ICHORCOAL
MINING THE FUTURE

ICHOR COAL N.V. GROUP (53748662)

Consolidated Financial Statements

31 December 2018

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Report of the Supervisory Board

Dear Shareholders,

2018 marked a change in direction for Ichor Coal N.V. The main focus of the Group became the settling of the outstanding Convertible bonds due in June 2019. In order to do so, the strategy adopted was to close the Vunene and Penumbra sale transactions and liquidate the remaining assets, Universal Coal and Mbuyelo Coal.

The Vunene sale transaction closed successfully in November 2018 and the Penumbra sale transaction closed successfully in November 2020.

Mbuyelo Coal performed well and continued to declare dividends throughout the year.

Universal Coal turned out a solid performance for the year. Universal also declared dividends in 2018. In May 2019 Ichor Coal N.V. disposed of its entire holding of 151,660,000 shares in Universal Coal plc at a price of A$31.5c per share through a private placement to a number of institutional investors undertaken by the Company’s broker in Australia, which is higher than its carrying value.

Cooperation with the Management Board

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

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

Annual audit and consolidated financial statements

KPMG Accountants N.V was reappointed as the auditors by the shareholders at the last annual general meeting. KPMG has audited the 2018 annual financial statements and management report prepared by the Management Board of Ichor Coal N.V. as at 31 December 2018 and has issued an unqualified audit opinion. The annual financial statements of Ichor Coal N.V. and the audit reports from the auditors were submitted immediately upon completion to the Supervisory Board. These were discussed extensively at the Supervisory Board meeting held on 28 January 2021. After careful review, no objections were raised, and the Supervisory Board approved the annual financial statements of Ichor Coal N.V. for the year ended 31 December 2018.

Changes in the Supervisory Board

The Dutch Parliament adopted new legislation to amend the Dutch Civil Code in connection with the rules on management and supervision within public limited liability companies. The Act on Management and Supervision came into force on 1 January 2013. In 2018, Ichor Coal N.V.'s Supervisory Board did not meet the new guidelines in terms of gender diversity but is committed to striving to achieve adequate and balanced Board composition when making future appointments. This will be done considering all relevant selection criteria, including, but not limited to, gender balance and executive experience.

As at 31 December 2018, the Supervisory Board of the entity consisted of four members.

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

South Africa, 29 January 2021

For the Supervisory Board

Tarek Malak

Chairman

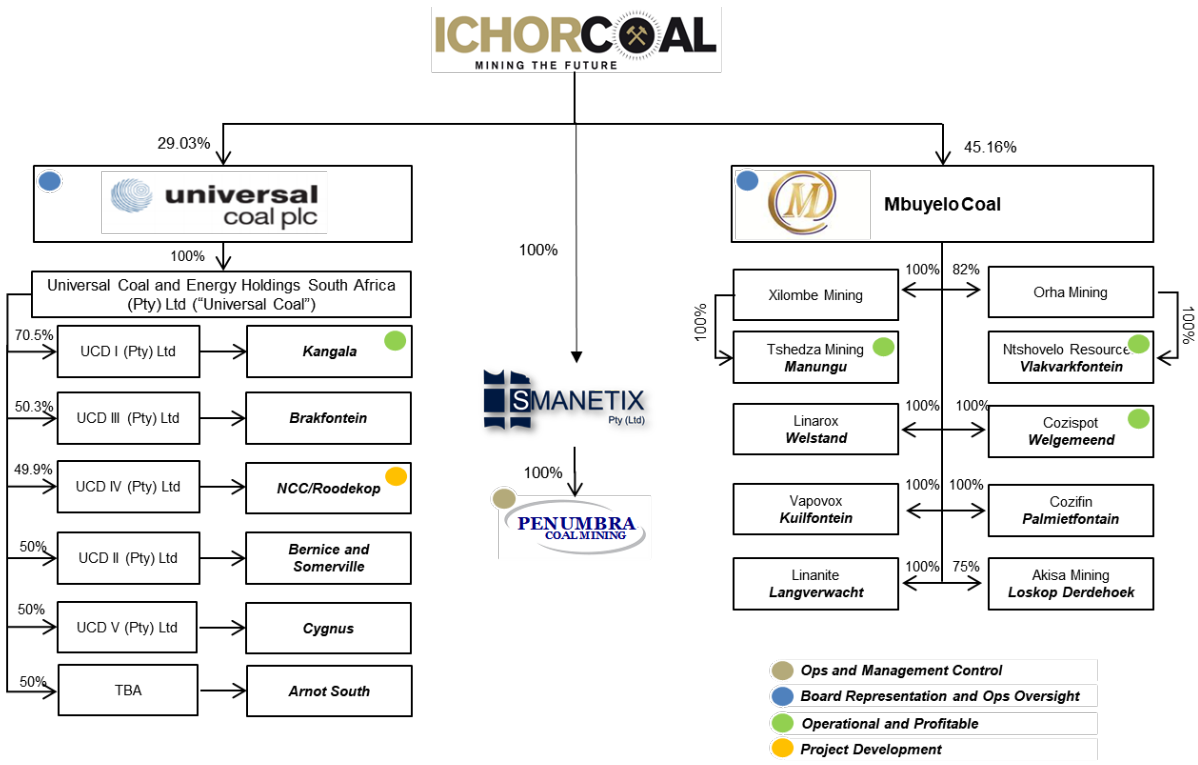
Report of the Management Board

Group structure and activities

Ichor Coal N.V. KVK 53748662 ("Ichor Coal Group" or the "Group" or the "Company") is a public limited liability company incorporated in Amsterdam, the Netherlands with its shares admitted for trading on the High-Risk Market of the Hamburg Stock Exchange (non-regulated) and the open market on the Basic Board of the Frankfurt Stock Exchange (non-regulated). The head office is located at 2 Bruton Road, Bryanston, South Africa.

The year under review marked a change in direction for the Ichor Coal Group. With the sale of Vunene and Penumbra, the Group's only operating entities, during the 2017 financial year, Ichor Coal in essence became an investment holding company with a move away from the managing of operating mines.

As at year-end 2018, Ichor Coal N.V. held an interest in the following entities:



Update on the sale of the investments in Vunene and Penumbra

The sale agreement for Vunene Mining (Pty) Ltd ("Vunene") was signed in 2017 and formally closed in November 2018. Consequently, Vunene was deconsolidated in the 2018 financial statements. The sale agreement for Penumbra Coal Mining (Pty) Ltd ("Penumbra") was also signed in 2017 and was formally closed in November 2020. The buyer Into Africa Mining and Exploration (Pty) Ltd ("Into Africa Mining") still owes €1 860 000 (R29 000 000) of the original purchase price and a deferred payment arrangement was put in place for the outstanding purchase price and this arrangement comes to an end in July 2021.

With the sale of both Vunene and Penumbra, an extensive exercise was completed to determine if the entities still qualify to be consolidated in the 2018 financial year, as the day-to-day management of the entities transferred to the purchaser, Into Africa Mining after the signing of the sale agreements. As per the sale agreements, risk and benefits of the operations also transferred to Into Africa Mining on the effective date of competition commission approval.

The conclusion was that according to IFRS 10, Penumbra and Vunene should still be consolidated in the 2018 financial year, since according to IFRS10 and the sale agreements, control still remains with Ichor until actual transfer of the shares after closing of the conditions precedent to the sale. We emphasize that Ichor Coal was not in operational management control of the operating entities during 2018. Ichor Coal is relying solely on the audited accounts received from the individual entities to complete the consolidated financial statements for 2018. As result of the above mentioned, both Vunene and Penumbra are still consolidated in the 2018 financial statements until the moment of formal closure of the sales agreements. Vunene was accounted for as held for sale in 2017 and only 11 months of trading is included in the income statement of 2018 before being completely deconsolidated. Penumbra is fully consolidated as per previous years. In the notes we have separately presented the impact of Vunene on the statement of comprehensive income.

Both associate companies in which we hold significant minority positions performed well during 2018.

Mbuyelo Coal

Vlakvarkfontein - Production and sales were higher than budgeted. The current supply agreement with ESKOM lapses in November 2019, but a new bid has already been submitted for a new coal supply agreement going forward. Vlakvarkfontein has demonstrated its ability to consistently deliver and will endeavor to produce the expected budget production for the year ending February 2020 and is still forecasted to produce and sell at least 1,200,000 rom per annum.

Manungu Colliery - The mine has enjoyed good operational performance in 2018 as result of the successful completion of the phase two box cut extension which enabled the mine to achieve an average of 232,034 sales tonnes per month for the year. Production is expected to exceed the levels of 2019 as Manungu Colliery has ramped up to 250,000 tons per month. The mine will ramp up to between 250,000 and 300 000 tonnes per month from this year over the 15-year LOM.

Welgemeend Colliery - The mine successfully supplied the domestic market on the peas and nuts which saw a significant increase on the price as a result of the RB1 coal price increase during the 2018 year and prices were fixed for the remainder of the 2019 financial year. The underground section development is delayed and planned to produce first coal in January 2020. Production is expected to remain stable at 3,000,000 tons ROM per annum and the wash plant processing an average 2,880,000 tons per annum, with sales expected to remain as it was in the 2019 financial year.

Mbuyelo Coal distributed dividends of €6 071 494 during the reporting period.

Universal Coal

Universal Coal showed increases for the year on both operating profit level as well as net profit level. This was primarily due to the growth in sales volumes to both ESKOM and the export market, as well as favourable export prices.

The Kangala Colliery, New Clydesdale Colliery (NCC) and the newly acquired North Block Complex (NBC) are all delivering their planned monthly volumes. Sales for the period increased markedly, mainly due to the demand for the company’s export quality coal.

Kangala – Experienced a slight decrease in volumes produced compared to previous financial years, but kept up with supply to Eskom

NCC – increased its ROM production by 36% and gross profit margin increased mainly due to stronger export market

Universal distributed dividends of €1 869 000 in 2018.

On 3 May 2019, Ichor Coal announced the disposal of its entire 29% equity stake in Universal through a private placement to a number of institutional investors for a purchase consideration of AUD0.315 per share. The proceeds after transaction costs amounting to approximately

AUD47 000 000 – equivalent to approximately €29 000 000 at the prevailing exchange rate – were received on the 6th of May 2019.

Financial review

Analysis of consolidated statement of comprehensive income

The analysis excludes any movement related to Vunene as the entity was deconsolidated in 2018 financial year and distorts the actual results of the group.

Revenues

Reported revenues for Ichor Coal Group reached €2 676 000 in the year ended 31 December 2018 (2017: €16 224 000). Revenue achieved in the 2018 financial year reduced in line with expectation as the major contributor to the revenue, Vunene was sold and deconsolidated as explained above.

Cost of sales

Purchased goods and services amounted to €4 892 000 (2017: €14 036 000). Cost of sales, just like revenue reduced in line with expectation as the major contributors to the cost of sales, Vunene was sold and deconsolidated.

Income from investments

The Group recorded its share in the profit/loss from its investments in associates. The associate companies recorded substantial increases compared to the prior year, with the Group realising income of €23 963 000 (2017: €12 855 000). The major variance relating to income from investments can be attributed to the improved performance of both Universal and Mbuyelo Coal.

Other income

Other income amounting to €13 572 000 (2017: €45 128 000) consists mainly of management and directors' fees received at Ichor Coal Group level and an additional impairment reversal on Vunene due to deconsolidation. In 2017, Vunene was classified as held for sale. In this process a reversal of impairment of €44 000 000 was realised.

Other operating expenses

Operating expenses increased from €10 850 000 to €21 635 000 mainly due to the unusually large foreign exchange loss.

General and administrative expenses

General and administrative expenses decreased from €3 807 000 to €1 829 000, mainly as a result of the deconsolidation of Vunene.

Financial result

Finance income decreased from €8 492 000 to €145 000 in the current year compared to 2017 as a result of a fair value gain realised on the conversion option of the convertible bonds in 2017. In 2018 a fair value loss is incorporated under Finance costs. Finance costs increased from €11 507 000 to €14 747 000 due to the fair value loss as mentioned above.

Income taxes

Income tax expense for the period of €3 558 000 (2017: benefit of €1 935 000) arose from deferred tax liabilities being offset against unrecognised taxable losses.

Result for the year

The Group reported a loss after tax of €8 647 000 for the year ended 31 December 2018 (2017: €40 563 000 profit).

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

Intangible assets

The mining right recognised with the acquisition of Penumbra Coal Mining was depreciated to a book value of €4 227 000 for the period under review.

Property, plant and equipment

Property, plant and equipment decreased from €9 059 000 to €5 190 000 mainly due to depreciation and the recognition of a finance lease of assets between Vunene and Penumbra.

Assets held for sale

Vunene Mining was classified as held for sale in 2017. The assets held for sale were measured at the offer value, resulting in an impairment reversal for the year. The transaction concluded in November 2018 and the entity is completely deconsolidated in 2018.

Net working capital

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

The Group's net working capital as at 31 December 2018 increased by €74 000. The variance between the fiscal year 2018 and 2017 can be analysed as follows:

	31 Dec 2018	31 Dec 2017
	€ k	€ k
Inventories	160	-
Trade and other receivables	2,059	1,340
Other current financial assets	246	875
Other assets	50	55
Trade and other payables	-1,523	-1,358
Other non-financial liabilities	-950	-581
	42	331

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

Redemption of convertible bonds

On 26 July 2019, Ichor Coal redeemed €43 100 000 of the outstanding Convertible Bonds and entered into an irrevocable undertaking with Tennor Holdings B.V. to convert its entire bond holding of €34 500 000 into ordinary shares. On 25 November 2019 Tennor Holdings B.V. converted all of the remaining Convertible bonds to ordinary shares in accordance with the terms and conditions of the Convertible Bonds at a conversion price of €0.10 per share.

As a result, the entire Convertible Bond of €77 600 000 was settled during 2019.

Shareholder equity

At the annual meeting of Ichor Coal shareholders held on 7 January 2019, shareholders approved a partial amendment of the articles of association of the Company. This was done in order to allow the Company to issue shares pursuant to its obligation under the terms of the convertible bonds and maintain sufficient flexibility for any future issuances. The authorised share capital was increased from the current €25 000 000 to €47 500 000, which falls within the stipulated maximum of five times the Company's issued capital allowed under Dutch law. The deed of amendment of the articles of association was subsequently executed.

Ichor Coal N.V. issued no shares during the year. As at year end, the issued and paid-up share capital therefore amounted to €9 518 000 (2017: €9 518 000), and the share premium amounted to €96 203 000 (2017: €96 203 000). The authorised share capital amounted to €47 500 000 divided into 475 000 000 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 2018 amounted to a positive equity of €15 568 000 (2017: €56 448 000).

The stand-alone financial statements as at 31 December 2018 report a negative net equity of €11 958 000 (2017: €2 947 000) and a loss after tax for the financial year of €15 503 000 (2017: €18 416 000). Please refer to the reconciliation of equity in the stand-alone financials

Financing and liquidity

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

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 Ichor Coal Group. A detailed description of the Group's financial risk management is disclosed in the notes to the consolidated financial statements.

<u>Business risks</u>

The Company operates in the coal mining sector and the sector for the most part experienced a relatively good year. In particular, export coal prices remained high, leading to increased revenues from export markets. The mining industry is a highly competitive and cyclical industry and therefore the risk of a downturn is ever present and continually monitored. The Company has noted this risk and has put measures in place to manage and mitigate such risk to the extent possible. Please refer to note 10.3.

Risk appetite

The level of risk that the Ichor Coal 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 and the threats that any change will bring.

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

In Ichor Coal the risk appetite adopted as a response to the risks was set to a low to moderate level considering the nature of the environment in which the Company operates.

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

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

Risk Category	Category description	Risk mitigation	Risk appetite
Operational risk	The risk associated with the daily operational activities.	Management ensures that there are proper controls in place and maintains an open communication channel with workers.	Low – moderate on a case by case basis in accordance with normal business operations
Financial risk	The risk associated with potential financial losses and the uncertainty of returns, structure of debt and cash flows	Management ensures that there are proper controls in place and the controls are reviewed regularly	Low – moderate on a case by case basis in accordance with financing and cash flow activities
Business risk	This risk is associated with market conditions, primarily price and demand for coal in domestic and international markets. Management accepts this risk as being inherent in the industry sector in which we operate.	Management reviews the business plans in place at associate level and ensures that it gives input at board level and monitor that input regularly. Financial instruments are also used from time to time to hedge against price volatility.	Low – moderate
Environmental and compliance risk	The risks that may arise from health and safety and environmental matters, intellectual property rights, compliance with local and international laws	Management of associates ensures compliance with applicable laws and regulation, and continued education to members of staff on applicable legislation	Low
Interest rate risk	The risk that interest rates on long term borrowings can be high and unaffordable	Management reviews interest rates on long-term borrowings. Interests rates are agreed on fixed rates and management can negotiate lower rates	Low

Credit risk	The risk that the group will not be able to collect from customers and make payment to suppliers when payments are due	Management ensures that the group deposits cash with major banks which have high credit standing and limits exposure to any one counter party	Low
Liquidity risk	The risk associated with the inability to meet obligations when they fall due	Management continually monitors the operational and capital cash requirements and the availability of financial resources. One of the major liquidity risks that the Group faced was the Bond redemption in June 2019, but this was successfully completed.	Low
Commodity price risk	The risk associated with commodity prices in the international coal markets	Management teams at associate level reviews prices and where possible, fixed sale prices are negotiated and hedging instruments are considered	Low - moderate
Investment risk	The risk associated with selection of investments	Management ensures that all investment transactions are subject to due diligence and involvement of experts	Low

Going concern

The 2018 financial statements have been prepared on a going concern basis. In arriving at this conclusion, a number of factors were considered as outlined below.

