine – equating to some 18 million tonnes in sales.

Meanwhile the New Clydesdale and Roodekop complex is in project execution phase. A coal supply agreement is being negotiated – a 1,2 million tonne Eskom supply is being targeted – and the project is on hold until this is finalised. However, the mining contractor and plant operator have been selected for the complex and are ready to mobilise.



Andries Engelbrecht
Chief Operating Officer

MBUYELO GROUP – STRATEGIC PARTNER OF ICHORCOAL

In 2012 and 2013 IchorCoal bought a 45% interest in Mbuyelo Coal, which owns the majority of the mining interests of the Mbuyelo Group

The Mbuyelo Group was founded in 2006 by entrepreneur Rirhandzu Owner Siweya who, with various partners, had previously acquired a number of prospecting and mining rights. These rights were the basis on which Siweya and his partners established a group of companies operating primarily in the resources and property sectors. Today, the Mbuyelo Group retains a 49% shareholding in Mbuyelo Coal with the remaining 6% belonging to external shareholders.

Mbuyelo Coal owns a suite of extremely attractive resources and reserves amounting to more than 600 million tonnes (mt) of coal.

MANUNGU COLLIERY

The Manungu Colliery, located 100 km east of Johannesburg, has reserves and resources of approximately 410mt. Opencast activities commenced in early 2014 with first coal production in June 2015. From June 2015 Manungu will supply approximately 1.6mtpa to Eskom's Kendal Power Station. In terms of the second phase of the coal supply agreement, Manungu will deliver 3mtpa to the Kusile Power Station which is currently being constructed. Life-of-mine is projected at 30 years.

Manungu colliery – Reserves and resources

410 mt

Vlakvarkfontein – ROM Reserves

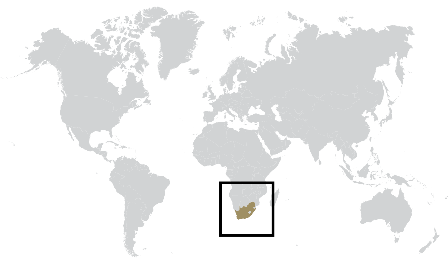
5.6 mt

Welgemeend colliery – ROM Reserves

26 mt

Welstand colliery – Reserves and resources

45 mt



Manungu

Resources and reserves:

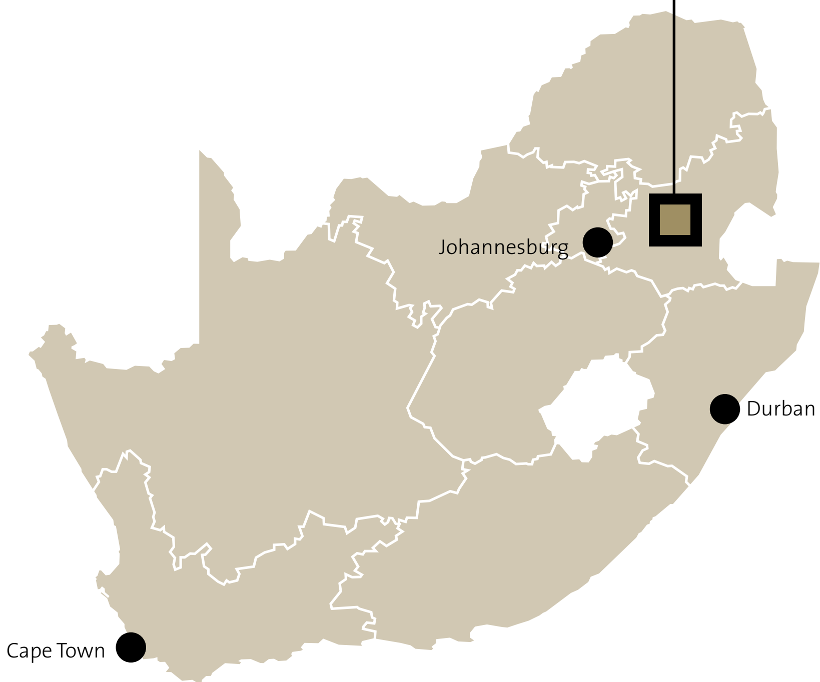
410mt

Life-of-mine:

30 years

Mining method:
Opencast

Status:
Producing,
CSA with
Eskom for
40.8 million tonnes



MBUYELO GROUP – STRATEGIC PARTNER OF ICHORCOAL (CONTINUED)

WELGEMEEND COLLIERY

Located near the town of Hendrina, southeast of Johannesburg, Welgemeend has access to a run-of-mine reserve of some 26mt remaining following the completion of a joint venture (in which Mbuyelo Coal owns 50.1 percent) with Muhanga Mines, owners of a contiguous asset and a functioning processing plant.

Welgemeend commenced production in May 2015 and is scheduled to ramp up to 2.2mtpa. Welgemeend's coal quality is such that it provides flexibility in terms of the marketing mix with domestic thermal, domestic metallurgical and export thermal coal being produced.

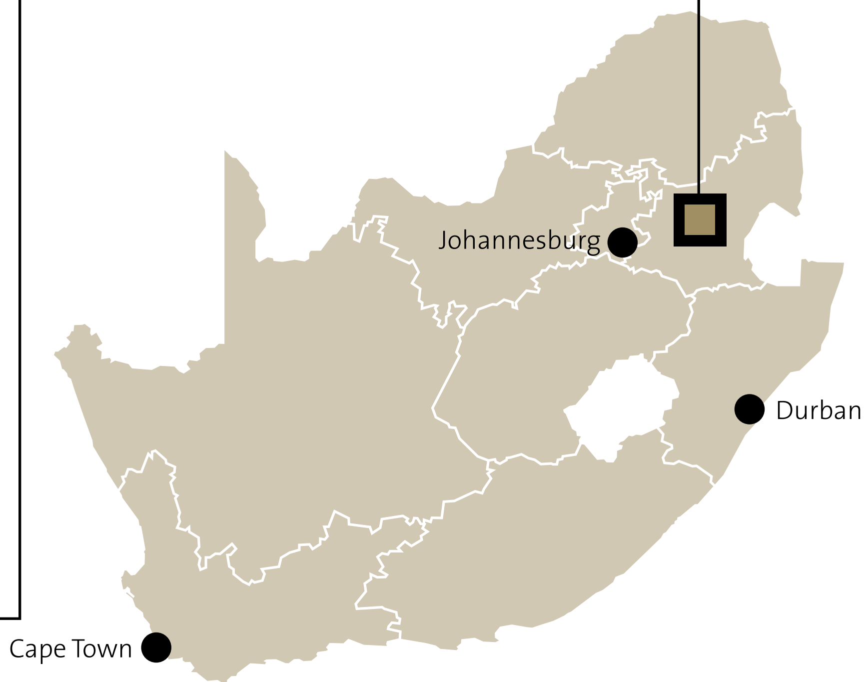
Welgemeend

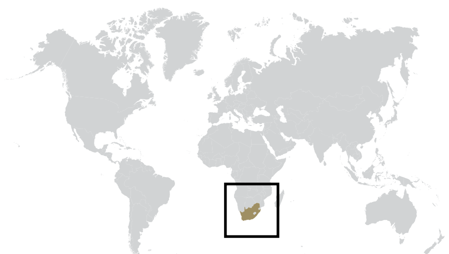
ROM reserves:
26mt

Life-of-mine:
Minimum
12 years

Mining method:
Opencast and underground

Status:
All licences secured, 50.1% interest in joint venture, production of 2.2mtpa forecasted





VLAKVARKFONTEIN, AKA NTSHOVELO COLLIERY

Mbuyelo Coal concluded the purchase of 100% stake in Vlakvarkfontein in 2015. Like Manungu it is located near the Kendal Power Station for which it has supplied 1.3mtpa since 2010. Zehercoal currently holds a 37% stake in Vlakvarkfontein.

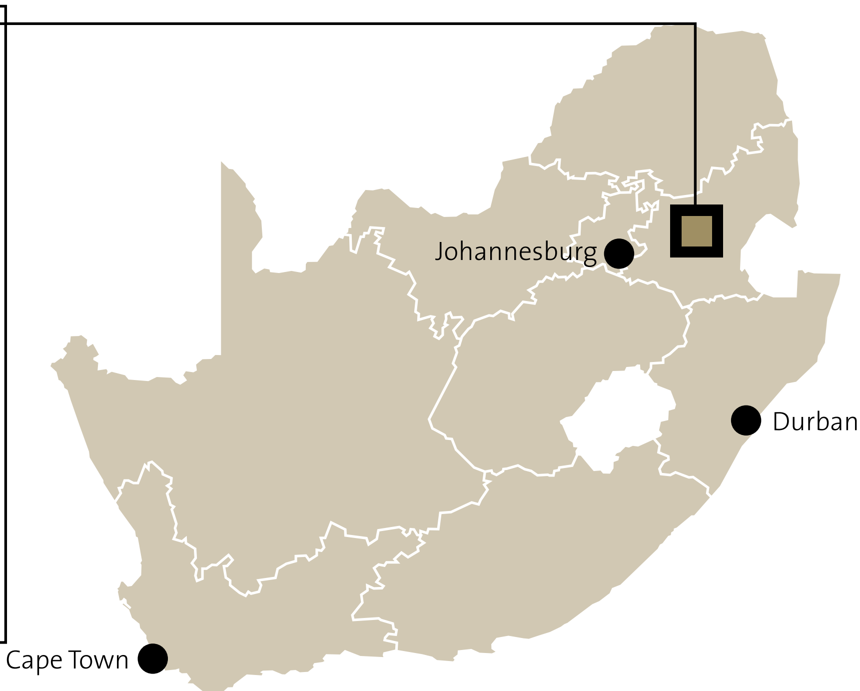
Vlakvarkfontein

Reserves and resources:
5.6mt

Life-of-mine:
3 years

Mining method:
Opencast, truck and shovel

Status:
Operating, 1.2mtpa supplying to the domestic market



WELSTAND COLLIERY

Previously owned and operated by BHP, Welstand has a remaining resource of some 45mt. Production will initially be from an opencast operation with a likely expansion into underground mining. Although Mbuyelo has executed its mining right to Welstand, planning at present does not include production until late 2017.

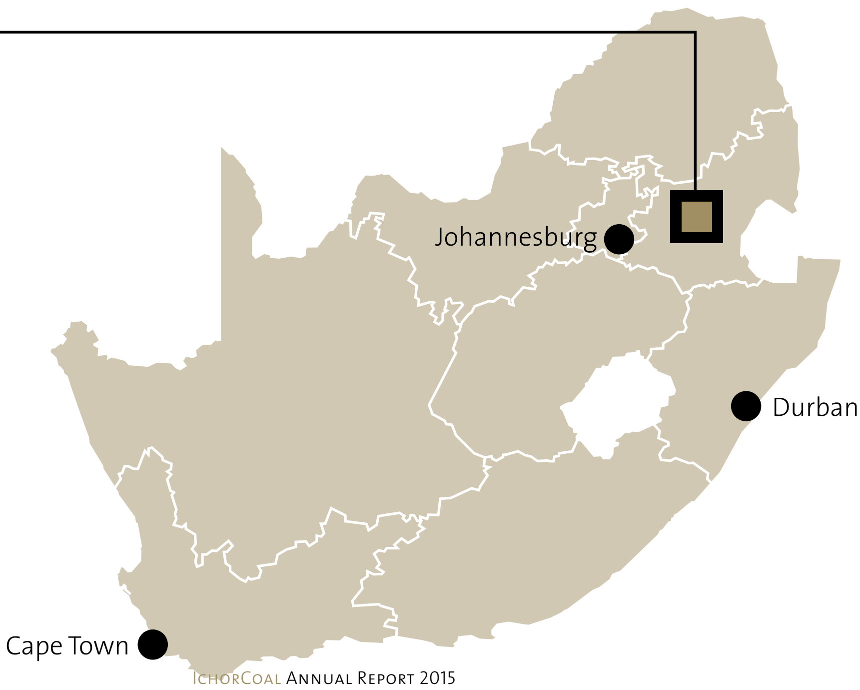
Welstand

Resources and reserves:
45mt

Life-of-mine:
>15 years

Mining method:
Opencast, possibly later underground

Status:
Care and maintenance, mining right executed



UNIVERSAL COAL – STRATEGIC PARTNER OF ICHORCOAL

Australian Stock Exchange-listed Universal Coal Plc, in which IchorCoal bought a 29.9% stake in October 2014, is a junior coal miner with extensive thermal and coking coal assets in South Africa

Universal has rights to more than 2 billion tonnes of JORC-compliant coal resources. Its first operation, Kangala Mine, which has a production capacity of 2.4mtpa of saleable coal, was successfully commissioned in March 2014.

For the 2015 current year, Kangala produced around 2.7 mt of ROM

The company is headed by chief executive and co-founder, Tony Weber, who has extensive experience in mining operations and project development.

KANGALA

Kangala, located approximately 65km east of Johannesburg in the Delmas coalfields of South Africa's Mpumalanga province, has a 133.8mt resource base with proven reserves of 16.8mt.

This low-cost opencast mine is producing 2.1mtpa of coal, saleable from a 2.4mtpa mine output. An eight-year coal supply agreement with Eskom is in place. A 100 000tpa life-of-mine off-take agreement for export product is also in place.

Universal Coal owns 70% of Kangala and is responsible for mine management.

Kangala – Reserves and resources

134 mt

Brakfontein – Reserves and resources

75.8 mt

Somerville – Reserves and resources

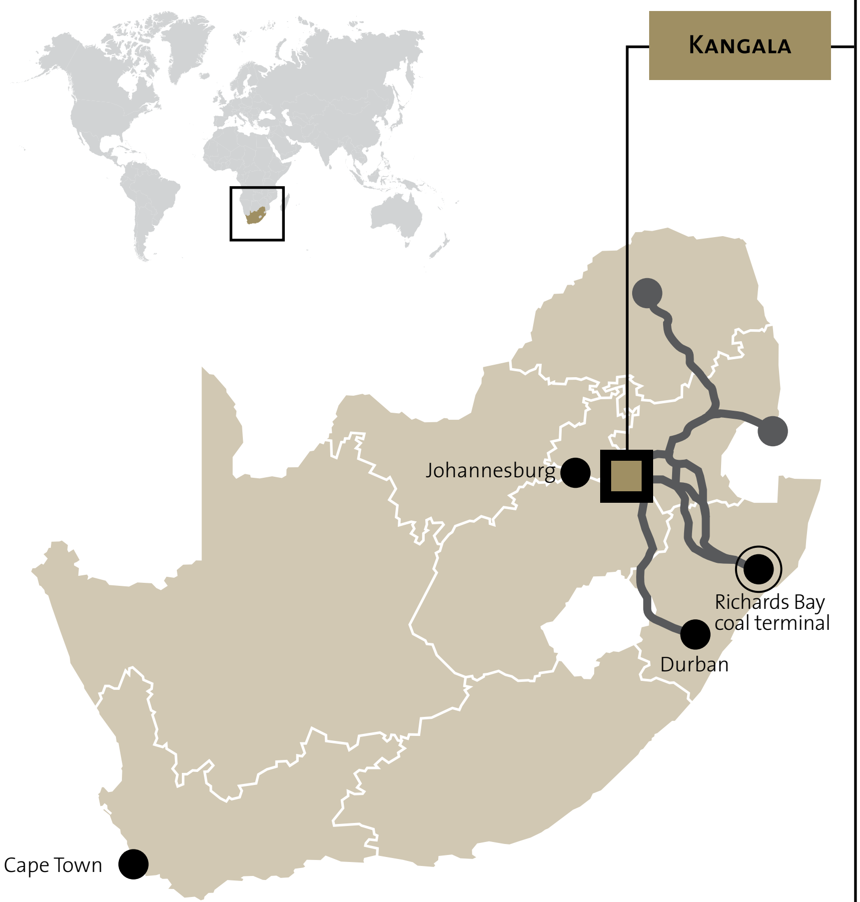
274 mt

NCC Roodekop – Reserves and resources

130 mt

Welstand colliery – Reserves and resources

1.35 billion tonnes



Kangala (thermal)

Resources and reserves:

146mt

Life-of-mine:

>20 years

including the contiguous Middelbult and Modderfontein properties (seven-and-a-half years for the Wolvenfontein resource)

Mining method:

Opencast

Status:

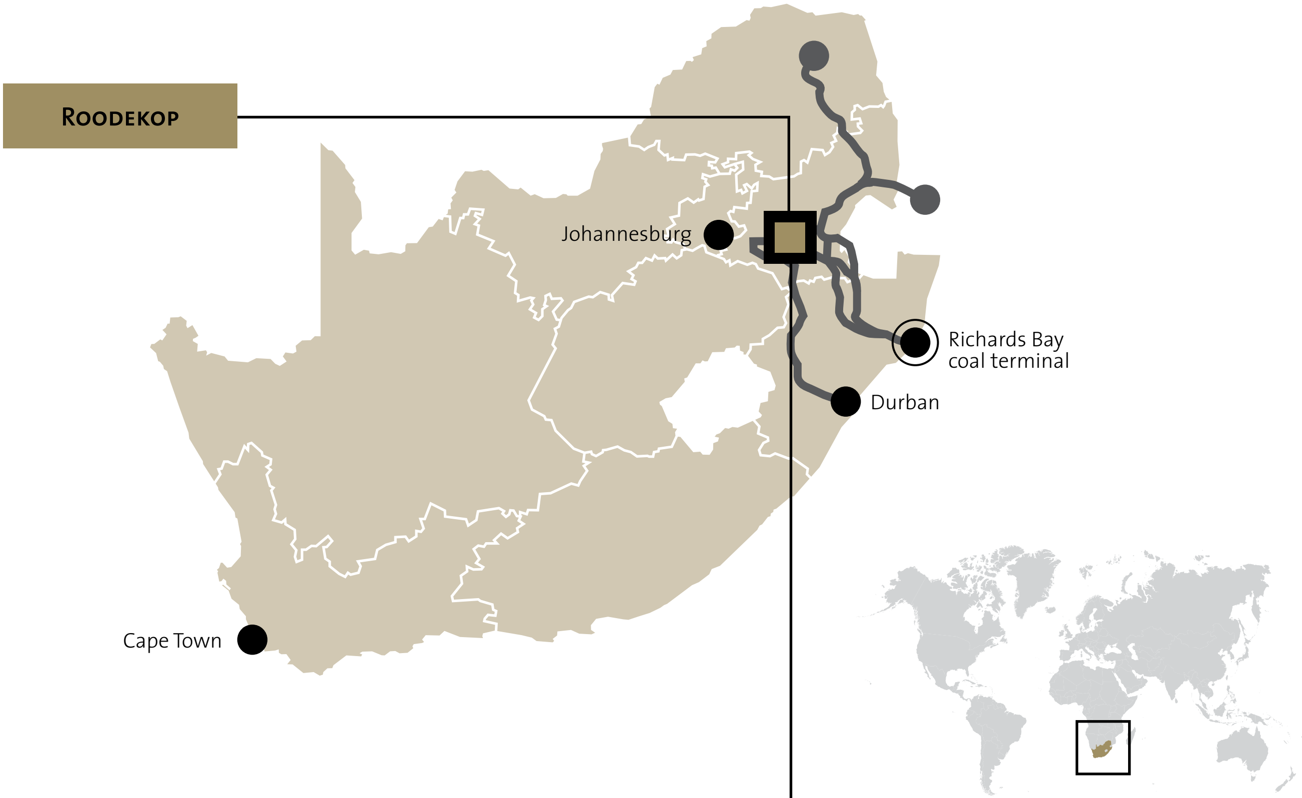
Kangala producing with Eskom CSA in place; Middelbult and Modderfontein to be developed

UNIVERSAL COAL – STRATEGIC PARTNER OF ICHORCOAL (CONTINUED)

NCC ROODEKOP

Located 35km south of the town of Emalahleni (Witbank) in the Kriel district, NCC Roodekop has a JORC-compliant resource of 134mt of which 94mt are in the proven and measured categories

Roodekop has obtained all required licences and production (at steady state, of some 2mtpa of multi-product coal) is scheduled to commence in 2016. Ownership of the adjacent New Clydesdale Colliery (NCC), including its 2.2mtpa fully equipped processing plant, was acquired from Exxaro Coal.



