

31 August 2019


**universal**  
 coal plc

**RESULTS FOR THE YEAR ENDED 30 JUNE 2019**

	Year ended 30-Jun-19 A\$'000	Year ended 30-Jun-18 A\$'000	Change %
Group revenue from ordinary activities	434,790	316,350	37%
Operating Profit from ordinary activities	73,453	52,755	39%
Profit from ordinary activities after tax – excluding significant items	39,377	35,972	9%
Significant items net of tax (bargain purchase gain net of tax and reduction of rehab liability)	31,012	-	100%
Net profit for the period	70,390	35,972	96%
Comprehensive income for the period	76,895	32,392	137%
Earnings per share – basic and diluted (cents)	7.26	4.59	58%
Weighted average number of ordinary shares used in the calculation of basic and diluted EPS	522,471,758	522,471,758	-%

	Final Dividend	Interim Dividend
Dividend per share (unfranked)	A\$0.01	A\$0.02
Dividend declaration date	28-Aug-19	8-Apr-19
Record date	6 -Sept-19	23-Apr-19
Payment date	05-Dec-19	15-May-19

	Year ended 30 Jun 2019	Year ended 30 Jun 2018
Net tangible assets per share (cents)	15.24	17.7

This statement includes the results for Universal Coal Plc (“Universal” or “Company”) and its controlled entities for the year ended 30 June 2019 compared with the year ended 30 June 2018. The financial results for Universal are prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union and in accordance with the provision of the Companies Act 2006.

The principal activity of the Group in the year under review was that of coal mining, coal beneficiation and mineral exploration and development of coal interests in South Africa. The function of the business review is to provide a balanced and comprehensive review of the Group’s performance and developments during the year and its position at the year-end. This report is based on financial accounts which are in the process of being audited.

## 1. Financial Performance

Universal achieved significant milestones during the financial period ending June 2019, including an increase in profitability, the completion of two acquisitions and the commencement of the mine development at the Ubuntu Colliery.

Total Revenue increased by 37% from the previous corresponding period ("pcp") due to an additional 2Mt of product sold in comparison to the FY2018 and also from capitalising on lucrative export sales prices in the first six months of the year. The USD API4 export coal price weakened by 34% from December 2018 to June 2019, however, the Company was able to counteract the decrease in commodity prices by increasing supply to the domestic market over the corresponding period. The average export price achieved for the year was A\$104 (2018: A\$113) per tonne and A\$45.6 (2018: A\$42) per tonne for domestic coal (at the average AUD:ZAR for the year).

Total Operating Profit for the year increased to A\$73.4 million, representing a 39% increase from the pcp. The largest component of the increase was increased sales volumes from the newly-acquired North Block Complex ("NBC") which sold 1.8Mt of domestic quality coal. The Group increased its total sales volumes by 41%, from 4.7Mt to 6.7Mt, during the financial period.

The Group achieved A\$98.2 million in normalised earnings before interest, tax, depreciation and amortisation ("EBITDA"), which results in a 36% increase from A\$72.3million in the pcp. The EBITDA increase was mostly due to the inclusion, from November 2018, of the trading results from the North Block Complex ("NBC"); the Company's third operating colliery. Included in the normalised EBITDA is the profit realised on inventory acquired as part of the NBC acquisition. As part of the NBC acquisition, the company acquired all ROM and finished product stockpiles on site on the 1st of November 2018. As this Inventory forms part of the acquisition assets, the profit on the sale of this inventory cannot, in accordance with IFRS, be disclosed as part of operating profit but must be allocated to the bargain purchase gain on the day of acquisition. For normalised EBITDA the company also removed the gain on the reduction of the rehabilitation liability as this is a significant item that does not relate to the operations of the company.

The Group increased its net profit after taxation (excluding significant items) by 9% to A\$39.4 million from A\$35.9 million in the pcp. The continued success of Universal has resulted in a dividend increase of 50% with the final dividend declaration of A\$0.01 per share. This final dividend plus the interim dividend of A\$0.02 (2018: A\$0.01) per share equates to a full year dividend of A\$0.03 (2018: A\$0.02) per share. The Company does not currently have a dividend reinvestment plan.

After translating foreign operations and accounting for the effects of exchange rate differences, the Company achieved a comprehensive profit of A\$76.9 million for the financial year ended 30 June 2019 (30 June 2018: A\$32.4 million). This was after the positive effect of translation of foreign operations of A\$6.5 million (June 2018: loss of A\$3.6 million) as a result of an appreciation in the average foreign exchange translation to the South African Rand, which is the functional currency of the underlying business subsidiaries.

### **Significant Items**

The acquisition of NBC resulted in the recognition of a bargain purchase gain (net of tax) for the Group of A\$20.6million (2018: nil). Of this bargain purchase, A\$10.1 million (2018: nil) was attributable to members of Universal and has been included in the net profit for the year. This gain arises due to the unlocking of value of the undeveloped Paardeplaats Project adjacent to the current NBC operations. Universal Coal's streamlined and efficient business model will be implemented in the extraction of the value from this resource.

Included in the Operating Profit is a gain of A\$10.3million, this relates to the reduction in the rehabilitation liabilities at the New Clydesdale Colliery due to change in the estimated volumes of the discard dumps.

### **Cash Debt and Dividends**

The Group's total cash balance representing both restricted and unrestricted balances at the end of June 2019 was A\$32.1 million (2018: A\$36.8 million), and the total cash generated from operations during the period increased from A\$64.1 million to A\$90.9 million for the 2019 financial year. The decrease in closing cash was attributable to the following items:

- Reduction in operational debt facilities of A\$22 million (including a A\$10 million voluntary payment to allow for distributions to shareholders from the New Clydesdale Colliery ("NCC");

- Dividends paid to shareholders during the period of A\$19.4 million (including shareholders of Universal and external shareholders of the Kangala Colliery);
- Capital Expenditure at operational level of A\$24.3 million;

The Group increased its outstanding debt to facilitate a part payment for acquisition of the Eloff Project of A\$9.3million. The debt is payable over 10 years at the South African interest rate of Prime plus 0.25%. The loan is secured by the surface rights owned by the Eloff Project as well as a Universal Coal Plc guarantee.