Financial considerations

The Group´s balance sheet shows a positive equity of approximately €15 568 000 and a loss generated during the year of €8 647 000

The main source of income for the Group is the dividends received from its associates, Mbuyelo Coal and Universal. To the extent that there is a shortfall between these sources of income and cash requirements, the Group is dependent on its own cash reserves and to the extent necessary, financial support from its shareholder.

Additional to the currently available cash reserves, in the next twelve months there will be significant cash movement from the following transactions:

Sale of Vunene and Penumbra

The sale of Vunene closed in November 2018 and it was deconsolidated in the 2018 financial statements. The sale of Penumbra was concluded in November 2020. Into Africa Mining still owes €1 860 000 (R29 000 000) of the original purchase price and the deferred payment arrangement for the outstanding purchase price comes to an end in July 2021

Redemption of Convertible Bond

On 26 July 2019, Ichor Coal redeemed €43 100 000 of the outstanding Convertible Bonds and entered into an irrevocable undertaking with Tennor Holdings B.V. to convert its entire bond holding of €34 500 000 into ordinary shares. On 25 November Tennor Holdings B.V. converted all of the remaining Convertible bonds to ordinary shares in accordance with the terms and conditions of the Convertible Bonds at a conversion price of €0.10 per share

As at reporting date, Ichor Coal does not have any external liabilities other than shareholder loans to its largest shareholder, Tennor Holdings B.V. The loans have a maturity date of June 2022. The return realised from the eventual sale of Mbuyelo Coal will be utilised to settle the outstanding loan accounts.

As at December 2020, Ichor Coal’s only remaining investment is Mbuyelo Coal.

Business performance

The recent outbreak of the COVID-19 (Coronavirus) continues to impact the global economy and markets. It is uncertain how these events will develop and what the impact will be on Mbuyelo Coal. The Mbuyelo Coal business plan forecast assumes a continuation of current favourable market conditions with ongoing supply of coal to Eskom. The plan is constructed against a backdrop of continued reliance on coal by the electricity utility, but also exploring additional export opportunities. The associate Company has operating entities that are producing coal and are generating positive cash flow from operations.

In 2019, Mbuyelo Coal declared a total dividend of €10 500 000 of which Ichor Coal's share was €4 800 000. Universal on the other hand declared a dividend of AUD2c a share in April payable in May 2019; the pay out to Ichor Coal was €1 800 000.

Cash flow and liquidity

Ichor Coal's expenditure and cash flow forecast mainly relates to the operational expenses of the holding Company in 2020. The Group no longer has financial obligations in relation to Vunene or Penumbra. In accordance with the terms of the share and claims purchase agreement concluded with the purchaser of Penumbra, Into Africa Mining has taken full responsibility for the risks and benefits of the operation with effect from the date on which Competition Commission was granted on 22 November 2017. In addition to the current cash reserves, which are sufficient to cover operational expenditure, Ichor will also expect to receive the €1 860 000 from the sale of Penumbra in 2021. Furthermore, the Group may continue to receive dividends from the associate company until its disposal is successfully completed. Share holder loans mature in June 2022 and will be settled from the proceeds of the Mbuyelo Coal sale. If the sale is not concluded by then, the maturity date will be extended.

Management conclusion regarding the Going Concern assumption

The financial statements are compiled on a going concern basis. Management is of the opinion that with the Convertible bonds having been fully redeemed in 2019, only head office costs and shareholder loans remain to be settled. Returns from the sale of Mbuyelo Coal will be used to settled shareholders loans and head office costs will be covered with current cash reserves.

Dutch Act on management and supervision

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

The Dutch Act on Management and Supervision provides a guideline for gender diversity with no sanctions imposed for non-compliance with the guideline. The act indicates target figures for a balanced gender distribution on Boards with at least 30% occupied by women and at least 30% by men. In 2018 Ichor Coal's Supervisory Board did not meet the new guidelines in terms of gender diversity but it commits itself to striving to achieve adequate and balanced Board composition when making future appointments. This will be done taking into account all relevant selection criteria, including but not limited to gender balance and executive experience.

Composition of the Management Board

Pursuant to Dutch Law it is required that the Management Board contain a minimum of 30% male and 30% female Board members. Ichor Coal fulfilled these criteria as the Management Board reflects a 50/50 split between female and male members of the Board for the period up to October 2018 when Andries Engelbrecht resigned. Since October 2018, the management board consisted of only one female member, until June 2020 when Nonkululeko Nyembezi resigned and Reinhardt van Wyk was appointed. The Company believes that as currently constituted, the Management Board has the diversity of experience, expertise and background and appropriate independence and judgment that will allow the Board to fulfil its responsibilities and operate effectively.

Compliance statement

After the sale of Vunene and Penumbra mines, the mines have been under day-to-day management of the new owners, Into Africa Mining. Responsibility for financial reporting as well as preparation of the financial statements resided with Into Africa Mining and Ichor Coal is depending solely on the audited financial statements received from the individual entities in compiling the consolidated financial statements of the group.

Other than the items mentioned above, the Management Board hereby declares that to the best of its knowledge, the financial statements for the year ended 31 December 2018 give a true and fair view of the assets, liabilities, financial position and profits or losses of Ichor Coal N.V. , that this report gives a true and fair view of the position on the reporting date as well as of the development and performance of the Company during the 2018 financial year and that the principal risks facing the Company have been adequately described herein.

Forward looking statements

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

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

Payments to Government

Bonus payments

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

Dividends

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

Import duties

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

Income taxes

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

Infrastructure improvement projects

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

Licence fees

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

Local government levies

This comprises regional services levies paid to local government in accordance with set tariffs set by local government from time to time.

Payroll related taxes

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

Production entitlements

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

Royalties

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

Net indirect taxes

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

Withholding tax

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

Based on the above mentioned, management has analysed the reporting requirements and is of the opinion that no payments were made to government, other than mentioned above, that require additional reporting.

Remuneration of Managing and Supervisory Directors

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

Remuneration of the directors is as per table below:

Name	**Board fees €k**	**Share based payments €k**	**Short term compensation €k**	**Total €k**
Andries Engelbrecht	-	5	431	**436**
Nonkululeko Nyembezi	-	16	938	**954**
Paolo Barbieri	9	-	-	**9**
Markus Meister	9	-	-	**9**
Total	**18**	**21**	**1 369**	**1 408**

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

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

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

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

The internal organisation and staffing level

As at end 2018, Ichor Coal at Company level had a total of 4 employees with the following designations:

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

Subsequent events

During 2017, Management accepted an offer to sell Ichor Coal's entire 74% interest in Vunene Mining and Penumbra Coal Mining at a purchase consideration of €9 300 000 and €3 500 000 respectively. The sale of Vunene closed in November 2018 and was deconsolidated in the 2018 financial statements. The sale of Penumbra was concluded in November 2020. Into Africa Mining still owes €1 860 000 (R29 000 000) of the original purchase price and the deferred payment arrangement for the outstanding purchase price comes to an end in July 2021

On 3 May 2019, Ichor Coal announced the disposal of its entire 29% equity stake in Universal through a private placement to a number of institutional investors for a purchase consideration of AUD0.315 per share. The proceeds after transaction costs amounting to AUD47 000 000 – equivalent to approximately €29 000 000 at the prevailing exchange rate – were received on the 6th of May.

At the annual meeting of Ichor Coal shareholders held on 7 January 2019, shareholders approved a partial amendment of the articles of association of the Company. This was done in order to allow the Company to issue shares pursuant to its obligation under the terms of the convertible bonds and maintain sufficient flexibility for any future issuances. The authorised share capital was increased from the current €25 000 000 to €47 500 000, which falls within the stipulated maximum of five times the Company's issued capital allowed under Dutch law. The deed of amendment of the articles of association was subsequently executed.

On 26 July 2019, Ichor Coal redeemed €43 100 000 of the outstanding Convertible Bonds and entered into an irrevocable undertaking with Tennor Holdings B.V. to convert its entire bond holding of €34 500 000 into ordinary shares.

On 25 November 2019 Tennor Holdings B.V. converted all of the remaining Convertible bonds to ordinary shares in accordance with the terms and conditions of the Convertible Bonds at a conversion price of €0.10 per share.

On 30 September 2019 Ichor Coal N.V. announced the conclusion of a binding agreement to dispose of its entire 45.16% shareholding in Mbuyelo Coal at a purchase consideration of EUR 95 000 000 in cash to Africa Coal Partners Limited, an investment holding company set up and managed by Duet Group Holdings Limited. The binding sale agreement lapsed, and Ichor Coal is continuing to actively pursue the disposal of its shareholding in Mbuyelo.

After 7 years as Ichor Coal Chief Executive Officer and member of the Management Board, Nonkululeko Nyembezi resigned from the Company with effect from 30 June 2020.

The recent outbreak of the COVID-19 (Coronavirus) continues to impact the global economy and markets. It is uncertain how these events will develop and what the impact will be on our operations, financial performance and liquidity. At this time, the effects of the Coronavirus on our business have been limited. However, these events may negatively impact our customers, supply chain, workforce and operations of our facilities, our markets and our liquidity. Accordingly, we are closely evaluating the recent developments and will take necessary actions. Contingency plans are being developed, monitored and implemented. Based on our current knowledge and available information, we do not expect Covid-19 to have an impact on our ability to continue as a going concern in the future, since we have sufficient cash for the operational expenses of the Company for at least the next 12 months and there are no significant external liabilities that fall due within the next 12 months.

There were no further subsequent events.

Bryanston, 29 January 2021

Reinhardt van Wyk
Temporary Representative entrusted with the management of Ichor Coal N.V.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 December 2018

	Note	31 Dec 2018 € k	31 Dec 2017 € k
Assets			
Non-current assets			
Intangible assets	6.1	4,227	4,708
Property, plant and equipment	6.2	5,190	9,059
Equity-accounted investees	6.3	90,330	91,888
Other financial assets		3,219	113
Deferred tax assets	6.4	-	210
		102,966	**105,978**
Current assets			
Assets held for sale	6.10	-	71,755
Inventories	6.5	160	-
Trade and other receivables	6.6	2,059	1,340
Other current financial assets	6.7	246	875
Other assets	6.8	50	55
Cash and cash equivalents	6.9	10,919	1,318
		13,434	**75,343**
Total Assets		**116,400**	**181,321**
Equity and liabilities			
Equity			
Share capital	6.11	9,518	9,518
Share premium	6.11	96,203	96,203
Legal reserve participations		35,177	19,154
Share based payment reserves	6.11	1,501	1,412
Retained earnings	6.11	-91,007	-86,764
Other reserves	6.11	-11,154	-17,775
Result for the year	6.11	-24,670	34,700
Equity attributable to owners of the parent		**15,568**	**56,448**
Non-controlling interest	6.11	-	1,287
Total equity		**15,568**	**57,735**
Non-current liabilities			
Provisions	6.12	3,739	3,931
Interest-bearing loans and borrowings	6.13	-	76,476
Other non-current financial liabilities	6.14	7,061	7,875
Deferred tax liabilities	6.4	1,001	5,035
		11,801	**93,317**
Current liabilities			
Liabilities held for sale	6.10	-	28,219
Current provisions	6.12	159	112
Interest-bearing loans and borrowings	6.13	86,399	-
Trade and other payables	6.15	1,523	1,358
Other liabilities	6.16	950	580
		89,031	**30,269**
Total liabilities		**100,832**	**123,586**
Total equity and liabilities		**116,400**	**181,321**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2018

	Note	31 Dec 2018 € k	31 Dec 2017 € k
Revenue	7.1	12,164	16,224
Cost of sales	7.2	-15,886	-14,036
Gross profit		**-3,722**	**2,188**
Other income	7.4	13,572	45,128
Other operating expenses	7.5	-27,377	-10,850
General and administrative expenses	7.6	-4,040	-3,807
Operating profit or loss		**-21,567**	**32,659**
Share of profit from equity accounted investees	7.3	23,963	12,855
Finance income	7.7	146	8,492
Finance costs	7.7	-14,747	-11,507
Profit or loss before income taxes		**-12,205**	**42,499**
Income tax expense	7.8	3,558	-1,935
Profit or loss from continuing operations		**-8,647**	**40,564**
Profit or loss for the year		**-8,647**	**40,564**
Other comprehensive income			
Items that can be reclassified to profit or loss			
Foreign currency translation differences	7.9	-5,922	1,117
Other comprehensive income from continuing operations		**-5,922**	**1,117**
Other comprehensive income after income taxes		**-5,922**	**1,117**
Total comprehensive income		**-14,569**	**41,681**
Profit or loss attributable to:			
Owners of the parent		-8,647	42,672
Non-controlling interest		-	-2,108
		-8,647	**40,564**
Total comprehensive income attributable to:			
Owners of the parent		-14,569	43,826
Non-controlling interest		-	-2,145
		-14,569	**41,681**
Basic earnings/ Diluted earnings per share from operations attributable to owners of parent	7.10	**-0.09**	**0.45**

The accompanying notes form part of these financial statements.

ICHOR COAL N.V. GROUP 53748662

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

		Equity attributable to owners of the parent								Non-controlling interest	
		Share Capital			Profit or loss for the period						
		Ordinary shares	Share premium	Retained earnings	Continuing operations	Foreign Currency Translation Reserve	Share Based Payment	Legal Reserve	**Total**	Continuing operations	**Total equity**
	Note	€ k	€ k	€ k	€ k	€ k	€ k		€ k	€ k	€ k
1 Jan 2018		**9,518**	**96,203**	**-86,764**	**34,700**	**-17,775**	**1,412**	**19,154**	**56,448**	**1,287**	**57,735**
Appropriation of prior year results	6.11			34,700	-34,700	-			-	-	-
Deconsolidation Vunene		-	-	-38,943	-	12,543	-	-	-26,400	-1,287	-27,687
Transfer to legal reserve participations		-	-	-	-16,023	-	-	16,023	-	-	-
Result for the period	6.11	-	-	-	-8,647	-	-	-	-8,647	-	-8,647
Other comprehensive income - Equity accounted investments		-	-	-	-	-550	-	-	-550	-	-550
Other comprehensive income - FCTR	6.11	-	-	-	-	-5,372	-	-	-5,372	-	-5,372
Total comprehensive income		-	-	**-**	**-24,670**	**-5,922**	**-**	**16,023**	**-14,569**	**-**	**-14,569**
Share based Payment	6.11	-	-	-	-	-	89	-	89	-	89
		-	-	-	-	-	89	-	89	-	89
31 Dec 2018	6.11	**9,518**	**96,203**	**-91,007**	**-24,670**	**-11,154**	**1,501**	**35,177**	**15,568**	**-**	**15,568**

The accompanying notes form part of these financial statements.

For changes in non-controlling interest during the financial year 2018, refer also to note 10.4: ‘Relationships with related parties’.

The loss for the year from continuing operations is made up from €8 647 000 less the amount related to the share of profit of the equity accounted investees, €16 023 000, which is transferred to the legal reserve.

ICHOR COAL N.V. GROUP 53748662

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

		Equity attributable to owners of the parent								Non-controlling interest	
		Share Capital			Profit or loss for the period	FCTR					
		Ordinary shares	Share premium	Retained earnings	Continuing operations		Share Based Payment	Legal Reserve	**Total**	Continuing operations	**Total equity**
	Note	€ k	€ k	€ k	€ k	€ k	€ k		€ k	€ k	€ k
01 January 2017		**6 792**	**87 562**	**-23 033**	**-63 731**	**-18 930**	**855**	**11 182**	**698**	**3 432**	**4 130**
Appropriation of prior year results	6.11			-63 731	63 731	-			-	-	-
Share Capital increase	6.11	2 726	8 641	-	-	-	-	-	11 367	-	11 367
Transfer to legal reserve participation		-	-	-	-7 972	-	-	7 972	-	-	-
Result for the period	6.11	-	-	-	42 672	-	-	-	42 672	-2 108	40 564
Other comprehensive income - Equity accounted investments		-	-	-	-	130	-	-	130	0	130
Other comprehensive income - FCTR	6.11	-	-	-	-	1 024	-	-	1 024	-37	987
Total comprehensive income		-	-	-	**34 700**	**1 154**	-	**7 972**	**43 826**	**-2 145**	**41 681**
Share based Payment	6.11	-	-	-	-	-	557	-	557	-	557
		-	-	-	-	-	557	-	557	-	557
31 Dec 2017	6.11	**9 518**	**96 203**	**-86 764**	**34 700**	**-17 775**	**1 412**	**19 154**	**56 448**	**1 287**	**57 735**

The accompanying notes form part of these financial statements.