NCC Roodekop (thermal)

Resources and reserves:
134mt

Life-of-mine:
30 years

Mining method:
Opencast and underground

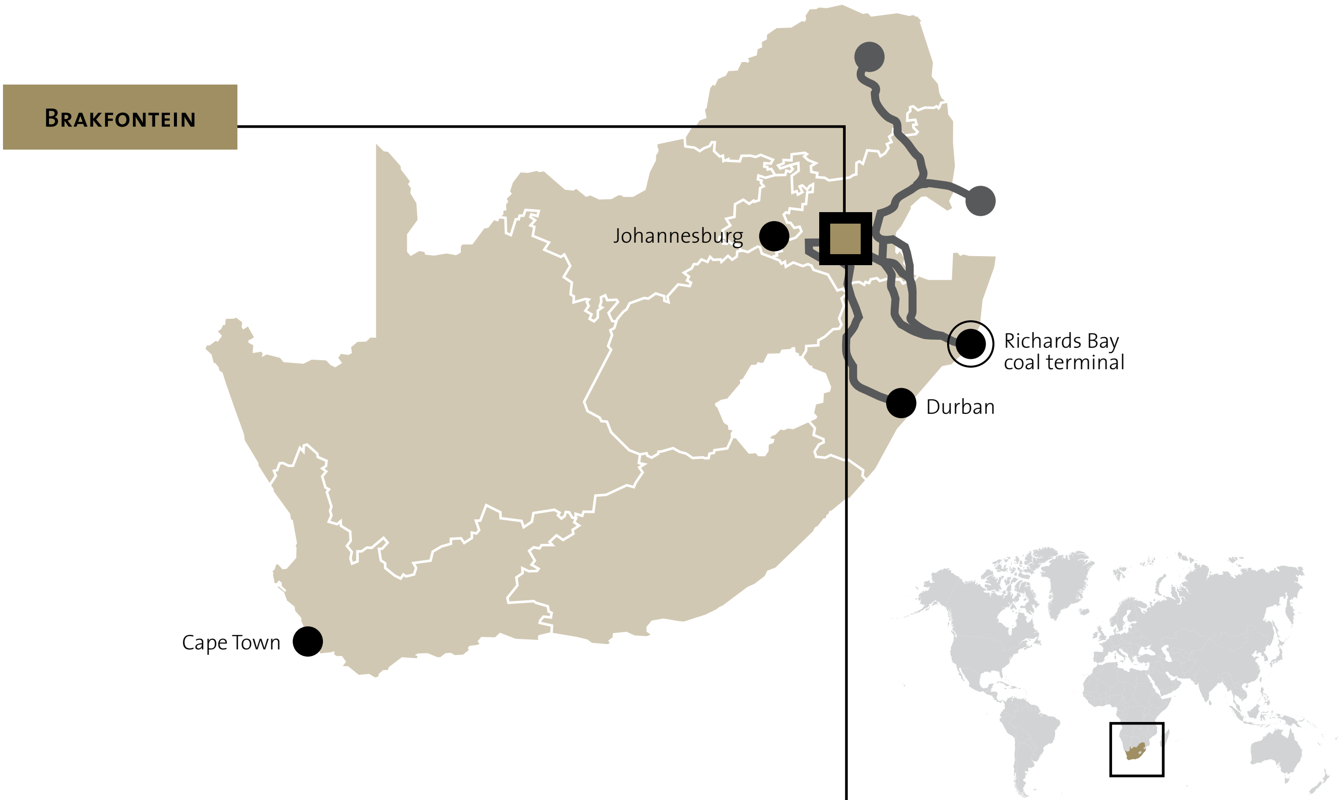
Status:
Project development

BRAKFONTEIN

The Brakfontein coal project, in the Delmas coalfield 20km south of the Kangala Mine, consists of a JORC-compliant coal resource of 76mt mineable tonnes *in situ*.

Universal has a 50.29% interest in Brakfontein with the option to acquire 74%.

Brakfontein's location holds the potential to share processing infrastructure with Kangala. First production is targeted for 2017.



Brakfontein (thermal)

Resources and reserves:
75.8mt

Life-of-mine:
In excess of
10 years

Mining method:
Opencast

Status:
Under development

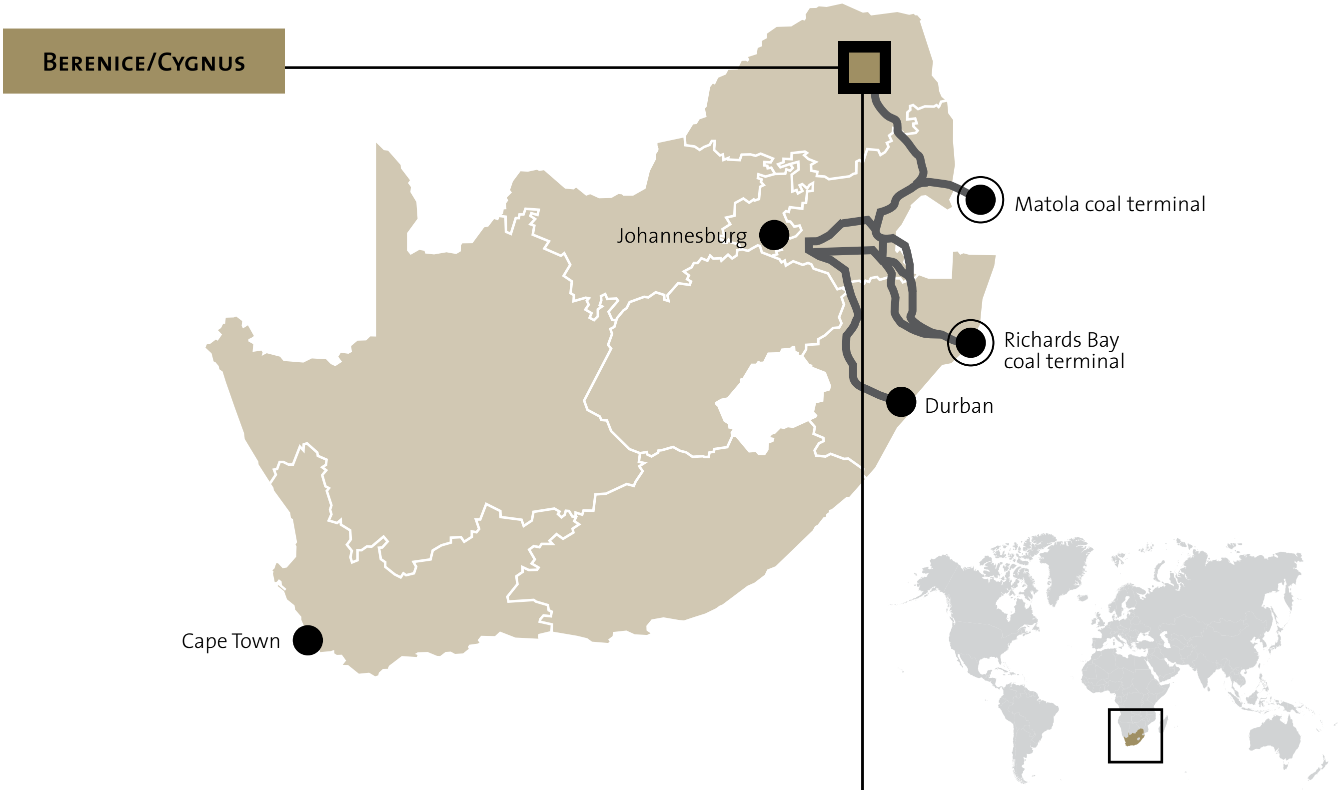
UNIVERSAL COAL – STRATEGIC PARTNER OF ICHORCOAL (CONTINUED)

BERENICE/CYGNUS

Berenice/Cygnus is a 1.35 billion tonnes shallow, consistently developed soft coking (primary) and thermal coal (secondary) resource in the Soutpansberg coalfield, 90km southwest of Musina and 20km from export railway lines.

The project could support a 10mtpa (ROM) operation with a life-of-mine well in excess of 25 years.

Universal owns 50% of both Berenice and Cygnus, in both cases with the potential to increase this to 74%.



Berenice/Cygnus (coking and thermal)

Resources and reserves:

1.35 billion tonnes

Life-of-mine:

>25 years

Mining method:

Opencast

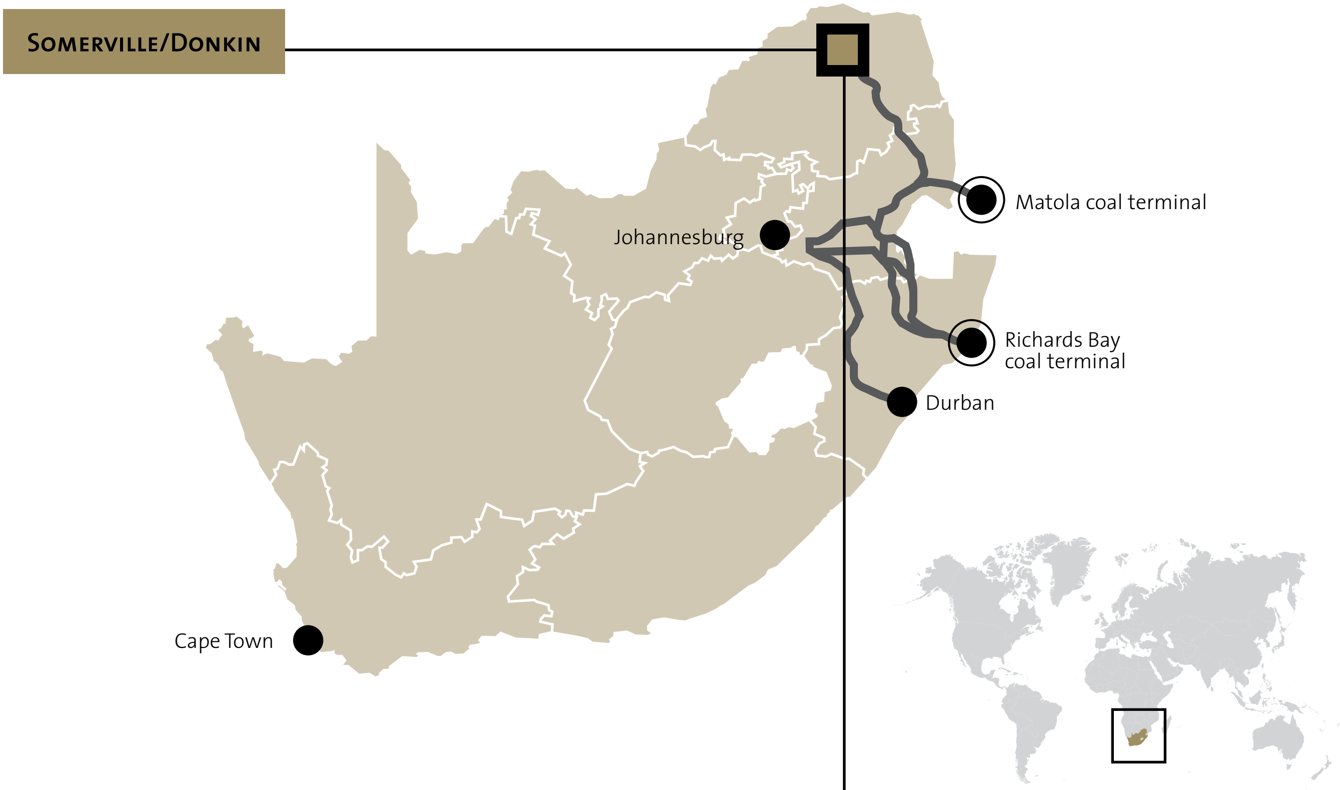
Status:

Prospecting

SOMERVILLE

Located in the Tuli coalfield southwest of Musina, Somerville consists of a 274.2mt JORC-compliant inferred coal resource to be accessed largely by underground operations.

Prospecting licences cover some 15 000 hectares, historical drilling having confirmed the location's coking coal potential.



Somerville (coking)

Resources and reserves:
274.2 mt

Life-of-mine:
>20 years

Mining method:
Underground with some opencast

Status:
Prospecting

REVIVING AND BRINGING BACK HOPE TO THE LOCAL ECONOMY

Amidst an era of continuing economic decline, imminent mine closures, countless labour retrenchments, rampant drought, increasing hunger, deepening poverty, rising unemployment and stark uncertainty, Vunene Mining is bringing hope to the local economy in which it operates. Vunene is implementing real solutions in developing the local economy through job creation, employee empowerment, skills development as well as broad-based community, livelihood and enterprise development. The Company's social and labour plan (SLP) brings fresh new solutions to old and widespread socio-economic problems. Vunene's SLP is already showing success in reviving the local economy and bringing much needed hope to the poorest of the poor in the communities.

Joblessness and poverty remain top of the agenda for community members and the governing authorities of the Gert Sibande district (the area in which Vunene operates) as job opportunities remain scarce. The gap between the number of people of employable age and the number of jobs on offer is increasing. This presents an opportunity for Vunene, through the implementation of the SLP, to make a difference in shaping the future of people and the communities who are desperately looking for someone to help.

A condition of Vunene's mining licence, the SLP sets out in detail how the company plans to have a positive impact on its employees, its contractors' employees and on the communities surrounding the colliery. Vunene's five-year SLP runs from 2015 to 2019 and Vunene is obligated to the Department of Mineral Resources (DMR) to implement human resource development and local economic development (LED) programmes.

Vunene's has carefully designed an LED programme, which takes a long-term view towards addressing the problems in the communities at a grass-roots level (at their homes), through a broad-based solution, at scale. Over the next ten years, Vunene will implement a series of integrated programmes, which will create a positive "domino" effect of lasting and visible impact. This LED programme also takes a proactive, productive and non-confrontational approach to managing the mine's social risks that result from communities under severe economic pressure.

Vunene strongly believes that by focusing our efforts on the people that need it most – those who have been consistently overlooked by the government and corporates alike – we can and will make a difference to the current reality and future. Vunene is committed to investing in the following five projects, all of which have realistic and achievable outcomes. These projects are:

§ Broad-Based Agricultural Livelihood and Enterprise Development (currently being implemented);

§ Livestock and Poultry Improvement Programme (to commence in 2016);

§ A Community Meeting Hall (to commence in 2016);

§ A Productive Infrastructure Fund (to commence in 2017); and

§ CareerBuild Skills Development Programme (to commence in 2017).

The first project, Broad-Based Agricultural Livelihood and Enterprise Development, was successfully launched in August 2015 in a poor rural village called Sheepmoor, on the outskirts of Vunene's communities. The project aimed to empower these extremely poor families to grow crops, fruit and vegetables at and around their homes, firstly to address their need for food security and secondly to enable them to enter the mainstream economy by selling surplus produce and expanding such activities into profitable enterprises. To date, 350 participants have attended training since commencement of the programme. Mentorship and monitoring takes place at the households, where even more community members, who were unable to attend the training, are taught the techniques. The majority of trained households are applying what they have learnt and are now able to put a nutritious plate of food on the table at night. The additional value this farming and teaching method brings is the natural way in which the impact spreads, through neighbours teaching neighbours, resulting in what is known in development as "wild-fire" empowerment. With half of the implementation budget left for year one, this project is already having a truly positive broad-based impact.

It is worth highlighting that this project has fast become a hot topic of conversation for communities and local authorities alike. While driving through this drought-stricken area, it is evident that the effects of the water shortage are nothing less than devastating. What is equally evident is the healthy-looking maize crops of the farmers who have implemented Vunene's non-till maize farming method. Even to the untrained eye, the risk-reduction benefits of this method are obvious.

The next phase of this project is eagerly awaited by the participating families. Vunene will help those that are farming at their homes to increase their crop yield and quality by providing infrastructure such as greenhouse tunnels and rainwater harvesting systems. For the remainder of this implementation year, Vunene will continue to help these families to set up and run their own small-scale farming operations, through basic business training and ongoing monitoring and mentorship.

At the half-way mark of year one, Vunene has made good on its promises and has invested R2.45 million on this project thus far, despite the pressing economic challenges. We believe that the age-old saying, "You will reap what you sow", holds true hope for Vunene and its surrounding communities alike

While many households in the largely rural district own cattle, goats and chickens, livestock farming is unsophisticated and little attention is paid to pressing issues such as parasite control, disease prevention, overgrazing and access to water. The Community Livestock and Poultry Improvement project aims to work with local small-scale livestock farmers to empower them to identify the problem areas and potential solutions where they would benefit from help and investment to become commercially sustainable. This will include improving animal health, improving breeding stock, improving grazing conditions, developing solutions to livestock loss, growing the economic asset value of livestock, improved environmental management, enterprise development and sustainable access to markets. The first step of this project is to draw local livestock farmers into trust relationships and discussion through a technique called the Participatory

Assessment, Planning and Action, which will commence in March 2016. The objective of the programme is to create participatory self-help solutions to immediate livestock problems – and longer-term solutions to establish sustainable economic productive activity. At all times the participants own the solutions and dependency is avoided. The SLP budget for this project over the five year period is R4.2 million.

The third project of Vunene's LED programme will address the need for quality infrastructure in impoverished areas surrounding the mine. The local communities have requested a community hall to serve as a central meeting place for many social, educational and economic purposes. Vunene has committed R3.5 million and will commence this project mid-2016, with rigorous investigation and planning, to direct Vunene's investment in the most value-adding manner.