## 2. Operational Review

### Kangala Colliery

#### PRODUCTION AND SALES

Thousands of tonnes	For the financial year ended		
	30 Jun 2019	30 Jun 2018	Change
ROM coal production	3,865	4,025	-4%
Export sales	17	65	-73%
Domestic sales	2,386	2,544	-6%
<b>Total coal sales</b>	<b>2,404</b>	<b>2,610</b>	<b>-8%</b>

The Kangala Colliery is located in the Emalahleni area approximately 65km from Johannesburg in the Mpumalanga province of South Africa and consists of the Wolwenfontein and Middelbult projects.

Once again the Kangala Colliery achieved nameplate production and sales volumes for the year and delivered on its commitments under the Coal Supply Agreement (“CSA”) with Eskom, the South African energy generator. The CSA was executed in 2014 and has a termination date of 2023, unless extended by mutual agreement. The colliery depleted the export quality coal seams during the period having sold 17,362 tonnes at spot RB1 coal prices to Universal’s offtake partners at NCC.

ROM tonnages for the year decreased by 4% year-on-year with a total of 3,865,246 tonnes mined (2018: 4,025,496 tonnes) and sales volumes decreased 8% from 2,609,920 tonnes in FY2018 to 2,403,660 tonnes in FY2019. The Kangala Colliery experienced a slight reduction in production days due to two separate incidents of industrial labour action. Notwithstanding, the colliery still achieved its forecast tonnages for FY2019 maintaining its nameplate production and sales volumes.

Total revenue per tonne<sup>1</sup> at Kangala was 7% higher than the pcp at A\$47.4 (2018: A\$44.5) per tonne. The revenue per domestic tonne sold was 10% higher at A\$47.1 (2018: A\$43.0) for the period due to the standard annual price increase as per the Eskom CSA. The effect of the weakening export price is negligible in the Kangala revenue calculation.

Cash costs per ROMt of A\$20<sup>2</sup> (2018: A\$19) have increased by 7% which is in line with annual supplier contract price escalations. Strip ratios have remained constant for the year at 1.8:1 bcm/t.

The gross profit margin for the 2019 financial year decreased to 21% (2018: 24%) while EBITDA/t decreased by 4% from A\$15.18 to A\$14.62 per tonne. The overall yield at Kangala was 6% less than in FY2018 reducing from 67% to 61% owing to declining in-situ coal qualities. The decrease in gross profit margin is due to increased rehabilitation work that is being done at the operation as the current pit is reaching the end of its life.

Total headcount at Kangala, including contractors, is 610 of which 62 people are directly employed and 16 are enlisted in a graduate training program.

The Kangala Colliery achieved exceptional safety results with only one Lost Time Injury (LTI) incident reported during FY2019.

<sup>1</sup> Revenue per tonne is calculated by dividing revenue from product sales, excluding transport and other income, by tonnes of product sold.

<sup>2</sup> Cash cost per tonne is calculated based on total cost of sales, plus operating and support costs, less depreciation, transport revenues and sundry income divided by ROM tonnes mined in the period.

## New Clydesdale Colliery

PRODUCTION AND SALES			
Thousands of tonnes	For the financial year ended		
	30 Jun 2019	30 Jun 2018	Change
ROM coal production	2,993	3,031	-1%
Export sales	835	767	9%
Domestic sales	1,700	1,373	24%
<b>Total coal sales</b>	<b>2,535</b>	<b>2,140</b>	<b>18%</b>

The New Clydesdale Colliery is located in the Kriel district, approximately 149km from Johannesburg, and consists of the Roodekop and Diepspruit projects.

The colliery has concluded its second full year of nameplate production and reported an 18% increase in coal sales from the pcp. In FY2019, NCC mined a total of 2,993,225 ROM tonnes (excluding discard), a 1% decrease compared with 3,031,906 tonnes in the prior financial year. NCC sold a total of 2,535,093 tonnes in FY2019 (2018: 2,139,661) of which 835,202 tonnes was premium export quality thermal coal.

NCC has a long-term offtake agreement with a global trader for the supply of 650kt per annum of premium export quality thermal coal (6,000kcal, 15% ash). In addition, NCC has a CSA with Eskom for the supply of 1.6Mtpa of thermal coal to the local power generator.

Total revenue per sales tonne at NCC decreased by 3% from A\$68 per tonne to A\$66 per tonne due to the weakening export coal commodity price. The revenue per export tonne decreased by 8% from A\$114 to A\$105 per tonne. The revenue for domestic coal increased by 12% from the pcp to an average of A\$46 per tonne due to pricing escalations contained within the CSA and the increase in coal quality produced during the current year.

The cash costs per ROMt decreased by 11% from A\$47.80 in FY2018 to A\$42.36 in FY2019 due to a significant decrease in the operating costs for coal processing at the colliery. Capital improvements to the processing plant increased the yield by 1% but resulted in a significant saving in unit costs. Substantial capital expenditure was incurred at NCC to enhance the operating and beneficiation capabilities of the colliery. The largest capital project was a plant modification of the ROM crusher and fines beneficiation circuits. The improved plant functionality has also been reflected in a 1% increase in gross profit margin from 26% to 27% from the prior financial year.

Mining cost increased slightly above the inflationary increase due to the opencast strip ratios which moved from 2.61 in FY2018 to 3.23 in the current financial year. Average normalised EBITDA/t achieved was A\$15.2/t, a decrease of 21% from the prior financial year, owing mainly to the reduced international RB1 coal pricing environment.

Total headcount at NCC, including contractors, is 1,334 of which 60 people are directly employed and 11 are enlisted in a graduate training program.

NCC achieved satisfactory safety results with 6 Lost Time Injury (LTI) incidents reported during FY2019.

NCC was originally registered as two separate legal entities: Universal Coal Development VI (Pty) Ltd ("UCDIV") and Universal Coal Development VIII (Pty) Ltd ("UCDVIII"). The amalgamation of these entities commenced in the previous financial year. The Company received a Section 102 authorisation from the Department of Mineral and Resources ("DMR") to move the Mining Right previously held within UCDVIII to UCDIV during FY2018. All other conditions to the amalgamation were met on the 20 September 2018 and the colliery has now been legally combined as one entity and referred to as NCC.