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

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

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ICHOR COAL N.V. GROUP 53748662

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

		31 Dec 2018	31 Dec 2017
		€ k	**€ k**
Profit or loss for the period		**-8,647**	**40,564**
Adjustments for:			
Depreciation, amortization and impairments		9,876	-41,129
Profit or loss from investments in associates	6.3	-23,963	-12,855
Dividend income	6.3	7,940	4,884
Sharebased payment expense		89	557
Gain or loss on conversion component of Convertible Bonds	6.13	3,674	-9,162
Other interest on debts and borrowings		479	664
Interest on Convertible and Corporate Bonds	6.13	9,385	10,951
Interest paid	6.13	-3,407	-4,970
Changes due to foreign currency movement		8,437	3,036
Interest income		-7	-7
Other non-cash items		-1,866	-275
Changes in:			
Deferred taxes	6.4	-3,558	1,935
Inventory		-168	1,694
Trade and other receivables		-1,465	2
Trade and other payables		782	-7,003
Provisions		501	2,048
Consolidated entities		-	-509
Cash flow from operating activities		**-1,918**	**-9,575**
Proceeds from disposals of intangible assets and property, plant and equipment		-	7
Proceeds from disposals of consolidated subsidiaries, less cash given up in the exchange	6.10	9,604	-
Purchases of intangible assets and property, plant and equipment		-1	-2,239
Purchases of investments in associates and other non-current financial assets movements		597	-638
Cash flow from investing activities		**10,200**	**-2,870**
Proceeds from interest-bearing loans and borrowings received		1,444	12,292
Cash flow from financing activities		**1,444**	**12,292**
Cash flow-related changes in cash and cash equivalents		**9,726**	**-153**
Changes in cash and cash equivalents due to exchange rates		-125	-127
Cash and cash equivalents at beginning of period		1,318	1,598
Cash and cash equivalents at end of period	6.9	**10,919**	**1,318**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial statements

1 General Information

Corporate information

Ichor Coal N.V. KVK53748662, is a public limited liability company incorporated in Amsterdam, the Netherlands. The shares of Ichor Coal N.V. are admitted for trading on the High-Risk Market of the Hamburg Stock Exchange (non-regulated market) and the Entry Standard of the Frankfurt Stock Exchange (non-regulated market). The head office is located at 2 Bruton Road, Bryanston, 2196.

Ichor Coal is an international Mining company focusing on investments in thermal coal production in South Africa. The Company holds substantial non-controlling interests in two South African coal mining companies.

With the sale of both Vunene and Penumbra, an extensive exercise was completed to determine if the entities still qualify to be consolidated in the 2018 financial year, as the day-to-day management of the entities transferred to the purchaser, Into Africa Mining after the signing of the sale agreements. As per the sale agreements, risk and benefits of the operations also transferred to Into Africa Mining on the effective date of competition commission approval.

The conclusion was that according to IFRS 10, Penumbra and Vunene should still be consolidated in the 2018 financial year, since according to IFRS10 and the sale agreements control still remains with Ichor until actual transfer of the shares after closing of the conditions precedent to the sale. We emphasize that Ichor Coal was not in operational management control of the operating entities during 2018. Ichor Coal is relying solely on the audited accounts received from the individual entities to complete the consolidated financial statements for 2018. As result, both Vunene and Penumbra are still consolidated in the 2018 financial statements until the moment of formal closure of the sales agreements. Vunene is accounted for as held for sale and only 11 months is included in the income statement. In the notes we have separately presented the impact of Vunene on the statement of comprehensive income.

The financial statements were approved by the Supervisory Board for issuance on 28 January 2021.

2 Basis of preparation

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

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

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

Going concern

The 2018 financial statements have been prepared on a going concern basis. In arriving at this conclusion, a number of factors were considered as outlined below.

Financial considerations

The Group´s balance sheet shows a positive equity of approximately €15 568 000 and a loss generated during the year of €8 647 000.

The main source of income for the Group is the dividends received from its associates, Mbuyelo Coal and Universal. To the extent that there is a shortfall between these sources of income and cash requirements, the Group is dependent on its own cash reserves and to the extent necessary, financial support from its shareholder.

Additional to the currently available cash reserves, in the next twelve months there will be significant cash movement from the following transactions:

Sale of Vunene and Penumbra

The sale of Vunene closed in November 2018 and it was deconsolidated in the 2018 financial statements. The sale of Penumbra was concluded in November 2020. Into Africa Mining still owes €1 860 000 (R29 000 000) of the original purchase price and the deferred payment arrangement for the outstanding purchase price comes to an end in June 2021

Redemption of Convertible Bond

On 26 July 2019, Ichor Coal redeemed €43 100 000 of the outstanding Convertible Bonds and entered into an irrevocable undertaking with Tennor Holdings B.V. to convert its entire bond holding of €34 500 000 into ordinary shares. On 25 November Tennor Holdings B.V. converted all of the remaining Convertible bonds to ordinary shares in accordance with the terms and conditions of the Convertible Bonds at a conversion price of €0.10 per share

As at reporting date, Ichor Coal does not have any external liabilities other than shareholder loans to its largest shareholder, Tennor Holdings B.V. The loans have a maturity date of June 2022. The return realised from the eventual sale of Mbuyelo Coal will be utilised to settle the outstanding loan accounts.

As at December 2020, Ichor Coal's only remaining investment is Mbuyelo Coal.

Business performance

The recent outbreak of the COVID-19 (Coronavirus) continues to impact the global economy and markets. It is uncertain how these events will develop and what the impact will be on Mbuyelo Coal. The Mbuyelo Coal business plan forecast assumes a continuation of current favourable market conditions with ongoing supply of coal to Eskom. The plan is constructed against a backdrop of continued reliance on coal by the electricity utility, but also exploring additional export opportunities. The associate Company has operating entities that are producing coal and are generating positive cash flow from operations.

In 2019, Mbuyelo Coal declared a total dividend of €10 500 000 of which Ichor Coal's share was €4 800 000. Universal declared a dividend of AUD2c a share in April payable in May 2019; the pay out to Ichor Coal was €1 800 000.

Cash flow and liquidity

Ichor Coal's expenditure and cash flow forecast mainly relates to the operational expenses of the holding Company in 2020. The Group no longer has financial obligations in relation to

Vunene or Penumbra. In accordance with the terms of the share and claims purchase agreement concluded with the purchaser of Penumbra, Into Africa Mining has taken full responsibility for the risks and benefits of the operation with effect from the date on which Competition Commission was granted on 22 November 2017. In addition to the current cash reserves which are sufficient to cover operational expenditure, Ichor will also expect to receive the €1 860 000m from the sale of Penumbra in 2021. Furthermore, the Group may continue to receive dividends from the associate company until its disposal is successfully completed. Share holder loans mature in June 2022 and will be settled from the proceeds of the Mbuyelo Coal sale. If the sale is not concluded by then, the maturity date will be extended.

Management conclusion regarding the Going Concern assumption

The financial statements are compiled on a going concern basis. Management is of the opinion that with the Convertible bonds having been fully redeemed in 2019, only head office costs and shareholder loans remain to be settled. Returns from the sale of Mbuyelo Coal will be used to settled shareholders loans and head office costs will be covered with current cash reserves.

Accounting policies

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by Ichor Coal in its annual financial statements as at 31 December 2018.

The financial year of the Group and all subsidiary companies included in the consolidated financial statements corresponds to the calendar year, i.e. from 1 January to 31 December, except for the financial year of the subsidiary Penumbra Coal Mining and associates Mbuyelo Coal and Universal, which have June, February and June year ends respectively. The consolidated financial statements relate to the period from 1 January 2018 to 31 December 2018. The consolidated financial statements include the results of Mbuyelo Coal and Universal accounted for using the equity method. Penumbra Coal has been included in the consolidated financial statements for a whole financial year even though management control of the company is already in the hands of the purchaser. Vunene was completely deconsolidated in 2018.

Financial and Presentation currency

The Group's consolidated financial statements are presented in Euro. The functional currencies of the Group entities are South African rand and Australian dollar. The financial statements are presented in Euro and all values are rounded to the nearest thousand.

Basis of consolidation

The consolidated financial statements comprise Ichor Coal N.V. and its subsidiaries and associates as at 31 December 2018.

Subsidiaries

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

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

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

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

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

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

Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting. Under this method, the investment is initially recorded at cost, including any goodwill, and is subsequently adjusted by the Group's pro-rata share of the associate's profit or loss and other comprehensive income post transaction date.

Changes in ownership

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

Non-controlling interest

NCI is measured initially at the proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Loss of control

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

Transaction eliminated on consolidation

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

Companies included in the consolidated financial statements

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

Company	Country of incorporation	31 Dec 2018 Shareholding in %	31 Dec 2017 Shareholding in %
Ichor Coal N.V.	Netherlands		
Subsidiaries			
Vunene Mining (Pty) Ltd	South Africa	-	74.00
Buena Vista Trade 69 (Pty) Ltd *	South Africa	-	74.00
Indawo Estates (Pty) Ltd *	South Africa	-	40.70
Ismanetix (Pty) Ltd	South Africa	100.00	100.00
Penumbra Coal Mining (Pty) Ltd**	South Africa	100.00	100.00
Associates			
Mbuyelo Coal (Pty) Ltd	South Africa	45.16	45.16
Akisa Mining (Pty) Ltd ***	South Africa	33.87	33.87
Xilombe Mining (Pty) Ltd***	South Africa	45.16	45.16
Tshedza Mining Resources (Pty) Ltd***	South Africa	45.16	45.16
Orha Mining Resources (Pty) Ltd***	South Africa	37.03	37.03
Ntshovelo Mining Resources (Pty) Ltd***	South Africa	37.03	37.03
Linanite (Pty) Ltd***	South Africa	45.16	45.16
Cozifin (Pty) Ltd***	South Africa	45.16	45.16
Vapovox (Pty) Ltd ***	South Africa	45.16	45.16
Mavungwani Colliery (Pty) Ltd***	South Africa	21.14	21.14
Welstand Colliery (Pty) Ltd***	South Africa	45.16	45.16
Universal Coal Plc	United Kingdom	29.03	29.03
UCD I (Pty) Ltd (Kangala) ****	South Africa	21.14	21.14
UCD II (Pty) Ltd (Brakfontein) ****	South Africa	15.08	15.08
UCD IV (Pty) Ltd (NCC) ****	South Africa	14.97	14.97
UCD II (Pty) Ltd (Berenice) ****	South Africa	15.00	15.00
UCD V (Pty) Ltd (Cygnus) ****	South Africa	15.00	15.00
UCD VII (Pty) Ltd (Arnot South) ****	South Africa	15.00	15.00

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

3 ACCOUNTING POLICIES

3.1 Foreign currency translation

Foreign currencies

The functional currency of the Company was changed to South African rand (ZAR) in the 2014 financial year but the presentation currency remains the euro. The reason for the change of functional currency to the South African rand is due to the fact that South Africa is the primary economic environment in which the Company operates. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date of transaction.

Transactions in foreign currencies

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

Translation of separate financial statements denominated in foreign currency

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

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

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

1 Euro in foreign currency	Average exchange rate	Average exchange rate	Exchange rate at reporting date	
	2018	2017	31 Dec 2018	31 Dec 2017
SA rand	15.62	15.06	16.48	14.79
AU dollar	1.58	1.47	1.62	1.53

3.2 Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the contingent consideration are recognised in profit or loss.

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

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

3.3 Exploration and evaluation assets

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

Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another Company, is capitalised and carried forward as an asset if:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- it is planned to continue with active and significant operations in relation to the area, or at the reporting period end, the activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves.

Purchased exploration and evaluation assets are recognised as assets at cost of acquisition or at fair value if purchased as part of a business combination. Capitalized exploration and evaluation expenditure is recorded as a component of intangible assets. No amortisation is charged during the exploration and evaluation phase.

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

Exploration and evaluation assets are transferred to ‘mine development assets’ once the technical feasibility and commercial viability of extracting the mineral resource supports the future development of the property and such development has been appropriately approved.

Mine development assets

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

Stripping costs incurred in the development phase of a mine before production commences are capitalised, where they give rise to future benefits, as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units of production basis.
All capitalised mine development expenditure is monitored for indications of impairment. Where a potential impairment is indicated by the carrying amount of the assets potentially exceeding their recoverable amounts, an assessment is performed for each area of interest or at the cash generating unit level. To the extent that capitalised expenditure is not expected to be recovered it is charged against profit or loss.

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

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

Mine assets

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

Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.
Property, plant, and equipment is depreciated on a straight-line basis over the estimated useful life. Where parts of an asset have different useful lives, depreciation is calculated on each separate part. The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively if appropriate. For purposes of depreciation, the following useful lives are applied (for the current and comparative years):

	Useful life in years	**Depreciation method used**
Leasehold improvements	Life of Mine	Units of production
Technical equipment and machinery	Life of Mine	Units of production
Other operational and office equipment	3	Straight line
Mine assets	Life of Mine	Units of production

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

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

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

Intangible assets

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

Assets held for sale

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

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

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

Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair Value Through Profit and Loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Owners Company Interest (“FVOCI”) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Group's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable-rate features;
– prepayment and extension features; and
– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when:

– the contractual rights to the cash flows from the financial asset expire; or

– it transfers the rights to receive the contractual cash flows in a transaction in which either:

- substantially all of the risks and rewards of ownership of the financial asset are transferred; or

- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.
If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of a derivative or foreign exchange gains and losses for a non-derivative is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

Inventories

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

Leases

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

Finance leases, which transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

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

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

Cash and cash equivalents

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

Share Capital

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

Convertible Bonds

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

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

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

Provisions

Rehabilitation provisions

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

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

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

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

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

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

Other provisions

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

Taxes

Current Taxes

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

Deferred taxes

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the

temporary differences can be controlled by the parent, investor or joint venture and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

Revenue from contracts with customers

The Group recognises revenue from the following major sources:

Sales of goods – coal

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product to a customer.

Revenue generated by any mining operation prior to reaching commercial production is capitalised to the mine development asset.

Sales of goods – coal

Revenue from the sale of goods is recognised when control of the goods has transferred, which is considered to occur as determined by customer offtake arrangements and delivery terms for the supply of coal in line with the international Inco-terms which varies according to the terms of the contracts. Majority of the export sales are shipped free-on-board. 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.

Stripping cost

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine are capitalised as set out in Section 3.3 Mine development assets.

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

- Future economic benefits (being improved access to the coal body) are probable

- The component of the coal body for which access will be improved can be accurately identified
- The costs associated with the improved access can be reliably measured

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

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

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

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

Borrowing costs

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

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

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

4 Accounting estimates and assumptions

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

4.1 Coal resource estimates

For accounting purposes, the Group estimates its South African coal reserves and resources in line with the “South African Code for the reporting of exploration results, mineral resources and mineral reserves” (SAMREC Code), which is prepared by the South African Mineral Resource Committee. The SAMREC code requires the use of information, compiled by appropriately qualified persons, relating to the geological and technical data on the size, depth, shape and grade of the coal body and suitable production techniques and recovery rates. Further, the SAMREC Code requires estimates of foreign exchange rates, commodity prices, future capital requirements and production costs. Due to the change of such information over time as well as additional data are collected, estimates of reserves and resources may change and may subsequently affect the financial results and positions of the Group, including:

- The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows

- Depreciation and amortisation charges in profit or loss may change where such charges are determined using the units of production method, or where the useful life of the related assets change
- Provisions for rehabilitation and environmental provisions may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities
- Contingent liabilities may change were the level of future obligations and economic outflows are based on reserve estimates

4.2 Exploration and evaluation expenditures

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

4.3 Units of production depreciation

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

4.4 Mine rehabilitation provision

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

4.5 Impairment of assets

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

4.6 Recovery of deferred tax assets

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

4.7 Inventories

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

4.8 Fair value measurement

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

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

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

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

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

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

4.9 Contingencies

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

4.10 Share based payment reserve

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

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

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

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

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

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

5 New and amended standards and interpretations

5.1 Changes in accounting policies and interpretations

There were no changes in accounting policies during the 2018 financial year. The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its annual financial statements as at 31 December 2017

5.2 Standards and interpretations adopted during the year

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

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

(i) Classification and measurement

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

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

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

(ii) Impairment

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

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

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

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. Lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component. IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect a significant impact on its equity due to the unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

Default policy

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

Write off policy

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

Individual or collective basis

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

Instances in which impairments can be reversed

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

Sources of data used in the calculation

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

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

EAD – at most on month sales

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

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

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

(iii) Hedge accounting

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

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

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

- Management will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

- The new hedge accounting requirements should be applied prospectively.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

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

o The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss.

o The designation of certain investments in equity instruments not held for trading as at fair value through other comprehensive income"

IFRS 15 Revenue from Contracts with Customers

IFRS 15, as issued in May 2014, replaces IAS 18, IAS 11 and IFRIC 13, and establishes a new five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue or industry. The principles in IFRS 15 provides a more structured approach to measuring and recognising revenue and will be applied using the following five steps:

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

This new revenue standard, which has been jointly issued by the IASB and the US Financial Accounting Standards Board (FASB), is applicable to all entities and will supersede the current revenue recognition requirements under IFRS. Management plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application 1 January 2018. As a result, IFRS 15 will be applied to open contracts at 1 January 2018.