LED implementation in general is not without its challenges, but with a committed implementation partner in Umsizi Sustainable Social Solutions, and a competent mine management team, Vunene is breaking new ground and challenging development methods no longer effective in South Africa's current context. This is already having significant positive results. Vunene has built strong allies in the Msukaligwa Local Municipality and, together, we are overcoming challenges as they arise.

On behalf of our communities, Vunene would like to extend our appreciation to our investors, management structures and employees for changing the future, one family at a time.

"Without hope and good leadership, people perish" (Proverb). Vunene is leading in hope.

FINANCIAL STATEMENTS

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS

2015 was a challenging year for IchorCoal, as it was for the coal sector as a whole, with several macroeconomic factors pushing the price of coal to unprecedented low levels. In South Africa, economic growth slowed and even lower growth is forecast for 2016. In addition, South Africa's power utility, and IchorCoal's biggest customer, Eskom has revised its estimate of the country's coal supply shortage sharply downwards. This combination of factors has resulted in a curtailment of funding to the sector.

Despite the negative operating environment as well as offtake shortfalls from Eskom, IchorCoal's production remained good and the year was typified by excellent cost management initiatives and safety indicators.

IchorCoal continued its strategy of building a portfolio of high quality assets during the year under review. The Company completed the acquisition of Penumbra Mine in Ermelo during December and now have 74% in the asset, which started producing during the last quarter 2016. The refurbishment of the underground section at the Vunene asset made steady progress and the first blast in 25 years was achieved at the historic Usutu Colliery subsequent to year-end. Our joint venture Manungu project met its target of producing first coal in July. The cash offer for Universal Coal in which we already own 29.99%, was allowed this offer to lapse due to the challenging coal sector environment, which resulted in a reassessment of the attractiveness of the acquisition.

COOPERATION WITH THE MANAGEMENT BOARD

During the period under review, the supervisory board performed all of its obligations required by law and the company's articles of association. The management board informed us regularly, promptly and comprehensively about business policy and other fundamental issues related to corporate management and planning. Moreover, the supervisory board was kept informed about the financial position and development of the company as well as transactions and events of significance. We have advised the management board and monitored its management of the business – in particular the completion of the Penumbra transaction and the cash offer for the shares in Universal Coal that we did not already own. 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, and the assets, earnings and financial position of the company.

ANNUAL AUDIT AND CONSOLIDATED FINANCIAL STATEMENTS

The auditing company selected by shareholders at the annual general meeting was Ernst & Young, as was the case the previous year. Ernst & Young has audited the annual financial statements and management report prepared by the management board of IchorCoal as at 31 December 2015 and has issued an unqualified audit certificate. The annual financial statements of IchorCoal and the audit reports from the auditors were submitted immediately upon completion to the supervisory board. After careful review, no objections were raised and the supervisory board approved the annual financial statements of IchorCoal for the year-ended 31 December 2015.

CHANGES IN THE MANAGEMENT BOARD

Reinhardt van Wyk became chief financial officer with effect from 1 January 2015. Reinhardt has had a successful career as a chartered accountant and auditor and has been with the company since September 2014. Reinhardt left the company on 31 December 2015, and Johan Myburgh was appointed as acting CFO with effect from 1 January 2016. Johan is a qualified chartered accountant and has over 15 years' experience in the mining industry, more especially in coal mining. Suitable arrangements have been put in place to ensure a smooth transition and handover of functions.

On 31 May 2011 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 (N.V.). The Act on Management and Supervision came into force on 1 January 2013. In 2015 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.

On behalf of the supervisory board of IchorCoal, I thank all of you for your continuing support. With the thermal coal price only expected to start recovering in 2017 the Company's focus for 2016 is to continue preserving cash and minimising costs.

South Africa, 28 December 2016

For the supervisory board

Lars Windhorst

REPORT OF THE MANAGEMENT BOARD

GROUP STRUCTURE AND ACTIVITIES

IchorCoal N.V. is a limited liability company incorporated in Amsterdam, Netherlands. The shares of IchorCoal 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. IchorCoal N.V. head office is located at 30 Jellicoe Avenue, Rosebank, 2196, South Africa.

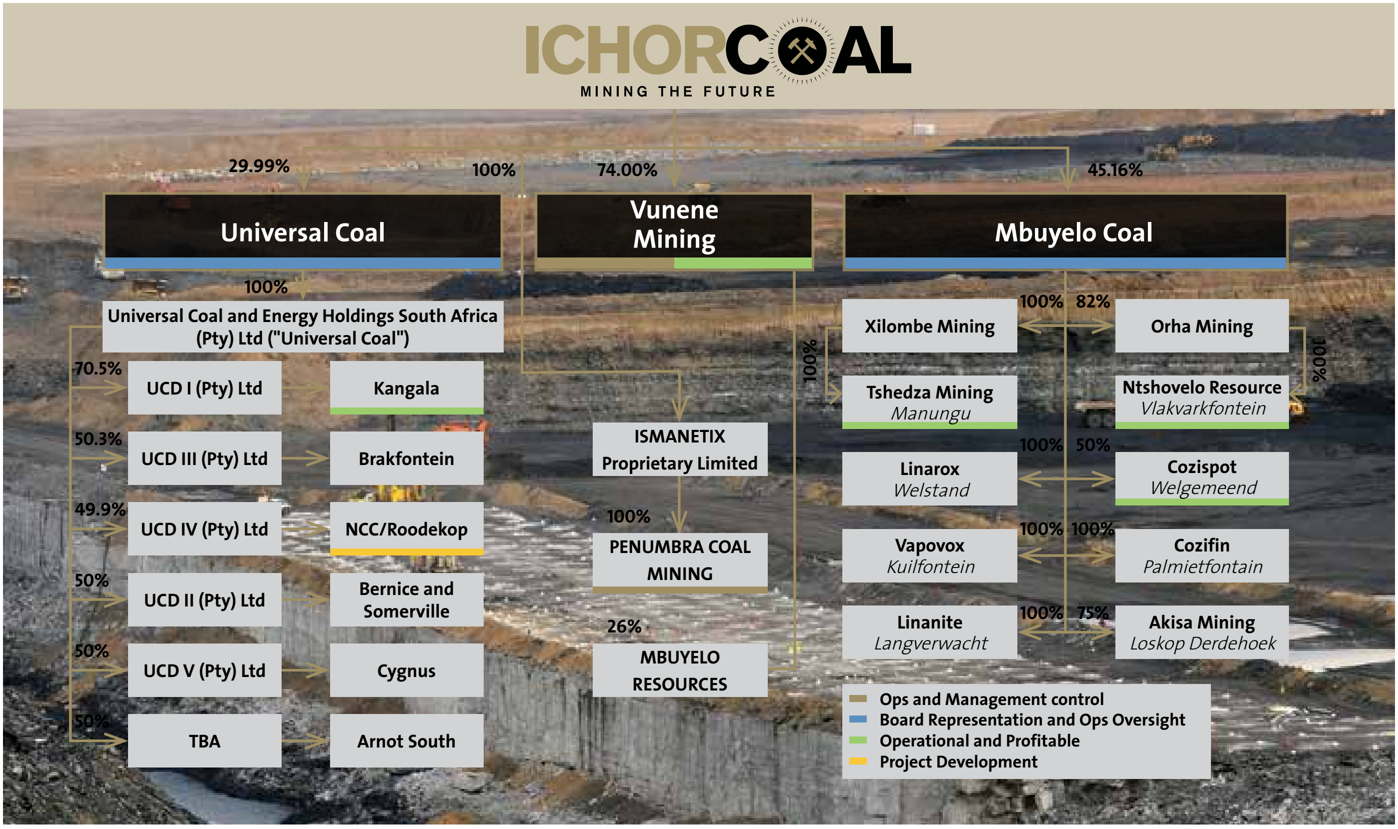
IchorCoal N.V. and its subsidiaries ("IchorCoal Group" or the "Group") is an international mining company incorporated in the Netherlands with a focus on thermal coal production in South Africa. With access to approximately 2.4 billion metric tonnes of coal resources on 16 properties, IchorCoal has a stated long-term ambition to increase its current attributable production of around 2.7 mt per annum to 15 mt per annum by 2019 through both organic and acquisitive growth. The IchorCoal Group has strong existing relationships with Eskom and all other relevant authorities and institutions in the South African market. IchorCoal 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.

During the year IchorCoal N..V acquired 100% interest in Penumbra Coal Mining Proprietary Limited, a South African-based mining company with one operating site in Ermelo, Mpumalanga province. Subsequent to year-end, 26% of the interest in Penumbra Coal Mining was divested to our preferred Black Broad Based Economic Empowerment (BBBEE) partner, Mbuyelo Resources, as per the requirements of the South African Mining Charter. The transfer to Mbuyelo Resources was made at no value.

IchorCoal N.V. issued no shares during the financial year-ended 31 December 2015. As of 31 December 2015, the issued and paid up capital therefore amounted to €6 792 000. The authorised capital amounted to €25 000 000 and is divided into 250 000 000 shares, with a nominal value of €0.10 each.

In 2013 IchorCoal N.V. issued €35 000 000 of unsecured and unsubordinated corporate bonds. The bonds were issued at par and – subject to early prepayment – matured in June 2015. The bonds had a nominal value of €100 000 and carried a fixed interest rate of 6.5% per annum until the maturity date. The bonds were fully settled on maturity date.

As of year-end 2015, IchorCoal N.V. held interest in the following active entities:



REPORT OF THE MANAGEMENT BOARD (CONTINUED)

FINANCIAL REVIEW

Analysis of consolidated statement of comprehensive income

REVENUE (€)	COAL PRODUCED	COST OF PURCHASED GOODS AND SERVICES (€)	OPERATING EXPENSES (€)	EBIT (€)
46 236 THOUSAND (2014: €48 630)	1.87 MILLION TONNES (2014: 1.85)	40 174 (2014: €36 520)	19 606 (2014: €2 777)	(32 218) (2014: €(108))
EBITDA (€)	**ATTRIBUTABLE RESOURCES OF APPROXIMATELY**	**FINANCIAL EXPENSES (€)**	**INCOME TAXES (€)**	**RESULTS FOR THE YEAR (€)**
(1 382) THOUSAND (2014: €7 266)	494 MILLION TONNES ON 16 PROPERTIES	12 376 (2014: €16 978)	8 062 (2014: €1 306)	(8 843) (2014: €(15 386))

Revenues

Reported revenues of IchorCoal Group reached €46 236 000 in the year-ended 31 December 2015 (2014: €48 630 000). This was in line with the revenue achieved in the 2014 financial year. Lower sales volumes of 1 658 000 tonnes compared to 1 864 000 tonnes in 2014, were offset with price increases on the coal supply agreement with the energy utility.

Cost of sales

Purchased goods and services amounted to €40 174 000 (2014: €36 520 000). The increase in cost of sales relates largely to a rise in mining costs due to a deterioration in geological conditions at Vunene open cast operations.

Income from investments

The Group recorded its share of the profit/loss from its investments in associates. The associate investment companies performed better in the current financial year compared to prior year, with the Group realising income of €8 786 000 (2014: loss of €246 000).

Other income

Other income mainly consists of management fees received at IchorCoal Group level and fair value gains on investments at Vunene level. During the year, the company acquired Penumbra coal mining out of business rescue and realised a gain on bargain purchase. The gain on bargain purchase resulted in the increase in other income in the current year as compared to prior year. Prior year other income mainly consisted of foreign exchange gains as the Group's functional currency changed from Euro to Rand in 2014. The Group incurred foreign exchange losses during the reporting period due the weakening of the Rand against the Euro. The resultant loss was recognised in expenses.

Depreciation, amortisation and impairments

Depreciation and impairment charges amounted to €22 996 000 (2014: €7 374 000) and mainly include depreciation of equipment and mineral assets of Vunene Mining, and impairment loss recognised on investment in Vunene Mining at year-end. Increases in depreciation relates mainly to higher mine closure cost provisions that have been capitalised on mining assets. Included therein are impairment losses of €10 769 000 that has been recorded on mining assets in relation to the purchase and development of Vunene Mining. No amortisation was recorded on the mining right identified on consolidation of Penumbra Coal Mining in the Group financials as the operation was in care and maintenance at year-end. An impairment test was performed on the mining right identified on the acquisition of Penumbra Coal Mining, and there were no indications of impairment identified at year-end.

Operating expenses

Operating expenses increased from €2 777 000 to €19 606 000 due to foreign exchange losses recognised during the financial year, further increase is due to operating expenses at Penumbra Coal Mining, that was incurred while the mine is in care and maintenance. Foreign exchange losses to the amount of €14 887 000 were recognised during the financial year.

General and administrative expenses

General and administrative expenses decreased from €4 110 000 to €3113 000 mainly due to costs related to the restructure of IchorCoal N.V. incurred in 2014 and the move of the company's head office to South Africa in the 2014 financial year.

EBIT and EBITDA for the year

During the year, the Group reported an EBIT loss of €24 378 000 (2014: €108 000) and an EBITDA gain of €1 382 000 (2014: €7 266 000 gain).

Financial result

Finance income increased significantly in the current year compared to 2014 financial year as a result of a revaluation gain of €18 938 000 (2014: €1 341 000 loss) that was recognised on the conversion option component of the convertible bonds.

Finance expenses primarily consist of interest on convertible and corporate bonds. The corporate bonds were fully settled in June 2015 resulting in a decrease in finance costs for the year.

Income taxes

Income tax benefit for the period of €8 062 000 (2014: benefit of €1 306 000) is a result of deferred tax liabilities being offset with unrecognised taxable losses.

Result for the year

The Group reported a loss after tax of €8 843 000 for the year-ended 31 December 2015 (2014: loss €15 386 000).

Analysis of consolidated statement of financial position

Intangible assets

Customer relationship which had been recognised in the course of the acquisition of Vunene Mining has been further realised during the 2015 financial year, and as such depreciated by €704 000. The remaining book value as of year-end is €887 000.

Property, plant and equipment

Property, plant and equipment decreased during the year by €10 045 000 mainly as a result of foreign exchange translation losses offset by the addition of production preparation and refurbishment of underground operations at Vunene Mining as well as the purchase of Penumbra Coal Mining. Changes in closure cost provisions that were capitalised resulted in a significant addition to the mining assets of €11 719 000. The mining assets were depreciated and impaired by €21 416 000 based on the ongoing operations.

Non-current financial assets

On 3 December 2015 IchorCoal N.V. acquired 100% interest in Penumbra Coal Mining for a purchase consideration of €3 604 000 and assumed control with effect from that date. Penumbra Coal Mining was kept under care and maintenance for the remainder of the financial year. Subsequent to year-end, 26% of the interest in Penumbra Coal Mining was divested to our preferred BBBEE partner, Mbuyelo Resources, as per the requirements of the South African Mining Charter. The transfer to Mbuyelo was made at no value.

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 of 31 December 2015 amounted to a negative €3 497 000. The change can be analysed as follows:

	31 Dec 2015 € k	31 Dec 2014 € k	Change € k
Inventories	**2 753**	866	1 887
Trade and other receivables	**4 350**	4 324	26
Other current financial assets	**1 204**	1 360	(156)
Other assets	**57**	506	(449)
Other provisions	**(1 471)**	(1 350)	(121)
Other current financial liabilities	**(469)**	(292)	(177)
Trade and other payables	**(9 345)**	(4 127)	(5 218)
Liabilities from income taxes	**–**	(19)	19
Other non-financial liabilities	**(576)**	(1 021)	445
	(3 497)	247	(3 744)

More detailed information on the individual items of net working capital is set out in the notes to the consolidated financial statements.

Shareholder equity

IchorCoal N.V. did not issue any shares during the financial year-ended 31 December 2015. As at year-end, the issued and paid up capital therefore remained €6 792 000. The authorised share capital amounted to €25 000 000 divided into 250 000 000 shares with a nominal value of €0.10 each. A detailed analysis of movements in equity during the year is presented in the "Consolidated Statement of Changes in Equity" in the Group financial statements.

Shareholder equity attributable to the owners of the parent as at 31 December 2015 amounts to €41 098 000 (2014: €52 891 000). A detailed analysis of movements in equity during the year is presented in the "Consolidated Statement of Changes in Equity" in the Group financial statements.

The stand-alone financial statements as at 31 December 2015 report a positive net equity of €45 208 000 (2014: €63 208 000) and a loss after tax for the financial year of €9 588 000 (2014: loss of €16 487 000).

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.

The IchorCoal Group is seeking the conversion of the interest-bearing bonds to equity shares. The details of this transaction has not been finalised on the signing of the financial statements.

REPORT OF THE MANAGEMENT BOARD (CONTINUED)

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 risk

The company operates in the coal mining sector and the sector has been experiencing challenges both locally and internationally. The market challenges poses major risk in the mining industry and has resulted in few players in the industry closing down and selling their assets. Mining companies have been experiencing challenges with regard to export markets and the cost of exporting coal. The company has noted this risk and thus has put measures in place to manage and control as such. The company has taken a decision not to export coal until such time that export prices recover to reasonable levels.

Risks tolerance/appetite

The level of risk that 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.

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

However, the appropriate approach may be different across the entire Group depending on the type of the project, circumstances, level of risks versus rewards etc. In each and every case the supervisory board has an ultimate opinion and it supervises 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 appetite
Operational risk	The risk associated with the daily operational activities	Low – moderate depending on a case by case basis and following the normal business operations
Financial risk	The risk associated potential financial losses and the uncertainty of returns, structure of debt and cash flows	Low – moderate depending on a case by case basis and following the financing and cash flow activities
Business risk	The risk associated with the business environment and the commodity markets	Low
Environmental and compliance risk	The risks that may arise from health and safety and environmental matters, intellectual property, rights, compliance with local/international laws	Zero – none

Future research and development activities

The Group has not carried out any research and development activities during the year and, due to the nature of its business, does not expect to conduct any research and development activities in 2016.

Going concern

IchorCoal management adopted the going concern assumption in the preparation of the company's 2015 annual accounts based upon a review of the Group business plan for 2016 and 2017 together with our capital expenditure plan. In addition, this was compared with our peer universe to verify the validity of some of the underlying assumptions.

The company presents accumulated losses of €35 226 000 (including a loss for the year of €6 090 000). The company also has significant debt maturing in May 2017 which is convertible, at the option of the bond holder, which will result in a current liability of €67 855 000. IchorCoal currently does not have sufficient cash reserves or cash flows to settle these convertible bonds as and when they become repayable. As a result conditions that indicate material uncertainty about the going concern exist.

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

Convertible bonds

Management has commenced discussions with the bond holders to extend the duration of the bonds or to exercise their rights to convert these bonds to IchorCoal shares. In the meantime, management expects that the majority shareholder will continue its financial support including the company's interest payment obligations as they have done up to the preparation of these financial statements. There are no hard commitments from the shareholder.