## North Block Complex

PRODUCTION AND SALES			
Thousands of tonnes	For the financial year ended		
	30 Jun 2019	30 Jun 2018	Change
ROM coal production	2,049	-	100%
Export sales	-	-	0%
Domestic sales	1,782	-	100%
<b>Total coal sales</b>	<b>1,782</b>	<b>-</b>	<b>100%</b>

- NBC was only acquired on 1 November 2018, therefore no comparative data has been reflected.

North Block Complex (Pty) Ltd is located in close proximity to Belfast in the Mpumalanga province of South Africa and consists of the Glisa and Eerstelingsfontein operating mines and the undeveloped Paardeplaats prospecting right (adjacent to Glisa). NBC is the third operating colliery incorporated under the Universal Coal banner and its acquisition and incorporation was effective on 1 November 2018. Since the effective date, NBC produced a total of 2,049,483 tonnes of ROM coal through opencut mining and achieved sales volumes of 1,781,999 tonnes.

NBC averaged a cash cost per ROM tonne of A\$29.05 and an average revenue of A\$43 per tonne for the 2019 financial year. EBITDA/t was A\$8 for the period since acquisition to the end of the 2019 financial year.

The Company has assumed the ownership of the Paardeplaats as at the effective date of the acquisition even though the company has not yet received the Department of Mineral Resources S11 transfer of ownership approval. The acquisition of the Paardeplaats project could not be separated from the current asset acquisition and has protection clauses in the Sale and Purchase agreement in the event that the S11 is not received by June 2020. The Company is confident that the granting will be issued in due course.

Total headcount at NBC, including contractors, is 918 of which 96 people are directly employed and 7 are enlisted in a graduate training program.

NBC achieved satisfactory safety results with 5 Lost Time Injury (LTI) incidents reported during FY2019.

### 3. Project Review

#### Ubuntu Colliery (Ubuntu) (Universal 49%)

Universal commenced the development of its fourth operation, the Ubuntu Colliery, following the acquisition of the surface rights during the quarter. Universal holds all required regulatory approvals required to commence development of the project. Subsequent to year end the Company committed to a CSA with power utility Eskom for the annual supply of 1.2Mt of domestic thermal coal. Operations commenced during August 2019 and the first coal sales are forecast for November 2019.

#### Eloff Project (Eloff) (Universal 49%)

The Eloff Project, situated directly adjacent to the Kangala Colliery, provides an opportunity for Universal to consolidate the contiguous resource base with Kangala. Universal is currently undertaking technical and economic studies to assess the potential for Eloff to extend Kangala's life of mine and/or to upscale the operation.

The Eloff Mining Right and Environmental Authorisation have been granted respectively by the DMR and the Department of Environmental Affairs. The Company is aware of an Environmental Authorisation and Mining Right appeal that was lodged with the DMR subsequent to granting of the Mining Right which the DMR is currently reviewing.

Universal is in the process of lodging an application for an Integrated Water Use Licence.

## 4. Investments in Subsidiaries

Significant subsidiaries of the Group, which are those with the most significant contribution to the Group's net profit or net assets, are currently limited to Universal Coal Development I (Pty) Ltd, Universal Coal Development IV (Pty) Ltd (amalgamated with Universal Coal Development VIII (Pty) Ltd) and the North Block Complex (Pty) Ltd.

All subsidiaries are incorporated in South Africa. There has been no change in this shareholding during year to date June 2019 except for:

- Eloff Mining and Agriculture Company (Pty) Ltd effective ownership increased from 14.2% to 49%; and
- Acquisition of North Block Complex (Pty) Ltd and Manyeka Coal Mines (Pty) Ltd – effective ownership of 49% respectively.

Subsidiaries with non-controlling	Principal Activity	% Shareholding
Universal Coal and Energy Holdings South Africa (Pty) Ltd	Mining and energy holding company	100%
Episolve (Pty) Ltd	Coal prospecting and mining company	74%
Epsimax (Pty) Ltd	Coal prospecting and mining company	74%
Twin Cities Trading 374 (Pty) Ltd	Coal prospecting and mining company	74%
Universal Coal Power Generation (Pty) Ltd	Coal prospecting and mining company	100%
Universal Coal Development I (Pty) Ltd	Coal prospecting and mining company	70.50%
Universal Coal Development II (Pty) Ltd	Coal prospecting and mining company	50%
Universal Coal Development III (Pty) Ltd	Coal prospecting and mining company	50.29%
Universal Coal Development IV (Pty) Ltd	Coal prospecting and mining company	49%
Universal Coal Development V (Pty) Ltd	Coal prospecting and mining company	50%
Universal Coal Development VII (Pty) Ltd	Coal prospecting and mining company	50%
Universal Coal Development VIII (Pty) Ltd	Coal prospecting and mining company	49%
North Block Complex (Pty) Ltd	Coal prospecting and mining company	49%
Eloff Agriculture and Mining Company (Pty) Ltd	Coal prospecting and mining company	49%
Manyeka Coal Mines (Pty) Ltd	Coal prospecting and mining company	49%

## 5. Events subsequent to reporting date

On the 28 August 2019, the board of directors declared a final gross cash dividend in respect of the year ended 30 June 2019 of A\$0.03 (2018: A\$ 0.02) per share, inclusive of the interim dividend of A\$0.02 (2018: A\$0.01) per share. The dividend is declared in Australian dollars and is subject to shareholder approval at the 2019 annual general meeting.