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

IAS 7 Disclosure Initiative – Amendments to IAS 7

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

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

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

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

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

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

5.3 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 16 Leases

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

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

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

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is has assessed the impact of the new standard and found that IFRS 16 will have no significant impact form 1 Jan 2019 onwards.

6 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1 Intangible assets

The changes in intangible assets were as follows:

	Purchased rights	Exploration and Evaluation Asset	Mining right	Customer Relationship	Total
	€ k	€ k	€ k	€ k	€ k
Acquisition or production cost					
1 Jan 2018	24	-	22 965	3 317	26 306
Deconsolidation				-3 189	-3 189
Effect of translation to presentation currency	-4	-	-2 347	-128	-2 479
31 Dec 2018	**20**	**-**	**20 618**	**-**	**20 638**
Amortization and impairments					
1 Jan 2018	3	-	18 278	3 317	21 598
Deconsolidation				-3 189	-3 189
Effect of translation to presentation currency	-2	-	-1 868	-128	-1 998
31 Dec 2018	**1**	**-**	**16 410**	**-**	**16 411**
Carrying amounts					
31 Dec 2018	**19**	**-**	**4 208**	**-**	**4 227**
1 Jan 2018	21	-	4 687	-	4 708

	Purchased rights	Exploration and Evaluation Asset	Mining right	Customer Relationship	Total
	€ k	€ k	€ k	€ k	€ k
Acquisition or production cost					
1 Jan 2017	491	-	23,638	3,416	27,545
Reclassification to assets held for sale	-454	-	-	-	-454
Effect of translation to presentation currency	-13	-	-673	-99	-785
31 Dec 2017	**24**	**-**	**22,965**	**3,317**	**26,306**
Amortization and impairments					
1 Jan 2017	443	-	18,813	3,416	22,672
Additions	16	-	-	-	16
Reclassification to assets held for sale	-445	-	-	-	-445
Effect of translation to presentation currency	-11	-	-535	-99	-645
31 Dec 2017	**3**	**-**	**18,278**	**3,317**	**21,598**
Carrying amounts					
31 Dec 2017	**21**	**-**	**4,687**	**-**	**4,708**
1 Jan 2017	48	**-**	4,825	**-**	4,873

Assets held for sale

Assets relating to Vunene Mining have been classified as held for sale for the 2017 year. Vunene Mining was sold in November 2018 and deconsolidated took place on that date. More details on assets held for sale are presented in note 6.10.

Purchased rights

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

Mining right

The mining right resulted from the acquisition of Penumbra Coal Mining. Impairment testing was done on the mining right at year end, and there was no indication of impairment identified. The carrying value of the mining right amounted to €4 208 000 (2017: €4 687 000).

Impairment testing

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

Indicators included, but were not limited to:

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

Determining recoverable amount

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

- an estimate of the future cash flows the entity expects to derive from the asset
- a discount rate of High 19.54% and Low 18.86%

The discount rate was a post-tax estimate based on the historical industry average weighted average cost of capital, with a debt weighting of 30% at a market interest rate of 8.88%.

Sensitivity on discount rate

	High	Low
Value in Use	13 500 000	13 000 000

The cash flow projections included specific estimates for life of mine (13 years). Budgeted ebitda was estimated taking into account past experience, adjusted as follows:

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

The estimated recoverable amount for the assets was above the carrying values, therefore no impairment of the assets was deemed necessary.

Details	**Penumbra Coal Mining**
Carrying value	€9 390 000
Value in use	€13 000 000
Impairment	€0

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

6.2 Property, plant and equipment

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

	Mine Assets	Land and Buildings	Technical equipment and machinery	Other equipment, operational and office equipment	Total
	€ k	€ k	€ k	€ k	€ k
Acquisition or production cost					
1 Jan 2018	52,173	328	4,921	206	57,628
Additions	-	-	-	1	1
Disposals	- 276	-	- 2,735	-	- 3,011
Deconsolidation	- 43,707	-	-	-	- 43,707
Effect of translation to presentation currency	- 5,321	- 33	- 360	- 21	- 5,735
31 Dec 2018	**2,869**	**295**	**1,826**	**186**	**5,176**
Depreciation and impairments					
1 Jan 2018	48,714	3	- 293	145	48,569
Additions - depreciation	41	4	24	28	97
Deconsolidation	- 43,707	-	-	-	- 43,707
Effect of translation to presentation currency	- 4,986	-	29	- 16	- 4,973
31 Dec 2018	62	7	- 240	157	- 14
Carrying amounts					
31 Dec 2018	**2,807**	**288**	**2,066**	**29**	**5,190**
1 Jan 2018	3,459	325	5,214	61	9,059

	Mine Assets	Land and Buildings	Technical equipment and machinery	Other equipment, operational and office equipment	Total
	€ k	€ k	€ k	€ k	€ k
Acquisition or production cost					
1 Jan 2017	97,007	3,875	21,202	3,959	126,043
Additions	1,876	14	192	167	2,249
Disposals	-	-	-	- 7	- 7
Transfers	- 649	232	417	-	-
Reclassification to IFRS 5	- 43,322	- 3,687	- 16,297	- 3,804	- 67,110
Effect of translation to presentation currency	- 2,739	- 106	- 593	- 109	- 3,546
31 Dec 2017	**52,173**	**328**	**4,921**	**206**	**57,628**
Depreciation and impairments					
1 Jan 2017	91,017	413	1,265	1,266	93,961
Additions - depreciation	1,365	255	1,183	177	2,980
Reclassification to IFRS 5	- 41,111	- 658	- 2,726	- 1,265	- 45,760
Effect of translation to presentation currency	- 2,557	- 7	- 15	- 33	- 2,612
31 Dec 2017	**48,714**	**3**	**- 293**	**145**	**48,569**
Carrying amounts					
31 Dec 2017	**3,459**	**325**	**5,214**	**61**	**9,059**
1 Jan 2017	5,990	3,462	19,937	2,693	32,082

Mine assets

The reclassification of the mine assets of Vunene to assets held for sale in 2017 had an impact of €21 341 900, being the difference between the nominal value of the mine assets and the accumulated depreciation. Vunene was completely deconsolidated in 2018.

Impairment testing

There was no impairment recognised at Penumbra Coal Mining for 2018 as the carrying amount of the assets was less than the recoverable amounts (see note 6.1). The recoverable amount of the assets in Penumbra Coal Mining was determined using discounted cash flows taking into account the resource multiple.

Technical equipment and machinery

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

6.3 Equity accounted investments

Investment in Universal Coal plc

As at 31 December 2018, Ichor Coal had 151 660 000 ordinary shares in Universal and the carrying value of the investment was €29 473 165 (2017: €26 134 969). The Group’s share of the profit by the entity for the period 1 January 2018 to 31 December 2018 was €15 966 334 and share of other comprehensive income €549 576

Carrying amount as at 31 Dec 2017	26 134 969
Share of profit	15 966 334
Share of OCI	(549 576)
Dividend received	(1 868 716)
Impairment	(7 205 458)
Foreign currency movement	(3 004 388)
Carrying amount as at 31 Dec 2018	29 473 165

An impairment assessment was performed on the investment in Universal at 31 December 2018 taking into account market conditions and the results indicated an impairment of €7 205 000.

On 3 May 2019, Ichor Coal announced the disposal of its entire 29% equity stake in Universal through a private placement to a number of institutional investors for a purchase consideration of AUS0.315 per share. The proceeds after transaction costs amounting to AUD47 000 000 – equivalent to approximately €29 000 000 at the prevailing exchange rate – were received on the 6th of May 2019.

Summarised 31 December 2018 financial statement information of Universal, which is not adjusted for the percentage of ownership held by the Company, is disclosed below:

	31 Dec 2018	31 Dec 2017
	€ k	€ k
Current assets	59 105	32 140
Non-Current assets	156 640	119 915
	215 745	152 055
Total assets		
Current liabilities	36 448	22 835
Non-current liabilities	57 231	43 991
	93 679	66 826
Total liabilities		
Equity	122 066	85 229
Revenue	240 834	152 751
Profit/(loss) after tax	55 028	13 512
Other comprehensive income	- 1 894	448
Total comprehensive income	53 134	13 960

Investment in Mbuyelo Coal

The Group's share of profits of Mbuyelo Coal for the reporting period was €7 997 012 (2017: €8 938 461). Mbuyelo Coal declared and paid dividends with the Company's share of the dividend amounting to €6 071 494 (2017: €3 899 224).

As at 31 December 2018, the carrying value of the investment in Mbuyelo Coal was €60 856 646 (2017: €65 753 329). The decrease in the carrying amount of the investment is mainly due to foreign exchange movement in the financial year 2018.

Carrying amount as at 31 Dec 2017	65 753 329
Share of profit	7 997 012
Dividends received	(6 071 494)
Foreign currency movement	(6 822 201)
Carrying amount as at 31 Dec 2018	60 856 646

An impairment assessment was performed on 31 December 2018 for the investment in Mbuyelo Coal, taking into account the economic and market conditions in the coal industry. Upon the assessment, substantial improvements in Mbuyelo Coal were identified, including significant growth and performance of the assets within the Mbuyelo Coal group. Given the significant performance improvement, there was no impairment indicated relating to the investment.

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

- an estimate of the future cash flows the entity expects to derive from the asset
- a discount rate of 13.9%

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

Year end Report	28-Feb-19 € k	28-Feb-18 € k
Current assets	39,782	34,421
Non-current assets	134,222	147,236
Total Assets	**174,004**	**181,657**
Equity	86,630	89,451
Current liabilities	31,738	28,668
Non-current liabilities	55,636	63,538
Total liabilities	**87,374**	**92,206**
Total equity and liabilities	**174,004**	**181,657**
Revenue	196,906	135,309
Profit(loss) after tax	21,069	8,672
Total comprehensive income(loss) for the period	**21,069**	**8,672**

6.4 Deferred tax

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

	31 Dec 2018		31 Dec 2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€ k	€ k	€ k	€ k
Property, plant and equipment	-	-	210	-
Non-current financial assets	-	-	-	-
Other asets	-	1,001	-	5,035
Temporary differences	**-**	**1,001**	**210**	**5,035**
Tax loss carry-forwards	-	-	-	-
Total	**-**	**1,001**	**210**	**5,035**
Forex differences	-	-	-	-
Amounts as per balance sheet	**-**	**1,001**	**210**	**5,035**

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

During 2018 it was identified that the deferred tax liability of €2 601 000 which was created in 2015 as part of the IFRS3 Business combination of Penumbra, should have been adjusted downward as part of an impairment that was accounted for in 2016. This is corrected in 2018 by the downward adjustment of the deferred tax liability with €2 179 000.

The Company did not recognise deferred tax assets of €2 465 193 (2017: € 94 537) in respect of losses amounting to €8 804 261 (2017: €337 631) that can be carried forward against future taxable income.

6.5 Inventories

Inventories of €160 000 (2017: €0) consist solely of coal stockpiles at Penumbra. There was no obsolete coal stock and no write-downs at year end.

6.6 Trade and other receivables

Trade and other receivables as at 31 December 2018 amounted to €2 059 000 (2017: €1 340 000). There are no valuation allowances recorded for doubtful trade receivables in 2018 and 2017 respectively. Please refer to note 10.3: 'Credit risk exposure'.

6.7 Other current financial assets

Other current financial assets consist of the following:

	31-Dec-18 € k	31-Dec-17 € k
Rehabilitation investment fund	18	653
Deposits	209	219
Other	19	3
Other current financial assets	**246**	**875**

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

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

6.8 Other assets

The following table summarises the components of other assets:

	31 Dec 2018 € k	31 Dec 2017 € k
Receivables - value added tax	50	55
Other non-financial assets	**50**	**55**

6.9 Cash and cash equivalents

As at 31 December 2018 Ichor Coal Group's unrestricted cash and cash equivalents were made up as follows:

	31 Dec 2018 € k	31 Dec 2017 € k
Cash at banks	10 919	1 318
Cash and cash equivalents	**10 919**	**1 318**

6.10 Disposal group held for sale

Management accepted an offer to sell the Company's entire 74% interest in Vunene Mining at a purchase consideration of R150 000 000 (€9 600 000). All conditions precedent were met, and settlement effected in November 2018. Accordingly, the entity was presented as a disposal group held for sale in 2017.

Impairment result relating to the disposal group

Impairment reversal of €44 000 000 for write-ups of the disposal group to its fair value less costs to sell was included in 'other income' in 2017. The impairment reversals were applied to increase the carrying amount of property, plant and equipment within the disposal group, by reversing prior year impairments.

Assets and liabilities of disposal group held for sale

At 31 December 2018, the Vunene Mining group has been completely deconsolidated and removed from the Ichor Coal Group balance sheet. At 31 December 2017 the disposal group was stated at the lower of its carrying amount and fair value less costs to sell.

Measurement of fair values

Fair value hierarchy

The fair value measurement for the disposal group of €44 000 000 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

6.11 Equity

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

Issued capital

The issued share capital of €9 518 500 (2017: €9 518 500) is divided into 95 185 000 (2017: 95 185 000) shares with a nominal value of €0.10 each. No shares were issued during 2018.

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

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

The authorised share capital amounts to €47 500 000 (2017: €25 000 000) and is divided into 475 000 000 (2017: 250 000 000) shares with a nominal value of €0.10 each. At the annual meeting of Ichor Coal shareholders held on 7 January 2019, shareholders approved a partial amendment of the articles of association of the Company. This was done in order to allow the Company to issue shares pursuant to its obligation under the terms of the convertible bonds and maintain sufficient flexibility for any future issuances. The authorised share capital was increased from the current €25 000 000 to €47 500 000, which falls within the stipulated maximum of five times the Company's issued capital allowed under Dutch law. The deed of amendment of the articles of association was subsequently executed.

Share premium

Capital reserves are not distributable to the equity holders of the Company.

Retained earnings

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

Other reserves

Other reserves reflect differences from the currency translation loss of €11 154 000 (2017: €17 775 000).

Legal reserve participations

The legal reserve for participating interests, which amounts to €35 177 000 (2017: €19 154 000), pertains to participating interests that are measured at net asset value. The reserves equal to the share in the results and direct changes in the equity (both calculated on the basis of the Company's accounting policies) of the participating interests since the first measurement at net asset value, less the distributions that the Company has been entitled to since the first measurement at net asset value, and less distributions that the Company may effect without restrictions. As to the latter share, this takes into account any profits that may not be distributable by participating interests that are Dutch limited companies based on the distribution tests to be performed by the management of those companies. The legal reserve is determined on an individual basis.

Share based payment reserve

Equity settled share options

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

The key terms and conditions related to the grants under these programmes are detailed below. All options are to be settled by the physical delivery of shares:

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

Measurement of fair value

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

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

	2018 Grant 1 & 2	**2018 Grant 3 & 4**	**2017 Grant 1 & 2**	**2017 Grant 3 & 4**
Fair value at grant date	€1.44	€1.45	€1.44	€1.45
Share price at grant date	€4.81	€4.81	€4.81	€4.81
Exercise price	€4.80	€4.50	€4.80	€4.50
Expected volatility	40%	40%	40%	40%
Expected life	5.86 years	5.86 years	5.86 years	5.86 years
Expected dividends	0.5%	0.5%	0.5%	0.5%
Risk-free interest rate	0.1%	0.1%	0.1%	0.1%

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

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

(a) the exercise price of the option

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

(c) the current price of the underlying shares: Ichor Coal 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 Ichor Coal's financial forecasts and dividend history

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

As the option has a 10 year term, potential early exercise needs to be estimated. Factors to consider in estimating early exercise include:

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

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

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

(d) expected volatility of the underlying shares.

The volatility of the shares has been assessed at year end with reference to a 12 month period from 1 January 2018 to 31 December 2018. The results indicated that the shares are not effectively trading, and the share price has dropped significantly over the period under review. The significant drop in the share price amounted to a volatility of 480%.