Operating climate

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

For the Vunene Mining activities capital expenditure is needed for the new underground coal mine. The timing of these capital related cash outflows are flexible based on available financing. Delay of this expenditure, however, will also result in postponing related proceeds.

Business performance

Year-on-year improvement in operational performance achieved in 2015 compared to 2014. The improved operational performance in 2015 compared to 2014 was mainly as a result of improved production at the various sites. This has been maintained in 2016 against the background of a deterioration in geological conditions. Therefore, revenue will be at similar levels to prior year but EBITDA will be higher, reflecting lower operational costs. The IchorCoal Group is achieving EBITDA profits based on most recent management accounts.

Cash flow and liquidity

Capital expenditure for 2016 and cash outflows forecasted for 2017 (besides the cash flows related to the expiring bond loan) mainly relates to the re-establishment of the underground operation at Vunene Mining, which is budgeted at €16 million. Additional funds of estimated €4 million is also required to start up Penumbra Coal Mining as it was purchased out of business rescue. Estimated cash flow for the year will be insufficient to fully cover this expense and shareholder funding will be required to fund these expenses. There are no hard commitments from the shareholder.

Notwithstanding the described uncertainties above, management is confident that adequate financing will be obtained to apply the going concern assumption based on current business and financing plans as described above.

Subsequent events

In April 2016 IchorCoal accepted an offer from Coal of Africa, where Coal of Africa will acquire all the interest of IchorCoal in Universal Coal Plc. The offer will close on 17 June 2016. IchorCoal held 151 660 000 shares in Universal Coal and has accepted the offer from Coal of Africa to acquire all the shares held, and elected to receive a mix and match between a cash offer and a share option, as well as loan instruments.

Under the terms of the offer, IchorCoal has elected to receive A$0.20 in cash and 1 consideration share of Coal of Africa share, for the 101 106 000 Universal Coal shares held, and will further receive a non-converting, secured loan note with a principal amount of A$0.25 per loan note for a total of 50 554 000 Universal Coal shares held.

Coal of Africa has announced on 21 July 2016, the Coal of Africa offer to purchase the entire share capital of Universal Coal Plc lapsed as Coal of Africa did not meet the requirements of the offer as obtained in the offer document as published on 21 December 2015. This has resulted in the decision to take up the offer by IchorCoal to dispose its share in Universal Coal Plc to Coal of Africa being suspended permanently.

Supplier VB Minerals Proprietary Limited took legal action against Vunene Mining Proprietary Limited regarding services rendered for alleged breach of contract. The matter is due to go to trial in the next two months. The maximum financial exposure of the Group is approximately €297 000.

During the year IchorCoal N.V. acquired 100% interest in Penumbra Coal Mining Proprietary Limited, a South African-based mining company with one operating site in Ermelo, Mpumalanga province. Subsequent to year-end, 26% of the interest in Penumbra Coal Mining was divested to our preferred BBBEE partner, Mbuyelo Resources, as per the requirements of the South African Mining Charter. The transfer to Mbuyelo Resources was made at no value.

OUTLOOK

IchorCoal N.V. was founded in 2011 with the intention of developing and participating in the value chain from coal production, marketing and distribution to national and international markets. IchorCoal subsequently re-evaluated its strategy and decided to henceforth concentrate exclusively on the expansion of coal production. This emphasis would ensure greater focus on cost-efficient production and the development and growth of our current assets to generate attractive returns for our shareholders.

The company will continue to actively look for new prospective resource assets in South Africa to expand our asset portfolio. Of particular interest will be projects that are near or already in production and provide opportunities for production increases. New investment opportunities are continually evaluated against strict investment criteria.

In 2016 we will continue the implementation of our strategy of becoming a mid-tier coal producer and supplier with attributable production reaching circa 15 million tonnes in three to four years. It is expected that the current depressed international coal market will remain a challenge throughout 2016 and into the first half of 2017. Our focus on cost-efficiency will remain absolute on an ongoing basis to ensure that we produce at benchmark levels taking due regard of geological conditions.

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

REPORT OF THE MANAGEMENT BOARD (CONTINUED)

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 2015 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.

Compliance statement

The board of management hereby declares that to the best of its knowledge the financial statements for the year-ended 31 December 2015 give a true and fair view of the assets, liabilities, financial position and profits or losses of IchorCoal 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 2015 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.

Nyembezi-Heita

Nonkululeko Nyembezi-Heita	**Andries Engelbrecht**
Chief Executive Officer	*Chief Operating Officer*

Johannesburg, 28 December 2016

INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS OF ICHORCOAL N.V.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements 2015 of IchorCoal N.V., Amsterdam, which comprise the consolidated and company statement of financial position as at 31 December 2015, the consolidated and company statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of report of the management board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of materiel misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internet control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION WITH RESPECT TO THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position of IchorCoal N.V. as at 31 December 2015 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 and with Part 9 of Book 2 of the Dutch Civil Code.

EMPHASIS OF UNCERTAINTY WITH RESPECT TO THE GOING CONCERN ASSUMPTION

We draw attention to note 1.2 to the consolidated financial statements with indicates that the company incurred a net loss during the year ended 31 December 2015 and, as of that date, the company's current liabilities exceeded its total assets. The company also has significant debt maturing in May 2017 which is convertible, at the option of the bond holder, which will result in a current liability of €67 855 000. These conditions, along with other matters as set forth in note 1.2, 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 qualified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the report of the management board, to the extend we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b – h has been annexed. Further, we report that the report of the management board, to the extent we can assess, is consistent with the consolidated financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 28 December 2016

Ernst & Young Accountants LLP

Signed by JJ Vernooij

28 December 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	31 Dec 2015 €k	31 Dec 2014 €k
ASSETS			
Non-current assets			
Intangible assets	6.1	**22 154**	2 166
Property, plant and equipment	6.2	**64 781**	74 826
Investments accounted for using the equity method	6.3	**67 966**	72 347
Other financial assets		**88**	94
Deferred tax assets	6.4	**399**	999
Current assets		**155 388**	150 432
Inventories	6.5	**2 753**	866
Trade and other receivables	6.6	**4 350**	4 324
Other current financial assets	6.7	**1 204**	1 360
Other assets	6.8	**57**	506
Cash and cash equivalents	6.9	**1 327**	19 140
		9 691	26 196
Total assets		**165 079**	176 629
EQUITY AND LIABILITIES			
Equity			
Issued capital	6.10	**6 792**	6 792
Capital reserves	6.10	**87 562**	87 562
Share-based payment reserves	6.10	**618**	216
Accumulated loss	6.10	**(29 136)**	(13 352)
Profit or loss for the year	6.10	**(6 090)**	(15 784)
Other reserves	6.10	**(18 648)**	(12 543)
Equity attributable to owners of the parent		**41 098**	52 892
Non-controlling interest	6.10	**6 447**	11 345
		47 545	64 236
Non-current liabilities			
Other provisions	6.11	**10 983**	6 909
Interest-bearing loans and borrowings	6.12	**70 738**	80 545
Other non-current financial liabilities	6.13	**15 838**	956
Deferred tax liabilities	6.4	**7 715**	14 789
Current liabilities		**105 274**	103 199
Other provisions	6.11	**1 471**	1 350
Interest-bearing loans and borrowings	6.12	**399**	2 384
Other current financial liabilities	6.13	**469**	292
Trade and other payables	6.14	**9 345**	4 127
Liabilities from income taxes		**–**	19
Other liabilities	6.15	**576**	1 021
		12 260	9 193
Total liabilities		**117 534**	112 392
Total equity and liabilities		**165 079**	176 629

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	1 Jan – 31 Dec 2015 € k	1 Jan – 31 Dec 2014 € k
Revenue	7.1	**46 236**	48 630
Cost of sales	7.2	**(40 174)**	(36 520)
Gross profit		**6 062**	12 110
Income from investments	7.3	**8 786**	(246)
Other income	7.4	**6 569**	2 369
Depreciation, amortisation and impairments	7.5	**(22 996)**	(7 374)
Selling and distribution expenses		**(80)**	(81)
Other operating expenses	7.6	**(19 606)**	(2 777)
General and administrative expenses	7.7	**(3 113)**	(4 110)
Operating loss		**(24 378)**	(108)
Finance income	7.8	**19 849**	394
Finance costs	7.8	**(12 376)**	(16 978)
Profit or loss before income taxes		**(16 905)**	(16 693)
Income taxes	7.9	**8 062**	1 306
Profit or loss from continuing operations		**(8 843)**	(15 386)
Profit or loss for the year		**(8 843)**	(15 386)
OTHER COMPREHENSIVE INCOME			
ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS			
Differences from currency translation	7.10	**(8 250)**	526
Other comprehensive income from continuing operations		**(8 250)**	526
Other comprehensive income after income taxes		**(8 250)**	526
Total comprehensive income		**(17 093)**	(14 860)
PROFIT OR LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(6 090)**	(15 784)
Non-controlling interest		**(2 753)**	397
		(8 843)	(15 386)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		**(12 195)**	(15 255)
Non-controlling interest		**(4 898)**	395
		(17 093)	(14 860)
BASIC EARNINGS/DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF PARENT	7.11	**(0.09)**	(0.27)
BASIC EARNINGS/DILUTED EARNINGS PER SHARE FROM TOTAL OPERATIONS ATTRIBUTABLE TO OWNERS OF PARENT	7.11	**(0.09)**	(0.27)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Equity attributable to owners of the parent			
		Issued capital			Profit or loss for the period
		Ordinary shares	Capital reserves	Accumulated retained earnings	Continuing operations
		€k	€k	€k	€k
1 Jan 2015		**6 792**	**87 562**	**(13 352)**	**(15 784)**
Appropriation of prior year results	6.10		–	(15 784)	15 784
Profit or loss for the period	6.10	–	–		(6 090)
Other comprehensive income	6.10	–	–		–
Total comprehensive income		**–**	**–**	**–**	**(6 090)**
Share-based payment	6.10	–	–	–	–
31 Dec 2015	6.10	**6 792**	**87 562**	**(29 136)**	**(6 090)**

The accompanying notes form part of these financial statements.

	Notes	Equity attributable to owners of the parent		
		Issued capital		
		Ordinary shares	Capital reserves	Accumulated retained earnings
		€k	€k	€k
1 Jan 2014				
1 Jan 2014 restated		5 500	27 156	(4 083)
Appropriation of prior year results	6.10	–	–	(9 269)
Profit or loss for the period	6.10	–	–	–
Other comprehensive income	6.10	–	–	–
Total comprehensive income		–	–	–
Conversion of IchorCoal N.V. convertible bonds	6.10	754	36 226	–
Share capital increase	6.10	538	24 180	–
Share-based payments		–	–	–
		1 292	60 406	–
31 Dec 2014	6.10	6 792	87 562	(13 352)

The accompanying notes form part of these financial statements.

Equity attributable to owners of the parent			Non-controlling interest	
Other reserves €k	Share-based payment €k	Total €k	Continuing operations €k	Total equity €k
(12 543)	**216**	**52 891**	**11 345**	**64 236**
–		–	–	–
–	–	(6 090)	(2 753)	(8 843)
(6 105)	–	(6 105)	(2 145)	(8 250)
(6 105)	**402**	**(12 195)**	**(4 898)**	**(17 093)**
–	402	402	–	402
(18 648)	**618**	**41 098**	**6 447**	**47 545**

Equity attributable to owners of the parent					Non-controlling interest	
Profit or loss for the period						
Continuing operations €k	Discontinued operations €k	Other reserves €k	Share-based payment €k	Total €k	Continuing operations €k	Total equity €k
(10 162)	893	(13 072)	–	6 232	10 950	17 182
10 162	(893)	–	–	–	–	–
(15 784)	–	–	–	(15 784)	397	(15 386)
0	–	529	–	529	(3)	526
(15 784)	–	529		(15 255)	395	(14 860)
–	–	–	–	36 980	–	36 980
–	–	–	–	24 718	–	24 718
–	–	–	216	216	–	216
–	–	–	216	61 914	–	61 914
(15 784)	–	(12 543)	216	52 891	11 345	64 236

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	31 Dec 2015 €k	31 Dec 2014 €k
Profit or loss for the period		**(8 843)**	(15 386)
Reconciliation of profit or loss to the cash flow from operating activities:			
Depreciation, amortization and impairments	7.5	**22 996**	7 374
Profit or loss from investments in associates	7.3	**(8 786)**	(256)
Gain on bargain purchase	2	**(5 903)**	–
Loss/profit on sale of assets	6.1/6.2	**16**	–
Share-based payment expense	6.10	**402**	–
Gain or loss on conversion component of convertible bonds	7.8	**(18 938)**	1 341
Interest on convertible and corporate bonds	7.8	**12 106**	20 613
Interest paid	7.8	**(6 248)**	(7 581)
Changes due to foreign currency changes		**15 729**	(2 630)
Other non-cash items	2/6.1	**(8 845)**	–
Changes in deferred taxes	6.4	**(6 474)**	(624)
Changes in inventories	6.5	**(1 887)**	982
Changes in trade and other receivables	6.6	**(26)**	(64)
Changes in trade and other payables	6.14	**5 218**	2 317
Changes in provisions	6.11	**4 195**	3 584
Other interest on debts and borrowings	7.8	**205**	2 605
Interest income	7.8	**(325)**	(394)
Changes in other working capital items		**22**	(1 975)
Cash flow from operating activities		**(5 386)**	9 906
Proceeds from disposals of intangible assets and property, plant and equipment			
Cash outflow/(proceeds) from disposals of consolidated subsidiaries,	6.1/6.2	**17**	98
less cash given up in the exchange		**–**	12 072
Purchases of intangible assets and property, plant and equipment	6.1/6.2	**(13 972)**	(12 684)
Purchases of shares in consolidated subsidiaries, less cash acquired	2	**(3 468)**	–
Purchases of investments in associates and other non-current financial assets	6.3	**–**	(17 766)
Cash flow from investing activities		**(17 423)**	(18 280)
Proceeds from share capital increase	6.10	**–**	25 000
Proceeds from interest-bearing loans and borrowings received	6.12	**6 996**	–
Repayments of interest-bearing loans and borrowings received	6.12	**(2 000)**	–
Cash inflow from interest-bearing loans and borrowings given		**–**	202
Cash outflow from interest-bearing loans and borrowings given		**–**	(7 024)
Cash flow from financing activities		**4 996**	18 178
Cash flow-related changes in cash and cash equivalents		**(17 813)**	9 804
Cash and cash equivalents at beginning of period	6.9	**19 140**	9 335
Cash and cash equivalents at end of period		**1 327**	19 140

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

1.1 Corporate information

IchorCoal N.V. is a limited liability company incorporated in Amsterdam, Netherlands. The shares of IchorCoal 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. IchorCoal N.V. head office is located at 30 Jellicoe Avenue, Rosebank, 2196, South Africa.

IchorCoal N.V. is an international mining company focusing on thermal coal production in South Africa. The company owns and operates its coal resources and sells the output coal both locally and in international markets. Furthermore, the company holds substantial minority equity positions in two South African coal mining companies.

1.2 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.

Going concern

IchorCoal management adopted the going concern assumption in the preparation of the company's 2015 annual accounts based upon a review of the Group business plan for 2016 and 2017 together with our capital expenditure plan. In addition, this was compared with our peer universe to verify the validity of some of the underlying assumptions.

The company presents accumulated losses of €35 226 000 (including a loss for the year of €6 090 000). The company also has significant debt maturing in May 2017 which is convertible, at the option of the bond holder, which will result in a current liability of €67 855 000. IchorCoal currently does not have sufficient cash reserves or cash flows to settle these convertible bonds as and when they become repayable. As a result conditions that indicate material uncertainty about the going concern exist.

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

Convertible bonds

Management has commenced discussions with the bond holders to extend the duration of the bonds or to exercise their rights to convert these bonds to IchorCoal shares. In the meantime, management expects that the majority shareholder will continue its financial support including the company's interest payment obligations as they have done up to the preparation of these financial statements. There are no hard commitments from the shareholder.

Operating climate

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

For the Vunene Mining activities capital expenditure is needed for the new underground coal mine. The timing of these capital-related cash outflows are flexible based on available financing. Delay of this expenditure, however, will also result in postponing related proceeds.

Business performance

Year-on-year improvement in operational performance achieved in 2015 compared to 2014. The improved operational performance in 2015 compared to 2014 was mainly as a result of improved production at the various sites. This has been maintained in 2016 against the background of a deterioration in geological conditions. Therefore, revenue will be at similar levels to prior year but EBITDA will be higher, reflecting lower operational costs. The IchorCoal Group is achieving EBITDA profits based on most recent management accounts.

1. GENERAL INFORMATION (continued)

1.2 Basis of preparation (continued)

Cash flow and liquidity

Capital expenditure for 2016 and cash outflows forecasted for 2017 (besides the cash flows related to the expiring bond loan) mainly relates to the re-establishment of the underground operation at Vunene Mining, which is budgeted at €16 million. Additional funds of estimated €4 million is also required to start up Penumbra Coal Mining as it was purchased out of business rescue. Estimated cash flow for the year will be insufficient to fully cover this expense and shareholder funding will be required to fund these expenses. There are no hard commitments from the shareholder.

Notwithstanding the described uncertainties above, management is confident that adequate financing will be obtained to apply the going concern assumption based on current business and financing plans as described above.

Overview

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), the interpretations of the IFRS Interpretations Committee (IFRS IC) approved by the IASB, in effect and endorsed by the European Union (EU) at the balance sheet date as well as with the provisions of Part 9, Book 2, of the Netherlands Civil Code.

The financial year of the Group and all subsidiary companies included in the consolidated financial statements corresponds to the calendar year, ie from 1 January to 31 December, except for the financial year of the subsidiary Penumbra and associates Mbuyelo Coal and Universal Coal, which have February and June year-ends respectively. The consolidated financial statements relate to the period from 1 January 2015 until 31 December 2015. The current consolidated financial statements include the results of Mbuyelo Coal and Universal Coal for the entire financial year accounted for using the equity method. Penumbra Coal has been included in the consolidated financial statements for one month.

The Group's consolidated financial statements are presented in Euro. The functional currency of the Group is the South African Rand. All figures are stated in thousands of Euro (€000 or €k) unless otherwise indicated. Amounts are rounded to the nearest thousand Euro which may cause rounding differences.

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

Accounting policies

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 2014.

1.3 Basis of consolidation

The consolidated financial statements comprise IchorCoal N.V. and its subsidiaries and associates as at 31 December 2015.

Subsidiaries

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

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

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- 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 accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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.