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# Universal Coal Plc

(Registration number 4482856)

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2019

## Unaudited Consolidated Statements of Financial Position as at 30 June 2019

Group

	Note	2019 A\$ '000	2018 A\$ '000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	148 582	112 630
Intangible assets	6	116 811	45 549
Investments in associated undertakings		36	8 226
Loan receivable		9 948	10 575
Other financial assets		4 094	2 658
		<b>279 471</b>	<b>179 638</b>
<b>Current Assets</b>			
Inventories		5 484	3 666
Current tax receivable		243	-
Trade and other receivables		63 723	44 417
Cash and cash equivalents (including restricted amounts)		32 140	36 872
		<b>101 590</b>	<b>84 955</b>
<b>Total Assets</b>		<b>381 061</b>	<b>264 593</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital		44 466	44 466
Reserves		(3 016)	(8 695)
Retained earnings		85 682	63 415
<b>Attributable to Equity Holders of Parent</b>		<b>127 132</b>	<b>99 186</b>
Non-controlling interest		68 655	38 747
<b>Total Equity</b>		<b>195 787</b>	<b>137 933</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings (including deferred consideration payable)		13 641	21 997
Deferred tax		27 080	11 246
Provisions		74 697	35 900
		<b>115 418</b>	<b>69 143</b>
<b>Current Liabilities</b>			
Borrowings (including deferred consideration payable)		11 789	10 979
Current tax payable		-	3 867
Trade and other payables		58 067	42 671
		<b>69 856</b>	<b>57 517</b>
<b>Total Liabilities</b>		<b>185 274</b>	<b>126 660</b>
<b>Total Equity and Liabilities</b>		<b>381 061</b>	<b>264 593</b>

# Universal Coal Plc

(Registration number 4482856)

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2019

## Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Group	
	Note	2019 A\$ '000	2018 A\$ '000
Revenue		434 790	316 350
Cost of sales	7	(314 791)	(235 884)
<b>Gross profit</b>		<b>119 999</b>	<b>80 466</b>
Operating expenses		(46 546)	(27 711)
<b>Operating profit</b>		<b>73 453</b>	<b>52 755</b>
Finance income		5 220	3 797
Foreign exchange gain/(loss)		123	(70)
Gain on acquisition of North Block Complex (Pty) Ltd		20 687	-
Share of profit of associated undertaking		30	187
Decrease in fair value of derivative financial liability		-	277
Finance expenses		(6 897)	(7 495)
<b>Profit before taxation</b>		<b>92 616</b>	<b>49 451</b>
Taxation		(22 226)	(13 479)
<b>Profit for the year</b>		<b>70 390</b>	<b>35 972</b>
<b>Other comprehensive income/(loss)</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations		6 505	(3 580)
<b>Other comprehensive income/(loss) for the year net of taxation</b>		<b>6 505</b>	<b>(3 580)</b>
<b>Total comprehensive income for the year</b>		<b>76 895</b>	<b>32 392</b>
<b>Profit attributable to:</b>			
Owners of the parent		37 941	23 977
Non-controlling interest		32 449	11 995
<b>Profit for the year</b>		<b>70 390</b>	<b>35 972</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		43 620	20 982
Non-controlling interest		33 275	11 410
		<b>76 895</b>	<b>32 392</b>
<b>Earnings per share</b>			
<b>Per share information</b>			
Basic earnings per share (c)		7.26	4.59
Diluted earnings per share (c)		7.26	4.59



# Universal Coal Plc

(Registration number 4482856)

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2019

## Unaudited Consolidated Statement of Changes in Equity

	Share capital	Foreign currency translation reserve	Convertible instrument reserve	Share based payment reserve	Total reserves	Retained earnings	Total attributable to equity holders of the group	Non- controlling interest	Total equity
	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000	A\$ '000
<b>Balance at 01 July 2017</b>	<b>44 466</b>	<b>(7 753)</b>	<b>2 053</b>	<b>130</b>	<b>(5 570)</b>	<b>49 758</b>	<b>88 654</b>	<b>34 249</b>	<b>122 903</b>
Profit for the year	-	-	-	-	-	23 977	23 977	11 995	35 972
Other comprehensive loss	-	(2 995)	-	-	(2 995)	-	(2 995)	(585)	(3 580)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(2 995)</b>	<b>-</b>	<b>-</b>	<b>(2 995)</b>	<b>23 977</b>	<b>20 982</b>	<b>11 410</b>	<b>32 392</b>
Transfer between reserves	-	-	-	(130)	(130)	130	-	-	-
Dividends	-	-	-	-	-	(10 450)	(10 450)	(6 912)	(17 362)
<b>Other movements within equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(130)</b>	<b>(130)</b>	<b>(10 320)</b>	<b>(10 450)</b>	<b>(6 912)</b>	<b>(17 362)</b>
<b>Balance at 01 July 2018</b>	<b>44 466</b>	<b>(10 748)</b>	<b>2 053</b>	<b>-</b>	<b>(8 695)</b>	<b>63 415</b>	<b>99 186</b>	<b>38 747</b>	<b>137 933</b>
Profit for the year	-	-	-	-	-	37 941	37 941	32 449	70 390
Other comprehensive income	-	5 679	-	-	5 679	-	5 679	826	6 505
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>5 679</b>	<b>-</b>	<b>-</b>	<b>5 679</b>	<b>37 941</b>	<b>43 620</b>	<b>33 275</b>	<b>76 895</b>
Dilution of shareholding in subsidiary via new share issue	-	-	-	-	-	-	-	446	446
Dividends	-	-	-	-	-	(15 674)	(15 674)	(3 813)	(19 487)
<b>Other movements within equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15 674)</b>	<b>(15 674)</b>	<b>(3 367)</b>	<b>(19 041)</b>
<b>Balance at 30 June 2019</b>	<b>44 466</b>	<b>(5 069)</b>	<b>2 053</b>	<b>-</b>	<b>(3 016)</b>	<b>85 682</b>	<b>127 132</b>	<b>68 655</b>	<b>195 787</b>

# Universal Coal Plc

(Registration number 4482856)