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

Reconciliation of outstanding share options

	Number of options 2018	**Exercise price**	**Number of options 2017**	**Weighted average exercise price**
Outstanding 1 January 2018	**565 000**	**€4.65**	**565 000**	**€4.80**
Granted during the year	-	€0.00	-	€0.00
Forfeited during the year	-	€0.00	-	€0.00
Exercised during the year	-	€0.00	-	€0.00
Outstanding 31 December 2018	**565 000**	**€4.65**	**565 000**	**€4.65**
Exercisable at 31 December 2018	565 000	€4.65	280 003	€4.80

Equity share based payments are measured at the fair value of the equity instrument at the date of the grant, which was €1 501 000 (2017 €1 412 000). Deferred share-based compensation is expensed over the vesting period, based on the Company's estimate of the shares that are expected to eventually vest.

Non-controlling interest

As at 31 December 2017 the following entities were consolidated in the Group's consolidated financial statements whereas non-controlling interest stakes were held by third parties. In November 2018 the Vunene Group was sold and all NCI derecognised.

	31 Dec 2018 € k	31 Dec 2017 € k
Vunene Mining (Pty) Ltd, South Africa	-	2 139
Indawo Estate (Pty) Ltd, South Africa	-	-164
Foreign currency translation reserves	-	-688
Non-controlling interest	**-**	**1 287**

Company	Country of incorporation	31 Dec 2018 Shareholding in %	31 Dec 2017 Shareholding in %
Subsidiaries			
Vunene Mining (Pty) Ltd	South Africa	-	74.00
Indawo Estates (Pty) Ltd	South Africa	-	40.70
Ismanetix (Pty) Ltd	South Africa	100.00	100.00
Penumbra Coal Mining (Pty) Ltd	South Africa	100.00	100.00

6.12 Provisions

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

Non-current provisions:

	31 Dec 2018 € k	31 Dec 2017 € k
Environmental rehabilitation current operations	3 739	3 931
Non-current other provisions	**3 739**	**3 931**

Current provisions are broken down as follows:

	31 Dec 2018 € k	31 Dec 2017 € k
Royalty tax operations	8	-
Leave pay	151	112
Current other provisions	**159**	**112**

A rehabilitation provision of €3 739 000 (2017: €3 931 000) was raised at Penumbra Coal Mining.

In thousands of euro	Environmental rehabilitation current operations
Balance at 1 January 2018	3 931
Provisions made during the year	(276)
Unwind of discount	496
Foreign exchange movements	(412)
Balance at 31 December 2018	3 739
Non-current	3 739
Current	-
Total	3 739

6.13 Interest bearing loans and borrowings

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

As at 31 December 2018, interest bearing loans and borrowings were as follows:

	31 Dec 2018 €k	31 Dec 2017 €k
Ichor Coal N.V. convertible bonds	83 114	74 076
Into Africa Mining and Exploration (Pty) Ltd	3 285	2 400
Loans and borrowings	**86 399**	**76 476**

Convertible bonds

In 2012 the Company issued convertible bonds worth €80 000 000 at par, which – subject to early prepayment or conversion – mature in June 2017. The convertible bonds carried a fixed interest rate of 8% per annum to be paid quarterly in arrears.

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

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

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

Based on IAS 39 accounting for the equity (conversion) option component was classified as a financial instrument at fair value through profit or loss and was initially recognised as a liability at the fair value of €25 100 000. The Group used a binomial options pricing model for the initial and subsequent determination of the fair value. Significant input factors for the model are the Company's share price, the volatility of the share price and the remaining time to expiry. Although the Company's share price decreased in the reporting period, the fair value of the conversion component as at 31 December 2018 has increased due to the reduced remaining time to expiry as well as higher volatility. The fair value of the conversion component was €7 914 000 (2017: €4 381 000). The resulting fair value loss of €3 532 000 (2017: €6 551 000) has been recognised in the statement of comprehensive income.

The fair value of the host component of €52 155 000 at inception date was derived as the residual amount of the issue price less the conversion component and pro rata transaction costs. Transaction costs of 2.5% of the face value of the convertible bonds were apportioned between the host and conversion components based on the allocation of proceeds to the components. The host component was subsequently carried at the amortised cost using the effective interest method. As at 31 December 2018, the total carrying value of the host component was €75 200 000 (2017: €69 695 000) including accrued interest.

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

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

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

	31-Dec-18	31-Dec-17
	€ k	€ k
Host instrument opening balance		74,082
Conversion component opening balance		4,113
		78,195
Cash-effective movements		
Interest for the period		2,724
Interest payments during the period		-3,114
Non-cash-effective movements		
Fair value movement of conversion component		-2,389
Accrued effective interest portion		3,542
Foreign exchange		
Conversion		-684
Host instrument Closing balance		76,550
Conversion component Closing balance		1,724
		78,274
Bond Dercognition on change of terms		-78,274
		-0
Bond rere Host instrument opening balance	69,711	66,667
Conversion component opening balance	4,381	10,933
Cash-effective movements		
Interest for the period	3,880	2,188
Interest payments during the period	-3,880	-1,940
Non-cash-effective movements		
Fair value movement of conversion component	3,532	-6,551
Accrued effective interest portion	5,501	2,796
Foreign exchange	-12	-16
Host instrument closing balance	75,200	69,695
Conversion component closing balance	7,914	4,381
Ichor Coal N.V. convertible bonds	83,114	74,076

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

Redemption of convertible bonds

On 26 July 2019, Ichor Coal redeemed €43 100 000 of the outstanding Convertible Bonds and entered into an irrevocable undertaking with Tennor Holdings B.V. to convert its entire bond holding of €34 500 000 into ordinary shares. On 25 November Tennor Holdings B.V. converted all of the remaining Convertible bonds to ordinary shares in accordance with the terms and conditions of the Convertible Bonds at a conversion price of €0.10 per share

6.14 Other financial liabilities

	31 Dec 2018 €k	31 Dec 2017 €k
Sapinda Invest S.a.r.l.	3 932	3 703
Sapinda Holding B.V.	3 129	3 129
Into Africa Mining and Exploration (Pty) Ltd	-	1 043
Non-current loans and borrowings	**7 061**	**7 875**

Loan – Sapinda (related party)

Interest is charged at a rate of 6% per annum on the Sapinda Invest S.a.r.l. loan. The Loan from Sapinda Holdings B.V. is interest free. Both loans have a maturity date of 30 June 2022.

6.15 Trade and other payables

The trade and other payables of €1 523 000 (2017: €1 358 000) mainly relate to trade and other payables at Company level and assumed on consolidation of Penumbra Coal.

6.16 Other liabilities

The other liabilities comprise the following:

	31 Dec 2018 € k	31 Dec 2017 € k
Accrued liabilities	950	580
Other non-financial liabilities	**950**	**580**

6.17 Maturity analysis of financial liabilities

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

	Carrying amount 31-Dec-18	Undiscounted cash outflows		
		2019	2020 - 2021	2022 ff.
	€ k	€ k	€ k	€ k
Current loans and borrowings	86,399	-	80,884	-
Trade and other payables	1,523	1,523	-	-
Other non-current financial liabilities	7,061	-	7,061	-
Other liabilities and liabilities from income taxes	950	950	-	-

	Carrying amount 31-Dec-17	Undiscounted cash outflows		
		2018	2019 - 2020	2021 ff.
	€ k	€ k	€ k	€ k
Non-current loans and borrowings	76 476	2 400	77 600	-
Trade and other payables	1 358	1 358	-	-
Other non-current financial liabilities	7 875	-	7 875	-
Other liabilities and liabilities from income taxes	580	580	-	-

7 NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

7.1 Revenue

The following table provides information regarding the split of revenue:

	31 Dec 2018 € k	31 Dec 2017 € k
Mining revenues	12 164	16 224
Revenue	**12 164**	**16 224**
Minus Vunene revenue and intercompany adjustments	(9 488)	-
Adjusted revenue	**2 676**	**16 224**

Revenues from mining were generated from the Group's mining activities and the sale of the crushed coal to domestic customers and the export market. The revenues are all generated in South Africa. The 2018 figure includes 11 months of revenue from Vunene Mining which was sold and deconsolidated during the year. For ease of reference, we removed the revenue of Vunene to indicate the remaining revenue after deconsolidation.

7.2 Cost of sales

The following table provides information regarding purchased goods and services:

	31 Dec 2018 € k	31 Dec 2017 € k
Equipment rental	237	754
Consumables	1 082	976
Labour	8 538	6 502
Outsourced mining services	138	1 531
Change in coal stock	591	2 304
Other services	5 300	1 969
Cost of sales	**15 886**	**14 036**
Minus Vunene cost of sales and intercompany adjustments	-10 994	-
Adjusted cost of sales	**4 892**	**14 036**

The 2018 figure includes 11 months of cost of sales from Vunene Mining which was sold and deconsolidated during the year. For ease of reference we removed the cost of sales of Vunene to indicate the remaining cost of sales after deconsolidation.

7.3 Share of profit from equity accounted investees

Share of profit from equity accounted investees amounted to €23 414 000 (2017: €12 984 000) and contains the share of profit from Mbuyelo Coal which amounted to €7 997 000 (2017: €8 938 000) and the share of profit from Universal of €15 966 000 (2017: €4 046 000). Included in the profit from Universal was other comprehensive loss of €550 000 (2017: €130 000) which was moved to OCI on the income statement, therefore only €23 963 000 (2017: €12 855 000) reflect as income from investments on the income statement.

7.4 Other income

Other income amounted to €13 572 000 (2017: €45 128 000). The 2018 figure includes other income from Vunene Mining which was deconsolidated during the year. Included in other income is an additional impairment reversal of €12 681 000 to add to the 2017 reversal of €44 000 000 in order to reflect Vunene at fair value.

7.5 Other operating expenses

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

	31 Dec 2018 € k	31 Dec 2017 € k
Consulting and legal expenses	1 378	503
Audit and accounting service expenses	1 013	459
Insurance contributions	83	235
Depreciation of property, plant and equipment	2 339	2 996
Impairment loss	9 780	-
Management fees	126	136
Foreign exchange losses	9 102	3 089
Other	3 556	3 432
Other operating expenses	**27 377**	**10 850**
Minus Vunene operating expenses and intercompany adjustments	-5 742	-
Adjusted operating expenses	**21 635**	**10 850**

For further details, see note 6.3 for more details on impairment.

The 2018 figure includes 11 months of operating expenses from Vunene Mining which was sold and deconsolidated during the year. For ease of reference we removed the operating expenses of Vunene to indicate the remaining operating expenses after deconsolidation.

7.6 General and administrative expenses

General and administrative expenses are as follows:

	31 Dec 2018	31 Dec 2017
	€ k	€ k
Salaries and wages	2 401	2 330
Share based payment	89	141
IT and communication	203	176
Head office and other expenses	1347	1 160
General and administrative expenses	**4 040**	**3 807**
Minus Vunene operating expenses and intercompany adjustments	-2 211	-
Adjusted general and administrative expenses	**1 829**	**3 807**

The 2018 figure includes 11 months of general and administrative expenses from Vunene Mining which was sold and deconsolidated during the year. For ease of reference we removed the general and administrative expenses of Vunene to indicate the remaining general and administrative expenses after deconsolidation.

Ichor Coal Company has a total of 4 employees with the following designations:

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

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

7.7 Finance income and expense

The financing revenue and cost are split as follows:

	31 Dec 2018 € k	31 Dec 2017 € k
Interest income from bank accounts	146	73
Interest from other loans and borrowings	-	-
Interest income	**146**	**73**
Fair value gain on conversion component of convertible bonds	-	8 419
Finance income	**146**	**8 492**

	31 Dec 2018 € k	31 Dec 2017 € k
Interest on convertible bonds	9 385	10 951
Interest on debts and borrowings	1 179	613
Interest on rehabilitation provision	496	98
Other	-	-155
Interest and similar expenses	**11 060**	**11 507**
Fair value loss on conversion component of convertible bonds	3 687	-
Finance expense	**14 747**	**11 507**

7.8 Income tax

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

	2018	2017
	€ k	€ k
Income before income taxes	- 12,205	42,499
Tax rate	28%	28%
Expected tax (expense)/ benefit	**- 3,417**	**11,900**
Permanent differences	- 4,456	- 12,406
Deferred tax not raised	966	830
Deferred tax prior years	2,483	-
Nondeductable expenses	202	1,464
Unutilised assessed losses	2,843	147
Deferred tax prior period correction	- 2,179	-
Income taxes	**- 3,558**	**1,935**
Actual tax rate	29%	5%

The Company did not recognise deferred tax assets of €2 465 193 (2017: €94 537) in respect of losses amounting to €8 804 261 (2017: €337 631) that can be carried forward against future taxable income. The Group will not carry forward any assessed losses as it cannot be reliably determined if there will be any future taxable income against which such losses can be utilised.

The tax rate used for the above reconciliation is the corporate tax rate payable by corporate entities in South Africa on taxable profits under the law. Total taxation benefit/(expense) can be broken down as follows:

	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
	€ k	€ k
Current tax	-	-
Deferred tax	3 558	(1 935)
Income tax for the year	**3 558**	**(1 935)**

7.9 Other comprehensive income

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

7.10 Earnings per share

Basic earnings per share

The basic earnings per share for the 2018 financial year amounted to -€0.09 (2017: €0.45). 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.

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

	2018	**2017**
	€ k	€ k
Shares issued and fully paid as of 1 January	95 185	95 185
Weighted average number of shares outstanding	**95 185**	**95 185**

The basic earnings per share were calculated as follows:

	2018	**2017**
	€ k	€ k
Shares issued and fully paid as of 1 January	95,185	95,185
Weighted average number of shares outstanding	**95,185**	**95,185**

	2018	**2017**
	€ k	€ k
Total Profit or (Loss)	-8,647	40,564
Less Non-controlling interest	-	-2,108
Profit or Loss attributable to Owners of parent	**-8,647**	**42,672**
Basic earnings per share	***-0.09***	***0.45***

Diluted earnings per share

During 2012 the Company issued convertible bonds of €80 000 000, which resulted in an adjustment to the weighted average number of shares outstanding of 17 714 000 in 2016 and 110 857 000 in 2017. Those shares as well as any income or loss adjustment in relation to them were excluded from the computation of diluted earnings per share as their effect is non-dilutive.

Share-based payments were excluded from the calculation due to their non-dilutive effect.

8 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

The cash flow statement was prepared using the indirect method.

Ichor Coal Group's cash and cash equivalents as at 31 December 2018 amounted to €10 919 000 (2017: €1 318 000).

9 NOTES TO THE CONSOLIDATED SEGMENT REPORT

9.1 Basic principles of segment reporting

Ichor Coal N.V. is the parent Company of Ichor Coal Group. In 2018 mining activities were performed by Penumbra Coal Mining. The core business of the Ichor Coal Group is investment in attractive coal resources in South Africa. Ichor Coal has only one segment namely coal mining and it occurs in one geographical area, therefor the use of segmental reporting is not necessary.

10. OTHER DISCLOSURES

10.1 Capital management

Ichor Coal Group monitors capital using a gearing ratio, which is net debt – including interest bearing loans and borrowings, less cash and short-term deposits – divided by equity plus net debt. Capital management for the period under review was mostly aimed towards realising sufficient cash through selling of investments in order to settle the outstanding Convertible bonds due in June 2019. Notwithstanding the significant changes in the capital structure throughout the year, it remains management's focus to maintain a constant gearing ratio.

	31-Dec-18	31-Dec-17
	€ k	€ k
Interest bearing loans and borrowings	93,460	76,476
Accounts payable and accrued liabilities	2,473	1,938
Less Cash and cash equivalent	-10,919	-1,318
Net debt	**85,014**	**77,096**
Equity	15,568	57,735
Equity and net debt	100,582	134,831
Gearing ratio	**85%**	**57%**

10.2 Financial assets and liabilities

Presentation by categories

The balance sheet items as at 31 December 2018, comprising financial assets and liabilities can be attributed to the measurement categories according to IAS 39 as follows:

	31 December 2018			
	Carrying amount	Loans and receivables	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
	€ k	€ k	€ k	€ k
Assets				
Trade and other receivables	2,059	2,059	-	-
Other current financial assets	246	246	-	-
Cash and cash equivalents	10,919	10,919	-	-
Other assets	50	50	-	-
Liabilities				
Interest-bearing loans and borrowings	86,399	-	78,485	7,914
Other non-current financial liabilities	7,061	-	7,061	-
Trade and other payables	1,523	-	1,523	-
Other liabilities	950	-	950	-

	31 December 2017			
	Carrying amount	Loans and receivables	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
	€ k	€ k	€ k	€ k
Assets				
Trade and other receivables	1 340	1 340	-	-
Other current financial assets	875	875	-	-
Cash and cash equivalents	1 318	1 318	-	-
Other assets	55	55	-	-
Liabilities				
Interest-bearing loans and borrowings	76 476	-	72 141	4 335
Other non-current financial liabilities	7 875	-	7 875	-
Trade and other payables	1 358	-	1 358	-
Other liabilities	580	-	580	-

As at 31 December 2018, 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 2018, the Group held the conversion component of the convertible bond at fair value through profit or loss in the statement of financial position. The conversion component has been valued using a binominal option pricing model, with share volatility, share price and time to maturity being significant input factors, and as such is classified as a Level 3. At inception the conversion option was valued at €25 100 000. As at year end, a loss of €3 532 000 (2016: €6 551 000 gain) has been recognised and recorded in profit and loss at year end. For purposes of the conversion option valuation, management also took into account any adjustment necessary to measure the Company's default risk on its derivative liability.