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

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

1. GENERAL INFORMATION (continued)

1.4 Companies included in the consolidated financial statements

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

Company	Country of incorporation	**31 December 2015 shareholding in %**	31 December 2014 shareholding in %
IchorCoal N.V.	Netherlands		
Subsidiaries			
Vunene Mining	South Africa	**74.00**	74.00
Buena Vista Trade 69	South Africa	**74.00**	74.00
Indawo Estates	South Africa	**40.70**	40.70
Ismanetix	South Africa	**100.00**	–
Penumbra Coal Mining	South Africa	**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**	14.81
Linanite	South Africa	**45.16**	45.16
Cozifin	South Africa	**45.16**	45.16
Vapovox	South Africa	**45.16**	45.16
Cozispot	South Africa	**22.58**	45.16
Linarox	South Africa	**45.16**	45.16
Universal Coal Plc	United Kingdom	**29.99**	29.99
UCD I Proprietary Limited (Kangala)	South Africa	**21.14**	21.14
UCD II Proprietary Limited (Brakfontein)	South Africa	**15.08**	15.08
UCD IV Proprietary Limited (NCC/Roodekop)	South Africa	**14.97**	14.97
UCD II Proprietary Limited (Bernice and Somerville)	South Africa	**15.00**	15.00
UCD V Proprietary Limited (Cygnus)	South Africa	**15.00**	15.00
Arnot South	South Africa	**15.00**	15.00

2. BUSINESS COMBINATION

PENUMBRA COAL MINING PROPRIETARY LIMITED

On 03 December 2015, IchorCoal purchased 100% interest in Penumbra Coal Mining Proprietary Limited and became the majority shareholder in Penumbra Coal Mining. Penumbra Coal Mining was acquired out of business rescue, and was placed under care and maintenance. The total contribution value has been allocated to the provisional fair values of the identifiable assets and liabilities of Penumbra Coal Mining as at the time of the acquisition as follows:

	Carrying value at acquisition date €k	Adjustments €k	Fair value at acquisition date €k
Intangible assets	–	22 271	22 271
Property, plant and equipment	24 709	(13 465)	11 244
Trade and other receivables	343	–	343
Inventories	110	–	110
Cash and cash equivalents	36	–	36
Provisions	(35)	–	35
Shareholder loans	(13 192)	–	13 192
Rehabilitation – Provision	(2 604)		(2 604)
Long-term loan	(9 935)	9 935	–
Trade and other payables	(5 856)	–	(5 856)
Deferred tax liability	–	(2 810)	(2 810)
Net assets			**9 507**
Non-controlling interest			–
Acquisition costs			–
Consideration transferred			3 604
Gain on bargain purchase			**(5 903)**

The purchase of Penumbra Coal Mining out of business rescue has resulted to IchorCoal paying a consideration that is less than the fair values of the identifiable assets and liabilities. The Group recognised a bargain on purchase amounting to €5 903 000, which was accounted for in the statement of comprehensive income under other income. The contribution value is a cash payment of €3 604 000.

The allocation of the contribution value is based on all the knowledge and adjusting events about the conditions that existed at the contribution date. However, due to the complexity of the acquisition and the uncertainty in the nature of mineral resource assets, the initial accounting for the contribution had been done using provisional values only. Within 12 months after the acquisition date, a review of fair values of the purchased assets and liabilities will be completed.

IchorCoal used a discounted cash flow approach to determine the value-in-use of the mining right by determining the present value of future cash flows. These future cash flow projections are based on management's best estimate regarding future production levels, operating costs, capital expenditure and commodity prices.

The identifiable assets and liabilities were adjusted to their fair values on the acquisition date. The identified assets had no indefinite useful lives. The identified mineral asset is not tax deductible.

3. ACCOUNTING POLICIES

3.1 Foreign currency translation

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 balance sheet 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 for which the functional currency is not the Rand are translated at the exchange rate prevailing at the balance sheet 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, i.e. to other comprehensive income.

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

	Average exchange rate	Exchange rate at balance sheet date	
1 Rand in foreign currency	2015	**31 Dec 2015**	31 Dec 2014
US Dollar	0.08	**0.06**	0.09
Euro	0.07	**0.06**	0.07

3.2 Business combinations and goodwill

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

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

If the business combination is achieved in stages, the previously held equity interest is remeasured 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 remeasured 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. Capitalised 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 CGO 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 CGU 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 capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed.

After production starts, all assets included in 'mine development assets' are transferred to 'mine assets'.

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.

3. ACCOUNTING POLICIES (continued)

3.3 Exploration and evaluation assets (continued)

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:

	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

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 repair 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.

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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually and whenever events or circumstances indicate that the carrying amount may not be recoverable, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 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.

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

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

Financial assets

Initial recognition and measurement

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

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

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

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

3. ACCOUNTING POLICIES (continued)

3.3 Exploration and evaluation assets (continued)

Subsequent measurement

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

Derecognition

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

The rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either: (a) the Group has transferred substantially all the risks and rewards of the asset;

or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include: indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation, 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 EIR.

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.

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.

3. ACCOUNTING POLICIES (continued)

3.3 Exploration and evaluation assets (continued)

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 EIR method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, as well as through the EIR 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 EIR. The EIR 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 profit or loss and other 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.

Embedded leases

All take-or-pay contracts are reviewed at inception to determine whether they contain any embedded leases. If there are any embedded leases, they are assessed as either finance or operating leases and accounted for accordingly.

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.

On issuance of the convertible bonds, the fair value of the conversion component is determined using an option price model. This amount is classified as a financial liability measured at fair value. The carrying amount of the conversion component is remeasured in subsequent years and recorded at fair value through profit and loss until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the host component that is classified as a financial liability.

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

3. ACCOUNTING POLICIES (continued)

3.3 Exploration and evaluation assets (continued)

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 at the reporting date in the countries where the Group operates and generates taxable income.

Deferred taxes

Deferred income tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts 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 assets to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred income tax asset to be recovered.

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

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

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

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title or economic interest passes to the customer. At this point the Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the commodities and the costs incurred, or to be incurred, in respect of the sale can be reliably measured. Service revenues are generated on a monthly basis on a care and maintenance service agreement upon the performance of the agreed service activities.

Stripping cost

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine are capitalised as set out in Section 2.4 Mine development assets.

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

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

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

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

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

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

3. ACCOUNTING POLICIES (continued)

3.3 Exploration and evaluation assets (continued)

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 balance sheet 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 where 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 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

If the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, then fair value is determined using valuation techniques such as discounted cash flow or option price models. This may require judgements regarding inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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 three years in three 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.

4. ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

4.10 Share-based payment reserve (continued)

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 was no changes in accounting policies during the 2015 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 2014.

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

IFRS 9 as issued reflects the first and the third phase of the IASBs' work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39 (first phase) and hedge accounting (third phase). In subsequent phases, the IASB is addressing impairment of financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The standard becomes effective for financial years beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

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

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

This new revenue standard, which has been jointly issued by the IASB and the US Financial Accounting Standards Board (FASB), is applicable to all entities and will supersede the current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017, but early adoption is permitted under IFRS. The Group is still currently assessing the impact on the entities within the Group.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

5.2 Standards and interpretations issued but not yet effective (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements 2012 – 2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high-quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high-quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1.
- That specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

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 remeasure 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 remeasurement 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. In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1 Intangible assets

The changes in intangible assets were as follows:

	Purchased rights € k	Exploration and evaluation asset € k	Mining right € k	Customer relationship € k	Total € k
Acquisition or production cost					
1 Jan 2015	**410**	**268**	**–**	**3 509**	**4 187**
Additions	**112**	**951**	**–**	**–**	**1 063**
Additions through business combinations	**–**	**–**	**22 365**	**–**	**22 365**
Disposals	**(10)**	**–**	**–**	**–**	**(10)**
Effect of translation to presentation currency	**(80)**	**(195)**	**(2 180)**	**(57)**	**(3 030)**
31 Dec 2015	**432**	**1 024**	**20 185**	**2 934**	**24 575**
Amortisation and impairments					
1 Jan 2015	**278**	**–**	**–**	**1 743**	**2 021**
Additions	**167**	**–**	**–**	**704**	**871**
Effect of translation to presentation currency	**(71)**	**–**	**–**	**(400)**	**(471)**
31 Dec 2015	**374**	**–**	**–**	**2 047**	**2 421**
Carrying amounts					
31 Dec 2015	**58**	**1 024**	**20 185**	**887**	**22 154**
1 Jan 2015	**132**	**268**	**–**	**1 766**	**2 166**

	Purchased rights € k	Exploration and evaluation asset € k	Mining right € k	Customer relationship € k	Total € k
Acquisition or production cost					
1 Jan 2014	315	154	–	3 449	3 918
Additions	102	109	–	–	211
Additions through business combinations	–	–	–	–	–
Disposals	(16)	–	–	–	(16)
Effect of translation to presentation currency	9	5	–	60	74
31 Dec 2014	410	268	–	3 509	4 187
Amortisation and impairments					
1 Jan 2014	108	–	–	1 034	1 142
Additions	166	–	–	701	867
Effect of translation to presentation currency	4	–	–	7	11
31 Dec 2014	278	–	–	1 743	2 021
Carrying amounts					
31 Dec 2014	132	268	–	1 766	2 166

Purchased rights

The purchased rights in 2014 relate to accounting software used by the parent company and the subsidiary for its daily accounting and office functions.

Exploration and evaluation asset

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

Customer relationship

The purchased customer relationship represents non-contracted interactions with a South African utility company. The amortisation of the customer relationship is based on future deliveries, while the expected remaining amortisation period for customer relationship is based on the projected contract period at the time of the acquisition. During the year, the customer relationship has been further depreciated by €704 000 (2014: €701 000).

Mining right

The mining right relates to the purchase of Penumbra Coal Mining. The mining right is part of the acquisition of the business combination transaction.

Impairment testing was done on the mining right at year-end, and no indications of impairment were identified.

6.2 Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

6.2 Property, plant and equipment (continued)

	Mine Assets € k	Land and buildings € k	Technical equipment and machinery € k	Other equipment, operational and office equipment € k	Total € k
Acquisition or production cost					
1 Jan 2014	88 163	2 309	1 761	690	92 923
1 Jan 2014 Restated	67 469	2 309	1 761	690	72 229
Additions	11 067	1 015	103	–	12 185
Borrowing costs	389	–	–	–	389
Transfers	–	–	15	530	545
Disposals due to deconsolidation	–	–	–	(2)	(2)
Other disposals	(624)	–	–	(101)	(726)
Effect of translation to presentation currency	1 754	66	45	19	1 884
31 Dec 2014	80 055	3 391	1 923	1 136	86 505
Depreciation and impairments					
1 Jan 2014	4 437	3	186	347	4 973
1 Jan 2014 Restated	4 404	3	186	347	4 940
Additions	6 093	13	275	179	6 560
Effect of translation to presentation currency	160	–	7	11	179
31 Dec 2014	10 657	16	468	537	11 679
Carrying amounts					
31 Dec 2014	69 398	3 374	1 455	599	74 826

Mine assets

Changes in closure costs at Vunene Mining has resulted in further capital expenditure on mine assets in 2015. The depreciation of mine assets is based on the unit of production method. An impairment assessment was done in relation to the mining assets (Vunene Mining), and the estimated future cash flows that the Group expects to derive from the mining assets has decreased.

During 2015, an assessment was done on the mine assets and indications of impairment were identified. The carrying value on the mine assets was identified to be higher than the value in use of the mine assets resulting in an impairment loss of €10 769 000. The value in use was determined using a discounted cash flow of estimated future cash flows plus the resource multiple of resources remaining.

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 open cast mining activities.

6.3 Investments accounted for using the equity method Investment in Universal Coal Plc

In August 2015, IchorCoal converted its 71 220 000 non-cumulative preferred shares into ordinary shares at a ratio of 1:1. The shares were originally subscribed and paid for on 16 October 2014 at a price per share of A$0.18. As at 31 December 2015, IchorCoal had 151 660 000 ordinary shares in Universal Coal PLC.

The company initially acquired 29.99% stake in Universal Coal during October 2014. Under the terms of the transaction, the company paid a total consideration of AU$24.5 million. The transaction was completed on 16 October 2014.

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

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

The value at initial acquisition amounted to €16 868 000 including acquisition costs of €457 000 which were capitalised. As at 31 December 2015 the carrying value of the investment in Universal Coal Plc was €17 870 000 (2014: €17 236 000). The Group's share of profit of Universal Coal for the period 1 January 2015 to 31 December 2015 is €4 619 000, and share of other comprehensive loss is (€4 315 000) (2014: €0). Universal Coal did not declare a dividend in the reporting period.

There has been significant external interest in Universal Coal and the existing shareholders as at 31 December have received an offer for the acquisition of all issued shares in Universal from Coal of Africa at an offer price of AU$0.20 made up of cash and shares in Coal of Africa or QU$0.25 in loan notes. An impairment assessment was performed on the investment in Universal Coal at 31 December 2015 taking into account market conditions and the results indicated that no impairment should be recognised.

Summarised 31 December 2015 financial statement information of Universal Coal, which are not adjusted for the percentage of ownership held by the company, is outlined below:

	31 Dec 2015 € k	31 Dec 2014 € k
Current asssets	**16 573**	22 098
Non-current assets	**105 044**	81 364
Total assets	**121 617**	103 462
Current liabilities	**8 983**	3 696
Non-current liabilities	**46 498**	34 427
Total liabilities	**55 481**	38 123
Equity	**66 136**	65 339
Revenue	**66 648**	18 117
Profit/(loss) after tax	**15 474**	2 780
Other comprehensive income	**(14 387)**	2 787
Total comprehensive income	**1 087**	23

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 green field projects to pre-production mines. In 2013 our shareholding in Mbuyelo Coal was increased via a share capital increase that was fully subscribed by IchorCoal 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 our shareholding in Mbuyelo Coal during the course of 2015.

6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

6.3 Investments accounted for using the equity method Investment in Universal Coal Plc (continued)

The Group's share of profits of Mbuyelo Coal for the period 1 January 2015 until 31 December 2015 was €4 167 000 (2014: €157 000 loss). As at 31 December 2015, the carrying amount of the investment in Mbuyelo Coal was €50 096 000 (2014: €55 111 000). No dividend has been received by the company from Mbuyelo Coal in 2015 and 2014. The decrease in the carrying amount of the investment in Mbuyelo Coal is mainly due to foreign currency translation losses of €9 734 000 resulting from the depreciation of the Rand to Euro currencies at the reporting date.

An impairment assessment was performed on 31 December 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 Mbuyelo group. Some of the entities in Mbuyelo that were not operational during 2014 financial year became fully operational in the reporting period resulting in significant improvement in the performance of the Mbuyelo group. Accordingly, there was no impairment indicated relating to the investment in Mbuyelo.

Summarised 31 December 2015 financial statement information of Mbuyelo Coal, which are not adjusted for the percentage of ownership held by the company, is disclosed below:

	31 Dec 2015 € k	31 Dec 2014 € k
Current assets	**12 858**	12 732
Non-current assets	**73 581**	50 811
Total assets	**86 439**	63 543
Equity	**61 208**	63 293
Current liabilities	**3 898**	–
Non-current liabilities	**21 333**	250
Total liabilities	**25 231**	250
Total equity and liabilities	**86 439**	63 543
Revenue	**12 730**	358
Share of profit/(loss) of investments	**200**	516
Share of profit/(loss) in joint venture	**(1 679)**	–
Profit/(loss) after tax	**9 227**	(347)
Other comprehensive income/(loss) for the period	**–**	–
Total comprehensive income/(loss) for the period	**9 227**	(347)

The financial year of Mbuyelo Coal ends on 28 February. Disclosures of financial information and the Group's share in its profits has been derived from interim financial statements ending 31 December 2015.

6.4 Deferred tax

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

	31 Dec 2015 Deferred tax assets € k	31 Dec 2015 Deferred tax liabilities € k	31 Dec 2014 Deferred tax assets € k	31 Dec 2014 Deferred tax liabilities € k
Property, plant and equipment	**140**	**5 168**	25	14 789
Non-current financial assets	**72**	**–**	72	–
Other assets	**–**	**2 547**	–	–
Other provisions	**124**	**–**	110	–
Other liabilities	**63**	**–**	792	–
Temporary differences	**399**	**7 715**	999	14 789
Tax loss carry-forwards	**–**	**–**	–	–
Total	**399**	**7 715**	999	14 789
Forex differences	**–**	**–**	–	–
Amounts as per balance sheet	**399**	**7 715**	999	14 789

IchorCoal Group management assesses the future utilisation of the tax loss carry-forwards as given, based on the current Group forecasts of revenues and expenditures.

The company netted unrecognised deferred tax assets of €9 494 000 (2014: €0) in respect of losses amounting to €33 908 000 (2014: €0) in IchorCoal against the deferred tax liability recognised on first time consolidation as disclosed on property, plant and equipment and other liabilities per the deferred tax disclosure note.

The company did not recognise deferred tax assets of €1 823 000 (2014: €1 698 000) in respect of losses amounting to €6 511 000 (2014:€6 063 000) that can be carried forward against future taxable income.

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

	2015 € k	2014 € k
Deferred tax assets at the beginning of the period	**999**	200
Deferred tax liabilities at the beginning of the period	**(14 789)**	(14 964)
Net tax position at the beginning of the period	**(13 790)**	(14 765)
Deferred tax benefit/(expense) of current year	**(483)**	985
Foreign exchange changes	**1 439**	(344)
Group consolidated tax liability	**5 518**	334
Net tax position as of 31 December	**(7 316)**	(13 790)
Deferred tax assets at the end of the period	**399**	999
Deferred tax liabilities at the end of the period	**(7 715)**	(14 789)

6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

6.5 Inventories

Inventories of €2 753 000 (2014: €886 000) consist solely of coal stockpiles at Vunene Mining. Refer to note 7.2 for inventory adjustments in cost of sales.

There were no inventories accounted for from Penumbra on consolidation.

6.6 Trade and other receivables

Trade and other receivables as at 31 December 2015 amounted to €4 350 000 (2014: €4 324 000). Trade receivables are mainly related to major South African utility company, Eskom. There are no valuation allowances recorded for doubtful trade receivables in 2015 and 2014 respectively.

As at 31 December 2015 receivables of €82 000 (2014: €277 000) were up to 60 days or more past their due date. There were no indications at the balance sheet date that would suggest that the customers would not fulfil their payment obligations.