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2019

## Unaudited Consolidated Statements of Cash Flows

		Group	
	Note(s)	2019 A\$ '000	2018 A\$ '000
<b>Cash flows from operating activities</b>			
Cash generated from / (utilised in) operations	8	90 901	64 166
Tax paid		(25 133)	(8 070)
<b>Net cash from operating activities</b>		<b>65 768</b>	<b>56 096</b>
<b>Cash flows from/(used in) investing activities</b>			
Acquisition of property, plant and equipment	5	(24 274)	(10 702)
Acquisition of other intangible assets	6	(956)	(658)
Eloff & Manyeka acquisition		(8 633)	-
Business acquisition - North Block Complex (Pty) Ltd		(1 619)	-
Investments in associated undertakings		(9)	167
Purchase of other financial asset		(1 363)	(1 385)
Transfer to restricted cash		2 501	(2 605)
Finance income		2 754	1 396
<b>Net cash from/(used in) investing activities</b>		<b>(31 599)</b>	<b>(13 787)</b>
<b>Cash flows from/(used in) financing activities</b>			
Issue of new share capital		446	-
Draw down from finance facilities		9 328	8 658
Repayment of finance facilities		(22 093)	(6 740)
Shareholder loan repayment received / (paid)		3 537	(899)
Dividends paid		(19 487)	(17 362)
Cash settlement of converting notes		-	(1 970)
Finance expenses		(3 694)	(3 292)
Acquisition of minority interest in Eloff Project		(3 661)	-
<b>Net cash used in financing activities</b>		<b>(35 624)</b>	<b>(21 605)</b>
<b>Total cash movement for the year</b>		<b>(1 455)</b>	<b>20 704</b>
Unrestricted cash at the beginning of the year		33 543	14 461
Effect of exchange rate movement on cash balances		(776)	(1 622)
<b>Total cash and cash equivalents</b>		<b>31 312</b>	<b>33 543</b>
Restricted cash		828	3 329
<b>Total cash and cash equivalents (including restricted cash)</b>		<b>32 140</b>	<b>36 872</b>

# Universal Coal Plc

(Registration number 4482856)

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2019

## Unaudited Notes to the Consolidated Annual Financial Statements

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### 1. Basis of preparation for Financial Information:

The financial information for the year ended 30 June 2019 and 30 June 2018 does not constitute the company's statutory accounts for those years.

Statutory accounts for the year ended 30 June 2018 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The financial information for the year ended 30 June 2019 is unaudited. The statutory accounts for that year will be delivered to the Registrar of Companies in due course.

The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and disclosure requirements Appendix 4E.

The report has been prepared in accordance with International Accounting Standards as adopted by the European Union.

### 2. New Standards and Interpretations

New standards impacting the Group that will be adopted in the annual financial statements for the year ended 30 June 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 9 Financial instruments; and
- IFRS 15 Revenue from Contracts with Customers

Details of the impact these two standards have had are given below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies. Considering the current structure and business arrangements of the group the impact of IFRS 9 and 15 is considered to be negligible.

The impact of IFRS 9 was assessed based on cash balances to settle intercompany loans as well as NPV analysis, performed by an independent third party, for the operational entities and an intrinsic value analysis for the future projects. Based on these assessments a zero risk of default was determined hence no impairment of financial assets is required per IFRS 9. During the FY2019 period there has been a change in classification of financial assets as a result of IFRS 9, and the Company has adopted the Expected Credit Loss model for impairment under IFRS 9.

The main principle of IFRS 15 is to recognise revenue when / as performance obligations per agreements with customers are satisfied. Management is of the opinion that its current agreements with customers are relatively straight forward and simplistic. Control of the coal, per IFRS 15, transfers to our customers when the coal is delivered to the customers. This is analogous to the principle of risks and rewards being transferred to the buyer, per the old IAS 18, hence there is no impact to the financial statements. To date the group has not experienced material delays in fulfilling its performance obligations and thus management considers the impact of IFRS on revenue recognition to be immaterial.

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## Unaudited Notes to the Consolidated Annual Financial Statements

### 3. Segmental reporting

All investments in associates and subsidiaries operate in one geographical location being South Africa, and are organised into three business units from which the Group's expenses are incurred and revenues are earned, being (1) for the exploration and development of coal, (2) mining and sale of coal and (3) corporate activities. The reporting on these investments to the Chief Operating Decision Makers, the Board of Directors, focuses on the key performance indicators that the Directors monitor on a regular basis which are:

- Run-of-Mine (ROM) tonnages, processing plant yields and sales tonnages
- Revenue per tonne
- Cash cost per run-of-mine tonne (ROMt)
- Gross margin in percentage and gross margin per sales tonne
- Management of liquid resources through regular analysis of working capital requirements, bank balances, stay in business capital requirements, cash flow forecasts, accounts receivable and accounts payable ageing metrics
- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- EBITDA percentage of revenue on a monthly and year to date basis

The non-current assets relating to the capitalisation expenditure associated with the coal projects are located in South Africa. All corporate expenditure, assets and liabilities relate to incidental operations carried out in the United Kingdom, Australia and South Africa.

For the year ended 30 June 2019	Mining and sale of coal: Kangala	Mining and sale of coal: NCC	Mining and Sale of Coal North Block Complex 01/11/2018 - 30/06/2019	Exploration and development of coal	Corporate (Unallocated)	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenue	143 451	186 784	103 567	989	(1)	434 790
Cost of sales	(112 040)	(135 915)	(66 836)	-	-	(314 791)
Cost of sales - depreciation	(16 998)	(8 128)	(579)	-	-	(25 705)
Cost of sales excluding depreciation	(95 042)	(127 787)	(66 257)	-	-	(289 086)
Gross profit	31 411	50 869	36 731	989	(1)	119 999
Operating expenses	(8 520)	(4 856)	(22 193)	(1 093)	(9 884)	(46 546)
Finance income	568	1 408	152	153	2 939	5 220
Finance expenses	(1 166)	(4 946)	(106)	(680)	1	(6 897)
Bargain purchase gain	-	-	20 687	-	-	20 687
Foreign exchange loss	-	-	-	-	123	123
Share of profit of associated undertaking	-	-	-	30	-	30
Profit / (loss) before taxation	22 293	42 475	35 271	(601)	(6 822)	92 616
Taxation	(5 763)	(10 458)	(3 787)	(235)	(1 983)	(22 226)
Profit / (loss) after taxation	16 530	32 017	31 484	(836)	(8 805)	70 390
Total non-current assets	17 222	89 937	78 866	83 301	10 145	279 471
Total capital expenditure	1 676	24 253	20 081	6 094	49	52 153
Total assets	44 499	126 297	110 493	81 559	18 213	381 061
Total liabilities	(30 383)	(62 137)	(78 402)	(9 225)	(5 127)	(185 274)

Revenue to the value of A\$ 342 225 902 and A\$ 92 507 515 was received from Eskom Holdings SOC Limited and Glencore Plc respectively.

All revenues were earned in South Africa.