Consequently, the credit risk of the Company is incorporated into the fair value of the conversion option liability.

Except for the convertible bonds which mature in 2019, the financial assets and liabilities largely have short terms to maturity. Therefore, carrying amounts at the reporting date approximate fair value. The convertible bonds are listed on the Entry Standard of the Frankfurt Stock Exchange at 31 December 2018. 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 2018.

	31-Dec-18			
	Carrying amount	Level 1	Level 2	Level 3
	€ k	€ k	€ k	€ k
Liabilities				
Interest-bearing loans and borrowings	86,399	-	-	83,114
Other financial liabilities	7,061	-	-	-
Trade and other payables	1,523	-	-	-
Other liabilities	950	-	-	-

Other disclosures of financial assets and liabilities

The results from the various categories of financial assets and liabilities are broken down as follows: net loss on financial liabilities at fair value through profit and loss was €3 532 000; total interest income and total interest expense for financial assets and liabilities that are not at fair value through profit or loss were €2 566 000 (2017: €73 000) and €14 747 000 (2017: €11 507 000), 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 to identify risk exposures and to mitigate material negative effects on financial performance or to secure achievement of Group objectives. In order to steer the Group’s approach to risk mitigation from the top, an annual assessment of risk acceptance levels is performed by the Management Board and reviewed by the Supervisory Board.

It is the Group’s policy to only accept risks if they are associated with significant earnings potential. Where possible, risks are minimised or transferred to third parties.

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

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

Investment risks

Ichor Coal 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. Ichor Coal Group management in conjunction with the Supervisory Board mitigates such risks by employing a thorough assessment and approval process, which is supported by detailed financial, technical, geological and legal due diligence reports which examine for instance the size of the deposit, logistics infrastructure, financial situation, legal requirements, management and political situation. Final investment decisions above a certain threshold requires the approval of the Company’s shareholders. Furthermore, significant cost and timeline overruns in asset development activities subsequent to an acquisition also pose risks to the Group. These risks are mitigated by management via experienced in-house project controlling supported by professional local advisors. Investment risk is limited to current investments already held. Please refer to notes on assets and equity accounted investments. The group currently has no intention to extend its current investment holdings.

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 Ichor Coal.

The Group is exposed to unwanted effects of foreign exchange transactions and translation. Financial assets or liabilities denominated in a currency other than the functional currency are periodically restated. Any associated gain or loss is taken to the statement of comprehensive income but not hedged in general. Some of the transactions are foreign currency transactions and therefore the Group is exposed to currency fluctuation risks. Ichor Coal 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 2018, the Group had no foreign exchange derivatives.

In 2018 the Group realised a net loss of €9 102 000 from currency translation differences.

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

	€k	**€k**
Convertible bonds	83 114	74 076
Sapinda Holding B.V loan	3 129	3 129
Sapinda Invest S.a.r.I loan	3 932	3 703
Position exposed to foreign exchange rate	90 175	80 908
Net statement of financial position exposure	**90 175**	**80 908**

The above fluctuations are mainly the result of the following:

- In the current economic conditions, the rand continues to weaken against the euro, resulting in foreign exchange losses for the Group.

- The Group has convertible bond liabilities denominated in euro and on which the foreign exchange loss or gain is recognised as at year end.

Interest rate risk

The Group's current finance facilities are provided on a fixed interest rate basis that vary from facility to facility. Interest rate related risks may originate from finance facilities at fixed interest rates. Any such risk is evaluated within the Group and may be mitigated by interest rate derivatives, if deemed necessary. As at 31 December 2018, the Group had no interest rate derivatives. Gross interest rate risk on loans was mitigated from the inception of the loans by fixing the interest rates.

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 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's future significant payment obligations result from the convertible bonds. The interest payment obligations on the convertible bonds of €77 600 000 until maturity in June 2019 amounted to €3 880 000 in 2018, subject to the exercise of the option to convert. Liquidity ratio for the group is 0.15 (2017: 2.49), this is mainly due to the convertible bonds being classified as short term. The bonds were completely settled in 2019.

31.12.2018						
Financial liabilities		Contractual cash flows				
	Carrying amount	Total	12 months or less	1-2 years	2-5 years	More than 5 years
Non-derivative liabilities						
Provisions	3 898	3 898	159	-	-	3 739
Loans and borrowings – Bonds – Host component	86 399	77 600	77 600	-	-	3 285
Other financial liabilities	8 011	8 011	950	-	7 061	-
Trade creditors	1 523	1 523	1 523	-	-	-
Derivative liabilities	-	-	-	-	-	-
Loans and borrowings – Bonds – Convertible option	7 914	-	-			

31.12.2017						
Financial liabilities		Contractual cash flows				
	Carrying amount	Total	12 months or less	1-2 years	2-5 years	More than 5 years
Non-derivative liabilities						
Provisions	4 043	4 043	112	-	-	3 931
Loans and borrowings – Bonds – Host component	76 476	77 600	-	77 600	-	-
Other financial liabilities	8 545	8 545	580	-	-	7 875
Trade creditors	1 358	1 358	1 358	-	-	-
Derivative liabilities	-	-	-	-	-	-
Loans and borrowings – Bonds – Convertible option	4 381	-	-			

Credit risk

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

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

	€ k
Trade and other receivables	2 059
Other current financial assets	246
Cash and cash equivalents	10 919

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 subsidiary's management evaluates and monitors counterparties. Management further aims to utilise secured payment mechanisms or other risk mitigation instruments. In addition, risks from performance failures or poor performance of deliveries may arise. Subsidiary management mitigates these risks appropriately by selecting creditworthy parties and by assessing individual conditions and structuring contracts accordingly. Prior to business relationships, subsidiary management evaluates its potential customers using available financial information or its own trading records. The Company uses Nedbank Limited (rating Moody's Ba2) as its South African Bank and Quirin Privatbank (No rating) as its German Bank.

Commodity price risk

Ichor Coal's commodity price risk exposure arises from transactions on the world coal market. Sale of coal transactions are either on a fixed price basis or index based. Cash flow risks may originate from sales agreements at fixed rates whereas price risks may originate from index-based sales agreements. Price risks arising out of fluctuations of applicable indices are mitigated by exchange traded commodity derivatives, if deemed necessary. Price escalation clauses are negotiated for fixed sales price agreements to mitigate adverse input pricing developments. Group management evaluates such risks on a continuous basis as part of the risk management system and may be mitigated by hedging instruments, if deemed necessary. As at 31 December 2018, 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 Ichor Coal Group or that are controlled or subject to significant influence by Ichor Coal Group. Key management personnel of the Company as well as close family members of key management are also related parties.

10. 4 Relationships with related parties

Transactions with subsidiaries and associates

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

Transaction with shareholders

The loans from Sapinda amounted to €7 061 000 (2017: €6 832 000) including interest on the Sapinda Invest S.a.r.l. loan and no interest on the Sapinda Holdings B.V. loan.

Transactions with key management personnel

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

€ k	Short Term Compensation (salary, bonus, provident fund contributions)	Post-employment benefits	Share Based Payments	Total
Nonkululeko Nyembezi	866	72	16	954
Andries Engelbrecht	401	30	5	436
Total	**1 267**	**102**	**21**	**1 390**

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

Nonkululeko Nyembezi: Salary of €477 000 (2017: €495 000); bonus of €362 000 (2017: €166 000); medical aid reimbursement of €7 300 (2017: €6 000), provident fund contributions of €72 000 (2017: €74 000) and a car allowance of €20 000 (2017: €20 000).

Andries Engelbrecht: Salary of €199 000 (2017: €229 000); travel reimbursement €7 300 (2017: €9 000), provident fund contributions of €30 000 (2017: €34 000) and bonus payment of €198 000 (2017: €80 000).

The Supervisory Board of the Company consisted of four individuals throughout the year. Two Supervisory Board members are entitled to Supervisory Board fees that accrued at year end as compensation for their services during the financial year. No other remuneration was paid to the rest of the Supervisory Board members.

10.5 Contingent liabilities and commitments

Penumbra

Penumbra Coal Mining has certain old mine workings on the mining right lease property. Management has made provision for additional water treatment costs in the rehabilitation provision relating to the water decanting in this area. There is however uncertainty on who is legally responsible for the rehabilitation of this area and additional charges could be incurred once all the stakeholders have been consulted in this regard. The extent of these charges cannot be reliably measured at the end of December 2018.

10.6 Audit fees

Total audit fees of €250 150 have been incurred from KPMG Netherlands and €64 909 from KPMG South Africa.

10.7 Events after the reporting date

Management accepted an offer to sell Ichor Coal's entire 74% interest in Vunene Mining and Penumbra Coal Mining at a purchase consideration of €9 300 000 and €3 500 000 respectively. The sale of Vunene closed in November 2018 and it was deconsolidated in the 2018 financial statements. The sale of Penumbra was concluded in November 2020. Into Africa Mining still owes €1 860 000 (R29 000 000) of the original purchase price and the deferred payment arrangement for the outstanding purchase price comes to an end in July 2021

On 3 May 2019, Ichor Coal announced the disposal of its entire 29% equity stake in Universal through a private placement to a number of institutional investors for a purchase consideration of AUD0.315 per share. The proceeds after transaction costs amounting to AUD47 000 000 – equivalent to approximately €29 000 000 at the prevailing exchange rate – were received on the 6th of May.

At the annual meeting of Ichor Coal shareholders held on 7 January 2019, shareholders approved a partial amendment of the articles of association of the Company. This was done in order to allow the Company to issue shares pursuant to its obligation under the terms of the convertible bonds and maintain sufficient flexibility for any future issuances. The authorised share capital was increased from the current €25 000 000 to €47 500 000, which falls within the stipulated maximum of five times the Company's issued capital allowed under Dutch law. The deed of amendment of the articles of association was subsequently executed.

On 26 July 2019, Ichor Coal redeemed €43 100 000 of the outstanding Convertible Bonds and entered into an irrevocable undertaking with Tennor Holdings B.V. to convert its entire bond holding of €34 500 000 into ordinary shares.

On 30 September 2019 Ichor Coal N.V. announced the conclusion of a binding agreement to dispose of its entire 45.16% shareholding in Mbuyelo Coal at a purchase consideration of EUR 95 000 000 in cash to Africa Coal Partners Limited, an investment holding company set up and managed by Duet Group Holdings Limited. The binding sale agreement lapsed, and Ichor Coal is continuing to actively pursue the disposal of its shareholding in Mbuyelo.

On 25 November Tennor Holdings B.V. converted all of the remaining Convertible bonds to ordinary shares in accordance with the terms and conditions of the Convertible Bonds at a conversion price of €0.10 per share.

The recent outbreak of the COVID-19 (Coronavirus) continues to impact the global economy and markets. It is uncertain how these events will develop and what the impact will be on our operations, financial performance and liquidity. At this time, the effects of the Coronavirus on our business have been limited. However, these events may negatively impact our customers, supply chain, workforce and operations of our facilities, our markets and our liquidity.

Accordingly, we are closely evaluating the recent developments and will take necessary actions. Contingency plans are being developed, monitored and implemented. Based on our current knowledge and available information, we do not expect Covid-19 to have an impact on our ability to continue as a going concern in the future, since we have sufficient cash for the operational expenses of the Company for at least the next 12 months and there are no significant external liabilities that fall due within the next 12 months.

After 7 years as Ichor Coal Chief Executive Officer and member of the Management Board, Nonkululeko Nyembezi resigned from the Company with effect from 30 June 2020.

There were no further subsequent events.

STAND-ALONE STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 December 2018

(before appropriation of results)

	Note	31 Dec 2018 €k	31 Dec 2017 €k
Assets			
Non-current assets			
Intangible assets	3.1	19	21
Property, plant and equipment	3.2	28	60
Investments in associates	3.4	62,065	69,132
Other non-current financial assets	3.5	108	113
		62,220	**69,326**
Current assets			
Assets held for sale		-	10,135
Trade and other receivables	3.7	48	341
Other current financial assets	3.8	6,667	6,801
Other assets	3.9	50	55
Cash and cash equivalents	3.10	10,919	1,295
		17,684	**18,627**
Total Assets		**79,904**	**87,953**
Equity and liabilities			
Equity			
Share capital	3.11	9,518	9,518
Share Premium	3.11	97,932	97,932
Share based payment reserve	3.11	1,086	997
Retained earnings	3.11	-100,330	-81,915
Other comprehensive income	3.11	-4,661	-5,169
Loss for the year	3.11	-15,503	-18,416
Total equity		**-11,958**	**2,947**
Non-current liabilities			
Interest-bearing loans and borrowings		-	74,076
Other Non-current financial liabilities	3.13	7,061	7,875
Deferred tax liabilities	3.6	464	1,968
		7,525	**83,919**
Current liabilities			
Interest-bearing loans and borrowings	3.12	83,114	-
Trade and other payables	3.14	497	507
Other liabilities	3.16	726	580
		84,337	**1,087**
Total liabilities		**91,862**	**85,006**
Total equity and liabilities		**79,904**	**87,953**

The accompanying notes form part of these financial statements.

STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 December 2018

	Note	31 Dec 2018 € k	31 Dec 2017 € k
Other income	4.1	8,412	6,020
General and administrative expenses	4.2	-1,119	-1,389
Other operating expenses	4.3	-13,990	-21,958
Finance costs	4.4	-13,402	-10,796
Finance income	4.4	3,221	11,642
Loss before income taxes		-16,878	-16,481
Income taxes	4.5	1,375	-1,935
Loss for the year		**-15,503**	**-18,416**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods		508	172
Total comprehensive income		**-14,995**	**-18,244**

The accompanying notes form part of these financial statements.

STAND-ALONE STATEMENT OF CHANGES IN EQUITY THE YEAR ENDED 31 December 2018

	Note	Share Capital € k	Share Premium € k	Accumulated retained earnings € k	Loss for the year € k	Other reserves € k	Share-based payment reserves € k	**Total** € k
1 Jan 2018		**9 518**	**97 932**	**-81 915**	**-18 416**	**-5 169**	**997**	**2 947**
Appropriation of prior year results	3.11	-	-	-18 416	18 416	-	-	-
Share capital	3.11			**-**	**-**	**-**	**-**	**-**
Profit or loss for the year		-	-	-	-15 503	-	-	-15 503
Other comprehensive income		-	-	-	-	508	-	508
Total comprehensive income		**-**	**-**	**-**	**-15 503**	**508**	**-**	**-14 995**
Share based payment	3.11	-	-	-	-	-	89	89
		-	**-**		**-**	**-**	**89**	**89**
31 Dec 2018		**9 518**	**97 932**	**-100 330**	**-15 503**	**-4 661**	**1 086**	**-11 958**

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

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

The accompanying notes form part of these financial statements.

STAND-ALONE STATEMENT OF CASHFLOWS THE YEAR ENDED 31 December 2018

	Note	31 Dec 2018 € k	31 Dec 2017 € k
Profit or loss		-15,503	-18,416
Adjustments for:			
Depreciation and amortisation of fixed assets	4.3	28	36
Impairment loss		2,574	18,205
Investment income		-	-159
Loss/(gain) on conversion component of Convertible Bonds		3,674	-8,419
Gain on remeasurement of convertible bond		-	-744
Interest on Convertible Bonds		9,385	10,951
Interest paid	4.4	-3,903	-1,991
Other interest on debts and borrowings		330	-148
Interest Income	4.4	-3,152	-910
Changes due to foreign currency changes		9,120	3,056
Changes in:			
Share based payment expense		89	141
Deferred taxes		-1,375	1,935
Trade and other receivables		-290	-192
Trade and other payables		784	333
Other financial liabilities		-59	-61
Other assets		3	-14
Cash flow from operating activities		**1,705**	**3,605**
Proceeds from disposal of shares in affiliates		9,603	-
Purchases of intangible assets and property, plant, and equipment		-1	-
Cash flow from investing activities		**9,602**	**-**
Proceeds from interest-bearing loans and borrowings received		-	996
Repayments of interest-bearing loans and borrowings received		-1,011	-3,357
Cash flow from financing activities		**-1,011**	**-2,361**
Cash flow-related changes in cash and cash equivalents		**10,296**	**1,244**
Changes in cash and cash equivalents due to exchange rates		-672	21
Cash and cash equivalents at beginning of period		1,295	31
Cash and cash equivalents at end of period	3.10	**10,919**	**1,295**

Reconciliation of Consolidated and Stand-Alone Equity

		31-Dec-18	31-Dec-17
		€ k	€ k
Total consolidated equity		15,568	57,735
Difference in accumulated retained earnings			
Individual retained earnings	(1)	-100,330	-81,915
Consolidated retained earnings	(1)	91,007	86,764
Difference in net result			
Individual result	(1)	-15,503	-18,416
Consolidated result attributable to the shareholders	(1)	24,670	-34,700
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
Non-controlling interest in the Group due to the annual result and comprehensive income	(4)	-	14,450
Accumulated other comprehensive income	(5)	6,493	12,605
Legal reserve	(6)	-35,177	-19,154
Share based payment Penumbra		-416	-414
Total stand-alone equity		**-11,958**	**2,947**

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

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

3) The non-controlling interest of €15 737 000 in the Group is due to the acquisition of shares in Vunene Mining by Ichor Coal and its subsequent first-time consolidation in Group accounts. In 2018 Vunene was deconsolidated.