The past-due trade receivables at the balance sheet date for which no valuation allowance has been charged are presented in the table below:

	31 Dec 2015 € k	31 Dec 2014 € k
Up to 30 days	**–**	735
31 to 90 days	**82**	22
91 to 180 days	**–**	277
181 days and longer	**–**	–
Total trade receivables past due	**82**	1 034

6.7 Other current financial assets

Other current financial assets consist of the following:

	31 Dec 2015 € k	31 Dec 2014 € k
Rehabilitation investment fund	**964**	1 085
Miscellaneous	**240**	275
Other current financial assets	**1 204**	1 360

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

6.8 Other assets

The following table summarises the components of other assets:

	31 Dec 2015 € k	31 Dec 2014 € k
Receivables from value added tax	**57**	451
Miscellaneous	**–**	55
Other non-financial assets	**57**	506

6.9 Cash and cash equivalents

As at 31 December 2015 IchorCoal Group's cash and cash equivalents were made up as follows:

	31 Dec 2015 € k	31 Dec 2014 € k
Cash at banks	**1 327**	19 140
Cash and cash equivalents	**1 327**	19 140

Included in cash at banks is a balance of €568 000 (2014: €128 000) held by Vunene Mining which is only available for specified purposes in relation to infrastructure care and maintenance purposes.

6.10 Equity

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

Issued capital

The issued share capital of €6 792 000 is divided into 67 919 963 shares with a nominal value of €0.10 each. There was no change to issued capital as at 31 December 2015.

The issued capital at 31 December 2015 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.

The authorised capital amounts to €25 000 000 (2014: €25 000 000) and is divided into 250 000 000 (2014: 250 000 000) shares with a nominal value of €0.10 each.

Capital reserves

There was no change in capital reserves during the period ended 31 December 2015. Capital reserves are not distributable to equity holders of the parent.

Accumulated 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 reflects differences from currency translation.

Share based payment reserve

The company issued equity-settled instruments to certain qualifying employees under an employee share option scheme to purchase shares in the company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instrument at the date of the grant, which was €618 000 (2014: €216 000). Deferred compensation share-based is expensed over the vesting period, based on the company's estimate of the shares that are expected to eventually vest.

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

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

(a) the exercise price of the option 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

6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

6.10 Equity (continued)

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.

This needs to be assessed on the basis of the stock price movements.

Non-controlling interest

As at 31 December 2015 the following entities were consolidated in the Group's consolidated financial statements whereas non-controlling interest stakes were held by third parties:

	31 Dec 2015 € k	31 Dec 2014 € k
Vunene Mining Proprietary Limited, South Africa	**6 835**	11 344
Indawo Estate Proprietary Limited, South Africa	**(29)**	12
Foreign currency loss	**–**	(11)
Non-controlling interest	**6 806**	11 345

6.11 Other provisions

The environmental rehabilitation provision relates to the mining activities of Vunene 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 open cast pits of Vunene Mining.

As at 31 December 2015 €10 050 000 (2014: €8 259 000) total cost discounted at a prime rate of 9.25% (2014: 8.5%), were provided for restoration and rehabilitation relating to past and current mining operations at Vunene mining. Out of the total provision, €1 156 000 is expected to be paid within the next 12 months and therefore included in the current provisions. A further rehabilitation provision of 2015 €2 360 000 (2014: €0) was raised at Penumbra Coal Mining.

Non-current provisions:

	31 Dec 2015 € k	31 Dec 2014 € k
Environmental rehabilitation current operations	**10 983**	6 909
Non-current other provisions	**10 983**	6 909

Current provisions are broken down as follows:

	31 Dec 2015 € k	31 Dec 2014 € k
Environmental rehabilitation current operations	**1 156**	1 094
Environmental rehabilitation past operations	**271**	256
Mining Royalty tax	**32**	–
Leave pay	**12**	–
Current other provisions	**1 471**	1 350

The provision for environmental rehabilitation on past operations relates to Vunene Mining's previous mining activities and is expected to be fully utilised in 2016. The provision for Leave pay and Royalty tax relates to Penumbra Coal Mining.

6.12 Interest-bearing loans and borrowings

Financing of the IchorCoal Group is mainly obtained by the parent company IchorCoal 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 2015, current interest-bearing loans and borrowings are as follows:

	31 Dec 2015 € k	31 Dec 2014 € k
IchorCoal N.V. Convertible Bonds	**399**	399
IchorCoal N.V. Corporate Bonds	**–**	1 985
Miscellaneous	**–**	–
Current loans and borrowings	**399**	2 384

The current portion of the company's convertible bonds originates from accrued interest expenses to be paid at the next quarterly interest day. The settlement date of the corporate bonds was June 2015 and interest and the principal portion of €2 000 000 was settled.

As at 31 December 2015, non-current interest-bearing loans and borrowings are shown below:

	31 Dec 2015 € k	31 Dec 2014 € k
IchorCoal N.V. Convertible Bonds	**67 456**	80 545
Loan – Sapinda Holdings B.V.	**3 282**	–
Non-current loans and borrowings	**70 738**	80 545

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 carry a fixed interest rate of 8% per annum to be paid quarterly in arrears. Under certain conditions, such as the issuance of new shares or payment of dividends in the form of ordinary shares, standard adjustment mechanisms would apply to the conversion share price or the company would obtain the right to pay back all – but not part – of the outstanding notes including the accrued interest. Furthermore, there was a conversion of 19 bonds during 2014, there was no conversion of the bonds during the current financial year.

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

6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

6.12 Interest-bearing loans and borrowings (continued)

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

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

As at 31 December 2015 no events occurred which triggered an adjustment to the conversion share price or a clean-up option.

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

Based on accounting standards, the conversion 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 rose in the reporting period, the fair value of the conversion component as at 31 December 2015 has been increased due to the reduced remaining time to expiry as well as a lower volatility. At 31 December 2015 the fair value of the conversion component was €687 000 (2014: €19 625 000). The resulting gain of €18 938 000 (2014: €1 341 000 loss) has been recognised in the statement of comprehensive income.

The fair value of the host component of €52 155 000 at inception date has been derived as the residual amount of the issue price less the conversion component and *pro rata* transaction costs. Transaction costs of 2.5% of the face value of the convertible bonds were apportioned between the host and conversion component based on the allocation of proceeds to the components. The host component was subsequently carried at the amortised cost using the effective interest method. As at 31 December 2015, the total carrying value of the host component was €67 168 000 (2014: €61 319 000) including accrued interest.

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

	31 Dec 2015 € k	31 Dec 2014 € k
Host instrument opening balance	**61 319**	58 434
Conversion component opening balance	**19 625**	18 284
	80 944	76 718
Cash-effective movements interest for the period	**6 248**	6 374
Interest payments during the period	**(6 248)**	(6 374)
Non-cash-effective movements		
Fair value movement of conversion component	**(18 938)**	1 341
Accrued effective interest portion	**5 849**	4 970
Conversion of two bonds into equity	**–**	(2 085)
IchorCoal N.V. convertible bonds	**67 855**	80 944

Corporate bonds

In June 2013 the company issued €25 000 000 of up to €40 000 000 unsecured and unsubordinated corporate bonds. A further €10 000 000 was issued in October 2013. The bonds were issued at par and would – subject to early prepayment – mature in June 2015. The bonds had a nominal value of €100 000 and carried a fixed interest rate of 6.5% per annum until the maturity date, to be paid quarterly in arrears.

The carrying value of the corporate bonds of €33 600 000 at inception date was derived as the residual amount of the issue price less transaction costs of 4% of the corporate bonds' face value. The corporate bonds were subsequently carried at amortised cost using the effective interest method.

As at 31 December 2015 the carrying value of the corporate bonds was nil as the bonds matured and were fully settled in June 2015.

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

	31 Dec 2015 € k	31 Dec 2014 € k
Opening balance	**1 985**	34 095
Conversion of corporate bonds	**(32 677)**	
Cash-effective movements		
Interest for the period	**56**	1 352
Interest payments during the period	**(65)**	(1 207)
Forex loss on settlement	**6**	
Non-cash-effective movements		
Accrued effective interest portion	**18**	423
Repayment (settlement)	**(2 000)**	
IchorCoal N.V. Corporate Bonds	**–**	1 985

Loan – Sapinda Holding B.V.

During the year, the company utilised a drawdown facility from Sapinda Holdings B.V. amounting to €3 283 000, which was utilised for the coupon payments on the convertible bonds and is payable by IchorCoal on 31 December 2017. Interest is charged at a rate of 6.5% per annum.

6.13 Other financial liabilities

	31 Dec 2015 € k	31 Dec 2014 € k
Shareholder loans	**11 799**	–
Loan – Sapinda Invest	**3 500**	–
Access fees	**539**	956
Non-current loans and borrowings	**15 838**	956

Other non-current financial liabilities of €15 838 000 (2014: €956 000), includes shareholder loans from Penumbra Coal Mining consolidated during the year amounting to €11 799 000, which has been presented as a non-cash flow item in the statement of cash flows and €539 000 access fees payable at Vunene Mining.

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 €539 000 is payable in monthly instalments through December 2016. According to the Groups accounting policy this amount is discounted with the borrowing rate of the company (2015: 8.5%; 2014: 8.5%).

The company took over shareholder loans in Penumbra Coal Mining to the amount of to €11 799 000. The Shareholder loans form part of the identifiable assets and liabilities on acquisition. The shareholder loans carry no interest, and as part of the business rescue, will not be repaid by the Group.

The company further received additional funds from Sapinda Invest amounting to €3 500 000, which was utilised to finance the purchase of Penumbra Coal Mining, the loan is to be converted to equity pending the decision at an Annual General Meeting to be held. There is no interest charge on the loan and the intention is that the loan balance will be converted to equity at a later stage.

Other current financial liabilities of €469 000 (2014: €292 000) pertains to outstanding access fees for mining activities on farmland at Vunene Mining.

6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

6.14 Trade and other payables

The trade and other payables of €9 345 000 (2014: €4 127 000) mainly relate to payables to mining contractors at Vunene mine and trade and other payables assumed on consolidation of Penumbra Coal.

6.15 Other liabilities

The other liabilities composed as follows:

	31 Dec 2015 € k	31 Dec 2014 € k
Accrued liabilities	**576**	988
Miscellaneous	**–**	33
Other non-financial liabilities	**576**	1 021

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

6.16 Maturity analysis of financial and non-financial liabilities

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

	Carrying amount	Undiscounted cash outflows		
	31 Dec 2015 € k	2016 € k	2017 – 2020 € k	2021 ff. € k
Non-current loans and borrowings	**70 738**	–	78 100	–
Current loans and borrowings	**399**	399	–	–
Trade and other payables	**9 345**	9 345	–	–
Other non-current financial liabilities	**15 838**	–	15 383	–
Other current financial liabilities	**469**	469	–	–
Other liabilities and liabilities from income taxes	**576**	576	–	–

	Carrying amount	Undiscounted cash outflows		
	31 Dec 2014 € k	2016 € k	2017 – 2020 € k	2021 ff. € k
Non-current loans and borrowings	80 545	–	78 100	–
Current loans and borrowings	2 384	2 000	–	–
Trade and other payables	4 127	4 127	–	–
Other non-current financial liabilities	956	–	956	–
Other current financial liabilities	292	292	–	–
Other liabilities and liabilities from income taxes	1 040	1 040	–	–

7. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

7.1 Revenue

The following table provides information regarding the split of revenue:

	1 Jan – 31 Dec 2015 € k	1 Jan – 31 Dec 2014 € k
Mining revenues	**44 681**	47 524
Care and maintenance services	**1 215**	1 104
Other services	**340**	2
Revenue	**46 236**	48 630

Revenues from mining were generated from the Group's mining activities and the sale of the run-of-mine coal to national customers. Care and maintenance services consist of costs recovered under agreement to maintain the Vunene Mining underground mine infrastructure on behalf of a third party. The decline in revenue is mainly due to a reduction in export revenue year-on-year which was significantly impacted by the decline in export prices over the last 12 months.

7.2 Cost of sales

The following table provides information regarding purchased goods and services:

	1 Jan – 31 Dec 2015 € k	1 Jan – 31 Dec 2014 € k
Equipment rental	**20 779**	16 573
Consumables	**9 231**	7 834
Labour	**1 731**	1 416
Outsourced mining services	**10 550**	4 924
Change in coal stock	**(2 287)**	979
Other services	**170**	4 004
Cost of rendering care and maintenance services	**–**	790
Cost of sales	**40 174**	36 520

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

Furthermore, a favourable change in inventory of €2 286 000 was realised due to valuation differences in inventory based on an increase of coal stockpiles at year-end, and this resulted in a decrease in the cost of sales.

7.3 Income from investments

Income from investments amounted to €8 786 000 (2014: €246 000 loss). Total income from investments contains the Group's share of profit of Mbuyelo Coal for the period ended 31 December 2015 which amounted to €4 167 000 (2014: loss of €157 000) and its share of profit of Universal Coal for the period 1 January 2015 to 31 December 2015 of €4 619 000 (2014: loss of €89 000).

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS** (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

7. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

7.4 Other income

Other income amounted to €6 569 000 (2014: €2 369 000). The significant increase was as a result of the Group recognising a bargain purchase gain on the acquisition of Penumbra Coal Mining amounting to €5 903 000. The Group incurred foreign exchange losses for the 2015 financial year which were classified as expenses. The foreign exchange losses resulted from the conversion of monetary items in currencies other than the functional, which mainly relates to the translation of the convertible bonds from Euro to ZAR. The translation loss recognised in Other operating expenses in the current year amounts to €14 900 000. In the prior year a translation gain of €2 400 000 was recognised in Other income.

7.5 Depreciation, amortisation and impairments

Depreciation, amortisation and impairments were as follows:

	1 Jan – 31 Dec 2015 € k	1 Jan – 31 Dec 2014 € k
Depreciation of property, plant and equipment	**11 356**	6 481
Amortisation of intangible assets	**871**	852
Impairment loss	**10 769**	42
Depreciation, amortisation and impairments	**22 996**	7 374

7.6 Other operating expenses

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

	1 Jan – 31 Dec 2015 € k	1 Jan – 31 Dec 2014 € k
Consulting and legal expenses	**2 342**	1 191
Royalty tax	**–**	777
Audit and accounting service expenses	**151**	199
Other professional services	**227**	186
Foreign exchange losses	**14 887**	170
Insurance contributions	**56**	51
Loss from disposal of shares in affiliates	**–**	16
Advertising expenses	**8**	9
Management fees	**151**	–
Loss on sale of assets	**16**	
Miscellaneous	**1 768**	179
Other operating expenses	**19 606**	2 777

7.7 General and administrative expenses

General and administrative expenses are as follows:

	1 Jan – 31 Dec 2015 € k	1 Jan – 31 Dec 2014 € k
Salaries	**2 212**	3 252
IT and communication	**169**	59
Head office expenses	**732**	799
General and administrative expenses	**3 113**	4 110

7.8 Finance income and costs

Financing revenue and cost split as follows:

	1 Jan – 31 Dec 2015 € k	1 Jan – 31 Dec 2014 € k
Interest income from bank accounts	**156**	348
Interest on other loans and borrowings	**169**	–
Interest income	**325**	348
Gain on option adjustment	**–**	46
Fair value gain on conversion component of convertible bonds	**18 938**	–
Foreign exchange	**586**	–
Finance income	**19 849**	394

	1 Jan – 31 Dec 2015 € k	1 Jan – 31 Dec 2014 € k
Interest on convertible bonds	**12 097**	11 235
Interest on corporate bonds	**74**	1 797
Interest on debts and borrowings	**(436)**	2 333
Interest on rehabilitation provision	**640**	426
Other	**1**	(154)
Interest and similar expenses	**12 376**	15 637
Loss on conversion component of convertible bonds	**–**	1 341
Finance costs	**12 376**	16 978

The technical equipment and machinery include the production preparation of underground operations and machinery purchased for opencast mining activities. During the year borrowing costs of €596 000 (2014: €389 000) were incurred.

7. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

7.9 Income tax

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

	31 Dec 2015 € k	31 Dec 2014 € k
Income before income taxes	**(16 905)**	(16 922)
Tax rate	**28.00%**	28.00%
Expected tax (expense)/benefit	**4 733**	4 738
Differing tax rate	**–**	71
Permanent differences	**(1 580)**	(3 679)
Adjustments to carrying amounts of deferred taxes	**–**	785
Current income taxes for prior years	**(3)**	–
Deferred income taxes for prior years	**3**	–
Unrecognised tax losses and interest carry forwards	**4 909**	(2 675)
Provisions/capital allowances	**–**	2 090
Other effects/change in tax rate	**–**	(23)
Income taxes	**8 062**	1 306
Effective tax rate	**48%**	8%

The company did not recognise deferred tax assets of €1 823 000 (2014:€1 698 000) in respect of losses amounting to €6 511 000 (2014: €6 063 000) that can be carried forward against future taxable income.

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

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

	1 Jan – 31 Dec 2015 € k	1 Jan – 31 Dec 2014 € k
Current tax	**–**	–
Deferred tax	**8 062**	1 306
Income tax from continuing operations	**8 062**	1 306
Current tax	**–**	–
Deferred tax	**–**	–
Income tax from discontinued operations	**–**	–
Income tax for the year	**8 062**	1 306

7.10 Other comprehensive income

The other comprehensive income relates to currency translation differences and the inclusion of share of other comprehensive income in equity accounted investments.

7.11 Earnings per share

Basic earnings per share

The basic earnings per share for the 2015 financial year amounted to €(0.09) (2014: (€ 0.27)). 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:

	2015	2014
Shares issued and fully paid as of 1 January	**67 920**	55 000
Effect of share capital increase	**–**	4 413
Weighted average number of shares outstanding	**67 920**	59 413

The basic earnings per share were calculated as follows:

	31 Dec 2015 € k	31 Dec 2014 € k
Total profit/(loss)	**(8 843)**	(15 386)
Less non-controlling interest	**(2 753)**	397
Profit or loss attributable to owners of parent	**(6 090)**	(15 783)
Basic earnings per share	**(0.09)**	(0.27)

Diluted earnings per share

During 2012, the company issued convertible bonds of €80 000 000, which resulted in an adjustment to weighted average shares outstanding of 17 714 000 in 2014. Those shares as well as any income or loss adjustment in relation to them were excluded from the computation of diluted earnings per share as their effect is non-dilutive. There was no conversion made during the current financial year.

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 2015 amounted to €1 327 000 (2014: €19 140 000).

The Group's cash flow from investing activities was mainly influenced by the acquisition of Penumbra Coal Mining in which the Group held a 100% share at year-end. The cash flow from financing activities was influenced by the settlement of corporate bonds during the year.

9. NOTES TO THE CONSOLIDATED SEGMENT REPORT

9.1 Basic principles of segment reporting

IchorCoal 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 2015 mining activities were performed by Vunene Mining. The core business of the IchorCoal Group is investment in attractive coal resources in South Africa. Subsequent to the disposal of the trading arm, the Group is organised into one reporting segment being coal production. Group focus is on the acquisition and subsequent development of coal resources in South Africa.