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## Unaudited Notes to the Consolidated Annual Financial Statements

### 3. Segmental reporting (continued)

#### EBITDA Reconciliation

	2019 A\$'000	2018 A\$'000
Operating Profit	73 453	52 755
Add Back: Depreciation	25 957	18 934
Forex Effect on Depreciation	(373)	588
EBITDA	<u>99 037</u>	<u>72 277</u>
Profit on NBC acquired stock allocated to Bargain Purchase	9 435	-
Reversal of rehabilitation provision estimate	(10 325)	-
<b>EBITDA- NORMALISED</b>	<u><b>98 147</b></u>	<u><b>72 277</b></u>

For the year ended 30 June 2018	Mining and sale of coal: Kangala	Mining and sale of coal: NCC	Exploration and development of coal	Corporate (Unallocated)	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenue	148 653	167 697	-	-	316 350
Cost of sales	(112 858)	(123 026)	-	-	(235 884)
Cost of sales - depreciation	(11 922)	(6 398)	-	-	(18 320)
Cost of sales excluding depreciation	(100 936)	(116 628)	-	-	(217 564)
Gross profit	35 795	44 671	-	-	80 466
Operating expenses	(8 048)	(14 027)	(166)	(5 470)	(27 711)
Finance income	760	376	-	2 661	3 797
Foreign exchange loss	-	-	-	(70)	(70)
Finance expense	(2 373)	(4 570)	-	(552)	(7 495)
Share of profit of associated undertaking	-	187	-	-	187
Decrease in fair value of derivative financial liability	-	-	-	277	277
Profit / (loss) before taxation	26 134	26 637	(166)	(3 154)	49 451
Taxation	(7 027)	(5 580)	-	(872)	(13 479)
Profit / (loss) after taxation	19 107	21 057	(166)	(4 026)	35 972
Total non-current assets	31 341	85 749	45 475	17 073	179 638
Total capital expenditure	4 150	7 767	599	19	12 535
Total assets	54 061	133 975	45 518	31 039	264 593
Total liabilities	(41 634)	(60 081)	(147)	(24 798)	(126 660)

Revenue to the value of A\$ 222 852 000 and A\$ 92 854 000 was received from Eskom Holdings SOC Limited and Glencore Plc respectively.

All revenues were earned in South Africa.

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## Unaudited Notes to the Consolidated Annual Financial Statements

### 4. Business combinations

#### 4.1 North Block Complex ("NBC")

On 1 November 2018 North Block Complex (Pty) Ltd ("NBC") acquired all of the assets and assumed certain liabilities of North Block Complex Colliery from Exxaro Coal Mpumalang Proprietary Limited ("ECM") and Exxaro Coal (Pty) Ltd ("Exxaro Coal"). UCEHSA (an intermediary holding company) holds a 49% interest in NBC and a BEE partner, Ndalamo Resources (Pty) Ltd ("Ndalamo"), holds the balance of 51% of the equity of NBC. Management has performed a control assessment as required under IFRS 10 Consolidated Financial Statements and concluded that UCEHSA directs the relevant activities of NBC and by virtue of this has control over NBC.

#### Identifiable assets acquired and liabilities assumed -2019

	Book value	Fair value uplift	Fair value
	A\$'000	A\$'000	A\$'000
Property, plant and equipment	7 287	7 639	14 926
Mining resource	42 062	13 870	55 932
Environmental rehabilitation provision	(39 342)	(2 214)	(41 556)
Inventory consumables	242	-	242
Inventory coal stockpiles	-	9 435	9 435
Accruals	(850)	-	(850)
Provision for leave pay	(514)	-	(514)
Deferred tax liability	-	(8 043)	(8 043)
<b>Total fair value of identifiable net assets acquired</b>	<b>8 885</b>	<b>20 687</b>	<b>29 572</b>

#### Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Property, plant and equipment	Depreciated replacement cost: Depreciated replacement cost reflects adjustment for physical deterioration as well as functional and economic obsolescence.
Inventory	Fair value less cost to sell
Mining Resource	Market approach: comparable transaction methodology

The fair value of NBC's tangible assets (Property, plant and equipment) have been re-measured since the acquisition date and an amendment to the tangible assets has been accounted at the date of acquisition. The Company used an independent specialist to provide the fair value on a per asset basis. The revaluation amounted to the fair value uplift of asset of A\$7.6 million.

NBC's operations are subject to specific environmental regulations. The Group has conducted a detailed assessment of the environmental liability at the date of the acquisition. Since then the company has adjusted the time value and discount effect of the liability acquired and have applied a separate valuation to each operating area of the mine. This calculation method is consistent with the treatment of liabilities across the group. The underlying environmental assessment has remained unchanged but the reduction in the discount period has increased the liability on the day of acquisition to A\$41.5 million.

As part of the NBC Acquisition the company acquired all ROM and Finished product stockpiles on site on the 1<sup>st</sup> of November 2019. The Inventory did not form part of the original Sale and Purchase agreement and has therefore not been included in the Cost of acquisition on the day of acquisition. The inventory has been fair valued at A\$9.4 million which affects the bargain purchase.

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## Unaudited Notes to the Consolidated Annual Financial Statements

### 4. Business combinations (continued)

#### Consideration transferred

The following table summarises the acquisition date fair value of the consideration transferred and the Gain on acquisition:

	2019 A\$'000	2018 A\$'000
Cash	1 619	-
Deferred consideration	7 266	-
<b>Total consideration transferred</b>	<b>8 885</b>	<b>-</b>
Fair value of identifiable net assets	(29 572)	-
<b>Gain on acquisition realised</b>	<b>(20 687)</b>	<b>-</b>

The NBC assets and liabilities were acquired for a total consideration price of A\$8.885 million of which A\$1.6 million (originally a deposit guarantee provided) was released on the date of acquisition.

The remaining portion of the consideration price is payable at the later of:

- 30 June 2019
- The receipt of the DMR S11 approval of ownership consent for the Paardeplaats mining right

The Company is also expected to release Exxaro Coal of all the DMR rehabilitation guarantees relating to the NBC assets upon receipt of the S11 for Paardeplaats.

A gain of A\$20.687 million was recognised. This gain arises due to the unlock in value of the undeveloped Paardeplaats adjacent to the current NBC operations. The Universal Coal's streamlined and efficient business model will be implemented in the extraction of the value from this resource.