4) The non-controlling interest in the Group is due to the annual results and comprehensive income represents the share of those items attributable to the minority shareholder. In 2018 Vunene was deconsolidated.

5) The comprehensive income results from translation. In 2018 Vunene was deconsolidated.

6) The legal reserves participating interests represent the results from Mbuyelo Coal and Universal.

Notes to the Stand-Alone Financial Statements

1 GENERAL INFORMATION

1.1 Corporate information

Ichor Coal N.V. KVK 53748662, is a public limited liability Company incorporated in Amsterdam, Netherlands. The shares of Ichor Coal N.V. are admitted for trading on the High-Risk Market of the Hamburg Stock Exchange (non-regulated market) and the Entry Standard of the Frankfurt Stock Exchange (non-regulated market). The head office is located at 2 Bruton Road, Bryanston, 2196, South Africa.

Ichor Coal is an international mining company focusing on investments in thermal coal production in South Africa. The Company holds substantial non-controlling interests in two South African coal mining companies.

The financial statements were approved by the Supervisory Board on 28 January 2021.

1.2 Basis of preparation

Overview

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

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

Foreign currencies

The functional currency of the Company was changed to South African rand (ZAR) in the 2014 financial year, but the presentation currency remains the euro. The reason for the change of functional currency was due to the fact that South Africa is the primary economic environment in which the Company operates. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

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

2 SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

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

3 NOTES TO THE STAND-ALONE STATEMENT OF FINANCIAL POSITION

3.1 Intangible assets

The changes in intangible assets were as follows:

	Purchased rights € k	Total € k
Acquisition or production cost		
1 Jan 2018	38	38
Currency effects	-2	-2
31 Dec 2018	**36**	**36**
Amortisation and impairment		
1 Jan 2018	17	17
Currency effects	0	0
31 Dec 2018	**17**	**17**
Carrying amounts		
31 Dec 2018	**19**	**19**
1 Jan 2018	21	21

	Purchased rights € k	Total € k
Acquisition or production cost		
1 Jan 2017	38	38
Currency effects		0
31 Dec 2017	**38**	**38**
Amortisation and impairment		
1 Jan 2017	16	16
Additions	1	1
31 Dec 2017	**17**	**17**
Carrying amounts		
31 Dec 2017	**21**	**21**
1 Jan 2017	22	22

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

The accounting software is amortised over a period of 3 years using the straight-line method. Impairment assessment results indicated no impairment on the software during the financial year under review.

The entity experienced stronger currency movements at year end resulting in foreign exchange translation loss realised on intangible assets to the amount of €1 000 in 2017 and €2 000 in the current year.

3.2 Property, plant and equipment

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

	Office equipment €k	Computer equipment €k	Furniture €k	Total €k
Acquisition or production cost				
1 Jan 2018	19	50	145	214
Additions	-	1	-	1
Currency effects	-1	-5	-14	-20
31 Dec 2018	**18**	**46**	**131**	**195**
Depreciation and impairments				
1 Jan 2018	16	45	93	154
Additions	-	-	27	27
Currency effects	0	-5	-9	-14
31 Dec 2018	**16**	**40**	**111**	**167**
Carrying amounts				
31 Dec 2018	**2**	**6**	**20**	**28**
1 Jan 2018	3	5	52	60

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

The entity realised foreign exchange loss at the end of the reporting period to the amount of €34 000 (2017: 7 000) on the translation of values of property, plant and equipment into the presentation currency.

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

3.3 Shares in subsidiaries

Shares in subsidiaries are as follows:

	31 Dec 2018 € k	31 Dec 2017 € k
Shares in Vunene Mining (74%)	-	-
Shares in Ismanetix (100%)	-	-
Shares in affiliates	**-**	**-**

Penumbra Coal Mining is incorporated in South Africa with all operating activities located in Ermelo town which is located in the Mpumalanga province of South Africa.

Ichor Coal holds a 74% interest in Penumbra Coal Mining through 100% owned Ismanetix (Pty) Ltd.

Reconciliation of the investment in Vunene Mining :

	31 Dec 2018 € k	31 Dec 2017 € k
Carrying value of investment	-	25 979
Impairment loss for the year	-	-14 848
Foreign currency translation gain	-	-996
Vunene Mining recalssified to Assets held for sale	-	-10 135
Carrying value of investment	-	-

Ichor Coal accepted an offer for its share in Vunene Mining and the transaction was concluded in November 2018 for a purchase price of R150 000 000 (€9 300 000). Due to this sale, the investment was reclassified to assets held for sale in 2017.

The investment in Vunene Mining was written down to the purchase price of €9 300 000 resulting in an impairment loss of €14 848 000 realised in 2017.

3.4 Investments in associates

Investments in associates are as follows:

	31 Dec 2018 € k	31 Dec 2017 € k
Shares in Mbuyelo Coal (45.16%)	47 701	53 132
Shares in Universal Coal Plc (29.03%)	14 364	16 000
Investment in associates	**62 065**	**69 132**

The Company holds a 45% interest in Mbuyelo Coal and a 29% interest in Universal. The investment in associates is accounted for using the cost method. The decrease in the cost of the investment in associates of €7 067 000 (2017: €2 024 000 increase) is as a result of foreign exchange translation losses realised at the end of the reporting period. Mbuyelo Coal and Universal are incorporated in South Africa and the UK respectively with all operating activities in South Africa.

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

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

The value in use for the investment in Mbuyelo Coal was determined based on a discounted cashflow method whilst in the case of Universal, value was derived from the net asset value and reference to market multiples.

3.5 Other non-current financial assets

	31 Dec 2018 € k	31 Dec 2017 € k
Restricted reserve	108	113
Other non-current financial assets	**108**	**113**

The Company has a deposit account in the amount of €108 000 (2017: €113 000) held at a local bank. It is used to back up a guarantee issued by the bank in relation to the lease agreement for the head office premises. The decrease in the restricted reserves is mainly due to exchange rate movement on the account during the year under review.

3.6 Deferred tax

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

	31 Dec 2018		31 Dec 2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€ k	€ k	€ k	€ k
Non-current financial assets	-	-	-	-
Other liabilities	-	464	-	1,968
Temporary differences	**-**	**464**	**-**	**1,968**
Tax loss carry-forwards	**-**	**-**	**-**	**-**
Total	**-**	**464**	**-**	**1,968**
Offsetting	-	-	-	-
Amounts as per balance sheet	**-**	**464**	**-**	**1,968**

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

	2018	2017
	€ k	€ k
Deferred tax assets at the beginning of the period	-	-
Deferred tax liabilities at the beginning of the period	-1,968	-
Net tax position at the beginning of the period	**-1,968**	**-**
Deferred tax benefit/ (expense) of current year	1,375	-1,935
Net tax position as of 31 December	**-593**	**-1,935**
Deferred tax assets at the end of the period	-	-
Deferred tax liabilities at the end of the period	-464	-1,968
Forex exchanges	-129	-33

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

3.7 Trade and other receivables

	31 Dec 2018 € k	31 Dec 2017 € k
Trade receivables	48	341
Trade and other receivables	**48**	**341**

Management believes that the trade receivables are fully recoverable.

3.8 Other current financial assets

Other current financial assets comprise the following:

	31 Dec 2018 € k	31 Dec 2017 € k
Loan to Ismanetix (Pty) Ltd	6 664	6 798
Other financial assets	3	3.00
Other current financial assets	**6 667**	**6 801**

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

3.9 Other assets

	31 Dec 2018 € k	31 Dec 2017 € k
Receivables from other taxes	50	55
Other assets	**50**	**55**

Receivables form other taxes mainly consist of VAT.

3.10 Cash and cash equivalents

The Company's cash and cash equivalents of €10 919 000 (2017: €1 295 000) represent cash at banks.

3.11 Equity

Share capital

The issued share capital of €9 518 500 is divided into 95 185 000 (2017: 95 185 000) ordinary shares with a nominal value of €0.10 each.

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

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

The authorised share capital amounts to €47 500 000 (2017: €25 000 000) and is divided into 475 000 000 (2017: 250 000 000) shares with a nominal value of €0.10 each. At the annual meeting of Ichor Coal shareholders held on 7 January 2019, shareholders approved a partial amendment of the articles of association of the Company. This was done in order to allow the Company to issue shares pursuant to its obligation under the terms of the convertible bonds and maintain sufficient flexibility for any future issuances. The authorised share capital was increased from the current €25 000 000 to €47 500 000, which falls within the stipulated maximum of five times the Company's issued capital allowed under Dutch law. The deed of amendment of the articles of association was subsequently executed.

Share Premium

Capital reserves are not distributable to the equity holders of the Company.

Other reserves

Other reserves reflect differences from a currency translation loss of €4 661 000 (2017: €5 169 000). The change in the currency translation reserve for the year is €508 000.

Accumulated retained earnings

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

Share based payments

The Company issued equity-settled instruments to certain qualifying employees under an employee share option scheme to purchase shares in the Company’s authorised but unissued ordinary shares. Equity share-based payment is measured at the fair value of the equity instrument at the date of the grant, which was €997 000 (2017: €997 000). Deferred share-based compensation is expensed over the vesting period based on the Company’s estimate of the shares that are expected to eventually vest.

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

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

(a) the exercise price of the option;

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

(c) the current price of the underlying shares; -> Ichor Coal 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 Ichor Coal’s financial forecasts and dividend history

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

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

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

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

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

(d) expected volatility of the underlying shares.

The volatility of the shares has been assessed at year end with reference to a 12 month period from 1 January to 31 December 2018. The results indicated that the shares are not effectively trading and the share price has dropped significantly over the period under review. The significant drop in the share price amounted to a volatility of 495%.

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

3.12 Interest-bearing loans and borrowings

	31 Dec 2018 € k	31 Dec 2017 € k
Long term portion - Convertible bonds	-	74 076
Short term portion - Convertible bonds	83 114	-
Interest-bearing loans and borrowings	**83 114**	**74 076**

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

3.13 Other non-current financial liabilities

	31 Dec 2018 € k	31 Dec 2017 € k
Sapinda Invest s.a.r.l.	3 932	3 703
Sapinda Holdings BV	3 129	3 129
Into Africa Mining (Pty) Ltd	-	1 043
Other Non-Current financial liabilities	**7 061**	**7 875**

3.14 Trade and other payables

	31 Dec 2018 € k	31 Dec 2017 € k
Trade payables	497	507
Trade and other payables	**497**	**507**

Trade and other payables solely relate to trade payables.

3.16 Other liabilities

Other liabilities comprise:

	31 Dec 2018 € k	31 Dec 2017 € k
Accrued liabilities	726	580
Other non-financial liabilities	**726**	**580**

Accrued liabilities mainly comprise liabilities resulting from personnel costs, accounting, legal and consulting services.

3.17 Maturity analysis of financial liabilities

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

	Carrying amount 31 Dec 2018 € k	Undiscounted cash outflows 2018 € k	 2019 - 2021 € k	 2021 ff. € k
Interest-bearing loans and borrowings	90 175	7 061	84 661	-
Trade and other payables	497	497	-	-

	Carrying amount 31 Dec 2017 € k	Undiscounted cash outflows 2017 € k	 2018 - 2020 € k	 2020 ff. € k
Interest-bearing loans and borrowings	74 076	-	77 600	-
Trade and other payables	504	504	-	-

4 Notes to the stand-alone statement of comprehensive income

4.1 Other income

Other income is as follows:

	31 Dec 2018 € k	31 Dec 2017 € k
Management and board fees	341	364
Gain on remeasurement of bonds	-	744
Investment income	7 940	4 884
Others	131	28
Other operating income	**8 412**	**6 020**

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

The gain on re-measurement of the bonds resulted from the re-measurement of convertible bonds during the 2017 year. There was a modification on the convertible bonds resulting from the change in bond terms and interest rate. (For more details, refer to note 6.13: “Interest bearing borrowings” in the consolidated financial statements).

Investment income relates to dividend income received from Mbuyelo Coal and Universal. The dividend was paid out in accordance with the Company’s interest in the two companies. Total dividend income amounted to €7 940 000 for the financial year.

4.2 General and administrative expenses

General and administrative expenses consist of the following:

	31 Dec 2018 € k	31 Dec 2017 € k
Wages and salaries	895	813
Employee benefits	130	121
Share based payment expense	89	141
Other expenses	5	314
General and admin expenses	**1 119**	**1 389**

4.3 Other operating expenses

Other operating expenses are as follows:

	31 Dec 2018 € k	31 Dec 2017 € k
Foreign exchange losses	9 102	3 089
Legal and consulting costs	851	169
Audit and accounting services	869	377
Depreciation, amortisation and impairment	2 602	18 241
Other	566	82
Other operating expenses	**13 990**	**21 958**

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

Depreciation and amortisation

	31 Dec 2018 € k	31 Dec 2017 € k
Depreciation	28	35
Amortisation	-	1
Depreciation and amortisation	**28**	**36**

Impairment Losses

	31 Dec 2018 € k	31 Dec 2017 € k
Impairment loss	2 574	18 205
Impairment loss	**2 574**	**18 205**

The investment in Vunene Mining was impaired in 2017 with an impairment loss amounting to €14 848 000. A further impairment loss amounting to €2 362 000 (2017 €3 357 000) was recognised in relation to the intercompany loan that was sold as part of the business in 2018.

4.4 Financial income

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

The financial income comprises the following:

	31 Dec 2018 € k	31 Dec 2017 € k
Interest on other loans and borrowings	3 221	3 223
Total interest income	**3 221**	**3 223**
Other interest income	-	-
Gain on conversion component convertible bonds	-	8 419
Foreign exchange	-	-
Total finance income	**3 221**	**11 642**

The financial expense is broken down as follows:

	31 Dec 2018 € k	31 Dec 2017 € k
Interest on Convertible Bonds	8 899	10 951
Other	816	-155
Foreign exchange	0	0
Total interest and similar expenses	**9 715**	**10 796**
Loss on conversion option of Convertible Bonds	3 687	0
Total finance costs	**13 402**	**10 796**

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

4.5 Income tax

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

	2018	2017
	€ k	€ k
Income before income taxes	-16 878	-16 481
Tax rate	28%	28%
Expected tax (expense)/ benefit	**-4 726**	**-4 615**
Permanent differences	651	6 570
Unrecognized tax losses and interest carry forwards	-	-20
Decrease in deferred tax not recognised	2 700	-
Income taxes	**-1 375**	**1 935**
Effective tax rate	8%	-12%

The enacted tax rate is 28%.

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

	31 Dec 2018	**31 Dec 2017**
	€ k	**€ k**
Deferred taxes	1 375	-1 935
Income taxes	**1 375**	**-1 935**

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

5 Other disclosures

5.1 Capital management

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

5.2 Financial risk management

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

5.3 Relationships with related parties

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

Transactions with subsidiaries and associates

The Company performed certain group functions which have been reimbursed by Vunene Mining via a management fee of €225 000 (2017: €255 000). The Company also served on the board of Universal and Mbuyelo Coal and received directors' fees amounting to €117 000 (2017: €109 000).

The Company further granted a loan to Ismanetix (Pty) Ltd, which in turn granted a loan to Penumbra Coal Mining which was used to finance the cost of care and maintenance. The loan amount as at year end amounted to €6 664 000. The balance is inclusive of €3 500 000 which was used to finance the acquisition of Penumbra.

A total of €6 071 494 in dividends was received from Mbuyelo Coal during the year.

Universal paid dividends of €1 869 000 during the year.

Transactions with shareholders

The outstanding balance on the loans from Sapinda amounted to €7 061 000 (2017: €6 832 000) as at 31 December 2018. Interest of €228 000 (2017: €858 000) was incurred on the loan during the reporting period.