10. OTHER DISCLOSURES

10.1 Capital management

To provide the financial stakeholders of the Group with satisfactory returns, Group management aims to own and operate medium-sized coal assets which are expandable and promise upstream development potential. Vunene Mining still represents the Group's major mining asset as at 31 December 2015. On 03 December 2015 the Group acquired Penumbra Coal Mining, which will form part of the mining assets within the Group. Penumbra Coal was purchased out of Business rescue and was in care and maintenance at year-end.

Throughout the year, Group management continually reviews existing assets to identify whether they remain within set financial limits. We also continue to review assets in the South African market which potentially fit the strategy and only invest capital in those who 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 our shareholders.

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

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

	31 Dec 2015 € k	31 Dec 2014 € k
Interest-bearing loans and borrowings	**71 137**	82 929
Accounts payable and accrued liabilities	**9 921**	5 148
Less: Cash and cash equivalent	**(1 327)**	(19 140)
Net debt	**79 731**	68 937
Equity	**47 545**	64 236
Equity and net debt	**127 276**	133 172
Gearing ratio	**63%**	52%

10.2 Financial assets and liabilities

Presentation by categories

The balance sheet items as at 31 December 2015, comprising financial assets and liabilities can be attributed to the measurement categories according to IAS 39 as follows:

	31 December 2015			
	Carrying amount € k	**Loans and receivables € k**	**Financial liabilities measured at amortised cost € k**	**Financial liabilities at fair value through profit or loss € k**
Assets				
Trade and other receivables	**4 350**	**4 350**	**–**	**–**
Other current financial assets	**1 204**	**1 204**	**–**	**–**
Cash and cash equivalents	**1 327**	**1 327**	**–**	**–**
Other assets	**57**	**57**	**–**	**–**
Liabilities				
Interest-bearing loans and borrowings	**71 137**	**–**	**70 450**	**687**
Other non-current financial liabilities	**15 838**	**–**	**15 838**	**–**
Trade and other payables	**9 345**	**–**	**9 345**	**–**
Other current financial liabilities	**469**	**–**	**469**	**–**
Other liabilities	**576**	**–**	**576**	**–**

	31 December 2014			
	Carrying amount € k	Loans and receivables € k	Financial liabilities measured at amortised cost € k	Financial liabilities at fair value through profit or loss € k
Assets				
Trade and other receivables	4 324	4 324	–	–
Other current financial assets	1 360	1 360	–	–
Cash and cash equivalents	19 140	19 140	–	–
Liabilities				
Interest-bearing loans and borrowings	82 929	–	63 304	19 625
Other non-current financial liabilities	956	–	956	–
Trade and other payables	4 127	–	4 127	–
Other current financial liabilities	292	–	292	–

10. OTHER DISCLOSURES (continued)

10.2 Financial assets and liabilities (continued)

As at 31 December 2015, 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 2015, 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 and 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 €18 938 000 (2014: loss of €1 341 000) has been recognised and recorded in profit and loss. 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.

	31 Dec 2015	
	Carrying amount €k	Fair values €k
Assets		
Trade and other receivables	**4 350**	**4 350**
Other current financial assets	**1 204**	**1 204**
Cash and cash equivalents	**1 327**	**1 327**
Other assets	**57**	**57**
Liabilities		
Interest-bearing loans and borrowings	**71 137**	**61 070**
Other financial liabilities	**15 838**	**15 838**
Trade and other payables	**9 345**	**9 345**
Other current financial liabilities	**469**	**469**
Other liabilities	**576**	**576**

Except for the convertible bonds which mature in 2017, the financial assets and liabilities largely have short terms to maturity. Therefore, carrying amounts at the reporting date approximate fair value. The convertible bonds are listed on the Entry Standard of the Frankfurt Stock and traded at 90% as at 31 December 2015. 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 2015.

	31 Dec 2015			
	Carrying amount € k	Level 1 € k	Level 2 € k	Level 3 € k
Liabilities				
Interest-bearing loans and borrowings	**71 137**	**61 070**	**–**	**–**
Other financial liabilities	**15 838**	**–**	**–**	**–**
Trade and other payables	**9 345**	**–**	**–**	**–**
Other current financial liabilities	**469**	**–**	**–**	**–**
Other liabilities	**576**	**–**	**–**	**–**

Other disclosures of financial assets and liabilities

The results from the various categories of financial assets and liabilities are broken down as follows: Net gain on financial liabilities at fair value through profit and loss was €18 938 000. Total interest income and total interest expense for financial assets and liabilities that are not at fair value through profit or loss were €325 000 (2014: €394 000) and €12 376 000 (2014: €16 978 000), respectively.

10.3 Group financial risk management

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

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

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

Main exposures identified include investment risks, financial market risks such as currency and interest rate risks, liquidity risks, credit risks and commodity price risks. 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 certain thresholds require the approval of the company's supervisory board. Furthermore, significant cost and timeline overruns in asset development activities subsequent to an acquisition also pose risks to IchorCoal Group. These risks are mitigated by IchorCoal Group management via experienced in-house project controlling supported by professional local advisors.

10. OTHER DISCLOSURES (continued)

10.3 Group financial risk management (continued)

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 Group.

IchorCoal 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 Group 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 2015, the Group had no foreign exchange derivatives.

In 2015, the Group realised a net loss of €14 887 000 from currency translation differences. 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 €1 489 000. Similarly, if the Rand had strengthened by 10%, the net currency loss would have decreased by €1 489 000. 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 the year-end.

The Group's current finance facilities are provided on a fixed interest rate basis that vary from facility to facility. Interest related risks may originate from finance facilities at fixed interest rates. Interest cash flow risks may originate from finance facilities at variable interest rates on the Group's possible future borrowings for investments. Any such risk is evaluated within the Group and may be mitigated by interest derivatives, if deemed necessary. As at 31 December 2015, 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 did not default on payment obligations during the financial period. The Group's future significant payment obligations result from the convertible bonds. The corporate bonds matured during June 2015 and the Group had no liquidity risk in relation thereto. The interest payment obligations of the convertible bonds of €78 100 000 until maturity in 2017 totals €6 200 000 in 2016 and €3 1000 000 in 2017, subject to the exercise of the option to convert.

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 losses 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	4 350
Other current financial assets	1 204
Cash and cash equivalents	1 327

To reduce the credit risk on cash and cash equivalents, management carefully evaluates and selects banks before depositing cash. To reduce the credit risk on revenues, the Group's management evaluates and monitors counterparties. Group management further aims to utilise secured payment mechanisms or other risk mitigation instruments. In addition, risks from performance failures or poor performance of deliveries may arise. Management mitigates these risks appropriately by selecting creditworthy parties and by assessing individual conditions and structuring contracts accordingly. Prior to business relationships, management evaluates its potential customers using available financial information or its own trading records. During this reporting period, the Group generated the majority of its sales from Eskom, South Africa's electricity utility company which has not defaulted in 2015.

Commodity price risk

IchorCoal Group's commodity price risk exposure arises from transactions on the world coal market. Sale of coal transactions are either on a fixed price basis or index-based. Cash flow risks may originate from sales agreements at fixed rates. Price risks may originate from index-based sales agreements. Price risks arising out of fluctuations of applicable indices are mitigated by exchange traded commodity derivatives, if deemed necessary. Price escalation clauses are negotiated for fixed sales price agreements to mitigate adverse input pricing developments. Group management evaluates such risks on a continuous basis as part of the risk management system and may be mitigated by hedging instruments, if deemed necessary. As at 31 December 2015, 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.

Transactions with subsidiaries and associates

Intercompany transactions within IchorCoal Group have been eliminated in the consolidated financial statements. During the year, the company entered into various loan agreements with Vunene Mining for mine development purposes on an arm's-length basis. At year-end €20 144 000 (2014: €15 165 000) including accrued interest of €2 117 000 (2014: €1 845 000), is outstanding. Furthermore, the company performed certain group functions which have been reimbursed by Vunene Mining via a management fee of €314 000 (2014: €312 000).

During the year, the company utilised a drawdown facility from Sapinda Holdings BV amounting to €3 250 000 which is payable by IchorCoal on 31 December 2017 and also received additional funds from Sapinda Invest amounting to €3 500 000 which were utilised for the coupon payments on the convertible bonds, the loan is to be converted to equity pending decision at an Annual General Meeting to be held. There is no interest charge on the loan and the intention is that the loan balance will be converted to equity at a later stage.

During the year IchorCoal N.V. acquired 100% interest in Penumbra Coal Mining Proprietary Limited, a South African-based mining company with one operating site in Ermelo, Mpumalanga province. Subsequent to year-end, 26% of the interest in Penumbra Coal Mining was divested to our preferred Black-Broad Based Economic Empowerment (B-BBEE) partner, Mbuyelo Resources, as per the requirements of the South African Mining Charter. The transfer to Mbuyelo was made at no value.

Transactions with key management personnel

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

€ thousand	Short-term compensation	Share-based payments	Total
Nonkululeko Nyembezi-Heita	856	261	1 117
Andries Engelbrecht	416	141	557
Total	**1 272**	**402**	**1 674**

The supervisory board of the company consisted of four individuals throughout the year. The supervisory board members received no compensation for their services during the financial year.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS** (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

10. OTHER DISCLOSURES (continued)

10.4 Relationships with related parties (continued)

As at end December 2015, the Group's purchase obligations from contract mining companies amounted to €23 500 000. Further payment obligations for 2017 amount to approximately €268 000. Capital commitments amounted to €2 943 000 which relates to the underground development at Vunene Mining.

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

	31 Dec 2015 € k	31 Dec 2014 € k
Due within one year	**169**	195
Due in one to five years	**382**	682
Due in more than five years	**–**	–
Total	**551**	877

The Group is currently involved in a legal case against VB Minerals Proprietary Limited. The supplier VB Minerals Proprietary Limited took legal action against Vunene Mining Proprietary Limited regarding services rendered for alleged breach of contract. The matter is due to go to trial in the next two months. The maximum financial exposure of the Group is approximately €297 000. 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.

10.5 Audit fees

Total audit fees of €150 800 (2014: €162 000) have been incurred from Ernst & Young, Europe €94 100 (2014: €86 000), KPMG, South Africa €15 000(€23 000) and SizweNtsalubaGobodo Inc, South Africa €41 700(€53 000).

10.6 Events after the balance sheet date

In April 2016 IchorCoal accepted an offer from Coal of Africa, where Coal of Africa will acquire all the interest of IchorCoal in Universal Coal Plc. The offer will close on 15 July 2016. IchorCoal held 151 660 000 share is Universal Coal and has accepted the offer from Coal of Africa to acquire all the shares held, and elected to receive a mix and match between a cash offer and a share option, as well as loan instruments.

Under the terms of the offer, IchorCoal has elected to receive A$0.20 in cash and one Consideration share of Coal of Africa share, for the 101 106 000 Universal Coal shares held, and will further receive a non-converting, secured loan note with a principal amount of A$0.25 per loan note for a total of 50 554 000 Universal Coal shares held.

Coal of Africa has announced on 21 July 2016, that the Coal of Africa offer to purchase the entire share capital of Universal Coal Plc lapsed and Coal of Africa did not meet the terms and conditions of the offer as obtained in the offer document as published on 21 December 2015. This has resulted in the decision by IchorCoal to take up the offer to dispose its share in Universal Coal Plc to Coal of Africa being suspended permanently.

During the year IchorCoal N.V. acquired 100% interest in Penumbra Coal Mining Proprietary Limited, a South African-based mining company with one operating site in Ermelo, Mpumalanga province. Subsequent to year-end, 26% of the interest in Penumbra Coal Mining was divested to our preferred B-BBEE partner, Mbuyelo Resources, as per the requirements of the South African Mining Charter. The transfer to Mbuyelo was made at no value.

There were no further subsequent events.

Nonkululeko Nyembezi-Heita
Chief Executive Officer

Andries Engelbrecht
Chief Operating Officer

Johannesburg, 28 December 2016

STANDALONE STATEMENT **OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2015

	Note	31 Dec 2015 € k	31 Dec 2014 € k
ASSETS			
Non-current assets			
Intangible assets	3.1	**19**	9
Property, plant and equipment	3.2	**119**	192
Shares in affiliates	3.3	**37 848**	41 296
Investments in associates	3.4	**60 763**	72 563
Other non-current financial assets	3.5	**4 475**	8 890
Deferred tax assets	3.6	**0**	792
Current assets		**103 224**	123 742
Trade and other receivables	3.7	**515**	555
Other current financial assets	3.8	**16 683**	5 823
Other assets	3.9	**57**	129
Cash and cash equivalents	3.10	**525**	17 294
		17 780	23 801
Total assets		**121 004**	147 543
Equity and liabilities			
Equity			
Issued capital	3.11	**6 792**	6 792
Capital reserves	3.11	**89 291**	89 291
Share-based payment reserve	3.11	**618**	216
Accumulated retained earnings	3.11	**(33 866)**	(17 379)
Profit or loss for the year	3.11	**(9 588)**	(16 487)
Foreign currency translation reserve (Other comprehensive income)	3.11	**(8 039)**	774
Total equity		**45 208**	63 208
Non-current liabilities			
Interest-bearing loans and borrowings	3.12	**70 738**	80 545
Other non-current financial liabilities	3.13	**3 500**	–
Deferred tax liabilities	3.6	**–**	–
Current liabilities		**74 238**	80 545
Interest-bearing loans and borrowings	3.12	**399**	2 384
Other current financial liabilities	3.14	**297**	–
Trade and other payables	3.15	**291**	385
Other liabilities	3.16	**571**	1 021
		1 558	3 790
Total liabilities		**75 796**	84 335
Total equity and liabilities		**121 004**	147 543

The accompanying notes form part of these financial statements.

STANDALONE STATEMENT
OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**1 Jan – 31 Dec 2015 € k**	1 Jan – 31 Dec 2014 € k
Other operating income	4.1	**422**	2 659
General and administrative expenses	4.2	**(1 868)**	(3 181)
Depreciation		**(43)**	(32)
Write-off of current assets		**–**	(42)
Other operating expenses	4.3	**(16 965)**	(1 301)
Finance costs	4.4	**(12 207)**	(17 150)
Finance income	4.4	**21 862**	1 776
Loss before income taxes		**(8 799)**	(17 272)
Income taxes	4.5	**(789)**	785
Loss for the year		**9 588**	(16 487)
Other comprehensive income not to be reclassified to profit and loss in subsequent periods		**(8 813)**	774
Total comprehensive income		**(18 401)**	(15 713)

The accompanying notes form part of these financial statements.

STANDALONE STATEMENT
OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

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

The accompanying notes form part of these financial statements.

	Note	Ordinary shares € k	Capital reserves € k	Accumulated retained earnings € k	Profit or loss for the year € k	Other reserves € k	Share-based payment reserves € k	Total € k
1 Jan 2014	3.11	**5 500**	**28 886**	**(6 752)**	**(10 627)**	**–**	**–**	**17 007**
Appropriation of prior year results		–	–	(10 627)	10 627			–
Profit or loss for the year		–	–	–	(16 487)			(16 487)
Other comprehensive income						774		774
Total comprehensive income		**–**	**–**	**–**	**(16 487)**	**774**		**(10 627)**
Share capital increase	3.11	1 292	60 405	–	–			61 697
		1 292	60 405	–	–	–	–	61 697
Share-based payment							216	216
		–	–	–	–		216	216
31 Dec 2014		**6 792**	**89 291**	**(17 379)**	**(16 487)**	**774**	**216**	**63 208**

The accompanying notes form part of these financial statements.

STANDALONE STATEMENT
OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	31 Dec 2015 € k	31 Dec 2014 € k
Profit or loss		**(9 588)**	(16 487)
Reconciliation of profit or loss to the cash flow from operating activities:			
Depreciation and amortisation of fixed assets		**43**	32
Write-off of current assets		**–**	42
Loss/(profit) on sale of assets		**16**	–
Gain on conversion component of Convertible Bonds	4.4	**(18 938)**	1 341
Effective interest on Convertible Bonds	4.4	**12 106**	20 872
Interest paid	4.4	**(6 248)**	(7 581)
Other interest on debts and borrowings	4.4	**36**	2 518
Interest income	4.4	**(2 337)**	(1 776)
Changes due to foreign currency changes	4.3	**12 588**	(2 448)
Changes in share-based payment expense	3.11	**402**	216
Changes in deferred taxes	3.6	**792**	(792)
Changes in trade and other receivables	3.7	**40**	(155)
Changes in trade and other payables	3.14	**(94)**	85
Changes in other financial assets and liabilities	3.13/3.8	**(450)**	–
Changes in other assets and liabilities		**72**	(1 012)
Cash flow from operating activities		**(11 560)**	(5 144)
Proceeds from disposal of intangible assets and property, plant and equipment	3.1/3.2	**36**	17
Proceeds from disposal of shares in affiliates	3.1/3.2	**–**	12 073
Purchases of intangible assets and property, plant, and equipment	3.1/3.2	**(31)**	(224)
Purchases of investments in affiliates, associates and other non-current financial assets	3.3	**(3 266)**	(17 532)
Cash flow from investing activities		**(3 261)**	(5 666)
Proceeds from share capital increase	3.11	**–**	25 104
Proceeds from interest-bearing loans and borrowings given	3.3	**(925)**	–
Proceeds from interest-bearing loans and borrowings received	3.13	**297**	–
Repayments of interest-bearing loans and borrowings received	3.12	**(1 985)**	–
Cash outflow from interest-bearing loans and borrowings given	3.12	**(6 117)**	(7 740)
Cash inflow from interest-bearing loans and borrowings given	3.12	**6 782**	2 873
Cash flow from financing activities		**(1 948)**	20 237
Cash flow-related changes in cash and cash equivalents		**(16 769)**	9 427
Cash and cash equivalents at beginning of period		**17 294**	7 867
Cash and cash equivalents at end of period	3.10	**525**	17 294

RECONCILIATION OF CONSOLIDATED **AND STANDALONE EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2015

		31 Dec 15 € k	31 Dec 14 € k
Total consolidated equity		**40 260**	64 237
Difference in accumulated retained earnings			
Individual retained earnings	(1)	**(33 866)**	(17 379)
Consolidated retained earnings	(1)	**29 136**	13 352
Difference in net result			
Individual result	(1)	**(9 588)**	(16 487)
Consolidated result attributable to the shareholders	(1)	**14 758**	15 784
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)	**8 931**	4 392
Accumulated other comprehensive income	(5)	**6 358**	13 317
Acquisition of interest in Penumbra	(6)	**3 226**	–
Total standalone equity		**45 208**	63 209

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

2) In 2012 IchorCoal N.V. purchased further 289 957 shares in HMS Bergbau AG for a total consideration of EUR1 669 thousand, resulting in a relative adjustment of non-controlling interest of EUR307 thousand and capital reserves of EUR1,362 thousand. In 2013 IchorCoal N.V. purchased further 111 515 shares in HMS Bergbau AG for a total consideration of EUR544 thousand, resulting in a relative adjustment of non-controlling interest of EUR176 thousand and capital reserves of EUR368 thousand.