The Company has assumed the ownership of the Paardeplaats as at the effective date of the of the acquisition even though the company has not yet received the Department of Mineral Resources S11 transfer of ownership approval. The acquisition of the Paardeplaats project could not be separated from the current asset acquisition and has protection clauses in the Sale and Purchase agreement in the event that the S11 is not received by June 2020 (the current acquisition accounting would be reversed as a result of this). The Company is confident that the granting will be issued in due course.

#### 4.2 Manyeka Coal Mines (Pty) Ltd and Eloff Mining Company (Pty) Ltd

On the 3 August 2018 Universal Coal Development IV (Pty) Ltd (UCD IV) acquired 100% of the shares of Manyeka Coal Mines (Pty) Ltd (Manyeka) from Exxaro Coal Central (Pty) Ltd for A\$ 8.8 million (ZAR 90 million). Management has performed a control assessment as required under IFRS 10 Consolidated Financial Statements and concluded that Manyeka is a subsidiary of UCD IV by virtue of its shareholding.

Manyeka holds 51% of Eloff Mining Company (Pty) Ltd (Eloff Project). It is effectively a shelf company with its investment in Eloff Project being its only investment.

UCD IV held 29% of Eloff Project and accounted for its shareholding as an investment in an associate per IAS 28, on the Equity Method. UCD IV, via its purchase of Manyeka, thus held 80% of Eloff Project on the 3 August 2018.

Eloff Project does not meet the definition of a business per IFRS 3. As it is not accounted for as a business combination under IFRS 3, the assets and liabilities of Eloff Project acquired via the purchase of Manyeka were included in the group at cost, with the excess of the purchase price over the cost of the assets and liabilities acquired being allocated to the exploration asset in Eloff Project.

On the 23 September 2018, UCD IV acquired the remaining 20% of Eloff Project from South 32 SA Coal Holdings (Pty) Ltd for A\$ 3.6 million (ZAR 37 million). This took UCD IV's ultimate shareholding of Eloff Project to 100%.

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## Unaudited Notes to the Consolidated Annual Financial Statements

### 4. Business combinations (continued)

#### Identifiable assets acquired and liabilities of Eloff Project assumed via Manyeka acquisition - 2019

	Cost	Allocation of Excess Purchase price	Updated Cost
	A\$'000	A\$'000	A\$'000
Exploration asset	4 245	14 377	18 622
Investment property	1 264	-	1 264
Trade and other receivables	66	-	66
Deferred tax	54	-	54
Cash and cash equivalents	1 468	-	1 468
Trade and other payables	(35)	-	(35)
Current tax receivable	105	-	105
<b>Total fair value of identifiable net assets acquired</b>	<b>7 167</b>	<b>14 377</b>	<b>21 544</b>

The excess purchase price was allocated to the exploration asset only as this is the asset that will drive the future economic benefits of Eloff Project.

#### Excess purchase price allocated:

The following summarises the excess purchase price allocated to the exploration asset:

	2019 A\$'000	2018 A\$'000
Cost-UCD IV Investment in Manyeka (100%)	8 837	-
Carrying value of previously held equity interest in Eloff (29%)	8 397	-
Value of asset acquisition (80%)	17 234	-
Gross up of asset acquisition (100%)	21 543	-
Net Asset Value of Consolidated Manyeka	(7 166)	-
<b>Excess purchase price allocated</b>	<b>14 377</b>	<b>-</b>

### 5. Property, plant and equipment

Group	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Mine development	22 031	(10 893)	11 138	16 341	(7 367)	8 974
Mining infrastructure	21 887	(11 970)	9 917	15 520	(7 474)	8 046
Processing plant	74 491	(22 346)	52 145	53 459	(13 416)	40 043
Mine owners assets	17 422	(6 125)	11 297	15 033	(4 367)	10 666
Mineral properties	14 722	(4 142)	10 580	8 407	(2 667)	5 740
Development and production assets	33 964	(6 707)	27 257	22 856	(4 521)	18 335
Land rehabilitation asset	19 607	(4 186)	15 421	14 625	(2 388)	12 237
Furniture and fixtures	516	(117)	399	206	(55)	151
Computer equipment	881	(387)	494	447	(186)	261
Motor vehicles	3 880	(1 001)	2 879	2 057	(568)	1 489
Capital work in progress	4 309	-	4 309	1 400	-	1 400
Deferred stripping costs	9 061	(6 315)	2 746	8 820	(3 532)	5 288
<b>Total</b>	<b>222 771</b>	<b>(74 189)</b>	<b>148 582</b>	<b>159 171</b>	<b>(46 541)</b>	<b>112 630</b>



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### Unaudited Notes to the Consolidated Annual Financial Statements

#### 5. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Group - 2019

	Opening balance	Additions	Additions through business combinations	Transfers	Foreign exchange movements	Depreciation	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Mine development	8 974	4 115	1 065	-	309	(3 325)	11 138
Mining infrastructure	8 046	5 944	-	-	220	(4 293)	9 917
Processing plant	40 043	7 084	11 771	-	1 810	(8 563)	52 145
Mine owners assets	10 666	202	1 674	-	395	(1 640)	11 297
Mineral properties	5 740	6 085	-	-	157	(1 402)	10 580
Development and production assets	18 335	-	-	10 485	499	(2 062)	27 257
Land rehabilitation asset	12 237	4 586	-	-	331	(1 733)	15 421
Furniture and fixtures	151	200	209	-	34	(195)	399
Computer equipment	261	218	81	-	(5)	(61)	494
Motor vehicles	1 489	1 634	126	-	48	(418)	2 879
Capital work in progress	1 400	3 161	-	(290)	38	-	4 309
Deferred stripping costs	5 288	-	-	-	145	(2 687)	2 746
	<b>112 630</b>	<b>33 229</b>	<b>14 926</b>	<b>10 195</b>	<b>3 981</b>	<b>(26 379)</b>	<b>148 582</b>