Transactions with key management personnel

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

5.4 Other financial commitments

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

	31 Dec 2018 € k	31 Dec 2017 € k
Due within one year	169	169
Due in one to five years	-	-
Due in more than five years	-	-
Total	**169**	**169**

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

5.5 Events after the reporting date

Management accepted an offer to sell Ichor Coal’s entire 74% interest in Vunene Mining and Penumbra Coal Mining at a purchase consideration of €9 300 000 and €3 500 000 respectively. The sale of Vunene closed in November 2018 and was deconsolidated in the 2018 financial statements. The sale of Penumbra was concluded in November 2020. Into Africa Mining still owes €1 860 000 (R29 000 000) of the original purchase price and the deferred payment arrangement for the outstanding purchase price comes to an end in July 2021

On 3 May 2019, Ichor Coal announced the disposal of its entire 29% equity stake in Universal through a private placement to a number of institutional investors for a purchase consideration of A$0.315 per share. The proceeds after transaction costs amounting to A$47 000 000 –

equivalent to approximately €29 000 000 at the prevailing exchange rate – were received on the 6th of May.

At the annual meeting of Ichor Coal shareholders held on 7 January 2019, shareholders approved a partial amendment of the articles of association of the Company. This was done in order to allow Ichor Coal to issue shares pursuant to its obligations under the terms of the convertible bonds and maintain sufficient flexibility for any future issuances. The authorised share capital was increased from the current €25 000 000 to €47 500 000, which falls below the stipulated maximum of five times issued capital allowed under Dutch law. The deed of amendment of the articles of association was subsequently executed.

On 26 July 2019, Ichor Coal redeemed €43 100 000 of the outstanding Convertible Bonds and entered into an irrevocable undertaking with Tennor Holdings B.V. to convert its entire bond holding of €34 500 000 into ordinary shares.

On 30 September 2019 Ichor Coal N.V. announced the conclusion of a binding agreement to dispose of its entire 45.16% shareholding in Mbuyelo Coal at a purchase consideration of EUR 95 000 000 in cash to Africa Coal Partners Limited, an investment holding company set up and managed by Duet Group Holdings Limited. The binding sale agreement lapsed, and Ichor Coal is continuing to actively pursue the disposal of its shareholding in Mbuyelo.

On 25 November Tennor Holdings BV converted all of the remaining Convertible bonds to ordinary shares in accordance with the terms and conditions of the Convertible Bonds at a conversion price of €0.10 per share.

The recent outbreak of the COVID-19 (Coronavirus) continues to impact the global economy and markets. It is uncertain how these events will develop and what the impact will be on our operations, financial performance and liquidity. At this time, the effects of the Coronavirus on our business have been limited. However, these events may negatively impact our customers, supply chain, workforce and operations of our facilities, our markets and our liquidity. Accordingly, we are closely evaluating the recent developments and will take necessary actions. Contingency plans are being developed, monitored and implemented. Based on our current knowledge and available information, we do not expect Covid-19 to have an impact on our ability to continue as a going concern in the future, since we have sufficient cash for the operational expenses of the Company for at least the next 12 months and there are no significant external liabilities that fall due within the next 12 months.

After 7 years as Ichor Coal Chief Executive Officer and member of the Management Board, Nonkululeko Nyembezi resigned from the Company with effect from 30 June 2020.

There were no further subsequent events.

29 January 2021

Reinhardt van Wyk Temporary Representative entrusted with the management of Ichor Coal N.V.	Tarek Malak Supervisory Board Member
Benjamin Pourrat Supervisory Board Member	Paolo Barbieri Supervisory Board Member

Other information

Appropriation of result

Under article 30 of the Company's Articles of Association, the management board, with approval of the supervisory board may decide that part of profits realised be set aside to increase and or form reserves. The profits remaining after the above will be put at the disposal of the General Meeting. The management board, with the approval of the supervisory board, is required to make a proposal for that purpose, which is then dealt with at the general meeting of shareholders. The management board is permitted, subject to certain requirements and subject to approval of supervisory board, to declare interim dividends without the approval of the general meeting of shareholders.

The management board may, subject to the approval of our supervisory board, resolve to make distributions on the ordinary shares not in cash, but in ordinary shares, or resolve that shareholders shall have the option to receive a distribution in cash and/or in ordinary shares, provided that the management board is designated by the general meeting of shareholders as the competent corporate body to resolve to issue ordinary shares.

The Company may make distributions to shareholders only to the extent that the Company's equity exceeds the amount of the paid-in and called-up part of the issued share capital, increased by the reserves which it is required to maintain pursuant to the articles of association or the provisions of applicable law. Any distribution of profits will be made after the adoption of the annual accounts showing that such distribution of profits is permitted.The management proposes to the Supervisory Board to deduct the loss for the year from retained earnings. This proposal has been reflected in the stand-alone financial statements and consolidated financial statements.

Independent auditor's report

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

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Ichor Coal N.V. as at 31 December 2018 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2018 of Ichor Coal N.V. ('the Company') based in Amsterdam, the Netherlands.

The financial statements comprise:

1 the consolidated and company statement of financial position as at 31 December 2018;

2 the following consolidated and company statements for 2018: the income statement, the statements of comprehensive income, changes in equity and cash flows; and

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

Basis for our opinion

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

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

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

Audit approach

Summary

Materiality

Consolidated financial statements

- Materiality of EUR 1.2 million.
- 1% of EUR 123.800 million (Total Assets).

Company financial statements

- Materiality of EUR 0.9 million.
- 1% of EUR 90.985 million (Total Assets).

Group audit

- 67% of total assets.
- 100% of revenue.

Key audit matters

- Estimation of the provision for environmental rehabilitation of the mining sites.
- Fair value of the conversion option of the convertible bonds.
- The recoverable amounts of the mining rights and assets.
- Valuation and disclosure of accrual estimates for legal claims, litigations and contingencies.
- Accounting for divestments.

Opinion

- Unqualified.

Materiality

Based on our professional judgement, we determined the materiality for the consolidated financial statements as a whole at EUR 1.2 million (2017: EUR 1.3 million) and for the company financial statements as a whole at EUR 900 thousand (2017: EUR 836 thousand).

The materiality for the consolidated and company financial statements is determined with reference to Total Assets (1%). We consider Total Assets as the most appropriate benchmark as the mining assets are driving the Company's result. We find the Profit Before Tax not an appropriate benchmark due to its volatility. Therefore, we consider Total Assets the primary focus for the users of the financial statements.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the consolidated and company financial statements for qualitative reasons.

We agreed with the Supervisory Board that unadjusted misstatements in excess of EUR 62,000 and EUR 40,800, which are identified during the audit of the consolidated and company financial statements respectively, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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

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

The Company operates through a number of legal entities and these form reporting components that are primarily country based. To provide sufficient coverage over the Company's financial information, including the identified significant risks of material misstatements, we performed a full scope audit for four significant components and review procedures for one component.

We instructed component auditors in such a way that all significant areas are covered, including the key audit matters as detailed further in the section 'Key audit matters' and the information to be reported back. We instructed the component auditors to use a component specific materiality in their local audits, reflecting the mix of size and risk profile of the Company across the components.

We instructed three components to perform full scope audits for group reporting purposes, besides the audit procedures we performed at the group component Ichor Coal N.V.

We have:

- made use of the work of KPMG South Africa for the audit of Penumbra Coal mining;
- made use of the work of SizweNtsalubaGobodo Inc. for the audits of Vunene Mining and Mbuyelo Coal;
- made use of BDO LLP, for the review of Universal Coal.

We visited the components Mbuyelo and Universal Coal and in addition we performed file reviews of the work performed by the component auditors. The findings reported to us as the group audit team were discussed in detail with component auditors and any additional audit procedures required by the group audit team were followed up by the component auditors.

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

Our procedures as described above can be summarized as follows:

Total assets

67%	33%
Audit of the complete reporting package	Review of the complete reporting package

Revenue

100%	0%
Audit of the complete reporting package	Review of the complete reporting package

Our key audit matters

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

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

Compared to last year, the key audit matter with respect to the Valuation and disclosure of accrual estimates for legal claims, litigations and contingencies and the accounting for divestments have been added as these topics were, in our professional judgment, significant in our audit due to their new and non-routine occurance.

Estimation of the provision for environmental rehabilitation of the mining sites

Description

The Company has recorded an EUR 3.5 million provision with respect to Environmental rehabilitation in the Consolidated Financial Statements. The estimation of the provision for environmental rehabilitation (ER) of the mining sites, as included in note 6.12 to the financial statements, is highly judgmental. The calculation is cost models based and depends on assumptions that are impacted by the costs associated to the legal and constructive obligations for restoration of the environment, the estimated lives of the operation and information relating to the geological and technical data on the size, depth, shape and grade of the coal body, suitable production techniques and recovery rates over time.

Our response

In auditing the ER provisions we performed the following procedures:

- obtained an understanding of the management process in place and evaluated the design and implementation of controls regarding the process of measurement of the provisions;
- identified the cost assumptions that have the most significant impact on the provisions and tested the appropriateness of these assumptions using third party evidence, mainly cost of machinery and diesel rates;
- performed a review to ensure that all key movements were understood, corroborated and recorded correctly;
- engaged environmental specialists to perform procedures over the accuracy, completeness and obligation assertions relating to the material legal and/or constructive obligations for restoration of the environment, the estimated lives of the operation and other factors as accounted for in accordance with IAS 37. In addition, information about geological and technical data on the size, depth, shape and grade of the coal body, suitable production techniques and recovery rates over time were assessed by the environmental specialist;
- engaged valuation specialists to evaluate the reasonableness of the discount rate and valuation model applied to the calculation;
- evaluate the reasonableness of the cash flow projections applied in the valuation model based on legal requirements and the ourcome of the calculation of the quantity model;
- verified the completeness of the cost estimate data by comparing it with work performed on coal reserves and testing of PP&E;
- assessed the historical accuracy of management's estimates (retrospective review);
- assessed whether ER movements should be recorded in the income statement or capitalised by understanding the reason for the change and by comparing the movement with the carrying amount of the related mining asset; and
- assessed whether the disclosures meet the requirements of IFRS-EU.

Our observation

We found that Management's assessment of the estimated environmental provision is reasonable and that the provision is adequately disclosed in note 6.12 to the financial statements.

Fair value of the conversion option of the convertible bonds

Description

In 2012, the Company has issued convertible bonds with a conversion option with the fair value of the conversion option amounting to EUR 83 million as per 31 December 2018. As disclosed in note 6.13 to the financial statements the conversion option within the convertible bonds is considered an embedded derivative. This conversion option is classified as a financial instrument and accounted for at fair value. The fair value as per 31 December 2018, is estimated using on a binomial options pricing model.

The estimation requires significant judgement in applying the assumptions within the binominal option pricing model.

Our response

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

- obtained an understanding of the management process in place and evaluated the design and implementation of controls regarding the recognition and measurement of the conversion option;
- engaged valuation specialists to evaluate the reasonableness of the fair value of the conversion option within the convertible bonds contract. The main assumptions evaluated within the fair value calculation are the risk free rate, the dividend yield and volatility of the share price. Also, the appropriateness of the valuation model used was part of the scope of the specialist;
- assessed the reasonableness of Company's assumptions by developing our own expectations based on our knowledge of the client and industry;
- engaged valuation specialists to perform a valuation of the fair value of the embedded derivative;
- assessed the historical accuracy of management's estimates (retrospective review);
- inspected the legal documentation;
- compared data elements used in the calculation to external data sources; and
- assessed whether the disclosures meet the requirements of IFRS-EU.

Our observation

We found that Management's calculation of the fair value of the conversion option of the convertible bonds resulted in a balanced outcome and that fair value estimate is adequately disclosed in note 6.13 to the financial statements.

The recoverable amounts of the mining rights and assets

Description

The carrying value of the presented mining rights and assets amounts to EUR 4.2 million as per 31 December 2018. These mining rights and assets are depreciated using a unit of production method based on the estimated economical recoverable reserves to which they relate. The Company assesses per asset at each reporting period whether any indication of impairment exists in accordance with IAS 36.

As management has identified an impairment trigger, the Company's assessment required the use of a model and assumptions to assess whether the recoverable amount is exceeding the carrying amount. These assumptions are judgmental in nature.

The relevant assumptions in determining the recoverable amount of an asset include the commodity prices, discount rates, operating costs, expected future capital requirements, future closure and rehabilitation costs, exploration potential, remaining lifetime, reserves and resources and operating performance. A change in these assumptions could have a significant impact on the recoverable amounts of the Company's mining rights and assets.

Our response

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

- obtained an understanding of the management process in place and evaluated the design and implementation of controls regarding the mining rights and assets;
- tested for indicators of impairment and validated the appropriateness of the level at which the impairment testing is performed;

- engaged valuation specialists to evaluate the reasonableness of the discount rates and valuation model applied to the mining assets and rights;
- assessed the input parameters by:
  - assessing whether the net profit included in the cash flow forecast is appropriate);
  - confirming that operating expenditure profiles and capital costs are supported by approved budgets;
  - reconciling coal reserve volumes to the assumptions used in the impairment models (like discount rate, exploration potential) and confirmed that the lifetime assumptions were consistent with those applied in the environmental rehabilitation provision models; and
  - performing sensitivity analyses on certain key variables in the cash flow models to understand the impact of changes in certain assumptions (including coal prices, production and operating expenditure levels and resources and operating performance).
- assessed whether the disclosures meet the requirements of IFRS-EU.

Our observation

We found that Management's assessment of the recoverable amount of the mining rights and assets is reasonable. The assessment is adequately disclosed in note 6.1 of the financial statements.

Valuation and disclosure of accrual estimates for legal claims, litigations and contingencies

Description

The environmental legislative environment in South Africa is extensive and there are a number of material legal frameworks, which relate to rehabilitation and closure of mining operations. Due to this, determining the obligations in relation to the environmental rehabilitation is complex and there is a risk of non-compliance with these laws and regulations.

The Company records litigation provisions if it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. The accounting and disclosure of (contingent) legal liabilities is complex and judgmental due to the difficulty in predicting the outcome of the matters and estimating the potential impact if the outcomes are unfavorable, and the amounts involved are, or can be, material to the financial statements as a whole. Further reference is made to note 6.12, 'Provisions', and note 10.5, 'Contingent liabilities and commitments', to the consolidated financial statements.

Our response

Our audit procedures included, amongst others:

- obtaining an understanding, evaluating the design and testing the effectiveness of the Company's internal controls around the identification and evaluation of claims, proceedings and investigations at different levels in the group, and the recording and continuous re-assessment of the related (contingent) liabilities and provisions and disclosures;
- inquiries with external legal counsel as well as with the Company's financial department in respect of (ongoing) investigations, claims or proceedings;
- inspection of relevant correspondence with authorities;

- inspections of minutes of the meetings of the Board of Management, the Audit Committee and Supervisory Board;
- obtaining external legal confirmation letters from a selection of external legal counsels;
- for claims settled during the year, we vouched the cash payments, as appropriate, and, where applicable, read the related settlement agreements;
- specifically related to ongoing compliance-related investigations, we were supported by fraud investigation experts from our firm;
- reconciling the amounts classified by risk of loss as presented in the obtained external legal confirmation letters with the accounting records/disclosures of the financial statements;
- assessement of the adequacy of the Company's disclosure around legal claims, litigations and contingencies as included in note 6.12, 'Provisions' and note 10.5, 'Contingent liabilities and commitments', to the consolidated financial statements.

Our observation

We consider management's conclusion on the predicted outcome and estimation of potential impact reasonable and we assessed that the disclosures in note 6.12, 'Provisions' and note 10.5, 'Contingent liabilities and commitments', starting on page 142, to the consolidated financial statements, are adequate.

Accounting for divestments

Description

The Company divested the group companies Vunene and Penumbra, as explained in Note 6.10 to the financial statements. The assessment of the accounting treatment of these divestments is significant to our audit, because the accounting of these transactions in the financial statements is complex and is influenced by subjective elements, such as the determination of the sales price, the measurement of divested assets and liabilities and the determination of the date of effective tranfer of risks and rewards. Considering the significance of these transactions on the Company's consolidated financial statements, we consider this a key audit matter.

Our response

In auditing the accounting of the divestments we have:

- discussed the nature and background of the transactions with the Board of Management;
- obtained an understanding of the divestments by inspecting the signed agreements and other relevant legal documentation;
- assessed the appropriateness of the accounting treatment by involving accounting specialists;
- assessed the adequacy of the disclosures made by the Company in this area and the Company's compliance with EU-IFRS accounting policies (IFRS 10).

Our observation

We considered management's conclusion on the accounting of the divestments as accurate and we assessed that the disclosures in Note 6.10 to the consolidated financial statements, are adequate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

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

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

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

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

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

The Board of Management is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of Ichor Coal N.V. on 22 May 2017 for the audit of the year 2016, and have operated as statutory auditor ever since that financial year.

Description of responsibilities regarding the financial statements

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

A further description of our responsibilities for the audit of the financial statements is added to the Appendix to this report.

This description forms part of our independent auditor's report.

Amstelveen, 29 January 2021

KPMG Accountants N.V.

L.M.A. van Opzeeland RA

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

Appendix

Description of our responsibilities for the audit of the financial statements

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

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

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

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

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

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