3) The non-controlling interest of EUR15,737 thousand in the Group are due to the acquisition of shares in Vunene Mining Proprietary Limited by IchorCoal N.V. and the subsequent first time consolidation of Vunene Mining Group.

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

5) The comprehensive income results from translation.

6) The results from the acquisition of Penumbra Coal Mining

NOTES TO THE STANDALONE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

1.1 Corporate information

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

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

The financial statements were approved by the supervisory board on 31 August 2016.

1.2 Basis of preparation

Overview

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the EU and the provisions of Part 9, Book 2 of the Netherlands Civil Code. The financial statements have been prepared on the historical cost basis. The financial statements are presented in Euro and all values are rounded to the nearest thousand (€ k) except where otherwise indicated.

The same basis of preparation applies as described in the notes to the consolidated accounts. We refer to Note 1.2: 'Basis of Preparation' of the consolidated financial statements.

Foreign currencies

The functional currency of the company was changed to South African Rand (ZAR) in the 2014 financial year but the presentation currency remains the Euro. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Purchases and sales in foreign currencies are translated at the exchange rate on the date of the transaction. Assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate on the balance sheet 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 accounts. We therefore refer to note 3 'Accounting Policies' of the consolidated financial statements. Participating interests over which significant influence (including control) is exercised are stated applying the cost method.

3. NOTES TO THE STANDALONE 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 2015	**23**	**23**
Additions	**23**	**23**
Disposals	**(9)**	**(9)**
Currency effects	**(5)**	**(5)**
31 Dec 2015	**32**	**32**
Amortisation and impairments		
1 Jan 2015	**14**	**14**
Additions	**1**	**1**
Disposals	**(1)**	**(1)**
Currency effects	**(1)**	**(1)**
31 Dec 2015	**13**	**13**
Carrying amounts		
31 Dec 2015	**19**	**19**
1 Jan 2015	**9**	**9**

	Purchased rights €k	Total €k
Acquisition or production cost		
1 Jan 2014	27	27
Additions	12	12
Disposals	(27)	(27)
31 Dec 2014	12	12
Amortisation and impairments		
1 Jan 2014	4	4
Additions	11	11
Disposals	(12)	(12)
31 Dec 2014	3	3
Carrying amounts		
31 Dec 2014	9	9
1 Jan 2014	23	23

The purchased right relates to the accounting software used by the entity. The accounting software is held through a licence agreement which is renewable annually.

3. NOTES TO THE STAND-ALONE STATEMENT OF FINANCIAL POSITION (continued)

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 2015	**30**	**40**	**144**	**214**
Additions	**2**	**7**	**–**	**9**
Disposals	**(13)**	**(5)**	**–**	**(18)**
Currency effects	**(3)**	**(7)**	**(23)**	**(33)**
31 Dec 2015	**16**	**35**	**121**	**172**
Depreciation and impairments				
1 Jan 2015	**10**	**2**	**10**	**22**
Additions	**1**	**17**	**24**	**42**
Disposals	**–**	**(1)**	**–**	**(1)**
Currency effects	**(2)**	**(3)**	**(5)**	**(10)**
31 Dec 2015	**9**	**15**	**29**	**53**
Carrying amounts				
31 Dec 2015	**7**	**20**	**92**	**119**
1 Jan 2015	**20**	**38**	**134**	**192**

	Office equipment € k	Computer equipment € k	Furniture € k	Total € k
Acquisition or production cost				
1 Jan 2014	4	–	–	5
Additions	27	40	144	211
Disposals	(1)	–	–	(2)
31 Dec 2014	30	40	144	214
Currency effects				
Depreciation and impairments				
1 Jan 2014	1	–	–	1
Additions	9	2	10	21
Disposals	–	–	–	–
31 Dec 2014	10	2	10	23
Carrying amounts				
31 Dec 2014	20	38	133	192
1 Jan 2014	3	–	–	4

3.3 Shares in affiliates

Shares in affiliates are composed as follows:

	31 Dec 2015 € k	31 Dec 2014 € k
Shares in Vunene Mining Proprietary Limited	**34 581**	41 296
Shares in Penumbra Coal Mining Proprietary Limited	**3 267**	–
Shares in affiliates	**37 848**	41 296

The difference in the cost of the investment in Vunene Mining is due to the foreign currency exchange difference as a result of the weakening of the Rand against the Euro, and further translation of the balance of the investment into the presentation currency (Euro) at the reporting date, i.e. 31 December 2015.

During 2015, an assessment was done on investment affiliates and no indications of impairment were identified. The value in use on affiliate investments was supported by valuation of the mine assets. The valuation was determined using a discounted cash flow of estimated future cash flows plus the resource multiple of resources remaining.

The Group acquired an interest in Penumbra Coal Mining in December 2015. Penumbra Coal Mining was placed in business rescue and is operated under care and maintenance. The company made a payment to the amount of €3 604 000 and obtained control as set out in the sales agreement. The difference in the cost and the value is due to translation losses at year-end.

3.4 Investments in associates

Investments in associates are composed as follows:

	31 Dec 2015 € k	31 Dec 2014 € k
Shares in Mbuyelo Coal	**46 700**	55 031
Shares in Universal Coal Plc	**14 063**	17 531
Investments in associates	**60 763**	72 563

The decrease in the value of investments in associates is due to foreign currency movements.

For a further discussion on the decrease 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.

3.5 Other non-current financial assets

	31 Dec 2015 € k	31 Dec 2014 € k
Loans to affiliates	**4 389**	8 796
Restricted reserve	**86**	94
Other non-current financial assets	**4 475**	8 890

During the 2013 financial year, Vunene Mining significantly increased its mining operations through the development of three further opencast pits. In 2015, 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. In the current financial year, the intercompany loan amounts to €20 144 000, including accrued interest, out of which €4 389 000 is shown as non-current and €15 755 000 as current financial assets.

The company has a deposit account in the amount of €86 000 (2014:€94 000) held at a local bank. It is currently used to back up a guarantee issued by the bank in relation to the lease agreement for the head office premises.

NOTES TO THE STANDALONE
FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

3. NOTES TO THE STANDALONE STATEMENT OF FINANCIAL POSITION (continued)

3.6 Deferred tax

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

	31 Dec 2015 Deferred tax assets €K	31 Dec 2015 Deferred tax liabilities €K	31 Dec 2014 Deferred tax assets €K	31 Dec 2014 Deferred tax liabilities €K
Non-current financial assets	–	–	–	–
Other liabilities	–	–	792	–
Temporary differences o	–		792	–
Tax loss carry-forwards	–	–	–	–
Total	–	–	792	–
Offsetting	–	–	–	–
Amounts as per balance sheet	–	–	792	–

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

	2015 €K	2014 €K
Deferred tax assets at the beginning of the period	**792**	–
Deferred tax liabilities at the beginning of the period	**–**	–
Net tax position at the beginning of the period	**792**	–
Deferred tax benefit/(expense) of current year	**(789)**	785
Net tax position as of 31 December	**3**	785
Deferred tax assets at the end of the period	**–**	792
Deferred tax liabilities at the end of the period	**–**	–
Forex changes	**(3)**	(7)

The company netted unrecognised deferred tax assets of €2 868 000 (2014:€0) in respect of unrecognised taxable losses amounting to €10 243 000 (2014:€0) against the deferred tax liability recognised on convertible bonds as disclosed on other liabilities per the deferred tax disclosure note.

The company did not recognise deferred tax assets of €1 823 000 (2014:€1 698 000) in respect of losses amounting to €6 511 000 (2014:€6 063 000) that can be carried forward against future taxable income.

3.7 Trade and other receivables

	31 Dec 2015 €k	31 Dec 2014 €K
Receivable due from Vunene Mining Proprietary Limited	**407**	486
Trade receivables	**108**	69
Trade and other receivables	**515**	555

3.8 Other current financial assets

Other current financial assets comprise the following:

	31 Dec 2015 € k	31 Dec 2014 € k
Loan to Vunene Mining Proprietary Limited.	**15 755**	5 816
Loan to Penumbra	**925**	–
Miscellaneous	**3**	7
Other current financial assets	**16 683**	5 823

The loans to the company's subsidiary Vunene Mining have risen due to the significant ramp-up of mining activities and the related capital expenditures for re-establishment of the underground operations.

During the year, the company made a loan to Penumbra coal, the loan was used to finance the cost of care and maintenance at Penumbra Coal Mining. The loan bears no interest

3.9 Other assets

	31 Dec 2015 € k	31 Dec 2014 € K
Receivables from other taxes	**57**	115
Prepayments	**–**	14
Other assets	**57**	129

Receivables form other taxes mainly consist of VAT.

3.10 Cash and cash equivalents

The company's cash and cash equivalents of €525 000 (€17 294 000) represent cash at banks.

3.11 Equity

The issued capital of €6 792 000 is divided into 67 919 963 (2014: 67 919 963) ordinary shares, with a nominal value of €0.10 each. There was no change to issued capital as at 31 December 2015.

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

Capital reserves are not distributable to equity holders of the company. The accumulated retained earnings include the net loss of prior years.

The company issued equity-settled instruments to certain qualifying employees under an employee share option scheme to purchase shares in the company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instrument at the date of the grant, which was €618 000 (2014 €216 000). Deferred share-based compensation is expensed over the vesting period based on the company's estimate of the shares that are expected to eventually vest.

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

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

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

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

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

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

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

3. NOTES TO THE STANDALONE STATEMENT OF FINANCIAL POSITION (continued)

(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; and

(d) expected volatility of the underlying shares.

This needs to be assessed on the basis of the stock price movements.

The foreign currency translation reserve of €8 039 000 arose from the conversion of the Group's financial results from the functional currency, South African Rand, to the Euro,

3.12 Interest-bearing loans and borrowings

	31 Dec 2015 € k	31 Dec 2014 € k
Long term portion – Convertible bonds	**67 456**	80 545
Short term portion – Convertible bonds	**399**	2 384
Sapinda Holding B.V loan	**3 282**	–
Interest-bearing loans and borrowings	**71 137**	82 929

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

The corporate bonds matured during June 2015, and had a nil balance at year-end as the liability was fully settled

The loan from Sapinda Holding B.V. includes an amount received for the coupon payment on convertible bonds. The amount was received through a drawdown facility that the company utilised during the financial year under review, and the loan is repayable on 31 December 2017.

3.13 Other non-current financial liabilities

	31 Dec 2015 € k	31 Dec 2014 € k
Sapinda Invest Loan	**3 500**	–
Other Non-Current financial liabilities	**3 500**	–

The company received an amount of €3 500 000 from Sapinda Invest, the funds were used for the purchase of Penumbra Coal Mining. There is no interest charge on the loan and the intention is that the loan balance will be converted to equity at a later stage.

3.14 Other current financial liabilities

	31 Dec 2015 € k	31 Dec 2014 € k
Loan from affiliates – Mbuyelo	**297**	–
Other current financial liabilities	**297**	–

3.15 Trade and other payables

	31 Dec 2015 € k	31 Dec 2014 € k
Trade payables	**291**	385
Trade and other payables	**291**	385

Trade and other payables solely relate to trade payables.

3.16 Other liabilities

Other liabilities are composed as follows:

	31 Dec 2015 € k	31 Dec 2014 € k
Accrued liabilities	**571**	988
Miscellaneous	**–**	33
Other non-financial liabilities	**571**	1 021

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

3.17 Maturity analysis of financial liabilities

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

	Carrying amount	Undiscounted cash outflows		
	31 Dec 2015 € k	2016 € k	2017 – 2019 € k	2020 ff. € k
Interest-bearing loans and borrowings	**74 637**	399	74 238	–
Trade and other payables	**292**	292	–	–

	Carrying amount	Undiscounted cash outflows		
	31 Dec 2014 € k	2015 € k	2015 – 2018 € k	2019 ff. € k
Interest-bearing loans and borrowings	82 929	2 384	80 545	–
Trade and other payables	385	385	–	–

4. NOTES TO THE STANDALONE STATEMENT OF COMPREHENSIVE INCOME

4.1 Other operating income

Other operating income is as follows:

	2015 € k	2014 € k
Foreign exchange gains	**–**	2 114
Management fees	**422**	336
Reversal of provisions	**–**	128
Others	**–**	81
Other operating income	**422**	2 659

Management fees relates to fees received from Universal Coal and Vunene Mining. Due to the weakening of the Rand to the Euro, the company incurred foreign exchange losses during the financial year.

Management fees are now presented as “other incom”.

4. NOTES TO THE STANDALONE STATEMENT OF COMPREHENSIVE INCOME (continued)

4.2 General and administrative expenses

General and administrative expenses consist of the following:

	2015 € k	2014 € k
Wages and salaries	**991**	1 368
Social security	**–**	106
Share-based payment expense	**402**	216
Other expenses	**475**	1 491
Personnel expenses	**1 868**	3 181

4.3 Other operating expenses

Other operating expenses are as follows:

	2015 € k	2014 € k
Foreign exchange losses	**14 887**	–
Loss from disposal of shares in affiliates	**–**	16
Loss on disposal of fixed assets	**16**	–
Legal and consulting costs	**1 864**	891
Audit and accounting services	**109**	145
Advertising expenses	**–**	2
Transaction cost share capital increase	**–**	89
Listing fees	**–**	5
Miscellaneous	**89**	153
Other operating expenses	**16 965**	1 301

4.4 Finance income and costs

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

The financial income comprises the following:

	2015 € k	2014 € k
Interest on other loans and borrowings	**2 117**	1 574
Total interest income	**2 117**	1 574
Other interest income	**220**	202
Gain on conversion component convertible bonds	**18 938**	–
Foreign exchange	**587**	–
Total finance income	**21 862**	1 776

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

The financial expense is broken down as follows:

	2015 € k	2014 € k
Interest on convertible bonds	**12 097**	11 494
Effective interest on corporate bonds	**74**	1 797
Interest on debts and borrowings	**–**	2 332
Other	**36**	186
Total interest and similar expenses	**12 207**	15 809
Loss on conversion option of convertible bonds	**0**	1 341
Total finance costs	**12 207**	17 150

4.5 Income tax

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

	2015 € k	2014 € k
Income before income taxes	**(8 799)**	(17 272)
Tax rate (%)	**28.00**	28.00
Expected tax (expense)/benefit	**2 464**	4 836
Permanent differences	**(2 464)**	(2 231)
Timing differences	**–**	–
Adjustments to carrying amounts of deferred taxes	**–**	785
Unrecognised tax losses and interest carry forwards	**(789)**	(2 675)
Other effects/Change in tax rate	**–**	71
Income taxes	**(789)**	785
Effective tax rate (%)	**9**	(5)

The enacted tax rate is 28%. The German office was closed during the 2014 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.

The company did not recognise deferred tax assets of €1 823 000 (2014:€1 698 000) in respect of losses amounting to €6 511 000 (2014:€6 063 000) that can be carried forward against future taxable income.

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

	2015 € k	2014 € k
Deferred taxes	**(789)**	785
Income taxes	**(789)**	785

OTHER
DISCLOSURES

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.

Relationship

Ultimate holding company	Sapinda Holding B.V
Party related to holding company	Sapinda Invest
Subsidiaries	Vunene Mining
	Penumbra Coal Mining
Associates	Mbuyelo Coal
	Universal Coal Plc
Members of key management	Nonkululeko Nyembezi-Heita – Chief Executive
	Andries Engelbrecht – Chief Operations Officer

Transactions with holding company, 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, €20 144 000 (2014: €15 165 000), including accrued interest of €2 117 000 (2014: €1 845 000), is outstanding. Furthermore, the company performed certain group functions, which have been reimbursed by Vunene Mining via a management fee of €314 000 (2014: €312 000). The company also performed group functions to Universal Coal Plc and received directors fees amounting to €108 000.

During the year, the company utilised a drawdown facility from Sapinda Holdings B.V. amounting to €3 250 000, which was utilised for the coupon payments on the convertible bonds and is payable by IchorCoal on 31 December 2017 and also further received additional funds from Sapinda Invest amounting to €3 500 000, which was utilised to finance the purchase of Penumbra Coal Mining, the loan is to be converted to equity pending decision at an Annual General Meeting to be held. There is no interest charge on the loan and the intention is that the loan balance will be converted to equity at a later stage.

Mbuyelo Coal made a loan to the company during the year amounting to €297 000. There was no interest charged on the loan at year end.

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 "10.4 Relationships with related parties" of notes to the consolidated financial statements 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 2015 € k	31 Dec 2014 € k
Due within one year	**169**	195
Due in one to five years	**382**	682
Due in more than five years	**–**	–
Total	**551**	277

The company is currently not involved as a defendant in any litigation. The company has no contingent liabilities.

5.5 Events after the balance sheet date

In April 2016, IchorCoal accepted an offer from Coal of Africa, where Coal of Africa will acquire all the interest of IchorCoal in Universal Coal Plc. The offer will close on 15 July 2016. IchorCoal held 151 660 000 share is Universal Coal and has accepted the offer from Coal of Africa to acquire all the shares held, and elected to receive a mix and match between a cash offer and a share option, as well as loan instruments.

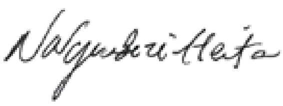
Under the terms of the offer, IchorCoal has elected to receive A$0.20 in cash and 1 Consideration share of Coal of Africa share, for the 101 106 000 Universal Coal shares held, and will further receive a non-converting, secured loan note with a principal amount of A$0.25 per loan note for a total of 50 554 000 Universal Coal share held.

Coal of Africa has announced on 21 July 2016, that the Coal of Africa offer to purchase the entire share capital of Universal Coal Plc lapsed and Coal of Africa did not meet the terms and conditions of the offer as obtained in the offer document as published on 21 December 2015. This has resulted in the decision by IchorCoal to take up the offer to dispose its share in Universal Coal Plc to Coal of Africa being suspended permanently.

During the year, Ichor Coal N.V. acquired 100% interest in Penumbra Coal Mining Proprietary Limited, a South African-based mining company with one operating site in Ermelo, Mpumalanga province. Subsequent to year-end, 26% of the interest in Penumbra Coal Mining was divested to our preferred BBBEE partner, Mbuyelo Resources, as per the requirements of the South African Mining Charter. The transfer to Mbuyelo was made at no value.

There were no further subsequent events.

Johannesburg, 28 December 2016



Nonkululeko Nyembezi-Heita
Chief Executive Officer

Andries Engelbrecht
Chief Operating Officer

OTHER
INFORMATION

APPROPRIATION OF RESULT

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

The management proposes to the Supervisory Board to add the result for the year to the retained earnings. This proposal has been reflected in the standalone financial statements and consolidated financial statements.