##### Reconciliation of property, plant and equipment - Group - 2018

	Opening balance	Additions	Transfers	Foreign exchange movements	Depreciation	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Mine development	7 400	2	4 177	(119)	(2 486)	8 974
Mining infrastructure	8 272	2 269	-	(142)	(2 353)	8 046
Processing plant	41 911	5 429	-	(668)	(6 629)	40 043
Mine owners assets	12 772	-	-	(206)	(1 900)	10 666
Mineral properties	6 936	-	-	(113)	(1 083)	5 740
Development and production assets	20 672	-	-	(522)	(1 815)	18 335
Land rehabilitation asset	5 590	7 586	-	(90)	(849)	12 237
Furniture and fixtures	10	161	-	(1)	(19)	151
Computer equipment	81	261	-	(1)	(80)	261
Motor vehicles	768	1 073	-	(12)	(340)	1 489
Capital work in progress	4 136	1 508	(4 177)	(67)	-	1 400
Deferred stripping costs	6 601	-	-	(106)	(1 207)	5 288
	<b>115 149</b>	<b>18 289</b>	<b>-</b>	<b>(2 047)</b>	<b>(18 761)</b>	<b>112 630</b>

##### Pledged as security

On 31 July 2015 the group entered into new debt financing agreements with Investec Bank Limited (Investec), acting through its Corporate and Institutional Banking division.

Security over the debt facilities are standard for a facility of this nature, and involve first ranking security over assets, including bonds over movable and immovable property, mining and surface rights. A project completion guarantee for NCC has been provided from the parent Company; Universal Coal Plc which was released in December 2017 upon NCC reaching completion phase.

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### Unaudited Notes to the Consolidated Annual Financial Statements

#### 6. Intangible assets

Group	2019			2018			
	Project	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
		A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
<b>Exploration and evaluation assets (held by:)</b>							
Universal Coal Development I (Pty) Ltd	Kangala	1 071	-	1 071	1 041	-	1 041
Universal Coal Development II (Pty) Ltd	Berenice	33 922	(2 634)	31 288	33 039	(2 634)	30 405
Universal Coal Development III (Pty) Ltd	Ubuntu	-	-	-	10 394	-	10 394
Universal Coal Development IV (Pty) Ltd	Roodekop	-	-	-	-	-	-
Universal Coal Development V (Pty) Ltd	Cygnus	4 039	-	4 039	3 635	-	3 635
Eloff Mining Company (Pty) Ltd	Eloff	20 494	-	20 494	-	-	-
North Block Complex (Pty) Ltd	Paardeplaats	59 344	-	59 344	-	-	-
<b>Other Intangible Assets</b>							
Computer software		1 295	(720)	575	642	(568)	74
<b>Total</b>		<b>120 165</b>	<b>(3 354)</b>	<b>116 811</b>	<b>48 751</b>	<b>(3 202)</b>	<b>45 549</b>

#### Reconciliation of intangible assets - Group - 2019

Project	Opening balance	Additions	Foreign exchange movements	Transfers to property, plant and Equipment	Amortisation	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Universal Coal Development I (Pty) Ltd	1 041	-	30	-	-	1 071
Universal Coal Development II (Pty) Ltd	30 405	-	883	-	-	31 288
Universal Coal Development III (Pty) Ltd	10 394	-	91	(10 485)	-	-
Universal Coal Development IV (Pty) Ltd	-	-	-	-	-	-
Universal Coal Development V (Pty) Ltd	3 635	305	99	-	-	4 039
Eloff Mining Company (Pty) Ltd	-	20 494	-	-	-	20 494
North Block Complex (Pty) Ltd	-	55 932	3 412	-	-	59 344
Computer software	74	651	2	-	(152)	575
<b>Total</b>	<b>45 549</b>	<b>77 382</b>	<b>4 517</b>	<b>(10 485)</b>	<b>(152)</b>	<b>116 811</b>

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## Unaudited Notes to the Consolidated Annual Financial Statements

### 6. Intangible assets (continued)

#### Reconciliation of intangible assets - Group - 2018

Project	Opening balance	Additions	Foreign exchange movements	Other changes, movements	Amortisation	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Universal Coal Development I (Pty) Ltd	Kangala	909	147	(15)	-	1 041
Universal Coal Development II (Pty) Ltd	Berenice	30 858	40	(493)	-	30 405
Universal Coal Development III (Pty) Ltd	Ubuntu	10 170	389	(165)	-	10 394
Universal Coal Development V (Pty) Ltd	Cygnus	3 671	23	(59)	-	3 635
Computer software		195	55	(3)	(173)	74
<b>Total</b>		<b>45 803</b>	<b>654</b>	<b>(735)</b>	<b>-</b>	<b>45 549</b>

Group	
2019	2018
A\$ '000	A\$ '000
126 211	90 976
28 632	23 429
7 710	5 306
(1 205)	820
23 539	17 977
4 877	9 482
18 747	3 749
25 705	18 320
90 900	72 177
(10 325)	(6 352)
<b>314 791</b>	<b>235 884</b>

### 7. Cost of sales

#### Sale of goods

Mining costs	126 211	90 976
Processing costs	28 632	23 429
Materials handling	7 710	5 306
Inventory movement	(1 205)	820
Indirect costs	23 539	17 977
Royalties and commissions	4 877	9 482
Ancillary costs	18 747	3 749
Depreciation of mining assets	25 705	18 320
Distribution costs	90 900	72 177
Rehabilitation provision reversal	(10 325)	(6 352)
	<b>314 791</b>	<b>235 884</b>

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### Unaudited Notes to the Consolidated Annual Financial Statements

	Group	
	2019 A\$ '000	2018 A\$ '000
<b>8. Cash generated from / (utilised in) operations</b>		
Profit before taxation	92 616	49 451
<b>Adjustments for:</b>		
Depreciation and amortisation	26 531	18 934
Finance income	(5 220)	(3 797)
Finance expenses	6 897	7 495
Bargain purchase gain	(20 687)	-
Other exchange movements	(123)	-
(Decrease)/increase in fair value of derivative financial liability	-	(277)
Foreign exchange loss	-	70
Share of profit of associated undertaking	-	(187)
Rehabilitation provision reversal	(10 325)	(6 352)
<b>Changes in working capital:</b>		
Decrease / (increase) in inventories	7 959	1 408
(Increase) / decrease in trade and other receivables	(17 954)	(23 411)
Increase / (decrease) trade and other payables	11 207	20 832
	<b>90 901</b>	<b>64 166</b>